The Regular Meeting of the Board of Directors was called to order at 6:30 p.m. by President Dion and roll was called. Present were:

Joseph M. Dion, President  
Allen B. Dains, Vice President  
Charles T. Rose, Director  
Robert A. Churchill, General Manager  
David B. Kane, Assistant General Manager  
John J. Townsel, Operations Manager  
David M. Rossi, Project Manager  
Paul A. Dietrich, Senior Engineering Technician

VISITORS

Diane Cumming  
Glenn Ward

Director Dion led the Pledge of Allegiance.

PUBLIC COMMENT

None

CONSENT CALENDAR

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

1. Minutes of the Regular Meeting of August 9, 2011 as amended.  
2. Minutes of the Special Meeting of August 18, 2011.  
OLD BUSINESS

Acceptance of the Bonita Way Storage Building Project

GM Churchill presented a report on the completion of the Bonita Way Storage Building Project. In July of 2010 a contract was executed with Owens Construction for construction of the Bonita Way Storage Building. The original contract amount was $220,000 with an authorized project change order contingency of $11,000. The amount paid to the contractor is $229,632.75 for material, labor and equipment. The amount paid includes two change orders resulting from modifications to the rear access ramps and time delays due to weather. The work was successfully completed on July 28, 2011.

Directors were provided with a spreadsheet documenting the total project cost of $330,862.19 including the cost of design and preparation of construction documents, permit fees, etc., excluding District personnel expense. Directors were also provided with a draft Resolution of Acceptance of the project. Directors and staff discussed the completed project.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No 10-2011 Accepting the Bonita Way Storage Building Project, and authorize the District Secretary to execute and record a Notice of Completion for the Project.

2012 Budgets and Water Rates

AGM Kane delivered a presentation on major issues related to the draft Operating and Capital Improvement Budgets for 2012 and draft water rates for 2012. He explained that this agenda item is a public workshop that is conducted annually as part of the process of developing budgets and rates for the coming year. The workshop affords customers the opportunity to receive information about proposed budgets and rates, and to ask questions and provide input to the Board of Directors.

AGM Kane’s presentation covered the following areas and issue related to budgets and rates for 2012:

- District issues and challenges for 2012, including: the rebuilding of District funds and reserves; economic conditions and operating costs; the need to increase rates over time to cover future operating and capital costs; continuing to hold the rates for bi-monthly service charges at current levels; decreases in water sales; and one-time revenues anticipated from San Juan Water District (SJWD) in 2012 and 2013.

- A draft 2012 Operating Budget of $9.49 million, representing an overall increase of about $542,000, or 6.05 percent, above 2011 authorized levels, including a new position in Operations and a new position in Project Management.
A draft 2012 Capital Improvement Budget of $3.1 million, including several major transmission and distribution main replacement projects, with another $750,000 in projects carried over from 2011. The 2011 Capital Improvement Budget is $2.53 million.

Three water rate options:
- No increase (keep service charges and commodity rates the same as 2011)
- A 1 percent increase (no change to service charge, increase commodity rate by 3 percent)
- A 2 percent increase (no change to service charge, increase commodity rate by 6 percent)

An analysis of rate adjustment alternatives for 2012 through 2016 showing estimated revenue demands and possible rate adjustments for future years under each of the three water rate options presented.

A discussion of the Proposition 218 process for notifying property owners within the District about proposed rate increases.

Directors, staff and members of the public in attendance discussed the proposed budgets and rates, including the future effects of levying no rate increase in 2012. It was also noted that the District would save about $9,000 in the cost of preparing and mailing Proposition 218 notices if no rate increase is being contemplated by the Board of Directors. It was discussed that the three water rate options presented were not the only options that could be considered by the Board. The three options were prepared at the request of Directors in response to budget and rate discussions at the Board’s August 9, 2011 Regular Meeting.

Directors discussed the fiscal impact of the three rate options. Directors noted several factors that compel them to consider keeping rates at current 2011 levels for 2012. These included the relatively small boost in revenue that the District would forego by not levying an increase of 1 or 2 percent, the fact that SJWD is not increasing its wholesale rate for treated water supply in 2012, and the large one-time boost in revenue that the District will receive in reimbursements from the SJWD wholesale water meter replacement project.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to not consider any increase in bi-monthly water rates for 2011, and direct staff not to prepare and mail a Proposition 218 notice in advance of the November 8, 2011 public hearing on 2012 budgets and water rates.

