

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
January 11, 2011

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
Allen B. Dains, Vice President
Charles T. Rose, Director
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager
David M. Rossi, Project Manager
Pamela L. Peters, Office Administrator
Rex W. Meurer, Conservation Specialist
Paul A. Dietrich, Senior Engineering Technician
Timothy R. Cutler, Construction Inspector

VISITORS

Tyler Cutler

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of December 14, 2010.
2. Assessor/Collector's Report for December 2010.
3. Assessor/Collector's Cancellation Letter for December 2010.
4. Treasurer's Report for December 2010.
5. Bills to be Paid for December 2010.
6. Approve CAL-Card Purchases for December 2010.
7. Summary of 2010 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Receive and file a report of a settlement of a claim from McDonalds.

OLD BUSINESS

Bonita Way Storage Building Construction

OM Townsel presented a status report on the construction phase of the Bonita Way Storage Building as follows:

- The framework of the building is complete.
- Roofing and gutters are complete.
- 500 feet of concrete curbing is complete.
- Security/Fire system is complete.
- Sprinkler line installation is pending.
- Electrical system installation is pending.
- Walk-in and roll-up door installation is pending.
- Interior and exterior finish work is pending.
- Interior and exterior painting is pending.
- Fence installation is pending.
- Plant installation is pending.

2010 San Juan Avenue at Madison Avenue 12-Inch Water Main Replacement Project

PM Rossi presented a report on a proposed additional project expenditure authorization for the project to replace the water main at the intersection of San Juan Avenue and Madison Avenue. In September 2010, the District accepted a bid from Wunschel and Sons, Inc. to perform the water main replacement project. The Board of Directors approved Wunschel and Sons' bid in the amount of \$205,194 along with a change order contingency in the amount of \$21,000 for a total project expenditure authorization of \$226,194. Unforeseen conflicts and additional approved work resulted in a final total project cost of \$226,627.31, exceeding the original project expenditure authorization by \$433.31. An additional expenditure authorization in the amount of \$433.31 is needed to close out the project.

Directors and staff discussed the project and the unforeseen conflicts and additional work that caused the cost to go beyond the original authorized amount.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to increase the project expenditure authorization for the 2010 San Juan Avenue at Madison Avenue 12-Inch Water Main Replacement Project to \$226,627.31.

Acceptance of 2010 San Juan Avenue at Madison Avenue 12-Inch Water Main Replacement Project

PM Rossi presented a report on completion of the 2010 San Juan Avenue at Madison Avenue 12-Inch Water Main Project. In October 2010 a contract was executed with Wunschel and Sons, Inc. for installing approximately 510 lineal feet of 12-inch ductile iron water main, 45 lineal feet of 8-inch ductile iron water main, one fire hydrant and assorted fittings of various sizes to replace the existing water main across the intersection

of San Juan Avenue and Madison Avenue. The original contract amount was \$205,194.00. The amount paid to the contractor was \$226,627.31 for material, labor and equipment, including seven change orders resulting from unforeseen abandoned utilities, supporting pipeline elevations and for additional system improvements not included in the bid documents. In spite of four additional days for change order work and three days of no work due to rain, the contractor completed the work on December 1, 2010, in advance of the holiday road construction moratorium.

Directors and staff discussed the project.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 01-2011 Accepting the 2010 San Juan Avenue at Madison Avenue 12-Inch Water Main Replacement Project; and authorizing the District Secretary to execute and record a Notice of Completion for the Project.

Wholesale Water Supply Agreement Amendment

GM Churchill presented a report on proposed amendments to Section 11.B. "Water Rates and Charges / Schedule for Payment" of the District's Wholesale Water Supply Agreement with San Juan Water District.

CHWD's current Wholesale Water Supply Agreement with San Juan Water District (SJWD) contains payment provisions whereby all monies due SJWD are billed quarterly in advance. The components of the quarterly invoices include service charges, debt service and water deliveries. The service charge and debt service payments are flat rate amounts and typically do not change over the course of a year. Conversely, the advance charges for water deliveries have been based on the average corresponding quarterly deliveries during the previous six years followed by an annual reconciliation to actual water deliveries.

