

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

Date: Friday May 10, 2019 / **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 Bob McCormick

The meeting was teleconferenced pursuant to Government Code Section 54953 to allow attendance by Director Karen Heald from 1520 E Covell Blvd 5B #262, Davis, CA.

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

Staff present by phone: Jeffrey Mitchell District Counsel

Guests present: Yvonne Stockton and Bob Montano

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. Mrs. Stockton, a resident of Serene Lakes told the Board they were doing a good job.

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

A motion was made by Director Simpson and seconded by Director Stockton to approve the agenda. The motion passed by a roll call vote. Ayes: Directors Lindquist, Stockton, Simpson, McCormick and Heald. Noes: none. Abstentions: none. Absent: none.

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 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 the instructional stopndrain valve handout that would be sent with the annual water/sewer service fees invoice, was just about ready. He anticipated that the information would be printed on a half sheet of cardstock and homeowners would be able to post

the card near their stopndrain valve. The intent was to provide visitors and renters with clear instructions for operating the valve and to reduce significant leaks due to the failure of fully opening or fully closing the valve.

Mr. Quesnel reported that Sierra Lakes County Water District (SLCWD) was not the only District having trouble with automatic meter readings (AMRs). He said both Tahoe City PUD and South Truckee PUD were having trouble and that Tahoe City PUD reported a 25% failure rate due to dense snow. He said regardless of Badger's best efforts with new technology and hardware, a drive by system might be necessary for areas that experience large amounts of snow. Mr. Quesnel said consolidating snow seemed to be an issue. As the snow began melting and becoming denser, the number of meter alarms and non-reading meters had increased. He also said the budget, which would be discussed later in the meeting, included a drive-by interrogator system. He said the system would allow for better use of the meters that have been providing a great deal of help with finding leaks.

Director Simpson commented on the manganese that was flowing through the Donner Summit PUD (DSPUD) treatment plant. He said it almost sounded like mine tailings. He also said he had no idea why manganese would be popping up in spring water flow. Mr. Quesnel said both SLCWD and Donner Summit PUD were experiencing high levels of I&I and that both he and Tom Skjelstad, General Manager of DSPUD, thought the manganese could be coming in with the ground water. Director Stockton said manganese was very common in the ground water table.

Director McCormick asked about his stopndrain valve. He said he had a leaking stopndrain valve and a plumber replaced it with a valve that doesn't need to be turned. Director Stockton said what Director McCormick was describing was a check valve not a stopndrain valve. Mr. Quesnel said check valves would prevent water from back flowing into the system and contaminating the water. Mr. Quesnel said he would have someone take a look at the valve the next time Director McCormick was up.

Director Simpson asked about the Woodard & Curran proposal. Mr. Quesnel said after at least three conversations with Woodard & Curran and thinking about everything that would be involved with extending the intake pipe, like the cost of having two intake structures and two sets of valves, he concluded that the project needed to be more clearly defined. He said the proposal was for more than what he wanted to spend so he was going to talk with Woodard & Curran and see if there was a way to reduce the cost by reducing the number of visits to the District or utilizing the utility operators, for example. His goal was to bring the cost down to the mid \$20,000 range before bringing the proposal back to the Board. Director Lindquist said he would like to see a breakdown of the task and hourly rate on their next proposal.

VI. Consent Items Calendar:

The Consent Items Calendar was presented to the Board for action. The Consent Items Calendar included the minutes from the April 12, 2019 Regular Meetings; the April 2019 Check Register; Disbursements for Board Approval; and financial reports for the month ending April 30, 2019. Director Lindquist asked if anyone wanted to pull anything off the consent calendar. No items were pulled.

A motion was made by Director Stockton and seconded by Director McCormick to approve the Consent Items Calendar. The motion passed by a roll call vote. Ayes: Directors

Lindquist, Stockton, Simpson and McCormick. Noes: none. Abstentions: Director Heald. Absent: none.

VII. New Business:

A. Mrs. Nickerson's memorandum dated May 3, 2019, titled "Placing Annual Assessments and Unpaid Water/Sewer Service Fees on Placer County's 2019-2020 tax roll" was presented to the Board for consideration and possible action. The two resolutions were as follows:

1. Resolution 2019-851: A Resolution of the Board of Directors of Sierra Lakes County Water District authorizing the placing of Special Assessments for Sierra Lakes County Water District Assessment District No. 2011-1 on the 2019-2020 Placer County Tax Roll

A motion was made by Director Simpson and seconded by Director McCormick to approve Resolution 2019-851 for placing Assessments on the Placer County tax roll. The motion passed by a roll call vote. Ayes: Directors Lindquist, Stockton, Simpson, McCormick and Heald. Noes: none. Abstentions: none. Absent: none.

