

CITRUS HEIGHTS WATER DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING  
July 13, 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  
Paul A. Dietrich, Senior Engineering Technician

VISITORS

Jennifer Branin, Branin Finance  
E. Kurt Yeager, Esq, Stradling, Yocca, Carlson & Rauth  
Francis E. Mayers, Southwest Securities, Inc.

Director Rose led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of June 8, 2010.
2. Assessor/Collector's Report for June 2010.
3. Assessor/Collector's Cancellation Letter for June 2010.
4. Treasurer's Report for June 2010.
5. Bills to be Paid for June 2010.
6. Approve CAL-Card Purchases for June 2010.
7. Summary of 2010 Directors, Officers and Employees Training, Seminars and Conference Expenses.

President Rose adjourned the Regular Board of Directors Meeting to the Annual Meeting of the Citrus Heights Water District Financing Corporation at 6:33 p.m.

President Rose reconvened the Regular Board of Directors Meeting at 6:58 p.m.

OLD BUSINESS

## Refunding of Series 2000 Certificates of Participation

AGM Kane presented a report on the proposed refunding of the District's revenue certificates of participation (COPs). At the Citrus Heights Water District Financing Corporation meeting that was conducted just prior to this agenda item, the Corporation acted to adopt a resolution authorizing the execution and delivery of not-to-exceed \$6,000,000 refunding revenue certificates of participation including the approval of documents related to the financing.

During the CHWD Financing Corporation Meeting, AGM Kane summarized the actions taken by the CHWD Board of Directors at its June 8, 2010 meeting. At that meeting, the Board authorized 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 from the Series 2000 issuance including Southwest Securities, Inc., as Underwriter, Stradling, Yocca Carlson & Rauth as Bond and Disclosure Counsel, and Branin Finance as Financial Advisor.

District staff and the financing team went to work immediately to prepare for the refunding to meet the goal of accomplishing the refunding prior to October 1, 2010. Directors were provided with the documents related to the refunding process in their substantial final form. This means that while these documents are very close to their final form, there will likely be minor changes for accuracy, consistency or completeness to be made before they are ready to be executed by the District.

At the Corporation meeting, members of the financing team in attendance each addressed the Board, summarizing the elements of the refunding process and the recommended actions of the Corporation and Board. Ms. Branin outlined the basic structure of the proposed refunding, including the not-to-exceed net interest cost of 4.50 percent and the underwriter's discount of 0.70 percent, equal to \$7 per \$1000 of certificates issued. She explained that the not-to-exceed principal amount of \$6,000,000 is shown as the issue size to allow for any unanticipated adjustments prior to the issuance, but that \$5,405,000 is the anticipated amount of COPs to be issued.

Mr. Yeager explained each of the documents related to the refunding, and the purpose and importance of each. He also explained that the documents for the refunding are very similar to the documents for the Series 2003 COPs, because the new COPs under the refunding will be on parity with the Series 2003 COPs that are not proposed for refunding at this time. He noted that the documents presented to the Corporation and Board for consideration at this meeting were not in final form, but that they were substantially in their final form. He stated that any changes that would be made from this point forward would not affect the basic structure of the proposed refunding, and that all documents will be subject to the final approval of the General Manager or other District Officers as authorized by the proposed resolution.

Mr. Mayers outlined the schedule for sale of the COPs, and described the process and the type of investors likely to purchase the COPs. He noted that very large institutional investors would not likely be interested in these COPs due to their term of only 10 years, but that the District's AA bond rating, if affirmed by Standard & Poor's, should make the COPs an attractive investment for other types of investors. He explained that the true interest cost for the refunded COPs could be around the 3 percent range based on the current market, compared with about 5.2 percent true interest cost for the Series 2000 COPs over their remaining 10-year life.

Wells Fargo, the existing Trustee for the Series 2000 COPs, will remain as Trustee under the new COPs. The Rate Covenant will remain the same as under the Series 2000 COPs, with the District covenanting that it will set and collect rates and charges each fiscal year to yield an amount equal to 110 percent of the Debt Service payable in that year. The refunding will have no effect on the Series 2003 COPs that were issued in conjunction with San Juan Water District.

Directors were provided with a proposed Resolution 13-2010 of the CHWD Board of Directors that authorizes the preparation, sale and delivery of the COPs in accordance with the terms and provisions of the Trust Agreement and approves the Installment Purchase Agreement, the Assignment Agreement, the Trust Agreement, the Escrow Agreement and the Purchase Contract which are included with the other documents for this meeting agenda in substantially final form. The Resolution also authorizes the President, Vice-President, General Manager or other officers of the District to execute the documents necessary to accomplish the refunding of the Series 2000 COPs.

