

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

The Regular Meeting of the Board of Directors was called to order at 6:35 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
Joseph P. Scherrer, Special Programs Coordinator
Rex W. Meurer, Conservation Specialist

VISITORS

Judith K. Albietz, Albietz Law Firm, District Legal Counsel

Director Dains led the Pledge of Allegiance.

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of November 13, 2007.
2. Assessor/Collector's Report for November 2007.
3. Assessor/Collector's Cancellation Letter for November 2007.
4. Treasurer's Report for November 2007.
5. Bills to be Paid for November 2007.
6. Approve CAL-Card Purchases for November 2007.
7. Summary of 2007 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Call for a Special Joint Planning Workshop Meeting of the San Juan Family of Water Agencies on December 17, 2007 from 8:00 a.m. to 12:00 p.m. at the Lake Natoma Inn, 702 Gold Lake Drive, Folsom, California. .
9. Approve Friday, December 26, 2008 as the 2008 floating holiday for Citrus Heights Water District.
10. Receive and file the report of settlement of a claim from Pacifica Management.
11. Receive and file the report of settlement of a small-claims court action filed by Marliene Bowers.

PUBLIC HEARING

Customer Account Deposits

AGM Kane presented a report on setting the dollar amount for customer account deposits. Directors discussed this matter at their November 13, 2007 Regular Meeting. A Public Hearing was set for tonight’s meeting to receive public input and consider adoption of the deposit amount for 2008.

At the May 8, 2008 Regular Meeting, the Board of Directors adopted District Accounts Receivable Policy No. 7120, Customer Account Deposits. This policy shifts the financial burden of potential bad debt to those customers that pose a possible credit risk. Briefly stated, the policy requires deposits on all locations that are occupied by tenants and are billed to the tenant, and on new accounts whose owner has a delinquent balance on a previously established account. It also requires deposits on existing accounts that experience qualifying events – a payment rejected from the customer’s financial institution twice in any 12-month period, or a customer that has had their water service terminated for non-payment.

The Policy does not set forth the dollar amount of the deposit. It states that deposits shall be charged in an amount set forth in the District’s Water Rates and Miscellaneous Charges and Fees. It is staff’s recommendation that the Board consider adding Customer Account Deposit to the 2008 rate schedule in the amount of \$165.00. This amount approximates the average amount of total charges that will accrue for a typical 1-inch residential water service by the time service termination occurs:

Bi-monthly service and consumption charge	\$ 66.50
Late penalty (10 percent of delinquent amount):	\$ 6.65
Turn-off notice service charge:	\$ 30.00
Disconnect / reconnect service charge:	<u>\$ 60.00</u>
Total:	\$ 163.15

Setting the Customer Account Deposit amount at this level will help to ensure that the District is reimbursed for services and water in the event that a customer defaults payment for services and service charges. However, the deposit will not be used like a “reserve fund” for customers to pay their bill. Delinquent customers with a deposit balance cannot simply request the District to apply their deposit balance to the bill. Deposit balances will only be applied in the event that it is clear that the customer has defaulted, i.e., moved from their service address with a delinquent balance on their account.

In accordance with the policy, customers may request a refund of their deposit after one year with no qualifying events and no penalties assessed. Simple interest will be credited to customer deposit balances based on the annualized rate of return for the State of

California Local Agency Investment Fund (LAIF). Directors and staff discussed the deposit amount and policy.

President Rose opened the Public Hearing at 6:40 p.m. No public comment was received.

President Rose closed the Public Hearing at 6:41 p.m.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to adopt Resolution No. 18-2008 Amending the Citrus Heights Water District Water Rates and Miscellaneous Charges and Fees for 2008 to include a Customer Account Deposit in the amount of \$165.00

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 project:

- Construction of the roof is complete.
- Well manifold construction is complete.
- Fence construction is progressing.
- Painting is 90 percent complete.
- Control systems installation is pending.
- Water disinfection equipment installation is pending.

Directors and staff discussed the project.

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 85 percent stage.
- Zim Industries, the well drilling and testing contractor, has completed the drilling of the well.
- The original test pump, rated up to 1,500 gallons per minute (gpm), has been installed and the yield of the well tested.
- Installation of a larger test pump, rated up to 2,700 gpm, is pending. The yield of the testing indicates that this well should produce about 2,000 gpm once development processes are complete.
- GM Churchill is pursuing obtaining an easement for a 12-inch water main and a 12-inch drain line to the west.

