

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
April 8, 2014

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
Joseph M. Dion, Vice President
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
Paul A. Dietrich, Project Manager
Pamela L. Peters, Office Administrator
Susan K. Sohal, Customer Service Administrator
Rex W. Meurer, Water Efficiency Coordinator
James E. Buford, Water Distribution Lead Worker / Operator

VISITORS

Ingrid Sheipline, Richardson & Company
Warren Jung
Charles Rose
Caryl Sheehan
Treston Shull

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

None.

CONSENT CALENDAR

President Dains asked for the Consent Calendar. It was moved by Director Dion and seconded by Director Dains to accept the Consent Calendar consisting of:

- 1) Minutes of the Regular Meeting of March 11, 2014.
- 2) Assessor/Collector's Report for March 2014.
- 3) Assessor/Collector's Roll Adjustment Letter for March 2014.
- 4) Treasurer's Report for March 2014.
- 5) Payables for March 2014.
- 6) CAL-Card Purchases for March 2014.
- 7) Summary of 2014 Directors, Officers and Employees Training, Seminars and Conference Expenses.
- 8) Waive the requirement for signature of two Directors on a check for the purchase

of a 2014 Ford F-650 dump truck from Downtown Ford in the approximate amount of \$80,309.66.

The motion passed 2-0 with all Directors voting yes

Financial Audit Report

AGM Kane introduced Ingrid Shepline, CPA, Richardson & Company of Sacramento, the engagement director for the District's 2013 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, 2013. 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.

Ms. Shepline explained that the Auditor's Report contains one Current-Year Finding, Finding 2013-1, related to controls over financial reporting. The Auditor found that in both 2012 and 2013, the District reclassified expenses to construction in progress that exceeded the actual expenditures incurred because certain expenditures were removed and capitalized twice. As a result, construction in progress was overstated and expenses were understated by \$396,275 which required a restatement of the prior year statement of net position. In 2013, a correcting adjusting journal entry was made in the amount of \$435,865 to correct a double-posting of construction in progress costs. The Auditor recommends that the District put procedures in place to ensure that the proper amounts of costs are reclassified out of expenses and into construction in progress, as well as additional recommendations on how the District may best accomplish this. Ms. Shepline stated that the District has concurred with the Auditor's recommendation and has already begun to develop procedures to implement the Auditor's recommendation.

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 contact the vendor for its financial information software to assist in correcting errors within the capital asset reporting software. While the District's general ledger balances for accumulated depreciation were correct, there are incorrect amounts being shown on certain reports generated by the software. The District will contact the software vendor to report the issue with amounts not being reflected in the year-to-date depreciation column and determine if there is a software update or fix that will provide a remedy for this issue.
2. During the Auditor's inventory observation, they noted that some parts that were purchased prior to 2006 are not given a value but may have a future use for the District. The Auditor recommends that all items that have a future use be given a value or be considered scrap and removed from inventory. District staff will

research and add a cost to all items that have a possible future use. Those items found not to have a future use will be recommended to be removed from the District's inventory and either sold as surplus, recycled or otherwise disposed of as appropriate.

3. The District uses a variety of Microsoft Excel spreadsheets for items such as determining inventory balances, capital construction project costing and other financial and management information. The Auditor's opinion is that this reliance on Excel spreadsheets that are not integrated with the District's financial information software increases the risk of data input errors. The Auditor recommends that the District investigate dedicated software applications to perform inventory and capital construction project costing, as well as establishing a framework within which spreadsheet use is defined and clearly linked to other business processes. The District agrees with the Auditor's recommendations to the extent that they can be implemented in a cost-effective manner. District staff has recently implemented improvements in the importing and exporting of data between the financial information system and Excel spreadsheets to reduce the likelihood of data input errors. However, other dedicated software applications, particularly those that are typically integrated with the financial information system may not be cost-effective to implement until such time as the District replaces the existing system.

Directors discussed various elements of the audit report with Ms. Shepline.

This is the fourth year of a five-year engagement for financial auditing services 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. AGM Kane recognized Office Administrator Pam Peters and Customer Service Administrator Susan Sohal for their efforts in working with the Auditor to prepare the financial statements and conduct the audit.

It was moved by Director Dion and seconded by Director Dains to accept the Independent Auditor's Report, Financial Statements and Supplemental Information for the Year Ended December 31, 2013. The motion passed 2-0 with Directors Dains and Dion voting yes.

