

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

Date: Friday September 14, 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
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. No members of the public present so there were no comments.

III. Approve Agenda: The agenda was presented to the Board for approval.

A motion was made by Director Heald and seconded by Director Stockton to approve the agenda as written. 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 said he looked further into the use of a blanket on the lake vegetation and found that it would take some effort to comply with CEQA requirements. He asked for direction from the Board.

Mr. Quesnel said his Operations Report included some quotes from the California Code regarding swimming in reservoirs. What he found was that swimming could be allowed in reservoirs where water was treated by a filter plant, but that the process would be lengthy. He also said staff preferred to keep swimming in Lake Dulzura only.

Mr. Quesnel reported that investment account statements were expected from LAIF and Placer County Treasurer's fund by the end of the month.

Mr. Quesnel said the installation of the mixing vault was going well and hoped to be using the mixer by the end of the month. The plan was to bring the mixer online before the water temperature got really cold.

Finally, Mr. Quesnel reported that Jerry Dahlen would be retiring after 12 years of service. He said Jerry was a great utility service operator and he would be missed. He also said he thought he had a good replacement prospect from Truckee but that he had also advertised the position online with California Water Environment Association (CEWA). He was waiting to see how things worked out with the Truckee prospect and to see if he would receive any other applications from the CEWA ad.

Director Simpson said he agreed with staff to prohibit swimming in Lake Serena and accepted incidental body contact. He also said he thought the signs were adequate with “avoid body contact” even though they do not say “no swimming”.

Director Simpson asked how Mr. Quesnel was going to determine when the annual contaminant testing for Disinfection By-Products (DBP) would be conducted. Mr. Quesnel said he thought a good time to test would be in the summer months when DBP levels were generally higher because the levels of organics in the water and temperatures were at their highest. However, he still needed to discuss the program with the District’s State Engineer.

Director Simpson asked for clarification of the term “pot holing”. Mr. Quesnel said pot holing meant digging little holes in the ground, as opposed to big holes, to allow staff to get a visual of a specific section of the distribution system.

Director Simpson asked if it would be appropriate to draft a Board resolution thanking Jerry for his years of service. The other Directors agreed that a resolution was a good idea. Mr. Quesnel would draft a resolution to be adopted at the October meeting.

Director Stockton said he wanted to discuss the swimming/not swimming on Lake Serena. He said he has been approached by a number of residents wanting to know why they weren’t allowed to swim in Lake Serena and that he was not convinced that it was not possible to treat the water adequately. He asked if he could schedule some “off-line” discussion(s) with Mr. Quesnel to get a better understanding of what would be involved with treating the water if people were allowed to swim in the lake. He said other utility providers treat much worse water so he would like to get a better understanding of the technological issues before raising the issue again. Director Simpson said he had gone out in a kayak a couple months earlier to observe the two lakes and found there was a significant difference in the turbidity between the two lakes. He thought it was because Dulzura got churned up a lot more. Director Stockton said he would like a better answer for the people who have asked. Director Heald said she would be happy to discuss the issue but she didn’t see a need to accommodate swimming in the upper lake. Director Lindquist said he agreed with Director Heald, he was happy with the way things were but that he would also be happy to discuss the issue.

VI. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the August 10, 2018, Regular Meeting; the August 2018 Check Register; Disbursements for Board Approval; and August 31, 2018, Financial Reports. Director

Simpson said he noted a couple typos in the minutes that were provided to Mrs. Nickerson.

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

VII. New Business:

A. Mr. Quesnel's memorandum titled "SLPOA-SLCWD License Agreement" dated, September 2, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said SLPOA and the District had different opinions about insurance requirements and the facilities to be listed in the exhibit. The Board first discussed the insurance requirements.

