

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

Date: Friday January 13, 2017 / **Time:** 6:00 p.m. / **Place:** 7305 Short Road, Serene Lakes, CA

I. Open Meeting:

Roll Call: Directors in attendance at the Sierra Lakes Boardroom were:

Director Heald
Director Dan Stockton
Director Michael Lindquist
Director Dick Simpson
Director Bill Oudegeest

Staff members present: Bill Quesnel, General Manager
 Anna Nickerson, Financial Consultant

Staff members by phone: Jeff Mitchell, District Counsel

Guests present were: Robert Johnson, Senior Auditor
 Dennis Fisco

Minute Recorder: Anna Nickerson, Financial Consultant

II. Public Forum: An opportunity for members of the public to address the Board on items that were not on the agenda. There were no public comments.

III. Approve Agenda:

The agenda was presented to the Board for approval.

A motion was made by Director Oudegeest and seconded by Director Stockton to approve the agenda as presented. The motion passed by a unanimous vote.

IV. Oath of Office, Election of Officers and Ad Hoc Committee Assignments:

A. The Oath of Office was taken by Director Heald.

B. The Board held an election for the offices of President and Vice President.

Director Heald opened the nominations for the office of President.

A nomination for Director Heald for the office of President was made by Director Stockton and seconded by Director Oudegeest. Before accepting the nomination, she said she would be happy to serve but would also be happy to relinquish the position if someone else had a desire to be President. Director Heald's nomination was accepted by all Board members.

A motion was made by Director Oudegeest and seconded by Director Stockton to close nominations for President. Director Heald was elected President by a unanimous vote.

A nomination for Director Lindquist for the office of Vice President was made by Director Oudegeest and seconded by Director Stockton. Director Lindquist accepted the nomination.

A motion was made by Director Oudegeest and seconded by Director Stockton to close nominations for Vice President. Director Lindquist was elected Vice President by a unanimous vote.

C. The Board was presented with a list of current Ad Hoc Committees and Assignments for review and action. The following list reflects the Board's new committees and assignments:

- **Legal** – Directors Heald and Lindquist were reappointed
- **ACWA/JPIA** – Director Stockton was reappointed
- **Budget** – Directors Simpson and Stockton were appointed with Mr. Quesnel and Mrs. Nickerson as support
- **Audit** - Directors Stockton and Simpson were appointed with Mrs. Nickerson as support
- **District Code** – Director Stockton was reappointed with Mr. Quesnel, Mr. Mitchell and Mrs. Nickerson as support
- **Heating Oil Tank Legislation** – Director Lindquist was appointed with Mr. Quesnel as support

The following committees were removed:

- Lake Management Implementation
- Negotiation for the Wastewater Treatment Plant Service Agreement
- Rate Structure Amendment
- Employee Manual
- SLPOA – Sub-committee for the Verizon Tower Project

V. **Public Comments:** An opportunity for the Board to consider comments received from the public after the agenda was posted, regarding items on the agenda. There were no public comments received after the agenda was posted.

VI. **Acceptance of 2015/2016 Audit Report:**

Director Heald asked about the pending questions regarding the financial statement report. Mrs. Nickerson said the question was in regard to a comment in the audit report that referred to minor matters pertaining to the District's internal controls that were supposed to be addressed in the management letter. However, no further discussion was found in the Management Letter. Mr. Johnson, Senior Auditor, explained that the audit report and management letters were boiler plate documents and that staff should have removed that comment because there were no minor matters noted in the audit. Mr. Johnson also said the District was in good shape because it had good policies, good controls and an intelligent Board of Directors with good oversight.

Mr. Johnson went on to say that in the past, the District had had two employees in the office and the accounting was at a sufficiently challenging level. He said with the previous staff, much of his work was more of a Chief Accountant. He said he had to be careful not to audit his numbers when providing that level support. Now, however, the District had one competent employee and the audit resulted in only one journal entry. Director Heald summarized that what Mr. Johnson said was that there was only one issue pertaining to equity that needed to be corrected, that he was happy with the District's controls and that there were no addendums to the September letter that the Board needed to be made aware of. Mr. Johnson said there was one conversational topic that came up during the audit that was discussed with Director Freedle. The topic pertained to the CalPERS situation. He suggested that the Board might look at making a prepayment towards the unfunded pension liability. He said he had a couple clients that were able to save a lot of money by prepaying their unfunded pension liability because CalPERS's rate of interest was higher than what the banks were offering. Mrs. Nickerson was asked to check into options for prepayments.

A motion was made by Director Oudegeest and seconded by District Stockton to accept the audit. The motion passed by a roll call vote. Ayes: Directors Heald, Stockton, Lindquist and Oudegeest. Noes: None. Abstentions: Director Simpson. Absent: None.

