

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
December 9, 2008

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

None

Director Dion led the Pledge of Allegiance.

SPECIAL CEREMONY

GM Churchill administered the Oath of Office to Charles T. Rose, Director, Division 1, and presented him with a Certificate of Election for his election as Director of the Citrus Heights Water District. Fellow Directors and staff congratulated Director Rose on his reelection to the Board.

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 November 12, 2008.
2. Assessor/Collector's Report for November 2008.
3. Assessor/Collector's Cancellation Letter for November 2008.
4. Treasurer's Report for November 2008.
5. Bills to be Paid for November 2008.
6. Approve CAL-Card Purchases for November 2008.
7. Summary of 2008 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Receive and file report of settlement of a claim from Daniel Faubion.
9. Approve Friday, January 2, 2009 as the 2009 Floating Holiday for District employees.

OLD BUSINESS

Bonita Way Groundwater Well

OM Townsel presented a status report on the pump station construction phase of the

Bonita Way Groundwater Well Project. He reported that the building pad, masonry building construction and electrical conduit extension are complete. He also reported that the roof construction, paving, concrete sidewalks and driveway are in progress; and the perimeter wall construction and pump and motor installation are pending. 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.

### PERS Employee Contribution Pick-Up

AGM Kane presented a report on two proposed resolutions to formally approve the District paying the employee contribution into the California Public Employee Retirement System (PERS). Contributions to an employee's PERS account are composed of two parts: the employer contribution and the employee contribution. The Board of Directors approved the District to begin paying both contributions in 1989 in the annual budget for that year. However, formal resolutions approving this practice were not required at the time and not prepared for adoption by the Board.

All agencies that pay or "pick up" the employee contribution are now required by PERS to have formal statements from their governing bodies approving the practice. The proposed resolutions address two separate aspects of this approval. Resolution No. 17-2008 addresses a section of the Internal Revenue Code that allows the District to treat employee contributions with the same tax-deferred status as employer contributions. Without this resolution, PERS will not accept employer contributions on the employee's behalf after December 31, 2008. Resolution No. 18-2008 specifies the conditions under which the District pays Employer Paid Member Contributions (EPMC). The effective date of this Resolution is February 7, 2001 because this is the effective date of the change to the District's contract with PERS where the District adopted the 2% @ 55 retirement formula. Directors were provided with draft copies of the proposed resolutions.

Approval of the resolutions does not change any of the District's existing practices regarding the PERS benefit. This action formalizes a benefit that was conferred to employees 20 years ago and has been in place since that time. Directors and staff discussed the PERS benefit and the proposed resolutions.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 17-2008 Authorizing Employer Pick-Up of the Employee PERS Contribution.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to adopt Resolution No. 18-2008 For Employer Paid Member Contributions to PERS.

### Agreement for Landscape Irrigation Review Services

AGM Kane presented a report on a proposed agreement with Irrigation Consultation & Evaluation for professional services to provide landscape irrigation reviews for District customers. For the past eight years, the District has employed the services of Irrigation Consultation & Evaluation (ICE) to perform landscape irrigation reviews. The District provides water efficiency reviews to customers 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 207 water audits have been done under the ICE agreement during 2008. About \$20,000 has been expended to date of the \$21,000 approved under the 2008 agreement. It is expected that close to the full authorized amount will be expended by years' end. In addition, District Conservation Specialist Rex Meurer and Special Programs Coordinator Joe Scherrer performed a total of 50 residential audits independently during 2008.

Directors were provided with a copy of the proposed Agreement for Landscape Irrigation Reviews for 2009. After maintaining their rates for the past two years, ICE has proposed to increase their hourly billing rates. The demand for audits in 2009 is expected to increase as it did in 2008 due to metered water billing. In light of the cost increase and anticipated greater demand, staff is recommending that the agreement be renewed at the in the amount of \$24,000. Directors and staff discussed the ICE's services and the proposed agreement. Directors asked staff to research other vendors that may be providing similar services for possible future consideration.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to authorize the General Manager to execute an agreement with Irrigation Consultation & Evaluation for irrigation review services for 2009 with a not-to-exceed amount of \$24,000.00.

