

October 13, 2011
Fremont, California

The regular monthly meeting of the Board of Directors of ALAMEDA COUNTY WATER DISTRICT was held on October 13, 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 (arrived at 7:10 P.M.), Koller, Sethy, and Huang

Staff members present: General Manager Walt Wadlow, Assistant General Manager-Engineering Robert Shaver, Acting Manager of Finance Michael Yee, Manager of Operations Steve Peterson, Acting Manager of Administrative Services Ariz Naqvi, Project Engineer Leonard Ash, 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

Jeff Miller, Director of Alameda Creek Alliance, addressed the Board thanking them, and staff, for ACWD's efforts to help restore steelhead trout in the Alameda Creek.

4 – CONSENT CALENDAR

A motion was made by Director Weed to add Items 5.1, 5.2, 5.3, and 5.5 to the Consent Calendar, seconded by Director Koller.

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 Koller to approve the following items on the Consent Calendar as amended.

- 4.1 Approval of Minutes - Regular Meeting of September 8, and Special Meeting of September 22, 2011
- 4.2 Ratification of Payment of Audited Demands dated September 2, September 9, September 16, September 23, and September 30, 2011
- 5.1 Authorization of Purchase Order for Repair Services of Mowry Wellfield Pumping Equipment
- 5.2 Authorization of Change Order No. 1 for the Warm Springs Main Extension Prune to Brown Project
- 5.3 Adopt Resolution Vacating Easement, East Bay Regional Park District

5.5 Authorization of Purchase Order for Engineering Services for a Channel Stability Study of Vargas Creek

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 PURCHASE ORDER FOR REPAIR SERVICES OF MOWRY WELLFIELD PUMPING EQUIPMENT

The submersible pump assembly at the Mowry 7 well location has failed after 11 years of service. District staff obtained one quote from the only northern California authorized distributor of Byron-Jackson submersible pumps, Pump Repair Services, in the amount of \$82,287.63 to rebuild the motor and purchase a new pump. Because there is only one source of supply for Byron-Jackson pumps, Board approval is needed to waive the District's Procurement Policy No. 1. Since the remaining budgeted funds for wellfield pumping equipment replacements are insufficient to pay for these repairs, a reserve appropriation in the amount of \$26,000 is needed.

The typical life of a submersible pump assembly is between 7 and 10 years. The pump assembly at the Mowry 7 well has been in service for over 11 years. The motor recently failed and was sent out for evaluation. It was determined that the motor can be rebuilt and put back into service, however, the pump has reached the end of its life and is in need of replacement.

A sum of \$112,000 was included in this year's approved budget for wellfield pumping equipment replacements. Because approximately \$55,000 was spent to repair the submersible pump assembly at the Mowry 3 well location in August 2011, the remaining funds in the account, \$57,000 (\$112,000 less \$55,000), are insufficient to adequately cover the equipment repair costs at Mowry 7. Therefore, a reserve appropriation of \$26,000 (\$83,000 less \$57,000) is needed to fund the shortfall.

Byron-Jackson submersible pumps are included in the Board approved (on June 9, 2011) list of District standardized components for public works projects planned for FY 2011/12 and for maintenance-generated equipment replacements. The District's practice has been to utilize Byron-Jackson pump and motor assemblies for submersible well installations at both the Peralta-Tyson and Mowry wellfields, providing consistency and more cost effective maintenance. Since there is only one authorized Byron-Jackson distributor in northern California authorized to perform this work, District staff identified this as sole source work and only Pump Repair Services was requested to submit a quote.

A motion was made by Director Weed, seconded by Director Koller to: 1) waive Procurement Policy No. 1 requiring sealed bids for contract services over \$50,000; 2) authorize a reserve appropriation in the amount of \$26,000; and 3) authorize a purchase order to Pump Repair

Services in the amount of \$82,287.63 to rebuild the motor and purchase a new submersible pump.

The motion was passed by the following vote:

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

5.2* AUTHORIZATION OF CHANGE ORDER NO. 1 FOR THE WARM SPRINGS MAIN EXTENSION PRUNE TO BROWN PROJECT

The Board previously awarded the Warm Springs Main Extension Prune to Brown Project to Ghilotti Construction Company (Ghilotti). Change Order No. 1 has been prepared for additional earthwork. There is adequate funding in the budget for this expenditure.

On April 12, 2011, the construction contract for the Warm Springs Main Extension Prune to Brown Project was awarded to Ghilotti Construction Company in the amount of \$1,999,405. The project scope of work includes the installation of approximately 5,100 linear feet of 24-inch diameter welded steel pipe, valves, and piping appurtenances.

