

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
October 9, 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
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
Rex W. Meurer, Conservation Specialist

Director Joseph M. Dion was absent due to previously-scheduled out-of-town travel.

VISITORS

Mike Pellegrini
Beryl Turner-Weeks
Beverly J. Shepherd
Charles J. Goerlich
Donna J. Gonsalves
Alexandra Kazak
Claire H. Eichinger
Pat Cochran
Virg Anderson, Sunrise Recreation and Park District

Director Dains led the Pledge of Allegiance.

CONSENT CALENDAR

President Rose asked for the Consent Calendar. It was moved by Director Dains, seconded by Director Rose and carried 2-0 to accept the Consent Calendar consisting of:

1. Minutes of the Regular Meeting of September 11, 2007.
2. Assessor/Collector's Report for September 2007.
3. Assessor/Collector's Cancellation Letter for September 2007.
4. Treasurer's Report for September 2007.
5. Bills to be Paid for September 2007.
6. Approve CAL-Card Purchases for September 2007.
7. Summary of 2007 Directors, Officers and Employees Training, Seminars and Conference Expenses.

PUBLIC HEARINGS

2008 Operating and Capital Improvement Budgets

AGM Kane delivered a presentation on major issues related to the draft Operating and Capital Improvement Budgets for 2008. He stated that this was the last of three scheduled budget workshops by the Board, culminating in the public hearing and proposed adoption of budgets for 2008 at tonight's meeting. Directors and members of the public present were provided with budget binders containing both summarized and detailed information for the proposed 2008 Operating and Capital Improvement Budgets.

The proposed 2008 Operating Budget is a budget of \$8.42 million, equal to an increase of 9.2 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. It was noted that the proposed Operating Budget showed a decrease of \$17,193 from the version that was reviewed at the September 11, 2007 workshop. This decrease resulted from a reduction in the cost-of-living adjustment (COLA) factor used for calculating salaries for 2008. Directors, staff, and members of the public in attendance discussed the proposed 2008 Operating Budget.

The proposed 2008 Capital Improvement Budget is a budget of \$4.33 million, an increase of 21.0 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. It was noted that the proposed Capital Improvement Budget showed a decrease of about \$2,400 from the version that was reviewed at the September 11, 2007 workshop. This decrease resulted from a reduction in the cost-of-living adjustment (COLA) factor used for calculating the portion of salaries for 2008 that is included in the Capital Improvement Budget. Directors, staff, and members of the public in attendance discussed the draft 2008 Capital Improvement Budget.

President Rose opened the Public Hearing at 6:44 p.m. to receive comment on the proposed Operating and Capital Improvement Budgets for 2008.

Members of the public in attendance commented on a variety of matters related to the proposed budgets and the rate increases that would be necessitated by the budget increases. One speaker advocated for a discount for low-income customers, and expressed a desire for more detailed information to be included on District water bills. The speaker also expressed the opinion that those customers that had water meters installed when their homes were built should not have to share in the cost of installing meters for other customers throughout the District. It was suggested by another speaker that the District could save money by billing less frequently than bimonthly. Another speaker mentioned that rising water rates would be acceptable if the taste of the drinking water could be improved. District staff provided information to those in attendance on

how the service charge and commodity charge portions of the water rates are determined, including an explanation of why the size of the water meter is used to determine the service charge. Several of the speakers exchanged information with District staff to follow up on specific matters related to their water service that were discussed during the public hearing.

President Rose closed the Public Hearing at 7:57 p.m.

It was moved by Director Dains seconded by Director Rose and carried 2-0 to adopt Resolution 15-2007 Establishing Fiscal Year 2008 Operating and Capital Improvement Budgets.

2008 Water Rates and Miscellaneous Charges and Fees

AGM Kane presented a report on proposed Water Rates and Miscellaneous Charges and Fees for 2008. He summarized financial conditions and increases in operating and capital improvement costs leading to the need for the proposed increase in bimonthly service charges of 8.0 percent and a 19.0 percent increase in the unit price of water above current 2007 rates. For a typical CHWD customer living in a single-family dwelling, this proposed rate increase will result in a monthly increase of \$3.92 for water service.