### Cost-of-Living Adjustment to Directors' Compensation

AGM Kane presented a report regarding a Cost-of-Living Adjustment for Compensation of the Board of Directors. The Board of Directors approved Ordinance No. 01-2008 on January 8, 2008, setting Directors' compensation at \$145.00 per day for attending Board meetings and other Board-sanctioned functions. The compensation amount prior to that time, from 2004 until 2007, was \$140.00 per day. Directors were provided with a copy of the ordinance. Under this Ordinance and District Policy 2040, changes in compensation of Directors requires approval of the Board of Directors by adopting a new ordinance adjusting the compensation during an Open Session at a Regular Meeting held at least 60 days prior to the effective date of the change.

Directors were provided with information from the U.S. Department of Labor showing that the consumer price index (CPI) for all urban west consumers has increased by 3.3 percent for the twelve-month period ending in October 2008. This is the baseline that the District uses annually in determining the COLA for employee salary ranges.

Directors discussed the COLA information and their compensation. Directors expressed the opinion that maintaining Directors' compensation at its current level is the right thing to do in light of economic conditions and the District's efforts to control costs for 2009.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to not apply a cost-of-living adjustment for Directors' compensation and to maintain said compensation at its current level as fixed by Ordinance No. 01-2008.

#### California Special Districts Association – 2009 Membership

GM Churchill presented a report on 2009 membership renewal in the California Special Districts Association (CSDA). The District has received an invoice for 2009 CSDA Membership dues in the amount of \$4,088.00. The District's 2009 Operating Budget does not include funding for renewal of membership in CSDA. This was done as a cost-savings measure.

District representatives have participated in CSDA training and attended recent CSDA conferences. However, CSDA's focus is less specific to the water industry than organizations such as the American Water Works Association and the Association of California Water Agencies for which the District has budgeted to renew memberships. Directors and staff discussed the CSDA membership renewal. Directors acknowledged the benefits of CSDA membership, but affirmed the importance of supporting the expenditure reductions identified in the 2009 budget. Directors expressed an interest in reconsidering CSDA membership in the future when financial conditions improve.

It was noted that no action on this matter was required by the Board. The Board already acted to discontinue CSDA membership by adopting a 2009 Operating Budget that contained no funding for CSDA membership. GM Churchill was directed to communicate with CSDA regarding the District's membership decision.

#### California Special Districts Association – Region 2 Seat

GM Churchill stated that this item regarding nominations for a vacancy on the California Special Districts Association (CSDA) Board of Directors had been placed on the agenda pending action on the previous agenda item on CSDA membership. No discussion or action on this item was needed since the District is discontinuing its CSDA membership.

#### Surplus Waterworks Materials

OM Townsel presented a report on the proposed sale of meter setters as surplus to the needs of the District. The District has 460 meter setters that are proposed for sale because of a new regulation from the State of California that goes into effect in 2010. Under Senate Bill 1953, all brass waterworks parts and fittings except for service saddles installed beginning January 1, 2010 must contain no more than 0.25 percent lead. Materials containing more than 0.25 percent lead may be used prior to that date. The meter setters proposed for sale contain more than the minimum amount of lead under the new regulation and cannot be installed by the District after December 31, 2009.

The supply of meter setters proposed for sale as surplus are not likely to be installed before the regulatory deadline. It is proposed to offer these items for sale by a competitive bid to other water agencies that could utilize them during the 2009 calendar year. A summary of the meter setters proposed to be sold was presented to Directors. A minimum bid for the setters was determined by increasing the purchase price by the District's average rate of return on its investments during the time that has passed since the setters were purchased. The total minimum bid for the 460 meter setters in sizes ranging from ¾ inch to 2 inch is \$59,717.10. Due to major increases in the price of brass materials in recent years, the current market value for these setters is greater than the minimum bid amount. Directors and staff discussed the impact of the new State regulation and the sale of the meter setters.

During 2009, the District will use other brass parts and fittings and will restock with low-lead brass counterparts. An evaluation of parts and fittings in stock will be conducted to determine if the District may benefit from selling other materials as surplus to avoid having non-usable inventory after the December 31, 2009 deadline.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to declare 460 meter setters surplus to the needs of the District and authorize their sale by competitive bid.

