

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS SPECIAL MEETING
May 26, 2015

The Regular Meeting of the Board of Directors was called to order at 6:34 p.m. by President Dains and roll was called. Present were:

Allen B. Dains, President
Caryl F. Sheehan, Vice President
Raymond A. Riehle, Director
Robert A. Churchill, General Manager
Hilary M. Straus, Assistant General Manager

VISITORS

No visitors.

PLEDGE OF ALLEGIANCE

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

No public comment.

CONSENT CALENDAR

President Dains asked for a motion on the Consent Calendar.

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

1. Minutes of the Regular Meeting – April 14, 2015 with following change: Director Sheehan attended the San Juan Water District/Sacramento Suburban Water District 2x2 meeting on March 26, 2015.
2. Minutes of the Special Meeting – April 14, 2015.
3. Minutes of the Special Meeting – April 30, 2015.
4. Minutes of the Regular Meeting – May 12, 2015 with the following change: the word “pledged” was changed to “stated” on the second line in the Public Comment section of the Minutes.

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

OLD BUSINESS

San Juan Water District/Sacramento Suburban Water District Reorganization

GM Churchill asked for Board Member input on what issues and items to focus on in a response letter to the San Juan and Sacramento Suburban Water Districts concerning the Phase 2A Report. GM Churchill reported that comments on the Phase 2A Report will be accepted through June 5, 2015 and that a revised, final letter will be presented for Board approval at its June 2, 2015 meeting.

GM Churchill provided a working draft of a letter to San Juan Water District and Sacramento Suburban Water District commenting on the Phase 2 Study. Mr. Churchill also provided a copy of the Phase 2A Study with District staff edits to be provided to San Juan Water District and Sacramento Suburban Water District.

An important or “potential fatal flaw” issue right out of the gate is that the Governor’s and Legislature’s support for the proposed governance of a reorganized agency needs to be assessed. If support does not exist for increased representation and divisions for directors representing the San Juan Water District wholesale family agencies, the proposed reorganization is likely not politically acceptable to the District.

Board Members general comments included: the many grammatical and typographical errors (many examples highlighted by Board Members) diminishes the credibility of the report; the purpose of the proposed reorganization is not clear or consistently stated; key items missing in the report (described topically below) should be highlighted with the following question: why are key items (mentioned item-by-item) missing? Other general comments include the Report’s use of vague language when making assertions; not using data to support assertions; and, not stating criteria used for assessing or benchmarking current or anticipated operational performance.

Board Members’ comments addressed the following topical areas: the financial analysis is inadequate to support the financial feasibility of the proposed reorganization; language/measures need to be developed that will ensure reliability/continued long-term access to wholesale water from the San Juan/future reorganized water district; Citrus Heights Water District’s customers’ contributions to San Juan Water District’s wholesale treatment and distribution facilities must be considered in the financial analysis and in future wholesale pricing to CHWD; the assertion that a larger district will have more political clout is questionable given, as one example, the inability of large water districts to have any impact on the State’s actions on the drought regulations recently issued; the assertion that a reorganized district will have more flexibility is questionable given the influence of outside forces, including the State; an initial thought concerning the proposed governance structure with proportional representation seems to be fair, but should be clearly identified during all phases of the reorganization (i.e., before, during and after the reorganization); the report is inadequate in explaining how a reorganized district will be better able to address contamination issues; and the report interchanges

units of measurement, making quantities of water discussed confusing to the non-technical reader.

Board Members agreed to provide their comments in writing to GM Churchill for consideration/inclusion in the final draft of the letter. The Board continued to support GM Churchill working with CHWD legal counsel to analyze the Phase 2A Study, and to complete a proposed letter for Board consideration on June 2, 2015.

Antelope Pump-Back Booster Pump Station Project

As reported previously, SJWD is entertaining a project with SSWD whereby SSWD's current Antelope pumping facility will be modified to pump surplus SSWD groundwater to SJWD – Wholesale (SJWD-W) in dry years, during planned outages of SJWD-W or United States Bureau of Reclamation (USBR) facilities, or in emergencies. The primary beneficiaries of the pump-back groundwater project are proposed to be San Juan Water District's retail customers, Orange Vale Water Company and the City of Folsom's service area north of the American River (aka: Ashland). As presently proposed, those benefitting agencies noted above will be paying approximately \$1.935 million for upgrades to the Antelope Pump Station through a capital program sub-charge by SJWD-W.

On May 11, 2015 GM Churchill, OM Townsel and Water Quality Supervisor Hensley met with SJWD AGM Keith Durkin and Senior Engineer Tony Barela to further discuss the Operations Plan and the Control Station. CHWD staff is presently reviewing the Control Station Plans. Use of this Control Station may have some corollary water conservation benefits enabling CHWD to operate its system at a slightly reduced system pressure or operational benefits via operating CHWD wells more effectively when there is a need to produce groundwater for the benefit of others.

With our recent focus on the drought, a meeting with SJWD Board and staff representatives has not been scheduled. One of the chief concerns remains that the proposed project could diminish CHWD's capacity in system.

Board Member Riehle asserted that he would like to see a resolution developed quickly to bring closure to this issue.

NEW BUSINESS

Groundwater Pumping Financial Reconciliation

The San Juan Family of Water Agencies has been and continues to be involved in discussions regarding utilization of the local groundwater basin to provide water service in times of limitations of surface water from Folsom Reservoir or during a planned outage or emergency. A water shortage planning effort concluded in 2008 with agreement or consensus among the five agencies that during times of surface water

limitations Citrus Heights Water District (CHWD), Fair Oaks Water District (FOWD) and Orange Vale Water Company (OVWC) would reduce their typical surface water deliveries from San Juan Water District – Wholesale (SJWD-W) by utilizing their groundwater wells such that those agencies without access to groundwater: San Juan Water District – Retail (SJWD-R) and the City of Folsom north of the American River would have more surface water. This planning effort also contained a mechanism whereby all of the agencies would contribute to a “readiness to supply” plan such that all would be assured that the facilities would be operational when needed.