Mr. Quesnel said, the original License Agreement required SLOPA to carry \$2,000,000/\$4,000,000 of insurance coverage. He also said SLPOA, on their own, had added a \$2,000,000 Umbrella coverage to the current \$2,000,000/\$4,000,000 policy. However, JPIA, the District's insurance carrier, felt, due to the water sports, the insurance requirement should be raised to \$5,000,000/\$10,000,000. As a result, the District's Legal Committee proposed increasing insurance limits to \$4,000,000/\$8,000,000 to Mr. Fisco, SLPOA's representative; but Mr. Fisco felt the incremental premium (about \$2000) was too significant. Mr. Fisco requested that the insurance limits remain at \$2,000,000/\$4,000,000.

Mr. Quesnel then said the issue with the exhibits pertained to the lot at Serene Rd. and Island Way. He said the location was included in the original agreement but it was listed as "subject to Placer County permitting" and because SLPOA had not secured the necessary permit(s), Mr. Quesnel proposed the location be removed for now with the understanding that the Board could revise the license agreement when and if SLPOA secured the necessary permits. The consensus of the Board was to leave the site off the list for now. Director Lindquist said, by leaving it off the list, the public would have an opportunity to comment on adding the location if SLPOA successfully acquired the necessary permits.

Director Simpson confirmed that the District, not SLPOA, would remove unauthorized boats stored at Serene/Island. Mr. Quesnel said the District would also remove unauthorized boats at the access point at Hemlock as well. Director Simpson said he had strong feeling about boats presently being left at Serene/Island and supported Mr. Quesnel's recommendation to remove the location from the agreement. Director Lindquist said he too supported Mr. Quesnel's recommendation. He said if the Board was to make a change he wanted a more formal discussion that could be advertised. Director Simpson asked if SLPOA would have more leverage with the County to obtain the necessary permits if the location was included in the agreement. Mr. Quesnel didn't think it would make a difference because the District and SLPOA would need to work together to submit the appropriate documentation.

Director Oudegeest said the request for \$4,000,000/\$8,000,000 was a huge increase in both the amount of coverage and the additional cost. Director Simpson said it would only be an additional \$2,000. Mr. Mitchell, District Counsel, said, based on the District's request ACWA/JPIA felt more insurance coverage was appropriate due to the types of water activities taking place on the lakes and the types of cases that had been coming out over the last couple of years. He felt there was a potential of more significant liability. He also said \$2,000,000/\$4,000,000 was not bad coverage but it was considered low for the kinds of risks associated with boating and other water type activities. He said ACWA/JPIA had recommended

insurance coverage of \$5,000,000/\$10,000,000. Director Oudegeest asked if the Board was willing to take on the boat registration and enforcement program if SLPOA decided that the cost of the additional insurance was too much. Mr. Mitchell said the only other choice would be no boat storage.

Director Lindquist asked, if there was an incident and a lawsuit was filed against SLPOA and the Water District, would the claim go under SLPOA's policy first and then the District's policy, should the judgement exceed SLPOA's policy limits? Mr. Mitchell explained that if a claim was filed against the District and it was a claim arising out of their (SLPOA's) activities that did not relate to some underlying preexisting condition, then the District would tender defense of the claim to SLPOA to be turned over to their insurance company. If their insurance company agreed that it was a covered claim, their insurance company would defend the claim up to their maximum policy limits. If the award exceeded the policy limits, SLPOA would still be responsible up to the point where SLPOA's assets were depleted. He said in circumstances where an entity became "judgment proof", no more available assets, and there was no basis to find liability on the District's part, then there should be no further discussion. However, he said California was a pro plaintiff state and courts tended to want to make plaintiffs whole, particularly where there was an innocent plaintiff that did not contribute to the incident. He said in those circumstances the courts will try to find a way to make the plaintiffs whole at which point the courts would turn to the District's insurance up to the District insurance limits.

Mr. Mitchell then said, it was possible to go down a path where a public agency should not allow the public to do anything on District property because it could potentially be too expensive. But that would not usually be a desired outcome. He said the Board needed to determine what a realistic worst case scenario would be and how likely it would be to happen. He said there could be a situation where the liability exceeded both SLPOA and the District's coverage leaving the assets of both entities exposed. He also said there could be a scenario where neither SLPOA nor the Water District was responsible. However, it was his experience that anytime a public agency was involved the courts would try to find a way to find the public agency at least partially responsible.

