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
Pamela L. Peters, Office Administrator

VISITORS

Bori Touray, Parsons Brinckerhoff
Warren “Skip” Johnson, Forsgren Associates

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 September 13, 2011 as amended.
5. Bills to be Paid for September 2011.
7. Summary of 2011 Directors, Officers and Employees Training, Seminars and Conference Expenses.

OLD BUSINESS

2012 Budgets and Water Rates

AGM Kane presented a report with updated information related to the draft budgets for 2012 and draft water rates for 2012. At its September 13, 2011 Regular Meeting, the Board of Directors conducted a Public Workshop on 2012 Operating and Capital
Improvement Budgets and 2012 Water Rates. At that meeting, Directors received a presentation on major budget, revenue and rate issues for 2012 and discussed these issues with CHWD staff. The Board determined that there will be no change to water service charges or commodity rates for 2012; therefore, no Proposition 218 notice to property owners is required this year. The Board may still consider adjusting other charges and fees that are set forth in the CHWD rate schedule.

AGM Kane summarized the adjustments made by staff to the draft 2012 operating and capital improvement budgets since the September Board meeting. Directors were provided with budget binders containing detailed information on budgets and rates for 2012.

The 2012 Operating and Capital Improvement Budgets are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Sept. 13 Draft</th>
<th>Oct. 11 Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Budget</td>
<td>$ 9,487,274</td>
<td>$ 9,275,752</td>
</tr>
<tr>
<td>Capital Projects Budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New 2012 Projects</td>
<td>$ 3,070,076</td>
<td>$ 3,286,311</td>
</tr>
<tr>
<td>2011 Carry-over Projects</td>
<td>$ 750,000</td>
<td>$ 1,409,299</td>
</tr>
<tr>
<td>Total Operating &amp; Capital</td>
<td>$ 13,307,350</td>
<td>$ 13,971,372</td>
</tr>
</tbody>
</table>

The decrease in the proposed Operating Budget is primarily the result of salary, material and contract services costs in the Operating Budget than have been identified as related to capital projects. With the development of more detailed capital project budgets, capital contributions from Operating Budget accounts have been refined and dollar amounts transferred accordingly from the Operating Budget to the Capital Projects Budget. Directors were referred to the budget binders for a summary of the 2012 Operating Budget and line-item Operating Budget detail.

In the Capital Projects Budget, there have been dollar increases from the amounts presented at the September 13 Board meeting in both the new 2012 projects as well as carry-overs for completing 2011 projects. The dollar increase in New 2012 Projects is due almost entirely to the addition of $250,000 to Project 2012-11, Groundwater Well No. 13 Design, to provide funds for acquisition of a well site for the new well.

AGM Kane outlined the highlights of proposed 2012 spending for operations and capital improvements.

**Operating Budget:** $9.28 million, increase of 3.69% ($330k) from 2011 budget

- Includes $1.85 million transfers to Capital Improvement and Depreciation Reserves. A return to the Board’s policy of transferring one-half the amount of calculated depreciation ($855,000 for 2012) is being recommended after suspending this policy for the past three years to reduce the impact on budget and rates.
• Two new positions proposed: Engineering Aide and Water Quality Aide (position titles under review), at a total annual cost (salary and benefits) of about $105,000.
• No increase in treated water cost from San Juan Water District.
• Salary COLA increases of 3.1% (June 2011 CPI) and merit increases of up to 1.5% at the discretion of the General Manager.
• Health insurance benefit cost increases budgeted at 10%.
• Increased regulatory compliance costs such as permitting, Sacramento County encroachment charges, NPDES, air quality, and water conservation.
• Hold-the-line operating budgets in Customer Service & Administration and Transmission and Distribution expenses similar to 2011.

Capital Improvement Budget: $4.7 million ($3.3 million in new 2012 projects plus $1.4 million in carry-over projects from 2011 approved projects)

Project highlights include:
• Completion of Auburn Boulevard 12-Inch Water Main ($720k carry-over from 2011)
• Replacement of aging distribution mains on Livoti Avenue and Frances Avenue (2012 project for $328k + $160k carry-over from 2011)
• Improvements/expansion to the Administration Building ($325k)
• New 18-inch transmission main on Old Auburn Road from Sunrise Boulevard east to Soquel Way ($385k carry-over from 2011)
• New groundwater well design, including site acquisition ($499k)
• New and replacement Operations equipment including a third vacuum trailer for the District, three replacement vehicles and major upgrades to the yard loader ($193k)
• Information system component replacements ($62k)
• Replacement of water service connections, valves and miscellaneous pipelines (Other transmission/distribution main replacement/rehabilitation ($571k)

Total Budgets for 2012 (including carry-overs): $13.97 million
Total Revenue Requirements for 2012 Budgets: $12.12 million
(Total Budgets less Reserve Transfers: ($13.97 million - $1.85 million = $12.12 million)

Directors were provided with a schedule showing a comparison between proposed 2012 and adopted 2011 rates, charges and fees. As directed by the Board at the September 13,
2011 workshop, the schedule proposes no rate increase for bi-monthly service charges or commodity charges for 2012.

