

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

**August 14 , 2009
Regular Meeting**

5:00 – 10:15 p.m.

7305 Short Road, Serene Lakes, California.

I. Roll Call:

Directors in attendance at the Sierra Lakes Board Room were:

Director Wade Freedle, Chair
Director Gene Bowles
Director Ulrich Luscher
Director Bill Oudegeest.

Director Martin Bern was present via telephone from 560 Mission St, 27th floor, San Francisco, California

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

The guests present were: See attached Guest List – Exhibit #1

Minute Recorder: Mrs. Anna Nickerson

II. Public Forum

Mike Livak, representative for Royal Gorge, asked about the status of the letter Royal Gorge was to receive, in response to their attorney's questions, from the District's counsel regarding the Water Rights Permit, given the extensive discussion regarding the subject scheduled for the meeting. Director Freedle reported that the letter was still in progress but that he hoped it would be sent in the next week or two. Mike Livak further stated his concerns that action regarding Water Rights was moving very quickly without a response to Royal Gorges' questions. He asked that no action be taken until the letter was received and discussed. Director Freedle stated that there would be no action taken at this meeting that would impact the District's Water Rights.

III. Presentation on Water Rights Permit

A. Update on Water Rights Permit

1. Presentation by Paula Whealen and Nick Bonsignore of Wagner & Bonsignore re: Water Rights Permit Extension and Direct Diversion Petition
2. Review of the History and Current Status of District Water Rights
3. Review and Approval of Water Rights Data for Submission to the State Water Board in Support of Our Petition

Director Freedle introduced Paula Whealen and Nick Bonsignore, of Wagner & Bonsignore, the District's engineers directly responsible for filing and substantiating documentation for the Water Rights Permit. He further summarized that the District filed for an extension of its current Water Rights Permit in 2005; that the petition was still pending with the State; and that subsequent to filing for an extension, the District had been required to file a petition for direct diversion (a manner of diverting water under the permit). The extension and petition for direct diversion are being considered by the State as one item.

Paula Whealen introduced herself, stating that she had 30 years of experience in the area of Water Rights and that she would be providing a background regarding the District's Water Rights, what's pending and what's on the horizon for process and approval.

Paula explained that in 1964, the District applied for and was granted a permit allowing an annual diversion to storage of 1177 acre feet of water during the period October 1st to June 30th, and that any inflow into the lake between July 1st and September 30th was not authorized to be "taken", and must be released over the dam. Paula explained that current use was only at 110 to 120 acre feet of water, about a tenth of the District's allocation, and that usage was reported annually to the State Water Board (SWB). In addition to current usage an amount associated with evaporation would be added to the usage to determine the total water required. Director Bern asked for clarification regarding evaporation, whether it was in addition to or included in the usage and how that amount was determined. Paula responded that an amount for evaporation would be in addition to usage then referred the question to Nick Bonsignore for more information. Nick explained that when the Water Board quantifies what the District's beneficial use would be, ultimately at the time of licensing, one way the SWB may measure usage from storage would be if the reservoir was full in the spring and an amount was drawn down by the fall, the change in capacity would be the amount "taken from storage." In other words, "taken from storage" would include the amount going through the treatment facility plus an amount for evaporation and possible leakage at the dam and amount for authorized snow making. The example given was in 2008, 105 acre feet of water went through the plant but it took 151 acre feet of water to refill the reservoir. The difference was 46 acre feet which likely evaporated, leaked through the dam, or was used for snow making. As long as the amount was reasonable, the amount would be included in determining beneficial use. Director Bowles asked, if the water rights were 1,000 acre feet and evaporation was 100 acre feet, "does that 100 come out of the 1,000 or is it added above and beyond?" Paula stated that the 100 would come out of the 1,000.

