

December 9, 2010  
Fremont, California

The regular monthly meeting of the Board of Directors of ALAMEDA COUNTY WATER DISTRICT was held on December 9, 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, Sethy, Weed, and Koller

Staff members present: General Manager Walt Wadlow, Assistant General Manager-Engineering Robert Shaver, Manager of Finance Shelley Burgett, Manager of Operations Steve Peterson, Manager of Administrative Services Altarine Vernon, Special Assistant to the General Manager Eric Cartwright, Financial Services Manager Michael Yee, Attorney Patrick Miyaki, and Assistant District Secretary Andrew Warren.

President Martin Koller presided.

Director Gunther led in the Salute to the Flag.

- OATH OF OFFICE BY Newly-elected and Re-elected Directors – Mr. Wadlow stated that Section 23556 of the California Elections Code requires each Director to take an Oath of Office. On November 2, 2010, Paul Sethy was elected as a Director of the Alameda County Water District and Judy Huang was re-elected as a Director of the Alameda County Water District. Assistant District Secretary Andrew Warren administered the Oath of Office to the Directors.

### 3 – PUBLIC COMMENTS

- Ms. Wynn Greich, a resident of Hayward, addressed the Board and commented on reports discussing the potential human health effects of fluoridated water supplies.
- Mr. B.J. Bunting, a resident of Fremont, addressed the Board and asked if they would please speak directly into the microphones because it is hard to hear them at times.
- Mr. Ken Nishimura, a resident of Fremont, addressed the Board and urged the District to continue adhering to State law by adding fluoride to the drinking water supply. Mr. Nishimura also recommended the District continue current practices of meeting the mandates of State law by testing and monitoring water supplies while minimizing the concentrations of undesirable by-products.

### 4 – CONSENT CALENDAR

A motion was made by Director Gunther to add items 5.2 through 5.6 to the Consent Calendar, seconded by Director Weed.

The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Sethy, 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 November 18, 2010
- 4.2 Ratification of Payment of Audited Demands dated November 12, and November 19, 2010
- 5.2 Authorization of Purchase Order Amendment for ThermoFisher Scientific Professional Services
- 5.3 Authorization for Purchase Orders for Water Treatment Chemicals
- 5.4 Authorization for Participation in the 2011 High Efficiency Clothes Washer Rebate Initiative and of a Purchase Order to Pacific Gas and Electric Company for Program Administration
- 5.5 Authorization of Purchase Order for Consultant Services for Conversion of Groundwater-Related Software Applications
- 5.6 Resolution Awarding Contract for Rehabilitation of District Water Wells PT-2 and PT-7

The motion was passed by the following vote:

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

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

5.1 REORGANIZATION OF BOARD OF DIRECTORS

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Section 30520 of the California Water Code provides that the Directors shall elect one of their number President and may elect one of their number Vice President.

Pursuant to Resolution 1871, adopted December 10, 1970, this election is held at the first regular Board meeting in December each year. The Directors who are elected President and Vice President assume office at the close of the meeting at which they are elected.

A motion was made by Director Gunther to adopt a resolution electing Director Huang as President of the Board.

RESOLUTION NO. 10-062

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
ELECTING DIRECTOR JUDY C. HUANG PRESIDENT OF THE BOARD OF  
DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT

The motion was passed by the following vote:

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

A motion was made by Director Gunther to adopt a resolution electing Director Weed as Vice President of the Board.

RESOLUTION NO. 10-063

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
ELECTING DIRECTOR JOHN H. WEED VICE PRESIDENT OF THE BOARD  
OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT

The motion was passed by the following vote:

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

5.2\* AUTHORIZATION OF PURCHASE ORDER AMENDMENT FOR THERMOFISHER  
SCIENTIFIC PROFESSIONAL SERVICES

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A purchase order with ThermoFisher Scientific requires an increase of \$933.66 to cover travel expenses that were not included in the original purchase order. The total purchase order amount and cost for completing the work is \$50,953.13. There is adequate funding in the water quality laboratory budget to cover the requested amount.

In 2009, the water quality laboratory engaged the professional services of ThermoFisher Scientific to upgrade the District's laboratory information management system (LIMS) to allow the electronic transfer of data from an analytical instrument from another laboratory directly into LIMS. The primary advantage of this enhancement is the elimination of laborious and time-consuming manual data entry by lab staff. Since the implementation of the software upgrade, staff time associated with data entry into LIMS has been reduced and transcription errors have been virtually eliminated.

The ThermoFisher Scientific quotation and the subsequent District issued purchase order did not include a specific amount for travel and business expenses. However, the quotation did state that such expenses would be invoiced separately. The increase to the purchase order is necessary to cover the cost for travel and business expenses. The water quality laboratory concluded its work with ThermoFisher Scientific in September 2010.

A motion was made by Director Gunther, seconded by Director Huang to authorize a purchase order amendment in the amount of \$933.66 for professional services to ThermoFisher Scientific.

