

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
October 8, 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
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
Paul A. Dietrich, Project Manager
Pamela L. Peters, Office Administrator
Timothy R. Cutler, Water Distribution Supervisor

VISITORS

Katie Dahl, Regional Affairs Representative, Association of California Water Agencies

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

Katie Dahl addressed the Board on her responsibilities as Regional Affairs Representative for the Association of California Water Agencies, representing ACWA Region 4 of which CHWD is a part. She discussed ACWA programs and activities and encouraged Directors to contact her if they have questions related to ACWA.

Ms. Dahl left the meeting at 6:35 p.m.

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 September 3, 2013.
- 2) Minutes of the Special Meeting of September 30, 2013.
- 3) Assessor/Collector's Report for August 2013.
- 4) Assessor/Collector's Roll Adjustment Letter for August 2013.
- 5) Treasurer's Report for August 2013.
- 6) CAL-Card Purchases for August 2013.
- 7) Assessor/Collector's Report for September 2013.
- 8) Assessor/Collector's Cancellation Letter for September 2013.

- 9) Treasurer's Report for September 2013.
- 10) Payables for September 2013.
- 11) CAL-Card Purchases for September 2013.
- 12) Summary of 2013 Directors, Officers and Employees Training, Seminars and Conference Expenses.

OLD BUSINESS

2014 Budgets and Water Rates

AGM Kane presented a report on the draft Operating and Capital Improvement Budgets for 2014 and a proposed Proposition 218 notification to CHWD property owners of proposed adjustments to water rates and charges for 2014.

Summaries of the 2014 Operating and Capital Improvement Budgets were presented. Following initial review of the budgets at the Board's September 3, 2013 meeting, additional review and refinements to the Budgets were performed. Budget summaries with detail budget information by account (Operating Budget) and by project (Capital Improvement Budget) were presented to Directors. The 2014 Operating Budget of \$9.80 million as presented represents a decrease of about \$15,000 from the \$9.81 million budget presented at the September 3 meeting. The 2014 Capital Improvement Budget of \$1.94 million in 2014 projects was essentially unchanged from the September 3 version, with another \$7.47 million in projects carried over from prior years, an increase of \$0.59 million from the September 3 version. The total 2014 Capital Improvement Budget is now proposed at \$9.41 million.

Directors reviewed and discussed details regarding various Operating Budget accounts and Capital Improvement Projects. In particular, the rising cost of permitting and other fees to entities such as the State of California, the City of Citrus Heights and others were noted by Directors. It was suggested that these costs be detailed in an upcoming edition of the District's customer newsletter to inform customers about the impact of these costs and fees on CHWD operating costs.

Directors and staff have been reviewing proposed water rate structures at a series of three Financial Plan workshops. At the most recent workshop on September 30, 2013, Directors instructed staff to prepare a draft rate schedule based on Scenario 4, using a single commodity rate per unit of water consumed. Directors were presented with a proposed Proposition 218 rate schedule designed to achieve an overall 3 percent increase in revenue for 2014. This increase will maintain financial reserves at target level of roughly \$5.1 million by the end of 2014, excluding restricted debt reserves. Directors discussed the proposed Proposition 218 notice. Director Goforth noted that the Board had not voted on an amount of rate adjustment for 2014. Staff explained that the Proposition 218 notice only establishes the maximum amount of rate increase that the Board may consider for 2014, and that the actual Board vote on rate adjustments will not take place until after the Public Hearing scheduled for the December 10, 2013 Board meeting.

It was moved by Director Goforth, seconded by Director Dains and carried 3-0 to authorize staff to proceed with preparation and mailing of a Proposition 218 notification to CHWD property owners of proposed adjustments to water rates and charges for 2014.

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to call for Public Hearings on the 2014 Operating and Capital Improvement Budgets, Water Rates and Miscellaneous Charges and Fees for 2014, and Capacity Charges for 2014 to be held at the Regular Meeting of the Board of Directors on December 10, 2013.

