NOTICE OF SPECIAL MEETING OF THE
ACWD BOARD OF DIRECTORS

Date: October 22, 2020
Time: 3:00 P.M.
Location: MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON. DUE TO THE COVID-19 AND IN ACCORDANCE WITH GOVERNOR NEWSOM’S EXECUTIVE ORDER N-25-20 WHICH SUSPENDS PORTIONS OF THE BROWN ACT, THIS MEETING WILL BE CONDUCTED WEBINAR OR TELECONFERENCE ONLY.


Please Take Notice that the Alameda County Water District Board of Directors hereby calls a special meeting on October 22, 2020 at 3:00 P.M., via Webinar/Teleconference, at which time the Board will convene for the following purposes:

1. Roll Call
2. Salute to the Flag
3. Public Comments on Matters on this Notice of Special Meeting
4. Closed Session
5. General Manager’s Report
6. Director’s Comments and/or Agenda Item Requests
7. Adjournment

This Notice of Date, Time and Location of this special meeting of the Alameda County Water District Board of Directors is given this 16th day of October 2020.

Date this Notice Posted: October 16, 2020

Gina Markou, District Secretary
MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON. DUE TO THE COVID-19 PANDEMIC AND IN ACCORDANCE WITH GOVERNOR NEWSOM’S EXECUTIVE ORDER N-25-20 WHICH SUSPENDS PORTIONS OF THE BROWN ACT, THIS MEETING WILL BE CONDUCTED BY WEBINAR OR TELECONFERENCE ONLY.


MEMBERS OF THE PUBLIC ARE ALSO ENCOURAGED TO SUBMIT COMMENTS TO THE DISTRICT SECRETARY AT gina.markou@acwd.com AT LEAST ONE HOUR PRIOR TO THE SCHEDULED START TIME OF THE MEETING. PLEASE VISIT THE DISTRICT’S WEBSITE (www.acwd.org) REGULARLY TO BE UPDATED ON THE CURRENT SITUATION AS IT AFFECTS PUBLIC MEETINGS.

1. ROLL CALL
2. SALUTE TO THE FLAG
3. PUBLIC COMMENTS ON MATTERS ON THIS NOTICE OF SPECIAL MEETING
4. CLOSED SESSION

4.1 Pursuant to California Government Code Section 54956.9(d)(2)
   - Conference with Legal Counsel – Anticipated Litigation
     Significant Exposure to Litigation
     One Potential Case

5. GENERAL MANAGER’S REPORTS

6. DIRECTOR’S COMMENTS AND/OR AGENDA ITEM REQUESTS

7. ADJOURNMENT
NOTICE OF SPECIAL MEETING OF THE
ACWD BOARD OF DIRECTORS

Date: October 22, 2020
Time: 4:00 P.M.
Location: MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON. DUE TO THE COVID-19 AND IN ACCORDANCE WITH GOVERNOR NEWSOM’S EXECUTIVE ORDER N-25-20 WHICH SUSPENDS PORTIONS OF THE BROWN ACT, THIS MEETING WILL BE CONDUCTED WEBINAR OR TELECONFERENCE ONLY.


Please Take Notice that the Alameda County Water District Board of Directors hereby calls a special meeting on October 22, 2020 at 4:00 P.M., via Webinar/Teleconference, at which time the Board will convene for the following purposes:

1. Roll Call
2. Salute to the Flag
3. Public Comments on Matters on this Notice of Special Meeting
4. Financial Workshop for Calendar Year 2020
5. General Manager’s Report
6. Director’s Comments and/or Agenda Item Requests
7. Adjournment

This Notice of Date, Time and Location of this special meeting of the Alameda County Water District Board of Directors is given this 16th day of October 2020.

