

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

**October 9, 2009
Regular Meeting**

5:05 – 8:15 p.m.
California

7305 Short Road, Serene Lakes,

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: Mr. Bill Quesnel and Mrs. Anna Nickerson

Guests present were: Ms. Karen Heald, Mr. Kirk Syme, Ms. Amber Waddle, & Mr. Noel Charonnat

Minute Recorder: Mrs. Anna Nickerson

II. Public Forum There were no public comments.

A motion was made by Director Luscher and seconded by Director Bowles to move Item VI. B. to Item II. A.” The motion passed on a unanimous vote.

- A. The “Proposed Lease Agreement of Lot 1 to Serene Lakes Property Owners’ Association” (SLPOA) was presented to the Board for review and discussion. Karen Heald began the discussion by saying that the majority of the revisions made to the current lease, in drafting the proposed lease, were the removal of language pertaining to the court case which lifted the building restrictions on Lot 1 allowing improvements to be made. She also noted other changes which included an increase in lease term from 30 years to 99 years, a waiver of rent as long as SLPOA “maintained” the facilities,

as opposed to continuing to make improvements, and that SLPOA would pay the water/sewer bill, which was not required in the current lease.

Director Luscher said that he thought the 99-year term was too long and that there should be a termination clause for both parties. He then suggested a lease term of 50 years. Director Bowles concurred. Director Bern suggested a shorter lease term with an “automatic renewal clause”, a clause that would automatically renew the lease for a like term provided neither party stated, in writing, the desire to terminate the lease.

Director Bern voiced his concern regarding the validity of the discussion asking if Director Oudegeest had recused himself on the basis that he was SLPOA’s current President. Director Oudegeest responded that he had not recused himself and that he was participating as a concerned resident. Director Bern also voiced his concern that the lease could be challenged and found invalid because the proposed term was too long. He then suggested that the Board ask James Curtis, the District’s attorney, if there were any restrictions as to how long a Board could bind a District in an agreement and to ask his opinion on the use of an “automatic renewal clause”. Director Bern also suggested that Director Oudegeest obtain information as to his need to recuse himself from the discussion when the decision’s made.

Director Freedle expressed his concern regarding the wording in paragraph 7 which read “...some or all landowners”. He felt the wording should be more specific. Director Oudegeest suggested that the wording read “SLPOA members and those who have the right based on the deed to Lot 1.” Director Bern suggested replacing “except both parties hereto recognize that this Lease may be subject to an existing recreational easement in favor of some or all landowners in the Sierra Lakes County Water District” with “subject to existing recreational easements.”

Karen Heald said she would take the agreement and amend it based on the results of the discussion with the exception of the “automatic renewal clause” which will be determined by information obtained from James Curtis. She would change the lease term to 50 years with the understanding that it too may change based on information obtained from James Curtis. It was the consensus of the Board that the revised proposed lease would be sent to James Curtis for review and the topic carried over to the next meeting.

III. Consent Items Calendar

The Consent Items Calendar was presented to the Board for review and approval. The consent items included the “September 11, 2009” and “September 23, 2009” Meeting Minutes, the “September 2009 Check Register” and two new vendors; JP Pacific Liners, Inc. and Stevens Consulting. Director Bern noted a spelling error on the September 23, 2009 Meeting Minutes.

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

III. Operations

- A. Mr. Quesnel's "Operations Report" was presented to and reviewed by the Board. Director Luscher asked about "door hangers" that will be passed out in conjunction with the scheduled "2009 Water System Flushing". Mr. Quesnel explained that the hangers included a sticker warning that line flushing may cause turbidity in the water. The hangers also provided information regarding chlorination and line flushing. Mr. Quesnel's next reported that the water level was 26 to 30 inches below the dam, that the requirement to release water was over and that approximately the same amount of water was released this year (29 acre-feet) as last year. The discussion continued with Mr. Quesnel's "2009 Water System Upgrade Projects" and "2009 Water System Flushing" project updates. He explained that the information was put together to be posted on the District's website to communicate to the residents the status of current projects.
- B. Mr. Quesnel's "Sewer Lateral Inspection Results and Mainline Repair" report was presented to the Board for review and possible action. Mr. Quesnel's recommendation was to purchase sewer repair sleeves from Link Pipe and contract with Mountain Pipeline to install the sleeves in the areas identified during the camera inspection previously performed by Mountain Pipeline. The total cost was estimated at \$32,000.

A motion was made by Director Oudegeest and seconded by Director Luscher "to purchase 15 new sewer repair sleeves not to exceed \$22,000." The motion passed on a unanimous vote.

A motion was made by Director Oudegeest and seconded by Director Luscher "to authorize the Board President to execute the time and materials contract with Mountain Pipeline not to exceed \$10,000." The motion passed on a unanimous vote.

