

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

Date: Friday June 9, 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 Michael Lindquist
Director Dick Simpson
Director Bill Oudegeest

Director absent from the meeting: Director Dan Stockton

Staff members present: Bill Quesnel, General Manager
Anna Nickerson, Financial Consultant
Jeff Mitchell, District Counsel

Guests present were: Nancy Latimer

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 Lindquist to approve the agenda. The motion passed by a unanimous vote.

Director Simpson said he was going to ask that item VIII. New Business, C. Request from Nancy Latimer be moved up the agenda but since Ms. Latimer was not present at the time, he suggested that the Board discuss the item upon her arrival.

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. Election of Officers: Director Heald first thanked the Board for the privilege of serving as President for the last 2.5 years then said she would be resigning due to upcoming travel plans and other personal reasons. Director Oudegeest suggested that the Election of Officers be postponed until the July meeting when all the Board members were available. The Board agreed to postpone the election until the July meeting.

VI. Operations:

A. Mr. Quesnel's operations report was presented to the Board for consideration and possible action. Mr. Quesnel said the leak detection technicians from Utility Services Associates, finished surveying water laterals throughout the District in four days instead of the budgeted five. He said a total of seven leaks were found and only one was significant. The leaks were on laterals; no mainline, valve or hydrant leaks were detected. However, the leak detection technicians were only able to touch 300 of the 800 surfaces because of the amount of snow still piled around the District. Mr. Quesnel said letters, stating that the leaks needed to be fixed or water service would be temporarily shut off, were sent to the seven property owners. The letters also said water service could be turned on while the property owner(s) were in residence, utilizing the property.

Director Oudegeest commented on the property owner that had previously been noticed about the use of a sump pump discharging directly into the sanitary sewer system. He was not supportive of giving the property owner until June 15, 2017 to correct the problem since the property owner was a repeat offender. Mr. Quesnel said the notice was issued in accordance with the District's current ordinance but the property was on the calendar to be checked on an annual basis. It was agreed that the property owner would also be notified that sewer service would be shut off immediately if staff found that the sump pump was discharging into the sanitary system again. However, Mr. Quesnel said the property owner would need some kind of notice that the sewer service was being plugged to avoid a sewer spill. Mr. Mitchell suggested that Mr. Quesnel check with the County to see if the residence should be red tagged if there was no working sewer.

In response to a question from Director Simpson, Mr. Quesnel verified that the water temperature was now over 3° C. Director Simpson asked if the property owners should be notified that the water conservation period was over. Mr. Quesnel said he would prepare a notice to be sent with the annual bills that were scheduled to be mailed out the following week.

B. The Board was requested to approve a new vendor: Utility Services Associates, LLC.

A motion as made by Director Oudegeest and seconded by Director Lindquist to approve the new vendor; Utility Services Associates, LLC. The motion passed by a unanimous vote.

To accommodate a member of the public, item VIII. New Business, C. Request from Nancy Latimer was considered by the Board.

Nancy Latimer asked if the Board would be willing to provide a dumpster to help with the community wide clean-up effort. She said SLPOA was providing a dumpster at Lot 1. The clean-up effort would be taking place on June 24, 2017, preceding the SLPOA Board meeting. Director Heald asked if Director Simpson wanted to recuse himself. He said he would not unless he was asked to. Mr. Mitchell asked if SLPOA was a non-profit corporation. Director Heald said it was a 501(c)4. Mr. Mitchell then stated that there was a non-interest exception that needed to be disclosed and recorded in the minutes.

A motion was made by Director Oudegeest and seconded by Director Simpson to approve a dumpster in support of better water quality. The motion passed by a unanimous vote.

Mrs. Nickerson confirmed that the Board was authorizing a 20 yard dumpster at a cost of \$366.00.

VII. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the May 12, 2017, Regular Meeting, the May 2017 Check Register, Disbursements for Board Approval, and the May 31, 2017, Financial Reports. Director Heald asked that the minutes reflect the Board's decision to allow the use of uncoated Pier D'Norts through the 2017 season. Mr. Quesnel said he sent the approval letters to all Pier D'Norts owners the previous week.

