

Board of Directors

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Director

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Director

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June 21, 2010

**Response to
Survey of Independent Special Districts
By The Sacramento County Grand Jury
6. Findings and Recommendations**

Finding 1.0 ISD directors perform valuable service at minimal cost. However, this survey reveals inconsistent behaviors regarding compliance with sound management practices.

Recommendation 1.1 Directors should review their by-laws every four years to assure compliance with applicable laws, ethical practices, and appropriate behavior.

CWD Response: Carmichael Water District has by-laws and Board of Director policies in place to assure compliance with applicable laws (See attached by-laws and Policies 7000-7150. By-laws and policies are reviewed every 3 to 4 years or sooner if the need arises to maintain compliance with applicable laws. Directors have a policy in place for Code of Ethics (Policy 7010) to ensure understanding of ethical practices and appropriate behavior. In addition, all Directors attend Ethics training upon membership to the Board and every two years to assure compliance with ethical practices.

Recommendation 1.2 Directors should limit compensation to reasonable meeting stipends and necessary costs of professional activities. All ISD boards should ensure that their compensation practices conform to the principles in Section 5.1 of this report.

CWD Response: Carmichael Water District Board of Directors are compensated \$144.70 per meeting attendance with a limit of 1 charge per day (Per Policy 7020 – Attendance at Meetings; Policy 7030 – Remuneration and Reimbursement; Policy 7070 – Membership in Associations; and Policy 7080 – Director Training, Education and Conferences). Representatives and alternative representatives for membership associations and committees are appointed annually by the President of the Board. Annual conference attendance is voted on by the Board of Directors. All Board expenses for attendance and conference expenses are annually budgeted and approved. Expenses are reimbursed for Director only and according to Policy 7080 – Conference expenses.

Recommendation 1.3 Directors should limit the use of consent calendars according to the principles in section 5.1 of this report.

CWD Response: Carmichael Water District Board of Directors posts the following language on the consent calendar of every Board Agenda: "Consent Calendar items are expected to be routine and non-controversial, to be acted on by the Board in one motion. Should any Board member, staff member, or interested person request discussion on an item, the Board will consider the item separate from the Consent Calendar." This allows anyone the opportunity to pull an item from the consent calendar for discussion as all consent calendar items are fully documented on the agenda.

Finding 2.0 Some ISDs grant monetary awards for education and training; many have inadequate evaluation of employees' degrees and certificates.

Recommendation 2.1 All ISDs should encourage education and training, but should not make direct monetary (cash) awards for educational achievement.

CWD Response: Carmichael Water District encourages its employees to continually improve and grow through continuing education opportunities through District supplied training and other outside training opportunities. Per Policy 4050 – Employee Training, Education and Conference, the District will reimburse specific expenses to employees on pre-approved educational opportunities. Carmichael Water District does not offer direct monetary (cash) awards for educational achievement through bonuses or one-time cash payments.

Recommendation 2.2 All ISDs should recognize educational degrees and certificates only if they meet the criteria listed in Section 5.3.1.

CWD Response: Carmichael Water District recognizes legitimate degrees and certificates that apply directly to an employee's position within the organization (i.e.: State of California water distribution and treatment operator certification). The District also encourages continuing growth opportunities and will reimburse specific expenses to employees on pre-approved educational opportunities for degrees as specified in Policy 4050 – Employee Training, Education and Conference.

Finding 3.0 ISD pension awards and Other Post Employment Benefits (OPEB) have increased markedly in the last decade. Some of these awards are unfair and unsustainable.

CWD Response: Carmichael Water District *does* participate in the CalPERS retirement system. The District was omitted from Table 2 CalPERS Retirement Formulas – page 16 of the Survey of Independent Special Districts by the Sacramento County Grand Jury. The Carmichael Water District has miscellaneous employees only with a formula of 2% @ 55 (12 months).

Recommendation 3.1 All ISDs should adopt pension and OPEB plans that are fair, affordable and sustainable.

CWD Response: Carmichael Water District policy is that the salary and benefits for the District enable the District to keep pace with the economy and remain reflective of and competitive with water agencies in the region (Policy 4040 – Salary Range – Performance Step Program).

The District utilizes the ACWA salary and benefits survey to complete a salary and benefits survey every 3 years of Zone 4 “like agencies”. The agencies include: Citrus Heights Water District, City of Folsom, City of Roseville, City of Sacramento, El Dorado Irrigation District, Elk Grove Water Service, Fair Oaks Water District, Placer County Water District, Sacramento County Water, Sac Suburban Water District and San Juan Water District.

In addition, the District completed an analysis of the CalPERS Employer Contribution Rates for FY 2009-2010 from the CalPERS website. Results of the CalPERS Employer Contribution Rates (see table below) show that Carmichael Water District has the lowest Employer Contribution Rate of all surveyed agencies with a rate of 2.870%. By Policy 4070 – PERS Contribution, the District will pick up a portion of the employee's contribution when its rate is under 7% to contribute a maximum of 7% total to employee retirement which is fair, affordable and sustainable.

**TABLE: CalPERS Employer Contribution Rates
FY 2009-2010**

	Tier 1 %	Tier 2 %
Carmichael Water District	2.870	
Citrus Heights Water District	16.476	
City of Folsom	16.180	
City of Roseville	15.088	
City of Sacramento	11.222	
El Dorado Irrigation District	16.703	
Elk Grove Water Service	15.021	
Fair Oaks Water District	6.929	
Placer County Water	14.634	
Sacramento County	10.167	
Sac Suburban Water District	22.535	9.065
San Juan Water District	25.635	11.698

Recommendation 3.2 To minimize unfair pension boosting, all ISDs should ensure that calculations of employees' base pension awards are on actual base salary earnings over their highest 36 months of earnings and urge CalPERS to promote this standard.

CWD Response: Carmichael Water District is a relatively small special district with 28 fulltime employees. The District has been a contracting employer with CalPERS retirement system since 1960. The District has had the pension awards based on the actual base salary earnings over the employee's highest 12 months of earnings since 1975. In addition, the District has a low employer contribution rate and has monitored its rate to the benefit of the District's ratepayers. Historically, the District's retirees are long-term employees that have been in their positions for many years prior to retirement. The District has not promoted or supported unfair pension boosting.

Recommendation 3.3 All ISD pension/OPEB changes should be made only after analysis and full disclosure to all parties of the fiscal ramifications.

CWD Response: Carmichael Water District has initiated a few actuarial analyses by CalPERS for contract modifications to increase the retirement formula. All actuarial reports for retirement and OPEB have been shared with the Board, public and employee groups for review and consideration.

Recommendation 3.4 All ISD pension/OPEB benefits should have an employee contribution component.

CWD Response: Carmichael Water District has an Employer Contribution Rate of 2.870%. By Policy 4070 – PERS Contribution, the District will pick up a portion of the employee's contribution when its rate is under 7% to contribute a maximum of 7% total to employee retirement which is fair, affordable and sustainable. The employee contribution rate is 2.87% for FY 2009-2010.

The District considered a formula modification; however, contract amendments have never been brought forward for approval by management staff as it was determined that the contribution would need to be from the employee groups rather than the District ratepayer. One employee group would not agree to consideration of employee contribution to increase the retirement formula. Over the past few years the District has made great strides to reduce its OPEB liability with medical insurance plan changes. Existing Policy 6000 – Health and Welfare Benefits for retirees: retire from the District with 15 years of service for medical coverage for self; and retire from the District with 20 years of service for medical coverage for self and spouse.

Finding 4.0 The majority of the ISDs surveyed in this study are neglecting their fiduciary responsibility to taxpayers and ratepayers by excessive use of no-bid purchasing.

Recommendation 4.1 Every ISD in Sacramento County should establish and adhere to a goal of minimizing no-bid purchasing. Essentially all purchases except utilities and emergency construction should be by contracts awarded to the lowest responsive responsible bidders.

CWD Response: Carmichael Water District has Regulation 3020 -- Purchasing which defines all purchases:

- Under \$500 = request for prices
- Greater than \$500 but less than \$25,000 = Request for Bid/Quotation
- Greater than \$25,000 = Formal Bid Process -- Request for Proposal
- Emergency affecting public health and safety of operations of the District

District staff strictly adheres to this regulation in all purchases by and for the District.

Finding 5.0 ISDs have not consistently conducted and reported required Independent Financial Audit Reports and management audits.

Recommendation 5.1 All ISDs must complete and file the required annual Independent Financial Audit.

