

**SQUAW VALLEY PUBLIC SERVICE DISTRICT
BOARD OF DIRECTORS MEETING MINUTES #838
April 24, 2018**

A. Call to Order, Roll Call and Pledge of Allegiance. Chairman Dale Cox called the meeting to order at 8:30 A.M.

Directors Present: Directors: Dale Cox, Carl Gustafson, Bill Hudson, Fred Ilfeld and Eric Poulsen

Directors Absent: none

Staff Present: Mike Geary, General Manager; Kathryn Obayashi-Bartsch, Secretary to the Board; Allen Riley, Fire Chief; Dave Hunt, District Engineer; Brandon Burks, Operations Superintendent; Danielle Grindle, Finance & Administration Manager and Thomas Archer, District Counsel.

Others Present: Ed Heneveld, Bruce Hutchinson, Jean Lange, Sal Monforte and John Wilcox.

Chairman Cox asked Ed Heneveld to lead the Pledge of Allegiance.

B. Community Informational Items.

- B-1** Friends of Squaw Creek – Ed Heneveld commented on getting younger community members involved with the group. Ed Heneveld presented a plaque to Carl Gustafson on behalf of the Friends of Squaw Creek in appreciation of his service to the community and dedication to improve the quality of Squaw Creek.
- B-2** Friends of Squaw Valley – Ed Heneveld said many community members will likely attend the next meeting as there is strong interest in Parks & Recreation issues and the Parks & Recreation Committee meeting.
- B-3** Squaw Valley Design Review Committee (SVDRC) – none
- B-4** Squaw Valley Municipal Advisory Council (SVMAC) – none
- B-5** Squaw Valley Mutual Water Company (SVMWC) – Brandon Burks provided an update on the group's capital improvement projects.
- B-6** Squaw Valley Property Owners Association – none
- B-7** Mountain Housing Council of Tahoe Truckee – Fred Ilfeld provided an update on the group's efforts, including research on housing development costs including developer fees, impact fees and construction costs. The construction costs vary considerably from area to area. The group is using the phrase "achievable housing" which includes many middle income people. The group is also researching information about short-term rentals in the area and impacts to the community and long-term rental supply. There is a public meeting on Saturday, April 28, 2018 in Truckee to review the group's efforts.
- B-8** Tahoe-Truckee Sanitation Agency (T-TSA) – Dale Cox said the agency is working with the Truckee Tahoe Airport District regarding land negotiations. T-TSA recently hired a new Human Resources staff member who will be updating the Personnel Manual/Employee Handbook, including drug testing. Ed Heneveld commented on employee drug testing and suggested a resource in Reno, Nevada for assistance. T-TSA will be working on the Truckee River Interceptor MH81-83 improvement project beginning in June.

C. Public Comment/Presentation.

Public Comment –

John Wilcox commented on the proposed micro-transit district for Squaw Valley and Alpine Meadows which will be partially funded by a one percent tax on hotel accommodations in Olympic Valley. Placer County requested that the North Lake Tahoe Resort Association (NLTRA) issue an opinion letter on the proposal. Most of the NLTRA directors support the effort but a few do not.

John Wilcox said Sierra Watch sent an e-mail on March 29, 2018 commenting on the scarcity of water in Olympic Valley and the negative impacts of the proposed Squaw Valley Resort project.

Jean Lange asked if the micro-transit system will impact the Resort @ Squaw Creek shuttle system. John Wilcox said he is unsure of the impact.

C-1 Recognition of Service – 10 years – Jason McGathey, Operations Specialist I

Brandon Burks accepted the award in Jason McGathey's absence. Chairman Cox commended Jason McGathey for his excellent service.

D. Financial Consent Agenda Items.

Directors Poulsen and Ilfeld met with staff on April 23, 2018 from approximately 3:30 –5:00 P.M. to review items D-1 through D-12 as well as other finance related items on this agenda.

Director Ilfeld commented on the status of the bike trail reimbursement from Placer County and Ms. Grindle provided an update on staff's efforts to secure reimbursement.

Director Poulsen said all financial items were reviewed as well as reviewing the second draft of the budget.

Public Comment – none

A motion to approve the financial consent agenda was made by Directors Gustafson/Ilfeld as submitted. The motion passed and the vote was unanimous.

