

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
November 12, 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

Max Alexander
Diane McSherry
Richard McSherry
J. S. Whitehead
William Platt, Sylvan Cemetery District
John Seekins, Sylvan Cemetery District
Tony Rego, Sylvan Cemetery District
Ron Clark, Sylvan Cemetery District
Jayne Rich, Sylvan Cemetery District

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 October 14, 2008.
2. Assessor/Collector's Report for October 2008.
3. Assessor/Collector's Cancellation Letter for October 2008.
4. Treasurer's Report for October 2008.
5. Bills to be Paid for October 2008.
6. Approve CAL-Card Purchases for October 2008.
7. Summary of 2008 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 Monday, December 8, 2008 from 8:00 a.m. to 12:00 p.m. at the Board Meeting Room of San Juan Water District located at 9935 Auburn-Folsom Road in Granite Bay.

PUBLIC HEARING

2009 Operating and Capital Improvement Budgets and 2009 Water Rates and Miscellaneous Charges and Fees

AGM Kane presented reports on the proposed Operating and Capital Improvement Budgets for 2009, and proposed Water Rates and Miscellaneous Charges and Fees for 2009. Although scheduled as separate items on the agenda, the items were combined at the request of the Board of Directors to better accommodate the members of the public in attendance to speak at the Public Hearing on 2009 Water Rates.

Directors were provided with two proposed resolutions, one resolution establishing the Fiscal Year 2009 Operating and Capital Improvement Budgets, which included a summary of the budgets, and the other resolution establishing water rates, charges and fees for 2009. Directors were also provided with a separate binder containing the Public Hearing Draft of the Annual Budget and Water Rates for 2009. The binder also presented other financial and organizational information related to the budget and rates.

Draft budgets were reviewed by the Board of Directors at four meetings beginning in August 2008, including a Public Workshop conducted at the September 9, 2008 Board meeting. The proposed Operating Budget and Capital Improvement Budget and Water Rates and Miscellaneous Charges and Fees remain unchanged from the versions presented at the September 9 workshop and also reviewed at the Board's October 14, 2008 meeting.

The proposed 2009 Operating Budget is \$9,714,312, an increase of 15.5 percent over the approved 2008 Operating Budget. AGM Kane summarized highlights of the budget, as well as major operating and financial challenges faced by the District in 2009.

AGM Kane then summarized the factors involved in the recommended rate adjustment, the most significant of these factors being the 19 percent increase in the cost of treated water purchased from San Juan Water District for 2009. The average water bill cost for Citrus Heights Water District residential customers in 2008, representing the vast majority of District accounts, was \$33.68 per month, or \$67.36 bimonthly. With the proposed rate adjustments for 2009, the average monthly cost will rise to \$38.65 per month, or \$77.30 bimonthly. Customers that consume more water than the "typical customer", 19,000 gallons per month average, will pay more than this amount; customers that use less will pay less. Customers that use significantly more water will see the largest increases, since the largest component of the rate increase for 2009 is in the cost of the water itself

Director Dion opened the Public Hearing at 6:49 p.m. Representatives from the Sylvan Cemetery District spoke about the impact of rising water costs on the cemetery's cost of operation. Other members of the public present spoke of the impact of proposed rate increases on their own residential water bills, and asked the District to consider all possible measures to reduce the amount of rate increase needed. Directors also received

copies of 115 Property Owners' Letters of Protest that were received in response to the District's Proposition 218 notification process about the proposed rate adjustment. Director Dion closed the Public Hearing at 7:05 p.m.

Directors and staff discussed the proposed Operating and Capital Budgets for 2009 and proposed Water Rates, Charges and Fees for 2009. Directors expressed support for these documents as proposed. They noted that much had been done over the course of the budget and rate process since it began in August to reduce operating and capital costs and to keep rates as low as possible while maintaining appropriate service levels.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 15-2008 Establishing Fiscal Year 2009 Operating and Capital Improvement Budgets.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 16-2008 Establishing Water Rates and Miscellaneous Charges and Fees for Fiscal Year 2009.

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 final approval of the permit to operate the well from the California Department of Public Health had been received, and that the well is now operating and producing groundwater at a rate of about 800 gallons per minute. With the project complete and the well fully operational, this will be the final status report on the Mitchell Farms Groundwater Well construction process.

