

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

Date: Friday April 14, 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 Karen 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: None

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. Director Heald requested that item B under Old Business “District Ordinance Update” be postponed to the May meeting. She said she believed Jeffery Mitchell, District Counsel, still wanted to look at some things and that she wasn’t able to finish reviewing the document. Director Stockton agreed, if the Board needed more time they should take more time.

A motion was made by Director Stockton and seconded by Director Oudegeest to approve the agenda, moving item VII. B. District Ordinance Update to the May meeting. The motion passed by a unanimous vote.

Mr. Mitchell said he had read the document and thought it was in good shape. He anticipated that there would be an initial review by the Board and that he would then focus on areas that were thought to have issues. Director Heald mentioned the sections regarding billing and collection as areas she thought he should review. Director Stockton agreed and said he wanted to make sure any ordinance that directly touched the customer, like billing, was fair and clear. Mr. Mitchell said he had already identified those sections pertaining to billing and termination of service as areas for review.

IV. 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.

VIII. Operations:

A. Mr. Quesnel's operations report was presented to the Board for consideration and possible action. Mr. Quesnel said he had sent copies of the District's ACWA/JPIA Declaration pages for property, liability and workers' compensation insurance to a broker in Truckee. The broker said he expected insurance companies to be interested and thought they would provide good quotes. However, he needed to know how much notice ACWA/JPIA required to cancel coverage. Mr. Quesnel said he and Mrs. Nickerson were researching the broker's question and would bring the topic back for discussion at the May meeting. Director Heald said she had requested that Mr. Mitchell review the District's current policies to make sure the coverage was adequate. She thought his input could be used to determine what the policies should be.

Mr. Quesnel then talked about the challenges of operating the water treatment plant in cold weather. He said the temperature of the lake water was back down to .75° Celsius and that the static mixer that was installed did not work as anticipated. However, he said earlier in the day he met with a consulting engineer in the area who was a very knowledgeable about treating water in very cold climates, and they came up with a plan to improve the process.

He said one of the biggest determinants for treating water was the positive and negative charges coming from the processing chemicals. The consulting engineer felt a chemical with less positive charge was needed. Mr. Quesnel said he was going to borrow some jar testing equipment to test different chemicals to determine which chemical would work best. He also said the consulting engineer offered to help with the chemical testing.

Mr. Quesnel said they would also be looking at extending the intake pipe to deeper parts of Lake Serena. He said they would install two tubes; one extending out 100 feet and another extending out 200 feet. He planned to sample water from each tube over the next year to make sure they knew what the water quality parameters were at each level.

Mr. Quesnel said in the big picture, they were going to change chemicals for the winter of 2017/2018 and that an extension of the intake pipe would take place in 2018/2019.

Finally, Mr. Quesnel said staff changed the endpoints of the automatic meters that weren't communicating and that communication did not improve with the new endpoints. Director Simpson said the endpoints were under about 11 to 12 feet of snow and that the water content of the snow was 40% to 55%. Director Simpson also said the holes, from where staff had dug-out the water meters, were not filling in very fast so the new endpoints were only trying to transmit through about five feet of snow. He said interpolating across the winter months, instead of doing a drive-by reading for meters in low cell service areas, might be the best method of determining use. Mr. Quesnel said interpolating across the winter months would not help with leak detection. Director Lindquist agreed saying the real value-added benefit to customers of automatic meters was the leak

detection. He said using the more advanced technology would provide real-time water measurements that could prevent people from suffering catastrophic damage to their residences.

V. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the March 10, 2017 Regular Meeting, the March 2017 Check Register, Disbursements for Board Approval, and the March 31, 2017 Financial Reports. Director Heald asked if the term “properly abandoned” was used in the discussion regarding heating oil fuel tanks. Director Lindquist said he was using the term “properly abandoned” but what he should have used was “closed-out”; closed-out was the industry standard term. There were also a few typos noted for correction. Director Simpson asked about the premium for excess crime coverage and Director Heald explained that it was a requirement for the USDA loan. Director Simpson also noted that the Year to Date column of the Budget to Actual report reflected only eight months of income instead of nine although there appeared to be nine months of expenses. Mrs. Nickerson said she would look at it; she may not have updated the income section.

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

A motion was made by Director Oudegeest and seconded by Director Simpson to approve the Disbursements Requiring Board Approval. The motion passed by a unanimous vote.