Cox-yes

Gustafson-yes

Hudson-yes

Ilfeld-yes

Poulsen-yes

E. Approve Minutes.

E-1 Minutes for the Board of Directors meeting of March 27, 2018.

Public Comment – none

A motion to approve the minutes for the Board of Directors meeting of March 27, 2018 was made by Directors Poulsen/Gustafson. The motion passed and the vote was unanimous.

Cox-yes

Gustafson-yes
Hudson-yes
Ilfeld-yes
Poulsen-yes

F. Old & New Business.

F-1 Amendment to Contract with Tahoe City Public Utility District (TCPUD) for Tahoe Forest Tract Water Service.

The Board reviewed the item, accepted public comment, approved the amendment and authorized the Board President/Chairman to execute the amendment.

Mr. Hunt reviewed the item. The District entered into a Water Connection and Service Agreement (Agreement) with the Tahoe City Public Utility District (TCPUD) on March 19, 1993 to provide a metered commercial water connection for water service to TCPUD's Tahoe Truckee Forest Tract Water System (TTFTWS). Pursuant to the Agreement, TCPUD purchases water from the District and supplies water to the TTFTWS by way of TCPUD owned and operated infrastructure.

The original agreement allowed for water service to 21 parcels within the TTFTWS service territory through a metered connection that included a two-inch meter for normal flows and a six-inch bypass compound meter for high flows.

TCPUD was approached by the owner of APN's 096-230-039 and 096-230-040 (Painted Rock Lodge) with a water service request by way of an extension of the TTFTWS. The existing Agreement does not allow for expansion of the TTFTWS unless both parties agree to an amendment by mutual consent. A request to amend the existing agreement was submitted to the District on December 8, 2017 and the District and TCPUD initiated a review and negotiation process. The amended Agreement, as presented, has been reviewed by District legal counsel.

The 1993 Agreement stipulates that the District would provide water supply to the TCPUD through a wholesale metered commercial water connection. Improvements necessary to do so were constructed by TCPUD in 1992. These improvements included connecting to the District's existing eight-inch water main near the intersection of Highway 89 and Squaw Valley Road.

The amended Agreement expands the service area of the TTFTWS to include three additional parcels, APN's 096-330-006, 096-230-39, and 096-230-040, bringing the total number of parcels within the TTFTWS to 24 parcels.

In 1993 the TCPUD paid a connection fee to the District in the amount of \$16,000 for a three-inch commercial connection. No additional connection fees will be collected at this time based on the amended Agreement.

District staff anticipates the existing connection is sufficient to serve the additional parcels, and will evaluate water use for the additional connections as they come online and assess the water demand compared to the meter size. The District Water Code Division VI, Section 6.03(J) states:

“If, at any time after the date of providing service, the connection fee is determined to be insufficient due to an undersized meter, the meter shall be replaced by a properly sized meter at the expense of the owner. The owner shall also be responsible for the difference in connection fee of the new and previously undersized meter. The District shall not be held responsible for any rates or charges resulting from an oversized meter installation.”

Section 3.2 of the amended Agreement clarifies how the District will apply service charges to TCPUD. Similar to the original Agreement, TCPUD will pay service charges to the District in accordance with the commercial rate structure, which includes a base rate for a six-inch meter size and commercial consumption charges based on actual water use. Previously, the District had been charging TCPUD based on the multi-family base rate and consumption charge.

Finally, Section 4.2 of the amended Agreement continues to provide for the District to limit and/or restrict water supply to TCPUD in the event of a water supply shortage, water rationing, or in the event the District requires water conservation in accordance with the Water Code Section 3.23 and the Water Management Action Plan.

Director Poulsen asked for clarification as to the number of parcels impacted and Mr. Hunt explained that three parcels may be added.

Director Poulsen asked for clarification as to how the amended Agreement provides for the District to limit and/or restrict water supply to TCPUD in the event of a water supply shortage.

Mr. Archer reviewed the pertinent sections of the amended Agreement and how this issue is addressed in the amended Agreement.

Director Poulsen asked Mr. Archer to comment on the indemnity and third party sections. Mr. Archer explained the items and how they are addressed in the amended Agreement.

Director Ilfeld asked how water service is provided to the development north of Olympic Valley Road and along the Truckee River. Mr. Geary provided clarification about the development at Silver Creek and its private water system.

