

ALAMEDA COUNTY WATER DISTRICT MEMORANDUM

DATE: June 2, 2009
TO: Board of Directors
FROM: Paul Piraino
SUBJECT: STAFF REPORT, ACTION CALENDAR ITEMS FOR June 11, 2009

5.1* AUTHORIZATION OF PURCHASE ORDER TO FURNISH AND DELIVER ¾" to 2" WATER METERS

BACKGROUND: The District requests bids annually for water meters. These bids are based on the anticipated meter needs for the upcoming year. Meter specifications include both plastic and lead-free brass water meters. The District meter standard was revised in 2003 to adopt the ¾" meter as the standard residential meter, replacing the 5/8" meter. For FY 07/08 the bid requirements were changed to include all meters from ¾" to 2" as a single bid item and to allow for three annual extensions provided that pricing and service are satisfactory to both parties.

DISCUSSION: The District went out to bid in 2007 and Elster AMCO Water, Inc. (Formerly AMCO Water Metering Systems, Inc.) was the successful bidder. Service has been entirely satisfactory. For fiscal year 09/10 meter prices have risen by 3.95%. This price increase is acceptable and the meter cost remains competitive with other providers. The District wishes to exercise its option to extend that contract for a third year. The total estimated cost for FY 09/10 for these meters is \$230,499.69. Sufficient funds have been budgeted for this expenditure.

RECOMMENDATION: By motion authorize a purchase order to Elster AMCO Water, Inc. for the purchase and delivery of ¾" to 2" lead-free brass water meters at the prices quoted for FY09/10.

5.2* AUTHORIZATION OF PURCHASE ORDER FOR FUEL

BACKGROUND: Funds are authorized each year for the purchase of unleaded regular gasoline, No. 2 clear diesel fuel to operate the District's fleet of vehicles and No. 2 red dye diesel fuel to operate stationary generators. During FY 08/09, the fuel purchases totaled approximately \$210,000.

DISCUSSION: The District received eight (8) responsive bids for providing fuel. The low bidder this year was Pinnacle Petroleum, Inc., of Huntington Beach, CA (Bid Summary attached). The adjustment factor is applied to the daily average rack price for fuel posted in Oil Price Information Service (OPIS) PAD 5. The adjustment quoted will be firm for the term of the contract. The references for Pinnacle were satisfactory. The following shows the constant margin over or under the posted OPIS average rack price in effect on the day of delivery.

	<u>Unleaded Regular Gasoline</u>	<u>No. 2 Diesel Clear</u>	<u>No. 2 Diesel Red Dye</u>
Estimated Annual Usage	32,000 Gallons	53,000 Gallons	1,000 Gallons
Adjustment to Daily Average Rack Price per Gallon in OPIS PAD 5	-\$0.0090	+\$0.0145	+\$0.0158

Based on current prices, the estimated annual fuel cost for FY 09/10 is \$237,751.61. Sufficient funds are budgeted in the FY 09/10 Budget.

RECOMMENDATION: By motion, 1) authorize a purchase order to Pinnacle Petroleum, Inc. for unleaded regular gasoline and No. 2 diesel fuel for FY 09/10 at the quoted prices.

5.3* **AUTHORIZATION TO EXERCISE SECOND YEAR RENEWAL OPTION FOR DISTRICT SECURITY GUARD SERVICES**

BACKGROUND: The District uses contract services to provide after-hours security patrols at headquarters, critical distribution system facilities, and the Alameda Creek recharge facilities. The current contract with Overton Security Services for this work expires on June 30, 2009.

DISCUSSION: The security services provided by Overton Security include nightly and weekend site patrols of District treatment, production, and distribution system facilities (18 locations), headquarters property patrols and walking inspections inside buildings, vehicle lockups, and response to alarm call-outs. Under the original agreement, executed in FY 07/08, the District has the option of extending this security services contract for three additional twelve month terms if conditions and service are satisfactory. Overton Security Services have performed in a responsive and reliable manner under the FY 08/09 contract, which represented the first year of extension. FY 09/10 represents the second year the contract renewal option can be exercised. Overton Security has quoted a price of \$128,627 for FY 09/10 which represents an approximately 9.5% increase over FY 08/09. However, the FY 09/10 proposed pricing still represents a \$15,262 savings compared to the FY 06/07 security patrol contract costs and is \$15,836 less than the next lowest responsive bidder under the original RFP. Staff therefore recommends extension of the contract under the terms proposed. There are sufficient funds in the FY 09/10 budget for this expenditure.

