

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
August 12, 2014

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
Caryl F. Sheehan, Director
Robert A. Churchill, General Manager
Darlene J. Gillum, Assistant General Manager
John J. Townsel, Operations Manager
Paul A. Dietrich, Project Manager

Director Joseph M. Dion was absent.

VISITORS

There were no visitors.

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

There was no public comment made.

CONSENT CALENDAR

President Dains asked for the Consent Calendar.

Motion: It was moved by Director Sheehan and seconded by Director Dains to accept the Consent Calendar consisting of:

- 1) Minutes of the Regular Meeting of July 8, 2014.
- 2) Assessor/Collector's Report for July 2014.
- 3) Assessor/Collector's Roll Adjustment Letter for July 2014.
- 4) Treasurer's Report for July 2014.
- 5) Payables for July 2014.
- 6) CAL-Card Purchases for July 2014.
- 7) Summary of 2014 Directors, Officers and Employees Training, Seminars and Conference Expenses.
- 8) CSI Engineering Claim for Damages

The motion passed 2-0 with Director Sheehan and Director Dains voting yes.

OLD BUSINESS

Skycrest Well Drilling, Development and Testing

OM Townsel presented a status report on the drilling and testing phase of the Skycrest Well project. He reported that well drilling was completed to a depth of 390 ft., casing and screen installation has been completed and test pumping and development have been completed. The step-pumping test ranged from 1,000 -2,500 gpm over an eight hour period. The 24-hour pumping test was successfully completed at a rate of 2,200 gpm. Final well design is currently underway.

San Juan Water District / Sacramento Suburban Water District Joint Meetings

GM Churchill reported that nothing substantial occurred during July 2014 regarding the ongoing joint meetings between San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD). The parties are completing negotiations with John O'Farrell on a Scope of Work.

Administration Building Improvements

GM Churchill presented a status report on the design phase of the Administration Building Improvements Project. The District submitted Administration Building Expansion and Renovation Plans to the City of Citrus Heights Building Division and the Sacramento Metro Fire District for their review on June 26, 2014, prior to potential changes to the Building Codes likely effective July 1, 2014.

Plan review by both agencies is complete with very few changes. The District will obtain a building permit in the next few weeks in anticipation of advertising for bids in late August. It is anticipated that a recommendation for awarding a bid for construction will be at the October 14, 2014 Board of Directors Meeting.

The District staff is evaluating alternative locations for housing the Administrative staff during construction. A recommendation is anticipated to be forthcoming at the September 9, 2014 Board of Directors Meeting.

Water Supply

GM Churchill presented a status report on water supplies available to the District. As of August 6, 2014, storage in Folsom Lake was at 398,934 acre-feet, 40.8 percent of the total capacity of 977,000 acre-feet and a 5.8% decrease in actual volume since July 4. The historical average for this date is about 59 percent of total capacity. Of concern is that the May 1, 2014 snow survey in the Sierra Nevada by the Department of Water Resources shows the water content of snow at 18 percent of average. It is likely that the District will need to remain in a Stage 3 – Water Warning with a 20 percent conservation target at least through the summer and fall months ahead.

CHWD continues to assist with preserving surface water supplies in the Lake by operating its groundwater wells. Groundwater production by CHWD for the month of July 2014 was 307.73 acre-feet, representing 19 percent of total CHWD water consumption for the month. Groundwater production accounts for 25.01% of the District's total 2014 water use through the end of July.

All District wells (Bonita, Mitchell Farms, Palm, Sylvan and Sunrise) remain operational and are being operated on a rotational or a modified-as-needed basis.

As noted on the Operations Manager's 2014 Water Consumption Report (OM-2), total water use from January 1 through the end of July 2014 was 6,763.68 acre-feet, 14.9 percent less than the five year average for the same period. Total water consumption for the month of July was 1,622.10 acre-feet; 20.9 percent below the five year average for the month of July and 21.2% below July 2013 use. Year-to-date water use in 2014 is 20.8% below the corresponding time period in 2013.

