

SPECIAL BOARD MEETING
APPROVED MINUTES

October 23, 2008

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

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

A. CALL TO ORDER – PLEDGE OF ALLEGIANCE

President Atchley called the meeting to order at 5:00 p.m. Mr. Dykstra then led the audience in the Pledge.

B. AGENDA AMENDMENTS AND APPROVAL

1. Agenda Deletions, Changes and Audience Requests

President Atchley announced that item #24, General Manager Contract and Compensation, would not be acted on tonight because the materials were not ready.

2. Additions to Agenda

None.

3. Approval of Agenda

Motion to approve the agenda as revised: Reinkens/Wilkins/5-0

C. PUBLIC FORUM

No participation.

D. FINANCIAL

4. Water and Sewer Rate-Setting Workshop (Timed Item)
Revenue Requirements and Options for Rates

This item will be addressed at 6:00 p.m.

5. Audit Committee Charter

Mr. Dykstra explained the requirements for the new auditing standards and said that best practice shows that we should set up an Audit Committee. He said that the Finance Committee has worked through several drafts and feels that this draft charter is ready for adoption. He reviewed the draft and answered questions of the Board and audience. He said that the Committee discussed hiring an outside expert to advise them and they were hopeful that Bob McClintock would be that person. My Dykstra said that Mr. McClintock isn't sure if he wants to serve in that capacity so an alternate may be chosen.

Director Wilkins suggested that the first responsibility listed in the draft, appoint or replace the independent audit firm (including setting compensation), be changed to make recommendation to the Board to appoint or replace the independent audit firm and the Board would take action. The Board agreed.

Mr. Dykstra said that he feels that the people that serve on the Finance Committee should also serve on the Audit Committee because they will gain experience on the Finance Committee that will help with the audit.

Motion to approve as amended: Henrikson/Reinkens/5-0

E. PROJECTS

All items covered under consent calendar.

F. SEWER & WATER UTILITIES

All items covered under consent calendar.

G. PARKS AND RECREATION

6. Approve Purchase of Snow Blower

Mr. Bolton explained that staff is requesting that the Board reallocate capital funds targeted for a turf sweeper to the purchase of a snow blower. He explained that Mr. Adamson doesn't recommend the purchase of a turf sweeper and feels that the hydraulic driven snow blower is a necessity due to operator fatigue, reduction in injuries and workers compensation claims.

Motion to approve: Henrikson/Wilkins/5-0

H. CONSENT CALENDAR - MOTIONS

Motion to approve: Reinkens/Wilkins/5-0

Director Wilkins asked how the Blackwood Creek Pump Station project is going and when it would be completed. Jon LeRoy said that it's almost finished.

7. Minutes

- September 18, 2008 – Sewer and Water Committee Meeting
- September 23, 2008 – Finance Committee Meeting
- September 25, 2008 – Board Meeting

8. Finance Report
9. 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
10. Approval of Transfers Totaling \$950,000 from the General Fund to the Enterprise Fund
11. Blackwood Creek Pump Station Flood Protection Project
 - a. Change Order No. 1
 - b. Pay Estimate No. 2
12. Silvertip Waterline Replacement Project
 - a. Change Order No. 1
 - b. Pay Estimate No. 2
 - c. Notice of Acceptance of Completion

I. RESOLUTIONS/ORDINANCES

13. Authorizing Acceptance and Conveyance from and to PTT Family Limited Partnership of Easement and Quitclaim

Mr. Homolka explained the resolution for the Thompson/Rubicon project and recommended approval.

Motion to approve Resolution #08-25: Wilkins/Treabess/5-0 by roll call vote

J. GENERAL

14. Truckee-North Tahoe Transportation Management Association Membership Renewal

Jan Colyer gave a short presentation on the Truckee-North Tahoe Transportation Management Association and their request for the District's continued membership. She answered questions from the Board and audience about the services they provide, the reasons for various routes, and where parking is available. Director Wilkins said that he would have to abstain from the vote on this item because he sits on their Board in another capacity.

Motion to approve: Reinkens/Henrikson/4-0 (Director Wilkins abstained)

15. Reports

Mr. Bolton updated the Board on the quagga mussel inspection process. He said that TRPA said that we need to have gates installed at the top of Lake Forest boat ramp by November 1st but we aren't going to make that timeline. He also reported that there will be inspectors at the gatehouse from 6:00 am – 4:00 pm daily until spring and that TRPA is paying for them. He noted that the water is very low and the ramp may need to close if it gets much lower. Staff will be putting up signage for public information.

Mr. Bolton reported that the Coast Guard has moved to another site for their emergency boat due to the low water. They typically did snow removal at the ramp for us and he is checking with them to see if they will still do it. If not, we'll have to change our hours if it's not cleared in time. We may have to hire someone to keep it clear and then bill TRPA for the costs.

Mr. Bolton reported that about 750 people came to the Harvest Pumpkin Patch and everyone had a good time.