Director Simpson said he was in favor of the \$4,000,000/\$8,000,000 because it was mainly SLPOA activities taking place on the lake. Director Heald said she tended to be in favor of more insurance not less but wasn't sure how to balance the required insurance with SLPOA continuing to provide boat storage and enforcement. Director Lindquist said from his perspective, \$2,000 was a lot of money but didn't mind spending it if he felt that he got good value. He also didn't want to hamper SLPOA such that they couldn't provide the services out on the lake. Director Oudegeest asked, how do you know what the right coverage was and when an insurance company just wanted to charge higher premiums? Director Heald said, although SLPOA doesn't need some of the recommended coverages when it came down to the activities in terms of swimming and boating, JPIA's recommendation was to request \$5,000,000/\$10,000,000 of coverage.

Mr. Mitchell was asked to talk about what goes into the determination of damages. He said he wasn't a personal injury attorney but recalled from law school that direct medical costs, lost income due to injury, whether the plaintiff did anything to make the situation worse and how much liability SLPOA and/or the District had in the situation. He said the determination would be based on what happened, how bad it was, how foreseeable it was, did the plaintiff contribute, what were the medical injuries and if there was a long term disability, etc.

Director Heald said she thought the Board should push back a little on SLPOA and get more accurate information about the additional cost because she didn't think all the information had been provided. Director Lindquist said he would like to have more information and felt that double the coverage for \$2,000 was a good value. He said it was to protect the community as a whole. If a claim exceeded the insurance limits, the community would pay in the end.

Director Simpson made a few comments regarding language used in the agreement. He suggested that Mr. Quesnel's name be removed to leave just "General Manager" in the event he was no longer working for the District. He also commented on Exhibit B. 6. He said the Board authorized a dock up to 245 square feet and wondered why the agreement was written as 228 square feet. Mr. Quesnel confirmed that the agreement reflected SLPOA's proposed dock. It was agreed that the agreement would be changed to read "up to 245 square feet".

Director Simpson then asked "why isn't Lot 1 included" in the license agreement? Mr. Mitchell said, "because it was subject to a separate lease agreement". Director Simpson said the separate lease agreement was for the land which may not go down to the waterline. The concern was the items installed in the water off Lot 1. Mr. Mitchell suggested that the license agreement be modified to include items installed other than those on Lot 1. He also said an exchange in writing between the District and SLPOA confirming that it was SLPOA's understanding that the items installed off of Lot 1 were included in the lease would constitute an agreement between the parties. Director Heald agreed that the dock and platform off Lot 1 should be handled through a letter. Mr. Mitchell said an email exchange would be an acceptable form of communication. Mr. Quesnel will compose and send the email with input from the legal committee. The legal committee will arrange a meeting with SLPOA to discuss the agreement and report back to the Board.

Based on attorney recommendation, Director Lindquist said he liked the idea of approving the agreement. That way, if SLPOA agreed to the changes and additional insurance requirements, then the process would flow to completion. Director Heald said she understood the reason for approving the license agreement now, but preferred seeing what she was agreeing to in final form, and that she felt the negotiations would be better accomplished if the Board waited for SLPOA input. Her preference was to come back with the information from SLPOA, have a discussion, and then, if possible, approve the agreement based on that information. Director Lindquist summarized that the Board was ready to approve the agreement but that the Director Heald would rather wait until after changes were made and negotiations complete. Directors Stockton and Simpson said they were ready to move forward with approving the agreement as is.

A motion was made by Director Stockton and seconded by Director Simpson to 1) find that the project is categorically exempt and will identify the specific exemptions that apply and 2) approve the license agreement as presented at the meeting together with the changes that were described.

Director Simpson summarized the changes to the license agreement. He said the insurance is already included, Island Way is excluded, the commencement date will be changed to the commencement date of the original agreement (June 1, 2015), Exhibit B will be fleshed out, and Bill Quesnel's name will be removed.

The motion passed by the following vote: Ayes: Directors Lindquist, Stockton and Simpson. Noes: Director Oudegeest. Abstained: Director Heald.

