

SPECIAL BOARD MEETING
APPROVED MINUTES

November 24, 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
Tony Laliotis, Director of Utilities
Bob Bolton, Director of Parks and Recreation
Matt Homolka, District Engineer
Mike Sexton, Legal Counsel
Ginger Charlton, District Clerk

A. CALL TO ORDER – PLEDGE OF ALLEGIANCE

President Atchley called the meeting to order at 8:05 a.m. Mr. Homolka led the audience in the Pledge.

B. AGENDA AMENDMENTS AND APPROVAL

1. Agenda Deletions, Changes and Audience Requests
2. Additions to Agenda
3. Approval of Agenda

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

C. PUBLIC FORUM

Paul Vatistas said that he would like the Board to give direction to the General Manager and the Parks and Recreation folks to drop the tax revenues to \$1.5 million instead of \$2 million in 2010 to fund the infrastructure. Also, the District should think about going to a non-union shop in 2010. Lastly, he thanked Kelly Atchley for her service to the community. Rob Westin said that people are wondering why Parks and Recreation is a responsibility of TCPUD. He said that in 1979 it was mandated and, since we are so small that we don't have a City Council or a small government, we have a need for TCPUD to handle recreation. He feels that people come here because of the wonderful recreation and TCPUD has helped make it so good. Director Treabess noted that TCPUD took on Parks and Recreation in the mid-50's.

E. EMPLOYEE RECOGNITION

6. Kevin Cose – 3 Year Service Recognition

Mr. Bolton noted that Mr. Cose couldn't be in attendance at this meeting. This item will come back to the Board in December.

F. PROJECTS

All items covered under consent calendar.

G. SEWER & WATER UTILITIES

All items covered under consent calendar.

H. PARKS AND RECREATION

All items covered under consent calendar.

Mr. Sexton asked to make a statement before the next item. He reminded the Board that at a meeting in July some people suggested that Ms. Gustafson had a conflict of interest after she married Wally Auerbach of Auerbach Engineering. At that meeting, the Board directed him to request an opinion from the Fair Political Practices Commission. The opinion came back clean with no conflict in the way things are handled in the District. He said that in an abundance of caution, he also requested a parallel opinion from the Office of the Attorney General on an issue related to Government Code Section 1090, a provision that prohibits Board members from entering into a contract with the agency they serve. He said that they have seen some opinions come out that suggested that that prohibition extends to senior management staff also. He received a phone call from their office advising him that there is no conflict with respect to this Code 1090.

Director Henrikson said that he understands why the District was given a clean opinion on this issue. He added that the way it was written doesn't really reflect reality because this is a small office in a small town and people treat Ms. Gustafson differently as the General Manager just because that's who she is. He believes that when there is a meeting to choose a consultant and two staff members are on the committee, it's too much to ask for them to have their recommendation not be affected by her status. He said that since the opinions came in clean, he'll just let his concerns go. Director Treabess disagreed with the statement and said that two Board members are in charge of the Committee and make the recommendation. He added that if Director Henrikson felt that the wording that was sent out for opinion was incorrect, he should have brought it forward before it was sent.

I. CONSENT CALENDAR

Motion to approve: Treabess/Wilkins/5-0

7. Minutes

- Sewer and Water Committee – October 16, 2008
- Safety Committee – October 21, 2008
- Finance Committee – October 23, 2008
- Special Board Meeting – October 23, 2008

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. Blackwood Creek Pump Station Flood Protection Project
 - d. Pay Estimate No. 3
 - e. Notice of Acceptance of Completion

J. RESOLUTIONS/ORDINANCES

11. Commending and Thanking Laurie Swanson for her Devoted Service to Tahoe City Public Utility District

President Atchley read the resolution to the audience and added that Laurie had a lot of history with the District and had an impact with many people.

Motion to Approve Resolution #08-26: Henrikson/Wilkins/5-0 by roll call vote

12. In Recognition of Kelly Atchley for Eight Years of Outstanding Service to the District as a Member of the Board of Directors

Director Henrikson thanked Director Atchley and read the resolution to the audience. Director Wilkins added that the word that summarizes her service to the District is "devoted". Ms. Gustafson said that during the Washoe Fire Director Atchley was at the sheriff's department as a volunteer helping every emergency service in the area and that that is just one little sample of who she is and what she's done for the community. Director Treabess said that she has been a very integral part of the Board and they will always remember what she has done for the Board and the community.

