

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

Date: Friday June 10, 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 Michael Lindquist
Director Dan Stockton
Director Wade Freedle
Director Bill Oudegeest

Director Karen Heald joined the meeting by phone from a location on Regis Drive, Davis, California.

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: There were no public comments.

III. Approve Agenda:

The agenda was presented to the Board for approval. Director Heald asked that item VIII. B. SLPOA Lot Improvements be moved to the beginning of the agenda.

A motion was made by Director Oudegeest and seconded by Director Freedle to approve the agenda, moving item VIII. B. to the beginning of the agenda. The motion passed by a unanimous vote.

IV. Public Comments: Ms. Nickerson reported that there were no public comments received after the agenda was posted.

VIII. B. A memorandum titled "SLPOA Improvements to Lot 1" was presented to the Board for consideration and possible action. Cliff Busby, and other members of the SLPOA committee, were present to answer questions. Mr. Busby said SLPOA budgeted \$50,000 for the proposed improvements and that the improvements would take place in three stages. He also said the committee agreed with the recommendations outlined in Mr. Quesnel's memorandum; to make sure the barbecue structure was not placed over water and sewer laterals, provide details on the dimensions and materials to be used to construct the boat launch and have drawings prepared by a licensed electrician or electrical engineer for the installation of the receptacles. Mr. Busby said the

plan was to install some kind of French drain along the beach, to keep the sand from washing into the lake, and to pave the gravel parking area between the street and the boulders. He also said that at the end of the season they would get with Mr. Quesnel about installing pavers, or other material, for people to walk down when launching boats. Currently, people had to walk through dirt when launching boats taking more dirt into the lake. He said SLPOA understood that it was the District's property and that they would work with Mr. Quesnel throughout the process.

A motion was made by Director Oudegeest and seconded by Director Freedle to approve SLPOA's proposed improvements, authorizing the construction, and for the General Manager to send SLPOA a letter.

Director Lindquist asked that Mr. Quesnel monitor the progress, making sure SLPOA treated Lot 1 consistently to every other lot in the area. Mr. Busby said he understood and agreed that they would meet with Mr. Quesnel throughout the project, discussing any changes to the proposed improvements.

The motion passed by a unanimous vote.

Mr. Quesnel asked that the Board consider moving item VIII. C. up the agenda. Mr. Sausser, who requested to address the Board, was present.

A motion was made by Director Oudegeest and seconded by Director Stockton to move item VIII. C. up the agenda. The motion passed by unanimous vote.

VIII. C. Rick Sausser, member of the community, addressed the Board regarding sand traps. He said he thought sand traps had been approved by the Board 10 to 15 years earlier and was surprised that he was the one presenting the topic. He said the purpose of sand traps were to keep sediment from washing into the lake. He also said the amount of sediment that had washed into the lake had become a major problem over the last 10 years. According to him, an area of the lake that used to be 40' deep was now only 20' deep.

Mr. Quesnel said it was common practice to use vaults of some kind that would allow sediments and solids to drop out as water flowed through drainage channels to the lake. He said Mr. Sausser made a valid point. Director Oudegeest said similar traps could be seen on the side of the road while driving down the freeway. Mr. Quesnel said he understood what Mr. Sausser was saying but that he would need to get an understanding of the magnitude of flows first, taking into account both small flow and big flow events. He also said he would coordinate the information with Placer County and Supervisor Montgomery during upcoming discussions regarding drainage around the subdivision.

Mr. Quesnel said he would put the topic on the agenda for discussion with Placer County and would come back to the Board when he had something to report.

Director Lindquist said the natural progression of a lake was to turn into a meadow. I would take some number of years but it happens every day in the Sierras. Doing these things were a noble cause to keep the lake a lake. He asked if sediment in the lake would affect the District's ability to provide service and if it was something that should be put under the District's prevue. He said he was in favor of taking some roll in the matter.

