

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

November 19, 2010

Time: 5:00 p.m.

Place: 7305 Short Road, Serene Lakes, California

I. Open Meeting

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 D. Bern joined the meeting at 5:25 p.m. by telephone from 560 Mission Street, 27th Floor, San Francisco, California

Staff members present: Bill Quesnel
 Anna Nickerson

Guests present were: See attached list

Minute Recorder: Anna Nickerson

II. Public Forum

Cheryl LeBel, resident of Serene Lakes, asked if the drainage ditch issue, which was discussed at the October 30, 2010 meeting, had been resolved. She was told that Bill Quesnel would provide an update during his Operations Report.

Director Freedle announced that pages 25C 1&2 and 25D 1&2 would be added to the Board Packet. The documents were received after the meeting was posted but the information supports items already on the agenda.

Director Oudegeest expressed his appreciation to Director Bowles for all his hard work during his four-year term as Director and said that he would be missed.

Director Freedle said that Jim Curtis, District Counsel, would be standing by to provide additional information, if needed, unless the Board felt his attendance at the meeting was necessary. The Board agreed that as long as Jim was accessible for specific questions, his attendance wasn't needed.

III. Consent Items Calendar

The "Consent Items Calendar" was presented to the Board for review and approval. The consent items included the minutes from the October 30, 2010 and November 16, 2010 Special

Meetings and the October 2010 Check Register.

Director Oudegeest noted that, in the November 16, 2010 minutes, it was Director Bowles, not Director Bern, who seconded the motion to adjourn the meeting. Director Freedle said that the draft minutes had already been amended to indicate that Director Bowles seconded the motion and that the meeting was adjourned at 3:30 p.m. at Donner Summit PUD.

Director Bowles suggested that, on page 2 of the October 30, 2010 minutes, the phrase “Director Bern suggested the District take the following steps” be changed to “Director Bern suggested the District pursue the following alternatives”. He further noted a typo further down on the page; through should be though.

A motion was made by Director Oudegeest and seconded by Director Bowles to “accept the consent items calendar, subject to the noted changes to the November 16, 2010 and October 30, 2010 minutes”. The motion passed on a unanimous vote. Director Bern was absent from the vote.

IV. Operations Report

A. Bill Quesnel’s Operations Report was presented to the Board. He said the he and Director Bowles were still working on the response to Joe Gray’s e-mail and that he had sent a couple of pages of questions to Jeff Hauser for clarification. The questions were primarily in regard to equalization storage vs. treatment capacity. One question was “could the plant be built to treat lower flows if there was adequate equalization storage to spread the flows over a longer period of time?” Bill said their objective was to compile the information into a “White Paper” that would translate Jeff Hauser’s facilities plan into laymen’s terms, making it easier for everyone to understand all the components that went into the facilities plan. Director Luscher asked about Jeff Hauser’s valuation of the residual equipment (i.e. value of existing equipment that would be reused in the new plant). Director Bowles said it was determined that about 90% of the residual equipment was paid for by grants and that the outstanding debt would offset any remaining value.

In regard to financing options for the upgraded/expanded plant, Director Bowles said he learned from both the United States Department of Agriculture (USDA) and the California State Revolving Fund (CSRF), at the Financing Seminar held at Donner Summit PUD (DSPUD) on 11/16/10, that DSPUD could possibly obtain financing for the total project. It was previously thought that, as a major customer of DSPUD, Sierra Lakes would have to obtain separate financing. However, according to both agencies, as long as Sierra Lakes’ revenue production was efficient and lending limits were not exceeded, DSPUD could possibly obtain 100 % of the needed financing. The other option was for Sierra Lakes to obtain their own financing by completing specific pages of the applications and attaching those pages to DSPUD’s application. Director Freedle said that part of DSPUD’s initial reluctance to obtain all the financing was that they would not have the ability to foreclose on Sierra Lakes’ properties. At DSPUD’s Board Meeting later that evening, the Board seemed more agreeable to submit a single application.

In response to Director Oudegeest's comment about the new backhoe, Bill Quesnel reported that he was able to acquire the new backhoe for \$65,000 and that the old backhoe netted \$7,200 at auction.

Bill Quesnel reported that he had met with a couple Placer County representatives regarding the drainage problems in Serene Lakes. He said they looked at the part of Serene Rd between Island Way and Lot 1 and the drainage canal at the bottom of Lake Drive adjacent to the Liebermans' property. Placer County representatives said they would present the Serene-Road drainage issue to the Public Works Design Division to see what could be done and would see about having a CalFire crew trim the brush in the drainage canal at the bottom of Lake Drive. Bill said he would continue to follow up on Placer County's progress.

