

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
April 12, 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
Paul M. Dietrich, Senior Engineering Technician

VISITORS

Ingrid Shepline, Richardson & Company

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 March 8, 2011.
2. Assessor/Collector's Report for March 2011.
3. Assessor/Collector's Cancellation Letter for March 2011.
4. Treasurer's Report for March 2011.
5. Bills to be Paid for March 2011.
6. Approve CAL-Card Purchases for March 2011.
7. Summary of 2011 Directors, Officers and Employees Training, Seminars and Conference Expenses.

PRESENTATIONS

AGM Kane introduced Ingrid Shepline, CPA, Richardson & Company of Sacramento, the engagement director for the District's 2010 financial audit.

Ms. Sheipline provided Directors with an outline of her presentation of the Audited Financial Statements for the District's fiscal year ending December 31, 2010. 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. Sheipline 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, unlike the District's previous auditor. The previous auditor's Finding 2009-1 relates to Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112). It was the previous auditor's opinion that, under SAS 112, their assistance in preparing the District's financial statements constituted a significant deficiency. This Finding is included in the Schedule of Prior Year Findings and Responses on Page 33 of the Audited Financial Statements.

Ms Sheipline explained that the Auditor's Management Letter identifies one item for the District's consideration, a recommendation for the District to adopt a Fraud/Whistle Blower Policy that includes fraud reporting procedures. The District Management Response concurs with the auditor's recommendation, and sets a goal of presenting a draft policy to the Board for consideration by or before September 13, 2011.

Directors discussed the matter related to SAS 112 and asked Ms. Sheipline whether the District was in violation of any laws or regulations in connection with that accounting standard. Ms. Sheipline explained that the District was not, and never had been, in violation of any laws or regulations. SAS 112 is an accounting standard that provides guidance in determining possible deficiencies in an entity's financial internal controls. District management has explained in its response to the previous auditor's finding of significant deficiency that the District believes that having its financial auditor assist with the preparation of financial statements is a preferred alternative to providing the level of expertise and training to staff that would be required to prepare full disclosure financial statements. This recommendation of District management has been supported by the Board of Directors.

This is the first year of a three-year engagement for financial auditing services with an option for up to two additional years with Richardson & Company.

Directors and staff thanked Ms. Sheipline for the presentation and for her firm's work on the audit. Ms. Sheipline expressed her appreciation to the District's staff for its cooperation during the audit. 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 Rose, seconded by Director Dains and carried 3-0 to accept the

Independent Auditor's Report, Financial Statements and Supplemental Information for the Year Ended December 31, 2010.

Ms. Shepline and OA Peters left the meeting at 6:47 p.m. after the Board's action.

OLD BUSINESS

Bonita Way Storage Building Construction

OM Townsel presented a status report on the construction phase of the Bonita Way Storage Building. He stated that the substantial completion inspection had been completed. A few corrective items remain to be completed before final inspection can be made and the building accepted as complete.

2011 Mariposa Avenue 16-Inch Water Main Rehabilitation Project – Greenback Lane to Limerick Way

GM Churchill presented a report on project that is out to bid for construction services to field-apply cement mortar lining to a section of 16-inch water main on Mariposa Avenue south of Greenback Lane. As part of the "Safe Routes to Schools" program, the City of Citrus Heights will construct sidewalk improvements on both sides of Mariposa Avenue from Greenback Lane south to Limerick Way beginning in June 2011. Through a competitive proposal process, the City selected RJA Engineers of Rocklin, California to provide the engineering work for this project.

The District operates a 16-inch OD coal-tar-dipped and wrapped steel water main beneath the paved bike lane on the west side of Mariposa Avenue within the area of the City's planned sidewalk improvements. This water main is estimated to be 50 years old has been subject to periodic leaks and should be replaced prior to the City improvements. Utilizing the services of RJA Engineers for the plan layout and Kennedy / Jenks Engineers for the cement mortar lining and cathodic protection specifications, plans have been prepared and advertised for bids. On April 1, 2011 plans were provided to 6 lining contractors, 7 general contractors, 4 material suppliers and 6 builder's exchanges.

Directors were provided with a copy of the Notice Inviting Bids for the bids that will be opened on April 19, 2011. In the interest of moving the project construction ahead as soon as possible after receiving the bids, it is proposed that the Board of Directors award the bid at a Special Meeting a week following the bid opening rather than waiting until the May 10, 2011 Regular Board of Directors Meeting. Directors and staff discussed the project and the bid process.