As to “what’s pending”, Paula discussed the current permit extension that was filed in 2005. She explained that when a permit expires there would be two possible actions. The first would be to ask the SWB to “inspect for license”. The second would be to request an extension of time. A request to “inspect for license” would only be requested if full build out was achieved at which time the SWB would determine the level of “beneficial” use and cap the District’s Water Rights at that level. Since the District was not ready to go to license in 2005, the District requested a 10-year extension. Paula suggested the request for extension be amended to a 20 to 25 year extension because four years had elapsed since the request for extension was filed and the SWB had not acted on the extension yet. By the time the SWB grants the extension, the 10 years may be up and the process would have to start all over again. Director Bowles added that it was not the District holding up the process, but rather it was the SWB as requests end up in a pile on someone’s desk waiting to reach the top. Paula stated that there had been a shift in how the SWB looks at requests for time extensions; they are no longer “rubber stamped”. In fact, the SWB only issued two extensions of time petitions last year. The SWB now views a request for extension as a “reauthorization of the right”; meaning all the same analysis and procedures have to be followed as if it were a new request. The extension would reauthorize the amount of water that would be needed to support additional build out or other changes over and above current “beneficial” use. In addition, the District would need to show that it had been “diligent in developing its water right permit that was granted to it in 1964”. Meaning, the District would have to show that it had been trying to use water, grow as much as it could, and that it had been complying with the terms and conditions of the permit. Further, the SWB would have to determine the outside reasons that kept the District from making full use of their allotted water. Some of the examples Paula gave that might support why the District hadn’t made full use of their allotted water included the fact that the lake level hadn’t been expanded, the District’s boundaries hadn’t expanded, and demand hadn’t increased to the level anticipated in 1964 when the permit was issued. Finally before an extension is granted, the District would have to submit its projected demands, based on current information and what would be needed at full build out, and a CEQA (California Environmental Quality Act) document which identifies and supports the projected demands.

Paula stated that the District’s second action pending was a petition for Direct Diversion. The petition was filed in May 2009 as a result of a complaint received at the SWB alleging that the District not only took water by “diversion to storage” but that it also took water by “direct diversion”. Paula explained that “diversion to storage” was when water flowed into the reservoir and was captured and held in the reservoir, allowed during the period October 1 to June 30, and that “direct diversion” was when water was diverted for use at the same time it was flowing into the reservoir. The permit issued in 1964 did not include taking water by “direct diversion” so a petition was filed to add “direct diversion” to the permit. Paula reported that many municipalities have encountered the same issue and that she and Nick were presently working on three others. Director Bowles asked if the direct diversion issue was a result of political and legal actions of people downstream. Paula explained that pressures on the SWB to be mindful of available resources to meet environmental concerns and because the Board could

better account for water, the SWB changed its stance on approvals. In-stream use, the water that had to be left in streams and watersheds, was an example given by Paula as a beneficial use of water that the SWB must focus on. Nick added that there was a higher environmental profile in regards to water use than before, resulting in tighter control on water resources. Nick also stated that the direct diversion issue may have still been an issue for the District even if a complaint hadn't been filed because of the new scrutiny currently given extension requests.