Ms. Shepline left the meeting at 6:50 p.m. after the Board's action.

OLD BUSINESS

Skycrest Well Drilling, Development and Testing

OM Townsel presented a status report on the drilling and testing phase of the Skycrest Well project. A pre-construction meeting with the contractor, Zim Industries, was held on

March 18, 2014. The contractor is now at the site doing grading and site work in preparation for drilling in the next few weeks. Directors and staff discussed the project.

San Juan Water District / Sacramento Suburban Water District Joint Meetings

GM Churchill presented a report on the ongoing joint meetings between San Juan Water District (SJWD) and Sacramento Suburban Water District (SSWD). The most-recent Joint 2 x 2 Committee Meeting of SJWD and SSWD was held on March 19, 2014 at SJWD. At that meeting the Municipal Consulting Group's March 2014 Draft "SSWD and SJWD High-Level Feasibility Analysis for Water Supply Reliability" was reviewed and discussed. Directors were provided with a copy of the draft report.

SSWD Directors on the Joint 2 x 2 Committee discussed holding a meeting of the SSWD Board of Directors alone to discuss the report prior to scheduling a Joint Board Meeting of both agencies. The schedule for future meetings is unknown.

Administration Building Improvements

GM Churchill presented a status report on the design phase of the Administration Building Improvements Project.

Three meetings were held with District staff and Blackbird Architects and other members of the architectural design team during the month of March. Directors were provided with minutes or agendas of the meetings held. GM Churchill noted that consideration is currently being given to upgrading the restrooms in the building. The architect is developing preliminary cost information to determine whether restroom upgrades could be done within the existing project budget.

GM Churchill noted the dates and times of future meetings between District staff and Blackbird Architects.

Water Supply

GM Churchill presented a status report on water supplies available to the District. Recent rains have continued to raise the level of water stored in Folsom Lake, reducing earlier concerns about the Lake reaching "dead pool" levels later in 2014. As of April 2, 2014, storage in the Lake was at 454,000 acre-feet, about 47 percent of the total capacity of 975,000 acre-feet. The historical average for this date is 72 percent of total capacity. Directors were provided with a copy of a graph showing the lake level. The April 1, 2014 snow survey in the Sierra Nevada by the Department of Water Resources shows the water content of snow in the Sierras at 32 percent of average. It appears likely that the District will need to remain in a Stage 3 – Water Warning with 20 percent conservation at least through the summer and fall months ahead.

CHWD continues to assist with preserving surface water supplies in the lake by operating its groundwater wells. Groundwater production by CHWD for the month of March 2014 was 165.76 acre-feet, representing 27 percent of total CHWD water consumption for the

month. Fair Oaks Water District (FOWD) has also continued to operate its groundwater wells.

The District's Sylvan Well remains out of service due to a pump motor problem. The new pump motor has been installed but additional diagnosis and evaluation of the electrical service to the well is being done before placing the well back in service. Sunrise Well also remains out of service due to air entrainment problems. A recently-completed video inspection of the well indicates a probable need for cleaning of the well screens. The Bonita, Mitchell Farms and Palm Wells remain operational and are being operated on a rotational basis.

Total water use from January 1 through the end of March 2014 was 1,665.55 acre-feet, 14.6 percent less than the five year average of the same period. Total water consumption for the month of March was 612.20 acre-feet, 12.9 percent below the five year average for the month of March.

SJWD is pursuing projects to obtain supplies of water from Placer County Water Agency into their northerly Granite Bay retail area and from Sacramento Suburban Water District, pumping groundwater easterly to serve SJWD-Retail, Orange Vale Water Company and the City of Folsom's Ashland area. SJWD remains in a mandatory Stage 3 – Water Warning calling for a 25 percent water use reduction by its retail customers.

Assistant General Manager Recruitment

GM Churchill presented a status report on the recruitment process to select a successor Assistant General Manager. The recruitment to fill the Assistant General Manager position is underway with the assistance of Pam Derby of CPS HR Consulting of Sacramento. A meeting was held with Ms. Derby on March 12 to provide information and discuss the recruitment process. Directors were provided with a copy of the recruitment brochure produced by CPS with input and review by the District. The recruitment was officially announced on March 31. The announcement is appearing in several state-wide and region-wide water and public administration publications and web sites, as well as on CPS' own web site and CHWD's web site.

