

SPECIAL BOARD MEETING
APPROVED MINUTES

February 25, 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
Tony Laliotis, Director of Utilities
Mike Sexton, Legal Counsel
Carol Hackbarth, Administrative Secretary

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. PUBLIC HEARING

Cindy announced that the count is commencing now. Have until close of public hearing to turn your protest in. McClintock Accountancy is overseeing the count. It is a public process; people can observe.

Erik opened public hearing. Cindy

Virginia Graham asked about timing on her checking her mailbox before close of the public hearing.

Staff Report: Ms. Gustafson gave a presentation titled Facts about TCPUD's Proposed Rates. The public was provided hard copies of the presentation.

We did not spend money that was set aside for capital projects on anything else. There is no evidence of that and can show this. Another untruth is that we recently approved generous benefits and pay raises. This is the 3rd year of a three year contract with employees, management and classified. It was a continuation of that union contract.

Dan Wilkins asked if we know what the basis of the statement was. Cindy - no. Elizabeth Hale asked wasn't there money set aside quite a while ago that was set aside for infrastructure and improvements that were used for other things. Cindy – No, I'll show you here in a minute; it is part of the packet provided / slides. Elizabeth asked Erik Henrikson if he knew anything about that: 8-10 years ago it was used for something else. Erik – we didn't use money set aside in reserves for anything else. We had \$5M in reserves and we were doing projects on a pay-as-you-go basis. Then when the State of California was in a financial crunch and we thought we might lose our dollars, we decided to implement our 5 year capital improvement plan. We spent that money. We borrowed money on this building

and various projects. We spent it on things we needed to spend it on. We didn't just misspend it. We used it for projects that the District needed, what Cindy's presentation is going to show. Cindy continues presentation that shows where the funds have been spent.

Elizabeth Hale asked for explanation on what redundancy is. Tony Lalotis explained redundancy basically means that we have a back up source of water in the event of a failure (dried up well, mechanical failure, etc) so that we can to turn on another source to provide safe water without a boil-water notice, without water rationing and things that affect customers. Cindy continues presentation.

Lou asked Cindy to explain fire requirements. Cindy explained that we are not mandated to provide water for fire suppression. We are mandated to provide potable water for drinking. We believe the public expects fire protection. How does that translate to you? If you do not have a fire hydrant that can supply 1000 gallons per minute within 250 feet of your home you will have to install fire sprinklers if the addition is more than 500 square feet. The price Cindy was quoted on her remodel to sprinkle her entire house was \$25-\$30,000. If we as a public do not address this issue, you individually at some point in time will address this issue. We think we can address it more economically and safely, allowing for wild land fires not just household fires. Cindy continues with presentation showing our older fire hydrants.

Kathy Betts asked if we have the engineer's analysis available for the public. Yes, it's on our web site done by HDR. The whole Capital Improvement Plan (CIP) project is also available on the web site.

Steve Topol asked for clarification on the \$780 (sewer) and \$3800 (water) per customer over five years quoted earlier. Is that per house connected to the PUD? She took total parcel connections. That is not the rate they will pay. It is how much we need to put into systems. It will be funded by both rates and taxes and potentially borrowing funds if authorized by board.

Erik – Asked Cindy to explain how we are going to track the money from the rate increase? And that anybody can come in and see how we are tracking that and what we are spending the money on, what capital improvement projects? Cindy said it is in her presentation and asked if she could wait till the slide to talk on it. Yes.

Mike Sexton explained Proposition 218 as explained his Memorandum included in handouts to public. Cindy asked Mike to also explain what the protections are for the tax/rate payers. District can not adopt a rate that exceeds the cost of providing the property related service. The way the District did that was to commission the study done by HDR Engineering to determine what the rates should be in order to fund the infrastructure and operation and maintenance needed for future operations.

There have been questions relating to the hearing today and the process and whether a Proposition 218 mailed ballot is the equivalent of a normal elections. He summarized from government code provisions as explained in Item 2 of his Memorandum. He also said he advised the District to no longer accept protests that were not mailed or delivered directly to the District clerk, that were delivered via alternate source. Cindy said they met with the people that were distributing them at the post office and asked for that process to end. She told them that we would still accept them. We have to validate the names and addresses. She has asked staff to count everything and then we would validate them. The protests go to the District clerk and have been kept in the clerk's locked file cabinet. Those delivered sealed were kept sealed. Barbara Briggs said she didn't think there would be any problem if they put their proper address and their full name on their protest. Cindy stated that we are

accepting all protests then we will validate after that. Barbara also stated that probably most of the people here are not questioning her professional knowledge about what has to be done. Because of the bad financial situation for everyone, why can't this be put over longer period of time and why can't we look over other costs and see if some money can be cut from other places. Mike Sexton indicated this is a public hearing, we are going through staff report, and that comments can be made when the floor is open to the public. Mike completed his review of Prop. 218. Prop. 218 is not equivalent to an election. Protests are disclosable public records during and after the tabulation. You are entitled to one protest per parcel filed by the owner or a tenant of the parcel. Cindy continues her presentation.