Change Order No. 1 in the amount of \$16,419 has been prepared for additional excavation, disposal of associated trench materials, and placement and compaction of additional import backfill material associated with lowering 718 linear feet of pipe to avoid conflict with a previously unknown AT&T duct bank that was therefore not shown on the contract drawings. Ghilotti also submitted a request for a time extension of one (1) calendar day due to the additional work. Staff has reviewed the costs associated with the additional work and the contractor's time extension request and has determined that they are fair and reasonable.

A motion was made by Director Weed, seconded by Director Koller to approve Change Order No. 1 in the amount of \$16,419; and grant a time extension of 1 calendar day to Ghilotti Construction Company for the Warm Springs Main Extension Prune to Brown Project, Job 6478.

The motion was passed by the following vote:

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

5.3* ADOPT RESOLUTION VACATING EASEMENT, EAST BAY REGIONAL PARK DISTRICT

District easement No. 704, a water line easement previously granted to the District by the East Bay Regional Park District, is no longer needed and has been replaced with an equivalent easement at an alternate location as part of a development project currently underway. East Bay Regional Park District is requesting that the District quitclaim the unused easement. Staff has reviewed the request and determined that this easement does not contain public water facilities, is no longer required, and may be vacated.

Mission Peak Homes, Inc. was the developer of Tract 6095 located on Fox Avenue in Fremont. To serve the planned tract, Mission Peak Homes proposed to construct a water main across a portion of East Bay Regional Park District's Quarry Lakes Regional Recreation Area. In 1992, at the request of Mission Peak Homes, East Bay Regional Park District granted the District easement No. 704 for the proposed water main. Tract 6095 was never constructed and neither the previously proposed water main, nor any other public water facilities, were ever installed within easement No. 704.

Purple Lotus Temple is the developer of a temple on the site previously subdivided as Tract 6095. To serve the site, Purple Lotus Temple proposes to construct a water main across a portion of Quarry Lakes Regional Recreation Area. East Bay Regional Park District has asked Purple Lotus Temple to construct the proposed water main along a different alignment than that of easement No. 704, has granted the District an easement for the new alignment, and has requested that the District quitclaim the unused easement No. 704.

A motion was made by Director Weed, seconded by Director Koller to adopt a resolution vacating District easement No. 704 and authorizing the execution of a quitclaim deed for this easement to East Bay Regional Park District.

RESOLUTION NO. 11-045

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
VACATING EASEMENT FOR WATER PIPELINE

The motion was passed by the following vote:

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

5.4 RESOLUTION AUTHORIZING EXECUTION OF AN AGREEMENT WITH THE CALIFORNIA DEPARTMENT OF WATER RESOURCES FOR SUPPLEMENTAL FUNDING OF THE DELTA HABITAT CONSERVATION AND CONVEYANCE PROGRAM PLANNING COSTS

Mr. Peterson reported that the California Department of Water Resources (DWR), in conjunction with the US Bureau of Reclamation, is proceeding with the Delta Habitat Conservation and Conveyance Program (DHCCP). Previous funding for the DHCCP (\$140 million) provided jointly by State Water Project (SWP) and Central Valley Project (CVP) water contractors is nearly expended and an additional \$100 million is now needed to pay the estimated remaining cost for the planning phase of the DHCCP. The District's share of the remaining planning cost is an estimated \$525,000. Because the charges from DWR for DHCCP planning costs are expected to be spread over the next two calendar years (2012 and 2013), no reserve fund appropriation is being requested at this time. However, in order for the District to continue actively participating in the planning phase of the DHCCP, the District must execute a supplemental funding agreement with DWR. The supplemental funding agreement was reviewed with the Operations and Water Quality Committee on October 5, 2011.

On February 12, 2009, the Board authorized the General Manager to execute the original agreement with DWR to fund DHCCP planning costs. The DHCCP was initiated by SWP and CVP water contractors in 2008 to financially support the development of the Bay Delta Conservation Plan (BDCP). The scope of the DHCCP planning phase includes environmental analysis (development of EIR/EIS documents for the BDCP), and planning and preliminary design of Delta conservation measures, including Delta conveyance options identified in the BDCP. Participating SWP and CVP contractors have agreed to share the supplemental BDCP-DHCCP planning phase costs equally: 50% (\$50 million) by public water agencies that receive water from the SWP and 50% (\$50 million) by public water agencies that receive water from the CVP. To date, contractors representing 98% of SWP water deliveries are participating in the BDCP-DHCCP planning process. Contractors entering into the supplemental funding agreement will be provided with a significant role in decisions related to the budget, scope, schedule, work product, and activities of the BDCP-DHCCP planning phase to ensure its timely completion in a cost-effective manner.