B. Bill Quesnel presented a Close-Out Change Order for Project 10-001 to the Board for consideration and approval.

A motion was made by Director Oudegeest and seconded by Director Luscher to approve the close-out change order for Project 10-001. The motion passed on a roll call vote: Ayes: Directors Freedle, Luscher, Oudegeest, Bowles and Bern. Noes: None. Abstentions: None. Absent: None.

C. Bill Quesnel presented Stantec's contract to provide the District with On-Call Consulting Services to the Board for consideration and approval. Director Oudegeest made a motion to approve Stantec's contract but no one seconded the motion. Director Luscher said he would like to see a completed contract before making a decision; the contract submitted was in template form. The Board agreed to continue the item and consider the completed contract at the next meeting.

IV. Old Business

A. Director Freedle did not submit a President's Report stating that there was nothing to report that wasn't already on the agenda.

B. Director Freedle's memo regarding the Bank of the West Line of Credit (BofW LofC) was reviewed by the Board. The memo stated that after a thorough review of District files and information obtained from Jim Boyd, it was confirmed that the provision that would reset the loan to a single interest rate was intentionally removed at the request of Bank of the West. After some discussion it was agreed that a final draw on the BofW LofC would not be taken at this time. Director Bowles suggested that, in the mean time, someone from Sierra Lakes should be talking directly with Catherine Hansford, USDA and CSRF representatives regarding the status of possible funding. Director Freedle said that both the USDA and CSRF representatives agreed to update Sierra Lakes regarding any funding progress. He further said that it was his understanding that Sierra Lakes' application would consist of a one-page appendix to DSPUD's application should separate funding be required.

C. The Board discussed Director Luscher's draft letter to Serene Lakes lot owners regarding connection to the expanded wastewater treatment plant. The Board also discussed how the cost should be presented; with or without the cost of financing. The question was asked whether or not lot owners should have to participate in the repayment of debt for the current infrastructure upgrades and if so, should that information be added to the Director Luscher's draft letter. The alternative would be to recover the cost of infrastructure improvements through the water/sewer connection fee. The concern was that not all lot owners would obtain the same benefit from the current infrastructure improvements and therefore, the repayment of the debt could not be included in the cost of the treatment plant upgrade/expansion. Director Oudegeest questioned the intent of the letter. For example, if the District were to require all undeveloped lot owners to participate in the cost of the treatment plant, shouldn't the letter ask if the lot owners intended to combine their lots not whether they would "opt in" or "opt out"? Director Luscher said he would update the draft letter based on the discussion and develop a revised straw poll form to be sent out within a few days.

At the request of Directors Oudegeest and Luscher the Board scheduled a Special Meeting to be held on Saturday, December 11, 2010 at 1:00 p.m. The purpose of the meeting would be to discuss and make policy decisions in regard to financing the Wastewater Treatment Plant Upgrade/Expansion and paying for the last three years' infrastructure upgrades presently on the Bank of the West line of credit, and other financial issues..

D. The Board discussed the Proposition 218 flowchart that was provided by Jim Curtis. Director Freedle said that the whole process would begin with the Engineer's Report that has not been received. Members of the Board disagreed about whether or not current rate payers would be included in the Assessment District. Director Oudegeest understood that all lot owners, developed and undeveloped, would be included. Director Freedle said that developed lot owners would not need to be included since the cost of the upgrade would be handled through a rate increase. Director Luscher didn't think current rate payers had a choice and therefore wouldn't need to be included in the Assessment District Prop 218 vote. Director Freedle placed a call to Jim Curtis and asked if an Assessment District vote was required for current rate payers and then asked Jim to provide a write up explaining the District's options. Director Freedle also said that all rate increases were subject to the Prop 218 process, which would require that the rate payers be notified of the proposed rate increase and given an opportunity to protest the increase; if 2% of the rate payers protested the increase then the increase would have to be put to a vote. Director Bowles suggested that all developed and undeveloped lot owners be included in the Assessment District because it would reduce the risk of a protest; developed lots owners might be more receptive to the new plant than the undeveloped lot owners. The Board agreed that the first step would be to poll the undeveloped lot owners to determine their intent to participate or to combine their lots. Director Luscher, Director Oudegeest, and Bill Quesnel agreed to work on the letter and straw poll form to be sent out as soon as possible.

