

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

Date: Friday March 9, 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

Staff member present by phone: Jeff Mitchell, District Counsel

Guests present were: None

Minute Recorder: Anna Nickerson, Financial Consultant

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

III. Approve Agenda:

The agenda was presented to the Board for approval.

A motion was made by Director Oudegeest and seconded by Director 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 reported that, the day before the meeting, a house with an automatic meter suffered a major water line break. The leak showed up on the system Friday morning. Staff immediately turned off the water to the house and notified the owner of the leak. Mr. Quesnel said the leak was registering about 500 gallons/hour and staff found water running out of the door when they arrived. However, because of the automatic meter, staff was able to detect the leak and respond quickly.

Director Simpson asked if staff was able to determine how long the water had been running. The data are reported daily with a granularity of as little as one minute. Mrs. Nickerson was able to determine that the pipe broke between 1:00 and 2:00 pm on Wednesday March 7, 2018; but that information wasn't in the system until the next morning. Director Simpson asked if it was possible to have more frequent data reports. Mrs. Nickerson said she already emailed Badger to find out if more frequent readings were possible. She also said she added alarms to each of the meters that would send a text message to the on-call cell phone if a leak, greater than 30 gallons/hour, was detected.

Director Oudegeest asked what a "belt-press" was. Mr. Quesnel explained that the sludge that results from processing wastewater consists of a combination of solids and water. Typically, the sludge from the storage tank is emptied onto drying beds where the water evaporates. Once the solids are dry, the sludge is hauled away. Without the use of drying beds, a belt-press is used to squeeze the water out of the sludge. Removing the water reduces the cost of hauling away the sludge. After the heavy winter in 2016-17, there was less time for normal drying; DSPUD employed a belt press to process some of the sludge.

Director Simpson said he thought Mr. Quesnel previously consulted with Central Sierra Snow Lab (CSSL) for precipitation totals. He noted that the current Operations Report referred to www.weatherunderground.com. Mr. Quesnel said he has used CSSL for many years but he switched to Weather Underground because CSSL's website had been reporting zero precipitation for the last two months, which he knew wasn't correct. Director Simpson said he had experienced similar problems with CSSL's website.

Director Simpson asked about the leak, that Mr. Quesnel mentioned in his report, where the homeowner left the garage door open. Director Simpson wanted to know how that type of situation was handled in terms of charges. He felt it was homeowner's responsibility to call a plumber for a frozen pipe, not the District. Mr. Quesnel said the homeowner contacted the District because there was no water; they were concerned that changing the position of the valve could cause damage. When staff arrived at the residence, they found that the garage door had been left open resulting in the frozen pipe. Staff instructed the homeowner to close the garage door and heat the room. Staff also instructed the homeowner to monitor the situation closely as the pipe thawed, checking all walls and pipes for the sound of running water to make sure a pipe didn't break. Director Simpson said he now understood the sequence of events better.

Director Simpson asked about the comment Mr. Quesnel made towards the end of his Operations Report. In his report, Mr. Quesnel said that he and staff thought it would be appropriate to start thinking about maintenance and replacement projects beyond the typical three or four year budget window. Director Simpson asked if the comment was because Lucity, the District's asset management program, was up and running allowing Mr. Quesnel to data mine and project further out. Mr. Quesnel said he recently attended a presentation at another water agency where they said they recently looked at all their assets. He said it got him thinking about the District's position and, although pipes were estimated to last 80 to 100 years depending on the material, the District was approaching that threshold. He said, for example, there's an emergency generator at Bales that has been in service since 1962. The generator currently runs fine but it's getting close to 60 years old. He said he and staff were also going through the District's assets and looking at pipes and services to develop a 15 year or more budget. He felt the information would be helpful when looking at rates, fees and putting money away. Director Stockton asked about the available asset information.

Mr. Quesnel said there was very good information available regarding the age of the District's assets.

Finally, Director Simpson said Mr. Quesnel's Operations Report noted that he was working on the policy overhaul and that he was looking for volunteers. Director Simpson said, if he wasn't already on the list, he might as well be put on it. Mr. Quesnel said he and Mrs. Nickerson would be working on the budget for most of April; the overhaul of the District's collection of policies would follow.