RECOMMENDATION: By motion, 1) authorize exercising the second year renewal option for security services to be provided by Overton Security Services and 2) authorize a purchase order to Overton Security Services in an amount not to exceed \$128,627 for security guard services to be rendered in FY 09/10 with an option to renew for a maximum of one additional year.

5.4* **AUTHORIZATION OF PURCHASE ORDER FOR COMMERCIAL LABORATORY SERVICES FY 09/10**

BACKGROUND: The District employs commercial laboratories for chemical, radiological and bacteriological analyses for which either the District Water Quality Laboratory (WQL) is not certified or it is not cost-effective for the District to perform in-house. Typically, one commercial laboratory is awarded a contract to provide the bulk of the analytical support that the District

requires.

DISCUSSION: In July 2008, the District awarded the contract for commercial laboratory services for FY 08/09 to Montgomery Watson Harza (MWH) Laboratories, which was ranked highest on bids submitted in response to a Request for Proposal (RFP). The District has the option to renew this contract on a year-to-year basis, not to exceed two renewals if conditions and services are mutually satisfactory. Prices for services in succeeding years are negotiated between the District and MWH Laboratories.

For the first renewal of the contract, MWH has submitted a proposal to increase analytical fees for FY 09/10 by 5%. This will amount to an increase of approximately \$4,000. The estimated annual cost is \$105,000. Staff finds this nominal increase in analytical fees to be acceptable. Staff has been satisfied with the service that MWH has provided in the past year. MWH Laboratories is responsive to the District's needs with respect to conducting analyses and reporting. Staff has already retained MWH Laboratories for its Unregulated Contaminant Monitoring, which is running concurrently during calendar year 2009. Retaining a single primary commercial laboratory to fulfill all District analytical needs beyond WQL capabilities will allow for efficient tracking of external analytical support by the WQL and will simplify contract administration. Sufficient funds are included in the FY 09/10 budget to cover this projected increase.

RECOMMENDATION: By motion, authorize a purchase order for chemical, radiological, and bacteriological laboratory services to MWH Laboratories for an amount not to exceed \$105,000 for FY 09/10 at the unit prices quoted.

5.5* AUTHORIZATION FOR PARTICIPATION IN THE 2009 HIGH EFFICIENCY CLOTHES WASHER REBATE INITIATIVE THROUGH DECEMBER 31, 2009 AND OF A PURCHASE ORDER TO PACIFIC GAS AND ELECTRIC COMPANY FOR ADMINISTRATION OF THE PROGRAM

BACKGROUND: In 2008 and during the first half of 2009, ACWD participated in the Bay Area Water Agency and Pacific Gas and Electric Company (PG&E) Cooperative Clothes Washer Rebate Initiative Program ("Program"). PG&E acted as the Program administrator. The intent of the Program is to encourage customers to purchase high efficiency clothes washers, as well as encourage manufacturers to develop and market these washers, by providing rebates for the most water-efficient clothes washers available. The Program has been very successful, resulting in over 3000 high efficiency washers installed within ACWD's service area over the past 18 months.

DISCUSSION: Staff proposes to continue the existing Program for another six months, through the end of calendar year 2009. During the Program, rebates will be provided for Consortium for Energy Efficiency Tier 2 and Tier 3 Clothes Washers. Tier 2 washers will be eligible for a \$125 rebate (\$35 from PG&E and \$90 from ACWD). Tier 3 washers will be eligible for a \$200 rebate (\$75 from PG&E and \$125 from ACWD). Union Sanitary District (USD) has also indicated that they will continue to cost-share in the Program, and reimburse ACWD \$25 for every rebate provided up to \$20,000. Based on USD's cost-sharing participation and based on an estimated 1400 rebates for ACWD's service area for the remainder of calendar year 2009, the total estimated net cost for ACWD's share of the rebates is \$155,000. ACWD will also be responsible for PG&E program administration fees. These administration fees are estimated at \$10,000 for a total six month ACWD

Program net cost of \$165,000, and a total program cost of \$185,000 (inclusive of USD's share).

