

ALAMEDA COUNTY WATER DISTRICT MEMORANDUM

DATE: January 5, 2012
TO: Board of Directors
FROM: Walt Wadlow
SUBJECT: STAFF REPORT, ACTION CALENDAR ITEMS FOR JANUARY 12, 2012

5.1* AUTHORIZATION OF CHANGE ORDER NO. 3 AND RESOLUTION ACCEPTING COMPLETION OF THE WARM SPRINGS MAIN EXTENSION PRUNE TO BROWN PROJECT

SUMMARY: The Board previously awarded the Warm Springs Main Extension Prune to Brown Project to Ghilotti Construction Company (Ghilotti). Change Order No. 3 is required to address additional work items. There is adequate funding in the budget for this expenditure. This project is now complete and the pipeline is in service.

RECOMMENDATION: By motion, 1) approve Change Order No. 3 in the amount of \$61,613 and grant a time extension of five (5) calendar days to Ghilotti Construction Company; and 2) adopt a resolution accepting completion of the Warm Springs Main Extension Prune to Brown Project, Job 6478.

DISCUSSION: On April 12, 2011, the construction contract for the Warm Springs Main Extension Prune to Brown Project was awarded to Ghilotti in the amount of \$1,999,405. Change Order Nos. 1 and 2 in the total amount of \$129,427 were previously authorized by the Board.

Change Order No. 3 in amount of \$61,613 has been prepared for the following additional work items: 1) limit construction work to weekends in the vicinity of the intersection of Grimmer and Warm Springs Boulevards to minimize traffic impacts (\$43,557); 2) address a conflict with an abandoned 8-inch petroleum steel pipeline (\$13,009); and 3) perform miscellaneous work, including the removal of unforeseen concrete discovered during excavation and the relocation of an air valve to avoid conflict with a future sidewalk ramp (\$5,047). Ghilotti submitted a request for a time extension of five (5) calendar days due to the required additional work items. 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. The total project cost, including all change orders and quantity adjustments for unit price items, is \$2,254,941.50.

All work on the project has been completed satisfactorily, and the final progress payment to Ghilotti has been made. Accordingly, staff and legal counsel recommend that the Board accept the Project as complete. However, one stop notice was submitted on the project on December 27, 2011, by subcontractor Ferguson Welding Service, Inc. in the amount of \$22,246.60 for unpaid welding work. Thirty-five days after the Notice of Completion is filed, staff will release the retention to Ghilotti, excluding any stop notice amount and reasonable costs of stop notice litigation. Staff will release the stop notice amount being withheld after the District receives a

release of stop notice or the stop notice claim is otherwise resolved.

On January 13, 2011, the Board authorized the District to enter into a cost sharing agreement with the Bay Area Rapid Transit District (BART) that requires BART to assume essentially the same cost sharing obligations that the District imposes on property developers. Accordingly, BART's total contribution to this project is \$316,208.

5.2* RESOLUTION ACCEPTING COMPLETION OF THE PERALTA-TYSON SITE
UPGRADE PROJECT

SUMMARY: The Board previously awarded the construction of the Peralta-Tyson Wellfield Upgrade Project to Blocka Construction Incorporated (Blocka). The project is complete and wellfield improvements are now in full service.

RECOMMENDATION: By motion, adopt a resolution accepting the completion of the Peralta-Tyson Wellfield Upgrade Project, Job 6464.

DISCUSSION: On January 13, 2011, the Board awarded the construction contract for the Peralta-Tyson Wellfield Upgrade Project to Blocka in the amount of \$358,750. The project included the installation of District-furnished line-shaft pumping equipment, two new pump enclosure buildings, two new pump pedestals and building slabs, a new flowmeter, piping modifications, and miscellaneous electrical work. One change order in the amount of \$11,859.97 for additional required demolition and electrical work was previously authorized by the Board. The total contract cost, including all change orders and quantity adjustments for unit price items is \$376,624.97.

All work on the project has been completed satisfactorily, and the final progress payment to Blocka has been made. Accordingly, staff and legal counsel recommend that the Board accept the Project as complete. However, one stop notice was submitted on the project on November 17, 2011, by subcontractor Economy Trucking Services in the amount of \$3,232.20 for unpaid hauling costs associated with the concrete work. Thirty-five days after the Notice of Completion is filed, staff will release the retention to Blocka, excluding any stop notice amount and reasonable costs of stop notice litigation. Staff will release the stop notice amount being withheld after the District receives a release of stop notice or the stop notice claim is otherwise resolved.

