

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
August 13, 2013

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

Joseph M. Dion, President
David L. Goforth, Vice President
Allen B. Dains, Director
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
Paul A. Dietrich, Project Manager
Nancy E. Alaniz, Assessor/Collector
Melissa A. "Missy" Pieri, Senior Engineering Technician

General Manager Robert A. Churchill was not present due to out-of-town travel.

VISITORS

Lonnie Gossett, Director, Fair Oaks Water District

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

None.

CONSENT CALENDAR

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

- 1) Minutes of the Regular Meeting of July 9, 2013.
- 2) Assessor/Collector's Report for July 2013.
- 3) Assessor/Collector's Cancellation Letter for July 2013.
- 4) Treasurer's Report for July 2013.
- 5) Payables for July 2013.
- 6) Approve CAL-Card Purchases for July 2013.
- 7) Summary of 2013 Directors, Officers and Employees Training, Seminars and Conference Expenses.

President Dion adjourned the Regular Board of Directors Meeting to the Annual Meeting of the Citrus Heights Water District Financing Corporation at 6:35 p.m.

President Dion reconvened the Regular Board of Directors Meeting at 6:42 p.m.

OLD BUSINESS

San Juan Water District / Sacramento Suburban Water District Joint Meetings

AGM Kane presented a report prepared by GM Churchill regarding joint meetings of the Boards of Directors of the San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD). The most-recent Joint SJWD/SSWD Board of Directors Meeting was held at SSWD on July 24, 2013. Directors were provided with an agenda from that meeting. GM Churchill attended the 15-minute meeting on behalf of CHWD.

The Joint Boards acted to approve the issuance of a Request for Proposals (RFP) for Phase 1 Evaluation of Water Management Alternatives Study Options and to approve a Memorandum of Agreement (MOA) for Cost Sharing for Study of Alternatives for Joint Water Management in an amount not-to-exceed \$60,000. Directors were provided with a copy of the RFP and the Cost Sharing MOA. The Joint Boards also received a memorandum for joint legal counsel on the Joint Boards' request for information on District combination and water rights issues, and Directors were provided with a copy of this memorandum.

Future joint meetings were scheduled for August 20 and October 15, 2013 at SSWD. AGM Kane informed Directors that the August 20 meeting is being rescheduled to be held after proposals are received for the Phase 1 Evaluation. The rescheduled meeting date has not been announced.

Long-Range Financial Plan Update

AGM Kane presented a report on the project to develop a long-range financial plan for the District; and set a date for a Special Meeting of the Board of Directors to continue discussion of the Financial Plan. At its July 2, 2013 workshop, the Board of Directors received a presentation from NBS Project Manager Greg Clumpner on initial Financial Plan results and water rate design and alternatives. The presentation discussed District rate structure policies and objectives including revenue stability and sufficiency, fairness and equity among customers, ease of understanding and administration, and meeting legal mandates such as Proposition 218 requirements. The initial results of the Financial Plan project a series of 3 percent rate increases from 2014 to 2019, 2 percent increases in 2020 to 2022 and no increases in 2023 to 2025 based on future operating and capital cost assumptions.

Following discussions at that meeting, the District provided additional detailed revenue information on customer water consumption and revenues to NBS to follow up on discussions regarding the structure and equity of tiers for commodity charges. NBS has analyzed this information, and provided some initial analysis for District review. Directors were provided with a series of graphs presenting this information.

As provided in NBS's scope of work, a second meeting with the Board of Directors, District staff and Mr. Clumpner will be held to present additional findings from NBS' analysis and to continue discussion of rate alternatives to provide direction for preparation of a final draft of the Financial Plan. It is proposed that a Special Meeting of the Board be scheduled for Tuesday, August 27, 2013 at 9:00 a.m. Scheduling this Special Meeting prior to the Board's Regular Meeting on September 3, 2013 will allow use of draft Financial Plan information at the time of the budget and rate workshop to be conducted at that meeting. Directors discussed the Financial Plan information and scheduling for a Special Meeting to continue discussions.

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to call for a Special Meeting of the Board of Directors to discuss long-range financial planning issues on Tuesday, August 27, 2013 at 9:00 a.m.

NEW BUSINESS

Training/Continued Education/Meetings

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

Fund and Reserves Transfers

AGM Kane presented a report with recommendations for transfers among District Funds for specified purposes. The transfers are typically grouped together for Board consideration a one time during the year. AGM Kane explained the recommended transfers, and the reason and justification for each transfer, including a number of transfers that were specifically earmarked in the 2013 Operating Budget. He also provided information about the resulting fund balances after all of the transfers had been made. Directors and staff discussed the proposed fund transfers.