VI. Consent Items Calendar:

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

Director Simpson said he had a broad question regarding the expenses to date. He said the District's expenses were running at about 54% of the budget but thought, after eight months, it should be closer to 67%. He also said Mrs. Nickerson's fees were not as much as he would have expected. Mr. Quesnel said last year, there were a lot of issues resulting in a lot of overtime. This year things were going much better. He also said spreading expenses evenly over a 12 month period would skew the system when a large bill was received. Director Simpson said he liked that the District was running under budget but thought 13% might be a little too much. This was something to note as the new budget was prepared.

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

VII. New Business:

A. Director Lindquist's memorandum titled "Investment of Other Post-Employment Benefits (OPEB) Funding" dated March 9, 2018, was presented to the Board for consideration and possible action.

Director Lindquist began the discussion by explaining that he had attended a meeting regarding the CalPERS California Employers Retiree Benefit Trust (CERBT) Fund. CalPERS created CERBT to help districts with OPEB liabilities — that is, retiree obligations other than pensions (such as health, dental, and/or vision insurance). The Governmental Accounting Standard Board (GASB) requires that these liabilities be carried on the books. Such liabilities could have a direct effect on a district's credit rating; however, by fully funding the liability, a district could offset this negative effect on its credit rating. Director Lindquist noted that this matters only for our District's retiree health benefits, since pensions are already covered by CalPERS. He also noted that the District is not likely to need large amounts of capital for projects in the near future; so 'liquidity' is not very important. The District is currently on track to fund these liabilities over a ten-year period using a federally insured savings bank account; but the account's interest rate (0.1%) is losing ground to inflation.

Director Simpson asked about putting the money into a Certificate of Deposit (CD); federally insured multi-year CDs can be found with returns on investment (ROI) in the range of 2%.

Director Lindquist replied that there are a variety of options available to the District. One problem with CDs is the penalties for early withdrawal. Handling the CDs would also require staff time; but Director Simpson thought this would be negligible for long-term CDs.

Director Lindquist then reviewed information pertaining to CERBT. Typical ROIs appear to be 5-7%, but neither the ROI nor the principal itself are guaranteed. Management of the portfolio would be handled by CERBT for an annual cost of 0.01%; for an investment of \$500K, the District would pay \$500. CERBT would handle all GASB reporting requirements as part of its management. Once transferred to CERBT, the funds could only be used to pay OPEB obligations.

Director Lindquist summarized that the future path depends on the Board's risk tolerance for prefunding the OPEB — the Board could take a high-risk high-return choice (such as CERBT), continue with the low-risk low-return savings account, move to a low-risk moderate-return insured CD, or use a combination. He was in favor of keeping it simple and investing in one or two things. He also said he would be happy if the investments at least kept up with the rate of inflation. Director Oudegeest recalled earlier discussions when the Board decided not to send OPEB funds to the State so that the District could have access to the money in case of an emergency.

Director Simpson asked if the Board could agree that getting out of the savings account was a good idea. He was in favor of splitting the funds into three CDs, so each would be insured separately (possibly at different institutions), with an ROI near 2%. He did not like the fact that the principal would not be protected in the CERBT Fund. Director Lindquist said the danger with investing in CDs was missing out on higher interest if interest rates were to change dramatically during the term of the investment. Director Stockton agreed with Director Simpson; he wanted to protect the principal. Director Simpson suggested investing in a one year, a two year and a three year CD to start; then renewing each as they matured for the currently best ROI. Mr. Mitchell was asked to look into the District's investing limitations. The Board directed Mr. Quesnel and Mrs. Nickerson to gather information regarding CD investment options.

B. Mr. Quesnel's memorandum titled "SLPOA Posting at District Facilities", dated February 26, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said SLPOA wants to post signs on District property encouraging homeowners and visitors to sign up for NIXEL and/or the Placer-Alert.org system. Section 30.13 of the District's Code of Ordinances requires Board approval. Mr. Quesnel said posting the signs seems like a good idea and it would provide a benefit to the community; but he noted that the size of the signs and their placement needs to be negotiated.

