

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
June 14, 2011

The Regular Meeting of the Board of Directors was called to order at 6:33 p.m. by President Dion and roll was called. Present were:

Joseph M. Dion, President
Allen B. Dains, Vice President
Charles T. Rose, Director
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
David M. Rossi, Project Manager
Paul A. Dietrich, Senior Engineering Technician
Rex W. Meurer, Water Efficiency Coordinator
David M. Gordon, Construction Inspector

VISITORS

None

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

President Dion asked for the Consent Calendar. It was moved by Director Dains, seconded by Director Rose and carried 3-0 to accept the Consent Calendar consisting of:

1. Minutes of the Regular Meeting of May 10, 2011.
2. Minutes of the Special Meeting of May 18, 2011.
3. Assessor/Collector's Report for May 2011.
4. Assessor/Collector's Cancellation Letter for May 2011.
5. Treasurer's Report for May 2011.
6. Bills to be Paid for May 2011.
7. Approve CAL-Card Purchases for May 2011.
8. Summary of 2011 Directors, Officers and Employees Training, Seminars and Conference Expenses.

PRESENTATIONS

Blue Thumb Water Efficiency Campaign

Water Efficiency Coordinator Rex Meurer delivered a presentation about the Regional Water Authority (RWA) “Blue Thumb Campaign.” The District subscribes to RWA’s Regional Water Efficiency Program to gain the benefits of participating in region-wide water conservation programs and water efficiency grants. The “Blue Thumb Campaign” that began in 2010 is a program designed to enlist area residents to earn their Blue Thumb by taking specific steps to increase the efficiency of water use in their homes and businesses. The Blue Thumb Campaign has included cooperative publicity efforts with the Sacramento River Cats baseball organization and Lowe’s Home Improvement Centers.

Directors and staff members took the “Blue Thumb Pledge”, pledging to take at least five water-saving actions to increase water use efficiency around their own homes.

OLD BUSINESS

Bonita Way Storage Building Construction

OM Townsel presented a status report on the construction phase of the Bonita Way Storage Building. He stated that the status of the project remains essentially the same as the previous month’s report. A substantial completion inspection was done in March, but final completion and payment are being withheld pending completion of items regarding the windows and shutters on the front of the building. OM Townsel continues to work with the contractor on completion of these items.

2010 Urban Water Management Plan

AGM Kane presented a report on CHWD’s 2010 Urban Water Management Plan (UWMP). He summarized the State requirements for producing an UWMP every five years and submitting it to the California Department of Water Resources (DWR). With the support of J. Crowley Group, Inc., a Public Review Draft of the 2010 UWMP was prepared in compliance with DWR guidelines and reviewed by the CHWD Board of Directors at their Regular Meeting of May 10, 2011. A Public Hearing was conducted at that Board meeting, with no public comment received.

District staff was directed to proceed with preparation of a final 2010 UWMP consistent with the Public Review Draft. The final document will be identical to the draft except for the inclusion of the resolution adopting the UWMP. Preparation of the final document will be done after the Board adopts the UWMP since the resolution must be included as part of the document.

The UWMP provides guidelines for long-term water management by CHWD. Although the UWMP does not legally obligate CHWD to a specific course of action, it does

provide an overview of anticipated water demands and water supplies and the types of water demand management activities that CHWD expects to undertake to meet the 20x2020 requirements.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 05-2011 Adopting the 2010 Urban Water Management Plan.

CalPERS Second Tier Plan for District Employees

AGM Kane presented a report on a proposed contract amendment with the California Public Employees' Retirement System (CalPERS) to create a second tier plan with a different level of benefits for new employees, providing a Three-Year Final Compensation formula. The Board of Directors first considered this matter at its April 12, 2011 meeting. At that meeting, the Board authorized staff to submit a Contract Amendment Request to CalPERS. The proposed amendment to the District's contract will provide a Three-Year Final Compensation formula for new employees hired after the effective date of the contract.

The Contract Amendment Request was submitted to CalPERS following the April 12 Board meeting, and the District has subsequently received the documentation from CalPERS that is required to amend the contract. The next step in the amendment process is for the Board to adopt a Resolution of Intention to approve the contract amendment. The Resolution is presented for consideration by the Board at this meeting.

In compliance with Government Code Section 7507 regarding public disclosure of the future annual costs of the proposed contract, the following statement was disclosed and reported at the Board meeting:

The employer contribution rate will be 9.539% of reportable earnings for local miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of this amendment to the contract.