The motion was passed by the following vote:

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

5.3\* AUTHORIZATION OF PURCHASE ORDERS FOR WATER TREATMENT CHEMICALS

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Funds are authorized each year for the purchase of chemicals used for water treatment. The District's current agreements for nine water treatment chemicals will expire at the end of December 2010. The District received and opened bids on November 9, 2010 for eight chemicals (aqua ammonia, calcium hypochlorite, citric acid, ferric chloride, hydrofluorosilicic acid, sodium hydroxide at 25% and 50% concentrations, and nonionic polymer). Additionally, District staff is proposing to extend the existing agreement with the supplier of carbon dioxide for an additional 12-month period beginning in January 2011. There is adequate funding in the budget to cover the costs of water treatment chemicals for the balance of the current fiscal year.

Nine water treatment chemical agreements (i.e. contracts) were evaluated for renewal or rebidding taking into account proposed and negotiated price decreases, level of service provided (supply reliability and dependable delivery), and compliance with contract documents (product meets chemical specifications). Of the nine chemical supply contracts that were evaluated, one contract was determined to be appropriate for consideration for renewal, and eight contracts were advertised for bids.

District staff negotiated a no change in unit price for carbon dioxide for an additional 12-month period beginning in January 2011. The current agreement with Praxair Inc. to supply carbon dioxide was originally authorized by the Board in December 2009 and contained provisions for extending the contract for three additional 12-month periods. The current and newly negotiated cost for carbon dioxide is \$165 per ton. The total cost of this chemical over the next 12 months is \$63,515 based on an estimated annual average usage rate.

For the eight contracts that are not being extended, the District received and opened fifteen bids on November 9, 2010 for the water treatment chemicals identified in the table shown below. All bids were checked arithmetically and for compliance with the bidding requirements. The proposal from Nalco Company for nonionic polymer contained one irregularity. Nalco Company included its standard terms and conditions with its proposal. However, the District's standard terms and conditions will govern this contract and Nalco Company's standard terms and conditions are superfluous and will not apply to this contract. This irregularity is considered minor and may be waived.

The lowest bids for each chemical are shown in the table below and are based on a 12-month period. The total estimated cost for the eight chemicals bid for the 12-month period between January 1, 2011 and December 31, 2011 is \$1,036,104. The total composite cost of the nine chemicals described above for the 12-month period beginning in January 2011 is \$1,099,619 based on estimated annual average usage rates.

Item No.	Supplier	Chemical	Estimated Quantity	Unit Price	Previous Unit Price
1.	Hill Brother Chemical Co.	Aqua Ammonia	45 dry tons	\$1,107.93	\$1,135.00
2.	Chemquip Inc.	Calcium Hypochlorite (tablets)	2,000 lbs.	\$2.17	\$2.24
3.	Basic Chemical Solutions	Liquid Caustic Soda (sodium hydroxide, 25%)	35 dry tons	\$484.77	\$700.00
4.	Basic Chemical Solutions	Liquid Caustic Soda (sodium hydroxide, 50%)	917 dry tons	\$437.07	\$505.00
5.	Brenntag Pacific, Inc.	Citric Acid (liquid)**	1,900 gals.	\$6.15	\$6.15
6.	Lucier Chemical Industries	Hydrofluosilicic Acid	57 dry tons	\$2,686.97	\$2,930.43
7.	Nalco Company	Nonionic Polymer in approx. 55 gallon drums 465 lb. per drum	4 Drums	\$554.58	\$382.50
8.	Kemira Water Solutions	Ferric Chloride	582 dry tons	\$610.00	\$600.00

\*\*Cost is for drums not bulk

A motion was made by Director Gunther, seconded by Director Huang to: 1) waive the minor irregularity in the bid submitted by Nalco Company for nonionic polymer; and 2) authorize the purchase orders to furnish and deliver the nine water treatment chemicals identified above for an estimated cost of \$1,099,619.

The motion was passed by the following vote:

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

**5.4\* AUTHORIZATION FOR PARTICIPATION IN THE 2011 HIGH EFFICIENCY CLOTHES WASHER REBATE INITIATIVE AND OF A PURCHASE ORDER TO PACIFIC GAS AND ELECTRIC COMPANY FOR PROGRAM ADMINISTRATION**

Staff proposes to continue participating in the Bay Area Water Agency and Pacific Gas and Electric Company (PG&E) Cooperative Clothes Washer Rebate Initiative Program (“Bay Area Washer Rebate Program” or “Program”) for the calendar year 2011. During the 2011 Program, rebates will be provided for clothes washers that meet or exceed the Consortium for Energy Efficiency Tier 2 specifications. Tier 2 washers will be eligible for a \$100 rebate (\$50 from PG&E and \$50 from ACWD). Based on an estimated 3,000 rebates, the total estimated cost of rebates for ACWD is \$150,000. ACWD will also be responsible for PG&E Program administration fees. These administration fees are estimated at \$33,300 for a total annual ACWD Program cost of \$183,300. Sufficient funds are contained in the FY 10/11 budget to cover the cost of this Program.

