

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

June 21, 2010

Time: 2:05 p.m.
California

Place: 7305 Short Road, Serene Lakes,

I. Open Meeting

Directors in attendance at the Sierra Lakes Board Room were:

Director Wade Freedle – President
Director Gene Bowles
Director Bill Oudegeest
Director Martin Bern

Director Ulrich Luscher was absent.

Staff members present: Bill Quesnel and Anna Nickerson

Guests present were: Fran Freedle

Minute Recorder: Anna Nickerson

II. Public Forum – None

III. Wastewater Facility Plant Upgrade/Expansion

The following items were presented to the Board by Director Freedle, for follow-up consideration:

1. Support for the motion made by the Joint Wastewater Facilities Committee, at its 6/21/10 meeting, which was to direct Jeff Hauser, of ECO:LOGIC, to begin work on the preliminary design engineering immediately after the July 10, 2010, Joint Board Meeting where the final decision will be made.

Director Freedle voiced his concern that Jeff Hauser did not intend to begin preliminary design engineering until late 2010. He proposed that the Sierra Lakes Board send a letter of

support to Donner Summit PUD (DSPUD) to instruct Jeff Hauser to proceed with the preliminary design engineering immediately after the final decision in made on July 10, 2010.

A motion was made by Director Oudegeest and seconded by Director Bowles to “write a letter to DSPUD offering our support that the pre-design process be started as soon as possible.” The motion passed on a unanimous vote.

2. What benefit would lot owners get from the utilization of current wastewater plant facilities that will be incorporated in the new plant? It was estimated that 80% of the current plant facilities will be used in the new plant.

The Board members agreed that current rate payers should receive a credit for a portion of the current value of the plant facilities that will be incorporated into the new plant. Director Freedle said that Jeff Hauser would provide some ideas on to how to allocate the cost of the upgrade/expansion between current rate payers and lot owners. Bill Quesnel offered to contact Marcia at Tahoe Truckee Sanitation Agency and get background information on how they accomplished their allocation with their recent plant expansion.

Director Bern voiced a concern about carrying the costs of the new connections until the connections were purchased. Director Bowles said he was in favor of asking lot owners to commit to purchasing a connection now or in the future. Director Bern suggested that the District could notify lot owners that an additional 80 connections were being sought in the current plant expansion, that the connections would be offered at an established price, and that the price of a connection would increase annually by the cost of financing plus an administrative fee. Director Oudegeest said he was in favor of asking current lot owners to decide whether or not to commit to participation in the plant expansion and to record their decision against the property. Director Bern cautioned that the connection should be attached to a lot to prevent speculators from buying the connections and then making a profit on the resale of the connections. Director Bern also voiced a concern that a lot of lot owners may decide to sell if they are required to make annual payments for a connection on their undeveloped lots, causing the market to flood which would drive down the price of land on the summit.

The Board agreed that the estimated price of a new connection needed to be determined before a lot owner could make a decision. Director Freedle said he would contact Tom Skjelstad at DSPUD to begin the process for determining the current value of the portion of the existing plant that would be incorporated into the new plant so the estimated credit to existing rate payers could be determined. Then, the estimated cost to existing rate payers and lot owners could be calculated. Director Bowles suggested that Anna Nickerson create a spreadsheet that would take the 44% of the proposed cost of the new plant and of the value of the existing plant and allocate the costs to Sierra Lake’s existing homeowners and lot owners. The cost to existing homeowners would include the credit for the portion of the existing plant that will be incorporated into the new plant and the cost of financing would be included in the cost to both existing homeowners and lot owners. Director Freedle said that he thought the District had a

responsibility to provide service to all subdivided lots. Director Bowles said that by giving lot owners the opportunity to commit or opt out would satisfy that requirement. Director Bern said that lot owners who chose to opt out now might still have an opportunity to participate if more capacity became available in the future, whether through efficiency of the plant or another expansion, but that there was no guarantee of future capacity.

The Board discussed the adequacy of the size of the current facilities that will be incorporated into the upgraded/expanded plant should the District change its request for additional EDUs from 80 to the 260 required for full build out. The concern was that the currently planned facilities might not be adequate to support incremental expansion to the 260 EDUs. It was the opinion of both Director Bowles and Bill Quesnel that the more participants the better and that lot owners need to commit to participation. Director Bowles said he thought the Board should encourage as much participation as possible so the cost of the upgrade/expansion could be spread across as many lots as possible, keeping the price to a manageable level while ensuring lot owners the ability to connect to water/sewer service in the future but also allowing lot owners the right to opt out of any future connection. Director Bern mentioned a previous CC&R provision that limited the time a lot owner had to develop their property. He thought the previous requirement was that a lot owner had to develop their property within 5 years. He also said that a time limit for development would have eliminated the complications the District was facing in regard to the water rights permit and the plant upgrade/expansion. Director Bern suggested the District seek legal advice as to whether or not the District had an obligation to offer water/sewer service for an unlimited amount of time and what information should be included in the document that will be recorded against a property should the lot owner request to "opt out". The District needs to be protected should lot owners change their mind sometime in the future.

The Board discussed a letter that would be sent to lot owners. Director Bern made some suggestions on what information should be included in the letter. The following is an interpretation of the comments and suggestions made during the discussion:

The District must make a decision to size the new sewer plant to support the District's subdivided lots. As a lot owner you will be required to pay an annual fee of \$\$ (a range of principal and interest) to ensure future water/sewer service. However, you have the option to "opt out". Should you wish to "opt out" you will be required to sign a document that will be recorded against the property, which states you will NOT be requesting service from the District now or in the future. Unless you notify the District otherwise by (Date), you will be included in the expansion and will be required to pay the corresponding annual fee.

Director Freedle agreed to compose the letter, submit the letter to Director Bern for review, and then have the letter reviewed by Jim Curtis, District Counsel, prior to sending the letter to all lot owners for their response.

A motion was made by Director Oudegeest and seconded by Director Bern to

“send the letter out based on what the legal committee decides without further review by the Board.” The motion passed on a unanimous vote.

Director Bowles suggested the letter include information letting lot owner know that “we are doing a plant upgrade to meet mandatory specifications from the State and this offers what may be a one-time opportunity to expand to meet future requirements of the remaining lots. Additional expansions above and beyond that in the future could be very expensive and infeasible.”

Bill Quesnel said he would calculate the preliminary estimated fee range to be incorporated into the letter. Bill also said he would provide the calculation to Board members for information purposes only.

IV. Adjournment

A motion was made by Director Bowles and seconded by Director Martin “to adjourn the meeting” at 4:00 p.m. The motion passed on a unanimous vote.

The next meeting was set for July 9, 2010 at 5:00p.m.

Financial Consultant

APPROVED BY:

President