It was moved by Director Dains, seconded by Director Dion and carried 2-0, Director Goforth abstaining, to direct the Treasurer to make the following transfers within District Funds and Reserves:

1. Transfer \$8.00 from the Operating Fund to the Connection Fund to allocate interest earnings on District investments from the previous year;
2. Transfer \$12,186.00 from Connection Fund to the Capital Improvement Reserve as partial repayment of Connection Fund debt to the Capital Improvement Reserve;
3. Transfer \$1,000,000.00 from the Operating Fund to the Capital Improvement Reserve to set aside funds to evaluate and construct new capital facilities and equipment to benefit existing District customers;
4. Transfer \$898,000.00 from the Operating Fund to the Depreciation Reserve to set

aside funds to replace or rehabilitate capital facilities and equipment at the end of their useful life;

5. Transfer \$100,000.00 from the Depreciation Reserve to the Fleet Equipment Reserve to funds for future equipment replacements;
6. Transfer \$191,585.87 from the Fleet Equipment Reserve to the Operating Fund to offset monies expended to date for fleet equipment replacement;
7. Transfer \$247,253.17 from the Capital Improvement Reserve to the Operating Reserve to offset monies expended to date for capital projects and expenditures;
8. Transfer \$2,205,550.00 from the Depreciation Reserve to the Operating Fund to offset monies expended to date for capital projects and expenditures.
9. Transfer \$120,000.00 from the Operating Fund to the Employment-Related Benefits Reserve to provide funding related to retiree benefit and employee benefit costs.
10. Transfer \$93,468.91 from the Employment-Related Benefits Reserve to the Operating Fund to offset monies expended to date from the Operating Fund related to retiree benefit and employee benefit costs.

Director Goforth explained that he abstained due to the fact that he was not a Director on the Board at the time that some of the reported expenditures were made.

Customer Billing Dispute – John Echols

AGM Kane presented a report on an appeal by CHWD customer John Echols regarding charges on his residential water statement. Mr. Echols, whose service address is 7612 Sylvan Valley Way, is disputing the amounts owed on his water bill. He paid his prior bill in full on June 24, 2013, but is disputing the amount owed on his prior water statements.

Directors were provided with a copy of Mr. Echols' letter to CHWD dated June 19, 2013 presenting his position on charges. He claims that billing errors were made resulting in erroneous late charges on his account. He states that "misapplication of payments thereby generating and compounding erroneous late charges" has occurred. He appears to dispute CHWD's authority to levy late payment penalties and other charges for delivery of Notices of Intent to Terminate (NOIT). He has requested that all late penalties and charges be reversed and that payments that he has made be applied solely to water service and commodity charges. Mr. Echols makes various other assertions in his letter, including his intent to charge "water damages" of \$500 per day to CHWD for every day his water service is shut off, and makes several references to CHWD breaching its "contract" with him.

Assessor/Collector Alaniz performed a thorough review of Mr. Echols' account and

found no accounting errors or amounts levied in error. Directors were provided with a copy of A/C Alaniz' letter of response to Mr. Echols dated June 20, 2013, and A/C Alaniz briefly summarized the contents of the letter. As noted in the letter, Mr. Echols has an ongoing history of paying his water statements late. He has incurred late charges eight times since October 2011 and also delivery of three Notices of Intent to Terminate (NOIT) during that period. As a one-time courtesy to Mr. Echols, a late payment penalty of \$12.41 was removed in October 2011.

Late-payment penalties and charges for delivery of notices are adopted by the Board of Directors. The Board's principle in levying these penalties and charges is that CHWD customers who pay their bills on time should not have to share in the extra costs of billing and collecting on accounts that are late or delinquent.

Directors and staff discussed the appeal and Mr. Echols' account history. Directors noted Mr. Echols' history of repeated late payments on his account and also noted that a one-time courtesy removal of a penalty was previously extended to him. Director Goforth inquired whether Mr. Echols had been invited to attend the Board meeting to present his appeal. AGM Kane responded that Mr. Echols' appeal was placed on the August 13, 2013 Board meeting agenda at Mr. Echols' request. AGM Kane had offered to place the appeal on the July 9, 2013 Board meeting agenda and Mr. Echols specifically requested that it be deferred to the August 13 meeting. Mr. Echols was advised by AGM Kane to write a letter to the Board of Directors presenting his appeal and to attend the Board meeting to present his appeal personally.

It was moved by Director Dains, seconded by Director Dion and carried 2-1, Director Goforth voting no, to deny the appeal from CHWD customer John B. Echols.

PROJECT MANAGER'S REPORT

PM Dietrich presented a report on the following activities during the month of July 2013 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 including:
 - Northgrove Way 6-Inch Water Main and Walnut Drive 8-Inch Water Main Replacement project.
 - Old Auburn Road 18-Inch Water Main and Mariposa Avenue 12-Inch Water Main Replacement project.
 - Old Auburn Road 14-Inch Water Main Extension project.
- Palm Avenue 12-Inch Water Main, Castle Street 8-Inch Water Main and

Kilborn Drive/Ronnie Street/Billie Street 8- and 6-Inch Water Mains Replacement project.