For the past six years, including 2010, and in nine of the past 11 years, actual water deliveries from SJWD to CHWD have been less than the quantity billed in advance resulting in overpayments to and refunds from SJWD. Now that more accurate accounting is in place for water deliveries to all SJWD Wholesale customers due to the Wholesale Meter Replacement and Installation Project, CHWD and other agencies have requested that the water charges be billed in arrears based upon actual deliveries rather than in advance based upon estimated deliveries. SJWD is receptive to this concept which requires an amendment to the CHWD's Wholesale Water Supply Agreement with SJWD.

Directors were provided with a copy of the proposed amendments to Section 11.B. "Water Rates and Charges / Schedule for Payment." Directors and staff discussed the proposed amendments. If the amendments are accepted, billing for water deliveries in arrears will begin effective January 1, 2011 with receipt of a quarterly invoice for January through March 2011 deliveries forthcoming in April 2011.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to approve proposed amendments to Section 11.B. "Water Rates and Charges / Schedule for Payment" of the District's Wholesale Water Supply Agreement with San Juan Water District.

NEW BUSINESS

Training/Continued Education/Meetings

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

Health Plan Coverage for District Employees for 2011

AGM Kane and OA Peters presented a report on health care insurance coverage for District employees for the health plan year beginning February 1, 2011. OA Peters delivered a presentation summarizing the recommendations for health care insurance for the coming year. The presentation discussed the budget for health care benefits, the District's recent success in reducing health care benefit costs, and strategies for continuing to control the rising cost of health care for employees.

Renewing the District's current Western Health Advantage (WHA) and Kaiser plans would result in an increase of 14 percent in WHA premiums and 10 percent in Kaiser premiums for 2011. After reviewing a variety of possible plans and coverages for 2011, District staff recommends keeping WHA and Kaiser as its health insurance providers while changing to plans with even higher co-payment, hospitalization and deductible levels. These plans will maintain the existing level of health care benefit and keep costs within the 2011 adopted budget limits. Adopting higher co-payment plans does increase the District's potential exposure for co-payment reimbursement costs, particularly with the increased hospitalization co-payments. However, the District's experience with the co-payment reimbursement over the past three years suggests that these reimbursement amounts are well below the level of savings realized from the lower monthly premiums. Directors were provided with a document that summarized the current and proposed new plans and other proposed changes for 2011.

In order to help further control health insurance costs, it is recommended that employees with spouses and/or families begin contributing an amount toward the cost of their health insurance. As recommended, employees with spouses will contribute \$5.00 per pay period (\$130 annually) toward their health insurance premium and employees with families will contribute \$10.00 per pay period (\$260 annually).

District staff recommends that the District continue to limit the co-payment reimbursement to 75 percent for all brand name and non-formulary prescriptions. This measure provides incentive for employees to request lower cost generic drugs when available and reduces the District's co-payment cost exposure for prescription medications. As recommended, employees will continue to receive full reimbursement

for office visit co-payments and co-payments for other medical services covered under their insurance plans. However, it is recommended that the 75 percent reimbursement limit be extended to office visit co-payments for spouses and dependants as a measure to further control the District's co-payment cost exposure. As proposed, the District will continue to fully cover co-payments for other more costly medical services such as emergency room visits, hospitalization and medical equipment.

Directors were provided with a table showing the proposed 2011 renewal rates and the range of premium rates from the Self-Managed Reimbursement Account (SMRA) Plan and the estimated total cost. The District's total estimated cost for the 2011 Plan Year is \$360,435, including health insurance premiums, self-funded co-payments, third-party administrator costs, reimbursement for employees who are covered under a spouse's plan, and employee contributions to premiums through payroll deductions. This amount is within the total budgeted in the Operating and Capital Improvement Budgets for 2011. The District's self-funded exposure based on maximum out-of-pocket limits for the two plans is \$130,500 for 2011. Based on past experience under different plans, the self-funded outlay is likely to be far less than this amount.

Directors were provided with a copy of District Policy No. 4210, Health Insurance, with proposed amendments to effect the recommended changes in health insurance benefits for 2011. Other minor language revisions were included to avoid possible conflicts with changes in state and federal health care law. It also included a recommended increase in the dollar "cap" for monthly health care premiums, increasing from \$1,274.00 per month to a new amount of \$1,366.00 per month. The \$1,366.00 amount is the lowest "family" premium among the two providers (WHA and Kaiser) for the 55-59 age band under the recommended 2011 plans.