During 2008, 2009 and 2010, ACWD participated in the Bay Area Water Washer Rebate 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. The Program has been very successful, resulting in over 8,000 high efficiency washers installed within ACWD's service area during the last three years. Based on the previous years' Programs, staff anticipates that ACWD will receive up to 3,000 rebate applications under the proposed 2011 Program, for a total Program cost of \$183,300. Consortium for Energy Efficiency Tier 2 washers provide water savings equal to the Tier 3 washers that were eligible for rebates during the 2010 Program.

ACWD has the opportunity to reduce net cost for the Program through an existing cost-share arrangement with Union Sanitary District (USD). Under this agreement, USD has agreed to contribute up to \$50,000 for washer rebates (\$25 per rebate) during fiscal year 2010/11. A portion of USD's contribution has already been applied to the 2010 Washer Rebate Program; however, it is anticipated that approximately \$15,000 will be available to be applied to the 2011 Program. In addition, staff anticipates entering into a similar cost-sharing agreement with USD for fiscal year 2011/12, which will result in additional reduction in ACWD's net cost for the 2011 Program.

A motion was made by Director Gunther, seconded by Director Huang to: 1) authorize the General Manager to enter into the first amended agreement with PG&E for participation in the 2011 Bay Area Water Agency and PG&E Cooperative Clothes Washer Rebate Initiative; and 2) authorize a Purchase Order to Pacific Gas and Electric Company in an amount not to exceed \$183,300 for ACWD's portion of the rebates and related fees for the Program.

The motion was passed by the following vote:

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

**5.5\* AUTHORIZATION OF PURCHASE ORDER FOR CONSULTANT SERVICES FOR  
CONVERSION OF GROUNDWATER-RELATED SOFTWARE APPLICATIONS**

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The Information Technology Master Plan (ITMP) recommends that the District implement consistent technology standards for all custom database applications. Two of the custom applications used for managing groundwater resources were originally configured in the early 1990's and are based on a program that is no longer being supported. Accordingly, staff requested Paul Baber & Associates to submit a proposal to convert the applications to be in compliance with the ITMP's recommended standards. There is sufficient funding in the budget for this expenditure.

Two database applications, the Site and Well Management System (SWMS) and the Groundwater Monitoring Program (GWMP), are used extensively to manage data related to the Groundwater Protection Programs, Well Ordinance Programs, and Groundwater Monitoring Programs. These applications were initially developed (in 1993 for SMS, now called SWMS, and 1995 for GWMP), configured, and maintained by Paul Baber & Associates and are based on

Visual FoxPro programming language. However, Microsoft has announced that Visual FoxPro will no longer be updated or supported.

The ITMP recommends that Microsoft SQL Server be used as the District's database standard and that custom applications (such as SWMS and GWMP) be migrated to Microsoft's .NET Framework as the programming environment. The migration of the data tables and conversion of the two applications to the .NET platform will also involve numerous updates to the application interface. Accordingly, staff requested Paul Baber & Associates to submit a proposal to perform the above-described work. The owner of the company, Paul Baber, is currently providing support for a number of District applications and has satisfactorily and cost-effectively been performing database work for the District for the past 17 years.

Staff has evaluated the proposal and recommends utilizing Mr. Baber because of 1) his previous satisfactory service, 2) familiarity of the District's applications and databases, as well as the .NET programming environment, and 3) reasonable cost (\$80/hour).

A motion made by Director Gunther, seconded by Director Huang to: 1) authorize a purchase order to Paul Baber & Associates in an amount not to exceed \$67,760 for consulting services to convert groundwater database applications; and 2) authorize the General Manager to execute a services agreement with Paul Baber & Associates for the proposed services.

The motion was passed by the following vote:

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

#### 5.6\* RESOLUTION AWARDED CONTRACT FOR REHABILITATION OF DISTRICT WATER WELLS PT-2 AND PT-7

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The Rehabilitation of District Water Wells PT-2 and PT-7 Project includes the cleaning and development of two water wells in the Peralta-Tyson Wellfield. This work is needed to restore the production capacity of the wells prior to the installation of new pumps and motors. The project was advertised and the District received and opened five (5) bid proposals.

Layne Christensen Company of Woodland, California, submitted the lowest bid in the amount of \$58,778. References were checked, and it was confirmed that the contractor has the necessary qualifications and experience to perform the work. There is adequate funding in the current budget for this work.

The Rehabilitation of District Water Wells PT-2 and PT-7 Project is part of the District's well rehabilitation program to maintain the efficiency of the District's production wells. This year, PT-2 and PT-7 were identified for rehabilitation because the wells have been in use since the 1960's and their production capacity has been decreasing. A recent video camera survey of the wells documented that the wells' perforations are partially plugged with incrustants and the wells needed to be rehabilitated prior to the planned installation of new pump and motor assemblies. The project includes sonar jetting, brushing, bailing the wells to their original depth, swabbing

the well screen, and development of the wells. The effectiveness of this work will be evaluated by a five-step drawdown pump test and a final video camera survey.