5.3* ADOPTION OF THE 2012 CALENDAR OF REGULAR BOARD MEETINGS

SUMMARY: The Alameda County Water District Rules of the Board state that regular meetings of the Board shall be held on the second Thursday of each month at the hour of 6:00 P.M. In a couple of instances each year, scheduled external events or other District requirements create conflicts which can most easily be resolved by rescheduling the Board meeting to an alternate date. In order to provide advance notice to the public and allow Board members and staff to plan their annual schedules, staff is proposing the attached schedule for Board discussion and adoption.

RECOMMENDATION: By motion, adopt the proposed 2012 calendar of regular meetings of the Board of Directors.

5.4* RESOLUTION AUTHORIZING THE EXECUTION OF COOPERATIVE AGREEMENT WITH THE BAY AREA RAPID TRANSIT DISTRICT FOR UTILITY REARRANGEMENT

SUMMARY: The Bay Area Rapid Transit District (BART) is currently constructing facilities associated with the extension of the Fremont branch railroad tracks to the planned Warm Springs BART Station. The new BART railroad tracks will cross three existing ACWD water mains. Modifications to the water mains are required to accommodate the BART project. A cooperative agreement has been prepared that will allow BART's contractor to perform the pipeline modifications in accordance with ACWD requirements and address both agency's cost-sharing obligations. There is adequate funding in the budget for the anticipated ACWD expenditures.

RECOMMENDATION: By motion, adopt a resolution authorizing the General Manager to execute a cooperative agreement with the Bay Area Rapid Transit District for Utility Rearrangement to Accommodate the Line-Track, Station, and Systems contract of the Warm Springs Extension Project, Jobs 6501, 6502, 6503, and 6504.

DISCUSSION: To accommodate the BART Warm Springs Extension Project, modifications to ACWD water mains are required to meet both BART and ACWD construction standards. At Blacow Road, an existing corrugated metal casing that accommodates a 16-inch diameter water main needs to be replaced. The terms of the permit for the original water main installation require ACWD to be responsible for the cost of this work, which is estimated to be \$80,000.

At Prune Avenue, an existing corrugated metal casing that accommodates a 20-inch diameter water main will also need to be replaced. Additionally, a casing for an existing 20-inch water main is required to be installed at Warm Springs Court and a fire hydrant is required to be relocated. Because this work is in the public right of way, the costs will be borne by BART.

ACWD staff will review all proposed design drawings and inspect the construction work to ensure compliance with ACWD standards and to minimize any disruptions to ACWD customers.

5.5* AUTHORIZATION OF PURCHASE ORDER FOR INDUCTIVELY COUPLED PLASMA – MASS SPECTROMETER

SUMMARY: The FY 2011/12 budget includes \$218,000 for the purchase of an inductively coupled plasma – mass spectrometer (ICP-MS) needed to improve the efficiency and detection capabilities in metals analyses. Because District staff used another governmental agency's formal competitive bidding process for an ICP-MS, Board approval is needed to waive the District's Procurement Policy No. 1. Under the District's procurement policy, procurement procedures may be dispensed with when another governmental agency conducts a formal competitive bid process. The specifications, terms and conditions, and price of the ICP-MS are the same as was previously bid by the other governmental agency.

RECOMMENDATION: By motion, 1) waive Procurement Policy No. 1 requiring sealed bids for equipment over \$50,000; and 2) authorize a purchase order to Perkin Elmer Health Sciences, Inc., in the amount of \$191,203.42 for one ICP-MS.

DISCUSSION: Laboratory Services currently uses an Atomic Absorption Spectrophotometer (AAS) for all metals analyses to support both regulatory compliance and process control monitoring. Because the AAS can only provide the results for each metal one metal at a time, each sample must be analyzed multiple times sequentially to provide the required analytical results. An ICP-MS offers multiple benefits over an AAS: (1) faster turn-around times due to its ability to scan simultaneously for multiple metals; (2) lower detection limits; and (3) automation of its workload (the AAS requires the continual attention of a chemist). The ICP-MS will free the chemist to handle other duties required for laboratory operations.