Directors and staff discussed the health care benefit and recommended coverages and changes for 2011. Directors stated that the changes proposed by District staff seemed fair and reasonable in view of the overall cost of health care and the fact that many people are paying a far greater cost for their own health care from their own pockets.

SET Paul Dietrich addressed the Board on behalf of himself and other unidentified employees. He observed that based on staff estimates, the District could continue to fully pay for all employee and dependant health premiums and remain within the amounts budgeted for 2011. He stated that the District's employees are highly qualified and experienced and provide great service to the District and its customers, and that fully-paid health benefits are part of what attracts and retains great employees. He expressed the opinion that if the Board began asking employees to share in the cost of health benefits that it would be just the first step toward expecting employees to bear a greater share in the future.

Directors replied that the proposed changes would still provide a very generous benefit to employees and their families but that the cost of the health care coverage has risen to the point where it is no longer reasonable to expect District customers to pay the full cost through their water rates. Directors gave examples of the amounts that they themselves

are contributing to the cost of health care for themselves and their dependants.

Director Dains inquired about the possibility of evaluating actual health care costs later in the budget year and considering a rebate or refund of some employee premium contributions if costs such as co-payment reimbursements proved to be lower than estimated. He observed that this could provide an incentive for employees and their families to keep their health costs low. SET Dietrich replied that CHWD employees had responded well to incentives in the past. District staff noted that a refund or rebate of premium contributions might be complicated since these contributions would be deducted from employee paychecks as pre-tax dollars. However, there could be other ways that the Board could choose to share a savings in the future, including in the form of increased District health insurance contributions in a future year. Director Dains requested that staff monitor 2011 health insurance costs and explore ways in which cost savings could be shared with employees.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 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 2011; and adopt District Human Resources Policy No. 4210, Health Insurance, with amendments as presented.

OA Peters left the meeting at 7:50 p.m.

Agreement for Landscape Irrigation Review Services.

AGM Kane presented a report on a proposed agreement with Irrigation Consultation & Evaluation (ICE) for professional services to provide landscape irrigation reviews for District customers. The District has employed the services of ICE to perform landscape irrigation reviews since 2001 as part of its water conservation program, in compliance with Best Management Practices (BMPs) under its Water Conservation Plans with the USBR, the Water Forum and the California Urban Water Conservation Council (CUWCC). A total of 49 water audits have been done under the ICE agreement during 2010, including 44 single-family home audits and 5 large landscape audits. No institutional audits were performed in 2010. About \$5,138 was expended of the \$24,000 approved under the 2010 agreement. District staff performed a total of 26 residential audits independently during 2010.

The number of audits being requested dropped dramatically in 2010. CHWD staff plans to explore a more aggressive outreach approach in 2011 such as direct mailing to high-consumption customers to increase the number of audits being performed. The District's participation in a Proposition 84 grant through the Regional Water Authority's Regional Water Efficiency Program may also create opportunities for increasing the number of audits performed. An element of the grant includes increased public outreach efforts promoting water audits and water budgets.

ICE remains the only firm in this region known to offer these services. Directors were provided with a proposed Agreement for Landscape Irrigation Reviews for 2011. ICE

proposes no changes in their hourly rates for 2011. Renewing the agreement in the amount of \$24,000 for 2011 is recommended to demonstrate the District's commitment to fulfill the quantity of audits required by the BMP. Additionally, the ability of CHWD staff to perform audits independently as in past years will be limited due to the elimination of Special Programs Coordinator position.

Directors and staff discussed the landscape irrigation reviews and ICE's services. It was discussed that approval of this agreement will support the District's continued efforts to fulfill the landscape water audit BMPs for the USBR, Water Forum and CUWCC. Directors encouraged staff to look for ways to increase the number of audits being performed. They also requested that staff continue to seek other vendors to provide competitive bids for these services.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the General Manager to execute an agreement with Irrigation Consultation & Evaluation for irrigation review services for 2011 with a not-to-exceed amount of \$24,000.00.

California Special Districts Association Membership

GM Churchill presented a report on renewal of membership in the California Special Districts Association (CSDA). His report was prepared at the request of the Board of Directors at their December 2010 meeting. To reduce District expenditures in 2009 and 2010, the District opted out of renewing its membership in the CSDA. Similarly, funds were not budgeted in 2011 for CSDA membership.

