

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
August 14, 2007

The Regular Meeting of the Board of Directors was called to order at 6:32 p.m. by President Rose and roll was called. Present were:

Charles T. Rose, President
Joseph M. Dion, Vice President
Allen B. Dains, Director
David B. Kane, Assistant General Manager
David M. Rossi, Project Manager
Timothy R. Cutler, Construction Inspector

GM Churchill and OS Townsel were absent due to scheduled vacation leave.

VISITORS

None

PM Rossi led the Pledge of Allegiance.

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of July 10, 2007.
2. Assessor/Collector's Report for July 2007.
3. Treasurer's Report for July 2007.
4. Bills to be Paid for July 2007.
5. Approve CAL-Card Purchases for July 2007.
6. Summary of 2007 Directors, Officers and Employees Training, Seminars and Conference Expenses.
7. Adopt Resolution 10-2007 accepting an easement at 8475 Auburn Boulevard from the Norman M. Harris Limited Partnership.
8. Adopt Resolution 11-2007 accepting an easement at 8421 Auburn Boulevard from the 2006 Tcherkoyan Family Trust.
9. Adopt Resolution No. 12-2007 accepting an easement at 6827 Palm Avenue from the Carmichael Recreation and Park District.
10. Deny the claim from Marliene Bowers for property damage in the amount of \$200.00, and forward it to the District's insurance carrier, ACWA-JPIA, for further consideration and action.
11. Authorize staff to settle the claim from the Sacramento Municipal Utilities District for damages to their underground cable in the vicinity of 7761 Greenback Lane in Citrus Heights in the amount of \$1,388.53.

OLD BUSINESS

Mitchell Farms Groundwater Well – Status Report

AGM Kane presented a status report from OM Townsel on the pump station construction phase of the Mitchell Farms Groundwater Well. He reported on the following items with respect to the pump station construction phase of the Mitchell Farms Groundwater Well:

- Construction is underway for installation and connection of the site sewer main.
- Construction is complete for the block building.
- Construction of the roof is underway.
- Construction is complete for the block retaining wall

Directors discussed graffiti on a project sign on Fair Oaks Boulevard, and requested that staff look into replacing the sign or removing the graffiti if possible. It was mentioned that relocating the sign behind the project site fencing might help to avoid future graffiti problems.

Bonita Way Groundwater Well

AGM Kane presented a status report from GM Churchill on the Bonita Way Groundwater Well project:

- RWA has contacted DWR regarding substitution of the Bonita Way Groundwater Well project in place of the Skycrest School Groundwater Well project within the Proposition 13 Grant and extending the time for completion to December 31, 2008. Approval is expected.
- Design of the site and pump station is at the 75 percent stage. A design review meeting is scheduled for August 23, 2007.
- A preconstruction meeting with Zim Industries, the well drilling and testing contractor, is scheduled for August 30, 2007.
- The 12-inch water main connection to the Bonita Way 8-inch water main has been completed by the District and the street crossing is in progress. The District will be installing the on-site water main, fire hydrant and water service.
- The District has excavated and removed the eucalyptus tree stumps on site.

NEW BUSINESS

Training/Continued Education/Meetings

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

CSDA Board of Directors

AGM Kane reported on an upcoming election for Region Two, Seat B on the California Special Districts Association (CSDA) Board of Directors. Directors were provided with a copy of the ballot and supporting documentation, showing the three candidates that have qualified for this election:

David Edwards, Wallace Community Services District
Pamela Tobin, San Juan Water District
Ray Trujillo, Sacramento Metropolitan Fire District

Directors discussed the election and the candidates.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to cast the District's ballot for Pamela Tobin, San Juan Water District, for Region Two, Seat B on the California Special Districts Association Board of Directors.

2008 Budgets and Water Rates

AGM Kane delivered a presentation on major issues related to the draft Operating and Capital Improvement Budgets for 2008, and draft water rates for 2008. He stated that this was the first of three scheduled budget and rate workshops by the Board, culminating in a public hearing and adoption of budgets and rates for 2008 at the Board's October 9, 2007 meeting. He also emphasized that all of the budget and rate information presented at this meeting should be considered preliminary in nature, and that the purpose of tonight's workshop is to present an overview of major budget and rate issues for Board input before proceeding with development of the detailed budget and rate recommendations to be presented at the two subsequent workshops.

