

SQUAW VALLEY MUTUAL WATER COMPANY
Post Office Box 2276
Olympic Valley, CA 96146
Phone: (530) 583-3674 www.SVMWC.com Fax: (530) 583-1257

Board of Directors Meeting
Saturday, November 19, 2011 - 9:00 a.m.

MINUTES

Call to Order: President John Coyle called the meeting of the Board of Directors to order at 9:11 a.m., Saturday, November 19, 2011.

Roll Call and Establishment of a Quorum: Secretary Lynn Suter called the roll and acknowledged establishment of a quorum.

***Directors Present:** Bossung, Coyle, DeMattei, Guilford, Mattheis, Suter

***Directors Absent:** Garcia

***Members/Guests Present:** John Collins, Steve Brigman, Cory Giese, Mary & Charlie Jones, Carl Gustafson, Brian Sheehan, Loraine & Bert Fulmer, Jon Shanser, Peter Werbel, Mike Geary, Dan Kenney, John Ward, David Mercer

Call to Audience for anything not on the Agenda: Member Peter Werbel asked if the fire hydrants included on the Capital Improvement Project are required by terms of the USDA loan, by new construction or by local ordinance. President Coyle stated his understanding that the 300 foot hydrant placement were not a requirement. Mr. Brigman stated that the requirements are for new subdivisions, but not existing requirements. Director Guilford stated that meters are required only because of the loan, but not required by law until 2025. Mr. Werbel then asked if the cost share on the laterals at 25% owner/75% Mutual was decided by a vote of the Board. President Coyle answered that the cost share percentage was passed by Board motion. The discussion returned to fire hydrants, with Mr. Brigman stating that the fire flow element of the CIP came upon recommendation of the Auerbach Report, but is not a legal requirement and a minimum standard for improvement. President Coyle stated that while "it's not a bad thing" the current state standards are not a requirement, which was stated in the Mutual's reply to questions raised in a letter from Member David Mercer and concurred with by Chief Branson of the fire department. There ensued a discussion between Directors and Members regarding insurance costs, requirements, cancelations, and alternative insurance companies. Mr. Brigman stated that about 90% of the improvement in fire flow comes from correcting the pressure in the upper zone. Added hydrants are about 3% of project costs. President Coyle noted that the project as voted upon by the prior board includes the hydrants, and that is the project before us. Member Dale Cox commented that the overall costs for the hydrants is so minuscule in the project total, and is a benefit to all shareholders who hold interest in millions in real estate, and the project should be done correctly and to the benefit of all shareholders. He also commented upon meters, noting that they are required by the loan, and while saving considerable water, will still benefit some and not others. He sees the Company becoming fractionalized, and wants to simply move ahead with the project, bring the company up to modern standards for the benefit of all shareholders. President Coyle called a halt to the discussion, noting that the project has been voted upon, and the Mutual is moving forward with it. He noted the loan is approved and there has already been a draw for engineering costs.

President Coyle announced a revision to the Agenda to move Mike Geary of the SVPSD forward so he need not stay for the entire meeting.

Approval of Minutes of the meeting of September 24: The minutes of the prior Board Meeting were unanimously approved with no changes.

President's Report: President Coyle noted three electronic motions were passed since the last Board Meeting. (1) approval of the Loan Resolution Security Agreement for a \$4,066,000 loan at 3.75% interest for 40 years--Ayes 6, Noes 1; (2) Approval of a corrected Loan Resolution Security Agreement for a loan of \$3,979,180 at 3.75% interest for 40 years--Ayes 5, Noes 1, Absent 1; (3) Approval of a motion to cancel the Mutual's existing line of credit with Plumas Bank at the earliest practicable time--Ayes 5, Noes 2. The loan amount was reduced by the amount received from Members who paid their entire assessment up-front. The Plumas bank line of credit is cancelled in order to put USDA in first payment position on the loan. He also noted that he and Secretary Suter signed the USDA loan in the amount of \$3,979,180 on October 28, 2011 on behalf of the Mutual.

Treasurer's Report: Treasurer DeMattei provided his report as summarized in the Agenda Packet for the meeting.

