

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS SPECIAL MEETING MINUTES
December 5, 2018

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

Raymond A. Riehle, President
Caryl F. Sheehan, Vice President
Allen B. Dains, Director

Staff: Hilary Straus, General Manager
Susan Sohal, Administrative Services Manager
Chris Castruita, Management Services Supervisor/Chief Board Clerk
David Gordon, Operations Manager
Missy Pieri, Engineering Manager/District Engineer
Rex Meurer, Water Efficiency Supervisor
Alberto Preciado, Senior Accountant
Madeline Henry, Management Services Specialist/Deputy Board Clerk

VISITORS:

Kathy Morris
Richard Judd
Cristina Judd
Rob Hamilton
John Pederson
Roger Kohne
Dave Jones
Michael Goble
David Wheaton
Bill Shirley
Sarah Casna
Marco Arroyo
Robert Nordquist
Gigi Croteau
Oleg Shisko
Luke Otterstad

PLEDGE OF ALLEGIENCE:

Board President Riehle led the pledge of allegiance.

PUBLIC COMMENTS:

None.

CONSENT CALENDAR:

None.

BUSINESS:

Administrative Services Manager Sohal asked Board President Riehle permission to present agenda items B-1, B-2 and B-3 consecutively before opening the floor for public comment. President Riehle granted the request.

2019 Discussion and Possible Action to Approve the Budget

Administrative Services Manager Sohal presented a Power Point presentation of the proposed Operating and Capital Improvement Budgets, and Transfers to Designated Reserves for 2019, and asked the Board to consider adoption of a resolution establishing the Fiscal Year 2019 Operating and Capital Improvement Budgets, and Transfers to Designated Reserves.

Sohal provided the Board with a copy of a proposed resolution, Resolution 17-2018, establishing the Fiscal Year 2019 Operating and Capital Improvement Budgets, and Transfers to Designated Reserves, which includes a summary of these budgets in the following amounts:

2019 Operating Budget:	\$ 13,073,299
2019 Capital Improvement appropriations:	
New Capital Projects Request for 2019:	\$ 2,996,669
Previously-Approved Projects Carried Over from 2018:	<u>\$ 1,381,441</u>
Total 2019 Capital Improvements Requests:	\$ 4,378,110
2019 Transfers to Designated Reserves:	\$ 666,000

Budget information and rate options have been reviewed by the Board of Directors at three public meetings, including at a September 05, 2018 Budget Study Session, a September 19, 2018 Board meeting and this Public Hearing on December 05, 2018. Moreover, the proposed 2019 CHWD budget, rate program and the District's work program were presented to nine neighborhood associations throughout Citrus Heights and Orangevale, and to two service clubs within Citrus Heights.

2019 Operating Budget

The 2019 Operating Budget was prepared with the goal of supporting the District's mission of providing a dependable supply of safe, quality water delivered in an efficient, responsive and

affordable manner. Moreover, the proposed 2019 Operating Budget incorporates Strategic Planning goals and objectives identified by the Board, with input from leadership staff, at the Board's Strategic Planning Session held on July 07, 2018. District staff recommended the proposed 2019 Operating Budget as it reflects a balance between maintaining high-quality water service and keeping costs in check.

The 2019 budget continues the practice of estimating the amount of staff time to be spent working on capital improvement projects and allocating the estimated salary and benefit costs to the Capital Improvement Budget. This allocation gives a more accurate picture of the true cost of both day-to-day operations and capital improvements. The 2019 proposed budget allocates \$550,000 of staff salary and benefits to capital projects.

Highlights of proposed 2019 expenditures are summarized below.

Operating & Maintenance Budget

- \$13.07 million, increase of 7.5%, or \$917,000 from the 2018 budget.
- \$364,341 or 11.83% total increase in cost of treated water from San Juan Water District. The growth in costs includes the wholesale water rate increase of 9%, and an increase of projected water use, estimated to be 12,500 AF as compared to 12,000 AF in 2018.
- \$1.89 million in Professional Services, including many Strategic Planning and Special Project items, including the Project 2030 Study, Water Meter Replacement Program, ASR Study, organizational development, District policy review/updates, review of easements, annexations, website redesign and water supply agreement.
- \$376,652 increase in Salary and Benefits, which includes: Accelerated payoffs of the CalPERS pension Unfunded Actuarial Liability (UAL) and the OPEB UAL; 35% increase in the CalPERS employer contribution rate (due to factors such as the lowering of the assumed rate of return on CalPERS' portfolio); 25% increase in Health Insurance (due to factors such as increased plan costs (staff is currently researching provider and plan options)); 4.5%, for merit and cost of living adjustments; and, 1.35% increase is attributable to the addition of the proposed Senior Management Services Specialist position.

