

**BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
Annual Budget Meeting
Saturday, April 10, 2010**

The Board of Directors of Brooktrails Township Community Services District met in regular session on April 10, 2010 at 9:00 a.m. at the Brooktrails Community Center.

A. PLEDGE OF ALLEGIANCE

B. ROLL CALL

Roll call showed the following directors present: Williams, Ziady, Orth, Horrick and Skezas. Also present were General Manager Chapman, Lori Mayo (Finance Assistant) and Robert Melliush (Superintendent of Utilities). District Counsel Neary did not attend.

REPORT ON CLOSED SESSION

None.

C. ADDITIONS/ADJUSTMENTS TO THE AGENDA

Mr. Chapman first took the Board to the parking lot to see the vacuum truck and sewer camera. Director Orth said he would have to leave at 11:00 a.m.

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. Review of Draft Budget for Fiscal Year 2010-11 including discussion of Rates & Fees.

General Manager Chapman introduced waiting list member Naikang Chang. He then said his method today would be to focus on the obvious questions and get through this quicker. He hoped we could change our focus this year from engineering consultants to distribution issues; we have been spending about \$100,000+ in the past four years or so on engineering consultants. He then started with his Statement of Assumptions laying the foundation of the FY 2010-11 budget, focusing first on how the base rates are calculated. He pointed out \$1,178,000.00 needed for Sewer; he was suggesting going from \$50.09 to \$53.00 on Sewer based on his agreement with Greg Aanestad of USDA. He had included only six potential new connections for water and sewer and did not know how many would be building in the next year. Bidding on the Willits sewer plant should be over by June 2, and we will know then what the building cost should be.

We still have a very strong General Fund of \$450,000.00 but we just purchased a lot for \$17,000.00 by the Par Course; we will have to transfer \$91,000.00 to Fire and we bought an \$11,000.00 generator; we have a \$13,000.00 subsidy to Golf. We purchased a \$24,000.00 generator for the Water Department. This takes \$145,000.00 from the General Fund. It still looks like the overall net income for the General Fund should be favorable by about \$27,000.00. Next year we have some issues; we are trying to wipe out the debt from Fire to Water. We will be putting in a \$45,000.00 bridge for Golf, probably August. Projected net income for the General Fund next year is -\$28,000.00.

Mr. Chapman noted the cash position as of February 28, with about \$450,000 in Sewer, and then turned to the project list on page 10. These items really drive the rates and fees. "Probably" means we really want to do it, and "possibly" means if we have sufficient funds we'll consider it. We'll continue the telemetric SCADA program, at least two units. We did not do a tank liner this year but want to keep this alive. The Water Saddle Program is new. Mr. Melliush said 95% of our leaks are service saddles rotting out and he wanted to just start digging them out; they're all probably leaking. He wanted to start on Hawk. He clarified these are not necessarily hooked up to houses yet; we've been eliminating saddles

in that instance. We would put a new service in if a new house is built. We are removing them and putting stainless steel patches over them which should last longer than the pipe.

Mr. Chapman said we need to buy two handheld water meter data collectors as these are worn out. Two new programs are Smart Lid manhole covers to stop I&I and we will do five of the worst manholes each year. Mr. Melluish said they have a sensor also that will call you if there is a backup. Also there is a fiberglass casing program to stop I&I. These programs would reappear every year. The biggest item in next year's budget is the railroad car bridge at the Golf Course; this will also need some engineering. Besides membrane filter media at the plant is a second clarifier; we could take our current lab out to make space. If our current clarifier goes down, we're in trouble. He had to figure out where this would be financed and how it would impact our rates. Director Orth asked if this would add capacity and was told yes; Director Orth said this cost then should be shared with the property owners.

Tanks were discussed. Mr. Melluish said these are all redwood tanks; there's dry rot in Tank 2; at some point this will fail structurally and he felt it needs replacing within 5-6 years. We replaced the liner 15 years ago and it is holding up. He responded to a query from Director Ziady that we would need the new clarifier regardless of adding population; the current one is 25 years old and if it fails, we don't treat water. When we run at 400-450, we definitely have issues with the filtration. Director Williams said, so items 9-12 we really need to budget for whether we expand or not? Mr. Chapman said yes. Mr. Melluish said the tanks are too small to meet fire flow so if we're going to expand we have to have a bigger tank. He and Mr. Chapman said this is needed now.