This is consistent with the actuarial valuation received from CalPERS that was presented at the April 12 meeting, showing the changes in employer contribution rates that would occur under a second tier with a Three-Year Final Average Compensation Period. For 2011-2012, the difference in employer contribution rate between First Tier and Second Tier employees will be:

First Tier employees:	17.593%
Second Tier employees:	<u>9.539%</u>
Difference	8.054%

The District will submit a Certification of Compliance with Government Code Section 7507 to CalPERS along with the Resolution of Intention.

AGM Kane explained another document that the District must submit as part of the contract amendment process, a Certification of Compliance with Government Code Section 20475. This Code section requires the employer to ensure compliance with any Memorandum of Understanding (MOU) in effect at the time of the contract amendment. CHWD has no MOUs that would be affected by the CalPERS contract amendment.

All employees hired prior to the effective date of the Second Tier Plan will be covered under the First Tier Plan for the duration of their employment with the District. With adoption of the Resolution of Intention at this June 14, 2011 Board meeting and final adoption of the contract amendment at the July 12, 2011 Board meeting, the effective date of the amendment will be July 18, 2011, which will be the start of the first pay period following adoption of the amendment.

The adopted Resolution of Intention will be transmitted to CalPERS along with the required certifications. Upon receipt, CalPERS will prepare the final contract documents and resolution language for consideration of adoption at the Board's July 12 meeting.

Directors and staff discussed the proposed contract amendment with CalPERS. Directors affirmed that this amendment would not affect the CalPERS benefit of current District employees.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 06-2011, Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration, California Public Employees' Retirement System and the Board of Directors, Citrus Heights Water District.

NEW BUSINESS

Training/Continued Education/Meetings

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

Mitchell Farms Well Site Grant of Easement to Sacramento Municipal Utility District

GM Churchill presented a report on granting an easement to the Sacramento Municipal Utility District (SMUD) at the Mitchell Farms Well Site. Electric power for the Mitchell Farms well is provided by SMUD through facilities installed adjacent to the northwesterly border of the site. Directors were provided with a map showing the site and the location of the SMUD facilities. An easement to SMUD from the District is a requirement for receiving electric service from SMUD.

Directors were provided with a Grant-of-Easement document including legal description and plat that were prepared by SMUD and reviewed by CHWD staff. Directors and staff discussed the easement.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to adopt Resolution 07-2011 Granting an Easement to the Sacramento Municipal Utility District (SMUD) at the Mitchell Farms Well Site.

Auburn Boulevard Water Main Replacement Project

GM Churchill presented a report on the planning and bid solicitation phase of the project to replace the water main and related facilities on Auburn Boulevard from Cedar Drive to Linden Avenue. The 8-inch steel water main on the east side of Auburn Boulevard between Cedar Drive and Linden Avenue has recurring leaks and is in need of replacement. Planning and design for this work began in 2005; however, the project has been deferred until now for budgetary considerations.

The new design upgrades the water main to 12-inch in size and provides for eight fire hydrants where there are now three. The location of the new main will be in the westerly northbound lane.

Directors were provided with a map of the area, a draft Notice Inviting Bids and a Final Cost Estimate of \$1.29 million. The 2011 Capital Projects Budget contains \$721,780 for project construction. The October 2010 budget estimate did not contain the level of detail contained in the final cost estimate for bidding. Detailed cost estimates will be prepared for future projects at the time of budget preparation rather than at the time of bid solicitation. Depreciation Reserve funds will need to be utilized to fund the difference.

Directors were provided with a copy of the current project schedule, which calls for bids to be awarded at a Special Board Meeting on July 26, 2011, and construction to begin near the end of August 2011. The schedule estimates project completion by mid-December 2011.

Sunrise Boulevard Complete Streets Project

GM Churchill presented a report on the City of Citrus Heights' "Complete Streets" project on Sunrise Boulevard from Vistaridge Drive to Antelope Road and associated District activities. The City is planning roadway, sidewalk, drainage and landscape improvements at the aforementioned location. Directors were provided with a copy of a letter that outlines water distribution system improvements necessary or recommended to be undertaken with this project at District expense of an estimated \$105,000 and estimated City expense of \$7,050.

The significant portion of the District's proposed work is installing approximately 300 feet of 18-inch ductile iron water transmission main across Sunrise Boulevard in advance of the City's paving improvements. This 300-foot section of main is noted in the District's 2011-2020 Capital Improvement Program as part of a 900-foot interconnecting construction planned for 2018. Funding for this was not budgeted for 2011 and is recommended to come from the District's Capital Improvement Reserve.

