

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
July 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

VISITORS

Dan Gilliam, Director, Fair Oaks Water District
Misha Sarkovich, Director, Fair Oaks Water District

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

President Dion asked for the Consent Calendar. President Dion noted an error in the third paragraph of Page 10 of the draft Minutes of the June 14, 2011 Regular Meeting. The first sentence of the paragraph in the draft reads "*He also* reported on a meeting..." and should be amended to read "*Director Rose* reported on a meeting..." It was moved by Director Dains, seconded by Director Rose and carried 3-0 to accept the Consent Calendar consisting of:

1. Minutes of the Regular Meeting of June 14, 2011 as amended.
2. Assessor/Collector's Report for June 2011.
3. Assessor/Collector's Cancellation Letter for June 2011.
4. Treasurer's Report for June 2011.
5. Bills to be Paid for June 2011.
6. Approve CAL-Card Purchases for June 2011.
7. Summary of 2011 Directors, Officers and Employees Training, Seminars and Conference Expenses.

GM Churchill recommended that the agenda item regarding the Fair Oaks 40-Inch Transmission Pipeline Rehabilitation Project, scheduled as Item O-5 under Old Business on the agenda, be moved ahead of other items on the agenda to accommodate the

Directors from Fair Oaks Water District who are attending the meeting to hear and participate in discussion on this agenda item.

OLD BUSINESS

Fair Oaks 40-Inch Transmission Pipeline Rehabilitation Project

GM Churchill presented a report with information about the San Juan Water District (SJWD) project to rehabilitate and repair the pipeline known as the “Fair Oaks 40” (FO-40). The FO-40 pipeline serves water from the SJWD water treatment plant to Fair Oaks Water District (FOWD), Orange Vale Water Company (OVWC) and SJWD Retail (SJWD-R). SJWD has prepared an “Engineering Report on Recommended Project, Project Costs, and Cost Allocation” dated May 2011.

The total cost of the Project is estimated at \$3,572,000. The cost is proposed by SJWD-W to be funded by those agencies receiving service through the pipeline as follows:

Fair Oaks Water District	FOWD	91.0%	\$3,250,520
San Juan Water District – Retail	SJWD-R	6.4%	\$ 228,608
Orange Vale Water Company	OVWC	2.6%	<u>\$ 92,872</u>
			\$3,572,000

FOWD is advocating that costs for this rehabilitation and repair work on a SJWD Wholesale Pipeline be funded as a SJWD Wholesale (SJWD-W) project. This would mean that all water agencies receiving water from SJWD-W including CHWD and the City of Folsom in addition to the three agencies listed above would share in the cost of the project through their wholesale water rates. It is likely that all water agencies receiving water from SJWD-W have historically paid for maintenance work on this pipeline, whether service was received through it or not. If the work on the FO-40 were to be funded through water purchases and rates paid to SJWD-W by *all* retail agencies as proposed by FOWD, the cost allocation for CHWD might be on the order of magnitude of \$1.2 million for a pipeline through which CHWD receives no benefit.

GM Churchill noted that this topic was the main discussion item addressed at the July 6, 2011 FOWD / CHWD Planning Meeting attended by Director Dains and GM Churchill. The agenda for that meeting has been included in Directors’ agenda binders.

FOWD Directors Gilliam and Sarkovich addressed the Board on the matter of SJWD assessing FOWD for costs related to the project. They expressed their view that the FO-40 pipeline is a SJWD-W facility and therefore should be rehabilitated at the expense of SJWD-W. Directors Gilliam and Sarkovich related information regarding the history of the FO-40 pipeline and the North Fork Ditch Company that they feel supports their position of the pipeline being a SJWD-W facility. They discussed the option of FOWD electing not to take water through the FO-40 at all, and a recent trial of closing FOWD’s connection to the FO-40 pipeline that showed that it may be possible for FOWD to meet its water demands without taking water through the FO-40. They also discussed the

possibility of SJWD-W paying for the rehabilitation cost of the FO-40 and then assigning ongoing operation, maintenance and repair costs to the appropriate agencies on a go-forward basis. FOWD Directors and CHWD Directors discussed the information and views related to the FO-40 pipeline project.

FOWD Directors Gilliam and Sarkovich requested that CHWD write a letter to SJWD supporting FOWD's position on the matter of payment for the FO-40 pipeline project, or any help that CHWD may be able to offer with SJWD on FOWD's behalf. President Dion thanked Directors Gilliam and Sarkovich for their comments, and told them that the CHWD Board of Directors would take their comments and request under advisement.

FOWD Directors Gilliam and Sarkovich left the meeting at 7:00 p.m.

President Dion adjourned the Regular Board of Directors Meeting to the Annual Meeting of the Citrus Heights Water District Financing Corporation at 7:01 p.m.