The final filing date for the recruitment is April 21, 2014. Ms. Derby will conduct screening of candidates and present a list of the most-qualified candidates to the District within a week following the final filing date. Interviews of selected candidates are tentatively scheduled for May 5, 2014.

Appointment to Fill Director, Division 1 Vacancy

GM Churchill presented a status report on the process to appoint a Director to fill the vacancy in the Office of Director, Division 1, for Citrus Heights Water District. The Office became vacant with the resignation of David L. Goforth on March 6, 2014. As directed at the Board's March 11, 2014 meeting, a Notice of Vacancy was posted on March 12, 2014 at the District office, at the City of Citrus Heights City Hall, at Sunrise

Recreation and Park District Administrative Office and at the Regional Water Authority Office. The Notice was also posted on the District’s web site. Additionally, the General Manager announced the vacancy at four different recent Citrus Heights Neighborhood Association meetings.

The District received letters from the following four individuals expressing an interest in filling the vacancy.

- | | | |
|------------------|-------------------------|----------------|
| 1. Charles Rose | 7566 Sylvan Creek Court | Citrus Heights |
| 2. Caryl Sheehan | 7621 Northeast Circle | Citrus Heights |
| 3. Warren Jung | 7626 Wes Way | Citrus Heights |
| 4. Treston Shull | 7675 Northeast Circle | Citrus Heights |

Directors were provided with copies of their statements of interest.

Directors and staff discussed the process for appointing an individual to fill the vacant Director’s position. Directors expressed an interest in interviewing all of the candidates before considering an appointment, and discussed a possible date for holding a Special Meeting to conduct interviews.

Directors agreed on having the Board President call for a Special Meeting of the Board of Directors on April 14, 2014, at a time to be determined after the General Manager contacts the candidates regarding their availability on that date.

NEW BUSINESS

Training/Continued Education/Meetings

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

Inspection Services for 2014 Water Main Installations and Replacements

PM Dietrich presented a report on proposed contracts with firms to provide inspection services for water main installation and replacement projects during 2014. Directors were provided with a list of capital improvement projects scheduled to be performed during the year that will require full-time inspectors to represent the interests of the District as follows:

<u>Project No.</u>	<u>Location</u>	<u>Total Budget</u>	<u>Inspection Budget</u>
2013-31	Park Drive	\$ 475,489.00	\$ 40,800.00
2013-34	Poplar Avenue	360,110.00	40,800.00
2014-34	Mariposa Ave	703,292.00	51,000.00
2014-37	Old Auburn Road	290,571.00	34,000.00
Totals:		\$1,829,462.00	\$166,600.00

At the time the projects were budgeted, it was anticipated that District staffing would not be sufficient to provide the needed level of contractor oversight and customer

coordination on these projects. Accordingly, funds were budgeted for inspection services in the amounts shown.

The District received five proposals for services ranging from \$80.00 to \$97.00 per hour. District staff has reviewed the proposals and qualifications. All candidates were interviewed and Forsgren Associates, Inc., Civil Engineering Construction, Inc. and UNICO Engineering, Inc. were selected for these projects based upon their inspection experience from similar projects for other agencies.

Their all-inclusive proposed hourly rates are as follows:

Forsgren Associates, Inc.	\$90.00 per hour
Civil Engineering Construction, Inc.	\$97.00 per hour
UNICO Engineering, Inc.	\$97.00 per hour

The District 2014 Capital Projects Budget includes \$166,600.00 for outside inspection services for the four projects specified. Directors and staff discussed the projects and the inspection services to be provided.

It was moved by Director Dion and seconded by Director Dains to approve entering into separate Professional Service Agreements for Inspection Services with Forsgren Associates, Inc., Civil Engineering Construction, Inc. and UNICO Engineering, Inc., in an amount not to exceed \$166,600.00 collectively for the three agreements, and authorize the General Manager to execute the Agreements. The motion passed 2-0 with all Directors voting yes.

Proposition 84 Grant – Marketplace at Birdcage Project

AGM Kane presented a report on approval of a payment to Shelter Bay Property Management for the Proposition 84 grant-funded share of the high efficiency spray head upgrade project at Marketplace at Birdcage. In November 2006, California voters approved Proposition 84 which provides funding for the Integrated Regional Water Management Program among other provisions. Funding for the Sacramento Regional Exterior Water Use Surveys and Upgrades Project was awarded to the Regional Water Authority's (RWA) Regional Water Efficiency Program (RWEP) through the California Department of Water Resources (DWR) Proposition 84 Implementation Grant Project. In June 2013, the Board authorized executing a Project Agreement with RWA to participate in this grant-funded project. CHWD is eligible for \$15,902.50 in grant funds, of which \$13,000 is targeted for incentives such as upgrades to irrigation systems.

