

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
August 8, 2006

The Regular Meeting of the Board of Directors was called to order at 6:31 p.m. by President Dains and roll was called. Present were:

Allen B. Dains, President  
Charles T. Rose, Vice President  
Joseph M. Dion, Director  
Robert A. Churchill, General Manager  
David B. Kane, Assistant General Manager  
John J. Townsel, Operations Manager  
David M. Rossi, Project Manager

VISITORS

John Chardoul

President Dains led the Pledge of Allegiance.

CONSENT CALENDAR

President Dains asked for the Consent Calendar. It was moved by Director Dion, seconded by Director Rose and carried 3-0 to accept the Consent Calendar consisting of:

1. Minutes of the Regular Meeting of July 11, 2006.
2. Assessor/Collector's Report for July 2006.
3. Adjustments to the 2006 Assessor's Roll.
4. Treasurer's Report for July 2006.
5. Bills to be Paid for July 2006.
6. Approve CAL-Card Purchases for July 2006.
7. Summary of 2006 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Deny the claim from Thomas G. Gonzales in the amount of \$500.00 for lost wages due to a water service shut-off for repairs, and forward it to the District's insurance carrier, ACWA-JPIA, for further consideration and action.

NEW BUSINESS

Training/Continued Education/Meetings

The Board was informed of various upcoming training, continued education opportunities and meetings.

### Fair Oaks Boulevard Overlay Project Valve Boxes

GM Churchill presented a report on a proposal to lower and raise valve boxes in the roadway on Fair Oaks Boulevard. The City of Citrus Heights and the County of Sacramento are resurfacing Fair Oaks Boulevard from Greenback Lane north to Stacey Hills Drive. Concrete replacement and restoration work is now taking place, primarily at the street intersections. This will be followed by pavement repairs, grinding at the roadway interfaces with concrete curbs and then by an asphalt overlay of the roadway. The District has nine water valve boxes in the paved area of this project, seven of which are in the areas subject to grinding.

The District has requested and received a proposal from Teichert Construction, the City/County contractor for this project, to lower the seven valve boxes in the “grind” area and then to raise these boxes and two others to finish grade and set new valve boxes. Teichert’s total cost proposal for this work is \$9,000. Directors were provided with a summary of the proposed costs and a copy of the District specification sheet for installing water main valve boxes in the street. Directors and staff discussed the project.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to accept the proposal from Teichert Construction in the amount of \$9,000 and provide a contingency fund of \$1,300 in the event additional work is needed.

### Proposition 84

GM Churchill presented a report on the “Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.” Directors were provided with written information regarding Proposition 84, and advised that there were two matters for the Board to consider with regard to this November 2006 ballot proposition: whether to declare support by the District; and/or whether to approve support by the Regional Water Authority (RWA).

Included with the information provided to Directors was a list of persons and organizations who have declared support for Proposition 84, including government entities and elected officials, environmental and conservation groups, water agencies and associations, and others. Local RWA member agencies that have declared support include the Sacramento Suburban Water District and the El Dorado Irrigation District. Directors and staff discussed Proposition 84 and its possible benefits to the District, the region and the State of California.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to direct the District’s Regional Water Authority (RWA) Representatives, Director Dion and GM Churchill, to vote to approve the RWA’s support of Proposition 84.

### 2007 Budgets and Water Rates

AGM Kane delivered a presentation on the draft Operating and Capital Improvement Budgets for 2007 and draft water rates for 2007, highlighting the significant issues related to the budgets and rates for 2007.

To initiate discussion on the Operating and Capital Improvement Budgets for 2007, and possible water rate adjustments for 2007, the District's Long-Range Financial Plan and Rate Model was updated with draft information for 2007. Draft budgets were also prepared as a part of this process; however, detailed line-item budget information was not presented at the meeting. After discussing the overview of 2007 budget and rates at this first meeting, it is staff's intention to present budget and rate information in greater detail at the September Board meeting. The Public Hearings for adoption of 2007 budgets and rates are scheduled to take place at the October 12, 2006 Board of Directors meeting.

