



Board of Directors  
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT  
P.O. Box 247, Kirkwood, CA 95646  
Telephone (209) 258-4444

**REGULAR BOARD MEETING MINUTES**  
**Saturday, November 14, 2015**

---

Robert Ende, Vice President  
Peter Dornbrook, Secretary

**BOARD MEMBERS**  
Standish O'Grady, President

Robert Epstein, Treasurer  
Eric Richert, Assistant Secretary

---

**1. CALL TO ORDER**

*President O'Grady*

President O'Grady called the regular meeting to order at 8:03am.

**2. ANNOUNCEMENTS**

*Manager Sharp*

Manager Michael Sharp stated that this meeting is being fed live over the internet and that the public can view this meeting by going to our website, [www.kmpud.com](http://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](mailto:msharp@kmpud.com) and the Board will respond. Director Epstein is participating remotely via teleconference; hence all voting must be done by Voice Vote. Members of the public should identify yourselves when making comments.

**3. ROLL CALL**

Board of Directors present: President O'Grady, Directors Dornbrook, Richert and Ende. Participating remotely via teleconference: Director Epstein.

Staff present: Manager Sharp, Rick Ansel, Brandi Benson, Kelly McBride and Sandy McKay.

Others present: George Stahl (Kirkwood Property Services), and community members Geoff Smith and Judy Flinn. Community member Jack Longinotti participated via teleconference at Director Epstein's location.

**4. COMMENTS FROM THE AUDIENCE**

None.

**5. CONSENT CALENDAR**

**Moved Richert / Second Ende / Richert Yes / O'Grady Yes / Ende Yes / Dornbrook Yes / Epstein Yes** to approve the Consent Calendar as presented.

**a. Regular Board Meeting Minutes: October 10, 2015**

Approved October 10, 2015 Minutes

**b. Pay Schedule**

Approved Pay Schedule to conform to the requirements of the Government Code and CCR as per CalPERS Audit results.

**c. Clerk of the Board**

Approved appointment of Sandy McKay to serve as Clerk of the Board.

**d. Consent for Claims**

Approved current Consent for Claims.

**e. Receivables / Shut Offs**

Reviewed current Receivables/Shut Offs report.

**6. CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION / ACTION**

None.

**7. ITEMS FOR BOARD ACTION**

- a. **Discussion and Possible Action Regarding the District's Financials.** *Manager Sharp and Accounting Manager McBride*

**Lead: Finance Committee**

Manager Sharp announced the District has now added Annotations to its Financials, in addition to converting to a fully digital Packet. All Committee and Board Packets are now pdf's where sections can be searched, highlighted or bookmarked.

Accounting Manager McBride presented the September Financials, October Forecast and Cash Water Fall, and answered questions from the Board. Staff will revise the presentation of the current month's preliminary financials.

- b. **Presentation and Discussion Regarding the Final Report of Independent Auditors and Financial Statements with Supplemental Information, Related Letter and Communication of Internal Control Related Matters.** *Manager Sharp and Accounting Manager McBride*

**Lead: Finance Committee**

Manager Sharp reported that Moss Adams presented the final results of the 2014-2015 Audit to the Finance Committee, and discussed deficiencies separately with Board Committee members only. Director Epstein noted overall it was a clean audit and is pleased with the results. One exception was new rules for reporting the District's Unfunded Retirement Liability, called GASB 68, which caused delays in the completion of the audit and added an expense of approximately \$2,500. Included in the packet is the Moss Adams presentation. The Auditors found one significant deficiency regarding PG&E's final bill for the Out Valley project of \$2.2M. This invoice has not been received; the Board was informed of this pending payment but the Auditors felt an estimate should have been booked in fiscal year 2015, which has now been done. The Audit contains several recommendations on the review process, and Capital Asset and Inventory Policies, which Staff are addressing. Manager Sharp credited Kelly McBride for her responsiveness to questions raised by Moss Adams.

An explanation of the new sections on the Balance Sheet relating to the District's Unfunded Pension Liability and Side Fund will be placed on a future agenda.