V. Operations Report:

A. Mr. Quesnel's Operations Report was presented to the Board for consideration and possible action. Mr. Quesnel said last year during the drought, the State Water Resource Control Board (SWRCB) required that the District reduce water consumption by 25% or limit watering to two days a week. Although the requirement had gone away, the District would still be required to report to the SWRCB the steps taken to continue to conserve water. He said the Board might consider continuing the two day a week watering limit, unless the Board felt that issuing toilet rebates, inspecting for low flow plumbing fixture upon the sale of a house, lateral testing and working on leak repairs would be sufficient.

Director Stockton asked if there were a lot of reports about people wasting water. Mr. Quesnel said the biggest non-compliance issue was people washing down driveways. However, all it took was for staff to talk to the person and that person would stop washing down their driveway.

Director Stockton asked if the Conservation Ordinance had a sunset. The answer was no and the consensus of the Board was to leave the ordinance in place. Director Oudegeest suggested that something be put in the newsletter reminding homeowners to continue to conserve water. Mr. Quesnel said he would send the six bullet points in his memo to Kathy to put in the SLPOA Newsletter as a reminder.

Director Oudegeest mentioned the air relief valve that unexpectedly malfunctioned after 35 years, resulting in a sanitary sewer spill. He asked if any other valves should be proactively replaced. Mr. Quesnel said that it was the only air relief valve on the sewer export main but that there were valves on the water mains. Director Lindquist said the proposed asset management system would provide a mechanism for scheduled maintenance and replacements. Director Stockton asked if there was a planned schedule for retiring assets. Mr. Quesnel said they did not have a planned schedule for replacement but staff tries to operate every air relief valve on the water system every year and systematically pops manhole lids to look in the system. Unfortunately, the air relief valve on the sewer main had been forgotten about. Director Lindquist commended the operations department for that being only the second sewer overflow in many years. It showed that the system was well maintained.

Director Oudegeest asked if he could get a copy of the revised "Instructions to Applicant for Construction of Water and Sewer Services" to be put on the website.

Director Oudegeest also mentioned that a tree had fallen into the channel next to the property that was previously owned by the Lieberman's. Mr. Quesnel said that he was aware of the tree, that earlier that day he had completed the paper work for CalFire and that in the next week or two he would be going out to mark all the trees to be removed.

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 May 13, 2016 meeting, the May 2016 Check Register,

Disbursements for Board Approval, financial reports for the month ending May 31, 2016 and Cost Summary for Administration of the Lake Bottom Parcel.

A motion was then made by Director Freedle and seconded by Director Stockton to approve the Consent Items as presented. The motion passed by a vote of 4-0. Director Oudegeest abstained.

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 Oudegeest and seconded by Director Freedle to approve litigation fees. The motion passed by a vote of 4-0; Director Stockton abstained.

VIII. New Business:

A. A letter from Placer County Counsel, dated 5/20/16, regarding the District's Biennial Agency Conflict of Interest Code Review was presented to the Board for consideration and review. Director Freedle asked Christian Curtis, District Counsel representative, if there had been any changes to the FPPC reporting requirements. Mr. Curtis said nothing recent and that the last time he had looked at it was about a year ago. He had no reason to think anything had changed.

Ms. Nickerson received direction from the Board to submit the necessary information to Placer County Counsel.

B. Bill Quesnel's memorandum titled "SLPOA Improvements at Lot 1" was discussed at the beginning of the meeting.

C. Mr. Sausser's request to address the Board regarding sand traps was discussed at the beginning of the meeting.

IX. Old Business:

A. A revised Resolution No. 2016-834 was presented to the Board for consideration and possible action.

A motion was made by Director Oudegeest and seconded by Director Freedle to approve Resolution 2016-834 as presented. The motion passed by a roll call vote: Ayes: Directors Lindquist, Stockton, Freedle, Oudegeest and Heald. Noes: none. Abstentions: none. Absent: none.

The Board also considered a request from Lisa Stevenson of Woodstock Bowers to apply a current property tax payment that included the 2015/2016 assessment payment, to the 2014/2015 delinquent assessment. However, since the 2015/2016 delinquent assessment would soon be reaching the 180 day past due mark, and subject to foreclosure consideration, it was

determined that applying the current payment to the older assessment payment would not buy them much time.