The preliminary 2008 Operating Budget is a budget of \$8.41 million, equal to an increase of 9.0 percent over 2007 budget. Major issues in the 2008 Operating Budget are: the wholesale treated water cost from San Juan Water District, a 19.3 increase over rates paid in 2007; the cost increases related to metered water billing; and a recommended \$120,000 contribution to Employment-Related Benefits Reserve. Directors and staff discussed issues related to the 2008 Operating Budget. It was noted that the District has no control over treated water costs, and that costs related to metered water billing are simply a continuation of the major costs already borne in complying with the federal government mandate for water meters.

The preliminary 2008 Capital Improvement Budget is a budget of \$3.9 million, an

increase of 3.8 percent over the 2007 Capital Improvement Budget. Major issues in the 2008 Capital Improvement Budget include: the Bonita Way Well construction at an estimated cost of \$1.7 million, with \$450,000 in grant funding; \$1.28 million in funding for replacement of aging water mains; \$351,000 in new distribution main construction; and \$75,000 in equipment replacements. Directors and staff discussed issues and projects related to the 2008 Capital Improvement Budget.

Preliminary recommendations for water rates and charges for 2008 are: an 8 percent increase in bi-monthly metered water service charges; and a 19 percent increase in per-unit water charges, also known as commodity charges. Major issues involved with 2008 water rates and charges include: a difference in the percentage of service charge and commodity charge increases, the first time this has been recommended in the history of the District's metered rate-setting process; the Proposition 218 notification process; and a proposed new account set-up fee. Directors and staff discussed issues related to 2008 water rates and charges.

AGM Kane explained the two options considered by District staff for delivering notices of proposed rate adjustments to District property owners in compliance with Proposition 218. One option is to develop a detailed written notice similar to that used last year, which was four letter-size pages in length and mailed in a regular mailing envelope to all property owners. The second option is to use a large postcard format and present a very brief summary of the proposed rate increase and the written protest process, and make more information available to customers upon request and on the District's web site.

District Legal Counsel Judith Albietz reviewed both options, and is of the opinion that either approach will comply with the provisions of Proposition 218. Directors and staff discussed the options. AGM Kane stated that although the postcard option would save some money, the savings would not be as significant as was initially believed. The special printing cost for postcards, when compared with the lower cost of printing notices on standard letter-size paper, offsets some of the postage savings that would be realized by using the postcard approach. Further, a more detailed written notice will give the District the opportunity to more fully explain the main reasons behind the proposed rate increase. For these reasons, staying with the more detailed written notice is being recommended again this year. Directors and staff discussed the merits of the two options and reviewed an example of each option.

AGM Kane addressed the justifications for preliminary rate increases. He explained that the recommended 8 percent increase in the bimonthly service charge is consistent with the projected increase from the 2006 Long-Range Master Plan update. As discussed earlier, the cost increases related to bimonthly metered water billing account for much of the proposed increase. This includes increased costs for bill preparation, mailing and postage, payment processing (lockbox and credit card charges) and meter reading and metered account maintenance. It also includes a proposed new Water Meter Technician position that will be necessary to handle the greatly increased volume of field work related to operating a metered water system.

The proposed increase in the unit costs for water are due to the 19.3 percent price

increase for treated water being levied upon CHWD by SJWD beginning in January 2008. Directors and staff discussed the reasons for SJWD's increase, and the fact that it was only the first of several large increases planned to be levied over the next several years.

Directors expressed concern over the size of CHWD's preliminary recommended increase in the commodity rate, particularly in the year when the majority of District customers would begin receiving their first metered water bills. Directors agreed that the rate needs to be set to maintain the 110 percent debt service coverage required by the District's bond covenants on its debt financings, but directed staff to make every effort to find ways to keep the necessary increases as low as possible. AGM Kane noted that the recommended increases are preliminary in nature, and are recommended to be the amounts used in the Proposition 218 notification as the maximum possible increase to be expected for 2008. The Board will have the option to adopt rates lower than the recommended amounts. Directors and staff discussed the preliminary recommended increase, and the next steps in the rate-setting process for 2008.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to: direct District staff to prepare the Proposition 218 notices stating a maximum 2008 increase of 8.0 percent in bi-monthly service charges and other rates and charges; and a 19.0 percent increase in unit prices for water; and to direct District staff to prepare and deliver the Proposition 218 notices using a full letter-size format similar to that used in 2007.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on meetings of the Regional Water Authority (RWA) Executive Committee and the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA) that he attended recently. He also reported on a meeting of the San Juan Water District Executive Committee that he attended recently along with Director Rose and AGM Kane. He also reported on recent matters of interest regarding the Regional Water Authority.