2. Resolution 2019-852: A Resolution of the Board of Directors of Sierra Lakes County Water District authorizing the placing of unpaid service fees for Sierra Lakes County Water District on the 2019-2020 Placer County Tax Roll

A motion was made by Director Simpson and seconded by Director Stockton to approve Resolution 2019-852 for placing unpaid water/sewer service fees on the Placer County tax roll. The motion passed by a roll call vote. Ayes: Directors Lindquist, Stockton, Simpson, McCormick and Heald. Noes: none. Abstentions: none. Absent: none.

B. Mr. Quesnel's memorandum dated May 2, 2019, titled "Draft 2019-2020 Budget" was presented to the Board for consideration and possible action. Mr. Quesnel said the 2019/2020 Budget packet included the following items:

- Operating budget spreadsheet
- Budget item detail for operating the water/sewer system
- Project Summary
- Project detail
- Cash Flow forecast
- Salary Grid

Mr. Quesnel said the salary grid reflected a slight increase in salaries based on his recent informal review of the salaries of neighboring agencies. He also said a few years back, the Board had set a goal for keeping the District's midpoint salary range at 60% of the midpoint range of the other agencies. He said although the grid needed to be revised, no employees were affected because all employees were within the proposed range.

Mr. Quesnel said the draft Budget had been revised based on the review of the Budget Committee, consisting of Director Stockton, Director Simpson, Mrs. Nickerson and Mr. Quesnel. After the Board's review, any necessary changes would be made and the budget would be brought back to the Board for approval at the June meeting.

Director Lindquist asked if there were any public comments prior to the Board's review of the budget. Mr. Montano said he couldn't tell from the minutes what the project details were for last year. He also said he couldn't tell if the current cash forecast changed dramatically from last month. He noted a 25% increase in operating expenses along with an increase in capital investments. He asked if the significant increases were normal for the budget process. Mr. Quesnel said most of what he thought Mr. Montano was seeing were increases in the forecasted project costs. For example, based on events over the last year that included failed pipes, a \$1,000,000 project for pipe replacements was added to the current budget, that wasn't in last year's forecast. Mr. Montano said Mr. Quesnel's explanation made sense and then asked about the increase in operating expenses. Mr. Quesnel said part of preparing the Operating Expense budget included looking at cost trends over the last three to four years. He also said one big change to the operating budget was the number of hours allocated for the General Managers; previously only 1,000 hours were budgeted. Other increased expenses included overtime and travel due to weather, plowing, water treatment etc. and having an employee living in Truckee that required on-call mileage reimbursements. Until recently, all the utility operators lived in the District so travel reimbursements were not an issue. Also included was the cost of electrical training. The District no longer has an employee with electrical and mechanical skills due to the retirement of an employee. Finally, Mr. Quesnel said there was also an increase in the amount of operating projects for the coming year.

Director Lindquist asked about unfunded liability (UL) obligations for retiree benefits. Mrs. Nickerson said that even though the UL for medical benefits decreased in the latest actuarial report, the Board previously approved a plan to set aside \$54,000 a year for the next several years. As for the pension UL, Mrs. Nickerson said she hadn't received any information from CalPERS yet. However, she believed that because the District had made a large payment towards the UL a couple years ago and because CalPERS has been saying their earnings over the last year were better than expected, the District was in a good position.

Director Simpson said he was comfortable with the proposed budget after talking with Mr. Quesnel, Mrs. Nickerson and Director Stockton at the budget meeting. He also said that even though a negative cash flow was projected four to five years in the future, it was his feeling that the projection was pessimistic but something the Board should keep in mind. Mr. Quesnel agreed. Director Simpson noted that the negative cash flow was projected to happen about the same time that the District would be transitioning to consumption based rates. Director Lindquist said the Board might want to consider not having two big changes, fees based on consumption vs. flat rate and a rate increase, at the same time.

Mr. Quesnel said, by 2022, half of the homes in the District could be on meters and providing usage data. Director Lindquist clarified that, for the sake of transparency, the District would be collecting data but no information associated with an address or owner would be published. Mr. Quesnel said that more information for determining trends would be better for setting rates. He also said rates based on consumption would probably include both a flat rate portion and a variable rate portion. Director McCormick clarified that the District would have to back into the rate in order to cover costs. Mr. Quesnel said there would be a basic fixed cost — the cost associated with running the District whether or not any water was processed. He also said the incremental costs, like chemicals, additional electricity etc., to process a gallon of water, would be minimal compared to the fixed costs. Regardless if someone was using water every day of the year or on the occasional weekend, there was a minimum cost to open the District to be ready to provide

water on demand. Director McCormick asked, if he didn't use water for a whole year it wouldn't mean he won't have to pay anything, he would still have to pay a base rate. Director Lindquist said it would be a community decision as to how to transition from a flat rate to a volumetric rate but that everyone would end up with a partially fixed rate. He also said the change to volumetric rates would result in some people having a higher bill, some having a lower bill with the average user's bill staying about the same.

