

Squaw Valley Mutual Water Company

Board of Director's Meeting January 4, 2011

Minutes

Present: David Salinger, David Mercer, Steve Burke (left at 5:45pm), Margot Garcia, Alisa Adriani (arrived at 4:25 pm), Ken Bossung (joined by phone 4:40 pm)

Not Present: Lynn Suter, Ken Bossung

Contracted Staff Present: Anne-Marie Giese, John Collins, Steve Brigman

Members and Guests: Dale Cox, Patti Guilford, Cecile Weaver, Leon Futran, Carl Gustafson

1. Margot Garcia called the meeting to order at 3:10 in the community room at the old firehouse. Alisa did not join us until later, so there was not a quorum. We decided to hear reports and defer any votes until she arrived.

7. John Collins, Operations Manager, made his report. SVMWC is meeting all state and federal standards for clean water. Water use was high in October, probably due to the pump tests, though both well #1 and well #2 were off line in November. He passed around the report from Interflow on the well rehabilitation. The pictures of the well casings before and after scrubbing showed that the well cleaned up very well. There is no need to rebuild the wells. However, they should be flushed and cleaned every 3 to 5 years. There is also about a 5% increase in pumping capacity from the cleaning. Steve will forward the Hydroflow report to the board. John reported that the Mutual has received back its deposit with Ski Corp on use of the easement and surrounding land during the well cleaning. He has not yet gotten the deposit back from Poulsen Commercial. The rent they requested had to be forwarded to Ski Corp because one can't rent the same land to two different people.

John reported that the sanitary dive to check on the John Chisholm water tank before the expiration of the one-year warranty could not occur due to a blizzard. RDC has said it would honor the guarantee if there were a problem found from a later inspection.

The water shut off at 1724 Christy was because the contractor for the tear-down, which shares a service box with 1724, turned off both services when he meant to just turn off his. There is a leak today at 1070 Wayne.

When the power went out on December 19, the generator started up, but would go off when a pump came on. However, both water tanks were at 18 ½ feet with the upper tank overflowing into John Chisholm tank. Nevada Energy has promised to deliver, within 24 hours, a back-up generator if we should need it. So John decided to go with that approach rather than purchase or rent a new generator at this time.

Dale Cox expressed concern about the liability due to no generator. He also asked about getting the snow dug out around the fire hydrants. John explained the person who did it last year had car trouble so it hasn't gotten done yet, but he will see to it right away.

The meeting was called to order at 3:40 when a quorum was present.

2. The call to the audience for anything not on the agenda brought forth no speakers.
3. The agenda was adopted as circulated.

A motion was made by Steve Burke and seconded by David Salinger to accept the agenda as presented and all reports found in the packet. Motion passed 4 ayes, 0 nos.

4. There were no minutes from the last meeting.
 5. Margot went over the President's report. She noted that Squaw Valley Public Service District (PSD) notified us that they have applied to be the official groundwater elevation monitoring entity for the Olympic Groundwater Aquifer. Squaw Valley has received 193% of average snow water equivalent and 169% of year-to-date precipitation average according to NRCS and national water and climate center. Margot also noted that PSD had opened the bids for construction costs for replacing the pump house for their Well #2. The bid came in \$50,000 below the engineer's estimate.
 6. The report from the Treasurer was accepted.
 7. The report from the Operation's Manager was accepted.
 8. Anne-Marie Giese was notified that the interest rate for the USDA loan has risen to 4.25% per year from 4.0% per year. At one time it was at 3.75%. USDA still has not received its funding for the fiscal year. Hopefully SVMWC will get a Letter of Conditions in March or April. John Collins has redone the financial analysis to handle the new interest rate. We are in a holding pattern.
 9. Ken Bossung joined the meeting on speaker phone so that he could hear Steve Brigman give his analysis of putting the replacement water main in the street-right-of-way compared to using the existing easement in the back lot lines. The financial and decision matrices are attached. Steve pointed out that the analysis included looking at each property affected by the new main in the street and an estimate was made as to the cost of the new house lateral using figures provided by the two contractors who came to Squaw Valley and walked the project with him (one trenching, the other directional drilling). These contractors have worked in the Lake Tahoe area and so are familiar with the terrain and problems that can surface. The trenching contractor said that using the existing easement for the new water main would be tough and was ripe for change orders. The new design that Steve presented if we are to use back lot lines, has minimized need for new easements for fire hydrants, used drainage and other utility easements where possible.
- Dale Cox said he had talked to Peter Kraatz, Deputy Director of the Department of Public Works for Placer County and he said he had no knowledge of what the Mutual is proposing. Steve reiterated that he had emailed the Placer County Department of Public

Works, North Lake Tahoe Office to find out about using the right-of-way. John Collins attended the stakeholder meeting held by Public Works and had mentioned that we were doing this project. Steve will give the county an update on what we are doing.

Dale Cox disputed the costs for the lateral installations, saying they were too low. Steve pointed out that these were based on what contractors, who do this kind of work for a living, had told him.

Patty Guilford said she had two issues; She thinks the expenditure of this kind of money is a big deal and needs a unanimous decision by the members, and two, that the engineering fees being charged by Shaw Engineering are outrageous.

Steve pointed out that the USDA reviews all costs, including engineering and architectural fees, as part of the application process. They had no issue with the fees.