Directors, staff and the financing team discussed the proposed Resolution. In conjunction with the CHWD Financing Corporation Resolution No. 01-2010 passed at the Corporation meeting, this CHWD Board of Directors resolution provides the authority needed for District staff and members of the financing team to move forward with the refunding.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to adopt Resolution No. 13-2010 Authorizing the Execution and Delivery of Not to-Exceed \$6,000,000 Refunding Revenue Certificates of Participation, Approving the Execution and Delivery of Certain Documents and Authorizing Certain Actions in Connection Therewith.

Ms. Branin, Mr. Yeager and Mr. Mayers left the meeting at 7:03 p.m.

### Bonita Way Storage Building

GM Churchill presented a report on bids received on June 29, 2010 for the construction of a 1,632 square foot unoccupied storage building with a residential facade and site landscaping at the District's Bonita Way Well site.

The bid results were as follows:

Bonzai Builders	Orangevale, CA	\$169,800.00*
Owens Construction	Colfax, CA	\$220,000.00
Maloney & Bell Construction	Rancho Cordova, CA	\$223,595.00*
Cal-Bay Construction	Loomis, CA	\$227,000.00*
Kimmel Construction	Sacramento, CA	\$236,409.00*
Champas Construction	Sacramento, CA	\$246,698.00
American River Construction	El Dorado, CA	\$249,000.00
Joe Miller Construction	Sacramento, CA	\$258,257.10
Ariza Construction	Sacramento, CA	\$265,000.00
Carter Kelly Inc.	Placerville, CA	\$276,000.00
Bobo Construction	Elk Grove, CA	\$322,000.00*

Of the eleven bids received, five bids were incomplete as they did not contain required documentation, such as failure to attach addenda 1-4 or incomplete subcontractor lists. These five bids are each noted with an asterisk (\*) on the list of bid results. Because they are incomplete, these bids are determined to be non-responsive. The pre-bid estimate was \$250,000.00 with \$255,000.00 included in the District's 2010 Capital Improvement budget.

The references for the lowest responsive bid from Owens Construction were checked and work quality was affirmed. Owens Construction's contractor's licenses A, B and C33 are current and active with the Contractors State License Board.

Directors and staff discussed project and the bids received.

It was moved by Director Dion, seconded by Director Dains and carried 3-0 to award a Construction Bid to Owens Construction in the amount of \$220,000.00 and provide a contingency in the amount of \$11,000.00 for change orders to the project.

## NEW BUSINESS

### Training/Continued Education/Meetings

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

### Retirement of Joseph P. Scherrer

GM Churchill presented a report on a proposed resolution commending Joe Scherrer for his service to the District. Special Programs Coordinator Joseph P. "Joe" Scherrer will be retiring from the District on July 29, 2010 after providing nearly 22½ years of service in a variety of capacities. A luncheon retirement celebration will be held at the Citrus Heights Community Center beginning at 11:00 a.m. on his final day with the District. Directors were provided with a copy of a flyer announcing the luncheon.

Directors were also provided with a proposed resolution acknowledging and commending Joe's service to the District. Director Rose read the resolution aloud in its entirety. Directors expressed their thanks to Mr. Scherrer for his service to the District.

It was moved by Director Dains, seconded by Director Dion and carried 3-0 to adopt Resolution No. 14-2010 commending Joe Scherrer for his service to the District.

#### Association of California Water Agencies Health Benefits Authority

GM Churchill presented a report on matters related to the Association of California Water Agencies Health Benefits Authority (ACWA HBA). He stated that Directors are being asked to consider ratification of the HBA Joint Powers Authority (JPA) Agreement, and also to designate HBA representatives and to consider committee assignments and nomination of a candidate for the HBA Board of Directors.

Citrus Heights Water District currently participates in the ACWA HBA programs for dental, vision and life insurance. The HBA is a joint powers authority. Directors were provided with a copy of the Joint Powers Agreement creating the HBA. The accompanying Bylaws as amended and restated as of June 1, 2010 have been adopted by the HBA Trustees. These documents are now presented to the membership of the ACWA HBA for ratification. Directors discussed the JPA and the District's participation in its employee benefit programs.

In addition to ratification of the JPA Agreement and ACWA HBA Bylaws, the District must designate regular and alternate representatives to the ACWA HBA. Directors discussed their interest in serving as the regular representative to the HBA. Director Dion volunteered to serve as the representative. Directors also expressed support for staff's recommendation to appoint AGM Kane as the alternate representative due to his responsibilities involving District employee benefits.

Directors also discussed the HBA's call for candidates for election to the ACWA HBA Board of Directors, or to volunteer for open positions on the ACWA HBA Health Benefits Program Committee, Ancillary Benefits Program Committee and the Finance / Audit Committee. Directors declined to consider any of these appointments.

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

1. Ratify the Association of California Water Agencies Health Benefits Authority Joint Powers Authority Agreement and Bylaws as presented;
2. Designate Director Joseph M. Dion as the Citrus Heights Water District's Membership Regular Representative to the Association of California Water Agencies Health Benefits Authority; and
3. Designate Assistant General Manager David B. Kane as the Citrus Heights Water District's Membership Alternate Representative to the Association of California Water Agencies Health Benefits Authority.