B. Mr. Quesnel's memorandum titled "SLPOA Improvements to Lot 1", dated September 2, 2018, was presented to the Board for consideration and possible action. SLPOA has proposed to install a three foot wide concrete walkway. Mr. Quesnel recommended that the Board approve SLPOA's request.

A motion was made by Director Simpson and seconded by Director Stockton to approve the request for improvements at Lot 1. The motion passed by a unanimous vote.

C. Mr. Quesnel's memorandum titled "Updates to District Ordinance 18.01", dated September 2, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said the proposed updates to District Ordinance 18.01 included changes to water/sewer service fee due dates and to two sections of Chapter 4 setting a maximum speed for motorized vessels and a better description of allowable motor vessels by changing the description to "single trolling type motor". Director Heald asked if "including but not limited to" could be added in case something got left off the list. The Board agreed to make the changes and Mr. Quesnel will publish the proposed changes for discussion and possible adoption at the October 2018 meeting. Mr. Quesnel also suggested that the renter and homeowner brochures be updated with the changes.

D. Mr. Quesnel's memorandum titled "Water System Operation", dated September 5, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said his memo explained how the District water system operated, provided information about his discussion with Greg Harvey, Fire Marshall, and included a reference to a report done for the Santa Rosa water system that provided information as to how this District could operate differently during the summer or red flag days. He said, although staff liked to operate the system at 150 gallons/minute, the system was designed to operate at a higher level. He thought it would appropriate for staff to run the system at the higher rate to get baseline information about necessary chemical dosages and to see how the system operated at the higher level.

E. Mr. Quesnel's memorandum titled "Purchase of Emergency Generator for Well Pump Station" dated September 4, 2018, was presented to the Board for consideration and possible action. Director Simpson asked if the \$18,950.00 included installation. Mr. Quesnel said the price included start up services and training but not installation; staff would install the generator.

A motion as made by Director Oudegeest and seconded by Director Heald to authorize the General Manager to the purchase the new generator. The motion passed by unanimous vote.

F. Mrs. Nickerson's memorandum titled "Request for Waiver", dated September 7, 2018, was presented to the Board for consideration and possible action. Director Simpson said he thought the reasons for not paying the bill were easily out of hand for the homeowner and the request was reasonable and justified.

A motion was made by Director Simpson and seconded by Director Stockton to approve the request for waiver. The motion passed by unanimous vote.

VIII. Old Business:

A. Mr. Quesnel's memorandum titled "Application for Replacement Pier, Sierra Drive", dated September 4, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said the pier was already approved but he thought it was appropriate to update the Board on the final dock specifications.

B. Mr. Quesnel's memorandum titled "Heating Oil Tank Financial Assistance Program Reimbursement Request", dated September 2, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said, so far, every tank that had been abandoned in place contained fuel and that this tank was completely full.

A motion was made by Director Oudegeest and seconded by Director Simpson to approve payment of \$5,000.00. The motion passed by unanimous vote.

C. Mr. Quesnel's memorandum titled "Update on District Website Rebuild", dated September 7, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said the website was almost finished. The remaining items were the notification process, payment reminders and turning on the Directors' email addresses. He also said the main reason the contract increase was needed was because the online billing system took a lot more time because it was designed in house to meet the District's needs.

A motion was made by Director Stockton and seconded by Director Oudegeest to approve the proposed increase to the website design contract. The motion passed by unanimous vote.

IX. Administration:

A. A list of Follow-up Items from the August 10, 2018, board meeting was presented to the Board for consideration and possible action. Items 1, a District weather station, and 2, Director's pictures and bios for the website, were still pending.

B. The Status of Action Items remaining as of the September 2018 board meeting was presented to the Board for consideration and possible action.

X. Adjournment

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

The minutes were approved at the Regular Meeting held on November 9, 2018, as part of the Consent Items Calendar. A motion was made by Director Stockton and seconded by Director Heald to approve the Consent Items Calendar. The motion passed by a unanimous vote of those directors in attendance. Director Oudegeest was absent from the meeting.