

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
June 10, 2008

The Regular Meeting of the Board of Directors was called to order at 6:33 p.m. by President Dion and roll was called. Present were:

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

Director Charles T. Rose arrived at 6:37 p.m.

VISITORS

Robert Graf, Jr. (arrived at 6:50 p.m.)

Director Dion led the Pledge of Allegiance.

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of May 13, 2008.
2. Assessor/Collector's Report for May 2008.
3. Assessor/Collector's Cancellation Letter for May 2008.
4. Treasurer's Report for May 2008.
5. Bills to be Paid for May 2008.
6. Approve CAL-Card Purchases for May 2008.
7. Summary of 2008 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Direct the Treasurer to make the following transfers within District funds and reserves:
 - a) Transfer \$13,340.00 from the Operating Reserve to the Connection Fund to allocate interest earnings on District investments from the previous year;
 - b) Transfer \$41,026.00 from Connection Fund to the Capital Improvement Reserve as partial repayment of Connection Fund debt to the Capital Improvement Reserve;
 - c) Transfer \$811,515.00 from the Operating Fund to the Depreciation Reserve to set aside funds to replace or rehabilitate capital facilities and equipment at the end of their useful life;
 - d) Transfer \$100,000.00 from the Depreciation Reserve to the Fleet Equipment Reserve to fund future equipment replacements;

- e) Transfer \$411,699.02 from the Capital Improvement Reserve to the Operating Fund to offset capital expenditures from the Operating Fund; and
- f) Transfer \$88,600 from the Operating Fund to the Employee-Related Benefits Reserve to provide funding for future costs related to retiree health insurance, payment of accrued leave balances upon retirement or separation from employment with the District, and other employee-related benefits costs.

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. He reported that the final punch list remedies are being completed. Directors and staff discussed the project.

Bonita Way Groundwater Well

OM Townsel presented a status report on the pump station construction phase of the Bonita Way Groundwater Well Project. He reported that a pre-contract meeting was held recently, and a tentative start date of July 1, 2008 established for the contractor. He also reported that work is underway by GM Churchill to obtain an easement for a 12-inch water main and a 12-inch drain line to the west of the well site.

Director Rose arrived at 6:37 p.m.

Schuman Lane Property Purchase

GM Churchill presented a report on the status of the purchase of four parcels of land on Schuman Lane, adjacent to the District's administration and corporation yard facilities. The District has been in negotiations with the Melee Family Trust since November 13, 2007 regarding the purchase of property on Schuman Lane adjacent to the District's administration and corporation yard facilities. At a Special Meeting on May 2, 2008, the Board of Directors accepted an alternate proposal to purchase four parcels of land instead of three. GM Churchill stated that the owners had agreed to the District's terms of having all of the dwellings uninhabited and empty before the purchase will be completed. Directors and staff discussed the pending walk-through on the property once all of the personal property has been removed from the property.

NEW BUSINESS

Training/Continued Education/Meetings

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

Employee Retirement

GM Churchill presented a report on the retirement of District employee Steve Corothers.

Steve was first employed by Citrus Heights Irrigation District on June 7, 1977 as a Temporary Field Laborer until January 1978. He was re-hired in April of 1978 and served as a Maintenance Worker until departing in February 1984 to work in a family-operated business. He returned in September 1988 and performed duties as a Construction Foreman and most recently as the District's Purchasing & Inventory Specialist. Steve has announced his retirement from the District as of June 12, 2008 with more than twenty-five years of service to the District.

A gathering to recognize Steve's accomplishments and service will be scheduled for a later date. Directors expressed their thanks for Steve's many years of dedicated service to the District.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 07-2008 Commending Steven W. Corothers for Outstanding Service to the District.

Hydraulic Modeling Software

GM Churchill presented a report on the proposed purchase of water system hydraulic modeling software. At the CHWD Board of Directors meeting of January 8, 2008, approval was given to participate and contribute to the development of a hydraulic model of the water transmission and production facilities of the collective San Juan Water District Family of Agencies. CHWD's financial contribution to this hydraulic modeling work is estimated at \$34,319 with a maximum of \$40,000 approved by the Board.

