

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
September 11, 2007

The Regular Meeting of the Board of Directors was called to order at 6:30 p.m. by President Rose and roll was called. Present were:

Charles T. Rose, President
Joseph M. Dion, Vice President
Allen B. Dains, Director
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
David M. Rossi, Project Manager
Nancy E. Alaniz, Assessor/Collector
Timothy R. Cutler, Construction Inspector
Christopher J. Nichols, Maintenance/Construction Worker I

VISITORS

Craig and Anita Mills

Director Rose led the Pledge of Allegiance.

CONSENT CALENDAR

President Rose asked for the Consent Calendar. AGM Kane stated that a revision to the draft Minutes of the Regular Meeting of August 14, 2007 was needed to remove the Assessor/Collector's Cancellation Letter for July 2007 from the list of items approved on the Consent Calendar. The Assessor/Collector's Cancellation Letter for July 2007 was not included on the August 14, 2007 agenda, but was inadvertently included on the list of Consent Calendar items in the draft Minutes for the meeting. It was moved by Director Dains, seconded by Director Dion and carried 3-0 to accept the Consent Calendar, with a revision to the Minutes of the Regular Meeting of August 14, 2007 noted by AGM Kane, consisting of:

1. Minutes of the Regular Meeting of August 14, 2007.
2. Assessor/Collector's Report for August 2007.
3. Assessor/Collector's Cancellation Letter for July 2007.
4. Assessor/Collector's Cancellation Letter for August 2007.
5. Treasurer's Report for August 2007.
6. Bills to be Paid for August 2007.
7. Approve CAL-Card Purchases for August 2007.
8. Summary of 2007 Directors, Officers and Employees Training, Seminars and Conference Expenses.
9. Adopt Resolution 13-2007 accepting a waterline easement at 12633 Fair Oaks Boulevard from Lilli Ann Properties, Inc.

10. Adopt Resolution 14-2007 accepting a fence easement at at 12633 Fair Oaks Boulevard from Lilli Ann Properties, Inc.

OLD BUSINESS

Mitchell Farms Groundwater Well – Status Report

OM Townsel presented a status report on the pump station construction phase of the Mitchell Farms Groundwater Well, as follows:

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

Bonita Way Groundwater Well

OM Townsel presented a status report f on the Bonita Way Groundwater Well project:

- Design of the site and pump station is at the 75 percent stage. A design review meeting is scheduled for the week of September 10, 2007.
- Zim Industries, the well drilling and testing contractor, has moved equipment and supplies onto the site. Drilling is expected to begin on or about September 11, 2007.
- The 12-inch water main street crossing is complete. The District will install the on-site water main, fire hydrant and water service after the well drilling is complete.

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 second 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 is still in draft form. The purpose of tonight's workshop is to discuss the budget and rate issues in greater detail and receive any Board input and direction before proceeding with development of the final proposed budget and rate recommendations to be presented for consideration of adoption at the October 9, 2007 public hearing. Directors were provided with summaries of the 2008 Draft Operating and Capital Improvement Budgets, worksheets for the Proposed 2008 Operating and Capital Improvement Budgets, and Water Service Rates and Long-Range Financial Planning Information.

The draft 2008 Operating Budget is a budget of \$8.44 million, equal to an increase of 9.4

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. Directors, staff, and members of the public in attendance discussed the draft 2008 Operating Budget.

The preliminary 2008 Capital Improvement Budget is a budget of \$4.33 million, an increase of 21.1 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; \$1.66 million in funding for replacement of aging water mains; \$351,000 in new distribution main construction; and \$95,000 in equipment replacements. Directors, staff, and members of the public in attendance discussed the draft 2008 Capital Improvement Budget.

Draft 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. As discussed at the first public workshop in August, considering different levels of increases for the two rate components marks a departure from the District's past rate-setting practices. AGM Kane stated that Proposition 218 notices had been mailed out to the more than 19,000 property owners to notify them of proposed rate increases. To date, 42 letters of protest have been received. Directors, staff and members of the public in attendance discussed issues related to 2008 water rates and charges.

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 fully-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, staff and members of the public in attendance 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. Members of the public in attendance proposed that there be a rate structure for customers with larger lot sizes so that these customers would not be penalized for the large volume of irrigation their lots require. They also shared a document with Directors about water rights, and issues related to water adjudications and appropriation of water rights by the federal government.

Directors concurred that, based on the costs of maintaining service levels in support of the District's mission to its customers, there was little choice but to consider a rate increase of the amount recommended by District staff. Staff was directed to prepare final proposed rate adjustment recommendations accordingly for the October 9, 2007 Public Hearing, but to continue to make every effort to find ways to keep the necessary increases as low as possible.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to call for Public Hearings to consider the proposed Operating and Capital Improvement Budgets for 2008 and the proposed Water Rates and Miscellaneous Charges and Fees for 2008 on October 9, 2007.

