

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
September 9, 2008

The Regular Meeting of the Board of Directors was called to order at 6:30 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  
Timothy R. Cutler, Construction Inspector

VISITORS

Beryl Turner-Weeks  
Larry Sadler  
Leonard F. Russo  
Eric Aschow  
Sharon Brunberg  
Max Alexander

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

Beryl Turner-Weeks addressed the Board regarding the District's bi-monthly water statements. She asked why the District did not include detailed information regarding the customer's water consumption on the statement. She stated that she has brought this matter to the Board's attention on several occasions over the past four years. A recent letter to Directors from Ms. Turner-Weeks regarding this and other matters was included in the Correspondence section of the agenda for the September 9, 2008 Board meeting.

Directors and staff explained that the District plans to provide more detailed information regarding water consumption and charges within the different water rate tiers. However, the process of modifying the billing statement to include this information for all customers is much more complicated and involved than it might seem. District staff efforts have been focused on handling the extremely high volume of customer service activity that has resulted from the January 1, 2008 conversion of all District customers to the metered water rate, delaying work on other efforts such as billing statement modifications.

Ms. Turner-Weeks stated that she felt that this information should have been included on the water statements by now. She also stated that she would like to see more of the cost of water

service included in the per-unit water charge instead of the bi-monthly service charge. President Dion thanked Ms. Turner-Weeks for her comments.

### 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 August 12, 2008.
2. Minutes of the Special Meeting of August 25, 2008.
3. Assessor/Collector's Report for August 2008.
4. Assessor/Collector's Cancellation Letter for August 2008.
5. Treasurer's Report for August 2008.
6. Bills to be Paid for August 2008.
7. Approve CAL-Card Purchases for August 2008.
8. Summary of 2008 Directors, Officers and Employees Training, Seminars and Conference Expenses.
9. Reschedule the November 2008 Regular Meeting of the Citrus Heights Water District Board of Directors to 6:30 p.m. on Wednesday, November 12, 2008.

### 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 complete, and that GM Churchill has obtained the easement for a 12-inch water main and a 12-inch drain line to the west of the well site. Storm and domestic mainline construction is now underway, and construction on the wall around the site is pending. Directors and staff discussed the project.

#### 2009 Budget and Water Rates

AGM Kane delivered a presentation on draft Operating and Capital Improvement Budgets for 2009, and draft water rates for 2009.

AGM Kane gave an overview of the major operating and financial challenges for the District in preparing 2009 budgets and rates. Financial reserves are at their lowest point

in decades after spending down millions of dollars in reserves to pay for water meters, groundwater wells and other capital improvements. Costs for treated water, materials and supplies, fuel, and most of the goods and services used to support District operations have risen tremendously, along with the cost of employee salaries and benefits to keep pace with the marketplace. The conversion to billing all customers based on metered consumption has added significant new costs. These additional financial demands come at a time when many customers are facing their own financial challenges during a period of falling home values, rising prices and rising unemployment.

The District's challenge for 2009 is to strike a balance among:

- Controlling or reducing operating costs, which may result in some reductions in service levels;
- Deferring important capital improvements to shift the costs to future years, reducing the current fiscal impact of these improvements;
- Starting to rebuild financial reserves to support the needed level of services and investment in the District's infrastructure while also providing a financial cushion for emergencies or fluctuations in revenues; and
- Minimizing the financial impact to District customers.

AGM Kane outlined the three options for proposed 2009 spending for operations and capital improvements, identified as Options A, B and C, with Option A being the least cost and Option C being the most. They range from \$10.15 million total expenditures (Option A) to \$10.76 total expenditures (Option C). He explained the major elements that differentiate the three options, and noted that the three options are not the only budget options available. The three options present a possible range of options to provide a framework for budget discussions. Directors were provided with a copy of the draft Operating and Capital Budgets for Option C.

