

February 10, 2011
Fremont, California

The regular monthly meeting of the Board of Directors of ALAMEDA COUNTY WATER DISTRICT was held on February 10, 2011 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 Weed, Gunther, Koller, Sethy, and Huang

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, Water Supply Supervisor Laura Hidas, Hydrologist Evan Buckland, Attorney Patrick Miyaki, and Assistant District Secretary Andrew Warren.

President Judy Huang presided.

Director Sethy led in the Salute to the Flag.

3 – PUBLIC COMMENTS

There were no comments from the public when President Huang opened the floor at 6:02 P.M.; however, President Huang reopened Public Comments at 8:01 P.M.

Mr. Carl Carey, Director - Public Employee Division with Operating Engineers Local Union No. 3 (OE3) and former Business Representative for ACWD addressed the Board and thanked them and the staff at ACWD for the several years of collaboration and the positive experience of working with the District. Due to a promotion, Mr. Carey will no longer directly represent the District's OE3 members.

President Huang closed Public Comments at 8:04 P.M.

4 – CONSENT CALENDAR

A motion was made by Director Sethy to remove Items 5.1 and 5.2 from the Consent Calendar and add Items 5.3 and 5.4 to the Consent Calendar, seconded by Director Weed.

The motion was passed by the following vote:

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

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

4.1 Approval of Minutes – Regular Meeting of January 13, 2011

- 4.2 Ratification of Payment of Audited Demands dated January 7, January 14, January 21, and January 28, 2011
- 4.3 Resolution Amending the FY 09/11 Personnel Budget

RESOLUTION NO. 11-007

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
AMENDING FY 09/11 PERSONNEL BUDGET

- 5.3 Authorization of Purchase Order Amendment for Engineering Services for the Appian Tank Seismic Upgrade Project
- 5.4 Authorization to Enter into an Agreement with Ron Davis Advocacy for Legislative Representation in Sacramento

The motion was passed by the following vote:

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

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

5.1 AUTHORIZATION OF FUNDING TRANSFER FOR SEMITROPIC GROUNDWATER BANKING AND EXCHANGE PROGRAM OPERATIONS AND MAINTENANCE COSTS

Mr. Peterson informed the Board that funding for District participation in the Semitropic Groundwater Banking and Exchange Program has historically been included in the District's Capital Improvement Program (CIP). A recently completed financial audit by Macias, Gini & O'Connell, LLP (MGO) recommended that the cost of the operations and maintenance portion of the Semitropic Groundwater Banking and Exchange Program be allocated to the District's operating expense accounts. A new expense account has been established for this purpose and Board authorization is now needed to transfer the necessary funds from the CIP to the new expense account for FY10/11. The transfer of funds does not affect the cost of the Semitropic Groundwater Banking and Exchange Program.

The Board authorized financial auditing services with MGO for the FY09/10 audit on March 11, 2010. One of the recommendations made by MGO was to separate the budgeting for the operations and maintenance (O&M) costs from the capital costs of the Semitropic Groundwater Banking and Exchange Program (Program). The District's portion of the annual capital cost of the Program is currently zero, but increases to approximately \$330,000 in FY21/22. The District's portion of the O&M cost of the Program is estimated at \$888,000 for FY10/11 and will be budgeted for in the new expense account in future years.

Discussion ensued and staff answered questions from the Board.

A motion was made by Director Gunther, seconded by Director Koller to authorize the transfer of \$888,000 for CIP item no. W-Z03.01C to expense account no. 98133.

The motion was passed by the following vote:

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

5.2 RESOLUTION AUTHORIZING POINT OF DELIVERY AGREEMENT FOR SEMITROPIC GROUNDWATER BANKING AND EXCHANGE PROGRAM

The California Department of Water Resources (DWR) requires an agreement for the delivery of District water supplies to the Semitropic Groundwater Banking and Exchange Program. This agreement, called a point of delivery (POD) agreement, requires the approval by DWR, Kern County Water Agency (the regional water wholesaler for Semitropic Water Storage District) and the District. The prior 2002-2007 POD Agreement has expired and no water was delivered to the Semitropic Water Storage District (Semitropic) in 2008 and 2009. A new eleven year agreement covering the term 2010 through 2020 has been negotiated and reviewed by District Counsel. Additionally, the new agreement was reviewed with the Operations and Water Quality Committee on February 2, 2011.