The District has proposed to the City that this construction be included with their plan

and bid documents. This will satisfy the District’s competitive bid requirements and save the District the time and expense of assembling and soliciting its own bids. Issues of coordination of a City contractor and District contractor will also be avoided. Future cutting of the paving will also be avoided.

The District has executed an Agreement in the amount of \$2,900 with Bennett Engineering of Roseville, the City’s design engineer for this project, to prepare a plan/profile drawing for this work to be included with the City’s plans. It is anticipated that District crews will pot-hole to accurately locate other utilities across Sunrise Boulevard at Old Auburn Road within the next two weeks. With that information in hand, the District can prepare a final design for the water main installation. Inspection services for the work will be provided by the District.

The following items are currently under consideration by the City:

- Approval of the District’s proposed work;
- Including some or all of the District’s work on the City’s bid plans;
- Requiring a reimbursement agreement with the City; and
- Giving the District the option to accept or reject the water-system related bids.

WEC Meurer left the meeting at 7:25 p.m.

Fair Oaks 40-Inch Transmission Pipeline Rehabilitation Project

GM Churchill presented a report on the San Juan Water District Wholesale (SJWD-W) project to rehabilitate the pipeline serving Fair Oaks Water District (FOWD), Orange Vale Water Company (OVWC) and San Juan Water District Retail (SJWD-R) known as the Fair Oaks 40 (FO-40). This pipeline is in need of rehabilitation and repair. SJWD-W has prepared an “Engineering Report on Recommended Project, Project Costs, and Cost Allocation” dated May 2011. Directors were provided with a copy of the Executive Summary of the report.

The total cost of the Project is estimated at \$3,572,000 with the cost proposed to be funded by those agencies receiving service through the pipeline as follows:

Fair Oaks Water District	FOWD	91.0%	\$3,250,520
San Juan Water District – Retail	SJWD-R	6.4%	\$ 228,608
Orange Vale Water Company	OVWC	2.6%	<u>\$ 92,872</u>
			<u>\$3,572,000</u>

The FO-40 pipeline was constructed by SJWD-W in 1955, shortly after the 1954 formation of San Juan Water District. GM Churchill expressed his presumption that the work was undertaken to replace a water line or lines constructed previously by OVWC (created in 1896) and FOWD (created in 1917) to connect to the North Fork Ditch Company’s Penstock Reservoir northeast of Oak Avenue and Santa Juanita Avenue. Similarly, CHWD (formerly Citrus Heights Irrigation District - CHID) constructed a 24-inch pipeline out Oak Avenue to connect to North Fork Ditch Company’s Penstock

Reservoir shortly after formation of CHID in 1920.

It is unknown as to the funding sources for the 1955 FO-40 work. It could have been through water purchases and rates paid to SJWD-W by all retail agencies including CHWD or it may have been separately billed to or included in rates for FOWD and OVWC. Connections off the FO-40 to serve SJWD-retail in 1955 may have been few, if any.

Also in 1955, CHID analyzed its water supply and distribution system which led to the abandonment of the 24-inch pipeline and CHID's funding and construction of its 42-inch main water supply line connection to the Penstock Reservoir, completed in 1957.

It is the opinion of FOWD that the work on the FO-40 should be funded through water purchases and rates paid to SJWD-W by all retail agencies including CHWD. FOWD's reasoning is that the FO-40 was constructed by and is a SJWD-W facility and that all retail agencies have been paying to maintain the facility over time. However, contrary to this premise, the SJWD report states: "Currently O&M costs for the FO-40 are paid for by FOWD, OVWC, and SJWD-R through wholesale rates and charges based on the estimated proportional use of the pipeline by each Agency. The estimates of pipeline use were developed more than 15 years ago."

GM Churchill expressed the opinion that it seems questionable that CHID's District's Board of Directors would issue debt for CHID to fund and construct its new 42-inch connection to the Penstock Reservoir *and* knowingly contribute through its water purchases from SJWD-W for the replacement/construction of new facilities (FO-40) from the Penstock Reservoir to serve FOWD, OVWC and the future development of SJWD-R from connections to the FO-40.