CSDA membership dues have historically been based on an agency's annual operating budget or revenues with the scale topping out at \$5,000,000; which places CHWD in the top category. A year-by-year list of membership dues paid by the District since 2004, or dues that would have been paid if the District had maintained its CSDA membership, was presented to Directors. Dues amounts have increased annually from \$2,373 in 2004 to \$4,456 in 2011 if the District were to renew its membership.

Directors and staff discussed the merits of CSDA membership. Directors expressed that while CSDA is a worthy organization, that in view of budget constraints, it would not be prudent for the District to renew its membership.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to not renew membership in the California Special Districts Association.

Agreement for Urban Water Management Plan Services

AGM Kane presented a report on a proposed agreement for professional services to assist with preparation of CHWD's 2010 Urban Water Management Plan. Every five years since 1990, the District has produced an Urban Water Management Plan (UWMP) in compliance with the Urban Water Management Planning Act. The UWMP is widely considered to be a water agency's most important public water planning document, and

provides comprehensive information on the agency's water supply, reliability planning, use of water by customer types, water demand management and other information. The District's most recent five-year update was adopted by the Board in December 2005.

The 2010 UWMP update has been delayed for all water purveyors while the Department of Water Resources (DWR) worked on developing new Guidelines following the passage of the State Legislature's November 2009 sweeping water legislation. The 268-page draft Guidelines were issued in late December 2010, and the revised schedule for completion of 2010 UWMP updates calls for submission of plans by July 1, 2011.

Previous updates of the UWMP have been performed entirely by CHWD staff. Staff discussed the factors that make it necessary to employ professional services to assist with the preparing the 2010 update, including: elimination of the Special Programs Coordinator that had primary responsibility for preparation of the prior UWMP updates; new, more extensive DWR guidelines for preparing 2010 UWMP updates that will greatly increase the complexity and analytical work involved; and the importance of UWMPs in qualifying for state grant funding and complying with "20x2020", AB 1420 and other State water legislation.

CHWD requested a proposal from the J. Crowley Group, Inc. to provide services for preparing the 2010 UWMP. Jim Crowley has extensive experience in water management planning and regulatory compliance, and assisted CHWD in preparing its most recent USBR Water Management Plan update in 2009. His professional knowledge combined with his knowledge of CHWD and the San Juan Family of Agencies make him a logical choice to perform the work. Mr. Crowley has also contracted with Orange Vale Water Company to prepare its 2010 UWMP, so there will be some economies in developing similar information for both agencies as well as in attending coordination meetings with the SJ Family of Agencies' staffs.

Directors were provided with a draft Agreement for Urban Water Management Plan Services that includes the proposal and scope of work proposed by Mr. Crowley. He will work on a time and materials basis at \$160 per hour for an amount not to exceed \$39,000, which represents about 244 hours. CHWD staff will contribute to the work where it can with a goal of reducing the cost below the \$39,000 cap if possible. Mr. Crowley is amenable to working with the District to achieve this goal.

Directors and staff discussed the UWMP and the draft agreement for professional services to prepare the UWMP. Staff explained the work involved with several of the elements of the UWMP, and why professional expertise was needed to assist with completing these elements.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the General Manager to execute an agreement with J. Crowley Group, Inc., for preparation of the 2010 Urban Water Management Plan, with a not-to-exceed amount of \$39,000.00.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of December 2010 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. He reported on design coordination underway with the City of Citrus Heights on the City's Auburn Boulevard Joint Trench Utility Undergrounding Project.

PM Rossi presented a summary of donated water systems for 2010. Five developer projects were accepted with a total value of \$478,747. The summary also detailed the quantities of improvements accepted including the number of new water and fire services, the number of fire hydrants, and the number of lineal feet of new water mains.

PM Rossi presented a summary of District water system capital improvement projects completed during 2010. The total value of the two completed projects is \$49,232.

