

June 10, 2010
Fremont, California

The regular monthly meeting of the Board of Directors of ALAMEDA COUNTY WATER DISTRICT was held on June 10, 2010 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 Reynolds, Weed, and Koller

Staff members present: General Manager Walt Wadlow, Engineering Manager Bob Shaver, Acting Finance and Administration Manager Michael Yee, Operations Manager Steve Peterson, Human Resources Manager Altarine Vernon, Program and Planning Supervisor Patricia Dustman, Engineer Toni Lyons, Attorney Patrick Miyaki, and Assistant District Secretary Andrew Warren.

President Martin Koller presided.

Director Weed led in the Salute to the Flag.

3 – PUBLIC COMMENTS

- Ms. Wynn Grich, a Hayward resident, addressed the Board and voiced her concerns regarding the chemicals that are used in the water treatment process and the potential effects on human health. She handed several articles regarding health effects of fluoridated water to the Assistant District Secretary.

4 – CONSENT CALENDAR

A motion was made by Director Gunther to add items 5.1 through 5.12 to the Consent Calendar, seconded by Director Reynolds.

The motion was passed by the following vote:

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

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

- 4.1 Approval of Minutes – Regular Meeting of May 13, 2010
- 4.2 Ratification of Payment of Audited Demands dated May 14, May 21, May 28, and June 4, 2010
- 4.3 Authorization of Purchase Order Extending Contracts for Temporary Services
- 4.4 Resolution Amending Water Main Extension Agreement No. 3679, City of Union City, 11th Street Extension Phase I, ACWD #2003-0124

RESOLUTION NO. 10-028

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
AMENDING WATER MAIN EXTENSION AGREEMENT NO. 3679, CITY OF
UNION CITY, 11TH STREET EXTENSION PHASE I, ACWD 2003-0124

- 5.1 Authorization of Purchase Order for Welding Services
- 5.2 Authorization of Purchase Order for Paving Services
- 5.3 Authorization of Purchase Order for Backfill Materials
- 5.4 Authorization of Purchase Order to Furnish and Deliver ¾” to 2” Sized Water Meters
- 5.5 Authorization of Purchase Order for Commercial Laboratory Services
- 5.6 Authorization of Purchase Order for Security Guard Services
- 5.7 Authorization of Purchase Order for Fuel
- 5.8 Authorization of Contract Change Order No. 1 for the Alameda Reservoir Water Quality Enhancement Equipment Installation Project
- 5.9 Resolution Establishing Fiscal Year 10/11 Appropriations Limit
- 5.10 Authorization of Change Order No. 1 to McGuire & Hester for Water Main Relocations to Accommodate the San Francisco Public Utilities Commission Bay Division Pipeline No. 5 Project
- 5.11 Authorization of Contract Change Orders Nos. 1 and 2 to R.J. Gordon for Water Main Relocations to Accommodate the San Francisco Public Utilities Commission Bay Division Pipeline No. 5 Project
- 5.12 Authorization for Execution of Agreement with Hanson Bridgett, LLP for Legal Services

The motion was passed by the following vote:

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

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

5.1* AUTHORIZATION OF PURCHASE ORDER FOR WELDING SERVICES

The District has an existing contract with Ferguson Welding Services, Inc. (Ferguson), to provide pipeline field and shop welding services through June 30, 2010. The original agreement was authorized by the Board in spring 2009 and contained provisions for extending the contract for two additional 12-month periods. Adequate funds have been allocated to cover this expense in the FY 10/11 budget.

Contract welding services are needed to support Distribution Maintenance planned field operations including the field welding of steel pipe joints associated with the installation of customer requested service and fire lines, water meter manifolds, fire hydrant laterals, and the

fabrication and installation of steel offsets. Additionally, welding services are needed to perform emergency repairs to steel water mains, and to make repairs or to fabricate modifications to District equipment. Historically, approximately 85% of the contract welding work is associated with customer requested projects for which the cost is fully reimbursed to the District. Staff is proposing extending the agreement with Ferguson for FY 10/11. The services provided to date by Ferguson have been satisfactory and in compliance with the contract. At the request of staff, Ferguson submitted unit prices for welding services for FY 10/11. The unit prices (hourly rates) for welding services performed in the field increased between 4.2% and 6.8% depending on when the work is performed, (e.g., time of day, during the week, weekend or holiday). Shop fabrication work is quoted separately when the work is needed and after the scope of the work has been determined.

A motion was made by Director Gunther, seconded by Director Huang to authorize a purchase order for welding services to Ferguson Welding Services, Inc. for an amount not to exceed \$160,000 for FY 10/11 at the unit prices quoted.

