

**MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
SIERRA LAKES COUNTY WATER DISTRICT
January 8, 2010**

Time: 5:30 p.m.

Place: 7305 Short Road, Serene Lakes, California

I. Roll Call:

Directors in attendance at the Sierra Lakes Board Room were:

Director Wade Freedle - President
Director Gene Bowles
Director Ulrich Luscher
Director Bill Oudegeest.

Director Martin Bern was absent

Staff members present: Mr. Bill Quesnel and Mrs. Anna Nickerson

Guests present were: See attached Guest List – Exhibit #1

Minute Recorder: Mrs. Anna Nickerson

II. Public Forum There were no public comments.

III. Consent Items Calendar

The Consent Items Calendar was presented to the Board for review and approval. The consent items included the December 11, 2009 Meeting Minutes and the December 2009 Check Register.

A motion was made by Director Oudegeest and seconded by Director Luscher to “accept the consent items calendar.” The motion passed on a unanimous vote.

IV. Operations

Mr. Quesnel’s “Operations Report” was presented to the Board for review. Mr. Quesnel added to his report by telling the Board that Jerry Dahlen recently passed his “Grade II Water Distribution and Treatment” exams and that now all District M&O employees were a Grade II or higher in both “Water Treatment” and “Water Distribution”. He also said that two employees were working on their “Water

Collection Certificates”, which need to be completed by July 2010, while the other two had already earned theirs. Mr. Quesnel continued saying that subsequent to his Operations Report another broken interior line was discovered, maybe two, which he felt explained some of the discrepancy between water and sewer flows. Finally, Mr. Quesnel reported that the results of his recent ice coring showed that the ice was uniformly two feet thick, with just a few inches of snow overlying the ice, and no water was running over the dam.

Director Oudegeest asked if a copy of ECO:LOGIC’s “Draft Facilities Plan” could be forwarded to him when received in mid January. Both Mr. Quesnel and Director Freedle explained that the initial draft would be an “Administrative Draft”, which would not be appropriate for public release, but that Director Oudegeest and the rest of the Board would have an opportunity to review and vote on the final draft prior to its acceptance at a Joint Committee Meeting.

Director Bowles commented on the water/sewer flow data stating that he “found it very interesting.” Mr. Quesnel responded stating that there was about 30 gal/min of cumulative leakage someplace and that staff was working on identifying the leaks. In response to questions about how to test for leaks Mr. Quesnel explained some of the difficulties with testing the lines to and from the hill tank and said that for now staff would continue testing the easier cross-country lines. Director Bowles said, with the amount of data now available, he would analyze the information as to the amount of flows due to leakage, average I&I, and landscaping irrigation in the summer. He would let Mr. Quesnel know what he found.

Mr. Quesnel commented on “Donner Summit Public Utility District Waste Water Flow Data”. Specifically, he noted that in the month of November 2009, Sierra Lakes’ percentage was down to about 28%. It was discussed that the increase on the Donner side may have something to do with the ski resorts and increased traffic through the Donner Summit rest area.

Finally, Director Luscher asked about the expected cost of the proposed paving/sealing. Mr. Quesnel explained that he was in the process of determining which would be more cost effective; sealing the whole road vs. sealing both side of the linear patches.

V. Old Business

A. Although a written “President’s Report” was not presented, Director Freedle gave a verbal report. He reported that Craig Stevens, one of the District’s water permit consultants, said that the Mitigated Negative Declaration would need an “on the ground survey for cultural and biological resources”. Director Freedle was not informed of this need until about a week before the first significant snowfall hit the area, making the surveys impossible until after the snow melts in May or

June. According to what Director Freedle was told, these surveys might be required on all un-built lots before a connection permit could be issued. The consensus of the Board was to proceed with the Mitigated Negative Declaration without new cultural and biological surveys, and that Director Freedle would relay the Board's consensus to the appropriate parties. A member of the public, Tom Burns, suggested that the wording be "as already approved in the original development plans for the Serene Lakes Development", supporting the Board's consensus that no new surveys would be done at this time. Mr. Quesnel was asked for his opinion. He said he thought CEQA rules were that reports had to be within a five-year period to be considered adequate support; the available reports were written more than five years ago. It was decided that the letter would be written and the Board would review any response.

Director Freedle then reported on possible financing methods for the upcoming facilities upgrade/expansion as provided under Proposition 218. The District's Attorney, Jim Curtis, would provide the District with information regarding the administrative steps necessary to implement a "Benefit Assessment" to all property owners including un-built lot owners. In addition, on January 19, 2010, ECO:LOGIC's Financing Officer will be at Donner Summit PUD's Board Meeting to give a report on possible funding options. Both Director Freedle and Mr. Quesnel will be attending the meeting.