Director Simpson thought property owners were automatically enrolled in one of the services. Mr. Quesnel said Placer County does not rely on NIXEL but the Fire Department does. Mr. Quesnel said there was a reverse 911 system, and it may still be functioning. However, there have been a lot of changes with phones and many people have stopped using landlines. Director Lindquist suggested listing Placer-Alert.Org before NIXEL. Mr. Quesnel would ask Mr. Fisco of SLPOA to make the changes to the signs.

A motion was made by Director Oudegeest and seconded by Director Simpson to authorize Mr. Quesnel to send a letter to SLPOA approving the request. The motion passed by a unanimous vote.

VIII. Old Business:

A. Mr. Quesnel's memorandum titled "Contracts for Annual and Flash Audit Services", dated February 26, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said he used language from the previous agreement between the District and Mr. Johnson. He sent the contracts to Mr. Johnson for review. Mr. Johnson provided information from his insurance company regarding the modest fee for providing the requested insurance coverage. Subsequent to his memo, Mr. Quesnel said he received an email from Mr. Johnson agreeing to the language. Director Simpson said he thought the Board talked about making the flash audit a test run for a year; even though the contract would be for three years, he was satisfied with the language because it included a 60 day cancellation clause. Mr. Quesnel said the other thing added to the flash audit was that the reports would be addressed to the Board President. He also said Mr. Johnson was looking for direction from the Board as to how often the Board wanted the flash audits.

A motion was made by Director Oudegeest and seconded by Director Heald to authorize the Board President to sign the two Professional Service Agreements. The motion passed by a unanimous vote.

B. Mr. Quesnel's memorandum titled "Heating Oil Tank Financial Assistance Program Reimbursement Request", dated February 26, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel reported that one above ground and one underground tank had been removed and they were both eligible for a 75% reimbursement in accordance with the HOTFaP program. Staff recommended reimbursement of \$5,000 each. Funds would be released to Mr. Graff. However, the release of funds to Mr. and Mrs. Dobrinski would be subject to the receipt of the regulatory close out letter and a lien release from the supplier.

Director Simpson had one question about the Dobrinskis. He said the original authorization was to Jim and Kim. However, staff's recommendation was to reimburse Jim. Mrs. Nickerson explained that the reimbursement went to the customer name in the system.

A motion was made by Director Oudegeest and seconded by Director Stockton to approve the payments as recommended by staff. The motion passed by a unanimous vote.

Director Simpson also noted that the Graff's spent a lot more money than they intended. He asked if the Board should include an acknowledgement. He suggested that the minutes reflect the Board's appreciation for all they went through. He commended them on their effort towards keeping the water supply clean.

Director Lindquist asked that Mr. Quesnel prepare a memorandum for the next meeting, outlining all the accomplishments of the HOTFaP program. He also suggested that the Board send a thank you letter to the legislators for their help with the legislation and to update them on all the accomplishments of the program. Director Oudegeest suggested that the letter include a summary of what still needed to be accomplished. Mr. Quesnel said he just finished updating the Watershed Summary for the State and, based on his information, there were still three underground storage tanks and six above ground storage tanks that need to be retrofitted.

Mr. Quesnel said he would work on a summary memo for April to include information about where we've been, what we've done, how much money we've spent, what's been accomplished and what still needs to be done.

C. Mr. Quesnel's memorandum titled "Proposal for District Website Services", dated March 8, 2018, was presented to the Board for consideration and possible action. Mr. Quesnel said that, after the February meeting, he and Mrs. Nickerson met with East River Public Relations. Although they are a public relations firm, a lot of what they do is website design. He said their proposal included different options for everything from figuring out the logo to photography, branding and e-mail services. He said they seemed very interested in helping and had a good understanding of what the District was looking for. He said the proposed cost was more than what he expected but thought, with all the services included, that cost might be accurate.

Mr. Quesnel said it seemed that the biggest cost driver is the software. He said Truckee Donner PUD uses Wordpress, one of the proposed platforms. He also said he contacted Northstar because they utilize online billing through the Badger system. Northstar said they would be happy to answer any questions and spend as much time as needed discussing what they experienced during their website design. The one thing that Katie Shaffer, CEO and founder of East River, was adamant about was the choice of software. She said, if a website was started in Wix or Squarespace, it would not be easy to convert it to Wordpress (or vice versa). Therefore, it was important to decide in the beginning what the District's future needs would be so that an appropriate platform could be chosen.

