

# SQUAW VALLEY MUTUAL WATER COMPANY

## BOARD OF DIRECTORS

### MINUTES

Meeting of Sunday, May 29, 2011

**Directors present:** Adriani, Bossung, Burke, Garcia, Mercer and Suter.

**Directors Absent:** Salinger.

**Staff:** Anne-Marie & Cory Giese, Steve Brigman, John Collins

**Members and Guests Present:** Leon Futran, Chuck Schaller, Cecile Weaver, Harold Weaver, JD & Athena Garcia, Carl Gustafson, Dave Brew, Sally Brew, Greg Parker, Tuck & Bev Wilson, Gretchen & Ed Thomas, Roger & Stephanie Pierucci, Judie & David Stepner, Andee Leisy, Tim Mattheis, Joan Klaussen, Charlie & Mary Jones, Ken Fielding

1. **Call to Order:** The meeting of the Board of Directors was called to order at 4:04 p.m. by President Garcia.
2. **Roll Call and Establishment of Quorum:** A quorum was established.
3. **Call to Audience for topics not on the Agenda:**
  - Member Stephanie Pierucci asked about chlorine in the water, stating her water is the same as the last time she brought up the subject in a prior meeting. Director Adriani replied that SVMWC water is still being chlorinated due to the Manager's advice. John Collins stated that chlorination is a common water treatment practice. The Horizontal Well is not chlorinated and provides most of the water to the system in the winter, so there is less chlorine in the system than during the summer. He is running the chlorine as low as he believes appropriate at ½ part per million, leaving 7/10 ppm at the end of the system. As the system is not automated, he adjusts the chlorine manually, so there may be some variation.
  - Member Leon Futran of Lanny Lane, stated that his lot is not one in which the pipe must be replaced, but he would like to do so anyway. In response to this inquiry, Steve Brigman of Shaw Engineering discussed the option of trenchless drilling as a possibility.
4. **Approval of Agenda:** There were no further additions to the Agenda. *Upon motion duly made, seconded, and passed unanimously, the Agenda was approved.*

5. **Approval of the Minutes of April 9, 2011:** The minutes of the meeting of April 9, 2011 were moved, seconded, and unanimously approved.
6. **President's Report:** President Margot Garcia reported *that one electronic vote had been taken and passed since the last meeting to accept the terms for renewal and increase in the Line of Credit offered by Plumas Bank.* She reported that she signed the contract for the Line of Credit, including the terms for the renewal and increase, as well as reduction in loan origination fee. The line of credit is now in force. President Garcia also reported on meetings with Brad Lyle and Craig Poulsen regarding the land surrounding SVMWC's Well #1 and pump house. KSL purchased SV Ski Corp and additional land, including "the triangle." President Garcia will have further discussions with KSL. She reported on the status of the USDA loan, which is nearing completion with a letter of conditions expected in time to go to bid in the next month or so. She delayed discussion of the lateral line issue until later in the meeting.
7. **Treasurer's Report:** Treasurer Adriani provided her report, as included in the meeting packet, noting that SVMWC's only current debt is \$38,000 to Plumas Bank for a long-term note that will be paid off in October. Following that payment the Mutual will have no debt but very few reserves, which is the purpose of renewing the line of credit.
8. **Operation Manager's Report:** Manager John Collins presented his report as included in the meeting packet, noting that the Mutual's water quality is meeting all state and federal standards, with no positive test results for contaminants. He commented on the chlorination issue, noting that at the request of the State Department of Public Health we test our wells quarterly before chlorinating to determine if there is a possibility of contamination. The Mutual uses ground water with the potential for coliform, a possibility because the water table is very close to the surface. He discussed other tests in response to Member questions. He noted an increase in water use that is most likely attributable to leaks. He investigated three leaks in the past 2 weeks, and is still looking for their specific locations. There was a discussion of a specific leak at 1705 Paiute, property owned by Director Suter. She did not participate in the discussion. There was further discussion between Members, the Board, and Steve Brigman on the operation and costs involved with installation of 2 water meters on Paiute Place, the other one to 1700 Paiute Place owned by Director Garcia. Mr. Collins is to provide estimates to the Board after inquiries and comments by Directors Adriani and Burke.
9. **Office Manager's Report:** Anne Marie Giese provided the Office Manager's Report as noted in the meeting packet. She noted that the second half of the 2010-11 assessment is 99% collected, with only three lots outstanding. She sent 30-day notices on April 20 to unpaid customers, and two services were disconnected on May 20.