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1. ROLL CALL

2. SALUTE TO THE FLAG

3. PUBLIC COMMENTS ON MATTERS ON THIS NOTICE OF SPECIAL MEETING

4. FINANCIAL WORKSHOP FOR CALENDAR YEAR 2020

This is the fourth in a series of financial workshops scheduled for calendar year 2020. The first two workshops focused on the District budget and Advanced Metering Infrastructure project. The third workshop focused on the District’s current and projected future financial status, water rates and charges, rate setting requirements, the allocation between fixed and
variable charges, and charges for dedicated fire service lines. This workshop will continue the discussion regarding the District’s current and projected future financial status and potential water rates and charges increases and will include the following topics:

- An update on the District’s current and projected future financial status and operating conditions.
- A presentation of multiple potential rate increase scenarios and the financial impacts and additional investment in the level of service under each scenario.

5. GENERAL MANAGER’S REPORTS

6. DIRECTOR’S COMMENTS AND/OR AGENDA ITEM REQUESTS

7. ADJOURNMENT
Presentation Overview

• Introduction
• Update on Cost of Service Analysis
• Financial Plan Update and Scenarios
• Potential Rate Adjustment and Public Outreach Plan
• Next Steps
Board Guidance Requested

- Financial planning assumptions
- Potential water rate adjustment
  - Feedback on potential rate adjustment
  - Public outreach plan
Raftelis is nearly complete with the study.
The study is based on the current budget and maintains the same allocation between fixed and variable revenue recovery.
The study is evaluating dedicated fire service lines, regular service charges, and commodity rates.
Preliminary feedback is that updates will be relatively minor.
Financial Plan Update and Scenarios

• Review of updates to the Financial Planning Model since the August 27, 2020 financial workshop
• Review of baseline assumptions
• Presentation of rate increase scenarios
• Shifted debt proceeds for Advanced Metering Infrastructure (AMI) Project out one year to FY 2021/22
• Updated Delta Conveyance cost estimates

New Status Quo Financial Planning Assumptions
• Default assumptions of N3 Ranch Partnership participation
• Three new positions to address District priorities such as capital delivery, conservation programs, or other operational needs. Staff will evaluate highest-need areas and present a specific proposal to the Board during the upcoming budget process. No decision tonight.
New Status Quo Financial Planning Model

Key Assumptions

- 3% rate increase effective March 1, 2021 and each year thereafter
- $5 million (cash) contribution towards N3 Ranch partnership purchase + $1 million annual O&M expenses
- $19.5 million debt financing for AMI program (increased by $5 million due to N3 Ranch contribution)
- No pandemic-related decline in billed consumption
- Maintain current Capital Improvement Program, inclusive of AMI change order, and planned water supply investments
- Pension/OPEB funding @ 6.5% discount rate (level $) + market status annual payment – full funding by June 30, 2032
- Billed demand eventually increases from 34 MGD to 35.15 MGD due to enhanced accuracy from meter replacements
- Three new positions starting in FY 2021/22
The District continues to maintain ending balances for the General Fund above the target levels

- **August Workshop Baseline**: Low balance of $89.4 million in FY 2023/24
- **New Status Quo**: Low balance of $85.8 million in FY 2023/24
The District continues to maintain strong annual debt coverage ratios
The District maintains extremely strong ratings
  – ‘AAA’ by S&P and ‘Aa1’ by Moody’s
The District’s annual operating revenues are sufficient to cover operating expenses including depreciation.
The District relies on other revenue sources (such as property tax, grants, interest income, etc.) in addition to water rate and charge revenue to fully fund its annual operations, debt service payments, and capital program.
• New debt for AMI moved to FY 2021/22
Financial Plan Scenarios

• Rate Adjustment Scenarios
  – FY 2020/21 & FY 2021/22
    • 1% & 1%
    • 2% & 2%
    • 3% & 3%

• Potential additional supplemental funding
  – Pension/OPEB Unfunded Liabilities
  – Main Renewal Program
1% & 1% Rate Adjustment

- No additional funding (but maintain status quo expenditures)
Financial Planning Model Scenarios
1% & 1% for FY2020/21 & FY2021/22

1% & 1% Rate Adjustment

- Provides no additional funding
- Low balance of $70.2 million in FY 2024/25 ($4.3 million above reserve target)

