

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

Date: Friday March 9, 2018 / **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 Michael Lindquist
Director Dan Stockton
Director Karen Heald
Director Richard Simpson
Director Bill Oudegeest

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

Staff member present 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.

A motion was made by Director Oudegeest and seconded by Director Heald to approve the agenda. 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. Operations: Mr. Quesnel's operations report was presented to the Board for consideration and possible action. Mr. Quesnel reported that, the day before the meeting, a house, with an automatic meter, suffered a major water line break. The leak showed up on the system Friday morning. Staff immediately turned off the water to the house and notified the owner of the leak. He said the leak was registering about 500 gallons/hour and staff found water running out of the door when they arrived. However, because of the automatic meter, staff was able to detect the leak and respond quickly.

Director Simpson asked if staff was able to determine how long the water had been running. Mrs. Nickerson said she determined that the pipe broke sometime between 1:00 and 2:00 pm on Wednesday March 7, 2018. Director Simpson asked if it was possible to have more frequent readings. Mrs. Nickerson said she already emailed Badger to find out if more frequent readings were possible. She also said she added alarms to each of the meters that would send a text message to the on-call cell phone if a leak, greater than 30 gallons/hour, was detected.

Director Oudegeest asked what a “belt-press” was. Mr. Quesnel explained that the sludge that results for processing wastewater consists of a combination of solids and water. Typically, the solids from the storage tank get emptied onto drying beds to allow the water to evaporate. Once the solids are dry, the sludge is hauled away. Without the use of drying beds, a belt-press is used to squeeze the water out of the sludge. Removing the water reduces the cost of hauling away the sludge.

Director Simpson said he thought Mr. Quesnel previously consulted with Sierra Central Snow Lab (SCSL) for precipitation totals. He noted that the current Operations Report referred to www.weatherunderground.com. Mr. Quesnel said he had used SCSL for many years but he switched to Weather Underground because SCSL’s website was reporting zero precipitation for the last two months, which he knew wasn’t correct. Director Simpson said he was having some problems with SCSL’s information too.

Director Simpson asked about the leak, that Mr. Quesnel mentioned in his report, where the homeowner left the garage door open. Director Simpson wanted to know how that type of situation was handled in terms of charges. He felt it was homeowner’s responsibility to call a plumber not the District. Mr. Quesnel said the homeowner contacted the District because they had no water and they were concerned that changing the position of the valve could cause the pipe to break. However, when staff arrived at the residence they found that the garage door had been left open resulting in a frozen pipe. Staff instructed the homeowner to close the garage door and heat the room. Staff also instructed the homeowner to monitor the situation closely as the pipe thawed, checking all walls and pipes for the sound of running water to make sure a pipe didn’t break. Director Simpson confirmed that they didn’t necessarily have a break, they just had no water.

Director Simpson asked about the comment Mr. Quesnel made towards the end of his operations report. In his report, Mr. Quesnel said he and staff thought it would be appropriate to start thinking about maintenance and replacement projects beyond the typical three or four year budget window. Director Simpson asked if the comment was because Lucity, the District’s asset management program, was up and running allowing Mr. Quesnel to data mine and project further out. Mr. Quesnel said he recently attended a presentation at another water agency where they said they recently looked at all their assets. He said it got him thinking about the District’s position and, although pipes were estimated to last 80 to 100 years depending on the material, the District was approaching that threshold. He said, for example, there’s an emergency generator at Bales that has been there since 1962. The generator currently runs fine but it’s getting close to 60 year old. He said he and staff were also going through the District’s assets and looking at pipes and services to develop a 15 year or more budget. He felt the information would be helpful when looking at rates, fees and putting money away. Director Stockton asked about the available asset information. Mr. Quesnel said there was very good information available regarding the age of the District’s assets.

Finally, Director Simpson said Mr. Quesnel's Operations Report noted that he was working on the policy overhaul and that he was looking for volunteers. Director Simpson said if he wasn't already on the list he might as well be put on it. Mr. Quesnel said he and Mrs. Nickerson would be working on the Budget for most of April and wasn't sure if the Board wanted staff to start working on the policies or if the Board wanted to form an ad hoc committee to start the process. Director Simpson said he thought staff wanted to work on the policies first.

VI. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the February 9, 2018, Regular Meeting; the February 2018 Check Register; Disbursements for Board Approval; and the February 2018 Financial Reports.