**10. Contracts for Next Year:**

***Motion: Approval of the new contract for Office Management with Giese Accounting & Tax at the same rate as last year was moved, seconded, and unanimously passed.***

**Motion:** *Approval of a new contract with Collins Engineering and Consulting Ltd. for Operations Management was moved, seconded and unanimously passed.*

11. **Update on Capital Improvements:** Steve Brigman of Shaw Engineering reported that construction documents are complete for the Phase 2 project, and bid documents are ready to go within a few days. He brought sets of plans in the event any Members wished to look at them. They will be submitted next week to Placer County and California Dept. of Public Health for review.

We will need a letter of conditions from USDA in order to proceed with construction; those conditions are likely to be financial and not technical in nature. Construction work is divided into two construction packages: (1) pipelines and meters and (2) well house rehabilitation. The well rehab project was on the back burner at the last meeting, but Mr. Brigman has since learned we may have to move more quickly on them. USDA may ask for completion of all construction drawings prior to approving the loan. They are different types of work and require different contracts.

Mr. Brigman expects to start on the water lines this summer. Plans are complete, but still need quality reviews and field checks, as well as the letter of conditions from USDA. The plans are drawn with no service laterals, and do not address anything beyond the meter box other than reconnects. He has evaluated a couple of different meter reading systems – meter, transmitter, remote reader and billing software. He is still looking at budget numbers and is on course to make a recommendation on a modest system that will read meters electronically on a slow drive-by. He has asked for quotes from two vendors, but the real price will be what is received in the bid package. There was discussion about details of electronic meter reading, and what is included in the documents. Director Mercer questioned whether some alternatives could be included in the bid project. Director Bossung agreed and asked about compatibility of alternatives with conditions of the USDA loan. Mr. Brigman stated that once the loan is closed, we can consider alternative metering products as long as we don't go beyond the scope and intent of the project. Once we have the letter of commitment from USDA, he will move forward.

Member Andee Leisy asked when the Mutual will have to start servicing the debt. Mrs. Giese replied that payments are due six months after we close the loan. The rates will be increased on July 1, 2011 to cover the expense. Ms. Leisy also questioned the timing of various permits needed to proceed with construction. Mr. Brigman replied that the Mutual received county permits a couple of months ago, and the county has already reviewed all the pertinent issues, and issued a draft encroachment permit. The remaining permits such as storm and ground water permits from Lahonton are the responsibility of the winning bid contractor. Placer County covers issues of dust on the construction site, and there is no air quality permit required. CDPH issues an approval, but not a permit. CDPH's concern is separation between water and sewer lines, which has already been approved. The Contractor is responsible for proposing and maintaining

BMPs, managing storm water, and preventing road run-off from adding sediment to the creek.

Mr. Brigman, Members and Directors discussed directional drilling and trench alternatives, possible cost considerations in bids including increased cost of asphalt and PVC piping. He reported “good news” that we need 500 fewer feet of pipe than originally estimated, and that USDA does not require payment of prevailing wages. Member Carl Gustafson asked why we aren’t installing the same meters as SVPSD. Mr. Brigman stated that this is what he is proposing, but he wants to look at alternatives as contingencies and come back with further information.

- 12. Draft Lateral Policy Discussion:** President Garcia reported a task force meeting to develop a plan to share payments for house lateral connections, held on April 9, 2011. Present at the meeting were President Garcia, Directors Mercer, Burke, and Suter and Member Peter Werbel. The meeting resulted in an agreed-upon concept which President Garcia drafted in memo form and circulated to Board Members for comment, resulting in a number of questions. The memo, included in the Meeting Agenda for discussion, was redrafted and re-circulated among Board Members, Peter Werbel, Steve Brigman, John Collins, Anne-Marie Giese, and Attorney Andy Morris.

