

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
May 11, 2010

The Regular Meeting of the Board of Directors was called to order at 6:31 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
Joseph P. Scherrer, Special Programs Coordinator
Rex W. Meurer, Conservation Specialist

VISITORS

Jamie Megediuk, Student, Oakview Community Elementary School and Family
Sonja DeBerry, Student, Skycrest Elementary School and Family
Morgan Booke, Student, Oakview Community Elementary School and Family
Dawn Jennings, Teacher, Oakview Community Elementary School
Brian Beaver, Teacher, Skycrest Elementary School
Janet Dutcher, Audit Manager, Gallina, LLP
Justin Gierth, Staff Accountant, Gallina, LLP.

Director Rose led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of April 13, 2010.
2. Assessor/Collector's Report for April 2010.
3. Assessor/Collector's Cancellation Letter for April 2010.
4. Treasurer's Report for April 2010.
5. Bills to be Paid for April 2010.
6. Approve CAL-Card Purchases for April 2010.
7. Summary of 2010 Directors, Officers and Employees Training, Seminars and Conference Expenses.

PRESENTATIONS

Water Awareness Poster Contest

Directors welcomed the 2010 Water Awareness Poster Contest winners and their families and teachers. Special Programs Coordinator Joe Scherrer presented a report on the contest. The District's water conservation staff, in conjunction with San Juan Water District, Orange Vale Water Company and Fair Oaks Water District sponsored the fourteenth annual Water Awareness Poster Contest. A total of 773 4th, 5th and 6th grade students at elementary schools within the service area of the District submitted posters based on this year's theme "What Water Conservation Means to Me."

The students and teachers were presented with their awards, with the first-place student winner receiving a \$100.00 savings bond and the two runner-up students receiving \$50.00 savings bonds. In addition, each winning student's school received an award of \$100.00 for the winning entry. The winning entries will also be featured in the 2011 Water Conservation Awareness Calendar.

The winners for schools within the Citrus Heights Water District were:

First Place Winner: Jamie Megediuk, 6th Grade, Oakview Elementary School
Teacher: Mrs. Jennings

Runner-Up: Sonja DeBerry, 6th Grade, Skycrest Elementary School
Teacher: Mr. Beaver

Runner-Up: Morgan Booke, 6th Grade, Oakview Elementary School
Teacher: Mrs. Jennings

The contest entries in the Citrus Heights Water District service area were judged by: Krista Noonan and Phyllis Trudell from the City of Citrus Heights staff; and Virgil Anderson and John Repetti from the Sunrise Recreation and Park District staff.

The winners were congratulated for a job well done and thanked for their efforts to help promote water conservation.

The poster contest winners and their families and teachers left the meeting.

2009 Financial Audit Report

AGM Kane introduced Janet Dutcher, Audit Manager, and Justin Gierth from Gallina LLP, the District's auditors for the fiscal year ending December 31, 2009. Ms. Dutcher was the audit manager for the recently-completed audit engagement with the District, and Mr. Gierth provided assistance on the audit.

Ms. Dutcher presented an overview of the Independent Auditor's Report for the District's fiscal year ending December 31, 2009. Ms. Dutcher stated the audit expresses a "clean opinion" and 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 2009-1 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 FY2009 financial statements, while technically an internal control deficiency under SAS 112, is also sound. Ms. Dutcher went through the audit report, highlighting areas of significance.

There were no matters identified by the Auditor that required the issuance of an Auditor's Management Report for FY2009.

Directors and staff thanked Ms. Dutcher and Mr. Gierth for the presentation, for their work on the audit and for the efforts by Gallina staff during the course of their five-year auditing engagement with the District. AGM Kane recognized Office Administrator Pam Peters for her efforts in working with the auditor to prepare the financial statements and conduct the audit.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to accept the Independent Auditor's Report, Financial Statements and Supplemental Information for the Year Ended December 31, 2009.

