

BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
Annual Budget Meeting
Saturday, April 14, 2007

The Board of Directors of Brooktrails Township Community Services District met in regular session on April 14, 2007 at 8:35 a.m. at the Brooktrails Community Center.

A. PLEDGE OF ALLEGIANCE

B. ROLL CALL

Roll call showed the following directors present: Ziady, Orth, Horrnick and Skezas. Director Williams was absent. Also present were General Manager Chapman, Chuck Harden of the Finance Committee, Joanne Cavallari (Finance Assistant) and Robert Melluish (Superintendent of Utilities).

REPORT ON CLOSED SESSION

None.

C. ADDITIONS/ADJUSTMENTS TO THE AGENDA

None.

D. MINUTES OF PREVIOUS MEETINGS

None.

E. SPECIAL PRESENTATION

None.

F. PUBLIC HEARING

None.

G. PUBLIC COMMENTS

None.

H. CONSENT CALENDAR

None.

I. ACTION AGENDA

1. Consideration of Draft Budget for Fiscal Year 2007-2008. General Manager Chapman opened by commenting that the ongoing engineering complexities and uncertainties that surround the water projects have complicated the entire budget process this year. He proposed to raise the water base rate by 5% and to keep the tier rates the same. As to Fire Department personnel, Mr. Chapman said several years ago we had not anticipated a three-quarter-time secretary, but more like a quarter-time one, so next year he might suggest reducing the hours of that employee. He then reviewed the "Five-Year Capital Outlook Plan" from page 9 and its list of projects. Regarding desilting Lake Emily and the raising of Lake Ada Rose 38' — he said we could pursue both projects and see which gets permitted first.

He turned the discussion to cash flow and the possibility of the drillings of Lake Ada Rose and the slip above Lake Emily, saying we don't have enough money to do both next year. Discussion followed about these complexities. Mr. Chapman noted that Chris Neary has said that the 3' raise and enlarging Lake Ada Rose satisfy the Specific Plan buildout, and we want to avoid modifying the Specific Plan past 4,000. We can apply for the water, though.

Mr. Chapman said he was fearful about trying to appropriate money in a bond for two projects; it's hard enough to do one project, and we might find that the other gets stale. Director Orth said we should have separate 218 elections. Mr. Chapman said this may require a bond providing both for new water connections and buying lots. Director Orth said the future raising of Lake Emily 15' will come in as the final stage of resolving how many lots are left; he said only unbuildable lots should ever be bought. Director Horrnick agreed that the first 218 election shouldn't involve buying back lots. He didn't think we were saying it necessarily stopped at 4,000, but only that it was taking care of one stage. President Skezas voiced concerns about doing drillings on Ada Rose for a dam that we're going to tear out. Mr. Chapman said the core drillings are the first step on any retrofit or new dam construction. They will also require drilling on the water plant hill to see its soil composition.

Mr. Chapman continued with the projects list. Director Orth commented on hydrant security now that Willits has stopped bulk sales. Mr. Melluish said he would like to take out a remote station in Spring Creek and also one on Dogwood Terrace because there are no houses there.

Mr. Chapman said he would be meeting with Bob Parker of DOT about the second access road. We still have a \$15,000 cost share commitment on that.

As to Parks, we have a \$23,000.00 transfer from the General Fund. Of this amount, \$8,000.00 will go into the abatement program. \$15,000.00 will go into the Thimbleberry grant. Director Ziady asked what was left from last year. Mr. Chapman discussed with Director Ziady the fact that although giving Recreation the franchise money was approved last year, actual money has not transferred to Recreation because the franchise money won't be paid until May 2007. Director Ziady said she understood we already had the money for Thimbleberry. President Skezas said the \$23,000 that would be received in June should be carried over. Mr. Chapman reviewed the Recreation Fund on page 15. There is \$1,900 left from this current year. Expenses included the restroom and parking lot, a portion of wages, debt service, capital outlay expense (primarily the restroom), and we have to put depreciation in and take it out. Director Ziady said the money for abatement [under the BLM grant to Fire Safe Council] should be charged to Fire and not to Recreation. She said Recreation isn't responsible for every bit of abatement in the greenbelt or for the evacuation route. She said she had no problem dealing with it this year because she understood the stress the budget was under, but that the Recreation Committee was being robbed just like the state robbed the General Fund. Mr. Chapman said he was trying to leverage the funds to maximum use by taking \$131,000.00 out of the General Fund and spreading it in almost every direction. Director Ziady said fine, we will cover the \$8,000.00 for five years, but don't look to us in the future for dealing with all of the District abatement issues. President Skezas voiced that the \$16,000.00 for the Thimbleberry bridge is a capital project. Director Ziady agreed and said she was okay with it. President Skezas said we could address the \$8,000.00 match on a yearly basis. He said to Mr. Chapman the Thimbleberry and \$8,000.00 combined was roughly the amount of the franchise fee for next year.