Paula went on to talk about what would be needed before the petition for change in diversion could be granted. She stated that before direct diversion could be added to the permit, the District had to first “demonstrate, hydrologically, that the District cannot take more water than it could have under the terms of its permit” and then identify a rate of direct diversion. The initial rate of direct diversion was identified at 220 gal/min; a maximum 30 day demand. Paula went on to say that the rate was being reviewed by the District's attorneys for a possible modification but that the final rate should be consistent with current facilities capabilities and projected demand unless an expansion in facilities is identified as part of the project. Bottom line was that there had to be justification for the requested water rights and that the District's request had to be realistic. Director Oudegeest asked how the District would go about justifying its water rights. Paula explained that the District will likely have to offer a limit on its water rights request in order to obtain an extension. She said the SWB would probably not grant a 25 year extension to perfect 1177 acre feet, especially since current use was only at 150 acre feet. Director Oudegeest asked “what if”, hypothetically, there was a future plan for development that would require an additional 1,000, 2,000 or even 4,000 extra units of water? Paula explained that the SWB would look at what had been done to establish the plan for development, was there a general plan, what steps had been taken as a municipality to serve those units, the SWB would look at everything. Also, the future plan would have to be covered in the CEQA document. Nick added that “these petitions are a CEQA actionable item” and that it was “a reauthorization of the unused portion of the permit.” He went on to say that in a CEQA document in order to have a CEQA analysis of a future development you would have to have a “well defined description of the project.” He also said a “CEQA is about changes to the environment and how they impact the environment and how they are mitigated if they are significant.” It would be hard to get an extension of water rights for a project that “might” be complete in the next 25 years. The District would have to provide, in its CEQA document, how it was going to serve the additional units of the planned development. Paula summarized what the District had to do to get the petitions approved is first develop a project description that included the future diversions and use; identify current demands, projected demands and provide justification for the demands. This information would also be needed for a CEQA document. Director Oudegeest asked how the District would go forward when all it knew was current use, projected build out of an additional 200 lots, and evaporation and/or seepage. Director Bern added that these were the questions that will need to be answered through information gathered and advice so that the legal subcommittee could put the information in a proposal to be discussed at the next meeting. Paula continued saying the SWB required a CEQA document to identify all impacts associated with the reauthorization of water rights; increasing the authorized water rights from 150 acre feet to the projected demand.

Typical impacts associated with the District's extension/petition would include hydrology impacts to the stream system and biological impacts to fisheries, resources, aquatic and vegetation because of the increased amount of water being taken. It was Paula's opinion the District may be able to secure a Mitigated Negative Declaration for the impacts, as opposed to a lengthy EIR (Environmental Impact Report), but that the matter will have to be looked at by the District's attorneys. Additional impacts may include traffic, road, noise, etc, some of which may have already been done. Paula stated that Wagner & Bonsignore's purpose was to assist the District in preparing a project description for the Petitions and the CEQA document that will be acceptable to the SWB.

In summary Paula stated that three numbers had to be determined to complete the extension/petition request: an amount of water that will be taken by direct diversion, an amount of water that will be taken from storage, and a beneficial total use. She believed that it was likely that the District's water rights would be reduced by the SWB to an amount that was realistic and justifiable.

Director Bowles asked how a District would go about justifying a "proposed planned development" that could potentially double current use requirements. Paula responded that it was going to be a difficult task and that the Board had to make a determination whether or not the proposed plan was realistic based on how the area could be served. She also suggested that the District look at all methods of service, including water, sewer and infrastructure, and whether the project could be justified.

Several members of the audience posed questions to the consultants. Mr. Levy asked what the negative ramifications could be if the Board did not request enough water rights to support a large potential development. Paula believed the District would be considering all realistic and justifiable projects. Diane Kirkham asked if recreational use would be considered in determining the District's water rights. Paula said recreational use was a purpose of use on the District's water rights permit and that recreational use was considered a "non-consumptive use" by the SWB that would be included in the District's "beneficial use". Director Freedle stated that municipal use would not supersede recreational use. If there was a permitted recreational use and a minimum level had to be maintained to exercise use of the lake, municipal use could not cause the lake to be drawn down past that level. Paula and Nick both did not believe that that was exactly the case. They stated that the permit would provide for recreation but that the lake level would not be specified. Mike Fredrick asked about increased use should homeowners start spending more time here. Paula responded that the District would be considering that possibility in its projected beneficial use. Director Freedle added that there was an established 46% occupancy rate in the area that would be used in projecting future demand. Mike Livak stated that additional ways to maximize water use included diversion or redirection to another storage facility. Mr. Livak also noted that Royal Gorge had determined that approximately 3,200 acre feet of water went over the dam every year, showing that there was about three times the amount of water in this watershed compared to the amount of water rights listed on the permit. Director Luscher questioned this statement based on his prior

evaluations. Debate regarding projected future use and downstream environmental conditions continued until Director Bern suggested that the discussion, although interesting, goes beyond what was on the agenda. The final question posed by Kenneth Hall was why modify the current extension to 25 years, couldn't some of the determinations of use be postponed to a new extension request. Paula's comment was that the petition process is "painful". The current process of obtaining an extension was already painful enough and she was concerned that future extension processes may be even worse. It would also require another CEQA document, which could be very costly to the District. Director Freedle thanked everyone for their comments and input and closed the issue.