VI. New Business:

A. Mr. Quesnel’s memorandum titled “Proposed 2017-2018 Budget” dated April 6, 2017 was presented to the Board for consideration and possible action. Mr. Quesnel said the budget process began with looking at where costs were for the current fiscal year, annualizing the costs out to the end of the year, reviewing and discussing the project lists with staff and meeting with the budget committee before presenting a draft budget to the Board for review. The draft budget would then be discussed by the Board. If big changes were proposed to the draft budget, the budget would be revised and brought back in May for further discussion. If no big changes were made to the budget, the final budget would be brought back in June for adoption.

Mr. Quesnel noted that the draft budget included \$75,000 for the fuel tank incentive program. He said he thought it made sense to budget a serious amount of money to show the community that the Board was very serious about the program. The other item mentioned was legal fees. When asked, Mr. Mitchell said, unless the District found itself in litigation, \$50,000 was a high number. Director Lindquist suggested a budget of \$36,000 (\$3,000/month).

Mr. Quesnel said he also wanted to talk about the meter project. He said the District wasn’t required to go to metered rates until 2025 but there were questions to be answered: where coverage was available; where it wasn’t; how many meters to install; and when. He said it would be helpful to understand how water use differed between full time, vacation rental and part-time occupancies. He also said the District needed time to collect the necessary data for setting a rate.

There was some concern voiced about how fast technology was changing and how Board members didn't want to commit to something that would be obsolete by 2025. Mr. Quesnel said staff had originally discussed installing 200 meters in 2017/2018 but the Budget Committee thought installation of 100 meters in 2017/2018 would be adequate. Director Stockton said he was in favor of slowly easing into the installation of meters. Mr. Quesnel noted that with 800 connections and installation of 100 meters a year, the last meters would be installed just before the 2025 deadline. He said staff would have to ramp up to 200 or more meters a year in order to collect the necessary data for the January 1, 2025 rate setting. Directors Stockton and Simpson suggested that test meters be placed at all the Board member's residences.

Director Heald ask how the underlying infrastructure would be dealt with in the rate setting process. Director Stockton said it would be up to the District to decide how much of the rate would be based on use. For example, rates could be based 100% on use or only 10% on use. He said, during the drought, the State wanted more of the rates to be based on use to make it really expensive to use a lot of water. However, he didn't think that would work for this District because there were so many different types of consumption. He said generally, half of a water district's costs would be considered fixed but it was going to be up to the Board, through consideration and policy, to decide how much would be fixed and how much would be variable. Director Lindquist said one of the problems with setting rates was the revenue stream. In some cases, 90% of the costs could be considered fixed but that would allow someone to use a lot of water without paying much more than the person that was conserving. He said there would be a push to make a larger percentage of the water bill variable. However, if a larger part of the bill was based on consumption (variable) and everyone decided to conserve water, the District might not have enough revenue to operate.

Director Lindquist said he was in favor of holding off on installing meters until 2020. He suggested installing 400 meters a year over a two year period. He said he was concerned about the perception of who was being metered and who wasn't and thought placing meters at each of the Director's houses was a good idea. He also said he was concerned with the number of meters that weren't communicating. Mr. Quesnel said out of the 10 meters that were being tested, four were not communicating. However, those four locations were specifically selected because they were known to have poor cellular reception. Director Simpson said he thought the success rate for the District would be about 70%.

Mr. Quesnel said when he first started researching automatic meters, he talked to a different manufacturer, Sensus, who used a fixed interrogator. He found that the Sensus system was much more expensive than the cellular endpoint system currently being tested because it required a designated frequency and a radio receiver mounted in a truck. Badger, on the other hand, developed a much less expensive drive-by system that required plugging an antenna into a laptop and driving by those locations that did not have cellular service. The problem was the endpoint. The endpoint had to be either based on a frequency for a drive-by system or for a cellular system, not both. However, Badger was currently working on a new endpoint that would provide dual frequency. If for some reason an endpoint wasn't communicating through cellular service, information could be gathered by driving by the location with the laptop and antenna.

Director Simpson said he was worried about installing 400 meters in 2020 and the other 400 in 2021. He was specifically worried about the cost of replacing 400 endpoints in each of years; endpoint batteries were expected to last 10 years. Mr. Quesnel said the cost of the endpoints

were about \$100 so the cost would be 400 x \$100 (\$40,000). Director Simpson thought it would be better to spread the installation of meters over a four year period of 200 meters each year. He said 200 meters a year over four years would spread the replacement costs over a longer time span as well. Director Simpson then said the reason why he suggested pulling back to 100 meters for the next fiscal year was to see where the technology was going. Mr. Quesnel said that installing 400 meters may or may not be doable in a single season.

