

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING  
November 10, 2009

The Regular Meeting of the Board of Directors was called to order at 6:35 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

Larry Wright  
Barb Merrick  
Hideo Nomura

A fourth unidentified visitor residing on Glenn Avenue in Citrus Heights joined the meeting in progress at 6:50 p.m.

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 October 13, 2009.
2. Minutes of the Special Meeting of October 13, 2009.
3. Assessor/Collector's Report for October 2009.
4. Assessor/Collector's Cancellation Letter for October 2009.
5. Treasurer's Report for October 2009.
6. Bills to be Paid for October 2009.
7. Approve CAL-Card Purchases for October 2009.
8. Summary of 2009 Directors, Officers and Employees Training, Seminars and Conference Expenses.

## PUBLIC HEARINGS

### 2010 Operating and Capital Improvement Budgets and 2010 Water Rates and Miscellaneous Charges and Fees

AGM Kane presented a report summarizing the proposed Operating and Capital Improvement Budgets and water rates, charges and fees for 2010. The Board of Directors discussed the draft budgets and rates at its Regular Meetings of August 11, September 8 and October 13, 2009. The September meeting was an announced public workshop. Proposition 218 notices of the Public Hearing on Proposed Water Rate Adjustments were mailed to District property owners during the fourth week of September. Directors were provided with budget binders prior to the meeting containing the proposed budget summaries and detailed line-item budgets, water rates, revenue estimates for 2010 and other financial-related information.

The major operating and financial challenges faced in the 2010 budgeting process were summarized. CHWD financial reserves remain depleted after spending down millions of dollars in reserves between 2000 and 2008 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; however, the cost of employee benefits such as health insurance is increasing.

For 2010, the District is considering budgets 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 to support the needed level of services and investment in the District's 266-mile system of underground water mains while also providing a financial cushion for emergencies or fluctuations in revenues; and
- Support keeping customers' bi-monthly service charges at their current level.

District staff, with direction and input from the Board of Directors, has proposed Operating and Capital Improvement Budgets for 2010 that will attempt to best achieve this balance. A summary of the 2010 Operating Budget was presented that outlined the proposed \$9.76 million budget, an increase of 0.5 percent from 2009 budget. It was explained that reductions in other areas of operations, most notably the salary budgets, were required to offset an expected 11 percent increase in treated water cost from San Juan Water District. The 2010 Operating Budget is a "hold the line" budget for most other operating costs, continuing the "repair instead of replace" approach for near-term cost savings.

The 2010 Capital Improvement Budget is proposed at \$1.38 million, an increase of 31.6 percent from 2009 budget. This budget defers most planned capital projects to 2011 or

beyond, many of which were already deferred in 2009. A storage building at Bonita Way Well will be constructed in compliance with the Environmental Impact Report for the project. Infrastructure on Twin Oaks Avenue and Greenback Lane will be replaced in advance of City of Citrus Heights reconstruction/repaving work at these locations. The transmission main crossing Madison Avenue at San Juan Avenue will be replaced, a project that has been deferred for several years. No vehicle or equipment replacements are proposed.

With the Operating and Capital Improvement Budgets combined, total proposed expenditures and transfers for 2010 are \$11.14 million.

AGM Kane also presented an overview of proposed rate adjustments for 2010. For 2010, the Board of Directors is considering an increase in the unit price of water that will raise the average residential customer's bill by about \$2.68 per month above 2009 rates. The average monthly cost of service for a typical residential customer will be \$38.00 per month under the proposed 2010 rates, or \$76.00 per bi-monthly bill. There is no proposed increase in the bi-monthly service charge, the increase is being levied upon the unit cost of the water itself. The "typical customer" consumes about 19.83 units or 14,835 gallons per month. Customers that consume more water than the typical customer will likely pay more than this amount and customers that use less will pay less. Customers that use significantly more water will see the largest increases, since the all of the rate increase for 2010 is in the cost of the water itself. Directors were provided with a draft resolution showing proposed rates, charges and fees for all District services and water for 2010.

In determining water rates and charges for 2010, the target for total revenues was approximately \$11.2 million. At this level, 2010 revenues will pay for all Operating and Capital Improvement Budget expenditures and provide for replenishing reserves by \$1.4 million by the end of 2010. This reserve replenishment will leave the District with a higher level of reserves to support future capital projects and operations. However, it was noted that the District has deferred millions of dollars in new and replacement infrastructure projects that will still need to be constructed in the future. The District's Capital Improvement Program identifies \$28.2 million in projects through 2018, and many of these are projects that have been deferred from earlier years. Therefore, as in 2009, the rate increase for 2010 must be viewed as one in a series of steps toward reinvesting in the aging infrastructure of the District.

Director Dains opened the Public Hearings. The Public Hearings for the budgets and water rates were listed as separate hearings on the agenda for the meeting; however, it was decided to open them simultaneously to allow comment on both matters during the same hearing.

Members of the public in attendance addressed the Board on various matters related to the budgets and water rates. Appreciation was expressed for the presentation on the budget and rates that helped to explain the necessity for the proposed rate increase. A customer commented that the District should consider including more extensive and detailed information in the Proposition 218 notice to customers. Comments were also received on the effect of higher commodity rates on water users with larger properties

and more landscaping, and a request was made for consideration of a reduced rate for senior citizens. The issue of water waste was discussed, with concerns expressed over the cost of such waste. It was noted that customers who waste water now pay for all the water they use, which was not the case when most District customers were still on a flat rate. Directors also received copies of protest letters from 68 District property owners in response to the District's notice of proposed rate increase. Directors thanked members of the public for attending the hearings and expressing their views.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 12-2009 Establishing Fiscal Year 2010 Operating and Capital Improvement Budgets, and Resolution 13-2009 Establishing Water Rates and Miscellaneous Charges and Fees for Fiscal Year 2010.

## OLD BUSINESS

### Alternative Work Schedule

OM Townsel presented a report on informal poll of District customers that was recently conducted regarding the possible change to days and hours of District operation. Customers that visited the District office were asked to complete a brief questionnaire regarding their opinion on the District closing on Fridays with extended office hours on Mondays through Thursdays.

Of 162 customers responding to the poll, 84 responded "yes" to changing the hours of operation, 11 responded "no", 65 expressed no opinion and two others checked multiple boxes on the poll form. In summary, 92 percent of respondents either voted yes or expressed no opinion regarding the possible change to days and hours of District operation, with 6.8 percent voting against a change. Directors and staff discussed the poll, and upcoming steps in the process of considering an alternative work schedule.

### Schuman Lane Property Sale

GM Churchill reported that discussions with the prospective buyer for the Schuman Lane property are on hold pending CHWD staff discussions with the City of Citrus Heights Planning and Engineering Departments regarding rezoning and property line adjustments and associated costs. CHWD and City staffs will hopefully schedule to meet within the next few weeks.

## NEW BUSINESS

### Training/Continued Education/Meetings

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

### Bonita Way Storage Building Architect

GM Churchill presented a report on a proposed Professional Services Agreement with for architectural and construction administration services for the Bonita Way Storage

Building and site landscaping. In planning and environmental documentation for the Bonita Way Groundwater Well, a storage building with a residential facade and water conserving landscaping was proposed to screen the pump station from the surrounding residences and to blend the site into the neighborhood.

The District received five proposals in response to a Request for Proposals (RFP) that was released to 13 architectural firms and to the Sacramento Builder's Exchange. The District's review committee composed of GM Churchill, OM Townsel and Water Quality Specialist Meurer evaluated the proposals. Three firms were selected to be interviewed by the committee. Interviews were conducted on October 22, 2009 with Blackbird & Associates being the first choice of the committee based upon experience and qualifications.

The committee met with Blackbird & Associates representatives to define the scope of work in order for a fee proposal to be prepared. After District staff rejected Blackbird & Associates' initial fee proposal of \$70,940.00, the scope of work was revised and a second fee proposal of \$62,740.00 was submitted. Directors were provided with a copy of the revised proposal and other supporting information. The proposal also included estimated reimbursable expenses of \$3,500.00 in addition to the fees for professional services, for a total project cost of \$66,240.00. An additional authorization of a 10 percent project contingency was also recommended for a total project authorization of \$72,540.00. Directors and staff discussed the design proposal and the project.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to approve an Agreement with Blackbird & Associates for architectural and construction administration services for the Bonita Way Storage Building and site landscaping in the amount of \$72,540.00 which includes a contingency amount of \$6,300.00; and to authorize the General Manager to execute a Professional Services Agreement with Blackbird & Associates.

#### Sacramento LAFCo Special District Commissioner

GM Churchill presented a report on an election for Special District Commissioner Office No. 7 for the Sacramento Local Agency Formation Commission (LAFCo). Directors were provided with a list of the candidates as follows:

Robert Harrison, Fulton-El Camino Recreation & Park District  
Gay Jones, Sacramento Metropolitan Fire District – Incumbent  
Michelle Orrock, Cosumnes Community Services District

Citrus Heights Water District Director Charles Rose is currently the LAFCo Special District Commissioner for Office No. 6. Directors discussed the candidates.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to cast the District's ballot for Gay Jones for Special District Commissioner, Office No. 7, for the Sacramento Local Agency Formation Commission.

#### Sacramento LAFCo Alternate Special District Commissioner

GM Churchill presented a report on an election for Alternate Special District Commissioner, Office No. 6 and 7 for the Sacramento Local Agency Formation Commission (LAFCo). Directors were provided with a list of the candidates as follows:

Jerry Fox, Arcade Creek Recreation and Park District - Incumbent  
Michael Seaman, Fulton-El Camino Recreation & Park District

Directors discussed the candidates.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to cast the District's ballot for Jerry Fox for Alternate Special District Commissioner, Office No. 6 and 7, for the Sacramento Local Agency Formation Commission.

### Comprehensive Water Legislation

GM Churchill reported on the water legislation recently enacted by the California State Legislature. The Legislature enacted broad and comprehensive legislation recently with a primary focus on the decline of the Delta. Directors were provided with a number of letters and documents providing a variety of viewpoints on this subject. These included letters to Senator Darrell Steinberg and other legislators from members of the San Juan Family of Agencies, Roseville and Folsom, letters to legislators signed by as many as 41 regional stakeholders, and other letters, emails and documents.

GM Churchill noted that the Director's Reports section of this Board meeting's agenda materials also contains three Outreach Advisories from the Association of California Water Agencies (ACWA) including the Association's support for the comprehensive package. A number of Sacramento Bee newspaper articles addressing the topic were included in the Miscellaneous/Reference section of the agenda materials. Director Dion voiced concern that many of the signatories to the letters were not those of water agency elected officials, but from agency management.

### PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of October 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 202 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 requirement.

2. District-wide water consumption for the calendar year 2009 through the month of October was estimated to be 12,929.69 acre-feet, a decrease of 22.9 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.

OM Townsel and PM Rossi left the meeting at 9:21 p.m.

#### DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on an upcoming meeting of the Regional Water Authority.

Director Rose reported on meetings of the Sacramento Groundwater Authority and 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.

All Directors discussed recent issues concerning the Association of California Water Agencies.

#### ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Staff has targeted the customer bills scheduled to be sent out during the third week of November to begin using the redesigned water statements. The redesigned statements will include itemized information on water consumption and charges by tier. Directors were provided with a copy of the information bill insert that will accompany the introduction of the water statement modifications.
2. Planning is underway for the Winter 2010 edition of the District's WaterLine newsletter. Directors and staff discussed possible story ideas for the newsletter. The Winter 2010 edition is tentatively scheduled to be delivered to customer in mid-January 2010.
3. The District has been awarded a Water Conservation Field Services Program grant from the U.S. Bureau of Reclamation (USBR) in the amount of \$25,000. The grant funds will provide support for a number of District water efficiency programs. District staff is currently working on preparing CHWD's 2010 USBR Water Management Plan with the assistance of consultant Jim Crowley of the J. Crowley Group. The report is a requirement of receiving water via a USBR facility and is required to be prepared every five years. The Plan provides an overview of the District, its water sources and uses, water efficiency programs and other aspects of water management.
4. CHWD has been contacted by Wal-Mart representatives about a bill pay service offered by Wal-Mart that customers could use to pay their CHWD water bill. Staff is researching the service and will provide more information to the Board at

a future meeting.

#### GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of October 2009. Directors were provided with a list of the employees and items for which each received recognition.
2. A list of the General Manager's significant assignments and activities was provided.

#### CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter from Rev. Dr. Tyler Brease and Ms. Carol Killelea expressing support for the District's proposed rate increase for 2010.

#### 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 10:24 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