David Arnett asked the rates compare to other areas in California. (Slides show comparable to local agencies). HDR did look at that; they range all over the place.

An unknown man asked if the agencies in the slide have meters yet. NTPUD and SVPSD do; the others do not.

David Arnett asked about the meter mandate timing. Cindy - Meters are mandated across the state in 2025. She explained why the board chose to move to meters. First, our wells are declining and we need to conserve. Second, in 2010 (Jan. 1, 2010), any meters that were already in place have to be billed on a meter rate. Since 1994, every new house or any significant remodel had to install a meter. This created a situation where neighbors would be paying for their water inequitably. That is when the board decided to install meters throughout our district. Cindy explained some of the current rates/billing to customers and the proposed rate structure. David asked if the \$3.20 per gallon could be downwardly adjusted. Cindy - It could be. The rate study says we need to get to the top of the proposed rate structure this year. The board decided to phase into the rates and even softened it more for the first year.

Judy Friedman clarified that if the proposed rates are not adopted, the average bill in the first year would be \$62.34. You would be paying more in the first one to two years.

Dan Wilkins stated that this is for the average household. The individual can have an effect on what their bill is, just like our electric bill. Cindy - For 6-7 months of the year an average household uses 6000 gallons a month. In the other months, especially in July & August, our average customer uses on average 26,000 gallons of water a month. An unknown man asked if that average considers that about 70% of the homeowners are second homeowners. Yes, but we took out all the zeros (zero consumption). The board took that into consideration and how much do we put in the base rate. Even if you are not using your house there water in those lines, there are tanks, our people are on call 24/7. There is a lot of our expenses that are fixed costs. Dan clarified that if we had left the zeros in the \$53.50 would be lower. (\$53.50, from the slide, is the 2009 average monthly charges based on TCPUD average current consumption.) Judy Friedman clarified that if passed and adopted these are the maximum rates the District can charge. They still have the option to charge lower. Cindy continues her presentation introducing a new independent audit committee and talking about staffing.

Unknown lady – Do we have a comparison of benefits/wages with other agencies for management and union employees and do they have a contribution to go through? We have comparisons. We will be getting a new comparison this year as we go through negotiations. The Board has kept management at 75% of the comparable and employees closer to the top or even with the other agencies. Is the employee making the benefit contribution to the retirement? No The District is making all the contributions to the benefit package? Yes. Cindy continued showing budget cuts made within the district in previous years.

Ron Treabess - Staff has remained stable is almost the equivalent to staff reduction. You have given us the amount of staff ratio per customer and how efficient that is compared to other districts. It is pretty miraculous what were serving with each customer. Tony – We serve more customers per employee in the Utilities Dept. (water and sewer field employees) than any other district around the lake. In the same years that we have not increased staff, we have increased the number of customers in our system by about 25%. We have also acquired an additional 19% in miles of water mains that we maintain.

To answer Erik's request asked earlier – (Erik – Asked Cindy to explain how we are going to track the money from the rate increase?) See slides on annual analysis of budget. Board has the ability to reduce rates as our costs go down. Richard Van Fossen asked if property taxes include fees. No. Richard – fees go up. Richard asked about CPI (consumer price index). We use All Cities West less medical, Nov. to Nov. Cindy - We had a savings of \$73,124 because this year it was .9% not the 3.5% as projected in budget last year. With all the reductions pointed out, we recommend the reduction in the rates of about 2% in sewer categories and 3% in water categories.

Lou Gerhardy asked where the \$74k additional revenue came from. El Dorado County Water Agency and Placer County Water Agency get a share of your property taxes. El Dorado will grant us that money for projects we construct in their county. Jim - A lot of time it is consulting steps.

Unknown lady commented about consumption. Those conserving are still going to be punished because of those who do not conserve. Their huge consumptions of water, water we may not have, will end up costing us money. Cindy – Exactly. That's why we have been saying conserve water because it saves on our electric bills to pump water to the tanks, our sewer bills to pump to excess water to the treatment plant. Unknown lady – Will we be looking at mandatory conservation? There should be rewards for those who conserve. Ron said we may have to look at that in the future. We have looked at the reward and punishment situation for conservation purposes in the building of these rates over the five years. The consumption rates are growing much faster for the high user than those who conserve. Cindy – the board doesn't always know what staff might be bringing them in the future. Staff is looking at updating our conservation ordinance to help with conservation and to address those who choose to ignore leaks for example. Again leak notices have been sent over the last two years and will continue with the bills.

