

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS MEETING
January 9, 2007

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

Allen B. Dains, Director
Joseph M. Dion, Vice President
Robert A. Churchill, General Manager
David B. Kane, Assistant General Manager
John J. Townsel, Operations Manager (6:38 p.m.)
David M. Rossi, Project Manager (6:38 p.m.)
Pamela L. Peters, Office Administrator (6:38 p.m.)
Paul A. Dietrich, Senior Engineering Technician (6:38 p.m.)
Tim Cutler, Construction Inspector (6:38 p.m.)
Joseph P. Scherrer, Special Programs Coordinator (6:38 p.m.)
Rex W. Meurer, Conservation Specialist (6:38 p.m.)

Director Charles T. Rose was absent due to being out of town.

VISITORS

Judith Kammins Albietz, Albietz Law Firm (6:40 p.m.)

Vice President Dion led the Pledge of Allegiance.

CONSENT CALENDAR

Vice President Dion asked for the Consent Calendar. It was moved by Director Dains, seconded by Director Dion and carried 2-0 to accept the Consent Calendar consisting of:

1. Minutes of the Regular Meeting of December 12, 2006.
2. Minutes of the Special Meeting of December 18, 2006.
3. Assessor/Collector's Report for December 2006.
4. Adjustments to the 2006 Assessor's Roll.
5. Treasurer's Report for December 2006.
6. Bills to be Paid for December 2006.
7. Approve CAL-Card Purchases for December 2006.
8. Summary of 2006 Directors, Officers and Employees Training, Seminars and Conference Expenses.

OLD BUSINESS

Urban Water Management Plan

AGM Kane presented a report on amendments to the District's 2005 Urban Water Management Plan. Every five years since 1990, the District produces an Urban Water

Management Plan (UWMP) in compliance with the Urban Water Management Planning Act. The Board of Directors adopted the District's 2005 UWMP in December 2005, and it was submitted to the California Department of Water Resources (DWR). DWR subsequently reviewed the District's UWMP and returned it to the District with comments on various areas where the District's UWMP did not technically comply with the UWMP Act.

District staff has now completed the lengthy process of amending the UWMP document and is preparing to resubmit it to DWR. Directors were provided with a "mark-up" copy of the UWMP showing the additions, deletions and revisions. Although there were many revisions and additions to the document, in staff's opinion, the changes are not substantive in nature nor do they change the UWMP in any material respect.

As discussed at the time of previous adoption, the UWMP does not obligate the District to a specific course of action in terms of water supply and conservation. However, many of the water conservation measures are actions that the District must take as a recipient of water from the U.S. Bureau of Reclamation (USBR) and as a signatory to the Water Forum Agreement. Directors and staff discussed the amended Plan document. Directors and staff discussed the amended UWMP document.

It was moved by Director Dains, seconded by Director Dion and carried 2-0 to adopt Resolution No. 01-2007 Re-Adopting the 2005 Urban Water Management Plan.

Legal Counsel Selection

GM Churchill presented a report on a proposal to enter into a Professional Services Agreement for Legal Counsel Services with the Albietz Law Firm. The District's previous legal counsel, Judy Albietz, retired from the firm of Dickenson, Peatman and Fogarty as of November 17, 2006. Ms. Albietz had been representing the District since being selected to provide legal services in April 1996. The Board and staff have been discussing the process for obtaining legal counsel services and entered into an agreement Jennifer Rhode to provide interim legal counsel services while proposals could be requested from legal firms. Ms. Rhode accepted a position with another firm and is no longer available to represent the District while the RFP process is developed.

Ms. Albietz has offered to continue her representation of the District. The terms of her engagement are proposed to remain the same as under her services with Albietz & Samuel and Dickenson, Peatman and Fogarty except that her hourly rate is proposed to be \$220.00 per hour, with no charges for travel time. Directors, staff and Ms. Albietz discussed the terms of the proposed agreement. Directors expressed that they were very satisfied with Ms. Albietz' legal services and were pleased to be able to retain her services.

It was moved by Director Dains, seconded by Director Dion and carried 2-0 to authorize the General Manager to execute a Professional Services Agreement for Legal Counsel Services with the Albietz Law Firm per the hourly rate and terms discussed.

The Board convened in Closed Session at 6:44 p.m. to consider the following matters:

1. Conference with Legal Counsel – Existing Litigation pursuant to Government Code 54956.9 (a): One Case, Cal OSHA v. Citrus Heights Water District.
2. Conference with Legal Counsel – Existing Litigation pursuant to Government Code 54956.9 (a): One Case, Sacramento County, et al v. MTBE Manufacturers, et al.