Director Simpson said he had a broad question regarding the expenses to date. He said the District's expenses were running at about 54% of the budget but thought, after eight months, it should be closer to 67%. He also said Mrs. Nickerson's fees were not as much as he would have expected. Mr. Quesnel said last year, there were a lot of issues resulting in a lot of overtime. This year things were going much better. He also said spreading expenses evenly over a 12 month period would skew the system when a large bill was received. Director Simpson said he liked that the District was running under budget but thought 13% might be a little too much. Something to note as the new budget was prepared.

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

VII. New Business:

A. Director Lindquist's memorandum titled "Investment of Other Post-Employment Benefits (OPEB) Funding" dated March 9, 2018, was presented to the Board for consideration and possible action. Director Lindquist said he attended a meeting regarding CalPERS' "California Employers Retiree Benefit Trust (CERBT) Fund". He said CalPERS created the CERBT Fund in reaction to entities having OPEB liabilities and the Governmental Accounting Standard Board's (GASB) requirement to accrue the liability on their books. He said the significance of having to accrue the liability on the books was the direct affect it could have on the District's credit rating, should a District need to secure funding. However, by fully funding the liability, the negative affect on the District's credit rating would be offset. To clarify, Director Lindquist noted that retirement benefits were not included in OPEB. For the District, OPEB only applied to the District's retiree medical benefits.

Director Lindquist said one of the advantages of putting the money in an irrevocable trust was that it honored the District's commitment to the employees for their OPEB. Another advantage to putting the money away was to make money on the money. He said the goal was to beat the rate of inflation and reduce the cost of providing benefits. He said the downsides to taking the money out of a federally insured savings account was that the principal would no longer be protected.

Director Simpson asked about putting money in a Certificate of Deposit (CD). Director Lindquist said there were a wide variety of options available to the District for investing

funds. Although, leaving the money in a savings account might be the safest option. But, because the rate of inflation was greater than the return on the investment, the District would end up paying more for the OPEB. He also said the problem with CDs were the penalties for early withdrawal. On the other hand, the principal would be safe since a CD would be federally insured.

Director Lindquist then reviewed information pertaining to CERBT. He said one advantage was that the District would not have to keep track of GASB reporting requirements, it would be handled by CERBT. He also said the fund would handle the investment portfolio as well as GASB requirements at a cost of .01%. So for an investment of \$500,000, the cost to the District would be \$500/year. Director Lindquist also mentioned that there would be a cost for staff time if funds were invested in CDs. Director Simpson noted that if the Board were to invest in five or ten year CDs, staff costs would not incur very often.

Director Lindquist summarized that it came down to the Board's risk tolerance for prefunding the OPEB. He said the Board could take a balanced approach splitting between CDs, CERBT or bank accounts or a combination. He was in favor of keeping it simple and investing in one or two things. He also said he would be happy if the investments at least kept up with the rate of inflation.

Director Oudegeest said when the Board first discussed putting the money away, one option was to send it to the State of California. However, the Board decided not to send it to the State so the Board could have access to the money in case of an emergency.

The Board discussed possible CD investments. Director Lindquist said CD were still liquid if the money was needed for an emergency. He also said if the Board made really safe investments, customers would end of paying more for OPEBs if the rate of return did not keep up with the rate of inflation. He said, if the rate of return were to keep up with the rate of inflation, then the Board would have done well for the customer. If the rate of return exceeded the rate of inflation, then the Board would have done even better for the customer. But there were risks associated with all the options.

Director Simpson asked if the Board could agree that getting out of the savings account was a good idea. He said he was not comfortable with putting all the money in CERBT. He was in favor of splitting money into three CDs, so each would be insured separately, with a rate of return of 2%. He did not like the fact that the principal would not be protected in the CERBT fund. Director Simpson suggested splitting the money into three CD at three different institutions. Director Lindquist said the danger with investing in CDs was missing out on higher interest if interest rates were to change dramatically during the term of the investment. Director Stockton agreed with Director Simpson, he wanted to protect the principal. Director Simpson suggested investing in a one year, two year and three year CD to start.

Mr. Mitchell was asked to look into the District's investing limitations. The Board directed Mr. Quesnel and Mrs. Nickerson to gather information regarding CD investment options.