- Park Drive 8-Inch Water Main and Poplar Avenue 8-Inch Water Main Replacement project.
- Mariposa Avenue 24-Inch Water Main and San Juan High School 24-Inch Water Main Replacement / Extension project.
- Coordination and inspection is underway with the City of Citrus Heights on the following City projects:
 - Auburn Boulevard Joint Trench Utility Undergrounding Project;
 - Watson Way Drainage Improvement Project;
 - Linden Avenue Drainage Improvement Project;
 - Glenn Avenue, Patton Avenue and Loleta Avenue Project;
 - 2013 Arterial Street Resurfacing Project;
 - 2013 residential Street Resurfacing Project; and
 - Auburn Boulevard Widening Project.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 251 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 90 samples, have met all California Department of Public Health requirements.
2. District-wide water consumption for the calendar year 2013 through the end of July 2013 was 8,537.53 acre-feet, an increase of 3.0 percent compared with the average annual water consumption during the previous five years, 2008-2012.

Director Dion called a recess to the meeting at 7:25 p.m. OM Townsel, PM Dietrich, A/C Alaniz, and SET Pieri left the meeting.

Director Dion reconvened the meeting at 7:27 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a Regional Water Authority (RWA) Strategic Planning Workshop that he attended recently along with AGM Kane.

Directors received the agenda for the August 8, 2013 Sacramento Groundwater Authority (SGA) meeting that was attended by GM Churchill.

Director Dion reported on a recent San Juan Water District Executive Committee meeting that he attended along with GM Churchill.

Director Dion reported on recent matters of interest regarding the Association of California Water Agencies - Joint Powers Insurance Authority.

AGM Kane reported on information recently received about a possible new City Hall project for the City of Citrus Heights, which will be the subject of discussion at an upcoming Citrus Heights City Council meeting.

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

ASSISTANT GENERAL MANAGER'S REPORT

1. Directors were provided with a summary of Water Efficiency Program activities during the month of July 2013, including the number of ultra-low-flush toilet rebates issued. It was noted that the Water Efficiency Coordinator continues to respond to a high number of "water waste" calls due to increased outdoor watering with the hot weather. The District's required reporting to the California Urban Water Conservation Council on water efficiency Best Management Practices (BMPs) for 2102 was completed prior to the August 1, 2013 deadline. The U.S. Bureau of Reclamation (USBR) uses these reports to determine the District's BMP compliance as a requirement of San Juan Water District's water supply agreements with the USBR.

Directors were also advised that San Juan Water District (SJWD) is discussing the possibility of a voluntary Stage 2 Water Conservation declaration. SJWD staff has discussed a possible coordinated declaration by all of the other agencies that receive their water supplies from Folsom Lake so that all agencies are sending a common conservation message to their customers.

2. Three recruitments to fill vacant or soon-to-be vacated positions are underway:
 - Water Distribution Operator. The application period for this vacant position closed during July, and interviews of eight candidates were conducted on August 7, 2013. A select number of the top candidates will be invited back for testing for further evaluation.
 - Accounts Receivable Specialist. This position will become vacant in late August upon the retirement of the incumbent Dell Bottomley. The application period for this position closed near the end of July, and interviews of ten candidates are scheduled for August 14, 2013.
 - Customer Service Administrator. This is a new position title for the Assessor/Collector position currently held by Nancy Alaniz. The application

period will close on August 19, 2013, and interviews will be scheduled as soon as possible thereafter. This position will become vacant when Ms. Alaniz retires on November 10, 2013. Hiring of a new employee before Nancy's departure is planned to allow for a training period.

GENERAL MANAGER'S REPORT

AGM Kane reported on behalf of GM Churchill as follows:

1. Twenty-one District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of July 2013. 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. GM Churchill received recognition from the American Water Works Association (AWWA) for his 30 years of membership. Directors were provided with a copy of the letter received from Susan Franceschi, Chief Membership Officer of AWWA, acknowledging GM Churchill's long-term commitment to AWWA and to the water industry.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter from Robert C. Renner, Executive Director of the Water Research Foundation, thanking CHWD for its continued support.
2. News Release dated July 19, 2013 from Placer County Water Agency (PCWA) expression serious concerns about the Delta Water Plan.
3. Letter from Mark T. Godfrey, CHWD customer, received July 17, 2013, with questions about his water bill; and a letter of response from CHWD dated July 18, 2013.

Mr. Gossett left the meeting at 7:55 p.m.

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 7:56 p.m. to receive a report from District Legal Counsel Judy Albietz. Directors Dains, Dion and Goforth and AGM Kane were in attendance.

President Dion reconvened the meeting into Open Session at 8:03 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 8:04 p.m.

APPROVED:

Original signed by: David B. Kane
DAVID B. KANE
Deputy Secretary
Citrus Heights Water District

Original signed by: Joseph M. Dion
JOSEPH M. DION, President
Board of Directors
Citrus Heights Water District