The existing agreement between ACWD and PG&E allows for ACWD to continue participation in the Program through December 31, 2009, and does not need to be amended. Sufficient funds are contained in the FY 09/10 budget to cover the costs of this program.

RECOMMENDATION: By motion, 1) approve ACWD's participation in the 2009 Bay Area Water Agency and PG&E Cooperative Clothes Washer Rebate Initiative until the end of calendar year 2009, and 2) authorize an amendment to the Purchase Order with Pacific Gas and Electric Company in an amount not to exceed \$185,000 for ACWD and USD's portion of the rebates and related fees for the Program.

5.6* AUTHORIZATION OF CHANGE ORDER NO. 2 FOR THE VINEYARD HEIGHTS
TANK SEISMIC UPGRADE

BACKGROUND: On November 13, 2008, the Board awarded the construction contract for the Vineyard Heights Tank Seismic Upgrade Project to Paso Robles Tank, Inc. (Contractor) in the amount of \$778,500. The project scope of work consists of replacing the lower tank shell with thicker steel plate, anchoring the tank shell to the foundation, upgrading the inlet/outlet and overflow piping, coating the full interior and partial exterior of the tank, and miscellaneous electrical work. Change Order No. 1 in the amount of \$1,546 was previously approved by the Board. Construction of the project is approximately 95% complete.

DISCUSSION: Although the tank's exterior coating is in fairly good condition, the tank has not been coated since it was originally placed into service in 1987. Because extremely low bids were received for the project, shortly after construction, staff requested the Contractor to submit a proposal to coat the entire exterior of the tank to provide maximum and cost-effective long-term corrosion protection. The Contractor's original proposal was to perform the work for \$28,990. Although the submitted price was evaluated by staff as fair and reasonable, staff decided to not proceed with processing a change order for the work. Instead, staff decided to evaluate the Contractor's overall workmanship before making a determination.

The contract specifies an interim liquidated damages amount of \$100/day to return the tank back to service and \$850/day for late completion of all work. Based on the Contractor's current schedule, the Contractor will be subjected to \$5,100 for liquidated damages (17 days for returning the tank to service and 4 days to complete all work).

To avoid the assessment of liquidated damages by the District, the Contractor has proposed to coat the remaining exterior of the tank, in lieu of the contract-specified bottom 10 feet, at a discounted price. The Contractor proposes to perform the additional coating work for \$7,990 less than the originally proposed amount and to provide a one-year warranty extension beyond the contractually-required one-year term. Including the additional coating work, the Contractor has requested a 29-day extension beyond the contractual deadline (modified by Change Order No. 1) including 4 days for rain delays, to return the tank to service and to complete all of the required work. To date, there have been no issues with the quality of the Contractor's work. Staff has determined the cost for the additional coating work and request for time extension to be fair and reasonable, since the offset of cost for the additional coating work will effectively compensate the District for the additional

pumping and contract administration costs. The Contractor will still be subject to liquidated damages in the event he does not satisfactorily complete the work within the modified time of completion requirements. There is adequate funding to cover this expenditure.

Change Order No. 2 has been prepared in the amount of \$21,000 to perform the additional coating work and includes provisions for a modified performance bond to reflect the 1-year warranty extension and an extension of twenty-nine (29) calendar days to complete all of the required work.

RECOMMENDATION: By motion, 1) approve Change Order No. 2 in the amount of \$21,000; and 2) grant a time extension of twenty-nine (29) calendar days to Paso Robles Tank, Inc. for the Vineyard Heights Tank Seismic Upgrade Project, Job 6351.

5.7* AUTHORIZATION OF PURCHASE ORDER FOR DOCUMENT MANAGEMENT SYSTEM PROFESSIONAL SERVICES

BACKGROUND: One of the projects identified in the District's Information Systems Master Plan is an integrated electronic document management system (DMS) which will be used by District staff to electronically organize, file, retrieve, and ultimately dispose of documents when they are no longer needed. The District's software is Livelink, by Open Text Inc. Professional services are required to support the migration of the DMS software from a test environment to the final production environment.

DISCUSSION: The DMS has been successfully configured during the past year by District staff on a test server. During this time, the system was tested and compatibility issues with other District hardware and software were discovered and addressed. Migration to a fully operational system is scheduled to begin in July 2009.

