

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING  
April 9, 2013

The Regular Meeting of the Board of Directors was called to order at 6:30 p.m. by President Dion and roll was called. Present were:

Joseph M. Dion, President  
David L. Goforth, Vice President  
Allen B. Dains, Director  
Robert A. Churchill, General Manager  
David B. Kane, Assistant General Manager  
John J. Townsel, Operations Manager  
Paul A. Dietrich, Project Manager

VISITORS

Ingrid Shepline, Richardson & Company  
John Woodling, Executive Director, Regional Water Authority

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

None.

CONSENT CALENDAR

President Dion asked for the Consent Calendar. Director Goforth requested that the Treasurer's Report be pulled from the Consent Calendar for discussion. President Dion directed that the Treasurer's Report be discussed under New Business following other New Business agenda items. It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to accept the balance of the Consent Calendar consisting of:

- 1) Minutes of the Regular Meeting of March 12, 2013.
- 2) Assessor/Collector's Report for March 2013.
- 3) Assessor/Collector's Cancellation Letter for March 2013.
- 4) Bills to be Paid for March 2013.
- 5) Approve CAL-Card Purchases for March 2013.
- 6) Summary of 2013 Directors, Officers and Employees Training, Seminars and Conference Expenses.

PRESENTATIONS

Financial Audit Report

AGM Kane introduced Ingrid Shepline, CPA, Richardson & Company of Sacramento, the engagement director for the District's 2012 financial audit. Ms. Shepline provided Directors with an outline of her presentation of the Audited Financial Statements for the

District's fiscal year ending December 31, 2012. She stated the audit expresses a clean opinion and shows that the District's financial records are in good shape and that its accounting practices continue to conform with generally accepted accounting principles. Ms. Shepline discussed the financial statements, significant accounting policies, the internal control and compliance report, audit adjustments, and management judgments and accounting estimates, highlighting areas of significance. The auditor did not identify any deficiencies in internal control over financial reporting that they considered to be a material weakness.

Ms. Shepline highlighted items for the District's consideration that were included in the Auditor's Management Letter. These items were:

1. A recommendation for the District to develop procedures to review potential payables for proper accrual if the payable is probable and the costs can be reasonably estimated. District staff concurs with the recommendation, and expressed their opinion that the type of audit adjustment that occurred can be avoided with improved reporting by management staff to accounting staff of the existence of and status of certain contractual obligations.
2. An explanation of a new Government Accounting Standards Board (GASB) requirement, GASB 68, regarding accounting and financial reporting for pensions that will apply to the District's financial statements beginning in 2015. GASB 68 will require the District to recognize the amount of unfunded CalPERS pension liability in its financial statement of net position, rather than as a supplementary note to the financial statements.
3. A report on cash and investments, performed by the auditor as specified in its contract with the District. The auditor has confirmed the District's cash and investment account balances and tested the reconciliation of those balances to the District's records, and has determined that the balances agree. The auditor has also verified compliance with the policies and procedures set forth in the District's investment policy.

Directors discussed various details of the audit report with Ms. Shepline. Director Goforth inquired as to whether the report showed the District's quick ratio. Ms. Shepline explained that the quick ratio, also known as the quick assets ratio, was a ratio more typically determined for the financial statements of private business entities. She said that the information required to determine the District's quick ratio is contained within its financial statements, and that she could assist the District in determining that ratio if requested.

This is the third year of a three-year engagement for financial auditing services with a contract option for up to two additional years with Richardson & Company. Staff will present a future recommendation for exercising that option with the auditor.

Directors and staff thanked Ms. Shepline for the presentation and for her firm's work on the audit. Ms. Shepline expressed her appreciation to the District's staff for its

cooperation during the audit. Ms. Shepline and AGM Kane recognized Office Administrator Pam Peters for her efforts in working with the auditor to prepare the financial statements and conduct the audit.

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to accept the Independent Auditor's Report, Financial Statements and Supplemental Information for the Year Ended December 31, 2012.

Ms. Shepline left the meeting at 6:55 p.m. after the Board's action.