The BDCP-DHCCP planning phase will be completed in three parts or milestones. The planning phase milestones are:

1. Publish Administrative Draft EIR/EIS (June 2012)
2. Complete Public Review of Draft EIR/EIS (September 2012)
3. Complete Responses to Public Comments and Prepare Notice of Determination (February 2013)

If the BDCP is approved to proceed with construction, DWR intends to issue revenue bonds to pay for such construction. Similar to the original DHCCP funding agreement, DWR will include in the first issue of revenue bonds an amount sufficient to reimburse participating SWP contractors for all planning costs (to the extent allowed by the conditions associated with the issuance of revenue bonds) paid through the DHCCP supplemental funding charges. If the BDCP is not approved to proceed with construction, no reimbursements of DHCCP planning phase supplemental costs will occur. The District's share of the original \$140 million funding commitment is approximately \$730,000. Together with the commitment associated with the supplemental funding agreement, the District's total financial responsibility will be an estimated \$1,255,000 (\$730,000 plus \$525,000). The supplemental funding is needed primarily due to the increased planning costs associated with 1) the development (preliminary engineering) of isolated conveyance facility alternatives that included various tunneling diameters and lengths and 2) increased environmental effects analysis costs associated with all of the alternatives included in the BDCP.

Discussion ensued and Mr. Peterson responded to questions from the Board.

A motion was made by Director Weed, seconded by Director Koller to adopt a resolution authorizing the General Manager to execute a supplemental funding agreement with DWR for the District's share of DHCCP planning costs.

RESOLUTION NO. 11-046

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
AUTHORIZING EXECUTION OF AN AGREEMENT WITH THE
CALIFORNIA DEPARTMENT OF WATER RESOURCES FOR
SUPPLEMENTAL FUNDING OF THE DELTA HABITAT CONSERVATION
AND CONVEYANCE PROGRAM PLANNING COSTS

The motion was passed by the following vote:

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

5.5* AUTHORIZATION OF PURCHASE ORDER FOR ENGINEERING SERVICES FOR
A CHANNEL STABILITY STUDY OF VARGAS CREEK

In October 2008, the District completed the Mission San Jose Water Treatment Plant (MSJWTP) Access Road Erosion Mitigation Project, which was required to protect the plant's access road from erosion along Vargas Creek. Engineering services are now required to prepare a channel stability study of Vargas Creek to fulfill the conditions of the Clean Water Act Section 401 certification issued for that project. There is adequate funding in the budget for this expenditure.

The scope of the MSJWTP Access Road Erosion Mitigation Project included construction of a soil nail wall to protect the MSJWTP access road from being undermined by erosion of the right (northern) bank of Vargas Creek. Pursuant to the Federal Clean Water Act (CWA) Section 401, any project or activity that physically alters a creek or waters of the State, requires certification from the California Regional Water Quality Control Board (RWQCB) that the proposed project or activity meets all State standards related to the protection of water quality. The CWA Section 401 certification received for the MSJWTP Access Road Erosion Mitigation Project requires post construction monitoring of the geomorphic condition of Vargas Creek and preparation of a study that includes recommendations for channel stabilization. Submission of the study findings must be made to the RWQCB by December 31, 2012.

Three qualified consultants were invited to submit proposals to prepare the required channel stability study of Vargas Creek, and two proposals were received. Based on a comprehensive evaluation of the proposals, Clearwater Hydrology of Berkeley, California was the highest ranked firm determined to have the qualifications and staff that meets the District's needs. The scope of services includes review of existing information and data, a field reconnaissance survey of the Vargas Creek watershed, hydrologic and hydraulic modeling, a geomorphic stability assessment of the study reach of Vargas Creek, preparation of conceptual engineering design options for channel stabilization if needed, meetings, and submission of a draft and final report. It is anticipated that this work will satisfy the District's obligations under its CWA Section 401 certification. Clearwater Hydrology's estimated cost, based on a time and expense basis for the work, is \$61,700. Staff has reviewed the costs and has determined that they are fair and reasonable.

A motion was made by Director Weed, seconded by Director Koller to: 1) authorize a purchase order to Clearwater Hydrology for engineering services to prepare a channel stability study of Vargas Creek in an amount not to exceed \$61,700; and 2) authorize the General Manager to execute a services agreement with Clearwater Hydrology for this work, Job 6419.

The motion was passed by the following vote:

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

5.6 DEVELOPMENT FEES AND CHARGES STUDY

Mr. Shaver reported that on November 18, 2010, the Board authorized the General Manager to enter into a professional services agreement with Bartle Wells Associates (Bartle Wells) to study and evaluate the District's suite of development fees and charges. Bartle Wells has now completed the Draft Report, which includes specific recommendations intended to ensure that the District's charges remain adequate, fair, justifiable, and sustainable.