In September 2012, CHWD and Shelter Bay Property Management partnered in a high efficiency spray head upgrade project for the Marketplace at Birdcage. This project included installing 1,084 high efficiency spray heads. The new spray heads use about half the amount of water compared with the old spray heads that were replaced. In total, the new spray heads are estimated to save about 867 gallons of water per minute, producing an overall water savings of about 30 percent. The project was completed in November 2013. Shelter Bay has funded the full \$7,586.71 cost of the project, and they are eligible

for \$3,000.00 in Proposition 84 grant funds for the project.

Due to the length of time it takes to obtain reimbursement from DWR, grant funds for Shelter Bay's work have not yet been received. As with similar grant-funded projects in the past, staff is recommending that the District reimburse Shelter Bay Property Management for their \$3,000.00 share of the Proposition 84 grant funds in anticipation of the District receiving these grant funds from DWR (through RWA) later this year. The grant does not require any matching funds from CHWD. Directors and staff discussed the project and the grant funding process.

It was moved by Director Dion and seconded by Director Dains to authorize payment of \$3,000.00 to Shelter Bay Property Management for Citrus Heights Water District's share of the Proposition 84 high efficiency spray head upgrade project at Marketplace at Birdcage. The motion passed 2-0 with all Directors voting yes.

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. 12, 2007 Ford F-150 Pickup Truck, approx. 90,107 miles
- Equip. No. 41, 2002 Case 590SM Backhoe, approx. 3,402 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. Directors and staff discussed the auction of the surplus vehicles.

It was moved by Director Dion and seconded by Director Dains to authorize the disposal of District Equipment Nos. 12 and 41 by public auction. The motion passed 2-0 with all Directors voting yes.

PROJECT MANAGER'S REPORT

PM Dietrich presented a report on the following activities during the month of March 2014 by the Project Management and Engineering Department:

- Projects under construction or pending construction by private contractors and developers including:
 - Arcade Creek Park Preserve, Bonham Circle/Sunrise Boulevard.

- Birdcage Center Remodel and Drive Aisle, 6197 Sunrise Boulevard.
- Citrus Town Center (Party City), 6302 Sunrise Boulevard.
- Commercial Space, 8065 Greenback Lane.
- Gold's Gym, 8485 Auburn Boulevard.
- Muschetto Subdivision, 46 Residential Lots, 7108 Antelope Road.
- Project development/design underway by District staff including:
 - Park Drive 8-Inch Water Main and Poplar Avenue 8-Inch Water Main Replacement project.
 - Mariposa Avenue 24-Inch Water Main and San Juan High School 24-Inch Water Main Replacement / Extension project.
 - Sonora Way 8-Inch Water Main Replacement project.
 - Hanson Avenue 6-Inch Water Main Replacement project.
- Projects contracted by the District including:
 - 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 Replacement project.
- Coordination and inspection is underway with the City of Citrus Heights on the following City projects:
 - Old Auburn Road 14-Inch Water Main.
 - Old Auburn Road 16-Inch Water Main.
 - Auburn Boulevard Joint Trench Utility Undergrounding Project (Phase 1).
 - Auburn Boulevard Widening Project.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 289 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 90 samples, have met all California Department of Public Health requirements.
2. District-wide water consumption for the calendar year 2014 through the end of March 2014 was 1,053.35 acre-feet, a decrease of 14.6 percent compared with the average annual water consumption during the previous five years, 2009-2013. It was noted that this amount has been reconciled to account for CHWD-produced groundwater that was served outside of CHWD.
3. OM Townsel attended the California/Nevada Section American Water Works

Association Spring Conference in Anaheim, California on March 24-27, 2014. He reported on educational and training sessions attended at the conference.

Director Dains called a recess to the meeting at 7:44 p.m. OM Townsel, PM Dietrich, OA Peters, CSA Sohal, WEC Meurer and WDLWO Buford left the meeting.

Director Dains reconvened the meeting at 7:51 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a meeting of the Regional Water Authority (RWA) regarding the proposed legislative program that he attended recently along with GM Churchill.

