

SQUAW VALLEY MUTUAL WATER COMPANY
Board of Directors Meeting
February 25, 2012
Approved Minutes

1. Call to order

President John Coyle called the meeting of the Squaw Valley Mutual Water Company Board of Directors to order at 9:03 AM on Saturday February 25, 2012 at the Squaw Valley PSD Community Room.

2. Roll call and establish a quorum - Lynn Suter

Directors present: Coyle, Mattheis, Guilford, DeMattei, Bossung, and Suter
Directors absent: Garcia

Staff present were John Collins, Anne-Marie Giese, and Steve Brigman. Mutual Counsel Andrew Morris was present for a portion of the meeting. There were approximately 30 members and guests present.

Members/Guests Present: Merilee Evasovic, Brian Sheehan, Barbara Futran, Joan Brazell, Richard Brazell, Phil McGinn, Tom Day, John Johnson, Liz Day, H Burkhart, Kristina Bergstrand, Peter Werbel, Jon Shanser, Carl Gustafson, Chevis Hosea, Suzanne Gale, Mike Geary and Gayle DeMattei.

3. Call to the audience for anything not on the agenda

Tom Day suggested that as investment improvements are being considered, an appraisal of the system and associated water rights should be conducted. A brief discussion regarding water rights followed and this item was added to today's agenda for possible action.

Buck Thys asked the Board to consider options for reducing costs. This item was added to today's agenda.

Peter Werbel apologized to Carl Gustafson for comments made two meetings ago.

4. Adopt the agenda

It was agreed that items may be taken out of order.

It was moved by Director Guilford and seconded by Director Suter to adopt the agenda, with the addition of discussion and possible action on appraising the system and water rights and a proposal from Buck Thys regarding reduction of costs. Motion carried unanimously.

5. Minutes from the 1/30/12 "semi-special" meeting – Margot Garcia

It was moved by Director Suter and seconded by Director Guilford to approve the minutes as presented. Motion carried unanimously.

6. President's report – John Coyle, electronic voting

Director Coyle presented the cost estimates for single and dual lateral replacements on individual lots. He suggested that property owners also get estimates, noting the Mutual will reimburse lateral replacement costs up to 75% through a reduction in bills.

Director Coyle received an email from Russell Poulsen urging Director Coyle to contact KSL about their plans for the Valley, particularly the well house proposal. Chevis Hosea, Vice-President of Development for KSL will address the group today.

Director Coyle responded to correspondence from Mr. McCarthy asking for minutes to be sent out more quickly.

In response to a petition asking for a Special Meeting regarding the water and sewer improvements, a meeting has been scheduled for March 24, 2012. Notices will be sent to every owner inviting them to attend.

7. KSL expansion & Well House Project – Chevis Hosea

Chevis Hosea, Vice-President of Development for KSL, presented the preliminary plans for the proposed Squaw Valley Village project. He explained KSL has an option to purchase the Poulsen property that surrounds the well house. KSL has not yet made a decision on exercising the option. Hosea noted the success of the Village and Squaw Valley in general will rest on decisions made about water and KSL wants to be a part of remapping the aquifer, retesting the system and considering alternatives to hold water.

Hosea described the proposed plan, which is based on a hospitality bed base, including a hotel, condo-hotel, and fractional ownership cabins in the “mountain neighborhoods.” He said that at the highest point, there would be 10 story tall spires on some of the buildings, but the actual buildings will be 8 stories high and parking structures will be 5 stories. Hosea explained that what will make the Village successful is the amenities and services offered both in the summer and winter seasons. Included in the plans are a Class A bike trail and skating trail. Hosea participates with Friends of Squaw Creek and supports their goal of restoring the Creek.

Hosea stated the plans for capturing, filtering, and using surface water are included in the plans presented to Lahontan Water Quality Control Board. Retaining ground water, as well as a water filtration plant, is also being considered. KSL has no desire to form a third water company in the Valley, but they do own water rights. They are willing to participate in solving water concerns, even if it means replacing every well in the water system or adding wells if necessary so the existing well system is less taxed. Based on studies done by KSL, the aquifer is at the lowest between July and October. Rebuilding the pumping system, increasing storage, slowing run-off, and using recycled non-potable water for landscaping will provide enough water for use by the Village and provide a more sustainable system. KSL is willing to participate in solutions.

Hosea stated that parking, traffic, and surface and ground water are the main issues in developing the Village and all of those issues are solvable. He answered clarifying questions from the Board and public regarding how peak day traffic and parking issues are being addressed, the lift connection with the Resort at Squaw Creek, and the timeframe, noting a draft Environmental Impact Report (EIR) should be released this fall, the final EIR issued next summer, and the desire to be under construction in 2014. Hosea said Placer County has dedicated a significant team to work with KSL on this project.

Hosea was asked about plans for a new well house. He explained that notice needs to be given to the Poulsons in June on whether or not KSL will be proceeding with the purchase of their parcel. The impact on the existing well has not been considered because of KSL’s plans to replace every well.

8. McCarthy letter – John Coyle & Andrew Morris

Mutual Counsel Andrew Morris reported his investigation of the questions Mr. McCarthy raised in correspondence about decisions the Board can make without a vote of the membership. Mr. McCarthy suggested the vote on the improvement project should have gone to the membership. Mr. Morris researched and found nothing in the bylaws or Articles of Incorporation saying the membership is required to vote on such issues. The Board has the authority to make decision. Mr. Morris has responded to Mr. McCarthy directly. Discussion followed regarding whether or not the Board should have taken a vote of the entire membership regarding the improvement project. Director Guilford believes this issue should have gone to the full membership. Director Coyle noted that the Board voted in September to proceed with the project, and that although it was not a unanimous vote, direction was given and the project has been moving forward. Discussion continued.