President Dion reconvened the Regular Board of Directors Meeting at 7:12 p.m.

OLD BUSINESS continued

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 status of the project remains essentially the same as the previous month's report. A substantial completion inspection was done in March, but final completion and payment are being withheld pending completion of items regarding the shutters on the front of the building. OM Townsel continues to work with the contractor on completion of this item.

CalPERS Second Tier Plan for District Employees

AGM Kane presented a report on a proposed amendment to the contract 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.

At its June 14, 2011 meeting, the Board adopted a Resolution of Intention to amend the District's contract with CalPERS to provide a Three-Year Final Compensation formula for new employees hired after the effective date of the contract. The final step in the amendment process is for the Board to adopt a resolution approving the contract amendment. Directors were presented with a resolution for consideration. The resolution is prepared in both CalPERS' required format and in CHWD's standard resolution format. The resolution authorizes the Board President to execute the contract amendment.

As previously reported in compliance with Government Code Section 7507 regarding public disclosure of the future annual costs of the proposed contract, the employer contribution rate will be 9.539% of reportable earnings for local miscellaneous members

entering membership for the first time in the miscellaneous classification after the effective date of this amendment to the contract. For 2011-2012, the difference in employer contribution rate between First Tier and Second Tier employees will be:

First Tier employees:	17.593%
Second Tier employees:	<u>9.539%</u>
Difference	8.054%

With adoption of the contract amendment at this Board meeting, the effective date of the amendment will be July 18, 2011, which is the start of the first pay period following adoption of the amendment. All employees hired prior to July 18, 2011 will be covered under the First Tier Plan for the duration of their District employment. Directors and staff discussed the contract amendment.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 08-2011, Resolution Authorizing Amendment to Contract between the Board of Administration, California Public Employees' Retirement System and the Board of Directors, Citrus Heights Water District.

Auburn Boulevard Water Main Replacement Project

GM Churchill presented a report on the bid solicitation phase of the project to replace the 8-inch water main and related facilities on Auburn Boulevard from Cedar Drive to Linden Avenue. Directors were provided with a copy of the Notice Inviting Bids for the project. This segment of water main is approximately 60 years old and has recurring leaks and is in need of replacement. Planning and design for this work began in 2005; however, the project has been deferred until now for budgetary considerations.

The new design upgrades the water main to 12-inch in size and provides for eight fire hydrants where there are now three. The location of the new main will be in the westerly northbound lane. Directors were provided with a schedule for the project, with bid award scheduled for the August 9, 2011 Board Meeting. Construction is expected to start at the beginning of September 2011 and finish in mid-June 2012.

The District is using California Surveying and Drafting (CSD) to facilitate distribution of the plans and specifications for this project. This process was recommended and facilitated by Senior Engineering Technician Paul Dietrich. It is expected that this method of distribution will save the District staff considerable time and expense in not having to print, collate, distribute and track plan sets.

The District is evaluating a proposal from ICM Construction Management Services for providing inspection services for this project. A recommendation for said services will be brought to the Board of Directors for consideration at the August 9, 2011 Board Meeting. Directors and staff discussed the project and the bid process.

Sunrise Boulevard Complete Streets Project

GM Churchill presented a report on the City of Citrus Heights' project on Sunrise Boulevard from Vistaridge Drive to Antelope Road and associated District activities. The City of Citrus Heights is planning roadway, sidewalk, drainage and landscape improvements on this section of Sunrise Boulevard, but has deferred this project until 2012.

The significant portion of the District's proposed work in conjunction with or in advance of the City's project is the installation of approximately 300 feet of 18-inch ductile iron water transmission main across Sunrise Boulevard. This 300-foot section of main is noted in the District's 2011-2020 Capital Improvement Program as part of a 900-foot interconnecting construction planned for 2018. Inasmuch as the City project will be delayed, the District will re-evaluate construction of the entire 900-foot interconnecting pipeline with this project.

District crews will pot-hole to accurately locate other utilities across Sunrise Boulevard at Old Auburn Road within the next two months. With that information in hand, the District can prepare a final design for the water main installation crossing the intersection. Directors and staff discussed the project.

