

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS MEETING  
April 14, 2009

The Regular Meeting of the Board of Directors was called to order at 6:35 p.m. by President Dains and roll was called. Present were:

Allen B. Dains, President  
Charles T. Rose, Vice President  
Joseph M. Dion, Director  
Robert A. Churchill, General Manager  
John J. Townsel, Operations Manager  
David M. Rossi, Project Manager  
Pamela L. Peters, Office Administrator  
Rex W. Meurer, Conservation Specialist

VISITORS

Neelu Puri, Senior Accountant, Galina LLP  
Justin Gierth, Galina LLP  
Judi Smith, Treasurer, Donegal Terrace Home Owners Association  
Phil Olavarri, President, Donegal Terrace Home Owners Association  
Lois Olavarri, Donegal Terrace Home Owners Association

Director Dains led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of March 10, 2009.
2. Assessor/Collector's Report for March 2009.
3. Assessor/Collector's Cancellation Letter for March 2009.
4. Treasurer's Report for March 2009.
5. Bills to be Paid for March 2009.
6. Approve CAL-Card Purchases for March 2009.
7. Summary of 2009 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Fund and Reserve Transfers.
  - a. Transfer \$1,024.00 from the Operating Fund to the Connection Fund to allocate interest earnings on District investments from the previous year;
  - b. Transfer \$13,770.00 from Connection Fund to the Capital Improvement

- Reserve as partial repayment of Connection Fund debt to the Capital Improvement Reserve;
- c. Transfer \$100,000 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;
  - d. Transfer \$100,000.00 from the Depreciation Reserve to the Fleet Equipment Reserve to funds for future equipment replacements;
  - e. Transfer \$36,504.23 from the Fleet Equipment Reserve to the Operating Fund to offset fleet replacement expenditures from the Fleet Equipment Reserve;
  - f. Transfer \$1,098,162.88 from the Capital Improvement Reserve to the Operating Reserve to offset monies expended to date for capital projects and expenditures;
  - g. Transfer \$302,129.29 from the Depreciation Reserve to the Operating Fund to offset monies expended to date for capital projects and expenditures.

## PRESENTATIONS

### 2008 Financial Audit Report

GM Churchill introduced Neelu Puri, Senior Accountant, and Justin Gierth from Galina LLP, the District's auditors for the fiscal year ending December 31, 2008. Ms. Puri was the primary accountant in charge of the recently-completed audit engagement with the District, and Mr. Gierth provided assistance on the audit.

Ms. Puri presented an overview of the Independent Auditor's Report for the District's fiscal year ending December 31, 2008. The report was delivered to Directors within 120 days of the end of the calendar year as set forth in District Policy No. 6010.

Ms. Puri stated the audit shows that the District's financial records are in good shape and that its accounting practices continue to conform with generally accepted accounting principles, with one exception. This exception is Finding 2007-1 regarding Controls Over Financial Reporting. This Finding relates to Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), an auditing standard that was adopted in 2006 as part of the Government Auditing Standards. The same Finding appeared in the 2007 audit, because the District has its Independent Auditor also prepare its financial statements. Under SAS 112, the Auditor must identify this approach as an internal control deficiency. District management is confident that its internal controls are sound and that the approach used to prepare its FY2008 financial statements, while technically an internal control deficiency under SAS 112, is also sound.

Ms. Puri reviewed the Auditor's Management Report. This report contains one recommendation for improving the District's internal controls. This recommendation relates to the District's grant revenue accrual. The District has a procedure in place for

recording grant revenue accrual at the time when requests are submitted for grant reimbursement. The procedure was not followed on one occasion in 2008, resulting in a grant receivable not being recorded at the time it was accrued. District staff has been re-instructed as to the procedure to avoid future such occurrences

Ms. Puri expressed her appreciation for the assistance of District staff, especially Office Administrator Pam Peters, during the audit.

Directors thanked Ms. Puri and Ms. Gierth for the presentation and their work on the audit.

It was moved by Director Rose, seconded by Director Dion, and carried 3-0 to accept the Independent Auditor's Report, Financial Statements and Supplemental Information for the Year Ended December 31, 2008.

Ms. Puri and Mr. Gierth left the meeting after the Board's action.