Directors were provided with the following information for review and discussion:

- Summaries of the 2007 Draft Operating and Capital Improvement Budgets
- 2006 Preliminary Update of the Long-Range Financial Plan Water Rate Projections
- Summary of Capital Improvement Projects for 2007-2015

AGM Kane summarized issues surrounding the District's budgets and rates for 2007, including salary and benefit costs, insurance costs, a new customer service position, purchased water costs, funding of the Rate Stabilization Reserve, capital improvement costs, District financial reserves, and proposed water rates for 2007. The preliminary draft operating budget for 2007 is about \$7.74 million, and the draft capital improvement budget is \$2.54 million. Water rates are proposed to increase by an average of 7.39 percent for 2007 to fund operating and capital costs and maintain revenues in accordance with the District's bond covenants.

Directors, staff and Mr. Chardoul discussed the budget and rates overview, and the fiscal issues facing the District in 2007 and beyond. Directors discussed the Long Range Financial Plan Model. Directors asked staff to use some higher operational and personnel cost inflation factors in the model to determine what effect this would have on projected future water rates, and to share the results at the next Board meeting as part of the budget and rate discussions. It was mentioned that the proposed 7.39percent increase being discussed is within the 8 percent annual increase threshold that was proposed in the original Long Range Financial Plan in 2000.

Directors requested staff to continue with development of the draft Operating and Capital Improvement Budgets and Water Rates for 2007 based on the Board's input, and to return at the September 12, 2006 Board meeting with more detailed budget and rate information for review.

#### Amendment to Meter Reading Services Agreement

AGM Kane presented a report on a proposed amendment to the Meter Reading Services Agreement with Alexander's Contract Services to extend the term of the agreement and amend the Contractor's Rates and Charges. In February 1999, the District entered into an

agreement with Alexander’s Contract Services of Atascadero, California, to provide meter reading services. With the exception of one amendment extending the agreement’s term, all other terms and conditions have remained unchanged for over seven years, including the monthly service charge and the price-per-read for meters.

The District has been in discussions with Alexander’s since earlier this year about crafting an entirely new agreement, including a price increase and a clause for future increases indexed to the Consumer Price Index. However, the District is still developing some of the meter reading practices that will need to be in place when all remaining flat-rate accounts are converted to metered billing at the start of 2008. Some of these practices must be reflected in any new agreement between the District and Alexander’s. Knowing that it may take several more months to complete this process, District staff is proposing an amendment to the existing agreement that will extend the agreement to the end of 2006 and institute increases to Alexander’s rates and charges immediately.

Directors were provided with a copy of the proposed Amendment No. 2 to the agreement, and a comparison of existing costs under the agreement and proposed new costs as follows:

	<u>Current</u>	<u>Proposed</u>
Base charge (per month):	\$480.00	\$580.00
Unit price per read for manual-read meters:	\$0.69 each	\$0.79 each
Unit price per read for touch-read meters:	\$0.59 each	\$0.69 each

The net effect of the increases will be to increase overall meter reading costs approximately 17 percent over current rates. The cost increase through the end of 2006 will be about \$4,200 over current rates. This increase seems large, but when viewed in the context of no cost increases over 7.5 years, it amounts to less than 3 percent per year compounded, and appears warranted when compared with the District’s own increases in operating costs over this time span. The District has benefited from having no cost increases until now, as opposed to a series of smaller increases. Alexander’s continues to be the only firm in this region offering contract meter reading services.

Directors and staff discussed the contract meter reading services. The Board asked if staff had considered performing meter reading with District staff. AGM Kane responded that staff has looked at the costs, and that even with the cost increases from the vendor, contract meter reading remains the most cost-effective approach for the District. Directors and staff discussed issues that would be involved if the District were to do its own meter reading.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to authorize the General Manager to execute Amendment No. 2 to Agreement for Meter Reading Services with Alexander’s Contract Services.

DIRECTOR’S AND REPRESENTATIVES REPORTS:

Director Dion reported on a meeting of the Regional Water Authority (RWA) that he attended recently along with Director Rose and AGM Kane. He also reported on a meeting of the San Juan Water District Executive Committee that he recently attended along with Director Rose, GM Churchill and AGM Kane. He reported on a meeting of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA) where he was appointed to the ACWA-JPIA Liability Subcommittee. He also reported on the Proposition 50 Grant “Town Hall” meeting that he recently attended in Sacramento along with AGM Kane.

Director Rose reported on meetings of the Association of California Water Agencies (ACWA) and the Sacramento Local Agency Formation Commission (LAFCo) that he attended recently. He also reported on recent matters of interest regarding the City of Citrus Heights.

