

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING  
September 8, 2009

The Regular Meeting of the Board of Directors was called to order at 6:31 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

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 August 11, 2009.
2. Minutes of the Special Meeting of August 18, 2009.
3. Assessor/Collector's Report for August 2009.
4. Assessor/Collector's Cancellation Letter for August 2009.
5. Treasurer's Report for August 2009.
6. Bills to be Paid for August 2009.
7. Approve CAL-Card Purchases for August 2009.
8. Summary of 2009 Directors, Officers and Employees Training, Seminars and Conference Expenses.
9. Adopt Resolution No. 11-2009 Nominating Peer A. Swan for Vice President of the Association of California Water Agencies.
10. Cast Citrus Heights Water District's ballot for the recommended slate of Association of California Water Agencies Region 4 officers and directors for the 2010-2011 term.
11. Fund and Reserve Transfers.
  - a. Transfer \$400,000.00 from the Operating Fund to the Rate Stabilization

- Fund to help ensure financial and customer rate stability; and
- b. Transfer \$74,586 from the Operating Fund to the Employee-Related Benefits Reserve to provide funding for future costs related to retiree health insurance, payment of accrued leave balances upon retirement or separation from employment with the District, and other employee-related benefit costs.

## OLD BUSINESS

### 2010 Budgets and Water Rates

AGM Kane presented a report on the draft Operating and Capital Improvement Budgets for 2010, and draft water rates for 2010. He explained that this meeting is scheduled as a public workshop to provide opportunity for public review and comment of initial draft budget and rates. The workshop was announced in the most recent edition of the District's WaterLine newsletter and on the District's web site.

The Board of Directors initiated discussion on the Operating and Capital Improvement Budgets for 2010, and possible water rate adjustments for 2010, at their meeting on August 11, 2009. Based on input from Directors at those meetings, draft budgets and water rate adjustments were prepared. The notices of proposed rate adjustment, Proposition 218 notices, if required will be mailed after the September 8 workshop and before a September 25 deadline. The Public Hearings for adoption of 2010 budgets and rates are scheduled to take place at the November 10, 2009 Board of Directors meeting.

AGM Kane reviewed operating and financial challenges for the District for 2010. CHWD financial reserves remain depleted 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 continue to rise. Costs for some waterworks materials will rise 40 percent or more in 2010 as a result of new regulations requiring the use of low-leaded brass compounds. No cost-of-living adjustment to employee salaries is being budgeted for 2010, but the cost of employee benefits such as health insurance is increasing. These additional financial demands come at a time when the effects of an economic decline of historic proportions are being felt by many District customers.

For 2010, District staff is recommending budgets and rate adjustments that will:

- Control or reduce operating costs, which may result in some reductions in service levels;
- Defer important capital improvements to shift the costs to future years, reducing the current fiscal impact of these improvements;
- Continue the process begun in 2009 of rebuilding financial reserves;
- Keep customers' bi-monthly service charges at their current level; and
- Increase the per-unit cost of water to offset the cost increase for treated surface water from San Juan Water District, provide additional revenue for rebuilding reserves, and cover other increasing costs of operation.

Staff developed three options for proposed 2010 spending for operations and capital improvements and summarized them as follows:

#### Option A

Operating Budget: \$9.31 million, decrease of 4.2% from 2009 budget

- Includes an estimated \$1.00 million in total transfer to Capital Improvement, Rate Stabilization and Depreciation Reserves, with set-aside for Depreciation Reserve limited to \$100,000 – annual funding for fleet replacement
- Includes 11% increase in treated water cost from San Juan Water District
- Employee salary budgets decrease – no COLA, no merit increases, eliminate leave cash-outs for 2010
- “Hold the line” budget for most other operating costs – continue “repair instead of replace”

Capital Improvement Budget: \$1.376 million, increase of 7.5% from 2009 budget

- Defers most planned capital projects to 2011 or beyond, most already deferred in 2009
- Defers Auburn Boulevard pipeline replacement to 2011
- Construct storage building at Bonita Way Well
- Replace infrastructure on Twin Oaks Avenue and Greenback Lane in advance of City of Citrus Heights reconstruction/repaving work being performed with federal economic stimulus grants to the City
- Replace distribution main crossing Madison Avenue at San Juan Avenue
- No vehicle and equipment replacements
- Employee salary budgets decrease – no COLA, no merit increases, eliminate leave cash-outs for 2010

Option A Total Budgets for 2010: \$10.69 million

#### Option B

Operating Budget: \$9.56 million, decrease of 1.6% from 2009 budget

Same as Option A except:

- Includes an estimated \$1.20 million in total transfer to Capital Improvement, Rate Stabilization and Depreciation Reserves including \$200,000 set-aside for Rate Stabilization Reserve
- Employee salary budgets decrease – no COLA, merit increases not to exceed 3%, eliminate leave cash-outs for 2010

Capital Improvement Budget: \$1.384 million, increase of 7.7% from 2009 budget

- Employee salary budgets decrease – no COLA, merit increases not to exceed a maximum of 3%, eliminate leave cash-outs for 2010

Option B Total Budgets for 2010: \$10.94 million

Option C

Operating Budget: \$9.76 million, increase of 0.5% from 2009 budget

Same as Option B except:

- Includes \$1.40 million transfers to Capital Improvement, Rate Stabilization and Depreciation Reserves including additional \$200,000 set-aside for Capital Improvement Reserve

Capital Improvement Budget: \$1.384 million, increase of 7.7% from 2009 budget

Same as Option B

Option C Total Budgets for 2010: \$11.14 million

Directors were provided with the draft Operating and Capital Budgets for Option C.

AGM Kane presented an overview of water rates and charges proposed for 2010. He noted that all rate options presented propose no increase in the bi-monthly service charge for 2010, and no change in the quantity of water provided in each commodity rate tier. The recommended range of commodity cost increases were summarized as follows:

Rate Option 1:

Typical customer monthly cost increases \$1.13. Cost per unit in Tier 1 increases to 56.11¢, compared with 50.55¢ in 2009 (+11%)  
Effective cost increase of 3.18 % for typical customer

Rate Option 2:

Typical customer monthly cost increases \$2.16. Cost per unit in Tier 1 increases to 61.17¢, compared with 50.55¢ in 2009 (+21%)  
Effective cost increase of 6.08 % for typical customer

Rate Option 3:

Typical customer monthly cost increases \$2.68. Cost per unit in Tier 1 increases to 63.69¢, compared with 50.55¢ in 2009 (+26%)  
Effective cost increase of 7.53 % for typical customer

Major issues in determining rates for 2010 were discussed, including: rebuilding of

District financial reserves, with very limited reserves for capital spending or rate stabilization; responding to customer concerns about being able to control water bill by reducing consumption; and building a greater percentage of operating revenue into the commodity charges. It was noted that the ratio of service charge revenue to water charge revenue with proposed rate adjustments will be approximately 67/33 with Option A, 65/35 with Option B and 64/36 with Option C. The ultimate goal for California Urban Water Conservation Council Best Management Practice 11 is 30/70. The ratio is currently about 69/31.

The Capital Improvement Budget and proposed projects for 2010 were also discussed. The preliminary Capital Improvement Budget, proposed within a range of \$1.376 to \$1.383 million for 2010 represents a continuation of the deferral of capital projects from 2009. Replacement of a deteriorated distribution main along Auburn Boulevard is once again being recommended for deferral, and many other projects are also recommended to be deferred to 2011 or beyond in light of limited District financial reserves. Projects proposed for 2010 include:

- Madison Avenue Crossing at San Juan Avenue (Distribution Main Replacement);
- Twin Oaks Avenue Improvements;
- Greenback Lane Improvements;
- Bonita Way Groundwater Well Storage Building;
- Replacement of Aging Water Meters and Fire Hydrants; and
- Groundwater Well Improvements.

Directors and staff discussed the proposed range of budgets and rate increases, and the issues involved. They noted that the District had already made budget cuts and deferred many capital projects in 2009. Even with the largest of the three rate options proposed, Rate Option 3, the District will still need to make budget decisions that will result in deferring replacement of aging infrastructure and possible reductions in service to customers. Directors also supported the cuts in District salary budgets that would help to reduce revenue demands in 2010. They observed that by holding bi-monthly service charges at 2009 levels while increasing the commodity charge, customers can control the effect of the increase on their total water bill through efficient management of their water consumption.

AGM Kane explained that in considering a rate increase for 2010, the District must provide written notification to all property owners within the District in accordance with the requirements of Proposition 218. Directors were provided with a draft Proposition 218 notice. As discussed with Directors at their August 11, 2009 meeting, the proposed format of the Proposition 218 notice has been modified in an effort to reduce the cost of this notification. Directors were shown the proposed format that uses a single 8½ x 11 sheet of paper with a tri-fold, addressed on the outside of the tri-fold. This format will save an estimated \$4,000 over the format that was used in prior years with two pages inserted into an envelope. By necessity, the one-page format means that the notice will not include the level of detail that was provided in notices for prior years. More detailed

information will be posted on the District's web site.

The notification must be received a minimum of 45 days in advance of the public hearing where the rate adjustments are to be considered. The tentative schedule calls for mailing the notices not later than September 25, 2009, in order to meet the 45-day requirement. Direction and input from Directors at this meeting will be used to finalize the Proposition 218 notice for delivery to all District property owners. The rate adjustment contained in the Proposition 218 notice essentially sets the "ceiling" for rate adjustments that can be considered by the Board at the November 10 Public Hearing.

The Board directed staff to prepare the Proposition 218 notice using Rate Option 3 as the basis for the monthly cost comparison to be presented in the notice. The Board also asked staff to investigate and report back on the revenue effect of providing a larger quantity of water within Tier 1 of the rate schedule, and to refine the estimate of revenues that will be available for rebuilding District financial reserves under Rate Option 3.

## NEW BUSINESS

### Training/Continued Education/Meetings

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

### Auction of Surplus Equipment

OM Townsel presented a report on disposal of surplus equipment. The following equipment has been determined to be surplus to the needs of the District and is proposed to be sold at public auction:

Equipment No. 25, a 1992 Ford F-600 flatbed truck with approximately 32,373 miles.

Equipment No. 29, a 1997 GMC 3500 service truck with approximately 48,503 miles.

Equipment No. 25 is currently the District's only means of carrying 20-foot lengths of pipe to the job site. To replace this functionality, the purchase of a 16-foot flatbed trailer will be proposed in the near future. Equipment No. 29 is currently a District pool vehicle, and is used only when another service truck is out of service for repairs.

Under District Policy No. 5750, Disposal of Surplus Property, any District personal property with an estimated value of greater than \$4,000 shall be disposed as surplus with the authorization of the Board of Directors. It is possible that each of these trucks could bring more than \$4,000 at auction. In order to avoid any possible non-compliance with District policy, this matter is being brought back to the Board of Directors for consideration and action before sending the equipment items to auction. Directors and staff discussed the equipment items to be auctioned, and the auction service to be used by

the District.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to authorize the disposal of District Equipment No. 25 and No. 29 by public auction at Huisman Auctions in Galt, California.

#### PROJECT MANAGER'S REPORT

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

#### OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 420 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 2009 through the month of August was estimated to be 10,101.83 acre-feet, a decrease of 22.8 percent compared with the average annual water consumption during the previous five years, 2004-2008. The surface water consumption for January through April 2009 was estimated based upon District customer water meters plus 5 percent unaccounted for water minus water wheeled to other water agencies.

President Dains called a recess to the meeting at 8:50 p.m. OM Townsel and PM Rossi left the meeting. President Dains reconvened the meeting at 8:53 p.m.

#### DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on State legislative matters currently being monitored by the Regional Water Authority (RWA). He also reported on an upcoming meeting of the RWA, and 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 recent matters of interest regarding the Association of California Water Agencies – Joint Powers Insurance Authority.

Directors Rose and Dains discussed recent matters of interest regarding the Sacramento Groundwater Authority (SGA). Director Dains attended a recent SGA meeting.

Directors discussed a request from Randy Record, Board member with Eastern Municipal Water District, requesting CHWD's support as a candidate for Vice President of the Association of California Water Agencies.

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 Government Issues Committee that he recently attended.

### 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. Due to recent delays in preparation of the software modifications by the District's billing software vendor, implementation on customer water statements is now targeted to take place in November 2009 instead of October 2009. District staff is also planning the informational bill insert and updates to the District's web site that will accompany the introduction of the water statement modifications.
2. The District received its periodic risk assessment from ACWA-JPIA in late May 2009. No items in need of correction were noted as a result of the assessment, which is a sign of the effectiveness of the District's efforts in regard to safety, property protection, and risk transfer. Directors were provided with a copy of the follow-up letter received from ACWA-JPIA's Risk Management Consultant.
3. The District's participation in the Summer Youth Employment Program concluded at the end of August. Under this program, a youth employee worked on District field crews and gained experience on water distribution system repair and maintenance, while the District received approximately 180 hours of labor valued at over \$1,400 at no cost to the District.
4. The District has processed 271 ultra-low-flush and high-efficiency toilet rebates through the end of July 2009. Distribution of the Orchard Supply Hardware 15 percent discount coupons in customer water statements will be completed in mid-September, at which point the coupons will have been inserted into bills for one entire bi-monthly billing cycle. The District has received no feedback from customers regarding the coupon, positive or negative.
5. The District will sponsor a booth at the annual Citrus Heights Sunday FunDay on September 27, 2009, at Rusch Park. The District participates in this event each year as an opportunity to gain public exposure for its services and water conservation programs.

6. Directors were provided with a copy of a Circular Letter received recently from CalPERS advising employers of projected increases in employer contribution rates beginning in Fiscal Year 2011-12 and planned to continue through FY 2014-15. The amount of the increases will vary depending on the volatility index (VI) for the employer, and range from 0.2% to 6.4% depending on the year and volatility index.
7. Directors were provided with a copy of a cover story on water conservation from the recently-released edition of the City of Citrus Heights' Connections newsletter, including water conservation tips that were published in CHWD's most recent WaterLine newsletter.

### GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Eighteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of August 2009. Directors were provided with a list of the employees and items for which each received recognition.
2. A Folsom Lake Water Education Workshop is being sponsored by San Juan Water District and the Cities of Roseville and Folsom on September 15, 2009 at the State Capitol. Directors were provided with a copy of a letter announcing the workshop.
3. Directors were provided with a copy of a letter to Senator Darrell Steinberg from San Juan Water District, Citrus Heights Water District, Fair Oaks Water District, Orange Vale Water Company, Sacramento Suburban Water District and the cities of Folsom and Roseville expressing concerns about the current "comprehensive Delta package" of bills currently being considered by the State legislature.
4. Directors were provided with a copy of a letter to members of the State legislature's Water Conference Committee from Citrus Heights Water District and 39 other water agencies, environmental organizations and other groups expressing concerns about the current "comprehensive Delta package" of bills currently being considered by the State legislature.
5. Directors were provided with a summary of Proposition 13 grant fund reimbursements recently received through the Regional Water Authority for the Mitchell Farms and Bonita Water Groundwater Well Projects. A total of \$411,522.50 in reimbursements was received in August, with \$55,258.85 in retention payments outstanding.
6. 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 9:43 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