San Juan Water District Water Shortage Conditions Concept Paper

GM Churchill presented a report on a San Juan Water District (SJWD) Family of Agencies Surface Water Shortage Conditions Concept Paper. The District is actively engaged in discussions with other members of the SJWD Family of Agencies on how to handle water shortages when and if they occur. The Family has functioned for years with informal understandings of mutual cooperation on occasions where there is not enough surface water available to meet all the needs of the Family agencies. However, it is recognized that there is a need to formalize arrangements and include them in water supply contracts for the Family agencies.

A Shortage Committee was assembled in February of 2006 and is comprised of the General Managers and Assistant General Managers from the San Juan Family of Agencies. The Committee meets twice a month focusing on concepts and principles. A technical committee subset of this group assembled in April 2007 and meets twice a month to discuss actual operational conditions as they might relate to an emergency or extended water shortage and, with the assistance of operations personnel, to evaluate and test groundwater production and distribution facilities.

At the May 9, 2006, Board of Directors meeting, CHWD Directors adopted a Water Shortage – Statement of Principles. The management staffs of the Family agencies agree that this document is not an “agreement.” The document is simply a statement of principles to guide staff members in developing formal agreements and procedures related to SJWD water shortages. Adoption did not commit any of the Family agencies to a specific course of action, but does provide the foundation upon which District staffs have proceeded with discussions.

Directors were provided with a Surface Water Shortage Conditions – Concept Paper dated August 17, 2007 that reflects the next genesis of staff discussions. The document reiterates the background and principles contained in the May 2006 document, and further defines surface water supply shortage conditions and potential commitments and responsibilities of the San Juan Family Agency members. It concludes with conceptual cost allocation methodologies and components related to capital costs, operations and maintenance costs, and usage costs.

Directors and staff discussed the Concept Paper. Directors expressed concerns about District investments in groundwater wells that may, in part, provide benefit to others outside of the District. It was suggested that a workshop with the Boards of Directors of all San Juan Family agencies might be helpful so that all views regarding water shortage issues could be shared in a forum where everyone else could hear them and provide input on them. It was also mentioned that it seems that a number of negotiated policies and/or agreements may be needed to address issues regarding cutbacks, commitments of groundwater, allocation of costs and other matters.

NEW BUSINESS

Training/Continued Education/Meetings

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

Association of California Water Agencies Region 4 Election for 2008-09 Term

GM Churchill presented a report on the election for Association of California Water Agencies (ACWA) Region 4 Offices, for the Officers and Board Members who will represent and serve Region 4 for the 2008-09 term. Directors were provided with copies of the ACWA Region 4 Ballot and Nominee Forms.

Candidates for individual Region 4 Board positions were as follows:

Candidates for Chair (vote for one):

Dave Peterson, San Juan Water District

Candidates for Vice Chair (vote for one):

Mike Hardesty, Reclamation District 2068

Robert Nees, Turlock Irrigation District

Candidates for Board Member (vote for three to five):

Robert Granberg, P.E., City of Stockton Municipal Utilities District

Thomas, McGurk, Stockton East Water District

Tim O'Halloran, Yolo County Flood Control & Water Control District

Robert Roscoe, Sacramento Suburban Water District

Richard Wood, City of Fairfield

Ballots must be returned to ACWA not later than September 30, 2007. Directors discussed the candidates for the Region 4 Offices.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to cast the Citrus Heights Water District ballot for the following candidates for ACWA Region 4 Offices for 2008-09:

Region 4 Chair:

Dave Peterson, San Juan Water District

Region 4 Vice Chair:

Mike Hardesty, Reclamation District 2068

Region 4 Board Members:

Robert Granberg, P.E., City of Stockton Municipal Utilities District
Thomas, McGurk, Stockton East Water District
Tim O'Halloran, Yolo County Flood Control & Water Control District
Robert Roscoe, Sacramento Suburban Water District
Richard Wood, City of Fairfield

Association of California Water Agencies Committee Appointment Nominees for 2008-2009 Term

GM Churchill presented a report on nominations of Citrus Heights Water District Directors and staff for Association of California Water Agencies (ACWA) Committee appointments for the 2008-2009 term. The nomination period for ACWA Committee appointments is now open and closes on September 28, 2007. Directors were provided information from ACWA regarding new and renewal appointments. Directors and staff discussed the nominations and their interests in continuing to serve on various ACWA committees. Director Rose noted that he would not be volunteering to continue to serve on the several ACWA committees on which he is currently serving due to the commitment that would extend beyond the end of his current term of office.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to nominate Citrus Heights Water District Directors and staff for Association of California Water Agencies Committee appointments for the 2008-2009 term as follows:

ACWA Committee	District Nominee
Insurance & Personnel Committee (renewal)	Robert A. Churchill
Finance Committee (new)	David B. Kane
Groundwater Committee (new)	Allen B. Dains

California Special Districts Association Committee Appointments for 2008

GM Churchill presented a report on California Special Districts Association (CSDA) Committee appointments for 2008. Directors were provided with copies of a letter from CSDA President John Fox that encouraged CSDA member involvement on the committees that help to guide the efforts of CSDA. Directors were also provided with a list of 2008 CSDA Committees. The nomination period for CSDA Committee appointments closes on September 26, 2007.

Directors and staff discussed the CSDA committees and interests on volunteering to serve on committees. There were no nominations for District Directors or staff to serve on CSDA committees for 2008.

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, GM Churchill and AGM Kane. He also reported on an upcoming meeting of the Regional Water Authority.

Director Rose reported on meetings of the Sacramento Groundwater Authority (SGA), the Association of California Water Agencies (ACWA) and the Sacramento Local Agency Formation Commission (LAFCO) that he attended recently.

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 August 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.

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:

Walgreens retail store, 6199 Sunrise Boulevard

378 lineal feet of 8-inch water main, 26 lineal feet of 12-inch water main, 17 lineal feet of 6-inch water main; three fire hydrants; three 8-inch gate valves, two 6-inch gate valves, one 8-inch post indicator valve; and two 1½" metered water services.

Value: \$ 57,452.34

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 107 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 12,287.79 acre-feet through August 2007, a decrease of 8.85 percent compared with the average annual water consumption during the previous five years, 2002-2006.
3. A test was conducted by Citrus Heights Water District and Fair Oaks Water District during the week of August 27, 2007, to demonstrate the capability of the two agencies to offset some surface water demand with groundwater. In three days of operation, CHWD wells produced 49.1 acre feet of water at an average

combined flow of 3,569 gallons per minute, or 5.14 million gallons per day (MGD). CHWD also created a temporary pressure zone that was fed solely by FOWD. The zone was in the southeast corner of the District between Fair Oaks Boulevard and Kenneth Avenue. The District received a number of customer complaints due to the reduction from the normal water pressure in the temporary pressure zone. However, water pressures above the minimum State Health Department requirements were maintained during the test.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. The District will sponsor a booth at the annual Citrus Heights Sunday FunDay on September 23, 2007, at Rusch Park. The District participates in this event each year as an opportunity to gain public exposure for its services and water conservation programs. A number of employees have already volunteered to staff the booth at this event..
2. Lori Swilley, who served in the District's Accounts Receivable Specialist position for about 5 years, resigned from employment as of August 14, 2007. A recruitment to fill the position is already underway. The filing period for job applications closes on September 19, 2007. Interviews will be scheduled with the most appropriately-qualified applicants.
3. A request for proposals (RFP) for public information services is expected to be issued by the District within the next week. The RFP will solicit a consultant to assist the District with preparation of the District's customer newsletter, development of content for an update to the District's web site, and possibly other projects such as developing billing inserts. Director Dion volunteered to assist with the consultant interview panel.
4. District staff continues to work on policies related to metered water billing in preparation for the January 2008 conversion of all flat-rate customers to metered billing. Two existing policies related to general billing procedures and service termination / re-establishment procedures are being revised to reflect current billing practices and to make them consistent with language used in other more recently-adopted policies. Staff plans to present these revised policies to the Board at their October 9, 2007 meeting for review and consideration.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. As of September 5, 2007, the District has 19,281 metered services, representing 99.02 percent of all of the District's services. The total number of non-metered services remaining is 189. 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 August 2007. Directors were provided with a list of the employees and items for which each received recognition.
3. Directors were provided with a list of the General Manager's significant assignments and activities.

CORRESPONDENCE:

1. Electronic mail message September 2, 2007 from Maren McPeak, CHWD customer in Orangevale, registering a complaint regarding unacceptable water pressure levels on August 30, 2007. A letter of response to Ms. McPeak from GM Churchill date September 5, 2007 was also provided to Directors.
2. Letter dated August 28, 2007 from Beryl Turner-Weeks, CHWD customer in Citrus Heights, requesting to speak at the October 9, 2007 Public Hearing on several matters related to water rates and billing practices.

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 10:41 p.m.

APPROVED:

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

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