

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

Date: Friday May 13, 2016 / **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 Dan Stockton
Director Wade Freedle

Director Bill Oudegeest was absent.

Staff members present: Bill Quesnel, General Manager
 Anna Nickerson, Financial Consultant
 Christian Curtis, representing District Counsel

Guests present were: See attached Guest List

Minute Recorder: Anna Nickerson, Financial Consultant

II. Public Forum: Director Heald said Public Forum was to allow members of the public to comment on items not on the agenda. In response to a question from the public, Director Heald said members of the public would be given an opportunity to make comments regarding closed session immediately before closed session.

III. Approve Agenda:

The agenda was presented to the Board for approval.

A motion was made by Director Freedle and seconded by Director Stockton to approve the agenda as presented. The motion passed by a unanimous vote.

IV. Public Comments: No public comments were made.

V. Operations Report:

A. Mr. Quesnel's Operations Report was presented to the Board for consideration and possible action. Mr. Quesnel said he thought the proposed automatic meter testing project was a good idea. He said the proposal was to locate 10 meters at different areas around the community, measuring water usage and transmitting the data by way of cellular networks. The 10 meters could be relocated at the end of each month, for several months, and the information could provide an understanding of the District's limitation and whether or not a cell tower would be needed to support an automatic meter reading system. The proposed cost was about \$4,000 that could be

covered by the \$4,500 grant that the District received from PCWA (Placer County Water Association).

Director Lindquist said he supported the project suggesting that testing start in the summer and continue into the winter. He wanted to confirm whether or not winter weather would have an impact on the transmission of data. He also said he didn't think the current communication technology would have significant changes over the next five years, making it a mainstay that would work for the District. Director Lindquist said he thought the timing was right and didn't believe the District would be testing something that would become obsolete before the District was required to install the new meter system.

Director Freedle said he thought they should go forward with the project whether or not the PCWA grant covered the cost. He also said he would like to see several meters installed in areas of the most stringent weather conditions. He wanted to see if the meters were really as indestructible as Mr. Quesnel had been told.

Director Heald asked if the item needed to be put on an agenda for public comment or if it could be handled as a function of the budget. Mr. Curtis said it was an item that fell within Mr. Quesnel's discretion. It was agreed that the test project would be put in the budget.

Mr. Quesnel reported that he had followed up with Peter Kraatz, Placer County Public Works, and CalFire Washington Ridge. Mr. Kraatz said he was of the opinion that if the County had a channel that required brush trimming they would, like the District, approach it as part of maintenance with no permit requirements.

Director Heald asked what would happen if another supplier of SCADA power supplies couldn't be located. Mr. Quesnel said modifications to the current set-up could be made.

Mr. Quesnel reported on the recent fuel spill that happened at a house on Bales Road. He said both Fish and Game and Placer County worked hard to protect the lake by getting the spill under control quickly. He said the hole where the tank had been was filled with gravel and that fences and booms were installed to protect the water. On Saturday morning, a decision had been made to place a second, boom farther out in the water, to catch any fuel that was able to get past the first boom. He said the booms would be in place for a significant amount of time and that no more contaminated water was getting into the lake.

Mr. Quesnel further reported that it was a 500 gallon tank and that approximately 379 gallons of fuel had been recovered. He said several different water tests had been performed and that all results came back as "non-detect". However, State protocol required additional testing so one raw and one finished water sample was sent to a specialized lab in Arcada, California. The samples were tested using 63 parameters, as opposed to the required eight, and that the tests had come back negative with the exception of two components found in the finished water that were part of disinfection byproducts that was common to the District and that all test on the raw water came back as non-detect. A second round of samples had been sent to the Acada lab. Mr. Quesnel said if the second tests came back negative, the well would be turned off and the system returned to using lake water.