Most significant among the increasing costs is the cost of purchasing treated water from San Juan Water District (SJWD). Starting in 2007 and continuing for the next decade, SJWD is undertaking a number of very expensive replacements and additions to the infrastructure used to treat and convey water to CHWD and other agencies. The cost for these projects in current dollars is expected to exceed \$45 million. In order to help fund these projects, SJWD has projected a series of significant water rate increases in the coming years. The first large increase, adopted for 2008, effectively increases the rate that CHWD pays for treated water from SJWD by 19 percent. The CHWD Board of Directors, and the Boards of other agencies that purchase treated water from SJWD, were involved in the process to evaluate the need for these increases. Although no one wants to see water costs rise, especially by such a large amount, CHWD is convinced that the increases are necessary to maintain water quality and reliability to its customers. The consequences of not raising rates now and deferring projects to some future point would be to risk not only water quality and reliability, but also to face even greater costs at a future date.

The water service charge paid by the majority of District customers in 2007 is the annual flat-rate charge for single-family dwellings, which is \$378 per year for 2007. Since nearly all flat-rate customers will be converted to metered water billing at the beginning of 2008, a comparison of water rates for 2008 has been made based on the water consumption patterns for a typical District single-family residential customer. For this typical customer, the annual cost for water service and water consumption for 2008 will be about \$414, which equals a monthly increase of about \$3.92 per month. Customers that consume more water than the "typical customer" will pay more than this amount; customers that use less will pay less. Customers that use significantly more water will

see the largest increases, since the largest component of the rate increase for 2008 is in the cost of the water itself.

The annual cost for a typical District customer with a single-family residential connections, is proposed to increase from \$378.00 in 2007 to an estimated \$414.24 in 2008, an increase of 12.44 percent. Rates for District customers with other types of connections, such as duplex dwelling and condominium/townhome/apartment dwellings, are proposed to increase by similar percentage amounts. Most other fees and charges have been increased within an approximate range 8.0 percent or as otherwise needed to reflect the costs of operation. The quantities of water allowed under Tiers 1 and 2 of the metered water rate schedule were increased which will reduce charges for water to a degree.

No increases to turn-off notice service charges or disconnect/reconnect service charges are proposed for 2008. A New Account Application Fee of \$20.00 is being recommended to offset the costs associated with establishing new accounts, including the need for a District employee to obtain a water meter reading when the new account is initiated. Capacity fees are proposed to remain unchanged for 2008, with the exception of the fees for several of the largest meter sizes, which were changed to match the capacity factors that San Juan Water District will begin using in 2008 for their new wholesale capacity fee.

Directors were provided with copies of a Comparison of 2007 Water Rates, Fees and Charges to Proposed 2008 Rates, Fees and Charges and the Proposed 2008 Bimonthly Metered Water Rates, showing the proposed increases. Other supporting documentation was also provided, including revenue estimates for 2008 based on the rate adjustments being proposed.

District customers were initially notified of the Public Workshops and Public Hearing for Rates and Budget via the District's Spring 2007 WaterLine newsletter. In August 2007 the District made a direct mailing of a notice to all property owners in the District's service area, notifying them of the proposed 2008 rate increases for water service in compliance with Proposition 218. The notice informed property owners of the proposed increase, the reasons for the increase and the manner in which a written protest can be submitted to the District. The District received a total of 62 letters of protest prior to the October 9, 2007 Public Hearing. This is well short of the approximately 8,900 written protests that would be required to prevent action by the Board on a rate increase. Directors were provided with copies of all the protest letters received to date.

President Rose opened the Public Hearing at 8:25 p.m. to receive comment on the proposed Water Rates and Miscellaneous Charges and Fees for 2008. Most members of the public had left the meeting at the close of the previous Public Hearing on 2008 budgets, and there was no further public comment received. Directors acknowledged the 62 letters of protest that were received in response to the District's Proposition 218 notification. President Rose closed the Public Hearing at 8:27 p.m.