- c. **Discussion and Possible Action Regarding the District's Investigation to Complete a Rate Study for all Enterprise Services.** *Manager Sharp*

**Lead: Finance Committee**

Manager Sharp reported that in accordance with Regulation 610.01, the District collects usage data each year in order to establish Water and Wastewater base rates. Base rates for commercial accounts are determined by taking an account's average monthly water consumption over a three-year period and dividing it by the average annual water consumption for a single family dwelling, currently 640 gallons. This sum, multiplied by the single family base rate, equates to the commercial account base rate for Water and Wastewater. Annual review and adjustment keep the rates up-to-date based on usage changes; i.e. Red Cliffs Lodge, which no longer operates as a main kitchen, in addition to managing conservation efforts and changes in business volume. Conversely, Electric and Propane base rates are charged by the meter, so that large commercial users pay the same base rate as a residential unit.

Staff will continue to follow District policy on adjusting commercial base rates according to usage patterns. It should be noted that base rates are intended to cover a portion of the District's fixed expenses while Variable expenses are covered through usage charges. Director Richert questioned the fairness of everyone paying the same base rate, regardless of very little or large consumption.

Staff are focusing on three areas:

1. Calculating fixed expenses to set a potential level for base rates by enterprise fund (water, wastewater, electric and propane);

2. Working with Director Epstein to collect annual usage data and establish appropriate Equivalent Dwelling Units (EDU's) for all commercial accounts; and
  3. Updating knowledge of how other public utility districts establish base rates.
- Manager Sharp will continue to update the Finance Committee and Board on this topic.

**d. Discussion and Possible Action Regarding On-Going Maintenance Associated with the Out Valley Power Line Project. *Manager Sharp***

Manager Sharp reported that on October 26 the District granted PG&E a clearance (outage) on the Out Valley line while they performed routine maintenance and testing on their 115kV line. The Kirkwood valley was supplied electric power through the Powerhouse until October 28. The District took advantage of this clearance by testing several systems and performing work which would be unsafe to complete during live operations. The Powerhouse generator controls were updated and tested with the goal of ensuring a seamless transition between grid and generator power, and after uploading some updated programming, Staff are now able to remotely close the 34.5kV Breaker at KM Green. Under a future similar testing scenario, or when a confirmed fault has occurred on the PG&E 115kV line, it will not be necessary to drive to KM Green to close this Breaker. Staff also pumped water out of the remaining electrical vaults prior to the start of winter.

- i. RCI Update on Caltrans Claim Associated with Costs Incurred in Relation to the Underground Portion of the Out Valley Project. RCI has begun work on the Caltrans Claim. The Board previously approved filing a claim for a cost not to exceed \$5,300 for this \$377,000 claim related to the District having to realign the Out Valley Power Line into the roadway due to snow pole installation safety concerns.
- ii. Underground Revegetation Update. Recent inspections have shown the reseeding to be doing much better than earlier in the year. Monitoring will continue next summer to identify areas of concern, if any.

**e. General Update and Possible Action Regarding Meetings with PG&E and the Planning Phase of the Potential Switch Station Project. *Manager Sharp***

Manager Sharp reported that the District continues to pursue a discussion with PG&E on remaining issues with the Interconnection Agreement. The District's concerns are related to the Cost of Ownership charge for the Substation work done at Tiger Creek and Salt Springs, which was completed by PG&E on the District's behalf, and the costs and need for building a Switch Station including alternatives to its construction. The District has communicated these concerns and proposed alternatives to PG&E, who have confirmed receipt of our communication and are holding an internal meeting to determine direction. The District hopes to schedule a meeting with PG&E before the end of the year and reach consensus on this matter.

**7.e.a. Discussion and Possible Action on Refinancing USDA Rural Utility Services "B8" Loan Draw #8 (\$800,000, Maturity Date 1/2/2018), Draw #9 (\$800,000, Maturity Date 12/31/2018) and Draw #10 (\$800,000, Maturity Date 12/31/2019) to 30-Year Term Loans. *Manager Sharp***

**Lead: Finance Committee**

Manager Sharp reported that the Finance Committee has been working with financial adviser Randy Finken on debt management strategies. Randy completed a review of the District's debt structure and suggested refinancing several RUS loan draws to even out the future repayment schedule, as well as to take advantage of the current low interest rates. RUS loans can be refinanced at their maturity date without cost. Before maturity, the District would either need to pay the difference in the interest rate, or would receive a credit assuming current market rates are lower at the time of refinance. The 10- and 30-Year US Treasury Rates have fallen since 2010, making it a favorable time to consider maturity extensions.