Mr. Ash and Mr. Alex Handlers, Vice President of Bartle Wells, gave a presentation on the Draft Report and their recommendations.

Originally adopted in 1955, and revised most recently in 1991, the District's Resolution 81 established the policies related to extensions of the District's water distribution system, including a system of fees and charges designed to recover the District's costs associated with such extensions and to reimburse developers for their costs associated with water system improvements that benefit others. This system of fees and charges was intended to ensure that the developments that benefitted by extensions to the distribution system paid their share of the cost of those extensions, and that the overall water production, storage, transmission, and distribution related costs associated with development were borne by such development and not by the District's existing customers, i.e., "growth pays for itself."

The fees and charges established under Resolution 81 include the Facilities Connection Charge (FCC), Facilities Acreage Charge (FAC), Standard Acreage Charge (SAC), Annexation Charge, and Front Foot Charge (FFC). The FCC and FAC are currently the two component charges supporting the Facilities Improvement Fund (FIF), which funds the growth-related components of the District's Capital Improvement Program. The SAC and FFC are currently the two component charges supporting the Installer's Reimbursement Account (IRA), which reimburses developers for their costs associated with water system improvements that benefit others.

As part of their study, Bartle Wells completed a comprehensive survey of current development fees and charges practices for 17 public water service providers in California, mostly located within the San Francisco Bay Area. This survey provided the baseline data necessary to determine industry norms for development charges and their application.

A primary conclusion of the study was that the District's use of area (acreage charges) and length (front foot charges) as the bases to fund infrastructure improvements, although appropriate at the time they were established, will, over time, result in a weakening nexus between the charges and

the improvements they fund as the nature of development within Fremont, Newark, and Union City continues to transition from development of agricultural and open space to land use intensification and infill. Bartle Wells evaluated the benefits and disadvantages of several alternatives to such charges and it is recommended that the District's area-based FAC and SAC and length-based FFC be replaced by capacity-based charges similar to the District's existing FCC as follows:

- Eliminate the FAC and adjust the FCC amount so that all FIF revenue requirements would be met. As is current practice, the new FCC amount would be based on a forward-looking calculation which ensures that all growth related costs in the District's Capital Improvement Program will be funded through this growth related charge. Additionally, it is recommended that the District update individual meter size-based FCC amounts to more accurately reflect current American Water Works Association meter capacity ratios.
- Replace the area-based SAC and the length-based FFC with a single capacity-based IRA Charge. As a component charge to the IRA, the SAC funds reimbursements to developers who are required to oversize water mains for the benefit of others. Similarly, the FFC funds reimbursements to developers who are required to install offsite mains that benefit others, and is currently based upon the linear footage of water main fronting undeveloped and unserved property. In order to ensure revenue stability and adequate funding of the IRA, this replacement IRA Charge would be based on the historical average of IRA payouts divided by the net increase in metered capacity during that same period. It is also recommended to expand the use of the IRA to cover not just water mains but also storage, boosting, and regulating facilities that have a benefit to the District's overall water system.

Bartle Wells also evaluated the District's other development-related policies, charges, application of charges, and practices and it is recommended that the District do the following:

- Apply the multi-family FCC for meters serving two or more residential units. The District classifies customer accounts with two or more residential units served from a common meter as "multi-family," while the current FCC designation of "multi-family residential" applies to three or more units. Revising this policy would ensure consistency between the District's multi-family development charges and consumption accounting.
- Establish a policy that would require an additional FCC be paid when a secondary dwelling unit is added. When a secondary dwelling unit (such as an "in-law unit" or "granny unit") is constructed on a premises already served from an existing meter, the District does not collect an additional FCC for that new residential unit unless new or modified water service is requested by the applicant. Based upon the typical water demands of such units, a multi-family residential FCC should be assessed. To implement this recommendation, additional coordination with the Cities of Fremont, Newark, and Union City, as well as with Union Sanitary District, will be required.
- Apply prior service fee credits based upon the most recent land use. Currently the District provides for prior service credit for any prior water service, even if such service has not been active for a long period of time. It is recommended that the District only

apply fee credits based upon the most recent land use and that the fee credit for any closed account should diminish over time in order to be consistent with the District's water management planning assumptions, which serve as a basis for development charges.

