

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

Date: Friday June 8, 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 Richard Simpson
Director Karen Heald
Director Bill Oudegeest

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

Staff member present by phone: Jeff Mitchell, District Counsel

Guests present were: Jeff Krebill, resident of Serene Lakes

Minute Recorder: Anna Nickerson, Financial Consultant

II. Public Forum: An opportunity for members of the public to address the Board on items that were not on the agenda. There were no public comments.

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

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

IV. Public Comments: An opportunity for the Board to consider comments received from the public after the agenda was posted, regarding items on the agenda. There were no public comments received after the agenda was posted.

V. Operations: Mr. Quesnel's operations report was presented to the Board for consideration and possible action. Mr. Quesnel said he spent a fair amount of time with homeowners regarding above and below ground fuel tanks. He also said a tank on Hillside Dr. had been located using the ground penetrating radar. He believed the homeowners of the Hillside Dr. tank would be taking care of the issue as soon as possible as the house was up for sale. Director Heald asked if the HOTFaP budget was based on the total number of tanks that had been identified. Mr. Quesnel said the budget might be a little heavy but anticipated an increase in the number of HOTFaP applications because all the fuel tank owners had been notified of the annual July 1 testing requirements.

Mr. Quesnel reported that there was one delinquent backflow device test and that water would be turned off on Monday or Tuesday if the report was not received by then.

Mr. Quesnel reported that the dam was just above the spillway and still flowing. He also said he sent an email reminder to Mr. Byers that the extended walkway would have to be removed as soon as the water stopped flowing over the spillway.

Mr. Quesnel reported that he had been working on sewer pumps and that information about his findings could be found in his operations report. Mr. Quesnel also said staff had been working on a sewer issue near the former Ice Lakes Lodge and believed the problem had been located. He said he was almost certain that the issue was related to the lateral from the original lodge. He said sewage was being diverted to the emergency holding tank at Pump Station #3 during the night; then during the day staff would turn the pumps back on, with the Gapvac in place to suck up any leakage. He said he believed the leak was coming from the old gravity connection that the lodge used back when sewage was pumped into leach fields in the forest. Mr. Quesnel confirmed that the issue was on the District's side of the property line so it was within the District's responsibility. He also said he had no information regarding the abandonment procedures followed when the old lodge was torn down; but that an old water line, that had been bent out of the way, was also found in the area.

Mr. Quesnel reported that he had another meeting with Dr. Ryder where they discussed cathodic protection and corrosion control. He said Dr. Ryder was very knowledgeable and had been very helpful.

Mr. Quesnel reported that he finished the plans and specification for the 2018 construction projects. The projects would be going out for bid on Monday, June 11, 2018. He anticipated that there would be a contract award at the July 2018 meeting.

Finally, Mr. Quesnel reported that Brian Lundgren had been hired as the District's summer laborer. He said he tried to contact Mr. Paduano, who worked last summer, but he did not respond. Mr. Quesnel said Mr. Lundgren was a hard worker, very active, and believed he would take the certification test in September.

Director Heald asked Mr. Quesnel if he knew why there was so much erosion on the road to the river outfall at Donner Summit PUD. Mr. Quesnel said it was a steep road with no water bars or rolling dips to get the water off the road. He felt that, over time, the sides had built up and the road had sunk, obstructing water from running off the road. He said although there was material that could be reused, additional material would have to be imported and the repair would include the creation of rolling water bars to get water off the road sooner. He also said he didn't know what the cost would be but that he had offered his engineering services to Donner Summit PUD to keep the cost down.

In response to Director Heald's question regarding fuel tanks, Mr. Quesnel said it was his intent to wait until the July 1st deadline before sending regulatory notices to the six tank owners who had not responded to his previous letters.

The Board discussed having its own weather station, due to the lack of accurate information from other sources in recent months. Mr. Quesnel said he would look into options.

VI. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the May 11, 2018, Regular Meeting; the May 2018 Check Register; Disbursements for Board Approval; and the May 2018 Financial Reports.

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

VII. New Business:

A. Mrs. Nickerson's memorandum titled "Robert W. Johnson an Accountancy Corporation Engagement Letter", dated June 1, 2018, was presented to the Board for consideration and possible action. Mrs. Nickerson explained that an engagement letter was a requirement for every audit and that it provided the scope of the audit.