Richard Estabrook asked if it would still be a half-million tank if we were not expanding and was told it would be. Mr. Melluish said the whole airport side has been maxed out for years. Director Orth said it's not a holding tank, it's a pass-through tank. Mr. Melluish said if you ever do growth you'll have to do big tanks; we don't know where those would go. Director Williams said, so, we need these for existing and they are also critical for expansion, so they're critical to everybody.

President Skezas said he thought Mr. Chapman needed to prioritize these projects. Director Orth said these can be included in any bond election. Mr. Chapman said his priority is the second clarifier, although they are all needed. Mr. Estabrook said it seemed it should be a shared cost, half and half; Mr. Chapman said it is; Mr. Estabrook said no, it comes out of rates and fees. Mr. Chapman said it comes out of connections. Mr. Estabrook said, you're banking on having those. Mr. Chapman said in time you would have 24, which is \$288,000.00. Director Williams asked if it was coming out of what the undeveloped lot owners pay every year. Mr. Chapman said you can use the water standby and the capital improvements. Mr. Estabrook said, the clarifier is half for existing residents and half for future connections, and you don't even come close to half the cost with the connection fees.

Director Williams said we have to be looking right now at where the money's going; we have to balance this between the developed and undeveloped lot owners in a way that makes sense. Mr. Chapman said we will have our final report on the AES biology study in May. He and Chris Neary would be before the State Division of Water Rights in about 10 days. Discussing potential projects related to Lake Ada Rose, he said he would need to come up with \$225,000.00 and \$150,000.00 for next year; the short answer is that we need to get a second access road before we start going to that stage.

Rich Estabrook said those two have no benefit to existing residents and that cost should not be put on our backs, and he didn't know how else you're going to fund it. All the connection fees could not even fund the cost of the second clarifier; the only way you can pay for it is rates and fees, and we should not be paying for that.

Mr. Chapman noted that the Poppy Drive Sewer revamp would need to be put on hold; one day we would have to do the Lilac Lift Station which services only a dozen homes.

Mr. Chapman said the Fire Department is still trying to get a water tanker through grants but one day we may need to buy one. Another Fire item would be an ATV and trailer, for possibly next year.

In administration we will need to update our MOM laser billing system. Also, the cost of the LAFCO municipal service review. Director Orth said the MSR delineates all the issues that stand in front of doing a major dam facility, so if someone challenges us, that protects us.

Mr. Chapman asked if the Board wanted to continue with Terry Krieg or if he should go out to bid. We've used him for the last six years and he's very familiar with City of Willits, with which we have issues. Directors said we could continue one year and review it again next year.

Mr. Chapman continued that we have monies set aside for Willits Creek Trail, trail abatement of whatever kind, and trail signs. Each year Dam Safety comes after us for having a valve extension on the building below the dam; he guessed this would cost \$8,000.00. Mr. Chapman said a motorized valve would be very expensive, this projected cost was only for a motor for opening the valve. Mr. Melluish explained this is needed in case we need to drain the dam. A smaller item was a trailer for the manlift scissors. A "possible" item was a peer review of the Bonsignore study. The Fire Department wants linoleum and carpet and software and a thermal imaging camera. Director Ziady said her take on it was he could have two out of three and he should choose among these.

Mr. Chapman reviewed page 8, the Combine Statement. Our General Fund starting balance for next year should be \$337,000.00. He confirmed that \$90,000+ was going to be a continuing draw for the Fire Department. Director Orth said LAFCO is planning in the future to start paying us for out-of-district responses. Mr. Chapman said the short answer is we have a full time fire abatement officer now. But in

reality what we're really subsidizing in the Fire Department is \$94,000 minus \$32,000. Richard Estabrook said he thought the fire tax passed in 2004 was to hire a part-time abatement officer, not full-time. Mr. Chapman asked Ms. Mayo to write this down so he could check.

