

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

Date: Friday May 12, 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 absent from the meeting: 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 said Bob Johnson, the District's auditor, agreed to be available by phone at 6:30 p.m. to answer questions regarding the proposed Lump Sum Payment to CalPERS for the District's unfunded retirement liability. She asked that Item IX. Old Business D. be discussed at that time. She also asked that Item IX. Old Business B. District Ordinance Update be moved to the end of the meeting.

A motion was made by Director Stockton and seconded by Director Lindquist to approve the agenda with the proposed changes. The motion passed by a unanimous vote.

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.

V. Lake Management: Mr. Quesnel's memorandum titled "Pier and Dock Color Compliance", dated May 3, 2017, was presented to the Board for consideration and possible action. Mr. Quesnel said he was contacted by three Pier D'Nort owners asking that the Board allow the use of the piers this year without the coating. The owners said they were not able to get the work done

prior to winter, due to the late notice, and now the piers were not accessible due to the snow pack. The request was to extend the deadline for color compliance to the fall of 2017. The Board discussed whether or not to allow the use of the piers without the coating. The Board agreed to allow the use of uncoated Pier D Norts through the 2017 summer season.

VI. Operations:

A. Mr. Quesnel's operations report was presented to the Board for consideration and possible action. Mr. Quesnel said recent water use was almost doubled compared to the average. He attributed the increase in water use to both lateral or house leakage and the amount of processed water used to backwash the clarifier and filters. He noted that 60-70 gpm of water was being used in the middle of the night indicating that there was a leak or leaks. He also said that he found a new leak detection company, Utility Services Associates, LLC (USA LLC) that used sound to follow leaks to the source. USA LLC would be on-site for five days beginning June 5, 2017.

Mr. Quesnel updated the Board regarding the cold water operation of the treatment plant. He said he recently talked with an engineer, who worked on the design of the District's water filtration system, and discussed the proposed changes to the treatment process. That engineer said he thought the District was on the right path. Mr. Quesnel also said he was working on securing the laboratory testing equipment to perform the tests that the District property owner, Mr. Ryder, suggested. He also said he believed staff would be able to perform the flocculation tests by putting water samples in an ice-bath to lower the temperature to approximately 1° C. Staff was moving forward with the project but there was still a lot of work to be done.

Mr. Quesnel discussed the notification of an upcoming Nevada County hearing for the installation of a new Verizon cell tower at Boreal. He said he was able to obtain information on the permit and that it was the same company that proposed the cell tower at the District office. Mr. Quesnel also said the only direction the Boreal tower didn't point to was the direction of the District and that the Boreal tower would improve service on Highway 80 but it probably wouldn't improve cell service in Serene Lakes. Director Heald said she had asked Director Oudegeest to follow-up on the proposed tower at Summit Station. Mr. Quesnel said he would contact the company to see if he could get an update on the Summit Station tower.

Director Simpson asked what the current temperature of the water was. Mr. Quesnel said the water temperature was up to 1.75° C and that water processing was up to 130 gpm.

Mr. Quesnel said Shan Paduano, the District's seasonal employee would be starting on May 16, 2017 and would work three days a week; Tuesday, Wednesday and Thursday. Shane's job would be to chase I&I.

The Board agreed that Truckee Fire's "Fire Safe" letter could be sent out with the annual water/sewer service bills.

VII. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the April 14, 2017 Regular Meeting, the April 2017 Check Register, Disbursements for Board Approval, and the April 30, 2017 Financial Reports. Director

Simpson asked who SWRCB Accounting Office was and what the check was for. Mr. Quesnel said the check went to the State Water Resources Control Board for one of the permit fees required to operate a water system. Director Simpson also asked if what the CC for US Bank CC meant and if gas meant gasoline. Mrs. Nickerson said CC meant credit card and yes, gas meant gasoline. Director Simpson also noted that there was a bill from Flyers Energy for gasoline/diesel as well. Mr. Quesnel said the Maintenance & Operations (M&O) staff would purchase gasoline on account from Flyers when in Truckee but would use a credit card to purchase gasoline locally.

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

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

VIII. New Business:

A. Mr. Quesnel's memorandum titled "Purchase of Replacement Pump for Bales Intake Station" dated May 4, 2017 was presented to the Board for consideration and possible action. Mr. Quesnel said next year's budget included money to repair the pumps at the Bales Intake Station but that he determined the purchase of a new pump would be less expensive. He said he was seeking approval to place the order for a new pump now but that the new pump would not arrive until after the start of the new fiscal year (July 1, 2017). Director Simpson asked if there were any issues with the motors. Mr. Quesnel said the current motors were purchased to work in high altitudes and the efficiency and cooling were good so the current motors would not need to be replaced.