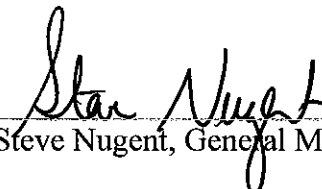
CWD Response: Carmichael Water District goes out for Request for Proposal for Audit Services every 4-5 years. A selection committee reviews the proposals and interviews prospective firms to determine a firm for selection and recommendation to the full Board. A firm is engaged as the District's Independent Financial Auditor upon Board approval for annual audit for a period up to five consecutive years.

Recommendation 5.2 All ISDs should commission a thorough periodic management audit. These audits should be completed by a multi-disciplinary team qualified to examine a district's management practices. This audit should be done in fiscal year 2011, and every four years thereafter.

CWD Response: Carmichael Water District is currently in the second year of its five year budget cycle. In 2010 all operations, functions, systems, policies and procedures were reviewed by the staff and Board with public participation. Through this review the district achieved a balance budget for the next five years while addressing all requirements including completing meter retrofit of the Carmichael Water District.

The District agrees with the idea of a management audit and will work to add this to our annual process reviews. However, it will come down to having the funds available to hire an independent multi-disciplinary qualified team to perform this review. This will not be inexpensive and all of our available funds are already assigned. If the District can financial afford to complete this review in 2011, it will do so; otherwise, District staff will budget for this activity in 2015.

Submitted by:


Steve Nugent, General Manager

FINDINGS 1.0

RESOLUTION NO. 5399-1

RESOLUTIONS TO BE ADOPTED
AT THE
ORGANIZATIONAL MEETING
OF
CARMICHAEL WATER DISTRICT
FINANCING CORPORATION

Effective as of May 3, 1999

1. CERTIFICATION AND FILING OF ARTICLES OF INCORPORATION.

RESOLVED, that the Secretary of the Corporation, when appointed, is hereby authorized and instructed to insert in the Corporation's Minute Book a copy of the Articles of Incorporation as filed in the Office of the California Secretary of State on April 16, 1999, and certified by the Secretary of State and to furnish an additional copy of the Articles of Incorporation to the Attorney General of the State of California.

2. ADOPTION OF BYLAWS.

RESOLVED, that Bylaws in the form attached hereto as Exhibit A and incorporated herein by reference are adopted as the Bylaws of the Corporation.

RESOLVED FURTHER, that the Secretary of the Corporation, when appointed, is authorized and directed to execute a Certificate of the Secretary in the form attached hereto as Exhibit B, certifying the Bylaws and to insert them as certified in the Company's Minute Book and to see that a copy, similarly certified, is kept at the Company's principal executive office, when designated.

3. APPOINTMENT OF OFFICERS.

RESOLVED, that the following persons are elected to the offices indicated next to their names, to take their respective offices immediately upon such appointment:

<u>Name</u>	<u>Office</u>
Mark R. Emmerson	Chairman of the Board
Paul Selsky	Vice President
LaNell K. Little	Chief Financial Officer and Secretary
Steve Nugent	Assistant Secretary

4. BANK ACCOUNT.

RESOLVED, that the officers of the Corporation are, and each acting alone is, authorized and directed to establish on behalf of and in the name of the Corporation one or more accounts with such banks (the "Bank") as the officer acting shall deem appropriate in his or her discretion, that the President and Secretary of the Corporation are, and each acting alone is, authorized to execute the Bank's standard form of corporate resolutions and to establish such accounts upon such terms and conditions as may be agreed upon with the Bank.

RESOLVED FURTHER, that the Secretary is directed to insert an executed copy of the Bank's standard form of corporate resolutions into the Corporation's Minute Book following these resolutions.

RESOLVED FURTHER, that the Bank is hereby authorized to honor and pay any and all checks and drafts signed as provided herein, including those drawn or endorsed to the individual order of any officer or other person authorized to sign the name.

5. STATEMENT BY DOMESTIC NONPROFIT CORPORATION.

RESOLVED, that the form entitled "Statement by Domestic Nonprofit Corporation," as required to be filed with the California Secretary of State by California Corporations Code Section 6210, is hereby approved, and any officer or agent of the Corporation is hereby authorized to execute the form and forward it with the appropriate fee to the California Secretary of State within 90 days of the date of incorporation, April 16, 1999.

RESOLVED FURTHER, that any change in the agent for service of process (or the address of such agent) as stated in the aforementioned form shall cause the President or Secretary to execute a new form and forward it with the appropriate fee to the Secretary of State, and in addition those officers are directed hereby to file a new form annually in accordance with the provisions of Section 6210 of the California Corporations Code.

6. PRINCIPAL EXECUTIVE OFFICE.

RESOLVED, that the principal executive office of the Corporation shall be located at 7220 Fair Oaks Boulevard, Suite C, Carmichael, California 95609.

7. EMPLOYER IDENTIFICATION, WITHHOLDING AND TAX-EXEMPT STATUS.

RESOLVED, that the officers of the Corporation are authorized and directed to take all actions deemed necessary or advisable to secure federal and state employer identification numbers, to comply with all laws regulating payroll reporting, withholding, and taxes, and to prepare or have prepared and file the necessary documentation with the federal and state taxing authorities relating to acquisition of tax-exempt status of the Corporation.

8. ACCOUNTING YEAR.

RESOLVED, that the first accounting year of the Corporation shall commence on its date of incorporation, April 16, 1999, and shall end on December 31, 1999.

RESOLVED FURTHER, that each subsequent fiscal year of the Corporation shall end on the day and month set forth above, in the respective year.

9. EXPENSES OF INCORPORATION.

RESOLVED, that the Chief Financial Officer of the Corporation is authorized and directed to pay the expenses of the incorporation and organization of the Corporation and to reimburse the persons advancing funds to the Corporation for this purpose.

10. EXECUTION IN COUNTERPART.

RESOLVED, that this Unanimous Written Consent may be executed in any number of counterparts with the same effect as if the signatures hereto and thereto were on the same instrument.

11. OMNIBUS RESOLUTIONS.

RESOLVED, that the officers of the Corporation be, and each individually is, hereby authorized to do and perform any and all such acts, including execution of any and all documents and certificates, as such officers shall deem necessary or advisable, to carry out the purposes and intent of the foregoing resolutions.

RESOLVED FURTHER, that any actions taken by such officers prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed, and approved as the acts and deeds of the Corporation.

BYLAWS OF

EXHIBIT "A"

CARMICHAEL WATER FINANCING DISTRICT CORPORATION,

a California Nonprofit Public Benefit Corporation

ARTICLE I

The name of this corporation shall be Carmichael Water Financing District Corporation (the "Corporation").

ARTICLE II

Section 1. Principal Office. The principal office for the transaction of the business of the Corporation ("principal executive office") shall be fixed and located at 7220 Fair Oaks Boulevard, Suite C, Carmichael, California 95609, or at such other place as the board of directors (the "Board") shall determine. The members of the Board (the "Directors" and, individually, a "Director") may change the principal executive office from one location to another. Any change of this location shall be noted by the Secretary on these bylaws opposite this section, or this section may be amended to state the new location.

Section 2. Other Offices. The Board may at any time establish branch or subordinate offices at any place or places where the Corporation is qualified to do business.

ARTICLE III
MEMBERSHIP

Section 1. Members. The Corporation shall have no members. Any action that would otherwise require approval by a majority of all members or approval by the members shall require only approval of the Board. All rights that would otherwise vest in the members shall vest in the Board.

Section 2. Associates. Nothing in this Article III shall be construed as limiting the right of the Corporation to refer to persons associated with it as "members" even though such persons are not members, and no such reference shall constitute anyone a member, within the meaning of Section 5056 of the California Nonprofit Corporation Law. The Corporation may confer by amendment of its articles of incorporation or of these bylaws some or all of the rights of a member, as set forth in the California Nonprofit Corporation Law, upon any person or persons who do not have the right to vote for the election of Directors or on a disposition of substantially all of the assets of the Corporation or on a merger or on a dissolution or on changes to the Corporation's articles of incorporation or bylaws, but no such person shall be a member within the meaning of said Section 5056.

ARTICLE IV DIRECTORS

Section 1. Powers. Subject to limitations of the articles of incorporation and these bylaws, the activities and affairs of the Corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the Corporation to any person or persons, a management company, or committees, however composed, provided that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these bylaws or statute:

(a) To select and remove all the other officers, agents, and employees of the Corporation, prescribe powers and duties for them as may not be inconsistent with law, the articles of incorporation or these bylaws, fix their compensation and require from them security for faithful service.