Mr. Quesnel said a sampling plan had been submitted by the clean-up contractor/engineer and that the plan included soil samples from 56 locations around the property and down to the water line. The contractor/engineer proposed to auger down two to three feet to obtain samples so they could adequately determine the limits of the contamination. And, based on what Mr. Quesnel had been hearing, significant soil excavation may not be required because it was believed that the fuel was on top of the soil. He believed the sampling would take place in the next week based on an email he saw earlier in the day approving the sampling plan.

Mr. Quesnel said, after receiving some inquiries about the possible number of tanks and the risk of further spills, he did some research and found that Placer County Environmental Health does not regulate tanks under 1,100 gallons. And, although Placer County does not regulate the installation, removal or condition of underground fuel tanks, any information Placer County had on any property, permits, tanks, etc., could be accessed on their website. So if a drawing showed a tank, the information could be seen by pulling up the parcel information on the website.

Mr. Quesnel suggested that information be sent out with the annual billing regarding fuel tanks. He said the theory with the current spill was that the tank was about 47 years old, it had corrosion holes on the end of the tank and as the ground water level rose, water entered the holes displacing the fuel oil, causing it to leak out of the top of the tank.

Director Stockton asked about above ground tanks. Mr. Quesnel said above ground tanks should be fine and should be double walled. However, underground, single walled, steel tanks were no longer acceptable. Director Heald asked if the District had an ordinance that discussed parameters for above ground fuel tanks.

Director Lindquist suggested that a risk assessment be conducted, starting with the District's facilities and expanding throughout the District, to first determine the potential threat and then develop a course of action.

Director Lindquist also said that even though he was over 100 miles away when he first heard about the spill, he had no trouble sleeping because of his confidence in Mr. Quesnel's ability to handle the situation. As this was Mr. Quesnel's first spill, his handling of the situation was testament to his abilities.

Director Heald asked if any member of the Board was against putting the newsletter about the fuel spill in the SLPOA Newsletter. The consensus of the Board was that it would be a good idea.

VI. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar consisted of the Minutes for the April 8, 2016 meeting, the April 2016 Check Register, Disbursements for Board Approval, financial reports for the month ending April 30 2016 and Cost Summary for Administration of the Lake Bottom Parcel.

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

VII. Approval of Litigation Fees:

A Summary of Litigation fees was presented to the Board for consideration and possible action.

A motion was made by Director Freedle and seconded by Director Lindquist to approve litigation fees. The motion passed by a vote of 3-0; Director Stockton abstained.

VIII. New Business:

A. Draft Resolution No 2016-831: A resolution of the Board of Directors of the Sierra Lakes County Water District declaring an election be held in its jurisdiction; requesting the Placer County Board of Supervisors to consolidate this election with any other election conducted on said date; to conduct said election by all-mailed ballot; and requesting election services by the county clerk for all-mailed ballot election was presented to the Board for consideration and possible action. It was noted that two dates needed to be changed to reflect the year 2016.

A motion was made by Director Freedle and seconded by Director Stockton to approve Resolution No. 2016-831 with the noted changes. The motion passed by a roll call vote. Ayes: Directors Heald, Stockton, Freedle and Lindquist. Noes: none. Absent: Director Oudegeest. Abstentions: none.

B. Draft Resolution No. 2016-832: A resolution of the Board of Directors of the Sierra Lakes County Water District authorizing the placing of Special Assessments for Sierra Lakes County Water District Assessment District No. 2011-1 on the 2016-2017 Placer County Tax Roll was presented to the Board for consideration and possible action.

A motion was made by Director Freedle and seconded by Director Stockton to approve Resolution No. 2016-832. The motion passed by a roll call vote. Ayes: Directors Heald, Stockton, Freedle and Lindquist. Noes: none. Absent: Director Oudegeest. Abstentions: none.