Director Rose reported on meetings of the Sacramento Groundwater Authority (SGA) and the California Special Districts Association (CSDA) that he attended recently. He also reported on upcoming meetings and matters of interest regarding the Association of California Water Agencies and the Sacramento Local Agency Formation Commission (LAFCO). 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 2007 by the Project Management and Engineering Department: 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.

OPERATIONS MANAGER'S REPORT

AGM Kane reported for OM Townsel as follows:

1. A total of 86 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
2. District-wide water consumption for the calendar year was 10,159.02 acre-feet through July 2007, a decrease of 6.05 percent compared with the average annual water consumption during the previous five years, 2002-2006.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Three-Day Notices of Intent to Terminate Water Service will be delivered to about 1,000 District service accounts on August 14-15, 2007. The actual number of notices delivered will be more than 1,200 due to duplicate notices for non-resident owners, duplexes, and other situations where two or more notices must be delivered for a single account. Shut-offs for customers that do not pay after receiving the notices are scheduled to be done the following week.
2. The District will continue its participation in the Regional Water Authority (RWA) Water Efficiency Program for July 2007 to June 2008. The District's Category 1 Program cost for this coming year is \$22,126, no increase from the prior three fiscal years of the program. The program is an important element of CHWD's compliance with its water conservation Best Management Practices under the Water Forum Agreement and with the U.S. Bureau of Reclamation. District staff is involved in the Water Conservation Master Plan effort that will help to chart the future course of the RWA Water Efficiency Program.
3. The District recently received a check in the amount of \$1,482.93 from RWA for participation in the 2002 Proposition 13 Large Landscape Incentives grant program administered by the California Department of Water Resources. This amount was the final retention owed to CHWD, bringing the District's total reimbursement for the project to \$14,829.29. This is the amount previously paid out by the District to Sunrise Recreation and Park District as reimbursement for water-efficient irrigation controllers and related equipment that they installed.
4. A request for proposals for public information services is being prepared to solicit

proposals for a consultant to assist the District with a number of public information-related projects. In addition to assisting with preparation of the District's customer newsletter, it is also envisioned that the consultant will assist in developing billing inserts and assist with the development of content for an update to the District's web site.

GENERAL MANAGER'S REPORT

AGM Kane reported for GM Churchill reported as follows:

1. As of July 31, 2007, the District has 19,268 metered services, representing 98.96 percent of all of the District's services. The total number of non-metered services remaining is 202. The number of residential customers who have voluntarily converted to metered rates is 1,189.
2. Sixteen District employees received recognition for superior attendance, customer service and quality of work during the month of July 2007. Directors were provided with a list of the employees and items for which each received recognition.

CORRESPONDENCE:

1. Letter dated March 29, 2007 from Ed Winkler, Executive Director of the Regional Water Authority, thanking AGM Kane for his participation with the selection process for their financial auditor.
2. Letter dated June 27, 2007 from Christine R. Demes, Deputy Director of Administrative Services for Placer County Water Agency, thanking PM Rossi for his participation in the oral examination process for their Maintenance Worker I position.
3. Letter dated July 27, 2007 from GM Churchill to Wes Bannister, President of the ACWA-JPIA Board of Directors, regarding the recent adoption of changes to the compensation and expense policies that apply to the ACWA-JPIA Board of Directors.
4. Letter dated August 1, 2007, from Wes Bannister, President of the ACWA-JPIA Board of Directors, responding to GM Churchill's July 27 letter regarding the recent adoption of changes to the compensation and expense policies that apply to the ACWA-JPIA Board of Directors.

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 8:53 p.m.

APPROVED:

Original signed by: David B. Kane
DAVID B. KANE
Deputy Secretary
Citrus Heights Water District

Original signed by: Charles T. Rose
CHARLES T. ROSE, President
Board of Directors
Citrus Heights Water District