

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
October 14, 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

VISITORS

None

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 September 9, 2008.
2. Assessor/Collector's Report for September 2008.
3. Assessor/Collector's Cancellation Letter for September 2008.
4. Treasurer's Report for September 2008.
5. Bills to be Paid for September 2008.
6. Approve CAL-Card Purchases for September 2008.
7. Summary of 2008 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Adopt Resolution No. 13-2008 accepting an easement at 6540 Sylvan Road from Bayside Covenant Church; and adopt Resolution No. 14-2008 quitclaiming an easement at 6540 Sylvan Road to Bayside Covenant Church.
9. Approve and execute construction progress payment in the amount of \$139,335.45 to Sierra National Construction for the Bonita Way Groundwater Well Pump Station.

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 inspection of the project has been completed, and the Notice of Completion approved and sent to the

Regional Water Authority and the Sacramento County Recorder. The District is still 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 the storm and domestic water mainline construction and building pad is complete. He also reported that building construction, wall construction, pump and motor installation and electrical conduit extension is pending. Directors and staff discussed the project.

2009 Budget and Water Rates

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

Directors were presented with a comparison of 2008 Water Rates, Fees and Charges to 2009 Water Rates, Fees and Charges to be considered for adoption at the November 12, 2008 Board of Directors meeting following the public hearing. Directors were also presented with a 2008-2009 Monthly Water Rate Table for Water Agencies that shows the typical residential dwelling water rates for agencies in the region, including CHWD. AGM Kane summarized the adjustments proposed to various rates and charges. Directors and staff discussed the proposed water rates, fees and charges for 2009. Directors expressed support for the proposed water rates, fees and charges for 2009 as presented.

Directors were also provided with summary of the three options for proposed 2009 spending for operations and capital improvements as presented at the September 2008 public workshop. All three options represent significant cutbacks from funding levels considered early in the budget process. Directors received a copy of the draft Operating and Capital Budgets for 2009 for the option identified as Option C, staff's recommended option for 2009 funding. Directors and staff discussed the Operating and Capital Improvement Budgets for 2009. Directors expressed support for the proposed Operating and Capital Improvement Budgets for 2009 as presented.

AGM Kane provided an update on the Proposition 218 notification process. The notices were mailed out on September 19, 2008, more than one week in advance of the 45-day advance notification deadline specified by law. A total of 80 letters of protest have been received by the District to date, and these letters will be presented to Directors prior to the November 12, 2008 Public Hearing along with any others received by that date.

AGM Kane informed Directors of an error made by the District's mailing vendor, Dataprose, enclosing return envelopes with the Proposition 218 notification mailing when none were requested by the District. The error resulted in some confusion among customers. In consideration for the extra customer service work caused by the error, Dataprose has agreed to waive the entire \$3,676 production cost for the mailing. They

have also demonstrated how they intend to handle future mailing projects so that the same or other errors will not occur again.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to call for Public Hearings on 2009 Water Rates, Fees and Charges, and Operating and Capital Improvement Budgets and Water Rates for 2009, at the November 12, 2008 Regular Meeting of the Board of Directors.

NEW BUSINESS

Training/Continued Education/Meetings

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

Human Resources Policy Amendments

AGM Kane presented a report on proposed amendments to, or deletion of, District Human Resources policies. District staff has performed a comprehensive review of District Human Resources (HR) policies. In June 2008, the Board adopted amendments or deletions of 62 of the 86 HR policies in place at that time. At that time, Directors were informed that there were a number of HR policies still in the process of being amended that would be brought to the Board for consideration at a later date.

AGM Kane led Directors through a summary of the 22 HR policies that were presented for Board consideration at this meeting. Of these 22 policies, 20 are proposed amendments to existing policies, one is a proposed new policy and one is a policy proposed to be deleted. He explained that because some of the proposed changes to these 22 HR policies may be of interest to employees, the draft amendments were presented to all employees for review before bringing them to the Board for adoption. No significant comments or concerns were received from employees during the review process.

Directors were provided with the actual text of the 22 policies presented for amendment, adoption or deletion, with additions and deletions shown. Directors and staff discussed the HR policies and proposed changes.

It was moved by Director Dains, seconded by Director Rose 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 October 14, 2008 Board of Directors Meeting.

Identity Theft Protection Program

AGM Kane presented a report on a proposed identity theft protection program for Citrus Heights Water District in compliance with Federal Trade Commission regulations. The Federal Trade Commission (FTC) "Red Flag Rules" are federal regulations that have been enacted as part of the Fair and Accurate Credit Transactions Act of 2003. These

Rules require financial institutions and creditors with covered accounts to design and implement a written identity theft prevention program by November 1, 2008. Directors were provided with a copy of an FTC Business Alert that provides more information about the Red Flag Rules is attached. Under the definitions in the Rules, Citrus Heights Water District is considered a creditor because it defers payment by billing in arrears for water consumed and water service. Most public utilities are considered creditors under the FTC Rules and are required to adopt their own identity theft prevention programs.

AGM Kane summarized the four basic elements that identity theft prevention programs must include under the Red Flag Rules:

1. Identify relevant warning signs, including patterns, practices or specific activities that are indicate of identity theft (“red flags”);
2. Detect the red flags that have been incorporated into the program;
3. Provide for appropriate responses to red flags in order to prevent or mitigate identity theft with respect to the customer’s account; and
4. Set forth a plan to periodically update the program.