Directors and staff discussed the project.

Auburn Boulevard Water Infrastructure Relocation and Replacement

GM Churchill provided a status report on the design phase of the Auburn Boulevard Water Infrastructure Relocation and Replacement Project. The design plans for replacement of the District's water infrastructure along Auburn Boulevard from Cedar Drive to Linden Avenue are approximately 95 percent complete. From November 13 to 16, 2007, District crews core bored and excavated at 18 critical locations along the project route to determine the existing roadway section and to verify the depth of several critical utilities. Paving thicknesses encountered were typically 10 inches thick with an additional 4 inches of concrete beneath. In several areas, the concrete was not immediately underneath the asphalt.

The following items remain to be completed prior to advertising for bids:

- Preparation of Specifications and Contract
- Traffic Control Plan review by the City of Citrus Heights
- Neighborhood Meeting to be scheduled for January 2008

CLOSED SESSION

GM Churchill informed the Board of Directors that a matter that came to the attention of the District subsequent to the posting of the agenda for this meeting that requires immediate action. The matter is related to existing litigation in the case of People of the State of California, et al. v. Atlantic Richfield Company, et al., and requires a conference with Legal Counsel in Closed Session. It was moved by Director Dion, seconded by Director Dains and carried 3-0 to place this item on the agenda for consideration under Closed Session following the two items already on the agenda for Closed Session.

President Rose adjourned the meeting to Closed Session at 6:54 p.m. to consider the following matters:

1. Conference with Real Property Negotiators; pursuant to subdivision (b) of Government Code Section 54956.8:
 - Property: 6206 and 6221 Shuman Lane
 - Agency Negotiators: GM Churchill and Legal Counsel
 - Under Negotiation: Price Offer and Terms of Payment
2. Conference with Real Property Negotiators; pursuant to subdivision (b) of Government Code Section 54956.8:
 - Property: 7601 Poplar Avenue
 - Agency Negotiators: GM Churchill and Legal Counsel
 - Under Negotiation: Price Offer and Terms of Payment
3. Conference with Legal Counsel – Existing Litigation pursuant to Government Code 54956.9(a): One Case
 - RE: Methyl Tertiary Butyl Ether (“MTBE”) Products Liability Litigation
 - People of the State of California, et al. v. Atlantic Richfield Company, et

al

President Rose reconvened the meeting into Open Session at 8:15 p.m. It was announced that the following actions were taken by the Board of Directors during the closed session:

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to authorize the General Manager and Legal Counsel Albietz to negotiate with the sellers of the property at 6206 and 6221 Shuman Lane and to report back to the Board on the status of negotiations; and

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to schedule a Special Meeting of the Board of Directors for December 17, 2007 at 2:00 p.m. at the District Office for the purpose of further conference with Legal Counsel regarding existing litigation related to the People of the State of California, et al. v. Atlantic Richfield Company, et al.

NEW BUSINESS

Training/Continued Education/Meetings

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

Cost-of-Living Adjustment to Salary Schedule and Directors' Compensation

AGM Kane presented a report on a proposed cost-of-living adjustment (COLA) to the District's salary schedule, as well as considering of a COLA for compensation of the Board of Directors.

District Personnel Policy No. 4102 provides for considering a cost-of-living adjustment (COLA) to the District's salary schedule upon recommendation by the General Manager and approval by the Board of Directors. Directors were provided with a copy of the U.S. Department of Labor consumer price index (CPI) for all urban west consumers showing that it had increased by 3.3 percent for the twelve-month period ending in October 2007. This is the baseline that the District uses annually in determining the COLA.

Directors were also provided with a copy of the current Monthly Salary Schedule, amended to show the proposed Monthly Salary Schedule effective January 1, 2008 with salary range adjustments inclusive of the recommended 3.3 percent increase.

AGM Kane noted that the District's 2007 labor budget was developed using a 2.8 percent estimated COLA. With the proposed 3.3 percent COLA, employee salaries for 2008 could potentially exceed the amount forecast in the 2008 budget by approximately \$9,800.