B. Mr. Quesnel's memorandum titled "SLPOA Posting at District Facilities, dated February 26, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said SLPOA was trying to get homeowners and visitors to sign up for NIXEL and/or Placer-Alert.org system. He said Placer County did not rely on NIXEL but the Fire Department

did. He also said the issue was that the District's ordinance prohibited any person or entity from posting signage on District property, without Board approval. Mr. Quesnel said it seemed like a good idea and it would provide a benefit to the community.

Director Simpson thought property owners were automatically enrolled in one of the services. Mr. Quesnel said there was a reverse 911 system, and it may still be functioning. However, there had been a lot of changes with phones and many people have stopped using land lines. Director Lindquist suggested listing Placer-Alert.Org before NEXLE. Mr. Quesnel would ask Mr. Fisco to make the minor change to the sign.

A motion was made by Director Oudegeest and seconded by Director Simpson to authorize Mr. Quesnel to send a letter to SLPOA approving the request. The motion passed by a unanimous vote.

VIII. Old Business:

A. Mr. Quesnel's memorandum titled "Contracts for Annual and Flash Audit Services", dated February 26, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said he used language from the previous agreement between the District and Mr. Johnson. He sent the contracts to Mr. Johnson for review. Mr. Johnson provided information from his insurance company regarding the modest fee for providing the requested insurance coverage. Subsequent to his memo, Mr. Quesnel said he received an email from Mr. Johnson agreeing to the language. Director Simpson said he thought the Board talked about making the flash audit a test run for a year and even though the contract was for three years he was satisfied with the language because it included a 60 day cancellation clause. Mr. Quesnel said the other thing added to the flash audit was that the reports would be addressed to the Board President. He also said Mr. Johnson was looking for direction from the Board as to how often the Board wanted the flash audits.

A motion was made by Director Oudegeest and seconded by Director Heald to approve the Board President to sign the two Professional Service Agreements. The motion passed by a unanimous vote.

B. Mr. Quesnel's memorandum titled "Heating Oil Tank Financial Assistance Program Reimbursement Request", dated February 26, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel reported that one above ground and one underground tank had been removed and they were both eligible for a 75% reimbursement in accordance with the HOTFaP program. Staff recommended reimbursement of \$5,000 each. Funds would be released to Mr. Graff. However, the release of funds to Mr. & Mrs. Dobrinski would be subject to the receipt of the regulatory close out letter and a lien release from the supplier.

Director Simpson had one question about the Dobrinski's. He said the original authorization was to Jim and Kim. However, staff's recommendation was to reimburse Jim. Mrs. Nickerson explained that the reimbursement went to the customer name in the system.

A motion was made by Director Oudegeest and seconded by Director Stockton

to approve the payments as recommended by staff. The motion passed by a unanimous vote.

Director Simpson also noted that the Graff's spent a lot more money than they intended. He asked if the Board should include an acknowledgement. He suggested that the minutes reflect the Board's appreciation for all they went through. He commended them on their effort towards keeping the water supply clean.

Director Lindquist asked that Mr. Quesnel prepare a memorandum for the next meeting, outlining all the accomplishments of the HOTFaP program. He also suggested that the Board send a thank you letter to the legislators for their help with the legislation and to update them on all the accomplishments of the program. Director Oudegeest suggested that the letter include a summary of what still needed to be accomplished. Mr. Quesnel said he just finished updating the Watershed Summary for the State and, based on his information, there were still three underground storage tanks and six above ground storage tanks still that need to be retrofitted.

Mr. Quesnel said he would work on a summary memo for April to include information about where we've been, what we've done, how much money we've spent, what's been accomplished and what still needs to be done.

C. Mr. Quesnel's memorandum titled "Proposal for District Website Services", dated March 8, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said, after the February meeting, he and Mrs. Nickerson met with a public relations firm, East River Public Relations. He said, although they are a public relations firm, a lot of what they did was website design. He said the proposal included different options for everything from figuring out the logo to photography, branding and mail chimp. He said they seemed very interested in helping and had a good understanding of what the District was looking for. He said the proposal was more than what he expected but thought, with all the services included, that might be an accurate cost.

Mr. Quesnel said it seemed that the biggest cost driver was the software. He said Truckee Donner PUD used Wordpress, one of the proposed software's. He also said he contacted Northstar because they utilize online billing through the Badger system. Northstar said they would be happy to answer any questions and spend as much time as needed discussing what they experienced during their website design. The one thing that Katie, from East River Public Relations, was adamant about was the choice of software. She said if a website was started in Wix or Squarespace it would not be easy to convert it to Wordpress. Therefore, it was important to decide in the beginning what the District's future needs would be.