AGM Kane provided an overview of proposed water rates and charges for 2009. He explained that the recommended rate adjustments for 2009 were developed to generate a level of revenue sufficient to support Budget Option C while adding up to \$1.5 million to District financial reserves. The recommended adjustment will result in a monthly increase in water rate of about \$4.98 per month for the average residential customer, with a bi-monthly service charge increase of 12.6 percent and a water consumption charge increase of 19 percent compared with 2008 water rates.

The ratio of service charge revenue to water charge revenue was also discussed. The approximate revenue ratio for 2008 is 67 percent service charge and 33 percent service charge. Best Management Practice (BMP) 11 of the California Urban Water Conservation Council (CUWCC) requires that water retailers set their rates to achieve about 70 percent of their water service revenue from the commodity charge, the per-unit price of the water itself. The proposed rate adjustment for 2009 moves the District in the direction of BMP 11 compliance, achieving a service charge/water charge ratio of approximately 60/40.

The District's capacity fee, the "buy-in" cost for hooking up to the water system, is

proposed to increase about 48 percent for 2009. This fee has not increased since 2007. For a typical 1-inch service connection, the capacity fee would increase to \$5,894 from its current level of \$3,983. 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, support an increase of this amount. 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.

AGM Kane explained the requirement to provide written notification of proposed rate adjustments to all property owners within the District in accordance with Proposition 218. Directors were provided with a draft Proposition 218 notice, based upon the proposed rate adjustments presented earlier in the meeting. The notification must be received a minimum of 45 days in advance of the public hearing at which the rate adjustments are to be considered. The tentative schedule calls for mailing the notices not later than September 19, 2008, in order to meet the 45-day requirement.

Directors received comment regarding the proposed budgets and rate adjustments from members of the public in attendance at the meeting. Comments received included statements regarding the effect of the District's tiered rate structure for water on customers with large landscaped or pasture areas. There were also comments about the effect of that reduced water consumption by customers might have on the District's revenues. Members of the public left the meeting after providing comments, before discussion on budget and rates was concluded.

Directors discussed the proposed 2009 budgets and water rates. Directors acknowledged staff's efforts to control costs and to present a rate adjustment recommendation that balances the financial challenges facing the District. Directors also acknowledged that the recommended rate adjustment, while lower than previously discussed, may still be significant for many District customers.

Directors and staff discussed that the Board would not be making final decisions on budget and rate adjustments at this meeting. However, the amount of rate adjustment to be cited in the Proposition 218 will be the highest amount of adjustment that the Board can consider making at the November 12, 2008 Public Hearing. Staff needs direction from the Board at this meeting concerning the level of rate adjustment in order to proceed with sending the Proposition 218 notices in accordance with the 45-day advance requirement.

Directors and staff discussed the proposed rate adjustment, and the budget amounts and rebuilding of financial reserves that would be supported by the adjustment. Directors expressed support for the level of rate adjustment that was proposed by staff, and directed staff to proceed with preparing and mailing of the Proposition 218 notices in accordance with the draft notice discussed earlier.

#### NEW BUSINESS

### Training/Continued Education/Meetings

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

### Public Information Services Consultant

GM Churchill presented a report from AGM Kane regarding a proposed agreement with CirclePoint to succeed an existing agreement with MMC Communications for public information services related to the District's newsletters and web site.

The District executed an agreement with MMC Communications in November 2007 for public information services to produce the WaterLine customer newsletter, redesign and maintain the District's web site, and other public information services. MMC coordinated an extensive overhaul of the web site and has maintained and updated the redesigned site for the District. MMC has also produced two editions of the newsletter. MMC recently merged with CirclePoint, an environmental and communications consulting firm headquartered in San Francisco with offices in Sacramento, Oakland and Washington D.C. The staff and organization of MMC has not changed but they no longer exist as a separate business entity. A new agreement with CirclePoint is needed to continue the services that were being provided by MMC.