A motion was made by Director Simpson and seconded by District Heald to approve Robert W. Johnson an Accountancy Corporation Engagement Letter. The motion passed by a unanimous vote.

B. Mr. Quesnel's memorandum titled "Mutual Aid Agreement", dated June 4, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said he believed the Mutual Aid Agreement was started as a result of a large sewer spill in Kings Beach. The spill happened when a pier company drove a pier through a 16" force main that belonged to North Tahoe PUD, in Carnelian Bay. He said the Agreement had subsequently been updated with changes regarding reimbursement, responsibility and liability. He also said he sent the agreement to the District's insurance company who said the District, and its employees, would be covered even when helping another district. Mr. Quesnel noted that the agreement did say that the requesting agency would assume liability. Mr. Quesnel said he supported the District's participation.

A motion was made by Director Simpson and seconded by Director Oudegeest to authorize the Board President to sign the agreement. The motion passed by a unanimous vote.

VIII. Old Business:

A. Mr. Quesnel's memorandum titled "Draft 2018-2019 Budget", dated May 30, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said there were no significant changes to the budget from the previous month. He said one of the changes was that the website budget had been increased for maintenance and continued work on the new site. He also said Wastewater Treatment fees were estimated using the District's previous year's rate of 34%. However, he expected the fees to be less than estimated because as of as of May 30, 2018, the District's flow through the plant was down to 28%.

Director Simpson said he had a few questions regarding the budget. First, he asked who the Board Treasurer was since the Treasurer could not be a board member. He was told that Mrs. Nickerson was appointed Treasurer at the time of the USDA loans. He also asked if the budget

included raises for the staff since the budget for next year was almost the same as the estimated actuals for the year. Mr. Quesnel said raises, exceeding the annual cost of living increase, were budgeted in. The difference was that the new budget only provided for one seasonal employee instead of two. Finally, he wondered if the budget for website and maintenance was increased enough due to the District's desire to make customer account information accessible and to allow online payment of fees. Mrs. Nickerson said the line item for website maintenance was increased by \$1,500.00 but that did not include fees. Director Simpson said he would be more comfortable with a budget of \$7,000 for account 9044 based on the website report. The Board agreed to increase the budget for account 9044 to \$7,000.

Director Heald asked if the budget for annual water and sewer fees included new connections. Mrs. Nickerson said she didn't include an amount for new services since there was no way of knowing when those services would begin.

Director Heald asked about the budget for Property Taxes. Mrs. Nickerson explained that property taxes were slightly higher in 2017/2018 because several delinquent accounts had been brought current.

Director Heald asked about the budget for Medical/Dental Vision Premiums. She asked if the budget should be reduced since the estimated actual was about \$50,000 less than the budgeted amount. Mrs. Nickerson said part of the lower estimated actual cost was due to reduced costs associated with retirees hitting Medicare age. The cost of retiree benefits decrease from about \$2,700/month to about \$800/month when a retiree becomes eligible for Medicare. Another reason for the lower estimated actual cost was the decrease in the OPEB (Other Post Retirement Benefits) liability. Previously, the District's future liability was estimated to be more than \$1,300,000. The most recent report showed a liability of only \$780,000. Because the future liability had been accrued at the higher actuarial amount, the current estimated actual cost included an adjustment for the reduction in accrued liability. Mrs. Nickerson said she would be comfortable with reducing the budget to \$120,000 but it was decided to leave the budget at \$147,000.

Director Heald asked about the budget for 9040, Propane expense. She asked if the budget should be increased since the estimated actual was \$12,149 with a budget of only \$10,700. Mr. Quesnel said the estimated actual cost was based on an average cost across 12 months. He also said steps have been taken downstairs to reduce the cost. It was agreed that the budget would remain at \$10,700.

A motion was made by Director Simpson and seconded by Director Stockton to approve the budget with an increase to \$7,000 for account 9044. The motion passed by a unanimous vote.

Resolution 2018-844: Authorizing Investment in The Placer County Treasurer's Investment Pools and Resolution 2018-845: Authorizing Investments in the Local Agency Investment Fund were presented to the Board for consideration and possible action.

A motion was made by Director Oudegeest and seconded by Director Heald to approve both resolutions.

