

October 27, 2005
Fremont, California

The regular semimonthly meeting of the Board of Directors of ALAMEDA COUNTY WATER DISTRICT was held on October 27, 2005 at the hour of 6:00 P.M. in the Directors' Room of the District Office Building, 43885 South Grimmer Boulevard, Fremont, California.

Present: Directors Huang, Gunther (arrived at 6:02 PM), Lampert, Weed (arrived at 6:04 PM), and Koller

Staff members present: General Manager Paul Piraino, Engineering Manager Robert Shaver, Finance and Administration Manager Bill Zenoni, Operations Manager Karl Stinson, Corrosion Engineer Toni Lyons, Project Engineering Manager Steve Peterson, Senior Financial Analyst Michael Yee, Attorney Ray McDevitt, and Deputy District Secretary Gina Markou.

President Martin L. Koller presided.

Director Huang led in the Salute to the Flag.

3 - PUBLIC COMMENTS – None

4 - CONSENT CALENDAR

A motion was made by Director Lampert, seconded by Director Huang, to add Items 5.1 through 5.4 to the Consent Calendar. The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Lampert, and Koller
NOES: None
ABSENT: Director Weed

A motion was made by Director Lampert, seconded by Director Huang, to approve the following items on the Consent Calendar, as amended.

- 4.1 Approval of Minutes – Regular Meeting of October 13, 2005
- 4.2 Ratification of Payment of Audited Demands dated October 14 and October 21, 2005
- 5.1 Authorization of Purchase Order for Janitorial Services
- 5.2 Authorization of Purchase Order for District Vehicle
- 5.3 Authorization of Contract Change Order Nos. 8 and 9 and Resolution Accepting Completion of Contract for Headquarters Facility Water Quality Laboratory
- 5.4 Resolution Accepting Completion of Ohlone/Zone 3 Regulator Station Electrical Improvements Project

The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Lampert, and Koller
NOES: None
ABSENT: Director Weed

5 - ACTION CALENDAR *(Consent Calendar Items are indicated with an asterisk)*

5.1* AUTHORIZATION OF PURCHASE ORDER FOR JANITORIAL SERVICE

The current janitorial services contract does not cover the new Water Quality Laboratory.

The Water Quality Laboratory requires janitorial service five nights per week. The District's janitorial services contractor is Action Maintenance Systems. They have performed satisfactorily providing janitorial services at the headquarters, treatment plants, the Blending Facility, and the Desalination Facility. Action Maintenance Systems has proposed an increase of \$6,570 to provide maintenance for the Water Quality Laboratory for the remaining nine months of the fiscal year. The total amount of the amended annual purchase order covering all facilities would be \$50,178 (current contract of \$43,608 plus \$6,570 for the laboratory). There is sufficient funding in the budget to cover this cost.

A motion was made by Director Lampert, seconded by Director Huang, to authorize a purchase order amendment to Action Maintenance Systems for janitorial services in the revised amount of \$50,178.

The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Lampert, and Koller
NOES: None
ABSENT: Director Weed

5.2* AUTHORIZATION OF PURCHASE ORDER FOR DISTRICT VEHICLE

The Board of Directors approved funding in the current budget for the purchase of vehicles.

Requests for quotations were sent to five truck dealers for replacement of a ten wheel dump truck. Two dealers responded. The low bidder was Golden Gate Truck Center of Oakland in an amount of \$124,091.36. There is sufficient funding in the budget for this purchase.

A motion was made by Director Lampert, seconded by Director Huang, to authorize a purchase order to Golden Gate Truck Center of Oakland in an amount of \$124,091.36 for the purchase of a ten wheel dump truck. The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Lampert, and Koller
NOES: None
ABSENT: Director Weed

5.3* AUTHORIZATION OF CONTRACT CHANGE ORDER NOS. 8 AND 9 AND
RESOLUTION ACCEPTING COMPLETION OF CONTRACT FOR HEADQUARTERS
FACILITY WATER QUALITY LABORATORY

The construction of the Headquarters Facility Water Quality Laboratory Project was awarded to N.V. Heathorn on February 26, 2004 in the amount of \$3,366,390. Seven change orders, totaling \$306,335, have been previously authorized by the Board.

The City of Fremont (COF) issued a temporary building occupancy permit on August 19, 2005 and the District began moving lab equipment into the new building on September 14, 2005. The final building occupancy permit was issued on September 26, 2005 after all of the COF punchlist items were addressed. Since that time, the contractor has been completing District punchlist items and negotiating with Staff on remaining change order items and time impacts.