Capital Improvements Budget

2019 Capital Improvement appropriations:

New Capital Projects Request for 2019:	\$ 2,996,669
Previously-Approved Projects Carried Over from 2018:	<u>\$ 1,381,441</u>
Total 2019 Capital Improvements Requests:	\$ 4,378,110

Project highlights include:

- Replacement of aging customer water services budgeted at \$957,700 to include replacements within the Stock Ranch subdivision.
- Replacement, upgrades and new fire hydrants for \$159,150.
- Six water main replacements or installation projects, scheduled to start in 2019. Projected cost of \$665,350 with completion targeted for 2020.
- Operations equipment replacements and new equipment totaling \$295,000.
- Groundwater Well continued property acquisition carryover allocating \$460,000.

Designated Reserves Transfers

The proposed 2019 budget meets all policy targets for fund balances in the District’s designated reserves in addition to the reserve transfers noted below from the Operating Fund.

- \$66,000 transfer to complete the replenishment of the Rate Stabilization Reserve to bring the fund back to its policy target of \$1million. \$366,000 was drawn down from the fund in 2015 due to the drought.
- \$400,000 transfer to the Water Supply Reserve based upon projected revenue.
- \$200,000 transfer to the Water Meter Replacement Reserves for accrual of funds toward Meter Replacements at the end of their useful life, projected to start in 2025.

Total Operating, Capital and designated Reserved Transfers Budgets for 2019:

Total Funding Requirements for 2019 Budgets:

Operating Budget	CIP Budget	Transfers to Reserves	Total
\$13.07 million	\$4.38 million	\$666,000	\$18.3 million

2019 Water Rates and Miscellaneous Charges and Fees

Administrative Services Manager Sohal presented a Power Point presentation for the proposed Water Rates and Miscellaneous Charges and Fees for 2019, and asked the Board to consider adopting the accompanying resolution establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District for 2019 during the Public Hearing.

Notice of the Hearing was mailed to all District property owners on October 12, 2018 as part of the required Proposition 218 notification. Notice was posted on the District’s web site, and posted on the public notice board at the entrance to the District Office.

The Board conducted a budget and rate study session on September 05, 2018. At that study session, the Board considered a number of rate options and corresponding operating and capital impacts based upon an assessment of the District’s Long-term Financial Plan (Rate Model). The

Board provided additional direction to staff on September 19, 2018 to distribute a Proposition 218 Notice which included the maximum rates that the Board would consider at a public hearing on December 05, 2018.

The maximum rate adjustment considered by the Board at the December 05 Board Meeting is based on a financial assessment whereby future annual increases, including the 2019 rate increase being considered by the Board this evening, will enable the District to plan for operational budgetary increases and complete needed Capital Improvement projects without the need to incur additional debt in the near future.

Administrative Services Manager Sohal stated that the District has received 16 written protests from property owners. Directors have been provided with copies of the written protests along with their agenda packets for this Board meeting.

2019 Schedule of Water Rates, Fees and Charges

A schedule comparing current 2018 rates with the proposed 2019 Water Rates, Fees and Charges to be considered by the Board accompanies this report (Attachment 1). Significant elements of the water rate schedule effective 2019 are as follows:

- Increases to bi-monthly service charges in 2019 for a typical single-family residential customer are \$5.76 (or \$2.88 per month) based on a monthly consumption of 20 units of water. Costs for other customer classifications and meter sizes will increase between \$2.44 and \$24.54 bi-monthly for meter sizes from 1½-inch to 4-inch, respectively.
- Consumption charges are proposed to increase from \$1.0187 cents to \$1.0674 per 100-cubic-foot-unit of water (748 gallons), a net increase of 4.87 cents per 100-cubic-foot-unit of water.
- Other charges such as Wheeling Water Charges, Construction Meters, and Fire Sprinkler Charges are proposed to increase consistent with the overall rate increase.
- Adjustments to other charges and fees are based on staff analysis of the staff time, equipment, materials and other costs involved in providing the specified services.