November 2014 General Election

An election will be held on November 4, 2014 for Directors from Divisions Two and Three for regular 4-year terms and for a Director from Division One for a short 2-year term. As of 8:52 AM on Friday August 8, 2014 the following candidates were identified on the Sacramento County elections website as having qualified for the ballot or taken out papers for election as a Director of Citrus Heights Water District:

Division One: Caryl Sheehan

Division Two: Joseph Dion
Bret Daniels

Division Three: Allen Dains

A copy of the County's Contest/Candidate Proof List for the District's positions was provided.

All of the above candidates have paid the \$450 Candidate's Statement Fee to the District.

The filing period closed at 5:00 p.m. on Friday August 8, 2014 since all incumbents filed candidate papers.

GM Churchill provided a verbal update on the election status for San Juan Water District, Sacramento Suburban Water District and Fair Oaks Water District.

Sacramento River Water Supply Planning

GM Churchill presented a status report on the development of a project framework

document for a new Sacramento River Water Supply. At the June 10, 2014 Citrus Heights Water District Board of Directors Meeting the Board received a report outlining the conceptual and preliminary planning efforts dating back to 1998 to evaluate a surface water supply from the Sacramento River to serve or increase the reliability of water supplies to northern Sacramento and southern Placer counties.

Studying an alternate surface water supply from the Sacramento River, coupled with the proposed "SSWD/SJWD Pump Back Project", could be of value if/when water supplies are curtailed from Folsom Lake and excess groundwater is not available from SSWD.

At the June meeting the Board approved participating with other agencies in a scope of work prepared by West Yost Associates Engineers to update the prior studies. An amount not-to-exceed \$15,000 was approved for this work that was estimated to cost \$120,000.

GM Churchill was invited to and attended the second meeting of the interested water agencies that was held in Roseville on May 22, 2014. GM Churchill and AGM Gillum attended the third meeting of the water agencies on July 16, 2014. That meeting began with a tour of the Natomas Central Mutual Water Company's Sacramento River intake structure near the intersection of Sankey Road and Garden Highway. The meeting concluded in Rio Linda with discussion and a presentation by West Yost Associates Engineers. Eight agencies were in attendance. Revisions to the Cost-Sharing-Agreement were discussed and have been forwarded to the agencies to consult with their legal counsels. CHWD legal counsel Judy Albiez has reviewed and commented on the Agreement, a copy of which, including her comments, was provided to the Board. Noteworthy is that eleven agencies have now expressed interest in this Agreement. Placer County Water Agency has agreed to take the lead on administering the Cost-Sharing Agreement and coordinating the Study Update with West Yost Associates Engineers.

Motion: It was moved by Director Sheehan and seconded by Director Dains to direct the General Manager to forward the District's comments to Placer County Water Agency for consideration.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

Funds and Reserves Policy Amendments

AGM Gillum presented the proposed revisions to District Fiscal Management Policies regarding District Funds and Reserves. The District's Fiscal Management Policies contain nine separate policies relating to the nine District Funds and Reserves that are used to organize and allocate all District monies for various purposes. These policies define the purpose for which the specified Fund or Reserve is to be used, and set forth certain responsibilities and restrictions on the transfer or expenditure of monies.

The nine Funds and Reserves policies are being presented for discussion with proposed amendments or deletions. These proposed policy changes were brought to the Board at

the June 10, 2014 board meeting by former AGM Kane with the recommendation that formal adoption of the revised policies be requested once the new AGM reviewed the policies. AGM Gillum reported that she has reviewed the proposed policy revisions and concurs with the changes as proposed by former AGM Kane with the following changes:

- 1) The target for the Depreciation Reserve is revised to be at least the amount needed to meet the District's estimated capital outlays for replacement and rehabilitation of capital facilities during the current and following fiscal years with the goal of reaching 5% of the total capital assets (less equipment and machinery) when reasonably feasible; and
- 2) The target for the Fleet Equipment Reserve is revised to be at 10% of the equipment and machinery capital asset costs (i.e., non-depreciated amount).

