

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
January 12, 2010

The Regular Meeting of the Board of Directors was called to order at 6:33 p.m. by President Rose and roll was called. Present were:

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

VISITORS

Jack M. Batchelor
Shauna Lorance, General Manager, San Juan Water District

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

President Rose stated that the agenda item regarding the claim from Jack M. Batchelor would be removed from the Consent Calendar to allow discussion on the item with Mr. Batchelor. President Rose then asked for the balance of the Consent Calendar. It was moved by Director Dains, seconded by Director Dion and carried 3-0 to accept the Consent Calendar consisting of the following items:

1. Minutes of the Regular Meeting of December 8, 2009.
2. Assessor/Collector's Report for December 2009.
3. Assessor/Collector's Cancellation Letter for December 2009.
4. Treasurer's Report for December 2009.
5. Bills to be Paid for December 2009.
6. Approve CAL-Card Purchases for December 2009.
7. Summary of 2009 Directors, Officers and Employees Training, Seminars and Conference Expenses.
8. Deny the claim from Laura Martin for property damage and forward it to the District's insurance carrier, ACWA-JPIA, for further consideration and action.
9. Adopt Resolutions 01-2010 and 02-2010 accepting easements at 6300 Fountain Square Drive – Citrus Heights Community Center from the City of Citrus Heights.

AGM Kane presented a report on the claim for property damage from Jack M. Batchelor. Mr. Batchelor has submitted a claim in the amount of \$490.60 for repairing a section of his water service at 5713 Century Way in Fair Oaks that he claims failed due to faulty workmanship when the water meter was installed at his home. Directors were provided with a copy of his claim form and supporting documentation, along with a memorandum regarding the claim from OM Townsel.

District staff researched the meter installation at this address and found that it was performed in June 2001, more than seven years beyond the end of the one-year warranty period that the District offers on its meter installation work. In the opinion of staff, the District bears no liability for the repairs to Mr. Batchelor's service and it was recommended that the claim be denied.

Mr. Batchelor acknowledged that the meter installation work performed by the District was well beyond the one-year warranty period. However, he expressed the belief that the District should bear liability for the failure since it appeared that the connection was installed in a faulty manner in the first place, an opinion supported in writing by the plumber that performed the repairs. Regardless of the amount of time passed, he felt that it was the District's workmanship that led to the failure.

Directors discussed the claim and reaffirmed the position of the District regarding the warranty period for District work. However, in consideration of some evidence that there may have been some flaw in the manner in which the connection was made, Directors felt that a settlement in half the amount of the claim would be fair. Mr. Batchelor indicated that he would be agreeable to settling for this amount.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to authorize District staff to settle the claim from Jack M. Batchelor for property damage in the amount of \$245.30.

PRESENTATION

San Juan Water District Annual Report

Shauna Lorance, General Manager of San Juan Water District (SJWD), delivered a presentation on SJWD's Annual Report for 2009. She addressed the financial condition of the SJWD, water quality, staffing, water conservation, capital improvement projects, operational projects, strategic planning, and anticipated changes for 2010.

Directors, staff and Ms. Lorance discussed matters addressed in the Annual Report regarding SJWD, its finances and its services to CHWD. Ms. Lorance left the meeting at the conclusion of her presentation and discussion at 7:44 p.m.

OLD BUSINESS

Bonita Way Storage Building

GM Churchill presented a status update on the design phase of the Bonita Way Storage

Building project. He summarized progress on design of the project by Blackbird Architects as follows:

- A pre-application meeting was held with the City of Citrus Heights Planning and Building Departments in December 2009.
- On January 5, 2010, a workshop for the neighbors was held at the District office. Invitations were sent to the twelve neighbors in the immediate vicinity of the site. One neighbor attended the workshop.
- A formal planning review application will be submitted to the City on January 13, 2010.
- A presentation to the Citrus Heights Neighborhood 10 “SOAR” is scheduled for January 25, 2010.

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.

Health Plan Coverage for District Employees

Office Administrator (OA) Pam Peters presented a report on health care insurance coverage for District employees for the health plan year beginning February 1, 2010. The District’s current health care coverage for employees expires after January 31, 2010. The District offered Western Health Advantage (WHA) and Kaiser as the two health care insurance options during the 2009 renewal period and continued to reimburse employee for their co-payments through the use of a Supplemental Medical Reimbursement Account (SMRA). This approach has been successful in reducing the District’s health care benefit costs and maintaining a high level of health-care benefit for employees. The District’s total health care benefit cost to date for 2009, including co-payment reimbursements, was \$329,973. This amount is about 5.6 percent below the 2009 adopted budget and approximately \$90,000 below the cost of a comparable fully insured plan.