#### NEW BUSINESS

In consideration for the visitors from the Donegal Terrace Home Owners Association the Board addressed the following agenda item next:

#### Water Service Outside of Current District Boundaries

GM Churchill presented a report outlining some general parameters for providing retail water service outside of current District boundaries. The report was prompted by a recent inquiry received from Citrus Heights resident Judi Smith of the Donegal Terrace Homeowners Association about the District providing water service to areas of the City of Citrus Heights served by California American Water Company. Donegal Terrace is comprised of approximately 56 residences on the west side of Van Maren Lane between Greenback Lane and Auburn Boulevard, territory that is not contiguous to the District's boundary. Directors were provided with a copy of that inquiry and the District's written response.

Directors were also provided with a copy of a subsequent inquiry received from Doris Fodge of California American Water Company regarding the District's water rates for comparison with California American's water rates. In response, the District provided Ms. Fodge with a spreadsheet that estimated water charges through a one-inch metered water service, the District's standard for residential service. It was noted that a representative of California American Water provided an overview of surcharges and rates to the Citrus Heights City Council on March 12, 2009.

GM Churchill presented an outline of some of the issues and questions that would be involved in responding to an inquiry such as that received from Judi Smith. He noted that a very significant amount of District time and resources could be invested in responding to such an inquiry, which would include considering and addressing the

following issues:

- Provision of water service outside of the current District boundary would need to be at no detriment to current CHWD ratepayers.
- Would there be a savings to current ratepayers with the inclusion of additional territory to the District?
- Would the District's Board of Directors need to increase in size?
- Annexation of territory to the District and to San Juan Water District, the wholesaler agency from which the District receives its surface water supply, would need to be undertaken through the Sacramento Local Agency Formation Commission (LAFCo) by the annexation proponents.
- Acquisition of water infrastructure and water production facilities owned by a private water company would likely be at the expense of the annexation proponents. This could be a long-term surcharge on the water bills of the proponents. An appraisal would need to be performed to determine the depreciated value of the facilities.
- The magnitude and complexity of such an endeavor is likely to require engineering, financial, and environmental studies by consultants.
- The place of use for surface water supplies would need to be studied and amended to include new territory in the District.
- Surface water treatment capacity at San Juan Water District would need to be evaluated and expanded if necessary to serve new territory.
- Groundwater quality would need to be evaluated, especially with respect to known contaminant plumes.
- The District is subject to Central Valley Project Improvement Act (CVPIA) which requires the installation of water meters on all connections.
- What roles, if any, would the City of Citrus Heights or the County of Sacramento play?
- What are the similarities / differences between annexation of all or part of a private water company's franchise area to a public water agency with that of a consolidation of two public agencies?

Directors, staff, and Ms. Smith and Mr. and Mrs. Olavarri discussed these issues. The Board suggested that the California American Water Company customers express their concerns regarding water rates to the California Public Utilities Commission. It was also

suggested that the Sacramento Local Agency Formation Commission might be a source of information.

The visitors from the Donegal Terrace Home Owners Association and Pam Peters left the meeting at the conclusion of the above discussion at 7:50 p. m.

The Board then returned to the order of the Agenda.

## 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 all of the work is completed on the project, and that the final inspection and start-up certification are pending. Directors and staff discussed the status of the project.

GM Churchill presented a report on a Notice of Completion for the 2008 Bonita Way Well Pump Station. On June 23, 2008 a contract was entered into with Sierra National Construction, Inc. for construction of the Bonita Way Well Pump Station and associated site improvements. The District has received a letter from Luhdorff and Scalmanini Consulting Engineers documenting that the project is substantially complete and is ready for service pending approval from the California Department of Public Health. Directors were provided with a copy of the letter from Luhdorff and Scalmanini.

The Regional Water Authority, the facilitator for the DWR Proposition 13 Grant for this project, requires that this Notice of Completion be filed at this time. Directors and staff discussed the execution and recording of a Notice of Completion for the project.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to authorize the execution and recording of a Notice of Completion for the 2008 Bonita Way Well Pump Station.

### Surface Water Supply Conditions

GM Churchill presented a report from AGM Kane on the most recent information on water supply conditions and the forecast of these conditions for 2009, and actions being taken by the District in support of its Stage 3 – Water Warning water conservation stage.

Recent storms have continued to increase rainfall and snow pack levels for the season to date. The level of Folsom Lake has risen to over 446 feet as of April 10, 2009, about 78 percent of capacity, compared with 425 feet as of March 6 and 398 feet on February 24 when the Board declared the Water Warning. However, precipitation levels continue to lag behind average year-to-date amounts, and the USBR and the California Department of Water Resources continue to forecast a serious deficit of water supplies during the coming summer and fall.