It was moved by Director Dains, seconded by Director Rose and carried 2-0 to adopt Resolution 16-2007 Establishing Water Rates and Miscellaneous Charges and Fees for

Fiscal Year 2008.

NEW BUSINESS

Partnership with Sunrise Recreation and Park District

GM Churchill, Virg Anderson, Management Analyst with Sunrise Recreation and Park District (SRPD), and Rex Meurer, CHWD Conservation Specialist, provided a presentation on creating resourceful District partnerships. The presentation was made recently at the California Special Districts Association's (CSDA) Annual Conference.

The presentation highlighted the cooperative efforts between CHWD and SRPD to increase water use efficiency. Mr. Anderson noted the both the water savings and cost savings that were being realized by SRPD as a result of these efforts.

Directors expressed their appreciation to both SRPD and CHWD staffs for their collaborative efforts to extend CHWD water supplies by increasing water use efficiency.

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:

- 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.
- Well manifold construction is progressing.
- Road construction is complete.
- Fence construction is pending.

Bonita Way Groundwater Well

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

- Design of the site and pump station is at the 80 percent stage.
- Zim Industries, the well drilling and testing contractor, has completed the drilling portion of the well.
- The test pump should be in place by the week of October 8, 2007.

Directors and staff discussed the well drilling work. Director Rose suggested that a tour of the Mitchell Farms project be scheduled for November.

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. Directors were presented with a Surface Water Shortage Conditions – Concept Paper dated September 26, 2007 that reflects the most recent San Juan Family staff discussions, especially related to capital costs. The document defines surface water supply shortage conditions and potential commitments and responsibilities of the San Juan Family Agency members. It includes 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 inquired as to whether draft agreements among the SJWD Family agencies would be presented for discussion at the upcoming workshop. GM Churchill responded that he did not believe that discussions had progressed to that point. The agencies are still working on developing the foundation upon which such agreements may be based. It was noted that in the minutes of a recent SJWD Board of Directors meeting, reference is made to an informal agreement between SJWD and Orange Vale Water Company (OVWC) regarding operation of an OVWC groundwater well. GM Churchill stated that he was unaware of such an agreement, but that he would attempt to obtain more information and report back.

As already discussed, the other San Juan Family agencies concurred with the idea of conducting a workshop with the Boards of Directors of all the agencies, as was suggested by CHWD Directors during their September 11, 2007 Board meeting. This workshop is scheduled for October 30, 2007 at San Juan Water District.

It was moved by Director Dains, seconded by Director Rose and carried 2-0 to call for a Special Workshop Meeting at 6:30 p.m. on October 30, 2007 at San Juan Water District.

Auburn Boulevard Water Infrastructure Relocation and Replacement

GM Churchill presented a report on a proposed scope of work amendment to the July 2005 Professional Services Agreement with Mark Thomas & Company Engineers. The proposed scope of work amendment will provide for additional tasks related to the planning and construction of the Auburn Boulevard Water Main Replacement Project.

In July 2005, the District entered into a Professional Services Agreement with Mark Thomas & Company Engineers to prepare improvement plans for the replacement of the District's aged water main in Auburn Boulevard from Cedar Drive to Linden Avenue. The tasks contained in the initial \$45,000 agreement included the following major elements:

- Base Map Preparation & Right of Way Research
- Utility Conflict Identification
- Preliminary and Final Plan Design

This work is now substantially complete with \$39,671 in costs incurred through September 2, 2007.

As the District prepares to proceed with obtaining permits and developing contract documents, the following additional tasks have been identified:

- Preparation of Specifications, to include “boilerplate” specifications that can be utilized on future District projects
- Preparation of Storm Water Pollution Prevention Plan details that will also be used on future projects
- Additional Coordination Meetings and Public Workshops
- Bid and Construction Assistance
- Construction Staking

The estimated cost for this work is \$45,374, a majority of which is contained in the Construction Staking (\$21,720) and Specifications (\$10,080) elements.