(b) To conduct, manage and control the affairs and activities of the Corporation and to make such rules and regulations therefor not inconsistent with law, the articles of incorporation or these bylaws, as they may deem best.

(c) To adopt, make and use a corporate seal and to alter the form of such seal from time to time as they may deem best.

(d) To borrow money and incur indebtedness for the purposes of the Corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(e) To carry on a business at a profit and apply any profit that results from the business activity to any activity in which it may lawfully engage as a tax exempt corporation. No part of such profits shall inure to the benefit of any of its Directors, trustees, officers or members or to individuals.

Section 2. Number of Directors. The authorized number of Directors shall be not less than five (5) nor more than ten (10), and the exact number of directors shall be five (5) until changed, within the limits specified above, by a resolution amending such exact number, duly adopted by the Board of Directors. The minimum and maximum number of directors may be changed, or a definite number may be fixed without provision for an indefinite number, by a resolution adopted by the Board, subject to the requirements of subdivision of (a) of Section 5151 of the California Corporations Code.

Section 3. Term of Office and Selection. All Directors shall be appointed by the District when such Director's term expires. Unless earlier removed as provided hereunder, each Director shall hold office for three (3) years and until a successor has been appointed by the District. There shall be no limits on the number of consecutive full or partial terms a Director

may serve on the Board. All Directors appointed by the District shall also be members of the District's board of directors.

Section 4. Vacancies. Subject to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law, any Director may resign effective upon giving written notice to the Chairman of the Board, the Secretary, or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be selected before such time, to take office when the resignation becomes effective. Any Director who resigns from, or is no longer a member of, the District's board of directors shall be removed from being a Director of the Corporation.

Vacancies in the Board shall be filled by appointment by the District as they occur.

A vacancy or vacancies on the Board shall be deemed to exist in case of the death, resignation or removal of any Director or if the authorized number of Directors is increased, provided, however, that the number of Directors shall be the same as the number of District directors.

The Board may declare vacant the office of a Director who has been declared of unsound mind by a final order of court, convicted of a felony or found by a final order of judgment of any court to have breached any duty arising under Article 4 of the California Nonprofit Public Benefit Corporation Law.

No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

Section 5. Place of Meetings. Meetings of the Board may be held at any place within or outside the State of California that has been designated from time to time by resolution of the Board. In the absence of such designation, regular meetings shall be held at the principal executive office of the Corporation.

Section 6. Annual Meetings. The Board shall hold an annual meeting for the purposes of organization, selection of Directors and officers, and the transaction of other business. Annual meetings of the Board shall be held on the first Monday of May in each year.

Section 7. Other Regular Meetings. Other regular meetings of the Board shall be held on such dates and at such times as may be fixed by the Board.

Section 8. Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the Chairman of the Board or any three (3) Directors acting together. Special meetings of the Board shall be held upon four days' notice by first-class mail or 48 hours' notice given personally or by telephone, telegraph, telex, or other similar means of communication. Any such notice shall be addressed or delivered to each Director at such Director's address as it is shown upon the records of the Corporation by the Director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the Directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the receiver.

Section 9. Quorum. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 12 of this Article IV. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number is required by law or by the articles of incorporation, except as provided in the next sentence. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Section 10. Waiver of Notice. Notice of a meeting need not be given to any Director who signs a waiver of notice, a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting, without protesting, prior thereto or at its commencement, the lack of notice to such Director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 11. Adjournment. A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent Directors if the time and place is fixed at the meeting adjourned, except as provided in the next sentence. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

Section 12. Rights of Inspection. Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation of which such person is a Director.

Section 13. Fees and Compensation. Directors and members of committees shall receive no compensation for their services. Reimbursement for expenses reasonably incurred in performance of duties may be fixed or determined by the Board.

ARTICLE V COMMITTEES

Section 1. Committees of the Board. The Board may appoint one or more committees, each consisting of two (2) or more Directors and no persons who are not Directors, and delegate to such committees any of the authority of the Board except with respect to:

- (a) the taking of any final action on matters that, under the Nonprofit Corporation Law of California, also requires members' approval or approval of a majority of all the members;
- (b) the filling of vacancies on the Board or in any committee;
- (c) the fixing of compensation of the Directors for serving on the Board or on any committee;
- (d) the amendment or repeal of these bylaws or adoption of new bylaws;
- (e) the amendment or repeal of any resolution of the Board that by its express terms is not so amendable or repealable;
- (f) the appointment of any other committees of the Board or the members of these committees.
- (g) the expenditure of corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected; or
- (h) the approval of any self-dealing transaction, as such transactions are defined in Section 5233(a) of the California Nonprofit Public Benefit Corporation Law.

Section 2. Appointment Any such committee must be created, and the members thereof appointed, by resolution adopted by a majority of the authorized number of Directors then in office, provided a quorum is present, and any such committee may be designated by such name as the Board shall specify. The Board may appoint, in the same manner, alternate members of any committee who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of Article IV applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

Section 3. Advisory Committees. Advisory committees may be appointed from time to time by the Board. Advisory committees' membership may consist of both Directors and non-Directors or non-Directors only. Advisory committees have no legal authority to act for the Corporation but shall report their findings and recommendations to the Board.

ARTICLE VI OFFICERS

Section 1. Officers. The officers of the Corporation shall be a Chairman of the Board, a Chief Financial Officer and a Secretary. The Corporation may also have, at the discretion of the Board, one or more vice-presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article VI. Any number of offices may be held by the same

person, except as provided in the articles of incorporation or in these bylaws and except that neither the Secretary nor the Chief Financial Officer may serve concurrently as the Chairman of the Board.

Section 2. Election. The officers of the Corporation, except those appointed in accordance with the provisions of Section 3 or Section 5 of this Article VI, shall be chosen annually by the Board, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Subordinate Officers. The Board may appoint, and may authorize the Chairman of the Board or another officer to appoint, any other officers the business of the Corporation may require, each of whom shall have the title, hold office for the period, have the authority and perform the duties, specified in the bylaws or determined from time to time by the Board.

Section 4. Removal and Resignation. Any officer may be removed, with or without cause, by the Board at any time or, except in case of an officer chosen by the Board, by an officer on whom such power of removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled only in the manner prescribed in these bylaws for regular election or appointment to that office, provided that such vacancies shall be filled as they occur and not on an annual basis.

Section 6. Chairman of the Board. The Chairman of the Board shall preside at meetings of the Board and shall be the chief executive officer of the Corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the Corporation. The Chairman of the Board shall have the general powers and duties of management usually vested in the office of President of a Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. Secretary. The Secretary shall attend to the following:

(a) Book of minutes. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board may direct, a book of minutes of all meetings and actions of Directors, and committees of Directors, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such meetings, and the proceedings of such meetings.

(b) Notices, seal and other duties. The Secretary shall give, or cause to be given, notice of all meetings of the Board required by the bylaws to be given. The Secretary shall keep the seal of the Corporation in safe custody. The Secretary shall have such other powers and perform such other duties as may be prescribed by the Board or the bylaws.

Section 8. Chief Financial Officer. The Chief Financial Officer shall attend to the following:

(a) Books of account. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements. The books of account shall be open to inspection by any Director at all reasonable times.

(b) Deposit and disbursement of money and valuables. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board, disburse the funds of the Corporation as may be ordered by the Board, render to the Directors, whenever they request it, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation, and have such other powers and perform such other duties as may be prescribed by the Board or the bylaws.

Section 9. Compensation. Officers may receive such reasonable compensation, if any, for their services, and such reimbursement for reasonable expenses, as may be fixed or determined by the Board, provided, however, that no officer who is an employee or officer of a governmental entity shall receive any payment other than for necessary travel and other expenses actually incurred in performing the duties of his or her office

ARTICLE VII RECORDS AND REPORTS

Section 1. Corporate Records. The Corporation shall keep:

(a) Adequate and correct books and records of accounts;

(b) Written minutes of the proceedings of its Board and committees of the Board;

and

(c) The original or a copy of the articles of incorporation of incorporation and bylaws, as amended, to date.

Section 2. Annual Report.