Directors were provided with a copy of the USBR's updated water supply allocation issued on March 20, 2009. The allocation for North of Delta Municipal & Industrial (M&I) customers increased to 65 percent. It was 60 percent on the previous forecast. Directors were also provided with a copy of a table showing Central Valley Project (CVP) Reservoir Storage Comparisons as of April 7 for each year for 2009, 2008, and 2007, and the 15-year average. At the current level of 78 percent, Folsom Lake storage is well ahead of levels on the same date in 2008 (48 percent) and 2007 (46 percent), but still well below the 15-year average (115 percent). However, total CVP storage is at 58 percent, down from 64 percent at this time in 2008 and 83 percent in April 2007.

With the forecast increase in CVP water allocations, there was discussion at the recent San Juan Executive Committee meeting about whether a change from a Stage 3 – Water Warning to a Stage 2 – Water Alert was warranted. It was the consensus of staff and Directors present at the meeting that it was prudent to remain at Stage 3, particularly in view of the Governor's drought declaration and the call for a 20 percent statewide reduction in water use.

Water Demand Management staff is scheduled to make a presentation at the Sunrise Recreation and Park District Board (SRPD) of Directors meeting on April 16, 2009. Their presentation will focus on Stage 3 requirements and recommendations for ways that SRPD can help the District achieve its 20 percent reduction goal.

## NEW BUSINESS

### Training/Continued Education/Meetings

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

### High-Efficiency Clothes Washer Rebate Program

Rex Meurer presented a report prepared by AGM Kane on a high-efficiency clothes washer rebate program. The District is required to provide financial incentives for its customers to purchase high-efficiency clothes washing machines under BMP 6 of the Best Management Practices (BMPs) of the California Urban Water Conservation Council (CUWCC). Fulfillment of the BMPs is also a requirement for continuing to receive water supplies from Folsom Lake, a federal Central Valley Project facility operated by the U.S. Bureau of Reclamation. The District earmarked \$5,000 in the 2009 Operating Budget to initiate a rebate program for high-efficiency clothes washers.

As a participant in the Regional Water Authority's Water Efficiency Program, CHWD is eligible to participate in a cooperative rebate program with SMUD. This program allows CHWD to provide its own \$50 rebate on top of rebates of up to \$200 already offered by SMUD for their customers with electric water heaters. Customers with gas water heaters will be eligible for a rebate from Pacific Gas & Electric (PG&E), but CHWD's \$50

rebate will continue to be administered by SMUD for these customers. The rebates are provided solely for clothes washers that meet a Tier 3 efficiency level as established by the Consortium for Energy Efficiency (CEE). This means that not all clothes washers advertised as “high efficiency” will qualify for the rebates.

Directors were provided with a copy of the proposed MOU with SMUD. Under this MOU, the District will provide the full \$5,000 funding for the rebates to SMUD at the start of the program. Administration of the program is virtually “hands off” for CHWD, with SMUD handling all of the paperwork and processing of rebates. The 100 rebates being offered by CHWD in 2009 will not totally fulfill its requirement under BMP 6, but will demonstrate the District’s good faith efforts toward BMP compliance.

It was moved by Director Dion, seconded by Director Rose and carried 3-0 to authorize the General Manager to execute the Memorandum of Understanding with Sacramento Municipal Utility District for conducting a high-efficiency clothes washer rebate program for 2009.

#### Salary Schedule Amendments

GM Churchill presented a report on consideration of a revised Salary Schedule for District employees. The District prepares a survey of salaries at public agencies throughout the region as they compare to the salaries of Citrus Heights Water District personnel for similar work functions. Based upon these comparisons, recommendations are presented to the District’s Board of Directors on adjustment, if any, necessary to align District salaries to the marketplace consistent with District policy.

Directors were provided with a Salary Survey prepared by GM Churchill. The Survey provides an analysis of monthly salaried compensation only and is not intended to address total compensation which includes other employee compensation and benefit packages. It is assumed that employee benefits across the region are similar with respect to employee and dependent health, dental and vision care; life and disability insurance; time-off benefits; and retirement plans.

The most recent comprehensive analysis of the District’s salary structure was performed in late 2005 and adopted by the Board with an effective date of April 1, 2006. Since 2006, the District’s Salary Schedule has been adjusted annually in January by a Cost-of-Living (COLA) adjustment based upon the U.S. Department of Labor Bureau of Labor Statistics Consumer Price Index for all urban west cities. The COLA adjustments since 2006, exclusive of the January 2009 COLA of 3.3 percent which is based upon October 2008 CPI-U but has not been applied to the Salary Schedule, have increased the District’s Salary Schedule by 5.57 percent.