A motion was made by Director Lindquist and seconded by Director Simpson to approve the Consent Items. The motion passed by vote of 3-0-1. Director Oudegeest abstained because he was absent from the May meeting.

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

Director Lindquist asked why the disbursements were broken out from the rest of the consent items. Mrs. Nickerson said that, in the past, the disbursements were approved as part of the consent items calendar; it was the legal fees pertaining to the lawsuit over "the strip" that were approved separately because of a conflict of interest. Because the lawsuit was settled, the disbursements would no longer be approved separately.

VIII. New Business:

A. Mrs. Nickerson's memorandum titled "Unpaid Service Fees" dated June 2, 2017, was presented to the Board for consideration and possible action. Mrs. Nickerson said she had been contacted by a relative of Mr. Norgard, the owner of 7780 Soda Springs Rd., and was told that Mr. Norgard had been in several accidents, was in the hospital and would soon be transferred to a rehabilitation facility. The relative also said she didn't think Mr. Norgard would be able to return home. After hearing that the balance due was \$1,310.89, Mr. Norgard's relative agreed the best option was to allow water service to be shut off and a lien placed on the property. Mr. Norgard's relative said if his condition was to improve enough to allow him to return home, arrangements would be made to reinstate service.

Mrs. Nickerson then presented Resolution No. 2017-839 that would allow the District to place the unpaid service fees on the 2017/2018 tax roll. Mrs. Nickerson recommended that the Board approve the resolution, placing the unpaid service fees on the tax roll.

A motion was made by Director Oudegeest and seconded by Director Simpson to adopt Resolution No. 2017-839. The motion passed by a unanimous vote.

B. Robert W. Johnson an Accountancy Corporation's Audit Confirmation letter dated May 19, 2017 was presented to the Board for consideration and possible action. Director Lindquist asked how much the audit was going to cost. Mrs. Nickerson said it was around \$10,000 and that the actual amount was presented in the proposed budget. She also said it was the third year of the

three year agreement and that a new three year agreement would soon be submitted for approval.

Director Simpson referred to a clause that said “you are required to designate an individual with suitable skill, knowledge, or experience to oversee any other nonaudit services we provide....” He asked if Mrs. Nickerson would be that person. Mrs. Nickerson she would be assisting the auditors with the audit but asked that at least one member of the audit committee be available one of the days of the audit. Director Simpson also asked about the request that would be sent to the District’s attorney. Mrs. Nickerson explained that auditors send audit confirmation letters to the District’s banks, lenders and attorneys to check account and loan balances and to determine if there are any pending litigations.

C. A request from property owner Nancy Latimer, was discussed earlier in the meeting.

D. Mr. Quesnel’s memorandum titled “Request for Utility Service Fee Waiver, 5542 Hemlock” dated June 1, 2017, was presented to the Board for consideration and possible action. Mr. Quesnel said Mr. Cooney contacted the office and asked about the process for getting a utility service fee waiver. Mr. Quesnel also said, based on the Board’s previous actions with regard to the house on Bales that blew-up a couple years ago and more recently the Cushman’s, it seemed consistent that the Board waive Mr. Cooney's utility service fees for the next year.

A motion was made by Director Oudegeest and seconded by Director Lindquist to approve the one year wavier of water and sewer fees for the catastrophic damage. The motion passed by a unanimous vote.

Director Oudegeest asked if a letter should be sent to the owner of the house on Muir Court that recently blew-up. Mr. Quesnel said that, in the past, the District has waited for the owner to initiate contact. Director Oudegeest thought it would be nice to send him a letter letting know that a waiver could be available upon request. Mr. Quesnel agreed to contact the owner.

IX. Old Business:

A. Heating Oil Tanks:

1. Mr. Quesnel’s memorandum titled “Fuel Tank Regulation Legislation” dated May 31, 2017, was presented to the Board for consideration and possible action. Mr. Quesnel said the proposed legislation was successful in front of the Senate Environmental Committee with a unanimous approval. The approved legislation included the increase in ASTs from 500 to 550 gallons and the District’s ability to prohibit installation of any underground tank in the District, regardless of size. Mr. Quesnel said the next step was to present the proposed legislation to the Senate Judiciary Committee.

