

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

Date: Friday April 13, 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 Bill Oudegeest

Directors absent from the meeting:

Director Simpson

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 Stockton 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. Director Heald asked that Mr. Quesnel make sure SLPOA's signs, suggesting that Serene Lakes property owners sign up for electronic emergency notification, meet Placer County regulations prior to being mounted on District property. She said SLPOA found that the signs that were posted around the District when SLPOA was raising money to help purchase Royal

Gorge's property, were subject to Placer County's regulation; even when the signs were posted on private property. Mr. Quesnel said he would check with Placer County prior to posting the signs. He also said the signs would be posted on existing bulletin boards at three of the six locations.

Director Stockton noted the high level of Inflow&Infiltration (I&I) in Mr. Quesnel's sewer flow report. Mr. Quesnel said, based on pump station data, the majority of the water was getting into the system at the southeast corner of the District. The same area where Placer County block piles snow to keep water in the ditch along the eastside of Soda Springs Rd. He also said staff found five missing manholes lids in the same area. Mr. Quesnel felt the majority of water was getting into the system through missing lateral caps on cleanouts and submerged manholes. He said cracked laterals were another possibility but because the large increases in flow coincided with rain events, he was convinced that most of the flow could be attributed to surface water. Mr. Quesnel said he was going to have the seasonal employee walk every house in the District this summer to make sure every lateral had a cap. He also said there was a badly cracked lateral on Serene Rd., near the pump station, but because the pipe was located underneath a couple PG&E poles, a project to repair the lateral would have to be coordinated with PG&E's replacement of the poles. Mr. Quesnel said he would get with PG&E about scheduling the project.

VI. Consent Items Calendar:

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

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.

VII. New Business:

A. Mr. Quesnel's memorandum titled "Proposed 2018-2019 Budget" dated April 5, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said the draft budget was developed using 2017/2018 estimated annual costs and actual costs for the previous three years. He said staff also spent quite a bit of time putting together a project list. With respect to mainline replacement projects, Mr. Quesnel proposed resurrecting the 2009 AC pipe condition study to see if the exteriors of the pipes were still in the same condition they were in ten years ago. He said the plan was to go back to where the pipe was previously patched, take out the old patch and replace it with a new longer piece of AC pipe and reuse the existing connectors.

Mr. Quesnel then talked about the filter replacement project. He said the filters in the water treatment plant have been looked at every six months and staff has noticed that the current filters were really beginning to corrode. Mr. Quesnel explained how the design of the tanks caused water to get up behind the filters, causing corrosion. He said, although new tanks were being designed differently, the District's tanks couldn't be changed. The proposed cost of two filters was \$90,000, \$45,000 each, before installation. He also said the challenge was going to be how to replace the filters while still processing water and that he was still working on the logistics of the project. Mr. Quesnel added that, according to Dr. Ryder, adding a cathodic protection would extend the life of the filters a few years but the filters would still need to be replaced.

Mr. Quesnel reviewed some of the other projects on the list. He mentioned the need to repaint the inside and outside of the hilltop tank. He said the tank needed to be repainted due to normal wear and tear. He also mentioned the need to replace the backup generator at Bales. He said the generator was about 55 years old and, although it still started most of the time, it was just very old so it needed to be replaced. He said the generator was so old that it could not be used as a backup because it did not meet any emissions regulations. He added that by replacing the generator, with a new propane generator, the District would be able to eliminate the use of stored diesel fuel next to the lake.

Mr. Quesnel then explained the need to replace all the laterals connected to the mainline in all the Serene Subdivisions (Serene 1, 2, 3 & 5/6). He said the laterals needed to be replaced because substandard materials were used; the contractor used single strap instead of double strap. He also said staff was finding that the bolts that go around the mainline were almost nonexistent everywhere they dug up a lateral. In addition, the contractor did not install corporation stops. It was a large project that would take two to three years.

Finally, the last project Mr. Quesnel mentioned was the lake intake pipe extension. He said interestingly enough, after all the recent rain, the water temperature in the lake went down to 2.75° C from about 3° C. He said the theory was that the weight of the rain pushed the ice deeper into water and closer to the intake pipe.

Mr. Quesnel said, looking at the budget, the take away was the idea of surplus and whether or not the District should put money away for future projects. He mention putting money into multiple Certificates of Deposit (CDs), LIAF or T-Bills. He said with T-Bills, the return rate might be a little lower but all the money could be put in one place, instead of six or eight CDs, and the investment would be more liquid. He proposed that the Board consider investing for future needs, look at rates and consider whether or not a rebate would be effective.