Change Order No. 8 in the amount of \$ 19,029 has been prepared for the following additional items of work requested by the District: 1) fire sprinkler system modifications (\$7,162); 2) credit for deletion of floor-to-ceiling wall covering in lab office area (-\$2,000); 3) open-cut installation of irrigation piping in public parking lot in lieu of directional drilling (\$4,274); 4) final cost adjustment for items included in unilateral Change Order No. 7 (\$8,593); and 5) extended overhead compensation for the four-day contract time extension awarded under Change Order No. 3 (\$1,000).

All contract change orders and claims have been resolved, with the exception of a time impacts claim and a claim request in the amount of \$33,000 for providing import trench backfill material. Staff analysis of the request has determined that the value of the work is \$7,000. Staff and the contractor will continue negotiations to resolve the outstanding claims for trench backfill material. However, because the trench backfill work has been completed, it is recommended that Change Order No. 9 in the amount of \$7,000 be issued unilaterally. There is sufficient funding in the budget for Change Order Nos. 8 and 9.

A motion was made by Director Lampert, seconded by Director Huang, to 1) approve Change Order No. 8 in the amount of \$19,029; 2) approve unilateral Change Order No. 9 in the amount of \$7,000; and 3) adopt a resolution accepting completion of the contract for the Headquarters Facility Water Quality Laboratory, Job 6200.

RESOLUTION NO. 05-044

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
ACCEPTING COMPLETION OF CONTRACT NO. 3387, N.V. HEATHORN, JOB
6200

The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Lampert, and Koller
NOES: None
ABSENT: Director Weed

5.4* RESOLUTION ACCEPTING COMPLETION OF OHLONE/ZONE 3 REGULATOR STATION ELECTRICAL IMPROVEMENTS PROJECT

On August 26, 2005, the construction contract for Electrical Work for Ohlone/Zone 3 Regulator Station Improvements project was awarded to Smith and Sons Electric, Inc., in the amount of \$31,510. The purpose of the project is to allow for the automation and remote operation of the regulator via the District's SCADA system, thus reducing labor/energy costs and improving water quality within the Ohlone Tank. This was a time and materials-based contract and work was substantially completed on October 10, 2005.

An additional \$5,697 to complete the work was required based on final quantities. The final contract cost, including the increase resulting from finalized quantities for unit priced items, is \$37,207. There is adequate funding in the budget to cover the final contract costs.

A motion was made by Director Lampert, seconded by Director Huang, to adopt a resolution accepting completion for Electrical Work for Ohlone/Zone 3 Regulator Station Improvements Project, Job 6202.

RESOLUTION NO. 05-045

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
ACCEPTING COMPLETION OF CONTRACT NO. 3452, SMITH & SONS
ELECTRIC, INC., JOB 6202

The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Lampert, and Koller
NOES: None
ABSENT: Director Weed

5.5 REVIEW OF PROPOSED RATES AND CHARGES FOR CALENDAR YEAR 2006 AND SETTING PUBLIC HEARING

Mr. Yee reported that annually, the District's revenue requirements are determined by updating the long range Financial Planning Model (FPM). The FPM looks at projected revenues and expenditures over the next twenty-five year period, which are based on the Integrated Resources Plan (IRP) and Capital Improvement Program (CIP). Information from the FPM is utilized to primarily calculate the commodity rate and development charges necessary to operate the District. The District's other various rates and charges are also analyzed periodically and revised to recover the costs of providing the service for which the rate or charge is assessed. The District's rates and charges were last adjusted by the Board of Directors in January 2005.

During the past several months, staff has completed a detailed review of projected revenues, operating expenses and capital expenditures over the next several years. That information has been incorporated into the FPM to determine necessary water rate adjustments. Staff has also revised the amount and scheduling of projected operating expenses and capital expenditures to reduce the

magnitude of the 2006 water rate increase. The proposed adjustments to the District's water rates and charges are described below.

COMMODITY RATE

It is proposed that the base commodity rate for customers within the District's service area be increased by 5.0 % effective January 1, 2006 to help recover the cost of increased operating expenses (including increased labor and fringe benefit costs and the cost of purchased water, power and chemicals), as well as to help fund capital projects needed to comply with state and federal drinking water regulations and to maintain the reliability of the water system. Staff has also projected less water demand in the future than previously projected. The base commodity rate increase approved for each of the previous three years has been 7.0%. Staff also proposes the same 5% increase for those customers who are outside the District's normal boundaries, as well as for those few customers who use San Francisco Water exclusively.