Mr. Laliotis reported that with the new software staff was able to run a more detailed report and discovered about 10 locations that appear to need to have a meter installed. So far, 2,883 meters have been installed. He also reported that the leak rate is down to 12% from a high of 28%. He said that staff is trying to get customer e-mails so that when a leak is detected, they can be notified quicker and cheaper.

Mr. Harry reported that he received a letter from Mr. Dewante asking that the District act as a water conveyance organization for wheeling water from Tahoe Park to Lake Forest. The item was brought to the Sewer and Water Committee last week and they gave staff direction to prepare a policy for the District for the wheeling of water. It will be brought back to the Sewer and Water Committee in January. Ms. Gustafson said that at the meeting with the fire department, several small water companies voiced an interest in either emergency interconnections or like situations. Mr. Dewante was under the impression that under current law, he could invoke his rights and we would be required to wheel his water for him if he could meet certain criteria. Our legal counsel said that a private water company doesn't qualify as a verified transfer, so that law doesn't bind the District.

Mr. Dykstra said that the liquidity crisis in the economy is impacting the State of California. They have slowed their payables, which leads us to having a low cash flow period at the beginning of December.

Mr. Harry reported that staff met with Tahoe Conservancy and Placer County staff regarding the possible alignment of the bike trail in Homewood. Placer County has an erosion control project that would require them to lay down a 12-foot asphalt roadway. We thought that we could possibly connect each of the little pieces and decrease the cost for the trail knowing that it would take the trail from a Class I to a Class III status but it would be pulling the trail off of the highway. The Conservancy said that their funding for the project wouldn't be there since it would be a Class III facility. The County said that the project that they have on the list is currently at the bottom and they don't have any money for it. Mr. Homolka is going to schedule a meeting with the Homewood Homeowners Association to share the ideas with them and see what they think before moving ahead.

Director Henrikson asked if we are going to continue pursuing adequate space for bikes on Highway 89 whether or not we get approval for Sans Souchi. Ms. Gustafson said that we could. Director Wilkins asked if anything had happened with the \$10,000 that the Board authorized to be spent to hire an engineer to do a comparison between the Sans Souchi Class III alignment and the Highway 89 Class I. Mr. Harry said that the Board authorized the money to have an engineering firm look at the Sans Souchi alignment to see what type of grade it is. About \$5,000 has been used so far and the Gary Davis Group has prepared a design from Grimsel Pass to the Homewood Resort Development. Director Wilkins suggested that staff meet with the Tahoe Swiss Village Homeowners Association regarding Grimsel Pass.

Ms. Gustafson reported that the District received a notice from Placer County that we were in violation on a piece of property in the Highlands. That was a piece of property across the street from Dennis Correa. He had equipment on the property and staff made him remove it.

The Board took a five-minute break.

D. FINANCIAL

4. Water and Sewer Rate-Setting Workshop (Timed Item) Revenue Requirements and Options for Rates

Shawn Koorn gave a power point presentation on water and sewer revenue requirements, the use of property tax, and the cumulative impacts on monthly rates. Ms. Gustafson noted that the sewer and water charts were figured at 5.5% operating increases over five years. Mr. Koorn said that the water charts were based on a growth of 4% in property tax revenues. He added that the portion of property tax revenue for private water customers would go into reserves.

Mr. Koorn went over the sewer rate designs for the next five years. He recommended that at some point in the future the District transition the sewer rate structure into a volume based rate structure. While going over the charts, Director Wilkins noted that the rate adjustment takes the District from a point where we aren't planning for the future as it relates to capital replacement to a point where we are planning for the future.

Mr. Koorn went over the residential rate design. He explained that condos were tricky because they could be master metered, individually metered with another meter for a common area, or have multiple units on one block meter. He said the most equitable way to deal with these customers is to have them fall under the residential rate structure with the block sizes based on a per unit basis. He explained how the block size was developed and noted that the industry's new definition of conservation based rates is to have a greater portion of revenues come from the consumption piece of the rates.

Mr. Koorn went over the commercial rate design. He explained that the base charge is calculated on the size of their meter. He added that they pay more than residential because they have to pay their share of the capital infrastructure. He explained how the unbundled analysis was calculated and how different sections of the District would be calculated.

Ms. Gustafson explained to the audience why we aren't going to use property taxes in water. Property taxes are collected from everyone but only a little over half of them are from water customers. In water and sewer, it's highly recommended across the nation to get away from property tax and get onto a rate-driven schedule. She recommended a three-year implementation.

President Atchley asked for questions from the audience and appropriate staff answered. Director Treabess said that he received a letter via e-mail before the meeting and he gave copies to the Board. The letter was from Mr. Huff who was in attendance at the meeting. Matt Homolka came up and reported on what staff has done over the past few years to address the deficiencies in our water and sewer system. Staff consolidated their lists and our previous master plan on what projects need to be done to update the systems. The projects were then prioritized for the next 5, 10, and 15 years. The final five-year list was given full estimates. The key projects that we are funding had charts made up with specifics and have been presented at the workshops. Ms. Gustafson said that full justifications need to be made as staff proceeds with each project. She said that she feels that three years is good but it is totally a Board decision.

