

November 10, 2011  
Fremont, California

The regular monthly meeting of the Board of Directors of ALAMEDA COUNTY WATER DISTRICT was held on November 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, Financial Systems Analyst Michael Yee, Development Services Manager Ed Stevenson, Attorney Patrick Miyaki, and District Secretary Gina Markou.

President Judy Huang presided.

Mr. John Hill led in the Salute to the Flag.

Ms. Vernon introduced Mr. John Hill who was recently hired as the new Supervising Human Resources Analyst. Mr. Hill comes to the District with over 35 years of experience in all areas of Human Resources. Before coming to the District he spent 5 years serving as Vice President of Human Resources for the Neighborhood House Association in San Diego. Prior to that Mr. Hill served 10 years as Human Resources Manager for the Las Vegas Valley Water District.

The Board of Directors welcomed Mr. Hill to the District.

3 – PUBLIC COMMENTS – None

4 – CONSENT CALENDAR

A motion was made by Director Weed to remove Item 4.3 from the Consent Calendar, and to add Items 5.1 through 5.3 to the Consent Calendar, seconded by Director Gunther.

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 Gunther, seconded by Director Sethy to approve the following items on the Consent Calendar as amended.

- 4.1 Approval of Minutes - Regular Meeting of October 13, 2011
- 4.2 Ratification of Payment of Audited Demands dated October 7, October 14, October 21, and October 28, 2011

4.4 Resolution Amending the FY 2011/12 Personnel Budget

RESOLUTION NO. 11-051

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
AMENDING FY 2011/12 PERSONNEL BUDGET

- 5.1 Authorization for Engineering Survey and Report on Groundwater Conditions in Conjunction with Replenishment Assessment
- 5.2 Resolution Awarding Contract for Construction of the Headquarters Facility Cabling Project
- 5.3 Authorization of Purchase Order Amendment for Engineering Services for the Lower Alameda Creek Fish Passage Projects

The motion was passed by the following vote:

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

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President Huang requested that item 6.3 Future of ACWD Program Presentation be considered earlier on the agenda.

6.3 STAFF REPORTS

- Future of ACWD Program – Development Services Manager Ed Stevenson updated the Board on a District-wide effort to explore opportunities to reduce costs and to generate new lines of revenue to fund the core mission of the District. Discussion ensued and staff responded to inquiries from the Board. The Board also expressed their thanks to staff for contributing their personal time to develop this program.

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

4.3 RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF CONTRACT WITH CATELLUS PC AREA 5, EXTENSION OF WATER MAIN, TRACT 8049, ACWD #2010-0074

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Director Weed expressed his concern stating that the project in question may, within the timeline of the plan, experience flooding due to sea level rise. The City has a report from the Bay Conservation and Development Commission, which is in the process of identifying where the bay shoreline may be located following sea level rise. Director Weed indicated that the City of Fremont does not currently have a strategy to address sea level rise. Director Weed noted that there is a planning void where one agency is saying that this land will be flooded and another agency is in the process of developing this land.

Directors Sethy, Koller, and Gunther also shared their concerns regarding the sea level rise. President Huang believes it behooves the District to discuss the issue with the City of Fremont and requested staff to examine any potential impact from sea level rise on the District's installation of new service lines. Mr. Wadlow stated that staff will investigate the potential impact on any of the facilities that the District would be asked to participate in or approve that might be subject to the issue of sea level rise.

Director Weed stated he will be supporting the motion based on the District's practice of allowing cities to determine where development is going to occur.

A motion was made by Director Gunther, seconded by Director Sethy to adopt a resolution approving and authorizing execution of a contract with Catellus PC Area 5, Extension of Water Main, Tract 8049, ACWD #2010-0074.

RESOLUTION NO. 11-050

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
APPROVING AND AUTHORIZING EXECUTION OF CONTRACT WITH  
CATELLUS PC AREA 5, FOR EXTENSION OF WATER MAIN, ACWD  
#2010-0074

The motion was passed by the following vote:

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

5.1\* AUTHORIZATION FOR ENGINEERING SURVEY AND REPORT ON  
GROUNDWATER CONDITIONS IN CONJUNCTION WITH REPLENISHMENT  
ASSESSMENT

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The Replenishment Assessment Act requires the Board to order an Engineering Survey and Report on Groundwater Conditions as the first step in the process to establish a replenishment assessment for next fiscal year. This report must be presented to the Board for consideration in February to meet subsequent deadlines set forth by Proposition 218 and the Replenishment Assessment Act.