After reviewing a variety of possible plans and coverages for 2010, staff is recommending staying with the current Kaiser and WHA plans. These plans will maintain the existing level of health care benefit while remaining within the 2010 adopted budget limits. Rates for Kaiser and WHA are slated to increase for 2010 by 0.5 percent and 0.7 percent respectively. Kaiser’s higher rate increase was offset by their reduction of CHWD’s risk adjustment factor (RAF) from 1.05 to 0.95. WHA also increased the co-payment for brand name prescriptions by \$10 and non-formulary prescriptions by \$20.

Staff has reviewed the co-payment utilization for 2009 and recommends that the District

limit the co-payment reimbursement to 75 percent for all brand name and non-formulary prescriptions. Requiring employees to share in the cost of non-generic prescriptions will provide incentive for employees to request lower cost generic drugs when available, as well as reduce the District's co-payment cost exposure for prescription medications. Employees will continue to receive full reimbursement for office visit co-payments and co-payments for other medical services covered under their insurance plans.

Directors were provided with a summary showing the proposed 2010 renewal rates and the premium rates from the SMRA Plan, the number of employees currently covered under each plan, and the estimated total cost of the District's health insurance benefit for 2010. The summary showed that the total estimated cost for the 2010 Plan Year under the proposed plans is less than \$349,000, with a total approved budget of \$379,700. It was noted that the total number of employees covered under District-sponsored health insurance plans is only 28 of the total 29 approved District positions. One District employee has elected the option to not enroll in a District-provided health insurance plan and obtain their health insurance coverage through a spouse's employer, receiving a monthly credit from the District per District policy.

Directors were provided with a copy of District Policy No. 4210, Health Insurance. As recommended, premiums for both offered health care plans will remain within the current dollar "cap" of \$1,274.00 per month that is set forth in Policy No. 4210. Therefore, no changes are needed to the policy. Directors and staff discussed the proposed health insurance plans and co-payment provisions.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to approve the Kaiser Permanente for Small Business Plan 30 and the Western Health Advantage Premier 40 Plan as the District's employee health care plans for 2010; and provide health care reimbursement through a third-party Administrator as follows: 75 percent reimbursement on all brand name and non-formulary prescription co-payments, 100 percent reimbursement on all other co-payments.

OA Peters departed the meeting at 7:58 p.m.

ACWA-JPIA Executive Committee Nomination

GM Churchill presented a report on the proposed nomination of Director Dion as a candidate for the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA-JPIA).

Governance of the ACWA-JPIA, in a broad sense, is delegated to members of its Board of Directors. The ACWA-JPIA Board of Directors totaling 280+ is comprised of one representative from each of its member agencies. Citrus Heights Water District has appointed Director Joseph M. Dion as its representative to the ACWA-JPIA Board.

The ACWA-JPIA Board of Directors has further delegated many of its decision-making processes to an Executive Committee totaling ten members from its larger Board of

Directors. Periodically, elections take place for ACWA-JPIA Officers and seats on the Executive Committee. Such an election will take place at the Spring Conference in Monterey, California.

CHWD Director Joe Dion has expressed an interest in continuing to serve on the ACWA-JPIA Executive Committee. In order for his name to be placed in consideration, he must be formally nominated by the District. Additionally, five other ACWA-JPIA member agencies must concur with the District's nomination.

Concurring nominations will be requested from Carmichael Water District, Del Paso Manor Water District, El Dorado Irrigation District, Fair Oaks Water District, Placer County Water Agency, Regional Water Authority, Rio Linda / Elverta Community Water District, San Juan Water District and Sacramento Suburban Water District and others at the request of Director Dion. Directors discussed the nomination.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 03-2010 nominating Joseph M. Dion as a candidate for the Executive Committee of the Association of California Water Agencies Joint Powers Insurance Authority.

Carmichael Water District Agreements

GM Churchill presented a report regarding the updating of water supply agreements with Carmichael Water District. In 1999, Citrus Heights Water District (CHWD) and Carmichael Water District (CWD) entered into two agreements:

- Agreement 001-1999 Concerning Diversion, Production, Treatment and Conveyance of Water
- Agreement 002-1999 Concerning Conveyance of Water through the Papaya Drive Interconnection

In the interim, amendments to the 1999 agreements have been adopted periodically, primarily to update the billing rates for conveyance of water from CHWD to CWD.

It is the recommendation of staff of both agencies that both agreements be rewritten to include substantive changes: a provision for CWD to provide water to CHWD; and breaking out the variable items in the Papaya Drive Interconnection Agreement and placing them in Exhibit A which will make updates more practical without requiring Board action for annual amendments to the Agreement.

Directors and staff discussed the agreements. The tentative schedule for adoption of these Agreements by CWD and CHWD is February 8 and February 9, 2010, respectively.

Asbestos Cement Pipe Safety Plan

GM Churchill presented a report on the District's Asbestos Cement Pipe Safety Plan.

Over one-half of the District's 260-plus miles of water distribution mains are constructed with Asbestos Cement Pipe (ACP). This pipe, while suitable for delivery of drinking water to the public, presents potential health concerns for District employees working with or around ACP.