B. Director Freedle presented a report on the "Wastewater Treatment Plant Upgrade".

1. AccuWeb Status – December 10, 2009 Letter from Jeff Hauser re: DSPUD Facilities Plan Work in Late November and Early December, 2009

Director Freedle said that Brentwood, the AccuWeb contactor, would not be considered as a bidder for the upcoming wastewater plant upgrade/ expansion. He then asked if there were any comments regarding ECO:LOGIC's update. Director Bowles commented that the "Membrane Bioreactor (MBR)" option was still included in the report and wanted to remind everyone that the District's consultant, Waterworks, had said that the MBR system was more sensitive to flow variations than other processes; which was a major problem for this area. Mr. Quesnel stated that Waterworks would be included in the review of the final "Draft Facilities Plan".

2. DSPUD Plant Expansion/Upgrade:
 - a. December 11, 2009 Letter from Tom Skjelstad re: Corrective Action Plan & Treatment Feasibility Study Work Plan for Aluminum Submittal.

Director Freedle asked for comments regarding aluminum testing.

He reported that District staff member, Jeff Stansky, had done some minimal testing at both Districts and Mr. Quesnel added that these tests established that Sierra Lakes was not contributing to excessive aluminum levels.

- b. Status of Connections Study; Sierra and Donner
 - 1. January 5, 2010 Memorandum re: Plant Expansion/ Upgrade Connection Cost Forecast
 - 2. December 30, 2009 Draft Article from Luscher for SLCWD Website or Newsletter re: DSPUD Wastewater Treatment Plant Upgrade/Expansion
 - 3. January 4, 2010 Draft Article from Luscher for SLCWD Website or Newsletter re: Number of Additional Sewer Connections to Request
 - 4. District Property Management Guideline for Forest Health and Fire Safety

Director Freedle reported that a review of the District's records revealed that plant and equipment ledgers didn't balance to the financial statements until the year 2001. He felt, however, that available information supported that the cost of connection to un-built lot owner would include three cost components: buy-in to the existing facilities at Sierra Lakes and Donner, capacity expansion at Donner, and upgrade of the current treatment process at Donner. Established lots would be allocated a cost component for the upgrade of the current treatment process at Donner.

Director Freedle continued the discussion regarding the treatment plant upgrade/expansion. He explained that the current plant was a modular plant that would allow the addition of modules to increase plant capacity. The original plant was installed in the 1970's and an additional module was added in the early 80's; increasing the plant's capacity to its current level. With the installation of a third module, plant capacity could be increased to sufficiently support the additional 600 connections needed to build out both Districts. However, since processing specifications were recently tightened significantly, the current plant had to be greatly modified or replaced.

The Board then discussed how un-built lot owners had contributed to the cost of the Sierra Lakes infrastructure, through bond payments and standby fees. Director Freedle stated that records showed bond payments and standby fees did not help pay for the current wastewater plant, they were used to pay for the current infrastructure; 80% of the current treatment plant was funded by grants. Also, Directors Bowles and Luscher said they thought un-built lot owners had not shared in the cost of the last upgrades to the wastewater or water treatment plants either. The information would

need to be verified and documented.

Director Luscher's and Oudegeest's proposed website news articles were reviewed and discussed by the Board. Director Freedle commented on Director Luscher's second article stating that he didn't think it was a good idea to lead the public into believing that the plant upgrade could be accomplished with some modest "tweaking"; the plant had been tweaked several times in the past with little success. It was Director Freedle's opinion that the current plant would have to be replaced. Director Bowles added that the reference to Donner Summit's ability to obtain funding for both Districts was unlikely and should be removed from the article. Further discussions were had regarding financing and the possibility of a "Benefit Assessment". The discussion included the topic of un-built lot owners having the option to give up their right to a water/sewer connection in the future by "opting out". Logistics of a "Benefit Assessment" were discussed. Mrs. Freedle said that the process was regulated by Prop 218 and that more information was needed and would be obtained.

It was agreed that Director Luscher would modify his article as to financing and a copy would be sent to Director Bowles for review prior to being posted on the website.

Finally, Director Oudegeest's article was reviewed by the Board and Director Luscher offered to review the article.