The District has contracted to store up to 150,000 acre-feet of water with Semitropic, located in Kern County, for drought contingency planning purposes. The balance of water currently stored at Semitropic as of December 31, 2010 is 116,387 acre-feet. The primary elements of the 2010 – 2020 Point of Delivery Agreement (Agreement) includes provisions that the District may use the California Aqueduct to convey water delivered to Kern County Water Agency (KCWA) for storage at Semitropic, and the District may have water returned by either a Table A water exchange with KCWA on behalf of Semitropic or by pump-in to the California Aqueduct. The agreement allows for the return of water stored at Semitropic through 2035. The primary changes between the new and prior agreements are that water delivery schedules must be prepared by the District on a weekly basis (in addition to monthly schedules), that water may be delivered to and from Semitropic at three different locations instead of one, and administrative changes consisting of the deletion of two sections that are no longer needed (“Definitions” and “Prior Deliveries to Storage”). DWR and Kern County Water Agency have already approved the Agreement and will execute it once it is received from the District.

A motion was made by Director Sethy, seconded by Director Gunther to adopt a resolution authorizing the General Manager to enter into a 2010 – 2020 Point of Delivery Agreement for the Semitropic Groundwater Banking and Exchange Program.

RESOLUTION NO. 11-008

**OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A 2010 –
2020 POINT OF DELIVERY AGREEMENT FOR THE SEMITROPIC
GROUNDWATER BANKING AND EXCHANGE PROGRAM**

The motion was passed by the following vote:

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

5.3* AUTHORIZATION OF PURCHASE ORDER AMENDMENT FOR ENGINEERING SERVICES FOR THE APPIAN TANK SEISMIC UPGRADE PROJECT

The Board previously authorized a purchase order to Carollo Engineers for engineering design services for the Appian Tank Seismic Upgrade Project. Additional services are required to complete the necessary California Environmental Quality Act (CEQA) documentation. There is adequate funding in the budget for this expenditure.

On October 7, 2010, the Board authorized a purchase order to Carollo Engineers in the amount of \$195,662 for a design study, preliminary design, and preparation of an administrative and public draft of an Initial Study/Mitigated Negative Declaration. The scope of the project includes seismic upgrades to Appian Tank and the 16-inch inlet/outlet pipeline; new electrical service at the tank site; and miscellaneous site roadway improvements. The completion of the design study is in progress and is 80% complete.

On December 13, 2010, an environmental site reconnaissance was conducted by Environmental Science Associates (ESA), Carollo Engineers' environmental subconsultant. The project site was assessed to be potential habitat for two federally listed endangered species: the California tiger salamander and the red-legged frog. ESA has advised that a Section 7 Endangered Species Act consultation with the U.S. Fish and Wildlife Service will likely be required.

At staff's request, Carollo Engineers submitted a cost estimate in the amount of \$53,200 to provide the additional CEQA assistance which was not included in the original scope of work. The additional services will be performed on a time and expense basis and include early consultation with the appropriate resource agencies and preparation of a biological assessment. Staff has reviewed the cost for the additional work and has determined that it is fair and reasonable.

A motion was made by Director Weed, seconded by Director Gunther to authorize a purchase order amendment to Carollo Engineers for additional engineering design services in an amount not to exceed \$53,200 for the Appian Tank Seismic Upgrade Project, Job 6435.

The motion was passed by the following vote:

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

5.4* AUTHORIZATION TO ENTER INTO AN AGREEMENT WITH RON DAVIS
ADVOCACY FOR LEGISLATIVE REPRESENTATION IN SACRAMENTO

It is anticipated that the next several years will be a time of significant focus on water policy, budget, and fee issues of interest to the District in Sacramento. There will likely be additional legislation regarding local agency governance, potential tax revenue shifts, and possibly a water bond as well. To ensure that the District ratepayers' interests are adequately protected and that ACWD interests are advanced, staff recommends retaining Ron Davis Advocacy to provide legislative representation in Sacramento. This has been discussed on several occasions with the Legal and Legislative Committee.