Mr. Chapman said the Sewer Fund has quite a balance left and all of this can be used for the City of Willits. Director Orth said we have to be aware that there are a lot of empty houses that can accommodate current growth demand and we are in a real multi-year slowdown; in our decision-making on water projects, we have time.

Turning to page 16, General Fund, our ad valorem tax is around \$356,000.00. He is transferring a lot of his own time back into the General Fund. Page 12 [time assignments] reflects crew time spent in various departments now that we no longer have Doug Pohlson; this has affected the wage figures on page 16. Because of these shifts, despite step raises for new employees, we are able to avoid raising water rates. Next year we will transfer a significant amount from the General Fund to Golf for the bridge.

Turning to Recreation on page 18, we always have an entry for rocks. As an aside, Mr. Chapman mentioned the rental on Chipps' House has been \$350.00 since 2004 and he was going to raise it \$50.00. Mr. Melluish said it needs a new roof, and so does the office. Mr. Chapman said \$400.00 is still a pretty good deal; he plans to raise it July 1. Director Orth said he is supposed to be monitoring the parking lot for us as part of that; directors commented that he does. An incident was mentioned of someone doing wheelies in the parking lot. Director Ziady inquired about Recreation carrying 1.4% of the depreciation but only .6% of the budget and protested this as a \$5,000.00 difference. Mr. Chapman said this is for equipment, probably for a tractor, and he would check this out. Director Ziady continued that the fund is not set up with a revenue source but we do have one, the Franchise Fund, and there is no balance carryover either. Mr. Chapman said we estimated the fund balance at \$4-5,000.00 and Lori would have to do this document again. Director Ziady said that depreciation rate is not fair. Ms. Mayo would check to see what is being depreciated. Director Ziady said she needs all the money she can get for greenbelt restoration. Mr. Chapman said any time something is truly needed in Recreation, we will do it out of the General Fund, as we did with the lot we just paid \$17,000.00 for. Director Orth said you need to be aware there's a push in the inland area to form a recreation district and a conservation district.

On page 20, Fire Fund, Mr. Chapman showed revenue coming from the fire tax and an increase to \$3,500.00 for protective clothing; we bought a generator. Director Ziady said we have been generous with the Fire Department, but we are tight all over; protective clothing, yes, oxygen rigs, yes.

Looking at the Water Department (page 23), Mr. Chapman said this relates back to page 1 [rate calculation]. He wanted the Board to notice we are reducing the overall salary by transferring some employee time into recreation (and, Director Ziady noted, the loss of Doug Pohlson). Polymers are quite expensive and supplies have been increased. Note 4B shows things we will definitely buy; we did just buy the jeep in the list for \$3,000.00. Director Williams asked if we were better off with a small water rate increase each year or keeping it where it is; Director Ziady suggested a small increase for the second clarifier. Mr. Chapman said he was hoping to have a one-year reprieve for our customers; we are having a \$3.00 increase in sewer if this goes forward. Director Orth said in a normal year he thought we would want to do an inflation factor. Discussion followed about a small water increase. Rich Estabrook said last year your rates went up to pay for a single study, a one-time thing; that's over, and while he felt the rate should therefore go back down, it hasn't. He felt this was somewhat underhanded to raise rates and not take them back down when it's paid for, and thus there is a continuing escalation of rates. Mr. Chapman said he had at least four individuals in water and sewer who are getting step increases. Mr. Estabrook said you had a surplus last year due to the de facto rate increase. Mr. Chapman said he was losing \$29,000.00 this year and he still has \$42,000.00 to pay AES on the \$60,000.00 contract. Mr. Estabrook asked about a \$22,000.00 amount that was supposed to be credited against that \$60,000.00; discussion followed on what this might be; Mr. Chapman said it was a Dam Safety payment that was supposed to be billed to us but has not yet been billed.