Ms. Cumming and Mr. Ward left the meeting at 8:01 p.m.

Fair Oaks 40-Inch Transmission Pipeline Rehabilitation Project

GM Churchill presented a report on a draft letter to San Juan Water District (SJWD) stating Citrus Heights Water District’s (CHWD) position, historical perspective and
recommendations in regard to the Fair Oaks 40-inch (FO-40) Pipeline Rehabilitation Project. As reported to the Directors at the June 14, 2011 Board of Directors Meeting and discussed further at the July 12, 2011 Board of Directors Meeting, a SJWD Wholesale (SJWD-W) pipeline serving Fair Oaks Water District (FOWD), Orange Vale Water Company (OVWC) and San Juan Water District Retail (SJWD-R), known as the Fair Oaks 40 (FO-40), is in need of rehabilitation and repair. This topic was the leading discussion item at the July 6, 2011 FOWD / CHWD Planning Meeting.

Directors were provided with a copy of a draft letter to SJWD that is intended to provide CHWD’s position, historical perspective and recommendations in regard to the FO-40 Pipeline Rehabilitation Project, especially with respect to the allocation of costs. The letter expresses CHWD’s position that it does not receive any direct benefit or service from the FO-40; and that lacking a defined, documented and agreed-to benefit, CHWD should bear no financial responsibility for the work. The letter also encouraged the Project’s beneficiaries – OVWC, FOWD and SJWD – to come to resolution through negotiation or mediation rather than by litigation on the allocation of costs.

Directors and staff discussed the draft letter. Directors reaffirmed their support of the positions stated in the letter.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to authorize the President of the CHWD Board of Directors to execute a letter to SJWD stating CHWD’s position, historical perspective and recommendations in regard to the FO-40 Pipeline Rehabilitation Project.

Regional Water Authority Regional Water Master Plan Agreement Amendment

GM Churchill presented a report on a proposed Amendment No. 2 to the Regional Water Authority Regional Water Master Plan and Operational System Program Agreement. Directors were provided with a copy of a Regional Water Authority (RWA) report that provides the background of the American River Basin Integrated Regional Water Management Plan (IRWMP) effort funded by the U. S. Army Corps of Engineers (USACE) and a local cost share from 16 RWA member agencies. The local contributions to date total $232,695.59, an average of $14,543. CHWD’s contribution to date is $13,125.00.

Inasmuch as funding from the USACE has concluded, it has been recommended that the RWA Regional Water Master Plan and Operational System Program Agreement end on June 30, 2013 and become a core program of RWA rather than a subscription program. It is further recommended that the remaining funds in the project account, estimated to be between $80,000 and $100,000, be designated to RWA for activities related to implementing and updating the IRWMP. Directors and staff discussed the agreement and the IRWMP. Directors expressed support for this method of allocating the remaining funds in the project account.
It was moved by Director Rose, seconded by Director Dains and carried 3-0 to approve Amendment No. 2 to the Regional Water Authority Regional Water Master Plan and Operational System Program Agreement and authorize execution by the President of the Board of Directors.

NEW BUSINESS

Training/Continued Education/Meetings

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

Bill Printing and Mailing Services Award

AGM Kane presented a report on services for printing and mailing of bills to District customers. He reviewed the history with its current vendor, CSG International, formerly DataProse, that has provided these services for the District since 2001. The District’s business relationship with CSG has undergone significant changes, most recently with the closure of the Oxnard, California facility that once performed all of the District’s bill printing and mailing services. This work is now being performed at a CSG facility in Coppell, Texas. The ongoing change in CSG’s organization and business practices has prompted the District to seek other vendors to provide this service.

Due to the critical nature of delivery of bills and notices to District’s business, selection of a bill printing and mailing vendor does not lend itself to a competitive bid process. The ability to provide responsible, accurate and timely service for a variety of District bills and notices is a critical factor. The District solicited pricing and other information from the following vendors:

- CSG, the District’s current provider, a vendor geared toward serving large national accounts;
- Moonlight Business Process Outsourcing (BPO), a vendor that specializes in serving small and mid-size companies like CHWD; and
- AApplied Mailing Service, a vendor located in Citrus Heights that has handled mailing of the District’s newsletter for years.

