

CITRUS HEIGHTS WATER DISTRICT
BOARD OF DIRECTORS REGULAR MEETING
June 8, 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
Timothy R. Cutler, Construction Inspector

VISITORS

None

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 May 11, 2010.
2. Assessor/Collector's Report for May 2010.
3. Assessor/Collector's Cancellation Letter for May 2010.
4. Treasurer's Report for May 2010.
5. Bills to be Paid for May 2010.
6. Approve CAL-Card Purchases for May 2010.
7. Summary of 2010 Directors, Officers and Employees Training, Seminars and Conference Expenses.

PRESENTATIONS

Water Quality Public Health Goals

OM Townsel presented a report on the recently-completed District report on water quality public health goals. Provisions of the California Health and Safety Code, Section 116470 (b), specify that public water systems serving more than 10,000 service connections such as the District must prepare a special report on public health goals by

July 1, 2010 and every three years thereafter. This report must provide information on the detection of any constituents above the Public Health Goals (PHG) published by the State Office of Environmental Health Hazard Assessment (OEHHA) which is part of the California Environmental Protection Agency (CalEPA).

Directors were provided with a copy of the District's PHG Report. The report must be provided and made available at a public hearing of the District on or prior to said date. The law also requires that where OEHHA has not adopted a PHG for a constituent, the water suppliers are to use the Maximum Contaminant Level Goals (MCLGs) adopted by United States Environmental Protection Agency (USEPA). Only constituents that have a California primary drinking water standard and for which either a PHG or MCLG has been set are to be addressed. Directors were provided with a table of all detected regulated constituents with the Maximum Contaminant Levels (MCLs) and PHGs or MCLGs, and a copy of Section 116470 of the California Health and Safety Code.

These reports are unique to California. They are required in addition to the extensive public reporting of water quality information that California water utilities have been doing for many years and in addition to the federally mandated annual Consumer Confidence Reports/Water Quality Reports.

Directors and staff discussed the PHG Report and water quality testing that is performed for constituents that are included in the report.

President Rose opened the Public Hearing at 6:46 p.m. to receive public comment on the PHG Report. No public comment was received. President Rose closed the Public Hearing at 6:47 p.m.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to order the Citrus Heights Water District Public Health Goals Report dated March 5, 2010, to be filed.

OLD BUSINESS

Bonita Way Storage Building

GM Churchill presented a status update on the bid phase of the Bonita Way Storage Building project. He stated that design of the project by Blackbird Architects is complete and the project advertised for construction bids.

A mandatory pre-bid conference and site walk was conducted on June 7, 2010, with 11 potential bidders participating. Bids for the project were originally scheduled to be opened on June 15, 2010; however, the consensus of bidders was that they needed more time in order to prepare and submit bids. Therefore, the bid opening date has been extended until June 29, 2010. Bid award is expected to be recommended at the Regular Meeting of the Board on July 13, 2010.

Construction is expected to begin around late July and completed in January 2011. Directors and staff discussed the project and the bid process.

Refunding of Series 2000 Certificates of Participation

AGM Kane presented a report on the Refunding Analysis of CHWD's Revenue Certificates of Participation (COPs), Series 2000, and options for proceeding with a refunding of these COPs. The Series 2000 COPs were issued in October 2000. After ten years, they are now eligible for refunding, as discussed at the Board's May 11, 2010 meeting. "Refunding" involves essentially "refinancing" the debt while keeping on the same schedule for full repayment of the debt by October 2020. The District has received analyses from two investment banking firms, Tallman Brandis and Southwest Securities, Inc., offering to underwrite a refunding for the District.

The District has obtained an analysis of the costs and benefits of refunding from Branin Finance (Jennifer Branin) who served as the District's financial advisor on debt issuances since 2000. Directors were provided with a copy of Ms. Branin's Refunding Analysis of CHWD's Revenue COPs, Series 2000. Briefly summarized, the analysis shows that the District can achieve significant savings by refinancing its Series 2000 COPs through a public offering. The potential savings are great enough to justify the effort and expense of going through the public offering process.

Savings for this COP refunding are estimated to be in the order of magnitude of \$388,000 to \$420,000 for the remaining 10-year life of the debt depending upon a number of variables. The variables include the actual costs of issuance and the interest rates for the refunding certificate issue, which are determined during the financing process. These estimated amounts are net present value savings and are based upon sample rates presented by the two underwriting firms, and will change depending on fluctuations in the bond market and other changes that can occur before the refunding is complete. Scenarios presented by the two underwriting firms confirm the potential savings, and copies of analyses from both firms are presented as appendices to Ms. Branin's report.

AGM Kane outlined the options in deciding to move forward with a refunding of the Series 2000 COPs. These options included: public offering refunding versus private placement refunding; upfront savings versus uniform savings; and request for proposals process versus original financing team. The public offering refunding is the preferred option because it offers an estimated \$200,000 greater savings than the private placement refunding. Similarly, selecting a uniform savings approach where the savings is spread over the remaining 10-year life of the COPs is recommended by staff because the rate of return will be about \$10,000 higher compared with getting all of the savings in cash at the time of issuance. Proceeding with the refunding using the original financing team of Southwest Securities, Inc., as Underwriter, Stradling, Yocca Carlson & Rauth as Bond and Disclosure Counsel, and Branin Finance as Financial Advisor is recommended in order to have the refunding completed by October 1, 2010 and to secure the favorable Underwriter's Discount rate of 0.70 percent already offered by Southwest Securities, Inc. District staff will proceed immediately with the refunding upon receiving direction from

the Board to do so.