(a) Financial statements shall be prepared as soon as reasonably practicable after the close of the fiscal year. The financial statements shall contain in appropriate detail the following:

(1) The assets and liabilities, including trust funds, of this corporation as of the end of the fiscal year;

(2) The principal changes in assets and liabilities, including trust funds, during the fiscal year;

(3) The revenue or receipts of this corporation, both unrestricted and restricted to particular purposes, for the fiscal year;

(4) The expenses or disbursements of this corporation, for both general and restricted purposes, during the fiscal year;

(5) Any transaction during the previous fiscal year involving forty thousand dollars (\$40,000.00) or more to which this corporation or a subsidiary was a party and in which any Directors or officers of this corporation or subsidiary had or has a direct or indirect material financial interest. The report must disclose the names of the interested persons involved in such transaction, stating such person's relationship to the Corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; and

(6) The amount and circumstances of any indemnification or advances aggregating more than ten thousand dollars (\$10,000.00) paid during the fiscal year to any officer or Director of the Corporation.

(b) Such financial statements shall be accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation.

(c) A report including the financial statements prescribed above shall be furnished annually to all Directors of the Corporation.

ARTICLE VIII OTHER PROVISIONS

Section 1. Endorsement of Documents; Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into between the Corporation and any other person, when signed by the Chairman of the Board and the Secretary or the Chief Financial Officer, shall be valid and binding on the Corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 2. Representation of Shares of Other Corporations. The Chairman of the Board or any other officer or officers authorized by the Board or the Chairman of the Board are each authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Section 3. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Provisions of the California Nonprofit Corporation Law and in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these bylaws.

Section 4. Amendments. These bylaws may be amended or repealed by the vote of a majority of the Board.

Section 5. Fiscal Year. The fiscal year of this corporation shall be determined by resolution of the Board.

Section 6. Corporate Seal. This corporation shall have a seal that shall be specified by resolution of the Board. The seal shall be affixed to all corporate instruments, but failure to affix it shall not affect the validity of the instrument.

ARTICLE IX INDEMNIFICATION

Section 1. Right of Indemnity. To the fullest extent permitted by law, this corporation shall indemnify its Directors, officers, employees and other persons described in Section 5238(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that Section. "Expenses," as used in this Article IX, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

Section 2. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the Board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of Directors who are not parties to that proceeding, the court in which such proceeding is or was pending upon application made by the Corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by the Corporation, shall determine under Section 5238(e) of the California

Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the court shall authorize indemnification.

Section 3. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Sections 1 and 2 of this Article IX in defending any proceeding covered by those sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employees and other agents against any liability asserted or incurred by any officer, Director, employee or agent acting in such capacity or arising out of the officer's, Director's, employee's or agent's status as such.

CERTIFICATE OF SECRETARY

EXHIBIT "A"

I, the undersigned, certify that I am the presently elected and acting Secretary of the Carmichael Water Financing District Corporation, a California nonprofit corporation, and the above bylaws, consisting of 10 pages, are the bylaws of this corporation as adopted at a meeting of its board of directors held on May 3, 1999.

DATED: May 3, 1999



LaNell K. Little
Secretary

POLICY TITLE: Investment of District Funds

POLICY NUMBER: 7000

7000.10 The District's Investment Policy will be reviewed and approved annually by the Board of Directors each January.

7000.20 The Annual Investment Policy (Exhibit A) will be distributed upon approval after the January Board of Director's meeting.

**CARMICHAEL WATER DISTRICT
INVESTMENT POLICY
JANUARY 11, 2010**

1. The cash management system of the Carmichael Water District (“District”) is designed to monitor and forecast expenditures and revenues, keeping funds invested to the fullest extent.

2. Investment of District monies, not required for immediate expenditure, will be made as provided by law for the investment of public funds. Investments are made under the terms and conditions of Section 53600-53684 and Sections 16429.1 to 16429.3 of the Government Code of the State of California. The criteria for selecting investments and the order of priority are: safety, liquidity, and return on investment.
 - Safety of Principal - Safety of principal is the foremost objective of the District. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default or erosion of market value of securities. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.
 - Credit Risk – Credit risk, defined as the risk of loss due to failure of any issuer of a security, shall be mitigated by investing in only financially sound institutions and diversifying the District’s funds via investment in LAIF.
 - Market Risk – The risk of market value fluctuations due to overall changes in the general level of market interest rates shall be mitigated by investing in LAIF. It is explicitly recognized herein that occasional losses in a diversified portfolio are inevitable, and must be considered within the context of the overall investment returns.
 - Liquidity - Liquidity is the second most important objective of the District’s investment policy. It is important that an investment contain the feature of being easily sold or withdrawn at any time with a minimal risk of loss of some portion of principal or interest.
 - Return on Investment - The District shall seek to attain a market-average rate of return throughout economic cycles. The market-average rate of return is defined as the average return on two year U.S. Treasury Bonds.

3. In accordance with Government Code Section 53601, the District may invest in the following types of investments:
 - Bonds issued by the State of California and/or any local agency within the State of California
 - Securities of the U.S. Government, or its agencies
 - Certificates of Deposit (or Time Deposit) placed with commercial banks and/or savings and loan companies
 - Bankers Acceptances

- Commercial Acceptances
 - Local Agency Investment Fund (State Pool) Demand Deposits
 - Repurchase Agreements (Repos)
 - Passbook Savings Account Demand Deposit
 - Reverse Repurchase Agreements
 - Medium Term Corporate Notes
 - Mutual Funds holding the above allowable investments
4. All money shall be deposited for safekeeping in state or national banks, state or federal savings and loan associations, or the State of California Local Agency Investment Fund (LAIF).
 5. Investments shall be as liquid as required. Term investments shall be selected to anticipate cash needs to avoid forced liquidation and loss of interest or payment of penalties.
 6. Investment of funds under the above provisions shall be limited as follows:
 - Cash will be invested in only non-transferable Certificates of Deposit that are insured by the FDIC, or in short term U.S. Treasury Certificates.
 - Funds invested in the Local Agency Investment Fund will be limited to an amount authorized by the Board of Directors. As of January 2, 1999, the limit is \$4,000,000, of which staff is directed to maintain an average annual balance not to exceed \$3,500,000.
 - LAIF funds may exceed \$4,000,000 up to three months. The Treasurer will present the Board with a revised investment policy if funds will exceed the stated limits.
 7. The Treasurer will prepare a monthly transactions report for the Board of Directors in accordance with Section 53607 of the Government Code.
 8. Within 30 days after the end of each quarter, the Treasurer will provide the Board of Directors a report which will include the investment type, issuer, maturity dates, and dollar value.
 9. The Carmichael Water District investment policy shall be adopted by resolution of the Board of Directors on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return on investment, and its relevance to current law and financial and economic trends. Any amendments to this policy shall be forwarded to the Board of Directors for approval.

CARMICHAEL WATER DISTRICT

POLICY TITLE: Code of Ethics

POLICY NUMBER: 7010

7010.10 The Board of Directors of Carmichael Water District is committed to providing excellence in legislative leadership that results in the provision of the highest quality of services to its constituents. In order to assist in the government of the behavior between and among members of the Board of Directors, the following rules shall be observed.

7010.11 The dignity, style, values and opinions of each Director shall be respected.

7010.12 Responsiveness and attentive listening in communication is encouraged.

7010.13 The water needs of the District's constituents are the priority of the Board of Directors.

7010.14 The primary responsibility of the Board of Directors is the formulation and evaluation of policy. Routine matters concerning the operational aspects of the District are to be delegated to professional staff members of the District.

7010.15 Directors should commit themselves to emphasizing the positive, avoiding double talk, hidden agendas, gossip, backbiting, and other negative forms of interaction.

7010.16 Directors should commit themselves to focusing on issues and not personalities. The presentation of the opinions of others should be encouraged. Cliques and voting blocks based on personalities rather than issues should be avoided.

7010.17 Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and opinions, but without being disagreeable. Once the Board of Directors takes action, Directors should not create barriers to the implementation of said action.

7010.18 Directors should practice the following procedures:

7010.181 A Director seeking clarification on informational items from District staff, or desiring information to supplement, upgrade, or enhance his/her knowledge to improve legislative decision-making, should direct his/her request to the General Manager.

7010.182 In handling complaints from residents and property owners of the District, said complaints should be referred directly to the General Manager.

7010.183 In handling items related to safety, concerns for safety or hazards should be reported to the General Manager. Emergency situations should be dealt with immediately by seeking assistance through District management staff.

7010.184 In presenting items for discussion at Board meetings, see Policy #5000.

7010.185 In seeking clarification for policy-related concerns, especially those involving personnel, legal action, land acquisition and development, finances, and programming, said concerns should be referred directly to the General Manager.

7010.19 When approached by District personnel concerning specific District policy, Directors should direct inquiries to the General Manager.