Dick Simpson, a member of the community, asked if the Assessment District needed to make the decision rather than the Water Board. Mr. Curtis said no. The Assessment District was created by the Water Board and acting as the Board concurrently. The Assessment District Board was not a separate board from the Water District.

No action was taken.

B. Bill Quesnel's 6/2/16 memorandum titled "Fuel Tank Risk Assessment" was presented to the Board for consideration and possible action. Director Oudegeest said people had been putting in underground storage tanks for the last 20 years even though there was a 1992 ordinance prohibiting underground fuel tanks. Mr. Quesnel agreed that people had been installing underground propane tanks but that the goal of the ordinance was to protect against petroleum based products, like gasoline, diesel, kerosene etc. that could contaminate the water. Mr. Quesnel explained that propane wasn't a risk because when propane gets released it becomes a gas and therefore causes no potential harm to the water supply.

Mr. Quesnel said, based on information Ms. Nickerson was able to find in the files, he believed there were still three or four buried tanks, five or six single wall above ground tanks and more than half of them were located at lakefront homes. Mr. Quesnel felt, in order to get a handle on what the risk was, he thought they should contact the current owners of the properties that were previously identified as having fuel tanks, determine if the current owners knew the tank was there, find out if the tank was still in use and find out the last time its integrity was tested. His also suggested that the District contact the 247 homeowners that were not on SLPOA's extensive propane tank list to determine what they used for heat. When asked, Mr. Quesnel reported that the District had at least four above ground double walled diesel fuel tanks and that they were all in areas that were in plain sight of staff who would know immediately if there was a leak.

Mr. Curtis said he found, based on his review of Ordinance 47 and without talking to previous Counsel, the Chapter cited as giving authority to local agencies to pass more restrictive laws on underground storage tanks for hazardous substances than those imposed by State law, did not pertain to the Water District. The definition specifically defined "local agency" as a City, County or specific type of certified local agency having environmental protection functions and the Water District did not fall within that definition. However, he did find that those powers were specifically given the Stinson Beach Water District but no other water district. Mr. Curtis said it was possible that previous Counsel was aware of something in another part of the code but thought it would have been cited in the ordinance if that were the case.

Director Lindquist said he was really upset with what occurred and wanted to ask that staff and District Counsel find a way for the District to protect the water supply. At a minimum he wanted the District to be able to restrict installation of single walled tanks and require a regular inspection programs. If not, he wanted to see an outright ban. Mr. Curtis said he was willing to do more research but was not optimistic. He said it could come down to getting other entities involved or getting people to act voluntarily. Mr. Quesnel said it would be easy for him to find a contact at Stinson Beach and get an understanding of the history and how they got the legislature to do something.

Mr. Quesnel asked if the Board wanted a special letter sent to the 11 people who were previously identified as having underground fuel tanks, a different letter to the 247 not on SLPOA's propane tank list and a generic letter to the remaining 600 customers, or something else. Director Stockton felt a single letter would be better so no one would get singled out. Mr. Curtis suggested that the letter could explain what the consequences would be to the homeowner if the tank were to rupture and leak fuel. He thought the letter could offer help exploring responsible options. Director Oudegeest mentioned that there might be money available from a State fund to help homeowners with the cost. Mr. Quesnel said that fund had actually helped the District remove their tank up on Hemlock and that he could find out if there were still funds available. However, what he saw in the file was that the fund was reserved for commercial and government entities. Director Oudegeest said there was a hierarchy to how the funds were apportioned. Larger corporations were last and private homeowners were first.

Director Stockton said he sensed Director Lindquist's urgency and that he too was dedicated to finding a solution.

Mr. Simpson said the Board might consider the cost of pumping fuel out of the tanks and filling them with sand, like the District did with one their old tanks. He suggested that the Board might offer a cash incentive to abandon the tank. Director Oudegeest said abandoning fuel tanks also required soil sampling to determine if there were any leaks. Mr. Quesnel said another consideration would be the cost to replace the furnace if a homeowner decided to stop using heating fuel.