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

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

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

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

Director Dains reported on the Water Education Foundation Executive Briefing that he attended recently in Sacramento.

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 2014, including the number of ultra-low-flush toilet rebates issued. A presentation on the drought and water supply conditions was made to the Area 11 Citrus Heights Neighborhood Association during the month. Staff is developing an agreement with a firm called WaterWise to perform landscape irrigation reviews for District customers. No violation notices for water leaks or other water waste conditions were issued during March; but the workload related to investigating and following up on water waste reports continues to be very heavy.
2. AGM Kane attended a Water Forum Successor Effort meeting on March 13, 2014. Much of the focus of the meeting was on water flow and other conditions in the Lower American River due to drought conditions. Directors were provided with a copy of the Monthly Runoff and Allocation Report for March 2104 showing the projected March-November 2014 Unimpaired Inflow into Folsom Reservoir (UIFR) at 710 thousand acre-feet (TAF). The current UIFR of 710 TAF is up from 647 TAF in the February report, remaining in a "Wedge Year" which

is when the UIFR is below 950 TAF but above 400 TAF. A “Wedge Year” affects the allocation of American River water for the City of Folsom, Placer County Water Agency, City of Roseville, San Juan Water District, Sacramento Suburban Water District and SMUD under the Water Forum Agreement.

3. The District took delivery of the new 2014 Chevrolet Equinox sport utility vehicle on March 19, 2014. The purchase of this vehicle was approved by the Board of Directors at their January 14, 2014 meeting, as a replacement for an existing pickup truck in the fleet. The terms of sale under the State Bid contract include a \$500.00 discount for payment made to the dealership within 20 days of delivery of the vehicle. District staff prepared, signed and delivered the check for this vehicle in the amount of \$24,697.59 prior to the April 8, 2014 Board meeting in order to claim the \$500.00 discount.

GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

1. Twenty District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of March 2014. 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. At the February 11, 2014 Board of Directors Meeting the 2014 Capital Improvement Budget was amended to include installation of a 16-inch water transmission main along Old Auburn Road between Garry Oak Drive and Coral Oak Way in advance of the City of Citrus Heights Trail Project and to solicit services and bids necessary to construct the project. The preliminary cost estimate for construction was \$250,355. Prior to putting the project out to bid, the District’s further analysis of the probable construction cost placed the District’s engineer’s estimate at \$194,137.

The District put the project out to bid and held a pre-bid conference with eight contractors in attendance. After said conference but prior to bids being received, the District became aware of a potential schedule conflict between the District and the City’s Trail contractor. To avoid having conflicting contractors working in the same area, the eight contractors were instructed, at their discretion, to provide a price to the City’s contractor for this work. The City’s contractor accepted the price from C. E. Cox Construction, with the cost to the District through the City to be \$176,540. The City will issue a change-order to their contractor and invoice the District upon completion. The work will be performed per the District’s standards and specifications and inspected by District representatives.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated March 14, 2014 to CHWD Board President Allen Dains from U.S. Representative John Garamendi regarding his efforts in addressing the drought.
2. Letter dated March 21, 2014 to Fair Oaks Water District (FOWD) Board President Lonny Gossett from San Juan Water District (SJWD) Board President Bob Walters in response to a FOWD letter dated March 6, 2014 regarding FOWD's understanding of the SJWD/Sacramento Suburban Water District discussions on water management strategies and the related water supply situation at both agencies.
3. Letter dated March 26, 2014 to Fair Oaks Water District (FOWD) Board President Lonny Gossett from San Juan Water District (SJWD) Board President Bob Walters thanking FOWD for their water supply update.

President Dains announced that the Board would be adjourning into Closed Session. Warren Jung, Charles Rose, Caryl Sheehan and Treston Shull left the meeting at 8:37 p.m.

CLOSED SESSION

Pursuant to subdivision (a) of Government Code Section 54956.9 (one case), Existing Litigation: Citrus Heights Water District v. FedExGround, the Board of Directors convened in Closed Session at 8:40 p.m. to receive a report from District Legal Counsel Judy Albietz and from District staff. Directors Dains and Dion and GM Churchill and AGM Kane were in attendance.

President Dains reconvened the meeting into Open Session at 8:44 p.m. He reported that no reportable action was taken during the Closed Session.

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 8:45 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