Earlier in the discussion, Mr. Quesnel had said he looked into both LAIF and the Placer County Treasurer Fund (Placer County) and found that Placer County had a slightly higher rate of return but it took three days to get money out of Placer County where it only took one day to get money out of LAIF. Mr. Quesnel said he and Mrs. Nickerson worked together to develop upper and lower limits on the checking account balance. He proposed that the OPEB Funds be moved to LAIF and the operational excess funds be moved to Placer County. He also said that the funds in the Assessment District account could not be invested because the USDA loan agreement contained an arbitrage clause.

Director Simpson asked how secure the principal would be in the two funds. Director Oudegeest said he believed the funds would be invested in government securities, making them secure. Mr. Quesnel said he was told by his contacts at the Town of Truckee and Tahoe City that both funds were secure investments. Director Simpson said, just before the meeting, he checked current rates for Certificate of Deposits (CDs) and found 18 months CDs were paying 2.25% interest. He was in favor of investing the money in CDs because of the higher interest rate. Director Lindquist said he had requested the information on the two funds because the funds met the District's need of being very safe, having liquid and no overhead burden of having to move money around; CDs were not as liquid and the money would have to be invested with multiple institutions to be fully insured.

After the discussion, the Board voted on the motion to pass both resolutions. The motion pass by a unanimous vote.

The Board then discussed where to invest the District's excess funds. Director Heald said she thought the Board had previously discussed investing in CDs and that the Board decided not to take on the administrative overhead associated with tracking multiple CDs, if a better alternative was available. Director Simpson said currently CDs were paying 2.25% and the other two funds were only paying around 1.6% and 1.8%. Director Lindquist said the investments in CDs would yield roughly \$8,000 more but there was a penalty for early withdrawal if the money was needed. Director Simpson said the penalty for early withdrawal on a CD was only about three months interest. He felt \$8,000, year after year, was worth the extra work.

Director Stockton said he was supportive of the Placer County Funds. Director Lindquist said he was supportive of both LAIF and Placer County Funds because of the liquidity and safety and if, at any time, the Board decided to go a different route, the money could be moved quickly.

Mr. Quesnel said the reason staff proposed using both funds was so the OPEB fund could be kept separate from the operating funds. Staff's proposal was to place the OPEB funds in LAIF and the operating funds in Placer County. Director Lindquist said placing the OPEB funds in a separate account would provide transparency. Director Heald said she supported the transparency of placing the funds in separate accounts — placing funds that should not be touched in one and the rest in the other.

A motion was made by Director Heald and seconded by Director Stockton to accept Mr. Quesnel's recommendation to use Placer County for the operational funds and LAIF for the OPEB funds. The motion passed by a vote of 4-0-1. Ayes: Directors Lindquist, Stockton, Heald and Oudegeest. Abstain: Director Simpson.

A motion was made by Director Oudegeest and seconded by Director Stockton to follow the program for investing presented in the last three bullet points of Mr. Quesnel's "Draft 2018-2019 Budget" (page 36). The motion passed by a vote of 4-0-1. Ayes: Directors Lindquist, Stockton, Heald and Oudegeest. Abstain: Director Simpson.

Director Simpson said he had questions about the two forms presented. He said one transferred the money through wire transfers the other just asked for banking information. He wanted to know how to make sure the money was actually going to LAIF and not some other account. Mr. Quesnel suggested that the approved information be sent to establish the accounts. He also said staff would get more information on the process of transferring funds and would present that at the July meeting. Director Simpson said his concern was that LAIF did not specify that only the account provided could be used. Mrs. Nickerson would send the information and get clarification about how transactions would be initiated. She would discuss the information with Director Lindquist before any transfers were made.

B. Mr. Quesnel's memorandum titled "Update on District Website Rebuild", dated May 31, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel projected and demonstrated a working model of the new website by navigating through the lists. He said the website was very preliminary since a lot of the documents had not been uploaded yet. He and Mrs. Nickerson were working on linking the documents

Mr. Quesnel said, once the website is ready to go live, customers will be able create an account, review the account balance and payment history, and make online payments. Customers will need their account number and property address to setup the account and only one login per property will be allowed. He also said, before the website could go live, the online payment system would need to be tested. To test the system, sample payments will be initiated by the website developers, staff, a couple members of the public, and Director Simpson. A flyer would be sent, with the annual bill, letting homeowners know about the new website and the ability to make online payments.

Director Lindquist suggested that the "Report a Problem" menu include a couple options. He wanted sewer problems to be a separate option. Mr. Quesnel said earlier that he and Mrs. Nickerson had discussed such changes, among others. Everyone agreed that changes still needed to be made.