Manager Sharp highlighted the draws with shorter term maturities, such as Draws 8, 9, and 10. With the decline in the interest rates the District would receive a small premium for refinancing Draws 8 and 9. If the loans cannot be paid off at their maturity, the District would need to refinance at that time at potentially higher rates. Should the Board elect to refinance now and Kirkwood has a more traditional snow year, excess cash could either be placed into an interest bearing account

to pay off a future loan, or refunded back to the customers in December of that year based on kWh consumption.

After some discussion, it was Staff's recommendation to complete an analysis of three projected interest rates with Randy Finken and Howard Barnes to determine the merits of refinancing Draws 8, 9 and possibly 10. Manager Sharp noted that RUS takes 10 days to process a refinance request, and a Federal Reserve meeting scheduled December 16 will consider a rate hike, so a request to RUS would need to be submitted by the end of this month.

**Moved Richert / Second Ende / Richert Yes / O'Grady Yes / Ende Yes / Dornbrook Yes / Epstein Yes** to refinance Draws 8 and 9, and possibly Draw 10 subject to the approval of President O'Grady and Treasurer Epstein based on results of an interest rate study.

- f. **Discussion and Possible Action Regarding Electric/Propane Usage and Meter Billing Issues at Several Locations** Including the Following: *Manager Sharp and Electric/Propane Manager Benson*
- i. Mountain Club
  - ii. Snowmaking Compressor
  - iii. The Meadows Homeowners Association
  - iv. Recreation Complex
  - v. Wastewater Treatment Plant
  - vi. Timber Creek Retail

**Lead: Operations/ Capital Committee**

Manager Sharp reported that the Operations/Capital Projects Committee has been leading the effort to have Staff test all commercial electric and propane meters for accuracy, after finding reporting errors at several locations, noted above. Staff have been directed to formulate a plan to check the accuracy and wiring of all commercial meters, in addition to checking the accuracy on residential meters within the next year. In addition, Staff will research back-charging the Recreation Center for previous usage billed at the irrigation rate, and Staff will continue to follow up on meter and billing issues as reported in accordance with District policy. District Staff also discovered that Mountain Utilities had installed a residential propane meter at the Timber Creek tents; after replacing the meter with the proper commercial size, gas flows have increased.

- g. **Presentation and Possible Action Regarding the Annual Review of the District's Electric Power Purchase Hedging Strategy and Possible Future Direction.** *Manager Sharp/ Electric/Propane Manager Benson*

**Lead: Finance Committee**

Electric/Propane Manager Benson reported that Staff have compared the District's costs to purchase power from Shell North America over the last ten months using a hedging strategy versus current market price. The District paid \$56,000 more during this 10-month period than if it had purchased the power using the Day Ahead Market (DAM), notwithstanding the benefits of a guaranteed rate. The price of natural gas has fallen significantly over the last several years to what it was ten years ago.

The Board directed Staff to continue to monitor costs and to work with the Finance Committee on electric power purchase hedging strategies.

- h. **Discussion and Possible Action Regarding the District's and Vail's Ongoing Efforts to Resolve Electric Harmonics Issues in the Kirkwood Valley.** *Manager Sharp and Electric/Propane Manager Benson*

**Lead: Operations/ Capital Committee**

Manager Sharp reported that he and Dave Rightley have met with Vail Resort's engineers to discuss ways and means to resolve the harmonics produced from the chairlifts that exceed District standards.