At the District's request, Open Text, Inc. submitted a proposal in the amount of \$28,300 to assist the District with the migration of the system from a test to a production environment. The scope of work includes upgrading the software to the latest version and migrating all metadata, file structure, and configuration settings from the test system to the production system. There are sufficient funds in the project budget for this expenditure.

RECOMMENDATION: By motion, authorize a purchase order to Open Text, Inc. in an amount not to exceed \$28,300 for document management system professional services, Job 6258.

5.8* RESOLUTION ESTABLISHING FISCAL YEAR 09/10 APPROPRIATIONS LIMIT

BACKGROUND: In 1979 Article XIII B was added to the State Constitution. The article requires the District to adopt an annual appropriations limit for determining the maximum amount of appropriations less allowable exclusions that can be made from tax proceeds each year. The article also provides for an annual adjustment of the Appropriations Limit.

DISCUSSION: Each year the Board must decide, by recorded vote, to choose the greater of growth in California per capita income or the increase in nonresidential assessed valuation from new construction within the District for the inflation factor, and the greater of growth in population within the County or the District for the population factor.

For FY 09/10 the greater inflation factor is the increase in non-residential assessed valuation due to new construction in the District (6.2%). The greater factor for population is the growth within the County (1.25%).

After applying these factors and allowing for adjustments, the District's Appropriations Limit for FY 09/10 is computed at \$58,634,596 which is a 7.5% increase from the previous year. The balance of the District's tax proceeds which are subject to the appropriations limit are estimated at \$22,760,568. The appropriations limit will thus as usual have no effect on the District's revenues.

RECOMMENDATION: By motion, 1) adopt the use of growth in California per capita personal income as the inflation factor, and the change in non-residential assessed valuation due to new construction in the District to determine the FY 09/10 Appropriations Limit; and 2) adopt a resolution establishing the Appropriations Limit for FY 09/10 at \$58,634,596.

5.9* AUTHORIZATION OF CHANGE ORDER NO. 2 FOR BELLFLOWER AND FARWELL AQUIFER RECLAMATION PROGRAM (ARP) WELL SITES UPGRADE PROJECT

BACKGROUND: The existing Aquifer Reclamation Program (ARP) line-shaft pumps at the Bellflower and Farwell well sites were originally designed to pump approximately 2,000 gallons per minute of brackish water to flood control channels adjacent to the sites. As part of the Newark Desalination Facility (NDF) Expansion Project, both ARP wells will be upgraded to augment the brackish water supply to the NDF.

On October 9, 2008, the construction contract for the Bellflower and Farwell ARP Well Sites Upgrade Project was awarded to JMB Construction, Inc. in the amount of \$832,865. The scope of work includes the removal of existing equipment and the installation of piping, pump houses, PLCs, and District-furnished pumping equipment and electrical switchgear. Change Order No. 1 in the amount of \$7,474 was previously authorized by the Board. Construction of the project is approximately 85% complete.

DISCUSSION: Change Order No. 2, in the amount of \$2,622 has been prepared for the following work requested by the District: 1) prime coat the interior walls of each pump house to provide added moisture protection (\$957); and 2) wiring modifications to the electrical switchgear equipment to improve the automated control of the variable frequency drives (\$1,665). Staff has reviewed the costs associated with the additional work and has determined that they are fair and reasonable. There is adequate funding in the budget for this expenditure.

RECOMMENDATION: By motion, approve Change Order No. 2 in the amount of \$2,622 to JMB Construction, Inc. for the Bellflower and Farwell ARP Well Sites Upgrade Project, Job 4311.

5.10 AUTHORIZATION OF CHANGE ORDER NO. 2 FOR THE ARP WELLS TO DESAL PIPELINES, PHASE 2 PROJECT

BACKGROUND: On October 9, 2008, the construction contract for the ARP Wells to Desal Pipelines, Phase 2 project was awarded to R.J. Gordon Construction, Inc. in the amount of \$3,756,925.75. The scope of work includes installation of approximately 5,900 linear feet of 22-

inch and 3,200 linear feet of 16-inch diameter high density polyethylene pipe (HDPE) within the cities of Fremont and Newark. Change Order No. 1 in the amount of \$16,345.50 has previously been approved by the Board. Construction is approximately 60% complete.