The Board then discussed the fees associated with accepting online payments. Mr. Quesnel said he spoke with Jeff Mitchell about the costs of accepting online payments and whether or not those costs had to be passed back to the customer. He also spoke with other agencies in the area and found that none of the other agencies charged their customers a fee for using their online payment system. The other agencies said all fees, including credit card fees, were absorbed as a cost of doing business. Those agencies found that the costs of accepting online payments were offset by the cost associated with reduced processing time. Finally, Mr. Quesnel said charging the cost back to the customer would be very difficult because only the exact fee could be charged. This was a problem because fees varied significantly among types of payment; ACH at \$0.40/transaction or credit card at \$0.40/transaction plus a percentage based on the type of credit card used (debit card at 1.9%, personal credit card at 2.1% and business credit card at 2.9%). He said the varying costs of credit cards made programming very difficult, especially since the District would not know the exact fee until after the transaction was complete.

Director Oudegeest asked if staff had considered not charging a fee. Mr. Quesnel said that was staff's recommendation. Mr. Quesnel said staff believed the fees would be offset by the amount of time saved in processing checks. He also said absorbing the fees had become an industry standard. The estimated cost to the District would be \$7,000 to \$8,000 per year. Director Lindquist said he was struggling with the District subsidizing the 2%. He felt 2% was a lot of money, especially if participation exceeded 20%. Director Stockton disagreed saying it was happening all over the country and people were used to it. He said it was smart business to allow customers to pay how they wanted and when they wanted. He also said he didn't see it as subsidizing a class of customer who chose to pay by credit card, it would just be an available option. Director Heald said she had less issue with absorbing the credit card fees than raising rates to cover the credit card cost. Mr. Mitchell said the District could not raise rates to cover the cost of accepting credit cards because then everyone would be subsidizing those customers using credit cards. He said the theory was, as he understood it, that current rates already included a certain amount of overhead. That overhead included the cost of collecting and processing payments. The savings of reduced processing time would be offset by the cost of accepting credit cards.

Director Heald then talked about the numerous times people have complained that they didn't receive their bill and/or had been angry when denied a waiver of a 10% late fee. She said, in terms of the flow of goodwill, online was incredibly important. She also said the need to charge the exact fee was going to be problematic. Mr. Quesnel said the way he understood the process was, for private entities, there could be a discount for paying cash but not a surcharge for using a credit card. For government entities, only a customer service fee, for the exact cost, could be added.

Mr. Quesnel said that a decision regarding fees was needed to complete the online payment process. Director Simpson said he was willing to absorb the credit card fees and agreed with Director Stockton that accepting credit cards was the way companies were doing business. He said if it became a burden, then the Board could reconsider the issue. For now he felt the District could afford it.

Mr. Quesnel said he thought the number of late payments would be reduced with the ability to pay online. Director Heald said she believed the postal service was getting worse and worse. She also said accepting credit cards would help customers make timely payments when cash was tight.

A motion was made by Director Simpson and seconded by Director Stockton to accept credit card/debit card payments and absorb the fees as administrative expenses. The motion passed by a 4-1 vote. Ayes: Directors Stockton, Simpson, Heald and Oudegeest. Noes: Director Lindquist.

Mr. Quesnel said staff and programmers were working hard to make the transition to online payment access as seamless as possible. As a result, the coding was taking more time than originally estimated. He mentioned cutting out the programming for broadcasting to customers in order to stay closer to the budget. Director Oudegeest felt broadcasting was an important customer service tool. Director Heald agreed with Director Oudegeest that broadcasting was an important service and should not be cut out. Director Lindquist asked that a way to monitor statistics be added to the website.

Director Simpson asked about putting candidate statements on the website. Director Lindquist said he had never seen candidate information on a website and Mr. Mitchell said he didn't think it unlawful but that he too had never seen it done.

Director Lindquist suggested that interested Directors provide a picture and bio for the website by July 1, 2018.

A motion was made by Director Simpson and seconded by Director Lindquist to authorize payment of the extra fees for website development in the current fiscal year. The motion passed by a unanimous vote.

IX. Administration:

A. A list of Follow-up Items from the May 11, 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 June 2018 Board meeting was presented to the Board for consideration and possible action.

X. Adjournment

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

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