

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
SPECIAL BOARD MEETING
February 9, 2005
5:30 P.M.

ITEM NO. 1: CALL TO ORDER, FLAG SALUTE AND ROLL CALL:

The Special Board meeting of the Lassen Municipal Utility District was called to order at 5:30 PM by President Cardenas. Mrs. Cardenas led the flag salute.

Board Members Present: Nancy Cardenas (President), Wayne Langston (Vice-President), George Sargent (Secretary), Fred Nagel (Treasurer) and Darrell Wood (Director).

Also Present: General Manager Les Leiber,
 Controller Bill Stewart, Director of
 Engineering & Operations Chuck Lusky,
 Customer Relations Manager, Keri Richards,
 District Counsel, Frank Cady, Associate
 Jaimee Richey, and Board Secretary, Jerri
 Kresge.

ITEM NO. 2: APPROVAL OF AGENDA:

President Cardenas requested that Consent Agenda Item 8C; and Closed Session Items 9(1), (2) & (3) be deleted. A motion was made and seconded to approve the agenda with the requested changes. There being no further Board or public comment, the motion passed unanimously.

ITEM NO. 3: INVITATION FOR PUBLIC COMMENT:

[Mrs. Cardenas opens the floor for public comment after pointing out the Rules for Public Comment.]

➤ None.

ITEM NO. 4: CLOSED SESSION:

The Board adjourned to closed session at 5:05 PM.

A. Conference with Legal Counsel:

(1) Significant exposure to litigation pursuant to Government Code §54956.9(b): (1 case).

ITEM NO. 5: RECONVENE IN OPEN SESSION:
The Board reconvened into open session at 6:05 PM.

ITEM NO. 6: REPORT OF ACTION TAKEN (IF ANY) IN CLOSED SESSION:

The following was orally reported for Closed Session Item 4(1):

- No reportable action was taken.

ITEM NO. 7: INFORMATION ITEMS:

A. Board and Staff Response (if any) to Public Comment.

- None.

B. BOARD/STAFF ITEMS:

1. Un-agendized Board Members Reports:

- Update on General Manager Search. President Cardenas reported that representatives from Mycoff & Associates would be meeting with the Board at a special board meeting on Friday, February 25th at 3:00 PM.
- President Cardenas voiced her concerns that a special board meeting was held to hire an Interim General Manager, while she and Director Sargent were out of town.
- Director Langston apologized to President Cardenas and Director Sargent. He stated due to employee concerns and uncertainties, and in the best interests of the District, it was important to have an Interim General Manager at the opening of business on January 31st. Directors Nagel and Wood concurred with Director Langston.

C. GENERAL MANAGER'S REPORT:

Mr. Leiber thanked the Board for the opportunity to serve the Board and the District as Interim General Manager.

General Manager Leiber stated he wanted the Board to be aware of the following two conferences

and to notify Board Secretary, Jerri Kresge, if they planned on attending:

1. CMUA Annual Conference, March 2-4, 2005
2. Annual Federal Policy Conference and Lobbying Trip, Washington, D.C., April 24-27, 2005.

D. FINANCIAL REPORTS:

1. Controller Stewart reported on:

- Report on Financial Condition of the District:
 - (a) Treasurer's Report (Cash Position Report).
 - (b) Auditor's Opinion regarding meeting Bond Covenants.
 - (c) December Financial Statements.
 - (d) Cash Flow Report.

Board discussion ensued. Controller Stewart responded to the Board of Directors' questions. General Manager Leiber and Steve Pezzullo, CPA, responded to the Board of Directors' questions regarding Contributed Capital.

ITEM NO. 8

ACTION ITEMS

A. CONSENT AGENDA:

1. Approval of Minutes for the December 29, 2004 Special Board Meeting; Reconvened Special Board Meeting from December 29, 2004; January 6, 2005 Regular Board Meeting; and January 18, 20 & 30, 2005 Special Board Meetings. A motion was made and seconded to approve the minutes. Floor opened for public comment.

- Comments made by Eileen Spencer.

There being no further comments the motion passed unanimously. *(Directors Cardenas and Sargent abstained from voting on the 1/30/05 minutes as they were not present at this meeting).*

B. Consideration of Support Agreement with Hunt Technologies; and authorization to sign.

- Reported by Customer Relations Manager Keri Richards.

Board discussion ensued. Ms. Richards responded to the Board of Directors' questions. A motion was made and seconded to approve the Support Agreement with Hunt Technologies; and authorize the President to sign. Floor opened for public comment.

- Comments made by Herb Grutgen

There being no further comments, the motion passed unanimously.

C. Consideration of Administrative Services Agreement with Cost Containment; and authorization to sign. (*Deleted*)

D. Consideration of Employer Testing Program Agreement between LMUD and the Department of Motor Vehicles; and authorization to sign.