- Formalize the District's current practice of limiting single family residential FCCs to meters larger than 1-1/2 inches. Although the District's current practices of incorporating fire sprinkler system requirements into determining the appropriate residential FCC was deemed appropriate, it is recommended that the District establish policies to better formalize those practices.
- Treat recycled or non-potable infrastructure ("purple pipe") the same as potable water system infrastructure. Although establishing another, separate suite of development fees intended to finance recycled or non-potable water system infrastructure was considered, the District's current methodology with respect to reimbursements from the IRA and financing from the FIF for recycled or non-potable infrastructure is appropriate.
- Eliminate the District's Storage Connection Charges (SCCs). SCCs are special charges applied to four geographical areas that recover developer costs to oversize water storage, boosting and regulating facilities that benefit that area. It is recommended that District no longer collect the SCCs and instead utilize the IRA to reimburse developers for all required improvements, including storage, boosting, and regulating facilities that benefit others.
- Adopt new rate and charge amounts under the timing requirements provided by Government Code. The District's current practice of setting charge amounts for FIF and IRA charges (the FCC, FAC, SAC and FFC) more than a full year in advance of their effective date is unique (Bartle Wells could find no other agency that follows this practice) and does not allow the District to establish charge amounts based on the latest Capital Improvement Program and growth projection data.
- Revise the Water Main Extension Engineering Fee to be based on actual cost. The District's Water Main Extension Engineering Fee, which applies only to projects requiring a public water main extension, is intended to recover the District's cost of providing supporting services such as plan review, contract preparation, water system construction inspection, and water quality testing. Charging such fees based on actual costs is the most common industry practice. Requiring an initial deposit would ensure adequate coverage of the District's costs related to such projects.

District staff intends to request that the Board consider approval of only two of the above recommendations in November 2011, to become effective in February 2012: 1) eliminate the one year advance rate setting schedule for the FIF and IRA charges, and 2) change the basis of the Water Main Extension Engineering Fee to an actual cost basis. These recommendations are essentially administrative in nature and should not significantly impact any ongoing development projects.

Implementation of the remaining recommendations requires existing District policies to be revised. Therefore, staff suggests the following process, intended to ensure that the Board, the community, and District staff, all have a clear understanding of the proposed policies and an opportunity to provide feedback, prior to any formal Board action:

- Hold a Board workshop in early 2012 to review specific polices and ordinances, which would implement these recommendations;
- Conduct targeted public and industry outreach to the three city planning commissions within the District service area, city staffs, and other stakeholder groups, to describe the proposed policies and the implications of those policies to the development community;
- Recommend specific changes to policies needed to implement the recommended rate structure;
- Recommend specific charge amounts to become effective in 2013 for the IRA and FIF charges at the same time as the other proposed 2013 rates and charges are reviewed by the Board.

This item was reviewed with the Administrative and Finance Committee on August 23, 2011.

Discussion ensued and staff responded to questions from the Board.

5.7 AUTHORIZATION TO PROCEED WITH A COMPETITIVE SALE TO ISSUE NEW WATER REVENUE BONDS AND POSSIBLE REFINANCE OF THE DISTRICT'S 2003 CERTIFICATES OF PARTICIPATION AND TO ENTER INTO AGREEMENTS WITH FINANCIAL ADVISOR AND BOND COUNSEL

Mr. Yee reported in order to take advantage of historic low borrowing rates, and to enable the District to accomplish a number of desired capital projects, the District is planning to issue approximately \$24 million in new water revenue bonds in early January 2012. This will provide about \$22 million of net bond proceeds for capital expenditures. Also, if market rates continue to be beneficial, the District is planning to refinance its existing \$25 million in 2003 Certificates of Participation. At current rates, the refunding would save about \$1.3 million in today's dollars. This is about 5% of the principal amount of the outstanding bonds.

At the July 14, 2011, and September 8, 2011 Board meetings, the Board was informed of these financing recommendations. In order to proceed the District's bond counsel and financial advisor require agreements authorized by the Board to prepare for the financings that are anticipated to be given final approval by the Board at its December 8, 2011 meeting.

Currently the market for investing in water revenue bonds demands a lower interest rate than the market for investing in Certificates of Participation (COPs). This is mainly due to the perception of investors that COPs are more risky due to their use by other types of government agencies that are relying on diminishing tax revenues, due to present economic conditions, to fund their COP payments. In order for the District to take advantage of the lower interest rates afforded by an issuance of water revenue bonds, as compared to an issuance of COPs, the District would be required to form a joint powers authority (JPA) as a mechanism to issue water revenue bonds. Staff anticipates returning to the Board at the November 10, 2011 Board meeting to review the forming of a JPA with the Union Sanitary District (USD) to facilitate the revenue bond

financing. The name of this new JPA would be the Alameda County Water District Financing Authority.

The final bond documents, including a resolution approving the sale of new water revenue bonds, as well as new refunding revenue bonds if market conditions are favorable, will be scheduled for Board approval at the meeting of December 8, 2011. Actual completion of the refunding sale will depend on whether market conditions at the time of issuance will allow for at least a 5% savings of the principal of the outstanding bonds.

