

SQUAW VALLEY MUTUAL WATER COMPANY

Board of Director's Meeting

MINUTES

Meeting of June 9, 2012

1. **Call to Order:** The June 9, 2012 meeting of the SVMWC Board of Directors was called to order at 3:04 p.m. by Vice President Mattheis, who chaired the meeting.
2. **Roll Call and Establish Quorum:** Secretary Suter called the roll and a quorum was established.

Directors Present: DeMattei, Garcia, Mattheis, Suter

Directors Absent: Bossung, Coyle, Guilford

Members/Guests Present: Brian Sheehan, JD Garcia, Athena Garcia, G. Mavko, B. Mavko, John Collins, Steve Brigman, Anne-Marie Giese, Carl Gustafson, Tom Day, Mike Geary, Carolyn Reid, Stephanie Pierucci, Peter Werbel, Russell Poulsen and Gayle DeMattei

3. **Call to Audience for additional agenda items:** None
4. **Adopt the Agenda:** The Agenda was moved, seconded, and adopted unanimously.
5. **Approval of Minutes of Meeting of April 14, 2012:** Director Garcia noted a correction in the spelling of Anne-Marie Giese on Page 2. She noted on Page 4 that the June 9 meeting is at 3:00, not 2:00. She further noted on Page 4 that the Annual meeting on September 1, 2012 is at 10:00 and that the Board meetings will occur at 9:00 a.m. and after the annual meeting finishes.

With these modifications, she moved approval of the minutes, seconded by Director DeMattei, and passed unanimously. (4-0)

6. **President's Report:** Vice President noted the 2 items on President Coyle's report. (1) An electronic vote was passed accepting the Construction Inspector as interviewed/vetted and recommended by Shaw Engineering. (2) A Storm Water Report Tracking System was opened with California State Water Resources Control Board. (Requirement for the Project; Reports being held in Well House #1.) Peter Thorne of BT Consulting will provide reports for the project. Mr. Brigman described the content of the reports.
7. **Treasurer's Report:** Treasurer DeMattei presented the Treasurer's Report, as contained in the Agenda Packet.
8. **Operation Manager's Report:** Mr. Collins presented the OM report contained in the Agenda Packet. He said he spent quite a bit of time on the construction project, meeting with Shaw Engineering and with individual homeowners. He attended the Placer County Utility Coordinating Committee meeting, and a meeting in Reno connected with his continuing certification. He answered several service calls including a leak, a low-pressure call, and attended to some anomalies discovered in the system. He noted that construction is stirring up silt and rust sitting in the bottom of some lines,

so if water is rusty, he advises letting it run until it clears up. In the summertime, he has noted a thermal inversion problem in the Chisholm tank. He will try to fix this through managing the water levels in the tank. If that does not work, he will need to buy a mixer at the cost of \$14,000. That has been included in the budget under maintenance and repairs.

9. **Office Managers' Report:** Ms. Giese presented the Office Managers' Report as contained in the Agenda Packet.
10. **PSD Presentation:** Mike Geary reported that Directors Coyle and DeMattei attended weekly meetings with the Squaw Valley Real Estate group to discuss issues with the proposed development of the valley. Mr. Geary said he asked to be on the Agenda for this current meeting as a result of discussions with individual Directors regarding PSD's ability to supply water on a temporary basis to the Mutual. Preliminary analysis indicates PSD could do that, utilizing the horizontal wells. The question arises as a result of the possible postponement of the well house replacement. Director Garcia noted that the well house is a hazard right now, and that PSD Director Brian Sheehan had approached her about his idea on how the Mutual could stop using its unsafe well house by closing it down and using the new PSD well house. She had replied that it was an interesting idea. Mr. Geary said the question is whether PSD can supply enough water for the whole valley if the Mutual's wells #1 and 2 were shut down on a voluntary basis. Mr. Geary stated it is a complicated question needing significant research and analysis. He is seeking a formal request from the Board to look into this issue, and then bring back a detailed and formal proposal to the Board. Mr. Collins explained that there may be a time lapse between the need to close down the two well houses due to the new development and completion of a new well house. The question is whether or not PSD has the capability of supplying water to the Mutual for that period. Chairman Mattheis suggested adgendingizing this discussion for the July meeting. Mr. Geary offered to craft an RFP for the analysis required for PSD to come back with a more formal, very detailed and thoughtful proposal for supplying water and operational services beginning next summer (2013)—basically giving the Board a "proposal for a proposal." Mr. Geary requested a 50% cost sharing agreement. . Director Garcia pointed out the legal complexities involved with the Mutual's relationship with the agreement with the Poulsens, the unknown location of new wells needed by SV Realty to replace the Mutual's wells, the status of PSD's wells in the new development, SV Realty test wells, production wells, water modeling and other issues.

