

Riviera West Mutual Water Company
(Interim) Board of Directors' Meeting
Friday, March 19, 2010, 6:00 p.m.
Held at the Riviera West Clubhouse

I. CALL TO ORDER: The meeting was called to order at 6:00 p.m. by interim President Tom Smythe.

II. ROLL CALL:

Board members present:

Director – Barbara Eichten

Interim President – Thomas R. Smythe

Interim Vice President – John Norin

Interim Secretary - Barbara Sarao

Elected Treasurer – Linda McPherson

III. CONSENT CALENDAR: Vote to approve Minutes of the January 15, 2010 Riviera West Mutual Water Company Minutes. Motion, Treasurer McPherson, second, Secretary Sarao. Motion carried unanimously.

IV. COMMITTEE REPORTS: President's Report: President Smythe commented that he would like to have discussion on how meetings of the Water Board shall be conducted under his presidency. Smythe's research showed that the only requirement of the Water Board was to hold one yearly meeting. He proposed that until or if his research finds that different rules apply, meetings of the Water Board will be conducted in accordance with rules of the Homeowners' Association. He said he will not wait until the end of the meeting to ask for public input. He will accept public input as each item on the agenda is presented. No objections to these suggestions were received either from the Board or Homeowners present.

President Smythe reported that the Water Board has hired a new assistant to Jerry Lykken, Water Operator. The new assistant is Jake Mitchell, who has his Class II operator's license. Our water plant does require a Class III operator's license, so when Jerry Lykken retires, the Water Co. will need to hire a Class III operator. Jake has been working for the Water Co. about a month now. Riviera West Mutual does keep on retainer, Keith Wesselhoff, who is a Class III operator for the Clearlake Riviera Water Company, and has the experience to oversee operations until a Class III operator can be hired for Riviera West.

Smythe reported that the Board had an Executive Planning Session on Monday, March 8, 2010 to inform and orient new board member. Treasurer McPherson and Water Operator Lykken gave the Board an overview of the Mutual Water Company's activities and operations.

The water plant is operating adequately at the present time. Smythe has had information that algae is beginning to form on the surface of Clearlake near the Clearlake Riviera. This is early in the season for algae growth.

Treasurer's Report: Treasurer McPherson went over the Profit and Loss balance sheet for the period July 2009 through February 2010, provided in the packet. She reported that the Mutual Water Co. had \$305,000 in the bank. McPherson reports that she hopes to see the Interfund Receivable-Reserve account (\$317,907.80) paid down in the future. The Profit and Loss report looks good. As of the end of February, \$75,521.68 Net Income is reported.

McPherson reported that with respect to collections, she has called administrators of other water companies around Lake County, to learn techniques they use to collect overdue balances. Other administrators said the application of a \$10 per month late fee is not very effective with accounts that are consistently in arrears. Riviera West has about 30 accounts that are overdue, limiting the income for the water company. Other water company's charge 12% per annum or 1% of the amount owed per month. At this time McPherson called for a vote from the Board to address the second subject under Agenda Item VI., Increase of Late Fees Vote. The new structure would be to charge whatever is greater - \$10 per month or 1% per month for the late fee. The Board was in agreement with McPherson's suggestion to change the Late Fee structure. Late Fees are lienable, forecloseable and collectible in small claims court, as opposed to fines and penalties. A homeowner asked a question about how these Late Fees would be applied. McPherson said they would be applied across the board to all late amounts owed. Discussion ensued regarding the language or wording on the water bills regarding late fees. Board Member Eichten suggested it be changed. McPherson said the collection agency, North Coast in Santa Rosa, suggested to her by other water companies is very assertive in collecting amounts. When an account is consistently in arrears the collection agency will notify all three credit reporting bureaus – and the account owner's credit will be affected. There are about 30 accounts that are overdue. McPherson said that most of these property owners pay their property taxes to the County, but they do not pay any fees to the Homeowner's Association or to the Water Company. In some cases they have not cleared their lots, so are liable for that as well. These owner's lots have been liened. They could be taken to small claims court or foreclosure proceedings could be brought against them. A number of these property owners either reside out of County or out of State. The collection agency being considered does not charge Riviera West for accounts it is not successful in collecting. Riviera could pay either 40% to the agency or 50% of the collected amount. If we pay 50%, the collection agency will do a legal garnishment of wages, and attachment of assets. These are either vacant lots, or lots with unfinished homes.

Vote: Treasurer McPherson made a motion that the late fee structure be changed. Motion seconded by Board Member Eichten. Unanimously carried by Board members.