The Replenishment Assessment Act ("the Act") of the Alameda County Water District was established by the State of California in Chapter 1942 of the Statutes of 1961, and amended in Chapter 947 of the Statutes of 1970 and Chapter 828 of the Statutes of 1974. The Act gives ACWD the authority to take measures to ensure the quantity and quality of groundwater for the benefit of all users of the groundwater basin. Such measures include importing supplemental water for groundwater recharge, requiring metering of wells, and levying a replenishment assessment. The Act also requires that ACWD annually prepare an Engineering Survey and Report on Groundwater Conditions. Staff has historically begun collecting information and preparing data for the report during the month of November so it can be completed in time for submittal to the Board in February.

A motion was made by Director Gunther, seconded by Director Sethy to order an Engineering Survey and Report on Groundwater Conditions.

The motion was passed by the following vote:

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

5.2\* RESOLUTION AWARDING CONTRACT FOR CONSTRUCTION OF THE HEADQUARTERS FACILITY CABLING PROJECT

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The Headquarters Facility Cabling Project is one of the projects identified in the Information Technology Master Plan. The scope of the project includes the installation of new fiber optic and ethernet cables and the removal of existing cables that are no longer required. There is adequate funding in the budget for this expenditure.

The Headquarters Facility Cabling Project is identified in the District's 2010 Information Technology Master Plan as an essential element to implementing the other recommendations contained within the plan. The project includes the installation of a new fiber optic backbone to each of the existing intermediate distribution facility closets, implementation of a Cat 6A horizontal cabling system throughout the headquarters facility, modifications to the existing wiring closets to meet current codes, and the removal of existing cable wires that are no longer required. To minimize interruptions to staff, an orderly migration to the new cabling system is specifically identified as a critical component of the project.

On September 22, 2011, bid documents were advertised and three (3) bids were received and opened on October 18, 2011. All bids were checked arithmetically and for compliance with bidding requirements. One bid contained an arithmetic error which did not change the order of the bids. The corrected bid totals, for the purpose of comparison, ranged from a low of \$207,753 to a high of \$341,228. The engineer's estimate for the work was \$321,465.

3D Datacom of Livermore, California, submitted the lowest bid. 3D Datacom's bid was reviewed for compliance with the requirements of the contract documents and did not contain any errors. References were checked and it was confirmed that the contractor has the necessary qualifications and experience to perform this work. 3D Datacom has been in the contracting business under its present name for over 12 years doing work similar to that required by the contract documents.

A motion was made by Director Gunther, seconded by Director Sethy to adopt a resolution awarding the contract for the Headquarters Facility Cabling Project to 3D Datacom, in the amount of \$207,753 which is the total of the unit price and lump sum payments items, Job 6453.

RESOLUTION NO. 11-052

OF BOARD OF DIRECTORS OF ALAMEDA COUNTY WATER DISTRICT  
ACCEPTING PROPOSAL OF, AND AWARDING CONTRACT TO 3D  
DATACOM, FOR JOB NO. 6453

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 LOWER ALAMEDA CREEK FISH PASSAGE PROJECTS**

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The Board previously authorized a purchase order amendment to Winzler & Kelly Consulting Engineers (Winzler & Kelly) for preliminary design services for the Lower Alameda Creek Fish Passage Projects. Additional engineering services to incorporate new bypass flow requirements and related instrumentation controls into the preliminary design are required. There is adequate funding in the budget for this expenditure.

On May 15, 2008, the Board authorized a purchase order to Winzler & Kelly in the amount of \$620,000 for preliminary design services. One purchase order amendment in the amount of \$136,000 has been issued to date. The completion of a design report and preliminary design drawings are in progress.

On January 27, 2011, an agreement in principle on bypass flow requirements to support the restoration of a steelhead fishery in the Alameda Creek Watershed was reached with the National Marine Fisheries Services (NMFS) and the California Department of Fish and Game (CDFG). At the District's request, these bypass flow requirements and related instrumentation controls were incorporated into the preliminary design of the fish ladders and fish screens for Shinn Pond. Winzler & Kelly submitted a proposal in the amount of \$252,180 to: 1) address design issues associated with the hydraulic and operational interdependency of each fish ladder during in-migration, out-migration, and during construction; 2) design flow by-pass systems at each ladder; 3) prepare electrical single line diagrams, system design narratives and Process and Instrumentation Diagrams for each fish ladder and the Shinn fish screens; 4) review the draft Biological Assessment and CEQA documents for general conformance with project design and consistency with the project description; and 5) conduct a topographic survey for the Shinn fish screens. The additional services will be performed on a time and expense basis. Staff has reviewed the cost for the additional work and has determined that it is fair and reasonable.

