

# **WALLACE COMMUNITY SERVICES DISTRICT**

**P.O. Box 398, Wallace, CA 95254 209 763-2699**

**REGULAR MEETING, Board of Directors**

## **Minutes**

**Thursday, April 23, 2009**

**Mark Fusselman's Barn, 9500 Wallace Lake Drive, Wallace Ca 95254**

### **CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 7:00 PM by Board President Mark Fusselman. Present were Directors Mark Fusselman, Bill Pugh, Rick Guantone, David Reyner and Chuck Cantoni. Also present was General Manager and Secretary/Treasurer David Edwards.

### **REGULAR AGENDA**

#### **1. APPROVAL OF MINUTES**

The minutes of the Regular Meeting of March 19, 2009 were approved with minor corrections.

*Motion:* Cantoni

*Second:* Guantone

*Passed:* 5-0-0-0

The minutes of the Special Meeting of April 7, 2009 were approved, correcting three typographical errors.

*Motion:* Guantone

*Second:* Pugh

*Passed:* 5-0-0-0

The minutes of the meetings of February 10, 2005 and April 14, 2005 were discussed with regard to the confusion over will serve agreement descriptions. It was the consensus of the board that legal counsel should be consulted as to what, if anything should be done to clarify.

#### **2. APPROVAL OF BILLS FOR PAYMENT**

After discussion, payment of check numbers 4197 through 4225 were approved for payment.

*Motion:* Fusselman

*Second:* Pugh

*Passed:* 5-0-0-0

The Developer account balances for Mr. Al Ruosan and Reynen Mokelumne Oaks were observed to be out of balance. The account will be queried as to the cause.

#### **3. PUBLIC COMMENTS**

Ms. Cathryn Jackson commented that she had heard a talk by CCWD director Jeff Davidson stating that, "the County did a disservice in turning down the Remainder Parcel development tentative map, and that as a result, the WCSD could go broke."

#### **4. DISCUSSION OF DISTRICT ORGANIZATION**

The board next held a discussion on the Ad Hoc Organizational Structure Committee. Director Reyner introduced Mr. Roger Bennett of the California Rural Water Association (CRWA), who provided his view of the District, its finances and organization.

Mr. Bennett has over 45 years in the water and wastewater business. He has been a district general manager, a college instructor, did international consulting, and is now a Circuit Rider for the

CRWA. He cautioned that the opinions he expressed would be his own. His opening discussion included the following points.

- He was very impressed with the District's Annual Service Plan, provided to him in advance of the meeting. He stated that most small districts are not as well organized. (e also commented that many will go bankrupt.)
- He stated tha David Edwards has a good background for water and wastewater operation and management and has a contracting background as well. He stated, "You should keep him full time."
- The District needs strong administration. Board members have done a lot to cover this area, but that is not the usual way. The result is usually bad, but in this case, the result has been good.
- Board members that assist in administration, such as has been the case with Director Cantoni, should go one way or the other – be a board member or be the GM.
- Another way would be to bring in an administrator at \$12 to \$15 per hour. Administrative tasks should include filing and records retention policy.

A question and answer period followed the discussion. Following are highlights. Questions came from board members, committee members and members of the public.

- Question: Doesn't the approach outlined mean more costs for the District? Answer: If it does, then you should raise the water and sewer rates.
- Question: Are we facing more regulation and paperwork in the future? Answer: Without a doubt, including more regulatory requirements. Would guess that an administrative person would be full time to start, then taper down to one-half time. They could become the GM. In this case, the GM is not much more than a title – David would still run things.
- Question: We are in the middle of considering a rate increase. Should we be considering stronger block rates? Answer: The CA Assembly has passed Bill 1882 that calls for stronger block rates. This will not be mandatory, but will strongly encourage conservation inducing rates.
- Question: We have a rate scheme that includes a base rate and a charge for water above 1,200 cu. ft. Does that meet conservation needs? Answer: The base rate should cover only your fixed costs. Then, the volume rate should cover the amount of water used, increasing in blocks as higher use is encountered.
- Question: Rate increases would be problematic. What would you do if we cannot raise rates? Answer: You must act according to Proposition 218 law. You need to document the need for the rate structure. You need to educate your customers on the problem you are trying to solve. And remember, under Prop 218, the Board cannot campaign in favor. They can only present facts. You need citizens to campaign for the idea.
- Question: Have you seen the rate study of 5 years ago? The committee wanted the board to act, but it did not. Answer: Not familiar with the study.
- Question: Is regionalization coming to small districts? Answer: Yes, very likely in the next 10 years. The District duties would likely be split. Water and Sewer services could be consolidated, leaving the other responsibilities in place for the District.
- Question: The water rates in Stockton are much cheaper than in Wallace. Why? Answer: Bigger is cheaper, without a doubt.

- What about using contractor services to run the plants? Answer: There are plusses and minuses. Some are good, some not so good. Their profit motive cuts into the ability to afford maintenance.
- Comment: We have a special assessment in place, which subsidizes the water and sewer systems costs. Answer: Regardless of how it was set up, would be careful with co-mingling.

## **5. GENERAL MANAGER'S REPORT**

GM David Edwards gave his report. He stated that the CSDA has proposed some changes to their bylaws. This will be placed on the agenda for the next Board meeting.

The CRWA Annual meeting is taking place at Lake Tahoe the week of April 27, 2009. Mr. Edwards will be attending.

GM Edwards reported that he has done further testing of treatment for well #3, following the previous observation that the filter media is being lost during operation. Preliminary testing showed that the treatment process is not as effective, substantiating the need to understand the filter operation and effect of backwashing.