A. Bill Quesnel's memorandum titled "Contract for Services, Robert Johnson Accountancy Corporation" was presented to the Board for consideration and possible action. Mr. Quesnel said the original Memorandum of Understanding (MOU) to provide temporary accounting services to the District, in the event that something happened to Mrs. Nickerson, had been incorporated into a standard services agreement that had been provided by Jeff Mitchell, District Counsel. He also said the revised agreement had been provided to Mr. Johnson for his review.

Mr. Johnson said the situation had become a much bigger deal than when it started. He said his company agreed to provide temporary accounting services in the event of an emergency, out of courtesy, they were not looking for another revenue source. He also said they needed to be careful not to jeopardize their independence in regard to the audit. Mr. Johnson said his company would be willing to provide someone to temporarily keep the office going, make deposits and pay bills, but could not provide someone to run the office. He felt the agreement was more than necessary and that the insurance requirements alone would take a day to satisfy. Director Lindquist said he would not be comfortable entering into an agreement with a professional firm unless there was a formal agreement in place because of liability issues.

Director Heald said, when the Board discussed the MOU, they were thinking in terms of more than 40 hours. She also said they were trying to take the functional language from the MOU and put in into a legal services contract that covered items that the District legally needed to cover. She then asked Mr. Mitchell if there was a way to protect the Board while meeting Mr. Johnson's request of a more simplified agreement. Mr. Mitchell said the two options were to either identify particular issues in the contract and fix them or go with a shorter, "stand-by" agreement. However, he felt the agreement needed to include indemnification and insurance provisions. Director Heald said, based on Mr. Mitchell's comments, the Board needed to go back to the MOU and add indemnification and insurance provisions and make it clear that it was a temporary/stand-by agreement. Mr. Johnson said he would accept a revised MOU with indemnification and insurance provision provided the introduction clearly stated that services would be provided on a short term basis in the event of a critical situation.

Director Heald said another alternative would be to pay a consultant to spend some time at the District gaining an understanding of everything Mrs. Nickerson does so they would be able to step-in in the event of an emergency. She suggested that the Board consider both alternatives and decide which direction they want to go.

Director Simpson said he liked the first alternative, contracting with Mr. Johnson's firm, and having a detailed Office Procedures/Job Responsibility Binder (Binder), that was currently being prepared by Mrs. Nickerson. Director Stockton said he too was supportive of the first alternative.

Director Oudegeest said he was supportive of the first alternative and suggested that the Board hold off on a decision regarding the second alternative until they had an opportunity to review the Binder.

Mr. Johnson said he could check with his other Districts that had accounting manuals, to see if they would be willing to share a copy.

Mr. Johnson then said a large part of internal controls was having a double check, especially when there was only one person in the office. He said it would be a good idea to have a "second set of eyes" looking at things. He said Director Freedle used to be the second set of eyes. Then he listed off some other alternatives. He said:

- Some Districts had the auditors review things once a quarter
- Some used their General Manager as the second set of eyes and
- Some had their Audit Committee perform quarterly reviews of the bank reconciliations.

Director Heald asked if Mr. Johnson was performing quarterly spot audits that had previously been approved by the Board. Mr. Johnson said his staff performed interim procedures in June each year to identify any issues that need correcting before the annual audit.

Director Heald summarized the discussion. She said first, the Board needed to go back to the MOU, add an introductory paragraph outlining the scope, add indemnification and insurance provisions, provide the revised MOU to Mr. Johnson for review and bring the revised MOU back to the Board for approval. Mr. Quesnel was asked to revise the MOU and provide a copy to Mr. Johnson for review. Second, the Board needed to implement quarterly reconciliations. Although the Board discussed holding off on making a decision whether or not to contract with a back-up consultant to step in for Mrs. Nickerson in the event of an emergency, she thought the person might be the person to perform the quarterly reviews. Director Heald suggested that the Audit Committee perform quarterly reconciliations. Director Heald asked that consideration of additional reconciliations be put on the February 2017 agenda.

Mr. Johnson said his daughter has done quarterly reviews of other districts and that it four to six hours to perform the audit. He also suggested that the Audit Committee be involved with the spot audit. Director Heald suggested that the Board approve Mr. Johnson's firm to perform a quarterly review of internal controls. The audit would be performed with the District's Audit Committee and the Committee would report back to the Board.

Mr. Johnson was asked to provide the District with a letter, to be approved at the February meeting, for performing a quarterly internal controls audit including an outline of the steps to be performed.

X. C. DSPUD Service Agreement, presented by Bill Quesnel. Although the Board did not alter the agenda at the time of approval, in an effort to accommodate Mr. Fisco, the Board agreed to discuss item X. C. DSPUD Service Agreement, presented by Bill Quesnel, prior to the break.

