

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SUNDAY, JULY 5, 2015
AT THE HOUR OF 8:00 A.M.

CALL TO ORDER: The meeting was called to order by President O'Grady at 8:00 a.m.

ANNOUNCEMENTS: Manager Sharp stated that this meeting is being fed live over the internet and that the public can view this meeting by going to our web site, www.kmpud.com and following the appropriate link. If the public would like to make a comment they may send an email to msharp@kmpud.com and the Board will respond. Members of the Public should identify yourselves when making comments.

MEMBERS PRESENT: President O'Grady, Directors Ende, Epstein, Dornbrook and Richert.
STAFF PRESENT: General Manager Sharp, Jill Campbell (Assistant Manager, Administration), Brandi Benson (Electric/Propane Manager), Kelly McBride (Accounting).

OTHERS PRESENT: John Reiter (KCP), George Stahl (KPS), Casey Blann (Vail), Terry Woodrow (Alpine Co. Board of Supervisors), and Community Members Nancy Trevett, Carolyn Scott and Libby Culver.

MEMBERS ABSENT: None.

ORAL COMMUNICATION
/PUBLIC INPUT:

John Reiter introduced himself and advised the Board that he is replacing Peter Forsch from Kirkwood Capital Partners. John comes from Durango, CO with years of experience in real estate development, and will be splitting his time between Durango and Kirkwood.

Nancy Trevett requested more information on the tax administration charge from Amador County.

CORRECTIONS TO THE AGENDA

OR CONSENT CALENDAR: Manager Sharp stated that Staff would like to pull Item 1 from the Consent Agenda, Approval of Minutes of June 13, 2015, and Item 8.b.i. Q&D Retention, from the Regular Agenda.

President O'Grady requested to pull the Consent for Claims from the Consent Agenda as he had questions.

Director Richert motioned to approve the adoption of the Agenda and Consent Calendar with the modifications made. Director Ende seconded the motion and it carried by the following voice vote:

AYES: President O'Grady, Directors Epstein, Dornbrook, Richert and Ende.

NOES: None

ABSENT: None

ABSTAINING: None

CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION/ACTION:

President O'Grady requested clarification on three Consent for Claims items, which Staff explained.

President O'Grady motioned to approve the Consent for Claims of July 5, 2015. Director Epstein seconded the motion and it carried by the following voice vote:

AYES: President O'Grady, Directors Epstein, Dornbrook, Richert and Ende.

NOES: None

ABSENT: None

ABSTAINING: None

8.a. AGENDA ITEM: Discussion and Possible Action Regarding the District's Financials, Efforts to Reduce Expenses and Financial Impacts of the Continuing Drought on the District's Finances.

Assistant Manager Campbell presented the May Financials, June Forecast and Cash Flow and answered questions from the Board. Director Richert requested that Staff report back to the Board on the actual June Cash Variance from the Budget version.

8.a.iv. AGENDA ITEM: Revision of Kirkwood Mountain Resort Chair 1 Payment Plan.

Manager Sharp reported that the electric meter at Chair 1 was billed incorrectly from November 2012 through March 2015 due to an incorrect report the District received from Emerson Network Power. At the June 13, 2015 Board Meeting, the Board approved a repayment plan to Vail, which included crediting the Chair 1 billing statement by \$7,434.59 for twenty-nine months (the amount of time the meter was over-billed), for a total credit of \$215,603.11. Due to low usage months, this system could result in a long period before repayment.

Vail has requested that the District apply the credit to more accounts than just the Chair 1 account to recoup this completely over a 2-year period, or apply the credit to all Vail utilities over a period of one year. Neither of these proposals work well with the District's billing system or current cash flow. As the overbilling occurred only in Electric, it was agreed that it would not be appropriate to apply the credit against revenues in other departments. Staff recommended a third proposal. As of the June 2015 billing, the District has credited \$15,603.11 to the Chair 1 billing account, as approved at the June

Board Meeting. Leaving this credit amount on the account, staff will discontinue the monthly credits, leaving a \$200,000 remaining balance due which will be paid back to Vail in four equal payments of \$50,000 each, as follows: July 2015, December 2015, July 2016 and December 2016. This will allow Vail to recoup all costs within a two-year period. A discussion ensued.