At the CHWD Board of Directors Meeting of March 11, 2008, the Board approved a Modeling Services Proposal from Brown & Caldwell Engineers in an amount not to exceed \$54,000 toward the development of a detailed water system hydraulic model specifically for CHWD. Brown & Caldwell's estimated cost for this work is \$51,266. Due to the quality of the CHWD GIS database, the engineer stated that they will be significantly under the estimated budget.

Not included in either of the referenced action items was the MWH InfoWater Software necessary to house and run the model at the District. The purchase of the InfoWater Executive Suite 5.0 with unlimited pipes is being recommended, at a cost of \$18,000. In addition, the Executive Model Subscription Program (MSP) at an annual cost of \$3,000 is recommended. Directors were provided with a summary of modeling costs including InfoWater software if approved.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to approve the purchase of InfoWater Executive Suite 5.0 for unlimited pipes and Executive MSP at a cost not to exceed \$22,000.00.

PUBLIC COMMENT

Robert Graf, Jr., a District customer, arrived at 6:50 p.m. President Dion reopened the Public Comment portion of the meeting to allow Mr. Graf to address the Board.

Mr. Graf explained the circumstances of his recent delinquent payment of his water bill, and asked the Board for relief from the Disconnect/Reconnect Service Charge that was levied. He stated that his water service was never actually disconnected, because he paid his bill in person at the office while the crews were out performing service disconnections and they had not yet reached his home to shut off the meter. For this reason, he expressed the opinion that he should not have been assessed the Disconnect/Reconnect Service Charge.

Directors and staff discussed the matter with Mr. Graf. They explained that the District's policy was to apply the Disconnect/Reconnect Service Charge at the time that the crew is dispatched to perform the disconnection. The reason for this policy is that by that time in the disconnection process, the District has already incurred much of the expense that the service charge is intended to cover. However, Directors also expressed compassion for the circumstances in Mr. Graf's case, and asked District staff to work with Mr. Graf in refunding the Disconnect/Reconnect Service Charge. Directors also stated that there would be no relief for Mr. Graf for any future charges incurred in accordance with District policy.

Mr. Graf thanked the Board and left the meeting. President Dion closed the Public Comment period and returned to New Business portion of the meeting.

NEW BUSINESS continued

Human Resources Policy Amendments

AGM Kane presented a report on proposed amendments to, and deletion of, 62 Human Resources policies. District staff has performed a comprehensive review of District Human Resources (HR) policies. Many of these policies have not been updated for 10 to 15 years and are in need of changes to bring them up to date with the current organization structure, job titles and practices and procedures of the District. Where it makes sense, language from some policies has been incorporated into other policies to consolidate and reduce the number of separate policies. Directors were provided with a Summary of Proposed CHWD Human Resources Policy Amendments along with the actual text of the 62 policies that are presented for amendment or deletion.

Most of the proposed amendments fall within one or more of the following broad categories:

1. Revisions to reflect changes in practices and procedures.
2. Revisions to incorporate changes to job titles and the District's organizational structure.
3. Revisions to policy language for greater accuracy and clarity.

4. Formatting changes for consistency with all District policies and procedures.

The policy amendments being presented do not represent any major shift from the way in which human resources matters are currently being administered by the District, nor do they require changes in budgeting for employee salaries and benefits. AGM Kane explained that there are still about a dozen HR policies that are under review and will be brought to the Board at a future date for separate consideration. About one dozen other HR policies are not being presented because they have been adopted or amended recently enough that they do not need updating. Directors and staff discussed the proposed amendments.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt revisions as presented to Human Resources Policies identified on the Summary of Proposed CHWD Human Resources Policy Amendments for the June 10, 2008 Board of Directors Meeting.