On August 12, 2007, the Board authorized the District to enter into an agreement with the Alameda County Flood Control and Water Conservation District to jointly complete and equally share the cost of preliminary design services for the fish ladder at Rubber Dam No. 1/BART Weir. The County's share for this extra work will therefore be \$76,300, or approximately 30% of \$252,180.

A motion was made by Director Gunther, seconded by Director Sethy to authorize a purchase order amendment to Winzler & Kelly Consulting Engineers for additional engineering services in an amount not to exceed \$252,180 for the Lower Alameda Creek Fish Passage Projects, Jobs 6348, 6360, and 4315.

The motion was passed by the following vote:

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

#### 5.4 AUTHORIZATION OF PURCHASE ORDER FOR ENGINEERING SERVICES FOR KAISER FISH SCREEN AND SHINN REDIVERSION PIPELINE PROJECTS

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Mr. Shaver reported that the Kaiser Fish Screen and the Shinn Rediversion Pipeline Projects are included in the District's 25-Year Capital Improvement Program (CIP). Because these two projects are located in the same general vicinity, have similar schedules, and will employ similar (heavy/civil) construction methods, it is appropriate to utilize one consultant to design both facilities to maximize efficiency.

The District's two previously constructed fish screen facilities are functioning well and were both designed by the same consultant (CH2M HILL). Using this same design consultant will ensure that Kaiser Fish Screen is consistent in both design and operation with the previously completed facilities. CH2M HILL is similarly well qualified to perform the services required for the Shinn Rediversion Pipeline Project. Accordingly, staff requested CH2M HILL to submit a proposal to perform design services for both projects assuming a traditional design-bid-build (DBB) project procurement approach. Staff has evaluated CH2M HILL's proposal and finds it fair and reasonable for the work to be performed.

At staff's request, CH2M HILL's proposal also includes a conceptual provision to complete either or both projects utilizing a design-build (DB) project procurement approach. Board action will be requested in the future if staff recommends a DB project procurement approach.

Because staff requested only CH2M HILL to submit a proposal, Board approval is needed to waive Procurement Policy No. 1. Although there are adequate funds programmed in the CIP for this expenditure, a budget transfer is needed to accommodate the accelerated project schedule for the Shinn Rediversion Pipeline Project. This item was reviewed with the Engineering and Capital Project Committee on October 20, 2011.

The Kaiser Fish Screen and the Shinn Rediversion Pipeline Projects are currently scheduled to be constructed in FY 2013/14. The scope of work for the Kaiser Fish Screen Project is similar to the Alameda Creek Pipeline No. 1 and Bunting Fish Screen Facilities, which were both designed by CH2M HILL and successfully constructed by separate contractors in 2008 and 2009, respectively.

The Shinn Rediversion Pipeline Project includes the evaluation of the existing pump station and a 3,000 linear feet long, telescoping 66-inch to 42-inch diameter pipeline that has historically been used to convey water from Shinn Pond to the Quarry Lakes percolation ponds. Use of the pump station and pipe was discontinued in 2008 after significant pipe corrosion was observed during a routine pipeline inspection. In addition to the evaluation of the existing facilities, design work for rehabilitation or replacement, as appropriate, is included in the project scope.

The Kaiser Fish Screen and the Shinn Rediversion Pipeline Projects, as well as the planned Rubber Dam No. 1 Fish Ladder Project, are all located in the same general vicinity and are operationally interrelated, which will necessitate careful management of construction schedules. Additional challenges associated with the three projects include: 1) limited permissible construction windows (the California Department of Fish and Game restricts in-stream construction activities to occur between May 15 and October 15), 2) limited available space to support the simultaneous construction activity of multiple projects, and 3) the potential for project schedules to be revised due to permitting issues beyond the District's control. Completing the design work for the Kaiser Fish Screen and the Shinn Rediversion Pipeline Projects simultaneously, while allowing for independent construction of each project, will both increase overall project efficiency and give the District maximum schedule flexibility in the event of unforeseen permitting delays. Additionally, utilizing the same consultant who completed the design of the District's previous fish screen installations will ensure that the new Kaiser Fish Screen will be consistent in both design and operation with the other facilities.