A motion was made by Director Simpson and seconded by Director Lindquist to approve the purchase of a new pump for Bales. The motion passed by a unanimous vote.

B. Resolution No. 2017-838 "A Resolution of the Board of Directors of Sierra Lakes County Water District Authorizing the Placing of Special Assessments for Sierra Lakes County Water District Assessment District 2011-1 on the 2017-2018 Placer County Tax Roll" was presented by Anna Nickerson for consideration and possible action. Director Heald said the resolution was an annual requirement to allow the District to put the assessment fees on the property tax roll and that it was exactly the same language that had been used from the beginning; only the dates were updated.

A motion was made by Director Simpson and seconded by Director Stockton to pass Resolution No. 2017-838 as presented. The motion passed by a roll call vote: Ayes: Directors Heald, Lindquist, Simpson and Stockton. Noes: none. Abstentions: none. Absent: Director Oudegeest.

IX. Old Business:

A. Heating Oil Tanks:

1. Mr. Quesnel's memorandum titled "Fuel Tank Regulation Legislation" dated May 4, 2017, was presented to the Board for consideration and possible action. Subsequent to writing the

memorandum, Mr. Quesnel said he received an email from Will Gonzales stating that the Bill had passed by a vote of 77-0 as part of the Assembly Consent Calendar. Mr. Gonzales also told Mr. Quesnel that the Senate process would start at the end of May. Mr. Quesnel said he was working with Director Lindquist and Jeffrey Mitchell, the Fuel Tank Committee, on some minor language changes. The main change would be to change the tank size from 500 to 550 gallons. The change would keep homeowners from being able to claim that the regulation wouldn't apply because a tank could hold an amount slightly over 500 gallons. Mr. Quesnel also said the committee was sensitive about making language changes because the bill had already passed the Assembly and any major changes would have to go back to the Assembly for approval.

At 6:30 p.m., Bob Johnson joined the meeting by telephone. As agreed, the Board moved to item IX. Old Business D:

D. Memorandum titled "Proposed Unfunded Liability Lump Sum Payment" dated May 5, 2017 presented by Anna Nickerson. Director Heald said there was an item on the Agenda regarding the proposed Unfunded Liability Lump Sum Payment that was based on Mr. Johnson's recommendation. She also said based on a conversation with Wade Freedle, Director Simpson had some questions he hoped Mr. Johnson would be able to answer. Director Simpson said Mr. Freedle argued to him that the District should try to buy-out of CalPERS. Director Simpson asked if the District's \$380,000 payment would be protected if CalPERS were to go belly-up. Mr. Johnson said the thought of CalPERS going bankrupt was unlikely and that he had only heard that theory from Mr. Freedle. Mr. Johnson also said three or four of his audit clients had either paid-off or made substantial payments towards their unfunded liability. Mr. Johnson then said his reason for recommending that the District consider paying off or paying down the District's unfunded liability was that there was a real possibility that future contributions would be enormous because CalPERS was estimating a 7% return on investments with actual returns of less than 2.5% for the last two years. Mr. Johnson said, according to Howard Chan, City Manager for Sacramento, the City's 2018 annual unfunded liability contribution of \$3,000,000 was expected to increase to \$29,000,000 within five year.

Director Heald asked if CalPERS had addressed what other boards were doing by increasing employee contributions and changing retirement age. She said other retirement funds were changing their retirements because of poor returns on investments. Mr. Johnson said he didn't think CalPERS could make changes to retirement benefits because of a law that said employee benefit contracts were sacred and couldn't be changed. However, he was told by Jeff Chang, a Benefits Attorney in Folsom, that the possibility of making changes to retirement benefits was being reviewed by the Supreme Court in Washington. If the Supreme Court found that retirement benefits could be changed, small districts would get some relief.

