

BOARD MEETING  
APPROVED MINUTES

January 23, 2009

DIRECTORS PRESENT: President Erik Henrikson, Vice President Dan Wilkins  
Directors Ron Treabess, Lou Reinkens, and Judy Friedman

STAFF PRESENT: Cindy Gustafson, General Manager  
Alan Harry, Administrator of Planning and Public Works  
Jim Dykstra, Treasurer/Director of Accounting & Employee Services  
Mike Sexton, Legal Counsel  
Ginger Charlton, District Clerk

**A. CALL TO ORDER – PLEDGE OF ALLEGIANCE**

President Henrikson called the meeting to order at 8:30 a.m. He led the audience in the Pledge.

**B. AGENDA AMENDMENTS AND APPROVAL**

1. Agenda Deletions, Changes and Audience Requests

Ms. Gustafson announced that item #8, Rideout Community Center Goals and Objectives, would be tabled because several members of the committee wanted to attend and weren't able. Item #J-12, North Tahoe Fire Protection Ground Lease, is also being tabled. The lease is being run by the I-bank. After they approve it, this item will come back to the Board. Director Henrikson said that item #13, Recommendations for Gerald Rockwell and John Pang to the Lahontan Board, will be moved up to right after public form because the community members involved need to go to work.

2. Additions to Agenda

3. Approval of Agenda

**Motion to approve the agenda as amended: Reinkens/Wilkins/4-0 (Director Treabess was not yet in attendance)**

**C. PUBLIC FORUM**

Paul Vatisas asked if he should speak about the budget of 2010 at this time. He was asked to wait until item #5.

Virginia Graham told the Board that she had requested a count of protests that the District had received and was told that it was not public information. Mr. Sexton went over the Government Code section that covered her request and briefed the audience on how the protests would be counted at the public hearing.

Wendy Wood briefed the Board on a problem she is having with Rick Dewante and asked the Board for help. Mr. Sexton told her that the Board can't enter into dialogue with her since it is Public Forum, but he advised her to have her attorney get with Mr. Auerbach or the attorney that represented the water users in the Lake Forest Area and make sure that he knows there is a pending item before the PUC. He said that she could also ask the APPW to advise her about the District's intervention into that action and the status. Mr. Auerbach said that her comments speak as to how difficult it is to work with Rick Dewante and his lack of vital service.

**J. GENERAL**

13. Recommendations for Gerald Rockwell and John Pang – Lahontan Board

Gerald Rockwell and John Pang each introduced themselves to the Board and gave brief backgrounds on their qualifications for appointment to the Lahontan Regional Water Quality Control Board. The Board asked questions of the gentlemen and agreed that they have been very dedicated and it would be wonderful to have one or both of them on the Board.

**Motion to have staff write a recommendation letter for both John Pang and Gerald Rockwell: Treabess/Wilkins/5-0**

**D. RECOGNITION**

4. ACWA/JPIA President's Special Recognition Awards to TCPUD

Mr. Dykstra explained why the District received the two awards for achieving a low ratio of "Paid Claims and Case Reserves" and complimented the Board for encouraging the District to have a good safety program and for staff to have such a good record.

**E. FINANCIAL**

5. Budget Reductions/Revenue Enhancements

Ms. Gustafson said that Director Reinkens requested an on-going item on agendas to address budget reductions. She added revenue enhancements to the item. She said that the District's culture included very conservative fiscal policies set by the Board and enacted by the staff. She went over the chart of rate increases since 1985 and noted that there were many years with cost increases in operations but zero rate increases. That meant that during those times cuts were made in all areas to address the cost increases. She also pointed out that two years ago TCPUD was the only district in the area that put a cap on post-retirement medical benefits which saved the District \$2 million in liability and \$200,000 a year.

Ms. Gustafson reported that last year the District anticipated there would be fiscal problems in the State and cut 4% from the operating budget in case the state would take it. It ended up that almost 8% in last year's operating budget was actually saved.

