

**MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
SIERRA LAKES COUNTY WATER DISTRICT**

November 18, 2011

Time: 5:00 p.m.

Place: 7305 Short Road, Serene Lakes, California

I. Open Meeting

Roll Call by Anna Nickerson established that:

Directors in attendance at the Sierra Lakes Board Room were:

Director Wade Freedle - President
Director Ulrich Luscher - Vice President
Director Thomas Burns - Secretary
Director Bill Oudegeest

Director Martin D. Bern joined the meeting at 5:10 p.m., by telephone, from the San Francisco Airport.

Staff members present: Bill Quesnel, Operations Manager
 Anna Nickerson, Financial Consultant

Guests present were: By telephone after Director Bern joined the meeting:
 Kristin Lowell, Assessment District Engineer

In attendance at the Sierra Lakes Board Room were:
Cheryl LeBel, Serene Lakes Resident
Fran Freedle, Serene Lakes Resident

Minute Recorder: Anna Nickerson

II. Public Forum: There were no public comments.

III. Consent Items Calendar:

A. The consent items calendar was presented to the Board for review and approval. The consent items consisted of the October 14, 2011 Meeting minutes and the October 2011 Check Register.

A motion was made by Director Luscher and seconded by Director Oudegeest to “approve the Consent Items Calendar.” The motion passed on a roll call vote: Ayes: Directors Freedle, Luscher, Oudegeest and Burns. Noes: None. Abstentions: None. Absent: Director Bern.

IV. Operations Report:

A. Bill Quesnel’s operations report was presented to the Board for review. Director

Oudegeest commented on the fact that even without the CalTrans rest areas contributing to the wastewater treatment plant flows Sierra Lakes was still contributing less than 44% of the flows. Director Freedle said Sierra Lakes received a \$96,000 credit for wastewater treatment fees for the 2009/2010 Fiscal Year; the credit was calculated partially on actual flows through the plant. Mr. Quesnel said Sierra Lake's average flow runs around 40% but over the July 4th holiday, Sierra Lakes' daily flow nears the 44% mark. He also said a new cost allocation would be established once the new plant was complete.

V. Old Business

A. Director Freedle touched on the highlights of his Presidents Report. He commented on information received from Tom Skjelstad, Donner Summit PUD's (DSPUD) General Manager. Mr. Skjelstad said DSPUD received the 30-year lease from the Forest Service but was still waiting for the plant expansion approval. Mr. Quesnel clarified that there were two documents. One was the Use Permit that would allow the plant to be located on USFS property and the other was the NEPA analysis of the potential environmental impacts from the plant improvement project. DSPUD received the approved Use Permit, which included the 30-year lease, and expected to receive the NEPA analysis soon since it had been sent to the Tahoe National Forest Supervisor's office, in Nevada City, for final review and approval.

After Director Bern had called in, the Board next agreed to discuss the following items:

C. Assessment District Status:

1. Kristin Lowell, the District's Assessment District Engineer, summarized the status of the Assessment District formation and explained what steps remained to complete the process. She said the Board had been presented with the Engineers Report, which described the purpose of the Assessment District, described the project to be funded, the cost to be assigned to each developed and undeveloped lot and the methodology used to calculate the assessments. She also said the document would provide a basis for someone who wanted to challenge the Assessment District. She explained that the cost of the project had two components, an upgrade component and an expansion component. The upgrade component would be allocated to all properties, both developed and undeveloped, and the expansion portion would be allocated to only the undeveloped lots. After some discussion and a comparison to the 2012 tax roll, it was determined that some of the properties had incorrect owner names. It was determined that Assessment numbers 109, 127, 393, 424, 499, 697 and 1024 had the incorrect owner names; all erroneously reflected Sierra Lakes County Water District (SLCWD) as the owner. Ms. Lowell said she would go through all of the properties identified as Sierra Lakes County Water District property and make necessary corrections before the ballots were sent out.

Ms Lowell then explained there would be three additional fees charged on the assessment. They were:

- Placer County's fee to put the assessment on the tax roll and to collect the payments
- SLCWD's administration fee of up to 2% for administering the Assessment District and
- A required debt service obligation of 10%. The reserve would be collected over the first

few years of the loan and any unused reserve would reduce the annual payments at the end of the loan.