Ms. Dutcher and Mr. Gierth left the meeting at 7:12 p.m. after the Board's action.

OLD BUSINESS

Bonita Way Storage Building

GM Churchill presented a status update on the design phase of the Bonita Way Storage Building project. He outlined a near-term schedule of milestones leading to award of bid for the project at a Special Meeting of the Board proposed to be scheduled for June 22, 2010. Design of the Bonita Way Storage Building by Blackbird Architects is nearing completion. Security and fire alarm requirements have been addressed by Sonitrol and Sacramento Metro Fire District.

Construction is anticipated to begin on July 15, 2010 and be completed on January 5, 2011. Directors and staff discussed the project and the proposed date for the Special Meeting.

NEW BUSINESS

Training/Continued Education/Meetings

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

Refunding of Series 2000 Certificates of Participation

AGM Kane presented a report on the possible refunding of the District's Series 2000 Certificates of Participation (COPs).

The Citrus Heights Water District Series 2000 COPs were issued in October 2000. One of the stipulations of the COPs was that they could not be refunded without premium for the first ten years. With almost 10 years passed and interest rates at low levels, it is prudent for the District to consider the benefits of refunding the COPs.

In order to obtain an impartial analysis of the costs and benefits of refunding, the District has contracted with Jennifer Branin, Branin Finance, who served as financial advisor on both the Series 2000 COPs and the subsequent Series 2003 COPs with San Juan Water District. Ms. Branin will review two options: an entirely new public offering to sell new COPs and repay the existing ones; or a "private placement" refunding which is basically a bank loan. Private placement refunding saves many of the costs of issuance compared with a conventional public offering, but generally at the expense of a higher rate of interest. Ms. Branin's analysis will estimate the potential savings, if any, of both approaches. Directors and staff discussed the possible refunding of the COPs and the merits of the different approaches to refunding.

Directors will be presented with Ms. Branin's analysis at their June 8, 2010 meeting and may be asked at that meeting to provide direction to staff regarding a refunding.

Greenback Lane 12-Inch Water Main Replacement Project

GM Churchill presented a report on a contractor proposal to replace section of 12-inch water main at 7677 Greenback Lane in advance of the City of Citrus Heights (City) pedestrian improvements project. The City has executed a contract with KAT Construction, Inc. of Sacramento, California, for replacement of the curbs, gutters sidewalks on both sides of Greenback Lane between Mariposa Avenue and Birdcage Street. Included in the project is a signaled pedestrian crossing near Burich Avenue and fencing along the centerline landscape median. Work is scheduled to begin within the next week.

The District's 12-inch steel water main is under the concrete gutter on the north side of Greenback Lane extending easterly for approximately 300 feet from Burich Avenue. It is recommended that this water main be replaced at this time. Due to the location of the existing sewer main in Greenback Lane and the existence of large trees behind the sidewalk, it is proposed that a new main be placed beneath the centerline of sidewalk. This is the opportune time to do this project because the sidewalk is being removed and replaced by the City of Citrus Heights.

The District developed a Scope of Work for this work and obtained a proposal from KAT Construction. Directors were provided with a copy of the Scope of Work. The contractor's proposal for providing labor and equipment for this project is \$29,920.00.

The District will provide waterworks materials and trench backfill materials. It is advantageous to employ the contractor that is already performing the sidewalk work for the City because they can install the new water main immediately after removing the sidewalk and utilize the traffic control and equipment already in place. For this reason, it is recommended that the competitive proposal requirement per District Policy 6500 "Purchasing and Procurement" be waived.

The contractor will make the reconnection to the existing water main beyond the new sidewalk improvements just east of the outlet tee serving Burich Avenue. The District will evaluate the present quality of this outlet when exposed by the contractor and determine if it needs to be replaced. A contingency authorization in the amount of \$5,000 is being recommended to provide for replacement of the outlet if needed.