Director Orth said a red flag for him was planning, Specific Plan ad hoc committee, and \$15,000 for the second access road. He said we need to formalize the planning power in the General Fund, and said Bob Axt has a whole list of things to be addressed before we come out of the moratorium. Director Ziady said we're pouring out money to get water and we need to slow down this process because we're going bankrupt for water. Mr. Chapman disagreed with the bankruptcy analysis and said our priority is water and sewer and fire; parks will always be secondary. Director Ziady said it's abatement too. Director Ziady said the General Fund is being pushed too hard because of water. At some point, she said, we have to say we can do this, this and this, but after that point we have to stop. Mr. Chapman said obviously we're in a capital acquisition mode right now; he didn't see water projects ever getting cheaper. Director Ziady returned to the recreation fund and said she did not want to run at a deficit next year because she wouldn't be able to do anything. She asked if we had to do the Community Center [support] this year. She said she wanted the money not for recreation, but for the general fund. Mr. Chapman said his problem always has been the incredible golf subsidy. We have people from Brooktrails using the Community Center all the time, and we've never done anything. Director Ziady asked President Skezas if BPOA were pushing for this issue, and being informed no, said she admired the thought behind the idea of subsidizing it but did not want to do it at this time. President Skezas said the only outgo by BPOA relative to the lease was rent. President Skezas said they've never sat down and discussed what the District was thinking of paying for. BPOA pays for insurance and those things now. Mr. Chapman said he would pull that out and look at it next year.

Returning to recreation, more discussion occurred of what the actual match was for the Thimbleberry grant; Mr. Chapman said he would research this. He said we do have some administrative costs for parks and asked if we should just take it out of there. He said he would move the whole line for personnel from Recreation over to the General Fund. Director Ziady asked if we have enough money for the picnic table and the path out of the grant; Mr. Chapman said yes but then said he didn't know about the pathway getting done this fiscal year due to ground wetness. He said he would also take out the \$11,500.00 transfer.

Addressing golf, Director Ziady asked if we have looked at Ron Runberg's books to see if there's a chance of self-sufficiency. Mr. Chapman noted the item for hauling water and said there is now a question as to whether we can do it due to Willits stopping bulk water sales. We are already \$7,000.00 in the hole this year. Mr. Chapman said that the profit question should be asked in September during Mr. Runberg's annual review.

Mr. Chapman discussed debts from the various funds to the General Fund.

Addressing the Fire Fund, Director Orth remarked that the \$22,000.00 revenue was our payment from CDF for mutual aid during the summer fire and this revenue stream would continue and probably increase. President Skezas remarked that this money comes in but goes out also. Director Orth said there is a possibility of the County paying workers comp for fire departments; Mr. Chapman said he can't plan on that, but it would save us \$16,000.00. President Skezas said he wanted to get the water and sewer thing paid off as soon as possible and everyone agreed. Mr. Chapman said under the same grant fund we got the fire truck out of, they just ruled that now you can apply for the same funds for a different kind of truck, so the Fire Chief is looking at a \$260,000.00 water tanker with a 5% (\$13,000.00) match, and Mr. Chapman said we will always somehow come up with the money to leverage such a truck.

Addressing the Water Enterprise Fund, Mr. Chapman said he is asking for a 5% increase because the conservation program worked and reduced our revenue flows by \$28,000.00. We could further justify the increase because we will be going into the hole this year in our efforts to obtain water. Director Orth responded that these funds can be recaptured with a successful 218 election and he wanted to make sure we keep track of the dollar amount for recapture. Director Horrick said we're raising rates, then, not because our income went down but because our expenses went up.