CirclePoint has submitted a proposal for continuing their services at the hourly rates as previously provided by MMC. Directors were provided with a copy of the proposal. The estimated cost for these services through the end of 2009 is \$41,820. Directors and staff discussed the proposal and agreement, and expressed satisfaction with the quality of services received under the agreement with MMC.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the General Manager to execute an Agreement for Public Information Services with CirclePoint of Sacramento, California, in an amount not to exceed \$41,820.00.

### PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of August 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:

Garden Meadows Townhomes, 7564 Cook Avenue, Citrus Heights  
223 lineal feet of 8-inch PVC water main; 12 lineal feet of 8-inch ductile iron

water main, 14 lineal feet of 6-inch PVC water main; 28 lineal feet of 4-inch PVC water main; 7 lineal feet of 4-inch ductile iron water main; 1 8-inch gate valve, 5 6-inch gate valves, 1 4-inch gate valve, 1 4-inch post indicator valve, 6 1-inch metered water services with ¾-inch water meters, 1 1-inch metered water service with 1-inch meter, and 2 fire hydrants.

Value: \$38,000.00

Cool Hand Luke's Restaurant, 7040 Sunrise Boulevard, Citrus Heights  
16 lineal feet of 4-inch PVC water main, 1 4-inch post indicator valve, 1 1-½-inch metered water service.

Value: \$19,000.00

## OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 178 work orders were performed during the past month by Field Operations crews, Administration Field crews and District contractors.

Bacteriological testing during the month met all California Department of Public Health requirements, with 79 samples collected and one positive result. OM Townsel explained that normally 76 samples are taken during the month. The extra sampling was required due to one sample that tested positive. The results of the additional testing at and near the location where the positive sample was obtained were all negative.

2. District-wide water consumption for the calendar year was 8,053.70 acre-feet through August 2008, a decrease of 38.9 percent compared with the average annual water consumption during the previous five years, 2003-2007.

As previously discussed, 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 9:16 p.m. OM Townsel and PM Rossi left the meeting. President Dion reconvened the meeting at 9:18 p.m.

## DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a recent meeting of the Regional Water Authority (RWA) Executive Committee that he attended. He also reported on a meeting of the San Juan Water District Executive Committee that he attended recently along with Director Rose

and GM Churchill. He reported on upcoming meetings of the RWA and the Association of California Water Agencies – Joint Powers Insurance Authority (ACWA-JPIA).

Director Rose reported on a meeting of 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.

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 August, and many hours of overtime work was performed by customer service staff to keep up with demands. AGM Kane discussed continuing effort to meet customer service demands. Work on implementing the District's web site customer payment system is continuing.
2. The application period for the vacant Purchasing/Inventory Specialist position closed on August 8, 2008, with 32 applications received. Applications were screened and the top eight candidates invited to interviews and testing that were conducted on September 3, 2008. Several strong candidates were identified, but the final selection is pending at this time.
3. The first Water Forum Plenary Session following the summer break will be held on September 11, 2008. AGM Kane highlighted key items on the agenda for that meeting.

#### GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty-one District employees received recognition for superior attendance, customer service and quality of work during the month of August 2008. Directors were provided with a list of the employees and items for which each received recognition.
2. Scheduling of an Open House for the Mitchell Farms Well is in abeyance until the California Department of Public Health has amended the District's water supply permit to include operation of the well. The request for an amendment was submitted upon completion of the project in August 2008. Tentative dates for the Open House are October 17 or 31, 2008.
3. The City of Citrus Heights annual Sunday FunDay will be held at Rusch Park on

September 28, 2008. The District will sponsor a booth at the event.

4. A list of the General Manager's significant assignments and activities was provided to Directors.

#### 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 September 2, 2008 from Beryl Turner-Weeks regarding information on the District's billing statement and a water quality notice that was enclosed with recent customer bills.

#### CLOSED SESSION

Due to the lateness of the hour, President Dion declared that the Closed Session item, scheduled pursuant to subdivision (a) of Government Code Section 54957, Public Employee Performance Evaluation --General Manager, will be continued to the Regular Board of Directors meeting of October 14, 2008.

#### ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 10:02 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