Director Lindquist acknowledged that there would be complications but wanted the public to understand how important it was to the whole community to find a solution. He said he was glad that technical and economic issues were being discussed.

Mr. Quesnel said he would contact Stinson Beach, research the State clean-up fund and work on a letter. Mr. Quesnel also said it was his preference that the Board review a draft of the letter at the July meeting before it gets sent out.

The Board discussed ways of getting information to community. Mr. Quesnel said he could put together a display that can be posted at Lot 1 over the 4th of July weekend.

C. Donner Summit PUD's (DSPUD's) proposed "Memorandum of Understanding (MOU) for Reimbursement of Treatment Plant Construction Costs" was presented to the Board for consideration and possible action. Mr. Quesnel said he had used the previous MOU between DSPUD and Sierra Lakes for design costs as a template but that the agreement had not been reviewed by Jim Curtis' office. He also said DSPUD's Board would be considering the proposal at their June meeting as well. Mr. Quesnel suggested that the Board authorize the Board President or Vice President to sign the agreement subsequent to Counsel's review. Mr. Curtis said authorization would have to include the ability to make minor changes or a decision to bring the document back to the Board if they felt something was sufficiently serious.

A motion was made by Director Oudegeest and seconded by Director Stockton to approve the memorandum subject to Counsel's review giving the President the authority to sign the agreement with minor changes if necessary. The motion passed by a unanimous vote.

D. Donner Summit PUD's draft Services Agreement for wastewater treatment fees was presented to the Board for consideration and possible action. Mr. Quesnel said the Committee, including Dennis Fisco, met a couple times, they started with the Interim Service Agreement from 2003, made changes and are now presenting the document to both Boards and respective Counsel's for review and comments. The Committee thought it would be a good idea for Counsel to get all the Board's comments before reviewing the agreement.

Director Oudegeest said one issue was that the original agreement said DSPUD got to make all the decisions regarding changes to the treatment plant and just send Sierra Lakes a bill. The proposed agreement allowed Sierra Lakes to have an engineer review proposed changes and engage a third engineer if needed. But, DSPUD would still have the final say. Sierra Lakes, however, would have an opportunity to provide input on proposed changes.

Director Heald said she had questions regarding sections 5.2, 6.2, 7.2 and 9.2. She said the first sentence of each section seemed to give DSPUD sole and exclusive decision making priority. However, the later part of the paragraph described a process where Sierra Lakes could hire their own consultant to review the proposed changes and that a third party could be used if there was a disagreement. However, DSPUD maintained the right to make the final decision regardless of what Sierra Lakes or the third party consultant thought.

Mr. Quesnel felt that if DSPUD hired an engineer, that was very obstinate, and Sierra Lakes hired their own engineer, who disagreed with the obstinate engineer, a third party engineer could be hired. Then if DSPUD's Board went against the two other engineers then there would be a political agenda and not a process agenda. Director Lindquist said one of the reasons he felt protected was that the Districts were sharing in the cost and that DSPUD would be on the hook for more money than Sierra Lakes would be.

Director Stockton agreed that it could become a political issue and not a process issue but that the proposed process provided Sierra Lakes with its best defensive mechanism to protect against something weird happening at DSPUD.

Director Freedle said when negotiating the Interim Service Agreement in 2003, there were several dozen landowners wanting connection permits. But, because the District was under a moratorium, negotiators were under a lot of pressure to finalize the agreement. He thought the agreement should reflect the realities of the parties. He said, Sierra Lakes was a customer, no different than Sugar Bowl or Boreal, and that the reason there were clauses in the agreement that related to ownership was because up until 1984 the Districts were 50/50 owners in the plant. In 1984, the Sierra Lakes Board decided they didn't need 50% of the plant, they only needed 44%, so DSPUD agreed to 44% with the understanding that Sierra Lakes would no longer be an owner. However, at the time, Sierra Lakes wanted to retain the clauses relating to expansion in the agreement because Sierra Lakes had the most immediate requirement for additional capacity and wanted to participate in the process to get the expansion complete. Now, because Sierra Lakes no longer had a need for further expansion, he felt all clauses pertaining to expansion should be stricken. He was concerned that having the clauses in the agreement would raise the implicit question as to whether or not Sierra Lakes would have to pay for a percentage of a capital expansion.