Staff will continue to work on a harmonics resolution plan with Vail Resorts, including the possibility of installing filters on Chairs 4, 5 and 11.

i. **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.** *Electric/Propane Manager Benson*

**Lead: Operations/ Capital Committee**

Electric/Propane Manager Benson provided an update on Performance Reporting for Electric, Propane, Water and Wastewater for the four-month period ending October 31, 2015, noting the numbers are better than expected versus last year. After reviewing the numbers, the Board directed Staff to:

1. Concentrate on electric system losses.
2. Estimate the Backside electric line losses and include in the Performance Report.
3. Obtain a proposal for a Propane Master Meter to the Board.

j. **Discussion and Possible Approval of Request by Alpine County Behavioral Health Services to Use the Community Services Building for Community Yoga Classes.** *Manager Sharp*

The District received a request from Alpine County to hold free Yoga classes at the Community Services Building. Currently there are staff members and homeowners who participate twice weekly on Tuesdays and Wednesday evenings at venues including Red Cliffs Lodge and Sun Meadows 3-4. Alpine County will provide a release of liability and make sure the room is properly reset when done. Staff recommends Board approval as this building is intended for community service use, and yoga provides a healthy option for those living in Kirkwood.

**Moved O'Grady / Second Richert / O'Grady Yes / Ende Yes / Richert Yes / Dornbrook Yes / Epstein Yes** to allow Alpine County use of the Community Services Building to conduct yoga classes subject to receipt of a release of liability, and provided the room is returned to its original set up.

k. **Discussion and Possible Approval of Resolution of the Board of Directors of the Kirkwood Meadows Public Utility District Honoring Director Robert Ende for Years of Distinguished Service to the Kirkwood Community.** *Manager Sharp*

Deferred to end of meeting.

l. **Discussion and Possible Approval of a Proposal to Replace the Boiler System at the Vehicle Maintenance Shop for a Cost Not to Exceed \$11,500.** *Assistant Manager, Operations Ansel*  
**Lead: Operations/ Capital Committee**

Assistant Manager Ansel reported the heating system has failed in the Vehicle Maintenance Shop. Since the building's completion in 2006, the primary source of heat has been supplied through a radiant floor heating system using propane for the heat exchanger/boiler system. It has been determined that the boiler component within the unit needs to be either meticulously cleaned (labor intensive), or replaced. Because of the significant expense to replace the boiler (estimates ranged from \$7,000 - \$17,000), Staff is recommending to perform the cleaning in-house to restore the hydronic system; in the meantime several electric heaters are being used in this 60x80 foot area.

m. **Presentation and Possible Action Regarding the 90-Day Review of the Revised Kirkwood Volunteer Fire Department's On-Call System and Review of Recommendations from Staff.** *Assistant Manager, Operations Ansel*

**Lead: Operations/ Capital Committee**

As previously recommended by the Personnel Committee and approved by the Board last July, the District revised the Fire Department's On-Call Policy due to low staffing levels, conditional upon a 90-day operational and financial update. Assistant Manager Ansel reported that the On Call System has been working well, training on-call Staff members from Electric, Propane and Water to support the fire department volunteers responding to fire calls. Two areas of concern have been noted: (1)

the increased responsibility for the On-Call Officer during a call, and (2) the increased payroll cost for using the District's on-call staff. With the added responsibility for the On-Call Officer, it is Staff's recommendation to increase the existing fire department On-Call pay by 50% per shift, from \$25.00 to \$37.50 effective November 1<sup>st</sup>. Regarding the increased payroll costs, Staff anticipates a financial impact of approximately \$3,500 to \$4,000 during the winter months and estimates an annual increase in payroll of \$8,000 to \$10,000. Staff will continue to research funding options including a method of charging visitors to the Valley, and will pursue a Cal Fire grant. Staff will continue to provide the Personnel Committee and Board with regular updates on fire department staffing levels and financial impacts of the new On-Call Policy.

**Moved Dornbrook / Second Richert / Dornbrook Yes / O'Grady Yes / Richert Yes / Ende Yes / Epstein Yes** to continue with the revised On-Call System at an estimated annual cost increase of \$8,000 to \$10,000.

#### Deferred Agenda Item 7.k:

**Discussion and Possible Approval of Resolution of the Board of Directors of the Kirkwood Meadows Public Utility District Honoring Director Robert Ende for Years of Distinguished Service to the Kirkwood Community.**

Director Ende has fulfilled a 4-year term serving as Board Member for Seat #1 at the District. President O'Grady read Resolution 15-07, acknowledging Bob Ende for his many years of public service to the District and Kirkwood community as a Board Member and Chairman of the Planning Committee, and detailing the accomplishments made during his tenure. District Staff and Board members wish him well in his future endeavors. Geoff Smith, currently a member of the Planning Committee, will be sworn in at the next Board meeting to fill Bob Ende's vacant seat.