Vice President Dion reconvened the meeting into Open Session at 7:19 p.m. He announced that the following actions were taken by the Board of Directors during the Closed Session:

It was moved by Director Dion, seconded by Director Dains and carried 2-0 to authorize District Legal Counsel to negotiate a settlement with the California Occupational Safety and Health Administration (Cal OSHA) in the appeal of a fine levied on Citrus Heights Water District by Cal OSHA.

It was moved by Director Dion, seconded by Director Dains and carried 2-0 to authorize District Legal Counsel to represent Citrus Heights Water District in the matter of Sacramento County, et al v. MTBE Manufacturers, et al.

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 2007

Office Administrator (OA) Pam Peters presented a report on health care insurance coverage for District employees for 2007 and related proposed amendments to the District's employee health insurance policy.

The District's current health care coverage for employees expires after January 31, 2007.

Options for coverage reviewed for the coming year included: continuing the District's current Health Net and Kaiser plans; enrolling in the ACWA-sponsored health benefit plan (Blue Cross and Kaiser) or continue with the current health care plans but renew with a higher co-pay, lower premium plan while self-funding the co-pays (a Self Managed Reimbursement Account, or SMRA).

Staff is recommending that the District adopt the SMRA plan for health care coverage for 2007. The SMRA plan offers significant flexibility that may provide for even greater

future savings potential.

Staff reviewed plan premium costs for the District's existing Health Net and Kaiser plans and those of the other plan alternatives considered. Health insurance premiums under the existing plans are slated to collectively increase 18 percent above 2006 rates. Assuming that all employees stay with their existing plans, the total annual premium increase for 2007 for Health Net would be about \$28,450 and Kaiser will be about \$21,504, for a total District health insurance premium cost increase of about \$49,954.

The Board first instituted a "cap" on monthly premiums in 1999. The cap has been adjusted annually to be sufficient to fully pay for premiums for employees in all categories, except in 2003 when employees on "family" plans (employee, spouse and one or more dependants) were required to cover up to about \$68 per month for their premiums. For 2006, the cap was adjusted to \$1,274, enough to cover the monthly premium for all employees and their families.

The Self Managed Reimbursement Account (SMRA) alternative was presented to the District by Benefit Insurance Services, an insurance brokerage firm. Under this plan, District can keep Health Net and Kaiser as its health insurance carriers but choose plans with higher out-of-pocket co-payments for medical services and prescriptions, and dramatically reduce its premiums. With the significant savings in premiums, the District can fund a reimbursement account to repay employees for those higher co-payments and approved out-of-pocket expenses. As proposed, reimbursement claims from employees will be processed by a third-party administrator and paid within a ten-day period.

Insurance industry experience has shown that utilization of health care benefits is typically around 5 percent of the maximum out-of-pocket exposure for the employer. For purposes of estimating savings, staff used conservative 20 percent utilization when calculating the District's reimbursement exposure, although industry experience suggests that actual reimbursements will be much less. The savings on annual premium cost with the SMRA plan will be over \$93,000, while annual reimbursement costs are estimated to be approximately \$27,400. The overall savings to the District are estimated to exceed \$62,000 including the annual costs of \$1,700 to the third-party administrator.

District staff has talked to other clients of Benefit Insurance Services who are currently using SMRA plans. These clients were uniformly enthusiastic about the SMRA approach, saying that it has produced a significant savings while allowing them to maintain health insurance benefits for their employees. Directors were provided with a comparison of existing health care plan costs at 2007 renewal rates and the premium rates from the SMRA Plan, and the number of employees currently covered under each plan. The comparison showed that the annual cost of health insurance premiums under the SMRA plan will be more than \$93,000 less than under the existing health plans. As proposed, some of this \$93,000 savings will be spent to reimburse employees for the qualified co-payments, and the remainder will be savings to the District over what it would have otherwise spent to continue to provide the existing coverages.

Staff's review of available health plan alternatives shows that the District's most cost-effective option for health benefit coverage is the SMRA program with a \$30 office visit co-pay option for both Health Net and Kaiser. Staff is also recommending that the District fund a 100 percent reimbursement program for employee's out-of-pocket health care expenses and co-payments in recognition of the savings being realized by the District and the employee's greater responsibility in paying significantly larger co-payments up front and then submitting them for reimbursement. Directors were also presented with a draft copy of District Policy No. 4210, Health Insurance, containing proposed amendments to support the recommended SMRA approach. Directors and staff discussed the health care insurance alternatives. Directors expressed support for the SMRA approach and thanked staff for efforts to maintain employee health care benefits while reducing the District's costs.