Director Epstein motioned to approve the Chair 1 payment plan as presented by Staff. Director Ende seconded the motion and it carried by the following voice vote:

AYES: President O'Grady, Directors Epstein, Dornbrook, Richert and Ende.

NOES: None

ABSENT: None

ABSTAINING: None

8.a.v. AGENDA ITEM: Audit Update. Assistant Manager Campbell updated the Board on completion of the pre-audit during the end of June and plans for the Audit scheduled for mid-August.

10. COMMITTEE REPORTS:

Kirkwood Summer Festival. Manager Sharp gave the Board a recap of the Kirkwood Summer Festival and thanked the organizing committee and Kirkwood Mountain Resort for their support.

8.b. AGENDA ITEM: Discussion and Possible Action Regarding the Final Issues and On-Going Maintenance Associated with the Out Valley Power Line Project. Manager Sharp updated the Board on closing out the Out Valley project, including efforts to finalize the As-Builts, the final retention payments and final approvals.

8.b.ii. AGENDA ITEM: Fiber Line Repair Update. Manager Sharp reported on the repair plans for the fiber line, and that this work is now scheduled to occur on July 9-10 with District staff in attendance for observation and inspections.

8.b.iii. AGENDA ITEM: Q&D Proposal to Complete Repair of Section of Underground Cable on Hwy. 88 near Plasses Resort. Manager Sharp reported that due to continuing areas of water sheeting across Highway 88, Caltrans has come up with a cause and solution to the slurry damn problem and has requested up to nine additional breaks be installed along a 500-foot section of road. Based on the length of time it took Q&D to perform similar work in January, RCI anticipates two breaks being able to be completed per day, for a maximum of five days of construction. Review of the area and discussions with Caltrans indicate we may be able to reduce the number of breaks installed if,

during construction, RCI is able to confidently determine the extent of the groundwater migration. Both Caltrans and RCI propose to be onsite to assess the conditions and make a field determination of the extent of the work required. Based on the cost for previous work completed, the estimated construction cost per day is \$14,000-\$16,000 with an estimated maximum cost for five days of work approximately \$80,000. RCI is prepared to provide full-time onsite inspection and construction management services for a cost of \$3,300.

The worst case is an expense of \$83,300. Staff recommends approval of the full amount including RCI's fee, for a total of \$83,300. Staff is pursuing a claim against Caltrans regarding this issue. A discussion ensued.

President O'Grady motioned to approve Q&D's proposal to repair water migration across a 500-foot section of Hwy. 88 in addition to approving RCI's proposed fee, for a total cost of up to \$83,300. Staff will continue talks and potential litigation with Caltrans to recuperate these costs. Seconded by Director Epstein, the motion was carried by the following vote:

AYES: President O'Grady, Directors Epstein, Dornbrook, Richert and Ende.

NOES: None

ABSENT: None

ABSTAINING: None

8.b.iv. AGENDA ITEM: Maintenance Projects Planned for Out Valley Electric Line on USFS Property. The final Work Plan was submitted to the Forest Service on July 2nd with an estimated 30-day review and approval period. No Action taken at this time.

8.b.v. AGENDA ITEM: Results of 2014 Revegetation Efforts for Out Valley Line. Revegetation efforts in 2013 had good results, however, seeding and hydro-mulching performed in late September 2014 did not germinate as well. Staff is determining whether this is a warranty issue; if not the worst case is the District may need to react, rough up areas and reseed prior to the winter season. Soil Tech, the subcontractor who performed the revegetation, has been informed and will be meeting with the District shortly.

8.c. AGENDA ITEM: Continued Discussion and Possible Action Regarding the Current Out Valley Cost Estimate. Manager Sharp presented the current Out Valley cost estimate and reported there has been no change since the last forecast.

8.c.ii. AGENDA ITEM: RUS Powerhouse Depreciation Determination Update. The District received a determination letter from RUS on the lowering of the Powerhouse Depreciation. The District requested that a depreciation rate of 2.009% - 2.264% be applied to Other Production Plant assets. The proposed depreciation rates were determined by Exponential Engineering as shown in the "Report of Other Production Plant (Powerhouse) Depreciation Study as of 26 March 2014".