Director Freedle then said he would like to see comparative statistics of Sierra Lakes, CalTrans, Sugar Bowl and Boreal's flows. It was his feeling Sierra Lakes would be paying less if it was treated the same as DSPUD's other customers. He also believed that on big ski weekends, CalTrans and the ski resorts put a higher capacity stress on the plant than Sierra Lakes ever would on a similar weekend. He said the District had a variety of uses that would result in much more dilute flows than CalTrans or the ski resorts, whose flows come primarily from toilets. He also said that before the District rushed into signing a contract, for a long term obligation for a lot of money, there should be a complete analysis of where the District would stand if it were treated as a customer. He said was surprised that DSPUD agreed to an allocation based strictly on flows since Sierra Lakes had reduced its flows so significantly over the last several years.

Director Freedle said he learned from Director Stockton that it was common practice, when there were two or more Districts that shared a facility, to have a separate flow meters, in a locked containers, that got read at the same time. The purpose of the separate meters would be to measure total flows, from both Districts, into the plant.

Director Freedle said the language referring to plant expansion should be stricken from the agreement because the District had no future need for expansion. Mr. Quesnel said, what if something happened at Summit Station and Sierra Lakes found itself needing 50 connections. Leaving the language in would provide Sierra Lakes with the option of either participating in an expansion, and purchasing additional capacity, or opting out of the expansion, and paying nothing.

Director Oudegeest asked if the Board wanted to go against the language that was agreed to. He said the Committee's discussion was that although Sierra Lakes did not want expansion, the language was left in "just in case".

Director Freedle said he thought the District's best option was a one page agreement. He said he didn't want the District to have to pay a portion of the capital costs and then participate in all of the sewer plant department costs. He felt the result was that the District would end up paying some of the costs twice; paying for the capital expenditure first and then paying for it again as the costs circled around as department costs. Director Stockton said the agreement protected the District from that happening; Sierra Lakes would no pay another dime for capital improvements except for those improvements needed to meet State regulations.

Director Lindquist said that for most customers, costs were determined to set rates and that customers had the ability to protest rates through a Proposition 218 process. However, with the District being such a large customer, it had been given an opportunity to negotiate a specific rate, an opportunity not given to individual customers. Director Freedle said the problem for him was that he was not convinced that Sierra Lakes was DSPUD's biggest customer. He said he thought Sugar Bowl could be the biggest customer, based flows and loads on plant capacity, with their 5,000 customer weekend.

Director Freedle said he was against having language referring to an option for future expansion in the agreement but Directors Lindquist, Stockton, Heald and Oudegeest were in favor of leaving it in.

Director Freedle said the next issue was that there had been no substantive analysis done to support the District's position for renegotiating the contract. He said it was important to

understand what the cost allocation should be based on the load that each District placed on the plant. He said the current allocation was based only on flows but that it was the load that created the capacity. Director Freedle also said Jeff Hauser, the design engineer of the plant, would say that it was load, not diluted flows, that placed the burden on the capacity of the plant.

Mr. Quesnel said the previous plant couldn't handle either the flows or the loads and that the new plant was having no problem handling the peak fluctuations even on the big weekends. However, he said load was very important and, looking back at Mr. Hauser's estimate, it had been determined that the loads of the two Districts were different and the difference was due to the ski and rest areas. Director Freedle said the District should not rely on a guess, especially when the evidence indicated that DSPUD's loads were greater than Sierra Lakes'. He said he could be wrong about the loads but thought there should be an analysis done before the District agreed to base their charges on an estimate. Mr. Quesnel said that it would take a couple of years to collect the necessary data to figure out how it averaged out.