President Garcia announced that the task force and Board are seeking a way to spread out costs for 139 parcels that need laterals moved. Some properties are easy, some difficult, and necessitate financing by an assessment on all Mutual Members, not simply those needing new laterals. In addition, there are a lot of old lateral lines that may need replacement, but are not in the section with the new water mains. Therefore, the concept is to open up availability of the assessment fund to all parcels. The concept is that SVMWC will pay for ½ the cost of the new lateral, up to \$1500. The balance is the responsibility of the owner. The working assumption is that \$281,000 will be needed, funded through a \$1,000 per parcel assessment. *The draft cost-sharing proposal is included in the Meeting Packet for this current meeting, including details about how the program would work and proposed procedures to opt into the cost-sharing program.*

Further discussion between Directors and Members ensued regarding common trenching opportunities to lower the per-parcel cost, what utility services can be included in the same trench, the financial obligation of the Mutual and individual Members, and additional assessment costs associated with the program for Members on top of the lateral replacement cost itself. Director Burke suggested giving homeowners the option to bid themselves in the Membership letter to be mailed out. Members asked technical questions of Mr. Brigman such as length of time required for completion of individual sections, when contractors could be expected, sharing laterals between neighbors. Several Members complimented the Board proposal as being creative and fair. Director Burke suggested tabling further discussion on the cost-sharing proposal until better cost estimates are available.

**13. Set Budget, Water Rates, and Dues/Fees:** Anne-Marie Giese explained the proposed budget and billing rates included as *Pages 15 and 16 in the Meeting Packet*. The surcharge for the USDA loan is \$251,793, and the Water Service Charge is \$236,479, for a total of \$488,272 needed through Member assessments. The USDA Surcharge will be the same for each parcel – \$899.26 annually. The percentage increase in annual rates is 50%, with rates broken down by vacant lot, numbers of living units and bathrooms. Treasurer Adriani noted that because the USDA requires a 10% reserve set-aside for ten years, rates can be reduced by 10% once that period is up. Office Manager Giese interjected that rates should remain the same after the 10 year period is up so that depreciation can be fully funded. Treasurer Adriani continued to explain that after the 40-year life of the loan there will be money in reserve that can be drawn upon if there is a major system problem. She explained that technically we should fund depreciation for the life of the loan, and when the depreciation fund reaches \$150,000 we will no longer need the Plumas Bank line of credit. She noted further that SVMWC has never funded depreciation in its history, and in doing so with the substantially higher dues, no further assessments for projects will be necessary. Board and Member discussion followed, with Member Andee Leisy requesting a fiscal analysis of how much such a large project will save in the end. Director Adriani noted that the savings is difficult to quantify, because if we don't proactively replace pipes while they still function substantial additional expenses and assessments will occur to replace them on an ad hoc basis. President Garcia noted that we don't have an exact cost savings estimate, but there is already a significant drop in electrical use associated with the new water tank. The need for the project is based upon the "end of the life of the current system." Member Garcia noted that the rates are equal to the mid-range of PSD rates. Member Weaver mentioned the possibility of an opt-out for vacant lots that will never be built upon. President Garcia explained that the structure at this time will charge vacant lots, but there is a possibility of making rate refinements after meters are installed.

*A motion to accept the rates and the budget as noted on pages 15 and 16 was moved, seconded, and passed unanimously by the Board.*

**14. Nominating Committee:** President Garcia announced that Director Adriani will be retiring after her current term is up in September. She named Directors Bossung, Suter, and herself to the nominating committee, with a goal of receiving all nominations by August 1, 2011.

**15. Further Business:** Member Roger Pierucci stated that he had written a letter to the Board asking that the Phase II project be put to a vote of the entire membership of SVMWC. President Garcia replied that Minutes of past meetings reflect many discussions of this issue, but in the absence of a motion from the Board, the attorney's opinion that the vote isn't required stands.

**16. Next Meeting Date:** The next meeting of the Board is scheduled for July 24 at 3:00 p.m. at the Squaw Valley Public Service District community meeting room.