Steve recapped that the new design for using existing easements reduces the impact and cost of new easements. He has identified the spots for the service boxes with meters and used that to refine the calculations for the costs in putting the mains in the street.

Dale Cox stated he agreed that the water main on the uphill side of eastern Sandy Way need to be replaced and put in the street. He said the existing system was a total mess and a nightmare. He allowed that homeowners had knowingly built and landscaped over easements. But he thought that should not enter into the decision. People had chosen to infringe on the easements and now had to pay the consequences.

Steve pointed out that he had included \$1000 per lot for revegetation and repair of landscaping and that this was very modest. It is also difficult to work within only a 10-foot easement so there will be damage outside the easement.

Dale Cox and Patty Guildford proceeded to comment on aspects of the cost analysis table that Steve presented.

- Cost of service boxes too high
- Tree removal cost OK
- Landscape repairs cost too high
- Drainage repair costs OK

Dale stated he wanted the project to move forward, he was just concerned about the costs and the member's opposition. He is concerned that there will be litigation and that will add more costs that the company has to bear. He thinks people's rights are being infringed on; the easement has worked for 55 years, why change. The new automatic read meters (ARM) can send signals for 1000 feet, so don't need to move into the street to use them.

Alisa reported she had talked to Rick Lierman, General Manager of PSD and he said that putting the infrastructure in the street is best for the company. That is the standard for today's water utilities. Rick told of when he had been the General Manager for Rubicon Bay Water Company and one of his jobs was to go door to door and tell people they had to move their laterals. They were not given a choice, just told they had to do it. And, they did.

Steve Burke said that the Mutual was handling this issue with professional corporate diligence by getting financial analysis and hearing and vetting concerns. There is a greater risk legally in tearing up back yards and the 117 affected properties might not be satisfied with the repairs.

Steve Brigman said that Lake Forest Water Company was going through this same problem. There is the problem of a temporary connection to each house. It is a cleaner project putting the main in the street and there are fewer possibilities for change orders. Cecile Weaver spoke up that there had been enough talk and it was time to go forward with the project now.

Patti Guilford wanted what is best for the public and her concern is redundancy, replacing parts of the system that don't need replacing.

10. The board discussed the idea of sending a letter to all its members with a postcard for a straw poll. They decided rather to send out a letter to the members with the new analysis and also invite them to the next meeting. The letter should go out as soon as possible, by both postal and email, at least one month in advance of the meeting. The board wants to see drafts of the letter and it will be included with the billing that is going out by the 15th of January. The letter will also be sent out by email to all those for whom SVMWC has email addresses. All board members will sign the letter. It will stick with the facts and will state clearly what the costs to the individual will be.

The next steps for Shaw Engineering are to finish pipeline design and construction documents. The project should go to bid in the spring with construction to begin in mid summer. The bid package could contain options that include the opportunity for homeowners to put in the new lateral lines at the same time as the construction of the new water main. This option, to be paid for by the homeowner, should be cost effective since the trenching machines and workers are on-site.

A suggestion was made to develop some incentives for the homeowner to connect sooner rather than later. To help with the cost of the laterals the idea was that an assessment would be collected of maybe \$700 per house. If a homeowner put the lateral in during the first year, the cost, up to \$1,000, could be applied as credit on the member's water bill. If the member did it the second year, the credit would be less, and nothing in the third year. After some discussion, it seemed problematic to set up the incentive in a way that was equitable, so the idea was dropped.

The board went over the decision matrix provided by Shaw Engineering. Looking at the criteria it was noted that it is nominally less costly going into the street. The current industry standard is to put utilities in the street rights-of-way. It is beneficial in the long run. The cost to run the company in the long run would be higher if we stayed in the back-lot line easements.

11. Anne-Marie pointed out that without a bridge loan, SVMWC have insufficient funds to continue to make progress on the project. Plumas Bank has agreed to increase our current line of credit from \$150,000 to \$300,000 and change the due date to October 15. If we don't get the USDA loan, it can be turned into a 5 year fixed note at 6.5% interest. The advantage to the bridge loan is to keep moving, and get construction underway before costs rise. The most costly design element, the well house, is yet to be done.

Motion: To accept the conditions offered by Plumas Bank for a \$300,000 line-of-credit, due October 15 with option to turn into a 5 year fixed note at 6.5% interest. Alisa made the motion, David Mercer seconded it. It passed unanimously.

12. Anne-Marie stated that the company needs to fund depreciation. The Mutual will have to do this under the USDA loan requirements and might as well start now. The idea is to put the amount of money each year that is taken as depreciation into a money market account at Plumas Bank. This money would be used to fund capital improvements in the future.

Motion: The SVMWC is to open an interest bearing account and on a semi-annual basis, place in it the amount of money that is shown in the budget for depreciation. David Mercer made the motion; Ken Bossung (by telephone) seconded it. The motion passed unanimously.

The next meeting was set for 4:00 pm on February 19 at the community room at the Public Service District building. The agenda will focus on making the final decision on design of the water main replacement project and the length of time that the members will have to connect to the new water main if the decision is to move it to the street right of way. Margot will bring a timer and speaker time will be limited.

The meeting adjourned at 6:00 pm.
Respectfully submitted,
Margot Garcia, acting secretary.