Erik opened floor for Public Comment:

Steve Topol, owns building at 425 North Lake Blvd, Blue Agave Restaurant, etc. His sister, Renee, has the Laundromat at Lighthouse shopping center. His bill is currently about \$10,000 a year and will go to \$30,000 a year in the next five years. With the way the economy is, his revenues are way off, down 23% or more. They are fighting for every nickel they can, with the suppliers, etc. It's a constant fight. Now he is facing an increase of about \$1,800 to \$2,000 increase just in his water rates. It's very discouraging to him. With the economy going downward as it is, this is like throwing gasoline on a fire as far a commercial business is concerned. By being on the street, they are a public facility to the tourists and the residents of this town. The public is in our business. They're using our bathrooms. They're running the water, using the toilets. We have to clean dishes, mop the floors, cook with water, and bring water to the tables. Our business is water. We're being punished as a consumption user, though we are providing a benefit to this town. We need to keep the tourist coming to town. He does not want to put a sign up that says restrooms are for customers only. This type of increase at this time is really going to hurt us. He understands

we need infrastructure and he is supportive of cleaning things up and making things work. If possible for his commercial business instead of having an increase that goes on indefinitely, he would rather have a set number, similar to the sidewalk project - a onetime capital improvement. He can deal with that. He knows it is going to end at a certain period of time. It eliminates the unknown of whether the bill is going to go higher or lower because of consumption. It makes it really uncertain for him as a business man in town to look forward through bright eyes. Dan Wilkins asked if the \$2,000 was after the five years. Yes. Dan reiterated Steve's proposal to have supplemental property tax assessment to fund a certain group of infrastructure projects. Steve confirmed that was correct. As a commercial property owner, given the estimated cost for the infrastructure, his square footage, water usage, or some other calculations, he would know the finite cost to his business and could determine how to fund that capital improvement. Then he wants his water rates where he can make a living. Ron Treabess - that would be compatible because you could do a business plan? Yes. Ron knows we are going to find funding that will be able to adjust these rates downwards. If we what you are talking about it would probably have to be doing that almost at the maximum. Steve is not sure the district will get other funds from the stimulus package or not. He wants to lock in his costs. Steve wants to make a business deal. If the other funds come in then we could use it for other district projects. Ron - maybe we could have a commercial - residential difference.

Peter DiDomenico 2580 Cedar Lane/Timberland. As a resident he'd like to have the same proposal Steve Topol made - capital improvements.

David Arnett - Local resident, General Contractor, lived here for 30 years, wife is in real estate at Tahoe Real Estate Group. We are all in this community together trying to make it work. Personal income is down 50%. Don't have new jobs coming in; only one consulting job. Their net worth is down considerably as well. He thinks he is not the only one in this situation. He understands the need for repairs and infrastructure. This water system is very important to all of us and is essential. HDR water study was done about 18 months. Since then the state, national, international and local economies have taken a huge down turn; the greatest since the great depression. Major source of jobs have dried up. Construction is down so much that only a few workers have jobs. New projects are rarely in the planning pipeline. There are 50% less permit being applied for in Placer County. El Dorado County has only one employee now in South Lake Tahoe to collect paperwork and send it to Placerville. In order to survive, they have downsized and reduced pay. They are reducing police protection. One is retiring; the other moved. They won't be replacing that position. This is very very serious. He wants to have a nice rapport and to work together to make the economy work and to find solutions. The average income in Tahoe City is \$41,000. We need to be considered for the benefit of all of us. Everyone is on the edge. He thinks we know what we are doing and are professional people. It's up to us to find where cut-backs can be made, and where we could be more in sync with the community

He suggests 1. Abandon the increase in 2009 until the economy goes up. 2. Annually review and adjustment to our planning to adapt to cost changes. 3. Bring TCPUD budget into the real world and economic situation as it evolves. Will rates go down in the future? Can we get a bond for the infrastructure? Feels it isn't fair for Rubicon to pay for improvements after they paid for their bond improvements there. Fire protection is charged a base rate. His base rate is going from \$15 to \$52 a month. He doesn't use that water. Why does he have to pay that? Why does Cindy have to pay that? Cindy - With the Rubicon system, the district funded out of general property tax, 60% of the improvements. The customers paid the other 40%. So the overall tax payers helped pay for the Rubicon system. Later in the discussions Tony answers - The concept is that this is a stand-by use charge required for sprinkler systems. You don't use the water, but the water is there. There is a tank up the

hill providing that pressure so that when you do have a fire the water is there. That costs money; it costs money to us operationally. There are fixed costs and maintenance costs that we cannot get rid of. It is the same thing as the 2nd homeowner who pays the monthly fee in the winter. It costs us the same amount of money to have it available whether they use it or not and for when it is needed.