#### Regional Water Authority Joint Powers Agreement Amendments

GM Churchill introduced John Woodling, Executive Director of the Regional Water Authority (RWA). Mr. Woodling delivered a presentation regarding proposed amendments to the RWA Joint Powers Agreement.

By unanimous vote at its March 14, 2013 meeting, the RWA Board of Directors approved the circulation of proposed amendments to the RWA Joint Powers Agreement (JPA). The Board believes these changes are essential for RWA to more effectively advocate for this region to protect its water supplies and unique resources. Amending the JPA requires the approval of the governing board of each current RWA Member of a staff member with delegated approval authority.

Directors were provided with a letter from RWA that included a description and explanation of the proposed amendments to the JPA. The amendments will make the following changes to the JPA:

- Emphasize the RWA will advocate on external issues that affect the region by adding advocacy as one of RWA's express powers;
- Define clearly the "External Policy Issues" on which RWA would advocate, including State and federal legislative, regulatory and judicial matters;
- Move the process for taking policy positions on External Policy Issues out of the JPA itself and allow RWA's Board of Directors to govern the development of policy positions and their approval; and
- Identify the local issues on which RWA would not advocate, such as local land use decisions, local ordinances and agreements or disputes among RWA signatories, without unanimous written consent from all RWA signatories.

Directors were also presented with a draft resolution approving amendments to the RWA JPA. Directors, staff and Mr. Woodling discussed the proposed amendments. Directors expressed their support for the amendments to the JPA, and thanked Mr. Woodling for his presentation and his work on behalf of the Regional Water Authority.

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to adopt Resolution No. 07-2013 In Support of Amendments to the Joint Powers Agreement Governing the Regional Water Authority.

Mr. Woodling left the meeting at 7:03 p.m. after the Board's action.

## OLD BUSINESS

### Skycrest School Groundwater Well

GM Churchill presented a status report on the site acquisition, environmental compliance and design phases of the proposed Skycrest School Groundwater Well. The District has a mutual assistance agreement with San Juan Unified School District (SJUSD), executed in 2000, that in part provides that SJUSD commits “to assist and cooperate with CHWD in identifying and considering for sale, lease, or other agreements for use, real property under the management or control of SJUSD which could provide suitable locations for groundwater wells, storage tank sites or easements for facilities, without compromising the mission of SJUSD.”

To that end CHWD identified a remote and fenced-off portion in the southwest corner of Skycrest School as a candidate site for a groundwater well. With permission of SJUSD a test hole was drilled in the spring of 2003 at a cost of \$22,800. The SJUSD Planning Department then subsequently determined that selling the site to CHWD would adversely impact their ability to secure grant funds due to the smaller site then being too small for the projected student population.

CHWD has since been awarded, through RWA’s Proposition 50 Grant, \$600,000 for a conjunctive use well. Inasmuch as a test hole had previously been drilled, the Skycrest School site was again broached with a positive response from the current Planning Director of SJUSD. In the current calendar year the following activities have been or are anticipated to be undertaken with respect to this project:

- Property Appraisal – completed by Pattison & Associates - \$2,000.  
Appraised Value for 1.3 acres: \$128,000 + \$2,000 to SJUSD for Staff time
- Title Report – underway with Placer Title Company
- Environmental Documentation – underway with Environmental Planning Partners as the lowest cost responsive consultant - \$18,830. This firm provided similar services for the Bonita Way Well project. The fees for the other two proposing consultants exceeded \$24,000 each.
- SJUSD Board of Education Meetings – April 23 and May 14, 2013 to consider action on the property sale to CHWD.
- Request for Proposals for Engineering Design Services – June 2013.
- Selection of an Engineering Consultant – July/August 2013.

The current budget allocations for the project are as follows:

Project No. 2012-11: Groundwater Well No. 13 Design (includes site acquisition, CEQA, etc.): \$453,431  
Project To-Date Costs: \$4,625

Project No. 2013-21: Groundwater Well No.13 Construction: \$2,679,229  
Project To-Date Costs: \$ 992

Directors and staff discussed the project. GM Churchill stated that he will be attending the SJUSD Board of Education meetings related to action on the property sale to CHWD.