For the eight-year period from 1999 through 2006, inclusive of the above-proposed increase, the commodity charge will have increased at an average annual rate of 4.69%. The proposed base commodity rates are summarized below.

| | <u>Current</u> | <u>Proposed Eff. 1/1/06</u> |
|------------------------------------|----------------|---------------------------------|
| Base Commodity Charge (per HCF): * | | |
| Inside District | \$ 1.997 | \$ 2.096 |
| Outside District | 2.296 | \$ 2.410 |
| San Francisco Water Service | 2.002 | \$ 2.102 |

* Excludes 6.5% Supplemental Temporary Water Rate Increase

BIMONTHLY SERVICE CHARGE

The bimonthly service charge is set to recover certain fixed costs, including meter reading and customer service, meter and service line maintenance and replacement, and partial annual debt service on bonds issued to finance Water Treatment Plant No. 2 capital costs. The bimonthly service charge was last adjusted in January 2004. It is proposed that the bi-monthly service charge be increased by 5% for all meter sizes and customer types. This means that for a 5/8 inch or 3/4 inch meter, the bimonthly charge would be increased from \$9.60 to \$10.08.

COST COMPARISON - AVERAGE WATER BILL

The effect of the proposed base commodity and service charge adjustment would increase the bi-monthly water bill for an average customer who uses 28 units of water (approximately 350 gallons per day) by 5% or \$3.45 from \$69.13 to \$72.58. This includes the Supplemental Temporary Water Rate Increase which was approved through December 2006. This 5% increase is in line with the latest Consumer Price Index news for the average U.S. city of a +4.7% inflation rate.

PROPOSITION 218 NOTIFICATION

Recent court cases have suggested, although not explicitly decided, that water rates may in fact be subject to Proposition 218 which was passed by California voters in 1996. Staff and counsel are recommending that we comply with both the letter and spirit of the proposition for the proposed rate increase that would go into effect in January 2006, pending the outcome of a California Supreme Court case that will hopefully definitively decide this matter.

Accordingly, it is proposed that a postcard notification of the proposed rate increase be mailed to the 81,000 property owners in the District. A draft of this postcard was reviewed at the October 13, 2005 Board meeting. The postcard mentions both the proposed increases to the commodity rate and service charge. By sending out this notification, the District would not be acknowledging that the proposition does in fact apply to water rates. This would have to be ultimately decided by California Supreme Court anticipated sometime in 2006. However, the proposal is considered by staff and counsel as a prudent action which errs on the side of providing more versus less notification to property owners and customers. Staff is requesting authorization from the Board to send out the postcards to give property owners 45 days notice before the December 15, 2005 proposed public hearing, which is the amount of notice required by Proposition 218.

WELL STANDARDS ORDINANCE ADMINISTRATION FEE

The District charges permit fees for the construction or destruction of production wells, monitoring wells, cathodic protection wells and exploratory holes. These fees were last adjusted in 2005. This year’s increases are due primarily to accounting changes in labor costs. The proposed changes are as follows:

| <u>Permit Class of Work</u> | <u>Current</u> | <u>Proposed Eff. 1/1/06</u> |
|---|----------------|---------------------------------|
| Well (Production) Construction | \$ 480 | \$ 500 |
| Repair or Reconstruction of Existing Well | 335 | 350 |
| Well (Production) Destruction | 480 | 500 |
| Monitoring Well Destruction | 480 | 500 |
| Cathodic Protection Wells | 480 | 500 |
| Geotechnical Investigation: | | |
| Exploratory Holes | 335 | 350 |
| Monitoring Well | 480 | 500 |
| Chemical Investigation: | | |
| Exploratory Holes | 335 | 350 |
| Monitoring and Extraction Wells | 480 | 500 |

DEVELOPMENT RELATED FEES AND CHARGES

The facilities acreage and connections charges are collected from developers and deposited into the Facilities Improvement Fund to pay for the growth related portion of new capital facilities. The Facilities Connection Charge (FCC), Facilities Acreage Charge (FAC), Standard Acreage Charge (SAC), and Front Foot Charges (FFC) are typically set one year in advance to enable developers to budget fee changes well in advance of the effective date. Charges effective January 1, 2006 were previously adopted by the Board on December 9, 2004. This included an increase of 3.0% to the Facilities Acreage Charge and Facilities Connection Charge. This year staff is not proposing a change to any of the development related fees and charges for the calendar year beginning January 1, 2007.

OTHER FEES AND CHARGES

Staff has reviewed the relevant cost data for other fees and charges for the last fiscal year, as well as various operational and process issues. Based on these items, several revisions to the Rate and Fee Schedule are proposed. Changes shown below are proposed to become effective January 1, 2006.

