

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
October 9, 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
Paul A. Dietrich, Project Manager
Pamela L. Peters, Office Administrator
Nancy E. Alaniz, Assessor/Collector
Lisa A. Smoot, Accounts Payable / Human Resources Specialist

OM Townsel was absent due to his attendance at the American Water Works Association, California/Nevada Section Conference in San Diego, California.

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:

- 1) Minutes of the Regular Meeting of September 11, 2012.
- 2) Assessor/Collector's Report for September 2012.
- 3) Assessor/Collector's Cancellation Letter for September 2012.
- 4) Treasurer's Report for September 2012.
- 5) Bills to be Paid for September 2012.
- 6) Approve CAL-Card Purchases for September 2012.
- 7) Summary of 2012 Directors, Officers and Employees Training, Seminars and Conference Expenses.
- 8) Deny the claim from Amy Wolcott for property damage in an unspecified dollar amount, and forward it to the District's insurance carrier, ACWA-JPIA, for further consideration and action.
- 9) Approve a refund for overpayment of metered service charges to Frank and Mary Pavan for the service at 8225 Catalpa Drive in the amount of \$646.88.

OLD BUSINESS

2013 Budgets and Water Rates

AGM Kane presented a report on draft operating and capital improvement budgets for 2013 and draft water rates for 2013. Revisions have been made to the budgets and rates following the Public Workshop conducted at the Board’s September 11, 2012 Regular Meeting. Per the Board’s direction at that meeting, Proposition 218 notices announcing a possible rate increase for 2013 were prepared and mailed to all property owners in the District’s service area on September 26, 2012.

Directors were provided with 2013 budget binders that contain the proposed operating and capital budget summaries and detail for 2013, as well as a draft schedule of Water Rates and Miscellaneous Charges and Fees for 2013.

The 2013 Operating and Capital Improvement Budgets are summarized as follows:

	<u>Sept. 11 Draft</u>	<u>Oct. 9 Revised</u>
Operating Budget	\$ 9,573,804	\$ 9,563,603
Capital Projects Budget		
New 2013 Projects	\$ 3,805,920	\$ 3,877,354
2012 Carry-over Projects	<u>\$ 3,249,453</u>	<u>\$ 3,249,441</u>
Total Operating & Capital	<u>\$ 16,629,177</u>	<u>\$ 16,690,398</u>

The \$10,201 decrease in the proposed Operating Budget is the result of a number of upward and downward adjustments, the most significant of those being the addition of \$20,000 to Acct. No. 52400-00, Water Quality Analysis, to provide funds for compliance with a new Environmental Protection Agency water quality testing requirement, Unregulated Contaminants Monitoring Rule (UCMR) 3. Other decrease adjustments were made that more than offset the increased amount.

In the Capital Projects Budget, there have been increases from the amounts presented at the September 11 Board meeting in the new 2013 projects. The increase in New 2013 Projects is due almost entirely to the following two changes: 1) the addition of \$12,000 to Project 2013-13, Fire Hydrants – Replacements/ Upgrades/New, to provide 20 new concrete pads at existing fire hydrant locations; and 2) the addition of a new project, Project 2013-32, Dewey Drive Interconnection(s)(+\$61,948) to provide funds for a proposed new interconnection(s) with Carmichael Water District and Sacramento Suburban Water District.

AGM Kane summarized proposed 2013 spending for operations and capital improvements. Total budgets for 2013 are \$13.44 million. Total revenue requirements for 2013 are \$14.79 million after adding \$3.25 million in 2012 carryover projects and subtracting \$1.90 million in Reserve transfers that do not represent an expenditure of funds.

Changes to the 2013 water rate schedule were summarized as follows:

- 3 percent increase to bi-monthly service charges and commodity charges for water consumed.
- 3 percent increase to other charges such as Wheeling Water Charges, Construction Meters and Construction Water, and Fire Sprinkler Charges whose rates are tied to the bi-monthly service charges and commodity charges.
- Adjustments to Capacity Fees based on the October 2012 Water System Capacity Fee analysis, also included in Directors' budget binders.
- Minor adjustments to other charges and fees based on staff analysis of the cost of providing these services.

Directors and staff discussed the draft schedule of Water Rates and Miscellaneous Charges and Fees for 2013 and the responses to Proposition 218 notices received to date. Directors were notified that a total of 15 written protests had been received by the District. The District would need to receive more than 9,700 written protests in order to effect a majority protest to block the proposed increase.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to call for Public Hearings on the 2013 Operating and Capital Improvement Budgets and Water Rates and Miscellaneous Charges and Fees for 2013 to be held at the Regular Meeting of the Board of Directors on November 13, 2012.

OA Peters and AP/HR Specialist Smoot left the meeting at 6:45 p.m.