Directors and staff discussed the refunding and the options available to the District.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to direct District staff to proceed with a public offering refunding of the Citrus Heights Water District Revenue Certificates of Participation, Series 2000, using a uniform savings approach for the refunding and using the financing team of Southwest Securities, Inc., as Underwriter, Stradling, Yocca Carlson & Rauth as Bond and Disclosure Counsel, and Branin Finance as Financial Advisor.

NEW BUSINESS

Training/Continued Education/Meetings

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

Sacramento Groundwater Authority Governing Board Appointment Recommendations

GM Churchill presented a report on recommending appointment of District Board Members to the governing board of the Sacramento Groundwater Authority (SGA). The City Council of the City of Citrus Heights is the appointing authority for elected members of the Board of Directors of Citrus Heights Water District to serve on the governing Board of the SGA. Directors were provided with a draft resolution that would provide a formal recommendation from the District to the Citrus Heights City Council for the Council's consideration of the SGA appointments.

Directors and staff discussed the appointments; and Directors discussed their interest in continuing to serve as SGA Governing Board members. Directors Rose and Dains indicated their willingness to continue to serve as SGA Governing Board Member and SGA Governing Board Alternate Member, respectively.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to adopt Resolution 12-2010 of the Board of Directors recommending appointment of its members to the governing board of the Sacramento Groundwater Authority.

Toilet Rebate Program

AGM Kane presented a report on a proposed additional budget authorization to continue funding ultra-low-flush toilet rebates for 2010. The District's ultra-low-flush toilet rebate program continues to be one of its most popular water-efficiency programs. The District provides rebates of up to \$75 per unit for customers that replace older, less water-efficient toilets with a new, ultra-low-flush or high-efficiency toilet of 1.6 gallons per flush or lower. The Board of Directors authorized up to 200 rebates, a total of \$15,000, as part of the 2010 Operating Budget adoption.

As of the end of May 2010, the District has processed a total of 176 rebates for a total of \$13,188.62. If the current rate of demand continues the District will exhaust its authorized \$15,000 budget before the end of June. Demand for the rebates has continued even after the District exhausted other grant monies through the Regional Water Authority that were previously providing rebates of up to \$175 per toilet for high-efficiency toilets.

In order to continue offering the rebates, an additional budget authorization for the program will be needed. There is currently an unexpended balance of \$59,059.20 in Account No. 51000-04, Water Conservation – Contract Services, including an unallocated amount of \$12,500 for other contract services as required that could be authorized for use in the toilet rebate program. At the current average rate of rebates being issued, this dollar amount would be exhausted in November 2010. If that appears likely to occur, staff will reassess the budget at that time and return to the Board with a recommendation either for additional funding or to suspend the rebate program until the start of the new budget year. Directors and staff discussed the rebate program and the proposed budget authorization.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to authorize an additional amount not to exceed \$12,500 for the District's toilet rebate program for 2010.

PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of May 2010 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 public developer/owner, has been inspected by the District and formally accepted:

San Juan High School Streetscape, Citrus Heights

465 lineal feet of 10-inch PVC water main, 90 lineal feet of 10-inch ductile iron water main, 16 lineal feet of 8-inch ductile iron water main, 15 lineal feet of 6-inch ductile iron water main, 2 fire hydrants, 5 10-inch gate valves, 2 8-inch gate valves, 2 6-inch gate valves, 1 blow-off assembly, 1 10-inch metered water service, 2 6-inch metered water services and 1 2-inch metered water service.

Value: \$ 151,432.00

OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 432 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 May 2010 was 3,663.45 acre-feet, a decrease of 30.1 percent compared with the average annual water consumption during the previous five years, 2005-2009.

OM Townsel and PM Rossi left the meeting at 7:32 p.m.

DIRECTOR'S AND REPRESENTATIVES REPORTS:

Director Dion reported on a meeting of the Regional Water Authority (RWA) that he attended recently along with Director Rose, GM Churchill and AGM Kane.

Director Dion and Director Rose reported on a meeting of the San Juan Water District Executive Committee that they attended recently along with GM Churchill and AGM Kane.

Director Rose reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA). He also reported on a recent meeting of the San Juan Water District Ad Hoc Budget Review Committee that he attended recently along with GM Churchill and AGM Kane.

Director Rose reported on a meeting of the Sacramento Local Agency Formation Commission (LAFCO) that he attended recently, and other matters of interest regarding the Sacramento LAFCO.