Motion to Approve Resolution #08-27: Henrikson/Reinkens/4-0-1 by roll call vote with Director Atchley abstaining

13. Declaring Certain Items of Personal Property and Equipment Surplus and Authorizing Disposition by Sale

Tony Laliotis explained that the person who purchases the generator needs to have a Nevada address.

Motion to Approve Resolution #08-28: Treabess/Reinkens/5-0 by roll call vote

Director Atchley explained that due to the time, the timed items would be handled next and would be combined. She asked that the audience allow the presentation to be done first and then questions would be entertained afterwards.

D. FINANCIAL

4. Water and Sewer Rate-Setting Workshop
5. 2009 Budget

President Atchley explained what would happen at the workshop and requested that questions from the audience be held until the conclusion of the presentation.

Ms. Gustafson thanked the public for attending the meeting. She noted that the District has received numerous letters and e-mails from the public and will try to address all of their concerns in this presentation. She said that she hoped that at the conclusion of the presentation the audience is proud of the District and knows that we do take this very seriously and we are protecting their assets. She explained that staff's recommendations are based on what staff feels is best. The Board then decides what to do and directs staff. She explained that at Tuesday's workshop the Board asked to see some changes made and they are incorporated in this presentation.

Ms. Gustafson went over the list of public concerns that the District has received during the rate study and answered each of them. She reviewed the list of 2009 District priorities and elaborated on each one. Director Wilkins explained what happened in the past with property taxes from locals that don't receive water from TCPUD and how that is changing in this budget to make it equitable for the private water customers. Ms. Gustafson reviewed the operating budget and emphasized that the rate increases that we are asking for are equal to what we need in capital and are not relative to our operations and maintenance budget.

Mr. Dykstra reviewed the 2009 Budget Presentation and explained the numbers. Ms. Gustafson went over the 2009 Budget as Amended and explained the reductions. Mr. Homolka reviewed the Water and Sewer Capital Asset Value and Condition section and explained the information. He then reviewed the 5-Year Water CIP Budget and the 2009 Prioritized Water and Sewer Capital charts.

Shawn Koorn, HDR Engineering, went over the Rate Study Overview and explained how the rates will be calculated over the next five years. Ms. Gustafson summarized the presentation and explained why the District didn't raise the rates ten years ago to begin saving for infrastructure replacement costs. Director Wilkins asked if the rate design was softened for Year 1 and spread more evenly over the five-year period, would that allow the District to pursue the same list of capital projects? Mr. Koorn said that the list of projects that would be done would be decreased.

During public participation, Joanne Russell said that public participation should have been at 8:30 because her group needed to leave and they didn't get to voice their opinions. Virginia Graham said that staff needs to make much bigger cuts instead of raising the rates so much for the community. Jay Russell said that he hopes that the Board selects the alternate percentage increase for sewer and water due to the current economy. He thanked staff for the excellent presentation. Mike Hawkins said that the District should have seasonal employees to help save money. The Board responded that we do. Judy Simmons recommended postponing the approval of the rates so that more cuts could be

explored. Michael Ramicone said that personnel in water and sewer have to have experience and certifications and need to be full time. Regarding the rates, he said that all of the communities that he deals with have higher rates and he feels this rate schedule is generous.

Dennis Schlump said that due to the economy, the inflation rate is going to go nuts. He worried that we are going to have to raise rates again in six months. Trevor Patterson said that this rate schedule hurts people that are trying to conserve because his water consumption is very low but he still has to pay the higher base rate. Ms. Gustafson said that the Board is looking at rebates for low-flow and conservation items. Gerald Rockwell said that we need Parks and Recreation for a good quality of life. Richard Van Flossen said that if a leak occurred, it could be catastrophic before someone figured it out. Sue Rae Irelan said that the District has done a great job on letting the public know that the increase is coming and why. She has been comparing what she pays for water with her family and friends and she feels that our community has gotten off very cheap for a long time. She said that bringing the District into compliance with current standards costs money. She said that she supports slowing the increases down a little bit but understands the need to raise the rates. She also supports recreation and feels it is the heart of the community.