Operations Report: John Collins reported that the Mutual's water system compliance is meeting all state and federal standards, as noted in the Water Operations Report included in the Agenda packet. Also included in the report are individual production figures for the three wells, as well as a listing of the services he has performed and the service calls he has made since the last meeting. Director Guilford asked if the owners of shut-off action on 1304 Lanny Lane had been notified prior to the action. They were notified, as well as notification to their Realtor. Mr. Collins noted that he solicited proposals for fire hydrant snow dig-out, and received three responses. "Let it Snow" provided a bid for \$30/hour, Dave Tormey submitted a proposal for \$35.00 per hour, and Goodrich Company provided a bid for \$170/hour, using a back-hoe instead of by hand. He estimated it would still be cheaper to dig out by hand--a difference between \$850 and \$450 to dig out the 26 hydrants. Mr. Collins monitors contractors, and normally waits two days after a storm to allow Placer County road crew to complete plowing. He noted that Dave Tormey has done a good job in the past. A discussion ensued between Directors and Members.

In answer to a question by Director Guilford, Mr. Collins stated that all hydrants are marked, but he wants to be notified if any are knocked down by Placer County snow removal machines or other actions so the markers can be replaced.

Motion: Director Mattheis moved to give to the contract to "Let it Snow" at \$30/hour, or to Dave Tormey if he agrees to meet the \$30/hour price. Secretary Suter seconded the motion and it passed unanimously.

SVPSD Update: Mike Geary of the Squaw Valley Public Service District addressed the Board stating the door is open for any discussion of providing support service to the Mutual - duplication of services, save some money in operating costs. PSD had a strategic Plan Discussion on November 2, which will be published in January. Result of the discussion is that the long term vision for the Valley would be a single water provider. There will be a second

facilitated workshop prior to January. President Coyle asked if the Board was interested in looking into services that could be provided by PSD at a cost savings to the Mutual.

Motion: Director Guilford moved and Secretary Suter seconded a motion that the Board form a subcommittee to review and investigate any duplicated operations, maintenance and administrative services to determine if there are cost savings in consolidating such services with the Public Services District. The motion passed unanimously.

Motion: Director Mattheis moved and Secretary Suter seconded a motion that Directors Guilford and De Mattei be appointed as members of a liaison subcommittee with the PSD to explore consolidating duplicative services and associated costs. The motion passed unanimously.

In response to a Member's question, Cory Giese acknowledged that future water meters would be of the same type and computer program as used by PSD. A discussion ensued detailing electronic meter reading and accounting. Member Dale Cox urged that Directors attend and participate in a second public workshop for a five-year strategic plan for the Valley, which is likely to be held in December, and discussed at PSD meetings on December 20 and in January. When the date is decided, Cory will email those Members with addresses and post the date/time on the Mutual's website.

Member Dan Kenney expressed appreciation to the Squaw Valley fire team for their help with the firestorm in Reno, noting that they saved several houses.

Office Managers' Report: Cory Giese provided the Officer Managers' Report, noting that all but four parcels have paid the first half of the 2011-12 Assessment, and that President Coyle signed the Mutual's Tax Return yesterday. He will be working with Campbell Construction on the best method of posting Capital Improvement Project updates on the Mutual's web site. Director Bossung feels it will be a great way to keep Members apprised of information on the project such as budget, construction progress, and upcoming schedules. Steve Brigman noted that Shaw Engineering provides daily field reports with color-coded maps that could be extended to the Mutual through links on the website.

Motion: Director Bossung moved and Director Mattheis seconded a motion to request Mr. Giese and Mr. Brigman to explore better methods of communication with members regarding project progress and budget details through electronic posting.

Construction Loan Withdrawals: Director Bossung, the Mutual's representative to USDA reported that one withdrawal has been made from the loan fund to pay for engineering, and he has just received another requisition request from Mr. Brigman.

Update of Capital Improvement Project: Mr. Brigman reported that activity has been limited because Placer County's grading ordinance requires that operations shut down for the winter on October 15, meaning no construction work will be done this year. The official Campbell Construction contract commenced on October 8, but all construction work was immediately suspended due to the County's ordinance. Campbell can still perform other work such as purchase of materials before costs escalate, process shop drawings and other kinds of submittals of an administrative nature. Mr. Brigman is expecting an invoice for about \$250,000 in materials, and once procured he will inspect them. In answer to a question from Director Bossung, Mr. Brigman noted that the contract's retention clause is 10%, but there will be an

opportunity for reduction to 5% when the project is 50% completed. It will be a short duration project next summer. A process has been worked out with USDA for application for payment. Director Guilford asked for clarification on the timing of the contract and the suspend-construction notice. Mr. Brigman explained that a letter went out last week after the USDA loan closed, explaining that the suspension is a result of the County ordinance.