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

ASSISTANT GENERAL MANAGER'S REPORT

AGM Kane reported as follows:

1. The most recent US Bureau of Reclamation (USBR) Central Valley Project (CVP) Water Supply for the Water Year 2010 dated May 4, 2010 shows 100 percent allocations for M&I (municipal and industrial) water users north of the Delta. Directors were provided with the Monthly Runoff Report for May 2010 from the Water Forum Successor Effort. Currently the projected Unimpaired Inflow into Folsom Reservoir (UIFR) is 1700 TAF (thousand acre feet), up significantly from 1380 TAF in the April 2010 report. With projected allocations above a "Hodge Year," under the Water Forum Agreement there are no annual restrictions for any users, including those that would normally be restricted during

a Hodge Year.

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. At this point in the water year, continued reporting on water supply conditions appears to be unnecessary unless there are significant unanticipated changes that occur.

2. Production of the Summer 2010 edition of the District's WaterLine newsletter is nearly complete, and customers should begin receiving newsletters the week of June 21, 2010. Directors were provided with a "design comp" version of final newsletter in their agenda binders.
3. Directors were provided with a summary of Water Efficiency Program activities during the month of May 2010. District staff participated in a Radio Disney/Regional Water Authority Green Team Rockin' Assembly at Citrus Heights Elementary School for all 4th, 5th and 6th grade classrooms.

The District has responded in writing to comments from the U.S. Bureau of Reclamation on the 2009 Update of CHWD's Water Management Plan that it submitted to the USBR in December 2009.

4. The City of Citrus Heights and San Juan High School both displayed water conservation messages on their electronic reading boards on Greenback Lane during the month of May, reaching thousands of motorists during the month. Conservation Specialist Rex Meurer arranged for these messages to be displayed in support of Water Awareness Month. Directors were provided with copies of letters of appreciation that were sent to the City and to San Juan High School.
5. CHWD has filed a Reporting of Significant Event (Rating Changes) in connection with the 2003 Series Certificates of Participation (COPs) with San Juan Water District (SJWD). This filing, a continuing disclosure obligation of the COPs, was required due to a recent upgrade in SJWD's bond rating by Fitch Ratings from AA to AA+. Directors were provided with a copy of the Reporting.
6. The Association of California Water Agencies (ACWA) Health Benefits Authority (HBA) has notified CHWD of credits that it will receive on premiums paid for the dental, vision and life insurance policies that CHWD provides to employees through the ACWA HBA. The credits, totaling \$6,740, are from trust assets that existed at the time when the former ACWA Services Corporation and the related ASC Employee Benefit Trust were dissolved in March 2008. Directors were provided with a copy of the letter from ACWA HBA.
7. Directors were provided with a Circular Letter from CalPERS to its member public agencies regarding recent changes in the actuarial assumptions and the impact this will have on employer contribution rates. CalPERS has adopted updated actuarial assumptions based on a recently-completed study. These updated assumptions will increase employer contribution rates beginning in fiscal

- year 2011-12. CHWD can expect an increase of about 0.4 percent of payroll in its employer contribution rate.
8. AGM Kane attended the Water Forum Successor Effort meeting on May 20, 2010. Items on the agenda included a presentation on the City of Folsom Sphere of Influence Draft EIS/EIR, and a presentation on the RWA Blue Thumb Regional Water Conservation Campaign. The Fiscal Year 2010/11 budgets for the Water Forum Successor Effort and the Habitat Management Element were approved.

GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty-five District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of May 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. The District's Alternative Work Schedule (AWS), consisting typically of a four-day, ten hours per day, Monday through Thursday work week, continued its trial period that began on May 10, 2010. District staff is gathering information on a variety of service, efficiency and savings measures to be presented to the Board when there is enough information to begin to draw meaningful comparisons between the AWS and the former five-day work schedule. It was noted that no significant customer feedback, positive or negative, has been received about the new work schedule.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated May 14, 2010, from Senator Barbara Boxer transmitting a copy of her opening statement at the kickoff hearing for the Senate Environment and Public Works Committee's work to develop the Water Resources Development Act of 2010 (WRDA).
2. Electronic mail message dated May 31, 2010 from customers Anthony and Rachel Davis regarding a rainwater collection system that they propose to develop for their residence; and an electronic mail response dated June 2, 2010 from AGM Kane on behalf of the Board of Directors.
3. Electronic mail message dated June 6, 2010 from customer Patricia Briggs

regarding errors on her residential water bill and back charges assessed by the District as a result of those errors; and an electronic mail response dated June 8, 2010 from GM Churchill on behalf of the Board of Directors.

4. Letter dated June 1, 2010 from customer Richard Taylor regarding a water leak at a neighboring property on Wachtel Way in Orangevale.

CLOSED SESSION

Pursuant to subdivision (a) of Government Code Section 54957, Public Employee Performance Evaluation --General Manager, the Board of Directors convened in Closed Session at 8:55 p.m. Directors Dains, Dion and Rose and GM Churchill were in attendance.

President Rose reconvened the meeting into Open Session at 9:15 p.m. He reported that the Board was pleased with the direction of the District and that this item will be continued at the July 13, 2010 Regular Meeting.

NEW BUSINESS continued

General Manager Compensation

This item was continued to the July 13, 2010 Regular Meeting.

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 9:30 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