Directors were presented with a cost allocation for the work on the FO-40 assuming that the costs were to be funded through water purchases and rates paid to SJWD-W by *all* retail agencies. Using a six-year average (2005-10) of water treatment plant (WTP) historic usage, the cost allocation would likely be applied as shown below:

<u>Agency</u>	<u>WTP Historic Use</u>	<u>FO-40 Contribution</u>
CHWD	33.29%	\$ 1,189,119
SJWD-R	31.52%	\$ 1,125,894
FOWD	23.22%	\$ 829,418
OVWC	8.63%	\$ 308,264
FOLSOM	3.34%	\$ 119,305
Total	<u>100.00%</u>	<u>\$ 3,572,000</u>

Directors were provided with a copy of a table entitled: San Juan Family of Agencies, Utilization of Treatment Plant Capacity to Serve Family of Agencies, 2005-2010 Six-Year Average showing the details underlying the calculation of percentages of WTP use by each agency.

It was noted that the cost to CHWD ratepayers, through rates or debt, is significant for a pipeline through which service is not provided to CHWD.

Directors and staff discussed the project and CHWD's financial responsibilities related to the work. Directors advised GM Churchill to continue to monitor and research the matter and to keep the Board advised on the status. GM Churchill stated that he will prepare a response to SJWD's Engineering Report that will be consistent with the report presented to the Board of Directors at this meeting.

Special Meeting with Fair Oaks Water District

GM Churchill presented a report on interest in conducting a special meeting with Fair Oaks Water District (FOWD) to discuss items of mutual interest. After the May 18, 2011 San Juan Water District Wholesale Customer Agencies joint Board meeting at FOWD, CHWD Director Rose and FOWD Director Sarkovich discussed the possibility of having a joint meeting of the CHWD and FOWD Board of Directors to discuss items of mutual interest including items related to the purchase and delivery of water from San Juan Water District.

Directors and staff discussed the possibility of such a meeting, including what benefit there may be by conducting such a meeting of the two Boards. Directors questioned if there was enough potential benefit to warrant a meeting. Director Dains volunteered to meet with FOWD representatives to discuss the meeting if appointed by the Board to do so.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to:

1. Appoint Director Dains and General Manager Churchill to meet with counterparts from Fair Oaks Water District to confer on possible discussion topics for a special meeting and report back to the Board for review at the July meeting; and
2. To defer consideration of calling for a Special Meeting at this time.

Amendments to Organization Structure and Chart, Job Descriptions and Salary Schedule

GM Churchill recommended that this agenda item be continued to the Board of Directors meeting of July 12, 2011, to allow additional time for consideration and preparation of the proposed amendments. The Board concurred with this recommendation.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of May 2011 by the Project Management and Engineering Department: projects under construction or

pending construction by private contractors and developers; project development/design underway by District staff including the Auburn Boulevard – Cedar Drive to Linden Avenue 12-Inch Ductile Iron Pipeline Replacement Project, and projects under construction or completed by contractors on the District’s behalf including the Mariposa Avenue – Greenback Lane to Limerick Way 16-Inch Steel Pipe Cement Mortar Lining Project. He reported on design coordination underway with the City of Citrus Heights on the City’s Auburn Boulevard Joint Trench Utility Undergrounding Project, the Sunrise Boulevard Complete Street Improvement Project Phase I; and installation of a concrete access pad around the fire hydrant at Sunrise Boulevard near Locher Way and Woodmore Oaks Drive.

PM Rossi also reported on the need for additional construction inspection support for the Auburn Boulevard project. He stated that the scope of the project requires the full-time presence of an inspector from the District, and that District staff would already be fully deployed on other projects and work. PM Rossi stated that this inspection need is proposed to be met by hiring a contract inspector for the duration of the project, and that he and GM Churchill would be exploring this option further and returning to the Board with a recommendation at a future meeting.

OPERATIONS MANAGER’S REPORT

OM Townsel reported as follows:

1. A total of 111 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 2011 through the end of May 2011 was 3,836.12 acre-feet, a decrease of 22.1 percent compared with the average annual water consumption during the previous five years, 2006-2010.

President Dion called a brief recess to the meeting at 8:05 p.m. OM Townsel, PM Rossi, SET Dietrich and CI Gordon left the meeting. The Board reconvened at 8:07 p.m.

DIRECTOR’S AND REPRESENTATIVES REPORTS:

GM Churchill reported on a meeting of the Regional Water Authority (RWA) Executive Committee that he attended recently.

Director Rose reported on a meeting of the Sacramento Groundwater Authority (SGA) that he attended recently along with GM Churchill.

Directors reported on a recent joint meeting of the Boards of Directors of the San Juan Family of Agencies that was held at Fair Oaks Water District.