Ms. Gustafson also pointed out that TCPUD has received more grant money per capita than any other local districts. She added that she met with Congressman McClintock last week and reported that he is going to fight for projects for this region in the economic stimulus package.

The policy on vehicles was brought up and Ms. Gustafson said that the policy will be brought to the February meeting.

Paul Vatisas said that he is struggling with two items. The first is that the District is seeking aggressive rate raises from sewer and water users but not from parks and recreation users. He feels that property taxes that should be used to upgrade the water and sewer systems are being used to subsidize the parks and recreation department. He feels that their fees should go up by at least the same percentage as sewer and water. The second item is that sewer and water rates are going to go up 40-70% over the 2008 – 2010 period, but the Board isn't insisting that employee productivity go up by even half of that. He thinks 15-20% is entirely doable. He proposed five actions to the Board. 1) Pay and hiring freeze at all staff levels effective today; 2) Double the parks and recreation fees; 3) Freeze parks and recreation operating expense budget at \$2 million; 4) Cut G&A budget to \$1.6 million; 5) Negotiate with union to increase productivity by 15% - 20%.

He volunteered to help the District make changes but added that he couldn't do it for free.

Ms. Gustafson explained that G&A looked higher than normal because some of the funding for jobs was switched around this year which made it look high.

Director Reinkens said that investing in a GIS system would be one of the best productive gains the District could do.

Virginia Graham said that the rate increases need to be cut due to the upheaval in the country's economy.

Mr. Sexton said that the handout from Mr. Vatisas stated that since TCPUD is raising rates for sewer and water users, it would be fair and equitable to also increase rates for parks and recreation uses. He said that statutorily the District is expected to operate and maintain utilities on a self-sustaining basis. The statute does not require the District operate its parks and recreation function on a self-sustaining basis and it is up to the Board to decide if it is in the public interest to do so. Director Wilkins added that there is not a parks and recreation district in the country that is self-sustaining. Mr. Bolton added that if they doubled rates in parks and recreation, they would lose most of the community's participation. They currently charge the highest rates they can without losing participants.

Director Treabess said that he appreciated Mr. Vatisas' concerns and the effort that he has put into his findings but he doesn't feel that he is able to put the time in to know what he is talking about. He said that the Board will always demand that staff continue to look at the budget and do whatever possible to save money. He noted that the District's responsibility is to get all the facts as transparent and understandable as possible so that the constituents can see them. It is also the constituents' responsibility to look at those facts and understand them before insinuating misappropriations and misrepresentation of spending. He said that it is his job to make sure that when people say things about the District that aren't true, he let them know that it is wrong.

Sue Rae Ireland said that parks and recreation is supported by tax dollars and is a public service such as libraries. They support a healthy, stable community where there is not an expectation of a particular enterprise function. She said that there is a long standing model in this country where public expenditures do not assume that they pay for themselves. She said that our community elects Directors that have an interest in supporting community enterprise, we support parks and recreation services with our user fees and our participation in community events, and we have a demonstrated broad public support for parks and recreation. She said that it would be a mistake to make a direct comparison between a sewer and water function and a parks and recreation function.

Director Friedman thanked Mr. Vatistas for the work he put into his presentation. She said that some of the information he presented was with the right intent but the facts were incorrect. She added that we are a tourist-based economy and our facilities and programs provide services that bring people here.

Merrill Milner said that young parents in the area can't afford higher fees for their children's recreation and they feel lucky that we do have the subsidies that we have. He said that building a sense of community needs to be kept close to our hearts and he urged the Board not to raise fees.

Director Reinkens said that TCPUD is different from the District that Mr. Vatistas served. This District has two enterprise funds and restrictions under use of tax dollars. He added that the District works under a charter on how to do things that was established long ago. He said that Mr. Vatistas had some good ideas but he feels that putting out a sales document like the one that was presented here and then asking for reimbursement to help the District isn't right. He added that stirring up the community so that he can get some self gain isn't right.