Mr. Estabrook said at a Board meeting last summer it was suggested to have a separate accounting for anything to do with Lake Ada Rose, expansion versus maintenance, and asked did that happen. Mr. Chapman said we are tracking the Ada Rose project. Director Orth said a future clarifier project too, any future add-on, where there's a division of costs. Mr. Chapman said he didn't know if he wanted to go there yet; what he was doing on AES was what the Board decided to do last summer, where because of this issue, the money being paid to AES is coming out of that line right here. He said he didn't want to make accounting impossible, going off into the future. Mr. Estabrook said at the Board meeting there was discussion whether expansion projects in general should have separate tracking, not necessarily separate funds; his impression was that it was something that would come back before the Board to decide what they want to do. Director Orth said it could be important in a future 218 process because we're going to need to delineate benefits. Mr. Chapman said one thing is certain, we separately identify anything to do with Ada Rose, like AES and Wagner & Bonsignore. President Skezas agreed that was probably the primary thing, but he thought they did want to track anything that was expansion-oriented. The clarifier is a good point, you've got to take some out of the availability charge and you need to balance that. Mr. Chapman said we'd do a bit of homework. He knew she had a lot of spreadsheets, tracking, so we'll do that.

He pointed out the General Fund transfer from Fire to Water and that should be the end of it. President Skezas said the only other loan we have outstanding is Golf to Sewer, that's 49 left? Mr. Chapman said right. He said we were not doing any transfer on that at all; we have the interest on it. This is something we can talk about. President Skezas asked if that was the one that was refinanced to 30 years. Mr. Chapman said in 1994 they borrowed \$184,000.00 from Sewer to Golf. Then about six years ago Terry Krieg whacked us so we started that process. If you want us to go back—we can even do it this year. Director Ziady said she hesitated because we might have issues this coming year, otherwise she'd love to finish paying that off. Director Orth said the point we can make is we're paying off the Fire Fund responsibility, so next year we can start looking at the Sewer Fund/Golf Course. Mr. Chapman said this is not a tough decision to make. We could do it in two years. Granted, next year instead of losing \$28,000.00 you lose \$53,000.00, but your overall fund is going to go down from \$337,000.00 to \$303,000.00. It'd have to go through Golf and then over to the Sewer Fund. If we do that right now, when I hand you out your next document, it's not going to affect your rates and fees. He could put another line in and make a transfer of \$25,000.00 down to Golf and over to Sewer; that pumps up their revenue, and he would put it in the contingency account. Directors liked this proposal. More discussion followed on whether to do this this year or next. You could be looking at a \$75,000.00 contingency fund but that doesn't mean we have to spend it. Directors agreed on this idea. President Skezas said that clears out all those old loans. Mr. Chapman clarified it would be 25/25, over two years. We owe \$51,320.00.

Turning to the Sewer, after we work through the list of 24, we'll put a notice out probably in July or August to 4,000 people. We might be able to get six. The end of the 30-day period is April 25. President Skezas said for our last meeting we should have an indication of how many on the list. Mr. Chapman said the letters are just now starting to trickle in. Mr. Estabrook asked if we'd gotten our formal permit amendment from Bruce Burton; Mr. Chapman said no, but he had talked to Mr. Burton about this before he went on vacation. He would e-mail him again. Mr. Estabrook said Mr. Burton had communicated to him that he was very concerned about the *[Wagner & Bonsignore]* report. Mr. Chang said that due to the economy, building would be very difficult. Director Williams said there was an appeal process.

Mr. Chapman asked to talk about this situation. Right or wrong, he walked away from that meeting two weeks ago suggesting we would take 10% down with the balance due at 120 days. We sent the letter out on March 25, so by July 25 we're talking about somebody having to put \$22,700.00 in. But if we took 10% just to shore up their commitment, now they have the other 90 days to come up with the balance; he asked if this was reasonable. Director Williams asked if that was a decision for the Board to officially make and directors said yes. Director Horrlick asked if we weren't restricted in what we can do by the ordinance. Director Williams said he was remembering that we would have to deal with the guidelines for the appeal process; anybody who can't meet the conditions of the first letter would have to come to them and they would put guidelines in place for the appeal process.

Mr. Chapman said what he understood the Board was suggesting as acceptable was 10% down and the balance down by July 25, he would have consistent guidelines and treat everybody the same. Director Williams said he wasn't sure that they had suggested this. Director Orth said we could have an action item on the Tuesday agenda. Director Williams said we'd better have guidelines and appeal standards now. Mr. Chapman said this would be added to Tuesday's agenda. Mr. Estabrook asked if it would be an emergency resolution. Director Orth said it would be about policy to draw up guidelines. Mr. Estabrook said he thought the residents should know. Director Williams asked why the residents would care, in what way, and why they should care. Mr. Estabrook said he felt it was their right to know. Director Williams said, you bought into a place with 6,000 lots in it, and now you're playing NIMBY on us? Anyway, he continued, make it happen Tuesday night.