Jan Brisco commended staff for the tremendous amount of work that they put into the study. She said that she had difficulty getting the backup information she needed before the meeting. She doesn't feel that the District is allocating property taxes appropriately and feels that Parks and Recreation money could be used for the capital improvements. She said that the District should tighten their belts and save money anywhere it can. She said that the District needs a contingency plan, also. She also voiced her concern about public funds being spent to purchase Lake Forest Water Company. Lolly Kupec said that Parks and Recreation is the life blood of this community. Tourists come here for the programs we provide and they won't come if we don't offer these two services. Eric DeLoria said that he feels that recreation is very important for our children and visitors. Terry Dyer said that the commercial rates are too high and our economy is in a crisis situation. He asked that the Board do an emergency reevaluation because "life as usual" doesn't pertain right now.

The Board discussed softening the early years on the schedules. Director Wilkins cautioned that if the early years were softened and then things weren't picked up in the later years, our capital program wouldn't be funded. He said that his three basic principles are: 1) that the level of Parks and Recreation maintenance and programming should be maintained at the current level; 2) people on the West Shore shouldn't be subsidizing the water system on the North Shore; and, 3) we need to keep reinvesting in our capital infrastructure. He said that if we don't, we'll leave the next generation in a world of hurt. He said that he believes that the first rate structure that the Board presented was appropriate but he could support the alternate schedule if the Board desired. He felt that we should stick with a five-year plan.

Director Treabess said that he feels we need to soften the up-front piece. He said that he would feel more comfortable with a three-year plan and then reevaluate in case things change.

Director Henrikson said that he feels that the inflation rate is going to be unanticipated and 35% isn't fair to the public. He also doesn't support a five-year plan but would support one year at a time. He said he probably won't vote for this budget because he is

worried about the ghost town effect. He would support 17% for this year and see where we are next year.

Director Reinkens said that he supports the alternative schedule. He pointed out that this is the maximum that it could be and it could always be lowered. He added that we need to spend money up front to get planning and engineering done to be ready to apply when a grant comes up. He also pointed out that if we don't maintain our water and sewer systems, our housing values will fall.

Ms. Gustafson thanked everyone in attendance and said that staff listened to all of the audience comments about saving money and we will do it. Director Henrikson added that he would like a system set up for hardship cases and that the Sierra Pacific Power criteria be looked at for our District. He added that staff worked hard and did a great job on this item and his no vote in no way takes away from staff's efforts.

Motion to adopt the alternative rate structure for both water and sewer for five years. At the end of three years, a detailed review of how we are doing will take place. If an upward adjustment is needed, the District can do another Prop. 218: Reinkens/Wilkins/4-1 with Director Henrikson voting no

Ms. Gustafson said that the budget will have to be rolled up due to what was voted on today with rates because the revenue stream was projected on the other chart. A discussion was held on the Fairway Community Center closing and Rideout being used for most events. Mr. Homolka pointed out that, with the changes made in the rates, everything on the "should do" lists will be knocked off. Mr. Bolton said that after Tuesday's meeting staff was given direction to cut \$45 thousand from the recreation budget and it was already lean. That could have an impact on their programs.

Motion to approve the budget reflecting the alternate rate structure, which will result in a reduction in capital spending which will be implemented based on the priority list: Treabess/Wilkins/4-1 with Director Henrikson voting no

The Board adjourned the meeting at 12:05 p.m.

President Atchley called the meeting back to order at 1:20 p.m.

K. GENERAL

14. Election of 2009 Board Officers

- a. President
- b. Vice President

Director Treabess said that he feels that the Board should vote for officers today but have it take effect in December since President Atchley is leaving. He voiced his concern that the Board had so much going on last year that they didn't have as much of an opportunity to work together as is needed. He said that he is comfortable with Director Henrikson leading the Board and keeping them moving to get things done. Director Henrikson thanked Director Treabess and Director Wilkins and said that the Board's decisions are the Board's decision and he assured them that he would not be disruptive. President Atchley said that the Board has had some real challenges this year and hasn't been very communicative. She said that differences of opinion are o.k., but the reasoning behind the different opinion needs to be stated.

Motion to elect Erik Henrikson as President for 2009 and Dan Wilkins as Vice President: Treabess/Atchley/5-0

15. Reports

Mr. Dykstra reported that Bob McClintock has agreed to be a consultant on the Audit Committee. He will be paid his hourly rate to participate.