The motion was passed by the following vote:

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

5.2* AUTHORIZATION OF PURCHASE ORDER FOR PAVING SERVICES

The District's contract with Dun-Rite Excavating, Inc. (Dun-Rite), to repair and replace asphalt pavement removed during pipeline trenching work and to adjust valve pot elevations at various street construction sites within the service area will expire at the end of June 2010. The original agreement was authorized by the Board in spring 2009 and contained provisions for extending the contract for two additional 12-month periods. Adequate funds have been allocated to cover this expense in the FY 10/11 budget.

Contract asphalt paving services are needed for patch paving of pipeline trench cuts throughout the service area, patch paving and overlays for planned service lateral replacements, and for valve pot adjustments for customer jobs and annual city street overlay projects. Staff is proposing extending the agreement with Dun-Rite for FY 10/11. The services provided to date by Dun-Rite have been satisfactory and in compliance with the contract. At the request of staff, Dun-Rite submitted unit prices for asphalt paving services for FY 10/11. The unit prices for the various paving work items increased between 4.0% and 4.3%. The total estimated cost of these services is \$1,400,000 which includes \$300,000 for possible additional paving work required for asphalt repair work associated with emergency leak repairs and valve pot adjustment work to account for the highly variable scope and timing of city street re-grade and overlay projects.

A motion was made by Director Gunther, seconded by Director Huang to authorize a purchase order for paving services to Dun-Rite Excavating, Inc. for an amount not to exceed \$1,400,000 for FY 10/11 at the unit prices quoted.

The motion was passed by the following vote:

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

5.3* AUTHORIZATION OF PURCHASE ORDER FOR BACKFILL MATERIALS

The District's current agreements with three suppliers of trench backfill materials, Hanson Aggregates Mid-Pacific, Inc. (Hanson), Milpitas Material Co., and Granite Rock (Granite), will expire on June 30, 2010. Instead of seeking sealed bids to furnish the needed backfill materials, staff is proposing to enter into one-year agreements with these three suppliers for FY 10/11. These suppliers have consistently had adequate quantities of backfill materials of satisfactory quality available for District use and are the most economical source of backfill materials when the time and the cost for transporting backfill materials are considered. Board approval is needed to waive the District's Procurement Policy No. 1. There are adequate funds in the FY 10/11 budget for these expenditures.

District crews perform a variety of maintenance, repair, and new lateral and service line installation work which require trench excavation and then subsequent use of backfill materials. Typical backfill materials include: sand, coarse aggregate, base rock, concrete, control density fill (similar to low strength concrete), and temporary asphalt (cut-back). The District purchases backfill materials from nine suppliers located within approximately 20 miles of the District's service area. Past experience has demonstrated that it is cost effective and provides for more efficient use of crew time to purchase backfill materials from these nine local suppliers. It is critical to maintain a crew's ability to purchase backfill materials from these local suppliers to minimize transportation costs and to minimize delays waiting for backfill materials during both normal and outside of normal business hours. The amounts purchased from each supplier are dependent upon the availability of the material in the quantities needed and the supplier's operating hours for material pickup or delivery to a job site. However, only three of the nine suppliers are capable of consistently having adequate quantities of backfill materials available that meet the District's specification requirements. Hanson, Milpitas Material, and Granite have been satisfactorily providing backfill materials to the District for at least 15 years. Hanson primarily supplies sand, coarse aggregates, and base rock. Milpitas Material primarily furnishes concrete and control density fill, and Granite primarily furnishes temporary asphalt. At the request of staff, the three suppliers submitted unit prices for backfill materials for FY 10/11. The combined estimated cost for backfill materials from the three suppliers for FY 10/11 is \$322,000. Except for concrete and control density fill, this amount excludes the transportation costs associated with the delivery of backfill materials to various job sites and to the District's storage and maintenance yard. The total estimated cost for backfill materials from the three suppliers for FY 10/11 represents a 2.5% increase from the previous year. It should be noted that the District does purchase backfill materials from the other six local suppliers, but in significantly smaller amounts with no purchase orders exceeding \$50,000 for any of the other six local suppliers.

A motion was made by Director Gunther, seconded by Director Huang to 1) waive Procurement Policy No. 1 requiring sealed bids for materials and supplies above \$50,000, and 2) authorize the annual purchase orders to Hanson Aggregates Mid-Pacific Inc., Milpitas Material Co., and

Granite Rock for various backfill materials for FY 10/11 for the following respective estimated amounts: \$184,000, \$72,000, and \$66,000.