NEW BUSINESS

Training/Continued Education/Meetings

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

Fund and Reserve Transfers

AGM Kane presented a report with recommendations for transfers among District Funds for specified purposes. The transfers are typically grouped together for Board consideration a one time during the year. AGM Kane explained the recommended transfers, and the reason and justification for each transfer, including a number of transfers that were specifically earmarked in the 2011 Operating Budget. He also provided information about the resulting fund balances after all of the transfers had been made. Directors and staff discussed the proposed fund transfers.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to direct the Treasurer to make the following transfers within District Funds and Reserves:

1. Transfer \$62.00 from the Operating Fund to the Connection Fund to allocate interest earnings on District investments from the previous year;
2. Transfer \$5,956.00 from Connection Fund to the Capital Improvement Reserve as partial repayment of Connection Fund debt to the Capital Improvement Reserve;

3. Transfer \$1,000,000.00 from the Operating Fund to the Capital Improvement Reserve to set aside funds to evaluate and construct new capital facilities and equipment to benefit existing District customers;
4. Transfer \$100,000.00 from the Operating Fund to the Depreciation Reserve to set aside funds to replace or rehabilitate capital facilities and equipment at the end of their useful life;
5. Transfer \$100,000.00 from the Depreciation Reserve to the Fleet Equipment Reserve to funds for future equipment replacements;
6. Transfer \$0.00 from the Fleet Equipment Reserve to the Operating Fund since no fleet replacement expenditures have been made from the Operating Fund since the time of the most recent transfer;
7. Transfer \$57,368.84 from the Capital Improvement Reserve to the Operating Reserve to offset monies expended to date for capital projects and expenditures;
8. Transfer \$914,739.39 from the Depreciation Reserve to the Operating Fund to offset monies expended to date for capital projects and expenditures.
9. Transfer \$120,000.00 from the Operating Fund to the Employment-Related Benefits Reserve to provide funding related to retiree benefit and employee benefit costs.
10. Transfer \$89,297.96 from the Employment-Related Benefits Reserve to the Operating Fund to offset monies expended to date from the Operating Fund related to retiree benefit and employee benefit costs.
11. Transfer \$200,000.00 from the Operating Reserve to the Rate Stabilization Reserve to help ensure financial and customer rate stability.

Amendments to Organization Structure and Chart, Job Descriptions and Salary Schedule

GM Churchill presented a report on proposed amendments to the District Organizational Structure and Chart Policy No. 1030, Job Classes Policy No. 4080, Job Descriptions Policy No. 4090 and Salary Schedule Policy No. 4101.A1 regarding the District's lead water quality position. The primary focus of this action is to establish a position of Water Quality Supervisor as recommended by OM John Townsel. The individual recommended for this position is Brian Hensley, a 19+ year district employee. Mr. Hensley is presently the District's Water Quality Specialist, a position that he has held since 2000. He was the District's Water Quality Technician from 1995 through 1999 and a Laborer beginning in 1992.

The motives supporting this recommendation include the addition of two new and more sophisticated groundwater wells to the District's water supply options; SCADA, security and regulatory compliance responsibilities, hydraulic modeling, and supervision of the District's Water Quality Technician.

Directors were provided with a copy of the new Water Quality Supervisor job description along with the job description for the Water Quality Specialist. Directors were also provided with information regarding the benchmark salary range for the position, and the anticipated adjustment to Mr. Hensley's current salary if the new position is approved by the Board.

Directors were also provided with copies of the four District policies that are recommended for revision, marked up with changes as proposed. Directors and staff discussed the inclusion of the Water Quality Supervisor position and the other recommended policy amendments.

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

1. Amend the District Organizational Structure and Chart Policy No. 1030 to:
 - a. Add the position of Water Quality Supervisor.
 - b. Delete the position of Water Quality Specialist.
 - c. Re-title the position of Water Distribution Foreman to Water Distribution Supervisor.
 - d. Re-title the position of Distribution Lead Worker / Operator to Water Distribution Lead Worker / Operator.
 - e. Re-Title the position of Maintenance / Construction Worker II to Water Distribution Operator.
 - f. Re-Title the position of Maintenance / Construction Worker I to Water Distribution Worker.
 - g. Several non-substantive edits as presented.
2. Amend the Job Classes Policy No. 4080 to:
 - h. Amend to appropriately place "Manager" in job class with "Executive" to be consistent with the salary schedule and exempt status.
 - i. Several non-substantive edits as presented.
3. Amend the Job Descriptions Policy No. 4090 to:
 - j. Delete Job 40 – Conservation Specialist.
 - k. Delete Job 42 – Water Quality Specialist.
 - l. Re-number Job Numbers.
 - m. Edit Job Titles and Job Classes as presented.
4. Amend Salary Schedule Policy No. 4101.A1 to:
 - n. Add salary range for the position of Water Quality Supervisor.
 - o. Delete the salary range for the position of Water Quality Specialist.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of June 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 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 including the Mariposa Avenue – Greenback Lane to Limerick Way 16-Inch Steel Pipe Cement Mortar Lining Project. 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 Sunrise Boulevard Complete Street Improvement Project.

It was reported that the following water systems, added to the District’s water distribution system by independent contractors on behalf of private developers/owners, have been inspected by the District and formally accepted:

Stanton Optical, 7350 Madison Avenue, Fair Oaks

49 lineal feet of 8-inch ductile iron water main, 2 lineal feet of 6-inch ductile iron water main, 2 8-inch gate valves, 1 6-inch gate valve, 1 6-inch post indicator valve, and 2 fire hydrants with concrete access pads.