Administrative Services Manager Sohal recommended that the Board conduct a Public Hearing on the proposed Water Rates and Miscellaneous Charges and Fees for 2018, and adopt Resolution No. 18-2018 Establishing Water Rates and Miscellaneous Charges and Fees Effective Fiscal Year 2019.

2019 Capacity Charges

Administrative Services Manager Sohal stated that staff received input from the General Counsel's Office that the Board had no need to approve Resolution 19-2018, as staff is not

requesting any adjustment to capacity charges. For this reason, Administrative Services Manager Sohal requested that the Board take no action on Resolution 19-2018.

President Riehle declared the public hearing open.

Rob Hamilton: I am opposed to the increase. I own a small farm and raise cattle on my property. This rate increase will make it unaffordable for me to continue to do so.

John Alphonson: I am opposed to the rate increase. I ask the Board to reconsider the increase, as it places a hardship on single family home owners.

Mario Arroyo: I am opposed to the rate increase. You say there was outreach to the community, but the first notice that I received of the proposed rate change was from a story in the Citrus Heights Sentinel.

Kathy Morris: I don't like paying more money any more than anyone else here. However, I want water that is safe and reliable. For this reason, I support the rate increase.

Oleg Shisko: I came to the rate hearing last year, and asked whether you plan to increase rates in the following years. I am opposed to the rate increase, and again must ask whether you plan to increase rates next year. What information do you have to prove that you need to raise water rates?

Director Riehle stated that the current Board cannot tie the hands of future Boards, and would not speak for next year's Board. He also stated that the Board directed staff to issue Proposition 218 notices to all current customers, who issued the notices on October 12, 2018.

General Manager Straus stated that staff is available to discuss with customers how the budget was developed, and the current financial condition of the District following the meeting or at a scheduled meeting. Staff provided presentations on the proposed 2019 budget and rate adjustments to 8 Citrus Heights Neighborhood Associations, the Orangevale CPAC, and two local service clubs.

Bill Shirley: I live nearby Old Auburn Road, and the pressure at my residence is very high. When leaks occur, more water leaks out. Is there something that the District intends to do to regulate the pressure in my neighborhood?

Director Riehle requested that staff respond to this question. Operations Manager Gordon stated that staff is studying the benefit of adding pressure regulators to certain high pressure zones in the service territory. This is part of the Project 2030 Water Main Replacement Study, and the pressure regulation system could be used to produce electrical power, lowering the District's electrical costs in the process.

Director Dains stated that he worked on high pressure zones in his career, and that you have to be careful not to create a high pressure zone in another area of the service territory in the process. It makes sense to get things right the first time.

ACTION: Director Dains moved to and Director Sheehan seconded the motion to approve Operating and Capital Improvement Budgets, and Transfers to Designated Reserves for 2019, and adopt Resolution 17-2018, establishing the Fiscal Year 2019 Budget, and Transfers to Designated Reserves.

The motion carried 3-0 with all Directors voting yes.

ACTION: Director Dains moved to and Director Sheehan seconded the motion to approve Water Rates and Miscellaneous Charges and Fees established in Fiscal Year 2019, and adopt Resolution No. 18-2018 Establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District beginning in Fiscal Year 2019.

The motion carried 3-0 with all Directors voting yes.

ACTION: No action was taken on Resolution No. 19-2019 Establishing Capacity Charges for Citrus Heights Water District beginning in Fiscal Year 2019.

CONSULTANTS' AND LEGAL COUNSEL REPORT:

None.

DIRECTOR'S AND REPRESENTATIVE'S REPORTS:

None.

MANAGEMENT SERVICES REPORT:

None.

CORRESPONDENCE:

None.

CLOSED SESSION:

None.

FUTURE CHWD BOARD OF DIRECTORS MEETING DATES:

December 19, 2018 6:30 PM Regular Meeting

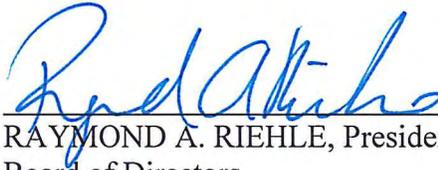
ADJOURNMENT:

There being no other business to come before the Board, the meeting was adjourned at 7:52 PM.

APPROVED:



CHRISTOPHER CASTRUITA
Deputy Secretary
Citrus Heights Water District



RAYMOND A. RIEHLE, President
Board of Directors
Citrus Heights Water District