Mr. Quesnel said the service agreement, for providing wastewater treatment services to Sierra Lakes by Donner Summit PUD (DSPUD), was approved by the staffs of both DSPUD and Sierra Lakes and the Facilities Committee. Staff recommended that the Board sign the agreement as presented. He also said the Donner Board would be considering the agreement at their meeting to be held on January 17, 2017.

Director Heald thanked the committee members, Director Oudegeest, Director Stockton, Mr. Quesnel and Mr. Fisco, for doing such a great job. Director Oudegeest complimented Mr. Quesnel on his ability to smooth things out when discussions got contentious.

A motion was made by Director Simpson and seconded by Director Lindquist to approve the Service Agreement. The motion passed by a roll call vote. Ayes: Directors Heald, Stockton, Lindquist, Simpson and Oudegeest. Noes: None. Absent: None. Abstentions: None.

VII. Operations:

A. Mr. Quesnel's operations report was presented to the Board for consideration and possible action. Mr. Quesnel said he spoke with Mr. Skjelstad about how the cost of operating the wastewater treatment plant significantly exceeded budgeted costs for the prior year. Mr. Skjelstad told him that the increased costs resulted from plant costs incurred after the new plant warranty ran out and increased propane costs. Mr. Quesnel also said Mr. Skjelstad was working on additional information that had been requested.

Mr. Quesnel said it was staff's opinion that some of the crazy high flows were the result of homeowner's not turning stop/drain valves off completely. He said if a stop/drain valve was not completely open or completely closed, water would continue to come in from the system but it would be discharged under the house or elsewhere. He said staff would be talking about implementing a program over the summer where, upon request, a staff member would meet with a homeowner to show them how to properly operate the stop/drain valve. Director Lindquist thought a stop/drain valve demonstration could be offered at other events. He said he would be happy to demonstrate how it works if he could be provided with an actual valve. Director Oudegeest suggested that they also provide information about how much water gets wasted when a valve doesn't get completely opened or closed.

Finally, Mr. Quesnel noted that there was still some communication problems with the automatic meters. He said although the meters were not working like they thought they would, staff would continue to monitor them. Director Oudegeest asked if there were meters that could be read by doing a drive-by. Director Lindquist said there were but they don't provide "real time" data.

VIII. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the December 9, 2016 meeting, the December Check Register, Disbursements for Board Approval, and the December 31, 2016 Financial Reports. Director Simpson asked about a check that was sent to Placer County Tax Collector with a note that it was refunded. Mrs. Nickerson explained that Truckee Fire erroneously placed assessments on District properties, the District had to pay the assessments to clear them but Truckee Fire reimbursed Sierra Lakes for the assessments. He also asked if the property values reflected on the Balance Sheet were original purchase prices. Mrs. Nickerson said she didn't know. She had researched the files but could not find any information supporting the numbers.

A motion was made by Director Oudegeest and seconded by Director Stockton to approve the Consent Items. The motion passed by a unanimous vote.

A motion was made by Director Oudegeest and seconded by Director Stockton to approve the Disbursements. The motion passed by a unanimous vote.

IX. New Business:

A. The topic of "Performance Reviews" was presented by Director Heald for consideration and possible action. She said when the Board negotiated salary increases for consultants, part of the discussion was performance reviews. She said Mr. Quesnel was asked to conduct Mrs. Nickerson's review since he worked with her on a daily basis and knew what was expected. She also suggested that Mr. Quesnel's review be conducted by the Board President and that reviews could be done once a year. The Board agreed.

B. An email dated December 28, 2016, from Pat Malberg, of the Donner Summit Legacy group, was presented to the Board for consideration and possible action. The email was an invitation to the upcoming Summit Wide Meetings to be held at 6:00 pm on January 31, 2017 and February 23, 2017. Director Oudegeest said the summit used to be a much more active place with post offices, restaurants, bars, gas stations etc., but since the freeway went in, people started bypassing the area and businesses started closing. Even the few businesses that remained were struggling. He said, for the last 10 years or so, based on several surveys showing that people on the summit wanted a more vibrant economy, members of the community had been working to try to stimulate the economy. However, they were hit with roadblocks from both Placer County and Nevada County because each thought it was within the other's authority. However, recently Nevada County agreed to do an area plan for Soda Springs. So far, Soda Springs was changed to a "rural center" and the zoning was changed to "general commercial" which would allow more businesses; some of the businesses currently on the summit were outside of the previous zoning restrictions. He also said the county would be redoing Old Hwy 40 from the freeway to Donner Lake. The road would be widened and bike lanes added. The group had also applied for a grant from the North Lake Tahoe Resort Association for a Welcome Monument for Visitors and it was anticipated that the grant would be approved at a January 24th meeting. He said things were coming together and they were trying to build a group consisting of business owners and homeowners to work with local governmental officials to help manage the plan. He asked if the Board wanted to appoint a Water District Representative to attend the meetings. Director Simpson volunteered to

represent the Water District at the meetings with the understanding that any decisions would have to be brought back to the Board.