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 building pad, wall construction and electrical conduit extension is complete. He also reported that the roof construction, perimeter wall construction and pump and motor installation is pending. Directors and staff discussed the project.

NEW BUSINESS

Training/Continued Education/Meetings

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

Eden Oaks Avenue Main Installation Project

OM Townsel presented a report on bids received for parts to be used in the installation of 2,100 feet of new 8-inch water main on Eden Oaks Avenue. Formal bids were obtained from three local suppliers for parts to construct the water main, including with 29 services and 5 fire hydrants. Each separate part or material item was bid separately and awarded to the supplier with the lowest bid for that item, resulting in award of items to all three suppliers. Directors were provided with an itemized summary of the bids received.

Based on the award of individual low-bid items for each supplier, the total combined bids recommended for award were as follows:

<u>Supplier</u>	<u>Total Bid Award</u>
Pace Supply	\$29,237.06
Ferguson Waterworks	\$ 8,413.94
Groeniger and Company	\$ 1,148.05

Directors and staff discussed the project, and the bids received for parts and materials.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize staff to enter into purchase agreements with Pace Supply for \$29,237.06, Ferguson Waterworks for \$8,413.94, and Groeniger and Company for \$1,148.05.

Amendment to Bonita Way Wellsite Perimeter Wall Contract

OM Townsel presented a report on a proposed amendment to construction agreement for the Bonita Way Wellsite Perimeter Wall to include the addition of a retaining wall. At their July 8, 2008 Meeting, the Board of Directors approved entering into a contract with Verti-Crete for \$71,205.00, with a ten percent contingency fund of \$7,120.00, to construct and install an eight-foot high pre-cast concrete wall around the perimeter of the Bonita Way Groundwater Well Site. This wall is required by the City of Citrus Heights for commercial construction adjacent to residential properties.

In preparing the final design and drawings prior to construction and installation, it was determined that a three-foot high retaining wall would also be needed along 135 feet of the north property line. Verti-Crete was asked to submit a revised proposal for the additional scope of work. Their revised proposal was \$80,020.00. It was noted that this amount is still more than \$22,000 below the bid submitted by Sierra National Construction, the District's pump station contractor, for an eight-foot masonry block wall around the perimeter as originally planned for the site. Directors and staff discussed the wall construction and the revision to the contract with Verti-Crete.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to approve a revised contract with Verti-Crete for construction of a pre-cast concrete perimeter wall including a retaining wall at a total cost of \$80,020.00 including a two percent (2%) contingency fund of \$1,600; and to authorize the General Manager to execute the contract.

Financial Audit Services

AGM Kane presented a report on a proposal from Gallina LLP to provide financial audit services for the fiscal years ending December 31, 2008 and 2009. Gallina LLP, formerly Bartig, Basler & Ray, has provided financial audit services for the District for the fiscal years ending 2005, 2006 and 2007. Their work quality and responsiveness has been excellent, and their recommendations have resulted in several changes to improve accounting procedures. The agreement with Gallina ended earlier this year at the conclusion of their audit services for the 2007 fiscal year.

District Policy No. 6010, Financial Audit, provides that the District may appoint the same auditor in two or more consecutive years to gain the benefit of acquired knowledge and insight on District financial issues but strongly encourages appointing a different auditor after five consecutive years in order to maintain the highest level of objectivity and impartiality. Gallina's current engagement has been for three consecutive years.

At staff's request, Gallina submitted a proposal to provide audit services for two more years. Directors were provided with a copy of Gallina's proposal. Their fee proposal for the 2008 Financial Audit is \$17,000; and for the 2009 Financial Audit is \$19,000. The proposed budget for audit services in the 2009 Operating Budget is \$17,000. Accepting Gallina's proposal will allow the District to continue to engage an auditor that has performed well. It will also avoid the need at this time and expense of conducting a competitive selection process for a new auditor at this time. Directors and staff discussed Gallina's proposal.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the General Manager to accept the proposal for Financial Audit Services with Gallina in 2008 and 2009 fiscal years.

General Policy Amendments

GM Churchill presented a report on proposed amendments to two District General Policies.