In September 2011, County Sanitation District No. 2 of Los Angeles County (LA County) conducted a competitive bid process for an ICP-MS for its San Jose Creek Water Quality Laboratory. LA County received five bids and awarded the purchase order to the lowest bidder, Perkin Elmer Health Sciences, Inc. of San Jose, California. Upon review of LA County's competitive bidding process and the specifications of the ICP-MS it purchased, staff determined LA County's formal competitive bid process met the intent of the District's Procurement Policy No. 1. Utilizing the results of LA County's bid rather than conducting a separate and essentially identical competitive bid process is an efficient use of District staff time and will allow staff to put the new instrument into production sooner.

5.6* AUTHORIZATION OF PURCHASE ORDER FOR WATER BILL STATEMENT PROCESSING

SUMMARY: The District's in-house processing of customer water bill statements was analyzed in the past year and it was determined that the District could save an estimated \$40,000 per year by outsourcing the water bill statement printing, processing and mailing. In February 2011, InfoSend, Inc. was selected from a field of several companies for a trial period to see if it was practical to outsource the water bill statement processing. The trial has been highly successful and is operating very efficiently. However, the District did send out requests for proposals to supply these services for a one year period. InfoSend submitted the lowest proposal at an estimated cost of \$50,837.10. Adequate funds have been allocated to cover this expense in the budget.

RECOMMENDATION: By motion, authorize a purchase order to InfoSend, Inc. for water bill statement processing for an estimated cost of \$50,837.10.

DISCUSSION: The District sends data relating to the customer's water bill to InfoSend, Inc. electronically and they then process our information into water bill statements which can be reviewed by the District's Customer Service staff. Once the data has been processed the General Services staff approves the statements electronically and InfoSend, Inc. further processes them by printing, inserting into mailing envelopes, and then delivering them to the United States Post Office to be mailed out to customers.

Request for Proposal (RFP) to provide water bill statement processing was mailed to sixteen suppliers and proposals were opened November 1, 2011. Three proposals were received. The lowest annual quantified cost estimate for materials and services was \$50,837.10 submitted by InfoSend, Inc. the District's current provider of the requested services. InfoSend, Inc. met all of the RFP's requirements. Cash Cycle Solutions, Inc. comparison cost was \$65,179.70 and they did not respond to two of the RFP's requirements. The Ray Morgan Company's comparison cost was \$83,332.90 and they also did not respond to two of the RFP's requirements.

5.7 ADOPTION OF RESOLUTION RELATING TO THE 2012 WATER SYSTEM REVENUE BONDS

SUMMARY: On November 14, 2011 a Joint Exercise of Powers Agreement between the Alameda County Water District (ACWD or District) and Union Sanitary District (USD) created the Alameda County Water District Financing Authority (ACWDFA) as a mechanism for the District to issue bonds 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 \$22 million in new water revenue bonds in late January 2012. This will provide net of costs about \$22 million of 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 the October 13, 2011 Board meeting, the Board authorized staff to proceed with the preparation of the relevant legal documents, resolutions and other related documents to implement the bond issuance. Staff is recommending that both the ACWDFA and ACWD Boards approve the necessary legal documents to implement the bond sale as relevant to the two entities.

RECOMMENDATION: By motion, 1) adopt a Resolution approving the sale of 2012 Water System Revenue Bonds, and 2) approve the execution of the required documents related to the sale as described above.

DISCUSSION: While technically the ACWDFA (JPA) issues the bonds, it is the District itself, via the joint powers authority legal structure, that actually implements the bond sale, and pays the resulting debt service. The District will build the associated projects. Because of the legal subtleties, both the ACWDFA and ACWD Boards authorize most of the same legal documents. In order to proceed with the bond issuance, both Boards must adopt a resolution which approves the sale of the 2012 Water System Revenue Bonds, and authorizes:

- a. Approval by both Boards as to form and execution and delivery of the following documents:
 - i. a Preliminary Official Statement which provides all relevant material information to potential investors, and provisions for the approval of a final Official Statement which will be delivered to the actual purchasers of the bonds after the bonds have been offered at public sale;
 - ii. an Installment Purchase Contract which is executed between the District and the JPA and provides that the JPA shall obtain the necessary financing