Mr. Laliotis reported that he received the annual inspection report for the Tahoe City main system from Departmental Services and there were no deficiencies. He said that the leak indicator rate has dropped to the lowest since its inception. That shows that our communication with the public is working. He reported that we have been approached by SBA, a cell phone antenna tower construction company. They are interested in a property that we own on the end of Grouse Drive in Chamberlands. They want to enter into an agreement with us to build a tower there. They are working on the agreement with our legal counsel.

Director Treabess said that the Board gave direction to staff to find funds for Lake Forest. He had the opportunity to arrange a meeting with a couple of Placer County Board Supervisors to discuss redevelopment funds.

Mr. Harry went to NTRAC and asked for Placer County Park Dedication Fees for the extension of the water service down to the Lake Forest Beach Park fire hydrant and drinking fountain. They endorsed it with a 3-2 vote. Now they are waiting on the Placer County Parks Commission to see if they will have a December meeting.

Ms. Gustafson said that representatives from North Tahoe Fire will attend our December meeting. They are moving forward with their building project. There is going to be a meeting after Thanksgiving with all involved parties to begin discussing snow storage areas. She also reported that we started on our fuels reduction plan in the Chambers/Foothill property. The first part focused on the Olympic Trails area. Some property owners thought that we were building a road for Homewood Mountain there and called with concerns over the weekend. Director Reinkens asked Ms. Gustafson to get a note to the Homeowner's Association so that they can distribute the information.

Ms. Gustafson reported that and Tony Laliotis are going to the ACWA conference next week to try to get proactive in looking for funds and staying current with issues.

Mr. Bolton said that there will be a monthly page in the Sierra Sun advertizing what's going on in Parks and Recreation. They are doing it as a community service and won't charge us.

16. Board Follow-up

Ms. Gustafson reported the following said that she put "Water System Acquisition Policy – agendize for fall" on the chart in the packet twice and it's not completed yet because other issues have kept staff busy.

Director Wilkins asked to get the Project Committee back together in January to finalize the Consultant Selection Policy.

17. General Correspondence

Ms. Gustafson asked the full Board about responding to the many e-mails and faxes that the Board has received. The Board said that since the Sierra Sun has been attending the meetings their article may self-correct the issue on educating the public.

L. DIRECTOR'S FORUM

18. Director's Comments

Director Reinkens said that the District will have to tighten our reviews for next year and he would like staff to use the building-block approach.

Director Treabess said that the public thought that staff did a fine job with the effort put forth into the budget process and he thanked everyone.

Director Wilkins and Director Henrikson said that staff did a commendable job in advertising this meeting to the public and in getting the Board the information that they needed for the meeting.

President Atchley said that she has never seen everyone so responsive to change and she wished all agencies were like that. She said that, for the record, she disagreed with Mr. Hawkins comments that it's an us against them when speaking about visitors, locals, and second homeowners. She said that we're all in it together and we need everybody's dollars to keep going.

M. MEETING REVIEW AND STAFF DIRECTION

19. Ms. Gustafson reported that following:

- *Go back and look at programs for fixed income folks.*
- *Call a meeting together regarding the Fairway Community Center issue.*
- *Bring back the items that are falling off the capital list based on the revenues as we develop funding plans for them.*
- *Projects Committee needs to get back together regarding consultant selection.*

N. 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

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.

PUBLIC EMPLOYEE APPOINTMENT/EMPLOYMENT/PERFORMANCE EVALUATION/COMPENSATION – Government Code Section 54957

23. General Manager

O. CLOSED SESSION REPORT

Mr. Sexton reported that he briefed the Board on the closed session items and no action was taken.

P. GENERAL

24. Employment Agreement with General Manager

Director Reinkens asked that a copy of the contract be provided to Board members when ready.

Motion to approve the contract as changed: Reinkens/Wilkins/5-0

25. Compensation of General Manager for the Year 2008

Motion to make the contract retroactive to March 9th as described in the newly revised contract: Reinkens/Wilkins/5-0

Q. ADJOURNMENT

The meeting was adjourned at 3:15 p.m.

Erik Henrikson, President

Ginger Charlton, District Clerk

Prepared by Ginger Charlton