Copies of each of the policies with proposed amendments were provided. In general, the proposed changes or deletions will serve to do the following things:

- Establish target amounts for monies to be maintained in the specified Fund or Reserve.
- Provide authority to the District Treasurer for transferring monies to or from many of the Funds and Reserves in accordance with the specified policy.
- Provide additional consistency in language among the policies.
- Delete one policy, the Transmission Pipeline Project Fund policy, which will also serve to delete the Fund itself as no longer being needed.

As proposed, the amended Policies would allow for monies to be transferred in or out of most of the Funds and Reserves at the direction of the District Treasurer with monthly reports to the Board on said actions, except for the Rate Stabilization Reserve and the Connection Fund. Expenditure or transfer of monies out of either of these two sources would remain under the authority of the Board of Directors. The amounts of monies to be retained in each of the specified Funds and Reserves are expressed as "targets" rather than absolute dollar amounts to serve as a guideline for fiscally-responsible amounts of dollars to be kept in each Fund or Reserve. The Board of Directors, and the Treasurer under the Board's direction, retains the ultimate authority to determine appropriate levels for each source under circumstances that will undoubtedly change over time.

One policy is recommended for deletion: Policy 6241, Transmission Pipeline Project Fund. This Fund, originally established in 1995 as a way to track monies being allocated and expended for the Cooperative Transmission Pipeline Project, has been inactive with a zero balance since December 1998. Since the purpose for which this Fund was created was completed long ago, there is no purpose in continuing to show it as one of the Funds and Reserves of the District.

Motion: It was moved by Director Sheehan and seconded by Director Dains to approve proposed amendments to the following District Fiscal Management Policies:

Policy 6200 Operating Fund
Policy 6210 Operating Reserve
Policy 6220 Rate Stabilization Reserve
Policy 6230 Depreciation Reserve
Policy 6240 Capital Improvement Reserve
Policy 6250 Connection Fund
Policy 6260 Fleet Equipment Reserve
Policy 6270 Employment-Related Benefits Reserve; and

Approve the deletion of the following District Fiscal Management Policy:

Policy 6241 Transmission Pipeline Project Fund.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

NEW BUSINESS

Training/Continued Education/Meetings

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

Volunteer Policy

AGM Gillum presented a proposed Volunteer Program Policy for consideration. The District has an opportunity to utilize the services of a volunteer who is interested in working in the water conservation arena while on summer break from college. As the District has not utilized or implemented a volunteer program previously, it is in the District's best interest to adopt a policy that identifies the basic purpose and guidelines of a volunteer program.

The proposed volunteer program/policy is written to cover a broad spectrum of volunteer opportunities to allow other departments the ability to utilize volunteer services when deemed appropriate.

The District's workers' compensation insurance will cover any physical injury to a volunteer while they are performing their volunteer duties. The District will ensure that all volunteers receive the appropriate safety training prior to allowing the volunteer to commence work. Also, volunteers are required to complete an application, sign an acknowledgement of at will position and must complete a volunteer time log to document their volunteer activities and hours served. The District will provide volunteers with District uniform shirts (i.e., safety orange shirts) as may be necessary. However, volunteers will be required to provide their own safety footwear (i.e., steel toe shoes) if required for their volunteer activity.

Motion: It was moved by Director Dains and seconded by Director Sheehan to approve Policy 4013 adopting a District Volunteer Program.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

Customer Billing Dispute – Jerry and Cheryl Basinger

AGM Gillum presented an appeal by CHWD customers Jerry and Cheryl Basinger regarding charges for damage caused to the CHWD distribution system. CHWD customers Jerry and Cheryl Basinger, whose service address is 7225 Geowood Way, are disputing the bill to them in the amount of \$649.90 for damage to the CHWD water main located on their property.