The motion was passed by the following vote:

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

5.4* AUTHORIZATION OF PURCHASE ORDER TO FURNISH AND DELIVER ¾” TO 2” SIZED WATER METERS

The District's contract with Elster AMCO Water, Inc. (Elster), to provide ¾” to 2” sized lead-free brass water meters will expire on June 30, 2010. The original agreement was authorized by the Board in spring 2007 and contained provisions for extending the contract for three additional 12-month periods. Adequate funds have been allocated to cover this expense in the FY 10/11 budget.

Staff is proposing extending the agreement with Elster for a third time for FY 10/11. The merchandise provided by Elster has been satisfactory in terms of quality and compliance with the fabrication requirements. Additionally, the firm has been responsive in meeting the District's delivery needs. At the request of staff, Elster submitted a quote for the fabrication and delivery of ¾”, 1”, 1-1/2” and 2” sized lead-free brass water meters for FY 10/11. The total estimated cost for FY 10/11 is \$348,123 and represents a 1.25% increase from the previous year’s total estimate. The estimated quantities, unit prices, and the total estimated costs for the various sized meters are shown below.

Meter Size	Estimated Qty (Each)	Unit Price (Cost per Meter)	% Change	Estimated Total
¾ – INCH	4,500	\$44.22	0	\$198,990
1 – INCH	300	\$86.49	5.0	\$25,947
1-1/2 – INCH	200	\$294.03	0	\$58,806
2 – INCH	200	\$321.90	5.0	\$64,380
TOTAL	5,200			\$348,123

A motion was made by Director Gunther, seconded by Director Huang to authorize a purchase order to Elster AMCO Water, Inc. for the fabrication and delivery of ¾” to 2” sized lead-free brass water meters for FY 10/11 at the unit prices quoted.

The motion was passed by the following vote:

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

5.5* AUTHORIZATION OF PURCHASE ORDER FOR COMMERCIAL LABORATORY SERVICES

The District's contract with Montgomery Watson Harza (MWH) Laboratories for commercial laboratory services will expire at the end of June 2010. The original agreement was authorized by the Board in spring 2008 and contained provisions for extending the contract for two additional 12-month periods. Adequate funds have been allocated to cover this expense in the FY 10/11 budget.

Commercial laboratory support is necessary to sustain District operational and compliance monitoring programs. The District retains the services of a commercial laboratory for analyses for which either the District's in-house water quality laboratory is not certified, or it is not cost-effective to perform the analyses in-house. Staff is proposing extending the agreement with MWH Laboratories for a second time for FY 10/11. The services provided to date by MWH Laboratories have been satisfactory and in compliance with the contract. At the request of staff, MWH Laboratories submitted unit prices for analytical services for FY 10/11. The total cost of these services is \$113,255 which includes \$17,000 for possible additional analyses required from projects not currently scheduled and for unplanned incidents. MWH Laboratories' price proposal represents a 5.4% cost increase from the previous year.

A motion was made by Director Gunther, seconded by Director Huang to authorize a purchase order for laboratory services to Montgomery Watson Harza Laboratories for an amount not to exceed \$113,255 for FY 10/11 at the unit prices quoted.

The motion was passed by the following vote:

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

5.6* AUTHORIZATION OF PURCHASE ORDER FOR SECURITY GUARD SERVICES

The current contract with Overton Security Services for after-hour security patrols expires on June 30, 2010. The original agreement was authorized by the Board in spring 2007 and contained provisions for extending the contract for three additional 12-month periods. There are sufficient funds in the FY 10/11 budget for this expenditure.

The District uses contract services to provide nightly and weekend security patrols at 18 facilities consisting of the Alameda Creek recharge facilities, water production and distribution system facilities, and the headquarters complex. Additionally, the security service includes District vehicle security audits, and responses to alarm call-outs. Staff is proposing extending the agreement with Overton for a third time for FY 10/11. The services provided to date by Overton have been responsive, reliable and in compliance with the contract. At the request of staff, Overton submitted a quote of \$134,675 for security services for FY 10/11. This price represents a 4.7% increase from the previous year.

A motion was made by Director Gunther, seconded by Director Huang to authorize a purchase order to Overton Security Services for security guard services to be rendered in FY 10/11 in an amount not to exceed \$134,675.

The motion was passed by the following vote:

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

5.7* AUTHORIZATION OF PURCHASE ORDER FOR FUEL

The current contract with Pinnacle Petroleum, Inc. to provide fuel for the District's fleet will expire at the end of June 2010. The original agreement was authorized by the Board in spring 2009 and contained provisions for extending the contract for two additional 12-month periods. Adequate funds have been allocated to cover this expense in the FY 10/11 budget.