Changes to the 2012 water rate schedule were briefly summarized as follows:

- No changes to bi-monthly service charges or commodity charges for water consumed.
- No changes to other charges such as Wheeling Water Charges, Construction Meters and Construction Water, flat rate accounts and Fire Sprinkler Charges whose rates are tied to the bi-monthly service charges and commodity charges.
- A bi-monthly Backflow Prevention Assembly Testing Charge to recover the cost of the District providing this testing service for all customer-owned devices.
- Adjustments to Capacity Fees based on the October 2011 Water System Capacity Fee analysis, included in Section 9 of the budget binders.
- Minor adjustments to other charges and fees based on staff analysis of the cost of providing these services.

Budget summaries and the proposed 2012 rate schedule have been made available on the CHWD website.

Directors and staff discussed the proposed budgets and rates for 2012. Proposed adjustments to several of the charges and fees were discussed. Directors expressed that they were satisfied with the proposed budgets and rates as presented, and directed that preparation of the final documents for adoption be done in accordance with the draft documents presented at this meeting.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to call for Public Hearings on the 2012 Operating and Capital Improvement Budgets and Water Rates and Miscellaneous Charges and Fees for 2012.

OA Peters left the meeting at 7:00 p.m

NEW BUSINESS

Training/Continued Education/Meetings

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

Public Information Service Consultant

AGM Kane presented a report on a proposed amendment to the agreement with CirclePoint to extend the existing agreement for public information services related to the District’s newsletters and web site. The District has contracted with CirclePoint since August 2008 for public information services to produce the WaterLine customer
District staff continues to be very pleased with the quality and responsiveness of CirclePoint’s services. They have been responsive to the District’s requests for controlling costs, spending less than $15,000 of the total authorized $24,970 under the current contract amendment.

The proposed new amendment, Amendment No. 2 to the agreement with CirclePoint, includes a total contract authorization of $47,450. This amount is sufficient to provide services for producing four editions of the WaterLine plus ongoing content management, updates and troubleshooting for the District’s website. Directors were provided with a proposed Scope of Services for the amendment. Circlepoint’s hourly rates have remained the same or in some cases were reduced since the inception of the agreement in 2008. Current rates will remain in effect at the start of Amendment No. 2, but are subject to an unspecified escalation in January 2012. If approved, work will begin immediately for the development of the Winter 2012 edition of the WaterLine newsletter. Directors and staff discussed CirclePoint’s services and the proposed amendment.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to authorize the General Manager to execute an Amendment No. 2 to the Agreement for Public Information Services with CirclePoint of Sacramento, California, in an amount not to exceed $47,450.00.

Capital Improvement Project Appropriations for 2011

GM Churchill presented a report on proposed additional capital project appropriations for Project 2011-03, Auburn Boulevard 12-Inch Water Main Replacement, and for a new Project 2011-17, Old Auburn Road 18-Inch Transmission Main. The Board of Directors approved the 2011 Capital Improvement Budget in November 2010 that included 15 projects with a total appropriation of $2,530,266.

Since that time, the estimated project cost for one project, the Auburn Boulevard 12-Inch Water Main Replacement, has increased significantly, requiring an additional appropriation beyond the amount approved in the 2011 Capital Projects Budget. A project appropriation of $973,825 was approved by the Board of Directors in the 2011 budget. Now that the construction bid has been awarded, the construction cost is now known and the estimated total project cost has been increased to $1,345,823. An additional project appropriation of $371,998 is recommended to fund the project to completion. Construction, already underway, is expected to be completed by June 2012.

The need has arisen to begin work on another capital project in 2011 that was not on the approved schedule of 2011 projects. The Old Auburn Road 18-Inch Transmission Main project, Project 2011-17, was originally scheduled in the District’s 10-Year CIP to be
performed in 2018. However, planned street improvements in 2012 by the City of Citrus Heights within the route of this proposed new 18-inch transmission main make it prudent for the District to start work now to design and install the transmission main prior to the City’s project. A project appropriation of $428,540 is recommended to support design and construction of this project. Construction of the new transmission main is tentatively scheduled to start in February 2012 and be completed by April 30, 2012.