AGM Kane reported on a meeting of the Citrus Heights Chamber of Commerce Government Issues Committee that he attended recently.

#### PROJECT MANAGER’S REPORT

PM Rossi reported on the following activities during the month of July 2006 by the Project Management group: projects under construction or pending construction by private contractors and developers; projects under construction by contractors on the District’s behalf; and project development/design underway by District staff.

It was reported that the following water systems, added to the District’s water distribution system by an independent contractor on behalf of a private developer/owner, have been inspected by the District and formally accepted:

Wittenham Place (22 residential lots, 2 commercial lots)

880 lineal feet of 8-inch PVC water main, 460 lineal feet of 8-inch ductile iron pipe water main, 30 lineal feet of 6-inch PVC water main, 9 8-inch gate valves, 4 6-inch gate valves, 4 fire hydrants, 22 1-inch residential water services with water meters, 2 1-inch commercial water services with water meters, 2 1-inch air/vacuum valve assemblies.

Value: \$ 205,000.00

Stock Ranch Residential, Phase III (17 lots)

660 lineal feet of 8-inch PVC water main, 4 lineal feet of 6-inch PVC water main, 2 fire hydrants, 1 8-inch gate valve, 2 6-inch gate valves, 17 1-inch residential water services with water meters, 1 1-inch air/vacuum valve assembly, 1 2-inch blow-off assembly

Value: \$ 80,081.00.

#### OPERATIONS MANAGER’S REPORT

OM Townsel reported as follows:

A total of 255 work orders were performed during the past month by Field Operations crews, Administration field crews and District contractors. The results of recent bacteriological testing, a total of 76 samples, have met all California Department of Health Services requirements.

#### ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. The delivery of 3-Day Notices of Intent to Terminate Water Service was made on August 2 and 3, 2006, via Federal Express, to about 1,224 customer accounts who have not paid their second installment on the 2006 flat-rate bill. Flat-rate bills were originally mailed in early May 2006 with a June 20 deadline date. Water service shut-offs for unpaid accounts will not take place until at least August 10, 2006, meaning that most customers receiving the 3-Day Notices will actually have almost a week to make their payment.
2. Through July 2006, staff has processed a total of 149 ultra-low-flush toilet rebates. Customers are taking advantage of rebates of up to \$125 per toilet replaced which includes a \$50 rebate from the Sacramento Regional County Sanitation District via the RWA Water Efficiency Program. Irrigation efficiency reviews are also being performed at a steady pace. The District, with its landscape irrigation review contractor, will perform a large landscape audit at Mount Vernon Cemetery in the near future. The District will soon approach the \$18,000 limit of its annual contract with Irrigation Consultation and Evaluation (ICE). Staff will likely return to the Board with a request to increase the contract amount for 2006 at a future Board meeting.

#### GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. As of July 31, 2006, the District has 18,511 metered services, representing 95.65 percent of all of the District's services. The total number of non-metered services remaining is 842. The number of residential customers who have voluntarily converted to metered rates is 675.
2. District-wide water consumption for the calendar year was 10,156.20 acre-feet through July 2006, a decrease of 9.57 percent compared with the average water consumption to date during the previous five years, 2001-2005.
3. Twenty District employees received recognition for outstanding attendance, customer service and quality of work during the month of July 2006. Directors were provided with a list of the employees and items for which each received

recognition.

4. Fred Tomich, a Director for Orange Vale Water Company for over 50 years, passed away on July 26, 2006. Director Dion, GM Churchill and AGM Kane attended the services on August 4, 2006. .
5. Directors were provided with a list of the General Manager's significant assignments and activities.

CORRESPONDENCE:

Correspondence was discussed and ordered filed as follows:

1. Letter dated July 19, 2006 from Diane Honegger of Citrus Heights, responding to the District's letter of July 12, 2006, regarding reimbursement for costs to complete restoration of her driveway following meter installation work by the District.

FUTURE MEETINGS

A list of upcoming Board meetings and other meetings related to the business of the District that may involve the participation of Directors or District staff was presented and reviewed.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 9:04 p.m.

APPROVED:

Original signed by: Robert A. Churchill  
ROBERT A. CHURCHILL  
Secretary  
Citrus Heights Water District

Original signed by: Allen B. Dains  
ALLEN B. DAINS, President  
Board of Directors  
Citrus Heights Water District