She further explained that the District would submit an annual assessment amount to Placer County, which would include the required additional fees. Director Oudegeest clarified that if a homeowner chose to pay the total assessment upfront, that homeowner would not pay the additional fees or the cost of financing. In response to Director Oudegeest's statement that the assessment amounts in the Engineer's report were not the final amounts since an agreement had not been reached with DSPUD, Ms. Lowell said the amounts being sent out on the ballots were the maximum amounts that the District would be able to assess each property owner. She also said the amount of the assessment could be lowered any time before the lien was levied against the property. She further clarified that the assessment would only cover the anticipated \$9,000,000 loan from USDA and would not include any of the \$8,000,000 Bank of the West Line of Credit.

2. Resolution 2011-804: A Resolution Preliminarily Approving Engineer's Report and Calling a Public Hearing:

Resolution 2011-804 was presented to the Board for approval. The resolution would preliminarily approve the Engineer's report, call for a public hearing and approve the mailing of the ballots. Ms. Lowell said the final approval of the Engineer's report would be made in January 2012 at the public hearing. Jim Curtis, District Counsel, asked that the Notice of Public Hearing be changed to read \$9,574,174, instead of \$9,000,000, to conform to the amount shown in the Engineer's report. Director Luscher verified that the approval of the resolution would approve the form of the ballot and that the earlier name corrections would be made to the final ballots. Mr. Curtis added that Items C and E in the Engineer's report would also need to be corrected to reflect the earlier name corrections for the seven properties that were erroneously listed as SLCWD.

A motion was made by Director Luscher and seconded by Director Oudegeest to "approve Resolution 2011-804 as amended by Jim Curtis' recommendations". The motion passed on a roll call vote: Ayes: Directors Freedle, Luscher, Oudegeest, Burns and Bern. Noes: None. Abstentions: None. Absent: None.

Ms. Lowell said she would cross reference the data base she received from Placer County with the hard copy of the 2012 Tax Roll that Anna Nickerson received from Placer County earlier in the year. The ballots would be corrected and resent to Ms. Nickerson at the District office. The ballots were to be mailed no later than Wednesday November 30, 2011. Ms. Lowell would also provide an updated Assessment Roll so the District would have the most accurate information.

E. Water Rights Permit Update:

1. Director Freedle reported that there were no comments from any of the State departments or the public in regard to the District's Initial Study/Negative Declaration (IS/ND) submitted in support of the pending Water Rights Permit for extension of time and petition for change.

2. **Resolution 2011-805** "Approving the Initial Study & Negative Declaration

Pertaining to the District's Petition to the State Water Resources Control Board for Extension of Time and Change in Water Right Permit 14248" was presented to the Board for review and approval. Per Jim Curtis, upon approval of the Resolution, the IS/ND would be sent back to the Water Board for acceptance. In addition, a "Notice of Determination", a form required by law, would be posted in the County Clerk's office and a copy sent to the State Office of Planning and Research. The posting of the "Notice of Determination" would begin the 30-day period in which a lawsuit could be filed. Mr. Curtis said that a lawsuit would be unlikely in view of the absence of any comments.

A motion was made by Director Luscher and seconded by Director Burns to "approve Resolution 2011-805." The motion passed on a roll call vote: Ayes: Directors Freedle, Luscher, Oudegeest, Burns and Bern. Noes: None. Abstentions: None. Absent: None.

D. Wastewater Treatment Plant Project

1. The Board was provided a copy of the "US Department of Agriculture Forest Service: Special Use Permit". Director Freedle said the significance of the document was that it provided a 30-year use permit that would allow both DSPUD and Sierra Lakes to obtain 30-year financing for the Wastewater Treatment Plant Project.