V. OLD BUSINESS: State Regional Board Complaint Update: President Smythe reported that the State Regional Board says the issue is among the attorneys. The Mutual Water Board's attorney says that the complaint has been dropped, although the complaint still appears on the website. No change since January. Reportedly the \$3.09 million penalty has been dropped. There is some discretionary penalty that still will need to be paid. Smythe commented that this company's paperwork is currently being filed in a timely manner that is in compliance with State requirements. Homeowner, Greg Blinn asked about a reference in the minutes of January 15th, referring to the Regional Board. Homeowner Ray Oliva commented that when he contacted either of these agencies it was as an independent person and was not representing the Riviera West Mutual Water Company. In addition, President Smythe explained that Riviera West Mutual Water is dealing with two different State agencies. One being the Regional Board which deals with wastewater issues, i.e., filtered backwash water. The other agency is the California Dept. of Health Services, which deals with drinking water.

VI. NEW BUSINESS: Plant Upgrade Update: President Smythe noted that included in this meeting's packet is a copy of a proposal, the March 12, 2007 Technical Engineering Report on SRF Project 1700568-001, an application submitted to the California Department of Health Services, Safe Drinking Water (SWD), State Revolving Fund (SRF) – for a loan for upgrading the Riviera West Mutual Water Company's water treatment system. This 2007 application, with some updating, could help facilitate securing a loan to finance the upgrade project. This is the proposal on which Riviera West is waiting for loan approval. It was not approved at the time because basically Riviera West Mutual Water Co. was/is not in compliance. There are high turbidity problems, which may be considerably less now than a few years ago. However, we still have trihalomethanes which is a substance created when organic materials and chlorine combine. This needs to be corrected as trihalomethanes may cause cancer. This water company has exceedances of pollutants which may have been accepted ten years ago, however the State has since tightened up its standards.

On page 4 of the SRF Project proposal there is a list of the major components the State would like see included in this project. One of the recommended upgrades is a Contact Clarifier including a mechanical coagulant mixer. It is simply a blender to mix up the chemicals. Our present process is accomplished by injecting water into a pipe and relying on the turbulence in the pipe to mix the chemicals. Jerry Lykken thinks this works fine for our water company. Smythe hopes to make the case that Riviera West does not need to spend the extra money on a mechanical mixer, instead, go with the static mixer. Another recommendation is that we have a U V Disinfection System. That is used when the water first comes into the treatment plant. This kills the algae and organic materials in the water causing those substances to drop out, so we do not have a trihalomethane problem resulting from using chlorine. We are currently using potassium permanganate instead of chlorine to cut the effect of chlorine mixing with organic materials. Listed also is an Enhanced Surface Wash System to keep the filters cleaner when water goes through the backwash system. It makes the operator's job a lot easier when cleaning filters, and extends the life of the filter. This, in the long term does reduce operating costs.

Additionally, the State recommends we install an Emergency Generator. This could be very problematic for Riviera West Water Co. This subdivision is on three different power outage blocks so it would be difficult to have one emergency generator with the electrical system we have. The alternative that we would like to suggest to the State is that we install the junction boxes and switches to which a portable generator could be connected in case of an emergency power outage. It is hoped that the State will accept this change. Smythe discussed the piping recommendation, as well as the Electrical/SCADA system being proposed. Riviera West is using a different type of electrical control system at present which, according to Water Operator Lykken, works very well for us. Smythe is hoping to convince the State that we do not need to install a new electronic SCADA system which is an additional expense. The Board wants to keep what is already working for this water company. And finally, the two redwood storage tanks need to be lined. Jerry Lykken says he has a diver, maintenance person, coming in to clean and repair those tanks at a cost of approximately \$2000. This preventative maintenance could mitigate the cost of lining the storage tanks.

The Riviera West Mutual Water Company Board is going to propose these changes to the SRF Project proposal. We are still waiting to hear back from the State on the loan approval. McPherson said the State had called and asked her a number of questions regarding the project. She felt they were satisfied with her answers. Amy Little with the Department of Health Services called Jerry Lykken and told him Riviera West is at the top of the list. Bruce Burton and Amy Little do not plan to come and discuss the project until they hear that Riviera West has loan approval. Treasurer McPherson noted that the loan needs to be kept under \$500,000 because if Riviera West Water borrows more than that - the State requires a mandatory annual audit at a cost of \$15,000. She is hoping that the State will accept the alternatives that the Board plans to propose. The State says that the water company cannot front any of its own money to cover the cost of project upgrades before the loan is approved.

Discharge to Land Permit: Riviera West is currently spraying backwash wastewater on the hillside below the road on the way to the water plant and letting it soak into the ground. To insure that this is all done legally, we are going through the County with a Use Permit that includes the plant upgrade in this Discharge to Land Permit which will be our environmental clearance. Originally it was proposed that Riviera West Water use basically a giant septic system. The wastewater discharge would go through perforated pipes buried underground. The cost on that project was around \$90,000. Our alternative method is to distribute wastewater on the surface of the ground using sprinklers. However, because this is a change from the original proposal, the County has decided they need to re-circulate this Use Permit for review. The circulation process began on Tuesday. It will take until April 9th so will not make it to the Planning Commission for approval until May at the earliest, potentially the first Planning Commission meeting in May. The Regional Board wants Riviera West Mutual Water Co. to get the County Use Permit with environmental review before they will issue their Discharge to Land Permit. This is in the process and is being handled by a Scott DeLeon, a local engineer in Lakeport.