DISCUSSION: On April 7, 2009, the Contractor began the installation of HDPE pipe using the horizontal directional drill (HDD) method on Farwell Drive. Work on the pilot bore was immediately stopped when bentonite slurry was observed flowing through the seam between the lip of the concrete gutter and AC pavement. The District's geotechnical consultant, DCM Engineering, who was on-site and observing the work, confirmed that there was no indication that the Contractor's drilling operations were proceeding at an excessive penetration rate or not otherwise following standard methods. The subsurface investigation and exploratory borings conducted during the design indicated the underlying soils at Farwell Drive were composed of lean clay and "clayey" sand, nothing unusual that would raise concerns associated with HDD methodology. Based on a comprehensive review, the District's general engineering consultant (Winzler and Kelly) and geotechnical consultant have concluded that the following combination of site-specific factors at the Mowry undercrossing site caused the issue: 1) HDD was used at a relatively shallow depth to avoid potential subsurface contamination; and 2) pre-existing utility backfilling with open-graded cobbles and gravel. After evaluating alternatives and consulting with City staff, District staff directed Winzler and Kelly to redesign the crossing using a bore and jack installation.

The bore and jack installation method requires excavating jacking and receiving pits, installing a steel casing, repairing more pavement and employing additional traffic control measures, and is significantly more costly than the originally selected HDD method. Accordingly, Change Order No. 2 in the amount of \$694,072 has been prepared for the following additional work requested by the District: 1) installation of approximately 250 linear feet of 28-inch steel casing pipe by bore and jack under Mowry Avenue (\$417,620); 2) installation of approximately 525 linear feet of 16-inch HDPE pipe and 2-inch HDPE conduit by open cut method on Farwell Drive (\$110,000); and 3) installation of approximately 12,610 square feet of additional asphalt concrete (AC) pavement (\$166,452). A portion of these costs (\$307,750) are based on unit price items that are already included in the contract.

R.J. Gordon Construction, Inc. also submitted a request for a time extension of sixty (60) calendar days due to the additional work. Staff has reviewed the time extension request and costs associated with the extra work and have determined that they are fair and reasonable. There are adequate funds in the budget to cover this expenditure.

There may be additional costs associated with repairing potential street section damage resulting from the bentonite slurry penetrating the street section. An evaluation by City and District staff is ongoing. Additionally, a delay claim in the amount of \$64,335 was submitted by the Contractor soon after the HDD work was stopped. District staff is negotiating this claim, in conjunction with a credit for the HDD work not completed on Farwell, with the Contractor. Staff will report back to the Board on the status of the street damage assessment, costs related to the delay claim, and credit for the HDD work not completed at a subsequent Board Meeting.

RECOMMENDATION: By motion, 1) approve Change Order No. 2 in the amount of \$694,072; and 2) grant a time extension of sixty (60) calendar days to R.J. Gordon Construction, Inc. for the ARP Wells to Desal Pipelines, Phase 2, Job 6349.

5.11 RESOLUTION ADOPTING BUDGET FOR FISCAL YEARS 09/10 AND 10/11 AND ADOPTING 25-YEAR CAPITAL IMPROVEMENT PROGRAM

BACKGROUND: At the June 1, 2009 budget workshop meeting, the Board of Directors reviewed the Budget for the 09/10 and 10/11 fiscal years and the 25-Year Capital Improvement Program.

DISCUSSION: The Budget for FY 09/10 and 10/11 includes total appropriations of \$175,983,000 and \$150,694,000, respectively. For the respective fiscal years this includes: \$61,869,000 and \$65,908,700 for operating expenses; \$41,573,000 and \$28,882,700 for capital expenditures; \$4,620,400 and \$4,565,900 for debt service costs; \$8,508,700 and \$8,912,700 for emergency /rate stabilization reserves; \$1,033,300 and \$1,333,300 for self insurance reserves; with \$58,378,600 and \$41,090,700 for future years' projects and contingencies reserves.

The 25-year Capital Improvement Program is the District's planning tool for implementing capital projects identified in the Integrated Resources Plan and Engineering Reports, as well as other capital projects needed to meet changes to water quality regulations, District operational criteria, and other facility reliability improvements such as seismic, safety and security upgrades. The Capital Improvement Program document identifies capital expenditures totaling \$405,531,000 to be expended through Fiscal Year 33/34.