IV. Public Hearing

A. The following letters received from homeowners regarding the Proposed Ordinance No. – 87 Concerning Water and Sewer Service Charges were presented and responded to by the Board.

1. 6/30/2009 Notice of Public Hearing on Proposed Sewer & Water Service Rate Increases
2. 7/14/2009 E-Mail from Homeowner Mr. Besprozvany re: Proposed Rate Increase
3. 7/5/2009 E-Mail from Homeowner Ms. Moody re: Proposed Sewer/Water Service Rate Increases
4. 8/4/2009 Letter from Homeowner Mr. LeBel re: Follow-up to my Letter of October, 2008 Projected Rate Increases
5. 8/8/2009 Letter from Homeowner Mr. Cornwall re: Recently Proposed Rate Increase
6. 8/10/2009 Letter from Homeowner Mr. and Mrs. Richard Atkins re: Recently Proposed Rate Increase
7. 8/10/2009 E-Mail from Homeowner Mr. Levy re: 8/14 Public Meeting
8. 8/10/2009 Letter from Homeowner Mr. and Mrs. Leidigh re: Water and Sewer Services Rate Increase
9. 8/10/2009 Letter from Homeowners Ms. Hanamura and Ms. Mulrooney re: Recently Proposed Rate Increase
10. 8/10/2009 Letter from Homeowner Mr. Latham re: Recently Proposed Rate Increase
11. 8/10/2009 Letter from Homeowner Ms. Janku re: Recently Proposed Rate Increase
12. 8/10/2009 Letter from Homeowner Mr. Smythe re: Recently Proposed Rate Increase
13. 8/10/2009 Letter from Homeowners Ms. Nelson and Mr. Roller re: Recently Proposed Rate Increase

Director Freedle asked for comments from the audience that had not been reflected in the letters listed on the agenda. Mr. Levy stated that he had asked for materials to be available

at the meeting. Director Freedle responded that he had pulled some documents and that Anna Nickerson would provide him with any others he wanted.

Director Freedle began with the question regarding the use of meters to charge everyone their equitable share. He stated that the District had studied meters many times and determined that the cost of implementing meters, for both operations and administration, far exceeded any additional funding that would be brought in. He further stated that the District's average daily water use per residence last year was only 114 gals/day compared to the national average of 340 gals/day. He also said that Truckee uses an allocation rate of 500 gals/day for new projects. The point was the District's average water usage was minimal in comparison and had little effect on total costs. The variable costs for making water included some electricity and chemicals. The majority of the costs were fixed, plant equipment and staff. In response to a question from the audience, Director Freedle explained that the District was not required to implement meters until the year 2025, and in preparation for that requirement, meter pits, boxes that will allow easy installation of meters, are being installed during the infrastructure replacement program.

John Levy addressed the Board asking that an alternative method of charging customers be considered because he felt he and many other customers were paying too much for water and sewer service when they rarely used their homes. Director Bowles explained that the cost of maintaining a system to handle big fluctuations in usage was actually more expensive than a system with steady use. Director Bern added that although customers may use their homes a limited number of days in a year, their homes were "usable" every day of the year and it made sense to charge everyone the same amount because the variable cost of making water was minimal compared to the fixed costs of maintaining the infrastructure. Mr. Levy proposed a method of charging everyone half and allocating the other half of the costs based on usage. Director Oudegeest stated that the current charging method had been in place since the beginning and homeowners knew the conditions when they purchased their homes. Director Freedle told Mr. Levy to drop by the office anytime and they could go over the numbers. Director Bern commented regarding the installation of meters and charging customers based on use was that the method had been studied and it was determined that any potential savings would be wiped out by the costs of installing and reading the meters. Customers would end up paying more. After some final comments, the meeting moved on to the next question.