Kathy Betts – Works on Talmont Resort Improvement District – It's a bad time for everyone. How did we get to this point? We know infrastructures fail and deteriorate. Why all of a sudden now are we here? Ron Treabess - In previous years, as you look at the rate chart, we had these kinds of discussions a lot. At that time we were asking why we need to raise these rates now because these things are 15-20 years off and somebody else will probably living here and why should we be paying for them now. Whether that is a fault or a thank you, we did keep the rate increases from occurring on an annual basis because just didn't seem necessary at the point we were at then where it's I can't pay more money. It's a whole different thing then than now. Maybe we should have been just going a flat 5-7% increase. Judy Friedman – they left if for their children and here we are.

Kathy asked a question related to reserves and the infrastructure. Cindy said that part of what we are doing in order to do a borrow money or do a bond assessment as some are suggesting is that we needed to build up a little more in reserves and get more out of the rates they didn't see that we had the capability to borrow against our revenue. Ron Treabess – In your slides you mentioned that of that \$15M less than a third that would come from rates. The rates would be used to leverage some of that additional money.

Jim Dykstra – We have \$425k for water, \$425 for sewer, and \$50k for parks. When you look at the magnitude of the projects we are contemplating it is not very much. Part of what everyone is recommending is to grow those reserves. Kathy – Aren't you told how much you have to have in reserves? Erik – We are not told how much to have in reserves but we have suggested targets. Are projects put out to bid? Yes.

Lou Gehardy – Rubicon resident. Engineer. He agrees with everything David Arnett said. If the infrastructure projects were delayed 3-5 years what would the outcome be for the level of service? Erik – unless something failed the level of service would probably stay the same. Would the level of service continue longer than five years? Cindy – there are certain components for instance the issue of fire suppression. If we don't do some of these projects some of your areas do not have adequate fire suppression, right now; and is that an acceptable risk? If you have to do a project in the mean time you will have to fund it. She provided example of owner in the Highlands area trying to enclose his carport. As far as the wells, that is a real challenging thing. While we hope we can continue to serve you, if the wells don't recover we may have to do much more stringent conservation methodologies if we can't. Those are things that can't just be put off. Things will cost more in the future. Is the sky going to fall? No, we do put it off and the next group 3-5 years from now is probably going to pay more for those same projects. The wells are the biggest issue. We do have a sewer interceptor line that has corrosion now that is a completely unacceptable risk. He recommends using the band-aid approach for 3-5 years. Feels the economy will be an absolute disaster. Ron points out that not all of the projects are going to be built this year. Projects can be 3-4 years out with starting the planning/engineering now, whether that is get money to leverage for greater amounts or not. We have to get going to some degree. Each year the board will look at the rates and see how we are going. We, the board, are rate payers also; that is perhaps the reason the rates were not increased in the past.

Lou Reinkens– One of the big ticket item is a treatment plant. That takes a long lead time item with a multi-year plan. We can't do it one year at a time. From this engineer's point of

view it makes sense to have multi-year plan so we can get a handle on and get the long term things going. We have been ignoring it for a long time.

Elizabeth Hale – Rubicon She thanked everyone for all the work they've done. Erik Henrikson told her that there were other ways we could save money. She asked him what they were. Erik- we could be having furloughs like the state. We are always looking at ways, and Cindy does and is charged with. The board and staff need to have an open mind, are sensitive, and are trying to keep our costs for escalating, especially now. Elizabeth - Who else receives medical coverage besides those on staff now? People who have retired, board members? Jim – current full time employees – not part-time employees; board members; retired board members reimbursed for whatever they get; retirees get a portion of it, that has been capped as discusses in the presentation. Elizabeth – stated that perhaps if the board members did not receive coverage the public could know that they are doing their work because they are volunteering not just here for the medical coverage. It's food for thought. How much does it cost for our board members medical coverage? Jim – It's about \$4-5k a month. Elizabeth - \$48-60k a year. Perhaps there are other members of the public who would serve with no medical coverage. Cindy – the board members receive \$400 a month plus their medical coverage and it ranges depending on how many dependants they have. Elizabeth – The board doesn't handle the public input well, managing the amount of conversations during the meetings; they are not respectful. She brings up Cindy and Wally's marriage and that she doesn't think it is fair practice. A public member asked what this has to do with the rates. She said this has to do with the way the public respects what is going on. The law says that a perceived conflict of interest is just as important as a real conflict of interest. We need to know that you are squeaky clean when you are dealing with our best interest. She brought up the community center ownership issue. There are all these problems where things are not transparent. The public is not respected. When you behave like this, you make us angry. We don't trust you to do other things fairly.

