

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
August 12, 2008

The Regular Meeting of the Board of Directors was called to order at 6:34 p.m. by President Dion and roll was called. Present were:

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

VISITORS

Bill and Barbara Dendy

Director Dion led the Pledge of Allegiance.

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of July 8, 2008.
2. Assessor/Collector's Report for July 2008.
3. Assessor/Collector's Cancellation Letter for July 2008.
4. Treasurer's Report for July 2008.
5. Bills to be Paid for July 2008.
6. Approve CAL-Card Purchases for July 2008.
7. Summary of 2008 Directors, Officers and Employees Training, Seminars and Conference Expenses.

NEW BUSINESS

Consultant Retirement

Directors welcomed Bill and Barbara Dendy to the meeting. GM Churchill provided an overview of Mr. Dendy's nearly twelve years of service to the District prior to his retirement at the end of June 2008. Mr. Dendy provided expert professional services with respect to the development and implementation of long term water supply agreements. He also provided invaluable analysis and advice pertinent to regional water planning and institutional arrangements, water rights, groundwater management and District policies, programs and projects. Mr. Dendy's work has been instrumental in assisting the District in fostering and sustaining its relationships with other water

agencies, regional interests, state agencies and federal agencies. Directors expressed their appreciation to Mr. Dendy for his service to the District.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 08-2008 Commending Bill B. Dendy for Outstanding Service to the District. Mr. Dendy was presented with a framed copy of the Resolution.

Mr. and Mrs. Dendy departed the meeting at 6:40 p.m.

OLD BUSINESS

Mitchell Farms Groundwater Well

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 items have been completed, and that the District is awaiting final approval of the permit to operate the well from the California Department of Public Health. 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 soil removal and compaction work is underway. He also reported that work is continuing 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. Directors and staff discussed the project.

Schuman Lane Houses Demolition

OM Townsel presented a report on bids received for asbestos abatement at the District-owned properties on Schuman Lane in Citrus Heights. The District is demolishing the three residential dwellings on the recently-acquired Schuman Lane properties. The District secured permits from the City of Citrus Heights for this work. At their July 8, 2008 meeting, the Board of Directors accepted a proposal from All Haul of El Dorado, California, in the amount of \$13,005.00 to demolish and dispose of the three structures and concrete slabs/foundations.

While the demolition work was underway, the Sacramento Air Quality Management District informed the District that an asbestos assessment was required. The assessment was performed by an independent contractor and asbestos was found, predominately in the adhesive for the floor tile in one of the structures. Removal of the asbestos is required by a firm licensed to perform such work.

The District has received three bids for asbestos abatement for the three houses located on Schuman Lane as follows:

| <u>Contractor</u> | <u>Total Bid</u> |
|---|------------------|
| RAH Environmental – Sacramento, CA | \$ 18,985.00 |
| A-1 Remediation – Sacramento, CA | \$ 28,350.00 |
| West Coast Environmental – Rancho Cordova, CA | \$ 39,800.00 |

RAH Environmental performed bioremediation services for the District when soil containing diesel fuel was discovered prior to construction of the Shop Storage Building in 1988-1989.

In addition to the asbestos abatement work to be performed, RAH Environmental will also dispose of the now-demolished structures, except for the concrete slabs/foundations, originally awarded to All Haul. Directors and staff discuss the bids and the work to be performed.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the General Manager to enter into a contract with RAH Environmental for \$18,985.00; and to provide a contingency fund of \$1,900.00 for the work.

NEW BUSINESS continued

Training/Continued Education/Meetings

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

2009 Budgets and Water Rates

AGM Kane delivered a presentation on major issues related to the draft Operating and Capital Improvement Budgets for 2009, and draft water rates for 2009. The presentation summarized the preliminary projections for 2009 operating and capital expenditures required to maintain current service levels, and the revenues necessary to support them.

The preliminary Operating Budget for 2009 calls for an overall increase of 11.1 percent compared to the 2008 adopted Operating Budget. Issues of significance for 2009 include: a 19 percent increase in the District’s purchased water cost; increased customer service costs; increased costs for materials used to repair and maintain the water system; rapidly rising fuel prices; reduced liability, property and workers’ compensation insurance costs; and rising salary and benefit costs.