Long-Range Financial Plan Update

AGM Kane presented a report on the status of the water rate study being prepared by the District's financial consultant and on the remaining steps in the long-range financial plan process. The Board conducted a third workshop on the long range financial plan on September 30, 2013. Directors received a presentation from NBS Project Manager Greg Clumpner on water rate alternatives developed as a result of previous workshop discussions with the Board of Directors. He reviewed the differences between four alternative water rate scenarios, and provided a summary of current charges versus proposed charges for 2014 and future years under each scenario. He also provided comparisons of typical customer bills under each scenario.

The draft Proposition 218 notice for proposed rate adjustments for 2014 that was presented to Directors earlier in the meeting was prepared using the Scenario 4 methodology. Scenario 4, selected by Directors as the preferred water rate alternative, uses peaking factors that vary by class of customer, bi-monthly service charges that are consistent for all classes of customers with a given size of water meter, and a uniform (single) tier cost per unit of water consumed.

Directors were presented with a Preliminary Draft Water Rate Study prepared by NBS. The Study contains several recommendations from the consultant, including adoption of the Study itself, implementation of rates recommended by the Study, and adoption of Reserve Fund target levels. This Water Rate Study, along with a Microsoft Excel-based spreadsheet water rate model that will be finalized based on the Board's selected water rate methodology, represent the consultant's final deliverables for the project. The spreadsheet water rate model has already been developed in preliminary form and has been used by the consultant in determining 2014 revenue requirements and developing the proposed 2014 water rates. The will reside on the District's computer system and become the District's tool for determining revenue requirements and developing water rate adjustments for future years.

Directors and staff discussed the Preliminary Draft Water Rate Study. Director Goforth noted that some customers' rates would increase by six percent or more and that he was not in favor of increases of this amount. Directors discussed how customers with different size of properties may be affected differently by the rate changes. GM Churchill stated that comparative data would be developed for customers with different sizes of lots, as well as different types of customer such as parks and schools. Director Goforth also

expressed that using the term “connection fee” instead of “service charge” might be better to help customers understand the relationship of the cost associated with their connection to the system.

Directors were encouraged to review the document and advise staff of any questions or comments within the next two weeks. The final Water Rate Study will be presented for adoption at the Board’s November 12, 2013 meeting.

Skycrest Well Design Services

GM Churchill presented a report on selection of a design engineer for the Skycrest Well. Directors were provided with a copy of the Request for Proposals (RFP) issued by the District in late July 2013 to provide engineering services for design, testing and construction management of the Skycrest Well Project. The RFP was sent to 16 local engineering firms known to have expertise in this field.

Proposals were received from the following six firms on August 28, 2013:

Forsgren Associates
The H2O Group
Kennedy/Jenks Consultants
NV5
West Yost Associates
Wood Rodgers

District staff composed of GM Churchill, OM Townsel and Water Quality Supervisor Brian Hensley reviewed and ranked the proposals based upon the firms’ qualifications. It is staff’s conclusion that the firm NV5 best meets the qualifications and intent of the RFP. Staff subsequently met with NV5 and negotiated a Scope of Work and Fee Estimate for the project. Directors were provided with a copy of the proposed Scope of Work and the Fee Estimate totaling \$259,876. This fee represents 8.28 percent of the \$3,139,622 total estimated project cost. Directors and staff discussed the project and the scope of work and fee estimate for the engineering services.

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to approve entering into a Professional Service Agreement for Design, Testing and Construction Management Services with NV5 at an amount not to exceed \$285,000 and authorize the General Manager to execute the Agreement.

OA Peters left the meeting at 7:40 p.m.

San Juan Water District / Sacramento Suburban Water District Joint Meeting

GM Churchill presented a report on information regarding San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD) Joint Meetings. The most-recent Joint SJWD/SSWD 2x2 Ad Hoc Water Management Committee Meeting was held

at San Juan Water District on the afternoon of September 17, 2013. GM Churchill attended the meeting on behalf of the District.

The purpose of the meeting was for the Committee to consider the proposal received from Municipal Consulting Group (MCG) for Phase 1 Evaluation of Water Management Alternatives. MCG's proposal was the only proposal received in response to a Request for Proposals issued jointly by SJWD and SSWD to 12 consultants and consulting firms. Committee members in attendance were Directors Ted Costa and Ken Miller from SJWD and Director Kevin Thomas from SSWD. SSWD Director Neil Schild did not attend as he recused himself from the process as he works for Montgomery Watson Harza (MWH), a proposed subconsultant to MCG.