Ms. Gustafson asked for Board direction on what to do with her numerous e-mails. She said that she is receiving many requests for information from community members and if she answers all of them she won't be able to do her job.

Director Reinkens made a motion to adopt Ms. Gustafson's comments as findings of the Board relative to budget reductions and ongoing efforts to seek revenue enhancements. Director Treabess seconded and said that the Board is in support of a continuation of the ongoing search for budget reductions that staff presented and encouraged that process to continue. Director Friedman added that she would like to see it quarterly.

Mr. Sexton said that as a point of order of suggested amendment to the maker of the motion, incorporate into this motion to recognize the summary of rates that appears in the District's packet today on page 10-68 (Water and Sewer Residential Rate Increase History). Secondly, pages 5-1 through 5-3 be included in the motion as the findings of the board relative to this item. Thirdly, Bob Bolton's comments relative to doubling parks and recreation fees, Sue Rae Irelan's comments, and Merrill Milner's comments should be incorporated into the findings of the Board without prejudice to changes in the future. Mr. Vatistas reference would be included without prejudice also. The Board agreed to add the items to the motion.

**Motion to adopt Ms. Gustafson's comments that follow in this motion as findings of the Board relative to budget reductions and ongoing efforts to seek revenue enhancements. "The District's culture includes very conservative fiscal policies set by the Board and enacted by the staff. Since 1985 there have been many years with cost increases in operations but zero rate increases. During those times cuts were made in all areas to address cost increases. Two years ago TCPUD was the only district in the area that put a cap on post-retirement medical benefits which saved the District \$2 million in liability and \$200,000 a year. The District anticipated fiscal problems in the State and cut 4% from the operating budget last year in case the state would take it. Almost 8% was actually saved. TCPUD has also received more grant money per capital than any other local districts." Also incorporated in this motion is the recognition of the summary of rates in this packet, the 2008-2009 summary of budget reductions, comments from Bob Bolton relative to doubling parks and recreation fees, Ms. Irelan's and Mr. Milner's comments, and Mr. Vatistas reference without prejudice:  
Reinkens/Treabess/5-0**

Director Friedman asked to see information on the ongoing search for budget reductions quarterly.

Director Treabess wanted to clarify that Mr. Vatistas made a comment to the Board that staff and the General Manager were failing at doing their job. At the break he heard Mr. Vatistas say that maybe they were doing their job but he would like to see it done better. Director Treabess said that he doesn't believe the Board would be in agreement with the statement that staff and the General Manager aren't doing their jobs.

5b. Water and Sewer Comprehensive Rate Study

Ms. Gustafson reported that this study is the culmination of all the reports that HDR has presented and comments by the Board and public over the last 18 months. Mr. Sexton added that the final report is going to form the basis for the proposed water and sewer system rates for 2009 – 2013. He said that it's important for the District to not just accept the report but to actually formally adopt it and make some specific findings of the Board in support of adopting this document; specifically Mr. Dykstra's past briefings related to management's discussion and analysis of financial issues affecting the District, specifically a shortfall that the District is going to encounter in financing portions of its replacement and infrastructure costs. He added that the auditors also made some of the same observations. He said that the foundation of the rate increases that are being discussed is not so much the operating costs, but what we want to do with our capital assets and maintaining the infrastructure that the community needs.

Mr. Dykstra said that when he first started working at the District in 2000, the Directors already recognized that the infrastructure was aging and would need to be replaced at some point at a substantial cost. At that time water and sewer master plan studies were done and they culminated in a financial master plan that we prepared with Brown and Caldwell. At that time the Board didn't have a problem using property tax in water and sewer operations. That philosophy has changed somewhat now. The master plan identified the need for additional revenue sources in water and sewer. Brown and Caldwell also recommended higher reserve levels. In our financial statements for at least the last five years it was stated that the District utilized \$34 million of gross capital assets at historical cost consisting primarily of recreation facilities, in its governmental activities, and \$53 million of gross capital assets at historical cost, consisting primarily of water and sewer plant in its business-type activities. The replacement cost of those facilities has been estimated at \$300 million. The District's long-term capital replacement designation of \$50,000 in the general fund and \$850,000 in the proprietary fund can only be considered a small down payment on eventual replacements and rehabilitations. The TCPUD anticipates that it will need to finance a portion of its replacement and rehabilitation costs in the intermediate term and secure additional revenue streams through voter approved debt or significantly higher water and sewer rates to fund major replacement and rehabilitation costs in the long-term.

