

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING  
March 13, 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  
Joseph M. Dion, Director  
Robert A. Churchill, General Manager  
David B. Kane, Assistant General Manager  
John J. Townsel, Operations Manager  
David M. Rossi, Project Manager  
David M. Gordon, Construction Inspector

VISITORS

Walter “Andy” Sells, Chief Executive Officer, Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA)

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

None

PRESENTATION

Walter “Andy” Sells, Chief Executive Officer of the ACWA-JPIA, presented Directors with a check for Citrus Heights Water District in the amount of \$39,029. He explained that the check is a retroactive premium adjustment for insurance premiums previously paid by the District, made possible by the District’s lower-than-expected claims under its liability, property and workers’ compensation insurance coverage through ACWA-JPIA.

Directors and staff discussed the premium adjustment and the programs offered by ACWA-JPIA to help its members increase safety and reduce liability and property losses. Directors thanked Mr. Sells for his work on behalf of CHWD and all the ACWA-JPIA members.

CONSENT CALENDAR

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

- 1) Minutes of the Regular Meeting of February 14, 2012.
- 2) Assessor/Collector's Report for February 2012.

- 3) Assessor/Collector's Cancellation Letter for February 2012.
- 4) Treasurer's Report for February 2012.
- 5) Bills to be Paid for February 2012.
- 6) Approve CAL-Card Purchases for February 2012.
- 7) Summary of 2012 Directors, Officers and Employees Training, Seminars and Conference Expenses.

OLD BUSINESS

Auburn Boulevard Water Main Replacement Project

PM Rossi presented a status report 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 and is nearing completion. He stated that the final tie-in had been completed on March 12, 2012, and that the new water main is in service. The remaining work under the contract is expected to be completed by April 1, 2012, about two months ahead of schedule. PM Rossi also discussed estimated contract addition and deductive change orders for the project.

2012 Water Distribution System Infrastructure Replacement Project

GM Churchill presented a report on proposed Professional Services Agreements (PSA) with two consulting engineering firms to provide engineering services for the 2012 Water Distribution System Infrastructure Replacement Project. On January 3, 2012, the District issued a Request for Proposals (RFP) to provide engineering services for the 2012 Water Distribution System Infrastructure Replacement Project. The Project consists of the replacement of older water distribution system pipelines and related appurtenances on five residential streets and one arterial road in the District. Directors were provided with a Location List that further identified the specific project locations.

As reported at the February 14, 2012 Board of Directors meeting, three firms were recommended to perform the engineering work as follows:

<u>Project Element (s)</u>	<u>Recommended Consulting Engineer</u>
Livoti Avenue / Livoti Tract	Bennett Engineering, Roseville
Baird Way / Northlea Way / Kalamazoo Drive	Kennedy / Jenks, Rancho Cordova
Antelope Road	Ruggeri / Jensen / Azar, Rocklin

Further action at the February 14, 2012 meeting authorized entering into a PSA with Ruggeri / Jensen / Azar for services related to the Antelope Road project element at a cost not to exceed \$30,000.

District staff met with Bennett Engineering Services (aka: Ben-En) and Kennedy / Jenks Consultants and finalized the scope of work and professional fees for their respective portions of the project. Bennett Engineering Services fee proposal for the Livoti Avenue / Livoti Tract project elements is \$65,910. The District's budget estimate for this work was

\$65,000. Kennedy / Jenks Consultants fee proposal for the Baird Way / Northlea Way / Kalamazoo Drive project elements is \$54,447. The District's budget estimate for this work was \$52,000. Directors and staff discussed the recommended consultants and the work to be performed.

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

1. Authorize the General Manager to execute a Professional Services Agreement with Bennett Engineering Services, Inc. in an amount not to exceed \$65,910 for engineering services for the Livoti Avenue / Livoti Tract project elements.
2. Authorize the General Manager to execute a Professional Services Agreement with Kennedy / Jenks Consultants, Inc. in an amount not to exceed \$54,447 for engineering services for the Baird Way / Northlea Way / Kalamazoo Drive project elements.

#### Antelope Road Water Main Replacement Project

GM Churchill presented a report on consideration of amending the project scope and budget for the Antelope Road Project 2011-06 to include the design and installation of approximately 200 lineal feet (l.f.) of 24-inch water transmission main.

Directors were provided with a copy of Agenda Item N-10 from the February 14, 2012 Board of Directors meeting to provide background information for this project. As noted, subsequent to adoption of the 2012 Capital Projects Budget, the General Manager is now recommending including the installation of approximately 200 l.f. of 24-inch water transmission main across the intersection of Antelope Road and Lauppe Lane opposite Rusch Park.

