

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
January 10, 2012

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
Charles T. Rose, Vice President
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
David M. Gordon, Construction Inspector

Director Joseph M. Dion was absent due to being out of town on business.

VISITORS

Robert L. Brown
Bori Touray, Parsons Brinckerhoff

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

Robert Brown addressed Directors regarding the District's tiered rate system for charges for water consumption. He stated that he believed the manner in which the District has implemented tiered water rates is not in compliance with Proposition 218 because the District has not identified specifically how much revenue it expects to collect from water sales in each tier. He also stated that he does not like tiered rates in general, but in his research he has come to discover that they are legal in California. Directors and staff responded that the District's rate adjustment processes are in compliance with Proposition 218. The District does make information available to customers about the cost of water in each tier and the amount of water provided in each tier during each billing period. Further, the District forecasts the amount of revenue it expects to receive, in aggregate, as part of the budget- and rate-setting process each year, and this information is included in the District's annual budget document.

Directors further explained that the amount of water that may be sold within each tier rate can vary greatly depending upon annual rainfall, seasonal weather conditions and other factors. There was discussion between Mr. Brown and Directors regarding how much of its operating revenue the District collects in commodity charges, the charges for water consumed by customers. GM Churchill stated that the District currently collects about 35 percent of its operating revenue via commodity charges. Directors also advised Mr. Brown that the State of California encourages the use of inclining block rates, often called tiered rates, to encourage water use efficiency.

Directors noted that the California Urban Water Conservation Council (CUWCC) best

management practice for water rates sets forth a requirement for water purveyors to set rates such that about 70 percent of revenues come from commodity charges. Directors further stated that in recent years, the Board has adjusted commodity charges upward while leaving bi-monthly service charges unchanged, effectively increasing the percentage amount of revenue that the District collects in commodity charges versus service charges. However, the Board is reluctant to adjust commodity rates to the point where they meet the 70 percent target set forth by the CUWCC. Relying upon commodity charges for 70 percent of the District's revenues would have a destabilizing effect on overall revenues in years where District-wide water consumption drops due to drought or other decreased demands.

Directors thanked Mr. Brown for expressing his views on tiered rates. He left the meeting at 6:45 p.m.

CONSENT CALENDAR

President Dains asked for the Consent Calendar. It was moved by Director Rose, seconded by Director Dains and carried 2-0 to accept the Consent Calendar consisting of:

1. Minutes of the Regular Meeting of December 13, 2011.
2. Assessor/Collector's Report for December 2011.
3. Assessor/Collector's Cancellation Letter for December 2011.
4. Treasurer's Report for December 2011.
5. Bills to be Paid for December 2011.
6. Approve CAL-Card Purchases for December 2011.
7. Summary of 2011 Directors, Officers and Employees Training, Seminars and Conference Expenses.

OLD BUSINESS

Auburn Boulevard Water Main Replacement Project

CI Gordon presented a status report prepared by PM Rossi on the Auburn Boulevard Water Main Replacement Project. Construction of this project to replace the water main on Auburn Boulevard from Cedar Drive to Linden Avenue began in October 2011 with work starting at the northerly end of the project. Mountain Cascade, Inc. of Livermore, California is the general engineering contractor performing this work for the District. Paul Lopez of the ICM Group is the District's contract resident inspector for the project.

Major project elements were summarized. Nearly all of the 12-inch and 8-inch water main have been installed. A number of water main reconnections, new valve installations, new fire hydrant installations and new water services have yet to be performed. Progress on other project elements was also summarized. Progress on the project overall is ahead of schedule. The ability to continue working during the holiday period and continued favorable weather conditions have contributed to the project being ahead of schedule. Directors and staff discussed the progress on the project.

Acceptance of the Mariposa Avenue 16-Inch Water Main Rehabilitation Project

GM Churchill presented a report on acceptance of the Mariposa Avenue 16-Inch Water Main Rehabilitation Project. In April of 2011, a contract was executed with Mainlining Services, Inc. to rehabilitate approximately 1,120 lf of 16-inch steel water main together with other associated water main and water service construction on Mariposa Avenue between Greenback Lane and Limerick Way. The original contract amount was \$357,565.00 with an authorized project change order contingency of \$40,000.00.

During the project, it was determined that applying cement-mortar lining to the steel water main was not going to produce satisfactory results. Alternative rehabilitation methods were evaluated and the installation of 12-inch fusible PVC was selected. The construction contract and contingencies for the project were increased by \$142,435 from the original approved budget of \$408,885 for a total project authorization of \$540,000 in August 2011. A final inspection was performed on October 25, 2011, and the project is now complete. The amount paid to the contractor is \$546,343.06 for material, labor and equipment. Included in this amount are fifteen 16-inch steel couplings that were purchased by the contractor to facilitate the initial rehabilitation design. These special couplings, having a value of \$7,644.87, could not be returned to the manufacturer and are now the property of the District.