He said that if we don't maintain the infrastructure, over the next couple of decades we will begin to encounter problems like the private water systems. He said that timing isn't good now, but if we put it off now the prices will only go up.

**Motion to adopt the Final Report of the Water and Sewer Comprehensive Rate Study dated December 2008, prepared for TCPUD by HDR Engineering, Inc. as the basis for proposed water and sewer system rates for 2009, 2010, 2011, 2012, and 2013. He supported the motion by the following findings:**

- **The water utility is projected to be deficient of funds by approximately \$640,000 in 2009. The deficiency increases to \$3.0 million by 2013. The district also needs to fund capital improvements of aging infrastructure.**
- **The sewer system is projected to be deficient of funds by approximately \$398,000 in 2009. The deficiency increases to \$3.4 million by 2013. The District also needs to fund capital improvements of aging infrastructure.**
- **Both the water and sewer utilities require a rate adjustment to adequately fund the operating and capital expenses. For the water utility, the primary driver of the rate deficiency is the capital plan and the need to adequately fund the replacement of aging infrastructure.**
- **The sewer utility rate deficiency is due to the transition away from funding O&M expenses through property taxes and the funding of capital projects and future system replacements through rates.**
- **The comments that Jim Dykstra made at the introduction of this study.**
- **The computations of replacement costs that the Engineer has made in the document.**
- **All of the findings that the Board made on item #5.**

#### **Wilkins/Reinkens/5-0**

Director Henrikson said that in voting for this it doesn't imply that he agrees with implementing the rates that were voted on last month.

#### **F. PROJECTS**

All items covered under consent calendar.

#### **G. SEWER & WATER UTILITIES**

##### **6. Installation of Waters Meters; Condominiums**

Mr. Harry said that this item is being presented so that the Board is aware of what is going on and no action is required. He explained what has been happening with meter installations and the fact that not all condominiums are set up the same so using a master meter for all of them won't work. He will be meeting with the HOA representatives to discuss the installation of meters. He will try to have master meters installed since they are the most cost efficient, with block meters the second choice, and individual meters last. Director Wilkins was concerned about billing for condominiums. Ms. Gustafson said that the way it is set up now is the same as for single-family residential customers. Billing was also discussed and Mr. Harry will discuss it further with the Board after he has spoken with the Homeowners Associations. Director Friedman said that the District needs to be sure that the Board from the HOA's selects the meter type, not just a manager. She asked if condominium owners can still protest in a 218 even if they're on a master meter. Mr. Sexton said that either the person billed for the utility or the homeowner can protest, but not both. Director Reinkens asked what recourse we have for nonpayment through a homeowners association. Mr. Sexton said that we have a draft master meter contract which would allow us to cut off water service or lien the individual homeowners.

14. TCDA's Property Based Improvement District (PBID) Petition

Ms. Gustafson introduced Dave Wilderotter and reported that TCDA has been under a contract with Placer County to work on a property based improvement district. Mr. Wilderotter explained that they want to call for a 218 election and asked for the Board's support to go to a vote. He explained the process and answered questions of the Board. If TCDA gets the support to have an election, our Board can then decide how to vote. The Board asked if the plan can be revised before the vote. Mr. Sexton said that if the Board wants to have the plan revised, it has to be done before this vote.

