

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
August 11, 2009

The Regular Meeting of the Board of Directors was called to order at 6:30 p.m. by President Dains and roll was called. Present were:

Allen B. Dains, President
Charles T. Rose, Vice President
Joseph M. Dion, Director
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
David M. Rossi, Project Manager
Paul A. Dietrich, Senior Engineering Technician
Timothy R. Cutler, Construction Inspector

VISITORS

None

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of July 14, 2009.
2. Assessor/Collector's Report for July 2009.
3. Assessor/Collector's Cancellation Letter for July 2009.
4. Treasurer's Report for July 2009.
5. Bills to be Paid for July 2009.
6. Approve CAL-Card Purchases for July 2009.
7. Summary of 2009 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Deny the claim from Michael and Loralyn Hansen for property damage in the amount of \$592.00 plus the cost of water loss, and forward it to the District's insurance carrier, ACWA-JPIA, for further consideration and action.

OLD BUSINESS

Surface Water Supply Conditions

AGM Kane presented a report on water supply conditions and water conservation activities. As previously reported, the U.S. Bureau of Reclamation (USBR) May Update to the Central Valley Project (CVP) Water Supply Allocations provided San Juan Water District (SJWD) with 100 percent of its contract water supply for the 2009 water year (March 2009 through February 2010). No further changes to the allocation are anticipated at this point in the water year. A summary of levels at Folsom Lake was provided.

Directors were provided with a copy of a document entitled California's Drought Update that is issued periodically by the California Department of Water Resources. This document provides information on hydrologic and water supply conditions including reservoir storage throughout the State, groundwater basin conditions, and local impacts and responses to the drought.

The District has received little feedback from customers in response to its declaration of a Stage 1 – Normal Water Supply in early June. Water consumption for the District as a whole is about 15.4 percent below the five-year monthly average through the end of June 2009, suggesting a sustained level of water conservation efforts by District customers.

Directors were provided with updates on various District water conservation programs, including: ultra-low-flush toilet rebates; the “water served only upon request” table tent program for restaurants; the Orchard Supply Hardware 15 percent discount coupons in customer water statements; and the high-efficiency clothes washer rebates being administered by the Sacramento Municipal Utility District for CHWD customers.

NEW BUSINESS

Training/Continued Education/Meetings

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

2010 Budget and Water Rates

AGM Kane presented a report on major issues related to the draft Operating and Capital Improvement Budgets for 2010, and draft water rates for 2010. He noted that budget and rate projections at this point were very much in draft form, to provide a broad overview of the major issues and elicit input and direction from Directors.

Major issues highlighted included declining economic conditions and the fact that significant budget reductions were already made for 2009, making it likely that further reductions may require reductions in the level of services. The areas over which the District has the greatest discretion to make budget cuts are salaries and benefits, and capital improvement expenditures. Without a rate increase in 2010, reductions will need

to be made in these budget areas to offset increases in other areas over which the District has limited or no control. Revenues may also be affected by residential and commercial vacancies and reduced water demand.

The starting point for budget development for 2010 assumed no increase in water service revenues over 2009 levels. AGM Kane reviewed preliminary budget and revenue projections for 2010 that were provided to Directors to highlight significant budget items and determine where cuts may be necessary in order to maintain costs within estimated revenue levels.

A preliminary 2010 Operating Budget of \$8.88 million was developed, representing decrease of \$0.47 million from the 2009 budget. This budget includes increases in the cost of wholesale treated water from SJWD, provides no salary cost-of-living adjustments or merit increases for District staff, and will require cuts to salary- or benefit-related costs to offset other increases such as material and fuel costs.

A preliminary 2010 Capital Improvement Budget of \$1.71 million was developed that would increase capital spending by \$670,000 from the 2009 budget. A single project accounts for the largest portion of proposed spending: the Auburn Boulevard 12-Inch Water Main Replacement project, estimated at \$1.2 million. Other capital improvement spending proposed would include meter and fire hydrant replacements, fleet and field equipment replacements, and groundwater well telemetry and chlorine analyzer upgrades. Just as significant as the capital improvement work to be done in 2010 are the \$1.5 million in projects originally planned for 2010 that would be deferred to future years as now proposed.