Value: \$ 25,252.00

Sprouts Grocery Store, 7905 Greenback Lane, Citrus Heights

1 2-inch metered water service

OPERATIONS MANAGER’S REPORT

OM Townsel reported as follows:

1. A total of 138 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 2011 through the end of June 2011 was 5,247.23 acre-feet, a decrease of 24.8 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 8:02 p.m. OM Townsel and PM Rossi left the meeting. The Board reconvened at 8:03 p.m.

DIRECTOR’S AND REPRESENTATIVES REPORTS:

Director Dion reported on an upcoming meeting of the Regional Water Authority (RWA).

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

Director Rose reported on a meeting of the Sacramento Groundwater Authority (SGA) that he attended recently along with Director Dains and GM Churchill.

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

Directors discussed the District's involvement on Association of California Water Agencies (ACWA) committees.

Director Dion reported on an upcoming meeting of the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA).

Director Rose reported on upcoming meetings of the City of Citrus Heights and the Sacramento Local Agency Formation Commission (LAFCO).

Director Dains and GM Churchill reported on their recent Planning Meeting with several Fair Oaks Water District Directors and staff members.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Activity is underway to develop a Request for Proposals for a new telephone system for the District offices. Funds in the amount of \$24,000 were appropriated in the 2011 Capital Projects Budget in Project No. 2011-11, Building Equipment Upgrades, for this purpose. The current telephone system is over 11 years old and it is becoming difficult to find service and replacement parts for the system.
2. Directors were provided with a summary of Water Efficiency Program activities during the month of June 2011, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. One violation notice was issued to a customer on Sylvan Valley Road for over-watering and broken sprinkler heads
3. AGM Kane attended a Water Forum Successor Effort meeting on June 23, 2011. The meeting included presentations on the Sacramento Region Integrated Regional Water Management Process and the River Mile 0.5 Floodplain Reconnection Project on the Lower American River. Discussions on the Flow Management Standard are stalled due to problems with the CALSIM computer modeling that is being used to gauge the water supply impacts of the proposed Lower American River Flow Management Standard and Biological Opinions.

The final 2011 Annual Runoff and Allocation Report has been distributed, and Directors were provided with a copy. As with earlier versions of the report, the projected March through November Unimpaired Inflow into Folsom Reservoir (UIFR) continues to be at a level high enough to signify no annual Water Forum Agreement restrictions for allocation of water supply from the American River.

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 June 2011. Directors were provided with a list of the employees and items for which each received recognition.
2. The San Juan Water District Finance Committee received a report on the SJWD Wholesale Transmission Pipeline System Metering Improvements Project cost allocations and a draft reimbursement plan at their meeting on July 12, 2011. GM Churchill and AGM Kane attended this meeting. Since September 2009, GM Churchill has taken the lead along with senior staff members of the San Juan Water District (SJWD) Family of Agencies to compile and analyze nearly \$6.02 million in project costs for the SJWD Wholesale Transmission Pipeline System Metering Improvements Project. This effort began after it was recognized that there were inequities in the allocation of costs for the project. The work has included identifying and assigning nearly \$1.26 million of metering costs pursuant to the Cooperative Transmission Pipeline (CTP) and assigning nearly \$2.33 million in retail water agency delivery meters to the agencies receiving water through the meters. Prior to this analysis, the CTP and retail agency delivery meters were anticipated to be paid for by SJWD Wholesale funds.

The SJWD Finance Committee was presented with a recommendation for reallocation of costs that was supported by SJWD Family of Agencies staff representatives. Consensus was not reached on all project elements, and after much discussion among the SJWD Family of Agencies' staffs, it was agreed to move forward with a recommendation to reallocate the non-consensus costs on essentially a 50-50 split between SJWD-Retail and SJWD-Wholesale. However, the SJWD Finance Committee, upon hearing the positions of both GM Churchill and SJWD staff, determined that reallocating the costs per GM Churchill's original recommendation would be the appropriate course of action based on the policy of "beneficiary pays for cost of improvements beyond Hinkle Reservoir." The SJWD Finance Committee will forward this recommendation to the SJWD Board of Directors, tentatively scheduled for consideration at SJWD's August 10, 2011 Board meeting. This SJWD Finance Committee-recommended reallocation, if approved, will result in an additional reimbursement of costs to CHWD above the recommended amount that had been carried forward from the SJWD Family of Agencies' staffs.

3. A list of the General Manager's significant assignments and activities was provided.

CORRESPONDENCE

None

FUTURE MEETINGS

A list of upcoming Board meetings and other meetings related to the business of the District that may involve the participation of Directors or District staff was presented and reviewed.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 8:32 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