Chairman Cox said this development was not included in the water supply study and expressed some concern regarding future demands. He spoke about the Cinder Cone area's water quality and the responsibility of TCPUD to investigate this area for another water source.

Director Poulsen said the amended Agreement is only to service the additional three parcels and it sounds like Mr. Olsen has made a considerable investment in the water system for his development.

Public Comment – none

A motion to approve the amended Agreement with Tahoe City Public Utility District (TCPUD) for Tahoe Forest Tract Water Service and authorize the Board President/Chairman to execute the

amended Agreement was made by Directors Hudson/Ilfeld. The motion passed and the vote was unanimous.

Cox-yes

Gustafson-yes

Hudson-yes

Ilfeld-yes

Poulsen-yes

F-2 Dedication of Tahoe Forest Tract Water Facilities.

The Board reviewed the item, accepted public comment and accepted dedication of water facilities from Tahoe City Public Utility District (TCPUD) to Squaw Valley Public Service District (SVPSD) by adoption of Resolution 2018-03.

Mr. Hunt reviewed the item. The District entered into a Water Connection and Service Agreement (Agreement) with the Tahoe City Public Utility District (TCPUD) on March 19, 1993 to provide a metered commercial water connection for water service to TCPUD's Tahoe Truckee Forest Tract Water System (TTFTWS).

The 1993 Agreement provided that the District would provide water supply to the TCPUD through a wholesale metered commercial water connection. Improvements necessary to do so were constructed by TCPUD in 1992. These improvements included connecting to the District's existing eight-inch water main near the intersection of Highway 89 and Squaw Valley Road. To establish the District's point of service, TCPUD installed two eight-inch gate valves, one two-inch gate valve, one two-inch corporation stop, and three G5 valve boxes with steel lids. Section 2.1 of the Agreement required that this infrastructure be dedicated to the District no later than June 1, 1993. This dedication never took place, although TCPUD completed the improvements to the satisfaction of the District.

Staff recommends approval of Resolution 2018-03 authorizing execution of the Irrevocable Offer of Dedication of the TTFTWS water facilities.

Public Comment – none

A motion to accept dedication of water facilities from Tahoe City Public Utility District (TCPUD) to Squaw Valley Public Service District (SVPSD) by adoption of Resolution 2018-03 was made by Directors Hudson/Ilfeld. The motion passed and the vote was unanimous.

Cox-yes

Gustafson-yes

Hudson-yes

Ilfeld-yes

Poulsen-yes

F-3 Operations Department Annual Report.

The Board reviewed the item and accepted public comment.

Mr. Burks reviewed the item. The 2017 Annual Operations Report includes equipment capital replacement projects for 2019-2023, water and sewer capital projects for 2019-2023, utilities report for 2017, year-end charts and graphs, SCADA telemetry data and fleet information.

The total water production in 2017 was 114.61 MG which is 9.68 MG more than in 2016. The sewer collection total is 96.03 MG which is 8.88 MG more than in 2016. Water production increased 8% over the previous year. Sewer collection increased 9% over the previous year.

The aquifer level for 2017 was at the maximum level for the year on February 10th at 6,192.3' and was at the minimum level on September 4, 2017 at 6,187.3'. The precipitation total for the 16/17 water year is 129.26" and the 53-year average is 53.31". The 2016-2017 precipitation total is 242.49% compared to the 53-year average.

Director Ilfeld asked if the District will be called to testify about water supply issues in the litigation between the Squaw Valley Ski Area and Sierra Watch. Mr. Archer commented on the legal process and said some consultants may be asked to testify about the water supply study.

Director Poulsen commented on historical water production trends and the pump run hours of the individual wells. He said the addition of the PlumpJack Well will be very important to alleviate the impact on existing wells. He commented on the 30-year trend of water production which includes a significant reduction in the Mutual Water Company's (MWC) water production and commended MWC for improving their system. He also commended District staff for their work to reduce leaks and improve the system's efficiency.

Director Hudson suggested adding the leakage rate to some of the graphs in the report and commended the Operations staff for the excellent report.

Chairman Cox said the report is very informative and thanked staff for their efforts to improve the system and with conservation efforts. He suggested that a letter of appreciation be sent to the Mutual Water Company's president thanking the group for their efforts taken to improve their system.