Conflict of Interest Code Amendments

GM Churchill presented a report on amendments to the District's Conflict of Interest Code Policy 1035 to mirror Fair Political Practices Commission (FPPC) verbiage. As a multi-county agency, Citrus Heights Water District is biennially required to review its Conflict of Interest Code and report its determination to the FPPC. At its August 14, 2012 Meeting, the Board of Directors approved amendments to Appendix A of the District's Conflict of Interest Code Policy 1035 to revise the position titles of three designated employees and authorize filing a notice of same with the FPPC. The FPPC considers these amendments to be non-substantive. The District's 2012 Multi-County Agency Biennial Notice with the amended code was filed with the FPPC on August 15, 2012 noting the non-substantive amendments outlined above.

In their review of the District's Conflict of Interest Code, FPPC representatives applied their standard format to the District's Code. The FPPC also requested additional information in order to process as a non-substantive amendment. Directors were provided with a draft letter of response to the FPPC containing the additional requested information.

With FPPC's application of their standard Code format, the District's policy language no longer mirrors FPPC's language. Directors were provided with copies of proposed

amendments to the District's Conflict of Interest Code Policy 1035 and Appendices. These amendments will provide for consistent language between the FPPC and District documents. Directors and staff discussed the proposed amendments.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to approve non-substantive amendments as presented to the District's Conflict of Interest Code Policy 1035 to mirror the Fair Political Practices Commission verbiage.

NEW BUSINESS

Training/Continued Education/Meetings

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

San Juan Unified High School District Credits

GM Churchill presented a report on proposed account credits for Mesa Verde and San Juan High Schools. These two San Juan Unified School District (SJUSD) sites experienced events leading to high water use and corresponding high water bills. SJUSD has asked the District to consider reducing the charges incurred from these events at Mesa Verde and San Juan High Schools.

GM Churchill described the two separate events at the two high school campuses that led to the unusually high water use. On or about February 24, 2012, vandalism occurred at Mesa Verde High School (MVHS). Directors were provided with a copy of a letter from SJUSD describing the vandalism incident. Water consumption during the billing period in which the vandalism occurred was 1,980 units (one unit equaling 100 cubic feet, ccf) compared to an average of 448 ccf for the same billing period in the preceding two years. Directors were provided with water use records for the MVHS 4-inch meter and a calculation of the commodity charge for 1,980 ccf and what the commodity charge would have been based upon an average of 448 ccf. The difference between these two commodity charges is \$1,195.44, which is the amount of credit recommended to be applied to the MVHS 4-inch water meter account.

This request and findings are consistent with the District's Accounts Receivable Policy No. 7330 "Disputed Water Charges" Section 7330.20.A due to "the excessive use of water was due to circumstances that could not be foreseen or easily prevented by the customer".

GM Churchill then described the events at San Juan High School (SJHS) leading to the high water usage. During the August/September 2011 billing period, one of the three large water meters serving the SJHS site recorded a large use of water that in turn resulted in a large commodity charge. District representatives met with SJUSD personnel and determined that the meter readings were not in error. It is the District's theory that this high water use was caused by a contractor working for SJUSD in the course of

flushing the water system and/or storm drain system utilizing water from the ten private on-site fire hydrants that are downstream of the delivery meters.

Directors were provided with a spreadsheet showing SJHS bimonthly water consumption. The spreadsheet confirms the preceding and following year's consumption amounts do not appear to be abnormal for other billing periods. Water consumption during the billing period in which the high use occurred was 13,106 ccf compared to an average of 5,265 ccf for the same billing period in the preceding and following years. Consumption data for the second preceding year (2009) was not used due to meter relocations and meter additions associated with the reconstruction of the public and private water distribution system infrastructure at SJHS.

The difference between the actual 2011 high consumption and the average consumption during the aforementioned billing period is 7,841 ccf (18.00 acre feet). This amount equates to a continuous flow of nearly 70 gallons per minute over a two-month period. SJUSD personnel investigated the private on-site water system and did not find any leaks. With the meter readings before and after the high consumption appearing to be normal, the presence of a leak is not suspected. Therefore, the District's theory of the contractor's flushing as the cause for the high consumption appears plausible.

Directors were provided with a spreadsheet presenting two options for consideration with regard to providing a credit:

1. Determine that the excessive water use was due to circumstances that could not be foreseen or easily prevented by SJUSD, similar to the proposed MVHS credit. In such a determination, full credit for the 7,841 ccf difference between the actual use and the average 5,265 ccf use is \$6,821.67.
2. The 7,841 ccf difference in the quantity of water used during the referenced billing period in 2011 and the corresponding average use in 2010 and 2012 was billed at the District's highest rate, Tier 3 (\$0.8700/ccf). Reduction of the billing rate for 7,841 ccf from Tier 3 to Tier 1 (\$0.6751/ccf) equates to a credit of \$1,528.21.