Accordingly, staff requested CH2M HILL to submit a proposal for engineering services based upon a traditional design-bid-build (DBB) delivery approach for both projects. CH2M HILL's proposal, in the amount of \$780,513, includes a previously negotiated credit in the amount of \$21,500 related to work associated with the Rubber Dam No. 2 removal project. CH2M HILL's scope of services includes data review, survey and mapping, geotechnical work including subsurface exploration, permitting support, evaluation of project alternatives, design, project management, and bid support services, if needed. The work will be performed on a time and expense basis. Staff has reviewed the proposal and has determined that CH2M HILL is well qualified to perform the work and that the estimated cost for the services to be rendered is fair and reasonable.

Also at staff's request, CH2M HILL's proposal provides the District with an option to change the project delivery method to a progressive design-build (DB) procurement at the 60% design completion stage. Under the progressive DB option, CH2M HILL will submit a price proposal to complete both design and construction of either or both projects as a general contractor. The District is under no obligation to use a progressive DB approach and CH2M HILL will complete the design of both projects under a DBB delivery approach unless the District and CH2M HILL agree on alternate contractual terms.

The District's Procurement Policy No.1 requires multiple proposals to be solicited when the estimated cost of professional services exceeds \$50,000. This requirement may be waived by the Board when it is determined to be in the best interest of the District.

Because the design of the Shinn Rediversion Pipeline Project is being accelerated, a budget transfer in the amount of \$265,000 is required to cover the anticipated expenditures through the end of FY 2011/12. There are surplus FY 2011/12 budgeted funds available in the nearly completed Warm Springs Main Extension Project because the awarded bid amount was below the engineer's estimate.

A motion was made by Director Gunther, seconded by Director Koller to: 1) authorize a budget transfer from Project/CIP No. 11D46/ MM0201 Warm Springs Main Extension Project (Job 6478) to Project/CIP No.10G06/ GG0208B Shinn Rediversion Pipeline Project (Job 4322) in the

amount of \$265,000; 2) waive the requirement in Procurement Policy No. 1 that requires proposals be solicited; 3) authorize a purchase order to CH2M HILL for engineering services in an amount not to exceed \$780,513 for the Kaiser Fish Screen and the Shinn Rediversion Pipeline Projects; and 4) authorize the General Manager to execute a professional services agreement with CH2M HILL, Jobs 4322 and 4316.

The motion was passed by the following vote:

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

#### 5.5 PRESENTATION OF ALAMEDA COUNTY WATER DISTRICT AUDIT FOR FY 2010/11

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Ms. Burgett reported that the Board of Directors, on March 11, 2010, 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, 2011. 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 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.

The following documents have been 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, 2011. 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, 2011. 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 a couple of items in this letter for internal controls including reviewing the capitalization of software costs and improving information technology controls. There were also a few comments in regards to updating the investment policy and overhead methodologies. 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 October 25, 2011.

Ms. Cindy Pon of Macias Gini & O'Connell presented the Board with the results of the District's Financial Audit for FY 2010/11. Discussion ensued and Ms. Pon responded to questions from the Board including a number of detailed questions by Director Sethy. Director Weed requested that the Board have an opportunity to review IT's response as it appears that the District had repeat write-ups. Mr. Wadlow informed the Board that when the IT issues were initially raised, it was pointed out that several of them would be multi-year in resolution, for example, the need for a disaster recovery plan for IT has been cited. The District first needs an overall business continuity plan which is not in place, so the disaster recovery for IT is encompassed within the District's overall effort to put together a complete business continuity plan for the District.

A motion was made by Director Sethy, seconded by Director Koller to accept the Audited Financial Statements and accompanying reports for the fiscal year ended June 30, 2011.

The motion was passed by the following vote:

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

5.6 RESOLUTION AUTHORIZING THE EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT WITH UNION SANITARY DISTRICT TO CREATE THE ALAMEDA COUNTY WATER DISTRICT FINANCING AUTHORITY (“ACWDFFA”)

Ms. Burgett reported that the District is planning to issue approximately \$24 million in new water revenue bonds through the ACWDFFA in January 2012 to provide approximately \$22 million of net proceeds for capital expenditures. Also, if market rates continue to be beneficial, the District is planning to refinance its outstanding approximately \$25 million 2003 Certificates of Participation (COPS). Water revenue bonds are experiencing more favorable pricing in the current economic environment than COPS, which have typically been executed and delivered by the District to raise money for new capital expenditures. Current market conditions suggest there is considerable savings achieved by selling bonds rather than COPS. According to the District’s financial advisor, Stone & Youngberg, the savings on a \$25 million bond issue could be approximately \$63,500 per year. Assuming a 25 year issue, the discounted present value savings is approximately \$900,000. A joint powers authority (JPA) is the mechanism to facilitate the issuance of water revenue bonds as opposed to certificates of participation. Union Sanitary District (USD) has agreed to join with the District to form a JPA for this specific purpose. There are various steps and legal documents that are required for the formation and ongoing activities of the financing JPA.