The District's fleet consisting of cars, trucks and heavy duty mobile equipment, uses unleaded gasoline and No. 2 grade clear diesel for fuel. Additionally, No. 2 grade red dyed diesel is used for fuel for the emergency standby generators. Staff is proposing extending the agreement with Pinnacle Petroleum of Huntington Beach, California, for FY 10/11. The fuel delivery service provided to date by Pinnacle Petroleum has been satisfactory and in compliance with the contract. The unit price that the District pays for fuel consists of the average rack price for fuel posted in Oil Price Information Service (OPIS) for Petroleum Allocation District 5 (PAD5) on the day that fuel is delivered to the District plus an adjustment factor quoted by Pinnacle Petroleum. The adjustment factors quoted by Pinnacle Petroleum for FY 10/11 were the same as the factors quoted last year for FY 09/10. The total estimated cost for fuel for FY 10/11 is \$200,200 based on the unit prices quoted for the adjustment factors and an estimated amount of fuel usage. Historically, the rack price for fuel has been highly volatile with wide price fluctuations. In the future, the rack price for fuel could potentially increase sufficiently to cause the total estimated cost for fuel to be exceeded. The following table shows the adjustment factors for FY 10/11.

	<u>Unleaded Regular Gasoline</u>	<u>No. 2 Diesel Clear</u>	<u>No. 2 Diesel Red</u>
Estimated Annual Usage	32,000 Gallons	53,000 Gallons	1,000 Gallons
Adjustment to Daily Average Rack Price per Gallon in OPIS for PAD 5	-\$0.0090	+\$0.0145	+.0158

A motion was made by Director Gunther, seconded by Director Huang to authorize a purchase order to Pinnacle Petroleum, Inc. for unleaded regular gasoline, and No. 2 diesel fuel for FY 10/11 at the unit prices quoted for the adjustment factors for fuel.

The motion was passed by the following vote:

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

5.8* AUTHORIZATION OF CONTRACT CHANGE ORDER NO. 1 FOR THE ALAMEDA RESERVOIR WATER QUALITY ENHANCEMENT EQUIPMENT INSTALLATION PROJECT

The Board previously awarded the contract for installation of District-furnished water treatment equipment at the Alameda Reservoir to Monterey Mechanical Company. Additional work to prepare and refurbish the District-furnished equipment, as well as additional training, has necessitated a change order to the construction contract. There is adequate funding in the budget for the expenditure.

On November 4, 2009, the Board awarded the construction contract for the Alameda Reservoir Water Quality Enhancement Equipment Installation Project to Monterey Mechanical Company in the amount of \$223,600. The project consists of the installation, testing, and start up of water treatment equipment previously purchased by the District as well as supporting equipment furnished by the Contractor. The project was toured by the Engineering and Capital Projects Committee on April 15, 2010.

Change Order No. 1 has been prepared in the amount of \$8,998.95 for additional work requested by the District. Additional work includes: 1) replacement of existing piping and valves, equipment anchor modifications and epoxy coating of concrete surfaces (\$1,472.00); 2) installation of additional electrical conduit and wiring (\$1,088.85); and 3) replacement of valves and tubing on the equipment skids, control cabinet wiring modifications, PLC modifications and additional training for District staff (\$6,438.10). Staff has reviewed the costs associated with the additional work and finds them to be fair and reasonable.

A motion was made by Director Gunther, seconded by Director Huang to approve Change Order No.1 in the amount of \$8,998.95 to Monterey Mechanical Company for the Alameda Reservoir Water Quality Enhancement Equipment Installation Project, Job 6361.

The motion was passed by the following vote:

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

5.9* RESOLUTION ESTABLISHING FISCAL YEAR 10/11 APPROPRIATIONS LIMIT

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.

Each year the Board must decide, by recorded vote, to choose the greater of growth in California per capita income or the increase in non-residential 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 FY10/11 the greater inflation factor is the increase in non-residential assessed valuation due to new construction in the District (37%). The greater factor for population is the growth within the County (1.10%).

After applying these factors and allowing for adjustments, the District's Appropriations Limit for FY10/11 is computed at \$76,947,473 which is a 31% increase from the previous year. The balance of the District's tax proceeds which are subject to the appropriations limit are estimated at \$21,134,926. The appropriations limit will thus as usual have no effect on the District's revenues.

As required by law, the calculation of the proposed new limit was publicly posted 15 days prior to the Board meeting.

A motion was made by Director Gunther, seconded by Director Huang to 1) adopt the use of growth in non-residential assessed valuation due to new construction in the District as the inflation factor, and the year-to-year population growth of Alameda County as the population factor in determining the FY 10/11 Appropriations Limit and 2) adopt a resolution establishing the Appropriations Limit for FY 10/11 at \$76,947,473.