**Moved Richert / Second Dornbrook / Richert Yes / O'Grady Yes / Dornbrook Yes / Epstein Yes / Ende Abstain** to approve Resolution 15-07 acknowledging Director Ende's contributions and years of service to the District and Kirkwood Community.

### 8. GENERAL MANAGER REPORT

- a. County Discussions. The Planning Committee has begun a dialogue with County Supervisors Terry Woodrow from Alpine and Lynn Morgan from Amador to address three areas of concern:
  - i. Specific Plan Mitigation Measures and how the District may be able to assist the Counties with monitoring requirements;
  - ii. Employee Housing and how the Community can come together to fix a broken system and revise the existing Ordinance as contained in the Specific Plan; and
  - iii. Request County assistance in identifying funding sources to help staff the Fire Department and allow for potential growth in the Valley.
- b. New Customer Packet. An informational/welcome packet has been developed by the Planning Committee as a means to introduce new customers to Kirkwood by providing them with information about the District, Resort and other services offered in Kirkwood and who's responsible for what, and a Valley map to help them get oriented. The packet has gone out to six new customers with positive feedback; all new customers are signing up for the on line services.
- c. Water/Wastewater. Well 4/5 Aquifer levels are doing well, above 170 feet above the pumps. The WWTP Equipment Layout issues are resolved, and the two problems noted in the packet have been repaired.
- d. Power Line to Chairs 2, 3 and 4. Last month a Vail Resort's grading crew uncovered a major power line below Chair 11. District Staff were called in and upon inspection found it to be the line feeding Chairs 2, 3 and 4. Staff marked it out and located the vault where it terminates; in the event of a problem on the Backside, Staff will be able to quickly isolate it. Estimated to be in place since the early 1980's, the District did not acquire this line as part of its asset purchase agreement with

Mountain Utilities, but does own the associated transformers and other equipment. Staff will be working with Vail Resorts to mark out additional sections of this old underground line, eventually leading all the way to Chair 4. Part of this accounts for the losses in the distribution system as outlined in Performance Reporting each month.

- e. Holiday Party. The District's annual holiday party is set for Friday, December 11<sup>th</sup> after the next Board Meeting.

**9. STANDING COMMITTEE REPORTS**

- a. Finance. Chairman Epstein stated everything has previously been addressed including results of the audit and any possible changes in debt structure.
- b. Planning. Chairman Ende reported the Committee is re-energizing its efforts to obtain a grant for an additional water tank; cross-checking historical, current and proposed parking numbers; engaging County supervisors with concerns previously described herein; and conducted an annual review of the Committee's Charter. The next meeting of this Committee is scheduled in January.
- c. Operations/Capital. Chairman Dornbrook stated he had nothing to add at this time; the next meeting of the Committee is scheduled in January.
- d. Personnel. Chairman O'Grady reported there was no meeting in November.

President O'Grady noted that annual reviews of the Finance, Operations and Personnel Committee Charters are due and requested this be an agenda item on each of the Committee meetings in January. Director Richert noted that reviews of Committee Charters should address not only achievements but also whether participation within the Committee is engaging to its members.

**10. GENERAL DISCUSSION** Opportunity for Board Members to Ask Questions for Clarification, Provide Information to Staff, Committee Updates, Request Staff to Report Back on a Matter, or to Direct Staff to Place a Matter on a Subsequent Agenda.

Manager Sharp read an email received from a community member asking what procedures are in place in the event of an emergency evacuation in Kirkwood. Manager Sharp responded that there is a contingency plan in place. Director Richert recommended the Operations/Capital Committee address this subject and review communications and involvement with various agencies, along with direct contact with the District's customers.

**11. ADJOURNMENT** (The next Special Board Meeting is Friday, December 11, 2015 at 1:00 p.m.)  
There being no further business, the meeting was adjourned at 10:19 am.



Peter Dornbrook, Board Secretary  
Kirkwood Meadows Public Utility District