2. The Board was presented with a copy of a letter, dated 10/21/11, from Downey Brand Attorneys LLP regarding "Enforcement Consequences for Non-Compliance with Discharge Limitation by Donner Summit Public Utilities District" for review. Director Freedle said the letter described what might happen if the wastewater treatment plant upgrades were not completed by the April 2014 deadline. The letter described different types of potential fines based on the noncompliance. Director Freedle said he requested the letter to provide the District with information about the potential liability for fines if the plant was not completed on time. Director Oudegeest expressed his opinion that the letter was not necessary and should not have been requested at that time. Director Luscher felt the Board should have been consulted before the letter was requested.

3. The Board was presented with a memo from Director Freedle regarding the 10/21/11 Downey Brand letter. The memo was not discussed.

4. The Board was presented with a revised "Memorandum of Understanding" (MOU) with DSPUD. Director Burns asked if the MOU provided protection to SLCWD if the funds were not properly used. Mr. Curtis said the revised MOU provided that control of the funds would remain with SLCWD. Funds would only be disbursed upon presentation of invoices from Stantec for the Final Engineering/Design work.

A motion was made by Director Ulrich and seconded by Director Oudegeest to "accept the Memorandum of Understanding between DSPUD and SLCWD to advance funds to DSPUD for the final design of the Wastewater Treatment Plant." The motion passed on a roll call vote: Directors Freedle, Luscher, Oudegeest, Burns and Bern. Noes: None. Abstentions: None. Absent: None.

5. Director Freedle reported that the Joint Wastewater Facilities Committee was still in the process of coming up with a tentative agreement on the allocation of capacity and costs for the wastewater treatment plant project. He said that DSPUD's attorney had sent a letter stating their position and that Mr. Curtis would be drafting a reply. Director Oudegeest asked what alternatives were available to resolve the dispute. Mr. Curtis said the Interim Service Agreement provided for mediation in the event that an agreement could not be reached prior to taking the matter to court. Mr. Curtis said DSPUD and Sierra Lakes disagree on the treatment of DSPUD's 102 "reserved" EDUs; DSPUD wants to treat the 102 EDUs as "existing connections" and Sierra Lakes considers them "new connections". Mr. Curtis said the Interim Service Agreement between DSPUD and Sierra Lakes clearly defines capacity as the "flow through the plant" while meeting permit requirements. Currently the plant was not meeting permit requirements and therefore there was no capacity to support the additional 102 "reserved" EDUs. With the absence of capacity to handle the 102 "reserved" EDUs, the plant needed to be expanded to support those "reserved" EDUs. This was the basis for Sierra Lakes' position that the 102 "reserved" EDUs be treated as new connections and the project costs allocated appropriately. Director Oudegeest asked how the disagreement would affect the completion of the project. Mr. Curtis said the District had two options. Sierra Lakes could pay more than what they thought was their fair share and litigate later, or inform DSPUD that Sierra Lakes would only pay what they calculate as their fair share and let DSPUD litigate. Mr. Curtis said that he would send DSPUD's attorney a letter explaining Sierra Lakes' interpretation of the Interim Service Agreement. Director Freedle said the disagreement would not affect the project's schedule. He also said it would not affect the Assessment District because the Assessment District was limited to the amount of funding to be provided by the USDA loan.

F. The Board was presented with a proposed \$2,700 amendment to the Stevens Consulting Contract. The additional fees were the result of additional work needed to complete the Initial Study/Negative Declaration.

A motion was made by Director Luscher and seconded by Director Oudegeest to "approve the \$2,700 change order". The motion passed on a roll call vote: Directors Freedle, Luscher, Oudegeest, Burns and Bern. Noes: None. Abstentions: None. Absent: None.

VI. New Business

Prior to Director Bern leaving the meeting:

A. The Board reviewed Robert Johnson CPA's Audit Contract renewal. Robert Johnson CPA's proposed renewal was for three years with a \$250.00 increase per year.

A motion was made by Director Luscher and seconded by Director Oudegeest to "approve Robert Johnson CPA's three-year contract renewal". The motion passed on a roll call vote: Directors Freedle, Luscher, Oudegeest, Burns and Bern. Noes: None. Abstentions: None. Absent: None.

B. The Board was presented with Draft Resolution 2011-803 – "A Resolution of the Board of Directors of the Sierra Lakes County Water District Establishing Appropriations

Limitation”.