RECOMMENDATION: By motion, adopt a resolution adopting the Budget for Fiscal Years 09/10 and 10/11 and adopting the 25-Year Capital Improvement Program.

5.12 RESOLUTION APPROVING STATEMENT OF RESERVE FUND POLICY

BACKGROUND: In the course of conducting its business, the District maintains several reserve funds. These funds are required to ensure that sufficient resources are available to meet the District's operating and capital expenditures and debt service obligations.

DISCUSSION: The District's reserve funds include a debt service reserve, emergency/rate stabilization reserve, self insurance reserve, retiree health benefit reserve, and a capital projects and contingencies reserve. In order to further demonstrate the District's commitment to fiscal responsibility and prudent financial planning, a Statement of Reserve Fund Policy was approved by the Board of Directors in February 2002. This document includes a policy statement indicating the District's intent to accumulate and manage its reserve funds in an orderly manner consistent with long range planning activities, provides a definition of the types of reserve funds, and describes the various reserve funds maintained by the District.

In June 2004, the California Bureau of State Audits issued an audit report of Independent Water Districts which included a recommendation that a comprehensive reserve policy be maintained and that reserves be reviewed on a periodic basis. In accordance with this recommendation, the Board of Directors reviews the District's level of reserve funds as part of the budget approval process. The Reserve Fund Policy was reviewed with the Board of Directors during the Budget Workshop on June 1, 2009.

Beginning in FY 09/10, there are two additions to the Reserve Fund Policy that are being proposed. First, funds previously set aside in the budget for potential water supply needs from Semitropic storage during dry years or water shortage situations have been transferred into the Emergency/Rate Stabilization Reserves to more appropriately reflect the intent and purpose of these budgeted funds. Secondly, a Self Insurance Reserve is being proposed for funds set aside exclusively for the payment of claims and incurred costs, in excess of the budgeted amounts, that fall under the District's Property and Liability Insurance and Worker's Compensation Programs' higher deductible limits.

RECOMMENDATION: By motion, adopt a resolution approving the Statement of Reserve Fund Policy.

5.13 RESERVE AUTHORIZATION FOR OTHER POST-EMPLOYMENT BENEFIT CONTRIBUTIONS

BACKGROUND: In June 2004, the Government Accounting Standards Board issued Statement No. 45 (GASB 45) that established standards for accounting and reporting the projected costs of post-employment benefits other than pensions (OPEB) for government entities. More specifically, GASB 45 provides for the recognition of the estimated cost of post-employment healthcare benefits, including medical, dental, vision and life insurance for current active and retired employees based on past and present years of service. The effective financial reporting period for implementing GASB 45 is FY 08/09. On March 12, 2009, the Board adopted a self-administered OPEB Trust Account to fund the District's OPEB obligations.

DISCUSSION: Based on a June 30, 2007 valuation date, the estimated present value of the benefits already earned by the District's active and retired employees, or actuarial accrued liability (AAL), is \$31.5 million. This AAL is amortized over a 30 year period and becomes a component of the actuarially determined annual required contribution (ARC). The other component of the ARC is the normal cost which is defined as the portion of the present value of estimated total benefits earned during the current year. A balance sheet liability arises when the employer's actual annual contribution is less than the ARC. However, the more ARC that is deferred the greater will be the unfunded AAL (UAAL) over time as well as the potential impacts on bond ratings and cash flow demands in the future. Staff recommends funding the full ARC annually to minimize its OPEB obligation costs and potential future impacts.

For financial reporting purposes, an actuarial valuation is required biannually and will include an update of the ARC and component amounts. The next actuarial valuation report will be based on a June 30, 2009 valuation date. The FY 08/09 budget has \$3.3 million set aside in the Retiree Health Benefits Reserve to help fund a portion of the OPEB obligation. For FY 08/09, the calculated ARC is \$2,592,000. However, staff recommends initially prefunding up to a total of \$5,000,000 of the District's OPEB obligation. Since this amount exceeds the current year ARC, there will be no balance sheet liability and the overall OPEB costs will be accordingly reduced in the next actuarial valuation report. Moreover, since the ARC includes the current year's portion of retiree health and medical premiums in the amount of \$1,504,000, only the balance of \$3,496,000 will be transferred to the District's OPEB Trust Account. These recommendations were reviewed with the Board at the time of the June 1, 2009 FY 09/11 Budget Workshop.