- to fund the 2012 Water System Project and requires the District to purchase the 2012 Water System Project from the JPA;
- iii. an Official Notice of Sale which provides a description of the 2012 Water System financing and includes detailed information on the terms of sale of the debt issue including information potential bidders will need to submit bids on the expected sale date of January 24, 2012. The Official Notice of Sale along with the Preliminary Official Statement are distributed to potential underwriters of the bonds by the District's financial advisor; and,
 - iv. a Notice of Intention to Sell which is a general notice of the District's/JPA's intent to sell bonds, and is published 15 days prior to the sale date. The purpose of this notice is to advise the financial community that a debt issue is planned and that interested parties should contact the District's financial advisor for further information.
- b. Approval only by the ACWD Board as to form and execution and delivery of the following documents:
- i. a Continuing Disclosure Certificate which provides that the District will prepare and file with a specified repository, updated financial and operating information on an annual basis for the benefit of the investors; and,
 - ii. an Escrow Agreement between the District and a third party trustee which governs purchase of U.S. government obligations with proceeds of the bonds which will be applied to redeem the 2003 Certificates of Participation, if executed.
- c. Approval only by the ACWDFB Board as to form and execution and delivery of the following document:
- i. a Trust Agreement which establishes the Trustee (U.S. Bank) to act on behalf of the JPA in the distribution of the debt proceeds and of payments to the investors.
- d. Approval of certain other minor administrative matters in connection with the sale of the bonds.

The financing schedule provides for the bond sale to take place on Tuesday, January 24, 2012 with the closing to occur and funding to be received on Thursday, February 2, 2012. If the bond sale is approved, staff will report the results of the sale to the Board at the February 10, 2012 Board meeting.

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

SUMMARY: At the meeting of November 10, 2011, the Board received staff recommendations and called for a Public Hearing on January 12, 2012, to receive and consider comments on proposed revisions to certain District rates and charges.

Notices were mailed to all property owners who receive water service from the District on November 23, 2011 notifying them of a proposed 6.0 % water rate and 19.0% service charge increase. Two legal notices were published in The Argus on December 31, 2011 and January 7, 2012, and notices of the public hearing were posted at the city hall and main library of each of the Tri-Cities and on the District's web site. An article publicizing the rate increase and public hearing was published in The Argus on November 30, 2011.

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

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

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

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. These costs total approximately \$805 million over the next 10 years.

The FPM also includes over \$177 million in major capital projects for the next 10 years needed to comply with increasingly stringent public health and environmental standards and to maintain water system reliability. Major projects include treatment plant process improvements and retrofit work, 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.

These factors taken as a whole, and without any kind of future rate increases, would have resulted in plummeting negative cash reserve balances beginning in FY 2013/14 and beyond. A substantial one year rate adjustment in excess of 50% would be needed to offset these projected negative ending cash balances. In order to moderate and minimize large swings in rate adjustments each year, rate changes are averaged as much as possible over future years. This helps to minimize the impact on our ratepayers while providing for the necessary funds over time to implement the programs and activities identified in the FPM. It is sound, responsible and prudent financial planning practice to anticipate cash flow needs to ensure that the District is able to meet its obligations to its suppliers and water customers in a reasonable and timely manner.

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

- Managing debt service costs through refinancing when beneficial;
- Deferring capital projects, where possible, in response to projected lower demands and revenue;
- Decreasing operating expenses due to lower demands;
- Decreasing costs due to more efficient work practices and cost saving measures through the "Future of ACWD" program, and other efforts;
- Prioritizing and implementing only the highest priority capital projects;
- Implementing ongoing process improvements throughout the organization;
- Pursuing interagency collaboration to share costs;
- Securing grant funding awards and other reimbursement opportunities;
- Implementing operational efficiencies between different water production facilities and sources;
- Revisiting and reducing as much as possible projected costs such as the rate of service line replacements;

- Reducing future retiree health costs;
- Making cost effective use of technology to maximize productivity, speed, reliability and security; and,
- Making efficient use of staff and training to maximize coverage and response to work demands.

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. One example of a large capital project is Phase 1 of the Seismic Improvement Program in the CIP for an estimated \$16 million over the next nine years. The District has had an unusual combination of dramatically decreased water demand, economic uncertainty, increased labor-related costs, and increased purchased water costs this year. The District also faces future major uncertainties regarding pension costs, property tax diversions, main replacement program, and possible further demand decreases due to SB7 compliance.

Staff also proposes 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, this San Francisco Water Service rate may no longer be needed after 2012 as it is anticipated that by then there might possibly be little or no demand by any customers who are required to 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	\$3.152
Outside District	3.419	3.624
San Francisco Water Service	3.242	3.673

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 finished a study this year 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 brought three options to the Board at its November 10, 2011 meeting, whereupon the Board chose a 19.0% approach. Therefore, it is proposed that the bi-monthly service charge be increased by 19.0% for all meter sizes and customer types. This means that for a 5/8 inch or 3/4 inch meter, the bimonthly charge would be increased from \$12.55 to \$14.93. Even with this increase, the District's service charge will still continue to be one of the lowest of all the 30 other agencies annually surveyed.