The preliminary estimate for this additional work is as follows:

• Engineering	\$ 6,000
• Permits	\$ 0
• Construction (200 lf @ \$504)	\$100,800
• CHWD Personnel / Inspection	<u>\$ 2,000</u>
Total	\$108,800

The initial budget for Project 2011-06 was \$96,887. The source of the additional funding will be from District reserves.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to add the installation of approximately 200 lineal feet of 24-inch water transmission main to Capital Project Number 2011-06 and revise the project budget to \$205,687 (\$96,887 + \$108,800) plus a contingency of \$14,313 for a total authorization of \$220,000.

## NEW BUSINESS

### Training/Continued Education/Meetings

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

### Refunding of Series 2003 Certificates of Participation

AGM Kane presented a report on the possible refunding of the District's Series 2003 Certificates of Participation (COPs). The Citrus Heights Water District Series 2003 COPs in the amount of \$3,000,000 were issued in June 2003 as part of the San Juan Water District Revenue Certificates of Participation (San Juan and Citrus Heights Project). With continuing low interest rates and favorable market conditions, it is possible for both SJWD and CHWD to realize a savings by refunding the 2003 COPs at this time. As with the original joint financing, both agencies will benefit from sharing in the costs of issuance using the same financial advisor, bond counsel and underwriter.

As proposed, CHWD's refunding would be in the approximate amount of \$2.62 million. SJWD and CHWD cooperatively went to market with the COPs in 2003, but the COPs issued by SJWD and CHWD are separate issuances. If CHWD were to choose not to do a refunding in conjunction with SJWD at this time, SJWD can go ahead with refunding its own COPs and leave CHWD's current COPs intact.

Fieldman Rolapp & Associates, the financial advisor for the 2003 issuance, had led the initial effort by SJWD to determine the optimum timing and strategy to maximize the savings to both SJWD and CHWD under a refunding. Directors were provided with a copy of Fieldman Rolapp's January 19, 2012 memorandum to SJWD, summarizing a possible refunding of the 2003 COPs. Although market conditions at the time of the refunding will determine the level of savings for CHWD, the estimated average annual savings at the time that the memorandum was prepared is \$28,454.

This refunding will not "reset the clock" but will continue on the same repayment schedule as the current 2003 COPs, concluding in 2033. The net result for CHWD will be twofold: 1) reduce the annual principal and interest payment on the debt from its current average level of about \$196,000 annually to an average level of about \$168,000; and 2) eliminate the reserve fund requirement. The financial advisor states that essential service agencies with credit ratings as high as SJWD and CHWD no longer need reserve funds for their financings, and that there is no interest rate premium without a reserve fund. CHWD's reserve fund on the 2003, held in trust by the trustee, Union Bank, currently stands at about \$195,740. The reserve fund amount is proposed to be folded in to the refunding, essentially helping to offset the costs of issuance for the refunding.

As proposed, the 2012 refunding would be done as bonds rather than Certificates of Participation. This is because the marketplace is currently favoring the investment structure of bonds over COPs, even though for the purposes of the issuing agencies they amount to essentially the same thing. The financial advisor and underwriter both believe

that current conditions are as favorable as can be expected, both due to interest rates and a low volume of these types of public agency bonds in the marketplace. It is in the interest of SJWD and CHWD to get their refunding bonds to market in a timely manner to take advantage of these conditions.

The District requested its own impartial analysis of the proposed refunding from Jennifer Branin (Branin Finance) who has served as the District's financial advisor on its previous COP issuances and refundings. Directors were provided with a copy of Ms. Branin's analysis. In summary, she affirms that the bond refunding market is strong and that refunding of the 2003 COPs is in the District's best interest. Her analysis points out several factors to consider regarding the refunding.

With the Board's approval, staff will work with SJWD and the refunding team to prepare the Preliminary Official Statement and the other documents required to do the refunding. Until such time as the Board of Directors actually approves and executes the refunding documents, CHWD incurs no financial obligation for the work of the refunding team.

Directors and staff discussed the proposed refunding. Directors inquired as to the District's share of the cost of issuance and underwriter's discount for the refunding. AGM Kane referred to information presented in the Fieldman Rolapp memorandum that estimates the District's combined share of these costs to be about \$44,742, out of a total of \$298,920 for the entire refunding by SJWD and CHWD. Directors asked whether the action that was recommended at this meeting would be approving the refunding or whether there would be further action required by the Board. AGM Kane stated that the recommended action by the Board on this agenda item would only give the Treasurer direction to proceed with the preparation of documents needed to carry out the refunding. The Board will need to act in its capacity as the Board of the CHWD Financing Corporation at a future meeting to authorize executing the agreements that will allow the refunding to take place.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the Treasurer to proceed with preparation for proposed Water Revenue Refunding Bonds, Series 2012, to refund the existing Series 2003 Certificates of Deposit.