Mr. Quesnel said another question was whether to start now, using available funds from current budget items, or wait until the new fiscal year. He said one of the advantages of starting now would be that the website would be up and running by the summer season when a lot of people would be here.

Earlier in the day, Director Simpson provided written comments regarding the proposal. A copy of his comments was provided to the other members of the Board. Director Simpson said one of his questions was whether or not the District needed to solicit more proposals/bids. He asked if competitive bids were required since the District was a public agency. Mr. Mitchell said competitive bids would be required for public construction projects. He was not aware of any requirements for competitive bids pertaining to professional service agreements. He said it wasn't a bad idea, but it wasn't required.

Director Simpson then said, although some of the jargon in the proposal was over his head, he thought East River covered all the bases. However, he felt they were pushing more marketing and image making than necessary. He said the District is a monopoly with no competitors. He didn't think all the photography was necessary. He also didn't think the website needed to be done immediately; he was in favor of putting it off until the next fiscal year. He did, however, think Wordpress provided all the capabilities needed to support the future water meter and billing needs of the District.

Director Lindquist said, from his perspective, Wordpress provided flexibility for the long term. He also said Wordpress was commonly used, so finding programmers would not be hard.

Director Oudegeest agreed that the District didn't need to spend \$850 to improve its logo. He said clarity of a picture depends on image resolution not website design. He also said most people now have high speed internet, so uploading high resolution pictures is not a problem. When the SLCWD website was started, people had dial-up internet and it took much longer to upload information; people even had trouble uploading the agenda. He cautioned against letting the public relations firm sell the District services that were not needed.

Director Simpson said East River would probably want to 'vectorize' the logo so that it could be quickly scaled for different applications. Director Lindquist agreed that the logo work would be a worthwhile investment, but Director Oudegeest did not agree. He said if you have to look "sideways" at a logo then it doesn't have a high enough quality. He said the Board needed to go through the process step by step so the District didn't end up with things it didn't need. He also said there are plenty of people that provide website design without public relations.

Director Simpson said he was in favor of using a company with more than one employee; if something happened to that one person, the District would have to find a replacement. Mr. Quesnel said he agreed; that was the situation with the District's previous asset management software designer. The person who designed the software took another job and was no longer available. Director Oudegeest said if the District went with a platform like Wordpress, a one-person shop would be fine because there are many website designers familiar with that platform so the work could be switched over easily.

Director Simpson said the Board needed to decide whether or not to start today or wait until next fiscal year. The Board also needed to decide whether or not it wanted the power of Wordpress. He said he didn't think the website needed to be started immediately. However, he was in favor of using Wordpress to support the future water meter information and to provide customers with a secure login.

Director Stockton said he was in favor of seeking other proposals. There was consensus among the other Directors, and Mr. Quesnel said he would look for another firm to provide a proposal for upgrading the District's website.

IX. Administration:

A. A list of Follow-up Items from the February 9, 2018, board meeting was presented to the Board for consideration and possible action.

Mr. Quesnel said he sent a letter to the Director of the Underground Cleanup Fund regarding the Cushman's cleanup costs. He said Mr. Cushman was very appreciative. He also said, after sending the letter, he received a call from someone at the Underground Tank Fund who was looking for more technical information about the clean-up efforts, why it took so long and why it was so pronounced. Mr. Quesnel said it was as if this person didn't know anything about the Cushman case. Mr. Quesnel said he provided information, regarding the spill and cleanup, from the District's perspective. He explained that the decisions were made collectively by Fish and Game, Placer County Environmental Health, the Central Valley Water Quality Control Board and the District. He also told the caller how very close the incident brought the District to not being able to provide water to its customers. Mr. Quesnel felt that the caller had not been adequately briefed

about what really happened at the site. He also said he wasn't sure whether or not Mr. Cushman would get any additional financial support.

B. The Status of Action Items remaining as of the March 2018 Board meeting was presented to the Board. Item 1, Update Water Code, and 2, "Winter Newsletter", were complete and could be removed from the list.

X. Adjournment

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

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