

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS SPECIAL MEETING MINUTES
November 8, 2017

The Special Meeting of the Board of Directors was called to order at 6:31 p.m. by President Sheehan and roll was called. Present were:

Caryl F. Sheehan, President
Raymond A. Riehle, 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
Brain Hensley, Water Resources Manager

VISITORS:

Jim Monteton
Kathy Morris
H. Smith
M. Djokic
Fred Nachbaur
Linda Nachbaur
Lisa Hutchinson
R. Houston Wyatt
Nelly Bulloss
William Bulloss
Steve Mitts
F. H. Gadnile
D.J. Tobar
Calderon
Nancy Graham
Davinder Kapil
Larry Wright
Sherry Moore
Maria Carnes
Robert Nordquist
Greg Shishup
Luke Otterstad

Kathy Sullivan
Fred Sullivan

PLEDGE OF ALLEGIENCE:

Board President Sheehan led the pledge of allegiance.

PUBLIC COMMENTS:

President Sheehan invited the public to comment.

Nancy Graham, Area 9 President, asked if the District can increase its use of groundwater to reduce costs, and whether we pay for groundwater.

General Manager Straus responded that currently groundwater costs are more than surface water. As prices change, there could be more of a mix of groundwater.

CONSENT CALENDAR:

None.

Citrus Heights Water District staff asked Board President Sheehan permission to present agenda items PH-1, PH-2 and PH-3 consecutively before opening the floor for public comment. President Sheehan granted the request.

PUBLIC HEARING:

General Manager Straus announced the Prop 218 Notice was mailed to the public on September 22, 2018; 45 days before today's date of November 8, 2017. CHWD met the statutory requirements for a Prop 218 Public Hearing. Management Services Supervisor Castruita reported that CHWD received a total of 37 protest letters.

2018 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 2018, and asked the Board to consider adoption of a resolution establishing the Fiscal Year 2018 Operating and Capital Improvement Budgets, and Transfers to Designated Reserves.

Sohal provided the Board with a copy of Resolution 13-2017, establishing the Fiscal Year 2018 Operating and Capital Improvement Budgets, and Transfers to Designated Reserves, which includes a summary of these budgets in the following amounts:

2018 Operating Budget:	\$ 12,156,588
2018 Capital Improvement appropriations:	

New Capital Projects Request for 2018:	\$ 4,871,993
Previously-Approved Projects Carried Over from 2017:	\$ 1,753,766
Total 2018 Capital Improvements Requests:	\$ 6,625,759
2018 Transfers to Designated Reserves:	\$ 1,762,000

Budget information and rate options have been reviewed by the Board of Directors at three public meetings, including at an August 30, 2017 Budget Study Session, a September 13, 2017 Board meeting and this Public Hearing on November 08, 2017. Moreover, the proposed 2018 CHWD budget, rate program and the District's work program were presented to eleven neighborhood associations throughout Citrus Heights and Orangevale, to two service clubs within Citrus Heights, and to the Citrus Heights City Council.

2018 Operating Budget

The 2018 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 2018 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 June 01, 2017. District staff recommends the proposed 2018 Operating Budget as it reflects a balance between maintaining high-quality water service and keeping costs in check.

The 2018 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 2018 proposed budget allocates \$550,000 of staff salary and benefits to capital projects.

Highlights of proposed 2018 expenditures are summarized below.

Operating Budget:

- An 8% aggregate increase of treated water cost from San Juan Water District due to a projected 9% rate increase and anticipated increase in consumption. The projected quantity of water estimated to be purchased is 12,500 AF, which is greater than the projected 2017 total water purchased.
- \$1.61 million increase in Professional Services, including many Strategic Planning items, for the planning of the Project 2030 Study, Water Meter Replacement Program, Aquifer Storage Recovery (ASR) Study, District policy review/update, rebuild of the rate model, review of the CEQA process for CIP's, review of easements, LAFCo and annexations, website redesign, Water Supply Agreement, and Intertie Agreement updates.
- \$185,840 increase in Employee Retirement Benefits for the OPEB Unfunded Actuarial Liability (UAL) payment as part of a 20 year payoff and CalPERS UAL payment as part of 15 year payoff.
- \$46,615 increase in annual permit fees by the State Water Control Resources Board.
- \$35,000 increase in Election Expense for the 2018 elections for placing a District election on the Sacramento and Placer County ballots.