Directors Dains and Rose reported on the Spring Conference of the Association of California Water Agencies (ACWA) in Sacramento that they attended recently along with GM Churchill and AGM Kane.

Director Dion reported on the Spring Conference of the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA) that he attended recently.

Director Rose reported on a meeting of the Sacramento Local Agency Formation Commission (LAFCO) that he attended recently, and other recent matters of interest regarding LAFCO.

AGM Kane reported on a Citrus Heights Chamber of Commerce Government Issues Committee that he attended recently.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Production of the next edition of the District's WaterLine newsletter is nearing completion. Writing and design of the newsletter has been completed by the District's public information consultant, CirclePoint, and it has been sent to the printer. Paul Baker Printing of Roseville was recently selected as low bidder for printing the next two editions of the newsletter. It is anticipated that the newsletter will be mailed to customers during the last week in June, about two weeks ahead of the production schedule for this edition. Directors were provided with a "design comp" copy of the upcoming edition.
2. Directors were provided with a summary of Water Efficiency Program activities during the month of May 2011, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. Water Efficiency Coordinator Rex Meurer delivered school presentations to 1st and 3rd grade classes at Oakview Elementary School, and partnered with staff from other local water agencies to staff a Blue Thumb Campaign Booth at Lowe's Home Improvement Center in Citrus Heights. A Water Efficiency Review was completed for Mesa Verde High School during the month.
3. Directors were provided with an update on CHWD bill payment options for customers, including the web site bill payment option and the EFT (electronic funds transfer) program. It was noted that increasing numbers of customers are choosing options other than the conventional mailing of a bank account check to pay their water bill.
4. No Water Forum meetings were held during the month of May 2011. The most recently scheduled Water Forum Water Caucus meeting for the month of June was cancelled due to "data translation errors" with the CALSIM computer modeling that is being used to gauge the water supply impacts of the proposed

Lower American River Flow Management Standard and Biological Opinions. The tentative plan is to reschedule this discussion for a Water Caucus meeting in July.

5. AGM Kane provided a report on workshop sessions and other programs and activities he attended at the 2011 Association of California Water Agencies (ACWA) Spring Conference in Sacramento, California on May 11 and 12, 2011.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Nineteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of May 2011. Directors were provided with a list of the employees and items for which each received recognition.
2. GM Churchill and Water Efficiency Coordinator Rex Meurer participated in a Water Conservation Class for the Citrus Heights Green Planning Academy at the Citrus Heights Community Center on the May 16, 2011. AGM Kane assisted in preparing the slide presentation for the District's portion of the class. Directors were provided with a copy of the full class presentation.
3. Since September 2009, GM Churchill has taken the lead along with senior staff members of the San Juan Water District (SJWD) Family of Agencies to compile and analyze nearly \$6.02 million in project costs for the SJWD Wholesale Transmission Pipeline System Metering Improvements Project. This effort began after it was recognized that there were inequities in the allocation of costs for the project. The work has included identifying and assigning nearly \$1.26 million of metering costs pursuant to the Cooperative Transmission Pipeline (CTP) and assigning nearly \$2.33 million in retail water agency delivery meters to the agencies receiving water through the meters. Prior to this analysis, the CTP and retail agency delivery meters were anticipated to be paid for by SJWD Wholesale funds.

Directors were provided with a copy of GM Churchill's summary report from the April 12, 2011 Board meeting, and additional information related the allocation of project costs. SJWD Family of Agencies representatives have agreed to go forward with a recommendation on reallocation of costs to the SJWD Finance Committee in the near future. While consensus was not reached on all project elements, reallocation of costs after the fact is difficult and the non-consensus amount is a comparatively small percentage of the total project costs. GM Churchill discussed the preliminary cost reallocations, including direct costs that would be assigned to CHWD and reimbursements that CHWD may receive.

4. A list of the General Manager's significant assignments and activities was provided.

5. GM Churchill provided a report on workshop sessions and other programs and activities he attended at the 2011 Association of California Water Agencies (ACWA) Spring Conference in Sacramento, California on May 11 and 12, 2011.

CORRESPONDENCE

None

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.

CLOSED SESSION

Pursuant to subdivision (a) of Government Code Section 54957, Public Employee Performance Evaluation --General Manager, the Board of Directors convened in Closed Session at 8:39 p.m. Directors Dains, Dion and Rose and GM Churchill were in attendance.

President Dion reconvened the meeting into Open Session at 8:50 p.m.

President Dion reported that the Board was pleased with the performance of GM Churchill.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 8:52 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