At the October 13, 2011 Board meeting, the Board authorized staff to proceed with the preparation of the documents for a bond issue and to enter into agreements with the financial advisor and bond counsel for the issuance of water revenue bonds. The mechanism for issuance of water revenue bonds is a financing JPA and USD has agreed to form a JPA with the District for this purpose. The formation of a JPA requires each participant to have a Board-approved resolution authorizing the execution of a Joint Exercise of Powers Agreement (Agreement).

The Agreement establishes the purpose, the governing board, the officers and the powers of the JPA. The term of the JPA will coincide with the duration of the water revenue bond issue.

The USD Board of Directors will consider adopting a resolution authorizing the execution of the Agreement at its regular Board meeting on November 14, 2011.

If the District and USD both authorize the execution of the Agreement, the first ACWDFFA Board meeting for the JPA will be December 8, 2011. The Agreement provides for the ACWDFFA Board to have six members, including all five members of the District Board along with one member of the USD Board. At that first Board meeting it is anticipated that the JPA will consider the adoption of the Alameda County Water District Financing Authority By-Laws and a conflict of interest code and will establish its regular Board meeting schedule, which is expected to coincide with the regular Board meeting dates of the District.

It is anticipated that consideration of and authorization of the new bond issue will occur at the January 12, 2012 Board meeting.

Ms. Burgett introduced the District's Bond Counsel Mr. John Wang of Orrick Harrington & Sutcliffe and Analyst Ms. Bridget Katz of Stone & Youngberg who were available to answer any questions the Board may have with regards to the JPA documents which have been reviewed by District Counsel.

At Director Weed's request, Mr. Wang explained the difference between revenue bonds and certificates of participation to the Board. He also explained the difference between a revenue certificate of participation and a revenue bond. Discussion ensued.

A motion was made by Director Gunther, seconded by Director Sethy to: 1) adopt a resolution authorizing execution of a Joint Exercise of Powers Agreement with USD; and 2) authorize the General Manager to execute the Joint Exercise of Powers Agreement with USD creating the Alameda County Water District Financing Authority.

RESOLUTION NO. 11-053

OF THE BOARD OF DIRECTORS OF THE ALAMEDA COUNTY WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF A JOINT EXERCISE OF POWERS AGREEMENT BY AND BETWEEN THE ALAMEDA COUNTY WATER DISTRICT AND UNION SANITARY DISTRICT

The motion was passed by the following vote:

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

5.7 REVIEW OF PROPOSED RATES AND CHARGES FOR CALENDAR YEAR 2012 AND SETTING PUBLIC HEARING

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 is 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 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 February 2011 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 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 several 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 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 80% 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.

Major capital projects include those 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, water production and storage facility improvements, water main and service line replacements, Seismic Improvement Program (SIP) – Phase 1, and numerous fish passage projects at District facilities along Alameda Creek.

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 6.0% effective February 1, 2012 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.

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 has been actively pursuing alternate revenue sources, cost-saving measures and greater productivity through the "Future of ACWD" program. Staff has also taken a variety of other actions such as reducing cost wherever practical, and delaying capital projects in response to decreased water demand.

Staff also proposes the same commodity rate percentage increase for those customers who are outside the District’s boundaries. And for those few industrial customers who only receive San Francisco Water and pay the San Francisco Water Service commodity rate, staff proposes a 13.3% increase. However, it is anticipated that this San Francisco Water Service rate will no longer be needed after 2012 as it is anticipated that by then there will be little or no demand by any customers who would pay San Francisco water only rates.

The proposed base commodity rates are summarized below.

	<u>Current</u>	<u>Proposed Eff. 2/1/12</u>
Base Commodity Charge (per HCF):		
Inside District	\$ 2.974	<b>\$ 3.152</b>
Outside District	3.419	3.624
San Francisco Water Service	3.242	3.673

Staff is proposing a February 1, 2012 effective date to allow for adequate time to comply with Proposition 218 notification requirements (discussed below).

**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 a certain portion of the annual debt service on bonds outstanding. The District’s current service charge is not recovering all of the District’s fixed costs. In addition, the District’s current service charge is the lowest of all the 30 other agencies annually surveyed that have a service charge. Raftelis Financial Consultants recently finished a study of Water Efficiency Rates for the District. Their estimate of a fully loaded fixed cost bi-monthly service charge using current costs was approximately \$30.00 for an average single family residential customer. It is recognized that incorporating this large of a service charge at the present time would prove to be a large financial burden for the District’s residential customers. Another approach would be to gradually increase the fixed cost service charge over several years. Staff has developed 3 different options for the service charge with different levels of fixed cost recovery for consideration by the Board as shown below.

	Proposed 2012 Options		
	Commodity Rate Increase	Service Charge Increase	Overall Bill Increase*
Option 1	6.0%	6.0%	6.0%
Option 2	6.0%	8.0%	6.3%
Option 3	6.0%	19.0%	8.0%

\*For the average single family residential customer

**OPTIONS FOR TOTAL BILL**

The net effect of the proposed 6.0% increase to the base commodity rate and the three bimonthly service charge options would impact the total bi-monthly water bill for an average residential customer using of 23 units of water (approximately 283 gallons per day) as shown in the

summary table below. The current average single family residential bill is \$80.95 which is comprised of \$68.40 for the commodity portion and \$12.55 for the service charge.

Any one of these three options for Board consideration would continue to place the District’s average residential water bill in the lowest groupings of the 30 other Bay Area agencies annually surveyed. Option 1 would place the District in the lowest quartile, and the other two options would place in the lowest third. However, this is comparing the District’s proposed 2012 rates with the current 2011 rates of all the other surveyed agencies, except those few that also have early 2012 effective dates. 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.

Proposed 2012 Options Average Single Family Residential Customer Bill Impact (23 units)						
	Commodity Rate Total	Service Charge	New Total Overall Bill	Increase Per Bill	Increase Per Month	Increase Per Day
Option 1	\$72.50	\$13.30	\$85.80	\$4.85	\$2.43	\$0.080
Option 2	\$72.50	\$13.55	\$86.05	\$5.10	\$2.55	\$0.084
Option 3	\$72.50	\$14.93	\$87.43	\$6.48	\$3.24	\$0.107

**PROPOSITION 218 NOTIFICATION**

A written notification must be mailed to all property owners in the District with the final proposed rate increase option. The mailing will provide 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 few industrial customers who exclusively use San Francisco water. Staff is requesting authorization from the Board to send out the mailings to give property owners 45 day notice before the January 12, 2012 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 receive District water service outside the District’s boundaries.

**DEVELOPMENT-RELATED FEES AND CHARGES**

At its October 13, 2011 meeting, the Board received a presentation on the findings and recommendations of a consultant study which had taken a thorough review of all of the District’s development related fees and charges. One of those recommendations is to no longer adopt charges one year in advance; therefore, no 2013 charges are being proposed at this time. Implementation of the other recommendations regarding the Facilities Acreage Charge and Facilities Connection Charges will occur over the 2012 calendar year after further study, and will be formally proposed to the Board during its normal Fall 2012 rate review.

However, for the upcoming year, charges to be effective February 1, 2012 were previously adopted by the Board on February 10, 2011. This included an 8.0% increase to both the Facilities Acreage Charge and Facilities Connection Charges.

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 March, 2011. Fees are set to recover the cost of service. New fees are being proposed below that includes adjustments for a higher cost of service primarily due to labor cost increases.

<u>Permit Class of Work</u>	<u>Current</u>	<u>Proposed Eff. 2/1/12</u>
1. Wells and Other Excavations		
• Construction and Destruction of Well or Other Excavation*	\$580	\$605
• Repair or Reconstruction of an Existing Well or Other Excavation*	\$410	\$430
• Construction, Repair, Reconstruction, or Destruction of Dewatering Wells, Cleanup Site Excavations, Shafts, Tunnels, Directional Boreholes, Support Piers, Piles, Caissons, or Wick Drains		
○ 10 or Less	\$410	\$430
○ Each over 10	\$65	\$70
• Classify Well or Other Excavation as Inactive (Per Year)	\$65	\$70
2. Exploratory Holes		
• Construction and Destruction of Exploratory Holes		
○ 4 Exploratory Holes or Less	\$410	\$430
○ Each Exploratory Hole over 4	\$65	\$70

\* 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 to more accurately capture the highly variable cost of service for “Water Main Extension Engineering Fees” staff is proposing to charge the actual cost of service instead of a single fixed charge. This was previously reviewed by the Board at their October 2011 Board meeting. Changes shown below are proposed to become effective February 1, 2012. All fees and charges are proposed to cover the cost of service.