The services of a bond counsel and financial advisor are needed to assist District staff in structuring the sale of the bonds.

Responsibilities of a financial advisor include working with bond counsel in preparation of the Official Statement, evaluating and recommending program parameters related to the sale of the bonds, assisting District staff in preparing credit presentations, obtaining investment ratings for the bonds, and conducting the competitive bidding process.

The firm of Stone and Youngberg (S&Y) has over 75 years of experience in structuring a variety of public financing issues, and has worked with the District since 1992. Their fee is a not-to-exceed amount of \$35,000 if only the new water revenue bonds are issued. However, if both new money bonds and refunding bonds are issued, their fee would be \$50,000.

Bond Counsel Services will include a review of the legal procedures for issuance of the bonds, consultation with District staff and financial advisor, rendering of a legal opinion regarding the validity, tax exempt status and enforceability of the issuance, preparation of related documents including the Resolution, Indenture, Escrow Agreement, final closing papers and Tax Certificate. In addition to these services, bond counsel will also provide Disclosure Counsel Services which will include preparation of a Continuing Disclosure Agreement, Bond Purchase Agreement, Preliminary and Final Official Statements as well as an opinion relating to the Official Statement.

The law firm of Orrick, Herrington and Sutcliffe (OHS) is one of the largest and most widely recognized bond counsel firms in the State, and has worked with the District since 1976. Their fee is a not-to-exceed amount of \$85,000 if only the new water revenue bonds are issued. However, if both new money bonds and refunding bonds are issued, their fee would be \$95,000. In order to check on the reasonableness of the fees being proposed by both S&Y and OHS, staff contacted the California Debt & Investment Advisory Commission (CDIAC) for assistance. They were able to provide information based on a database of financial advisor and bond counsel fees paid by other California water districts with similar credit ratings and bond sizes as ACWD. Both S&Y and OHS proposed fees were within an acceptable range as provided by the CDIAC database.

Discussion ensued and Mr. Yee answered questions from the Board.

A motion was made by Director Koller, seconded by Director Sethy to: 1) authorize staff to proceed with the preparation of the legal documents, resolutions and other related documents to implement a competitive sale to issue new water revenue bonds and to possibly refinance the

District’s outstanding 2003 Certificates of Participation; 2) authorize the General Manager to execute an agreement for financial advisor services with Stone & Youngberg for no more than \$50,000; and 3) authorize the General Manager to execute an agreement for Bond Counsel Services and Disclosure Counsel Services with Orrick, Herrington and Sutcliffe for no more than the amount of \$95,000.

The motion was passed by the following vote:

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

- President Huang called for a brief recess at 7:50 P.M. The meeting resumed at 8:05 P.M.

President Huang requested that items 6.3.1 Communication Strategy Update and 6.3.2 Year-End State Legislative Report by Ron Davis be considered earlier on the agenda.

6.3 STAFF REPORTS

- Communication Strategy Update – Fiona Hutton, President of Fiona Hutton & Associates and Strategic Communications Advisor, Laura Mecoy, also with Fiona Hutton & Associates presented the Final Draft Communications Strategy report to the Board.

Ms. Hutton and Ms. Mecoy gave an overview of their findings and recommendations from the report, highlighting the development of communications tools to assist the District with launching a communications and outreach strategy. Ms. Hutton and Ms. Mecoy responded to questions from the Board and were complimented for their Communication Strategy.

- Year-End State Legislative Report by Ron Davis – Ron Davis, the District’s Sacramento Legislative Representative, shared a summary of items brought forth in the last legislative term that were relevant to the District. The Board complimented Mr. Davis on his efforts on behalf of ACWD.

5.8 FINANCIAL SUPPORT FOR INSTALLATION OF WATER BOTTLE FILLING STATIONS IN THE ALAMEDA COUNTY WATER DISTRICT SERVICE AREA

Mr. Wadlow reported that Director Koller requested that an item be placed on the October Board meeting agenda that would allow the Board to discuss potential financial support for the installation of water bottle filling stations in the District service area. Director Koller provided information on a Bottle Filling Station manufactured by Elkay Products. To support the Board’s discussion, staff conducted a preliminary investigation of alternative products that are available.

Water bottle filling stations are designed to provide the public with access to water for refillable water containers as an alternative to water bottled in plastic containers. Recent press indicates that San Francisco and other localities are beginning installation of similar devices at limited public locations. Preliminary investigation by staff indicates that, in addition to Elkay Products, Global Tap, LLC, and Brita also manufacture devices designed to fill water bottles—either

stand-alone, or in conjunction with drinking fountains. More extensive research may also identify other manufacturers. New installations and retrofits appear to be feasible.