The discussion turned to duplexes, triplexes, etc. and providing a single meter. He said we were losing \$1,200.00 a month and proposed to bring back to the Board next month the issue of gaining back this

revenue stream. The bottom line was that we're only collecting for 26 when actually there are 68 out there. Bruce Burton had no problem changing our 1,511 to reflect the difference because it's not changing the water production usage. Director Orth said it recognizes the reality and is only fair. He asked if we could just charge the cost of putting in the meter. Director Ziady said you have to at least charge labor and supplies. President Skezas asked if we have a record of when they were put in and find out what the connection fee at that time was; this might be more fair than our current charge.

Turning to Sewer, Mr. Melluish commented the Regional Water Quality Control Board started a program that will have requirements on how much sewer line you clean in a year and how you prevent spills from going into streams and creeks. We need to spend more time working in the sewer; our rodder is going to need some maintenance and we will need a vacuum truck and a sewer jet to clean the lines quicker. It's \$40,000.00 for a used truck, \$300,000.00 for a new one. He said he had lists of projects we should be doing, but we don't have the personnel.

Mr. Chapman said if we bring on a three-quarter-time employee, that's \$60,000.00; the breakout for sewer would be \$2.64 per month per customer. We would have two guys rodding the lines all the time. Director Ziady said if you're going to keep the General Fund healthy for the construction, we can't afford anything else to the General Fund, so you'd better raise the rates to pay for it. Mr. Chapman said we dropped it by \$2.00 last year due to the City of Willits inaction on the sewer project. Director Ziady responded we have a track record of our rates reflecting of what we actually need. President Skezas said we also have the rationing issue and we would need that extra person if we have to ration. Mr. Chapman said if we take rates from \$27.43 base to \$30.07 base, this is a 9.6% increase in sewer to cover this employee. That's three quarters sewer and one quarter water. President Skezas asked if we have a potential employee on our list; Mr. Chapman said we have to advertise. Mr. Chapman said the water base increase was $\$30.90 + \$1.55 = \$32.45 = 5\%$. Directors agreed we need to do the employee. Mr. Chapman said it would be made clear on hire that the entry level employee would be on the same 42-month deadline as other crew members to achieve distribution and treatment certifications. Directors agreed to raise the sewer base rate.

Director Orth said we'd probably want to spend some money on the Lilac sewer project. President Skezas said he was concerned because we'd just agreed to raise the sewer base rate but we may get a credit on our sewer bill [from City of Willits] to offset that. Mr. Chapman said last year the credit was \$41,000.00. It depended on what Willits was spending right now, and he didn't know what the City would spend this year. Mr. Chapman said 12 months from now we might know the numbers, and might also know if they actually did something on the sewer headworks project.

Returning to the list of projects, Mr. Chapman said the rubber spillway is more like \$1.9 million. He still did not know whether we would do the Ada Rose drillings but guessed that would be \$50,000.00 or more. He did not have this in the list of projects but felt we needed to add it because the engineers say if you want this dam built in five years, we have to start the ball rolling. He didn't know if it would be two or three years for the Prop. 218 bond election process and believed that would cost us \$100,000.00 or more. Director Ziady asked where the money for the core drillings on Ada Rose would come from. Director Horrick said we have the money, it's just the cash flow. Mr. Chapman then went over the "cash in bank" statement. He said he'd have to use some money from the Water Reserve account of \$261,000.00 to do the core drillings. We walk a tightrope: our lenders (USDA Rural Development) want money in our bank for lender security, while our attorney says we can't hoard money when you have a serious water problem. Directors discussed that it was a prudent expense to do the drillings. Mr. Chapman said the vacant lot owners will eventually pay the lion's share of the Ada Rose project and we will get ourselves reimbursed. However, we have a fiduciary obligation to pursue water in this District.

Director Ziady asked Mr. Harden if the Finance Committee had anything to add; Mr. Harden said no. Mr. Chapman said he would reshuffle numbers and try to get it back to the Board within 10 days.

J. ADDITIONS TO FUTURE AGENDAS

None.

K. SPECIAL REPORTS

From Directors: Director Ziady said Mr. Romero would attend her committee meeting.

From District Counsel: None.

From General Manager: None.

L. PUBLIC COMMENTS

None.

M. ADJOURNMENT

Director Horrick moved to adjourn, and President Skezas declared the meeting of April 14, 2007 closed at 10:45 a.m.

GEORGE SKEZAS, President

ATTEST:

