The Regular Meeting of the Board of Directors was called to order at 6:31 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  
Paul A. Dietrich, Senior Engineering Technician  
Timothy R. Cutler, Water Distribution Specialist  
David M. Gordon, Construction Inspector

VISITORS

Bori Touray, Parsons Brinckerhoff

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:

2. Minutes of Special Meeting of August 18, 2011.
PUBLIC HEARINGS

2012 Operating and Capital Improvement Budgets

AGM Kane delivered a presentation on the proposed Operating and Capital Improvement Budgets, Water Rates and Capacity Charges for 2012. Directors were provided with a binder containing the proposed Annual Budget for Fiscal Year 2012, including summaries and detail line-item presentations of the Operating and Capital Improvement budgets for 2012. The binder also included information related to District rates and charges for 2012, and finances and planned capital improvements for 2012 and future years.

Directors have reviewed draft budget information at three prior Board of Directors meetings beginning with the August 9, 2011 Board meeting and continuing at the September 13, 2011 meeting (a Public Workshop) and the October 11, 2011 meeting. The dollar amounts for the 2012 budgets being presented for adoption at this meeting have not changed from those reviewed by the Board at their October 11 meeting.

AGM Kane outlined the Operating and Capital Improvement Budgets for 2012. For 2012, District staff is proposing budgets that will control operating costs while maintaining current service levels; and increase the level of reinvestment in CHWD water pipelines and other infrastructure compared to recent fiscal years.

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

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<tr>
<th>Proposed 2012</th>
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<tr>
<td>Operating Budget</td>
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<tr>
<td>Capital Projects</td>
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<td>New 2012 Projects</td>
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<td>2011 Carry-over</td>
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<td>Total Operating &amp;</td>
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Proposed 2012 spending for operations and capital improvements were highlighted as follows:

**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% (to be adjusted based on the October Consumer Price Index) and merit increases of up to 1.5% at the discretion of the General Manager, resulting in a total aggregate salary increase authorization not to exceed 4.6%.

• Health insurance benefit cost increases budgeted at 10%.

• Increased regulatory compliance costs such as permitting, NPDES, air quality, 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)

The total revenue requirement for the proposed 2012 budgets is $12.12 million. This amount represents the total Operating and Capital Improvement Budgets less budgeted Reserve Transfers.

Director Dion opened the Public Hearing. No comments were received from the public
regarding the District’s budgets for 2012. Director Dion closed the Public Hearing.

Directors and staff discussed the proposed Operating and Capital Improvement Budgets for 2012.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to adopt Resolution No. 13-2011 Establishing Fiscal Year 2012 Operating and Capital Improvement Budgets.

2012 Water Rates, Miscellaneous Charges and Fees

AGM Kane’s presentation under the previous agenda item provided an overview of the proposed Water Rates and Miscellaneous Charges and Fees for 2012. He noted that Capacity Fees will be considered in a separate Public Hearing following the Public Hearing on water rates. Directors were provided with a draft resolution adopting water rates, charges and fees for 2012. There were no changes to the proposed water rates, charges and fees as presented at the October 11, 2011 Board meeting, with the exception of removing the Capacity Fees to be considered as a separate item on the agenda.

District customers were initially notified of the Public Hearings for budgets and water rates via the District’s Summer 2011 WaterLine newsletter. Notice of this Public Hearing was also published in the Sacramento Bee newspaper, posted on the District’s web site, and posted on the public notice board at the entrance to the District Office.

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, 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 was required this year.

Directors were provided with a schedule showing proposed 2012 Water Rates, Fees and Charges with no rate increase for bi-monthly service charges or commodity charges. Significant elements of the 2012 water rate schedule are 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.
- Minor adjustments to other charges and fees based on staff analysis of the cost of providing these services.

Directors were also provided with 2012 Revenue Estimates based on proposed 2012 water rates, charges and fees. Total estimated revenues for 2012 are about $10.7 million.
A 2012 Funds and Reserves Summary, also provided to Directors, presented a forecast of 2012 year-end balances for all District Funds and Reserves based upon estimated revenues and spending as approved in the 2012 Operating and Capital Improvement Budgets. This summary projects that total District Funds and Reserves will decrease by $1.36 million dollars by year-end 2012, ending the year at about $6.1 million. As discussed at the Public Workshop and other Board meetings during the 2012 budget and rate process, the Board will need to consider water rate increases in future years to carry out $39.6 million in capital improvements now planned through the Year 2021 and to maintain financial reserves at appropriate levels.