	<u>Current</u>	<u>Proposed Eff. 2/1/12</u>
Account Est. Field/Reconnection Charge	\$33	\$35
After-Hours Connection Charge	211	219
Annexation Charge	2,017	2,007
Backflow Prevention Device Testing Fee	64	67
Damaged Angle Stop Charge	95	98
Water Main Extension Engineering Fee	9,100	Actual Cost
Fire Flow Test Fee	75	105
Fire Hydrant Meter – Deposit	1,700	1,450
Fire Hydrant Meter – Late Return	87	90
Fire Hydrant Meter – Late Reading	80	83
Meter Installation Charge – 3/4”	127	133
Meter Installation Charge – 1”	165	174
Meter Installation Charge – 1 1/2”	405	424
Meter Re-Installation Charge	75	78
Returned Check Charge	30	32
Service Elevation Charge (per hcf/100’)	0.06	Deleted

Discussion ensued and staff responded to questions from the Board.

A motion was made by Director Gunther, seconded by Director Weed to: 1) set January 12, 2012, 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 (Option 3); and 2) authorize staff to mail to all property owners in the District notifications of the proposed commodity and bimonthly service charge revisions and public hearing details.

The motion was passed by the following vote:

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

#### 5.8 REQUEST FOR FUNDING FOR THE RESTORATION OF ARROYO DE LA LAGUNA

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Mr. Peterson reported that the Alameda County Water District (ACWD) previously received a letter from Supervisor Scott Haggerty’s office requesting participation in the 2011 Arroyo de la Laguna Stream Restoration Project through a funding contribution in the amount of \$50,000. The demonstration project consists of bioengineered stream restoration techniques to stabilize bank erosion along the stream in the vicinity of the Verona Bridge in Pleasanton. The project was discussed at the Operations & Water Quality Committee meeting on October 5, 2011.

The 2011 Arroyo de la Laguna Stream Restoration Project is located along a severely eroding stretch of the stream owned by the San Francisco Public Utilities Commission (SFPUC), immediately downstream of the Verona Bridge in Pleasanton. The project consists of the installation of various bioengineering structures to demonstrate the use of economical,

environmental and socially acceptable stream restoration techniques to halt ongoing bank erosion and provide grade control necessary for stabilizing the site. The eroding banks of the Arroyo de la Laguna are a known source of significant silt loading and turbidity in Alameda Creek. Erosion in the stream near Verona Bridge has resulted in a need for frequent recalibration of the stream cross-section at the Verona USGS stream gage, which is important to the operation of ACWD's recharge facilities. The techniques being demonstrated in this project have the potential to be used along other reaches of the stream as well to help remedy these problems, while providing improved riparian habitat, in future phases of work.

Project construction was carried out in the summer and fall of 2011, but additional work remains to implement education components of the project and carry out long-term (10-year) monitoring and maintenance of the site. The benefits of this project to ACWD include:

1. Provides an opportunity for public outreach about ACWD efforts to establish a steelhead fishery on Alameda Creek.
2. Reduction of the silt and turbidity of the water which improves the water quality of the water available for groundwater recharge at ACWD facilities.
3. Potentially minimizes the need for recalibrating the stream cross-section at the Verona USGS stream gage which improves the flow data accuracy used by ACWD.

The demonstration project is being funded by a 2009 federal appropriation from Congressman Jerry McNerney's office that was directed to the Alameda County Resource Conservation District to demonstrate the use of bioengineered stream restoration practices in the Arroyo de la Laguna. Additional funding for the project is being provided by the Alameda County Flood Control and Water Conservation District (Zone 5) and the Alameda County Public Works Department, in the amount of \$50,000 each. Current funding totaling approximately \$1.4M (\$1.3M from the 2009 federal appropriation plus two \$50K contributions from local agencies) was used for construction and administration of the project.

ACWD previously received a letter from Supervisor Scott Haggerty's office requesting a contribution to the project in the amount of \$50,000. Zone 7 Water Agency (Zone 7), SFPUC, and Dublin San Ramon Services District (DSRSD) all received the same request since all agencies participated in a similar restoration project on the Arroyo de la Laguna in 2006. ACWD participated in the 2006 project through a funding contribution of \$10,000. At this time, DSRSD has indicated they will not participate in the 2011 project, and SFPUC and Zone 7 have not yet responded to the request. Additionally, after the 2011 redistricting of Alameda County, the location of the restoration project is now in District 4 with Supervisor Nate Miley instead of District 1 with Scott Haggerty.