- Reported by General Manager Leiber and Operations Manager Trevino.

Board discussion ensued. Operations Manager Trevino responded to the Board of Directors' questions. A motion was made and seconded to approve the Employer Testing Program Agreement; and authorize the General Manager to sign. Floor opened for public comment.

- Comments made by Eileen Spencer.

There being no further comments, the motion passed unanimously.

E. Discussion of Auditor to perform the 2004/2005 Audit.

- Reported by President Cardenas. Mrs. Cardenas read portions of the Sarbanes-Oxley Act which applied to audits and the rotation of auditors. She commented on Sarbanes-Oxley being the industry standard as related by District Counsel; and asked for the Board's input and suggestions on possibly issuing an RFP for the District's audit for the next fiscal year.

Board discussion ensued. District Counsel Cady responded to the Board of Directors' questions. He stated the act did not

apply to entities such as LMUD, but it is becoming the standard for most entities. It was the consensus of the Board to direct District Counsel to review the current auditor's contract, i.e., is the District legally bound, are there proper exits, has the independence issue been violated, have other public utilities been impacted by the Sarbanes-Oxley Act, etc.

- Comments made by Steve Pezzullo and Eileen Spencer.
- President Cardenas responded to the public's comments.

F. Consideration of Resolution 2005-01: Authorization for the President and Secretary to sign U.S. Bank's and Plumas Bank's form resolution setting forth the authorized signatories on LMUD's accounts.

- Reported by Controller Stewart.

Board discussion ensued. Controller Stewart responded to the Board of Directors' questions. A motion was made and seconded to approve Resolution 2005-01. Floor opened for public comment.

- Comments made by Eileen Spencer.
- Controller Stewart and District Counsel Cady responded to the public's comments.

There being no further comment, the motion passed unanimously.

G. Consideration of (1) Ratification of Agreements from which demands arose; (2) Receipt of Certification from Controller and General Manager regarding Propriety of Payment of Demands; and (3) Approval of Payment of Demands.

- Reported by Controller Stewart.

Board discussion ensued. Controller Stewart responded to the Board of Directors' questions.

There being no further comment a motion was made and seconded to (1) Ratify Agreements from which Demands arose. Floor opened for public comment.

- Comments made by Eileen Spencer.

- Controller Stewart responded to the public's comments.

There being no further comment, the motion passed unanimously.

A motion was made and seconded to (2) Receive Certification from Controller and General Manager regarding Propriety of Payment of Demands. Floor opened for public comment.

- Comments made by Eileen Spencer.
- Controller Stewart responded to the public's comments.

There being no further comment, the motion passed unanimously.

A motion was made and seconded to (3) Approve Payment of Demands. Floor opened for public comment.

- Comments made by Eileen Spencer
- District Counsel Cady responded to the public's comments.

There being no further comment, the motion passed unanimously.

H. Board discussion on scheduling a second regular board meeting each month.

Director Nagel commented he preferred being flexible with the date for a second board meeting each month. Director Wood agreed, and suggested changing the date and time of the regular meeting each month and possibly starting at 4 PM. Director Cardenas suggested changing the regular meeting day to Wednesday, but keeping the time at 5:30 PM. General Manager Leiber said any change to the regular board meetings should be put on the agenda for the next board meeting.

- Comments by Herb Grutgen.
- District Counsel Cady responded to the public's comments.

ITEM NO. 9: CLOSED SESSION:

A. Conference with Legal Counsel:

- (1) Significant exposure to litigation pursuant to Government Code §54956.9(b) – (1 case).
- (2) Existing litigation Government Code §54956.9(a): Lassen County Superior Court Case No. 38946, Forbes et ux, vs. Feather Publishing, LMUD, et al. *(Deleted)*
- (3) Existing litigation Government Code §54956.9(a): Lassen County Superior Court Case No. 36791, Spencer vs. LMUD. *(Deleted)*
- (4) Existing litigation, Government Code §54956.9(a): IBEW 1245 vs. Lassen Municipal Utility District, Unfair Practices Charge No. SA-CE-290-M. *(Deleted)*
- (5) Public Employee Performance Evaluations. Titles – General Manager and General Counsel (Pursuant to Government Code §54957).
 - Comments made by Eileen Spencer regarding closed session Item 9(5).
 - District Counsel Cady responded to the public's comments.

The Board convened into closed session at 8:15 PM

ITEM NO. 10: REPORT OF ACTION TAKEN (IF ANY) IN CLOSED SESSION:

The Board reconvened into open session at 9:35 PM

The following was orally reported on closed session item 9(1):

- Previously reported in Item No. 6 of Minutes.

The following was orally reported on closed session item 9(5):

- No reportable action was taken.

ITEM NO. 11: ADJOURN:

There being no further business, the meeting was adjourned at 9:40 PM.