Mr. Quesnel said another question was whether to start now, using available funds from current budget items, or wait until the new fiscal year. He said one of the advantages of starting now would be that the website would be up and running by the summer season when a lot of people would be here.

Earlier in the day, Director Simpson provided written comments regarding the proposal. A copy of his comments were provided to the other members of the board. Director Simpson said one of his questions was whether or not the District needed to solicit more proposals/bids. He asked if competitive bids were required since the District was a Public Agency. Mr. Mitchell said competitive bids would be required for public construction projects. He was not aware of any

requirements for competitive bids pertaining to professional service agreements. He said it wasn't a bad idea but it wasn't required.

Director Simpson then said, although some of the jargon in the proposal was over his head, he thought they covered all the bases. However, he felt they were pushing more marketing and image making than necessary. He said the District was a monopoly with no competitors. He didn't think all the photography was necessary. He also didn't think the website needed to be done immediately, he was in favor of putting it off until the next fiscal year. He did however, think Wordpress provided all the capabilities needed to support the future water meter and billing needs of the District.

Director Lindquist said, from his perspective, Wordpress provided the flexibility for the long term. He also said Wordpress was commonly used so finding programmers would not be hard.

Director Oudegeest agreed that the District didn't need to spend \$850 to brand the logo. He said, in terms of a picture looking fuzzy or not, had nothing to do with the company designing the website, it had to do with the size of the picture being uploaded. He also said now most people had high speed internet, so uploading bigger pictures was not a problem. When the website was started, people had dial-up internet and it took too long to upload information; people even had trouble uploading the agenda. He cautioned against letting the public relations firm sell the District services that were not needed.

Director Simpson said they would probably want to vectorize the logo into a mathematical model so it could be plugged in to all kinds of things. Director Lindquist agreed that the logo would be a worthwhile investment. Director Oudegeest did not agree. He said if you have to look sideways at a logo then it doesn't have a high enough quality. He said the Board needed to go through the process step by step so the District didn't end up with things it didn't need. He also said there were plenty of people that provided website design without public relations.

Director Stockton said he was in favor of seeking other proposals. Director Simpson said he was in favor of using a company with more than just one person so if something happened to that person, the District wasn't left trying to find a replacement. Mr. Quesnel said he agreed with using a company with more than one person because that happened with the District's previous asset management software designer. The person who designed the software took another job and was no longer available. Director Oudegeest said if the District went with a platform like Wordpress, a one person shop would be fine because there were many website designers familiar that platform so it could be switched over easily.

Director Simpson said the Board needed to decide whether or not to start today or wait until next fiscal year. The Board also needed to decide whether or not it wanted the power of Wordpress. He said he didn't think the website needed to be started immediately. However, he was in favor of using Wordpress to support the future water meter information and to provide customers with a secure login.

Mr. Quesnel would look for another firm to provide a proposal for upgrading the District's website.

IX. Administration:

A. A list of Follow-up Items from the February 9, 2018, board meeting was presented to the Board for consideration and possible action.

Mr. Quesnel said he sent a letter to the Director of the Underground Cleanup Fund regarding the Cushman's cleanup costs. He said Mr. Cushman was very appreciative. He also said after sending the letter, he received a call from someone at the Underground Tank Fund who was looking for more technical information about the clean-up efforts, why it took so long and why it was so pronounced. Mr. Quesnel said it was as if he didn't know anything about the issue. Mr. Quesnel said he provided information, regarding the spill and cleanup, from the District's perspective. He explained that decisions were being made collectively by Fish and Game, Placer County Environmental Health, the Central Valley Water Quality Control Board and the District. He also told him how very close it came to the District not being able to provide water and the issues associated with using the well. Mr. Quesnel felt like the Underground Cleanup Fund person did not get all the information about what really happened at the site. He also said he wasn't sure whether or not Mr. Cushman would get any additional financial support.

B. The Status of Action Items remaining as of the March 2018 Board meeting was presented to the Board. Item 1, Update Water Code, and 2, "Winter Newsletter", were complete and could be removed from the list.

X. Adjournment

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

The minutes were approved at the Regular Meeting held on April 13, 2018, as part of the Consent Items Calendar. A motion was made by Director Heald and seconded by Director Stockton to approve the Consent Items Calendar. The motion passed by a unanimous vote.