Funding was not included in the operating budget for the above recommended transfer of funds; therefore, reserve appropriations will be needed in the amount of \$3,303,400 from the Retiree Health Benefits Reserve and \$192,600 from the Future Year's Projects and Contingencies Reserve. Opportunities to contribute more than the ARC will be considered each year to the extent funds are available to further reduce the District's overall OPEB obligation costs.

RECOMMENDATION: By motion, authorize reserve fund appropriations for OPEB contributions in the amount of 1) \$3,303,400 from the Retiree Health Benefits Reserve, and 2) \$192,600 from the Future Year's Projects and Contingencies Reserve.

5.14 RESOLUTIONS AUTHORIZING: 1) ADOPTION OF FINDINGS FOR PURPOSES OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT IN CONNECTION WITH APPROVAL OF A NEW WATER SUPPLY AGREEMENT WITH SAN FRANCISCO; 2) NEW WATER SUPPLY AGREEMENT BETWEEN SAN FRANCISCO AND WHOLESALE CUSTOMERS; AND 3) INDIVIDUAL WATER SALES CONTRACT WITH SAN FRANCISCO

BACKGROUND: The current Master Water Sales Contract between San Francisco and its wholesale customers is due to expire on June 30, 2009. At the May 14, 2009 Board Meeting, a presentation was made by Art Jensen, CEO of the Bay Area Water Supply and Conservation Agency (BAWSCA), on the successful conclusion of negotiations on a new 25-year Water Supply Agreement (WSA). In addition, the Board has been provided a comprehensive summary report describing the WSA which was prepared by BAWSCA's legal counsel. The San Francisco Public Utilities Commission (SFPUC) has already approved the WSA at its meeting on April 28, 2009.

DISCUSSION: Next steps involve the governing boards of each wholesale agency taking the necessary actions that will enable the WSA to be fully implemented and effective. Board adoption of three resolutions on the following three items is needed:

1. CEQA Compliance: The City and County of San Francisco is the "lead agency" under the California Environmental Quality Act (CEQA) with respect both to the Water System Improvement Program (WSIP) and the water supply elements incorporated into the new WSA. In that capacity, San Francisco has prepared and certified a seven-volume Program Environmental Impact Report, adopted detailed findings related to the environmental effects of the "Phased WSIP" approved by the SFPUC in October 2008, mitigation measures, and overriding considerations. As a Wholesale Customer, the District may be considered a "responsible agency" under CEQA with respect to one aspect of the overall project analyzed in the Program EIR - the approval of the long term WSA. Upon approval of the WSA, a Notice of Determination will be signed and filed with the County Clerk.
2. Water Supply Agreement: The District, along with 24 other cities and special districts must adopt a resolution approving the WSA at a public meeting. As of May 29, six agencies have already taken this action and 14 others are slated to take this action before the end of June.
3. Individual Water Sales Contract: The WSA contemplates that each Wholesale Customer will also enter into an individual Water Sales Contract that describes the specific service area of the Wholesale Customer, identifies points of connection between the San Francisco Regional

Water System and Wholesale Customer's distribution system, and contains other specialized provisions, if any, as required by the unique circumstances of the Wholesale Customer. A final draft of the District's contract has been sent to the SFPUC with a request that they approve it at the staff level or promptly let the District know if there are any concerns. A copy of this contract is attached. In anticipation of the SFPUC's sign-off of the contract before this meeting, a resolution has been prepared adopting the contract as submitted. If further changes need to be made, an alternative resolution has been developed delegating authority to the General Manager to negotiate with SFPUC on matters of detail.

RECOMMENDATION: By motion, adopt resolutions: 1) adopting findings for the purposes of the California Environmental Quality Act in connection with approval of a Water Supply Agreement with the City and County of San Francisco; 2) approving Water Supply Agreement with the City and County of San Francisco; and 3 a) approving Individual Water Sales Contract with the City and County of San Francisco, or b) authorizing the General Manager to negotiate and resolve outstanding details of the Individual Water Sales Contract.

Attachments

cc: Executive Staff