Surplus Equipment

OM Townsel informed Directors of a matter that came to the attention of staff after posting of the agenda for this meeting regarding air compressor equipment owned by the District. Failure to take action on the matter at tonight's meeting could result in financial penalties to the District from the Sacramento Air Quality Management District (AQMD). As specified under California Government Code Section 54954.2(b), the consideration of items not included on the posted agenda can only take place with a two-thirds vote of the Board members, or by all members if less than two-thirds are present.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to find that there is a need for immediate action on the item and that the need to take action came to the attention of the District subsequent to the agenda being posted, and to place the item on the agenda for the June 10, 2008 Regular Meeting for consideration and action.

The District is preparing to sell the following equipment items as surplus:

Equipment No. 17, a 1998 Chevrolet ¾-ton pickup truck with approximately 85,000 miles.

Equipment No. 51, a 1997 Ingersoll Rand portable air compressor.

Equipment No. 52, a 1997 Ingersoll Rand portable air compressor.

This truck is being replaced as approved in the 2008 budget. However, the compressors are being sold with no replacement necessary. The Operations Department crews are currently equipped with hydraulic breakers which provide superior performance to the former pneumatic breakers. Sale of the compressors will relieve the District of requirement to comply with the AQMD regulations for the diesel-powered equipment, and avoid possible penalties for non-compliance.

Under District Policy No. 5750, Disposal of Surplus Property, any District personal property with an estimated value of greater than \$4,000 shall be disposed as surplus with the authorization of the Board of Directors. It is possible that each of these equipment items could bring more than \$4,000 at auction. In order to avoid any possible non-compliance with District policy, this matter is being brought to the Board of Directors for consideration and action before sending the equipment items to auction at Nationwide Auction Systems in Benicia, California. Directors and staff discussed the disposal of these equipment items.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the disposal of District Equipment No. 17, No. 51 and No. 52 by public auction.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of May 2008 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 444 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 Public Health requirements.
2. District-wide water consumption for the calendar year was 4,633.60 acre-feet through May 2008, a decrease of 15.2 percent compared with the average annual water consumption during the previous five years, 2003-2007.
3. As previously discussed with Directors, the District received notice of the issuance of a citation from the California Department of Public Health (CDPH) on November 17, 2007. The citation was issued because of a delay in testing and reporting to the CDPH. As required by the citation, the District is preparing to notify all customers of the deviation in our required testing procedure. The method that has been chosen for conveyance of the notice is an insert to be delivered with the bi-monthly bills over an 8-week period. The notice will also be posted on the District's web site. Directors were provided with a copy of the proposed notice.

OM Townsel and PM Rossi left the meeting.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a recent meeting of the Regional Water Authority (RWA) Executive Committee that he attended, as well as an upcoming meeting of the Regional Water Authority (RWA). He also reported on a recent meeting of the San Juan Water District Executive Committee that he attended along with GM Churchill and AGM Kane.

Director Rose reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA). He also reported on recent matters of interest regarding the California Special District Association (CSDA), the City of Citrus Heights and the Sacramento Local Agency Formation Commission (LAFCo).

Director Dains reported on a Water Education Foundation Bay-Delta Tour that he attended recently.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. District customer service staff continues to experience an extraordinarily high level of customer account activity related to the conversion to metered billing. The five-member front office staff logged 189 hours of overtime during May. The District's telephone business hours have been changed, starting at 9:00 a.m. instead of 8:00 a.m. for a one-month trial period to provide a period of time during the work day free from interruptions. The lobby remains open to walk-in customers at 8:00 a.m. Directors and staff discussed other measures that may be considered to meet customer service demands and address workload concerns for existing staff.
2. Directors were provided with a copy of the District's Annual Report for the Fiscal Year ending December 31, 2007, which is prepared pursuant to the Continuing Disclosure Agreement for the District's Revenue Certificates of Participation, Series 2000.
3. Production of the summer edition of the District's WaterLine newsletter is currently in progress. Directors were provided with an outline of articles to be included in this edition. Printing and mailing of the newsletter will tentatively be completed by late June or early July.
4. Directors were provided with a copy of a letter to Assemblyman Roger Niello (District 5) conveying the District's opposition to AB 2046 (Jones). AB 2046 would require that water supply assessments made by local agencies exclude, from any contemplated groundwater supplies, any "source" of groundwater that has not been determined by the California Department of Public Health (CDPH) or a local health officer to have been treated to the treatment standard applicable to the proposed use.
5. AGM Kane attended the Water Forum Water Conservation Negotiation Team