2. Director Lindquist’s “Heating Oil Tank Financial Assistance Program” flyer was presented to the Board for consideration and possible action. Mr. Quesnel said Director Lindquist put together the original draft and Director Heald made a couple comments that he tried to incorporate. However, before the flyer gets sent out with the annual bills, he was going to delete the third paragraph because it was redundant with the fifth paragraph. Information regarding HOTFaP would be sent to Director Oudegeest to be put on the website.

B. Mr. Quesnel's memorandum titled "Proposed Fiscal Year 2017-2018 Budget" dated June 1, 2017 was presented to the Board for consideration and possible action. Mr. Quesnel said staff's recommendation was for the Board to approve the 2017/2018 Budget as presented.

Director Simpson said the note next to the revised legal budget of \$36,000 said "no proposed change", account 9037 referred to SLAMS but it would soon be Lucity and account 9821 Automatic Meter Read System only showed \$1,175.00 and he thought 100 meters would be installed. The note next to the legal budget would be removed, SLAMS would be updated to reflect Lucity and the \$1,175.00 was the operating expense associated with the automatic meter reading system; the cost of the additional meters is reflected under "Capital" on the Summary of Infrastructure Projects.

Director Heald asked if the number of chimney seals to be installed was increased. Mr. Quesnel said the budget included an increase to 60 seals. Director Heald also asked about the project for recoating the reactor basin at the wastewater treatment plant since the plant was so new. Mr. Quesnel said those basins were built when the plant was upgraded in the 1980's and were pretty old. Repair work would be done in the next fiscal year and the recoating would be postponed until the following year.

A motion was made by Director Oudegeest and seconded by Director Simpson to adopt the proposed budget. The motion passed by unanimous vote.

C. Mrs. Nickerson's memorandum titled "Unfunded Pension Liability Lump Sum Payment and estimated cost to 'Get Out' of CalPERS" dated June 2, 2017, was presented to the Board for consideration and possible action. The memorandum explained that a new Lump-Sum Payment Calculation would not be available until after the Board's July 2017 meeting because CalPERS was in the process of updating their system with current actuarial information. The memorandum also provided hypothetical cost information for getting out of CalPERS completely. Director Heald said the issue of the Lump-Sum Payment of the unfunded liability could be put on the August agenda for consideration, after a new calculation was available. She also said Director Stockton was investigating other systems and annuities for Board consideration. Director Stockton's research was the result of the discussion about what it would take to get out of CalPERS. Director Stockton's information would be placed on whatever agenda worked for him.

Director Lindquist explained that the CalPERS plan is a *defined benefit* plan — the District pays into an account for retiree pensions but that there will always be some uncertainty in whether that account is sufficient to cover the pensions guaranteed to retirees. The District's contributions to actual pension payments will depend on how CalPERS does with its investments. Director Lindquist said Director Stockton was looking into *defined contribution* plans. A defined contribution plan would provide the District with a determinable cost; but the employee would face uncertainty in what his or her benefits would be. The employee would only know how much was put away. Director Lindquist said CalPERS favors the employee because it provides the employee with a guaranteed benefit — certainty in pension payments. But the certainty for employees becomes uncertainty for the District.

Director Oudegeest said the discussion of employee compensation must include current pay, fringe benefits and the promise of retirement. He said some people go into public service because they get a pension in the end instead of those who go into private business where

there could be profit sharing and other types of immediate compensation. He said a defined contribution plan would be a big change. Director Lindquist said the stability of the CalPERS pension was a huge tool for recruitment and retention. Director Simpson said it sounded to him like leaving CalPERS would result in all kinds of complications.