Mike Sexton stated that a perceived conflict of interest is not illegal per se. The general manager's marriage to Mr. Auerbach was examined by Mr. Sexton. He rendered an opinion. The District, because members of the public asked for a second opinion, we went to the Fair Political Practices and got a clean opinion from them. They suggested we go to the Office of the Attorney General; we got a clean opinion from them. There is no illegal conflict that is going on. Cindy tried to respond also. Erik said this does not have to deal with the rates and we are just feeding the fire. Cindy stated that she has to behave in a certain way or she gets fired. Public comment continues.

Doug Pendleton, co-owner of the America Best Value Inn. He provided a handout earlier. This is about the rate increases. This is pure bad timing. He is bothered with the statement Cindy previously said 'we say this coming' and you went ahead with this. His costs are \$13k year and will go up to \$35k in five years in the worst economy he has experienced in his life time. He knows we have to do this. Delay some of this, use a band aid approach. Business is down 50%. They cannot take this kind of burden. It's the economy. They are hurting big time. His patrons benefit everyone in this community.

Richard Van Fossen - Highlands homeowner. He asked that the slide *5 Principles we want you to know* be put back up. He needed clarification on -32%. If we are being so careful at scrutinizing things, we should have picked it up before it was published. He liked to see more transparency in the lake and through this operation. Nowhere does it show the amount that staff is compensated, their annual wages, and any voluntary reduction in those. Most of us are on our emergency money now. If it is true that we are being so careful then the numbers should be correct. Jim – explains the -32%, while referencing the Quarterly Newsletter as well as the \$3.20 per 1000 gallons rate structure in the current ordinance.

Richard thought the numbers were intentionally distorted. In reality it is an increase over what we currently pay. He would also like to see actual costs of things. He mentioned water spots he noticed in the neighborhood. He'd like to see a balance between meters and what we are pumping out and how much is being lost. Erik said that is the problem. That's why we need the infrastructure replacement. We are producing 13M gallons a month more than we need to. We need to fix the problem. How do we do this? How do we balance it? It's not an opportune time.

Robert Jones – retired engineer – Homewood area. He would like us to wait a year to see what the actual water consumption is. He sees wasted water on lawns. Everyone should pay for their usage and conserve water. He likes us metering. He wants conservation practices. He asked about monthly versus quarterly billing. Postpone going to meter rates until we know how much water we use. He wants those who use more to pay more.

Virginia Graham – Highlands resident. There is still more room in the budget for cuts – employee participation, employee morale, and consultant fees, etc. We are all on shoe-strings.

Steve Topol said it would be easier on them if the board would pass a mandatory water conservation program that they can present to their customers and that will force people to conserve regardless of what the outcome of this increase. Erik – staff is working on that.

Call for Protests / Withdrawal of Protests:

Erik called for all protest letters or withdrawal of protests if there is any more out. Joni Harbarth from McClintock Accountancy group then provided the results of the non-verified protests. As she oversaw the process eight staff members participated in opening the envelopes and stapling the envelope to the contents. At this point they have not been verified; they have only been counted. For water/sewer the total unverified number of parcels received is 1770. Cindy – The total count if all of them applied to water does not meet the threshold of 50% plus one needed in water which is 1956. We asked them to do a maximum count knowing that some are water, some are only sewer, and some are duplicates. We wanted to see the total count today for the board to take action on. We will continue to validate and verify all these for public record. If it didn't meet the water it didn't meet the sewer threshold which is 3700. Richard Van Fossen asked about a letter with more than one address. Joni Harbarth explained that staff looked at the letters and if there was more than one address or parcel number they included that in the non-verified count. They counted in stacks of 50. Staff signed off on it. She handed the stack to another staff member to count. If there was any questions it was counted until two staff members had the same number. They have verified 395 sewer only letters not included in the 1770. The next step is to verify the letters indicate sewer only, water only or sewer and water and to create a spreadsheet for public viewing.

David Arnett asked if the board would put on the next board meeting agenda to look at band aid opportunities to get everyone through this economic crisis. Erik and Ron agreed we should always do that. Dan Wilkins complimented David on his comments earlier. He appreciated his desire to work collaboratively as opposed to adversarial. It's a much better way to get positive results. He was discouraged how negative this whole process became. We would like to hear suggestions on how we can do better job on that.