Well House: Mr. Brigman stated that the well house construction drawings are at 50% completion at the design level. He appeared before the Squaw Valley Design Review Board on October 27, and they recommended approval of the design. He is still working with the Tahoe City office of County design review on details about the requirement that the design aesthetics match that of the Village. The Auburn office is requiring a Minor Use Permit and another public hearing, issues that will be sorted out in further meetings this week. He plans to bid the project this spring, but the design issues must be settled before the mechanical engineering design can proceed. Director Guilford noted that it is an expensive project and costs should be curbed on behalf of the Membership's investment. Mr. Brigman noted that costs are lower because he is able to utilize experience and design elements from the PSD, which completed a very similar building.

Lateral Line Replacement: Director Mattheis asked if Mr. Brigman has secured cost estimates for the 139 laterals that need replacing. Mr. Brigman has sent a request for a change order proposal to Campbell Construction, and will follow up with them on Monday morning. If the Board decides to pursue, they can exercise the change order. Director Mattheis expressed concern that homeowners have sufficient time to decide whether to have Campbell do the laterals, or some other option. Campbell already did a ballpark estimate last year.

Discussion of EXISTING laterals, not the mandated 139: Member Peter Werbel stated that several of his neighbors asked him to pose two questions: (1) Disregarding costs, will those homeowners who don't get new laterals have the opportunity to have Campbell Construction replace their old laterals? (2) Some homeowners will get new laterals replacing pipes at the end of their useful lives, and will be subsidized 75%. How do we make this fair for everybody who may also need new laterals? Might there be some compensation to those Members? Director Suter noted that the 139 lots are getting new laterals as part of a project to benefit the whole system. Director Mattheis noted that some of the 139 will not get new laterals, but simply extensions, and the project is a mixed bag. We had the debate last meeting, and settled on a solution that was as fair as possible. President Coyle noted that replacing laterals for everybody is not part of the project. Mr. Brigman suggested that we post information on our web site listing local contractors that could replace laterals during the construction period if homeowners decide they want them replaced. Director Guilford noted that laterals from the house to the water box are the responsibility of the homeowner. The replacement of her lateral resulted in much better water quality, and she urged the board to develop a policy requiring lateral replacement at year-certain intervals. No further action was taken by the Board.

By-laws Discussion: Patty Guilford stated that prior to the last election a number of questions arose about Members' rights to vote on large projects. This caused her to study the current 8-page By-laws document, and search for prior sets stored in the well house. She then found a 16 page version, and 50 pages of other documentation. She feels strongly that the whole membership should have voted on the current project, and feels the current By-laws are very cloudy on the question of Members' voting rights. She requested the latitude to investigate historical By-laws and related documentation to keep in a permanent historical file for the Mutual. Members in the audience and Directors discussed a prior election to vote on merging

with the SVPSD. The last change in the by-laws was made in January of 2009, and Director Guilford feels the question of voting rights should be clarified and revisited. All Board Members agreed that it is a valid and valuable idea for Director Guilford to proceed with her research, assemble a permanent file, and put forward any suggestions she has for changes.

Indemnity Agreement with Placer County: Director Coyle led a discussion on the need to list the Placer County as an additional insured on the indemnity insurance policy for this project. After a discussion of what is and is not covered on insurance policies related to the project.

Motion: Director Mattheis moved and Director Bossung seconded a motion requesting President Coyle ask the Mutual's insurance company to add Placer County as an additional insured for the current construction project. The motion passed unanimously.

Review of meeting and what needs to be done before next meeting: The Board discussed whether or not a new line of credit is needed to replace the one canceled at Plumas Bank, noting that USDA requires mandatory funding of depreciation, which would give the Mutual a back-up fund.

Motion: Director Bossung moved and Director Mattheis seconded a motion that the office manger investigate costs of establishing a new line of credit, and report back at the next meeting. The motion carried unanimously.

Set Future Meetings: President Coyle set the next meeting for December 31, 2011 at 9:00 a.m. and a future meeting for February 25, 2012 at 9:00 a.m.

Member Peter Werbel noted a letter had been set on October 29, 2011 signed by 25 Members of the Mutual requesting a vote on the project. President Coyle noted that the Mutual's attorney, Andy Morris, would be looking into the letter.

Motion: Director Bossung moved and Director Guilford seconded a motion to adjourn the meeting at 11:30. The motion passed unanimously.

Respectfully submitted,

Lynn Suter
Secretary.