

SPECIAL BOARD MEETING
APPROVED MINUTES

June 2, 2009

DIRECTORS PRESENT: President Erik Henrikson, Vice President Dan Wilkins
Directors Ron Treabess, Lou Reinkens, and Judy Friedman

STAFF PRESENT: Cindy Gustafson, General Manager
Alan Harry, Director of Development & Public Information
Tony Laliotis, Director of Utilities
Matt Homolka, District Engineer
Tony Soares, Legal Counsel via telephone
Ginger Charlton, District Clerk

A. CALL TO ORDER

President Henrikson called the meeting to order at 9:00 a.m.

B. GENERAL

1. Agreement in Concept with Homewood Village Resorts, LLC (HVR) Regarding Transfer of Appurtenances (e.g., dam, spillway, water lines, etc.) on the Quail Lake Property from TCPUD to Homewood Village Resorts, LLC (HVR)

Ms. Gustafson reviewed the history of the sale of property from Homewood Mountain Resort to the U. S. Forest Service. She summarized that all of the items today are relative to two major issues: 1) Our interests at Quail Lake, and 2) Easements and Access for the Forest Service, Homewood, and Tahoe City PUD. The access easement will not be discussed at this meeting. She said that the approach to the title is muddled and needs to be reviewed.

Ms. Gustafson handed out minutes from October 19, 1992 and showed that in the proposed changes to the Ski Homewood Water Sale Contract, Ski Homewood would own the dam facility as real property. She then handed out minutes from the January 29, 1993 meeting which shows that the Board agreed to pay a base level of maintenance on the dam and transmission line out of the dam. She said that Homewood needs to give clear title to the Forest Service and their request to us is a quitclaim deed. She said that staff feels that rather than agree to take all the actions in JMA's letter today, staff would ask the Board to enter into an agreement in concept to what we are going to pursue with transferring any interests we have on the Quail Lake property to Homewood so Homewood can transfer clear title to the Forest Service. In addition, she noted that the Board authorized staff to hire the water rights attorney in April, who actually wrote the letters of opinion on the water rights issue back in 1992 that said that none of our water rights were at stake by transferring the dam. Ms. Gustafson added that in concept this dam is nothing but a liability and serves no useful purpose to the District. Our plans are to take the diversion water out of Lake Tahoe vs. Ellis Creek as a more sustainable long term source.

Mr. Soares said that he doesn't believe the Board is in a position to enter into an agreement but they can enter into an agreement in concept to pursue the agreement assuming that we could come up with mutually agreeable terms for the conveyance. Director Henrikson asked what the District is conveying if we don't own anything there. Mr. Soares said that that is why the quit claim is the better device since there is the uncertainty about what is owned. A quit claim says that we are conveying any right, title, or interest we have.

Director Henrikson said that he would like to know what he is transferring before he does so and he isn't sure what that is. Ms. Gustafson said that we've been operating and maintaining the dam at no value to the District. Director Henrikson said that he doesn't have a problem with this if everything that has been said is true, but if there is anything of value then he's not too eager to get rid of it. Ms. Gustafson said that it is staff's responsibility to make sure there is no gift of public funds and that whatever we are giving away is of no value, to the taxpayers. Also, transferring it to Homewood and then Homewood selling it to the Forest Service puts it back in public ownership which is a win-win. She said that our legal counsel can do more investigation on the matter.

Director Wilkins said in today's world, with surface water treatment rules, it wouldn't be cost effective for us to try to create multiple water treatment facilities and he would like to hear from staff what value an impoundment facility on Ellis Creek would give us in terms of future flexibility. Mr. Laliotis said that the quality of the water in Quail Lake vs. the quality of the water in Lake Tahoe is dramatically different and the ability to treat Lake Tahoe water is much easier. If there is a choice, Lake Tahoe is the better choice. Director Wilkins said that it appears to him that the value of the storage facility at Quail Lake sixteen years ago is different than the value today in terms of District operational standpoint. It looks like we own the maintenance responsibility on the dam and with any agreement we do we would want to be clearly terminated on the maintenance responsibility.

Mr. Soares said that we should have a conveyance agreement that states specifically that the District is being relieved of all responsibilities. He said that a more traditional contract can be developed after more research is done. If the Board is going to take action today to approve in concept the pursuit of an agreement on mutually acceptable terms, we also need to say for the record that we are not accepting any of the specific terms that are included in the letter that was included in the packet.

Director Henrikson said that we never intended it to be a drinking water source. We were in the middle of a draught and were looking at the water in Quail Lake as a source of revenue for the District for snowmaking or fire suppression.

Ms. Gustafson said that because of the transfer of attorneys over the past few months, our legal counsel needs to be cautious on these issues. She added that it's no reflection on JMA because they have been telling us about what needs to occur for months.

Director Reinkens asked for clarification of the proposed rights as envisioned for the public to get access to Quail Lake. Art Chapman said it's up in the air. It's a theoretical easement in order to accommodate an appraisal before the Forest Service takes the land. But in terms of public access, he doesn't believe that the Forest Service is in favor of unfettered public access into that area for a lot of reasons. The Forest Service has deferred finalizing those things until after a transfer takes place. Mr. Homolka added that the Forest Service won't deny access to the public, but they might put up gates to keep cars out.