## NEW BUSINESS

### Training/Continued Education/Meetings

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

### Auction of Surplus Equipment

OM Townsel presented a report on disposal of equipment that is surplus to the needs of the District by selling it at public auction. The District is preparing to sell the following equipment as surplus:

Equip. No. 04, 2001 Ford F-450 Service Truck, approx. 48,900 miles

Equip. No. 06, 2001 Dodge 1/2-ton Pickup, approx. 34,790 miles

Equip. No. 07, 2002 Dodge 1/2-ton Pickup, approx. 89,001 miles

Equip. No. 40, 2002 John Deere Backhoe 410G, approx. 2600 hours.

Under District Policy No. 5750, Disposal of Surplus Property, any District property with an estimated value of greater than \$4,000 shall be disposed as surplus with the authorization of the Board of Directors. It is likely that these pieces of equipment will bring more than \$4,000 each at auction. In order to avoid any possible non-compliance with District policy, this matter is being brought to the Board of Directors for consideration and action before sending the equipment items to auction.

A number of other miscellaneous small surplus items will also be sent to auction at the same time; however, these items do not require Board action due to their low estimated dollar value.

The suggested auction company for No. 40 is Huisman Auction in Sacramento. The suggested auction company for Nos. 04, 06, and 07 is Bar None Auction in Sacramento. Directors and staff discussed the disposal of the surplus equipment.

It was moved by Director Dains, seconded by Director Goforth and carried 3-0 to authorize the disposal of District Equipment Nos. 04, 06, 07, and 40 by public auction.

### Request for Proposals for Financial Planning Services

AGM Kane presented a report on a draft Request for Proposals (RFP) to obtain the services of qualified financial consultant to develop a 10-year financial plan for the District and provide input to staff. The District last performed a long-range financial planning process in 1999. That process resulted in the adoption of a Long-Range Financial Plan covering the years 2000-2010. It established a water rate methodology and computer-based rate-setting model, portions of which are still in use. The Plan also

established the District's methodology for determining capacity fees and recommended a series of rate increases over the planning period. The Plan served as a financial roadmap for the District during the years that the District was making the transition from a flat-rate water system to a fully-metered system. With 13 years elapsed since the last Plan was completed, it is time to take another look at rate structures and methodologies and put into place a plan to help guide the District's finances for the years ahead.

Development of a new long-range financial plan was included in the District's 2013 Operating Budget, with \$40,000 authorized for professional services to develop a plan and a new water rate model. Directors were provided with a copy of the draft Request for Proposals that is proposed to be released to potential financial consultants to solicit proposals for the work. District staff is asking for input from Directors at this time, particularly with regard to the proposed scope of the work and proposed special meetings of the Board with the selected consultant in June and July as part of the planning process.

No action of the Board is required at this time, but any specific requests or modifications by the Board will be incorporated in the final RFP which will be issued to consultants within a week after the Board meeting. Directors and staff discussed the RFP for financial planning services. Director Goforth questioned whether a rate study was needed, and suggested that the work could be performed by District staff instead of a financial consultant. Director Dains discussed the rate recommendations that had been presented in the 1999 Long-Range Financial Plan.

As proposed, District staff will review the proposals and prepare a recommendation regarding selection of a consultant for the Board's consideration at their May 14, 2013 meeting.

#### Treasurer's Report for March 2013

This item was removed from the Consent Calendar at the request of Director Goforth and placed under New Business on the Board agenda for discussion and consideration. Director Goforth inquired about two line items in the 2013 Operating Budget – Summary by Account that is included as part of the Treasurer's Report. AGM Kane explained that the reason for the budget variances and the appearance of a negative year-to-date expenditure number on one of the line items is due to the timing of the payment of the expenditure from the Operating Budget before it is expensed to the appropriate project in the Capital Projects Budget.