Mr. Chapman noted we would raise the rates \$2.91 in sewer based on this USDA. He noted in City of Willits we have \$385,000.00 plus \$123,000.00 reserve for some other issues. On this contingency line that shows \$21,000.00, obviously he would change this because we just agreed to \$25,000 and \$26,000. On the forecast we would have a net income of about \$150,000.00 because of that. He noted we have \$49,000.00 worth of supplies. We have sewer casings for \$15,000.00, "smart lid" covers for \$10,000.00 and Other for \$5,000.00 if we need it. President Skezas said he would really like Mr. Chapman to change the heading of 3701 to say "Reserve" because the City contract will come back and bite you.

Looking at the Replacement Reserve Schedule, we have \$17,000,000.00 of inventory out there. On page 6 under GASB, he had tried to cover everything. Director Orth asked if he described what the MSR is. Mr. Chapman said he had that under the project list. Director Orth said because it's required by the state and does relate directly to our planning and infrastructure, it's a capital item, if we described what it was so people would understand what it is, and state that it is a public disclosure document. Mr. Chapman said he was trying to finalize this now.

Director Ziady said in Parks you have \$4,000.00 for abatement but in the budget you have \$5,000.00, it's just a typo.

Mr. Chapman turned to Fees; we're changing sewer base rate to \$53.00; golf is going up for annual fees and green fees; certain typos were noted on the page. Mr. Estabrook asked what the ratio was between base rates income to usage rate income in the Water Fund. Mr. Chapman said we have to come

up with \$1,085,000.00. The tier usage is 23%; the water assessment charge is 12%. *I can't figure out what page you're looking at.* Mr. Estabrook said, so 72% of that is base rate, 28% is usage rate. He said when he was on the Board there was talk about recommendations of base versus usage and he recalled 50/50. Director Ziady said there's been a change on that philosophy in the last two years. Mr. Chapman said he went to a seminar last May and reported it to the Board; your base used to be around 25-33% and the message came through, get your base rates up to 60%. This was spearheaded by the situation in Southern California of having fixed costs but not having water to sell. We're actually right on target with our base rates. Mr. Estabrook said if you look at what the residents pay, it's about 72% base, 28% usage, and he asked if the Board was concerned about that ratio. Director Ziady said you have an aging water system and we're going to start a comprehensive replacement program; if people want to keep the District small they have to bear the cost. Mr. Estabrook said it is somewhat of a concern for lower water users.

Mr. Chapman asked for a vote on the rates. He said he would make the changes discussed, the transfer between Golf and Sewer. Director Williams moved to approve the rates on page 11; Director Ziady seconded. Director Williams asked what is the total percentage of our use coming in Tier 1. Mr. Chapman said he couldn't say off the top of his head, he would think 80% of the people are in Tier 1, maybe 75%. He said he runs this place off base and Tier 1. Once you get Tiers 2 through 6, we're really trying to send a message that this is about conservation. Director Horrick asked if the green fees were recommended by Ron Runberg. He asked if the golf course fees for this type of course are getting up to where they are less attractive to golfers. Mr. Chapman said Ron Runberg is really hurting financially since this last July 1. Mr. Estabrook asked if this was something they could vote on at this meeting and was told yes, it is a regular meeting, but there is still a public hearing. The motion on the floor carried unanimously.

Director Orth left the meeting as scheduled.

J. ADDITIONS TO FUTURE AGENDAS

None.

K. SPECIAL REPORTS

From Directors: None.

From District Counsel: None.

From General Manager: None.

L. PUBLIC COMMENTS

None.

M. ADJOURNMENT

Upon motion, President Skezas declared the meeting of April 10, 2010 closed at 11:03 a.m.

GEORGE SKEZAS, President

ATTEST:

MICHAEL V. CHAPMAN