Directors were provided with a spreadsheet documenting the total project cost of \$578,844.56 including the design and preparation of construction plans and specifications, but excluding District personnel expense. Directors were also provided with a draft Resolution of Acceptance of the project. Directors and staff discussed the project.

It was moved by Director Rose, seconded by Director Dains and carried 2-0 to adopt Resolution 01-2012 Accepting the Mariposa Avenue 16-Inch Water Main Rehabilitation Project, and authorize the District Secretary to execute and record a Notice of Completion for the Project.

NEW BUSINESS

Training/Continued Education/Meetings

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

2012 Fleet Vehicle Purchases

OM Townsel presented a report on the proposed purchase of one ½-ton minivan vehicle and two Cab-and-Chassis trucks to replace one existing ½-ton pickup truck and two service trucks as authorized in the 2012 budget.

The following District trucks are scheduled for replacement in 2012:

<u>Vehicle Description/Mileage</u>	<u>Budget for Replacement</u>
Equip. No. 03, 2000 Ford F-450 Service Truck, approx. 60,594 miles	\$ 47,000
Equip. No. 05, 2001 Ford F-450 Service Truck, approx. 87,692 miles	\$ 47,000
Equip. No. 15, 1999 Ford ½-ton pickup, approx. 108,770 miles	\$ 23,750

These vehicles will be sold at auction upon replacement.

OM Townsel presented competitive bids for the ½-ton minivan purchase as follows:

<u>Qty.</u>	<u>Description</u>	<u>Unit Price</u>	<u>Vendor</u>
1	2012 Transit Van (Ford)	\$21,163.30	Downtown Ford
1	2012 Transit Van (Ford)	\$21,871.81	Future Ford
1	2012 Transit Van (Ford)	\$22,528.68	Harrold Ford

This vehicle will be used for purchasing activities. OM Townsel described the advantages of this type of van versus the pickup truck that is currently assigned to the Purchasing / Inventory Specialist.

For the replacement of the two service trucks, it is proposed that the District use the California State Bid (Contract No. 1-11-23-20) as it has done since 1998. By using the State Bid, the District fulfills its public bidding responsibility and benefits from the State pricing while avoiding the time and expense involved in the competitive bidding process.

OM Townsel presented the trucks to be purchased under the California State Bid as follows:

<u>Qty.</u>	<u>Description</u>	<u>Unit Price</u>	<u>Terms</u>	<u>Vendor</u>
2	2012 F-550 Cab-and-Chassis (Ford)	\$43,708.69	\$500-20 days	Downtown Ford

These vehicles will be used for distribution system repair and replacement activities.

Directors and staff discussed the vehicles proposed for replacement and the vehicles proposed for purchase.

It was moved by Director Rose, seconded by Director Dains and carried 2-0 to authorize staff to proceed with the purchases of:

- A. One minivan vehicle from Downtown Ford Sales of Sacramento with a total cost of \$21,163.30; and
- B. Two F-550 Cab-and-Chassis trucks from Downtown Ford Sales of Sacramento with a total cost of \$87,417.38.

Health Plan Coverage for District Employees for 2012

AGM Kane presented a report prepared by himself and Office Administrator Pam Peters on health-care insurance coverage for District employees for the health plan year

beginning February 1, 2012.

The District's health-care coverage for employees expires after January 31, 2012. The District currently offers Kaiser and Western Health Advantage (WHA) as its health-care insurance providers for employees. Staff reviewed the amount of health insurance premium paid by the District on the employee's behalf, as well as reimbursement of specified amounts of co-payments through the use of a Supplemental Medical Reimbursement Account (SMRA). The District has combined higher co-payment insurance plans, specified levels of co-payment reimbursement and employee contributions to premiums to control health-care benefit costs while maintaining a high level of health-care benefit for employees.

Renewal quotes for employee health insurance for 2012 were received in early December 2011 with Kaiser quoting a 13.08 percent increase over 2011 rates and WHA quoting an 11.90 percent increase. The number of District employees moving into higher "age bands" during the year and an increase in the Rating Factor for the Kaiser-insured employee group were identified as factors in the increase. At the quoted premiums, the cost of continuing to offer the current health insurance plans is more than \$10,000 above the amount of \$376,887 approved for employee health insurance premiums in the 2012 Operating Budget. The amount budgeted was a 10 percent increase above the 2011 budget for the 28 employees authorized in the 2011 budget. When the health insurance dollars are added for the two new authorized employee positions for 2012, the total 2012 increase is 22.6 percent above the 2011 budget.