The meeting moved to a discussion regarding the 8/4/09 letter received from Al LeBel. Director Freedle responded specifically to paragraph 4 regarding payments made to Jones and Stokes of \$87,000 for lake studies. He stated that the fees were re-billed to Royal Gorge because Royal Gorge had requested the studies. Further, he stated that all records had been available to anyone who wanted to see them; nothing was being held back or held by the District's attorneys.

Next, Director Freedle responded to Mr. LeBel's comment regarding DSPUD's sewer processing permit renewal, issued April 24, 2009, and the fact that no one from the District had

attended the meeting. He said that he had intended to be at the meeting but that an emergency came up so he wasn't able to go. Also, SLCWD had sent a letter to DSPUD supporting their position on the specifications of the permit, and the only testimony for DSPUD was made by Bob Emerick of Eco:Logic Engineering, the engineer in charge of DSPUD's permit. Also, the meeting was more technical than for public review. Director Freedle stated that the comments made in the letters to the Board were correct in that the result of the new permit would cause the plant upgrade to be more costly.

Mr. LeBel's letter included questions regarding the calculation of the rate increase. Director Freedle explained that budgeted income was compared to budgeted expenses and the result was a \$257 per EDU deficit. He added that the District had a general mandate to cover operational costs with service fees, which required service rates be raised to cover a deficit. Director Luscher added that the District had an additional responsibility to Bank of the West to cover parity debt by a factor of 1.15, which was included in the calculation.

The next item covered was from page 11c, paragraph 2 of Mr. LeBel's letter, legal fees in the amount of \$156,327.12 over the last two years. Director Freedle explained that the costs, included legal and consulting fees for the water rights extension/petition and legal fees in the amount of \$32,198.16 to defend against a complaint filed by a homeowner with the SWB, which had no merit and was subsequently dropped.

Director Freedle then addressed comments made in regards to a visit by two Senior Vice Presidents with Bank of the West. He explained that the bank representatives came to speak to both this District and Donner Summit PUD as both had loans from the bank. The result was that property taxes would be included in the bank's covenant calculation, which supported the District's position.

Finally, Director Freedle responded to questions regarding the District's priority for spending. He stated the District's priority was to maintain daily service for water supply and sewer collection and to maintain the facilities that support those systems. He gave examples of current capital projects in progress and the future DSPUD wastewater treatment facilities changes.

Director Bern then addressed a paragraph in Mr. Le Bel's letter that was directed at him. He said he stands on what he had said in the past, that lot owners do not have the right to develop their lots in perpetuity. At some point the District will not get any more water from the State and the District could run out of sewer hookups. There are no guarantees for service in the future. Homeowners need to be aware of that fact. The Board does not want to keep homeowners from developing their lots, but lot owners should be aware that there was not an unlimited supply of water and sewer hookups. Lot owners may want to think about developing their lots.

Director Freedle asked for any final questions or comments regarding the proposed rate

increase. Mr. Levy asked if the Board had any information on future increases. Director Bern responded stating that homeowners could count on rate increases but that the Board could not determine what the increases would be at this time. Director Freedle added that the Board would do its best to keep the public updated.

A motion was made by Director Luscher and seconded by Director Oudegeest “to approve ordinance 87.” The motion passed on a roll-call vote: Ayes: Freedle, Luscher, Oudegeest, Bern, Bowles. Noes: None. Abstention: None

***VII. Old Business: (moved up on the agenda)**

C. It was requested by the homeowners to move the update on the “Lot A – Tree Cutting/Thinning by SLPOA” up on the agenda. Two letters that had been received were presented to the Board, a letter dated 8/8/09 from homeowners Mr. Kaczynski and Ms. Foster regarding “The Topped Trees”, and a letter dated 8/10/09 from homeowner Mr. Gray regarding “Recent Activity on District Property on Lake Serena”.