Judy Friedman said part of her challenge has been to watch the dynamics. She too appreciated David letter and his attitude. She was discouraged that the letter out there

being signed, almost to the point of a petition, was not as thoughtful. She couldn't find anybody to take responsibility for some of the statements that were made of which were most of the 1770. We haven't done a good enough job explaining that Prop. 218 gives us flexibility to do what is responsible for the community but within the realm of the real world. She responded to Rich Van Fossen's comment on transparencies. She has never been involved in, and not as a board member but as a candidate and as a citizen, in such an open and transparent process. The slide we should have put back up was how many public meetings, how many notices, how information. There is not anything done in this building that is not open to public scrutiny. She invited and encouraged the public to come in, make an appointment with anybody to see what you want to see. She addressed Virginia Graham's comment on employee morale. She feels strongly that the more people we keep working in our community the better it is for the community. As a board member she is taking on two months birthday cakes and encourages other board members to do the same.

Erik - Closed Public Hearing

Board Discussion:

Cindy – There are a lot of options. The proposed rates are the maximum we can charge. Staff has recommend that they reduce the rates for 2009 3% in water on the base rate and the first two tiers, leaving the top tiers where there may excessive use at the originally proposed rate. Sewer rate would be reduced 2% across all categories evenly. That is based on our existing results that we have in the bank today. Annually we know the board will go back and look at our results based on these projections to HDR and holding true to that study reduce where you can. In addition to that the board has ability to make many decisions and a lot of flexibility as to what you implement today.

Dan clarified the resolutions in front of the board. One dealing with water and one with sewer that basically says the protest wasn't successful and here are the maximum rates for sewer and for water for the next five years with each successive year being looked at by the board to determine what the rates for the following year would be within these maximums. Sexton added there would not be a need for the Prop 218 process (as long as the rates are within the maximum for that year). It would be a public process where the board would review the costs of the district and establish the rates accordingly. We would only be setting one year's rates. Then there are two resolutions, one for sewer and one for water, with the reduced rates for 2009.

Lou talked on the long term lead times for many projects to be shovel ready. We need to minimize costs for mobilizing and remobilizing costs on projects with year by year versus a five year plan. We need to get our hands around the leaks in the system, determine where they are and prioritize them. Source and Storage – the Bunker tank has to be replaced. He is leaning toward the five year plan because of the long planning and implementation process.

Sexton stated we have to adopt the rates from this process, the five year plan. We still can yearly set the rates no higher than the rates in the five year plan.

The board discussed that difference in previous rate increase processes and this five year plan. In Section 4 of both the sewer and water resolutions it says "annually the board will review operating expenses, the capital costs, and the revenues received as compared to the projections used in HDR's Water and Sewer Comprehensive Rate Study." Then they can determine, like they have in the past, if the rates for the coming year should be modified based on revised conditions in order to maintain continuity with the adopted study. The

board may reduce the rates in any given year, but cannot exceed the cumulative rates presented for any specific year to the ratepayers through the Prop. 218 process.

Erik is concerned that we have never asked for this much before. It was explained that the process will be the same each year with a caveat that they cannot go above the maximum set in the five year plan. This allows the board to raise rates if needed without going through and very time consuming and expensive Proposition 218 process.

Ron also suggested have a public advisory committee to help the board in their processes. No one disagreed that we need the improvements on the capital improvement plan (CIP). Erik said we reduce the CIP. Ron said we reduced it a lot and we took the five year need and spread it over ten year plan. If we don't have the revenue we have to know the ramifications.

Judy asked for clarification on the cumulative rates. Cindy said we cannot get back the rates we did not receive in the past. Cindy said that if the board wants to change the proposed rates in other ways she asks that they come back and let staff do some analysis on how to do it. Eighty-five percent of our funds are generated on the monthly charges. Once you take it below the revised \$47.00 per month fee you quickly start decimating your funds to do any projects not-with-standing anything that people said today.

Dan are really only changing the rates this year. Is comfortable it staff's recommendation. Before next year he wants to strategize in a way where the public and the board can better interface to be more productive. We are not making a 170% rate increase today.

Ron agrees we should approve the five year plan and the revised 2009 rate plan.

Lou would like a line item on each agenda on budget reductions. It is a plan; it is dynamic. Also, the district needs to try and get our share of available funds from the federal market. He thinks we have the right person heading this organization to get those.

Judy wants the community to be involved. Cindy – Also, the board could charge the new Audit committee with reviewing this analysis each year and giving you a report. Ron has complete faith in this staff in what you do. He sees the Audit committee as a balance of people from the community to be able to provide additional input that can make suggestion and plans better not to be to make sure we are not doing it wrong.