A motion was made by Director Luscher and seconded by Director Oudegeest to “approve Resolution 2011-803 establishing the appropriations limitation”. The motion passed on a roll call vote: Directors Freedle, Luscher, Oudegeest, Burns and Bern. Noes: None. Abstentions: None. Absent: None

Director Bern ended his meeting participation at this time. After a break, the Board discussed the remaining agenda items.

V. Old Business:

B. The Board discussed Director Freedle’s memo regarding the plant visit of Doug Colucci, the USDA Loan representative. Included in the packet was a list of questions that Director Freedle had prepared to ask Mr. Colucci. Director Freedle said that funding was pending an appropriation from Congress. Mr. Colucci indicated that the District was fairly secure on the priority list, and that he would be talking to the SRF loan representative for DSPUD regarding their loan qualification status.

G. The Board discussed Director Freedle’s 11/16/11 memo regarding “Proposed Changes to PERS Retirement Contract”. Director Freedle said with more agencies terminating their CalPERS contracts both employer contribution rates and the exit costs to get out of CalPERS were increasing greatly.

VI. New Business

C. There was no Board interest in considering ACWA’s Notice regarding Procedures for Upcoming Elections of ACWA Officer at Fall Conference.

VII. Administration

A. The Board reviewed the list of follow-up items from the October 14, 2011, Regular Meeting. Director Luscher said he had talked to the District’s JPIA representative regarding employee benefits and was referred to CalPERS for more information. He did not speak with anyone at CalPERS due to the excessive hold times due to their system upgrades that had just been implemented. Director Freedle reported that the work charged at \$170/hour by Downey Brand for clerical work was performed by a paralegal.

B. The Board reviewed the October 2011 Action Items list. No changes were noted.

VIII. Finance

A. Disbursements for Board Approval were presented to the Board. Mr. Quesnel explained that the contractor billings were final bills, the notices of completion were published and retention would be held until the notices of complete had been published for 30 days.

A motion was made by Director Luscher and seconded by Director Burns “to approve payment of the disbursements presented for Board approval.” The motion passed on a roll call vote. Ayes: Directors Freedle, Luscher, Oudegeest and Burns. Noes: None. Abstentions: None. Absent: Director Bern.

B. The Board reviewed the following Financial Reports for the month ending October 31, 2011.

1. Operating Expenses Budget vs Actual (Month and Year-to-Date)
2. Capital Expenses Budget vs Actual (Year-to-Date)
3. Cash Flow Forecast – One Year
4. Cash Flow Forecast – Five Year

Director Luscher asked how much had been advanced to DSPUD for final WWTP engineering/design. A summary of DSPUDs receivable balance for advanced funds would be added to the list of reports.

Before the Board adjourned to closed session, Mrs. LeBel said she had received a call from someone at the Attorney General’s office asking questions about the hundreds of thousands of dollars that had been spent for closed session discussions regarding eminent domain of the lake bottom and the participation of those members that were not able to vote on the issue as provided by the Fair Political Practices law. Director Oudegeest said that Gene Bowles, past Director, had brought up the fact that he and Director Oudegeest could not participate in the discussion or vote regarding eminent domain because of the location of their properties within 500 feet of the lake. He also said he had removed himself from the table while the remaining Board members discussed the issue. Mrs. LeBel then asked when the public would have input in the decision to acquire the lake bottom. Mr. Curtis said the public would have input at the point that there was a contract for acquisition.

IX. Closed Session

A motion was made by Director Luscher and seconded by Director Burns “to move the meeting into closed session at 7:30pm.” The motion passed on a unanimous vote. Absent from the meeting was Director Bern

A motion was made by Director Luscher and seconded by Director Burns “to move the meeting back into open session at 7:55pm.” The motion passed on a unanimous vote. Absent from the meeting were Directors Bern and Oudegeest

Director Freedle reported that no action was taken.

X. Adjournment

A motion was made by Director Burns and seconded by Director Luscher “to adjourn the meeting at 7:55pm.” The motion passed on a unanimous vote. Absent from the meeting were Directors Bern and Oudegeest

The next regular meeting, scheduled for December 9, 2011 at 5:00 pm.

Financial Consultant

APPROVED BY:

President