Director Heald said she liked waiting a few years both as it related to public appearance and as it related to better technology. She also said if Mr. Quesnel didn't think it was realistic to install 400 meters in a year then maybe the installation needed to be spread out over four years starting in 2020. Director Lindquist said he understood about incurring high replacement costs in some years with no cost in others. However, he thought the cost of replacement could be dampened through the rates; collected over several years and paid out over a couple years. Director Heald suggested that maybe the installation could start in 2019, finish in 2022, collect data for a year and then set rates by 2024. Director Lindquist said he thought it would be a good idea to develop a fact sheet about meters. Director Stockton said the design of the rate structure should start before potential bills were shown to the customer. Director Lindquist said he thought the test meters should be specifically placed at both part-time and full-time residences and he didn't think data from all 800 meters was necessary to start designing a rate structure. He felt a good representative sample was all that was necessary. Director Simpson said that was why he thought 100 meters would be good to start with.

Director Lindquist asked that the decision about how many meters to install be held over until May.

Director Oudegeest asked how many chimney seals still needed to be done. He also asked if the District should hire a contractor to finish them. Mr. Quesnel said there were 120 to 130 manholes in the District and about 40 or 50 had been installed. The remaining manholes required hand work with a grinder before the chimney seals could be installed. He said having that amount of unknown work with a contractor paying prevailing wage, the cost could get really out of control. He said he would rather hire a contractor to dig up and lay pipe for projects where the scope of work could be defined and have staff work on the chimney seals. Director Oudegeest asked about hiring additional seasonal staff to help with the installation of chimney seals. Director Stockton asked about soliciting bids to see what contractors proposed the cost of replacing chimney seals would be. Mr. Quesnel said Truckee Sanitary District had a very aggressive chimney seal program and that he would call their engineer or Blake Tresan to see what they thought about contracting out the work. He was pretty sure that Truckee Sanitary District did all their chimney seal work in-house.

Mr. Quesnel agreed to contact Truckee Sanitary District about contracting out the work and would talk to staff about hiring additional seasonal workers to help with the installation of chimney seals.

Budget items to be reviewed in May:

- Meter System
- Chimney seals; more staff or contract out
- Reduce Legal fees down to \$36,000

VII. Old Business:

A. Heating Oil Tanks:

1. Mr. Quesnel's memorandum titled "Fuel Tank Regulation Legislation" dated April 5, 2017, was presented to the Board for consideration and possible action. Mr. Quesnel said, thanks to Will Gonzalez, the first hearing was very successful. He said the next step was a hearing before the Assembly Judiciary Committee and because the hearing would be dealing with administration and penalties associated with the new legislation, both Will Gonzalez and Jeffrey Mitchell agreed that Jeffrey should be in attendance. Mr. Quesnel also said Mr. Gonzalez believed that with all the letters of support and as long as there was no opposition, the legislation would be passed on sight.

Mr. Quesnel said they made some modifications to the language and also received some suggested language from a Legislation Analyst. He said he was a little hesitant about the suggested language because he felt there was some ambiguity about whether or not the District could prohibit the installation of any new underground tanks within the District. He anticipated that the committee would have a conference call within the next week or two to discuss the suggested changes. Mr. Mitchell said he didn't think the language was ambiguous. However, later in the meeting, Mr. Mitchell said he saw the ambiguity in the Legislation Analyst's suggested language that Mr. Quesnel was referring to. He agreed that they needed to address that in the next meeting.

Director Heald asked how the different thresholds noted in the language interrelated. One section referenced a threshold of 1,320 gallons, one referenced 55 gallons and, for an above ground tank, the reference was 500 gallons. Mr. Quesnel said the installation of above ground tanks, with an aggregate total capacity of 1,320 gallons, is regulated by the State Fire Marshall, who works for Placer County. He also said a 55 gallon tank is the smallest tank available. So, in theory, someone could have up to twenty-three 55 gallon tanks without being subjected to the regulations of the State Fire Marshall ($24 \times 55 = 1,320$ is the threshold for being subject to regulations). Mr. Quesnel said he was concerned about the possibility of not having the smaller tanks regulated. He thought most people would want to install a 250 to 400 gallon tank, so he had suggested using 500 gallons as a tank limit. Everyone agreed and the number stuck.