{N.B. In the prior Board meeting Mr. Geary reported that the SVPSD had received a grant of \$10,000 from Placer county Water Agency's (PCWA) Financial Assistance Program (FAP) for costs associated with the design of a water system interties between the PSD and Mutual. He further contacted their engineers, Far West for a cost estimate to do the work. Their estimate is \$35,000. Mr. Geary proposed that the difference between the \$10,000 grant and the \$35,000 cost estimate would be split 50-50 between PSD and the Mutual through a cost-share agreement. He wanted to know if the Mutual was interested in this project.}

Director DeMattei moved, and Director Suter seconded a motion to ask the PSD for a letter requesting a "proposal for a proposal" to provide an analysis of PSD providing temporary water supply and operational support to the Mutual.

Chairman Mattheis called for the question, and after more discussion, the motion passed unanimously.

11. **Meeting Protocols:** Discussion postponed until July.

12. **Services Contracts for 2012-13:**

(a) Contract for Office and Financial Affairs Management. Ms. Giese stated she would be working from home; however, Giese Accounting & Tax will still retain an office in downtown Truckee for any Mutual customer to visit if necessary. Director Garcia asked about location of office records. Ms Giese replied that the active records would be in her office and archived files would be stored in the pump house. Director Garcia asked about responsibility for billing once water meters are installed, a task that will be added to the contract once meters have been installed. *Director Garcia moved adoption of the \$30,900 contract, with the addition of the training and data collection on the new meter reading software. Motion seconded by Director Suter and passed unanimously.*

(b) Contract for Operations Management: Chairman Mattheis noted the 3% cost of doing business increase in Mr. Collins' contract, as well as the Giese contract. Mr. Collins requested consideration of a contract amendment when meters go into operation. Director Garcia requested adding "repairs" to the maintenance item in the budget so that it reads "Maintenance and Repairs". Mr. Collins agreed. Director Garcia asked about arrangement for a temporary generator if needed, and about servicing the new boxes in the snow, which Mr. Collins addressed.

Director Garcia moved adoption of the contract for Operations Management not to exceed \$99,900 for the year. The motion was seconded by Suter and passed unanimously.

(c) Engagement letter for Financial Audit: Director Garcia noted that the McClintock auditing contract is for 3 years. Board members discussed the term and cost of the audit function.

Director Suter moved to accept the McClintock contract for one fiscal year with two one-year options to extend as presented in the letter. Seconded by Garcia. Motion passed unanimously.

13. **Legal/Technical Consultant for Proposed Squaw Valley Real Estate Project.** Chairman Mattheis noted that he and President Coyle were bringing this item before the Board for discussion in anticipation of needing legal and technical advice and possible representation in negotiating the relocation of the wells, and to respond to the Environmental Impact Report (EIR) documents associated with the Squaw Valley Realty project. He and President Coyle met with specialist water attorneys from Andy Morris' firm, Best, Best & Kreiger, who provided an initial estimate. He said that Rossman & Moore out of San Francisco have also been recommended as a firm experienced with Squaw Valley and expert in water law. He would like to have a recommendation and proposal ready for the July Board meeting. Director Garcia said she had mixed feelings about hiring such representation because, while the advice may be useful, it could also be very expensive. She asked about folding in other legal issues such as water rights and valuation of the Mutual's system. Chairman Mattheis noted that board members don't necessarily have expertise in environmental law and hydrology, and he would like to

have advice available “in our back pocket” in the event it is needed. He feels we should research who we might like to engage, and have an idea of the costs involved so that the Board can “pull the trigger” if such expertise is required. All Board Members present agreed with Chairman Mattheis’ proposal to bring back more detailed information about the two firms in July after talking further with Mr. Rossman.

14. **SVMWC Valuation.** Chairman Mattheis, having been tasked with Director Bossung to investigate possible firms for a valuation of SVMWC, discussed the matter with Navigant Consultants. President Coyle was also on the call. Navigant values public and quasi-public facilities all over the world, and are qualified to do the valuation, which was discussed as a tiered approach to minimize costs. Chairman Mattheis questions why the Mutual would spend the money to do the valuation at this time. Navigant is to send a proposal for providing the valuation, but it has not arrived yet. Further discussion was postponed until the July meeting when the proposal has been delivered.
15. **Annual Budgets 2012-2013: Lateral Cost Reimbursement:** Director Garcia noted that the budget item for 35% annual billing credit for laterals has not been adopted by the Board, nor has it been conveyed to the Membership. Ms. Giese noted the difficulty in coming up with a solution to crediting Members, which is the origin of the billing credit. Director Garcia agreed with those difficulties, and made the following motion:

“Upon presentation of appropriate invoice or receipts demonstrating the lateral replacement is completed, SVMWC will credit up to 35% of a Member’s annual water bill each year until 75% of the cost (as set in earlier policy) is met.”
Director Suter seconded the motion, which carried unanimously (4-0).