Pursuant to District Policy 4831, Insurance Benefits For Retirees Retiring After March 19, 1996, the maximum monthly District participation in qualified retiree insurance benefits is also amended by the approved COLA. Directors were provided with a copy of

this Policy with draft amendments pursuant to the recommended 3.3 percent COLA adjustment.

The Board of Directors approved Ordinance No. 01-2004 on September 14, 2004, setting Directors' compensation at \$140.00 per day for attending Board meetings and other Board-sanctioned functions. Directors were provided with a copy of the ordinance. Changes in compensation of Directors requires approval of the Board of Directors during an Open Session at a Regular Meeting held at least 60 days prior to the effective date of the change.

Directors' compensation has not changed since 2004. It was discussed that Directors' costs of driving to and from meetings around the Sacramento region had increased considerably since 2004, with no increase in compensation during that time. It was further noted that the compensation received by Directors of other similar agencies in the region was higher than that received by CHWD Directors. Directors discussed that an increase in compensation from the current \$140.00 per day to \$145.00 per day was warranted. This would amount to an increase of about 3.6 percent.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to: Amend District Policy No. 4101.A1 as presented to include a +3.3 percent cost-of-living adjustment to the District's Monthly Salary Schedule effective January 1, 2008; and direct staff to prepare a draft ordinance to set Directors' compensation at \$145.00 per day for consideration at the Board of Directors' January 8, 2008 Regular Meeting.

Agreement for Landscape Irrigation Review Services

AGM Kane presented a report on a proposed agreement with Irrigation Consultation & Evaluation for professional services to provide landscape irrigation reviews for District customers. For the past seven years, the District has employed the services of Irrigation Consultation & Evaluation (ICE) to perform landscape irrigation reviews. The District provides water efficiency reviews to customers as part of its water conservation program, in compliance with Best Management Practices (BMPs) under its Water Conservation Plans with the USBR, the Water Forum and the California Urban Water Conservation Council (CUWCC). A total of 162 residential water audits and 18 large landscape audits were done under the ICE agreement during 2007. It is estimated that the total expended under the agreement by the end of 2007 will be about \$16,500. In addition, District Conservation Specialist Rex Meurer and Special Programs Coordinator Joe Scherrer performed a total of 58 residential audits independently during 2007.

ICE remains the only firm in this region known to offer these services. Directors were provided with a copy of the proposed Agreement for Landscape Irrigation Reviews for 2008. ICE proposed to hold rates at their existing levels for 2008. The demand for audits in 2008 could increase with the conversion of residential accounts to metered water billing, but the extent to which this will influence the demand is still unknown. Therefore, staff is recommending that the agreement be renewed for a not-to-exceed dollar limit of \$21,000, with the understanding that an amendment to increase this amount could be needed later in 2008 if the demand for audits increases significantly.

The District will continue to promote the water efficiency reviews via the WaterLine newsletter and the District's web site, as well as directly with customers that contact the District with questions or concerns about the amount of their water consumption or water bill. Directors and staff discussed the landscape irrigation reviews and the work performed by ICE and District staff during the past year.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to authorize the General Manager to execute an agreement with Irrigation Consultation & Evaluation for irrigation review services for 2008 with a not-to-exceed amount of \$21,000.00.

Amendment No. 2 to Interim Wholesale Water Supply Agreement with San Juan Water District

GM Churchill presented a report on extending the term of the Interim Wholesale Water Supply Agreement with San Juan Water District. Effective January 1, 2004, the District entered into an Interim Wholesale Water Supply Agreement with San Juan Water District for acquisition and delivery of a treated surface water supply for the District. This Interim Agreement was amended effective January 1, 2006 with Amendment No. 1 extending through December 31, 2007.

The District and other Member Agencies of the San Juan Family of Water Agencies determined to enter into interim agreements pending development and adoption of San Juan's Surface Water Supply and Water Shortage Management Plan. Upon adoption of the Plan, the Member Agencies intend to negotiate long-term wholesale water supply agreements that reflect the adopted surface water shortage provisions. The Plan has not been completed; and as such, the District's Interim Agreement with San Juan needs to be amended to extend the term of the Interim Agreement.