Director Heald asked "how do you get out of CalPERS?" Mr. Johnson said the District would need to request an actuarial calculation from CalPERS that would include enough money to pay-off retirement benefits for the District's current retirees. Director Stockton asked if Mr. Johnson knew of any agencies, wanting to get out of CalPERS, accepting the liability and purchasing their own system to fund the contracts with former employees. Mr. Johnson didn't know of any but said it wouldn't surprise him if there were. Director Stockton said there were companies that would sell an annuity, based on a stated liability that the District would fund to pay off prior contracts. Director Stockton also said he wanted to see what the cost of getting out of CalPERS would be because there seemed to be less confidence in CalPERS' ability to offer the

District's employees the agreed benefits. Mr. Johnson said CalPERS was the Cadillac program for retirement benefits because it was a defined benefit plan that had no limit on the amount of contributions that might be required; as compared to a defined contribution plan consisting specific contribution amounts. In response to Director Heald's question about whether or not CalPERS' calculation to "get out" would include the estimated 10 fold increase in benefit contributions, Mr. Johnson said it would. Mr. Johnson also suggested that the Board President talk to other Districts who chose not to make the lump sum payment to see what their rationale was.

Director Lindquist said the question was, how much does it actually cost to provide retirees with all of their pension? He said there was a general feeling that it was very expensive but the pensions were really good. He wondered if a private company could do better. He said it would be hard to find a private company that would give retirees the same guarantee. He also said CalPERS enjoyed the fact that they are a quasi-governmental agency that could get legislation passed to protect retirees' interests. He said there was also a question of total compensation for the employees; defined benefit for retirement vs. salary today. Director Lindquist also said the District was competing against other governmental agencies in the area for employees. He said maybe employees would be happy with more salary and a defined contribution retirement plan.

Director Stockton said he was surprised that CalPERS projected a 7% return but only realized 2.0% in a market that was way above that.

The Board asked Mrs. Nickerson to contact CalPERS, request a new annual lump sum payment amount and request a calculation for the cost to get out of CalPERS all together. Director Stockton would look into alternative retirement plans to replace CalPERS.

Jeffrey Mitchell said there was another benefit trust fund, PARS, that was recognizing somewhat higher returns. He would get a name of someone that would give the District more information about PARS.

IX. Old Business: CONTINUED

A. Heating Oil Tanks Continued:

2. Heating Oil Tanks

Mr. Quesnel's memorandum titled "Heating Oil Tank Financial Assistance Program", dated May 3, 2017 was presented to the Board for consideration and possible action. Mr. Quesnel said he rewrote the program handout based on Director Simpson's comments from the April meeting. Director Lindquist asked if the District wanted to offer more to upgrade an existing above ground storage tank. He said his first order of preference was for all tanks to be removed all together. His second was to have all tanks above ground. His third was for all above ground tanks to be brand new. His last order of preference was that existing above ground tanks be retrofitted up to code. After some discussion, the Board decided to leave the program as it was written with the understanding that Board would be able to make decisions based on individual circumstances; all applications had to be presented to the Board for approval and decisions could be made at that time.

Mr. Quesnel asked if the Board wanted to advertise the program since the funding would be approved as of July 1, 2017 even though the legislation wouldn't be final until December or so. The Board decided that Director Lindquist would write a one page letter that could be included with the annual water/sewer billing to be sent out in June.

C. Mr. Quesnel's memorandum titled "2017-2018 Budget" dated May 3, 2017 was presented to the Board for consideration and possible action. Mr. Quesnel said the budget had been updated, Legal Fees were reduced to \$36,000, wastewater treatment fees to Donner Summit PUD were updated and labor increased to include a second seasonal employee to allow for more chimney seal work.

The Board first discussed the number of meters to be installed. The Board agreed that 800 meters needed to be installed by summer 2022. Mr. Quesnel said he was in favor of installing 100 meter in areas with adequate cell service and using the LTE endpoint that had shown the best results. Director Heald said by installing 100 meters next fiscal only 150 meters per year would have to be installed over the next four years.

Director Lindquist said he wanted to wait as long as possible. He said he understood about needing to install some meters now for data collection purposes and to determine if the meters would work for leak detection, but he was still concerned about the speed of changing technology. He liked to practice what he called "just in time" management, not to be confused with waiting until the last minute, where the District would wait as long as possible before adoption of a particular technology. He said he was in favor of making a small investment now for data collection purposes etc., but he was not in favor of making a large investment that would tie the District to a specific technology. He proposed that 100 meters be installed over a timespan of a couple of years.

Director Stockton said the perception would be that "meters were expensive" if meters were installed at the same time as changing the rate. He wonder if there was a way to decouple the meter installation from the general rate requirements. Director Simpson said he thought installing 100 meters now, or over two years, would be adequate for data collection and leak detection. He also said 100 meters would allow the District to skip meter installation for the next couple years. Director Simpson said he was in favor of installing 100 meters this summer.

Director Lindquist said he felt the District would be committing to the technology by installing 100 meters; the more meters installed the more committed the District would be. He also said more information on the status of a cell tower in the community would be helpful.