Director Bern addressed the meeting giving background information regarding the events leading up to the current issue. Director Bern explained how a forester had been brought in and, at the expense of the adjacent homeowner, trees were marked and subsequently removed. He went on to say that the forester’s report had been received that day that stated that the work was complete. Director Bern read an excerpt from the report which stated “to some people the project area may look a little diluted at the moment due to the spacing of the retained trees and the unavoidable trampling of some of the smaller plants and grasses on site. However, the grass and forest will quickly grow back standing up next season and the retained trees will grow both outward and up in the near future, something they would have had a hard time doing if they had been left in the tree density that existed prior to the project.”

Nancy Latimer addressed the Board stating she believed more than 100 trees had been topped, that trees larger than 12’ in diameter were removed and that the area had been cleared to the point that cars could drive into the area and park boat trailers there. The bottom line was that something had to be done to repair the excessive clearing.

Director Freedle stated that in the future the District would need to supervise projects of this nature more closely. Director Bern suggested that the area be evaluated for erosion control and closed off to keep vehicles out and maybe some “no swimming” signs put up.

Discussion continued regarding the trees that were topped or cut down on the District property (it isn’t Lot A!). Several homeowners expressed their concerns about the work that was done by the forester. Kenneth Hall made a suggestion that the Board develop a policy covering how issues of this nature would be handled in the future along with what the District would like to see done with all the District’s property. Director Bowles commented that he

thought the Board had proceeded in a logical manner but that sometimes a good decision results in a lousy outcome. He suggested that the District appoint a committee to provide input about what should be done with the lot. The committee members appointed were Mickey Gray, Gene Bowles, and Bill Quesnel. A committee report would be presented at the next meeting.

A motion was made by Director Bern and seconded by Bill Oudegeest to “direct the committee and District staff to place rocks sufficient to prevent vehicles from traveling onto the lot, to put up yellow caution tape or whatever else is deemed necessary by way of signage to indicate that people should stay off the property and to put notices on each of the boats and trailers that the area was being closed off.” The motion passed on a unanimous vote.

II. CONSENT ITEMS CALENDAR:

The Consent Items Calendar was presented to the Board for review and approval. The consent items included the July 10, 2009 Meeting Minutes and the July 2009 Check Register. Director Luscher asked that the check descriptions be “as informative as possible”.

A motion was made by Director Luscher and seconded by Director Oudegeest “to accept the minutes and check register”. The motion passed on a unanimous vote.

VI. OPERATIONS:

A. Operations Report from Bill Quesnel

Mr. Quesnel’s Operations Report was presented to and reviewed by the Board. Mr. Quesnel reported that through August 14, 2009, the flow through the dam was about 24 acre feet and that the water level was about 12” below the crest. Director Luscher inquired about the accuracy of the measurements. Mr. Quesnel responded that he believed the measurements to be very accurate.

Mr. Quesnel continued his report discussing the status of Capital Projects. He reported that it had been a hard week for the project because the contractor hit some concrete vaults from the 1960 infrastructure at the intersection of Lake and Hemlock that weren’t on any of the drawings and that the contractor had hit some rock in the new trench. Mr. Quesnel further stated that several homeowners had come up to use their property for the week not knowing that there would be construction on their street; the homeowners had not checked the website. Mr. Quesnel said the homeowners had been very understanding and cooperative, and asked that next year we put something in the billing reminding homeowners to check the website for construction schedules.