The damage to the 8” water main occurred on July 7, 2014 when Mr. Basinger was removing a 4”x4” wooden fence post from his property. Mr. Basinger had not called Underground Service Alert (“USA”) to determine the location of any underground utilities. The damaged water main was reported to CHWD and CHWD staff made the necessary repairs. On July 8, 2014 Operations Manager, John Townsel, requested that the CHWD Assessor/Collector submit a bill for \$649.90 to Mr. Basinger for the repair.

The Basingers’ letter to CHWD dated July 22, 2014 presents their position on the charges. The Basingers contend that they are not responsible for the cost of repairing the water main for the following reasons:

- 1) They did no digging; all that was done was to pull out a rotten post that had been there almost 30 years. Since no digging was done, they did not have to call USA.
- 2) The water line was only 12 to 14 inches under the ground, less than the 30 to 36 required inches.
- 3) The place that was repaired was underneath their sidewalk, 8 to 12 inches away from the post.

They are requesting consideration of their appeal because of the above reasons and, because they are on Social Security, the size of the damage charges would be a financial hardship.

On, or about, July 17, 2014, Operations Manager, John Townsel, spoke with Mr. Basinger about the damages. OM Townsel explained to Mr. Basinger that anytime soil is to be disturbed USA must be called to locate underground utilities. OM Townsel also explained that there is no exact measurement for the water main depth as grades frequently change as homeowners grade and build on their property.

Based on OM Townsel’s review and analysis of the circumstances, the Basingers are responsible for the damage caused to the CHWD distribution system. However, in consideration of Mr. and Mrs. Basinger’s request for consideration due to financial hardship, it is recommended that the District work with Jerry and Cheryl Basinger on a mutually acceptable payment plan.

Motion: It was moved by Director Dains and seconded by Director Sheehan to deny the appeal from CHWD customers Jerry and Cheryl Basinger and to direct staff to work with Jerry and Cheryl Basinger on a mutually agreeable payment schedule.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

Organization Structure and Chart and Salary Schedule Amendments

AGM Gillum presented proposed amendments to the District General Policy No. 1030, Organizational Structure and Chart and to the District Human Resources Policy 4101.A1, Compensation-Attachment 1: Salary Schedule. Pam Peters, Office Administrator has provided notice of her pending retirement in November 2014. The following changes are proposed for the new organizational structure:

Office Administrator – position will not be filled upon the incumbent’s retirement.

Accounting Supervisor – formerly titled Customer Service Administrator, this position is retitled to *Accounting Supervisor* to better reflect the full scope of its responsibilities. As Accounting Supervisor, this position will have responsibility for customer service, accounts receivable, accounts payable and general ledger. This position may continue to serve as Assessor / Collector. This position is assigned the general ledger, budgeting, month end and year end close, audit liaison, and a portion of the information technology liaison responsibilities previously performed by the Office Administrator. The new Accounts Payable Specialist position will report to the Accounting Supervisor.

Human Resources Specialist – formerly titled, Accounts Payable / Human Resources Specialist, this position is assigned full human resources and payroll responsibilities; taking on the human resources, benefit administration and payroll responsibilities previously performed by the Office Administrator. As the District’s workforce is evolving, the need to have a dedicated human resource specialist is becoming increasingly more important.

Accounts Payable Specialist – this position is a newly created position that will be responsible for all of the accounts payable functions for the District. These duties were previously performed by the Accounts Payable / Human Resources Specialist. This position will report to the Accounting Supervisor.

Policy Impacts

The District General Policy 1030 – Organizational Structure & Chart and the Salary Schedule, Policy 4101.A1, are proposed for amendment pursuant to this organizational change. The Salary Schedule is revised to add the new position of Accounts Payable Specialist.

There are two sets of proposed policy changes. The first set, effective August 13, 2014, reflects the addition of the Accounts Payable Specialist position and the retitling of the Customer Service Administrator and the Accounts Payable / HR Specialist positions.