Account Establishment Field Charge (formerly Account Establishment Charge): Proposed change is that this charge only be levied when a District field representative is required to make a site visit, no matter what type of customer whether new or existing to the District. All office related work cost to be absorbed into the service charge. The charge is also proposed to be revised from \$20 to \$31 to more accurately reflect the cost of the work involved.

After-Hours Connection Charge: It is proposed that the charge be increased from \$150 to \$175.

Annexation Charge: It is proposed that the charge be increased from \$1,540 per acre of land to \$1,600 per acre.

Backflow Prevention Device Testing Fee: It is proposed that the charge be increased from \$44.00 to \$49.00 for any size device.

Engineering Fees Minimum: It is proposed that the minimum amount for this fee be increased from \$5,800 to \$6,400.

Meter Installation Charge: It is proposed that the ¾” charge decrease from \$110.00 to \$90.00.

Meter Re-Installation Charge: It is proposed that this charge be reduced from \$72.00 to \$50.00.

A motion was made by Director Lampert, seconded by Director Huang, to 1) set December 15, 2005, at 6:00 p.m. as the date and time for a public hearing for consideration and adoption of revisions to District’s rates and charges; and 2) authorize staff to mail postcards to all property owners in the District notifying them of the proposed commodity and service charge revisions, and public hearing details. The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Lampert, Weed and Koller
NOES: None
ABSENT: None

6 - REPORTS

6.1 BOARD COMMITTEE REPORTS

- Engineering & Capital Projects Meeting of October 11, 2005: (1) Review of Mission Gateway Development

6.2 OPERATIONAL REPORTS

- Investment Report
- Quarterly Projects Review

Ms. Lyons, gave a detailed presentation to the Board on the status of the Mission San Jose Water Treatment Plant startup. The commissioning test is tentatively scheduled to occur by the end of year and the Board will be kept apprised of the progress.

6.3 STAFF REPORTS

- Delta/CALFED Issues – Mr. Stinson reported briefly on the recent court decision regarding the EIR/EIS for the CALFED Record of Decision. Mr. Cartwright updated the Board on the issue of declining populations of fish that live in the Delta and the potential impact on exports. Discussion ensued.

6.4 GENERAL MANAGER'S REPORTS

- Bayside Groundwater Project Final Environmental Impact Report - Mr. Piraino and Mr. Cartwright updated the Board on the EBMUD Bayside Groundwater Project. Staff will request FEIR changes prior to EBMUD Board Certification which is scheduled on November 8, 2005. Discussion ensued. Staff will update the Board at the November 10, 2005 Board meeting.
- Mr. Piraino announced that Sr. Chemist, John Marchand, was recently awarded the George Warren Fuller Award which was presented to him at the 2005 CA-NV Section AWWA fall conference. This is a most prestigious award and was presented to only 53 awardees last year from all of AWWA's section internationally. John will be honored at the upcoming AWWA Annual Conference & Exposition in San Antonio, Texas in June 2006.

Mr. Piraino also announced that Steve Dennis received the Chair's Award from the CA-NV Section of AWWA for stepping up to the plate to lead the O & M Division when the then Chair died in a private plane crash.

- Mr. Piraino advised the Board that the Governor's Office of Emergency Services has approved the District's Notice of Intent to apply for two grants under the Pre-Disaster Mitigation Grant Program. Staff will now take action to submit the grant application by the end of December, 2005.
- Mr. Piraino reminded the Board of the presentation ceremony to be held in the honor of the two crews that volunteered in response to a request from the Bayou Liberty Water Association in Louisiana to help repair water system damage caused by Hurricane Katrina. Mr. Piraino also reminded the Board of the Alameda County Special District Association Meeting to be held at Union Sanitary District on November 2, 2005.
- The Board was advised that Mr. Zenoni has postponed his retirement until the end of February, 2006.

7 - DIRECTORS' COMMENTS AND/OR AGENDA ITEM REQUESTS

- Director Lampert commended staff for saving rate payers \$100,000 this year as a result of receiving credits from Special District Risk Management Authority (SDRMA). SDRMA offers a credit incentive program to member agencies that are covered by SDRMA for workers' compensation and liability insurance and meet specific educational, administration and safety program requirements. A 15% credit was applied which translates into a \$75,000 discount for workers' compensation insurance and a

Minutes – October 27, 2005

\$25,000 discount towards liability insurance.

There being no further business to come before the Board, the meeting was adjourned at 8:02 p.m.

Gina Markou, Deputy District Secretary

Attest:

Martin L. Koller, President