Preliminary revenue estimates for 2010 were prepared based upon current bimonthly metered water rates. Based on these preliminary estimates, revenues from metered water service and other miscellaneous revenue sources would be about \$10.14 million with no rate increase for 2010. It was explained that not levying a rate increase in 2010 would likely mean the need for a larger increase in 2011, and would slow or stop progress on rebuilding District financial reserves and attaining compliance with Best Management Practice No. 11. As an alternative, staff outlined a possible rate increase that would involve only an increase in the per-unit cost of water while leaving the bi-monthly service charge unchanged.

Directors and staff discussed the budget and rate issues for 2010. Directors expressed the view that withholding a rate increase in 2010 would be doing a disservice to customers who would bear a greater burden the following year. They noted that many rising costs for goods and services are beyond the District's control, most significantly the cost of treated water from San Juan Water District. They also acknowledged that the District had already done much in terms of cutting costs and finding ways to deliver services more efficiently, and that it would be difficult to further reduce costs without affecting the level of services provided to customers. Directors requested staff to prepare a range of options for increasing the per-unit cost of water while holding the bi-monthly service charges at 2009 levels, for review and discussion at the September 8, 2009 public

workshop meeting.

Directors and staff also discussed the preparation of the notices of proposed rate adjustment, the Proposition 218 notices, that will need to be mailed out within a couple of weeks following the September 8 workshop if a rate adjustment is being considered. Directors asked staff to investigate ways to decrease the cost of this mailing, and expressed that they were in support of notices that were not as lengthy or detailed as the notices sent in past years. They asked staff to research what other agencies were doing in this regard, and to report back at the September 8 meeting.

AGM Kane reviewed the schedule for development and review of budgets and rates for 2010. He explained that a more detailed level of budget and rate information will be presented at the September 8 meeting for Board review and public comment, after which the Board will need to provide direction to staff as to the type of rate adjustment to be considered for purposes of the Proposition 218 notice.

Tree Removal Services

OM Townsel presented a report on bids received for the removal of trees within a District easement. Local construction and development adjacent to the District's 42-inch transmission main just west of Hazel Avenue makes this an advantageous time to remove trees that are growing over the main. Once construction is complete, access to the area will be greatly restricted unless the trees are removed now.

Formal bids were obtained from three local tree service companies to remove 39 large trees located within the District easement and grind the remaining stumps. The bids received were as follows:

<u>Tree Service</u>	<u>Bid Amount</u>
Tree Pros	\$ 14,870.00
Davies Tree Service	\$ 23,625.00
Phil's Tree Service	\$ 56,250.00

Directors and staff discussed the project and the bids received. OM Townsel stated that since the time that the bid was performed, conditions at the site have changed due to ongoing construction that may make it more difficult for the contractor to access the site. He recommended that a contingency fund in the amount of 25 percent of the bid amount be approved along with the bid amount in the event that costs beyond the bid amount are incurred.

OM Townsel also disclosed that authorization from Sacramento County to remove the trees had been obtained. The District will be required to plant 18 trees in another location to be determined as mitigation for the trees being removed, but the cost of the replacement trees is not part of this bid.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to authorize staff to enter into an agreement with Tree Pros Tree Service for tree removal services in

the amount of \$14,870.00, with a project contingency in the amount of \$3,717.00.

San Juan High School 24-inch Transmission Main Installation Project

GM Churchill presented a report on scheduling of Special Meeting of the Board of Directors to consider award of a bid for the installation of 237 feet of new 24-inch water main at the northeast corner of San Juan High School. At the July 14, 2009 meeting of the Board of Directors, material bids were awarded to three local suppliers for the 2009 San Juan High School 12-inch Water Transmission Main Project. On July 29, 2009 plans and contract documents were sent to eight contractors requesting bids for the installation of the project, and an announcement was published in a local newspaper.

Directors were provided with a copy of the Notice Inviting Bids. Timing for this project is such that receipt and review of the bids in time for consideration of award at this regular meeting of the Board was not possible. Bids are scheduled to be received on August 13, 2009. The District's preliminary estimate for the construction/installation element of this project is \$33,193. Directors and staff discussed the project and its timing that is necessitated by other construction planned to occur soon at San Juan High School.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to call for Special Meeting at 9:00 a.m. on Tuesday, August 18, 2009 to consider award of a bid for the installation of 237 feet of new 24-inch water main at the northeast corner of San Juan High School.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of July 2009 by the Project Management and Engineering Department: projects under construction or pending construction by private contractors and developers; project development/design underway by District staff; and projects under construction by contractors on the District's behalf. He reported on design coordination underway with the City of Citrus Heights on the City's Auburn Boulevard Joint Trench Utility Undergrounding Project.