The second set, effective November 7, 2014, reflects the retirement of the Office Administrator and removes that position from the Organization Chart and Salary Schedule. The District General Policy 1030 – Organizational Structure & Chart and the Salary Schedule, Policy 4101.A1, are proposed for amendment pursuant to this organizational change.

Recruitment for the Accounts Payable Specialist will commence upon the Board's approval of the changes to the organizational structure.

Fiscal Impacts

The actions proposed pursuant to this organization restructuring will reduce salary and benefit costs by approximately \$74,000 in 2015. This is due primarily to the retirement of the Office Administrator who, after 20 years of service, was at the top end of the salary range and was a Tier 1 PERS employee. This estimated savings reflects a modest adjustment to the Accounting Supervisor and Human Resources Specialist pay rate to reflect their added responsibilities.

The proposed revised job descriptions and organization chart and salary schedules for each phase of the reorganization were provided.

Motion: It was moved by Director Sheehan and seconded by Director Dains to approve amendments to the District General Policy No. 1030, Organizational Structure and Chart and the District Human Resources Policy 4101.A1, Compensation-Attachment 1: Salary Schedule effective August 13, 2014.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

Motion: It was moved by Director Sheehan and seconded by Director Dains to approve amendments to the District General Policy No. 1030, Organizational Structure and Chart and the District Human Resources Policy 4101.A1, Compensation-Attachment 1: Salary Schedule effective November 7, 2014.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

2015 Budgets and Water Rates

AGM Gillum presented the draft Operating and Capital Improvement Budgets for 2015 and draft water rates for 2015 for review and discussion of major issues related to each. The August Board meeting marks the start of the 2015 budget and water rate process. This process will conclude in November 2014 with adoption of 2015 operating and capital project budgets as well as water rates and charges for the coming year. At this first meeting of the budget/rate process, an overview of budget and water rate issues is presented to provide a framework for discussions.

The budget and rate estimates presented in this report are planning-level estimates in very preliminary form and should be viewed as such. However, the estimates should be close enough to the likely range of actual costs and revenue needs to allow the Board to consider a possible range of rate adjustments that can be refined as the budget and rate development process for 2015 moves forward.

For discussion purposes, based on the forecast of the approved rate model completed late in 2013, staff has assumed a 3.0% rate increase for 2015. This rate increase is applied to both the service charge rates and the commodity rates. The projections for 2015 also maintain the single tier rate structure for usage, which was implemented in 2014. Some very preliminary budget and rate projections are presented to provide a framework for initial discussion and guidance for preparation of budget and rate projections to be presented at the Board's annual Budget and Water Rate Workshop on September 9, 2014.

Preliminary 2015

Operating Budget: \$9.82 million, increase of \$139k from the 2014 budget (1.4%)

Major issues: Salary COLA/merit increases – (COLA 1.8%; merit 3.2%)
Health insurance benefit cost increases estimated at 12%
Purchased water from SJWD rate increase of approximately 5%;
Acre Feet purchased reduced (\$58k reduction)
Increase cost related to increased well pumping
Payment processing increases as more customers use credit cards
CalPERS increase of approximately 5%
Salary and benefits reductions related to employee retirements
Cost of field operations (materials, tools, fuel) continue to climb

Preliminary 2015

Capital Improvement Budget: \$2.66 million in new capital spending proposed for 2015; carryover projects budget of \$3.70 million; total proposed Capital Improvement Budget of \$6.36 million. The preliminary 2015 Capital Projects Budget – Summary by Project is attached.

Preliminary 2015

Water Rates and Charges: Increase service charge and commodity rate by 3.0%

Major issues: District financial reserves continue to be the strongest since 2001, overall rate increase of 3.0% increases total revenues by \$317k
Probable one-time revenue of \$190k from SJWD
Continue annual contributions to Depreciation Reserve
Continue annual contributions to Capital Improvement Reserve
Capacity fee income projected to remain low

A 3 percent increase in the bi-monthly service charge would raise the bi-monthly rate for most District customers with 1-inch meters from \$54.50 to \$56.14, a bi-monthly increase of \$1.64 (\$.82 per month). Bi-monthly service charges for other size meters would increase in the same proportion.