COST COMPARISON - AVERAGE WATER BILL

The net effect of the proposed 6.0% increase to the base commodity rate and 19.0% increase to the service charge would increase the total bi-monthly water bill for an average residential customer use of 23 units of water (approximately 283 gallons per day) by \$6.48, the difference between \$80.95 and \$87.43. This would be an overall increase of 8.0%. This would mean about a \$3.24 increase per month, or 10.7 cents a day. At the proposed rates, the average single family residential bill of \$87.43 would be comprised of \$72.50 for the commodity portion and \$14.93 for the service charge.

The \$6.48 bi-monthly increase for the average customer can be viewed as being made up of the following cost components:

Purchased Water	\$1.62	25%
Operating Expenses	\$1.68	26%
Capital	\$1.10	17%
Maintenance Expenses	\$1.04	16%
Admin & General	\$0.52	8%
Power	\$0.19	3%
Debt Service	<u>\$0.32</u>	<u>5%</u>
Total	\$6.48	100%

This would continue to place the District's average residential water bills in the lower third of the 30 other Bay Area agencies surveyed. However, this is comparing the District's proposed 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 July, it is anticipated that the District will rank even lower in total cost in the survey, reflecting the District's efforts to control costs while providing a high level of service to our customers.

DEVELOPMENT-RELATED FEES AND CHARGES

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.

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. However, other development related fees and charges such as the Annexation Charge, Water Main Extension Engineering Fee, and Meter Installation Charges are being proposed to be revised as mentioned in more detail in the Other Fees and Charges section later in this report.

WELL STANDARDS ORDINANCE ADMINISTRATION FEE

The District charges permit fees for-wells, other excavations, 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		
o 10 or Less	\$410	\$430
o 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		
o 4 Exploratory Holes or Less	\$410	\$430
o Each Exploratory Hole over 4	\$65	\$70

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

In the event a permit was required, and the owner/customer failed to obtain a permit, the owner/customer must obtain the required permit and the permit fee will be double the permit fee established above.

If the work requires District services on a particular schedule or sequence (5 business days or greater) that results in additional costs, the District will charge fees to recover the actual costs incurred by the District due to the additional District services required.

The Cities of Fremont, Newark, and Union City are exempt from paying permit fees. All other public agencies shall pay permit fees unless otherwise contrary to federal or state law.

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	25
Service Elevation Charge (per hcf/100’)	0.06	Deleted

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) EXEMPTION

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

recommend that the Board find that all proposed rate and charge changes are for the purpose of providing for the CEQA enumerated items:

1. Operating Expenses: as discussed earlier in this report, some \$805 million of expenses is projected over the next 10 years.
2. Leasing Supplies, Equipment, and Materials: also a part of operating expenses.
3. Financial Reserves: the District maintains various reserves such as the emergency/rate stabilization reserve, self-insurance reserve, and future capital projects & contingencies reserve.
4. Capital Projects: as discussed earlier in this report, some \$177 million of capital expenditures is projected over the next 10 years.

If the Board adopts staff's proposal, the consolidated master Rate and Fee Schedule will be updated with the proposed changes. The Board resolution will authorize all rates and charges as shown in the updated consolidated schedule.

5.9 RESOLUTION AUTHORIZING EXECUTION OF AN AGREEMENT WITH THE ZONE 7 WATER AGENCY FOR DISMISSAL OF ACWD PROTEST TO ZONE 7'S PETITION FOR EXTENSION OF TIME FOR WATER RIGHT PERMIT 11319

SUMMARY: Alameda County Water District (ACWD) has been working with the Zone 7 Water Agency (Zone 7) to develop an agreement which will allow ACWD to dismiss its protest filed with the State Water Resources Control Board concerning Zone 7's petition for extension of time for Water Right Permit 11319. The protest dismissal agreement negotiated between both agencies serves to outline steps required to provide assurances to ACWD that no adverse impacts arise as a result of protest dismissal. This agreement also serves as an affirmation of water rights priorities between both agencies, identifies required technical analyses, and reaffirms both Zone 7's and ACWD's commitments to cooperatively manage the shared water resources of Arroyo Del Valle. The agreement was discussed at the Operations & Water Quality Committee meeting on January 10, 2012.