Layne Christensen Company submitted the lowest bid in the amount of \$58,778. The bid totals ranged from a low of \$58,778 to a high of \$86,420. The engineer's estimate was \$67,274. All bids were checked arithmetically and for compliance with the bidding requirements. Layne Christensen Company has been in the contracting business under its present business name and license for approximately 23 years doing work similar to that required by the contract documents. Layne Christensen Company has provided similar well rehabilitation services to the District in the past and has performed satisfactorily.

A motion made by Director Gunther, seconded by Director Huang to adopt a resolution to award the contract for Rehabilitation of District Water Wells PT-2 and PT-7 to Layne Christensen Company, in the amount of \$58,778, which is the total of the unit price and lump sum payment items, Job 6481.

RESOLUTION NO. 10-064

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
ACCEPTING PROPOSAL OF, AND AWARDING CONTRACT TO LAYNE  
CHRISTENSEN COMPANY FOR JOB 6481

The motion was passed by the following vote:

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

5.7 PRESENTATION OF ALAMEDA COUNTY WATER DISTRICT AUDIT FOR FY  
09/10

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Ms. Burgett announced that on March 11, 2010, the Board authorized execution of a three-year agreement with an option for a two-year extension for annual financial audit services with the firm of Macias Gini & O'Connell.

Macias Gini & O'Connell recently completed its audit of the District's financial records for the fiscal year ended June 30, 2010. This audit, which was conducted in accordance with generally accepted auditing standards, included a review of the accounting principles used by the District, as well as a review of various financial transactions and the District's system of internal controls.

The auditors have completed their review and have issued a clean, unqualified opinion in regards to the financial statements being reported fairly in all material respects and according to generally accepted accounting principles.

Mr. Craig Boyer, Manager with Macias Gini & O'Connell was present to answer any questions from the Board.

The following documents were submitted for the Board's review:

- Comprehensive Annual Financial Report  
This report provides information on the District's operating and financial activities for the fiscal year ended June 30, 2010. The Introductory Section provides an overview of the District and describes significant events and accomplishments for the last fiscal year. The Financial Section of the report provides an analysis of the District's financial performance during the previous two fiscal years and presents the District's audited financial statements, including a Statement of Net Assets (balance sheet), Statement of Revenues, Expenses and Changes in Net Assets (income statement) and a Statement of Cash Flows for the fiscal year ended June 30, 2010. Finally, the Statistical Section of the report provides key historical financial and demographic data.
- Independent Auditor's Report  
This letter is included in the Comprehensive Annual Financial Report on page 1 and communicates the auditor's unqualified opinion.
- Debt Compliance Report  
This report indicates that the District is in compliance with the financial agreements and financial covenants contained in the 2009 Water System Refunding Revenue Bonds and the 2003 Revenue Certificates of Participation Official Statements related to the audited financial statements.
- Independent Accountant's Report on Applying Agreed-Upon Procedures Related to the Article XIII-B Appropriations Limit Calculation (Gann Report)  
This report indicates that no discrepancies were found in the performance of a set of agreed upon procedures in order for the District to be in compliance with the requirements of the California Constitution in regards to Appropriations Limits.
- Report to the Board of Directors  
This is an internal report for the Board of Directors and is required by auditing standards generally accepted in the United States. It indicates that internal controls were considered as a part of designing audit procedures for this engagement. There are several items in this letter for staff process improvements in the area of internal controls including periodically assessing whether any assets are impaired, more staff training in regards to the increasing number of changes and regulations in the field of governmental accounting, information technology controls and segregation of duties between finance and human resources in regards to payroll. Staff is committed to making the suggested improvements.
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters  
This is a required report that auditors provide for audits performed under Government Auditing Standards (standards in addition to generally accepted auditing standards (GAAS)). It includes the observations in regard to internal controls from the Report to the Board of Directors.

The auditor reviewed the results of the above reports with the Administrative & Finance Committee on November 23, 2010.

Discussion ensued and staff answered questions from the Board.

A motion was made by Director Gunther, seconded by Director Sethy to accept the Audited Financial Statements and accompanying reports for the fiscal year ended June 30, 2010.

The motion was passed by the following vote:

AYES: Directors Huang, Gunther, Sethy, Weed, and Koller

NOES: None

ABSENT: None

#### 5.8 REVIEW OF PROPOSED RATES AND CHARGES FOR CALENDAR YEAR 2011 AND SETTING PUBLIC HEARING

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Ms. Burgett informed the Board 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 inputs from the District's Integrated Resources Plan and the Capital Improvement Program. Information from the FPM is primarily utilized to calculate the commodity rate and development charges necessary to operate the District. The District's various other 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 at the January 2010 Board meeting.

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.

The FPM is a comprehensive spreadsheet model of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves over a 25 year period but with a focus on the next ten years. These projections are derived from other planning tools and models, including the District's Integrated Resources Plan (IRP), Capital Improvement Program (CIP), and current year budget. The IRP process evaluates a wide range of water supply and water conservation options, as well as land use projections in the District's service area. This information is used to develop the District's long range water supply strategy necessary to meet projected demands. The CIP includes project schedules and projected costs for production facilities identified in the IRP, and other projects to support and maintain system reliability, water quality and environmental compliance. All of these financial tools provide the basis for developing the annual budget which implements the necessary projects, programs and activities to achieve the District's goals.