If the Board directs staff to investigate water bottle filling stations further, staff has identified several criteria which need to be reviewed in comparing products. These criteria include, but are not limited to water quality produced, ease of installation/retrofit, reliability, and cost. The results of staff's review would be germane to any Board discussion of financial support for water bottle filling station installations in the ACWD service area.

After further discussion, the Board agreed to move forward and directed staff to further investigate the water bottle filling stations and possible approaches to financially support installation of the stations.

5.9 RESOLUTION AMENDING THE ALAMEDA COUNTY WATER DISTRICT RULES OF THE BOARD

Mr. Wadlow reported the District's existing Resolution 00-063, as amended by Resolutions 01-003, 03-044, 04-029, and 06-046, establishes the rules governing the proceedings of the Board (Rules). The General Manager proposed changes to the Rules at the August 11, 2011 Board Meeting. The Board discussed the Rules and suggested additional revisions which have been incorporated by District Counsel in consultation with the General Manager. The revised Rules are now proposed for adoption by the Board.

The Board adopted the Rules to govern its proceedings pursuant to Section 30530 of the California Water Code. These Rules are intended to assist the Board in complying with the open meeting laws and government transparency requirements, such as the Ralph M. Brown Act (California Government Code Sections 54950 *et seq.*). These Rules also are intended to be complementary to all applicable laws and regulations.

The revised Rules incorporate the Board's comments from the August 11, 2011 Board meeting. Specific items addressed include:

- Preamble – A reference to the Brown Act and other laws and regulations was added as suggested by the Board.
- Rule I.A – A provision specifying that the President will annually review the appointments made to serve as the District representative to other agencies and organizations was incorporated.
- Rule II.E – This section was expanded, as suggested by the Board, to clarify that all meetings of the Board, including workshops and study sessions are open to the public, except for those portions involving Closed Sessions.
- Rule II.I – A new section was added to address teleconferencing.
- Rule III.A – An annual review of the purpose and function of each standing committee was included.

- Rule VI – A new rule was added to address the restriction that no more than two Board members may travel by aircraft when travelling for District business.

Discussion ensued and it was agreed to amend Rule VI from restricting two or more Board members traveling together in any mode of transportation to specifically stating that no more than two Board members may travel together by aircraft when travelling for District business.

A motion was made by Director Gunther, seconded by Director Sethy to accept the amendment to Rule VI that specifically states that no more than two Board members may travel together by aircraft when travelling for District business.

The motion was passed by the following vote:

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

Mike Forney, a resident of Fremont addressed the Board stating his concerns with the Board traveling in groups larger than two, as it relates to possible violations of the Brown Act. District Counsel clarified the requirements of the Brown Act for Directors in social settings.

A motion was made by Director Gunther, seconded by Director Sethy to adopt a resolution amending rules of the Board.

RESOLUTION NO. 11-047

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
AMENDING RULES OF THE BOARD

The motion was passed by the following vote:

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

5.10 RESOLUTION ADOPTING PROPOSED REVISIONS TO BOARD POLICY ON
PROCUREMENT OF MATERIALS, SUPPLIES, EQUIPMENT, ROUTINE
SERVICES, PROFESSIONAL SERVICES, AND CONSTRUCTION PROJECTS

Mr. Wadlow reported the District's existing Board Policy on Procurement (Procurement Policy) specifies which types of procurement require Board approval and which types may be undertaken by staff, primarily based on contract cost limitations. The Procurement Policy also specifies the procedures for awarding different types of contracts and for authorizing change orders to those contracts. At the August 11, 2011 Board meeting, the General Manager proposed revisions to the Procurement Policy for Board consideration. No further revisions were necessary based on the Board's comments. The Procurement Policy is now ready for adoption by the Board.

The purpose of the Procurement Policy is to make clear to staff and the public how the District undertakes all types of procurement. As noted at the August 11, 2011 Board meeting, the Procurement Policy was last updated in July 2007. The General Manager proposed changes to update the language in the policy (to make it gender neutral, for example), to increase the dollar limitation on the General Manager's authority for procurement of professional services, and to add authorization for the General Manager to approve change orders up to a certain dollar limit. These changes in authority are designed to streamline the procurement process while retaining accountability to the Board for financial commitments.

At the August 11, 2011 Board meeting, Director Weed indicated that the Procurement Policy should not prevent the General Manager from approaching the Board with regard to financial commitments should circumstances warrant, even if they are within the General Manager's authority. Upon consultation with District Counsel, it was determined that the Procurement Policy language is permissive in this regard and does not constrain the General Manager from approaching the Board for any financial commitment. Accordingly, it was determined that the language as proposed already addresses Director Weed's comment and therefore no further changes were needed.