Mr. Quesnel touched on his inflow and infiltration graph stating he was somewhat

discouraged at what the information showed. Director Bowles commented as well stating that he thought the District would be in better shape with all the work that had been done. Mr. Quesnel presented some galvanized laterals that had been replaced as an example of how bad the situation was and felt the examples supported the work that was being done. Mr. Quesnel also said that as meter pits were being installed at residences on Donner, Lake, Palisades, and Tamarak Streets, Jeff Krebill was checking sewer laterals and finding loose or missing sewer caps along with some cracked and broken risers, which would affect inflow and infiltration.

B. Enforcement of No Swimming Regulations for Lake Serena

Director Freedle reported that Jeff Stransky had been in the office the other day saying that there were some kids swimming in the lake and hanging out on the little island but when he tried to get them out, the kids ignored him. Director Freedle also reported that there had been two other incidents that were degrading to the water quality; one on District property and the other at the property being built on Soda Springs Road where a homeowner wanted to build a beach. Mr. Quesnel explained the series of events leading up to the homeowner's decision not to pursue building a beach. The Board discussed options for protecting the water quality that included acquiring police authority to issue fines. Director Oudegeest suggested that the policy regarding District properties be completed. Director Freedle said he would check into the regulations governing the District to see what he could find regarding police authority and enforcement of regulations.

C. Consideration of Bids and Award of Contracts for Projects 09-002, 09-003 and 09-004

A motion was made for Director Luscher and seconded by Director Oudegeest to “accept Mr. Quesnel recommendations for the contracts.” The motion passed on a unanimous vote.

D. Consideration of Sewer Lateral Testing Program and Possible Action

Mr. Quesnel reported that the five test laterals selected for the program that were identified as leaking during earlier TV inspection held water. However, Mr. Quesnel proposed that additional TV inspection be done to determine if the flow identified earlier was due to a stuck toilet, open faucet, or if the leak existed between the property line clean out and the main. Director Luscher asked if the lack of leakage was due to the lowering of the water table. Mr. Quesnel responded that the problem was that when the lateral was filled from the property line clean-out to the foundation clean-out, the lateral held water which meant the problem was something other than a leak in the lateral.

A motion was made by Director Oudegeest and seconded by Director Luscher, “to test 65 connections for \$5,000.00.” The motion passed on a unanimous vote.

Mr. Quesnel added a note that Jerry Dahlen would be starting a line cleaning project for DSPUD the next week and he anticipated Jerry would be there all week. He further stated that DSPUD would be billed at the current rate for renting the equipment plus Jerry's fully burdened labor cost. It was noted that an administrative fee could possibly be added.

VII. Old Business

A. President's Report

Director Freedle's "President's Report" was presented to the Board. Director Freedle stated that on the prior Monday he had received a phone call from Kathy Mrowka, the State Officer in charge of Water Rights permits, asking where the District stood in regard to their pending permit request. Director Freedle told her that the District was waiting for a response from the SWB. Kathy Mrowka informed Director Freedle that the last day for public protest had passed on July 20th and that no protests had been received. Director Freedle then stated that in the next couple of weeks a special meeting will be needed to review the District's proposed water rights that will need to be put in its petition. Currently Director Freedle and Bill Quesnel are working on background statistics and reference data that will be sent to the Board members for review. The discussion ended when Director Bern stated the topic could not be discussed without being on the agenda.

B. Wastewater Treatment Plant Upgrade Joint District Committee Report

1. A letter dated 8/4/09, from Donner Summit PUD regarding the "Anoxic Zone Expansion of Treatment Plants 1 and 2", expected to cost about \$150,000, was presented to the Board. In addition to the approval of the anoxic zone expansion of the current facilities, the Wastewater Committee approved \$22,000 for a geotechnical firm to research possible sites for spray irrigation and above ground storage ponds for processed treatment water. Director Luscher reported that the basis for approving the research was to have a plan ready to present to SWB in the event that the District contributed, even slightly, to an algae bloom. The research would include different levels of storage. Also, \$319,000 was approved for the facilities plan.

2. A letter dated 7/16/09, from Royal Gorge regarding the "District's Water Supply Planning" was presented to the Board for review.