With these additional project appropriations, the 2011 Capital Projects Budget will stand as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted 2011 Capital Projects Budget</td>
<td>$2,530,266</td>
</tr>
<tr>
<td>Additional project appropriations:</td>
<td></td>
</tr>
<tr>
<td>Project 2011-03 Auburn Bl. 12-Inch</td>
<td>$ 371,998</td>
</tr>
<tr>
<td>Project 2011-17, Old Auburn Rd. 18-Inch</td>
<td>$ 428,540</td>
</tr>
<tr>
<td>Total Amended 2011 Capital Projects Budget</td>
<td>$3,330,804</td>
</tr>
</tbody>
</table>

It is estimated that for the 2011 Capital Projects Budget as a whole, about $1.4 million in project appropriations for 2011 will be carried over to 2012 for completion of projects approved in the 2011 budget. Directors and staff discussed the projects and the recommended additional appropriations.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to approve an additional capital project appropriation for Project 2011-03, Auburn Boulevard 12-Inch Water Main Replacement, in the amount of $371,998; and an appropriation for a new Project 2011-17, Old Auburn Road 18-Inch Transmission Main, in the amount of $428,540.

Sacramento Local Agency Formation Commission Special District Commissioner

GM Churchill presented a report on the ballot process for Special District Commissioner on the Sacramento Local Agency Formation Commission (LAFCo). An election for Special District Commissioner Office No. 6 on the Sacramento Local Agency Formation Commission (LAFCo) is being conducted. The candidates are:

- Gil Albiani  Cosumnes Community Services District
- Duane Anderson  Rio Linda Elverta Recreation & Park District
- Fredrick Gayle  Sacramento Suburban Water District
- Ron Greenwood  Carmichael Water District

Citrus Heights Water District Director Charles Rose is currently the LAFCo Special District Commissioner for Office No. 6 and is not seeking re-election. Directors were provided with a copy of the ballot and cover letter from LAFCo. Directors discussed the candidates.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to cast the Citrus Heights Water District’s ballot for Special District Commissioner Office No. 6 on
the Sacramento Local Agency Formation Commission for Ron Greenwood, Director, Carmichael Water District.

Sacramento Region Water Resource Coalition

GM Churchill presented a report on a proposed resolution to support Sacramento regional principles for a Delta solution. Directors were provided with a copy of the Sacramento Region Water Resource Coalition Framework document and a draft resolution of support.

As expressed in the Framework document, the coalition would include members such as the Sacramento Area Council of Governments (SACOG), the Regional Water Authority (RWA), the Northern California Water Association (NCWA) and the Mountain Counties Water Resources Association (MCWRA) and others. Since the impacts of a Delta solution could be widespread and pervasive in the Sacramento region, the coalition would seek support from a broad and diverse group of interests, including business, labor and local governments. The coalition would focus on shared regional concerns and would not be intended to replace or constrain individual actions on issues, but to complement and strengthen such efforts.

Directors and staff discussed the possible functions and specific activities of the coalition. Directors acknowledged the importance of representing and protecting the interests of CHWD customers and of the greater Sacramento region in the development of the Delta Plan.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 12-2011 Supporting Sacramento Regional Principles for a Delta Solution.

Policy Adoption and Amendments

GM Churchill presented a report on adoption of, or amendments to, various District policies. Copies of the draft policies or policy amendments were provided to Directors as follows:

- **Board of Directors and Officers Policy:**
  - Adopt Policy 2210 - Post Offer of Appointment Background Investigation
  - Stipulates background checks for District Officer appointments

- **Human Resources Policies:**
  - Amend Policy 4112 – Overtime Pay and Recruitment
  - Amends job titles

  - Amend Policy 4530 – Uniforms and Dress Code
  - Amends job titles

  - Amend Policy 4610 Attachment 1 - Evaluation Form
  - Minor wording change

Directors and staff discussed the proposed new policy and amendments to the existing policies.
It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt or amend the following District policies as presented:

Board of Directors and Officers Policy No. 2210 – Post Offer of Appointment Background Investigation
Human Resources Policy No. 4112 – Overtime Pay and Recruitment
Human Resources Policy No. 4530 – Uniforms and Dress Code
Human Resources Policy No. 4610 – Attachment 1 - Evaluation Form

PROJECT MANAGER’S REPORT

PM Rossi reported on the following activities during the month of September 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, and projects under construction or completed by contractors on the District’s behalf including the Mariposa Avenue – Greenback Lane to Limerick Way 16-Inch Water Main Rehabilitation Project, nearly complete except for minor paving and striping work, and the Auburn Boulevard – Cedar Drive to Linden Avenue 12-Inch Water Main Replacement Project. Regarding the Auburn Boulevard project, it was reported that the contractor is now pot-holing in advance of their construction work. 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.

At the conclusion of PM Rossi’s report, GM Churchill announced that Mr. Rossi has announced his intention to retire from service with CHWD on March 15, 2012. Directors expressed congratulations to Mr. Rossi on his upcoming retirement.

