

WALLACE COMMUNITY SERVICES DISTRICT

P.O. Box 398, Wallace, CA 95254 209 763-2882

SPECIAL MEETING, Board of Directors

Minutes

Tuesday, April 7, 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 Vice-President Richard Guantone. Present were directors Charles Cantoni, Richard Guantone, Bill Pugh and David Reyner. Director Fusselman was absent. Also present was General Manager and Secretary/Treasurer David Edwards.

Director Guantone called the meeting to order and Secretary David Edwards called the roll.

SPECIAL AGENDA

1. VEHICLE PURCHASE

Director Fusselman had proposed at a previous meeting that the District purchase a used pickup (1991 Ford Ranger) for use by the GM in District affairs. The purchase price for the vehicle is \$1,111.22, to be purchased from the Elk Grove Toyota dealership of which Mr. Fusselman is the General manager. Mr. Fusselman has committed to donate \$500 towards the purchase. A discussion on the possible purchase was held. Mr. Cantoni stated that SDRMA would not be issuing collision or comprehensive insurance because of the low value of the vehicle. They will, however, provide liability insurance.

Director Pugh stated that he would provide financing to place a logo on each door of the vehicle. A discussion ensued on what the District is currently paying in mileage reimbursement. Mr. Guantone offered the opinion that money would be saved by approving the purchase. The Board approved the purchase.

Motion: Cantoni

Second: Pugh

Passed: 4-0-0-1

2. BASICS OF THE FINANCIAL PLAN

The Board reviewed some of the basics of financial planning for the District. Director Guantone presented the base assumption on growth that is being used for financial planning for FY 2010. The plan shows growth of about 2% per year for the next 3 years, then anticipates economic recovery and growth in the 10 to 20 % per cent range after that period.

Jackie Neill suggested the Board might look at reducing the CICF to encourage home building.

Director Cantoni then went over the basics of the accounting system, including a discussion of the various sources of revenue and how they are spent. This discussion focused on sources and uses of funds, including the reserve concepts utilized by the District. He recommended that amounts budgeted for major street repairs be budgeted as going into the Repair & Maintenance Reserve each year. This will allow accumulation of a larger budget for street repairs, providing economy of scale. It was the Board's consensus that building the R&M reserve in this manner was a sensible action to take.

Cathryn Jackson raised questions as to how well reserve expenses are tracked. Mr. Zedlitz questioned the perceived lateness of the annual audit report and whether or not pooled reserves are accounted for by

segments of the District. Ms. Jackson questioned the value of the monthly Excel financial reports for anyone but the GM and Finance committee..

The basics of the accounting system as discussed are shown in Exhibit A.

3. NEEDS ASSESSMENT FOR FY 2010 AND BEYOND

Mr. Cantoni then reviewed in detail the needs of the District for FY 2010 and beyond. The review included discussion of the following:

- Growth prospects
- Current system capabilities
- Water & Sewer rates
- Current revenues
- Connection fees
- Cash position of the District
- Debt position of the District
- Legal counsel
- District Engineer
- Water System status and needs
- Wastewater system status and needs
- Lake, Dam & open space needs
- Streets needs
- Operations plans
- Government required plans
- Financial requirements
- Monitoring programs
- Outside participation by District personnel
- Budget needs
- Capital Improvement Plan needs

4. FINANCIAL RESULTS FOR FY 2009, THROUGH FEBRUARY 28, 2009

Director Cantoni then reviewed re-stated financial results for the period ending February 28, 2009. The re-statement was made to conform to the concept of placing the major road repaid funds into the R&M Reserve. It was noted that the District has a “surplus” of about \$1,000 as of the end of February, compared to a budgeted surplus of \$3,800. The main variance comes from the unplanned expenditure of \$5,000 to create the Operations Plan for the water plant, as required by the Department of Public Health.

With the revised Reserve planning, the expectation is that the R&M reserve growth will be \$62,000 this year.