RECOMMENDATION: By motion, adopt a resolution authorizing the General Manager to execute an agreement with the Zone 7 Water Agency for dismissal of ACWD's protest to Zone 7's petition for extension of time for Water Right Permit 11319, and for affirmation of water rights priorities, technical work and cooperative management.

DISCUSSION: On March 25, 1958, the State of California, State Water Rights Board, adopted Water Rights Decision No. D 894, which authorized the issuance of Water Right Permit 11319 to Zone 7, and Water Right Permit 11320 to ACWD, with both permits being equal in priority. Both permits require annual progress reports to be filed with the State Water Rights Board, now called the State Water Resources Control Board. The progress reports document significant annual achievements completed by each district in order to beneficially use water allocated under the respective permits. Furthermore, annual progress reports are required until a Water Right License can be issued by the State Water Resources Control Board (SWRCB).

Since that time, Zone 7 and ACWD have used water diverted from Arroyo Del Valle (also

known as Arroyo Valle) under the terms of Permits 11319 and 11320, respectively. ACWD has used water diverted from Arroyo Valle to supply water to its customers and to replenish the Niles Cone Groundwater Basin and thereby, to repel seawater intrusion that threatens the drinking water supply for the residents of ACWD's service area in southern Alameda County. Zone 7 has used water diverted from Arroyo Valle to supply water to its retail agencies and agricultural customers, and to replenish the Livermore-Amador Valley Groundwater Basin and thereby, to manage salt loading and improve the water supply reliability and water quality for the Livermore-Amador Valley. Zone 7 cannot complete the key facilities needed to maximize beneficial use of water under Permit 11319 until existing gravel quarry companies located in Zone 7's service area, complete mining and dedicate the remaining quarry area (also known as the Chain of Lakes) to Zone 7.

In 2002, ACWD notified SWRCB that all of its projects associated with beneficial usage of Water Right Permit 11320 had been completed, and that ACWD was ready to apply for a Water Right License. On December 19, 2007, Zone 7 filed a petition with SWRCB to extend the time by which Zone 7 must place water diverted under Permit 11319 to reasonable and beneficial use. On July 16, 2010, ACWD filed a protest to this petition with SWRCB alleging that approval of the petition could injure ACWD by reducing the quantity of water that ACWD could divert under existing water rights permits.

The agreement jointly developed by both agencies has the stated purpose of ACWD dismissing its protest to the petition. The agreement provides assurances to ACWD that Zone 7's future activities on Arroyo Valle (including any future activity on Arroyo Valle that may affect downstream flows) will not adversely affect ACWD's water supplies or operations. Additionally, the agreement describes the necessary technical work and other steps needed to support these assurances and provides a framework to allow for long-term coordination and cooperation between the agencies on Arroyo Valle operations and water resources management in the Alameda Creek Watershed.

5.10 RESOLUTION AUTHORIZING THE EXECUTION OF COOPERATIVE AGREEMENTS WITH THE CITY AND COUNTY OF SAN FRANCISCO AND UNION SANITARY DISTRICT FOR UTILITY RELOCATIONS

SUMMARY: The San Francisco Public Utilities Commission (SFPUC) is planning seismic modifications to the Bay Division Pipeline (BDPL) Nos. 3 and 4. Two ACWD water mains will be relocated and seismically improved as part of the SFPUC construction. Additionally, a segment of existing Union Sanitary District (USD) sewer main is required to be relocated to accommodate the ACWD work. Therefore, staff and legal counsel have prepared two separate cooperative agreements to address each agency's obligations associated with the ACWD pipeline relocation and seismic improvement work.

RECOMMENDATION: By motion, adopt a resolution that authorizes the General Manager to execute two separate cooperative agreements as follows: 1) with the City and County of San Francisco for Utility Relocations to Accommodate the SFPUC BDPL Nos. 3 & 4 Seismic Upgrade Project, Job 6473; and 2) with the Union Sanitary District for Utility Relocations to Accommodate the San Francisco Public Utility Commission Bay Division Pipeline Nos. 3 & 4

Seismic Upgrade Project (Mission Boulevard Portion), Job 6473.