Directors were provided with a copy of a Draft Amendment No. 2 to the Interim Wholesale Water Supply Agreement, and a draft resolution of the Board of Directors to effect adoption of the amendment.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to adopt Resolution No. 19-2007 extending the term of the Interim Wholesale Water Supply Agreement with San Juan Water District through March 31, 2008.

Citrus Heights Chamber of Commerce 50th Anniversary

GM Churchill presented a report on the upcoming 50th anniversary of the Citrus Heights Chamber of Commerce. The Chamber of Commerce is holding its annual dinner event in January 26, 2008 at the Holiday Inn and this year's event will highlight the Chamber's 50th anniversary. The District was one of the Chamber's first members when it was established in 1958. Directors were provided with information about the Chamber's annual dinner event and 50th anniversary celebration.

Directors and staff discussed the District's participation in this event. It was agreed that it would be fitting for the District to both attend the January 26th event and to participate as sponsor of and member of this business community organization.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to approve of a “Ruby” Sponsorship of the Citrus Heights Chamber of Commerce 50th Anniversary / Annual Dinner at a cost of \$1,000.

Organizational Structure and Chart Policy Amendments

GM Churchill presented a report on proposed revisions to the District’s organizational structure and organizational chart. The adopted 2008 Operating Budget for Citrus Heights Water District includes one new position in preparation of the additional in-field workload anticipated to result from the District’s conversion to bimonthly metered billing. Directors were provided with a draft amendment of the District’s General Policy No. 1030 “Organizational Structure and Chart” that included the new position, entitled “Water Meter Technician”. Directors and staff discussed the proposed changes.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to amend District Policy No. 1030 “Organizational Structure and Chart” to include Water Meter Technician position.

Selection of President and Vice President

GM Churchill presented a report on the process to select a President and Vice President of the Board of Directors. Directors were provided with a copy of District Board of Director and Officers Policy No. 2010, which states that a President and Vice President of the Board of Directors are to be elected by a majority vote of the Board in December of each year. The terms of office will begin as soon as acted upon by the Board.

Directors discussed nominations for President and Vice President of the Board. Director Dains nominated Director Dion to serve as President, with the nomination seconded by Director Rose. Director Rose nominated Director Dains to serve as Vice President, with the nomination seconded by Director Dion. The nominations were then closed.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to elect Director Joseph M. Dion as President of the Board of Directors of Citrus Heights Water District; and to elect as Director Allen B. Dains as Vice President of the Board of Directors of Citrus Heights Water District.

Director Rose yielded to Director Dion to preside over the remainder of the Board meeting.

Appointment of District Officers

GM Churchill presented a report on proposed reconfirmations of District Officers. Directors were provided with a copy of District Board of Directors and Officers Policy No. 2200, which sets forth the Officers of the District and their respective duties and related matters. Directors were also provided with a list of the District’s Officers, whose appointments to these positions were last reconfirmed in December 2006. With the employment resignation of Lori Swilley in August 2007, the Deputy Assessor/Collector’s

position has been vacant. It was recommended that the Board reconfirm all of the remaining existing Officers, and appoint Office Administrator Pamela Peters as the Deputy Assessor/Collector as well as the Deputy Treasurer. Directors and staff discussed the District's Officers.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to confirm the appointment of District Officers as follows:

<u>Office</u>	<u>Officer</u>	<u>Deputy Officer</u>
Assessor/Collector	Nancy E. Alaniz	Pamela L. Peters
Treasurer	David B. Kane	Pamela L. Peters
Secretary	Robert A. Churchill	David B. Kane

Appointment of Board Representatives and Alternates

GM Churchill stated that, pursuant to District Policy No. 2300, the Board of Directors shall appoint its Members or Officers to serve as District representatives to various organizations and associations. Directors discussed the current 2007 appointments, and their interests related to serving as representatives for the coming year.