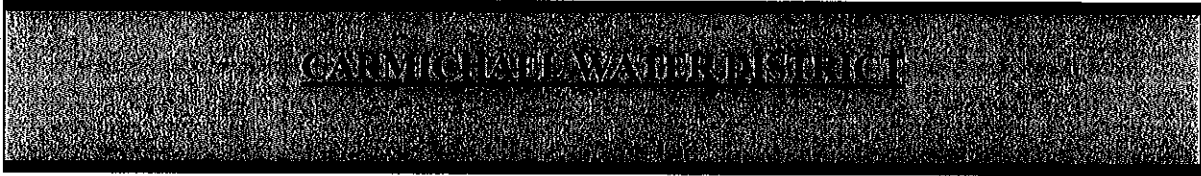
7010.20 The work of the District is a team effort. All individuals should work together in the collaborative process, assisting each other in conducting the affairs of the District.

7010.21 When responding to constituent requests and concerns, Directors should be courteous, responding to individuals in a positive manner and routing their questions through the General Manager.

7010.22 Directors should develop a working relationship with the General Manager wherein current issues, concerns and District projects can be discussed comfortably and openly.

7010.23 Directors should function as a part of the whole. Issues should be brought to the attention of the Board as a whole, rather than to individual members selectively.

7010.24 Directors are responsible for monitoring the District's progress in attaining its goals and objectives, while pursuing its mission.



POLICY TITLE: **Attendance at Meetings**

POLICY NUMBER: **7020**

7020.10 Members of the Board of Directors shall attend all regular and special meetings of the Board unless there is good cause for absence.

7020.20 A vacancy shall occur if any member ceases to discharge the duty of his/her office for the period of three (3) consecutive months except as authorized by the Board of Directors.

POLICY TITLE: Remuneration and Reimbursement

POLICY NUMBER: 7030

7030.10 Members of the Board of Directors shall receive a per meeting "Director's Fee," the amount of which shall be annually established by the Board at its regular meeting in January.

7030.20 Members of the Board of Directors shall be reimbursed for all legitimate expenses incurred in attending any meetings or in making any trips on official business of the Board when so authorized in accordance with Policy 7080. Reimbursement for the cost of the use of a Director's vehicle shall be on the basis of total miles driven and at the rate specified in the "Conference Expense Policy".

POLICY TITLE: Board President

POLICY NUMBER: 7040

7040.10 The President of the Board of Directors shall serve as chairperson at all Board meetings. He/she shall have the same rights as the other members of the Board in voting, introducing motions, resolutions and ordinances, and any discussion of questions that follow said actions.

7040.20 In the absence of the President, the Vice President of the Board of Directors shall serve as chairperson over all meetings of the Board. If the President and Vice President of the Board are both absent, the remaining members present shall select one of themselves to act as chairperson of the meeting.

POLICY TITLE: Members of the Board of Directors

POLICY NUMBER: 7050

7050.10 Directors shall thoroughly prepare themselves to discuss agenda items at meetings of the Board of Directors by reviewing the agenda packet prior to the meeting. Information may be requested from staff or exchanged between Directors before meetings.

7050.11 Information that is intended for all Directors which is exchanged before meetings shall be distributed through the General Manager, and all Directors will receive all information being distributed.

7050.20 Directors shall at all times conduct themselves with courtesy to each other, to staff and to members of the audience present at Board meetings.

7050.30 Directors shall defer to the chairperson for conduct of meetings of the Board, but shall be free to question and discuss items on the agenda. All comments should be brief and confined to the matter being discussed by the Board.

7050.40 Directors may request for inclusion into minutes brief comments pertinent to an agenda item, only at the meeting that item is discussed (including, if desired, a position on abstention or dissenting vote).

7050.50 Directors shall abstain from participating in consideration on any item involving a personal or financial conflict of interest. Unless such a conflict of interest exists; however, Directors should not abstain from the Board's decision making responsibilities.

7050.60 Requests by individual Directors for substantive information and/or research from District staff will be channeled through the General Manager.

POLICY TITLE: **Basis of Authority**

POLICY NUMBER: **7060**

7060.10 The Board of Directors is the unit of authority within the District. Apart from his/her normal function as a part of this unit, Directors have no individual authority. As individuals, Directors may not commit the District to any policy, act and/or expenditure.

7060.20 Directors do not represent any fractional segment of the community; but are, rather, a part of the body which represents and acts for the community as a whole. A Director is the primary source of communication for his/her respective division.

CARMICHAEL WATER DISTRICT

POLICY TITLE: Membership in Associations

POLICY NUMBER: 7070

7070.10 The Board of Directors shall ordinarily hold membership in and attend meetings of such national, state, and local associations as may exist that have applicability to the functions of the District.

7070.20 Membership Organizations include:

- 7070.21** Aerojet Citizen Advisory Group
- 7070.22** Association of California Water Agencies – Region 4
- 7070.23** ACWA/Joint Powers Insurance Authority
- 7070.24** American Water Works Association
- 7070.25** California – Oregon Transmission Project
- 7070.26** California Special Districts Association
- 7070.27** Groundwater Resources Association
- 7070.28** Integrated Regional Water Management Plan
- 7070.29** Regional Water Authority
- 7070.30** Sacramento Groundwater Authority
- 7070.31** US Bureau of Reclamation
- 7070.32** Water Education Foundation
- 7070.33** Water Forums Successor Effort

CARMICHAEL WATER DISTRICT

POLICY TITLE: Director Training, Education and Conferences

POLICY NUMBER: 7080

7080.10 It is the policy of Carmichael Water District to encourage Board participation and excellence of performance by reimbursing expenses incurred for tuition, travel, lodging and meals as a result of training, educational courses, participation with professional organizations, and attendance at local, state and national conferences associated with the interests of the District.

7080.20 District administrative staff shall be responsible for making arrangements for registration for Directors attending state and national seminars, workshops and conferences. Staff may assist at the request of the Director with per diem, travel and lodging. All authorized expenses shall be reported to the District by Directors, together with validated receipts.

7080.30 Attendance by Directors at seminars, workshops and conferences shall be approved by the Board of Directors prior to incurring any reimbursable costs.

7080.40 Upon returning from seminars, workshops, or conferences where expenses are reimbursed by the District, Directors will either prepare a written report for distribution to the Board, or make a verbal report during the next regular meeting of the Board. Said report shall detail what was learned at the session(s) that will be of benefit to the District. Materials from the session(s) may be delivered to the District office to be included in the District files for the future use of other Directors and staff.

7080.50 Director's conference travel expenses will be reimbursed per the attached "Conference Expense Policy".

CARMICHAEL WATER DISTRICT

DIRECTOR - CONFERENCE EXPENSE POLICY

(Adopted December 17, 2007)

1. Meeting Day Determination:

- a. Conference meeting days paid shall be limited to actual days of attendance at conference, plus one travel day per conference, if necessary.
- b. Conference days are eligible for payment only when attendance is authorized by the Board.

2. Travel Cost Determination:

- a. Within California and Nevada, travel costs shall be reimbursed based on actual mode of travel.
 - Auto: Reimbursement for actual miles driven at the rate specified in the Internal Revenue Service Guidelines in effect at the time of said usage, not to exceed 1200 miles round trip.
 - Air/Bus/Train: Reimbursement for actual cost, based on ticket receipt to be submitted with claim.
- b. Beyond California and Nevada, the District will reimburse the cost of travel based upon the actual cost incurred, but not-to-exceed the cost of an unrestricted coach class fare or \$1,000, whichever is less. When travelers elect to fly, they are expected to obtain low-cost travel based on discount airfares.

3. Lodging Cost Determination:

- a. Reimbursement will be made for actual lodging costs necessary for conference attendance and travel, with bill reduced to equivalent single occupancy rate unless all room occupants are authorized attendees.
- b. Reimbursement shall be based on copy of hotel bill to be submitted with claim. Reimbursement shall not exceed published conference rates.

4. Meal Cost Determination:

- a. Meal costs necessary for conference attendance and travel shall be reimbursed by a meal allowance based on the currently authorized schedule.
- b. Allowances will be reduced on a meal-by-meal basis for each meal paid directly by the District as part of the conference schedule.
- c. Meals will be reimbursed for the actual cost of meals only and submission of receipts is required. Schedule of current meal allowance is as follows:

Breakfast:	\$10.00
Lunch:	\$16.00
Dinner:	\$30.00

5. **Other Expense Determination:**

- a. Other necessary expenses, including but not limited to items such as taxi, valet charges, bellman tips, and parking will be reimbursed at cost based on a receipt or statement of cost to be submitted with claim.