Director Wilkins asked if there is any expectation of what the Forest Service wants to do with the dam. Mr. Chapman said that they will keep it.

Director Reinkens asked for some clarification on the water rights. He would like consideration given to the PUD for the rights because they are extremely valuable in the State of California. Ms. Gustafson said that she could request Janet Goldsmith to come explain water rights to the Board if requested. Director Reinkens would like her to come.

Sandy Threllfall asked why the PUD isn't selling directly to the Forest Service.

Ms. Gustafson said that there is some uncertainty because nothing was recorded officially about the dam and there is some idea that we would cloud that title. JMA owns the acreage and the lake and the Forest Service wants it to transpire this way.

Director Friedman referred to the following statement in the handouts and asked if that was incorporated in the final agreement: "Director Henrikson noted Paul Chamberlain was asked to reword the contract to leave any real estate out of the document. The District wants the water rights, not the parcel underneath the water". Ms. Gustafson said it was.

Director Wilkins asked about the deadlines and their timing. Mr. Chapman said that the original appraisal was dated June 2, 2008 and expires tomorrow. The Forest Service has a September 4th deadline to actually close the transaction in order not to lose Burton Santini land acquisition funds.

Motion to state our intention to enter into a conveyance agreement on terms mutually agreeable to the parties with the understanding that further information will be provided to us prior to that and not accepting the terms of JMA's letter. Lou seconded with the addition that we look into the possibility of public access to the Quail Lake Creek. Treabess/Reinkens/ 5-0

C. RESOLUTIONS

2. Resolution Authorizing Termination of 1993 Agreement with Homewood Ski Corporation: Agreement for Joint Use of Certain Waters, Water Rights, Installations, and Facilities

Ms. Gustafson said that the 1993 Agreement has not been necessary or exercised due to TCPUD moving to other sources of water and Janet Goldsmith doesn't believe the termination has any effect on the water supply that the District realizes from the Quail Lake Water Company's rights. JMA and the District are both releasing each other from 60-day notification clauses. Janet Goldsmith drafted the resolution and staff recommended the adoption. The Board asked for the item to be tabled until Janet Goldsmith can come speak with them.

David Tirman said that they would ideally like to have some indication today on this item due to their timelines. Director Henrikson said that he believes the water rights and public access are the only two concerns he has and other than those he felt that we would have every intent to terminate the contract. Ms. Gustafson said that she will bring Janet to the meeting to deal with specifics on the water rights issues, we'll get information from the Forest Service for procedures that they will follow on public access, and legal counsel will be present.

**Motion to show intent to authorize termination of the 1993 agreement with Homewood Ski Corporation pending further information and analysis of the joint use of certain water, water rights, installations, and facilities:
Treabess/Wilkins/5-0**

D. GENERAL

3. Follow-up from Board Meeting of May 26, 2009 – USFS – Snow Storage Issue

Ms. Gustafson said that she contacted Bob Rodman and Jackie Fife from the Forest Service and said that they see the issues as completely non-related. A snow storage issue has to go through a special permit application process and a site analysis would have to be done to show that there are no other eligible sites and there is a reason for public lands to be used for this private purpose. Justin Trolio of the Tahoe City Downtown Association prepared a memo that Ms. Gustafson passed out outlining what their Association is doing with the County's support on the snow storage issue. They have received County funds to move forward and are taking the lead.

Director Henrikson said that he heard through the grapevine that he is the only dissenting vote about letting the fire station move onto Fairway Drive without providing an alternative snow storage area. He said that it appears the Board is waffling on the issue and he wants to know how the Board stands. He still feels that they should not be allowed to build the new fire station until they have the replacement storage area. Director Reinkens said that he kind of concurs with Director Henrikson on it. He heard from lots of people downtown and the financial hardship that will be placed on them at this time will probably put some of them out of business.

Ms. Gustafson noted that the fire department issue was not on this agenda. The snow storage item has to do with the USFS allowing snow storage at 64-Acres in exchange for the easement. Director Wilkins said that he doesn't believe that we expect the exchange but thought that bringing it up again wouldn't hurt and he doesn't think the two should be tied together. Director Treabess agreed and added that he doesn't feel it's the TCPUD's responsibility to take care of snow storage. Director Reinkens said that he feels that the Fire Department is not carrying their weight on the issue. Director Henrikson agreed. Director Friedman said that she doesn't feel that we need to solve the issue but she would like to see the item agendized at a future meeting for a broader discussion so that we can once and for all present our position to people that seem to be clouded on the issue.

Ms. Gustafson said that the Board has discussed having a joint meeting with the fire department and she will move ahead with setting it up. Director Friedman suggested inviting the snow removal operators. Director Reinkens suggested inviting the Board of the Tahoe City Downtown Association, also.

E. PUBLIC FORUM

There was no public forum.

F. ADJOURNMENT

The meeting was adjourned at 10:00 a.m.

Erik Henrikson, President

Ginger Charlton, District Clerk