Discussion ensued and staff responded to questions from the Board.

A motion was made by Director Sethy, seconded by Director Koller to table the issue on funding for the Arroyo de la Laguna Stream Restoration Project at the present time.

The motion was passed by the following vote:

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

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## 6 – REPORTS

### 6.1 BOARD COMMITTEE REPORTS

- Operations & Water Quality Meeting of October 5, 2011: 1) Funding for the Restoration of arroyo de la Laguna; 2) Review of the Supplemental Funding Agreement for the Delta Habitat Conservation and Conveyance Program
- Legal & Legislative Meeting of October 12, 2011: 1) ACWD Board Member Elections; 2) California Voting Rights Act
- Engineering & Capital Projects Meeting of October 20, 2011: 1) Update on Kaiser Fish Screen and Shinn Pond Rediversion Projects; 2) Update on Headquarters Renovation Project; 3) Development Fees and Charges
- Administrative & Finance Meeting of October 25, 2011: 1) Quarterly Review of Claims; 2) Audit Overview; 3) Quarterly Review of Investments; 4) Rates and Charges Overview
- Water Resources Planning Meeting of October 26, 2011: 1) Water Conservation Program Update

### 6.2 OPERATIONAL REPORTS

- Rainfall Report
- Water Production Report
- Quarterly Well Level Report
- Quarterly Projects Review
- Investment Report
- Quarterly Personnel Report

### 6.4 GENERAL MANAGER'S REPORTS

- Mr. Wadlow apologized to the Board for not having previously provided the Board with his personal contact information which has now been forwarded to the Board via e-mail.
- Mr. Wadlow informed the Board that on December 13, 2011, Ron Davis, the District's Sacramento Legislative Representative will be at ACWD to conduct a class for District staff who may be involved in either the development of legislation or the review of bills that might have an impact on ACWD. Mr. Wadlow extended the invitation to any Board members who may wish to attend. The meeting will be noticed if more than three Board members wish to participate.

- Mr. Wadlow informed the Board that Mr. Wieckowski's office contacted the District regarding an informational hearing that the committee he chairs (the Environmental Safety and Toxic Materials Committee) will be holding in San Jose on November 30, 2011, at 10:00 a.m. The hearing is on the Leaking Underground Storage Tank program. As the Board is well aware, ACWD has been quite active this past year in providing input to legislation in this regard and the District has a continuing concern with the development of a low-threat closure policy and the associated administrative process that is being conducted by the State Water Resources Control Board. District staff member Thomas Berkins will be representing the District at the hearing. The Board was provided with a copy of a letter that the District sent to the State Water Resources Control Board regarding the low-risk closure policy.

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

- Director Sethy informed the Board that last month he attended the Bay Delta Conservation Workshop at the Santa Clara Valley Water District along with the General Manager. He found the workshop to be very informative, and is interested in staff's evaluation of potential impacts to ACWD.
- Director Sethy attended the Alameda County Special Districts' Association meeting on November 9, 2011, with Director Weed. At that meeting AB 195 (Hernandez) was addressed and Director Sethy stated this bill should be followed.
- Director Sethy requested that staff closely monitor the new Cap and Trade program in California for potential impacts to the District.
- Director Sethy will be attending the Tri-City Documentary Film Group showing of "Gasland" on November 12, 2011, and will be the moderator on the discussion after the viewing of the film.
- Director Weed stated that he had made an earlier comment indicating that there were no fracking issues in the District's service area but stated there actually are some oil production wells in the Alameda Creek Watershed across the road from Zone 7 Water Treatment Plant near the Altamont Pass.
- Director Weed attended the AWWA Conference and accepted an award on behalf of the District. Director Weed stated there were some excellent presentations and encouraged other Board members to attend future conferences.
- Director Weed informed the Board that the Fremont Planning Commission was planning on rescheduling a meeting to discuss the city's Climate Action Plan in the upcoming weeks and encouraged the District to review the water chapter.

Minutes – November 10, 2011

There being no further business to come before the Board, President Huang adjourned the meeting at 8:58 P.M.

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Gina Markou, District Secretary

Attest:

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Judy C. Huang, President