RESOLUTION NO. 10-029

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
ESTABLISHING APPROPRIATIONS LIMIT FOR FY 10/11

The motion was passed by the following vote:

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

5.10 AUTHORIZATION OF CHANGE ORDER NO. 1 TO MCGUIRE & HESTER FOR
WATER MAIN RELOCATIONS TO ACCOMMODATE THE SAN FRANCISCO
PUBLIC UTILITIES COMMISSION BAY DIVISION PIPELINE NO. 5 PROJECT

The Board previously awarded three separate construction contracts to two different contractors (McGuire & Hester and R.J. Gordon) to perform pipeline relocation work. This work is required to accommodate the San Francisco Public Utilities Commission (SFPUC) Bay Division Pipeline (BDPL) No. 5 Project and supplements relocation work being performed by District forces.

District staff requested McGuire & Hester to furnish and install a 12-inch valve to prevent extended outages to industrial customers in the area. Change Order No. 1 in the amount of \$75,000 has been prepared to cover the additional work. There is adequate funding in the budget for this expenditure.

On January 14, 2010, the Board awarded two construction contracts for Water Main Relocations to Accommodate the San Francisco Public Utilities Commission Bay Division Pipeline No. 5 Project to McGuire & Hester in the amounts of \$128,000 and \$134,000. Change Order No.1 was previously authorized by the Board in the amount of \$99,500 to install two 14-inch valves at Moores Avenue near Wintergreen Drive in Newark.

To prevent extended outages to five industrial customers, the installation of a 12-inch valve is required. This work was originally scheduled to be performed by District forces. However, the work requires a 15-foot deep excavation and there are known unstable soil conditions in the area, thus requiring continuous dewatering, special equipment, and shoring to install the valve. It is therefore appropriate to use a contractor to complete the work.

Staff has prepared Change Order No. 1 in the amount of \$75,000 to cover the required additional work. The work includes installation of one isolation valve assembly consisting of the following: 1) perform 15-foot deep excavation, shoring, and continuous dewatering; 2) furnish and install 12 feet of 12-inch steel pipe, a 12-inch gate valve, a reinforced concrete thrust restraint, a 12-inch transition coupling, cathodic protection; 3) backfill with control density fill and perform final paving; and 4) perform traffic control. Staff has reviewed the costs for the additional work and has determined that they are fair and reasonable.

A motion was made by Director Gunther, seconded by Director Huang to approve Change Order No. 1 in the amount of \$75,000 to McGuire & Hester, Job 6399.

The motion was passed by the following vote:

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

5.11* AUTHORIZATION OF CONTRACT CHANGE ORDERS NOS. 1 AND 2 TO R.J. GORDON FOR WATER MAIN RELOCATIONS TO ACCOMMODATE THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION BAY DIVISION PIPELINE NO. 5 PROJECT

The Board previously awarded three separate construction contracts to two different contractors (McGuire & Hester and R.J. Gordon) to perform pipeline relocation work. This work is required to accommodate the San Francisco Public Utilities Commission (SFPUC) Bay Division Pipeline (BDPL) No. 5 Project and supplements relocation work being performed by District forces.

While performing two of the water main relocations, R.J. Gordon encountered unforeseen subsurface conditions. District staff also requested additional work to be performed. Change Order No. 1 in the amount of \$18,047.38 has been prepared to cover these additional work items.

Additionally, one of the 14 pipeline relocations originally anticipated to be constructed by District forces is more complex than originally expected and requires specialized equipment. Consequently, District staff requested construction bids from both contractors (McGuire & Hester and R.J. Gordon) that are currently performing SFPUC-related pipeline relocation work.

R.J. Gordon submitted the lowest bid and Change Order No. 2 has been prepared in an amount of \$173,335. There is adequate funding in the budget for this expenditure.

On January 14, 2010, the Board awarded a construction contract to R.J. Gordon in the amount of \$254,450, to supplement the work being performed by District forces.

For two of the relocations, R.J. Gordon encountered unforeseen conditions, including unmarked utilities and unstable soil conditions. Additionally, District staff requested the installation of 17 feet of additional 12-inch steel main. Staff has prepared Change Order No. 1 in the amount of \$18,047.38 for the following work: 1) perform additional trenching to avoid conflict with unmarked utilities and realign a portion of the pipeline (\$2,585.71); 2) place control density fill at the tie-in in lieu of asphalt base material because of unstable soil conditions (\$1,185.30); 3) remove an unmarked utility after consultation with the owner (\$2,228.97); 4) install 17 feet of additional 12-inch steel main; and 5) connect the pipeline to an existing main, provide traffic control, and paving (\$12,047.40).