Erik thinks this is pretty aggressive. The times are too hard to lock ourselves in this kind of posture. We need to fix our water leaks which would in the end bring down our O&M and save or prolong the life of our wells. He cannot support the five year plan. Ron asked what he could support.

Sexton responded with it seems to him that Erik made a comment about being locked in to the rate for a period of five years. He thinks what has happened through the last several weeks and today through the Prop. 218 process that the customer base of the District has agreed that you can establish a maximum rate for the next five years. Erik - by virtue of not having a successful protest? Yes. And you as a board have committed in this resolution that not-with-standing that maximum rate that you will each and every year examine the financial base of the District and that you will only set a rate that is necessary to pay the property related fee to provide water service. Erik – to accomplish this plan for five year capital improvements? No. You still have the flexibility to change that. Dan – if we get better information as engineering work is done and we find out costs are more, costs are less, projects can be deferred, we can roll that into our decision process as part of the rate setting

next year. Sexton - You can adopt this plan as long as it doesn't cost any more than the rates you are establishing in this resolution. But if it costs more you are going to have to get additional approval. And if your annual review determines you can operate on less you can and should charge less per year for your rates. That is what you are saying in this resolution. Ron - Without adopting this next year we could raise it more, say 30%, providing we go through another Prop 218 process. Ron asked if that is the flexibility Erik is wanting. Erik - No. He wants to go the very minimum this year. See where the economy goes, see what kind of money we can get in the way of grants to reduce our costs. 2009 is a 22% increase. Ron - so that is the one you would want to vote against, this year's proposed rates. Erik - I want to vote against all of it. It is too aggressive. He is not big on band aids, but sometimes you have to put a band aid on it. Lou - we have been doing that for sixty years. Erik - yes but we have never had this situation before.

Judy being new wants to understand this. The board unanimously adopted the rate study as the tool we are going to use to consider the CIP projects and the funding mechanism of that. Right? Ok. Given that the board unanimously adopted that wouldn't the next step, (I'm not being felicitous; I don't know), to that then be to establish the rates that were proposed within that study as the maximum that we can do. Then by just adopting it then we come back year after year and take the temperature for that year, evaluating the project statuses, and the needs. Erik - we'll see.

Judy asked if there are other ways to implement the proposed reduction on resolution 09-06 & 07. Cindy - You can reduce this however you want. Sexton we need to take some action today to adopt the 2009 rate that is different than the five year rate. Cindy said you can also give us other direction. This projected reduction is a conservative plan. Can we save more, yes and we will. How much and how we do that can be reflected in next year's rate increase.

Lou - if 2-3 months downstream that we find money elsewhere can we reduce these reduced rates. Yes. Jim - the year will now be April 1, 2009 to April 1, 2010.

Dan wants to acknowledge savings outside the capital projects, staff expenditures. Those need to be on the table also, cut backs and services. So that in 2010 maybe it will be less acrimonious.

C. RESOLUTIONS/ORDINANCES

1. Resolution Establishing Water Rates for Years 2009, 2010, 2011, 2012, and 2013 (Res. #09-04)

Motion to Approve Resolution #09-04: Treabess/Wilkins/4-1 by roll call vote with Director Henrikson voting no.

2. Resolution Establishing Sewer Rates for Years 2009, 2010, 2011, 2012, and 2013 (Res. #09-05)

Motion to Approve Resolution #09-05: Henrikson/Wilkins/4-1 by roll call vote with Director Henrikson voting no.

3. Resolution Establishing Water Rates for Years 2009 (Res. #09-06)

Motion to Approve Resolution #09-06 with reductions: Treabess/Reinkens/5-0 by roll call vote

4. Resolution Establishing Sewer Rates for Years 2009 (Res. #09-07)

Motion to Approve Resolution #09-07 with reductions: Wilkins/Reinkens/5-0 by roll call vote

5. Ordinance Rescinding Previous Water Rates (Ord. #261A)

Cindy – Both 261A and 261B are rescinding the rates in the current ordinances. All you are doing it formalizing the language to adopt what you just did.