It was moved by Director Dains seconded by Director Rose and carried 3-0 to call for a Special Meeting of the Board of Directors to consider acceptance of bid for construction services for the 2011 Mariposa Avenue 16-Inch Water Main Rehabilitation Project at 10:30 a.m. on Monday, April 25, 2011.

Alternative Work Schedule

GM Churchill reported on an assessment of the District's 4/40 Alternative Work Schedule (Monday-Thursday, 10 hours per day) that began as a trial program in May 2010. He reported that the work schedule has helped to realize tens of thousands of dollars in savings, particularly in reduced overtime pay and fuel costs for District vehicles and equipment. A full report will be presented at the Board's May 10, 2011 meeting, likely recommending a continuation of the alternative work schedule.

NEW BUSINESS

Training/Continued Education/Meetings

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

CalPERS Second Tier Plan for Citrus Heights Water District Employees

AGM Kane presented a report on a proposed contract amendment with the California Public Employees' Retirement System (CalPERS) to create a second tier plan with a different level of benefits for new employees, providing a Three-Year Final Compensation formula. The District contracts with CalPERS to provide retirement benefits for its employees under the Miscellaneous Plan of the Citrus Heights Water District. The Plan specifies the benefit options for District employees who are covered under the Plan.

District staff recently requested CalPERS to perform an actuarial valuation of the effect of creating a second tier in the District's plan that would apply to new employees hired after the creation of the second tier. The second tier would be identical in all respects to the first tier for existing employees, except that the Final Average Compensation Period would be 36 months instead of 12 months. The investigation of this change is prompted by a recommendation in the 2009-2010 Sacramento County Grand Jury Survey of Independent Special Districts (ISDs) related to the prevention of pension boosting or "spiking." Pension boosting has never occurred at CHWD and would be unlikely to occur due to the compensation-setting practices of the District. However, in subsequent discussions with the Board of Directors it was recommended that the District evaluate providing a plan for new hires that would include the 36-Month Final Average Compensation Period.

Directors were provided with a copy of the actuarial valuation received from CalPERS, showing the changes in 2010-2011 and 2011-2012 employer contribution rates that would occur under a second tier with a 36-Month Final Average Compensation Period. Only the contribution rates for the 2011-2012 year were relevant to discussion, since the 2010-2011 year that ends on June 30, 2011, will be over by the time a second tier plan could be

approved and placed into effect. For 2011-2012, the employer contribution rate for Second Tier employees would be 8.054 percent lower than for First Tier employees. The effective dollar difference per \$10,000 in payroll would be \$805.40 less in employer contributions for Second Tier employees.

As employees leave District employment and new employees are hired, the potential savings will increase. However, most of the savings comes from the portion of the employer contribution that applies to amortization of the Side Fund. Therefore, most of the savings will occur during the time that the District's Side Fund is still being amortized. After it is fully amortized as of June 30, 2019, the District might expect savings to be about 0.520%, with a dollar difference for First and Second Tier employees per \$10,000 in payroll of about \$52.00. These amounts will change in the future as the actuarial valuation of the District's CalPERS retirement plan changes each year.

Directors expressed that their primary interest in changing to the 36-Month Final Average Compensation Period, as expressed in the Grand Jury report, is that it further reduces the possibility of pension boosting. While the District can clearly demonstrate that pension spiking has never occurred at CHWD, having the 36-month final period in place would be a step toward ensuring that it will not occur in the future.

Should the Board choose to contract with CalPERS for a Second Tier Plan, all employees hired prior to the effective date of the Second Tier would be covered under the First Tier Plan for the duration of their employment with the District. Adoption of a contract amendment by resolution of the Board of Directors cannot take place until the Board's June 14, 2011 meeting at the earliest, because of CalPERS' minimum 30-day time requirement from the date that it receives a Contract Amendment Request. Directors and staff discussed the creation of a second tier plan under CalPERS.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize staff to submit a Contract Amendment Request to the California Public Employees' Retirement System to initiate an amendment to the Citrus Heights Water District contract providing a Three-Year Final Compensation formula for new employees hired after the effective date of the contract.