After reviewing the District’s requirements, AApplied Mailing Service declined to submit pricing, acknowledging that it could not acquire the equipment and software required to competitively handle the District’s business.

Moonlight BPO has evidenced the ability to meet the District’s requirements, and its references give it high marks for service and responsiveness. Staff has applied typical annual bill printing/mailing quantities to both Moonlight’s pricing and CSG’s pricing to
determine estimated annual costs for both vendors. As computed, the estimated annual cost for the two vendors is as follows:

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Estimated Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSG</td>
<td>$101,555</td>
</tr>
<tr>
<td>Moonlight BPO</td>
<td>$70,352</td>
</tr>
</tbody>
</table>

Directors were provided with a detailed cost comparison for the two vendors.

The District relies heavily upon its bill printing and mailing vendor as essentially an extension of its own billing operations, and this service relationship is no small matter. A recommendation to change bill printing vendors would not be made on pricing alone. However, staff is confident that Moonlight BPO can provide the level of service desired by the District as well as reduce the District’s costs.

The changeover from one bill-printing vendor to another is a process that takes several months, including the creation of bill forms to meet the District’s requirements, testing of the electronic transmittal of billing data, and establishing special delivery arrangements for the District’s Notices of Intent to Terminate. The timing of this change is set to coincide with the expiration of the District’s current annual agreement renewal with CSG on November 19, 2011. Directors and staff discussed the bill printing and mailing vendors, the services provided and the pricing received.

It was moved by Director Dains, carried by Director Rose and carried 3-0 to authorize staff to enter into an agreement for bill printing and mailing services with Moonlight Business Process Output of Bend, Oregon.

**Mutual Aid and Assistance Agreement**

GM Churchill presented a report on a proposed Mutual Aid and Assistance Agreement between Citrus Heights Water District, San Juan Water District, Fair Oaks Water District, Orange Vale Water Company, the City of Folsom and Sacramento Suburban Water District. The San Juan Family of Agencies comprised of the aforementioned agencies have collaborated on a Mutual Aid and Assistance Agreement. Directors were provided with a draft Agreement that is patterned after a prototype developed by the Regional Water Authority through grant funds to be used as a model for use throughout the region.

Directors and staff discussed the Mutual Aid and Assistance Agreement. Directors affirmed their support for this agreement that will facilitate giving and receiving aid among the signatories in emergencies and other circumstances.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution 11-2011 Approving a Mutual Aid and Assistance Agreement between Citrus Heights Water District, San Juan Water District, Fair Oaks Water District, Orange Vale Water Company, the City of Folsom and Sacramento Suburban Water District.
PROJECT MANAGER’S REPORT

PM Rossi reported on the following activities during the month of August 2011 by the Project Management and Engineering Department: projects under construction or pending construction by private contractors and developers; project development/design underway by District staff including the Auburn Boulevard – Cedar Drive to Linden Avenue 12-Inch Ductile Iron Pipeline Replacement Project, and projects under construction or completed by contractors on the District’s behalf including the Mariposa Avenue – Greenback Lane to Limerick Way 16-Inch Steel Pipe Cement Mortar Lining Project. It was reported that the restoration of this 16-inch pipe has been accomplished by inserting 12-inch fusible PVC pipe inside the existing water main because the cement mortar lining technique was unsuccessful. PM Rossi also reported on design coordination underway with the City of Citrus Heights on the City’s Auburn Boulevard Joint Trench Utility Undergrounding Project and the Sunrise Boulevard Complete Street Improvement Project.

OPERATIONS MANAGER’S REPORT

OM Townsel reported as follows:

1. A total of 129 work orders were performed during the past month by Field Operations crews, Administration Field crews and District contractors. The results of recent bacteriological testing, a total of 72 samples, have met all California Department of Public Health requirements.

2. District-wide water consumption for the calendar year 2011 through the end of August 2011 was 9,101.46 acre-feet, a decrease of 21.0 percent compared with the average annual water consumption during the previous five years, 2006-2010.