Director Garcia moved to send a notice with a copy of the policy just adopted to the 139 affected Members. Seconded by Suter. Motion passed unanimously. (4-0)

Director Garcia suggested a policy that if bills for laterals are submitted prior to the January billing, the Member’s credit begins with that billing. After discussion, Director Suter made the following motion:

“Members that submit receipt for lateral work prior to December 1, 2012, shall receive their 35% billing credit beginning with the January 2013 billing.” Motion was seconded by Garcia, and after a brief discussion, passed unanimously (4-0).

Director Garcia noted some of the increases in the budget such as legal expense increase, and office contract. The item “routine maintenance”, (changed to “maintenance and repairs”) has a large increase due to the possibility that a tank mixer may be needed to fix the thermal problem in the Chisholm tank. She feels some of these increases need explanation, possibly as a contingency. She proposed removal of \$2,400 for having minutes done professionally, and offered to do them for free, as it is money that doesn’t need to be spent. Together with a reduction of \$5,000 in maintenance and repairs, the two items would eliminate the need for an increase in dues, which she wants to remain flat. She stated that we raised fees last year to cover costs of the USDA loan, and that she is uncomfortable raising them another 3%. Ms. Giese noted that while the surplus will cover additional costs for the next year, it won’t cover subsidizing the 75% cost of the laterals. John Collins noted that he may not need the tank mixer if he can fix the problem using operational methods, but if he gets a

water quality deficit notice, he wants to be prepared with a budgeted cost. Chairman Mattheis expressed his appreciation for staff number-crunching work, and that he feels the water rate increase should stay in the budget. In answer to a question from member JD Garcia, Chairman Mattheis stated that he wants to avoid an even bigger increase next year, and would rather spread out the pain over a couple of years. He replied to Director Garcia's proposal to eliminate the minute-taking item, stating it is important that all Directors are actively participating in Board discussions, that they not have to multi-task or transcribe, and that the professional minutes are more timely.

Director DeMattei moved and Chairman Mattheis seconded that the Board accept the budget as presented.

Discussion ensued regarding water rates. Director Garcia asked if the projected income included Members who pre-paid their individual capital assessment and therefore do not pay that portion attributed to principal and interest on the loan. Ms. Giese said she would make a downward adjustment in revenue for the five pre-paid members and an upward adjustment in the transfer from reserves.

Director DeMattei amended his motion to adjust the water rates for the pre-paid members prior to the bills going out, and to take a final vote on the budget electronically.

Chairman Mattheis seconded the motion. Discussion: Director Garcia inquired why vacant lots and tennis courts are being charged different rates for service charges, since neither is using water. Ms. Giese noted it had always been done that way, but the Board can change the rate structure. She noted that there are other charges within the company that do not follow a logical order. Director Garcia stated that prior to setting the rates again she would like a committee of the Board to spend some time studying the anomalies in the rate structure.

Chairman Mattheis called for the question, and the motion passed 3-1.

16. **Capital Improvement Project Update:** Mr. Brigman provided a Capital Improvement Project update, noting it has been under construction for three weeks. Campbell Construction is meeting construction deadlines. Mainline pipe construction began on Lanny Lane last week, installation will come next week. Project is scheduled for completion at the end of September, with Squaw Valley Road mainline piping to be done in August and September. He noted some of the peculiarities encountered in dealing with the existing system, such as locating connections. Chairman Mattheis noted that his discussions and observations indicate the quality of the work being done is very good. Mr. Brigman noted there is a lot of paperwork to keep up with, but the field work is proceeding quickly. He also noted that progress can be followed on a daily basis at the project website at www.shawengineering.com

Russell Poulsen outlined a problem regarding placement of the new lateral next to his and 6 other sewer line easements, which cannot be done as designed. His lateral becomes far more difficult and expensive to install. After some specific discussion about easement location, Mr. Brigman noted that there is nothing to keep Campbell Construction from modifying its estimate for lateral construction based upon new information. Mr. Brigman will ask Campbell to update his estimate. Russell Poulsen

also said he pointed out to Shaw Engineering several times that some of the box placements may not be in the correct easements, and that moving boxes would become an expense to the Mutual's shareholders. Chairman Mattheis noted that both the contractor and engineering firms have errors and omissions insurance and are responsible for their mistakes. There will be adjustments made in the field, and will be a necessity in the project.

17. **Change Order Approval Authority:** Chairman Mattheis noted that according to the construction documents both Mr. Brigman and Director Bossung are the owner's representative on this project.. Chairman Mattheis suggested that minor change order approval given to Mr. Brigman and Director Bossung, and that they come back to the board with any questions or doubts. He cited as reasons for this decision would be improvement in the process and the reduction in the number of electronic votes needed.

Director Garcia moved and Director Suter seconded a motion to allow Mr. Brigman and Director Bossung change order approval up to an amount of \$5,000. After a short discussion, the motion passed unanimously (4-0).

18. **Next Meeting:** The next meeting is scheduled for July 21, 2012 at 3:00 p.m.
19. **Adjournment:** Director Garcia moved and Director Suter seconded a motion to adjourn the meeting, which passed unanimously (4-0). The meeting was adjourned at 5:53 p.m.