DISCUSSION: The SFPUC BDPL Nos. 3 and 4 Seismic Upgrade Project includes seismic improvements to the existing 78-inch BDPL No. 3 and 96-inch BDPL No. 4 at the Hayward Fault crossing located at South Mission Boulevard and I-680 in Fremont. Two District water mains will be relocated and seismically improved to accommodate the SFPUC project: a 30-inch diameter Zone 1 transmission main that serves Alameda Reservoir and a 12-inch diameter Zone 2 distribution main.

The SFPUC project is scheduled to begin construction in May 2012. The ACWD pipeline relocation work will be incorporated into the SFPUC construction project. The estimated total cost to relocate and seismically improve the ACWD pipelines is \$3,000,000. The proposed cooperative agreement between ACWD and SFPUC stipulates that ACWD and SFPUC will equally share this cost.

The optimum location for the relocated ACWD pipelines is within the median of Mission Boulevard and conflicts with a segment of an existing USD sanitary sewer main. USD has agreed to relocate the sewer main prior to the SFPUC construction work and the estimated total cost is \$366,000. The proposed cooperative agreement between ACWD and USD stipulates that ACWD will reimburse USD for the relocation costs associated with relocating the sewer main. However, the previously described cooperative agreement between ACWD and SFPUC provides that SFPUC will equally share the sewer main relocation cost; therefore, ACWD's estimated share is \$183,000.

5.11 RESOLUTION AWARDED CONTRACT FOR CONSTRUCTION OF THE OUTLET INSTALLATIONS FOR MAIN RELOCATIONS AT SFPUC BDPL NOS. 3 & 4 PROJECT

SUMMARY: Construction of the San Francisco Public Utility Commission (SFPUC) Bay Division Pipeline (BDPL) Nos. 3 and 4 Seismic Upgrade Project is scheduled to begin in May 2012. Two District water pipelines will be relocated and seismically improved as part the SFPUC project. However, a subcomponent of the relocation work needs to be accelerated so that the two District pipelines will remain continuously in service during the upcoming summer months. Although there are adequate funds in the Capital Improvement Program to complete the work, a reserve appropriation is needed for FY 2011/12 to accommodate the accelerated project schedule. It is anticipated that SFPUC will be responsible for 50% of the cost of the outlet installations (pending the expected approval of a cooperative agreement by both ACWD and SFPUC).

RECOMMENDATION: By motion, 1) authorize a reserve appropriation in the amount of \$210,000; and 2) adopt a resolution awarding the contract for Construction of the Outlet Installations for Main Relocations at SFPUC BDPL Nos. 3 and 4 to Mountain Cascade, Inc., in the amount of \$338,050 which is the total of the lump sum price items for the base bid (Schedule A), Job 6473.

DISCUSSION: The SFPUC BDPL Nos. 3 and 4 Seismic Upgrade Project includes seismic improvements to the existing 78-inch BDPL No. 3 and 96-inch BDPL No. 4 at the Hayward Fault crossing located at South Mission Boulevard and I-680 in Fremont. Two District water mains will be relocated and seismically improved to accommodate the SFPUC project: a 30-inch diameter Zone 1 transmission main that serves Alameda Reservoir and a 12-inch diameter Zone 2 distribution main. The majority of the District's pipeline relocation work will be incorporated within the overall construction contract for the SFPUC BDPL Nos. 3 and 4 Seismic Upgrade Project. However, outlet assemblies and isolation valves are required to be installed on the District's pipelines prior to the SFPUC project to ensure that the southern portion of the District's distribution system receives adequate and continuous water service during the upcoming summer months.

On November 30, 2011, bid documents were advertised and six (6) bids were received and opened on December 14, 2011. All bids were checked arithmetically and for compliance with bidding requirements. The bid totals for comparison ranged from a low of \$350,550 to a high of \$564,500. The engineer's estimate for the work was \$405,000. The total, for purposes of comparison, included the base bid (Schedule A) with a contingency item for Night Shift Work for installation of the 12-inch Outlet Assembly (Schedule B). A bid summary is attached.

Mountain Cascade, Inc. of Livermore, California, submitted the lowest bid. This firm has been in the contracting business under its present business name for 29 years doing work similar to that required. References were checked and it was confirmed that the contractor has the necessary qualifications to perform the work.

Although there are adequate funds in the Capital Improvement Program for FY 2012/13 to cover the projected construction expenditures, a reserve appropriation in the amount of \$210,000 is required to cover the accelerated construction expenditures through the end of FY 2011/12.

Attachments
cc: Executive Staff