Meeting on June 3, 2008. Negotiations continue to move toward adopting the California Urban Water Conservation Council (CUWCC) Best Management Practices (BMPs). A revised “trial balloon” for updating the Water Forum water conservation plan will be drafted based on negotiation discussions at this meeting. Directors were provided with a copy of the pages of the Years 5 and 6 Water Conservation Report for the Water Forum Successor Effort that pertain specifically to Citrus Heights Water District.

GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

1. Eighteen District employees received recognition for superior attendance, customer service and quality of work during the month of May 2008. Directors were provided with a list of the employees and items for which each received recognition.
2. The United States Bureau of Reclamation (USBR) recently updated its supply allocation for Central Valley Project (CVP) water. The current water supply forecast for North-of-the-Delta Municipal and Industrial contractors is 70 percent of contract supplies, a reduction from an earlier 75 percent forecast. San Juan Water District, the agency from which CHWD receives surface water from Folsom Reservoir, has used an average of approximately 8,000 acre-feet of CVP water over the past five years. A 30 percent reduction of this amount is 2,400 acre-feet. CHWD uses approximately 40 percent of the water rights and contracts of SJWD, therefore a reduction of 960 acre-feet to CHWD is estimated. This reduction can be met utilizing groundwater if necessary. As noted in the Operation Manager’s Water Consumption Report presented earlier in the meeting, water consumption through May 2008 is 833 acre-feet less than the five-year average to-date.
3. Engineering and water policy consultant Bill Dendy is retiring at the end of June 2008. Directors were provided with a letter from Mr. Dendy announcing his retirement.
4. A list of the General Manager’s significant assignments and activities was not prepared this month due to time constraints in preparing the Board Meeting agenda.

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.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated May 9, 2008 from Glen Peterson, President of the Association of California Water Agencies (ACWA), thanking the District for its contribution to ACWA's recent "California's Water" Series Town Hall in Sacramento.
2. Letter dated May 30, 2008, from Jim McCauley, County Clerk-Recorder – Registrar of Voters for Placer County, inviting District Board members to attend one of their Candidate Workshops being held in Placer County in June and July.
3. Letter dated May 29, 2008 from Shauna Lorance, General Manager for San Juan Water District, to Delores Brown, Chief, Office of Environmental Compliance for the California Department of Water Resources, providing comments in response to the recent notice of preparation of the Bay Delta Conservation Plan EIR/EIS.

CLOSED SESSION

Pursuant to subdivision (a) of Government Code Section 54956.9, Conference with Legal Counsel – Existing Litigation, the Board of Directors convened in Closed Session at 8:49 p.m. for the purpose of discussing confidential correspondence from Legal Counsel Judy Albietz, the Methyl Tertiary Butyl Ether ("MTBE") Products Liability Litigation, People of the State of California, et al. v. Atlantic Richfield Company, et al. Directors Dains, Dion and Rose, GM Churchill, and AGM Kane were in attendance.

President Dion reconvened the meeting into Open Session at 8:55 p.m. He announced that during the Closed Session, the following action was taken by the Board of Directors:

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to accept the Settlement Agreement with Lyondell Chemical Company.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 8:56 p.m.

APPROVED:

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

Original signed by: Joseph M. Dion
JOSEPH M. DION, President
Board of Directors
Citrus Heights Water District