Homeowner Greg Blinn wanted follow-up from Board members on a letter he sent to the Riviera West Mutual Water Co. Board in February asking about our clarifying system, and if Riviera West has contacted other water companies to see what systems they are using. He wondered why the previous board members preferred the contact clarifier recommended, and this board feels that Riviera West's present process for clarification, is adequate. President Smythe said he would work Water Operator Lykken, and perhaps Ray Oliva to research this. At the time we started this process three years ago, we could not afford the conventional clarifier. If we were to try to change this now, we would have to start the (proposal application) process all over again. Blinn asked again - why did the previous Board of Directors want to pursue a surface clarifier when it was not in accordance with this SRF (State Revolving Fund) project proposal? Treasurer McPherson gave some background. The State had recommended the conventional clarifier. However, at that time, Riviera West Mutual Water Co. was denied loan money. They had neither loan nor grant potential. Therefore, they dropped the idea of the SRF project proposal even though it had been submitted. They went back to square one, and put together a project package to pursue acquiring the basic conventional clarifier, minus all the bells & whistles and the Board was looking into getting its own financing of about approximately \$525,000. The problem was, they could not get a conventional bank loan. In addition, the economy took a downturn. Meanwhile, the SRF project Loan proposal, after two years, was approved and the State said they would approve a loan. After working on the package to acquire the conventional clarifier, the previous Board was not in a hurry to go forward with the SRF project proposal. Now with better information, and with some adjustments to the proposal, McPherson feels Riviera West Mutual Water Co. would be well advised to go ahead with the SRF project proposal.

Greg Blinn asked that since most of the clarifying systems around the lake are using surface clarifiers, are there water companies using surface clarifiers that we can go to and research how they work, in the event the homeowners' would have to pay for such a system? McPherson responded that Amy Little and Bruce Burton from the State were going to present information regarding surface clarifiers. McPherson gave the example that here in Lake County, Westwind (mobile home park?) is one water company where this type of clarifier is being used successfully.

Homeowner Thomasine Griesgraber inquired about a report that had to be turned in to the California Department of Public Health by February 10th that was mentioned at the January 15th meeting. She wondered if it had been submitted. Treasurer McPherson responded it had been sent. In a letter from Bruce Burton, handed out at the January 15th meeting, the State stated that the Filter Backwash Water Disposal Project could be incorporated with the proposed SRF construction loan provided that Riviera West Water Co. submit a written request to the Department describing the scope of the project work and a cost estimate by February 10, 2010. However, Treasurer McPherson said Riviera West Mutual Water Company probably will not want the Filter Backwash Water Disposal Project added to the loan at this time, since the loan needs to be kept

under \$500,000. Since a surface distribution of wastewater is presently being implemented, it will not cost as much as the underground system previously considered.

President Smythe added that SRF project proposal will not require an Environmental Impact Report (EIR). It may require some studies like archeological studies, and a lot line adjustment. He added that CEQA requires a 30 day review period so they have until April 9th for the public to submit comments.

Homeowner Paul Barber inquired about the lot line adjustment study. He thinks most of the land being sprayed with backwash wastewater is owned by the Riviera West Homeowners' Association, not the Mutual Water Company. President Smythe commented that is probably why a lot line adjustment is being requested. He will research this issue.

Treasurer asked that one additional necessary business item be voted upon. She said that she needs two of the interim board members to be signatories on the Water Company's bank account. Barbara Eichten and John Norin's names were submitted for approval. Motion to approve these two Board members as bank account signatories was made by Treasurer McPherson, seconded by Secretary Sarao and carried unanimously.

VII. OWNERS' FORUM: This item was changed at the request of President Smythe so that, in the future, questions from homeowners' may be addressed immediately after each item is presented.

VIII. DISCUSSION: Questions were asked regarding the next election of Board Members, i.e. how many members will be up for election? Treasurer McPherson asked for volunteers to run in June for two board openings. McPherson asked if there should be an April Water Board meeting to notice homeowners regarding the election. Treasurer McPherson will address the necessity for another meeting, if necessary in April.

Homeowner Oliva suggested that a policy be set stating that no relatives can serve at the same time on the board. Both Thomasine Griesgraber and Ray Oliva thanked the interim board for its service.

IX. NEXT MEETING: At the suggestion of President Smythe, it was discussed that the Board change the next meeting date from Friday, May 21st to Thursday, May 20, 2010, 6:00 p.m. at the Riviera West Clubhouse.

X. ADJOURNMENT: Motion, Smythe, second, Norin. Carried unanimously to adjourn meeting at 7:20 p.m.

Respectfully submitted,

Barbara Sarao, Interim Secretary