The FPM is the tool that provides the information that enables the District to set rates annually to generate sufficient water revenues to meet the District's short- and long-term obligations in an orderly manner and to minimize significant rate fluctuations from year-to-year. Water revenues are the District's primary source of revenue, comprising more than 70% of the District's total source of revenues.

Operating expenses include those programs and activities necessary to support and maintain the District's ongoing daily operations. These include costs associated with fuel and power; purchased water from the State Water Project and San Francisco Regional Water System; operations and maintenance of the groundwater basin, water treatment facilities, water mains, service lines, meters and distribution facilities; water quality analysis; administrative and related expenses, and debt service. These costs total approximately \$835 million over the next 10 years.

The FPM also includes over \$163 million in major capital projects for the next 10 years needed to comply with increasingly stringent public health and environmental standards and to maintain water system reliability. Major projects include treatment plant process improvements and retrofit work, supplemental water supply storage, water production and storage facility improvements, water main and service line replacements, Seismic Improvement Program (SIP) – Phase 1, and various fishery projects along Alameda Creek.

Additional details will be provided on the projected operating expenses and capital expenditures during the Board meeting on the proposed rate increase.

Mr. Yee presented to the Board his rate analysis, summarized below.

#### COMMODITY RATE

It is proposed that the base commodity rate for customers within the District's service area be increased by 8.0% effective March 1, 2011 to help recover the cost of increased operating expenses 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. One example of a large capital project is Phase 1 of the Seismic Improvement Program in the CIP for \$16.3 million over the next nine years. The District has had an unusual combination of dramatically decreased water demand, economic uncertainty, increased labor-related costs, and increased purchased water costs this year. The District also faces future uncertainties regarding possible further demand decreases due to SB7 compliance, pension costs, and main replacement program.

A number of measures are being taken by staff to help moderate the proposed rate increase. For example, staff continues to pursue new funding sources through grants and other opportunities, and implement cost control measures such as decreasing debt costs through financing alternatives. Staff has also taken a variety of other actions such as revising cost projections, and delaying capital projects, where possible, in response to lower demand.

Staff also proposes an 8.0% increase for those customers who are outside the District's boundaries and 11.1% for large customers who only receive San Francisco Water. For the reasons detailed above, staff is also projecting the need for an 8.0% increase in 2012 and 2013, but will come back to the Board next year once new data is available.

The proposed base commodity rates are summarized below.

	<u>Current</u>	<u>Proposed Eff. 3/1/11</u>
Base Commodity Charge (per HCF):		
Inside District	\$ 2.754	\$ 2.974

Outside District	3.166	3.419
San Francisco Water Service	2.918	3.242

Because of unusual timing of holidays and Board meetings at the end of this year, staff is proposing a March 1, 2011 effective date to allow for adequate time to comply with Proposition 218 notification requirements (discussed below). It is anticipated that the District will return to the more typical February 1 effective date for 2012.

#### 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 an increased portion of the annual debt service on bonds issued. The bimonthly service charge was last adjusted in February 2010. It is proposed that the bi-monthly service charge be increased also by 8.0% 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 \$11.62 to \$12.55. Staff is also preliminarily considering an 8.0% increase in 2012 and 2013, but will come back to the Board next year once new data is available.

#### COST COMPARISON - AVERAGE WATER BILL

The net effect of the proposed 8.0% increase to both the base commodity rate and service charge, would increase the total bi-monthly water bill for an average residential customer use of 23 units of water (approximately 283 gallons per day) by \$5.99 the difference between \$74.96 and \$80.95. This would mean about a \$3.00 increase per month, or 9.9 cents a day. This would continue to place the District's average residential water bill in the lower third of the 30 other Bay Area agencies surveyed. However, this is comparing the District's proposed 2011 rates with the current 2010 rates of all the other surveyed agencies. Some of these agencies are projecting double-digit increases next year, and by next July, it is anticipated that the District will rank even lower in total cost in the survey.

#### PROPOSITION 218 NOTIFICATION

It is proposed that a written notification of the proposed rate increase be mailed to all property owners in the District. The mailing mentions both the current and proposed commodity rates and bimonthly service charge, the effect on an average residential customer's bill, and reasons for the increase. Information will also be included for those customers who exclusively use San Francisco water. Staff is requesting authorization from the Board to send out the mailings to give property owners 45 days notice before the February 10, 2011 proposed public hearing, which is the amount of notice required by Proposition 218. A separate mailing is also proposed to be sent to those approximately 200 property owners who are either outside the District boundaries.

#### 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 February 1, 2011 were previously adopted by the Board on January 14, 2010.

Based on the Financial Planning Model’s latest projection of growth-related capital projects and projected revenue, staff is proposing a 8.0% increase to both the general Facilities Acreage Charge and potable Facilities Connection Charges effective February 1, 2012.

