

REGULAR BOARD MEETING
APPROVED MINUTES

February 9, 2007

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

STAFF PRESENT: Bob Lourey, General Manager
Cindy Gustafson, Assistant General Manager
Jim Dykstra, Director of Accounting
Bill Back, Director of Public Works
Tony Laliotis, Utilities Superintendent
Paul Minasian, Legal Counsel
Ginger Charlton, District Clerk

A. CALL TO ORDER – PLEDGE OF ALLEGIANCE

President Reinkens called the meeting to order at 9:30 a.m. Mr. Dykstra led the audience in the Pledge.

B. PUBLIC FORUM

No public input.

C. WORKSHOP RELATED TO WATER SERVICE PROVISION

1. Presentation on the Historical Use and Distribution of TCPUD's Ad Valorem Tax
2. Presentation on TCPUD's Policies and Practices in Acquisitions and Service to Privates/Mutuals
3. Discussion on Current Issues Raised by Customers of Several Private Water Companies
4. Input from Regulating Agencies – DOHS/PUC

President Reinkens asked audience members to introduce themselves and state which water district they are from. Terry McCauley, State Department of Health Services, and Jill Paul, Placer County Environmental Health Office, described what their agencies roles are in the regulation of public and private water supply in California. Ms. Gustafson noted that Fred Curry from PUC was asked to be in attendance but didn't make it.

Ms. McCauley went over the problems with the three private water companies and explained what her agency is doing with each one. She reported that Lake Forest is the one system that is serving unfiltered lake water 100% of the time. She stated that residents have water to do laundry and flush the toilet but it's not safe to drink. A lengthy dialogue took place by customers saying they had never received any kind of notice that said, "Do not drink the water". It was determined that a notice with the legally required wording was sent to customers but the message was not clear and customers didn't know not to drink the water.

Mr. Lourey added that the Lake Forest system currently has an interruptible source of water available from TCPUD. He explained that the District cannot allow an uninterruptible water supply to Lake Forest until it has been determined that the District has a hydraulic capacity to permanently commit to them. That will be determined by computer modeling of our sub-regional system which will determine if our system could hydraulically support the permanent connection without jeopardizing continuous water supply to existing customers.

Mr. Lourey noted that there are three primary areas that staff focused on for the workshop and began with TCPUD use of property tax in water operations and capital expenditures. He explained that TCPUD encompasses approximately 7200 properties with about 54% of the properties obtaining their water from us. He went over the material that was provided in the packet. He asked the Board to see if they could develop a philosophy on the use of property tax as it pertains to water acquisition systems in the future.

Mr. Wilkins stated that his personal philosophy is that we should be working as a district towards our operating costs being covered by the rate structure and that the rate structure should also cover the amortized costs of a non-source and storage infrastructure replacement. In the short term it may be necessary effectively with property tax revenues to loan money to the enterprise fund that is the water fund to make sure that the water lines are being dealt with. The district's goal should be to work towards the O&M of the water system to be covered by the rate base.

Mr. Treabess stated that his belief on the use of property taxes is that they should be used for the general well being of everybody and not for the specific enhancement of individuals. Specific needs should be paid for by the responsible persons themselves or through fees. He would like to get back to using the property taxes to help the entire District.

The Board concurred that they don't want property taxes to be used for O&M. They want to see what needs to be done in making changes to operations and maintenance and figure out how to do things more efficiently so that next year they can determine how to change rates, if they do.

Mr. Treabess also stated that staff needs to get a grip on the PUC and figure out how to work with them. Ms. Gustafson said that she would get a list of questions to Fred Curry at the PUC and invite him again to the next meeting.

Mr. Wilkins stated that, to some extent from a global standpoint, the District may want to try to bring a platform that would be conducive to consolidating the private systems under the District umbrella over time. If the Board feels that that is the policy they want for the long term, then they need to determine what kind of financial policies and planning need to be put in place and carried through over a 20-30 year window. He stated that he believes the Board should be thinking about financial planning that would put the District in a position to acquire private districts if and when it becomes appropriate to do so.

Mr. Lourey stated that the TCPUD has had a longstanding history of acquiring private water systems when necessary and desired by the owner. Since 1970 the District has acquired six water systems. He went over the documentation included in the packet.

Mr. Lourey led the discussion to the second primary area that staff focused on for the workshop, which was confirmation of, or revisions to, TCPUD's water company acquisition policy.

Mr. Wilkins stated that he would be interested to know if the Board felt that fundamentally it is good business for the District to look at expanding the water distribution customer base. He feels that it is, because water distribution is an expensive business and when monetary issues come up, they are spread out across 7,000 ratepayers. This provides more flexibility to deal with the issues without significant impacts to a small portion of the population.

Director Atchley stated that the folks in the Lake Forest area are between a rock and a hard spot. She is concerned because they are not satisfied, their water is not drinkable, and they don't see any recourse. She said that she isn't a fan of eminent domain but she feels that we need to be able to help the people that live there. She is also concerned about the regional fire protection piece.

Director Treabess said that as a District we have a responsibility to the people in the District to ensure that there are great parks, bike trails, sewer systems, and the opportunity to get good clean water at a reasonable rate. He said that times have changed since our policy was written about having a willing seller. He feels that citizens that are stuck in a bad situation deserve to have the basic essentials of life and it is our responsibility to do what we can.

Mr. Lourey discussed the outline that Truckee Donner PUD used with the Donner Lake issue and said that it could be used as a sample when reviewing our policy. He noted that we are due for a Master Plan update in 2012 but wanted to ask the Board if some of the items should be broken out of the normal sequence and moved on sooner.

The Board gave staff direction to amend the policy to include the opportunity for the customers of a private water system to petition TCPUD to acquire the private company with an unwilling seller. If this happened, the Board would like to see a super majority of support from the property owners. Director Wilkins added that there should be a surcharge to the users of the system for the costs of the acquisition. The cost should be made available to the customers before they vote on the acquisition. Mr. Lourey noted that he believes that it is appropriate to attempt to get funds from the El Dorado and Placer County Water Agencies for assessing the systems.

The Board felt that the Capitol Improvement Plan needs to be reprioritized if the master plan is opened up for the issue of source and storage as it pertains to potential enhancements for current customers and possibly expanded in the future to accommodate other acquisitions. Also, fire requirements need to be included in the revisions to the Master Plan.

Mr. Lourey stated that the third primary area that staff focused on for the workshop was parameters of TCPUD providing water supply to private water systems, including rates. He went over the backup materials and led a discussion on policy regarding providing water service to private water companies.

President Reinkens opened the meeting up to public comment. The Board listened to comments and answered questions of the audience.

Mr. Lourey said that the District would schedule a special meeting to go through the results from the modeling, draft policies that the Board has requested, and the scope of work for the master plan updates. The meeting would hopefully take place in March.

An audience member asked staff to find out the percentage of their taxes that is going into the water budget.

Mr. Lourey recapped the following items for follow-up:

- *Draft a revised water system acquisition policy to address the willing/unwilling seller situation and bring it back to the Board.*
- *Scope master plan level updates to our water system master plan to address the issues discussed at this meeting regarding private water companies and regional type of facilities for the future.*
- *Work on a draft policy regarding serving district water into private water company areas including options for rate structures.*
- *Get information for Director Wilkins regarding existing residential commercial rates including what they are and how they are structured.*

- *Get a resolution from legal counsel that explains the eminent domain process.*
- *Research potential funding sources for the issues discussed today.*

D. ADJOURNMENT

The meeting was adjourned at 12:55 a.m.

Lou Reinkens, President

Ginger Charlton, District Clerk

Prepared by Ginger Charlton