Directors and staff discussed the proposed scope of work amendment.

It was moved by Director Dains, seconded by Director Rose and carried 2-0 to: approve Scope of Work Amendment No. 1 to the Professional Services Agreement with Mark Thomas & Company, Inc. in an amount not to exceed \$47,000; and authorize the General Manager to execute the Amendment.

NEW BUSINESS continued

Training/Continued Education/Meetings

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

Revisions to Accounts Receivable Policies

AGM Kane presented a report on proposed revisions to District Policies on billing for bimonthly accounts and service termination and re-establishment procedures. In preparation for the January 2008 conversion of flat-rate customers to metered billing, staff has been developing new or revised policies related to water meters and metered service issues. With adoption of the revisions to these two existing policies, all necessary policies will be in place for the implementation of metered billing for nearly all District customers in January 2008.

Directors were presented with copies of two policies with proposed revisions:

1. Policy No. 7170, General Billing Procedures for Bimonthly Accounts
2. Policy No. 7270, Service Termination / Re-Establishment Procedures

AGM Kane explained that the proposed revisions are minor in nature. They are mainly designed to achieve consistency with the language in other Accounts Receivable policies

adopted and/or amended by the Board in recent months or to make the policies consistent with current billing practices and delete obsolete language. Several examples of specific minor revisions were pointed out.

For Policy 7270, a new Section 7270.07 related to termination and disconnection of dedicated fire sprinkler service accounts is proposed to be added to provide that the appropriate fire protection authority will be notified at least three days prior to the scheduled date of termination. This policy will ensure that fire protection agencies are aware when dedicated fire sprinkler services may be disconnected.

Directors and staff discussed the proposed policy changes. Directors inquired if there were any legal issues posed by the District accepting partial payments. Staff responded that there were no issues insofar as they were aware, but that they would check with District legal counsel to make sure.

It was moved by Director Dains, seconded by Director Rose and carried 2-0 to amend District Policy No. 7170, General Billing Procedures for Bimonthly Accounts, and District Policy No. 7270, Service Termination / Re-Establishment Procedures, as presented.

Proposition 13 Large Landscape Grant Program

AGM Kane presented a report on proposed payments to Oakcrest Village Homeowners Association, James Slutzi, and Sunrise Recreation and Park District as reimbursement for irrigation system improvements. These Citrus Heights Water District customers have completed irrigation system improvements as participants in the Large Landscape Grant Program that is administered by the California Department of Water Resources (DWR) using Proposition 13 grant funds. The District is one of a number of water agencies that qualified for a share of the grant funds awarded via a grant application submitted by the Regional Water Authority (RWA). The purpose of the program is to help large landscape owners make improvements to their irrigation systems to increase water use efficiency.

Due to the long waiting period for grant fund reimbursement from the DWR, staff is recommending that the District reimburse these customers in advance of the District receiving the grant funds from DWR in about six to nine months. This is consistent with the District's approach with two customers that previously participated in the grant program. Details on the work performed and equipment installed by each of the three customers were provided, along with the dollar amounts eligible for Proposition 13 Grant funding. Directors and staff discussed the work performed and the proposed reimbursements. Directors discussed whether it was necessary to reimburse the program participants in advance of the DWR's reimbursement.

It was moved by Director Dains, seconded by Director Rose and carried 2-0 to authorize payment as reimbursement for the installation of water efficiency improvements under the Proposition 13 Large Landscape Grant Program as follows:

1. Oakcrest Village Homeowners Association in the amount of \$4,989.00;
2. James Slutzi in the amount of \$1,166.43; and
3. Central Control Systems, Ltd. (for equipment installed for Sunrise Recreation and Park District) in the amount of \$8,004.86

Association of California Water Agencies Public Education Program

GM Churchill presented a report on a proposed voluntary contribution to ACWA's "California's Water: A Crisis We Can't Ignore" public awareness program. Directors were presented with a letter from the Association of California Water Agencies explaining the purpose of the public awareness program and asking for financial support from ACWA member agencies. Directors and staff discussed the program and its value to Citrus Heights Water District. Directors stated that the program appeared to have little direct value to CHWD, but that raising public awareness of critical water issues statewide is a worthwhile endeavor and deserving of at least a small measure of support from the District.