All of the above-proposed changes are shown below.

	<u>Adopted</u> <u>Eff. 2/1/11</u>	<u>Proposed</u> <u>Eff. 2/1/12</u>
Facilities Acreage Charge:		
General	\$ 7,243	\$ 7,822
New Non-District	\$ 1,449	\$ 1,564
Non-Potable	\$ 1,449	\$ 1,564

Facilities Connection Charge (Residential Meters):

	<u>Adopted</u> <u>Eff. 2/1/11</u>	<u>Proposed</u> <u>Eff. 2/1/12</u>
Single Family Dwelling Units	\$ 6,347/du	\$ 6,855/du
Multiple Dwelling Units	\$5,080/du	\$ 5,487/du
Residential Dormitory	\$3,810/du	\$ 4,115/du

Facilities Connection Charge (Nonresidential, Municipal and Irrigation Meters):

<u>Meter Size</u>	<u>Adopted</u> <u>Eff. 2/1/11</u>	<u>Proposed</u> <u>Eff. 2/1/12</u>
3/4"	\$ 8,955	\$ 9,671
1"	13,538	14,621
1½"	19,840	21,427
2"	24,237	26,176
3"	40,119	43,329
4"	66,633	71,963
6"	98,000	105,840
8"	149,958	161,955

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 2010. Fees are set to recover the cost of service. A new well ordinance is anticipated to be adopted by the Board at its December 9, 2010 meeting, and had been presented in detail at its November 18, 2010 meeting. Based on the new ordinance and other considerations, a new administration fee schedule is being proposed that better reflects the type and recovery of the cost of service.



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, additional revisions to the Rate and Fee Schedule are proposed. Note that the “Engineering Fee” is being proposed to be renamed the “Water Main Extension Engineering Fee” to clarify its application. Changes shown below are proposed to become effective March 1, 2011. All fees and charges are proposed to cover the cost of service.

	<u>Current</u>	<u>Proposed Eff. 3/1/11</u>
After-Hours Connection Charge	\$ 204	\$ 211
Annexation Charge	1,937	2,017
Backflow Prevention Device Testing Fee	57	64
Damaged Angle Stop Charge	84	95
Water Main Extension Engineering Fee	8,100	9,100
Fire Flow Test Fee	50	75
Fire Hydrant Meter – Late Return	84	87
Fire Hydrant Meter – Late Reading	78	80
Meter Installation Charge – 3/4”	115	127
Meter Installation Charge – 1”	150	165
Meter Re-Installation Charge	73	75

Director Sethy observed that revenues were less than expenses over the past two fiscal years. He requested that staff present details regarding a break-even point based on the estimated 8% rate increase over the next two fiscal years.

Mr. Nishimura requested the District continue to investigate the allocation of costs and rate increases between the variable or commodity charge portion of the rates and the fixed charge. He believes this is the second year that both the fixed and variable charge were increased by the same proposed percentage. He expressed the opinion that moving forward, it would be prudent for the District to ensure the rate structure is properly adjusted to maintain a proper ratio of fixed and variable costs as billed to the customer. He indicated that in his opinion, ideally the fixed costs should cover the cost of the District to deliver the first drop of water, while the variable cost should cover the cost to the District to deliver the amount of water consumed. According to Mr. Nishimura, raising both the rates by the same percentage might result in a situation where the allocation of the costs between the two types of charges does not accurately reflect the cost of doing business for the District.

Mr. Wadlow informed the Board that a rate study is being conducted this year to look at the issues raised by Mr. Nishimura, along with a number of other issues regarding rate structure. One of items the rate study will consider is the allocation between fixed costs and commodity based costs. Currently, the District’s full fixed costs are not fully recovered in our service charge. Over the past few years, staff has begun to bring the fixed costs more in line with the service charge. More details will follow as the rate study progresses.

Additional discussion ensued and staff answered questions from the Board.

A motion was made by Director Gunther, seconded by Director Weed to 1) set February 10, 2011, at 6:00 p.m. as the date and time for a public hearing for consideration and adoption of revisions to the District's rates and charges; and 2) authorize staff to mail notifications of the proposed commodity and bimonthly service charge revisions and public hearing details to all property owners in the District.

The motion was passed by the following vote:

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

#### 5.9 AUTHORIZATION OF CHANGE ORDER NO. 3 AND RESOLUTION ACCEPTING COMPLETION OF CONTRACTS WITH MCGUIRE & HESTER FOR WATER MAIN RELOCATIONS

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Mr. Shaver reported that the Board previously awarded three separate construction contracts to two different contractors to perform the pipeline relocation work required to accommodate the San Francisco Public Utilities Commission (SFPUC) Bay Division Pipeline (BDPL) No. 5 Project. The contractors' work supplements the relocation work performed by District forces. Two of the contracts (Agreement Nos. 3674B and 3674C) were awarded to McGuire & Hester.

Due to unforeseen subsurface conditions and an associated post-construction pipeline leak, additional work was required at one of the water main relocation sites in Newark (Enterprise Drive near Wells Avenue). Staff has prepared Change Order No. 3 in the amount of \$20,203.92 to cover the work. There is adequate funding in the budget for this expenditure.