Director Stockton said full-time residents were going to be concerned so he suggested that all full-time residents be metered. He thought the sample set could be skewed, as long as there was connectivity, and he didn't want to miss the effect of the full-time residents. Rental properties were another suggested user type to pull from. Director Lindquist agreed that some small and some large rental properties should be included along with some, not all, full-time residents.

Director Heald suggested that 100 meters be installed over the summer and, depending on the status of the technology, 100 meters in 2020 with the remaining 600 meters in

2021 and 2022. Director Lindquist said he liked that Director Heald suggested a general plan but the decision didn't have to be made right away. Director Heald said the Board did need to agree that all meters needed to be installed by 2022 in addition to the installation of 100 meters over the current summer. Director Lindquist agreed.

D. A report regarding the Donner Summit Community Meeting" was given by Director Simpson. Director Simpson said he attended the meeting and that the group was still trying to get organized. He said they made one decision and that was to put potted flowers along Donner Pass Road. He also said there would be a picnic on July 4th and a clean-up on June 17th. Director Simpson said he intended to attend the next meeting, scheduled for May 25th at Auburn Ski Club, and would report back. He also said the Ragnar race, scheduled for the end of July early August, anticipated 2,400 people would be attending a kick-off dinner at Summit Station the Friday night before the race and that a group was working on parking and sanitation issues.

X. Administration:

A. The list of Follow-up Items from the April 14, 2017 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 May 2017 Board meeting was presented to the Board for consideration and possible action. No changes were made.

IX. Old Business: CONTINUED

B. **DISTRICT CODE:** Mr. Quesnel's memorandum titled "District Ordinance Update", dated May 4, 2017 was presented to the Board for consideration and possible action. Director Heald said she made an observation regarding certain terms and definitions used throughout the document. For example, she said the definition "Board of Directors" was used instead of the term "Board" and the definition "property owners" was used instead of the term "owners". She suggested the document be scanned replacing definitions with the terms as specified in "Chapter 1 General". She also noted that the term "Ordinance" should be replaced with the term "Code" since the purpose of the document was to incorporate all adopted ordinances into the District's Code. Director Heald said another issue was the use of the words "applicant", "customer" and "owner". She said the use of the terms were not as clear cut as the others and asked that sometime be taken to determine if the correct term or terms were used. The Board then reviewed the document page by page. In addition to the general changes noted by Director Heald, the following is a list of changes that were made (page number refers to board packet page number):

Page 67 Section 1.18 Permit – definition should be expanded since the term "permit" could be used to refer to a permit issued by Placer County; i.e. building permit.

Section 1.23 Sewer Cleanout – "allowing" should be "allow".

Section 1.24 Sewer Collection System – "are" should be "is".

Section 1.27 Water Curb Stop – remove the word "Water".

Page 68 Section 1.28 Water Meter and Meter Box – add an “a” between “by” and “residential”.

Section 1.30 Water Distribution System – “are” should be “is”.

Page 69 Add “Public Comment” to the District’s Order of Business.

Section 2.06 Rules of Proceedings – item “c” change “certain by the Board Secretary or any member of the Board” to “specified by the Board Secretary or by the Board members in attendance”.

Director Simpson suggested that the District Code include a section that stated the Board shall have a President and Vice President and that elections will be held annually.

Page 70 There was a discussion as to when roll call votes were required and how votes should be documented. Mr. Mitchell suggested that roll call voting be used when requested by a Director. However, roll call votes were necessary when a member of the Board participated by phone. It was also determined that the ayes and noes of all oral votes be recorded by name for all votes. Director Lindquist asked if there was a specific order in which a roll call vote should be taken. Mr. Mitchell said there was no particular format other than the Chair or President should be the last vote.

Page 75 Section 4.01 Billing Period and Payment of Bills – Director Heald asked if customers were informed about penalties and reconnections fees. Mrs. Nickerson confirmed that the information was printed on the back of the annual bills. Mr. Mitchell said he would be taking a closer look at the Billing Period and Payment of Bills section.

Director Simpson questioned the lien process for unpaid water/sewer service fees. Mrs. Nickerson said the 10 year rule was no longer an issue since the Board established a process for placing any unpaid water/sewer service fees on the property tax roll. An initial lien would still be recorded and the Board would approve placing unpaid fees on the tax roll each June.

Page 77 Section 4.09 Lien Recordation – Possible incorporation into section 4.01.