The preliminary Capital Improvement Budget of \$2.7 million for 2009 represents an overall decrease of 65 percent compared to the 2008 adopted Capital Improvement Budget. A greatly reduced slate of projects for 2009 is being proposed due to limited District financial reserves. Issues of significance for 2009 include: new staffing for Project Management and Design; design work for the proposed Skycrest School well; \$519,000 for replacing aging water mains and \$425,000 for constructing new

transmission mains; and new and replacement equipment at an estimated cost of \$134,000.

AGM Kane outlined the District's existing financial condition, including the current status of financial reserves and the expected level of reserves at the end of 2008. After more than a decade of aggressive capital spending to provide a major new transmission main, retrofit all District accounts with water meters and develop additional groundwater supplies, the District financial reserves are depleted to a level that provides only minimal funds for emergency expenditures or seasonal fluctuations in revenue. Water rate increases during this period have been moderated by the use of millions of dollars in reserves. With total reserves expected to drop to around \$2 million by the end of 2008, spending for 2009 and future years must come directly from annual water revenues.

For 2008, revenues from metered water service and other miscellaneous revenue sources is expected to be about \$8.5 million. If the District is to fund 2009 operating and capital expenditures of slightly over \$12 million, \$3.5 million in revenue above 2008 levels must be generated. Directors and staff discussed options for increasing revenues for 2009.

AGM Kane also discussed the need to begin shifting a higher percentage of the rate revenue into the commodity charge portion of rates, the per-unit charge for water used by customers. As a USBR contractor and signatory to the California Urban Water Conservation Council Memorandum of Understanding, the District is obligated to begin moving toward compliance with Best Management Practice (BMP) 11 related to Retail Conservation Pricing. BMP 11 requires that water retailers set their rates to achieve about 70 percent of their water service revenue from the commodity charge. Currently, the District's commodity rate represents approximately 32 percent of its total water service revenue, with the remainder coming from water service charges. Directors and staff discussed options for moving a greater portion of revenue into the commodity charge, and some of the issues that may result from doing so.

The District's capacity fee, the "buy-in" cost for hooking up to the water system, has not increased since 2007. Dramatic increases in system replacement costs since that time, along with a recent update to the District's financial model that updates all of the relevant costs associated with the capacity fee, suggest that an increase of about 48 percent is warranted. The capacity fee is determined by the replacement cost of the distribution system minus depreciation, with the "share" for each connection determined by its size. Directors and staff discussed the capacity fee and the fact that the numbers of future new connections to the water system are not expected to be large since the District's service area is getting close to build-out.

Directors expressed an interest in having another working session with staff to review budget and rate options for 2009, and discussed possible dates for that meeting. It was agreed that Monday, August 25, 2008, at 5:30 p.m. was a date that would work for all attendees, and that the President would call a meeting of the Board of Directors for that date.

Directors requested staff to prepare a range of alternatives for 2009 rate adjustments with corresponding budget adjustments for discussion at the August 25 meeting.

Regional Water Authority Water Efficiency Program

AGM Kane presented a report on the Regional Water Authority's (RWA) FY 2008-09 Water Efficiency Program. The RWA Water Efficiency Program started a new fiscal year as of July 2008. CHWD, along with all other Program participants, must renew its financial commitment in order to continue to participate in the Program. This Program has served as an important component of CHWD's compliance with the Best Management Practices for Urban Water Conservation (BMPs) since its inception in 2002.

The cost for the Water Efficiency Category 1 Program for Fiscal Year (FY) 2008-09 is \$22,126.00. This amount has remained the same since 2006. Funds are included in the District's 2008 Operating Budget for this purpose. Directors were provided with information about the Program, including the FY 2008-09 Business Plan for the Program.