A motion was made by Director Weed, seconded by Director Gunther to adopt a resolution revising the Procurement Policy.

RESOLUTION NO. 11-048

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
AMENDING PROCUREMENT POLICY NO. 1

The motion was passed by the following vote:

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

5.11 RESOLUTION DEFINING THE RESPONSIBILITIES AND AUTHORITY OF THE
GENERAL MANAGER

Mr. Wadlow report the District's existing Resolution 93-008 (Policy) defines the responsibilities and authority of the General Manager. This resolution is explicitly referred to in the employment contract between the Board and the General Manager. The General Manager proposed changes to the Policy at the August 11, 2011 Board Meeting. The Board discussed the Policy and suggested additional revisions which have been incorporated by District Counsel in consultation with the General Manager. The revised Policy is now proposed for adoption by the Board.

The Policy has several purposes. It is designed to clearly establish the General Manager's accountability to the Board for all organizational results. It is also designed to establish the operating practices which will govern the relationship between the Board and the General Manager. The Board has also used the Policy to impose constraints on the Board's interaction with District staff other than the General Manager. The Policy also assigns particular responsibilities to the General Manager in specific areas of concern to the Board.

The revised Policy incorporates the Board’s comments from the August 11, 2011 meeting.

A motion was made by Director Gunther, seconded by Director Koller to adopt a resolution defining the Responsibilities and Authority of the General Manager.

RESOLUTION NO. 11-049

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT
DEFINING THE RESPONSIBILITIES AND AUTHORITY OF THE
GENERAL MANAGER

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 September 7, 2011: 1) WTP2 Filter Performance After Full Media Replacement
- Legal & Legislative Meeting of September 14, 2011: 1) Review of State Legislation
- Engineering & Capital Projects Meeting of September 15, 2011: 1) Water Main Replacement Program; 2) Update of Proposed Dumbarton Quarry Park; 3) Update on the Warm Spring Main Extension Prune to Brown Project
- Administrative & Finance Meeting of September 27, 2011: 1) Service Elevation Charge; 2) Finance Department Projects and Activities Update
- Water Resources Planning Meeting of September 28, 2011: 1) Communication Strategy Update; 2) School Education Program Update

6.2 OPERATIONAL REPORTS

- Rainfall Report
- Quarterly Groundwater Recharge Report
- Water Production Report
- Investment Report
- Quarterly Directors’ Expense Report

6.4 GENERAL MANAGER’S REPORTS

- Mr. Wadlow reported on his attendance to an Ohlone College Board of Trustees meeting on October 12, 2011. He reported the Ohlone Board hired a consultant to conduct a study

on the California Voter Rights Act. He shared with the Board the information the consultant provided to the Ohlone Board.

- Mr. Wadlow reminded the Board of an “Open House” at Treatment Plant 2 on October 19, 2011 as part of the conversion to a LOX system. Neighbors within a 1,000 ft. radius will be invited to tour the plant and learn more about how their water is treated.

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

- Director Sethy announced his planned attendance to a workshop on October 14, 2011 at the Santa Clara Valley Water District regarding Bay-Delta Conservation Plan.
- Director Sethy requests an invitation for representatives from SFPUC to come and make a presentation on all the projects that are planned or currently being performed involving the Alameda Creek Watershed.
- Director Koller reminded the Board of the upcoming ACWA conference scheduled for November 29 through December 2, 2011 in Anaheim, California.
- Director Weed discussed his tour of projects currently ongoing in Sunol by SFPUC. He recommended the other Directors and key staff also tour the construction projects.
- Director Weed attended the CSDA Annual Conference in Monterey on October 12 and October 13, 2011.
- Director Huang announced attendance to the dedication ceremony for former Director Art Lampert at Quarry Lakes Regional Recreation Area.

8 – CLOSED SESSION

President Huang adjourned the meeting to a closed session at 10:34 P.M., for a conference on the following item:

- 8.1 Conference with Labor Negotiators
Pursuant to California Government Code Section 54957.6
Agency Designated Representatives: President Huang and Vice President Weed
Unrepresented Employee: General Manager

The meeting reconvened at 10:52 P.M.

9 – OPEN SESSION

- Proposed First Amendment to the Employment Agreement between the Alameda County Water District and Walter L. Wadlow – President Huang reported that the Board met in closed session and it was decided no action will be taken at this time. Further discussion will be made at a future Board Meeting.

Minutes – October 13, 2011

There being no further business to come before the Board, President Huang adjourned the meeting at 10:53 P.M.

Andrew Warren, Assistant District Secretary

Attest:

Judy C. Huang, President