C. Director Freedle gave an update on the Water Rights Permit. His report included:

1. Memorandum from W. Freedle to SLCWD Board of Directors "Analysis of Watershed Volume – Sierra Lakes County Water District and Onion Creek" dated January 4, 2010, and
2. January 7, 2010 email from Nick Bonsignore re: Onion Creek Memo

Director Freedle told the Board that in response to Nick Bonsignore's request to use Onion Creek watershed volume data to support the Water Rights Permit extension, he called Randall Osterhuber at the Central Sierra Snow Laboratory at Norden for more information. Mr. Osterhuber told Director Freedle that it was not possible to convert the Onion Creek precipitation gauge data into water volume for the entire watershed to support the District's watershed volume as proposed by Nick Bonsignore. Director Freedle further reported that Nick Bonsignore clarified his request stating that he wanted to use Onion Creek data generated during the period of 1959 to 1979. Director Freedle then stated that SB610 and SB1221 provide a 30 year timeframe for acceptable data and that the proposed data exceeded that timeframe. Mr. Quesnel explained that Mr. Bonsignore wanted to use the Onion Creek watershed data because that watershed was in the vicinity and had similar characteristics. He also said the

data would be adjusted for the differences in watershed size and mean annual precipitation. Mr. Quesnel added the data would allow Wagner & Bonsignore to support the State Water Board's requirement to look at data covering a 20-year period. A further benefit was that the data included the 1977 drought. Several alternatives were discussed. It was the consensus of the Board to inform Mr. Bonsignore that the Board did not want to use the Onion Creek Survey but to calculate the amount of runoff based on the snow pack and water content information available from the Central Sierra Snow Laboratory. Mr. Quesnel voiced his concern regarding the Board's approach. He suggested using the current data of at least 3,000 acre-feet to demonstrate that the District's watershed capacity far exceeded its proposed use requirements. Director Luscher proposed that he analyze the data and get together with Mr. Quesnel and possibly Mr. Bonsignore. It was agreed that Director Freedle would request a detailed proposal from Mr. Bonsignore and that Directors Luscher and Bowles and Mr. Quesnel would review the proposal and make the decision whether to proceed or not.

D. A report regarding contacts with Kirk Syme of Royal Gorge, LLC regarding Eminent Domain was discussed under VII. Administration: A. December 11, 2009 Meeting Follow-up.

VI. New Business

- A. See discussions under V. Old Business for information regarding "District Communication with Customers re: Status of Water Rights Permit, Wastewater Treatment Plant Upgrade/Expansion, and Number of New Connections to be Requested from DSPUD".

VII. Administration

A. The "December 11, 2009 Meeting Follow-up" was reviewed by the Board. Director Freedle reported that he had exchanged several e-mails with Kirk Syme of Royal Gorge, asking for a copy of any document that conferred ownership rights to the District and that Mr. Syme said he was having Royal Gorge's attorney review the matter. Director Oudegeest strongly reminded Director Freedle that we were not requesting ownership rights, but that a previously developed list of what rights the District needed was to be provided to Mr. Syme and a meeting scheduled, or the District would pursue Eminent Domain. Director Freedle agreed and would handle the issue immediately. Director Bern's newsletter article regarding "Water Rights Permit" would be carried over to February.

- B. The "December 2009 Action Items List" was reviewed by the Board.

VIII. Finance

The list of January 2010 "Disbursements Requiring Board Approval" was reviewed by the Board.

A motion was made by Director Oudegeest and seconded by Director Luscher to "accept the bills for payment." The motion passed on a unanimous vote.

A. The following "Financial Reports for December 2009" were presented to and reviewed by the Board. .

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 – Three Year

Several items were discussed in more detail but the majority of the discussion concerned the revised "Projected Annual Service Fees" spreadsheets. Director Bowles explained that due to the recognition that the Bank of the West line of credit had a term of only 20 years, instead of 25 as previously thought, and that the term began with the first draw not at the conversion date, the District was left with only 14 years to pay back the principal. This discovery resulted in significantly higher future service fees. Director Bowles suggested separate billings for the water/sewer fees and the cost of the plant upgrade/expansion. Separate billing would give customers a clearer understanding of what they were being billed. Director Luscher suggested a breakdown be incorporated on future customer billings regardless if separate billing were sent. The Board continued the discussion, which included possible funding alternatives, but no decisions were made.

IX. Closed Session: Closed session was continued to the next meeting.

X. Adjournment:

A motion was made by Director Bowles and seconded by Director Luscher "to adjourn the meeting" at 8:20 p.m. The motion passed on a unanimous vote.

The next regular meeting was set for February 12, 2010 at 5:00p.m.

Financial Consultant

APPROVED BY:

President