General Policy 1030, Organizational Structure, sets forth the organizational structure for Citrus Heights Water District. Inasmuch as the 2009 Operating Budget adopted earlier in the meeting includes the addition of a second Customer Services Representative position, it is recommended that Policy 1030 be amended to include this additional position. Also, in the recently adopted amendments to the District's Human Resources Policies, frequent reference is made to District Departments and Department Managers. Revisions are recommended to the policy to set forth the department title, department manager and general functions of each department.

General Policy 1040, Executive Officer, is proposed to be amended to include provisions for designation of an Acting General Manager. Other formatting changes to the policy were also recommended.

Directors were provided with draft copies of the proposed changes to both policies. Directors and staff discussed the proposed revisions.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt amendments to the following General Policies as presented:

Policy 1030: Organizational Structure

Policy 1040: Executive Officer

42-Inch Valve Installation

GM Churchill presented a report on a proposal to install new valves on the District's 42-inch transmission main.

The 42-inch water transmission main was constructed in 1958. When constructed, the main contained three 36-inch square-bottom gate valves with 6-inch bypasses spaced as follows:

Location A: Santa Juanita Avenue

Location B: Hazel Avenue

Location C: Wachtel Way

During a planned shutdown in July of 1989, the 36-inch valve at Hazel Avenue (Location B) was closed and could not be reopened as the valve stem snapped. This event was prior to 1995 construction of the Cooperative Transmission Pipeline in Oak Avenue, so, other than groundwater wells and interconnections with other agencies, the District was without its primary source of water for more than a day. The remedy for this situation was to remove the stem and gate from the valve and reassemble it without the gate.

In April of 1991, the 36-inch valve at Santa Juanita Avenue (Location A) was removed at the same time as the District replaced its 42-inch propeller meter on the opposite side of the street. With the 1988 reconstruction of the District's connection to the San Juan Water District (SJWD) system at what is now American River Canyon Drive, a new 42-inch butterfly valve was installed east of the meter, at a location identified as Location D. This new valve allowed removal of the 36-inch valve at Santa Juanita to avoid a similar valve failure as experienced in 1989 at Hazel Avenue.

The current spacing between operable valves at Locations C and D on the 42-inch transmission main is approximately 15,467 feet or 2.92 miles. Desired valve spacing is at 1 mile intervals.

As part of San Juan Water District's (SJWD) Wholesale Meter Replacement Project, the Citrus Heights Water District requested that installation of a 42-inch butterfly valve be included as a bid alternate. Bids for this item were submitted as follows:

C & D Contractors	\$43,160	(SJWD Contract Awardee)
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McGuire & Hester	\$62,000
Tidelands Construction	\$65,000
Steve P. Rados	\$80,000
Mountain Cascade	\$90,000

The District's current listing of Capital Replacement Projects projected the need for two 42-inch valves at a cost of \$100,000 each.

Inasmuch as the 42-inch water transmission main will be out of service for several days to facilitate installation of SJWD's new 42-inch meter on CHWD's main near Santa Juanita Avenue, this presents an opportune time to install two 42-inch valves at the following locations:

Station 135+96, Hazel Avenue, Location B. This is located on the west side of Hazel Avenue, west of the 12-inch connection serving SJWD and Orange Vale Water Company and west of Linda Creek. This site is currently being developed for a church. The body of the abandoned 36-inch gate valve will also be removed as part of this work. This creates a more optimum spacing of 4,024 feet, 0.76 mile, between valves.

Station 176+20, Granite Avenue, Location E. This is located on the west side of Granite Avenue at the northeast corner of Casa Roble High School, west of the 12-inch connection serving SJWD and east of Linda Creek.

The specifications provided by SJWD for the valves themselves are clear; however the methods for installation and reconnection are not. As such, the District proposes to consult and negotiate with SJWD regarding the connection design to meet the District's needs while allowing their contractor enough lead time to order the valves to meet a March 2009 installation timeframe. Directors and staff discussed the work and the need for the new valves.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to:

1. Approve the installation of two 42-inch butterfly valve on the District's 42-inch transmission main at a cost of \$86,320 (2 @ \$43,160) and provide a change order contingency fund of \$12,680 (14.7%); and
2. Authorize the General Manager to execute an agreement with SJWD for this work at a cost not-to-exceed \$99,000. SJWD, through their consultants, will provide engineering design for approval by CHWD, contract and project management at no additional cost to CHWD.