In 2009, the District was successful in advancing SB 133, the ACWD Groundwater Protection Act, sponsored by Senator Corbett and co-sponsored by Assemblyman Torrico. The bill was signed by the Governor and officially chaptered on October 11, 2009. Key to the success of the effort was legislative representation in Sacramento by Jennifer West of Geyer Associates. In spring 2010, Jennifer left Geyer Associates to become the chief legislative representative for the California Municipal Utilities Association. Staff initiated a search for alternate representation and identified Ron Davis, who served as the State Legislative Director for the Association of California Water Agencies (ACWA), as the individual most capable of representing the District's interests in Sacramento. Ron has over 28 years in Sacramento representing the California Municipal Utilities Association, Sacramento Municipal Utility District, Santa Clara Valley Water District, and directing a team of legislative representatives for ACWA. Accordingly, Ron is very familiar with the variety of issues that affect State Water Contractor agencies and water districts in general. Ron would be responsible for assisting in the development and implementation of legislative strategy and participating in negotiations with members and staffs of the key Senate and Assembly committees, the Governor's Office, and various interest groups regarding positions on legislation important to ACWD. Ron would also provide District staff and Board members with regular updates on the progress of legislative proposals. The form of the contract is essentially the same as the previous contract with Geyer Associates and the term would extend from February 2011 through February 2012.

A motion was made by Director Weed, seconded by Director Gunther to authorize the General Manager to execute a one year agreement with Ron Davis Advocacy for legislative representation in Sacramento at a cost of \$44,400 plus incidental expenses.

The motion was passed by the following vote:

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

5.5 PUBLIC HEARING TO CONSIDER AMENDING SCHEDULE OF DISTRICT
RATES AND CHARGES; CONSIDERATION AND ADOPTION OF RESOLUTION
AMENDING RATES AND CHARGES

Mr. Wadlow informed the Board that the District received ten letters regarding the proposed rates and charges increase; nine of the letters were registered as protests regarding the increase. One was a suggestion that the District move to monthly billing and indicated specifically that it

was not to be registered as a protest. In addition, the District received three phone calls but did not have sufficient information to represent exactly who the calls came from.

Mr. Yee announced that at the meeting of December 9, 2010, the Board received staff recommendations and called for a Public Hearing on February 10, 2011, to receive and consider comments on proposed revisions to certain District rates and charges.

Notices were mailed to all property owners who receive water service from the District on December 17, 2010 notifying them of a proposed 8.0 percent water rate and service charge increase. Two legal notices were published in The Argus on January 31, 2011 and February 5, 2011, and notices of the public hearing were posted at the city hall and main library of each of the Tri-Cities and on the District's web site. An article publicizing the rate increase and public hearing was published in The Argus on December 25, 2010.

The District's commodity rates are based on a comprehensive Financial Planning Model (FPM) that incorporates projected general fund revenues, operating expenses, capital expenditures and reserve requirements over approximately a ten year period. Facilities and related fees and charges attributable to growth and development are accounted for separately as required by law and do not impact the commodity rate for water consumption.

These revenue and cost 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 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 encompasses a number of recurring factors that can over time significantly influence the cost of operations, capital projects and funding sources including, but not limited to, inflationary pressures, projected growth in the District's customer base, interest rates on borrowed and invested funds, salaries and other labor related costs. To the extent that these factors are reasonably predictable or can be confirmed from reliable sources or agreements, they have been incorporated into the model. Additionally, there are a number of external non-discretionary factors, some of which are relatively fixed and ongoing in nature, that are not easily predictable or controllable including: water treatment, chemical, energy costs; cost of purchased water; rising cost of various construction materials; new laws and regulations, environmental compliance, more stringent public health and water quality standards; and other unforeseeable events such as the ongoing economic downturn and weather conditions.

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.

These factors taken as a whole, and without any kind of future rate increases, would have resulted in plummeting negative cash reserve balances beginning in FY 2012/13 and beyond. A substantial one year rate adjustment in excess of 50% would be needed to offset these projected negative ending cash balances. In order to moderate and minimize huge swings in rate adjustments each year, rate changes are averaged as much as possible over a ten year period. This helps to minimize the impact on our ratepayers while providing for the necessary funds over time to implement the programs and activities identified in the FPM. It is sound, responsible and prudent financial planning practice to anticipate cash flow needs to ensure that the District is able to meet its obligations to its suppliers and water customers in a reasonable and timely manner. Water revenues are the District's primary source of revenue, comprising over 70% of the District's total source of revenues.

While maintaining high levels of service, water reliability, public health and water quality standards, Staff also continuously strives to control and moderate rate impacts through various ongoing cost saving measures including:

- Managing debt service costs through interfund loans, and refinancing;
- Deferring capital projects, where possible, in response to projected lower demands and revenue;
- Decreasing operating expenses due to lower demands;
- Decreasing costs due to more efficient work practices and cost saving measures;
- Prioritizing and implementing only the highest priority capital projects;
- Implementing ongoing process improvements throughout the organization;
- Pursuing interagency collaboration to share costs;
- Securing grant funding awards and other reimbursement opportunities;
- Implementing operational efficiencies between different water production facilities and sources;
- Revisiting and reducing as much as possible projected costs such as the rate of service line replacements;
- Reducing future retiree health costs;
- Making cost effective use of technology to maximize productivity, speed, reliability and security; and,
- Making efficient use of staff and training to maximize coverage and response to work demands.

Additional details were provided on the projected operating expenses, capital expenditures, as well as cost efficiency measures during the Board meeting on the proposed rate increase.

Mr. Yee presented a brief summary of the following rates and charges for which a change is recommended:

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, such as a projected 41% increase in supply water from the San Francisco Regional Water System, 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 major uncertainties regarding pension costs, property tax diversions, main replacement program, and possible further demand decreases due to SB7 compliance.

Staff also proposes an 8.0% increase for those customers who are outside the District’s boundaries and 11.1% for industrial customers who only receive San Francisco Water. 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 2010, staff is proposing a March 1, 2011 effective date.

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.

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.

The \$5.99 bi-monthly increase for the average customer is made up of the following cost components:

Purchased Water	\$1.43	24%
Operating Expenses	\$1.41	23%
Capital	\$0.98	16%
Maintenance Expenses	\$1.06	18%
Admin & General	\$0.65	11%
Power	\$0.24	4%
Debt Service	<u>\$0.22</u>	<u>4%</u>
Total	\$5.99	100%

This would continue to place the District’s average residential water bills 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 July, it is anticipated that the District will rank even lower in total cost in the survey, reflecting the District’s efforts to control costs while providing a high level of service to our customers.

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 an 8.0% increase to both the general Facilities Acreage Charge and 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 February 2010. Fees are set to recover the cost of service. A new well ordinance was adopted by the Board at its December 9, 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.

The current schedule is as follows:

Permit Class of Work

	<u>Current</u>
Well (Production) Construction	\$ 540
Repair or Reconstruction of Existing Well	380
Well (Production) Destruction	540
Monitoring Well Destruction	540
Cathodic Protection Wells	540
Geotechnical Investigation:	
Exploratory Holes (4 or less)	380
(over 4, each)	60
Monitoring Well	540
Chemical Investigation:	
Exploratory Holes (4 or less)	380
(over 4, each)	60
Monitoring Well	540

The new proposed schedule is as follows effective March 1, 2011:

Permit Class of Work

	<u>Proposed</u>
1. Wells and Other Excavations	
• Construction or Destruction of Well or Other Excavation*	\$580
• Repair or Reconstruction of an Existing Well or Other Excavation*	\$410
• Construction, Repair, Reconstruction, or Destruction of Dewatering Wells, Cleanup Site Excavations, Shafts, Tunnels, Directional Boreholes, Support Piers, Piles, Caissons, or Wick Drains	
o 10 or Less	\$410
o Each over 10	\$65
• Classify Well or Other Excavation as Inactive (Per Year)	\$65
2. Exploratory Holes	
• Construction and Destruction of Exploratory Holes	
o 4 Exploratory Holes or Less	\$410
o Each Exploratory Hole over 4	\$65

* Except Dewatering Wells, Cleanup Site Excavations, Shafts, Tunnels, Directional Boreholes, Support Piers, Piles, Caissons, or Wick Drains.