GM Churchill also presented a third option, which would be to bill the 7,841 ccf difference in the quantity of water used at the cost that CHWD would have paid San Juan Water District to purchase that quantity of surface water. Based on this methodology, the amount of credit for the 7,841 ccf difference would be \$3,742.51.

Directors inquired as to whether SJUSD had claimed the cost of water lost during the Mesa Verde vandalism incident as a loss on their insurance. GM Churchill responded that it was unknown what, if anything, SJUSD may have claimed with their insurance. Directors also discussed the three proposed options for credits on the high water usage at San Juan High School. Directors stated that the excessive water use at SJHS, while regrettable and an unexpected expense to SJUSD, was likely due to the actions of SJUSD's contractor working on the site. Based on this, Directors expressed the view that

the excessive water use was not due to circumstances that could not be foreseen or easily prevented, and therefore not eligible for the same relief contemplated for the Mesa Verde vandalism incident. After further discussion, Directors expressed their agreement that a credit to SJUSD in the amount of \$1,195.44 for the Mesa Verde incident and a credit in the amount of \$1,528.21 for the excessive water use at SJHS was a fair adjustment that would provide some relief to SJUSD while keeping CHWD and its customers whole for the expense of the water consumed.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to: approve an account credit to San Juan Unified School District for the Mesa Verde High School account in the amount of \$1,195.44; and approve an account credit to San Juan Unified School District for the San Juan High School account in the amount of \$1,528.21.

A/C Alaniz left the meeting at 7:05 p.m.

PROJECT MANAGER'S REPORT

PM Dietrich presented a report on the following activities during the month of September 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 system, added to the District's water distribution system by independent contractors on behalf of private developer/owners, has been inspected and approved by the District:

Claire's Montessori Academy, 7331 Beech Avenue, Orangevale
5 lineal feet of 6-inch water main; 4 6-inch gate valves; 1 6-inch post indicator valve; 1 fire hydrant, and one 1½-inch water service.
Value: \$ 12,000.00

OPERATIONS MANAGER'S REPORT

GM Churchill reported on the behalf of OM Townsel as follows:

1. A total of 117 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 September 2012 was 11,674.57 acre-feet, a decrease of 6.8 percent compared with the average annual water consumption during the previous five years, 2007-2011.
3. CHWD participated in the regional capacity test of the San Juan Water District's Petersen Treatment Plant. The test was conducted from September 5-18, 2012. The amount of water transferred through CHWD's water system during the test is estimated at 203.89 acre-feet.

PM Dietrich left the meeting at 7:17 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dains reported on a recent meeting of the Regional Water Authority (RWA) that he attended along with Director Rose, GM Churchill and AGM Kane.

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

Director Dion reported on a meeting of the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA) that he attended recently, and recent matters of interest related to the ACWA-JPIA Health Benefits Authority.

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

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. Directors were provided with a summary of Water Efficiency Program activities during the month of September 2012, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued.
2. Work is underway on 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). Updated employee and retiree census information has been compiled and sent to Consulting Actuary

Steven T. Itelson for his use in performing the actuarial valuation. The work is expected to be completed by the end of November 2012.

3. Association of California Water Agencies – Joint Powers Insurance Authority (ACWA-JPIA) Risk Management Consultant Scott Wood has completed his review of CHWD’s Liability, Property and Workers’ Compensation Programs that he typically performs twice a year. The review included a tour of CHWD facilities and selected well sites, and yielded one recommendation for a conducting an arc flash hazard study for electrical panels serving CHWD groundwater wells. Mr. Wood commended CHWD staff for an excellent job in its safety and loss prevention programs. Directors were provided with a copy of Mr. Wood’s letter regarding the risk assessment is attached to this report.
4. AGM Kane reported that there have been no Water Forum meetings since the time of the most recent report at the Board’s September 11, 2012 meeting. The next Water Forum Flow Management Standard (FMS) Steering Committee Meeting is scheduled for later in the month of October.

GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

1. Twenty-one District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of September 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.
3. Directors were provided with a letter from San Juan Water District setting forth the wholesale water rates for calendar year 2013.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated October 1, 2012 from Beryl Turner-Weeks protesting the proposed 2013 water rate adjustments, and a response letter from CHWD dated October 3, 2012.
2. Electronic mail message dated October 5, 2012 from Ernie Hinds regarding electronic (paperless) billing, and an electronic mail response from CHWD dated October 9, 2012.
3. GM Churchill relayed a voice mail message that he received from an unidentified individual requesting senior citizen and low income rates.

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 7:40 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