6. **Authorized Attendee Determination:**

- a. Current District Policy:

Resolution No. 3573-2 limits attendance at all conventions, meetings, seminars, symposia or other water agency related business, outside a radius of fifty (50) miles from Sacramento to three (3) District representatives approved by the Board. The Board will annually review all such functions and decide on CWD participation. Exceptions to the above require special Board consideration and approval.

7. **Exceptions:**

- a. The Board may make exceptions to the above on a case-by-case basis, as necessary.

POLICY TITLE: Ad Hoc Committees of the Board of Directors

POLICY NUMBER: 7090

7090.10 The Board President shall appoint such ad hoc committees as may be deemed necessary or advisable by himself/herself and/or the Board. The duties of the ad hoc committees shall be outlined at the time of appointment, and the committee shall be considered dissolved when its final report has been made.

CARMICHAEL WATER DISTRICT

POLICY TITLE: Board Meetings

POLICY NUMBER: 7100

7100.10 Regular meetings of the Board of Directors shall normally be held on the third Monday of each calendar month at 7:00 PM in the Board Room at the District Office. The Board meeting may, however, be scheduled at another date and time at the previous Board meeting. The date, time and place of regular Board meetings shall be approved annually at the November or December meeting of the Board for the next calendar year.

7100.20 Special meetings (non-emergency) of the Board of Directors may be scheduled at a Regular Board meeting, may be called by the Board President and one other member, or by three Board members.

7100.21 All Directors shall be notified by the General Manager of a special Board meeting and the purpose(s) for which it is called. Said notification shall be in the form of an agenda, delivered to them at least twenty-four (24) hours prior to the meeting.

7100.30 Special Meetings (emergency). In the event of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, the Board of Directors may hold an emergency special meeting without complying with the twenty-four (24) hour notice required in 5000.21, above. An emergency situation means a crippling disaster which severely impairs public health, safety, or both, as determined by the General Manager, Board President or Vice President in the President's absence.

7100.40 Adjourned Meetings. A majority vote by the Board of Directors may terminate any Board meeting at any place in the agenda to any time and place specified in the order of adjournment, except that if no Directors are present at any regular or adjourned regular meeting, the General Manager may declare the meeting adjourned to a stated time and place.

7100.50 Conduct of Meetings. All meetings of the Board of Directors shall comply with the Ralph M. Brown Act (California Government Code section 54950 et. seq.).

7100.60 Organizational Meeting - Every Year. The Board of Directors shall hold an organizational meeting at its first meeting in January. At this meeting the Board will elect a President and Vice President from among its members to serve for a one-year period, and will appoint the General Manager as the Board's Secretary and a District staff member as Assessor Collector/Treasurer.

7100.70 The President of the meetings described herein shall determine the order in which agenda items shall be considered for discussion and/or action by the Board.

7100.80 The President and the General Manager shall insure that appropriate information is available for the audience at meetings of the Board of Directors, and that physical facilities for said meetings are functional and appropriate for the expected audience.

POLICY TITLE: Board Meeting Agenda

POLICY NUMBER: 7110

7110.10 The General Manager shall prepare an agenda for each regular and special meeting of the Board of Directors. Any Director may give the General Manager an agenda item, in writing, to be placed on the agenda, no later than 2:00 P.M. five (5) business days prior to the meeting date.

7110.20 At least seventy-two (72) hours prior to the time of all regular meetings, an agenda, which includes but is not limited to all matters on which there may be discussion and/or action by the Board, shall be posted conspicuously for public review within the District office and at the local post office.

7110.21 The agenda for a special meeting shall be posted at least twenty-four (24) hours before the meeting in the same locations.

POLICY TITLE: Board Meeting Conduct

POLICY NUMBER: 7120

7120.10 Meetings of the Board of Directors shall be conducted by the President in a manner consistent with the policies of the District, and in accordance with generally accepted rules of order as determined by the Board.

7120.20 All Board meetings shall commence at the time stated on the agenda and shall be guided by same.

7120.30 The conduct of meetings shall, to the fullest possible extent, enable Directors to:

7120.31 Consider problems to be solved, weigh evidence related thereto, and make wise decisions intended to solve the problems; and,

7120.32 Receive, consider and take any needed action with respect to reports of accomplishment of District operations.

7120.40 Provisions for permitting any individual or group to address the Board concerning any item on the agenda of a special meeting, or to address the Board at a regular meeting on any subject that lies within the jurisdiction of the Board of Directors, shall be as follows:

7120.41 The Board President may limit speakers to a maximum of three (3) minutes and an agenda item to a maximum of twenty (20) minutes;

7120.42 No boisterous, noisy, or disruptive conduct shall be permitted at any Board meeting. Persistence in such conduct shall be grounds for summary termination, by the President, of that person's privilege of address.

7120.50 Willful disruption of any of the meetings of the Board of Directors shall not be permitted. If the President finds that there is in fact willful disruption of any meeting of the Board, he/she may order the room cleared and subsequently conduct the Board's business without the audience present.

7120.51 In such an event, only matters appearing on the agenda may be considered in such a session.

7120.52 After clearing the room, the President may permit those persons who, in his/her opinion, were not responsible for the willful disruption to re-enter the meeting room.

7120.53 Duly accredited representatives of the news media, whom the President finds not to have participated in the disruption, shall be admitted to the remainder of the meeting.

POLICY TITLE: Board Actions and Decisions

POLICY NUMBER: 7130

7130.10 Actions by the Board of Directors include but are not limited to the following:

- 7130.11** Adoption or rejection of regulations or policies;
- 7130.12** Adoption or rejection of a resolution;
- 7130.13** Adoption or rejection of an ordinance;
- 7130.14** Approval or rejection of any contract or expenditure;
- 7130.15** Approval or rejection of any proposal which commits District funds or facilities, including employment and dismissal of personnel; and,
- 7130.16** Approval or disapproval of matters which require or may require the District or its employees to take action and/or provide services.

7130.20 Action can only be taken by the vote of the majority of the Board of Directors. Three (3) Directors represent a quorum for the conduct of business. Actions taken at a meeting where only a quorum is present, therefore, require all three (3) votes to be effective (unless a 4/5 vote is required by policy or other law).

7130.21 A member abstaining in a vote will have their vote recorded as an abstention.

7130.211 Example. If 3 of 5 Directors are present at a meeting, a quorum exists and business can be conducted. However, if 1 Director abstains on a particular action and the other 2 cast "aye" votes, no action is taken because a "majority of the Board" did not vote in favor of the action.

7130.212 Example. If an action is proposed requiring a two-thirds vote and 2 Directors abstain, the proposed action can not be approved because 4 of the 5 Directors would have to vote in favor of the action.

7130.213 Example. If a vacancy exists on the Board and a vote is taken to appoint an individual to fill said vacancy, 3 Directors must vote in favor of the appointment for it to be approved. If 2 of the 4 Directors present abstain,

the appointment is not approved.

7130.30 The Board may give directions which are not formal action. Such directions do not require formal procedural process. Such directions include the Board's guidance to the General Manager, but are not a policy of the Board.

7130.31 The President shall determine by consensus a Board directive and shall state it for clarification. Should any Director challenge the statement of the President, a voice vote may be requested.

7130.32 A formal motion may be made to place a disputed directive on a future agenda for Board consideration, or to take some other action (such as refer the matter to the General Manager for review and recommendation, etc.).

7130.33 Informal action by the Board is still Board action and shall only occur regarding matters which appear on the agenda for the Board meeting during which said informal action is taken.

CARMICHAEL WATER DISTRICT

POLICY TITLE: Minutes of Board Meetings

POLICY NUMBER: 7140

7140.10 The District's Administrative Secretary shall keep minutes of regular and special meetings of the Board.

7140.11 Copies of said minutes shall be made for distribution to Directors with the agenda for the next regular Board meeting.

7140.12 The official minutes of the regular and special meetings of the Board shall be kept in a fire-proof vault or in fire-resistant, locked cabinets.

7140.20 A video and/or audio tape recording of any meeting of the Board of Directors may be made at the request of the General Manager or any Director when such request is approved by a majority of the whole Board.

7140.21 The President will announce the fact that a recording is being made at the beginning of the meeting, and the recording device shall be placed in plain view of all present, so far as is possible.

7140.22 Recordings made during closed sessions of the Board are deemed not to be public records.

7140.23 The recordings, tapes, discs or other electronic data/information storage devices shall be kept in accordance with the District's retention policy.