It was moved by Director Dains, seconded by Director Rose and carried 2-0 to authorize a voluntary contribution in the amount of \$1,000.00 to ACWA's "California's Water: A Crisis We Can't Ignore" public awareness program.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Rose and GM Churchill reported on a recent Regional Water Authority (RWA) meeting that they attended along with Directors Dion and Dains and AGM Kane.

Director Rose reported on meetings of the Sacramento Groundwater Authority (SGA) and the Sacramento Local Agency Formation Commission (LAFCO) that he attended recently. He also reported on recent matters of interest concerning the City of Citrus Heights.

Director Rose, GM Churchill and AGM Kane reported on a San Juan Water District Executive Committee meeting that they 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 September 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:

Oak View Estates, 9-Lot Subdivision, Oak Avenue at Streng Avenue

905 lineal feet of 8-inch water main, 30 lineal feet of 6-inch water main, one fire hydrant; two 8-inch resilient wedge valves, one 6-inch resilient wedge valve, nine 1-inch metered water services and one air/vacuum relief valve.

Value: \$ 89,392.00

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 117 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 13,931.45 acre-feet through September 2007, a decrease of 11.71 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. A total of 53 applications were received in response to the District's job announcement for the Accounts Receivable Specialist position. The eight most qualified applicants have been invited to an oral interview and testing on October 11, 2007.
2. A request for proposals (RFP) for public information services has been issued by the District to nine public information consultants. The RFP is soliciting 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. The deadline for submission of proposals is October 12, 2007. Interviews with selected proposers will be conducted toward the end of October.
3. AGM Kane attended the Water Forum Successor Effort meeting on September 20, 2007. He reported on the major items of discussion at that meeting, including the City of Folsom's sphere of influence water supply, the water conservation negotiations, and the Lower American River Flow Management Standard.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. As of September 28, 2007, the District has 19,298 metered services, representing 99.11 percent of all of the District's services. The total number of non-metered services remaining is 174. The number of residential customers who have voluntarily converted to metered rates is 1,189.
2. Seventeen District employees received recognition for superior attendance, customer service and quality of work during the month of September 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.
4. GM Churchill attended the 2007 California Special Districts Association Annual Conference on October 1 to 3, 2007. He reported on educational and training sessions that he attended during the conference.
5. The District has received reimbursement in the amount of \$290,176.60 from the California Department of Water Resources Proposition 13 Grant awarded to the Regional Water Authority for the Mitchell Farms Groundwater Well Project. Invoices documenting accumulated costs totaling over \$330,000 to date for the Bonita Way Groundwater Well Project will be submitted to the RWA for processing in October. Fifty percent reimbursement from DWR is anticipated.
6. Directors were provided with a copy of San Juan Water District's Request for Proposals to develop a regional water distribution system hydraulic model for the retail water systems within the SJWD wholesale service area. This modeling is proposed to support the Family of Agencies in planning for sharing of resources during dry year and emergency conditions. Citrus Heights Water District is the only member of the Family of Agencies without a model of its water distribution system. The proposed 2008 Capital Improvement Budget includes \$81,000 for this effort, subject to future approval by the Board of Directors

CORRESPONDENCE:

1. Letter dated September 13, 2007 from the Board of Trustees of Sylvan Cemetery District expressing concerns about proposed water rate increases.
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.
3. Eighteen letters of protest received between September 7 and October 5, 2007, in response to the District's rate increase notice mailed out in compliance with Proposition 218. Two additional letters received after the October 5 preparation of the Board Meeting agenda were also presented to Directors. Forty-two letters were previously distributed to the Directors prior to September 7, 2007.

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 10:45 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