Capital Improvements Budget

New Capital Projects Request for 2018:	\$ 4,871,992
Previously-Approved Projects Carried Over from 2017:	<u>\$ 1,753,766</u>
Total 2018 Capital Improvements Requests:	\$ 6,625,759

Highlights of proposed 2018 Capital Projects are summarized below:

- Replacement of annual aging customer water services budgeted at \$850,000.
- Five water main replacement or installation projects, scheduled to start design in 2018 with construction targeted for 2019 at a total cost of \$2.03 million.
- Equipment replacements and new equipment totaling \$567,000 for 2018, including carryover amount of Upgrades/Replacements to the Document Management System and Server Upgrades from 2017 of \$387,000.
- Groundwater Well property acquisition carryover of \$770,000
- Groundwater Well No. 7, with design scheduled to start in 2018 at a total cost of \$257,500

Designated Reserves Transfers:

- Reflects a transfer of \$100,000 to replenish the Rate Stabilization Reserve in 2018. Note – \$66,000 in 2019 is proposed to be transferred to complete the replenishment of the Reserve due to the 2015 drawdown of \$366,000 as a result of the drought.
- Accrual of the Water Efficiency Reserve of \$50,000.
- Accrual of the Water Supply Reserve of \$1,150,000.
- Maintain transfer of \$300,000 into the Water Meter Replacement Reserve for accrual of funds toward Meter Replacements at the end of their useful life, projected to start in 2025.

Total Operating and Capital Budgets for 2018:

Total New Funding Requirements for 2018 Budgets: \$18.79 million
(Operating Budget + CIP Budget + Transfers to Designated Reserves)
(\$12.16 million + \$4.87 million + \$1.76 million = \$18.79 million)

Previously Approved CIP Budget Carryover: \$ 1.75 million
(2017 Projects carried forward to 2018)

Total Budget for 2018: \$20.54 million

Administrative Services Manager Sohal recommended that the Board conduct a Public Hearing on the proposed Operating and Capital Improvement Budgets, and Transfers to Designated Reserves for 2018, and adopt Resolution 13-2017, establishing the Fiscal Year 2018 Budget, and Transfers to Designated Reserves during the November 8, 2017 Public Hearing.

2018 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 2018, and asked the Board to consider adopting the accompanying resolution establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District for 2018 during the November 8, 2017 Public Hearing.

Notice of the November 8, 2017 Public Hearing was mailed to all District property owners on September 22, 2017 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 August 30, 2017. 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 13, 2017 to distribute a Proposition 218 Notice which included the maximum rates that the Board would consider at a public hearing on November 08, 2017.

The maximum rate adjustment to be considered by the Board on November 08th is based on a financial assessment whereby future annual increases, including the 2018 rate increase being considered by the Board on November 08th, 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.

As of the date of this report, the District has received 21 written protests from property owners (Attachment 2). Directors have been provided with copies of the written protests along with their agenda packets for this Board meeting. Any additional written protests received before the time of Public Hearing will be presented to Directors at the Public Hearing.

2018 Schedule of Water Rates, Fees and Charges

A schedule comparing current 2017 rates with the proposed 2018 Water Rates, Fees and Charges to be considered by the Board accompanied this report. Significant elements of the 2018 water rate schedule are as follows:

- Increases to bi-monthly service charges in 2018 for a typical single-family residential customer are \$3.36 (or \$1.68 per month) based on a monthly consumption of 20 units of water. Costs for other customer classifications and meter sizes will increase between \$1.42 and \$16.04 bi-monthly for meter sizes from 1½-inch to 4-inch, respectively.
- Consumption charges are proposed to increase from \$0.9871 cents to \$1.0187 per 100-cubic-foot-unit of water (748 gallons); a net increase of 3.16 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.

The following additional information accompanies this report:

- A copy of the District's Public Hearing Notice of projected water rate increases required by Proposition 218.

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. 14-2017 Establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District for 2018.

2018 Capacity Charges

Administrative Services Manager Sohal presented a Power Point presentation with proposed Capacity Charges for 2018, and asked the Board to consider adoption of a resolution establishing Capacity Charges for Citrus Heights Water District for 2018.

A copy of Resolution 14-2017, adopting Capacity Charges for CHWD for 2018, was provided to the Board. The resolution includes a schedule of Capacity Charges. Capacity charges are a method for ensuring that new connections, reconnections or enlarged connections to the District's water system are assessed for their equitable share of capacity in the existing facilities and assets of the District. The District uses a "System Buy-In Methodology" which recognizes the current value of providing the capacity needed to serve additional users, based on the replacement cost of the assets of the District less depreciation.

Proposed Capacity Charges for 2018 were calculated in accordance with District Policy No. 7500, Capacity Charges. Although these Capacity Charges will be adopted as a separate Board action, once adopted, they will be incorporated in the schedule of CHWD Water Rates and Miscellaneous Charges and Fees for 2018.

Sohal recommended for the Board to conduct a Public Hearing on the proposed Capacity Charges for Citrus Heights Water District for 2018, and adopt Resolution No. 14-2017 Establishing Capacity Charges for Citrus Heights Water District for 2018.

President Sheehan declared the public hearing open.

Kathy Morris: When we turn on tap water, we do not need to worry about water. Thank you. I am concerned about unfunded mandates and I have concerns about places in the state that do not have a board to control mandates.