Public Comment – none

The Board commended the entire Operations Department staff for their outstanding work and service to the community.

F-4 Second Draft of FY 2018-2019 Budget and Rates.

The Board reviewed the item and accepted public comment.

Ms. Grindle reviewed the Second Draft of FY 2018-2019 Budget and Rates. The proposed budget was prepared with a focus on establishing adequate reserves of the District's Fixed Asset Replacement Funds (FARFs) while supporting the required resources to provide consistent and quality utility and fire services to the community.

The Utility and Administration departments are planning for \$2,970,000 in capital projects for FY 2018-2019. In FY 2016-2017 the District completed a Cost of Service and Rate Study which included preparing a 100-year Capital Replacement Plan. This study helped to realign customer classes and rates in an equitable manner and ensure proper funding of the Fixed Asset Replacement Funds. As the District's aging water and sewer infrastructure nears the end of their useful life, the need to have adequate balances in the FARFs is essential.

For FY 2018-2019, staff is proposing contributions to the Water FARF in the amount of \$350,000, and \$400,000 for the Sewer FARF. The study shows a need to build up to \$600,000 in funding each year for the Water FARF and \$475,000 each year for Sewer FARF to stay fully funded. In the coming year, staff plans to increase the Water FARF to \$1,078,000, which is about 71% of its peak in 2009. Major projects for the year include the beginning of Phase II for the PlumpJack Well, annual replacements of fire hydrants, the Zone III Booster Pump Station, and various replacements at the 305 and 1810 facilities. It is anticipated there will be a reduction in the sewer FARF to \$2,057,000, from \$3,474,000 in FY 2018-2019. This is primarily due to completing the Truckee River Siphon; the District's largest sewer capital project and estimated to cost about \$1,800,000.

In response to the Rate Study and the five-year Proposition 218 notice, staff is proposing rate increases as a funding mechanism for the FARFs. This equates to a four percent increase in rates for water, five percent increase in rates for sewer, and two percent increase in rates for garbage. If a funding mechanism is not implemented, and if a catastrophic emergency should occur depleting the remaining reserves, the District may have no alternative but to explore alternative funding options such as special assessments, debt financing, and/or sharp rate increases.

Operations expenses are expected to increase by \$112,000 or 15 percent from FY 2017-2018. All employees in the Operations and Administration departments are receiving a 3.07 percent cost of living adjustment per the Consumer Price Index as estimated by the U.S. Bureau of Labor Statistics. In addition to a COLA, many employees will be receiving step increases as well as anticipated incentives. Total wages are budgeted at \$1,172,000. Employee benefits are budgeted at \$637,000 or nine percent higher from FY 2017-2018.

The CalPERS Annual Required Pension Liability payment is increasing by \$31,000 to \$146,000. CalPERS is currently underfunded and these payments are to further reduce risks and assure adequate growth in the pension plans. Lastly, Workers Compensation rates are decreasing by approximately eight percent. Total payroll is budgeted at \$1,809,000. Other increases are due to plans for Sewer and Water Master Plans and a five-year Strategic Plan.

Revenue from reimbursable projects, or external projects performed by staff and billed to third-parties, is estimated conservatively at \$119,000 due to the difficulty in reliably forecasting anticipated demand on our labor resources. Reimbursable projects include staff time for the Mutual Water Company O&M contract, Bike Trail Snow Removal and proposed development projects.

The Fire Department is planning for \$488,000 in Capital projects for FY 2018-2019. The largest expense is for a Water Tender which the District is seeking grant funding. Other replacement projects include Advanced Life Support monitors, turnout gear, hoses, and work at the 305 and 1810 Squaw Valley Road facilities. These projects are entirely funded by the FARF. There is a new capital project for a Regional Training Facility with other regional Fire Departments in the amount \$50,000. Staff anticipates the Capital account to have a zero balance at year end and the Fire FARF to be at \$531,000.

The Fire Department operating expenses are expected to increase by \$143,000, or 4.7 percent. This is primarily due to salary increases ranging from one percent to four percent depending on the salary survey for each position. Wages are budgeted at \$1,894,000, an increase of \$56,000 from FY 2017-2018. Benefits are increasing due to wages increasing as stated above, as well as the CalPERS Unfunded Pension Liability payment increasing by \$36,000, to \$153,000.