5. BUDGET FOR FY 2010

Director Guantone then reviewed a draft budget for FY 2010. It was noted that the draft budget included rate increases of 5 percent for water and sewer. Various expense categories were discussed and it was noted that the budget included about \$19,000 in un-allocated wage expense that could be used to cover anticipated administrative expenses, salary increases, etc.

6. RATE SETTING FOR FY 2010

The Board then discussed the possibility of rate increases for water and sewer services. It was noted that rate revenue does not completely cover expenses and that Special Assessment funds are used to subsidize the water and sewer systems. Any rate increases imposed by the Board would be limited by District Code to less than the increase in the Engineering News Record Cost of Construction Index for the previous year. Mr. Cantoni noted that the increase from the previous year stands at 5.2 %. He pointed out that the real issue with regard to any rate increases has to do with covering the costs of depreciation. While the

directors speak of “surplus” amounts each month, these surpluses occur by not considering depreciation. If depreciation is included in the analysis, the District is losing about \$40,000 per year.

7. CAPITAL IMPROVEMENTS PLAN FOR FY 2010

A draft Capital Improvements Plan (CIP) was then reviewed by the Board. A number of projects have been identified for the coming fiscal year. These include:

- Improvements to Well #2
- Improvements to Well #3
- WTP Chlorine system upgrades
- WTP PLC Upgrade
- WTP Backwash system modification to cut flows to the WWTP
- Building extension at the WWTP
- WWTP PLC upgrade
- Trickling Filter re-build
- A Park at the lake
- Elevated water tank repairs
- Ground level water tank repairs

Mr. Cantoni led a discussion of other improvements that might be made in the not-to-distant future. Mr. Pugh pointed out that we now have more young children in the development, and should consider establishing recreational areas. Changes to the annual Special Assessment were discussed as a possible way to fund such improvements. In discussion of improvements to the development, landscaping deterioration was discussed. It was concluded that the Board should encourage the Architectural Committee to possibly fund clean-ups of vacant homes. It was suggested this should be on the next Board meeting agenda.

DRAFT MINUTES

Respectfully Submitted:

David Edwards, Secretary

Mark Fusselman, President

Exhibit A

WALLACE COMMUNITY SERVICES DISTRICT

Financial Accounting System

The WCSD has multiple sources of funds and segregates their use depending upon the source. The flow diagram in Figure 1 shows the various sources and uses.

Water and Sewer Rate Revenues. The funds collected go towards operation and maintenance of the water and sewer plants (path 1). In addition, part of the funds are transferred to a Repair and Maintenance Reserve (path 2), which is used for accomplishing significant repairs and maintenance on the two plants. The idea is have the reserve build in value to be able to fix unforeseen serious problems.

Special Assessment. The Special Assessment Funds are used to support an operational budget for roads, streetlights, open space, gates and other functions (path 4). Currently, they also support water and sewer operations as shown by the dotted line (path 3). The goal is to eventually get rate revenue to cover water & sewer costs, so that they are no longer subsidized by the Assessment revenues (these are collected only in Zone 1, so using the funds for water and sewer gives those in Zone 2 a “free ride”). Special Assessment funds also go into the R&M Reserve to cover major road repairs (path 5).

Capital Improvement Fees. These funds (Connection Fees) are collected at building permit time. They go into the Water and Sewer Reserves and are to be used for major improvements to those systems.

Emergency Reserve. Not shown on the diagram, the District maintains a funding level of at least \$75,000 in its bank and general accounts as its emergency reserve (must be able to support operations with no income for at least two, preferably three months).

Repair and Maintenance Reserve. This reserve is utilized to make significant repairs and perform significant maintenance tasks on the Water System, the Sewer System, and Roads & Other.

Water System Reserve. This reserve is funded from CICF. If need be, it may also receive funds from the rate revenues. The funds are used to make major improvements to the water system. These funds are restricted as to use.