- C. Mr. Quesnel's "Close-Out Change Order for Project 09-001" was presented to the Board for review and possible action. Mr. Quesnel explained that the change orders for the 2009 Water Mainline and Lateral Replacement Project exceeded the originally approved 5% by about 1.5% due to unexpected field conditions and an increase in quantities. He also noted that the total expected cost of all 2009 projects was estimated to be significantly below the earlier estimates.

A motion was made by Director Oudegeest and seconded by Director Luscher "to approve the change order." The motion passed on a unanimous vote.

D. Mr. Quesnel's memorandum regarding the District's "Purchasing Procedures" was presented to the Board for review and possible action. Mr. Quesnel explained that based on a discussion at the last Board Meeting about the Auditor's observation and recommendation regarding the District's purchasing procedures, he researched what other Districts do. Director Freedle said he didn't think the Auditor's statement was exactly correct stating that the District issued "Blanket Purchase Order (BPO)" delegating authority to department personnel to pick up materials. The Board considered the District's current procedure, which was written in 1987, and found it to be adequate with the exception of the dollar limits. Mr. Quesnel explained that because the BPO's issued did not set a purchase limit, he proposed a single purchase limit of \$250 for department personnel. It was decided that the "Procurement Policy" would be amended to increase the Operation Manager's threshold on purchases from \$2,500 to \$10,000 without prior Board approval, and that the "Purchase Order Policy" would be amended setting a single purchase limit of \$500 with an annual estimated purchase limit on all BPO's. The changes would be made and reviewed at the next meeting.

IV. Old Business

A. Director Freedle's "President's Report" was presented to the Board for review. Director Freedle reported that the interest rate received on the \$1,400,000 credit line draw, approved at the last Board Meeting, was 2.74%; 2.9% had been anticipated.

Director Freedle then reported that Craig Stevens, the consultant working with Paula Whealen and Elizabeth Ewens on the District's Water Rights Permit, had been up to tour the properties and that his preliminary report was due around October 15th.

Next, Director Freedle reported that the State Department of Health was increasing their fees from \$728 per year to approximately \$5,000 per year; approximately \$6 per connection.

Finally Director Freedle reported that it appeared both the County Water Code and District Code gave the Board the authority to give police powers to members of staff for the purpose of issuing citations. However, because the Codes were not clear, he asked if his interpretation could be sent to James Curtis for review and guidance on how to implement the operation. Director Oudegeest asked if there was information available from other Districts with police authority that included guidance on due process in the event the District made or was accused of making a mistake. Director Bern asked if the District had to train District

Employees in order for them to be deputized. Director Freedle responded that he hoped to get the information from James Curtis.

- B.** In regard to the “Wastewater Treatment Plant Upgrade Joint District Committee Report”, Director Freedle spoke about the recent plant tours in which several Board members, a member of staff, and staff of Donner Summit PUD (DSPUD) participated. He said the tours were very informative and provided the District’s Board members with some good information regarding the issues it was facing. The tours also built potential working relationships between the Districts providing a network for sharing information.
- C.** Director Freedle presented a memorandum titled “Preliminary Draft of Project Description in Support of Sierra Lakes Water Rights” to the Board for review. He cautioned that the draft project description was preliminary and that it would probably change as Craig Stevens and Paula Whealen continued their work. In answer to Director Oudegeest’s question, Director Freedle said that Craig Stevens estimated that the final draft would be ready late November at which time the Board would review and possibly approve the document with submission to the State Water Board towards the end of January. He also said that, depending on when the final draft was received, a Special Board Meeting may be needed to review the document.
- D.** Director Freedle asked Kirk Syme, representative of Royal Gorge, if he was up to speed on the issues related to Eminent Domain. Mr. Syme responded that he was in the process of fully understanding the issue but that Royal Gorge was waiting for a formal request for a meeting with a list of the issues that the District wanted to discuss. It was determined that the list had previously been provided to Mike Livak at Royal Gorge but that Mr. Syme had not received a copy. It was agreed that Director Freedle would forward a copy of the list to Mr. Syme, a meeting would be scheduled and Director Freedle would report back to the Board at the November meeting.

VI. New Business

- A.** Director Freedle asked if anyone was interested in the “CSDA Board Vacancy – Region 2, Seat B”. No one was interested.
- B.** The “Proposed Lease Agreement of Lot 1 to Serene Lakes Property Owners’ Association” was discussed under “Public Forum” Item II. B.
- C.** The “Fee Increase per California Department of Public Health” was discussed earlier under “Old Business” Item IV. A. Director Freedle added

that he had received a billing schedule from the California Department of Public Health and expected that follow-up billings would be received.