With the conclusion of work at Enterprise Drive near Wells Avenue, all planned District and contractor-performed pipeline relocation work to accommodate the SFPUC BDPL No. 5 Project is now complete.

On January 14, 2010, the Board awarded two construction contracts (Agreement Nos. 3674B and 3674C) for Water Main Relocations to Accommodate the SFPUC BDPL No. 5 Project to McGuire & Hester in the amounts of \$128,000 and \$134,000, respectively.

Significant District-requested additional scope (i.e., inclusion of an additional pipeline relocation) and unanticipated subsurface conditions (e.g., high groundwater and unstable soil conditions), combined with an accelerated project completion schedule that was required to accommodate the SFPUC project, have contributed to significant change orders to date. The Board previously authorized Change Order Nos. 1 and 2 (Agreement No. 3674B) in the amounts of \$99,500.00 and \$6,398.76, respectively, and Change Order Nos. 1 and 2 (Agreement No. 3674C) in the amounts of \$75,000.00 and \$5,180.81, respectively.

Shortly after the installation of the 12-inch pipeline relocation at Enterprise Drive near Wells Avenue, a leak occurred on the existing 12-inch asbestos cement pipeline below and between the 60-inch and 66-inch diameter Bay Division 1 and 2 pipelines. Staff believes that the likely cause of the leak was as a result of the Contractor's dewatering operations, which potentially removed material from beneath the existing pipe. However, the Contractor's assertion is that the leak was

caused by hydraulic thrust when the pipeline was placed back in service. To investigate, staff performed video inspections within the pipe; however, it was not possible to visibly determine the precise location of the leak and the pipeline failure mode due to the continuous infiltration of murky water. Therefore, the only method to potentially determine the failure mode, if at all, would have been to excavate the pipeline and inspect the exterior of the pipe.

Staff evaluated several alternatives to further investigate and to repair the leak and determined that, given the inherent risk of excavating in close proximity (and potentially beneath) the SFPUC pipelines, combined with the high cost and uncertainty of successfully performing the repair work itself, the best and most cost-effective solution would be to permanently remove the 12-inch pipeline from service. This is an acceptable solution because the pipeline is not essential for hydraulic reasons; however, the original plan to relocate the pipeline was more desirable from a distribution system redundancy perspective.

Because the cause of the leak was unknown, staff decided to pursue an arrangement with McGuire & Hester to jointly share the responsibility and the costs to correct the situation. The negotiated arrangement is summarized as follows: 1) McGuire & Hester will isolate and permanently remove the pipeline on each side of the SFPUC right-of-way at no expense to the District; 2) the District will contract with Viking Drillers, Inc. (Viking), the same dewatering contractor that is being used for the SFPUC BDPL No. 5 Project, to perform the dewatering necessary for McGuire & Hester to perform the pipeline work; and 3) the District will reimburse McGuire & Hester for work performed to support Viking's installation, operation, and destruction of four (4) dewatering wells. The work was subsequently successfully performed and Change Order No. 3 in the amount of \$20,203.92 reflects McGuire and Hester's costs associated with traffic control, removal and disposal of drilling spoils, installation of trench plates, fueling and maintaining the continuously operated generators, and removal and disposal of the sediment from two (2) 3500-gallon baker tanks. Staff has reviewed and evaluated the costs associated with the change order as fair and reasonable for the work performed. All planned District and contractor-performed pipeline relocations work to accommodate the SFPUC BDPL No. 5 Project is now complete.

A motion was made by Director Gunther, seconded by Director Sethy to 1) approve Change Order No. 3 in the amount of \$20,203.92 to McGuire & Hester, Agreement No. 3674C, Job 6399; and 2) adopt a resolution accepting completion of the contracts with McGuire & Hester for Water Main Relocations to Accommodate the San Francisco Public Utilities Commission Bay Division Pipeline No. 5 Project, Agreement Nos. 3674B and 3674C, Jobs 6398, 6399, 6400 and 6401.

RESOLUTION NO. 10-065

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
ACCEPTING COMPLETION OF CONTRACT NOS. 3674B AND 3674C,  
MCGUIRE & HESTER, JOBS 6398, 6399, 6400 AND 6401

The motion was passed by the following vote:

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

5.10 RESOLUTION ADOPTING AN ORDINANCE TO REGULATE WELLS,  
EXPLORATORY HOLES, AND OTHER EXCAVATIONS WITHIN THE CITIES OF  
FREMONT, NEWARK, AND UNION CITY

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Mr. Shaver reported on January 1, 2010, the Alameda County Water District Groundwater Protection Act (Act) was added as Article 9.3 (commencing with Section 31142.20) to Chapter 1 of Part 5 of Division 12 of the California Water Code, to provide a regional approach of regulating subsurface activities for the protection of groundwater within the Cities of Fremont, Newark, and Union City. The Act authorizes the Board to adopt, by ordinance, regulations deemed necessary or proper to carry out the purposes of the Act.