E. The Board discussed the analysis of Proposition 26 provided by Jim Curtis. Proposition 26 basically says that anytime a lien is placed on real property, such as an assessment for a treatment plant upgrade/expansion, then the lien would be subject to the Prop. 218 process.

F. The Board discussed Catherine Hansford's proposed contract that was presented to the Board at the October 30, 2010 meeting. Director Oudegeest said that he initially questioned the need to contract with Catherine but now felt that her expertise in Governmental Funding would be beneficial to the District. Director Luscher said what Catherine Hansford submitted was a proposed scope of work and fee schedule, not a contract.

A motion was made by Director Oudegeest and seconded by Director Bowles to approve Catherine Hansford's agreement. The motion passed on a roll call vote: Ayes: Directors Freedle, Oudegeest and Bowles. Noes: Directors Luscher and Berns. Abstentions: None. Absent: None.

G. Director Oudegeest presented his suggested topics for the December Serene Lakes Property Owners Association (SLPOA) Newsletter to the Board for review and approval. He explained that he intentionally distilled the information into a form that he thought would encourage more people to read the whole article. He acknowledged that the topics were complex and could easily be expanded into lengthy paragraphs but thought a long article would overwhelm people and stop the recipients from reading it. Cheryl LeBel commented that she thought the article was written in a way that would help people understand that there were major issues taking place and it would encourage people to ask questions.

A motion was made by Director Bowles and seconded by Director Luscher to approve the newsletter topics as proposed by Director Oudegeest. The motion passed on roll call vote: Ayes: Directors Freedle, Luscher, Oudegeest, Bowles and Bern. Noes: None. Abstentions: None. Absent: None.

Director Bowles suggested that the article include cost estimates like those presented in Director Luscher's draft letter to Serene Lakes lot owners. It was agreed that Director Oudegeest would include a capital-cost range of \$8,000 to \$11,000 per EDU for the wastewater treatment plant.

H. The draft letter to Kirk Syme, Royal Gorge, regarding sewer plant capacity was presented to the Board for review and approval.

A motion was made by Director Luscher and seconded by Director Bowles to approve the letter to Kirk Syme regarding confirmation of sewer plant capacity. The motion passed on roll call vote: Ayes: Directors Freedle, Luscher, Oudegeest, Bowles and Bern. Noes: None. Abstentions: None. Absent: None.

I. The Board discussed DSPUD's December 4, 2010 Open House. Director Oudegeest volunteered to represent SLCWD at the open house and Director Freedle suggested that he have copies of his SLPOA article available to hand out.

V. New Business

A. The Board reviewed ACWA/JPIA's proposed Bylaw Amendments and agreed to notify them that although Sierra Lakes agreed with the changes the District would not be sending anyone to the meeting.

B. Information regarding the USDA and CSRF financing options that was discussed at the Special Meeting held at DSPUD on November 16, 2010 was discussed earlier in the meeting.

VI. Administration

A. The October 30, 2010 Meeting Follow-Up was reviewed by the Board. The only item left pending was the response to Joe Gray's e-mail on which Bill Quesnel gave a status report during his Operations Report.

B. The October Action items list was review by the Board. Directors Freedle, Luscher and Bern were reminded that they needed to complete their ethics training by December 31, 2010. Anna Nickerson said she would send those Directors the link to ACWA/JPIA's ethics training website.

VII. Finance

A. Disbursements for Board Approval were presented to the Board. Director Luscher asked what the benefits were to being a member of the California Special Districts Association (CSDA). After some discussion the Board elected not to renew the membership.

A motion was made by Director Oudegeest and seconded by Director Bowles to approve the disbursements for payment with the exception of the CSDA invoice. The motion passed on roll call vote: Ayes: Directors Freedle, Luscher, Oudegeest, Bowles and Bern. Noes: None. Abstentions: None. Absent: None.

B. The Board reviewed the following Financial Reports for the month ending October 31, 2010. The only comment was Director Freedle's in which he reported that the Treasury Bills would mature in the next couple of weeks, returning the District to an adequate cash position.

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

VIII. Adjournment

A motion was made by Director Ulrich and seconded by Director Bowles "to adjourn the meeting" at 8:25p.m. The motion passed on a unanimous vote

The next regular meeting will be held on December 10, 2010 at 5:00 pm. A special meeting was scheduled for December 11, 2010 at 1:00 pm to address policy decision in regard to the wastewater treatment plant.

Financial Consultant

APPROVED BY:

President