President Dion called a brief recess to the meeting at 8:29 p.m. OM Townsel, PM Rossi and SET Dietrich left the meeting. The Board reconvened at 8:31 p.m.

DIRECTOR’S AND REPRESENTATIVES REPORTS:

Director Dains reported on a recent meeting of the Regional Water Authority (RWA) that he attended along with GM Churchill.

GM Churchill reported on a meeting of the Regional Water Authority (RWA) Executive Committee that he attended recently.

GM Churchill reported on a notice received from the Association of California Water Agencies (ACWA) regarding committee appointments for the 2012-13 term. Directors and staff discussed the committee appointments.
Director Dion reported on a meeting of the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA) that he attended recently, and other recent matters of interest regarding ACWA-JPIA.

Director Rose discussed recent matters of interest regarding the Sacramento Local Agency Formation Commission (LAFCO).

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

Directors and staff discussed plans for attending an upcoming retirement celebration for Carmichael Water District Director Sandy Kozlen.

ASSISTANT GENERAL MANAGER’S REPORT

AGM Kane reported as follows:

1. Research for a new telephone system for the District offices continued during August, with staff receiving a demonstration of a SureWest system called IPBX. Staff will continue to evaluate alternatives before making a recommendation to the Board regarding a new telephone system.

2. Directors were provided with a summary of Water Efficiency Program activities during the month of August 2011, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. Two violation notices were issued to customers during the month, and both violations have been satisfactorily addressed by the customers. Work continues on Best Management Practice compliance reporting with the California Urban Water Conservation Council. The District will sponsor a booth at Citrus Heights Sunday FunDay at Rusch Park on September 25, 2011.

3. AGM Kane attended a Water Forum Water Caucus meeting on September 8, 2011, and he reported on topics of that meeting’s agenda. Discussion of the draft Water Supply Impact Data for the Lower American River Flow Management Standard (LAR FMS) continues to be a major focus of Water Forum activity. AGM Kane reported on an upcoming meeting of the Water Forum Water Caucus to discuss this data. Cross-caucus discussions regarding the LAR-FMS are expected to begin in early October.

GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

1. Seventeen District employees received recognition for superior attendance, outstanding customer service and quality of work during the month of August
2011. Directors were provided with a list of the employees and items for which each received recognition.

2. The Board of Directors of San Juan Water District (SJWD) took action on the allocation of costs for the Wholesale Transmission Pipeline System Metering Improvements Project on August 10, 2011. Upon receipt of payments from Orange Vale Water Company, Sacramento Suburban Water District and the retail component of SJWD, Citrus Heights Water District is scheduled to receive $893,000.00 in calendar (CY) year 2011 and $252,804.36 in CY 2012 for a total of $1,145,804.36. Directors were provided with a copy of SJWD’s transmittal letter, cost allocation summary and payment/reimbursement schedule. The investigation, development and subsequent agreement as to the equitable allocation of costs for this project took almost two years to complete with GM Churchill as the lead, contributing nearly 220 hours of time to the effort.

3. A list of the General Manager’s significant assignments and activities was provided.

4. The Bonita Way Well and Storage Building are now complete and functioning. An open house for District staff and others involved in the construction and funding of the projects may be appropriate, including inviting representatives from neighboring water agencies. Directors requested the General Manager to prepare a plan for such an event, tentatively sometime during October 2011.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated August 15, 2011 from CHWD customers Scott and Sandy Sell extending wishes for a long, happy retirement to former CHWD employee Lonnie Moore who retired in May 2011.

2. Letter from Tom Gray, General Manager, Fair Oaks Water District, dated September 13, 2011 to Shauna Lorance, General Manager, San Juan Water District (with copies to CHWD, Orange Vale Water Company and Sacramento Suburban Water District) responding to SJWD’s 150-Day Notice regarding proposed changes in wholesale water charges to recover SJWD’s costs for the Fair Oaks 40-Inch Pipeline Rehabilitation Project.

FUTURE MEETINGS

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

There being no other business to come before the Board, the meeting was adjourned at 9:02 p.m.

APPROVED:

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

Original signed by: Joseph M. Dion
JOSEPH M. DION, President
Board of Directors
Citrus Heights Water District