2010 Urban Water Management Plan

AGM Kane provided an update on preparation of the District's 2010 Urban Water Management Plan (UWMP). Under the agreement with J. Crowley Group, Inc., approved by the Board in January 2011 for assistance in preparation of the 2010 UWMP, staff has been working with Jim Crowley to prepare a draft of the 2010 UWMP. An initial draft of the document has been reviewed by District staff but is not yet ready for public presentation. The schedule mandated by the Department of Water Resources (DWR) requires adoption of an agency's 2010 UWMP by July 1, 2011. The District's schedule calls for conducting a Public Hearing on the document at the Board's May 10, 2011 meeting, and adoption of the 2010 UWMP at the June 14, 2011 Board meeting.

The DWR requirements for preparation of UWMPs include a number of specific governmental and public noticing requirements. The city and county planning departments within Citrus Heights Water District's service area (City of Citrus Heights, City of Roseville, County of Sacramento, County of Placer) have been notified in writing of the District's undertaking preparation of its 2010 UWMP and inviting their review and/or input. Notices of the Public Hearing must be published at least twice on two successive weeks prior to the Public Hearing date. Although not required, notice of the Public Hearing will also be posted on the District's web site. Copies of the draft 2010 UWMP will be made publicly available at the District office two weeks prior to the Public Hearing.

AGM Kane discussed the development of the 2010 UWMP Guidelines by DWR. Directors and staff discussed the 2010 UWMP and the schedule for the Public Hearing.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to call for a Public Hearing on the Citrus Heights Water District's 2010 Urban Water Management Plan to be held at the Board of Directors Regular Meeting of May 10, 2011.

Retirement of Lonnie F. Moore

GM Churchill presented a report on the upcoming retirement of Lonnie Moore from employment with the District.

Water Distribution Specialist Lonnie F. Moore will retire from the District on May 5, 2011 after more than 31 years of service. A luncheon retirement celebration is planned to be held at the Citrus Heights Community Center beginning at 12:00 noon on his final day.

Directors were presented with a draft Resolution acknowledging and commending Lonnie's service, to be presented to Mr. Moore at the retirement celebration on May 5. Directors and staff discussed Mr. Moore's retirement and the Resolution.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to adopt Resolution No. 03-2011 Commending Lonnie Moore for his service to the District.

Retirement of Deborah G. Burns

GM Churchill presented a report on the upcoming retirement of Debbie Burns from employment with the District.

Accounts Payable / Human Resources Specialist Deborah G. "Debbie" Burns will retire from the District on May 5, 2011 after more than 10 years of service. A combined luncheon retirement celebration for Ms. Burns and Lonnie Moore is planned to be held at the Citrus Heights Community Center beginning at 12:00 noon on their final day.

Directors were presented with a draft Resolution acknowledging and commending Debbie's service, to be presented to Mrs. Burns at the retirement celebration on May 5. Directors and staff discussed Ms. Burns' retirement and the Resolution.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to adopt Resolution No. 04-2011 Commending Debbie Burns for her service to the District.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of March 2011 by the Project Management and Engineering Department: projects under construction or pending construction by private contractors and developers; project development/design underway by District staff including: the Mariposa Avenue to Limerick Way 16-Inch Steel Pipe Cement Lining Project; and the Auburn Boulevard – Cedar Drive to Linden Avenue 12-Inch Ductile Iron Pipeline Replacement Project, 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 and the Old Auburn Road Sidewalk Infill Project.

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 by the District and formally accepted:

Our Lady of Perpetual Help Catholic Church, 7625 Hazel Avenue, Orangevale

619 lineal feet of 8-inch PVC water main, 2 lineal feet of 6-inch PVC water main, 28 lineal feet of 8-inch ductile iron water main, 28 lineal feet of 6-inch ductile iron water main, 1 6-inch post indicator valve, 4 8-inch gate valves, 5 6-inch gate valves, 2 fire hydrants and 1 1.5-inch metered water service.

Value: \$ 187,000.00

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 1192 work orders were performed during the past month by Field Operations crews, Administration Field crews and District contractors. This total included 1125 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 2011 through the end of March 2011 was 1,1797.97 acre-feet, a decrease of 20.0 percent compared with the average annual water consumption during the previous five years, 2006-2010.

President Dion called a brief recess to the meeting at 7:26 p.m. OM Townsel and SET Dietrich left the meeting. The Board reconvened at 7:29 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

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

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

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

Director Dion reported on recent matters of interest regarding the Association of California Water Agencies - Joint Powers Insurance Authority.