Fred Sullivan: (Retired banker and accountant) I have been a resident of Citrus Heights since 1984. I appreciate all that you do. I know that everything has a lifespan. I don't have a problem

with development and maintenance. I question whether we should front load those cost when interest rates are at historic lows. When was the last time CHWD was audited by outside agencies?

President Sheehan requested staff to respond to the question. General Manager Straus and Administrative Services Manager Sohal explained that CHWD finances are audited annually by an outside auditing firm, and this information is available on the District website.

Oleg Shisko: I moved to Citrus Heights 8 months ago. I am concerned that rates are increasing. This hearing is very informative. It just seems like Californians are taxed to death. I'm concerned that rates are rising. Please keep rates low as feasible. Do you plan to increase rates in following years?

President Sheehan requested a response from staff. General Manager Straus stated that finances and various analyses are reviewed annually to determine whether to recommend a rate increase.

Davinder Kapil: Thank you for information. Based on the presentation, it sounds as though rate increases are not yet set in stone. When is this going to be decided, in 2019? What needs to happen for rate increases to not happen? I recently moved to the area and am shocked to see that I am assessed a sewer fee.

President Sheehan requested a response from staff. General Manager Straus explained that the decision to enact the proposed rate increases would be made at this evening's meeting.

Larry Wright: I am a long time resident. I have concerns and questions. Is San Juan obsolete? Why are we the bank for them? There are only two zip codes: 95621 and 95610. Wages and benefits for retirees have not had an increase in social security. We are on fixed incomes. We don't have resources to facilitate what is necessary for the area. Not our fault. It is that fault of people who came before. We are acting as the bank for San Juan. The rate increases should be for San Juan Water District, not us.

President Sheehan requested a response from staff. General Manager Straus briefly discussed the District's relationship with San Juan Water District.

Nancy Graham: If we do take more groundwater, would rates go up to us? Is there a Low-income program for those on social security?

President Sheehan requested a response from staff. General Manager Straus and Administrative Services Manager Sohal explained that under current state law the District is not allowed to have a low-income program or discount water rates to different people based on need.

William Bulloss: This is an informative presentation. Proposed increase is insignificant. Concern is that if it goes without comment, do we see greater increases in subsequent years and will be the impact of people on fixed incomes?

President Sheehan requested a response from staff. General Manager Straus reiterated that finances and various analyses are reviewed annually to determine whether to recommend a rate increase.

Robert Houston Wyatt: Years ago, I was on a flat rate. I'm metered now and paying the difference. Where did you vote on Governor Brown's tunnel system? What is the average bill sent to the 19,000 connections under drought conditions mandated by Governor Brown? What is the total revenue for CHWD in 2017? What is unit cost for groundwater vs surface water? I also want to know if employee salaries are being increased this year, and how are those increases determined? What is the average increase? I am against any increase because I would like to see more accountability.

President Sheehan requested a response from staff. General Manager Straus gave a brief response to the various questions.

Deborah Tober: We are being charged for flat fees for dirty water. I've been a resident for 58 years. I'm blessed to have water here. How can you be proud of a place you can't afford to get water? We are being charged an unfiltered water flat rate. It's bad when your water costs just as much as it does to pump at gas stations.

President Sheehan requested a response from staff. General Manager Straus and Water Resources Supervisor Hensley gave a brief response on the quality of CHWD water.

Director Dains responded that CHWD is an enterprise agency which obtains no funding from the state. Director Riehle invited all visitors to come out to future Board Meetings and thanked the CHWD staff and Board for all of their work.

President Sheehan emphasized that decisions are not just made in vacuum by staff and Board. CHWD has experts from outside agencies as well as auditors who are reviewing work.

ACTION: Director Riehle moved to and Director Dains seconded to approve Operating and Capital Improvement Budgets, and Transfers to Designated Reserves for 2018, and adopt Resolution 13-2017, establishing the Fiscal Year 2018 Budget, and Transfers to Designated Reserves during the November 8, 2017 Public Hearing.

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

ACTION: Director Dains moved to and Director Riehle seconded to approve Water Rates and Miscellaneous Charges and Fees for 2018, and adopt Resolution No. 14-2017 Establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District for 2018.

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

ACTION: Director Riehle moved to and Director Dains seconded to approve Capacity Charges for Citrus Heights Water District for 2018, and adopt Resolution No. 14-2017 Establishing Capacity Charges for Citrus Heights Water District for 2018.

The motion carried 3-0 with all Directors voting yes

BUSINESS:

None.

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:

November 15, 2017	6:30 PM	Regular Meeting
December 20, 2017	6:30 PM	Regular Meeting

ADJOURNMENT:

There being no other business to come before the Board, the meeting was adjourned at 8:50 PM.

APPROVED:



HILARY M. STRAUS
Secretary
Citrus Heights Water District



CARYL F. SHEEHAN, President
Board of Directors
Citrus Heights Water District