#### Reschedule May 8, 2012 Regular Board of Directors Meeting

GM Churchill presented a report on the possible rescheduling of the regular Board of Directors meeting of May 8, 2012 due to conflicts with the Association of California Water Agencies (ACWA) and ACWA Joint Powers Insurance Authority (ACWA-JPIA) Spring Conferences. The ACWA and ACWA-JPIA Spring Conferences are being held in Monterey, California, beginning with the ACWA-JPIA Conference on May 7-8 2012 and continuing with the ACWA Conference on May 8-11, 2012. These dates conflict with the District's regularly scheduled Board of Directors meeting date of May 8, 2012. In order that District Directors and staff may participate in the Conferences, rescheduling of the regular District Board of Directors meeting is recommended. Directors and staff discussed the proposed rescheduling.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to reschedule the Citrus Heights Water District regular Board of Directors meeting from Tuesday, May 8, 2012 at 6:30 PM to Tuesday, May 15, 2012 at 6:30 PM.

7101 Bonita Way Sewer Service Relocation

GM Churchill presented a report on the proposed addition of a project to relocate the sewer service that serves the residence at 7101 Bonita Way to the list of authorized 2012 Capital Projects list and establish a project budget. The Bonita Way Groundwater well site is located at 7117 Bonita Way on a parcel of land purchased from Don and Connie Weber. The Weber's residence is south of what is now the District's parcel. The sewer service for the Weber residence crosses the front of the District's parcel. Directors were provided with a map of the properties showing the location of the existing sewer service. It has been the General Manager's intent for several years to relocate the Weber's sewer service such that it connects to the sewer line directly in front of their residence rather than crossing the District's lot.

A professional services agreement to provide design drawings and coordinate with the Sacramento Area Sewer District has been executed in the amount of \$2,500 with Area West Engineers of Citrus Heights.

The preliminary project budget for this work is as follows:

• Engineering	\$ 2,500
• Permits (SASD & CH City)	\$ 3,000
• Construction	\$15,000
• CHWD Personnel	<u>\$ 1,000</u>
Total	\$21,500

The source of the funding will be from District reserves. This work, although anticipated, was not included in the District's 2012 Capital Projects Budget. Directors and staff discussed the proposed project and work to be performed.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to add the relocation of the sewer service to 7101 Bonita Way to the list of authorized 2012 Capital Projects as Project Number 2012-23 and establish a project budget of \$21,500.

Retirement of David M. Rossi

GM Churchill presented a report on a proposed resolution commending David M. Rossi for his service to the District. Project Manager Rossi will be retiring from the District on March 15, 2012, after providing over 20 years of service to the District. A luncheon retirement celebration will be held at the Citrus Heights Community Center beginning at 12:00 noon on March 14, 2012.

GM Churchill presented a resolution acknowledging and commending David's service to the Board for consideration. Director Dains read the resolution aloud. Directors expressed their appreciation and best wishes to PM Rossi upon his retirement.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to adopt Resolution No. 02-2012 Commending David M. Rossi for his service to the District.

#### Recruiting and Selection of Project Manager

GM Churchill presented a report on considering waiving the outside recruiting process for recruiting and selection of a Project Manager. With the retirement of David Rossi on March 15, 2012, the position of Project Manager will be vacant. Directors were provided with a copy of District Human Resources Policy 4010 *Recruiting and Selection* that sets forth the process to be undertaken when a personnel vacancy occurs.

Directors were also provided with a Project Manager Job Announcement that was announced to all employees and posted in two locations for a period of eight days beginning on February 29, 2012. One application was received by the application deadline from Senior Engineering Technician Paul Dietrich.

Mr. Dietrich is a 25-year employee and has been under the supervision of the retiring Project Manager for 14 years. Mr. Dietrich is keenly aware of the project management needs of the District and merits consideration for promotion to the Project Manager position. Directors and staff discussed a possible internal promotion to fill the Project Manager position. Directors asked whether it was legal to waive the outside recruiting process. GM Churchill explained that this process was set forth by CHWD Policy, and that it is within the power of the Board of Directors to waive or change the policy at their discretion.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to waive the outside recruiting process for recruiting and selection of a Project Manager such that the General Manager can consider promoting from within the organization.

Mr. Sells left the meeting at 7:28 pm.

#### PROJECT MANAGER'S REPORT

PM Rossi presented a report on the following activities during the month of February 2012 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. He 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. Construction Inspector David Gordon provided an additional report on the status of water system improvements being installed in conjunction with private commercial development projects.

#### OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 126 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 2012 through the end of February 2012 was 1,337.65 acre-feet, an increase of 1.9 percent compared with the average annual water consumption during the previous five years, 2007-2011.

President Dains called a brief recess to the meeting at 7:34 p.m. PM Rossi, OM Townsel and CI Gordon left the meeting.

The Board reconvened at 7:36 p.m.

#### DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a Regional Water Authority (RWA) meeting that he attended recently along with Director Rose, GM Churchill and AGM Kane.

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

Directors Dion and Rose reported on a San Juan Water District Executive Committee that they attended recently along with GM Churchill and AGM Kane.

Director Dion reported on recent matters of interest and activities regarding the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA).

Director Rose reported on recent matters of interest regarding the City of Citrus Heights City Council. He also reported on recent matters of interest regarding the Sacramento Local Agency Formation Commission (LAFCO).

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

#### ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:



1. The District's auditor, Richardson & Company, performed their on-site field work at the District office on February 27 - 29. District staff will work with the auditor in preparation and review of the financial statements and the Management Discussion and Analysis. The auditor will present their report and findings to the Board at the April 10, 2012 Board meeting.
2. Directors were provided with a summary of Water Efficiency Program activities during the month of February 2012, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. One violation notice was issued to a customer for failure to make repairs as requested to a leaking water service. The customer has subsequently completed repairs. Poster contest judging was completed with the help of volunteer judges from several local public agencies.
3. AGM Kane and Water Efficiency Coordinator Rex Meurer delivered presentations at a Birdcage Heights Neighborhood Association (Citrus Heights Neighborhood 11) meeting on February 15, 2012 at Skycrest School. AGM Kane gave a presentation on Delta Plan issues; and WEC Meurer gave a presentation on water efficiency programs and rebates offered by the District. Directors were provided with a copy of the promotional flyer for the meeting.
4. Directors were provided with a copy of a notice recently issued by the California Public Employee's Retirement System (CalPERS) regarding potential changes to employers' rates due to CalPERS Board review of economic assumptions. Changes in various assumptions used to develop rates for the Miscellaneous Plan could result in increases of between 4 and 5 percent of payroll. CalPERS staff expects to recommend changes to some or all of the underlying rate assumptions and present them to the CalPERS Pension and Health Benefits Committee on March 13, 2012. Changes, if any, will be incorporated into the June 30, 2011 actuarial valuations that will be performed by CalPERS in the fall of 2012. Employers will see the effect of these changes in CalPERS rates that will go into effect on July 1, 2013.
5. Directors were provided with copies of two reports related to water supply conditions for the year ahead. A News Release from the US Bureau of Reclamation (USBR) provides the Initial 2012 Water Supply Allocation for California's Central Valley Project. The allocation is based on a number of factors, including February 1 hydrologic conditions, the California Department of Water Resources' February Water Year 2012 Runoff Forecast, and other information. The initial allocation forecasts a 75 percent allocation for M&I (municipal and industrial) water users north of the Delta.

The Monthly Runoff Report for February 2012 from the Water Forum Successor Effort shows the projected March-November Unimpaired Inflow into Folsom Reservoir (UIFR). The UIFR is an index that is used to determine the type of water year for Water Forum purposes, which affects allocations of American

River water for certain users. Currently the projected UIFR is 884 TAF (thousand acre feet). This places the current projected UIFR in a “Wedge Year” which is when the UIFR is below 950 TAF and above 400 TAF. In a Wedge Year, the allocation of American River water under the Water Forum Agreement for certain water users, including San Juan Water District, may be affected. San Juan Water District discontinued water deliveries to Sacramento Suburban Water District in mid-February.

It is too soon to determine whether there may be a need to consider a change in the District’s Stage 1 – Normal Water Supply declaration. Any recommendation for a change will likely be done in consultation and coordination with other San Juan Family agencies. Staff will continue to monitor and report on water supply conditions over the next few months.

6. AGM Kane reported on recent Water Forum activity regarding the “Cross Caucus” process. Sub-groups of the Cross Caucus group are discussing specific issues related to the Flow Management Standard (the FMS Steering Committee) and the City of Sacramento’s Fairbairn intake (the Fairbairn Issues Group). It is intended that these sub-groups will bring back recommendations or information for discussion by all Cross Caucus participants to facilitate decisions about taking the FMS to the State Board.

#### GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

1. Eighteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of February 2012. 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.

#### CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Recent letter from multiple public water and power agencies including the Sacramento Municipal Utility District to the State Water Resources Control Board regarding the Bay/Delta Water Quality Control Plan and possible effects of the Delta Flow Criteria and similar concepts that focus on historical unimpaired flows.

#### CLOSED SESSION

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.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 8:24 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