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

AGM Kane presented information that was provided at a recent Chamber of Commerce Government Issues Committee meeting that AGM Kane was unable to attend.

Directors Dains, Dion and Rose reported on their recent attendance at the Water Education Foundation Executive Briefing in Sacramento.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Directors were provided with a copy of a new document entitled the *Local Elected Official Toolkit on Pension Funding and Retiree Health Benefits Funding* that provides an overview of CalPERS operations and information about defined benefit plans, the funding of pensions, retiree health benefits and contracting with CalPERS for benefits. CalPERS is encouraging local agencies to share this document with their elected officials.
2. Directors were provided with a summary of Water Efficiency Program activities during the month of March 2011, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued, development of the new public education campaign for the "Blue Thumb" program sponsored by the Regional Water Authority's Water Efficiency Program, and judging for the annual water conservation Poster Contest for 4th through 6th grade students.

3. 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) provided the Updated 2011 Water Supply Allocation for California's Central Valley Project that forecasts a 100 percent allocation for M&I (municipal and industrial) water users north of the Delta. The other report provided, the Monthly Runoff Report for March 2011 from the Water Forum Successor Effort, shows the projected March-November Unimpaired Inflow into Folsom Reservoir (UIFR). Currently the projected UIFR is 1865 TAF (thousand acre feet) which is above the 1600 TAF threshold beyond which no annual Water Forum Agreement water supply restrictions are applied. Based upon current surface water supply conditions, there is not likely to be a need to consider a change in the District's Stage 1 – Normal Water Supply declaration.
4. A new Accounts Payable / Human Resources Specialist has been hired. Lisa Smoot started work with the District on April 11, 2011. Lisa is training alongside the current AP/HR Specialist Debbie Burns until Debbie's retirement on May 5, 2011.
5. A recruitment is underway to fill the Construction Inspector position. This position is being vacated by the recent promotional appointment of Construction Inspector Tim Cutler to the Water Distribution Specialist position. A total of 52 applications were received by the March 28, 2011 deadline, and reviewed by staff. Eight candidates are being invited for interviews. The goal is to have a new Construction Inspector to fill the vacancy by the end of May 2011
6. GM Churchill and AGM Kane attended a Water Forum Water Caucus meeting on March 9, 2011. The main topic of the meeting was the "Eight-Week Flow Management Standard Negotiation" process. Dave Ceppos of the Center for Collaborative Policy, the facilitator for the negotiation process, presented information and his perspectives on various issues related to the process. The education/negotiation process, originally scheduled to begin in March, has not yet begun and no dates have been scheduled at this point.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Sixteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of March 2011. Directors were provided with a list of the employees and items for which each received recognition.
2. A list of the General Manager's significant assignments and activities was provided.

3. General Manager Churchill participated on the interview panel for the selection of a new General Manager for Rio Linda Elverta Community Water District. Other members of the panel were Courtney Caron and Cathy Nelson-Hood of the RLECWD Board of Directors, Steve Nugent of Carmichael Water District and Herb Neiderberger of Sacramento County Water Resources. The interviews took place over the course of 4½ hours on the evening of March 10, 2011 and 4 hours on the evening of March 15, 2011. Three candidates were selected for further evaluation and interviews by the full RLECWD Board of Directors. Directors were provided with a copy of a note of thanks received from RLECWD Board President Caron.
4. Directors were provided with a report on GM Churchill's analysis and recommendations regarding the allocation of costs for the San Juan Water District (SJWD) Wholesale Transmission Pipeline System Metering Improvements Project. The report contains recommendations as provided to the SJWD Family agency managers. Significant areas that remain of concern and potential disagreement with the report's findings are the allocation of the pipeline construction and interconnections to serve SJWD's retail service area, and the proposed cost recovery plan and schedule. A workshop for senior staff members of the SJWD Family agencies to discuss the report's findings and recommendations will likely be scheduled for sometime during May 2011.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated March 22, 2011 from CHWD Board President Dion to California State Assemblymember Paul Fong expressing CHWD's opposition to AB19 related to water metering for multi-unit residential buildings.
2. Letter dated April 8, 2011 to the Delta Stewardship Council signed by 58 water agencies and statewide business associations including CHWD, expressing grave concerns with the Second Draft of the Delta Plan.
3. Letter dated April 8, 2011 from RWA Executive Director John Woodling to California State Senator Lois Wolk regarding SB 200 related to the Bay Delta Conservation Plan.

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 8:21 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