District staff has drafted a program that includes these elements, based upon a template provided by the FTC. Directors were provided with a copy of the draft program, along with a draft resolution for adoption of the program. The proposed Identity Theft Protection Program establishes the General Manager or his or her designee as the Program Administrator. An Identity Theft Committee will be established for purposes of implementing and updating the Program. The District already has in place many identity theft protection practices, such as shredding of documents containing customer identity information, robust security measures on computers, and requiring and retaining only the kinds of customer information needed for District business purposes.

The Red Flag Rules envision a degree of confidentiality regarding specific practices employed to prevent identity theft. While the program identifies the types of red flags, ways in which they may be detected and steps to prevent or mitigate identity theft, knowledge of specific practices are to be restricted to the Identity Theft Committee and employees who need to know them for purposes of preventing identity theft.

District staff has not identified any additional direct costs for the initial implementation of this program other than staff time required for implementation and training. However, additional costs could be incurred in the future should subsequent interpretation of the Red Flag Rules require the District to implement new measures such as obtaining credit reports for new accounts. Staff’s recommended approach to the Red Flag Rules is to implement measures that will achieve compliance with the FTC regulations, and that are reasonable and prudent for an agency such as Citrus Heights Water District. Staff will keep abreast of new developments or interpretations that may require future modifications to the District’s program.

Directors and staff discussed the proposed program. Directors noted that unfunded mandates such as this are part of the reason why the District's rates continue to rise. They expressed that it may be worthwhile to make customers more aware of the costs of these types of programs so that they understand the impact on water rates.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 12-2008 Adopting the Identity Theft Protection Program effective October 31, 2008.

Bonita Way Groundwater Well Electrical Service

OS Townsel presented a report on the installation of the electrical service for the Bonita Way Groundwater Well. District staff is awaiting an invoice from the Sacramento Municipal Utility District (SMUD) for the installing the electrical service at the Bonita Way well site. The total amount due, currently estimated as \$31,566.00, will not be determined until the project clears SMUD's Planning Department. To facilitate payment, a not-to-exceed amount of \$35,000.00 has been determined. Directors and staff discussed the installation of electrical service and the proposed payment to SMUD.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to approve a not-to-exceed payment of \$35,000.00 to SMUD for installation of Bonita Way Groundwater Well electrical service.

Bonita Way Groundwater Well Electrical Conduits

GM Churchill presented a report on a proposal to install electrical conduits required by the Sacramento Municipal Utility District (SMUD). In addition to the cost to bring three-phase electrical power to the northeast corner of Bonita Way Groundwater Well location, SMUD is also requiring the installation of a splicing vault and electrical conduits for future use across the 100-foot frontage of the District's site.

This item was placed on the Board meeting agenda in anticipation of the need to obtain approval of a construction proposal for the additional work. However, subsequent to posting the agenda for the meeting, it was determined that Board action on this item would not be needed. The dollar amount for the work proposed by the Bonita Way project contractor, Sierra National Construction, is \$15,828.28, which is within the change order authority of \$75,000 granted by the Board at the time the construction contract was approved. Therefore, no action by the Board is required. GM Churchill noted that no other change orders to the contract have occurred. Directors and staff discussed the electrical service work for the project.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of September 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 333 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 9,011.98 acre-feet through September 2008, a decrease of 41.3 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 8:16 p.m. OM Townsel and PM Rossi left the meeting. President Dion reconvened the meeting at 8:21 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 also 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.

Director Rose reported on a meeting of the Sacramento Groundwater Authority that he attended recently along with GM Churchill. He also reported on the California Special Districts Association Annual Conference that he attended recently in Irvine, California.

AGM Kane submitted a report 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. The workload related to opening and closing customer accounts remained high in September, as did workload related to delinquent accounts. The completion of the customer service workstation in the lobby has helped to deal more effectively with the increased volume of walk-in customers.
2. The District's new Purchasing/Inventory Specialist, Robyn Evans, began work with the District on October 13, 2008. Robyn had been with Fair Oaks Water District for over 16 years, most recently working as their Contract / Inventory Administrator. She distinguished herself from among 32 applicants for the position.
3. Work on the District's web site bill payment system is continuing, but taking longer than anticipated due to software issues. During recent testing of the system, problems with the software were revealed that must be resolved by the software vendor before implementation of the system can move forward.
4. AGM Kane attended a Water Forum Water Caucus meeting on October 8, 2008. He highlighted the main topics of discussion from the meeting, including the status of the Lower American River Flow Standard and the Regional Water Authority's "Delta Solutions Response Strategies."

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Seventeen District employees received recognition for superior attendance, customer service and quality of work during the month of September 2008. Directors were provided with a list of the employees and items for which each received recognition.
2. Directors were provided with a copy of the District's 2008 Multi-County Agency Biennial Notice filed with the Fair Political Practices Commission (FPPC). The District's revised Conflict of Interest Code was approved by the FPPC in June 2007. The General Manager determined that no Code amendments are necessary at this time.
3. 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

None

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 9:20 p.m. Directors Dains, Dion and Rose, GM Churchill were in attendance.

President Dion reconvened the meeting into Open Session at 9:35 p.m. He reported that 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 December 9, 2008.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 9:36 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