Director Lindquist said there were two numbers he wanted to discuss. First, he wanted to discuss the \$273,307 in surplus fees. He said, based on the draft budget, the District would be collecting \$273,307 (\$335 per customer) more than needed. Second, he wanted to discuss the District's cash surplus of \$1,431,858. He asked if something should be done about collecting more money than was needed to run the District and what the Board thought should be done with the \$1,431,585 in surplus cash; should the money be invested and earmarked for future projects or should it be returned to the customers.

Director Heald said, looking at the \$2,000,000 in future projects, she was remiss in refunding money now only to have to ask for more money in the future. She asked if there were any restrictions on the use of the surplus funds and if future projects could be moved up. Mr. Quesnel said yes, some of projects could be accelerated. He said he could revise the project list to accelerate the appropriate projects, without doing something that wasn't necessary. Director Oudegeest suggested that the money be earmarked, to be used for future projects when necessary. He felt that would show customers that the Board was being proactive. Director Heald said she would be fine with earmarking the money, she just didn't want money sitting around causing questions about the rates.

Mr. Quesnel said, one option would be to keep rates where they were, build up the capital fund, and restrict the money for future projects. Both Director Oudegeest and Director

Stockton thought that would be the responsible thing to do. Director Lindquist asked if it would be better to save half the money now and finance the other half when needed. He said if the District saved all the money now and someone sold their property before the projects were finished, that owner would not receive any benefit for their money. He also said, as a Public Agency, the District had access to different financing options with typically lower interest rates; I-Bank, for example, was offering 2.5% loans to Public Agencies. Director Lindquist then said, in his experience with agencies, a balanced approach was better because it reduced the risks of eroding capital; capital losing value because the rate of return was less than inflation or paying more for financing in the future because of higher interest rates. He said another benefit would be leveling of rates. Director Heald said, in less technical terms, it made sense to spread the burden over multiple generations by planning ahead. She also said swings in rates causes angst in the community and the community was already accustomed to paying the current rate. She felt it would be good to leave the rates where they were and plan for the future with the money.

Director Lindquist summarized that the Board wanted to leave the \$1,431,858 in the bank with the justification that the money was needed for current projects over the next few years. Mr. Quesnel said he would bring back a more defined project schedule and provide some kind of investment strategy; partitioning the money based on expected need.

Director Lindquist asked if the Board wanted to lower rates so expected revenues matched expected expenditures for next year's budget. Director Heald said the \$273,307 could become part of the restricted cash for infrastructure (RCIF) projects. Director Lindquist confirmed that the rates would stay the same and surplus cash would be added to the RCIF.

Director Heald asked if it really cost \$325 a month to protect government funds. Mr. Quesnel said that would be the cost if the District didn't have \$1,400,000 in the bank. Mrs. Nickerson explain that banks were required to maintain enough insurance to cover 100% of all government funds. That was the cost of insuring the District's current bank balance.

It was agreed that the budget would be revised and reviewed at the May meeting.

B. Mrs. Nickerson's memorandum titled "Request for Waiver", dated April 6, 2018, was presented to the Board for consideration and possible action. Although the Board was sympathetic with the customer's situation, the request was denied.

A motion was made by Director Stockton and seconded by Director Heald to deny Ms. Phillips' request for a waiver of the \$62.30 late fee. The motion passed by a unanimous vote.

VIII. Old Business:

A. Mr. Quesnel's memorandum titled "Heating Oil Tank Fuel Tank Update", dated April 4, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel presented a summary showing the status of all the know above-ground and under-ground heating oil fuel tanks. In response to Director Oudegeest questions about the unresponsive tank owners, Mr. Quesnel said, now that the legislation has passed and the ordinances revised, he would get with Mr. Mitchell to send a letter with more forceful language. He also suggested that the letter state

that the District was here to help with the process of finding contractors and providing financial support.

B. Mr. Quesnel's memorandum titled "Proposal for District Website Services", dated April 4, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said after meeting with Mr. Bousquet of New Leaders, he was confident that Mr. Bousquet would be able to solve any issues that came up with the website. He said Mr. Bousquet came highly recommended by the Truckee Airport staff and that Mr. Bousquet was committed to having the website up and ready by the time the new annual invoices go out in June. Finally, Mr. Quesnel said Mr. Bousquet was strictly a website designer not a public relations firm.

A motion was made by Director Oudegeest and seconded by Director Heald to follow the recommendation of staff to hire New Leaders to design the District's website. The motion passed by a unanimous vote.

IX. Administration:

A. A list of Follow-up Items from the March 9, 2018, board 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 April 2018 Board meeting was presented to the Board for consideration and possible action. Director Heald noted the progress on the Office Procedures manual and the website.

X. Adjournment

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

The minutes were approved at the Regular Meeting held on May 11, 2018, as part of the Consent Items Calendar. A motion was made by Director Oudegeest and seconded by Director Stockton to approve the Consent Items Calendar. The motion passed by a unanimous vote.