OPERATIONS MANAGER’S REPORT

OM Townsel reported as follows:

1. A total of 116 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 September 2011 was 10,814.23 acre-feet, a decrease of 19.3 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 7:34 p.m. OM Townsel, PM Rossi and Mr. Touray left the meeting. The Board reconvened at 7:36 p.m.
DIRECTOR’S AND REPRESENTATIVES REPORTS:

Director Dion reported on recent matters of interest regarding the Regional Water Authority (RWA).

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

Director Rose reported on an upcoming meeting of the Sacramento Groundwater Authority (SGA).

Director Rose reported on a recent San Juan Water District Executive Committee meeting that he attended along with GM Churchill and AGM Kane.

Director Dion reported on recent matters of interest regarding the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA).

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

AGM Kane reported on an upcoming meeting of the Chamber of Commerce Government Issues Committee.

ASSISTANT GENERAL MANAGER’S REPORT

AGM Kane reported as follows:

1. A Request for Proposals (RFP) for a new telephone system for the District offices was issued during the first week in October 2011. The RFP is not a “bid” but a process by which business telephone system vendors and their proposed products and services can be evaluated to determine the vendor and approach best suited to meet the District’s needs. Proposals are due at the end of October. A recommendation of telephone system award is tentatively scheduled for the Board’s December 13, 2011 meeting.

2. Directors were provided with a summary of Water Efficiency Program activities during the month of September 2011, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. One violation notice was issued to a customer during the month. BMP compliance reporting for the California Urban Water Conservation Council was submitted during September 2011. CUWCC will review the District’s submittal and may respond with questions or requests for changes or clarifications. Staff is also preparing information for submission to the USBR, through San Juan Water District, to comply with USBR Water Management Plan requirements.

3. Production of the next edition of the District’s WaterLine newsletter is underway,
with a kickoff meeting conducted in early October. For this edition, staff proposes to feature a story on the Delta Plan and efforts in which CHWD is participating to ensure that its customers’ interests are represented and protected. An article informing customers of no rate increases for 2012 will also be included. The Winter 2012 WaterLine is tentatively scheduled to be delivered to customers in early January 2012.

4. The District sponsored a booth at the annual Citrus Heights Sunday FunDay on September 25, 2011, at Rusch Park. Seven District employees gave up part of their Sunday to help staff the booth for this event. The District participates in this event each year as an opportunity to gain public exposure for its services and water conservation programs.

5. AGM Kane will attend the first Cross Caucus Meeting regarding the Water Forum Flow Management Standard on October 19, 2011. Directors were provided with a copy of the agenda for that meeting. The meeting will include discussions of fundamental elements of the 2000 Water Forum Agreement as well as an assessment of where the Agreement currently stands with regard to Lower American River Fisheries, water supply and state-wide water planning. A series of Cross-Caucus meetings is envisioned to help determine how best to proceed with the Flow Management Standard for the Lower American River.

GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

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

2. Retired CHWD Water Quality Superintendent Curtis Alan Perkins passed away in Elko, Nevada in September 2011. Curt was employed by the District for nearly 12 years until his retirement in July 1998. He previously worked for San Juan Water District. Directors were provided with a copy of Mr. Perkins’ obituary from the Elko Daily newspaper.

3. The Bonita Way Well and Storage Building are now complete and functioning. Directors and staff discussed the timing of holding an open house for District staff and others involved in the construction and funding of the project, along with representatives from neighboring water agencies. Because the event will be primarily outdoors and with rain and cooler weather now arriving, Directors agreed that the event should be deferred until sometime in the spring.

4. A list of the General Manager’s significant assignments and activities was provided.
5. On the morning of September 21, 2011, KCRA-TV 3 reported a major water leak on Larwin Drive in Citrus Heights; and that repair crews were on site and the media was enroute to the site. The previous afternoon, a homeowner preparing to stabilize a fence on his property drove a rebar into the 6-inch ACP water main at a depth of four feet immediately behind the sidewalk on Larwin Drive at Olive Tree Court. The main was damaged but not leaking badly. However, in the early morning hours, the main ruptured A District repair crew responded immediately and was on scene from 2:00 a.m. until 6:00 a.m. The repair was completed and water service restored just prior to media arrival. The homeowner was performing sub-surface work without first contacting Underground Service Alert and has been billed $2,078.44 for the repair.

CORRESPONDENCE

Correspondence was discussed and ordered filed as follows:

1. Letter dated September 30, 2011 from Timothy Quinn, Executive Director, Association of California Water Agencies (ACWA) to the Delta Stewardship Council, submitting ACWA’s comments on the fifth draft of the Delta Stewardship Council’s staff Delta Plan.

FUTURE MEETINGS

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

ADJOURNMENT

There being no other business to come before the Board, the meeting was adjourned at 8:17 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