It was reported that the following water system, added to the District's water distribution system by an independent contractor on behalf of a private developer/owner, has been inspected by the District and formally accepted:

Grace Baptist Church, 6724 Palm Avenue, Citrus Heights
18 lineal feet of 6-inch ductile iron water main, 1 6-inch gate valve, 1 steamer fire hydrant, 1 4-inch post indicator valve, and assorted 4-inch and 6-inch mechanical fittings.
Value: \$5,500.00

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 339 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. The final accounting for 2008 water consumption by the District shows that a total of 17,500.26 acre-feet of water were consumed during the 2008 calendar year, an amount that is 7 percent below the five-year monthly average for the District (2003-2007). Of this total, 17,148.35 acre-feet were surface water purchased from San Juan Water District, and 351.91 acre-feet were groundwater produced from District wells.
3. District-wide water consumption for the calendar year 2009 through the month of June was estimated to be 6,720.55 acre-feet, a decrease of 15.4 percent compared with the average annual water consumption during the previous five years, 2004-2008. The surface water consumption for May and June 2009 was estimated based upon District customer water meters plus 10.23 percent unaccounted for water minus water wheeled to California-American Water Company.
4. As authorized by the Board of Directors, surplus District equipment and machinery was auctioned on July 10 and 11, 2009, at the Bar None Auction in Sacramento. The total net proceeds from these auction sales was \$7,917.98.

President Dains called a recess to the meeting at 8:28 p.m. OM Townsel, PM Rossi, Senior Engineering Technician Dietrich and Construction Inspector Cutler left the meeting. President Dains reconvened the meeting at 8:32 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Rose and Director Dains reported on a recent meeting of the Sacramento Groundwater Authority that they attended along with GM Churchill.

Director Dion reported on a recent meeting of the San Juan Water District Executive Committee that he attended along with Director Rose, GM Churchill and AGM Kane. Director Dion also reported on a recent meeting of the Association of California Water Agencies – Joint Powers Insurance Authority that he attended.

Director Rose reported on a meeting of the Sacramento Local Agency Formation Commission (LAFCO) that he attended recently.

AGM Kane reported on an upcoming meeting of the Citrus Heights Chamber of Commerce Government Issues Committee.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Work continues on modifying the existing customer water statements to include itemized information on water consumption and charges by tier. Implementation on customer water statements during the month of October 2009 continues to be the goal.
2. The new Engineering/Construction page was installed on the District's web site on July 31, 2009. This new page provides access to information and documents frequently requested by the construction and development community, including the ability to download CHWD construction specifications.
3. There was no Water Forum Successor Effort meeting during the month of July 2009. Members of the Water Forum Water Caucus met during July to discuss the Water Forum's revised strategy regarding the Flow Management Standard on the lower American River.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Nineteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of July 2009. Directors were provided with a list of the employees and items for which each received recognition.
2. Former San Juan Water District Director Robert "Bob" Sullivan passed away on July 6, 2009. Mr. Sullivan served on the SJWD Board of Directors from November 1973 to November 1990 and from April 1991 to November 1992.
3. GM Churchill was the speaker at Sacramento County Supervisor Roberta MacGlashan's Citrus Heights Community Cabinet Meeting on July 24, 2009. Directors were provided with a copy of his presentation including notes. Director Rose, OM Townsel, PM Rossi and Conservation Specialist Meurer also attended the meeting. GM Churchill's presentation was preceded by a presentation by San Juan Water District GM Shauna Lorance.
4. Directors were provided with a copy of a letter of response from GM Churchill to the June 8, 2009 email received from Gary Egan of Hickory Avenue in Orangevale regarding water rates for large irrigated parcel of land as discussed at the July 14, 2009 Board of Directors meeting.
5. A list of the General Manager's significant assignments and activities was provided.

CORRESPONDENCE

None

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.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 9:00 p.m.

APPROVED:

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

Original signed by: Allen B. Dains
ALLEN B. DAINS, President
Board of Directors
Citrus Heights Water District