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

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) EXEMPTION

The California Environmental Quality Act (CEQA), Section 21080(b)(8) of the Public Resources Code, includes an exemption for modifications to rates and charges that are for the purpose of: 1) meeting operating expenses; 2) purchasing or leasing supplies, equipment, and materials; 3) meeting financial reserve requirements; or, 4) obtaining funds for capital projects necessary to maintain services and system reliability within existing service areas. Staff and District Counsel recommend that the Board find that all proposed rate and charge changes are for the purpose of providing for the CEQA enumerated items:

1. Operating Expenses: as discussed earlier in this report, some \$835 million of expenses is projected over the next 10 years.
2. Leasing Supplies, Equipment, and Materials: also a part of operating expenses.
3. Financial Reserves: the District maintains various reserves such as the emergency/rate stabilization reserve, self-insurance reserve, and future capital projects & contingencies reserve.
4. Capital Projects: as discussed earlier in this report, some \$163 million of capital expenditures is projected over the next 10 years.

Upon Board adoption, the consolidated master Rate and Fee Schedule will be updated with the proposed changes. The Board resolution will authorize all rates and charges as shown in the updated consolidated schedule.

President Huang opened the public hearing at 6:55 P.M. and called for comments on the proposed revisions to the District’s rates and charges.

Mr. Gregory Lemos, a resident of Fremont, addressed the Board. Mr. Lemos formally protested the rates and charges increase. He described his personal circumstances and asked why the District is raising the rates during these tough economic times. The Board thanked Mr. Lemos for attending the meeting and sharing his concerns. The Board indicated that they recognize the challenge that increasing rates presents to individuals on fixed incomes. The Board detailed the reasons that the rate increases are needed to continue providing the community with a reliable supply of high quality water.

Mr. Ken Nishimura, a resident of Fremont, indicated that he provided a letter with his comments. He asked the Board to carefully consider how to minimize the impact of rising costs and mitigate them as much as possible. Mr. Nishimura suggested that the District look at the current pension plan structure and adjust the plan which currently bases benefits of compensation on a single working year. He suggested using a much broader base of earnings to compute the actual pension benefit. He also encourages the Board to proactively compare the total compensation of jobs at ACWD to similar jobs in the private sector, such as those at California Water Service Company.

Mr. Nishimura commended the District on minimizing the costs of purchased water and production and securing reliable supplies.

There being no further public comments on the proposed changes, President Huang closed the public hearing at 7:04 P.M.

Discussion ensued and staff responded to questions from the Board. In response to Board questions about the establishment of a “life-line” rate, Mr. Wadlow, assisted by Counsel, explained the reasons that Proposition 218 did not support establishing such a rate. Mr. Wadlow indicated that a tiered rate or “conservation rate” structure could be established which would have lower volumetric rates for customers using less water as many individuals on fixed incomes do.

A motion was made by Director Weed, seconded by Director Koller to 1) Conduct a Public Hearing to receive and hear comments on the proposed revisions to the District rates and charges; and 2) by motion, adopt a resolution implementing the recommended revisions to the rates and charges, and finding that the rate changes are exempt from the California Environmental Quality Act.

RESOLUTION NO. 11-009

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
MODIFYING VARIOUS RATES AND CHARGES

The motion was passed by the following vote:

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

President Huang called a recess at 7:51 P.M. The meeting resumed at 8:01 P.M.

President Huang received a request to reopen public comments for items not on the agenda.

5.6 DELIVERY OF SURVEY REPORT AND ADOPTION OF RESOLUTIONS OF INTENTION FOR REPLENISHMENT ASSESSMENT

Mr. Shaver informed the Board as required by the Replenishment Assessment Act, the Survey Report must be prepared and the Board must adopt the necessary resolutions of intent on or before the second Tuesday of March. These actions are prerequisites to the Public Hearing, to be held on the second Tuesday of April, which will invite public comment on the Survey Report and the proposed FY 2011/12 replenishment assessment rate. The Survey Report includes a recommendation for an 8% increase in the replenishment assessment rate. This proposed increase is subject to public notification requirements that were established through Proposition 218.

The Survey Report, ordered by the Board on November 18, 2010, has been completed. The remaining actions and schedule for setting the replenishment assessment rate for FY 2011/12 are as follows:

- February 10, 2011. Regular Board Meeting. On or before the second Tuesday in March, the Board must adopt a resolution declaring that replenishment assessment revenue should continue over the coming fiscal year to fund a portion of groundwater basin costs. Following adoption of this resolution, a second resolution must also be adopted at this meeting to extend the deadline for metering of certain non-metered wells for which annual water production would not result in revenues justifying the costs to install meters.
- February 11, 2011. To comply with Proposition 218 notification requirements, notices of the proposed rate increase will be mailed to owners and operators of wells producing water for purposes other than agricultural and municipal recreation.
- March 10, 2011. Regular Board Meeting. Staff will provide a presentation to assist the Board in its review of the Survey Report.
- April 12, 2011. Public Hearing and consideration of adoption of resolutions that will contain technical findings, including the replenishment assessment rate for FY 2011/12.
- No later than May 10, 2011. If the resolutions scheduled for April 12, 2011 are not adopted on April 12, 2011, the Board must hold a special meeting and adopt them on or before the second Tuesday in May.