After potholing the existing ACWD and SFPUC facilities at Farwell Drive near Flamingo Lane in Fremont, it was determined that the required 15-foot deep excavations, specialized equipment, and shoring requirements make it appropriate for the District to utilize a contractor to perform the work. Because the work needs to be completed by July to accommodate the SFPUC schedule, staff requested R.J. Gordon and McGuire & Hester to submit bids to install a 12-inch valve assembly and relocate 113 feet of 12-inch steel main. The bids results were as follows:

- R.J. Gordon \$173,335
- McGuire & Hester \$190,750

District staff has prepared Change Order No. 2 in the amount of \$173,335 to R.J. Gordon. The work includes the following: 1) relocation and replacement of the existing 12-inch ACP, including excavation, shoring, and dewatering; 2) furnish and install approximately 113 feet of steel pipe with 12-inch transition coupling and reinforced concrete thrust restraint; 3) install cathodic protection; and 4) perform final paving.

R.J. Gordon possesses the equipment, shoring, and expertise to perform this work. Staff has reviewed the costs for the additional work and has determined that they are fair and reasonable.

A motion was made by Director Gunther, seconded by Director Huang to approve Change Order Nos. 1 and 2 in the amounts of \$18,047.38, Jobs 6397 and 6409; and \$173,335, Job 6395, respectively.

The motion was passed by the following vote:

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

5.12* AUTHORIZATION FOR EXECUTION OF AGREEMENT WITH HANSON BRIDGETT, LLP FOR LEGAL SERVICES

The District's existing agreement with Hanson Bridgett was executed in July, 1996 and needs to be updated. The primary reason for updating the agreement is to identify Patrick Miyaki as the attorney principally responsible for providing legal services to the District. District Counsel and the General Manager also identified a number of other areas to be updated and are providing a revised agreement for consideration by the Board.

In addition to updating the name of the firm and identifying Patrick Miyaki as the District's principal counsel, a number of changes were made to clarify the language and intent of the agreement. Of note are changes in Section 5 to clarify that attorneys will not charge for travel time to attend regular Board meetings or Executive Staff meetings (where Board meeting agenda review is conducted), or for in-house photocopies or postage for routine services; changes in Section 6 to reference Attachment B, "Billing Policy Summary", and to provide for the disposition of District files, funds or property following the conclusion of service to the District; changes to update Attachment A, "Rate and Fee Schedule", and the addition of Attachment B.

Key to the purpose of the agreement, Section 3 continues to recognize that Hanson Bridgett is engaged by, and owes its ultimate duty of loyalty to, the Board of Directors. Section 3 also recognizes that, on day to day matters, the Board of Directors designates the General Manager as its authorized representative to be the primary person to communicate with Hanson Bridgett.

A motion was made by Director Gunther, seconded by Director Huang to authorize the Board President to execute an agreement with Hanson Bridgett LLP to provide legal services.

The motion was passed by the following vote:

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

5.13 RESOLUTION APPROVING MID-CYCLE BUDGET AND CAPITAL IMPROVEMENT PROGRAM REVISIONS

Mr. Yee discussed the resolution approving the mid-cycle budget and 25-Year Capital Improvement Program (CIP) revisions. Ms. Lyons gave a brief presentation to the Board regarding the CIP. She discussed that on June 11, 2009, the Board of Directors adopted the two year budget for FY 09/10 and FY 10/11 and the CIP. Current procedures provide for the Board to approve and adopt any revisions to the budget and CIP during the mid-cycle period of the two-year budget.

A review of the FY 10/11 budget indicates that adjustments to projected revenues and expenditures are required to more accurately reflect the District's anticipated financial activity during the next twelve-month period. Additionally, there are a number of revisions proposed for the CIP due to additions, deletions and rescheduled projects over the next 25 years to reflect updated information. Presented below is a discussion of the adjustments to the FY 10/11 budget. The net overall decrease in the 25-Year CIP is \$10.3 million, including \$6.5 million in

escalation. Details of the major changes proposed for the 25-Year CIP will be presented to the Board.

The FY 10/11 budget includes projected revenues of \$82,773,400. This includes General Fund revenue of \$77,915,600 and Facilities Improvement Fund revenue of \$4,857,800. It is proposed that total projected General Fund revenues be decreased by \$3,749,800 primarily due to lower than expected water demand, deferred property sales, and rescheduled grant funding revenue. Additionally, it is proposed that total Facilities Improvement Fund revenues be decreased by \$1,582,000 resulting from the cancellation of two large planned developments.