It was moved by Director Dains, seconded by Director Dion and carried 2-0 to approve the Kaiser Permanente for Small Business Plan 30 and the Health Net Elect Open Access 30 Plan as the District's employee health care plans for 2007, providing 100 percent reimbursement of qualified health care co-payments through a third-party Administrator as provided by Benefit Insurance Services; and to amend District Policy No. 4210, Health Insurance, as presented.

Sacramento LAFCo Special District Commissioner

GM Churchill presented a report on an election for Special District Commissioner on the Sacramento Local Agency Formation Commission (LAFCo). An election for Special District Commissioner Office No. 7 on the Sacramento LAFCo is being conducted. The candidates are:

Gay Jones – Sacramento Metropolitan Fire District
Ralph Carhart – Fair Oaks Recreation and Park District
Donald Flynn – Pacific Fruitridge Fire District
Wayne Kuntz – Rancho Murieta Community Service District

Ms. Jones is the current Alternate Special District Commissioner and received the District's vote for same in June 2005. Directors discussed the candidates.

It was moved by Director Dains, seconded by Director Dion and carried 2-0 to cast the Citrus Heights Water District's ballot for Gay Jones for LAFCo Special District Commissioner Office No. 7.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on an upcoming meeting of the Regional Water Authority (RWA) Executive Committee. He also reported on an upcoming event at the City of Citrus Heights in honor of their tenth year since becoming a city.

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

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of December 2006 by the Engineering Department: projects under construction or pending construction by private contractors and developers; projects under construction by contractors on the District's behalf; and project development/design underway by District staff.

PM Rossi also presented a summary of water systems donated to the District's water distribution system during 2006. The District accepted 10 projects constructed by independent State-licensed contractors on behalf of private developers and owners. Four of the ten projects were commercial developments. The total value of facilities for the accepted projects is \$836,979 for 2006.

It was also noted that the Engineering Department completed the 2005 Residential Meter Retrofit Project during 2006, at a cost of about \$1.15 million.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

A total of 121 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 76 samples, have met all California Department of Health Services requirements.

OM Townsel also presented a report summarizing work orders completed during 2006, as well as a comparison with prior years 1999-2005. A total of 1,890 work orders were completed during 2006.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. A steady stream of payments is being received for the first semi-annual flat rate billing for 2007, with a January 22, 2007 due date. The informational insert regarding the change to metered billing in 2008 has prompted many District customers to review the section of their flat-rate bill that provides information on metered water consumption and costs. This has resulted in an overwhelming volume of customer calls to the District. Over 240 applications for conversion from flat-rate to metered accounts have been received during the past few weeks.
2. A Federal National Mortgage Association (Fannie Mae) bond investment held by the District matured in late December. The \$40,000 investment had been held since June 2004 and was yielding 3.5% interest. The proceeds currently remain on deposit with the District's investment advisor, Wachovia Securities.

3. Major presentation and discussion topics for the upcoming Water Forum Successor Effort meeting will include El Dorado County Water Supply, and an update on the Sacramento Municipal Utility District Upper American River Project FERC (Federal Energy Regulatory Commission) Negotiations. A meeting to continue discussion and negotiation of the Water Forum Water Conservation Best Management Practices (BMPs) will be held with members of the Water Caucus and Environmental Caucus later in January 2007.
4. District water conservation staff performed several elementary school presentations during the month of December 2006, with more scheduled in the month of January. Staff shared with Directors the thank you notes received from students who attended the December presentations.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. As of December 29, 2006, the District has 19,027 metered services, representing 97.64 percent of all of the District's services. The total number of non-metered services remaining is 459. The number of residential customers who have voluntarily converted to metered rates is 751.
2. District-wide water consumption for the calendar year was 18,792.16 acre-feet for the year 2006, a decrease of 5.72 percent compared with the average annual water consumption during the previous five years, 2001-2005.
3. Eighteen District employees received recognition for superior attendance, customer service and quality of work during the month of December 2006. Directors were provided with a list of the employees and items for which each received recognition.
4. The District has received the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA) President's Special Recognition Award for achieving a low ratio of Claims Paid and Case Reserves to Deposit Premiums in the Property Insurance Program for the three-year period ending March 31, 2005. Directors were presented with a the award certificate received by the District from ACWA-JPIA.
5. Directors were provided with a list of the General Manager's significant assignments and activities.

CORRESPONDENCE:

Correspondence was discussed and ordered filed as follows:

1. Letter received December 11, 2006 from Robert C. Renner, Executive Director of the American Water Works Association (AWWA) Research Foundation thanking the District for its continued subscription commitment to the AWWA Research Foundation.

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 8:40 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, Vice President
Board of Directors
Citrus Heights Water District