

# WALLACE COMMUNITY SERVICES DISTRICT

P.O. Box 398, Wallace, CA 95254 209 763-2882  
SPECIAL MEETING and WORKSHOP, Board of Directors

## Minutes Wednesday, July 23, 2008

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

### CALL TO ORDER AND ROLL CALL

President Charles Cantoni called the meeting to order at 7:05 PM. Present were Directors Charles Cantoni Rick Guantone, William Pugh, Mark Fusselman and Floran Schneider. General Manager David Edwards was present and took the minutes.

### 1. BACKGROUND PRESENTATION

The Workshop meeting was called to review data and ideas on rates for water and sewer services within the WCSD.

Director Cantoni reviewed financial and operational material provided in a handout. The material showed the history of rates within the district and resulting revenues over the past 10 years. It also showed the negative cash flow encountered from 2003 through 2006, prior to rates being increased.

Data showing revenues and expenses over the past 10 years showed that results varied over the years, with expenses slightly exceeding revenues. In Fiscal Year 2003, the district expects to place at least \$30,000 into a repair and maintenance reserve, and expects similar performance in FY 2009.

Director Cantoni also discussed the critical performance factors for the water and sewer systems. He noted that the water treatment system is now (since May of 2006) producing water with iron content at about 10 percent of the Maximum Contaminant Level (MCL), as requested by the State Department of Public Health. He also noted that after repairs made to the wastewater treatment plant in late 2006 / early 2007, the effluent from that plant has Biochemical Oxygen Demand consistently below the standard of 10 mg/l. While these measures are only part of the overall specifications, both plants are now operating properly.

Mr. Cantoni then commented on upcoming major repairs and maintenance that are needed, including re-coating of areas interior to the water tanks, trickling filter replacement at the sewer pant and street repairs.

Finally, Mr. Cantoni reviewed the last two year's history of maintenance and repairs performed at both plants. The object of the analysis was to determine relative costs in performing these tasks using in-house labor vs. contracting to outside vendors. Summary data taken from the handout is as follows.

| Year | Cost as performed | Sub-contract basis | Savings  | Tasks on time | Tasks late | Tasks on budget | Tasks over budget |
|------|-------------------|--------------------|----------|---------------|------------|-----------------|-------------------|
| 2007 | \$50,390          | \$108,289          | \$57,899 | 19            | 6          | 21              | 4                 |
| 2008 | \$43,196          | \$105,594          | \$62,398 | 4*            | 3*         | 6*              | 1*                |

- Most 2008 tasks are still in process.

A draft of the District's Water Shortage Contingency Plan (WSCP) was then reviewed and discussed. The plan, required by the State and encouraged by Calaveras County Water District (CCWD) describes actions to be taken in case of water shortages. It includes discussion of water rates that encourage conservation and lays out mandatory rationing for various states of emergency. The discussion centered on the need to set these rates and to complete the WCSP.

Finally, a handout entitled "Some Rate Alternatives" was reviewed and discussed. The material included various ways to set rates to encourage conservation, and included a method of variable rate sewer service.

## 2. PUBLIC AND BOARD DISCUSSION

An informal discussion on rates and budgets was held. The discussion included consideration of the need to have rates that cover expenses, including depreciation. The Special Assessment revenue was discussed, including how it can be used to subsidize water and sewer rates. Discussion was held on what the Proposition 218 law requirements are for setting taxes and rates. Discussion was held on the effect of expenses incurred on behalf of developers (and billed to them). It was concluded that these expenses do not show up in the district budget since developers pay for them.

A discussion was held on whether the new rates, effective July 1, 2008 should be kept or rolled back to the previous level. Differing opinions were offered. A discussion was held on whether or not the "forever increasing rates" clause in the current ordinance should be kept in place, or whether rates should be fixed by ordinance, and adjusted only if the need arises. A discussion was held on the need to do a rate study, and that if such study were done, the Board and the Public should accept the result and adjust the Board should adjust rates accordingly. The Table shows various rate methods discussed in the handout. At Wallace, residences, on average, use 2,000 cu ft per month.

| Method  | Cost   | Cost for 1,200 cu ft | Cost for 2,000 cu ft |
|---|--|----------------------|----------------------|
| <b>Current:</b><br>Base charge (includes 1,200 cu ft of water per month)  | \$45.00 per month plus \$1.50 per 100 cu ft above 1,200 per month  | \$45.00              | \$57.00              |
| <b>Conservation Encouraging:</b><br>Base charge (includes 500 cu ft of water per month)                               | \$34.00 per month plus \$1.50 per 100 cu ft above 500 cu ft per month  | \$44.50              | \$56.50              |
| <b>Stronger Conservation:</b><br>Base charge (includes 500 cu ft of water per month), rate escalates as use escalates | \$25.00 per month plus:<br>\$1.50 per 100 cu ft (500 – 1,200 cu ft)<br>\$2.00 per 100 cu ft (1,200 – 2,400 cu ft)<br>\$2.50 per 100 cu ft (2,400 and up cu ft) | \$35.50              | \$51.50              |
| No Base Model:<br>Volume charges only   | \$3.50 per 100 cu ft   | \$42.00              | \$70.00              |

The rates above were used to illustrate the various methods, and do not imply any suggestion that they should be adopted, either as to the rate scheme or the magnitude of the rates. Director Cantoni stated that the purpose of the handout was to encourage discussion on the various possible ways to set rates.

In the discussion, it was noted that industry practice is to set the Base charge to cover the fixed costs of the water system plus any included water. The Volume charge is to then cover the variable costs.

The meeting was adjourned at 9:50 PM.

*Moved:* Pugh

*Seconded:* Schneider

*Passed:* 5-0-0-0

Respectfully Submitted:

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David Edwards, Secretary

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Charles Cantoni, President