A 3 percent increase in per-unit water charges would result in the commodity charge for all meter accounts, excluding Construction Meters and the North Ridge Country Club Meter, from \$0.744 to \$0.766, an increase of \$0.022 for all units consumed. A single unit

is equivalent to 748 gallons of water.

Proposition 218 Notification. The District must provide written notification of proposed water rate adjustments to all property owners within the District in accordance with the requirements of Proposition 218. The notification must be received a minimum of 45 days in advance of the public hearing where the rate adjustments are to be considered. If the Board elects to consider an adjustment in water service charges or commodity charges for 2015, the District must prepare and mail a Proposition 218 notification not later than September 26, 2014 in order to meet the notification requirement for a public hearing at the Board's November 18, 2014 meeting.

The cost of the Proposition 218 notification mailing is estimated to be \$9,400, using the one-page "self mailer" format that has been used by the District in prior years. Miscellaneous charges and fees that apply to specific services provided by the District, such as plan check and inspection charges, service installation charges and capacity fees, are not subject to Proposition 218 notification requirements.

Direction and input from Directors at this meeting will be used to refine the preliminary budget and rate proposals for the September 9, 2014 Board workshop.

The Directors asked questions on specific line items and agreed to have staff continue the budget process.

ASCE Annual Civil Engineering Conference

GM Churchill presented a request for approval of the General Manager's attendance at the American Society of Civil Engineers (ASCE) Annual Conference in Panama City, Panama. GM Churchill has been a member of the ASCE since 1976; joining the Student Chapter while an undergraduate at Oregon State University. In addition to attending local Chapter Meetings, he has attended two annual conferences (Las Vegas, 2010 and Montreal, 2012) as he approaches Life Membership in 2016 at 40 years of membership.

This year's annual conference is to be held in Panama City, Panama from October 7 to 10. Estimated expenses are as follows:

Registration:	\$ 745	
Lodging:	\$ 900	4 nights (Tue-Fri)
Meals:	\$ 400	5 days (Tue-Sat)
Incidentals:	<u>\$ 355</u>	
Total:	\$ 2,400	

Due to the out-of-country location, air travel is proposed to be a personal expense and not District expense.

Travel: \$ 841 Sacramento-Los Angeles-Panama City

Motion: It was moved by Director Sheehan and seconded by Director Dains to approve the General Manager's attendance at the ASCE Annual Conference in Panama City, Panama at a cost not-to-exceed \$2,400.00.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

Public Information Services Consultant

AGM Gillum presented an amendment to the agreement with CirclePoint to extend the existing agreement for public information services related to the District's newsletters and web site. The District has contracted with CirclePoint (formerly MMC Communications) since August 2008 for public information services to produce the WaterLine customer newsletter, maintain and update CHWD's web site and other public information services as requested. The agreement with CirclePoint was amended in October 2011 to extend the term of the agreement through July 2013. In October 2013, a no-cost extension of the agreement was executed extending the term through July 2014. The extended term of the agreement has expired. An additional amendment is being proposed to extend the term for CirclePoint's services through July 2016, a period that will cover four editions of the District's semi-annual WaterLine newsletter.

District staff continues to be very pleased with the quality and responsiveness of CirclePoint's services. They have created and maintained a consistent and professional design that ties together the website and the newsletter, the District's two main methods of public outreach. Most recently CirclePoint completed the new website design moving the platform to WordPress, which is a more intuitive, user friendly, program to use for updating and modifying web page content. This platform change will allow for District staff to perform more of the web site content updates effectively reducing the amount paid to CirclePoint for web site support. CirclePoint will continue to perform the more complex revisions to the web site on an as-needed basis.