#### Selection of President and Vice President

GM Churchill presented a report on the process to select a President and Vice President of the Board of Directors. Directors were provided with a copy of District Board of Director and Officers Policy No. 2010, which states that a President and Vice President of the Board of Directors are to be elected by a majority vote of the Board in December of each year. The terms of office will begin as soon as acted upon by the Board.

Directors discussed nominations for President and Vice President of the Board. Director Dion nominated Director Dains to serve as President, with the nomination seconded by Director Rose. Director Dains nominated Director Rose to serve as Vice President, with the nomination seconded by Director Dion.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to elect Director Allen B. Dains as President of the Board of Directors of Citrus Heights Water District.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to elect Director Charles T. Rose as Vice President of the Board of Directors of Citrus Heights Water District.

Director Dion yielded to Director Dains to preside over the remainder of the Board meeting.

Appointment of District Officers

GM Churchill presented a report on proposed reconfirmations of District Officers. Directors were provided with a copy of District Board of Directors and Officers Policy No. 2200, which sets forth the Officers of the District and their respective duties and related matters. Directors were also provided with a list of the District’s Officers, whose appointments to these positions were last reconfirmed in December 2007. It was recommended that the Board reconfirm all of the remaining existing Officers. Directors and staff discussed the District’s Officers.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to confirm the appointment of District Officers as follows:

<u>Office</u>	<u>Officer</u>	<u>Deputy Officer</u>
Assessor/Collector	Nancy E. Alaniz	Pamela L. Peters
Treasurer	David B. Kane	Pamela L. Peters
Secretary	Robert A. Churchill	David B. Kane

Appointment of Board Representatives and Alternates

GM Churchill stated that, pursuant to District Policy No. 2300, the Board of Directors shall appoint its Members or Officers to serve as District representatives to various organizations and associations. Directors discussed the current 2008 appointments, and their interests related to serving as representatives for the coming year.

The Board of Directors, by acclamation, confirmed the appointment of the following Directors and Officers to serve as District representatives to the following organizations:

<b>Organization</b>	<b>Representative</b>	<b>Alternate Representative</b>
Association of California Water Agencies - Joint Powers Insurance Authority (ACWA JPIA)	Joseph M. Dion	Charles T. Rose
Association of California Water Agencies Region 4	Joseph M. Dion	Allen B. Dains
San Juan Family of Agencies Executive Committee	Joseph M. Dion (Director) Robert A. Churchill (Staff)	Charles T. Rose (Director) David B. Kane (Staff)
Regional Water Authority	Joseph M. Dion (Director) Robert A. Churchill (Staff)	Allen B. Dains (Director) David B. Kane (Staff)
Sacramento Groundwater Authority	Charles T. Rose	Allen B. Dains
Citrus Heights Chamber of Commerce Government Issues Committee	David B. Kane	Robert A. Churchill
Sacramento Water Forum	David B. Kane	Robert A. Churchill

## PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of November 2008 by the Project Management and 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.

## OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 31 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 Public Health requirements.
2. Statistics on District-wide water consumption for the calendar year through the month of November 2008 were not available due to inaccuracies with the meter readings from both San Juan Water District and Citrus Heights Water District. As previously discussed, with the accuracy of District-wide water consumption data in doubt it is likely that the consumption figures that have been reported for 2008 may significantly understate actual consumption. San Juan Water District is replacing all of its water meters that measure water deliveries to CHWD and the other Family agencies. More accurate water consumption information will be available when the new meters are installed. At the conclusion of 2008, CHWD will develop some consumption statistics using the total recorded consumption from all of its individual customer water meters.
3. A scheduled outage of the San Juan Water District water treatment plant took place on December 2 and 3, 2008. The outage was necessary to fix a water leak in piping at the treatment plant. All of the SJWD retail agencies were involved in planning for this outage, the Citrus Heights Water District had all four of its operational groundwater wells in production during the outage to supplement supplies from SJWD's treated water reservoir. The repair work was completed on schedule. There was no risk of running short of treated water supplies during the outage, as supplies remaining in the reservoir at the conclusion of the outage were sufficient to provide for many more days of normal consumption for all the SJWD retail agencies.

President Dion called a recess to the meeting at 7:45 p.m. OM Townsel and PM Rossi left the meeting. President Dion reconvened the meeting at 7:53 p.m.

## DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a recent meeting of the Regional Water Authority (RWA) on Delta issues that was attended by all Directors, GM Churchill and AGM Kane. He

reported on a meeting of the RWA Executive Committee that he attended recently. He also reported on his attendance at the recent Association of California Water Agencies – Joint Powers Insurance Authority (ACWA-JPIA) conference in Long Beach.

Directors Dains, Dion and Rose reported on their attendance at the recent Association of California Water Agencies (ACWA) conference in Long Beach. They also discussed the recent San Juan Water District Executive Committee workshop that they attended along with GM Churchill and AGM Kane.

Director Rose reported on meetings of the Sacramento Groundwater Authority that he attended recently. He also reported on recent matters of interest regarding the City of Citrus Heights and the Sacramento Local Agency Formation Commission (LAFCo).

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

#### ASSISTANT GENERAL MANAGER’S REPORT

AGM Kane reported as follows:

1. The unusually high level of real estate activity, primarily related to foreclosures, continues to create a heavy workload related to opening and closing customer accounts. Delinquent accounts also continue to add to the workload. Overtime hours needed to meet customer service needs declined in November; however, additional measures to reduce and manage workload are being considered to meet the very limited overtime funding in the 2009 Operating Budget. AGM Kane discussed workload reduction and efficiency measures that are being implemented or considered.
2. The District’s bond rating on its revenue certificates of participation (COPs) was recently upgraded by Standard and Poor’s (S&P). The upgrade, from A to AA, results from changes to S&P’s criteria for rating water, sewer and drainage utility revenue bonds, and is also a reflection of the District’s strong financial policies and financial stability. This rating change will have no effect on the District’s principal and interest costs related to the existing COPs. However it could help to secure more favorable rates in future debt issuances if the District can successfully maintain this rating. Directors were provided with a copy of the letter from S&P announcing the ratings upgrade, along with an S&P publication that lists upgrades for 130 utilities from across the nation, including CHWD.

The District bond rating change requires the District to issue a Reporting of Significant Event in compliance with Section 5 of the Continuing Disclosure Agreement for the COPs. Directors were provided with a copy of the Reporting of Significant Event (Rating Changes) is attached to this report. The District was also notified of a change in the rating for MBIA Insurance Corporation, the bond insurance carrier for the San Juan Water District Revenue COPs (San Juan and

- Citrus Heights Project) Series 2003. MBIA's rating was downgraded by Moody's Investors Service from A2 to Baa1, which is considered at or near "junk bond" levels. The ratings downgrade is a measure of MBIA's financial ability to comply with the terms of its bond insurance policies, and requires both SJWD and CHWD to issue a Reporting of Significant Event in compliance with their respective Continuing Disclosure Agreements for the COPs. Directors were provided with a copy of the Reporting of Significant Event (Rating Changes).
3. Software modifications have been made by Cogsdale, the software vendor for the District's billing and customer information system, to correct the flaw discovered by staff during initial web site bill payment testing. The software is now being re-tested by staff and by the District's technology support consultant, and final arrangements being made with the credit card service vendor (Elavon) and payment processing vendor (PayPal) in preparation for unveiling the new web pay program in mid-December. An article promoting the new web bill pay option will appear in the upcoming WaterLine newsletter.
  4. Recruitment is underway for the new Customer Service Representative position approved in the 2009 Operating Budget. The closing date for accepting employment applications for the position is December 19, 2008. To date, ten applications have been received.
  5. Work is continuing on the next edition of the District's WaterLine newsletter. Directors were provided with a summary of the articles being prepared for the newsletter. Production of the newsletter is scheduled for mailing of the newsletter in early January 2009.
  6. AGM Kane recently attended a Water Forum Water Conservation negotiation meeting, and he reported on the status of the negotiations. He also reported on an upcoming Water Forum Successor Effort meeting.

### GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty-two District employees received recognition for outstanding attendance, superior customer service and quality of work during the month of November 2008. 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 to Directors.

### 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.

CORRESPONDENCE

None

CLOSED SESSION

Due to the lateness of the hour, President Dains declared that the Closed Session item, scheduled pursuant to subdivision (a) of Government Code Section 54957, Public Employee Performance Evaluation --General Manager, will be continued to the Regular Board of Directors meeting of January 13, 2009.

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 9:36 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