Mr. Edwards reported that he is in the process of sorting out which homes are rentals, so that the proper agreements between the owner, the renter and WCSD can be executed.

## **6. PRESIDENT'S REPORT**

Mr. Fusselman reserved the bulk of his comments for a later meeting, due to the length of this meeting. He did state, in response to comments he has heard, that this Board is doing the best that it can to carry out its responsibilities.

## **7. COMMITTEE REPORTS**

### **Finance:**

Directors Guantone and Cantoni reviewed financial results for the period ending March 31, 2009. Financial reports were presented. Year to date we are running a surplus of about \$6,300, excluding consideration of depreciation and after setting aside planned reserves. The sewer financials are running above plan, water is below plan, and roads and other are above plan. Working cash is at \$147,098 – a good position for the District. We are planning to end the year with an increase in reserves of \$62,000. \$30,000 is for the planned Repair & Maintenance Reserve, \$20,000 from the Roads budget, and \$12,000 from Sterling Builders.

Mr. Cantoni announced that the Independent Auditor's report is now available and is included in the Board materials provided for the meeting.

### **Lake & Open Space:**

Mr. Cantoni requested clarification as to who was chair of the Lake & Open Space committee. President Fusselman announced that Director Reyner should take that position. Mr. Cantoni then volunteered to join that committee.

## **8. DISTRICT ELECTIONS**

District Elections are to be held on August 25, 2009. Four directors will be elected. The nomination period begins on May 4, 2009 and ends on May 29, 2009. The form of Notice for posting was reviewed by the board.

## **9. DEED-OVER PROGRESS REPORT.**

Mr. Cantoni announced that the deed-over of wells 1, 2 and 3, the Water Treatment Plant and the

remainder of the dam, lack and open space has been completed within the deadline called for in the Remainder Parcel Will Serve Agreement (as modified and extended). The Grant deed, Grant of Access and Utility Easement and Survey map have been recorded at the county. Mr. Cantoni expressed appreciation for the work accomplished by Reynen and Mr. Hock in achieving this property transfer.

**10. WATER AND SEWER RATE STRUCTURE.**

The rate structure for water and sewer rates was discussed. The Water and Sewer Codes allow the Board to increase base rates each year for a five year period. The maximum increase is set by the Engineering News Record (ENR) Cost of Construction Index increase over the previous year. From the ENR web site, the increase in the Constructio Cost Index from 2007 to 2008 was slightly above 5.3 percent.

It was suggested that the District determine the exact amount, for the increase, for the record.

A lengthy discussion ensued. The financial results for this Fiscal Year, and the projections for the next Fiscal Year, show the need for continued subsidy of the water and sewer operations from the Special Property Tax assessment. Mr. Guantone pointed out that this has been occurring since the District was founded, and the Board has set an objective of reducing the subsidy each year. Mr Cantoni pointed out that as it stands, water and sewer rate revenues do not cover expenses when including depreciation. There is serious concern that inadequate funds are being set aside for future repair and maintenance.

Mr. Howen pointed out that the intent of the previous rate increases was to build up the reserves. Mr. Cantoni pointed out that reserves have increased in the past three years with the addition of the Repair & Maintenance Reserve, which now includes setting aside of reserve funds for street repairs.

After lengthy discussion, including comments from the public, a motion was made, seconded and approved to increase the base water and sewer rates by five (5) percent. That results in the water base rates going from \$45.00 per month to \$47.25 and the sewer rate going from \$65.00 per month to \$68.25. Per the Water and Sewer Codes, these rates are to become effective July 1, 2009.

*Motion:* Guantone

*Second:* Pugh

*Passed:* 3-2-0-0

**11. MOKELUMNE OAKS EXPIRED WILL SERVE AGREEMENT. (Continued to the next Regular Board meeting).**

**12. STERLING BUILDERS – STATUS OF STREET REPAIRS.**

Mr. Cantoni reviewed the status of the Sterling Builders development. A punch list has been provided to the developer for completion of the work. The developer has written the board, disputing some charges previously incurred, and asking that the \$12,000 fee for future street repairs paid by him be returned since he has not disturbed the street in completing infrastructure requirements.

A discussion ensued regarding the fairness of the \$12,000 fee. It was pointed ou that PG&E will be digging up the street in order to get power to the development. Various positions were suggested, including compromise on the amount of the fee.

It was the consensus of the Board that additional information is needed, especially with respect to the PG&E plans. No further action was taken.

**13. LANDSCAPING AND YARD MAINTENANCE – WHAT CAN WE DO ABOUT IT.**

A brief discussion was held on the state of landscaping of some of the homes and lots in Wallace Lake Estates. Mr. Cantoni announced that he and Mr. Pugh had met with the Architectural committee, to urge them to take action to clean up some of the bank-owned properties. The

Architectural Committee will be taking action. At the same time, the District will attempt to improve the condition of easements and properties that they are responsible for.

**14. SB610 REQUIREMENTS FOR WATER AVAILABILITY DETERMINATION  
(Continued to the next regular board meeting).**

**15. DIRECTORS COMMENTS**

**16. AJOURNMENT TO REGULAR MEETING OF MAY 21, 2009**

Upon motion duly made and seconded, the meeting was adjourned at 11:00 PM.

*Motion:* Guantone

*Second:* Pugh

*Passed:* 5-0-0-0

Respectfully Submitted:

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David Edwards, Secretary

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Mark Fusselman, President