IX. Old Business:

A. Christian Curtis, District Counsel representative, presented three items for the Board's consideration. First was a summary of the proposed foreclosure process procedures, second was Resolution 2016-834 setting the foreclosure process and third was a draft warning letter to be sent to property owners who were delinquent on their assessment payments. It was noted that the title of Resolution 2016-834 was incorrect. Mr. Curtis said the title should reflect "Setting Procedures for Judicial Foreclosure Pursuant to Resolution 2012-806." It was suggested that the job title of Administrative Manager be replaced with Secretary to the Board. Director Lindquist summarized that:

1. A notice saying the homeowner was delinquent on their assessment payment and that there could be consequences if their taxes are not paid by a certain date.
2. If payment was not made by the due date, a second notice would be sent stating that the status had not changed and payment needed to be made immediately.
3. A notice stating that the Board decided to initiate a foreclosure.

Director Freedle said it was his understanding that it was the Assessment District, as a separate organization, that would need to initiate the process. Mr. Curtis said in terms of sending out the letters that could be done by the District. However, he would need to check with Jim Curtis to determine if the Board would need to adjourn the meeting as the Sierra Lakes Board and convene as the Assessment District in order to vote on initiating a foreclosure. Director Freedle said he thought the Board would need to convene as the Assessment District on an annual basis to review and approve the financial statements of the Assessment District.

Director Freedle was to verify with Bob Johnson, the District's auditor, regarding the need to convene as the Assessment District to approve the annual financial statements. Mr. Curtis was asked to check with Jim Curtis about the need to convene as the Assessment District to initiate the foreclosure process and to finalize Resolution 2016-834 to be discussed as a separate item on the June agenda.

Director Lindquist said he was very satisfied with the multistep process of reaching out to customers to try to get matters resolved before moving forward with the foreclosure process. Director Heald said if the Board needed to meet as an Assessment District to deal with foreclosures the process would need to reflect that. It was further determined that the Assessment District would convene on a semi-annual basis for the 30 and 100 day notices.

The Board then reviewed the proposed letter to be sent to the six delinquent assessment accounts. Director Lindquist expressed his concern about foreclosing on someone's property. Mr. Curtis said the issue was not on the agenda as initiating a foreclosure proceeding and felt that the sooner notice was given of the delinquent assessments the more notice they would be given overall. Director Lindquist said he was hoping for non-foreclosure resolutions and agreed that the sooner the better for sending delinquent notices. Director Stockton commented on the abruptness of the letter and Mr. Curtis felt an abrupt or serious letter would make them more likely to pay.

Ms. Nickerson confirmed that should would use "Serene Lakes" and the actual property address as the description and would date the letters 30 days from the date the letter gets mailed. It was also agreed that the letters would be sent by UPS without signature required.

B. Draft Resolution No. 2016-833: A resolution of the Board of Directors of the Sierra Lakes County Water District authorizing the placing of Unpaid Service Fees for Sierra Lakes County Water District on the 2016-2017 Placer County Tax Roll was presented to the Board for consideration and possible action.

Director Freedle asked if an approval was required from Placer County before placing the unpaid water/sewer service fees on the tax roll. Mr. Curtis said although Placer County's prior approval was not required, the Board had a legal obligation not to commit fraud and could not put something on the tax roll that wasn't owed. Director Freedle also confirmed that the unpaid fees would be included in Placer County's foreclosure process and that the Board did not need to take any further action after placing the unpaid fees on the tax roll.

A motion was made by Director Lindquist and seconded by Director Stockton to approve Resolution No. 2016-833 as presented. The motion passed by a roll call vote. Ayes: Directors Heald, Stockton, Freedle and Lindquist. Noes: none. Absent: Director Oudegeest. Abstentions: none.

X. Administration:

A. The list of Follow-up Items from the April 2016 meeting were presented to the Board for consideration and possible action. Mr. Quesnel confirmed that Verizon was already talking to Sugar Bowl about placing a cell tower in the Summit Station parking lot. Mr. Quesnel also completed items 2, 3 and 4. Ms. Nickerson completed item 6 but still needed to add language to the disconnection notice about placing unpaid water/sewer fees on the tax roll. Mr. Curtis was still working on items 7 and 8 and 10 would be handled in closed session. Directors Freedle and Stockton would be discussing quarterly audit requirements with Bob Johnson, District Auditor, at the pre-audit scheduled for May 23, 2016.