The proposed new amendment, Amendment No. 4 to the agreement with CirclePoint, includes a total contract authorization of \$47,430. This amount is sufficient to provide services for producing four editions of the WaterLine plus ongoing content management, updates and troubleshooting as required for the District's website. A proposed Scope of Services from CirclePoint is attached to the draft Amendment No. 4 to the agreement. CirclePoint's hourly rates have either remained the same or in some cases have been reduced since the inception of the agreement in 2008. Current rates will remain in effect at the start of Amendment No. 4, but are subject to an unspecified escalation in January 2015. In the event a rate increase is made that is unacceptable to the District the agreement allows for termination without cause with 60-day notice. The agreement lists CirclePoint's San Francisco office as the address of record, but most of the work and support for the District is performed by their Sacramento office.

Motion: It was moved by Director Dains and seconded by Director Sheehan to authorize the General Manager to execute an Amendment No. 4 to the Agreement for Public Information Services with CirclePoint of Sacramento, California, in an amount not to exceed \$47,430.00.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

Water Shortage Financial and Rate Analysis Services Consultant

GM Churchill presented a proposal to consider approving a Professional Services Agreement with The Reed Group to develop a water shortage financial and rate analysis for the District. With the seriousness of the water supply situation in the forefront, water agencies continue to explore opportunities and rationale to influence customer demands and water use habits. One of the options to reduce water use during emergencies including extreme shortages of supply is to implement water shortage rates or surcharges that have a direct link to the situation(s), the theory being that higher rates for a period of time defined by the situation will cause customers to reduce their water use.

The City of Roseville has had such water rates/surcharges in place since their adoption in 2009 and in the spring of 2014 implemented those rates/surcharges. Recently, working with The Reed Group, San Juan Water District (SJWD) developed drought rates and adopted them for their retail customers on April 23, 2014. Although the drought rate schedule is adopted, SJWD has not taken action to implement those rates at this time.

With Citrus Heights Water District beginning its budget and rate-setting process for 2015, now would be an opportune time to consider adopting water supply emergency / drought-related rates as an addition to the District's current rates schedule structure. This would enable the District to proactively react to a situation in which such rates might apply by having them in place in the event the Board of Directors determines that they need to be implemented. This would avoid having to go through a process to determine and adopt such water rates during a crisis.

A "Proposal to Develop Water Shortage Financial and Rate Analysis" was requested and received from The Reed Group and is attached to this report. The Reed Group is uniquely qualified to provide this service to the District due to their work for SJWD and their familiarity with the City of Roseville's rates. With the a majority of the District's water supply being purchased from SJWD, it makes sense that the concepts and methods used in determining SJWD's drought-related rates would also apply to a large degree to Citrus Heights Water District.

Although the estimated cost to provide this consulting effort is within the General Manager's approval authority, this concept also has policy implications and therefore is being brought to the Board of Directors for action.

Director Dains requested that GM Churchill contact Fair Oaks Water District to ask if they have any interest in defining drought rates in a similar fashion in the event there could be any economy of scale by both districts contracting with The Reed Group.

Motion: It was moved by Director Dains and seconded by Director Sheehan to authorize the General Manager to execute a Professional Services Agreement for a Water Shortage Financial Rate Analysis with The Reed Group of Sacramento, California, in an amount not to exceed \$16,100.00.

The motion carried 2-0 with Director Dains and Director Sheehan voting yes.

PROJECT MANAGER'S REPORT

PM Dietrich presented a report on the following activities during the month of July 2014 by the Project Management and Engineering Department:

- Projects under construction or pending construction by private contractors and developers including:
 - Arcade Creek Park Preserve, Bonham Circle/Sunrise Boulevard.
 - Muschetto Subdivision, 46 Residential Lots, 7108 Antelope Road.
 - Sherwin Williams Paint, 8065 Greenback Lane.
- Contractor/developer projects pending construction:
 - Fair Oaks Village, 6800 Madison Avenue.
 - HD Supply, 7980 Greenback Lane.
- Project development/design underway by District staff including:
 - Sonora Way 8-Inch Water Main Replacement project.
 - Hanson Avenue 6-Inch Water Main Replacement project.
 - Sunrise Boulevard 12-Inch Water Main Replacement project.
 - Highwood Way 6-Inch Water Main Replacement project.
- Projects contracted by the District including:
 - Mariposa Avenue 24-Inch Water Main Replacement project.
 - Park Drive 8-Inch Water Main and Poplar Avenue 8-Inch Water Main Replacement project.
- Coordination and inspection is underway with the City of Citrus Heights on the following City projects:
 - Old Auburn Road 14-Inch Water Main.
 - Old Auburn Road 16-Inch Water Main.
 - Auburn Boulevard Joint Trench Utility Undergrounding Project (Phase 1).
 - Auburn Boulevard Widening Project.

It was reported that there were no additions to the District's water distribution system that were constructed by an independent State Licensed contractor on behalf of a private developer/owner.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 254 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 2014 through the end of July 2014 was 6,763.68 acre-feet, a decrease of 14.9 percent compared with the average annual water consumption during the previous five years, 2009-2013. It was noted that this amount has been reconciled to account for CHWD-produced groundwater that was served outside of CHWD.

Director Dains called a recess to the meeting at 8:00 p.m. OM Townsel and PM Dietrich left the meeting.

Director Dains reconvened the meeting at 8:05 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

GM Churchill reported on the July 10th meeting of the Regional Water Authority (RWA) that he attended with AGM Gillum.

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

GM Churchill reported on a San Juan Water District Reserves and Financial Plan Workshop that he attended recently along with AGM Gillum.

AGM Gillum reported on a meeting of the Citrus Heights Chamber of Commerce Government Issues Committee that she recently attended.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Gillum reported as follows:

1. Directors were provided with a summary of Water Efficiency Program activities year-to-date through July 2014, including the number of ultra-low-flush toilet rebate issued. The volume of water waste calls continues to be high.
2. The Water Forum meeting for the month of August has been cancelled but there are plans to hold a September meeting.
3. Provided the proposed organizational changes are approved by the Board at the

August 12, 2014 Board meeting, recruitment for the newly created Accounts Payable Specialist will commence immediately. Hiring into this position as soon as possible will allow for the greatest use of time for training between the retiring Office Administrator, Pam Peters, and the employees who will be assuming portions of her current duties. Upon Pam's retirement, the Office Administrator position will be removed from the District's approved positions list.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty-four District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of July 2014. 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

1. The Directors were provided a copy of the letter from Ray Stone regarding billing procedures and response memorandum from CSA Sohal.
2. The Directors were provided a copy of the letter of thanks for support of the Water Education Foundation.
3. The Directors were provided a copy of the email of thanks for support of the Water Research Foundation.
4. The Directors were provided a copy of the CHWD Letter to State Water Resources Control Board 2014 Jul 14 re: Emergency Regulations for Water Conservation.
5. The Directors were provided a copy of the SJWD Letter to State Water Resources Control Board 2014 Jul 11 re: Emergency Regulations for Water Conservation.

CLOSED SESSION

The Board of Directors convened in Closed Session at 825 p.m. on the following matters:

Pursuant to subdivision (a) of Government Code Section 54956.9 (one case), Existing Litigation: Citrus Heights Water District v. FedExGround, to receive a report from Attorney Paul Phillips and from District staff. Directors Dains and Sheehan, and GM Churchill and AGM Gillum were in attendance.

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Pursuant to subdivision (b) of Government Code Section 54956.8 (one property), Real Property Negotiations, 5640 Southgrove Drive, to confer with agency negotiators, GM Churchill and AGM Gillum, regarding price and terms. Directors Dains and Sheehan, and GM Churchill and AGM Gillum were in attendance.

President Dains reconvened the meeting into Open Session at 8:47 p.m. He reported that no reportable action was taken during the Closed Session.

FUTURE CHWD BOARD OF DIRECTORS MEETING DATES:

September 9, 2014	6:30 PM	Regular Meeting
October 14, 2014	6:30 PM	Regular Meeting

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 8:48 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