Marilee Evasovic, Mr. McCarthy’s sister-in-law, voiced concern that it took so long for Mr. Morris to respond to a letter sent in October. Director Coyle explained the delay. Director Guilford stated it was shameful that Mr. McCarthy had to send 2 letters and that had his concerns been addressed more quickly, the outcome may have been different. Mr. Morris stated he researched the legal questions raised by Mr. McCarthy and responded that the Board acted in accordance with the law. Discussion continued regarding how correspondence is handled. Director Bossung noted that although it is a financial hardship to replace the 60 year old system, there was never money set aside for repairs or replacement of the system.

9. Treasurer's report – Gate DeMattei

Director DeMattei presented the financial reports, which were included in the Board packets. He reviewed specific accounts, receivables, and delinquencies, and said that with the help of the USDA loan, the cash flow is adequate.

10. Operation's Manager Report - John Collins

John Collins presented his report, which was included in the Board packets. He noted there were no “positive” test results for January and February and said the flows in December were the lowest ever. There have been some frozen surface boxes and 2 rusty water complaints, but no major issues. He was asked to revise the “total in million gallons” on the lower report.

11. Office Manager's Report - Anne-Marie Giese & website update for construction project

Anne-Marie Giese presented the Office Manager’s Report, noting about 40% of the bills issued in January have been paid. A request for a payment plan was considered. The budget-to-actual report and Summary to Date for the water system improvement project were reviewed.

It was moved by Director Guilford and seconded by Director Mattheis to approve the request for a payment plan of \$200 per month. Motion carried unanimously.

12. Construction loan withdrawals – Ken Bossung

Director Bossung reported 3 withdrawals have been processed and he has costs for the 4th. After that one is processed, the total soft and hard costs are approximately \$600,000.

13. Update of Capital Improvement Project - Steve Brigman

Steve Brigman reported construction of the water line replacement should begin in about 2 months. About 90% of the materials have been purchased, but per the Placer County Ordinance, construction cannot begin until May 1. Mr. Brigman has been working with the Placer County Department of Public Works (DPW) engineer to see if that date could be changed, given the current weather conditions. He presented a preliminary schedule for getting the work done.

The well project designs are nearing completion and the County has signed off on them. The Mutual will consider them, but after KSL has decided whether or not they will purchase the Poulsen property. If the sale goes through, there are additional issues to be considered, including bringing the building up to electrical codes and backup power.

14. By-Laws Discussion – Patti Guilford

Director Guilford has reviewed the Mutual’s governing documents and noted when non-profit status was awarded and renewed. Throughout the Bylaws, there is discussion about voting rights, however the document is not specific as to when a vote of the membership is triggered. Director Guilford recommends the language be changed to be more specific, particularly as relates to big projects. It was noted that changes to the Bylaws have to be approved by a unanimous vote of the Board. She will submit a written recommendation for Board review and action.

15. Operational support by PSD - John Collins & Mike Geary

Mike Geary, General Manager of Squaw Valley Public Service District (SVPSD), noted the request for SVPSD to provide operational support with operation of the Mutual’s system. He presented a letter regarding the proposal, which was presented to the Board. There was a meeting about the issue and it was noted that during construction, operation of the system would be sensitive and operators should be experienced with the Mutual system, which SVPSD is not. It was suggested that the conversation about support be held again a year or so from now. The Board asked clarifying questions about Mr. Geary’s letter. Although there is no physical connection between the two systems, emergency interties can be accommodated and at a future date, redundancies in the systems can be considered.

AGENDA ADDITIONS

Appraisal

The Board discussed the pros and cons of having an appraisal done to evaluate the value of the system and water rights. There was consensus that it would be beneficial to have that information, depending on what an appraisal would cost. Directors Bossung and Mattheis will follow up with appraisers they know and report back to the Board. Director Coyle will follow up on a report from SVPSD engineer Fred Fahlen who evaluated infrastructure, but not water rights.

Reducing cost of project

Buck Thys distributed a written proposal questioning the cost of the improvement project and asking that components of the project be reconsidered. Discussion followed regarding the points he raised, including costs of the project, how it was bid, whether or not the engineer’s estimate is correct, what the cost may be to cancel the agreement with the contractor, and options available in moving forward, particularly as related to the pump house and the potential purchase of the Poulsen property by KSL. It was agreed that components of Mr. Thys’ proposal would be considered at the Special Board Meeting on 3/24/12. The Board considered how the USDA loans may be impacted if the scope of the project is changed.

It was moved by Director Guilford and seconded by Director Mattheis to direct Shaw Engineering to stop any engineering or other work on the pump house until further notice by the Squaw Valley Mutual Water Company Board of Directors. Motion carried unanimously.

16. Review of meeting & what needs to be done before next meeting

Follow-up will be done on a possible appraisal and water rights opinion.

Anne-Marie Giese was asked to provide water right documents to the Board.

John Collins was asked to provide information on whether or not the well house is compliant with all regulations. A brief discussion followed regarding safety issues and how they should be addressed. Mr. Collins stated that in his opinion, the well houses need to be replaced.

Director DeMattei asked about Mr. Thys’ proposal that an engineer review the improvements in the back lot line to see if costs could be reduced. It was agreed that this step has been done.

17. Set future meeting dates.

Special members meeting – March 24, 2012 at 3:00 PM

Next regular meeting – April 14, 2012 at 3:00 PM

18. Adjournment

There being no further business to come before the Board, the meeting was adjourned at 12:11 PM.

Respectfully submitted,

Judy Friedman, Recording Secretary

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