B. The Status of Action Items remaining as of the May 2016 Board meeting was presented to the Board for consideration and possible action. No changes were made.

XI. CLOSED SESSION:

Prior to closed session Director Heald made the following statement. She said, "although I appreciate the input from the community on the agenda item 'Salary Compensation Package', and actually getting the community input was the whole reason that we postponed the item to the May agenda, I have also been disappointed and somewhat concerned in what I feel has transitioned from analytical community input to almost a personal attack. I want the Board and the community to know that I personally appreciate and value Anna and Bill's service to the community and I know that the Water District would not function in the relatively seamless manner that it does if Bill and Anna were not so competent, efficient, self-motivated and consciences. We have received a ton of comments, some of them were very professional, some of them were less than professional and that is my response to those." Director Heald then asked for public comments.

Dick Simpson said he hadn't seen any of the comments other than the letter for George Lamson. He thought Mr. Lamson made some good points and wanted to encourage the Board to take those into consideration. He said he didn't know what the final answer was but agreed with the assessment that they were wonderful people.

A motion was made by Director Freedle and seconded by Director Lindquist to move the meeting into closed session. The motion passed by unanimous vote.

Note: Director Stockton left the boardroom prior to the discussion of items A & B and returned for the discussion of item C.

- A. Closed session pursuant to Government Code Section 54956.9(a) – to confer with Legal Counsel regarding the following item of litigation - Gortner v Royal Gorge LLC et al – Placer County Superior Court Case# SCV0032158**
- B. Closed session pursuant to Government Code Section 54956.9(d)(2) – to address the threat of litigation from Bernard and Joan Pech.**

C. Closed session pursuant to Government Code Section (54957.6 - Labor Negotiations

Conference with Labor Negotiators:

Agency designated representatives: Wade Freedle and Dan Stockton

Unrepresented employee: Anna Nickerson

Conference with Labor Negotiators:

Agency designated representatives: Wade Freedle and Dan Stockton

Unrepresented employee: Bill Quesnel

A motion was made by Director Freedle and seconded by Director Stockton to move the meeting into open session. The motion passed by a unanimous vote.

Mr. Curtis reported out of closed session with respect to the first two items. He said the Board discussed the active litigation, met with Counsel and took no action. In regard to the second item, the Board met with Counsel to discuss the possibility of additional extensions to the forbearance agreements and the Board gave direction to Counsel. Mr. Curtis also reported that in regard to the third item, the Board met and gave direction to its labor negotiators.

In addition to Counsel's report, Director Heald asked that Mr. Quesnel draft a letter to Mr. Lamson in regard to the benefits analysis, explaining CalPERS and the District's limitations.

XII. Draft Budget

Directors Freedle and Stockton's memorandum dated May 5, 2016, titled "2016/2017 budget review; rebate to customer base was presented to the Board for consideration and possible action. The following documents were also presented:

- Draft 2016/2017 Cash Flow Analysis
- Draft Cash Flow Projection for Budget Years 2016/2017 through 2023/2024
- 2016/2017 Draft Operating Budget
- Draft 2016/2017 Operations and Maintenance Budget supporting documents

Director Heald said Director's Freedle and Stockton determined that the District had a surplus of cash and suggested that the Board might issue a customer rebate. She said it was going to be a lengthy discussion based on prior analysis regarding reserves and asked if it could be discussed next month. It was agreed that the item would be tabled until the June meeting.

XIII. Adjournment

A motion was made by Director Freedle 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 10, 2016 as part of the Consent Items Calendar. A motion was made by Director Freedle and seconded by Director Stockton to approve the Consent Items Calendar as presented. The motion passed by a vote of 4-1, Director Oudegeest abstained.