**Motion to support the TCDA PBID petition: Friedman/Wilkins/3-2 with Directors Reinkens and Henrikson voting no**

7. Capital Improvement Program; Acceleration of Five-Year Plan

Ms. Gustafson said that she asked staff for a scenario of what projects could be escalated if the District were to receive funding from one of the economic stimulus packages being discussed at the State and Federal levels. Mr. Harry passed out a revised list of projects and discussed the projects that staff felt could be escalated. Director Wilkins said that this item was discussed at the Sewer and Water Committee meeting yesterday and he and Director Henrikson were both supportive of doing this contingent on the rate increases going through.

**H. PARKS AND RECREATION**

8. Rideout Community Center Goals and Objectives

This item was tabled.

**I. CONSENT CALENDAR**

Director Reinkens asked to pull item #10.

**Motion to approve remaining consent calendar: Wilkins/Treabess/5-0**

9. Minutes

- Parks and Recreation Committee – November 5 & 7, 2008
- Sewer and Water Committee – November 18, 2008
- Community Issues Committee – December 9, 2008
- Finance Committee – December 12, 2008
- Audit Committee – December 12, 2008
- Parks and Recreation Committee – December 18, 2008
- Board Meeting – December 19, 2008

10. Finance Report

Director Reinkens asked Mr. Dykstra to update the Board on LAIF. Mr. Dykstra said that the State has been borrowing for the General Fund but they have not invaded special districts' money yet. He will watch the fund closely and if there is any indication that they invade deposits of the special districts, he would look at removing a substantial part of our funds. He also noted that their investment choices have become more conservative and that is why the yield is going down.

**Motion to approve: Treabess/Reinkens/4-0 with Director Friedman out of the room**

11. General Manager and Staff Reports
  - a. General Manager
  - b. Administrator of Planning and Public Works
    - Director of Utilities
    - District Engineer
    - Project Development
    - Technical Services
  - c. Director of Parks and Recreation
    - Parks Superintendent
    - Recreation Superintendent

**J. GENERAL**

12. North Tahoe Fire Protection District Ground Lease

This item was pulled.

15. 2009 Committee Assignments and Meeting Schedule

Director Henrikson went over the proposed schedule. Ms. Gustafson said that Parks and Recreation selected the third Wednesday of each month at 3:00 for their meetings. It was also decided that Sewer and Water meetings will be flexible with times due to the Directors' work schedules.

16. Reports

Mr. Harry reported that the first open house pertaining to water rate increases happened last week. It went well and the Sierra Sun published a good article about it. The next one will take place February 18<sup>th</sup>.

Mr. Harry said that he was supposed to have a status report on Lake Forest at this meeting but has been busy with the rate issue and will bring the issue to the February meeting. He recommended that we have a Community Issues Committee meeting during the first week of February so that he can give a full update on Lake Forest and give next steps.

Mr. Homolka reported that the Harbor Master Pump Station lease is finalized. He also said that staff didn't have time to get the Thompson/Rubicon project information ready for this meeting and will bring it to the Sewer and Water Committee in March and then bring it to the Board.

Mr. Laliotis reported on the condition of the manhole cover below Jean Joynt's house and how it is being fixed. Director Henrikson thanked him for checking on it.

Mr. Bolton reported that he drafted a letter regarding the climbing wall at Swallows Bank to the agencies involved. He sent it to Placer County for review and will report back when he gets a response. He said that Mr. Adamson has been trying to catch the people that are using it and is having trouble getting a prompt response from the sheriff.

Mr. Bolton reported that he and Ms. Gustafson met with John Britto regarding getting a longer lease at Rideout. Staff will make a bulleted list of what we would like at Rideout and send it to TTUSD. Mr. Bolton will report back with more information when he receives it.

Mr. Bolton reported on an incident that occurred at the Fairway Community Center with a contract instructor who had a party that got out of hand after his class. Alcohol was involved, damage was done to the building, and the sheriff said that we could handle it internally or he could arrest the instructor immediately if staff pressed charges. The instructor will meet with Mr. Bolton and Ms. Gustafson to discuss a payment plan for the damages.