The FY 10/11 budget provides for operating expenses of \$65,908,700. All operating expenses are funded from the District’s General Fund. The proposed revisions to the budget include a decrease of \$761,900 in operating expenses, which is the net result of the following increases/(decreases):

Purchased Water – SBA	\$ 66,300
Purchased Water – SFWD	(632,800)
Water Quality Analysis	18,800
Purchased Power	(150,000)
Operation of Blending Facility	(31,900)
Operation of WTP1	(64,200)
Operation of WTP2	(50,300)
Operation of Desal Facility	(303,600)
Engineering of Distribution System	40,000
Employees Retirement & Benefits	181,000
Public Information	175,000
Maint of HQ Buildings & Grounds	21,000
Expenses Transferred	<u>(31,200)</u>
Total	(\$761,900)

The approved capital budget for FY 10/11 totals \$28,882,700. Of this amount, \$21,978,600 represents projects funded from the General Fund and \$6,904,100 represents projects funded from the Facilities Improvement Fund. It is recommended that the capital budget for FY 10/11 be decreased by \$9,236,700. This includes a decrease of \$7,378,560 in General Fund capital expenditures and a decrease of \$1,858,140 in capital expenditures funded from the Facilities Improvement Fund. The total decrease of \$9,236,700 is the net result of \$9,871,700 in rescheduled projects and an increase of \$635,000 in net project costs which were not previously included in the FY 10/11 budget. A review of the major capital adjustments for FY 10/11 will be included in the 25-year CIP presentation.

The proposed revenue and expenditure budget adjustments will result in an overall increase in projected ending reserve balances of \$5,365,600 for FY 10/11. This amount consists of an increase of \$5,089,460 in General Fund reserves and an increase of \$276,140 in Facilities Improvement Fund reserves. A comparison of the adopted budget to the proposed revised budget for FY 10/11 is also attached (Attachment 1 to the Resolution). However, note that these

additional reserves will be used to pay for future rescheduled costs, and as such will be needed to maintain a reasonable projected rate requirement.

Part of the changes being proposed to the budget will also include an update to the fringe and overhead rate the District uses to allocate its administrative and general costs back to the different accounting cost centers in the District, as well as to charge on outside customer jobs. This rate is currently 150%, but after a review of the five year projection of related costs and labor, staff is now proposing the rate to be increased to 180% effective July 1, 2010, and possibly to about 200% effective two years later in July 1, 2012 depending on a review of the latest numbers at that time. However, note that the current 150% figure was calculated in 2003, so for the seven year period to the present proposed 180% would mean an average annual increase of only about 4.3%. Labor-related costs such as retirement and health care are some of the main factors for the increase in the rate. Since the rate effects an inter-budget allocation of costs, there should be no net effect to the overall budget, except for a minor increase to Other Revenue from customer jobs.

These items were reviewed with the Administrative and Finance Committee on May 25, 2010.

Discussion ensued and Ms. Lyons answered questions from the Board.

A motion was made by Director Huang, seconded by Director Gunther to adopt a resolution amending the budget for FY 10/11 and 25-Year Capital Improvement Program.

The motion was passed by the following vote:

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

6 – REPORTS

6.1 BOARD COMMITTEE REPORTS

- Operations & Water Quality Meeting of May 11, 2010: (1) Electronic Distribution System Mapping Program
- Legal & Legislative Meeting of May 12, 2010: (1) Update on State Legislation; (2) Geyer Associates Contract
- Water Resources Planning Meeting of May 19, 2010: (1) Distribution System Pipeline Materials; (2) Water Conservation Staffing
- Engineering & Capital Projects Meeting of May 20, 2010: (1) Redevelopment-Related Activities; (2) East-West Connector Project Update; (3) Newark Desalination Expansion Project Update
- Administration & Finance Meeting of May 25, 2010: (1) FY 10/22 Budget Revisions; (2) Proposed Fringe & Overhead Rate Changes

- Operations & Water Quality Meeting of June 2, 2010: (1) 2009 Consumer Confidence Report (CCR); (2) Update on Public Health Goals (PHGs)

6.2 OPERATIONAL REPORTS

- Investment Report
- Quarterly Personnel Report
- Quarterly Budget & Expense Report
- Water Production Report

6.3 STAFF REPORTS

- Water Supply Update – Mr. Peterson updated the Board on the current status of our water supply. Locally, we have had 21” of rain to date. That represents 50% more than the previous year at this time. The average for this time is approximately 18.5” of rain. The groundwater basin is full at this time, which translates to 27,500 AF of available water. At Lake Del Valle, 10,000 AF of water is available and SFPUC, 13,900 AF. Due to the copious amount of snow pack this winter, our State Water Project allocation (Table A water) is at 45%, which translates to 18,900 AF. In San Luis Reservoir we have 10,900 AF in storage. Our total supply for this year is 81,200 AF. Due to a wet winter and mild spring, water demands are lower than originally forecasted for this time of the year. Director Weed suggested we add a footnote to the water supply sources indicating the District has stored water at Semitropic Water Storage District if needed.