This is a "below-the-green-line" project for RWA with only those agencies desiring to participate providing the funding and serving on the Project Committee. The District's representative on the Project Committee is Special Programs Coordinator Joseph Scherrer. Conservation Specialist Rex Meurer is the District's alternate. Directors and staff discussed the Program and the ways in which it benefits the District.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to approve participation in the Regional Water Authority's FY 2008-09 Water Efficiency Category 1 Program in the amount of \$22,126.00

Oak Avenue Investors LP Annexation

GM Churchill presented a report on the proposed annexation of the Oak Avenue Investors LP property, also known as Country Oaks Lane, at 8833 Oak Avenue in Orangevale to the Citrus Heights Water District. Development of a five-lot rural residential subdivision on 10.282 acres of property on Oak Avenue is proposed. The property is within the District's sphere of influence but 9.266 acres of the site has never been formally annexed to the District. Annexation fees in the amount of \$12,935.34 have been paid to the District. The annexation documents have been properly executed and approved by Sacramento Local Agency Formation Commission (LAFCo). Directors and staff discussed the proposed annexation.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 09-2008 approving annexation to the District of the Oak Avenue Investors LP property at 8833 Oak Avenue.

California Special Districts Association Board of Directors Election

GM Churchill presented a report on the election for Region Two, Seat C on the California Special Districts Association (CSDA) Board of Directors. Directors were provided with a copy of the ballot and supporting documentation. Two candidates have qualified for this election. Directors discussed the candidates.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to cast the Citrus Heights Water District ballot for Roy E. Wilson, Director, Del Paso Manor Water District, for Region Two, Seat C on the California Special Districts Association (CSDA) Board of Directors.

Bonita Way Pump Station Testing and Inspection Services

GM Churchill presented a report on a proposal for earthwork and construction materials testing and special inspection services for the construction of the Bonita Way Pump Station. Directors were provided with a copy of a proposal from Wallace Kuhl Associates for earthwork and construction materials testing and special inspection services totaling \$27,175.00.

Earthwork construction is underway and \$4,000 has been authorized by the General Manager for the initial earthwork and compaction testing. Wallace Kuhl has performed satisfactory compaction and earthwork testing for the District and for contractors working for developers in the District for a period of time. Inasmuch as the site masonry wall will not be constructed as per plan, with a “Verticrete” panel-style wall to be constructed instead, this proposal can be reduced to an estimated cost of \$19,668. Directors and staff discussed the proposal and the work to be performed.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the General Manager to execute an agreement with Wallace Kuhl Associates for earthwork and construction materials testing and special inspection services for the Bonita Way Pump Station project at a time and materials cost not to exceed \$20,000.

Geographical Information System Map Editing Services

GM Churchill presented a report on a proposal from Westin Engineering for Geographic Information System (GIS) map editing services to accommodate the District’s hydraulic model. With the development of the District’s Hydraulic Water System Model by Brown and Caldwell Engineers, it was necessary re-segment portions of the District’s GIS Water System Network. The District’s work order management system attaches water main work orders to these pipe segments. These work orders now need to be re-attached to the new proper pipe segments.

Directors were provided with a copy of Change Order No. 1 to Westin Engineering’s current contract with the District in the amount of \$16,680 to accomplish this work. The work involves: importing the new re-segmented water main layer and adding the required field in the geodatabase; moving the attribute data from the old main layer to the new main layer; reconnecting the work orders from the old main layer to the new main

layer; and validating the corrected data.

The District has not been able to update the map with new projects or work order data for several months while the model water main layer was being reconfigured. GM Churchill stated that he had given Westin Engineering a verbal approval to proceed with this work due to the urgent need to address the backlog of work orders. Directors and staff discussed the proposal and the work to be performed.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to ratify acceptance of proposal from Westin Engineering in the amount of \$16,680 for GIS Map Editing services.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of July 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.