It was moved by Director Goforth, seconded by Director Dains and carried 3-0 to accept the Treasurer's Report for March 2013.

#### PROJECT MANAGER'S REPORT

PM Dietrich presented a report on the following activities during the month of March 2013 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 Old Auburn

Road 18-Inch Water Main and Mariposa Avenue 12-Inch Water Main project; the Palm Avenue 12-Inch Water Main, Castle Street 8-Inch Water Main and Kilborn Drive/Ronnie Street/Billie Street 8- and 6-Inch Water Mains project; the Northgrove Way 6-Inch Water Main and Walnut Drive 8-Inch Water Main project; the Mariposa Avenue 24-Inch Water Main and San Juan High School 24-Inch Water Main project; the Old Auburn Road 14-Inch Water Main project; and the Park Drive 8-Inch Water main and Poplar Avenue 8-Inch Water Main project.

- District Capital Improvement Projects currently under construction by contractors, including: the Sunrise Boulevard Valve Box Raising and Setting; the Livoti Tract 8-Inch Water Mains and the Old Auburn Road 18-Inch Water Main; and
- Design coordination underway with the City of Citrus Heights on the City's Sunrise Boulevard Complete Streets Improvement Project and the Auburn Boulevard Joint Trench Utility Undergrounding Project.

#### OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 176 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 2013 through the end of March 2013 was 2,028.43 acre-feet, an increase of 1.0 percent compared with the average annual water consumption during the previous five years, 2008-2012.

Director Dion called a recess to the meeting at 7:54 p.m. OM Townsel and PM Dietrich, left the meeting.

Director Dion reconvened the meeting at 8:00 p.m.

#### DIRECTOR'S AND REPRESENTATIVES REPORTS:

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

Director Dains reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA).

AGM Kane reported on a meeting of the Association of California Water Agencies (ACWA) Board of Directors that he attended recently in his capacity as Vice-Chair of the Personnel and Benefits Committee.

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

GM Churchill reported on a San Juan Water District Executive Committee meeting that he attended recently along with Director Dion and AGM Kane.

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

Director Dains reported on a recent Water Education Foundation Executive Briefing that he attended recently in Sacramento, California.

### ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Directors were provided with a summary of Water Efficiency Program activities during the month of March 2013, including the number of ultra-low-flush toilet rebates issued. Work on the annual poster contest continued, and a large landscape audit for the Sunrise Golf Course has been completed.
2. The recruitment for the position of Water Distribution Supervisor that was vacated by the retirement of Jerry Lee has been completed. District employee Tim Cutler has received a promotional appointment to the position. A recruitment to fill Mr. Cutler's vacated Water Distribution Specialist position began immediately upon his appointment to the new position. Applications for the Water Distribution Specialist position were accepted only from current District employees due to the knowledge of the District's water system and service area that is needed for the position. The application period has closed and interviews of candidates are scheduled to be conducted on April 10, 2013.
3. The annual election of Officers for the Sacramento Area Water Works Association (SAWWA) took place at SAWWA's March 2013 meeting. Water Efficiency Coordinator Rex Meurer has been elected as the Treasurer for SAWWA.
4. Work continues on the design and installation of the new pay-by-telephone system for the District. The installation of the system and modifications to the telephone system have experienced delays but are now nearly complete, and testing is expected to start in mid-April.
5. Directors were provided with information regarding surface water supply conditions. This included a U.S. Bureau of Reclamation news release announcing the update to the 2013 Central Valley Project (CVP) water supply allocation, including a 75 percent allocation for Municipal and Industrial (M&I) Water Service Contractors North-of-Delta. Copies of the Monthly Runoff Report for March 2013 from the Water Forum Successor Effort were also provided, along with a California Department of Water Resources news release regarding their March 28, 2013 snow survey. Rain and snowfall since the beginning of 2013 continue to lag far behind seasonal averages.

## GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Fourteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of March 2013. 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. Letter received from Chris Brown, Executive Director of the California Urban Water Conservation Council, thanking CHWD for renewing its Council membership this year.

## 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 8:32 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