The District will make the reconnection at the east end of this project to include lowering/vaulting of the existing 6-inch combination meter. The total preliminary estimated cost for this work is \$55,000 including work by the contractor, District-supplied materials, District inspection and the east reconnection to be performed by the District. The 2010 Capital Improvement budget includes \$250,000 for work associated with this project.

The District is also in the process of evaluating the need to replace a similar section of water main, beginning at Mariposa Avenue and extending easterly approximately 350 feet to the west side of the fire station concrete driveway.

Directors and staff discussed the project and the advantages of contracting with KAT Construction for the work.

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

1. Waive the competitive proposal process for this project.
2. Accept proposal in the amount of \$29,920 and authorize the General Manager to execute an Agreement for Construction Services with KAT Construction, Inc.
3. Provide a contingency fund of \$5,000 for the project.

Regional Water Authority Position Papers

GM Churchill presented a report on Regional Water Authority (RWA) positions on proposed State legislation. RWA formed a Government Affairs Committee last fall to better coordinate efforts to advocate on behalf of the region. On the recommendation of that committee, a package of legislative positions has been developed and forwarded to the RWA member agencies for consideration of consent. Directors were provided with a copy of the package of legislative positions. For each bill under consideration, the package contains a summary of the legislation, an analysis of the impact to RWA members, a general statement of policy considerations, and a proposed position.

Pursuant to the RWA Joint Powers Agreement, unanimous written consent from one board representative of each RWA member entity is required to approve a policy position

of this nature. A response by the close of business on May 13, 2010 has been requested by RWA.

Directors and staff discussed the positions recommended by RWA's Government Affairs Committee. Directors concurred with the recommended positions presented by the committee.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to authorize Director Joseph Dion, as Citrus Heights Water District's Board representative to the Regional Water Authority, to approve Regional Water Authority Adoption of the Recommended Positions on Assembly Bills 1677, 1929, 2092, 2304, 2583 and Senate Bills 565, 1234, and 1469.

Actuarial Analysis of Retiree Health Benefits

AGM Kane presented a report on a recently-completed actuarial valuation of the District's Post-Employment Benefits Other than Pensions (OPEB). The actuarial analysis of retiree health benefits was performed for the District by Steven T. Itelson, a consulting actuary. This analysis complies with Governmental Accounting Standards Board Statement 45 (GASB 45) related to liability for other post-employment benefits. The results of the analysis are included in the District's FY2009 financial statements. Directors were provided with a bound copy of the analysis report.

The report's Summary gives an overview of the results of the analysis of the projected future cost and actuarial accrued liability of the District's health insurance benefits to employees who retire. The actuarial analysis uses a series of assumptions about how many employees will leave the District's employment at various ages and years of service, and factors such as mortality, disability, retirement and turnover as well as the District's return on its cash investments and other cost factors to arrive at its actuarial conclusions. AGM Kane explained the section of the report that shows, by year, the number of retirees, the expected benefits to be paid by the District, the employer expense, and the Net OPEB Obligation.

Currently, the District is setting aside funding that is more than sufficient to meet its expected retiree medical benefits annually. The Board has been setting aside \$120,000 annually in the Employment-Related Benefits Reserve since 2007 to cover the current and future costs of retiree medical and other liabilities such as accrued leave balances that will be paid to the employee upon retirement. This Reserve now stands at \$283,186, and another \$120,000 is budgeted to be transferred from the Operating Reserve during 2010. However, since the funds are not set aside in a trust to ensure that they are not used for other purposes, the financial statements must show a Net OPEB Obligation even if the District fully intends to use the Employment-Related Benefits Reserve only for its intended purposes and faithfully sets aside the required funding on an annual basis.

District staff will report back at a future date on the benefits of funding its OPEB obligation through a trust as opposed to the current practice of setting it aside in a

Reserve and paying it directly on an annual basis. From a legal and accounting standpoint, either practice is acceptable. Directors and staff discussed the report and its findings. Directors expressed that it may be prudent to place funds in a trust to ensure that they remain available to fund retiree health benefits into the future.