Director Oudegeest said he thought the issue had been taken care of in the design of the plant. However, if the District wanted to go in the direction of analyzing the flows and loads, then there wouldn't be an agreement for a couple years. He was concerned that DSPUD could say "it's not your plant" and "here's the bill" and the District would have to pay whatever they said.

Director Oudegeest posed an option that the Board approve the current agreement with a clause stating the plant use allocation would be reviewed in several years after flow and load data was accumulated and reviewed.

Director Freedle said it was important to have a separate flow meter, controlled by Sierra Lakes, to verify the total flows and loads going into the plant. Director Stockton asked how the rate could be structured once the data was available. Director Freedle said it was industry standard to base costs on flows and loads. Director Lindquist said typically, wastewater charges were based on three components, flow, biological oxidation demand and total suspended solids. He said this because some parts of the plant were load dependent and others flow dependent. Director Lindquist also said he would ascertain that load was more important than flow on the costs but that there was a unique situation of high I&I, which was also part of the charge.

Director Oudegeest asked if the Board wanted to press DSPUD for an analysis of flows and loads over the next couple of years. Director Lindquist asked if Director Freedle would be ok if the data showed that the District should actually be paying more. Director Freedle said yes. Director Stockton suggested the District conduct its own analysis.

Mr. Curtis said the agreement should have a termination clause, the District should have an option to terminate the agreement and not be locked into it for all of eternity. Director Stockton said he would like to have the ability for either party to renegotiate the agreement at any time. Director Lindquist wanted to know what would happen if the clause was in the agreement, one of the parties wanted to renegotiate but the other refused. What would be the recourse? Mr. Curtis said generally, every contract should have a "good faith and fair deal" clause so neither party could deliberately manipulate the contract. He said it could say something like, "both sides agree that the contract will be negotiated in good faith no more than once a year". He also said there should be a termination clause independent of the good faith clause. Director Freedle said the two Districts were inseparable and the contract could not be terminated. He said what the contract

needed was a clause requiring that flows and loads be studied and evaluated at the end of a two year period and that the billing would automatically be based upon a formula based on flows and loads.

Director Lindquist said an important detail was that it would be very costly to get a good characterization of the wastewater. He also said the District needed to have trust in DSPUD, which he had. Director Freedle said they only needed average ratios of strength and flow for a cost accounting allocation. Director Lindquist said, in order for the data to be defensible, they would need to collect a lot of data and that two data points wouldn't be as defensible as collecting eight data points. If the District wants to pay less, because that's what's fair, then a lot of back up would be required. If the Sierra Lakes paid less then someone else would have to pay more. Director Lindquist agreed that the costs should be allocated based on the truth but getting the truth would be a long complicated road. Director Lindquist said a sewer district was required to transparently determine what their customers should pay and if the customer didn't like it, they have an opportunity to protest politically or through a voting process.

Director Heald said she thought having an analysis of both flows and loads was a good idea but was struggling with whether or not it would change anything in the long run and if it would be cost effective.

Director Stockton said he would stay with basing fees on flows because it was agreed to and because he was not convinced that load data would change anything. Director Lindquist said he was conflicted. He supported knowing more accurately what Sierra Lakes' contribution was to the plant but wondered if it would make enough of a difference. If the District was able to save 10% (\$45,000) a year and it cost \$200,000 to collect the data, then the payback period would be quick.

Director Freedle suggested that the District take a few months of strength measurements now to see what they looked like. Director Lindquist said getting some strength measurements now would be very helpful.

Director Freedle said there was nothing that said the agreement had to be completed now. Mr. Quesnel said the Interim Service Agreement stated there would be a new agreement upon completion of the plant and if the new agreement was not in place then the District would continue to pay a higher amount based on the 44% calculation.