This plan lead to a marked change in CHWD’s use of its groundwater facilities. Instead of operating the wells predominately in during times of peak demand and/or below normal precipitation or drought, CHWD implemented a program of typically operating its wells year-round on a rotational basis with one well typically in operation coincidental with the District’s work week schedule. This has worked well and enables staff to identify problems or opportunities proactively instead of reactively.

In the initial year of the plan, the OVWC well was determined to be contaminated and needed to be removed from the plan as a contributor of groundwater. Over the course of the next several years as CHWD and FOWD increased their groundwater pumping capabilities, updates to the plan were delayed.

Management staffs of the agencies reviewed the initial intent of the water shortage plan and have come to agreement on payments due to CHWD and FOWD and a payment schedule from SJWD-R, OVWC and Folsom for the period 2009 through 2014. Readiness-to-supply costs pertain to the entire time period while costs for groundwater pumping due to limitations on surface water from Folsom Reservoir pertain to early 2014.

Groundwater Pumping Receipts:	CHWD	\$ 431,418
	FOWD	<u>\$ 641,052</u>
		\$ 1,072,470
Groundwater Pumping Payments:	SJWD-R	\$ 740,150
	OVWC	\$ 253,693
	Folsom	<u>\$ 78,628</u>
		\$ 1,072,471

The payment schedule is proposed to be for 20 consecutive quarters beginning in July 2015 through April 2020.

While the parties have been operating under the assumption the there is an agreement in place, CHWD may have been the only agency to formally adopt and execute it. Upon eventual approval of this Groundwater Reimbursement Agreement, all prior agreements regarding this subject, whether written otherwise, are of no effect. Future provision of groundwater, if any, in calendar year 2015 and beyond by CHWD and/or FOWD will be

subject to future negotiation and written agreement.

Attached are two drafts of a Groundwater Reimbursement Agreement (SJWD-W and FOWD) for information and review.

The Board expressed interest to see this matter brought to conclusion as soon as possible with an agreement that is workable for all agencies concerned. President Dains asserted that any future agreement's financial considerations should be factored into the proposed reorganization of the San Juan Water District and Sacramento Suburban Water District.

Motion: It was moved by Director Sheehan and seconded by Director Riehle to move forward to enter into a Groundwater Reimbursement Agreement subject to legal review and presentation to the Board for final approval on July 14, 2015.

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

CLOSED SESSION

The Board adjourned into closed session at 8:43 p.m.

Conference with Real Property Negotiators; Pursuant to Government Code Section 54956.9

Present in the closed session were Directors Dains, Riehle and Sheehan and GM Churchill and AGM Straus.

No Reportable Action.

The Board adjourned back into open session at 9:01 p.m.

President Dains reported that no reportable was taken in Closed Session.

A brief recess was taken and AGM Straus left the meeting.

The Board adjourned back into closed session at 9:06 p.m.

Public Employee Performance Evaluation for the General Manager; Pursuant to Government Code Section 54957

Present in the closed session were Directors Dains, Riehle and Sheehan and GM Churchill.

The Board adjourned back into open session at 9:34 p.m.

President Dains reported that no reportable was taken in Closed Session.

General Manager Compensation

The District has employed Robert A. Churchill since May 6, 1976, when he was hired as the Office Engineer. Bob was subsequently promoted to Assistant Manager on May 1, 1981. He was appointed Interim Manager on September 1, 1986. On March 1, 1987 he was named General Manager and continues to serve in that capacity.

Typically the Board of Directors conducts an annual review of the General Manager's performance and adjusts compensation as it deems appropriate.

The Board of Directors reviewed the performance of the General Manager in a closed session of this Regular Meeting.

GM Churchill's current hourly salary was increased by a 2.00% Cost of Living Adjustment (COLA) per District Policy to \$83.02 per hour effective in early January, 2015. This rate is 83.81% of the position's range of \$64.07 to \$86.68 per hour. An increase of 5.00%, inclusive of a COLA, was included in the 2015 Operating Budget.

Alternatives for Board consideration presented were:

- No adjustment at this time. Maintain the current rate of pay of \$83.02 per hour. (83.81% of Range)
- A 3.00% salary merit increase of \$2.49 per hour to \$85.51 per hour per budget. (94.83% of Range)
- A 4.41% salary merit increase of \$3.66 per hour to \$86.68 per hour (100% of Range)

Note that the percentages contained in the budget calculations are for a full calendar year. As such increases of 3.00% and 4.41% for a 12 month period result in net draws on the budget of 1.85% and 2.72% respectively, from the effective date through the end of the year.

Currently nine of the District's 30 employees are at 100% of their respective salary ranges. Director Riehle expressed concern regarding the financial impact of a 4.41% raise for the General Manager.

Motion: It was moved by Director Dains and seconded by Director Sheehan to increase the General Manager's salary to \$86.68 per hour.

The motion passed 2-1 with Directors Dains and Sheehan voting yes and Director Riehle voting no.

FUTURE CHWD BOARD OF DIRECTORS MEETING DATES

Dates and locations of upcoming Regular Meetings of the Board of Directors were noted for the calendar.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 10:12 p.m.

APPROVED:

ROBERT A. CHURCHILL
Secretary
Citrus Heights Water District

ALLEN B. DAINS, President
Board of Directors
Citrus Heights Water District