Motion to Approve Ordinance 261A: Treabess/Wilkins/5-0 by roll call vote

6. Ordinance Rescinding Previous Sewer Rates (Ord. #261B)

Motion to Approve Ordinance 261B: Wilkins/Reinkens/5-0 by roll call vote

D. SEWER AND WATER UTILITIES

7. Proposed Revisions to District Water Ordinance

Cindy – This has gone through committee already and Mike Sexton has reviewed. These are language changes better defining and implementing meter consumption. Alan – The ordinance is no longer gender specific. A couple things that are statutory in nature, the way we can bill, our billing process – to a 30 day process, our ability to enter a private residence or business. Judy – Asked do we have to change the billing structure. Cindy – We had a lot of debate on the extra costs. There are so many 2nd homeowners and when they get that leak notice that may be the first they know of it. It could be a significant property issue let alone the water box. Staff recommends this so they can fix these. We want to be reading the meter monthly anyway so it's just the extra cost to bill customers. Erik – The language that proposed makes a big difference but there is still other stuff in there that I do not support. Generally speaking the language on water meters and definition changes I'm totally in favor of that. I am not voting for the ordinance, just the changes. Lou – hasn't heard the changes. Dan – My recollection is that you didn't support the ordinance from last time and there are still items in there are really hold-overs from last time. Ron – there is one main thing that Mike brought up at the board meeting that was changed. Cindy – That was our right of entry or not right of entry into people's private properties. Lou – what's the game plan for having the full ordinance done? Alan – There are items that have been brought to and discussed at length the sewer and water committee, relating to water line separation, water line cut & cap, a better definition of fire sprinkler systems, 2nd units, things of that nature. Cindy - Many might take a number of meetings and other agencies may want to participate. We wanted to bring up one at a time at workshop versus doing the whole thing at one time. Erik – I'm good with that. Ron – he proposes that the motion would be that we accept these revisions to the ordinance not precluding revising the rest of the ordinance. Erik – doesn't agree. Alan asked that the motion refer to 8.2 monthly billing changes. Mike Sexton – what we need is a motion on the revised ordinance with either the monthly or quarterly alternative. Dan – Ron suggested a motion to approve only the amendments to the ordinance in an effort to put Erik in a position where he can support the vote. Does that create a procedural problem? Yes. You are voting Ordinance 185 with Amendments.

Motion to Adopt revisions to Ordinance 185 with monthly billing (8.2): Reinkens/Treabess/5-0 by roll call vote (with Erik only accepting the clarifications/amendments)

E. PUBLIC FORUM

Virginia Graham – Placer County Sherriff's office was going to have a community awareness academy. She was told at the time it was completely filled. When she called up to see if there was any cancellations she said it was not filled and still had 15 openings. It starts March 11 every Wednesday night for five weeks. She'd like to post this somewhere. Ron connected Virginia with Nick from the paper.

Ulf said if we are reading the meters monthly why don't we bill quarterly and send a leak notices to the owners monthly. Dan – the amount of staff effort to do that to do that outweighs the costs to bill monthly. Tony – there is a lot of staff time done on that process. What we propose is strictly automated, from the computer to the billing system. We might be sending more bills out on a monthly basis, but there is not one staff member sending out 300-400 letters each month as quickly as possible. Jim – the other thing we thought about was the summer month usage. We have some customers who use a vast amount of water. We didn't want to bill them on October 1 with them not knowing what they used July & August. Maybe when they see that July they could perhaps modify their behavior and they can see the reward right away. Cindy – we can change this in the future also. If after implementing this people say go back to quarterly we can do that. Ulf said he enjoyed the day here. It was eye opening. All the questions he came with got answered. He was glad to hear the rates are a limit and that we are leaving ourselves open to lower them if warranted. As far as transparency, he thinks he needs to show up more often.

Elizabeth Hale reviewed the Brown Act and the Roberts Rules of Order. With more than one conversation going on at once it's hard to follow the meetings. Erik – we really try hard. We are not really confined by the Roberts Rules of Order. I can't tell you to shut your phone off during a meeting. It works both ways; it is a balancing act. I am trying to follow the agenda and not cut the people off. When somebody brings up a question in public maybe Cindy is discussing with Mike what the legal ramifications are. I'm sure she is paying attention to you. And that's ok. She should be wanting to come up with an answer for you. Elizabeth – The Brown Act says you are supposed to follow certain rules of order.

Rich Van Fossen – thanked the board for all their time. When he had a leak we were there to help him. Unknown man said he liked the transparency. Another unknown man asked when the first monthly bill comes. Jim - April 1st – only the water customers. If you are a water and sewer customer you will get a monthly bill for 1 month of water and 1 month of sewer. If you are sewer only you will get a quarterly bill. Cindy – April 1st's bill will not have consumption on it; it will only have the flat rate. May 1st will have the flat rate and billing for April's consumption.

F. ADJOURNMENT

The meeting was adjourned at 12:10 p.m.

Erik Henrikson, President

Carol Hackbarth, Administrative Secretary

Prepared by Carol Hackbarth