Directors were provided with a copy of a staff report to the Committee that described the one proposal received from MCG, a new firm led by Derrick Whitehead, recently retired from the City of Roseville, and Ken Payne, recently retired from the City of Folsom. In the staff report, SJWD and SSWD staff recommended rejecting the proposal as "not meeting requirements set forth in the Scope of Work" and to "Repeat the solicitation process for the RFP." SJWD Assistant General Manager Keith Durkin and SSWD General Manager Rob Roscoe spoke in support of the staff recommendation at the meeting. MCG consultant Derrick Whitehead spoke against the staff recommendation. GM Churchill and Fair Oaks Water District General Manager Tom Gray also spoke in favor of repeating the solicitation process.

The Committee directed staff to negotiate with MCG to revise their Scope of Work to meet the intent of the RFP and to do so for the same proposed fee. In their proposal, MCG proposed to analyze only Alternative 3/Option 3 as set forth in the RFP.

Since that time of the Committee meeting, MWH has been removed from the project team such that there is not a conflict with SSWD Director Schild participating on the Committee. This action addresses the potential conflict with a SSWD Director who works for MWH, but creates another dilemma in that it removes the firm who was referenced in the proposal as performing much of the work. There are very few references to work being performed by MCG. GM Churchill noted that MCG has current contracts with SJWD and SSWD. He expressed his concerns regarding the direction of the Committee to proceed in light of the lack of response to the RFP and the apparent shortcomings of the only proposal received. Directors and staff discussed the Joint SJWD/SSWD 2x2 Ad Hoc Water Management Committee Meeting and the next steps in their process to evaluate water management alternatives for the two agencies.

GM Churchill provided information on an upcoming Joint Board Meeting of the Boards of Directors of SJWD and SSWD.

Palm Avenue, Kilborn Drive, et al Water Main Replacements

PM Dietrich presented a report on bids received to replace water mains, water services and fire hydrants along Palm Avenue from San Juan Avenue to west of Dove Drive, along Castle Street between Palm Avenue and Gail Way, and along Kilborn Drive, Billie Street and

Ronnie Street in Fair Oaks; and also reported on a proposed contract with the ICM Group, Inc. to provide inspection services for the project.

Project plans were prepared by Baker-Williams Engineering Group and District staff and distributed to fourteen contractors and three material suppliers for boring and installing 20 lineal feet (lf) of 24-inch casing, installing 1,800lf of 12-inch water main, 2,350 lf of 6-inch water main, 175 lf of 4-inch water main, 21 main valves, 7 fire hydrants, 82 water services, and related appurtenances along Palm Avenue from San Juan Avenue to west of Dove Drive, along Castle Street between Palm Avenue and Gail Way, and along Kilborn Drive, Billie Street and Ronnie Street.

The District received five sealed proposals on October 1, 2013, at which time proposals were opened and read publicly. The low bidder is Martin General Engineering, Inc. of Rancho Cordova, CA. Bids received are as follows:

1. Martin General Engineering, Inc.	\$940,458.00
2. Rawles Engineering, Inc.	\$978,250.00
3. Civil Engineering Construction, Inc.	\$990,855.00
4. GM Construction & Developers, Inc.	\$1,009,891.00
5. Doug Veerkamp General Engineering	\$1,022,045.00

The District's budget estimate for the Project was: \$1,078,631.00.

Directors and staff discussed the project and the bids received.

PM Dietrich then discussed the proposed contract with the ICM Group, Inc. to provide inspection services for the project. The scope and magnitude of the project will require a full-time inspector representing the interests of the District. District staffing is such that sufficient resources are not available to provide the needed level of contractor oversight and customer coordination.

The District has worked successfully with the ICM Group in the recent past on the Auburn Boulevard and the Baird Way, Kalamazoo Drive, Northlea Drive Water Main Replacement Projects. ICM Group's team is familiar with the District's construction specifications and work practices. Their all-inclusive proposed hourly rate of \$80.00 per hour reflects a 5.0 percent increase over last year's rate of \$76.00 per hour.