Director Reinkens said that he feels that five years is the way to go for the rate transition plan because a Prop. 218 election is costly and it could always be done after three years on the five-year plan if it was felt needed. He said that the five-year plan would save a lot of staff time if it was tracked well. Mr. Koorn noted that if we did the five-year plan on the Prop. 218 and decided to do something less during that time, we would just need to send out notification, not do another vote. Director Wilkins said that he feels that the five-year plan is the way to go because years 4 and 5 have the smallest rate increase. Director Treabess said that he believes that we should do the five-year plan but check on it regularly to see if it needs to be adjusted. Director Henrikson said that he believes the proposed plan is "obscene" and he doesn't agree with it at all. He also said that he is "bent out of shape" with the way the whole thing is coming down.

Logan Carnell said that it is very important to get the word out on this and the District should use the paper to advertise it. President Atchley said that the District would use every means to get the word out.

Virginia Graham questioned if the District is able to handle a fire. Ms. Gustafson responded that the District is prepared to handle structural fires within our own system but not a forest fire. Ms. Graham then asked if the District is billing their suppliers. Ms. Gustafson said that we do bill our suppliers and the Board gave direction to bill our own park facilities next year. Ms. Graham added that, according to the paper, 10-39% of people nationwide are defaulting on their utility bills. Ms. Gustafson said that is possible, but our area tends to do better than other areas because we have so many second homes. Mr. Dykstra added that we are able to put a lien on people's property tax bills if they don't make their payments.

Mrs. Draeger said that she is concerned about the word getting out to second homeowners. She and her husband also said that the bill needs to have easy to read, useful data in it.

Director Wilkins said that he is comfortable with the five-year plan and the tier structures that have been proposed. Director Reinkens agreed and added that we need a technical plan at least once a year to give a status report to the community. Director Wilkins added that we need to draw a hard line distinction between the O&M component of our rates and capital replacement component to make sure that capital replacement either

goes into the projects or goes into a reserve fund to be used for construction projects. Ms. Gustafson recommended that we have defined reserves for sewer capital as well as water capital based on the rate increases.

The Board had a discussion on the time and date for the next Board meeting since Mr. Dykstra won't be available until November 21st and he needs to be in attendance. It was decided to have the meeting at 8:00 a.m. on Monday, November 24th. The Board took a five-minute break.

J. GENERAL

16. Board Follow-up

Ms. Gustafson reported the following items for follow-up:

- *Staff will change the Audit Committee responsibilities as noted in the motion. The Committee will also be added to the report section.*
- *Staff will add compensation into the budget for the outside person on the Audit Committee.*
- *Staff will continue to press for room on the highway alignment for a bike lane of some sort in Homewood.*
- *Shawn Koorn will provide rates for operations and maintenance vs. capital for the commercial structure as he did for residential.*
- *Staff will look at doing annual reports to the community on the results of the rate increases and how the monies are being used.*
- *Staff will review the chart in this section of the packet for lagging items: workshop on Homewood Bike Trail, lease negotiations with North Tahoe Arts, the Vehicle Use Policy, fire sprinkler meter issues, etc.*

17. General Correspondence

Director Atchley asked if anyone had responded to the letter from Elnora Evans. Mr. Harry said that he is in the process of responding.

K. DIRECTOR'S FORUM

18. Director's Comments

Director Reinkens reported that the first ever Safety Committee meeting took place on the 21st and a bunch of work was done. He and Director Wilkins said that the District did a great job on the KWA Safety Audit and there were only 20 items on the list. Director Reinkens added that the audits are done every two years.

Director Treabess said that they have agreed on most of the General Manager's contract and will finish it soon.

Director Wilkins said that the Sewer and Water Committee meeting was held last week and two of the items were pulled to next month because Director Henrikson left the meeting. There was a discussion of why Director Henrikson left and the effect of his actions.

L. MEETING REVIEW AND STAFF DIRECTION

19. Meeting Review

This item was handled under item #17.

M. CLOSED SESSION

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

20. 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
21. Significant Exposure to Litigation Pursuant to Subdivision (b) of Government Code Section 54956.9: Three potential cases

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

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

Negotiating Party: Rick Dewante

**PUBLIC EMPLOYEE APPOINTMENT/EMPLOYMENT/PERFORMANCE
EVALUATION/COMPENSATION – GOVERNMENT CODE SECTION 54957**

23. General Manager

N. CLOSED SESSION REPORT

Ms. Gustafson reported out of closed session that no action was taken.

O. GENERAL

24. General Manager Contract and Compensation

This item was not ready for discussion.

P. ADJOURNMENT

The meeting was adjourned at 10:45 p.m.

Catherine K. Atchley, President

Ginger Charlton, District Clerk

Prepared by Ginger Charlton