District staff reviewed a variety of possible plans and coverages for 2012 with the goal of continuing to provide high-quality health-care coverage for District employees while remaining within budget. The recommended alternative is to keep the current Kaiser Plan 50 and WHA Advantage 420 - Rx Plan H with the same co-payment, hospitalization and deductible levels. This will require an additional contribution from employees to cover the cost of premiums beyond those covered by the 2012 budget. With employee contributions, the recommended plans (Kaiser Plan 50 and) will maintain the existing high level of health care benefit and keep costs within the 2012 adopted budget limits.

For 2012, the following contribution amounts are being recommended:

Employee Only	No contribution
Employee + Spouse	\$13.50 per pay period (\$351 annually)
Employee + Family	\$26.50 per pay period (\$689 annually)

It is believed to be most equitable to not require those employees with "Employee Only" coverage to contribute toward the cost of health insurance premiums, since the cost of their premiums are significantly lower than those for Employee + Spouse or Employee + Family. The employee contributions to health care are a pre-tax contribution, so that the actual effect on take-home pay will be less than the amounts shown above, depending upon the individual employee's income tax bracket. District staff also recommends continuing co-payment reimbursements as currently set forth by District policy.

Staff is also recommending an increase in the dollar "cap" for monthly health care premiums from its current level of \$1,366.00 per month to a new amount of \$1,502.00

per month. The \$1,502.00 amount represents a 10 percent increase in the dollar cap, consistent with the 10 percent increase in the health insurance budget for 2012. At this level, the monthly health insurance premiums for all but one employee will be within the dollar cap. Directors were presented with a copy of District Policy No. 4210, Health Insurance, with proposed amendments. The proposed revisions include the new employee contribution amounts, as well as the recommended increase in the dollar cap for monthly health care premiums.

Directors were presented with a table showing the proposed 2012 renewal rates and the range of premium rates, the number of employees currently covered under each plan, and the estimated total cost of the District's health insurance benefit for 2012. It was noted that the total number of employees covered under District-sponsored health insurance plans is only 28 of the total 30 approved District positions for 2012. Two District employees are currently electing the option to not enroll in a District-provided health insurance plan and obtain their health insurance coverage through a spouse's employer, receiving a \$400 monthly credit from the District per District policy.

The total estimated cost for the 2012 Plan Year is within the total \$410,887 budgeted for insurance premiums and co-payment reimbursements when employee participation is included. Staff reviewed the District's maximum self-funded exposure based on maximum out-of-pocket limits for the two plans. Based on the experience gained over the past five years, the self-funded outlay is expected to be within the \$34,000 budgeted for this purpose.

Directors and staff discussed the proposed health insurance benefit for 2012 and proposed changes in employee contributions. Directors expressed thanks to staff for coming up with solutions to continue providing high-quality health-care coverage for employees. They also expressed thanks to employees for their additional contributions to their health insurance costs.

It was moved by Director Rose, seconded by Director Dains and carried 2-0 to approve the Kaiser Permanente Plan 50 and the Western Health Advantage – Advantage 420 (Rx Plan H) Plan as the District's employee health care plans for 2012; and adopt District Human Resources Policy No. 4210, Health Insurance, with amendments as presented.

Association of California Water Agencies Health Benefits Authority Board of Directors

GM Churchill presented a report on an election for the Association of California Water Agencies (ACWA) Health Benefits Authority Board of Directors. The District participates in the dental, vision and life insurance programs provided through the ACWA Health Benefits Authority (HBA). As such, the District has an opportunity to cast a vote in the election the ACWA HBA Board of Directors.

Candidates to be considered for election to the ACWA HBA Board of Directors are:

Steven M. Ruettgers, Business Manager, Kern County Water Agency
Judy Corl-Lorono, Director, Bighorn-Desert Water Agency
Joan C. Finnegan, Director, Municipal Water District of Orange County
Ronald S. Richard, no information available

GM Churchill noted that he served with Mr. Ruettgers for two terms on the ACWA Insurance and Personnel Committee and believes him to be a very qualified candidate. Directors were provided with additional printed information regarding the voting process and the candidates. Directors discussed the candidates.

It was moved by Director Rose, seconded by Director Dains and carried 2-0 to cast Citrus Heights Water District's vote for Steven M. Ruettgers of Kern County Water Agency for the Board of Directors of the Association of California Water Agencies (ACWA) Health Benefits Authority Board of Directors.

PROJECT MANAGER'S REPORT

CI Gordon and GM Churchill presented a report from PM Rossi on the following activities during the month of December 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, and projects under construction or completed by contractors on the District's behalf including the Auburn Boulevard – Cedar Drive to Linden Avenue 12-Inch Water Main Replacement Project. They also reported on design coordination underway with the City of Citrus Heights on the City's Auburn Boulevard Joint Trench Utility Undergrounding Project and the Sunrise Boulevard Complete Streets Improvement Project.