The Board of Directors, by acclamation, confirmed the appointment of the following Directors and Officers to serve as District representatives to the following organizations:

Organization	Representative	Alternate Representative
Association of California Water Agencies - Joint Powers Insurance Authority (ACWA JPIA)	Joseph M. Dion	Charles T. Rose
Association of California Water Agencies Region 4	Joseph M. Dion	Allen B. Dains
San Juan Family of Agencies Executive Committee	Joseph M. Dion (Director) Robert A. Churchill (Staff)	Charles T. Rose (Director) David B. Kane (Staff)
California Special Districts Association	Charles T. Rose	Allen B. Dains
Regional Water Authority	Joseph M. Dion (Director) Robert A. Churchill (Staff)	Allen B. Dains (Director) David B. Kane (Staff)
Sacramento Groundwater Authority	Charles T. Rose	Allen B. Dains
Citrus Heights Chamber of Commerce Government Issues Committee	David B. Kane	Robert A. Churchill
Sacramento Water Forum	David B. Kane	Robert A. Churchill

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on the recent Regional Water Authority (RWA) annual banquet that he attended along with Directors Dains and Rose and AGM Kane. He also reported on the Association of California Water Agencies – Joint Powers Insurance Authority (ACWA-JPIA) 2007 Fall Conference that he attended in Indian Wells, California. He

also reported on an upcoming meeting of the Regional Water Authority (RWA) Executive Committee.

Directors Dains, Dion and Rose all reported on meetings, presentations and activities at the ACWA 2007 Fall Conference that they all recently attended in Indian Wells, California.

Director Rose reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA) and on a meeting of 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.

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 November 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

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 15,779.83 acre-feet through November 2007, a decrease of 15.1 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. Production of the Winter 2008 WaterLine newsletter is underway with the District's new public information consultant, MMC Communications. This edition of the newsletter will focus on informing customers about the conversion to metered water billing. It will also alert customers to the low surface water supply and reinforce the need for efficient water use and conservation. The schedule calls for mailing the newsletter in late January 2008, to coincide with the

arrival of the first bi-monthly metered water bills.

2. Redesign of the District's internet web site, www.chwd.org, is underway. This work is being done in concert with the WaterLine newsletter work with the assistance of MMC Communications, with the goal of having these two important public outreach methods having a similar "look and feel." The initial focus of the redesign will be to update the functionality and appearance using much of the existing web site content, including new information regarding metered water billing, and then adding more features and content gradually. The schedule calls for the initial redesign to be complete at the time the newsletter goes out so that customers who are prompted to visit the web site after reading the newsletter will find a new, more functional and visually-attractive site.
3. AGM Kane attended the 2007 Association of California Water Agencies Fall Conference in Indian Wells, California on November 27-30, 2007. He reported on workshop sessions and meetings that he attended at the conference.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. As of November 30, 2007, the District has 19,371 metered services, representing 99.42 percent of all of the District's services. The total number of non-metered services remaining is 112. The number of residential customers who have voluntarily converted to metered rates is 1,189.
2. Twenty District employees received recognition for superior attendance, customer service and quality of work during the month of November 2007. Directors were provided with a list of the employees and items for which each received recognition.
3. GM Churchill attended the 2007 Association of California Water Agencies Fall Conference in Indian Wells, California on November 27-30, 2007. He reported on workshop sessions and meetings that he attended at the conference.
4. Directors were provided with a copy of the District's Letter to the Editor published in the Woodmore Oaks Neighborhood Watch Newsletter for November 2007. This letter was written in rebuttal to a customer letter regarding the District's 2008 rate increase, and was previously reported to the Board at their November 13, 2007 meeting.
5. The Association of California Water Agencies – Joint Powers Insurance Authority (ACWA-JPIA) conducted its annual on-site risk management review of District operations on November 8, 2007. Directors were provided with a copy of the follow-up letter received from ACWA-JPIA Risk Management Consultant R. Scott Wood detailing his findings and recommendations. His letter presented

only two recommendations for possible improvements to safety and risk management: one related to making sure that appropriate District employees have attended defensive driver training; and a second related to a possible tripping hazard related to some of the “parking blocks” in the parking lot. District staff will respond to both of these recommendations. GM Churchill commended District employees for their attention to personal, workplace and public safety.

CORRESPONDENCE:

1. Letter dated November 19, 2007 from Randy Fiorini, the outgoing ACWA President, thanking AGM Kane for his service on the Local Government Committee during the 2006-2007 term.
2. Letter dated November 19, 2007 from Randy Fiorini, the outgoing ACWA President, thanking GM Churchill for his service on the Insurance and Personnel Committee during the 2006-2007 term.

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 9:26 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