Directors were presented with a copy of the recently-completed Asbestos Cement Pipe Safety Plan for the District. The plan represents an effort over the course of many months and ten drafts of the document to produce a plan to meet the needs, requirements and practices of the District.

This effort was undertaken under the leadership of the District's Safety Committee which is comprised of personnel from all District work disciplines. The members of the Safety Committee during development of this plan are/were Joe Scherrer (lead), Paul Dietrich, Tim Cutler, Jason Tupper, James Ferro, Debbie Burns and Beth Shockley. Additional contributions of significance were provided by Kelly Drake, David Rossi and Bob Churchill. The basis for the initial development of this plan came from resources of the ACWA-JPIA and on-line web research.

This Asbestos Cement Pipe Safety Plan becomes an element of the District's overall Injury and Illness Prevention Program (IIPP). Directors and staff discussed the plan.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of December 2009 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; and projects under construction by contractors on the District's behalf. He reported on design coordination underway with the City of Citrus Heights on the City's Auburn Boulevard Joint Trench Utility Undergrounding Project.

It was reported that the following water system, added to the District's water distribution system by an independent contractor on behalf of a private developer/owner, has been inspected by the District and formally accepted:

Citrus Heights Community Center, 6300 Fountain Square Drive, Citrus Heights

306 lineal feet of 8-inch ductile iron water main, 2 fire hydrants, 2 8-inch gate valves, 2 6-inch gate valves, 1 6-inch post indicator valve, 1 2-inch metered water service and one 1-inch metered water service.

Value: \$ 54,060.00

PM Rossi reported that the Engineering Department accepted a total of eight projects completed during the year by California State Licensed Contractors. Seven of the eight projects were commercial and one was residential. The total value of all donated water systems for 2009 is \$272,615.56.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 371 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 requirement.
2. District-wide water consumption for the calendar year 2009 through the end of the year was estimated to be 14,358 acre-feet, a decrease of 22.9 percent compared with the average annual water consumption during the previous five years, 2004-2008. The surface water consumption for January through April 2009 was estimated based upon District customer water meters plus 5 percent unaccounted for water minus water wheeled to other water agencies.
3. Directors were provided with a Work Log History of Operations Department major work events performed for each of the calendar years 2001 through 2009. The number of work events for various types of work activities such as water service repairs and replacements were identified. A total of 415 major events were identified for 2009.

OM Townsel and PM Rossi left the meeting at 8:32 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on an upcoming meeting of the Regional Water Authority (RWA), and recent matters of interest regarding State water legislation. He also reported on recent matters of interest regarding the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA).

Director Rose reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA) and SGA efforts that are currently underway. He also discussed recent matters of interest regarding the City of Citrus Heights and the Sacramento Local Agency Formation Commission (LAFCO).

Directors and staff discussed the District's involvement in the Association of California Water Agencies (ACWA) and its committees and activities.

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

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Directors were presented with copies of President's Special Recognition Awards recently received by the District from ACWA-JPIA for achieving low ratios of paid claims and case reserves to deposit premiums in its workers' compensation, liability and property insurance programs for the past three years.
2. The Winter 2010 edition of the District's WaterLine newsletter has been completed and will be mailed to customers within the next week. Directors were presented with "design comp" copies of the newsletter.
3. The draft of CHWD's 2010 USBR Water Management Plan was submitted to the USBR and San Juan Water District in advance of the December 31, 2009 deadline. The District will now await comments from the USBR before preparing the Plan in its final form for adoption by the Board of Directors, probably later in Spring 2010.
4. District staff recently responded to a request from the 2009-2010 Placer County Grand Jury regarding the District's financial audit practices. Although not expressly stated in the request, such requests from Grand Juries are typically considered confidential in nature. Therefore, staff is only reporting that the request was received and a response provided by the District. No copies of the request or response were provided to Directors. Directors will be advised if there is any further activity regarding the Placer County Grand Jury.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of December 2009. Directors were provided with a list of the employees and items for which each received recognition.
2. A list of the General Manager's significant assignments and activities was provided.
3. Directors were provided with a copy of a Certificate of Appreciation received by the General Manager from ACWA for serving on ACWA's Insurance and Personnel Committee for the 2008-09 term. GM Churchill did not apply to serve on the Committee for the coming term.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated December 15, 2009 from Bettie Cosby, Chief Executive Officer of the Citrus Heights Chamber of Commerce, thanking the District for its membership renewal.

2. Letter dated December 16, 2009, from the following ACWA Officers and staff: President Glen Peterson; Vice President Paul Kelley; and Executive Director Timothy Quinn; addressing concerns of some ACWA member agencies regarding ACWA's support of major State water legislation.

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 9:15 p.m.

APPROVED:

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

Original signed by: Charles T. Rose
CHARLES T. ROSE, President
Board of Directors
Citrus Heights Water District