3. Director Freedle reported on the 8/3/09 Committee Meeting; see item 1 above.

C. Update on Lot A – Tree Cutting/Thinning by SLPOA

Discussed earlier in the meeting.

VIII. New Business

A. The renewal of SLPOA's lease for Lot 1 was continued to October's meeting.

B. Director Freedle reported that he had submitted the Board's vote for the "CSDA Board of Directors Election 2009".

C. The Draft Report on the Ice Formation Model of Lake Dulzura & Lake Serena, Serene Lakes, California, was presented to the Board. Director Freedle reported that he had advised Mary Feeney Hall to make calculations of free water based on a usage factor of 500 gals/EDU and the District's current usage rate. He also asked her to consider four drought years and 1983 which was a heavy snow year. He added that with ice formation the heavier the snow the less water there was. Both Director Luscher and Director Oudegeest thought the report was very well written. However, Director Luscher felt a report of that nature required a peer review. Director Bern suggested that all analyses regarding water supply be put together so that the Board could make a final decision while there was an open window of opportunity to work with the SWB.

IV. Administration

A. The Board reviewed the "Follow-up from July 10, 2009 Board Meeting". Director Freedle said he would contact Royal Gorge to find out who will be replacing Mike Livak. Director Bern reminded Director Freedle that he was waiting for the new language for the Bank of the West agreement.

B. The July 2009 "Action Items" list was presented and reviewed by the Board. No changes were made.

C. The Board reviewed "**Resolution No. 2009-790** - Establishing Appropriations Limitation for Fiscal Year 2009/10".

A motion was made by Director Luscher and seconded by Director Oudegeest "to approve the Resolution." The motion passed on a roll-call vote: Ayes Freedle, Luscher, Oudegeest, Bern, Bowles. Noes: None. Abstention: None

D. The Board reviewed "**Resolution No. 2009-791** – Adopting Revised Investment Policy".

A motion was made by Director Oudegeest and seconded by Director Bowles "to approve the Resolution." The motion passed on a roll-call vote: Ayes Freedle,

Luscher, Oudegeest, Bern, Bowles. Noes: None. Abstention: None

X. Finance

A. The Board reviewed the list of Disbursements requiring Board approval.

A motion was made by Director Luscher and seconded by Director Bowles “to approve the invoices totaling \$314,037.85.” The motion passed on a unanimous vote.

B. The Board reviewed and discussed the following Financial Reports for July 2009:

1. Final 08/09 Profit and Loss.
2. Final 08/09 Balance Sheet.
3. Operating Expenses Budget vs Actual (Month and Year-to-Date)
4. Capital Expenses Budget vs Actual (Year-to-Date)
5. Cash Flow Forecast – One Year
6. Cash Flow Forecast – Three Year

Some discussion was had regarding items that would affect the Cash Flow Forecast. Items mentioned included a reduction in Property Taxes due to Prop 1A, possible timing of Credit Line draws, and unknown expenditures for the Wastewater Plant Upgrade.

C. The Proposed “Final Operating and Capital Budgets for Fiscal Year 2009/2010” were reviewed and accepted by the Board.

XI. Closed Session:

A motion was made by Director Bowles and seconded by Director Oudegeest “to move the meeting into closed session” to discuss “Personnel - All Employees (California Government Code Section 54957)” at 9:15 p.m. The motion passed on a unanimous vote.

Open Session:

A motion was made by Director Luscher and seconded by Director Oudegeest “to move the meeting into Open Session” at 10:10 p.m. The motion passed on a unanimous vote.

Director Freedle reported that “the Board gave direction to staff.”

XII. Adjournment

**A motion was made by Director Luscher and seconded by Director Oudegeest
“to adjourn the meeting” at 10:15 p.m. The motion passed on a unanimous vote.**

Financial Consultant

APPROVED BY:

President

Next Regular Meeting
September 11, 2009 at
5:00p.m.