RUS has determined that they are willing to provide some accommodation by allowing the implementation of depreciation rates for Powerhouse assets that were specified in the District's Revised 2013-2022 Long Range Financial Forecast (LRFF). The Revised LRFF was approved by RUS on November 25, 2013 in support of the District's B8 Loan application. The Revised LRFF applies a depreciation rate for Powerhouse assets as follows:

- 7.000% from 2011 through 2014
- 4.667% for 2015
- 3.500% from 2015 to until assets are fully depreciated

The use of these new depreciation rates are effective from the beginning of the 2015 calendar year. Manager Sharp reported the budget is based on a reduction from 7% to 3.5%.

8.d. AGENDA ITEM: Discussion and Possible Action Relating to District's Efforts to Comply with PG&E's Transmission Interconnection Handbook.

8.d.i. AGENDA ITEM: Final System Impact Study for Switch Station Project. Manager Sharp reported that the Final System Impact Study has been received and comments incorporated. PG&E and Staff have discussed the possibility of not completing the Facilities Study and going straight to the Engineering Study. Due to concerns of having to redo work because of design changes, the District feels it important to complete a portion of the Environmental scoping with the Forest Service and have a preliminary design before proceeding with an Engineering Study. Environmental could be a letter to the file based on the existing EIR/EIS, a Negative Declaration, or an Impact Study. District Staff will continue to work with PG&E to determine the next steps.

8.d.ii. AGENDA ITEM: Update on Discussions with PG&E. Manager Sharp reported that the District has been working with PG&E on several issues, including a response to the District's request for information on the Sub-Station Cost of Ownership and a meeting to discuss the evaluation of risks and benefits of the Switch Station Project. A meeting has been set for July 27th in San Francisco with appropriate staff from PG&E and several District Board Members.

8.e. AGENDA ITEM: Discussion and Possible Action Related to District's Research and Efforts to Improve the Efficiencies and Minimize the Losses of Each Department as Measured in Performance Reporting.

Manager Benson reported on the Performance Reporting for each Department for the month of June 2015 and Fiscal Year End Totals. It was noted that this is Infiltration season so lower flows are expected in the next month. Manager Benson went through the different action items the District is concentrating on to improve the efficiencies of each department. A discussion ensued.

Director Epstein requested that Staff research the cost to purchase propane meters that register in gallons, measuring usage in lower increments.

Director O'Grady requested that Staff research installation of "sleds" in all manholes.

Director Ende requested that Staff report back with the District's goals for Performance Reporting to see measurable benefits, and create District Standards.

8.f. AGENDA ITEM:

Discussion and Possible Action Regarding Resolving Harmonics and Other Electric Distribution Power Quality Issues.

Manager Benson reported that the District has received the updated Power Quality report from Exponential Engineering which now includes the Power Quality data from all of the chairlifts. The report continues to show that the chairlifts exceed District Standards for Harmonics. A discussion ensued regarding working with Kirkwood Mountain Resort to resolve the issue. Director Ende questioned the cost/benefit of improving harmonics.

Director Richert suggested a policy be created for new construction to assure no Harmonics issue in the future.

Director Epstein asked that a timeline be set to improve and meet industry standards on existing equipment.

Staff was directed to review the report and come up with a recommendation and timeline to resolve the Harmonics issue.

8.g. AGENDA ITEM:

Discussion and Possible Action Regarding the Aquifer Levels and Treatment of Well #2 of the Community Water Supply.

Manager Sharp provided a chart showing aquifer levels and the amount of water pumped from each well during the month of June.

Staff continues to track aquifers closely. With the spring rains, Well #2 continues to be our main water producer.

Manager Sharp reported on the injection of Sodium Hydroxide into the water distribution system. pH rates have risen throughout the valley and dosage rates have been reduced to a maintenance level.

8.h. AGENDA ITEM

Discussion and Possible Action Regarding a Feasibility Study to Provide Electric and Water Services for a Snowmaking System at Timber Creek.

Vail approached the District on the possibility of using domestic water at Timber Creek for snowmaking. A possible source of the water would be from the hydrant located in the southeast corner of the Chair 9 parking lot to feed water from the Dangberg Tank.