PROJECT MANAGER'S REPORT

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

7792 Locher Way, Citrus Heights
5 1-inch metered water services with 1-inch meters.
Value: \$13,650.00

PM Rossi reported on educational and training sessions that he attended at the recent 2008 Fall Conference sponsored by the California-Nevada Section of the American Water Works Association (CA-NV AWWA) in Reno, Nevada, from October 21-23, 2008.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 69 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 9,829.62 acre-feet through October 2008, a decrease of 42.0 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.

OM Townsel reported on educational and training sessions that he attended at the recent 2008 Fall Conference sponsored by the California-Nevada Section of the American Water Works Association (CA-NV AWWA) in Reno, Nevada, from October 21-23, 2008.

President Dion called a recess to the meeting at 7:59 p.m. OM Townsel and PM Rossi left the meeting. President Dion reconvened the meeting at 8:05 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

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

Director Rose reported on a meeting of the Sacramento Groundwater Authority that he attended recently along with GM Churchill.

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 October, as did workload related to delinquent accounts. Staff continues to consider measures to reduce and manage workload to reduce or eliminate overtime in view of very limited overtime funding in the 2009 Operating Budget. Recruitment for the Customer Service Representative position that was approved in the 2009 budget will begin immediately.
2. The District recently received a check in the amount of \$5,714.21 from the Regional Water Authority (RWA) as final reimbursement under a 2003 Proposition 13 grant from the Department of Water Resources. The grant monies were used to help large landscape customers install water-efficiency improvements. Total funding received by CHWD under the grant was \$30,540.09.
3. Work on the District's web site bill payment system has been delayed pending software modifications by Cogsdale, the software vendor for the District's billing and customer information system. District staff hopes to have modified software available for testing within a few weeks, and to have the new system up and running before year's end.
4. Mike Corbella, the investment broker that has been handling the District's portfolio with Wachovia Securities for over six years, has left Wachovia and joined the Roseville office of Merrill Lynch. Alexander M. Scoledes, another Wachovia broker, has been assigned to handle the District's account. AGM Kane will meet with Mr. Scoledes in the near future to discuss the District's needs and his experience handling public agency investments. The District could also transfer its portfolio to Merrill Lynch to continue having Mr. Corbella handle the District's investments.

5. District staff members Rex Meurer, Joe Scherrer and Kelly Drake gave school presentations at Oakview Elementary School and Woodside Elementary School during October. The presentations to the 2nd through 5th grade classes included water conservation, water filtration and the water cycle. These presentations help to fulfill the District's Best Management Practice requirement for School Education Programs (BMP 8) under its USBR and Water Forum water conservation program obligations.
6. Work has started on the next edition of the District's WaterLine newsletter. The newsletter will once again feature information on the drought and encourage continuing conservation efforts by District customers. The tentative production schedule calls for mailing of the newsletter in early January 2009.
7. During recent information system maintenance work, District staff and technology consultants conducted a successful exercise of the "server failure recovery" ability of the virtual servers. The test was completed within two hours. Previously, recovery from a server failure such as the one simulated in the test would have taken an entire work day or longer to accomplish, leaving the District without vital information systems during that time.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty District employees received recognition for outstanding attendance, superior customer service and quality of work during the month of October 2008. Directors were provided with a list of the employees and items for which each received recognition.
2. GM Churchill reported on educational and training sessions that he attended at the recent 2008 Fall Conference sponsored by the California-Nevada Section of the American Water Works Association (CA-NV AWWA) in Reno, Nevada, from October 21-23, 2008.
3. The District received \$124,500.31 as a result of its participation in the MTBE Products Liability Litigation, although no District wells are presently contaminated. The District may also be entitled to receive treatment for wells never before impacted by MTBE or TBA but that have future detections.
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 October 5, 2008 from CHWD customer Shane Schilling requesting CHWD salary, benefit and training information; and CHWD letter of response.
2. Letter dated November 1, 2008 from Kenneth Mitchell, President, Hearts for Parks Board of Directors, soliciting financial support for the Hearts for Parks organization.
3. Flyer announcing the Grand Opening Celebration for Patriots' Park in Carmichael on November 15, 2008.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 9:31 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