X. Old Business:

A. Mr. Quesnel's memorandum titled "Fuel Tank Risk Reduction Financial Assistance Program Update", dated January 5, 2017, was presented to the Board for consideration and possible action. Mr. Quesnel said he talked to a local heating contractor and was told that it would cost about \$5,000 to replace an oil fire forced air furnace with a propane fire forced air furnace and that the cost to replace an old fashioned hot water radiator would be about \$10,000. He also said language regarding the proposed \$7,500 grant and the 0.0% interest loan for excess costs were added to the proposed program. Mr. Quesnel said he would clean-up and formalize the document but suggested the Board hold off on adopting the program to allow time for public comment and to make sure the program was exactly consistent with the proposed legislation; which was the next item for discussion.

Director Simpson confirmed that homeowners with small tanks would be eligible for the State's UST Clean-up Fund if the tank leaked. Director Simpson then said that there were a few houses near the junction of Soda Springs Rd. and Pahatsi that wouldn't drain into Lakes Serena or Dulzura and asked if the reference to the "tributary watershed of Lakes Serena and Dulzura" was appropriate. Mr. Quesnel said he was trying to make sure that he was covering any home/structure that would drain into the Lakes. He used the example that if someone built a structure on Land Trust property that was outside of the District's service area but would drain into the Lakes, that structure would be excluded by referencing the District's service area; he wanted to include all areas that drained into the lakes, even though it was highly unlikely that a home/structure would be built on Land Trust property. Director Simpson questioned the wording of a few other items. Mr. Quesnel said he would check the wording and the other items mentioned by Director Simpson and keep the item on the agenda.

B. Mr. Quesnel's memorandum titled "Draft Letter re: Proposed Legislation to allow Regulation of Home Heating Oil Tanks", dated January 5, 2017, was presented to the Board for consideration and possible action. Mr. Quesnel said Director Oudegeest met with Ken Hall and Mr. Hall made some suggestions regarding the letters to the legislators and the proposed legislation. Jeff Mitchell reviewed the documents to make sure the District was protected to do what they needed to do without being obligated to do something that would put the District in a bind. He also said because there was such a short period of time to get the proposed legislation in front of the legislators, Director Heald signed the letter and carried it down to the two representative's offices. The District was then contacted by a lobbyist, Will Gonzalez, a Serene Lakes homeowner, who offered to help the District on a pro-bono basis. He only asked that the District reimburse him for any expenses.

Director Heald said Mr. Gonzalez was a true asset, that he was a registered lobbyist and that he already had a relationship with Senator Gaines. She also said it was very clear that Senators and Assemblymen and their staffs were happy having a lobbyist involved because that meant there would be less work for them to do. Director Heald said she and Mr. Gonzalez met with Mike Cox, from Senator Gaines office, and Cheri West, from Senator Dahle's office. Ms. West asked if the District had cleared the proposal for legislation with Placer County Environmental Health and Supervisor Montgomery. She said Mr. Cox would meet with Senator Gaines and get

back to either her or Mr. Gonzalez would get information from Mr. Quesnel regarding Ms. West's concerns.

The Board was presented with a service agreement for lobbyist services from Mr. Gonzalez. Mr. Quesnel asked that the Board authorize the Board President to sign the agreement and for the Board to designate who Mr. Gonzalez' contact(s) should be.

The Board appointed Director Lindquist and Mr. Quesnel as the Heating Oil Tank Legislation Ad Hoc committee members.

A motion was made by Director Simpson and seconded by Director Oudegeest to approve Director Heald to sign the agreement. The motion passed by a unanimous vote.

C. The DSPUD Service Agreement was approved by the Board earlier in the meeting.

XI. Administration:

A. The list of Follow-up Items from the December 9, 2016 meeting was presented to the Board for consideration and possible action. All items were complete.

B. The Status of Action Items remaining as of the January 2017 Board meeting was presented to the Board for consideration and possible action. It was agreed that the Office Procedure Binder would be added to the list.

XI. Adjournment

A motion was made by Director Oudegeest and seconded by Director Lindquist to adjourn the meeting. The motion passed by a unanimous vote.

The minutes were approved at the Regular Meeting held on February 10, 2017 as part of the Consent Items Calendar. A motion was made by Director Oudegeest and seconded by Director Simpson to approve the Consent Items Calendar. The motion passed by a unanimous vote.