Director Dion opened the Public Hearing. A question was received from Mr. Touray regarding what water rate adjustment alternatives the Board may have considered during their deliberations for 2012. AGM Kane responded that the Board had been presented with rate alternatives with water rate increases up to 2 percent for 2012. He explained that an increase of this magnitude would generate about $180,000 of additional revenue in 2012, not an amount that would significantly boost District finances during the year. Because of this relatively low amount of additional revenue, and in recognition of the continuing weak economy and the financial challenges experienced by some of the District’s customers, Directors determined that there would be no water rate increase for 2012. Mr. Touray stated that he had no further comments or questions. Director Dion closed the Public Hearing.

Directors and staff discussed the proposed Water Rates and Miscellaneous Charges and Fees for 2012.

It was moved by Director Dains, seconded by Director Rose and carried 3-0 to adopt Resolution No. 14-2011 Establishing Water Rates and Miscellaneous Charges and Fees for Citrus Heights Water District for 2012.

**Capacity Charges Policy Amendments**

GM Churchill presented a report on proposed amendments to District Accounts Receivable Policy No. 7500, Connection Fees. The District’s method of collecting Connection Fees, also referred to as Capacity Charges, was initially set up to collect fees attributable to facilities constructed for new connections to the water system. More recently, the basis for these fees has been based upon new connections “buying-in” to their proportionate value of the existing District assets. The proposed policy amendment and re-titling from Connection Fees to Capacity Charges sets forth and clarifies this practice. This proposed policy change is being presented prior to the Board’s consideration and Public Hearing on 2012 Capacity Charges.

Directors were provided with a copy of Policy No. 7500 showing the proposed amendments. Directors and staff discussed the amendments to the policy.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to approve amendments to District Accounts Receivable Policy No. 7500, Capacity Charges as presented.
2012 Capacity Charges

AGM Kane’s earlier presentation on budgets and rates provided an overview of the proposed Capacity Charges for 2012. Capacity Charges have previously been considered concurrently with other District water rates, charges and fees. Recent research on State statutes suggests that Capacity Charges should be considered in a separate Public Hearing and Board action. Notice of this Public Hearing was published in the Sacramento Bee newspaper, posted on the District’s web site, and posted on the public notice board at the entrance to the District Office. Directors were provided with a draft resolution adopting Capacity Charges for CHWD for 2012, including a schedule of Capacity Charges.

Capacity Charges are a method for ensuring that new connections, reconnections or enlarged connections to the District’s water system are assessed for their equitable share of capacity in the existing facilities and assets of the District. The “System Buy-In Methodology” upon which capacity charges are determined was first established at the District as a product of the 1999 Long-Range Financial Plan. The capacity charge recognizes the current value of providing the capacity needed to serve additional users.

Proposed Capacity Charges for 2012 were calculated in accordance with District Policy No. 7500, Capacity Charges, as adopted by the Board prior to this agenda item. Directors were provided with a Summary of Water System Capacity Charge – October 2011 Revision in their budget binders that provides the information used to calculate the charges. There are no changes to the proposed Capacity Charges as they were presented at the October 11, 2011 Board meeting. Although these Capacity Charges will be adopted as a separate Board action, once adopted they will be incorporated into the schedule of CHWD Water Rates and Miscellaneous Charges and Fees for 2012.

Director Dion opened the Public Hearing. No comments were received from the public regarding the District’s Capacity Charges for 2012. Director Dion closed the Public Hearing.

Directors and staff discussed the proposed Capacity Charges for 2012.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt Resolution No. 15-2011 Adopting Capacity Charges for Citrus Heights Water District for 2012.

AGM Kane expressed appreciation to OA Peters for her work in development and preparation of the 2012 budgets and water rates. OA Peters left the meeting at 7:09 p.m.

OLD BUSINESS

Mariposa Avenue Water Main Rehabilitation Project

Senior Engineering Technician Paul Dietrich and Construction Inspector David Gordon delivered a presentation on the challenges, lessons learned and success of the Mariposa
Avenue Water Main Rehabilitation Project.

At the April 26, 2011 Board of Directors Special Meeting, a competitive bid was awarded to Mainlining Service, Inc. (MSI) to clean and apply cement-mortar lining to the interior of the 16-inch water main and perform other associated water main construction tasks on Mariposa Avenue from Greenback Lane south to Limerick Way.

The cement-mortar lining effort was unsuccessful despite eight attempts by the contractor to apply the lining. Video inspection after the cleaning efforts of the contractor suggested that this pipeline may not have been a worthy candidate for lining; and there were concerns about the reliability of the lining as a method to significantly extend the life of the facility.

District staff and the contractor evaluated three alternatives to complete the project. The preferred and lowest-cost alternative was inserting 12-inch fusible PVC pipe inside of the 16-inch steel pipe. The work is complete and this section of pipeline is back in service.

A Resolution authorizing the filing of a Notice of Completion for the Project will be presented for consideration by the Board of Directors at the December 13, 2011 Regular Meeting. Project cost information will be provided at that time as will letters from Mainlining Service, Inc. and Kennedy Jenks Engineers offering their opinions on the failure of the cement-mortar lining effort.

Directors thanked SET Dietrich and CI Gordon for an interesting and informative presentation.

Auburn Boulevard Water Main Replacement Project

PM Rossi presented a status report on the Auburn Boulevard Water Main Replacement Project. Construction of this project to replace the water main on Auburn Boulevard from Cedar Drive to Linden Avenue began on October 10, 2011 with work starting at the northerly end of the project. Mountain Cascade, Inc. of Livermore, CA is the general engineering contractor performing this work for the District. Paul Lopez of the ICM Group is the District’s contract resident inspector for the project.

Major project elements were summarized. About 1,425 lineal feet (lf) of new 12-inch water main has been installed to date of 3,140 lf specified for the project.

Directors and staff discussed the progress on the project.

Fair Oaks 40-Inch Transmission Pipeline Rehabilitation Project

GM Churchill presented a report on recent correspondence related to the Fair Oaks 40-Inch Transmission Pipeline Rehabilitation Project. At the September 13, 2011 Board of Directors, the Board President was authorized to execute a letter to the President of the Board of Directors of San Juan Water District (SJWD) stating CHWD’s position,
historical perspective and recommendations in regard to the FO-40 Pipeline Rehabilitation Project. That letter was delivered to SJWD, and SJWD has responded in writing.

Directors were provided with a copy of SJWD’s October 13, 2011 response to the District’s comment letter. Directors were also provided with a copy of SJWD’s letter responding to comments provided by Fair Oaks Water District. Directors and staff discussed the correspondence.

NEW BUSINESS

Training/Continued Education/Meetings

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

Fiscal Management Policy Amendments

AGM Kane presented a report on proposed amendments to two District Fiscal Management policies Policy No. 6000, Budget Preparation and Adoption, and Policy No 6460, Check Signing Authority.

Policy No. 6000, Budget Preparation and Adoption, has remained in its original form since its adoption in March 1997. Since that time there have been numerous changes and enhancements to the District’s budget process, including the separation of the single “annual budget” into an Operating Budget and Capital Improvement Budget, additions and deletions to line item expense accounts, and other changes.

The proposed amendments to Policy No. 6000 address the changes to the structure of the budgets. The amended language gives the Board of Directors the latitude to vary the timing of the budget process from year to year as required. The amended policy is also written in a manner that will not preclude the consideration of multi-year budgets if desired by the Board in future years.

Policy No. 6460, Check Signing Authority, was most recently amended in 2002. As proposed, the title of this policy will change to “Policy No. 6460, Disbursement of Funds” to incorporate all forms of disbursement of District funds including electronic forms of payment.

The amended policy proposes to keep the dollar level for approval of disbursements by two Directors at $8,000 or greater, with exceptions for disbursements for payroll, benefits and taxes, bond payments, and other disbursements as specifically approved by the Board. Amendments to the policy are also proposed for consistency with District job titles and to specify Deputy Officers as authorized to approve disbursements in the absence of the Officer.
Directors were provided with a copy of the Policy with proposed amendments for both policies. Directors and staff discussed the amendments.

It was moved by Director Rose, seconded by Director Dains and carried 3-0 to adopt the following District Fiscal Management Policies with amendments as presented: Policy No. 6000, Budget Preparation and Adoption; and Policy No. 6460, Disbursement of Funds.

PROJECT MANAGER’S REPORT

PM Rossi reported on the following activities during the month of October 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, recently completed, and the Auburn Boulevard – Cedar Drive to Linden Avenue 12-Inch Water Main Replacement Project. 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.