Additional work sessions on the Survey Report can be held at the Board's discretion. The Public Hearing, which must begin April 12, 2011, may be adjourned from time to time, but must be completed no later than May 3, 2011. The resolutions tentatively scheduled for adoption on April 12, 2011, may not be acted upon until completion of the Hearing, but must be adopted prior to May 10, 2011.

Discussion ensued and staff answered questions from the Board.

A motion was made by Director Gunther, seconded by Director Koller to receive the Survey Report, and by motion, 1) adopt a resolution declaring the Board's intention to continue use of replenishment assessment revenue to fund a portion of groundwater basin costs in FY 2011/12,

and calling for a Public Hearing on April 12, 2011; and 2) adopt a resolution extending the deadline for installation of measuring devices on certain non-metered wells.

RESOLUTION NO. 11-010

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
DECLARING THAT FUNDS SHALL BE RAISED TO REPLENISH THE
GROUNDWATER SUPPLIES WITHIN THE DISTRICT DURING FY 11/12
AND CALLING A PUBLIC HEARING

RESOLUTION NO. 11-011

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
EXTENDING DEADLINE FOR INSTALLATION OF MEASURING DEVICES
ON WELLS

The motion was passed by the following vote:

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

5.7 RESOLUTION AUTHORIZING EXECUTION OF A COOPERATIVE AGREEMENT
WITH THE CITY OF FREMONT FOR UTILITY RELOCATIONS

Mr. Shaver reported that the City of Fremont (City) is planning to construct the Kato Road Grade Separation Project, which will vertically separate the railroad crossing from Kato Road by constructing a new railroad bridge over Kato Road. Several District water mains need to be relocated to accommodate the City's project. Consistent with past practice, City and District staffs have prepared a cost sharing agreement in which the District will pay for the portion of relocation work in which the pipelines are currently within the City right of way, and the City will be responsible for the costs associated with the relocation of pipelines that are currently within easements and a private road. Additionally, the City will assume all costs associated with new hydrant installations.

To accommodate the City's project, the District is required to remove several existing pipelines from service and to install approximately 22 linear feet of new 18-inch water main, 194 linear feet of new 12-inch water main, 35 linear feet of new 8-inch water main, and 73 linear feet of new 6-inch water main and appurtenances. The water main relocation work needs to be completed prior to the start of construction of the City's grade separation project, which is currently scheduled to begin in summer 2011. The Board awarded the construction contract for the Kato Road Grade Separation Main Replacement Project at the September 2010 Board meeting. Construction is approximately 90% complete.

Work occurring in the City right of way accounts for approximately 40%, or \$219,000, of the total project cost of \$560,000. The remaining cost, or \$341,000, will be assumed by the City. City staff has agreed to the terms of the proposed cooperative agreement and plans to recommend that the City Council approve the agreement in either February or March.

Discussion ensued and staff responded to the Board.

A motion was made by Director Koller, seconded by Director Sethy to adopt a resolution approving the agreement and authorizing the General Manager to execute a cooperative agreement with the City of Fremont for utility relocations in the vicinity of Kato Road, Jobs 6431 and 6433.