Staff presented an overview of the proposed ACWD Well Ordinance at the November 18, 2010, Board Meeting. Staff has also coordinated the language of the proposed ACWD Well Ordinance with the Cities of Fremont, Newark, and Union City.

In 1973, local well ordinances to regulate the construction, repair, reconstruction, destruction, or abandonment of wells and exploratory holes within the Cities of Fremont, Newark, and Union City (collectively “Cities”) were adopted by each city designating the District as the enforcing agency as defined by the Department of Water Resources. Many changes have occurred over the last 37 years in drilling technology and subsurface investigations since the City Well Ordinances were first adopted.

Staff evaluated the existing City Well Ordinances and determined that updates were needed. Legal counsel reviewed staff’s comments and recommended obtaining regulatory authority through legislation which would grant the District direct authority to adopt, update, and revise regulations and standards as appropriate.

Staff worked with legal counsel to develop a legislative proposal titled, “Alameda County Water District Groundwater Protection Act.” The Act was referred to as SB 133 during the legislative process and was authored by Senator Ellen Corbett and co-authored by Assembly Member Alberto Torrico. SB 133 was approved unanimously by both the Senate and the Assembly and was signed by Governor Schwarzenegger on October 11, 2009. On January 1, 2010, the Act was codified as Article 9.3 (commencing with Section 31142.20) to Chapter 1 of Part 5 of Division 12 of the California Water Code. The Act authorizes the Board to adopt, by ordinance, regulations deemed necessary or proper to carry out the purposes of the Act.

Staff and legal counsel have prepared the draft “Ordinance of the Alameda County Water District to Regulate Wells, Exploratory Holes, and Other Excavations within the Cities of Fremont, Newark, and Union City” (ACWD Well Ordinance). The ACWD Well Ordinance provides a guide for implementing the regulatory authority provided in the Act, incorporates modified or updated portions of the City Well Ordinances, and addresses the changes that have occurred since the City Well Ordinances were first adopted.

A motion was made by Director Gunther, seconded by Director Sethy to adopt by resolution the Ordinance of the Alameda County Water District to Regulate Wells, Exploratory Holes, and Other Excavations within the Cities of Fremont, Newark, and Union City.

RESOLUTION NO. 10-066

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
ADOPTING AN ORDINANCE OF THE ALAMEDA COUNTY WATER  
DISTRICT TO REGULATE WELLS, EXPLORATORY HOLES, AND OTHER  
EXCAVATIONS WITHIN THE CITIES OF FREMONT, NEWARK, AND  
UNION CITY

The motion was passed by the following vote:

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

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6 – REPORTS

6.1 BOARD COMMITTEE REPORTS

- Water Resources Planning Meeting of November 17, 2010: (1) BAWSCA Water Management Activities Update; (2) Alameda Creek Fisheries Update
- Administrative 7 Finance Meeting of November 23, 2010: (1) Financial Audit Review; (2) Rates and Charges Review; (3) Bond Issue Arbitrage Calculations

6.2 OPERATIONAL REPORTS

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

6.3 STAFF REPORTS – None

6.4 GENERAL MANAGER’S REPORTS

- Ms. Vernon informed the Board that the District has entered into a contract with a new occupational care firm, Alliance Occupational Medical Center (AOMC), located in Milpitas. AOMC will be used in addition to our current provider, Fremont Urgent Care. This provides an alternative for District employees seeking occupational medical services. Services with AOM are set to start December, 2010.
- Mr. Wadlow discussed a memo that was given to the Board regarding the maximum production capacity of the Newark Desalination Facility. This memo was a written

response to a question from Director Weed. Mr. Peterson informed the Board that if there were any questions regarding the content of the memo, the Board should feel free to contact him directly.

- Mr. Wadlow handed out a bulletin warning local agencies of a watchdog group, Cal-Aware, that is sending members to various public meetings to ensure that no violations of the Brown Act are occurring. Mr. Wadlow reiterated that the District has an excellent record of compliance with the Brown Act, but indicated that the District must continue to be diligent in complying with the Brown Act.

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

- Director Weed reported on his attendance to the ACWA Fall Conference in Indian Wells, California.
- Director Sethy thanked everyone for the warm reception as the newly elected Board member.
- Director Sethy asked that staff consider including in the well report in the Board packet a column that lists the target, desired or ideal water levels for all wells around our service area.
- Director Gunther reported on his attendance to the ACWA Fall Conference.
- Director Huang reported on his attendance to the ACWA Fall Conference.
- Director Koller requested that staff continue to monitor water levels in Colorado River reservoirs. He indicated that the water supply issues in Lake Mead and on the Colorado River greatly impact Northern California’s water supply because those sources supply Southern California, and if those supplies are not available the impact to the Delta could affect our water supply.
- Director Koller reported on his attendance to the ACWA Fall Conference.

There being no further business to come before the Board, President Koller adjourned the meeting at 7:42 P.M.

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Andrew Warren, Assistant District Secretary

Attest:

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Martin L. Koller, President