Mr. Quesnel said Truckee Donner PUD's (TDPUD) engineer told him that they were having the same issue with stopndrain valves as the District and that because TDPUD was considered an urban water provider with more than 3,000 customers, they have to bill monthly. Some TDPUD customers have received \$500 bills because they don't close their stopndrain valves all the way. Because of the difficulty of tracking 3,000 meters, TDPUD is in the process of establishing a leak threshold and adding automatic text messaging to notify customers of potential leaks. Because most of the District's leaks have been the improper operation of stopndrain valves, Mr. Quesnel felt installing meters earlier might be good to provide more customer education as to the importance of properly opening and closing their stopndrain valves. Director McCormick asked if the Board would have the ability to provide a "mulligan" if someone wasn't operating their stopndrain valve properly. Mr. Quesnel said, although the Board had the ability to grant a waiver, the Board has taken a very aggressive stance in the past. However, if all the houses were metered by 2020/2022, the District would have a couple years to educate homeowners.

Mr. Quesnel said he didn't anticipate any significant changes to the proposed 2019-20 budget before June and asked that any questions be directed to Mrs. Nickerson or himself. Otherwise the budget would be presented at the June meeting for adoption. Director Lindquist asked that a copy of the budget spreadsheet be emailed to him.

VIII. Old Business:

Mr. Quesnel's memorandum dated May 3, 2019, titled "General Manager Recruitment/Agreement", was presented to the Board. Mr. Quesnel said Directors Lindquist and Stockton had been negotiating with Mr. Schultz and a copy of the final draft agreement was provided to the Board for consideration and possible action. At the meeting, Director Simpson's comments regarding the draft agreement were provided to the Directors. Director Simpson said most of his comments were editorial but that there were some ambiguities that should be cleared up.

Director Lindquist asked for public comments. There were none.

Director Simpson said he looked through the contract for a reference to CalPERS but didn't see anything. He said it was his understanding that Mr. Schultz was receiving CalPERS benefits and wanted to know the effects. Mr. Mitchell, District Counsel, said CalPERS did not pertain since Mr. Schultz would not be an employee. Mr. Mitchell also said he was very comfortable that the contract kept Mr. Schultz at an "arm's length" and therefore not subject to a limit on hours/salary.

Director Heald asked if the language at the bottom of the first page that read "the District would have no right of control over the manner in which the work is to be done but only as to its outcome..." was structured to try to support the legal requirements of an independent contractor. Mr. Mitchell said that was correct. She then said the language seemed problematic because it sounded like the Board would have no control over the process. She wanted to know what Directors Lindquist and Stockton thought, as people who were experts on how utility districts

worked. Director Lindquist said it wasn't that the Board would have no control, it would have a different type control with an independent contractor as opposed to an employee. The Board would still set goals, budgets and policies. But, if someone acted outside of the District's value system, there would be ways to correct the situation. He said the Board would not have less control it would have different control. Director Heald said she understood where the language came from but she had concerns. Mr. Mitchell said what the District had was the power to terminate the contract with a 30 day notice. He said even when evaluating an employee you don't necessarily tell them how to do a particular thing, you tell them what you want the outcome to be. She said she disagreed somewhat in that at board meetings the Board has given Mr. Quesnel very specific process oriented instructions. She felt the language would preclude the Board from continuing in that manner. Mr. Mitchell said there were certain process issues that were within the scope of the Board, for example public interface. The Board may have a lot of input on interaction with staff, what the website looks like, how the bills were to be handled. But the Board would not have input on how to undertake testing of water or how to evaluate employees. Director McCormick said to some degree, the Board was stuck with the language if the Board wanted Mr. Schultz to be an independent contractor and that the ambiguity was in the usage of the word "work". He also said if the Board wanted to have control over how the General Manager operated than the General Manager would become an employee. Director McCormick suggested softening the language to read "specific manner". Director Stockton said the Board had a lot to say about the outcome and if the outcome wasn't satisfactory the Board had remedies. He also said he liked the language the way it was written. Mr. Mitchell said the language was used quite often and that if the Board had to look to the contract in order to correct the actions of the General Manager, then there was a much larger issue.