A summary of donated water systems for 2011 was presented. The total dollar value of owner-developer projects that were successfully complete and accepted by the District in 2011 was \$228,952.00.

A summary of District capital improvement projects completed during the year was also presented. The total combined value of the two projects completed in 2011 was \$805,471.87.

It was reported that the following water systems, added to the District's water distribution system by independent contractors on behalf of private developer/owners, have been inspected and approved by the District:

Sunrise Community Church, 8321 Greenback Lane, Fair Oaks
18 lineal feet of 6-inch ductile iron water main, one fire hydrant, one access pad for existing fire hydrant, and one 1½-inch metered water service
Value: \$ 6,700.00

7-Eleven Store, 6035 San Juan Avenue, Citrus Heights
Cosmetic improvements made to existing facilities including a backflow prevention assembly.
Value: \$ 0

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 87 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. An annual summary totaling major work order history was also provided.
2. District-wide water consumption for the calendar year 2011 through the end of December 2011 was 13,252.18 acre-feet, a decrease of 18.8 percent compared with the average annual water consumption during the previous five years, 2006-2010.
3. Operating costs for the District's five groundwater wells was presented. The average cost per acre-foot (af) of groundwater produced among the five wells ranges from \$112.11/af for the Mitchell Farms Well to \$138.21/af for the Sunrise Well. These per-acre-foot costs exclude the cost of District labor to operate and maintain the wells and the capital cost of the groundwater facilities themselves. Directors and staff discussed the groundwater well operating costs.

President Dains called a brief recess to the meeting at 8:00 p.m. CI Gordon, OM Townsel and Mr. Touray left the meeting.

The Board reconvened at 8:02 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dains reported on an upcoming meeting of the Regional Water Authority (RWA).

GM Churchill reported on an upcoming meeting of the San Juan Water District Executive Committee.

Director Rose reported on an upcoming meeting of the City of Citrus Heights City Council that he plans to attend along with Directors Dains and Dion, GM Churchill and AGM Kane, regarding the regional alliance on Delta issues. Director Rose also reported that he recently attended the Sacramento Local Agency Formation Commission (LAFCO) meeting where he was presented with a commendation for his years of service as a LAFCO Commissioner.

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

Director Rose, GM Churchill and AGM Kane reported on the joint meeting of the Boards of Directors of Fair Oaks Water District, San Juan Water District and Orange Vale Water Company that they attended recently along with Director Dion regarding rehabilitation of the Fair Oaks 40-Inch Pipeline.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. The District's auditor, Richardson & Company, performed interim field work on-site at the District's offices during the final two weeks of December in preparation for the District's 2011 financial audit. The auditor is scheduled to return during the final week in February 2012 to begin work on 2011 financial audit.
2. Directors were provided with a summary of Water Efficiency Program activities during the month of December 2011, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. Water Efficiency Coordinator Rex Meurer has been making visits to the elementary schools in CHWD's service area to promote the 2012 Water Poster Contest.
3. Production of the Winter 2012 edition of the District's WaterLine newsletter is complete. The newsletter was mailed to customers and began arriving around January 5, 2012. Directors were provided with a copy of the final printed newsletter.
4. AGM Kane attended a Cross Caucus Meeting regarding the Water Forum Flow Management Standard (FMS) on January 4, 2012. Discussion at the meeting was summarized, including feedback from a meeting between State Water Resources Control Board (State Board) staff and selected Water Forum stakeholder representatives that took place in mid-December 2011.
5. Work on design and acquisition of the District's new telephone system is underway. A pre-design meeting with Gaynor Telesystems is scheduled for January 12, 2012. Due to time required to get modified telephone service in place with Surewest before the new system is installed, installation may not take place until mid-February.
6. The District has received a letter from the California Department of Water Resources (DWR) regarding DWR's review of the District's 2010 Urban Water Management Plan (UWMP). DWR's finding is that the District has addressed all of the requirements of the California Water Code in its 2010 UWMP. Directors were provided with a copy of the letter from DWR.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Seventeen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of December 2011. 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.
3. Citrus Heights Water District has been voted the "Best of Citrus Heights 2011 Winner" in the Utilities Category through the Citrus Heights Regional Chamber of Commerce. Senior staff members attended the monthly Chamber luncheon meeting at Crosswoods on January 10, 2012 and received the District's recognition. Directors were presented with the plaque that was given to the District at the Chamber luncheon. Other nominees in the Utilities Category were California-American Water Company, SMUD and PG&E.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter from Timothy H. Quinn, Executive Director, Association of California Water Agencies (ACWA), thanking Citrus Heights Water District for its 2012 support payment to ACWA.
2. Letter from Rita Schmidt Sudman, Executive Director, Water Education Foundation, thanking Citrus Heights Water District for its contribution to the Foundation for the year 2012.

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.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 9:05 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