### Customer Presentation Regarding Billing Practices

AGM Kane presented a report on recent correspondence between customer Kenneth Knoll and the District regarding the District's billing practices. Directors were provided with a copy of Mr. Knoll's electronic mail (email) message of June 28, 2010, the District's reply, and a subsequent response from Mr. Knoll and second reply from the District.

In his second email on June 28, Mr. Knoll requested that he be allowed time on the agenda of the Board's July 13, 2010 Regular Meeting agenda to make a presentation to the Board. He requested to be allowed at least 30 minutes for this presentation. In the District's response, Mr. Knoll was notified that an item would be scheduled on the agenda per his request. The District received no further communication from Mr. Knoll after his second email on June 28, and he submitted no materials to distribute with the Board agenda packet. Mr. Knoll was not in attendance at the meeting and did not notify the District that he would not be attending the meeting.

Directors and staff discussed Mr. Knoll's emails and the District's email responses. Directors affirmed that staff had followed District billing policies and procedures in regard to Mr. Knoll's water service account.

### PROJECT MANAGER'S REPORT

PM Rossi reported on the following activities during the month of June 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.

### OPERATIONS MANAGER'S REPORT

OM Townsel reported as follows:

1. A total of 177 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 June 2010 was 5,365.79 acre-feet, a decrease of 27.3 percent compared with the average annual water consumption during the previous five years, 2005-2009.

OM Townsel and PM Rossi left the meeting at 7:28 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 and GM Churchill. He also reported on an upcoming RWA Workshop on Delta issues, and an upcoming meeting of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA).

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 a recent City of Citrus Heights City Council meeting where he was reappointed as the City's representative to the Sacramento Groundwater Authority (SGA). He also reported on a meeting of the Sacramento Local Agency Formation Commission (LAFCO) that he attended recently.

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 District's website, [www.chwd.org](http://www.chwd.org), has recently been updated in conjunction with the publication of the Summer 2010 edition of the WaterLine. The website home page has been updated to reflect the water supply/conservation theme of the newsletter's front page, and numerous updates have been performed throughout the website to maintain current information about District programs and services. The update work has been performed by District staff to control costs on the District's public information consultant contract. Directors were provided with a report containing key statistics about usage of the District's website.
2. Directors were provided with a summary of Water Efficiency Program activities during the month of June 2010, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. District staff reported on matters involving Group 1 Representation on the California UrbanWater Conservation Council.

#### GENERAL MANAGER'S REPORT

GM Churchill reported as follows:

1. Twenty-one District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of June 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. GM Churchill reported on matters related to employee overtime, leave usage, and customer feedback received.
4. Directors were provided with copies of letters sent by the District to the California Legislature in opposition to AB 1955 (De La Torre, Relating to Public Officers: Incompatible Offices) and AB 2776 (Huffman, Transfer of Water). Copies of the letters were also provided to the Association of California Water Agencies.
5. As a result of declining surface water consumption by CHWD customers and lower-than-expected debt service costs, San Juan Water District (SJWD) has issued refund checks and credits to CHWD in the following amounts:

2009 Annual Water Use Reconciliation:	\$423,251.40 Refund Check
2009 Annual Debt Service Reconciliation:	\$191,499.77 Refund Check
2010 Debt Service Reconciliation for Q1: (Credit applied to 2010 Q2 Invoice)	\$ 25,918.00 Credit
Total Refunds and Credits:	\$640,669.17

CHWD staff has initiated discussions with SJWD staff about modifying SJWD's wholesale billing practices to bill CHWD and other wholesale customers in arrears based upon actual consumption, instead of in advance based upon estimated usage. CHWD's actual usage has been less than the amount billed in advance by SJWD in eight of the past eleven years.

### CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated June 15, 2010, from AGM Kane to customer Patricia Briggs in response to her electronic mail message dated June 6, 2010 regarding billing errors on her account.
2. Letter dated June 23, 2010, from OM Townsel to customers David and Mary Borger regarding a leak on the private water line that serves their property.
3. Letter dated June 28, 2010 from customer Beverly Hill regarding the service charge component on her District water bill; and a letter of response from AGM Kane dated July 7, 2010.

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 9:03 p.m. Directors Dains, Dion and Rose and GM Churchill were in attendance.

President Rose reconvened the meeting into Open Session at 9:45 p.m. He reported that no action was taken by the Board of Directors during the Closed Session.

OLD BUSINESS continued

General Manager Compensation

Directors expressed that they were pleased with the direction of the District and that GM Churchill's performance exceeds expectations.

It was moved by Director Rose, seconded by Director Dion and carried 3-0 to increase GM Churchill's salary to a rate of \$70.00 per hour, representing an increase of 2.49 percent above his current salary.

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 10:00 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