The project will last no more than 180 calendar days equating to approximately 1,200 hours and a contract inspection expense of an estimated \$96,000.00. The District 2013 Capital Projects Budget includes \$113,760 for contract inspection services for the project. Directors and staff discussed the proposed inspection services.

It was moved by Director Dains, seconded by Director Dion and carried 2-1, Director Goforth voting no, to accept the bid of Martin General Engineering, Inc. in the amount of \$940,458.00 and establish a change order contingency fund in the amount of \$95,000.00; and to authorize the General Manager to execute the contract.

It was moved by Director Dains, seconded by Director Dion and carried 2-1, Director Goforth voting no, to approve entering into a Professional Service Agreement for Inspection Services with the ICM Group, Inc. at an amount not to exceed \$96,000.00 and authorize the General Manager to execute the Agreement.

NEW BUSINESS

Training/Continued Education/Meetings

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

Retirement of Nancy E. Alaniz

GM Churchill presented a report on a proposed resolution honoring Assessor / Collector Nancy E. Alaniz in recognition of her years of valued service to the District. Ms. Alaniz last day of work will be November 7, 2013 after providing over 37 years of service to the District. A luncheon retirement celebration will be held at the Citrus Heights Community Center beginning at noon on her final day.

Directors were provided with a draft Resolution acknowledging and commending Nancy's service. Directors and staff discussed Nancy's years of service and her many contributions to the District and its customers.

It was moved by Director Dion, seconded by Director Goforth and carried 3-0 to adopt Resolution No. 13-2013 Commending Nancy E. Alaniz for her service to the District.

Sacramento LAFCo Special District Commissioner

GM Churchill presented a report on an election for Special District Commissioner for Office No. 7 and Alternate Special District Commissioner for Offices No. 6 and 7 on the Sacramento Local Agency Formation Commission (Sacramento LAFCo). Directors were provided with a notice from Sacramento LAFCo regarding the election, along with resumes' provided to LAFCo by the candidates as follows:

Special District Commissioner Office No. 7

Fredrick A. Gayle, Jr.	Sacramento Suburban Water District
Paul R. Green, Jr.	Rio Linda Elverta Community Water District
Gay Jones (Incumbent)	Sacramento Metropolitan Fire District

Special District Alternate Commissioner

Paul R. Green, Jr.	Rio Linda Elverta Community Water District
Bob McKenzie	Rio Linda Elverta Recreation & Park District

Carmichael Water District Director Ron Greenwood is currently the LAFCo Special District Commissioner for Office No. 6 and is mid-term in his service.

Director Goforth recused himself from discussion of the matter due to a possible conflict of interest and left the room before discussion of the candidates began.

Directors discussed the candidates. Directors stated that, lacking familiarity with either of the Special District Alternate Commissioner candidates, their preference is to cast a vote only for the Special District Commissioner Office No. 7.

It was moved by Director Dains, seconded by Director Dion and carried 2-0 to cast the District's ballot for Gay Jones, Director, Sacramento Metropolitan Fire District, for Special District Commissioner Office No. 7.

Director Goforth returned to the room after discussion and the vote on this matter was concluded.

Folsom Lake Celebration / Advocacy Efforts

AGM Kane presented a report on a proposed resolution supporting For the Sake of the Lake Week. The San Juan Water District and City of Roseville are organizing a celebration of Folsom Lake and its significance to our region with an event called "For the Sake of the Lake Week". The event is tied to ongoing advocacy efforts to increase awareness of the importance of Folsom Lake and the possible negative impacts to the Lake posed by the Bay Delta Conservation Plan in its current form. For the Sake of the Lake Week is scheduled to be held in early November 2013, including events intended to generate local media coverage, and is being organized with the assistance of Crocker & Crocker, a local public relations consulting firm.

Citrus Heights Water District, along with other local entities, has been asked to support this Folsom Lake celebration event by adopting a resolution in support of For the Sake of the Lake Week. Directors were provided with a copy of a draft resolution supporting the event. Support from CHWD and others will be featured as part of what will hopefully be a showing of broad regional support for advocacy efforts to help avoid negative impacts on the Lake. Directors and staff discussed For the Sake of the Lake Week and the proposed resolution.