Ms. Gustafson reported that she attended a TCDA membership meeting and discussed some property that could possibly be used for snow storage with Richard Corsier. Duane Whitelaw, Richard Corsier and Ms. Gustafson will meet next week to discuss it further.

Ms. Gustafson said that she will attend the CATT meeting next week, the Tuesday Morning Breakfast Club, and the Board of Realtors meeting in two week to talk about our rates. A brief discussion was held on the false information that is being distributed to community members and how staff should handle getting out the facts.

17. General Correspondence

No discussion.

19. Public Utility Act Dealing with Board Member Elections – General Discussion and Potential Legislative Changes to Call for Elections At-Large

Director Treabess said that through the years we have had trouble getting people to run for office. He feels that having to run against a certain person discourages people from running for the Board. Board members do not currently represent a certain geographic area or group of people. Many other districts have at-large elections and he feels that people are encouraged to run for those offices because they don't have to pick a specific person to run against.

Director Treabess said that the omnibus bill is coming up soon which would allow us to change the way we do our elections. The Board had a discussion on the way we currently do elections vs. the way some other districts do it and gave their opinions on the subject. Director Treabess made a motion to pursue getting into this year's Omnibus Bill to change the legislation to make our Directors elected at large. Director Wilkins seconded. There was more discussion and Ms. Gustafson said that there is an option where Doug Houston would introduce some language and Peter Detwiler could make it an option that any public utility district could utilize it instead of just us. After discussion, some Directors felt more comfortable with the revised motion below.

**Motion to ask Peter Detwiler to amend Code so that public utility districts can change the method of electing officials: Treabess/Wilkins/3-2 with Directors Reinkens and Henrikson voting no**

18. Board Follow-Up

Ms. Gustafson said that staff has fallen behind due to the rate issue. She said that doggie bags were installed at Lake Forest Beach, Mr. Dykstra put together the training schedule for

Board members, and the District Clerk put together what other Districts are doing related to their agendas and packets.

**K. MEETING REVIEW AND STAFF DIRECTION**

20. Ms. Gustafson reported the following:

- The policy regarding the posting of agendas and packets will be brought back to the February meeting.
- Staff will draft two letter recommending Gerald Rockwell and John Pang for Erik's signature
- Staff will bring the policy on vehicle use to the February meeting.
- Staff will report on budget reductions and revenue enhancements quarterly.
- Ms. Gustafson will follow up with Peter Detwiler.

**L. DIRECTOR'S FORUM**

21. Directors' Comments

Director Henrikson requested that everyone put their cell phones on silent during meetings to avoid interruptions.

**M. CLOSED SESSION**

**CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION  
SUBDIVISION (a) OF SECTION 54956.9**

22. Government Code Section 54956.9, Closed Session: Conference with counsel in regard to existing administrative proceedings before the Public Utility Commission in regard to the Lake Forest Water Company

**CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION  
SUBDIVISION (a) OF SECTION 54956.9**

23. Significant Exposure to Litigation Pursuant to Subdivision (b) of Government Code Section 54956.9: One potential case

**CONFERENCE WITH REAL PROPERTY NEGOTIATORS: LAKE FOREST WATER  
COMPANY** Government Code Section 54956.8

24. District Negotiators: Alan Harry, Jim Dykstra, Tony Laliotis, Harold Morgan, and Dennis Viglione

Negotiating Party: Rick Dewante

District negotiators will be given instruction concerning whether the District will seek to purchase the water company, and, if so, price and terms of such purchase.

**N. CLOSED SESSION REPORT**

No closed session was needed at this meeting. Mr. Sexton reported that with respect to item #22, there was nothing new to report. With respect to item #23, there was a meeting scheduled that didn't happen so it will be rescheduled. There was nothing to report. With

respect to item #24, there was nothing to report in closed session and Mr. Harry already updated everyone on the status of matters involving Lake Forest.

**O. ADJOURNMENT**

The meeting was adjourned at 12:50 p.m.

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Erik Henrikson, President

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Ginger Charlton, District Clerk

Prepared by Ginger Charlton