Mr. Quesnel said the committee felt strongly that even though 1,100 gallon tanks were regulated by Placer County, no new underground tanks should be installed. He listed several reasons for their position:

- The District has a small watershed.
- If there was a leak from an underground tank during winter, no one would be able to find it and clean it up because of the snow.
- If an underground tank was leaking, the leak was detected by a monitoring system, and an alarm was sounded, the chances are high that the alarm would never be noticed because so many residences are unoccupied.

Mr. Quesnel said one comment from a legislator was that this was going to be really expensive. Once the legislator understood that the Board was working on the HOTFAP (Heating Oil Tank Financial Assistance Program), the angst went away.

Director Simpson asked if the legislation would apply to diesel fuel tanks as well. Mr. Quesnel said the definition of petroleum in the California Code included diesel but specifically excluded heating oil. He said that was why the District used its own definition of petroleum in the proposed legislation so that heating oil would be specifically included; the legislation would regulate petroleum tanks including heating oil.

2. Mr. Quesnel's memorandum titled "Fuel Oil Tank Financial Assistance Program (HOTFaP)", dated April 6, 2017 was presented to the Board for consideration and possible action. Mr. Quesnel said the District had developed a handout to provide information about the program that could be put on the website. Also included with the memorandum were the two revised agreements.

Director Simpson said he tried to connect the multiple projects with the funding options and ran into problems. For example, there was no way to simply close out an existing tank. He noted that there was a funding option but no project description. Director Simpson then presented a matrix that he had developed.

Director Heald said she appreciated the grid but she liked the bullet points that described everything the District would fund. She said if they added "to close out a tank" then the list would be complete. Director Oudegeest and Director Lindquist said the grid was good for a quick glance and if more information was needed they could refer back to the previous pages.

Director Lindquist said the word "remove" was synonymous with "close out". Director Simpson said "remove" was to dig out. Director Lindquist said closing out could be digging out or it could be removing all hazardous materials. He also said that he thought people would choose the least costly method because they were going to be paying for part of the project. To him that meant they would remove all hazardous materials and would not go to the extra expense to remove the metal.

Director Lindquist thought the District should find out what "close out" meant in the professional arena. He didn't want someone to think "close out doesn't mean they could remove their tank if they wanted to". He also said, from Placer County's perspective, removal was one option under "closing out" a tank. He said Placer County wouldn't care whether someone wanted to clean out the tank (leaving the metal) or dig it out, either would be considered "closed out". Director Simpson didn't see it that way. Director Heald said she thought the District needed to determine exactly what "close out" meant. She also thought it would be good to rephrase the language to include "removal" and a term to describe leaving the tank in place. She suggested "close out by either removing or ...". Mr. Quesnel said he didn't think Placer County would allow customers to leave the tank in place because in order to leave a tank in place, the soil beneath the tank would need to be tested. In order to do that, holes would have to be drilled in the tank. It was his recollection that Placer County wanted the tanks removed. Director Lindquist felt it should be "close it out per the County's standards".

Mr. Quesnel said he would rearrange the order of the information so the bullet points matched-up. He would review Placer County's forms to determine if "removal" was the same as "close out". He would also make sure the language regarding the removal of a tank or a tank that was abandoned in place, was correct. Finally, he said he would find out how Placer County explained to a lay person that there was more to closing out a tank than just removing the tank.

It was agreed that the acronym would be all capital letters, HOTFAP.

B. Mr. Quesnel's memorandum titled "District Ordinance Update" dated April 8, 2017 was presented to the Board for consideration and possible action. As noted at the beginning of the meeting, this topic will be held over for discussion at the May meeting.

C. A report regarding the Donner Summit Community Meeting" was given by Director Oudegeest. He said that there was nothing to report; only procedural items were addressed at the meeting and that there would be another meeting at the end of April.

VIII. Administration:

A. The list of Follow-up Items from the March 10, 2017 meeting was presented to the Board for consideration and possible action. Mrs. Nickerson said she contacted CalPERS again and was waiting for a call from a CalPERS Actuarial. She hoped to have something to report at the May meeting. Director Lindquist reported that he had a meeting scheduled with the next week.

B. The Status of Action Items remaining as of the April 2017 Board meeting was presented to the Board for consideration and possible action.

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 May 12, 2017 as part of the Consent Items Calendar. A motion was made by Director _____ and seconded by Director _____ to approve the Consent Items Calendar. The motion passed by a _____ vote.