It was reported that the following water system, added to the District's water distribution system by an independent contractor on behalf of a private developer/owner, has been inspected and approved by the District:

Commercial Building, 6249 Sunrise Boulevard, Citrus Heights

No new constructed additions, only moderate cosmetic improvements.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 617 work orders were performed during the past month by Field Operations crews, Administration Field crews and District contractors. This total included 571 valve exercises at various locations throughout the District. 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 2010 through the end of December 2010 was 13,716.35 acre-feet, a decrease of 17.4 percent compared with the average annual water consumption during the previous five years, 2005-2009.
3. Operating costs for the District's five groundwater wells was presented. The average cost per acre-foot of groundwater produced is \$144.09, excluding the cost of District labor to operate and maintain the wells and the capital cost of the groundwater facilities themselves. OM Townsel explained that staff would continue to compile operating cost information for the wells and update the Board

on these costs in the future.

4. Several District staff members attended an educational session regarding water discharge permits now being required for water purveyors by the Regional Water Quality Control Board (RWQCB). OM Townsel discussed the new permit requirements and compliance activities, and the additional costs that these may impose upon the District for water quality sampling of water discharged into storm drains, and tracking and reporting of all such discharges. It was discussed that other water agencies in the region have already received significant monetary fines for errors in compliance reporting to the RWQCB.

OM Townsel, PM Rossi, SET Dietrich, CI Cutler and Tyler Cutler left the meeting at 8:55 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on the presentation of awards at the recent Regional Water Authority (RWA) banquet. He also reported on an upcoming meeting of the Regional Water Authority (RWA).

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

Directors Dains, Dion and Rose discussed topics for the upcoming San Juan Water District Executive Committee workshop that is scheduled to be held in early March 2011.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. The District's new auditor, Richardson & Company, was on site during the final week of December to observe year-end inventory. Administrative staff met with the auditor during the first week in January to discuss the District's internal controls, accounting processes and policies. The District is compiling various documents and records for the auditor's review. On-site work by the auditor is tentatively scheduled to be performed during the week of February 21, 2011.
2. Directors were provided with a summary of Water Efficiency Program activities during the month of December 2010, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued, and a violation notice issued for a leaking water service line at a residential service. AGM Kane also reported on ongoing efforts to organize the Water Conservation Poster Contest for 2011.
3. Directors were presented with copies of President's Special Recognition Awards recently received by the District from ACWA-JPIA for achieving low ratios of

paid claims and case reserves to deposit premiums in its workers' compensation, liability and property insurance programs for the past three years.

4. The District recently completed and submitted required information in compliance with the State Controller's Office (SCO) new Local Government Compensation Reporting Program for Special Districts. This report is a newly-required supplemental report to the Special District Financial Transactions Report that is provided annually to the SCO. The report provides information by Department and Classification on salary and benefits.

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 2010. Directors were provided with a list of the employees and items for which each received recognition.
2. Deborah G. Burns, the District's Accounts Payable / Human Resources Specialist, has announced her retirement from service to the District effective May 5, 2011. At that time, she will have served the District for more than 10 years.
3. The District's Alternative Work Schedule (AWS), consisting typically of a four-day, ten hours per day, Monday through Thursday work week, continued its trial period that began on May 10, 2010. GM Churchill reported that he is continuing to track information related to employee overtime, operational efficiencies and other factors regarding the AWS. He reported that the greatest savings appears to be in reduced employee overtime, and that the District has received very little negative feedback from customers regarding the Friday closure.
4. A list of the General Manager's significant assignments and activities was provided.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated December 20, 2010, from CHWD customer John Moran regarding CHWD's New Account Application Fee; and letter of response from GM Churchill dated January 4, 2011.
2. Letter dated December 29, 2010 from Rita Schmidt Sudman, Executive Director of the Water Education Foundation, thanking CHWD for 2011 support.

CLOSED SESSION

Pursuant to subdivision (b) of Government Code Section 54956.8, Conference with Real Property Negotiators, the Board of Directors convened in Closed Session at 9:51 p.m. to confer as follows:

Property: Lawrence Avenue
Agency Negotiators: Board of Directors
Under Negotiation: Price and terms of payment

Property: Antelope Road
Agency Negotiators: Board of Directors
Under Negotiation: Price and terms of payment

Directors Dains, Dion and Rose and GM Churchill, AGM Kane and PM Rossi were in attendance.

President Dion reconvened the meeting into Open Session at 10:00 p.m. He reported that no action was taken by the Board of Directors 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 10:01 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