7140.30 Motions, resolutions or ordinances shall be recorded as having passed or failed and individual votes will be recorded unless the action was unanimous.

7140.31 Resolutions and ordinances adopted by the Board shall be numbered consecutively starting new at the beginning of each calendar year.

7140.40 The minutes of Board meetings shall be maintained as hereinafter outlined.

7140.41 Procedure:

- 7140.411 Date, place and type of each meeting;
- 7140.412 Directors present and absent by name;
- 7140.413 Call to order;
- 7140.414 Name and place in agenda of any Director arriving late;
- 7140.415 Pre-adjournment departure of Directors by name, or if absence takes place when any agenda items are acted upon;
- 7140.416 Adjournment of the meeting;
- 7140.417 Record of written notice of special meetings; and,
- 7140.418 Record of items to be considered at special meetings.

7140.42 Board Actions:

- 7140.421 Approval or amended approval of the minutes of preceding meetings;
- 7140.422 Information as to each subject of the Board's deliberation;
- 7140.423 Information as to each subject including the roll call record of the vote on a motion if not unanimous;
- 7140.424 Board resolutions and ordinances in complete context, numbered serially for each fiscal year;
- 7140.425 A record of contracts entered into;
- 7140.426 Employments, resignations or terminations of employment within the District acted upon by the Board;
- 7140.427 A record of bid procedures, including calls for bids authorized, bids received and other action taken;
- 7140.428 A record of warrants approved for payment;
- 7140.429 Adoption of the annual budget;
- 7140.430 Financial reports, including collections received and deposited and sales of District property, shall be presented to the Board every month;
- 7140.431 A notation of important correspondence, as determined by the General Manager;
- 7140.432 A notation of the General Manager's report to the Board;
- 7140.433 Approval of policies and Board-adopted regulations; and,
- 7140.434 A record of visitors and delegations appearing before the Board.



POLICY TITLE: Rules of Order for Board and Committee Meetings

POLICY NUMBER: 7150

7150.10 General

7150.11 Action items shall be brought before and considered by the Board by motion in accordance with this policy.

7150.111 If a Director believes order is not being maintained or procedures are not adequate, then he/she should raise a point of order – not requiring a second – to the President. If the ruling of the President is not satisfactory to the Director, then it may be appealed to the Board. A majority of the Board will govern and determine the point of order.

7150.20 Obtaining the Floor

7150.21 Any Director desiring to speak should address the President and upon recognition by the President, may address the subject under discussion.

7150.30 Motions

7150.31 Any Director, including the President, may make or second a motion. A motion shall be brought and considered as follows:

7150.311 A Director makes a motion; another Director seconds the motion; and the President restates the motion confirming that the language of the motion is as intended before discussion.

7150.32 Once the motion has been stated by the President, it is open to discussion and debate. After the matter has been fully debated, and after the public in attendance has had an opportunity to comment, the President will call for the vote.

7150.321 If the public in attendance has had an opportunity to comment on the proposed action, any Director may move to immediately bring the question being debated to a vote, suspending any further debate. The motion must be made, seconded, and approved by a majority vote of the

Board to be adopted.

7150.40 Secondary Motions. Ordinarily, only one motion can be considered at a time and a motion must be disposed of before any other motions or business is considered. There are a few exceptions to this general rule, though, where a secondary motion concerning the main motion may be made and considered before voting on the main motion.

7150.41 Motion to Amend. A main motion may be amended before it is voted on, either by the consent of the Directors who moved and seconded, or by a new motion and second.

7150.42 Motion to Table. A main motion may be indefinitely tabled before it is voted on by motion made to table, which is then seconded and approved by a majority vote of the Board.

7150.43 Motion to Postpone. A main motion may be postponed to a certain time by a motion to postpone, which is then seconded and approved by a majority vote of the Board.

7150.44 Motion to Refer to Committee. A main motion may be referred to a Board committee for further study and recommendation by a motion to refer to committee, which is then seconded and approved by a majority vote of the Board.

7150.45 Motion to Close Debate and Vote Immediately. As provided above, any Director may move to close debate and immediately vote on a main motion.

7150.46 Motion to Adjourn. A meeting may be adjourned by motion made, seconded, and approved by a majority vote of the Board before voting on a main motion.

7150.50 Decorum.

7150.51 The President shall take whatever actions are necessary and appropriate to preserve order and decorum during Board meetings, including public hearings. The President may eject any person or persons making personal, impertinent or slanderous remarks, refusing to abide by a request from the President, or otherwise disrupting the meeting or hearing.

7150.52 The President may also declare a short recess during any meeting.

7150.60 Amendment of Rules of Order.

7150.61 By motion made, seconded and approved by a majority vote, the Board may, at its discretion and at any meeting: a) temporarily suspend these rules in whole or in part; b) amend these rules in whole or in part; or, c) both.

CARMICHAEL WATER DISTRICT

POLICY TITLE: **Statement of Interest in Pursuing Consolidation and/or Joint Services**

POLICY NUMBER: **7160**

7160.10 The Board of Directors of Carmichael Water District may pursue, with the consent of the affected District(s), any methods by which the District can achieve economic and water management/water supply efficiencies and effectiveness that would promote the best interests of its respective customers.

7160.11 These methods may include any/all of the following: consolidation, mutual assistance agreement, management services agreement and joint services agreement.

FINDING 2.0

CARMICHAEL WATER DISTRICT

POLICY TITLE: Employee Training, Education, and Conferences

POLICY NUMBER: 4050

4050.10 Employees of the District are encouraged to pursue educational opportunities which are related to their present work or which will prepare them for foreseeable future opportunities within the District.

4050.20 Educational Assistance: The District will reimburse all full time regular employees for approved courses of study based on the following criteria:

4050.21 A reimbursement of the cost of tuition and required class materials (up to the maximum specified below) will be made if the employee receives a grade of "C" or above for the class.

4050.22 No reimbursement will be made to an employee who receives a grade of "D" or below for the class, does not complete the course, or the course is completed but the certification exam is not taken.

4050.23 The District will pay for the cost of tuition, textbooks, and supplies for job related courses after prior approval has been obtained from the General Manager. The contribution made by the District shall be limited to \$500.00 per course, unless otherwise approved by the General Manager.

4050.231 Those employees receiving educational assistance will be required to remain in the employment of the District for a designated time period after completion of the educational program or return all or part of the educational reimbursement.

4050.232 The employee will be required to complete two (2) years of service with the District beyond the date of reimbursement. If the employee leaves the District prior to completing the required time after reimbursement he/she, at the General Manager's discretion, may be required to proportionally repay the District for any reimbursement.

4050.233 Classes requiring two years of service with the District beyond the date of reimbursement: two/four year/advanced degree programs in related field.

4050.24 All course materials must be given to the District for filing in the District library upon completion and before reimbursement is paid.

4050.30 To be eligible for reimbursement of course costs, the employee must receive advance approval for the class(es) from the General Manager. Requests for approval must be submitted in writing. The employee will be notified of final approval, or the reasons for disapproval. Those requests for reimbursement which are received after the class begins will not be eligible for reimbursement.

4050.40 Upon completion of the class(es) the employee is responsible for sending copies of the grade slip(s) and expense receipt(s) to the General Manager for reimbursement.

4050.50 Two types of classes are generally eligible for reimbursement with prior approval per this policy:

4050.51 Classes which are related to the employee's present work assignment or which may prepare him or her for future foreseeable opportunities within the District. Such classes may be taken individually and need not be directed toward a degree or certificate.

4050.52 Classes which are taken as part of the requirement for a degree or certification program.

4050.60 Training: The District will pay for training classes which are related to the employee's present work assignment, for certification requirements for various positions, or for future foreseeable opportunities within the District with prior approval by his/her immediate supervisor.

4050.61 Each employee is responsible to possess and maintain his/her own valid certification and licenses required for his/her position with the District. The District will reimburse the employee for licensing fees and certification fees, which may be required, for certain job classifications.

4050.62 In order to receive reimbursement, the employee must turn in a copy of the new/updated certification or license and a copy of the receipt or canceled check of proof of payment to his/her supervisor.

4050.63 The District will pay for a maximum of three (3) certification tests for any one (1) certification. Any additional tests will be at the employee's expense.

4050.70 Conference Attendance: Attendance by employees at conferences shall be approved by the employees immediate supervisor prior to incurring any costs.