Mr. Paul Sethy, a resident of Fremont addressed the Board and asked Mr. Peterson why water from the Newark Desalination Plant was not included with the other water supply sources. Mr. Peterson explained the amount of water produced at the desal plant is included in the groundwater basin figure and currently represents 5% of our annual water production. After the current expansion of the desal plant, that number can potentially rise to 10%.

Mr. T. Sandhu, a resident of Fremont, addressed the Board and asked Mr. Peterson if the District is working on seeking additional water storage opportunities. Mr. Peterson informed him that the District is working collaboratively with other agencies to address the need for additional water storage facilities as well as other means of conveyance enhancements.

6.4 GENERAL MANAGER’S REPORTS

- Mr. Wadlow reported that a copy of a letter from Senator Corbett’s office was given to the Board this evening thanking the District for providing reusable water bottles. Senator Corbett used the water bottles at a recent event to educate her constituents on the advantages of using tap water as opposed to bottled water.
- Mr. Wadlow briefed the Board regarding contacts by a representative from cellular provider T-Mobile. The representative contacted Directors Weed and Reynolds directly regarding negotiations between the District and T-Mobile. Mr. Miyaki briefly provided the Board with background information about the current communications site lease

agreement in place with T-Mobile at the Lowry well site. T-Mobile currently would like to sublease the site to communications provider Clearwire. T-Mobile has contacted the Directors in connection with the amount of rent being charged to the potential subleasee. Mr. Wadlow indicated that he will confer with counsel to make T-Mobile aware that all negotiations should be done through District staff and counsel and not through the Board.

- Mr. Wadlow handed out information to the Board regarding the District's participation in the City of Fremont's 4th of July Parade. Mr. Wadlow solicited ideas from the Board regarding the parade.

7 – DIRECTOR'S COMMENTS AND/OR AGENDA ITEM REQUEST

- Director Weed was asked to speak at a Tri-Valley Democratic club meeting on June 24, 2010. The topic of discussion will be the pros and cons of the 2010 Water Bond Initiative. Director Weed will be joined by Mr. Shaver.
- Director Reynolds reported on an article regarding the "Area of Origin" water law. In summary, it discusses that water in Northern California has priority before it is moved out of the region. Director Reynolds requested that the Board be provided with a review of the potential impacts to ACWD from pending litigation. Mr. Miyaki informed the Board a report can be provided.
- Director Reynolds requested that staff review how the Board and staff could be protected from threats or hostile behavior by the public during the public comment portion of the meeting. Mr. Wadlow informed the Board he will discuss this topic with District counsel.
- Director Koller announced the California Special Districts Association conference September 20-23, 2010 in Newport Beach. A highlight will be a tour of Orange County's Water Reclamation Program.

8 – CLOSED SESSION

President Koller adjourned the meeting to a closed session at 7:28 P.M. for a conference on the following items:

- 8.1 Conference with Labor Negotiator Pursuant to Section 54957.6 of the Government Code
 - Agency Negotiators: Walter Wadlow and Altarine Vernon
 - Employee Organization: Management/Confidential/Professional Employee Benefits (Unrepresented Group)
- 8.2 Conference with Legal Counsel – Existing Litigation (Pursuant to Government Code Section 54956.9(a): Hyatt Thermalito
- 8.3 Public Employee Performance Evaluation Pursuant to Government Code Section 54957
 - Position: General Manager

Minutes – June 10, 2010

The meeting reconvened at 9:10 P.M. President Koller reported that counsel provided information to the Board regarding item 8.2, and that no action was taken with regard to items 8.1, 8.2, or 8.3.

9 – POSSIBLE ACTION TO AMEND FY 10/11 MANAGEMENT/ CONFIDENTIAL/ PROFESSIONAL EMPLOYEES COMPENSATION SCHEDULE

Mr. Wadlow recommended the Board take action to approve a 4% adjustment in compensation on the Management/Confidential/ Professional Compensation Schedule for FY 10/11, effective June 28, 2010.

A motion was made by Director Huang, seconded by Director Gunther to approve the Management/Confidential/Professional Compensation Schedule for FY 10/11.

The motion was passed by the following vote:

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

There being no further business to come before the Board, President Koller adjourned the meeting at 9:15 P.M.

Andrew Warren, Assistant District Secretary

Attest:

Martin L. Koller, President