Sewer System Reserve. This reserve is funded from CICF. If need be, it may also receive funds from the rate revenues. The funds are used to make major improvements to the sewer system. These funds are restricted as to use.

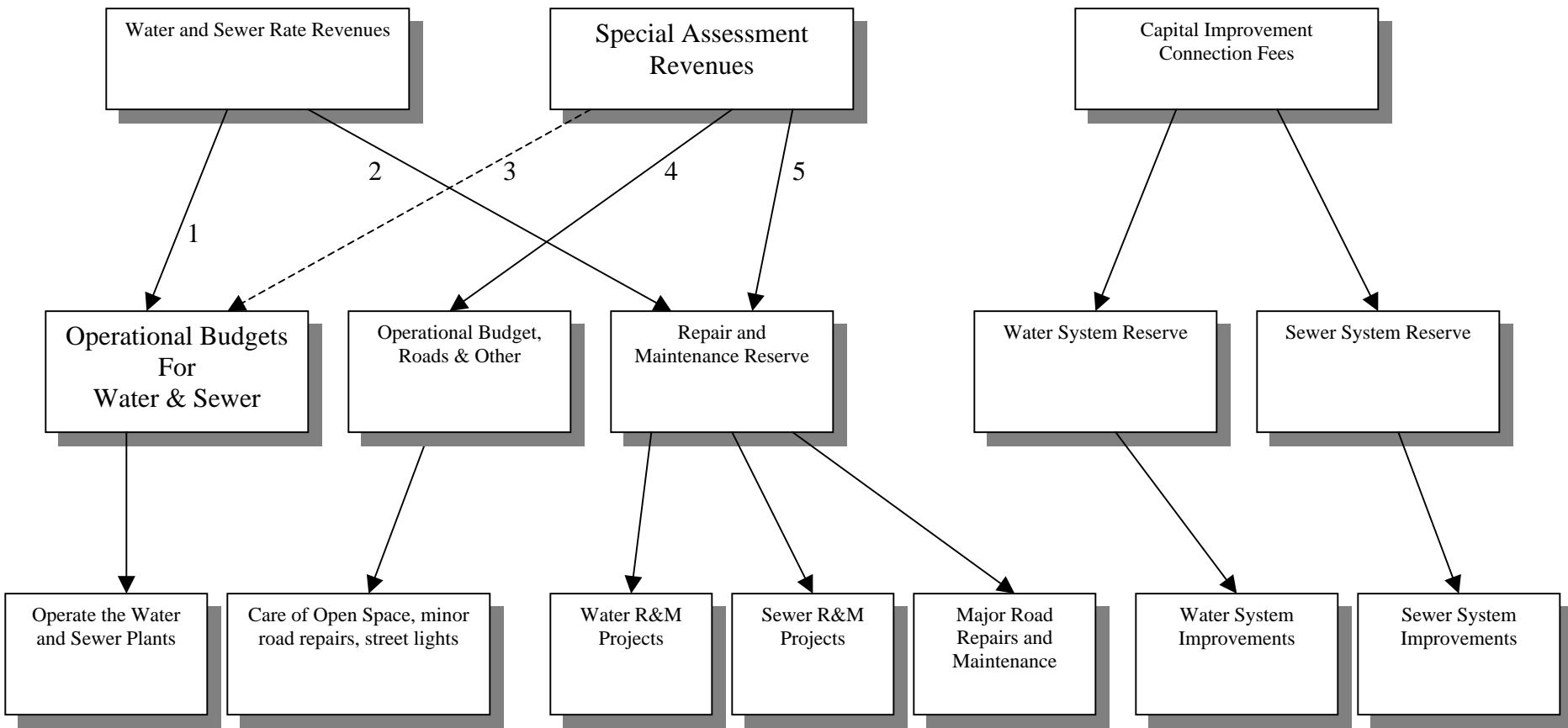


Figure 1
WCSD Funding Sources and Uses