

CAYUCOS SANITARY DISTRICT

200 Ash Avenue
PO Box 333, Cayucos, CA 93430-0333
805-995-3290
805-995-3673(fax)

GOVERNING BOARD

R. B. Enns, President
N. Raimondo, Vice-President
H. Fones, Director
B. McHale, Director
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BUDGET AND FINANCE COMMITTEE SPECIAL MEETING MINUTES WEDNESDAY, MAY 2, 2007 AT 9:00 A.M.

Budget & Finance Committee Members Present:

Robert Enns, Board President
Nat Raimondo, Vice-President

Staff Members Present:

Bill Callahan, District Manager
Bonnie Connelly, Admin. Svcs. Officer
Nancy Martin, Account Clerk

The committee meeting was opened at 9:05 a.m. District Manager, Bill Callahan, arrived at 9:30 a.m.

PUBLIC COMMENTS

There were no public comments.

REVIEW AND DISCUSS REVENUE, FINANCING AND RATE SETTING MODELS (FY 2007-2008 THROUGH FY 2014-2015) FOR DISTRICT OPERATIONS, CAPITAL IMPROVEMENT PROGRAM AND WASTEWATER TREATMENT PLANT UPGRADE (JPA)

To address future budget deficits and funding of Capital Improvement Projects, including the Wastewater Treatment Plant Upgrade, Administrative Services Officer, Bonnie Connelly, provided two scenarios projecting revenues and debt service coverage through FY 2014-2015. Scenario 1 used \$5.5 million for funding CIP and \$8.79 million State Revolving Fund for funding the WWTP Upgrade; Scenario 2 used \$3.2 million for CIP and \$8.79 million for the upgrade.

Discussion focused mainly on Scenario 2, funding more out of pocket and borrowing less. Through sewer rate increases, District operations as well as funding CIP beyond FY 08-09 will be covered. District-related debt service, debt service for the plant upgrade, and core investments will be maintained.

Both scenarios include projections of incremental increases in the sewer user rate, from the current \$28.00 (monthly) to \$63.00 (monthly) in FY 2014-2015, the time at which the plant goes on line. The \$63.00 monthly rate covers identified capital projects and establishes a reserve for replacement

of \$150,000 annually. In FY 2014-2015 the District must also fund a mandatory capital reserve fund of \$100,000 for loan compliance on the WWTP Upgrade. It was noted that with scenario 1 that includes two District financings, the monthly sewer user rate of \$63.00 is not sufficient for purposes of meeting debt service coverage for FY 2014-2015 on and revenues are insufficient to cover operating expenses and annual debt service resulting in a draw from the LAIF account from FY 2014-2015 and beyond. Connelly recommended that rate increases, for Prop 218 purposes, be done in two phases, FY 2007-2008 through FY 2011-2012 (5 years), and FY 2012-2013 through FY 2014-2015 and beyond, when the Wastewater Treatment Plant will be online. It was felt that initially projecting more than five (5) years out is difficult, at best, and that by FY 2012-2013 we should have a better idea on actual costs of the Upgrade and the related financing costs.

It was the consensus of the Board and District staff that holding a town hall meeting May 16 would be premature. They scheduled a finance meeting tentatively for the first week in June to review the "draft" FY 2007-2008 budget and updated projections for the Draft Revenue Program being prepared by John Johnson (Carollo Engineers). A town hall meeting could conceivably be held June 20.

ADJOURNMENT

The meeting adjourned at 10:15 a.m.

Minutes Recorded by: *Nancy Martin*
Nancy Martin