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:

Marquee at Fair Oaks, Fair Oaks Boulevard north of Greenback Lane, Fair Oaks -
- 190 single-family residential lots
10 lineal feet of 12-inch PVC water main; 4,060 lineal feet of 8-inch PVC water main; 160 lineal feet of 6-inch PVC water main; 3,102 lineal feet of 4-inch PVC water main; 17 lineal feet of 8-inch ductile iron water main; 14 fire hydrants; 2 12-inch butterfly valves, 24 8-inch gate valves; 10 6-inch gate valves; 33 4-inch gate valves; 192 1-inch metered water services; 2 1½-inch metered water services; and 3 1-inch air/vacuum valves.
Value: \$717,789.00

6350 Mariposa Avenue – 1 lot residential
1 1-inch metered water service
Value: \$3,000.00

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 132 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 7,099.00 acre-feet through July 2008, a decrease of 27.4 percent compared with the average annual water consumption during the previous five years, 2003-2007.

It was discussed that the accuracy of District-wide water consumption data is in question, and that the consumption figures being reported may significantly understate actual consumption. San Juan Water District is replacing all of its water meters that measure water deliveries to CHWD and the other Family agencies. More accurate water consumption information will be available when the new meters are installed. CHWD has also begun tracking consumption using the total recorded consumption from all of its individual customer water meters.

President Dion called a recess to the meeting at 9:20 p.m. OM Townsel and PM Rossi left the meeting. President Dion reconvened the meeting at 9:23 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a meeting of the Regional Water Authority (RWA) that he attended recently along with Director Rose, GM Churchill and AGM Kane. He reported on meetings of the RWA Executive Committee and the Association of California Water Agencies – Joint Powers Insurance Authority (ACWA-JPIA) that he attended recently.

Directors Dion and Rose, GM Churchill and AGM Kane reported on a San Juan Water District Executive Committee meeting that they attended recently.

Director Rose reported on meetings of the California Special District Association (CSDA) and the Sacramento Local Agency Formation Commission (LAFCo) that he attended recently. He also reported on recent matters of interest regarding the City of Citrus Heights.

GM Churchill reported on a meeting of the ACWA Insurance and Personnel Committee that he attended recently.

AGM Kane reported on a meeting of the Citrus Heights Chamber of Commerce Governmental Issues Committee that he attended recently.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. A high level of customer account activity continued during the month of July, with more hours of overtime by customer service staff than worked during the previous month. AGM Kane discussed continuing effort to meet customer service demands.
2. The job announcement for the vacant Purchasing/Inventory Specialist position was posted and advertised in mid-July. The closing date for accepting

employment applications for the position was August 8, 2008, with about 30 applications received. Applications will be screened by the Operations Manager, with interviews scheduled for late August or early September.

3. The District's website has been updated recently to correspond with the content of the most recent WaterLine newsletter. Information on the Stage 2 – Water Alert is featured prominently, and additional links to other websites with water efficiency information and tips have been added. Statistics regarding usage of the website are now being collected and reviewed to help the District enhance the usefulness of the site for its customers. A summary of website usage information was presented from the first six months since it was updated in January 2008.
4. The District's public information consultant, MMC Communications of Sacramento, has merged with another public relations firm called CirclePoint. The District will continue to be served by the same account staff, but they will assume the CirclePoint name for their business. This will necessitate a new agreement for services with CirclePoint. District staff plans to bring a new agreement to the Board for consideration at their September 2008 meeting.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty District employees received recognition for superior attendance, customer service and quality of work during the month of July 2008. Directors were provided with a list of the employees and items for which each received recognition.
2. 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. Electronic mail message dated July 17, 2008 from Dana Kulesza regarding CHWD water use efficiency programs and rebates.
2. Letter dated July 23, 2008 from Michael R. Finnegan, Area Manager for the U.S. Bureau of Reclamation, thanking the District for its participation in the 7th Annual

Get WET event at the American River Water Education Center, and acknowledging Conservation Specialist Rex Meurer for his efforts on the event.

CLOSED SESSION

Pursuant to subdivision (a) of Government Code Section 54957, Public Employee Performance Evaluation --General Manager, the Board of Directors convened in Closed Session at 10:16 p.m. Directors Dains, Dion and Rose, GM Churchill were in attendance.

President Dion reconvened the meeting into Open Session at 10:28 p.m. He reported that there was no reportable action taken by the Board of Directors during the Closed Session, and that this Closed Session item will be continued to the Regular Board of Directors meeting of September 9, 2008.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 10:30 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