Section 4.10 Collection of Delinquent Water and Sewer Service Charges Pursuant to the County Tax Roll – Possible incorporation into section 4.01.

Page 79 Section 5.02 Discontinuance of Residential Utility Service: item c – Director Heald questioned the requirement for certification by a licensed physician and surgeon that shutting off service would be life threatening and that the customer could not pay their bill. Mr. Mitchell thought it might be a requirement from the Public Utility Code. Director Heald said she was not against trying to find a way to give a customer a break but didn’t think a physician could say a customer was not financially able to pay their bill. Director Heald suggested that the issues be

separated to reflect that the customer would provide proof of financial hardship and the doctor would provide proof of medical necessity. Mr. Mitchell said he would take a look at the section.

Section 5.03 Notice Prior to Discontinuance of Residential Service for Nonpayment: item a – Director Simpson suggested changing “from” to “after” for clarity. Mr. Mitchell thought that would be acceptable.

Page 80 Mr. Mitchell proposed adding a Section 5.03; item c for instances when the occupant was different than the customer. Director Heald said she thought “customer” should not be used and that everything should be changed to “owner” to remove any confusion between the owner and the owner’s tenant. Mr. Mitchell said if there were a landlord/tenant relationship, the District needed to make a good faith effort to inform the tenant that service would be discontinued. Mrs. Nickerson said if there was a tenant, the tenant would be notified when the 48 Hour Notice was posted at the property.

Page 81 Section 5.10 Procedure on Appeal to Board – replace “their” with “the”; avoid pronouns.

Page 83 Section 6.02 Exposure of Water and Sewer Service Pipelines – add “The” in front of District.

Section 6.03 Ingress and Egress – Mr. Mitchell said adding “in accordance with the applicable law” or “in accordance with the requirements of law” would cover the District. He cautioned that just because an ordinance says someone can go on the property doesn’t mean they can.

Section 6.05 Erosion Control – Director Simpson said the first part of the section talked about erosion control but the second two thirds talked about enforcement. He suggested that the section be split. Mr. Mitchell suggested that the title could be modified to read “Erosion Control AND Enforcement” to include both.

Page 84 Section 6.06 Installation of Underground Storage Tanks – Because the section would not be applicable until after the passing of the proposed Heating Oil Tank legislation, the section would now read “Reserved”.

Page 85 Section 10.04 Access to Water Facilities on Private Property for Inspection – remove section and leave in Section 6.03.

Section 10.07 Pools and Tanks – Remove swimming pool

Page 86 Section 10-09 Supply to Separate Structures – Verify consistency with Section 1.21.

Page 90 Section 11-04 Water Conservation Requirements for New Building and Dwellings – item “b” add “New” making it “New Multi-Family Dwellings”. Director Simpson also suggested that Items a, b & c be condensed.

- Page 93 Section 13.01 Connection Permit Required – District’s “rules and regulations” be changed to “Code”
- Page 95 Cross Connection Control Program – Mr. Quesnel said the section contained too much information he would rewrite the section before discussing.
- Page 105 20.04 Access to Sewer Facilities on Private Property for Inspection – See Section 6.03.
- Page 110 22.14 Sewer Too Low – Third line, Director Simpson requested a change from “evidence satisfactory” to “satisfactory evidence”.
- Page 114 23.02 Application for Service Connection – Director Simpson suggested “Ownership” be changed to “ownership”.
- 23.04 Agreement – Director Heald noted “he” and “his” should be changed
- 23.07 Prohibition Concerning Dumping of Cesspool and Septic Tank Effluent and Sludge – Director Simpson suggested that the section be combined with 21.03.

Director Heald said, starting with Chapter 3, the remaining sections were more recently written and although there might be minor changes needed further review could be done later. She also said the one thing that needed to be addressed was the Enforcement Officer that was associated with the Administrative Fines. She suggested that the definitions be cleaned-up and reviewed in June along with the current changes.

Page 123 31.02 Authority – The section provided that the manager could designate someone to be the Enforcement Officer. Director Heald said she had no issue with the manager’s ability to designated authority.

Director Stockton asked if some thought could be given to navigating through the document. Mr. Mitchell said subsequent changes would be noted at the end of the applicable sections. Director Heald asked that a separate agenda item for “Tracking Ordinance Changes” be added to the next agenda.

XI. Adjournment

A motion was made by Director Stockton 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 June 9, 2017 as part of the Consent Items Calendar. A motion was made by Director Lindquist and seconded by Director Simpson to approve the Consent Items Calendar. The motion passed by a unanimous vote.