D. Director Lindquist's memorandum titled "OPEB investment opportunities" dated June 9, 2017, was presented to the Board for consideration and possible action. Director Lindquist said his biggest concern was that the rate of return on the savings account was not at least equal to the rate of inflation. He said he just didn't want the money that had been set aside to pay retirement benefits eroded. He also said he found a couple different opportunities for investment. One is the California Employer's Retiree Benefit Trust (CERBT) Fund, run by CalPERS; but he is concerned that the fund does not have a guaranteed rate of return. The other is the Public Agency Retirement Services (PARS). PARS is a private trust, similar to CERBT. He said either plan provided an opportunity to make a better rate of return on the money than the savings account provided.

Director Oudegeest said the problem with PARS was the 25 basis points fee. If the fund didn't make more than 2.5%, all the operating fees would be lost. Director Lindquist said he really wanted to focus on the net rate of return. Director Oudegeest said the net rate of return was not known and that, when dealing with public money, the District should invest in things that might be going up, not things that might be going down. PARS invested 35% of its funds in the stock market and 65% in bonds. He said the Board should be good stewards, so he didn't think PARS was appropriate.

Director Oudegeest said, if the Board agreed that PARS was not appropriate, then the discussion would be about investing in bonds. Investing in bonds would make the 25 basis points important especially since 30 year government bonds had a 2.8% return. He asked why the Board wouldn't directly buy government bonds, avoiding the 25 basis points, for a higher rate of return.

Director Lindquist said he wasn't interested in making a lot of money, he was only looking to keep the money from getting eroded. He said if they could find a zero risk (or close to zero risk) investment, to stay up with the rate of inflation, he would be supportive. Director Oudegeest said everything had risk. If the District invested in 30 year government bonds and suddenly there was a lot of inflation or interest rates went up a lot, the value of the bonds would go down. Director Lindquist thought getting investment advice would be a good idea.

Director Lindquist said the unfunded pension and unfunded medical benefits combined equaled the District's total unfunded liability. He wondered if paying off one and not the other would put the District in a better position than paying off half of each. Director Oudegeest thought it was a creative way to look at the situation; if you can't pay off all the liability, pay off the one you can. Director Simpson said there must be an optimum way of approaching the situation but it depended on a lot of variables. He said it was hard to make a clear choice.

Director Oudegeest wondered if there was a public agency magazine that discussed issues like unfunded liabilities. Mr. Mitchell said he was not a financial advisor but the reality was that there were many complicated factors involved, making it very difficult to know what to do. He agreed that many agencies were starting to look at how to handle the increasing liabilities and, although he had attended meetings where the issue had been discussed, he did not have a stack of staff reports available for review. He said associations like CSDA, ACWA and other special

district types of associations probably had information about the issue, for a fee. However, he did not know how to pick the appropriate association to talk to. Mr. Mitchell also suggested contacting other agencies to see how they were handling the issue. Director Lindquist said he would contact three or four of the agencies that have invested in either CERBT or PARS to get information supporting their investment decisions. Mr. Mitchell thought it would be helpful to contact ACWA.

E. Director Simpson presented a verbal report on the latest Donner Summit Community Meeting. He said, at the May meeting, he learned a lot about all the upcoming activities on Donner Summit and that there were two of interest. One was the Ragnar Race, being hosted by Royal Gorge, with an estimated 3,000 participants. He also said there would be portable toilets, located along the race course, to discourage people from using the forest as a bathroom. Mr. Quesnel said he anticipated that a lot of the participants would be renting homes in the District and with that many homes being occupied, there might be some things that staff needed to do to prepare. The second event was the Tevis Cup, scheduled for August 5th. There would be about 100 horseback riders participating in the event; because of the small number of participants and their early departure from the sheep pens in Van Norden Meadow, he expected little impact on the District.

X. Administration:

A. The list of Follow-up Items from the May 12, 2017 meeting was presented to the Board for consideration and possible action. The first two items were complete and the new lump sum payment request was anticipated for August.

B. The Status of Action Items remaining as of the June 2017 Board meeting was presented to the Board for consideration and possible action. No changes were made.

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 July 14, 2017 as part of the Consent Items Calendar. A motion was made by Director Oudegeest and seconded by Director Heald to approve the Consent Items Calendar. The motion passed by a unanimous vote.