Director Heald said she thought they should add a termination clause to the contract along with a clause saying the contract could be renegotiated after three years. Sierra Lakes could then decide what and how much data to collect. The risks were the District's relationship with DSPUD and that DSPUD would know that results were in their favor if Sierra Lakes didn't want to renegotiate. Mr. Quesnel said he could contact Jim Gesselbracht, explain what the Board was looking to do and see if he could give the District a rough cost estimate for collecting flow and load data.

Mr. Curtis was asked to provide language for the two clauses and Director Heald thought it would be good to have Jim and Christian Curtis review the contract to see if there were any other problems.

Directors Lindquist, Stockton and Oudegeest were not in support of having a locked box, with a separate flow meter controlled by Sierra Lakes.

Director Oudegeest said he had had an objection to the 14% administrative fee due to DSPUD's lack of rationale. Mr. Quesnel said there were times when Tom Skjelstad, DSPUD's General Manger, spent more than 14% of his time on wastewater and other times when he spent less. Director Freedle said what he remembered was that the 14% was an advantage for Sierra Lakes based on the previous ratio. The Board agreed with the 14% administration fee.

Mr. Curtis would provide the language for the termination and renegotiating clauses, review the draft agreement and the agreement would be brought back for review at the July meeting.

X. Administration:

A. The list of Follow-up Items from the May 2016 meeting were presented to the Board for consideration and possible action. All but one item was complete. That item pertained to language about placing unpaid water/sewer fees on the tax roll. However, the last delinquent account would be taken care of soon so the language was not presently needed.

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

XI. CLOSED SESSION:

A motion was made by Director Oudegeest and seconded by Director Stockton 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. Mr. Quesnel left closed session for item C and returned for item D.

- 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 54954 (c) – to confer with Legal Counsel anticipated litigation – significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9, based on threat of litigation by lakeside property owners: five potential cases.**
- 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

D. Closed session pursuant to Government Code Section 54956.9 (e)(3) – receipt of Claim for Damage to Property from Jan Janku.

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

Mr. Curtis reported out of closed session with respect to item XI A, the Board met with Counsel to consider the caption of litigation and took no action. With respect to item XI B, the Board met with Counsel to discuss exposure to litigation and took no action. With respect to item XI C, the Board met to consider the negotiation for the two contractors named and in each case unanimously approved contracts which were now available for public inspection. With respect to item XI D, the Board considered the claim by the party mentioned and unanimously rejected the claim and directed staff to send a letter to the claimant indicating that the Board believed the acts complained of were performed by someone else.

XII. 2016/2017 Operating Budget:

Directors Freedle and Stockton presented the following items:

- A memorandum dated 6/3/16 titled “Status Update on Budget Projects”
- A memorandum dated 5/5/16 titled “2016/2017 Budget Review; Rebate to Customer Base”
- 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 Freedle said the only decision was on page 85 regarding a proposed customer rebate.

A motion was made by Director Freedle and seconded by Director Stockton to approve the rebate to the customer base as defined in the memo from Director Stockton and himself dated May 5, 2016 for \$505,876.

Director Heald said she thought she remembered that the District needed a year of money set aside, not six months. Director Freedle said there was no statutory requirement for working capital and with the \$500,000 set aside for unfunded medical, which was at the Board’s discretion, the District had well over a year’s worth of working capital. He added that Director Stockton said there would be a three month restriction on working capital if the District was a public utility.

Director Oudegeest said he had suggested issuing a rebate several months ago but was told it would be too complicated and that a \$1,000,000 reserve was needed. Now a rebate was being proposed. A rebate that he was in favor of. Director Freedle said the reason for the \$1,000,000 reserve was for unanticipated overruns on the Donner project. However, now that the project was over and that requirement was no longer needed.

The motion to issue a rebate passed by a roll call vote: Ayes: Directors Lindquist, Stockton, Freedle, Oudegeest and Heald.

It was agreed that the rebate would be reflected on the 2016/2017 annual invoice along with an explanation.

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

XIII. Adjournment

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

The minutes were approved at the Regular Meeting held on July 8, 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 with two typo corrections to the minutes. The motion passed by a unanimous vote.