RESOLUTION NO. 11-012

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
AUTHORIZING THE EXECUTION OF A COOPERATIVE AGREEMENT
WITH THE CITY OF FREMONT FOR UTILITY RELOCATIONS, JOBS 6431
AND 6433

The motion was passed by the following vote:

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

6 – REPORTS

6.1 BOARD COMMITTEE REPORTS

- Operations & Water Quality Meeting of January 5, 2011: (1) Status of California Accidental Release Program (CalARP); (2) Mobile Communication Tracking System
- Legal & Legislative Meeting of January 18, 2011: (1) Review of Preliminary Legislative Proposals; (2) Potential Contract with Sacramento Legislative Representative
- Water Resources Planning Meeting of January 19, 2011: (1) BAWSCA Water Management Activities Update; (2) Urban Water Management Plan Update
- Engineering & Capital Projects Meeting of January 20, 2011: (1) Update on Water Service Agreement with New United Motor Manufacturing, Inc.; (2) Update on Headquarters Renovation Project; (3) Presentation on Recently Completed Depth to Groundwater Map

Director Sethy commented on the Engineering & Capital Projects Meeting of January 20, 2011, agenda item (2) Update on Headquarters Renovation Project. He expressed to the Board his concern that renovating during this tough economic time and during a rates and charges increase would not be prudent at this time. He requested the item be placed on the agenda for discussion at the March Board meeting.

- Administrative & Finance Meeting of January 25, 2011: (1) Finance Department Overview – Past 4 months; (2) Annual Review of Investment Policy; (3) Quarterly Review of Investments; (4) Quarterly Review of Claims; (5) Cost Cutting Measures; (6) Proposed Rate Increase – Public Response

6.2 OPERATIONAL REPORTS

- Rainfall Report
- Water Production Report
- Quarterly Well Level Report – Mr. Peterson explained to the Board a change made to the report as suggested by Director Sethy. The report now includes a minimum goal line for supply reliability planning purposes. This line represents “ideal” groundwater levels to sustain production at the District’s well facility.
- Quarterly Projects Review
- Quarterly Directors’ Expense Report
- Investment Report
- Quarterly Personnel Report

6.3 STAFF REPORTS

- 6.3.1 Water Supply Update – Ms. Hidas and Mr. Buckland gave a brief presentation on the status of the District’s current water supply outlook. Mr. Buckland highlighted that although it is forecast to be a drier spring throughout the state, the District’s water supply outlook looks good due to favorable storage conditions.

6.4 GENERAL MANAGER’S REPORTS

- Mr. Wadlow distributed a draft copy of the minutes from the PFFC meeting that took place on January 18, 2011.
- Mr. Wadlow distributed a memo by Mr. Peterson regarding the background of necessary overtime in the Distribution Maintenance and Production divisions and how management is working to manage and minimize overtime.

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

- Director Sethy commented that he was not in favor of pursuing a request made by former Director Glen Reynolds to maintain the aesthetic appearance of fire hydrants located within the District’s service area due to the \$1,000,000 cost. He did note that he brought up this topic with a member of the Alameda County Workforce Investment Board and was told there are budget dollars for this type of work within Alameda County.
- Director Sethy announced he was invited to be a speaker at the Sierra Club Southern Alameda County Chapter. He will discuss the restoration of the District’s groundwater aquifer.
- Director Weed announced at his last BAWSCA meeting, a vote was brought forward asking to hire an additional staff person. The item did not pass with an 11/10 vote.

8 – CLOSED SESSION

President Huang adjourned the meeting to a closed session at 9:04 P.M. for a conference on the following item:

- 8.1 Conference with Legal Counsel – Existing Litigation
Pursuant to California Government Code Section 54956.9(a)
Name of Case: United States, The States of California, et al. v. J-M
Manufacturing Company, Inc. dba JM Eagle, and Formosa
Plastics Corp. USA
Case No. ED CV06-00055-GW
- 8.2 Conference with Legal Counsel – Initiation of Litigation
Pursuant to California Government Code Section 54956.9(c)
One Potential Case
- 8.3 Conference with Legal Counsel – Existing Litigation
Pursuant to California Government Code Section 54956.9(a)
Name of Case: Alameda County Water District v. Joanna Amant-Westrope, Clay
Westrope, Toni Amant, et al.
Case No. FG10548318

President Huang reconvened the meeting at 10:47 P.M. Mr. Wadlow reported that the Board was given a status report in regards to Item 8.1. No action was taken.

Regarding Item 8.2, the Board, by a 5 – 0 vote, authorized the initiation of litigation. The action, defendant and other particulars may be disclosed upon inquiry once the action is formally commenced.

Regarding Item 8.3, the Board took action by a 4 – 0 with one abstention vote. The action need not be reported at this time.

There being no further business to come before the Board, President Huang adjourned the meeting at 10:48 P.M.

Andrew Warren, Assistant District Secretary

Attest:

Judy C. Huang, President