Staff budgeted conservatively for Strike Teams although FY 2017-2018 was a higher than average year, meaning there may be less in reimbursable expenses in the coming year. In addition to regular expenses, staff is budgeting for a five-year Strategic Plan and a new Paramedic Incentive Program.

Ad Valorem property tax revenue is estimated to increase 0.96 percent from the anticipated FY 2017-2018 revenue, for a total of \$3,530,000 after fees are removed. This is considered to be conservative and uses the FY 2017- 2018 Placer County assessed property tax multiplied by the FY 2018-2019 California CPI, and then multiplied again by the Adjusted Gross Levy percentage of each of the funds.

Director Poulsen said last year a five-year Proposition 218 notice was sent to ratepayers. Rate increases of four percent for water, five percent for sewer, and two percent for garbage were approved and that staff is working on the budget in an effort to reduce these approved rate increases.

Public Comment – none

F-5 Annual Purchase of Certificate of Deposit (CD) with Protective Securities, Inc.

The Board reviewed the item, accepted public comment and approved purchase of CD with Protective Securities, Inc.

Ms. Grindle reviewed the item. The District considers investments based on, in order of importance, safety, liquidity and yield when choosing investment options. The safety of the recommended Certificate of Deposit (CD) is considered low risk in addition to being fully insured by the Federal Deposit Insurance Corporation (FDIC) and the recommended CD carries no penalty fees if funds are withdrawn early. The current interest rate for a five-year CD is three percent annually, whereas Placer County investment funds are currently yielding about 1.66 percent annually. The proposed CD purchase is in compliance with the District's investment policy. The investment policy prohibits investments in CDs in excess of thirty percent of the total of the District's reserve funds. The proposed \$250,000 CD, along with another CD purchased last year for \$250,000 is well below that limit.

District staff would like to transfer funds in the amount of \$250,000 into a five-year CD. This CD is fully insured through the FDIC and considered a low risk exposure CD. In the event the District needed the funds before the maturity date, funds may be withdrawn without penalty. Over a five-year term, \$37,500 in interest earnings is expected and will be paid annually.

Public Comment – none

A motion to approve the purchase of a CD with Protective Securities, Inc. was made by Directors Hudson/Ilfeld. The motion passed and the vote was unanimous.

Cox-yes

Gustafson-yes

Hudson-yes

Ilfeld-yes

Poulsen-yes

G. Status Reports.

G-1 Fire Department Operations Report.

Chief Riley reviewed the report.

Public Comment – none

G-2 Water & Sewer Operations Report.

Mr. Burks reviewed the report.

Public Comment – none

G-3 Engineering Report.

Mr. Hunt reviewed the report including an update on the Truckee River Siphon Project and PlumpJack Well.

G-4 Administration Report.

Ms. Obayashi-Bartsch reviewed the report.

Public Comment – none

G-5 Manager's Comments.

Mr. Geary reviewed the report.

Public Comment – none

G-6 Legal Report (verbal).

Mr. Archer had no comments.

Public Comment – none

G-7 Director's Comments.

Director Gustafson said it is important not to take for granted how well the District operates.

Directors Hudson/Ilfeld made a motion to adjourn the open session and reconvene in closed session; vote was unanimous.

Cox-yes

Gustafson-yes

Hudson-yes

Ilfeld-yes

Poulsen-yes

H. Closed Session – Performance Evaluation of General Manager.

The Board met in Closed Session pursuant to Government Code 54957 et al regarding the performance evaluation of the General Manager.

H-1 Performance Evaluation of General Manager.

Directors Hudson/Ilfeld made a motion to adjourn the closed session and reconvene in open session; vote was unanimous.

Cox-yes

Gustafson-yes

Hudson-yes

Ilfeld-yes

Poulsen-yes

No actions or decisions were made in Closed Session and only items on the Closed Session agenda were discussed.

I. Adjourn.

Directors Poulsen/Gustafson made a motion to adjourn at 12:00 P.M. The motion passed and the vote was unanimous.

Cox-yes

Gustafson-yes

Hudson-yes

Ilfeld-yes

Poulsen-yes

By, K. Obayashi-Bartsch