The Board then discussed specific items in the contract:

1. Inconsistencies noted by Director Simpson would be resolved:
 - "District" vs "the District"
 - "Consultant" vs "the Consultant"
 - "agreement" vs "contract"
2. Ambiguous use of pronouns would be removed (example: consultant's employees vs its employees)
3. Reimbursement of covered commuting – Director Lindquist said he would speak to Mr. Schultz and let him know that commuting to and from the District would not be covered under the contract. Director Lindquist said, the standard of the industry was that a consultant's travel to and from the work place was not a reimbursable cost. However, travel to a meeting or conference at another location would be reimbursable.
4. Mr. Mitchell noted that there was a problem with the math. The contract reflected a \$250,000 limit but the approved hours at the approved rate would exceed that amount. The Board, with the exception of Director Simpson who was ok with \$250,000, agreed to increase the contract limit to \$265,000.
5. Director Simpson noted that Section 4.3.1.2 contained a very long sentence that could be split into two sentences. Mr. Mitchell said he could probably split it into two sentences. Director McCormick asked that a sentence be changed from "as respect to the District" to "with respect to the District". Mr. Mitchell would look at changing the sentence.

6. The Board was concerned that the language regarding insurance undercut the coverage stated. Mr. Mitchell said he would like to add language about worker's compensation. He also said his preference would be to take out the language in Section 4.5.2 that started with "limited" and ended with "are" and change the section to read "District agrees that Consultant's liability and indemnification to the District, its officers, officials, agents, employees, contractors, subcontractors, successors and assigns shall be subject to the following limits..." and with specific limits in Sections 4.5.2.1, 4.5.2.2 and 4.5.2.3. Director McCormick was concerned that the language would only cover to \$1,000,000 not what the policy actually covered. Mr. Mitchell was concerned that there could be items not covered by the required insurance or that there could be certain types of claims that do not have the dollar limit requested. Director McCormick said he thought Mr. Schultz was questioning whether the insurance would actually come through and only wanted to be liable to the extent of insurance coverage; so if a claim was not covered, he did not want to have any liability. Director Heald suggested that Mr. Mitchell work out the language with Mr. Schultz to protect the District and satisfy Mr. Schultz's needs.
7. In Section 4.8.2 the work "or" would be changed to "nor".

The Board scheduled a Special Meeting for Saturday, May 25, 2019, at 10:00 am. At the meeting, the Board will discuss and possibly approve the revised "Professional Service Agreement" for the tentative General Manager, Paul Schultz.

IX. CLOSED SESSION:

A motion was made by Director Simpson and seconded by Director Stockton to move the meeting into closed session. The motion passed by a roll call vote. Ayes: Directors Lindquist, Stockton, Simpson, McCormick and Heald. Noes: none. Abstentions: none. Absent: none.

A motion was made by Director Simpson and seconded by Director McCormick to move the meeting into open session. The motion passed by a roll call vote. Ayes: Directors Lindquist, Stockton, Simpson, McCormick and Heald. Noes: none. Abstentions: none. Absent: none.

Director Simpson said there were no reportable action from the closed session.

X. Administration:

A. A list of Follow-up Items from the April 2019 Board meeting was presented to the Board for consideration and possible action. Mr. Quesnel reported that he had made contact with Placer County and both parties agreed that the needs of the County had changed with regard to facilities at Serene Lakes. He felt the result will be that the District and the County will come to an understanding on a short term extension of the current lease between the District and the County while the County evaluates its options.

B. The Status of Action Items remaining as of the May 2019 Board meeting was presented to the Board for consideration and possible action. Mr. Quesnel reported:

- Mrs. Nickerson was close to finishing the Office Procedure Manual and would send it to Director Simpson for review.
- Stopndrain card was ready to be printed and sent out with the billing.
- Mr. Quesnel said he anticipated that as Mr. Schultz takes over, he will have more time to finish the little projects.
- Mr. Quesnel said he hoped to have an understanding by the summer of what the AMR data and trends mean.
- Mr. Quesnel was still working on the Policies and Procedures and hoped to meet with the subcommittee in June.
- Mr. Mitchell said he had not finished the insurance review

X. Adjournment

A motion was made by Director Stockton and seconded by Director McCormick to adjourn the meeting. The motion passed by a roll call vote. Ayes: Directors Lindquist, Stockton, Simpson and McCormick. Noes: none. Abstentions: none. Absent: Director Heald.

The minutes were approved at the Regular Meeting held on June 14, 2019, as part of the Consent Items Calendar. A motion was made by Director Heald and seconded by Director Simpson to approve the Consent Items Calendar. The motion passed by a unanimous vote: