

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
September 11, 2012

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
Paul A. Dietrich, Project Manager
Lisa A. Smoot, Accounts Payable / Human Resources Specialist

VISITORS

Robert Courts
David Goforth

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

None

ADDITION TO MEETING AGENDA

GM Churchill reported that a matter requiring immediate action by the Board of Directors came to the attention of Citrus Heights Water District subsequent to the posting of the agenda for the September 11, 2012 meeting. The matter involves State Assembly Bill 685 (Eng) that has passed the State Legislature and is currently before the Governor for signature. The Board needs to consider whether it wishes to oppose the bill and to send a letter to Governor Brown in opposition to AB 685.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to place the item on the agenda for consideration under New Business.

CONSENT CALENDAR

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

- 1) Minutes of the Regular Meeting of August 14, 2012.
- 2) Assessor/Collector's Report for August 2012.
- 3) Assessor/Collector's Cancellation Letter for August 2012.
- 4) Treasurer's Report for August 2012.
- 5) Bills to be Paid for August 2012.

- 6) Approve CAL-Card Purchases for August 2012.
- 7) Summary of 2012 Directors, Officers and Employees Training, Seminars and Conference Expenses.

OLD BUSINESS

2013 Budgets and Water Rates

AGM Kane noted that this meeting was an announced Public Workshop for the budgets and water rates for 2013. He delivered a presentation on the draft Operating and Capital Improvement Budgets for 2013, and draft water rates for 2013.

He presented staff's recommendations for the following:

- A 2013 Operating Budget of \$9.50 million, an overall increase of about \$127k (1.96 percent) above 2012 authorized levels.
- A 2013 Capital Improvement Budget of \$3.81 million in 2013 projects, with another \$3.25 million in projects carried over from 2012. The total 2013 Capital Improvement Budget is \$7.06 million.

Three water rate options were also presented, based on direction from the Board of Directors at their August 14, 2012 meeting:

- A 2 percent increase in the service charge and commodity rate.
- A 3 percent increase in the service charge and commodity rate.
- A 4 percent increase in the service charge and commodity rate.

AGM Kane also reviewed an analysis entitled Rate Adjustment Alternatives for 2013-2017 that showed estimated revenue demands and possible rate adjustments for future years under three rate options.

Financial trends and challenges for 2013 and beyond were summarized. These included: maintaining District funds and reserves at adequate levels to support future reinvestment in the District's water delivery system; the continuing struggles with unemployment, mortgage foreclosures and business closures in the region; rising operating costs for the District; the finding that current rates will not support future needs of the District; issues regarding the balance between service charges and commodity charges on customer water rates; and the anticipated receipt of one-time revenues of about \$253,000 from San Juan Water District.

Highlights of the 2013 Operating Budget were outlined as follows:

- Includes \$1.90 million in transfers to Capital Improvement and Depreciation Reserves. This reflects the Board's policy of transferring one-half the amount of calculated depreciation (\$898,000 for 2013) and a \$1 million transfer to the Capital Improvement Reserve.
- No increase in per-unit cost of treated water cost from San Juan Water District. Slight increase in overall cost (+\$44k) due to anticipated greater amount of treated

water purchased.

- Salary COLA increases of 2.1% (estimated based on current Consumer Price Index) and merit increases of up to 2.0% at the discretion of the General Manager.
- Employee benefit cost increases totaling \$129k, or about 10.25% above 2012 costs. Major increases in health insurance and CalPERS contributions account for much of this increase, also smaller increases in dental and life insurance costs.
- Lower pumping and well maintenance costs (-\$68k) due to planned decrease in groundwater production for 2013.
- Financial consultant assistance to develop a new long-range financial plan and water rate model for the District is budgeted at \$40k, to supersede the District's 13-year-old rate model.

Highlights of the 2013 Capital Improvement Budget were outlined as follows:

- Design, site acquisition and construction of Groundwater Well No. 13 (\$2.5 million in 2013, \$672k to complete in 2014)
- Main replacements on Palm Avenue, Castle Street, Kilborn Drive, Ronnie Street, and Billie Street budgeted at \$1.05 million
- Main replacements on Northgrove Way and Walnut Drive budgeted at \$422k
- Replacement of aging customer water services budgeted at \$604k
- Administration Building expansion and improvements, design work begun in 2012, completion in 2013 at \$299k
- Replacement, upgrades and new fire hydrants (\$149k)
- Regional booster pump project (\$229k)
- New 24-inch transmission main from Mariposa Avenue through San Juan High School property budgeted at \$57k for design in 2013, with \$1.13 million for construction in 2014
- New and replacement Operations equipment including a replacement of a 12-year-old cab-and-chassis crew truck, replacement of a 10-year-old backhoe and replacement of two one-half-ton pickup trucks with smaller, more fuel efficient vehicles (\$194k)
- Information system component replacements (\$121k)

It was explained that the total revenue requirement proposed for 2013 is \$14.66 million, composed of \$13.31 million in total 2013 budgets plus \$3.25 million in capital projects carried over from 2012, less \$1.90 million in reserve transfers.

The three draft water rate options were also discussed, including typical water bill increases that could be expected by the average District residential customer under the 2 percent, 3 percent and 4 percent options. Three multi-year revenue and expense projections were also presented, looking at a series of 2 percent, 3 percent and 4 percent increases over the years 2013 through 2017.

Directors were provided with the following supporting information for consideration and review at the Workshop:

1. 2013 Operating Budget Summary and list of 2013 Proposed Budget by Line Item;

2. 2013 Capital Improvement Budget Summary and individual project budgets;
3. Ten-Year Capital Improvement Program Summary;
4. Rate Adjustment Alternatives for 2013 – 2017;
5. 2013 Draft Water Rates (Charges for Metered Rate Customer Accounts only) for the three rate adjustment alternatives presented; and
6. Draft Proposition 218 Notification.

Robert Courts left the meeting at 7:25 p.m.

Directors, staff and a member of the public present discussed the draft proposed budgets and water rates. Directors were requested to provide guidance at this meeting on the maximum amount of rate increase to be considered for 2013 so that the required Proposition 218 notification can be prepared and mailed not later than September 26, 2012. The notification will be mailed to all property owners at least 45 days in advance of the scheduled November 13, 2012 Public Hearing on budgets and rates. The rate adjustment contained in the Proposition 218 notice sets the “ceiling” for rate adjustments that can be considered by the Board at the Public Hearing.

Directors discussed the different rate options and the interest of balancing the ability to continue to deliver a high quality of water service versus the impact of water rate increases upon District customers.

It was moved by Director Rose, seconded by Director Dion, and carried 3-0 to consider a maximum 3 percent increase in bi-monthly service charges and commodity charges for 2013, and directed staff to prepare and mail a Proposition 218 notice to property owners reflecting this maximum proposed rate adjustment.

Daniel Goforth and AP/HR Specialist Smoot left the meeting at 7:40 p.m.

NEW BUSINESS

Training/Continued Education/Meetings

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

Gonzalez Claim for Damages

AGM Kane presented a report on a claim for personal injury from Daniel Gonzalez. The District received the claim from Mr. Gonzalez, who resides at 7125 Calvin Drive in Citrus Heights, on August 21, 2012. Mr. Gonzalez claims damages of “\$1,000,000.00+” for “personal injury, civil rights” as stated on the claim he submitted. The Supplemental Statement attached to the claim form presents a list of items that he asserts are examples of unfair, deceptive and discriminatory practices by the District since December 2008. His claim asserts that the conduct of CHWD personnel and practices subjected him to “suffer without water for nine days, and intentionally continued to keep Claimant from having water five days after being paid the disputed balance due.” A copy of his claim with its supporting documentation was provided to Directors.

Directors were provided with information regarding the account for the Calvin Drive address. Although Mr. Gonzalez has apparently resided at the property since December 2008 and has been paying the water bill including late charges since that time, he is not and never has been the owner of the property according to the information available to the District. He has tried to have water service at the Calvin Drive address placed into his name on several occasions and has previously threatened legal action against CHWD for not allowing him to do so. However, he has not produced evidence of ownership of the property despite his statements to District staff in the past that he could and would produce such evidence. California Water Code requires CHWD's billing relationship to be with the property owner due to the ability under irrigation district law to place liens against the property for non-payment.

Prior to the claim, CHWD received a letter from Mr. Gonzalez on August 13, 2012 requesting a credit adjustment for "unnecessary multiple Fedex overcharges since December 2008." This letter was in response to a Notice of Intent to Terminate water service delivered to the property address on August 3, 2012. Directors were provided with a copy of the letter. As of August 14, 2012, no payment on the account had been received and service to 7125 Calvin Drive was shut off and locked in accordance with District policy for delinquent accounts.

Mr. Gonzalez made payment "under protest" of all water charges and penalties using CHWD's web bill pay service on Friday, August 17, 2012. The District has no mechanism that automatically triggers a restoration of service when a terminated account has been paid, and customers must call or come in to the office to request restoration of service. In virtually 100 percent of the cases, the person making the payment, whether in person or over the telephone, makes an appointment for service to be restored as soon as possible. The District offices were closed for the weekend at the time that Mr. Gonzalez made payment, so he could not come in to the District office to request service to be turned back on. However, he had the option of requesting service to be restored by calling the District and selecting the automated menu option that connects to the 24-hour answering service. The District's standby employee would have called Mr. Gonzalez to arrange an after-hours appointment to restore service. Mr. Gonzalez did not call the District; and even after the District offices opened for business as usual on Monday, August 20, there was no contact from Mr. Gonzalez to request that water service be restored or to ask why it had not been turned back on. The first notice received by the District that Mr. Gonzalez had paid the bill and was expecting water service to be restored was in the claim that was delivered by a process server to the District office on the afternoon of August 21, 2012.

Directors were provided with additional details regarding the actual restoration of service to the property. They were also provided with a "Record Notes Report" showing CHWD customer service records of CHWD's interactions with Mr. Gonzalez since 2008. Directors were also provided with information regarding a telephone conversation between CHWD Legal Counsel Judy Albietz and Ms. Dennise Henderson, who was reportedly acting as Mr. Gonzalez' attorney at the time the claim was prepared. Ms. Henderson informed Ms. Albietz that she no longer represents Mr. Gonzalez. It is unknown whether Mr. Gonzalez currently has an attorney representing him. Ms. Albietz

also spoke via telephone with Mr. Gonzalez on that date in an effort to attain more understanding of his claim against the District.

District staff stated that the District has not engaged in any unfair, deceptive or discriminatory practices with or against Mr. Gonzalez. The service to the 7125 Calvin Drive property has been dealt with in accordance with State law and District policy. Mr. Gonzalez has received courteous and professional service from District staff, even if it was not always to Mr. Gonzalez' satisfaction. Directors and staff discussed the claim.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to deny the claim from Daniel Gonzalez for personal injury in the amount of \$1,000,000+, and forward it to the District's insurance carrier, ACWA-JPIA, for further consideration and action.

2013 Capital Improvement Project Design Services

GM Churchill presented a report on proposed amendments to the 2012 Capital Improvement Project Budget to provide \$140,000 in project design funds, and to consider requests for cost proposals for engineering design services to facilitate the 2013 construction of proposed Capital Improvement Projects.

In early 2012, the District solicited 17 proposals from engineering firms to provide project design services for the 2012 construction of various capital pipeline improvement projects. The District received 14 proposals from qualified engineering consultants and selected Bennett Engineering Services to provide design services for the Livoti Tract Pipelines, and Kennedy/Jenks Engineers to perform the design for the Baird Way, Northlea Way, Kalamazoo Drive Pipelines. Plans for these projects have been completed and approved, construction bids requested and accepted and construction will begin in the next two weeks. Using engineering consultants has enabled the District to accelerate its capital improvement/replacement efforts.

District staff is recommending that project design and approval tasks be undertaken in the calendar year preceding construction. In this way, bids can be requested early in the construction year with actual construction activities taking place in the spring and summer rather than the fall and winter as is presently the case.

The following Capital Improvement Projects are recommended for construction in 2013:

| <u>Project No.</u> | <u>Design Budget</u> | <u>Location</u> |
|--------------------|----------------------|---|
| 2012-24 | \$ 40,000 | Old Auburn Road 18" Transmission Main Replacement – Bonita Way to Wickham Drive Mariposa Avenue 12" Transmission Main Replacement -- Chula Vista Drive to north |
| 2012-25 | \$ 55,000 | Palm Avenue 12" Transmission Main Replacement -- San Juan Avenue to west of Dove Drive Castle Street 8" Distribution Main Replacement -- Palm Avenue to Gail Way |

Kilborn Drive / Ronnie Street / Billie Street 8" & 6"
Distribution Main Replacements

| | | |
|---------|-------------------|--|
| 2012-26 | \$ 45,000 | Northgrove Way 6" Distribution Main Replacement -- Westgate Drive to Northlea Way |
| | | Walnut Drive 8" Distribution Main Replacement -- Auburn Blvd to Holly Drive |
| Total: | <u>\$ 140,000</u> | |

The proposed 2013 budget anticipates this scheduling scenario on a go-forward basis with a \$76,000 design budget in 2013 for the 2014 construction of the following projects:

| <u>Project No.</u> | <u>Design Budget</u> | <u>Location</u> |
|--------------------|----------------------|---|
| 2013-30 | \$36,000 | Mariposa Avenue and San Juan High School High School 24" Transmission Main |
| 2013-31 | \$40,000 | Poplar Avenue and Park Drive 8" Distribution Main Replacements |

Staff does not recommend new requesting proposals from engineering firms for the projects noted above. The proposals received in early 2012 provide sufficient information from which to select qualified firms to perform design services.

Directors and staff discussed the proposed project design budgets and services.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to amend the 2012 Capital Improvement Project Budget to:

1. Include Projects 2012-24, 2012-25 and 2012-26 and provide \$140,000 in project design funds, and
2. Authorize requests for cost proposals for engineering design services to facilitate the construction of Capital Improvement Project Nos. 2012-24, 2012-25, 2012-26, 2013-30, and 2013-31.

Employee Expenses Policy Amendments

AGM Kane presented a report on proposed amendments to District Policy No. 4901, Employee Expenses. This policy sets forth the guidelines for reimbursement of travel, meal and other expenses for employees while in the conduct of District business. The guidelines are used primarily for reimbursement of expenses related to travel for District-approved training and conferences, but also apply for expenses such as meals for employees authorized to work beyond their normal working hours.

Amendments were proposed to further clarify the District's policy related to travel by District vehicle and reimbursement for District business travel in an employee's personal vehicle. The amendments specify that District vehicles will be used for travel by vehicle

unless a District vehicle is not available. Reimbursement for use of personal vehicles for District business-related travel must be approved in advance in writing by the employee's immediate supervisor, and the employee must have proof of insurance on file with the District. The amendments will also clarify the limits for vehicle travel reimbursement outside of a 350-mile radius.

Directors were provided with a copy of District Policy No. 4901 with proposed amendments. Directors and staff discussed the amendments.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to approve District Human Resources Policy No. 4901, Employee Expenses, with amendments as presented.

District Position on Assembly Bill 685

GM Churchill presented a report on a proposed letter to California Governor Edmund G. Brown, Jr., expressing the District's opposition to Assembly Bill (AB) 685 (Eng) which has passed the State Legislature and has been presented to the Governor for signature into law. He summarized the concerns expressed in the letter over the potential of the bill to upset decades of legal precedent while doing nothing to address the challenges of providing safe drinking water to disadvantaged communities.

AB 685 would declare that it is the policy of the State of California that every human being has the right to clean, affordable and accessible water. California Water Code section 106 already addresses this policy in its declaration that "the use of water for domestic purposes" is the "highest use" of water. This is a basic water policy that has been vetted through the courts for decades; and codifying a new "human right to water" without considering existing legal authority will lead to conflicts that have not been adequately addressed by AB 685. For example, by using the words "right to water" and "affordable" without any other context, the legislation could be misinterpreted to prohibit a water agency from terminating the water service of a non-paying customer.

The California Department of Public Health is already charged with oversight of CHWD with respect to providing safe, clean and quality water. Furthermore, the CHWD Board of Directors has the responsibility and first-hand knowledge to best determine the affordability and accessibility of water for its community and constituents. For all of these reasons and others that are detailed in the text of the proposed letter, it was recommended that the District send the letter to the Governor opposing AB 685.

Directors and staff discussed the letter. GM Churchill stated that the language in the letter was drawn in large part from the text recommended by the Association of California Water Agencies (ACWA). ACWA has been actively involved in opposing AB 685.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to approve sending the letter opposing Assembly Bill 685 to Governor Brown with the signatures of all members of the Board of Directors.

PROJECT MANAGER'S REPORT

PM Dietrich presented a report on the following activities during the month of August 2012 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;
- District Capital Improvement Projects currently under construction by contractors, including the Sunrise Boulevard Valve Box Raising and Setting, the Livoti Tract 8-Inch Water Mains, the Baird/Northlea/Kalamazoo 8-Inch and 6-Inch Water Mains, the Antelope Road 8-Inch and 24-Inch Water Mains and the Old Auburn Road 18-Inch Water Main; and
- Design coordination underway with the City of Citrus Heights on the City's Mariposa Avenue Safe Sidewalks to School Project, the Auburn Boulevard Joint Trench Utility Undergrounding Project, the Sunrise Boulevard Complete Streets Improvement Project, the Antelope Road Sidewalk and Storm Drain Improvements Project, and the Auburn Boulevard Resurfacing Project.

It was reported that the following water systems, added to the District's water distribution system by independent contractors on behalf of private developer/owners, have been inspected and approved by the District:

Starbucks Coffee, 8027 Greenback Lane, Citrus Heights.
One 1-inch metered water service reconstruction
(not including meter).
Value: \$ 2,600.00

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 121 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 72 samples, have met all California Department of Public Health requirements.
2. District-wide water consumption for the calendar year 2012 through the end of August 2012 was 9,997.08 acre-feet, a decrease of 7.2 percent compared with the average annual water consumption during the previous five years, 2007-2011.

PM Dietrich and OM Townsel left the meeting at 8:22 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

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

GM Churchill reported on a meeting of the Regional Water Authority (RWA) Executive Committee that he attended recently.

Director Rose reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA).

GM Churchill reported on a San Juan Water District Executive Committee meeting that he attended recently along with Director Rose and AGM Kane.

Director Rose reported on recent matters of interest regarding the City of Citrus Heights.

AGM Kane reported on a meeting of the Chamber of Commerce Government Issues Committee that he attended recently.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Directors were provided with a summary of Water Efficiency Program activities during the month of August 2012, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued.
2. CHWD has retained the services of Consulting Actuary Steven T. Itelson to perform the required actuarial valuation of the District's OPEB (other post-employment benefits) commitments in compliance with Government Accounting Standards Board Statement 45 (GASB-45). This actuarial valuation was last performed in connection with the District's Fiscal Year 2009 audit and is required to be performed every three years. The not-to-exceed amount for Mr. Itelson's services is \$3,800, the same as the previous agreement. The work will be completed at the latest by the end of November 2012.
3. The District will sponsor a booth at the annual Citrus Heights Sunday FunDay on September 23, 2012 at Rusch Park. Seven District employees are expected to participate in staffing the booth for this event. The District participates in this event each year as an opportunity to gain public exposure for its services and water conservation programs.
4. AGM Kane reported on the most recent Water Forum Flow Management Standard (FMS) Steering Committee Meeting on August 27, 2012. The timeline and process for the FMS Environmental Impact Report (EIR) was a major item of discussion. Directors were provided with a copy of a draft Outline of Project Description for American River Flow Management Standard Environmental Impact Report (EIR).

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 August 2012. 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

None.

CLOSED SESSION

Pursuant to subdivision (b)(3)(A) of Government Code Section 54956.9 (one case), Anticipated Litigation, significant exposure to litigation, the Board of Directors convened in Closed Session at 8:42 p.m to receive a report from District Legal Counsel Judy Albietz. Directors Dains, Dion and Rose, GM Churchill, and AGM Kane were in attendance.

President Dains reconvened the meeting into Open Session at 8:45 p.m. He reported that no action was taken by the Board in Closed Session.

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 8:46 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