Director Epstein requested Staff research changing or adding a tier to allow for snowmaking water to be charged at a lower rate than

domestic, possibly using the irrigation rate or something in between. Director O'Grady requested that Staff re-evaluate the \$4 per 100cf currently charged for irrigation water to ensure the charge accurately reflects the cost to produce.

It was the consensus of the Board to continue working with Vail to investigate if the District could supply water for snowmaking at Timber Creek this winter.

8.i. AGENDA ITEM:

Discussion and Possible Action Regarding Kirkwood Capital Partner's Proposed Parking Lot Adjacent to the Wastewater Treatment Plant and the Meadow, and Vail Resort's Proposed Parking Project on Kirkwood Meadows Drive.

Manager Sharp reported that there are two projects in the works:

1. Kirkwood Capital Partner's proposal to rezone the school site parcel north of the WWTP. Two documents have previously been forwarded to TC-TAC including a list of questions and concerns raised by the District. At the April 10th TC-TAC, KCP was asked to provide additional information including a vicinity map, better description, alternative analysis and justification. The proponent did not provide the requested information in time for the TC-TAC meeting scheduled on July 10.
2. Vail Resorts is proposing a parking plan along Kirkwood Meadows Drive. After some discussion, it was the consensus of the Board that this is not a project within the District's scope of services, other than any affect it may have on specific District facilities. The District will review the plans within this parameter and provide any comments to Vail.

8.j. AGENDA ITEM:

Discussion and Possible Action Regarding Clean Up and Beautification Needs in the Kirkwood Valley.

Manager Sharp reported that Kirkwood Capital Partners has not responded to the District's offer to provide assistance in cleaning up the old school site. The Board recommended Staff contact the new management at KCP to attempt resolution.

8.k. AGENDA ITEM:

Discussion and Possible Approval of General Manager Objectives for 2015-2016.

Board Members reviewed the Objectives and after making a few minor comments, the General Manager's Goals for 2015-2016 were approved as presented.

9. AGENDA ITEM:

General Manager Report

Manager Sharp reported on:

1. Bennett Engineering. Staff will meet with Orin Bennett and Matt Wheeler's replacement on July 14, 2015.
2. Volcano Fiber Project. Manager Sharp went over Volcano's installation of a fiber network in Kirkwood. A discussion ensued.
3. Verizon Cell Tower Project. This request to increase the height of the existing tower located at Volcano's office in Kirkwood is set for discussion at the July 10th TC-TAC meeting.

10. COMMITTEE REPORTS:

a. Personnel. Standish O'Grady

President O'Grady reported the following items were discussed during the Personnel Committee meeting held on July 3, 2015:

- CalPERS Audit Results
- On Call Policy
- Employee Assistance Program
- CalPERS Retirement System
- Social Security Administration. The District is currently paying into both programs (CalPERS & SSA). The Board directed Manager Sharp to add this topic to next month's Agenda to explain in detail and describe the process/timeline and impact to employees should the District decide to eliminate paying into Social Security.

11. GENERAL DISCUSSION:

Director Epstein suggested that Staff research installing electric charging stations in the Valley, along with an associated change in the rate structure to allow this to occur at a lower cost than the retail rate.

12. CLOSED SESSION:

President O'Grady called for a **Closed Session** for (1) public employee performance evaluation of all District staff positions pursuant to Government Code section 54957(b) and (2) conference with District designated labor negotiator Manager Sharp, regarding all staff positions who are the subject of the negotiations pursuant to Government Code section 54957.6(a)

13. OPEN SESSION

President O'Grady reconvened the Open Session and stated that the Board had met in Closed Session and moved to take the following action:

1. \$27,410 of additional compensation to be distributed to staff (other than the General Manager) in FY 2016 as the General Manager determines,
2. An increase in the General Manager's salary by 2% starting July 1st, 2015 and
3. A \$6,000 bonus for FY 2015 payable to the General Manager as soon as convenient.

14. ADJOURNMENT:

The meeting was adjourned at 11:56 a.m.



Peter Dornbrook, Secretary

*A complete audio recording of this meeting is available on the District's website www.kmpud.com