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to adopt Resolution No. 14-2013 Supporting For the Sake of the Lake Week and the Health and Vitality of Folsom Lake.

PROJECT MANAGER'S REPORT

PM Dietrich presented a report on the following activities during the month of September 2013 by the Project Management and Engineering Department:

- Projects under construction or pending construction by private contractors and developers including:
 - Brake Masters, 8000 Greenback Lane, Citrus Heights.
- Project development/design underway by District staff including:
 - 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.
- Projects contracted by the District, including:
 - Old Auburn Road 18-Inch Water Main and Mariposa Avenue 12-Inch Water Main project.
 - Northgrove Way 6-Inch Water Main and Walnut Drive 8-Inch Water Main Replacement 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 Drainage Improvement Project.
 - 2013 Arterial Street Resurfacing Project.
 - 2013 Residential Street Resurfacing Project.
 - Auburn Boulevard Widening Project.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 191 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 2013 through the end of

September 2013 was 11,971.63 acre-feet, a decrease of 0.8 percent compared with the average annual water consumption during the previous five years, 2008-2012.

Director Dion called a recess to the meeting at 8:31 p.m. OM Townsel and PM Dietrich left the meeting.

Director Dion reconvened the meeting at 8:35 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 GM Churchill and AGM Kane. He also reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA).

GM Churchill reported on a recent meeting of the San Juan Water District Executive Committee that he attended along with AGM Kane.

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

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 2013, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. The District's 2011 and 2012 water efficiency Best Management Practices (BMP) reporting has been reviewed by the California Urban Water Conservation Council, and the District has received an On Track designation for all BMPs and Gallons Per Capita Per Day (GPCD) requirements.
2. Three recruitments were completed during the month of September 2013. Zachary (Zach) Powell began work as the District's newest Water Distribution Operator on September 23, 2013. Dana Mellado started work as the District's new Accounts Receivable Specialist on September 23, 2013. Susan Sohal started work as the District's new Customer Service Administrator on October 7, 2013.
3. The District sponsored a booth at the annual Citrus Heights Sunday FunDay on September 22, 2013, from 11:00 a.m. to 3:00 p.m. at Rusch Park. Six District employees participated in staffing the booth for this event, which was well-attended. The District participates in this event each year as an opportunity to gain public exposure for its services and water conservation programs.
4. Work on the next edition of the District's WaterLine customer newsletter is underway. Water supply issues for 2014 are likely to be featured in this next edition, as well as a possible update on the Bay Delta Conservation Plan and its

possible effects on the District's water supply.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Sixteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of September 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. The General Manager is currently performing a salary survey with data acquired from 19 water agencies, including Citrus Heights Water District, in the greater Sacramento region. A total of 803 job titles are represented in the survey. The District last completed a comprehensive survey of employee salary ranges in April 2009. Since that time the salary schedule has been amended annually by cost-of-living adjustments. Directors were provided with a copy of the District's Compensation Policy that states that a salary survey shall be performed at intervals of no more than three years to ensure that District salaries are consistent with the marketplace. The General Manager will be reviewing the data and presenting his findings and recommendations to the Board of Directors at the November 12, 2013 Board Meeting.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Electronic mail (email) message from customer Michael Besoyan regarding water billing for his property on Nelson Lane in Citrus Heights.

CLOSED SESSION

Pursuant to subdivision (b)(3)(A) of Government Code Section 54956.9 (two cases), Anticipated Litigation, significant exposure to litigation, and also pursuant to Government Code Section 54957, Public Employee Leave of Absence, the Board of Directors convened in Closed Session at 9:14 p.m to receive a reports from District Legal Counsel Judy Albietz and from District staff. Directors Dains, Dion and Goforth, GM Churchill, and AGM Kane were in attendance.

President Dion reconvened the meeting into Open Session at 9:21 p.m. He reported that the following action was taken in regard to the matter considered under Government Code Section 54957, Public Employee Leave of Absence:

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to grant a 95-day Medical Leave of Absence Extension, from September 2, 2013 to December 4, 2013, to District employee John L. Cope.

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 9:22 p.m.

APPROVED:

Original signed by: Robert A. Churchill
ROBERT A. CHURCHILL
Secretary
Citrus Heights Water District

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