VII. Administration

A. The “September 11, 2009 Meeting Follow-up” list was reviewed and discussed by the Board. Items 1,2 and 5 were the only items not complete.

B. “**Resolution No. 2009-792**” and the “Purchase Sales Agreement” with Related Documents received from California Statewide Communities Development Authority (CSCDA) for participation in the Prop 1A Loan Securitization were presented to the Board for review and approval. After some discussion and Mr. Quesnel’s input that the Airport Authorities Board would be reviewing and approving the same documents at their next meeting,

A motion was made by Director Luscher and seconded by Director Bowles “to accept Resolution No. 2009-792 which would allow participation in the Prop 1A Receivable Program and to authorize the President to sign all necessary forms, subject to new information received before the submittal deadline.”

Before the motion was voted on, Director Bowles wanted to discuss some specifics such as the amount that would be received through participation in the program. It was determined that the 8% Prop 1A deduction from property taxes due the District would be about \$27,000. Mr. Quesnel said that the way the program works was that the District would receive 100% of the Prop 1A deduction from the CSCDA and that CSCDA would receive the future payment, plus the interest, from the State of California. He also said that the Airport Authorities’ biggest concern was the liability to the Airport Authority should the State decide to keep the money at the end of the three years. Mr. Quesnel said that the Airport Authorities’ Controller had attended a number of seminars and was assured by a number of people that there would be no liability to the participants once the obligation was sold to CSCDA. Mr. Quesnel said he would verify that there would be no fees associated with participation and report back to the Board.

The motion passed on a roll-call vote: Ayes Freedle, Luscher, Bowles and Bern. Noes: None. Abstention: Oudegeest.

C. The “September 2009 Action Items List” was reviewed by the Board. No changes were made.

D. The “Construction-in-Progress Request for Continuance” report was reviewed by the Board. Director Freedle noted that several connection permits had been returned recently, bringing the available connections up to about 15. In addition, Mr. Singer’s request for another 90 day extension on his permit was discussed.

A motion was made by Director Bowles and seconded by Director Luscher to “provide Aaron Singer with another 90 day extension to his sewer permit.” The motion passed on a unanimous vote.

E. A “Proposed Revision to Employee Handbook” was presented to the Board for review and approval. The proposed revision would change when payroll was processed, eliminating the need for employees to estimate labor hours. The employees favored the change.

A motion was made for Director Bowles and seconded by Director Luscher to “adopt the proposed payroll change.” The motion passed on a unanimous vote.

F. The “Bank of the West Loan Status \$1,400,000 Draw” was discussed under Item IV. A. – Old Business.

VIII. Finance

A. The list of “Disbursements Requiring Board Approval” was presented and reviewed by the Board.

A motion was made by Director Bowles and seconded by Director Oudegeest “to approve the list of disbursements requiring board approval totaling \$242,751.06.” The motion passed on a unanimous vote.

B. The following September 2009 Financial Reports were submitted to the Board for Review.

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

There was some discussion regarding DSPUD’s charges, legal fees to date and Bank of the West Interest Expense. Director Luscher asked that if changes are made to a previously-issued document to put the changes in italics for easy identification.

During the discussion of the “Cash Flow Forecast – One Year”, it was agreed that Mr. Quesnel would review the Operations and Capital Projects estimates for June, July and August 2010, and provide Anna Nickerson with updated information.

During the review of the “Cash Flow Forecast – Three Year” report, Director Bowles told the Board that he was working with Anna Nickerson on a Water/Sewer Fee Projection to determine the effect that additional draws on the line of credit and the 2012 loan conversion would have on customer rates. Director Oudegeest expressed his agreement with the process and suggested that the information be put out to the public to keep them informed

of what can be expected in the future. There was some discussion regarding the effects of DSPUD's operational costs associated with the upgraded/expanded wastewater plant. Some Board members felt the costs would go up. Director Bowles thought the costs might not go up too much if the new process included automated process controls. Discussion continued about other effects on the rates. It was agreed that the rate projection would be added to the "Action Items" list and discussed at the next meeting.

IX. Closed Session:

A motion was made by Director Luscher and seconded by Director Bowles "to move the meeting into closed session" to discuss "Personnel - All Employees (California Government Code Section 54957)" at 7:40 p.m. The motion passed on a unanimous vote.

Open Session:

A motion was made by Director Luscher and seconded by Director Bowles "to move the meeting into Open Session" at 8:10 p.m. The motion passed on a unanimous vote.

Director Freedle reported that "no decisions were made"

X. Adjournment

A motion was made by Director Bowles and seconded by Director Luscher "to adjourn the meeting" at 8:15 p.m. The motion passed on a unanimous vote.

The next regular meeting was set for November 13, 2009, at 5:00 p.m.

Financial Consultant

APPROVED BY:

President