PROJECT MANAGER'S REPORT

PM Rossi provided an oral report on highlights of Project Management and Engineering Department activities during the month of April 2010. He explained that a written report was not prepared due to his vacation leave absence.

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 519 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. District-wide water consumption for the calendar year 2010 through the end of April 2010 was 2,536.16 acre-feet, a decrease of 29.1 percent compared with the average annual water consumption during the previous five years, 2005-2009.

OM Townsel and PM Rossi left the meeting at 7:54 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on an upcoming meeting of the Regional Water Authority (RWA) that he plans to attend. He reported on his recent re-election to the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA) Board for a one-year term of office, and other activities and programs at the ACWA-JPIA Spring Conference that he attended recently in Monterey, California. He also reported on a recent meeting of the San Juan Water District Executive Committee that he attended recently along with Director Rose, GM Churchill and AGM Kane.

Director Rose and Director Dion reported on the Association of California Water Agencies Spring 2010 Conference that they attended recently in Monterey, California, along with AGM Kane.

Director Rose reported on a meeting of the Sacramento Groundwater Authority (SGA) that he attended recently along with GM Churchill. He also reported on a recent Sacramento Local Agency Formation Commission (LAFCO) meeting that he was unable to attend, and on recent matters of interest regarding the City of Citrus Heights.

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. Directors were provided with a US Bureau of Reclamation (USBR) Central Valley Project (CVP) Water Supply Update for the Water Year 2010 as of May 4, 2010. Both the Median Forecast and the Conservative Forecast show a 100 percent allocation for M&I (municipal and industrial) water users north of the Delta. Directors were also provided with a copy of the Monthly Runoff Report for April 2010 from the Water Forum Successor Effort showing a projected March-November Unimpaired Inflow into Folsom Reservoir (UIFR) of 1380 TAF (thousand acre feet). This places projected allocations in a “Hodge Year” which does not affect allocations for San Juan Water District (SJWD).

Based upon current surface water supply conditions, there does not appear to be a need to consider a change in the District’s Stage 1 – Normal Water Supply declaration.

2. Work is underway for the Summer 2010 edition of the District’s WaterLine newsletter. Directors were provided with a summary of articles planned for this edition.
3. Directors were provided with a summary of Water Efficiency Program activities during the month of April 2010. District Water Conservation staff and other District employees staffed a booth at the U.S. Bureau of Reclamation’s 9th Annual Get W.E.T. (Water Education Today) event at the American River Water Education Center at Folsom Dam on Saturday, May 1, 2010.
4. AGM Kane provided a report on workshop sessions and other programs and activities he attended at the 2010 Association of California Water Agencies (ACWA) Spring Conference in Monterey, California on May 4-6, 2010.

GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

1. Fifteen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of April 2010. 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. Joseph P. Scherrer, the District’s Special Programs Coordinator, has announced his retirement from service to the District at the end of July 2010. At that time, he will have served the District for nearly 22 ½ years. GM Churchill provided a summary of Mr. Scherrer’s duties and accomplishments during his tenure with the District. A Resolution commending Mr. Scherrer on his twenty-plus years of

service will be prepared and presented to the Board at a future date.

4. The District's Alternative Work Schedule, consisting typically of a four-day, ten hours per day, Monday through Thursday work week, commenced its trial period on May 10, 2010. Each of the three department managers will provide the General Manager with a weekly written report on the effects of the alternative work schedule on their department. Areas of interest to be documented include those related to customers, employees, contractors, vendors, and expenses. The General Manager will assemble the comments and report to the Board of Directors at their monthly regular meeting. Directors were provided with a sample of a comment card to be provided to customers to assist in documenting opinions on the District's customer service, water quality and work hours.

CORRESPONDENCE

None

FUTURE MEETINGS

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

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 8:59 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