4050.71 Employee's conference travel expenses will be reimbursed per the attached Employee Conference Expense Policy.

FINDING 3.0

CARMICHAEL WATER DISTRICT

POLICY TITLE: Salary Range – Performance Step Program

POLICY NUMBER: 4040

4040.10 Employees' performance will be evaluated regularly utilizing a standardized performance evaluation form. The form has numerical weights applied to the various performance criteria by department and/or position, which provides an overall "score" which determines the overall rating. An employee that scores standard or above standard in all categories on the evaluation will receive a step increase.

4040.11 If an employee receives a below standard in one or more total category scores, the supervisor will outline a work plan for the employee where he/she will have 60 days to bring that category up to standard and maintain standard in all other categories of his/her evaluation.

4040.111 At 60 days, the employee will be reevaluated and if employee is now up to standard the employee will receive his/her step raise.

4040.112 If the employee is still below standard after the additional 60 day review, the employee is subject to disciplinary action up to and including termination.

4040.12 Merit advancement dates are outlined in Policy 4010 – Compensation.

4040.20 It is appropriate that the salary ranges for the District be fluid to enable them to keep pace with the economy and remain reflective of and competitive with water agencies in the region. Each budget cycle, the previous 12 months' Consumer Price Index (CPI) information will be reviewed using the West "A" category. The Board, in its discretion and based on budgetary limitations, may apply any positive change there is in the CPI to the salary ranges (up to a maximum of 3%) effective July 1 for any categories.

4040.30 Every three years, the ACWA (Association of California Water Agencies) Salary and Benefit survey will be reviewed and new "Zone 4 Averages" calculated using the following agencies: Citrus Heights Water District, City of Folsom, City of Roseville, City of Sacramento, El Dorado Irrigation District, Elk Grove Water Service, Fair Oaks Water District, Placer County Water, Sacramento County, Sac Suburban Water District, and San Juan Water District. Results of this exercise may result in adjustments in the salary ranges.

4040.40 Salary ranges, by Group, will be distributed each year.



POLICY TITLE: Public Employees' Retirement System (PERS)
District Employees' Contribution

POLICY NUMBER: 4070

4070.10 The PERS employer rate is variable and is set once a year from PERS actuarial. The PERS employee contribution rate is 7% of base pay.

4070.20 The District will integrate payment of the PERS employees' contribution with the PERS employer contribution for a maximum combined payment by the District of 7%. If the District's PERS employer contribution rate is greater than zero that percentage will be deducted from the District-paid 7% employee contribution, and the difference would be paid by the employee. As the PERS employer contribution rate increases, the amount of District-paid PERS employee contribution will decrease. The District is responsible for paying 100% of the PERS employer contribution. Should the District's PERS employer contribution rate reach 7%, District employees would pay 100% of their PERS employee contribution.

4070.30 Upon notification from PERS of the District's employer contribution rate for the coming fiscal year, Staff will advise the Board.

4070.40 **Example:**
1

District employer contribution rate 0%
then **District-paid employee contribution 7%**
(employee pays -0-)

#2 **District employer contribution rate 2%**
then **District-paid employee contribution 5%**
(employee pays 2%)

NOTE: Total paid by the District towards the PERS employee contribution will not exceed 7%

POLICY TITLE: Health and Welfare Benefits

POLICY NUMBER: 6000

6000.10 Medical Insurance Expense. Health, dental, and vision insurance to cover non-occupational injuries and sickness for all fulltime regular employees, and their dependents (spouse or registered domestic partner and children), shall be provided by the District. The District also provides life insurance and long term disability insurance for fulltime regular employees. The waiting periods vary for each plan and will be discussed with new employees during his/her orientation. The scope of coverage and the payment of premiums are subject to periodic review and revision by the Board of Directors.

6000.11 Continuation of Coverage: In accordance with state and federal law, an employee has the right to continue certain health benefits for limited periods of time after termination of employment.

6000.20 Workers' Compensation Insurance. All District employees will be insured against injuries received while on the job as required by State law.

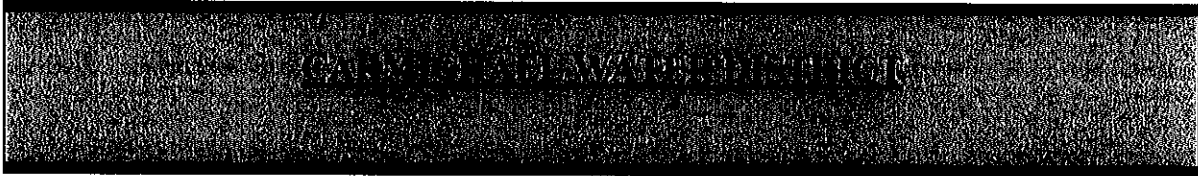
6000.30 Retirement Plan. All full time regular employees shall be enrolled in the District's employee retirement plan (Public Employees Retirement System) effective with the PERS contract requirements for employment. Plan information will be provided to new employees during their orientation.

6000.40 Retiree Medical Benefits. The District will provide medical coverage for retirees as follows:

- A. An employee who has reached age 50 with 15 years of continuous service with the District and applies for PERS retirement benefits will be provided with medical coverage for himself/herself.
 1. Upon reaching age 65, the retired employee will be provided with Medicare supplement coverage as provided by the District's health insurance provider as long as the employee has notified the District office, has been enrolled and is current in Medicare Parts A & B.
 2. The employee is individually responsible to enroll and be current with the Social Security Office for the Medicare Parts A & B prior to turning age 65.

- B. An employee who has reached age 55 with 20 years of continuous service with the District and applies for PERS retirement benefits will be provided with medical coverage for himself/herself and his/her spouse or registered domestic partner.
1. Upon reaching age 65, the retired employee and/or spouse will be provided with Medicare supplement coverage as provided by the District's health insurance provider as long as the employee and/or spouse or registered domestic partner has notified the District office, has been enrolled and is current in Medicare Parts A & B.
 2. The employee and/or spouse or registered domestic partner are individually responsible to enroll and be current with the Social Security Office for the Medicare Parts A & B prior to each one turning age 65.

FINDING 4.0



REGULATION TITLE: Purchasing

REGULATION NUMBER: 3020

3020.10 To purchase small items, such as office supplies, auto parts, and other miscellaneous items costing less than \$500, vendors will be asked to submit pricing information.

3020.11 District accounts are then awarded to those firms that provide the best prices, discounts, payment terms, etc.

3020.12 Acquisitions are processed via purchase order forms.

3020.13 Purchase orders must be approved by the department supervisor or other management personnel

3020.14 Such purchases shall be in conformance with the approved District budget.

3020.20 To purchase items or services costing more than \$500 but less than \$25,000, annual Request for Bid/Quotations will be solicited.

3020.21 Request for Bid/Quotation is to be send to a minimum of three (3) vendors and responses received by telephone, fax, email, or mail prior to the deadline stipulated in the Request.

3020.22 For large quantity orders, including vehicles, the district will provide suppliers with a list of items to be purchased.

3020.23 Purchases for goods or services shall normally be awarded to the lowest, priced, qualified, responsible bidder. Items on the list will be purchased from the supplier quoting the lowest prices and having an acceptable delivery date.

3020.24 Award of the Bid/Quotation to the vendor will be via purchase order which must be approved by the department supervisor or other management personnel.

3020.25 For items costing more than \$500 but less than \$25,000, the annual

Request for Bid/Quotations will be implemented unless there is sufficient sole-source justification and then only with prior approval of the General Manager or Assistant Manager.

3020.26 Such purchases shall be in conformance with the approved District budget.

3020.30 To purchase items costing more than \$25,000, the formal bid process (Request for Proposal) will be implemented.

3020.31 Request for Proposal will be for three (3) distinct categories:

- Vendors
- Professional Services
- Construction/Infrastructure

3020.32 The Request for Proposal is to be advertised in an appropriate publication (based on the type of proposal) for three (3) non-consecutive days.

3020.33 Award of Request for Proposal shall normally be to the lowest priced, qualified, responsible bidder.

3020.34 For items costing more than \$25,000, the formal bid process will be implemented unless there is sufficient sole-source justification and then only with prior approval of the General Manager or Assistant Manager.

3020.35 Such purchases shall be in conformance with the approved District budget.

3020.40 In the case of an emergency affecting public health and safety or operations of the District, the General Manager or designated representative has authority to purchase necessary goods or services in order to resume service or maintain operation of the District.

3020.41 A full accounting of such emergency expenditures by the General Manager will be reported to the board at the next regular board meeting.

3020.42 The budget and/or reserve adjustment recommendation of the General Manager will be presented to the board for discussion and approval.