Directors were provided with a copy of Citrus Heights Water District Policy 4101 regarding Compensation. This Policy sets forth the District’s intent in establishing salary ranges; conducting salary surveys; setting and amending the salary schedule; providing for salary adjustments; and providing for other employee compensation not contained in

the monthly salary schedule. GM Churchill noted that the District's retention of its employees is exemplary. The District's current 28 employees average 14.7 years of service. Employee retention leads to long-term employees attaining and remaining at the top of their salary range over the course of time. With such a tenured workforce, it is not surprising that 17 employees are presently being compensated at the maximum of their salary range.

GM Churchill reviewed the salary survey approach, including the comparative salary data obtained from 15 other public agencies including nine water agencies, four cities with water supply responsibilities, one city without water supply responsibilities and one joint powers authority. He also reviewed the process for the comparisons made to 485 "similar match" position/job titles selected from those 15 agencies, and the analysis methodology applied to the salary data that was collected. After analyzing the raw salary data collected, 176 "best matches" were selected as the most appropriate data to be used in District salary comparisons. The data of "best matches" was analyzed and salaries for the Average and 75<sup>th</sup> percentile calculated exclusive of District salary data. This "best match" data provides for a narrower range of comparative information and enables a better match of other agencies' positions with those of District personnel. Use of the "best match" data for the 75<sup>th</sup> percentile consistent with Compensation Policy 4101 was employed for this study.

Based upon comparison of current District maximum salaries with the 75<sup>th</sup> percentile of the "best match" maximum salaries for other public agencies included in this survey, the District's 2008 salaries in aggregate are 7.87 percent below the market even though the salary ranges have been increased by cost-of-living adjustments totaling 5.57 percent in 2007 and 2008. This 7.87 percent lag over the two year period averages 3.93 percent per year. The 2008 maximum salary for one District position is above the 75<sup>th</sup> percentile of the range of the "best match" maximum salaries and the other 21 are within the range of the best match maximum salaries. Overall, the percentile ranged from 20 percent to 84 percent.

The salary data used to determine the 75<sup>th</sup> percentile data for each position is predominately early to mid-2008 data. Therefore, the comparative data was initially stated as 2008 dollars and then adjusted by the 2009 COLA of 3.3 percent to establish the proposed 2009 maximum salary ranges. In aggregate the current 2008 Salary Schedule is proposed to be adjusted for 2009 by 11.43 percent, with a range of 1.67 percent to 20.96 percent depending upon the position.

The District's 2009 total adopted salary budget includes a total annual increase of 3.5 percent which inclusive of COLA and merit increases. At the General Manager's direction, a 2 percent interim increase was provided to all employees except the General Manager on February 2, 2009. Although this Salary Survey indicates that the maximum District salaries are, in aggregate, 11.43 percent below the 75<sup>th</sup> percentile of the marketplace, it is not proposed nor is it fiscally prudent to adjust 2009 salaries beyond the funds provided for in the adopted budget. Although 17 District employees are presently at the top of their salary range, it is likely that only a few will be at the top of their

proposed new salary range in 2009. Over the course of time, as funds are approved by the Board of Directors and budgeted for cost-of-living (COLA) and merit adjustments, tenured employees could once again attain the top of their salary range.

There are four District employees that are presently being paid close to the base of their current salary range. With the proposed new salary ranges, these four employees pay will be below the base of the range for their position. The net annual effect of increasing these four positions to the base of their range will be about \$16,450. Along with the 2 percent increase that was already provided to all employees in February, this adjustment will further reduce the remaining budgeted funds available for merit increases to other employees in 2009.

It is proposed that any employee merit adjustments will be provided in late April 2009 dependent upon individual performance evaluations subject to the new Salary Schedule ranges and further subject to budgeted funds allotted for salaries in the District's 2009 Operating and Capital Improvement budgets. All employees are eligible for merit adjustments as none are at or above the maximum of their salary range pursuant to Compensation Policy Section 4101.12.

Directors and staff discussed the Salary Survey.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to amend Policy 4101.A1, the District's Salary Schedule effective April 27, 2009 as presented to provide for maximum compensation at the 75<sup>th</sup> percentile of the water industry marketplace for the Sacramento Region.

#### PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of March 2009 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.

PM Rossi also reported on the installation of two butterfly valves on the District's 42-inch Transmission Main by a contractor working for San Juan Water District. In addition, he reported on the District's review of the design of the Auburn Blvd. Joint Utility Undergrounding Project from Sylvan Corner to Rusch Park being proposed by the City of Citrus Heights.

#### OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 332 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. A work log history of work orders completed during calendar year 2008 was also presented.

2. OM Townsel attended the American Water Works Association, California/ Nevada Section Spring Conference in Santa Clara on April 7-9, 2009. He reviewed the educational and training sessions that he attended at the conference.

President Dains called a recess to the meeting at 8:35 p.m. Water Conservation Specialist Meurer, OM Townsel, PM Rossi left the meeting. President Dains reconvened the meeting at 8:38 p.m.

#### DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion updated the Board on the March 12 Regional Water Authority (RWA) Board meeting that he, Director Rose, GM Churchill and AGM Kane attended. Strategic planning and water conservation program efforts are in progress.

Director Rose spoke on the March 24 Sacramento Groundwater Authority (SGA) Budget Committee meeting that he participated in.

Director Dion spoke on the March 25 San Juan Water District Executive Committee that he, GM Churchill and AGM Kane attended.

Director Dion spoke about the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA) Executive Committee meeting and Finance Committee meetings that he attended on March 19 and 20, respectively. Property purchase negotiations are underway for relocation of the JPIA office. In addition, a strategic planning meeting is to be scheduled for June.

Director Rose attended the March 31 California Special District Association (CSDA) Standing Committee meeting.

Director Rose attended the March 12 City of Citrus Heights Council meeting.

The Board acknowledged AGM Kane's report on the March 12 and April 9 Citrus Heights Regional Chamber of Commerce Government Issues Committee monthly meeting that he attends.

Director Rose commented on the March 4 Sacramento Local Agency Formation Commission (LAFCO) meeting and budget.

Directors Dains, Dion and Rose reported on the March 12-13 Water Education Foundation Executive Briefing that they attended.

## ASSISTANT GENERAL MANAGER'S REPORT

GM Churchill reported on behalf of AGM Kane as follows:

1. The District will participate in an Earth Day event at the Citrus Heights Wal-Mart store (Auburn Boulevard) on April 22, 2009. CHWD, along with other local utilities and environmental organizations, will have tables set up in the entry area inside the store. CHWD Water Demand Management staff will be at the event to promote District water conservation programs.
2. Work is continuing on modifying the existing customer water statements to include itemized information on water consumption and charges by tier. The preliminary design has been completed by District staff and sent to the District's billing software vendor, Cogsdale, to determine what modifications will be needed to the software. The custom software modifications generally involve very long lead times, making it likely that this stage of the work will take several months to complete.
3. From the more than 180 applications received, 12 applicants were invited to interview for the Customer Service Representative position. Of the 11 applicants that appeared for their interview, the four top-ranked candidates were selected to return to take a computer-based assessment of their customer service and administrative aptitude. An offer of employment has been made to the top candidate, whose name is being withheld pending successful completion of all pre-employment conditions.
4. Pre-change testing with Bank of the West for the new lock box service in Southern California is scheduled for April 16, 2009. Subject to satisfactory completion of this testing, the new lock box mailing address will become effective on April 23, 2009. A message in the message space on the customer invoice will notify customers of the change and alert them to change the address with their on-line banking bill-payment accounts.
5. AGM Kane recently participated in a Water Forum "webinar" meeting to discuss the most recent draft of the revised Water Conservation Element of the Water Forum Agreement. Approximately 20 stakeholder representatives participated in the meeting, which resulted in additional proposed revisions to the document. It is likely to be at least June before a revised Water Conservation Element is ready to be presented to all stakeholders for adoption.

## GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty-three District employees received recognition for outstanding attendance, superior customer service and quality of work during the month of March 2009.

Directors were provided with a list of the employees and items for which each received recognition.

2. PM Rossi recently completed a Utility Counter-Terrorism training program from the Technical Learning College and earned 30 contact hours.
3. A list of the General Manager's significant assignments and activities will be provided to Directors by mail.

#### CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

Electronic mail message dated March 16, 2009 from CHWD customer Darlene Schwab with a complaint regarding a water leak on El Sobrante Way in Orangevale; and the District's response to that message.

#### 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 9:00 p.m.

APPROVED:

*Original signed by: Robert A. Churchill*  
ROBERT A. CHURCHILL  
Secretary  
Citrus Heights Water District

*Original signed by: Allen B. Dains*  
ALLEN B. DAINS, President  
Board of Directors  
Citrus Heights Water District