It was reported that the following water facilities improvements, added to the District’s water distribution system by independent contractors on behalf of private developers/owners, have been inspected by the District and formally approved:

- Nation’s Giant Hamburger, 5450 Sunrise Boulevard, Citrus Heights
  Cosmetic improvement made to existing District facilities including an insulated backflow enclosure.
  Value: $ 0.00

OPERATIONS MANAGER’S REPORT

OM Townsel reported as follows:

1. A total of 94 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 October 2011 was 11,800.26 acre-feet, a decrease of 19.8 percent compared with the average annual water consumption during the previous five years, 2006-2010.

3. OM Townsel attended the American Water Works Association, California-Nevada Section Conference on October 18-20, 2011. He reported on conference
highlights and educational and training sessions he attended at the conference.

President Dion called a brief recess to the meeting at 8:35 p.m. SET Dietrich, CI Gordon, WDS Cutler, OM Townsel, PM Rossi and Mr. Touray left the meeting.

The Board reconvened at 8:37 p.m.

DIRECTOR’S AND REPRESENTATIVES REPORTS:

Director Dion reported an upcoming meeting of the Regional Water Authority (RWA) and on the RWA Annual Holiday Social scheduled for December.

Director Rose reported on a meeting of the Sacramento Groundwater Authority (SGA) that he attended recently along with Director Dains and GM Churchill.

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

Directors Dains, Dion and Rose discussed logistics for their upcoming attendance at the Association of California Water Agencies (ACWA) Fall Conference in Anaheim, California. Director Rose was appointed as the District’s voting delegate for the election scheduled to be conducted at the conference.

Director Dion reported on a teleconference meeting of the Association of California Water Agencies - Joint Powers Insurance Authority (ACWA-JPIA) that he attended recently.

Director Rose discussed recent matters of interest regarding the City of Citrus Heights, including efforts to gain the City’s consideration in signing on to the Regional Water Resources Coalition to support the Sacramento region’s interests in the development of Delta solutions.

Director Rose discussed a meeting of the Sacramento Local Agency Formation Commission (LAFCO) that he attended recently. He reported that his term of office as a LAFCO Commissioner will end after the December 2011 LAFCO meeting.

AGM Kane reported on an upcoming meeting of the Citrus Heights Chamber of Commerce Government Issues Committee. He and a representative from California-American Water will deliver a presentation on Delta issues and the Regional Water Resources Coalition at that meeting.

ASSISTANT GENERAL MANAGER’S REPORT

AGM Kane reported as follows:

1. The District received four proposals from telecommunications vendors in
response to its recent Request for Proposals (RFP) for a new telephone system for the District offices. The proposals will be reviewed and evaluated by a proposal review committee composed of selected staff members and the District’s information technology consultant. Staff expects to present a recommendation of telephone system award at the Board’s December 13, 2011 meeting.

2. Directors were provided with a summary of Water Efficiency Program activities during the month of October 2011, including the number of ultra-low-flush toilet rebates and high-efficiency clothes washer rebates issued. Water Efficiency Coordinator Rex Meurer attended the WaterSmart Innovations Conference in Las Vegas, Nevada on October 5-7, 2011. Staff has submitted information to San Juan Water District to comply with USBR Water Management Plan requirements. SJWD is responsible for reviewing the submittals from all of the retail agencies and then submitting the information to the USBR.

3. Production of the next edition of the District’s WaterLine newsletter continues, with draft story copy scheduled to be delivered for review by November 10, 2011. This edition will feature a story on the Delta Plan and efforts in which CHWD is participating to ensure that its customers’ interests are represented and protected. The production schedule calls for the Winter 2012 WaterLine to be delivered to customers in early January 2012.

4. AGM Kane recently attended the first Cross Caucus Meeting regarding the Water Forum Flow Management Standard. A wide range of issues regarding the Water Forum Agreement itself and the Flow Management Standard for the Lower American River were discussed with representatives from the Water Caucus, the Environmental Caucus, the Business Caucus and the Public Caucus in attendance. Participants agreed that there was a basis of mutual interest to continue moving forward with discussions in an effort to determine how to best to proceed with the Flow Management Standard.

GENERAL MANAGER’S REPORT

GM Churchill reported as follows:

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

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

CORRESPONDENCE

None
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 9:04 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