New Status Quo

- New Status Quo low balance of $85.8 million in FY 2023/24 ($19.6 million above reserve target)
• **2% & 2% Rate Adjustment**
  - Provides about $2.5 million per year that can be used for either additional capital projects (Main Renewal Program) or faster paydown of pension/OPEB liabilities.
  - Pension/OPEB – additional $2.5 million per year starting in FY 2020/21
    - Full funding by June 30, 2030 and saves the District about $10.9 million in total payments ($8.5 million for pension and $2.4 million for OPEB).
Financial Planning Model Scenarios
2% & 2% for FY2020/21 & FY2021/22

2% & 2% Rate Adjustment

- Provides additional funding for the Main Renewal Program or pension/OPEB
- Low balance of $67.0 million in FY 2024/25 ($0.3 million above reserve target)

New Status Quo

- New Status Quo low balance of $85.8 million in FY 2023/24 ($19.6 million above reserve target)
3% & 3% Rate Adjustment

- Provides additional supplemental payments toward pension/OPEB
  - $4 million in FY 2020/21; $3 million in FY 2021/22; $2 million in FY 2022/23; $1 million in FY 2023/24
  - Full funding by June 30, 2031 and saves the District about $8.2 million in total payments ($6.4 million for pension, $1.8 million for OPEB)

- Build up the Main Renewal Program while additional supplemental pension/OPEB payments are phased out. That level of funding will require additional staff to support project delivery.
  - $1 million in FY 2021/22; $2 million in FY 2022/23; $3 million in FY 2023/24; $4 million in FY 2024/25; $5 million in FY 2025/26 and ongoing

- Staff is working on a revised Main Renewal Program plan to share with the Board. Staff anticipates additional investment will be required to achieve a more sustainable main renewal rate.
Financial Planning Model Scenarios
3% & 3% for FY2020/21 & FY2021/22

3% & 3% Rate Adjustment

- Provides additional funding for the Main Renewal Program and pension/OPEB
- Low balance of $69.2 million in FY 2024/25 ($1.7 million above reserve target)

New Status Quo

- New Status Quo low balance of $85.8 million in FY 2023/24 ($19.6 million above reserve target)
2020 Average Water Bill Comparison
Based on 16 HCF (200 gallons per day) Consumption Bimonthly and a 5/8 or 3/4 inch meter (July 29, 2020 data)
<table>
<thead>
<tr>
<th>Agency</th>
<th>Rate Deferrals</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Of Santa Clara</td>
<td>Delay until Nov 2020</td>
</tr>
<tr>
<td>City Of Sunnyvale</td>
<td>Defer rate increase until July 1, 2021</td>
</tr>
<tr>
<td>North Marin Water District - Novato</td>
<td>Delayed 4.5% increase until October 1, 2020 (instead of July 1, 2020)</td>
</tr>
<tr>
<td>Marin Municipal Water District</td>
<td>July 1, 2020 increase delayed until January 1, 2021. 4-year rate increase effective July 1, 2019 – July 1, 2022.</td>
</tr>
<tr>
<td>City Of San Jose Municipal Water</td>
<td>Deferred until July 1, 2021</td>
</tr>
<tr>
<td>City Of Mountain View</td>
<td>July 1, 2020 increase deferred until Jan 1, 2021</td>
</tr>
<tr>
<td>City Of Palo Alto</td>
<td>Deferred until July 1, 2021</td>
</tr>
<tr>
<td>Mid-peninsula Water District</td>
<td>Deferred until July 1, 2021</td>
</tr>
<tr>
<td>North Coast County Water District</td>
<td>July 1, 2020 increase deferred until Jan 1, 2021</td>
</tr>
<tr>
<td>Valley Water</td>
<td>Deferred until July 1, 2021</td>
</tr>
<tr>
<td>Zone 7</td>
<td>Postponed rate increase until December 31, 2021</td>
</tr>
</tbody>
</table>
District Past Due Balances

- $(200)
- $(200)
- $200
- $400
- $600
- $800
- $1,000
- $1,200
- $1,400
- $1,600

$ thousands

- Past Due
- 31+
Public Outreach Plan

• Community Information Meetings
• Presentations to City Councils, Community Organizations, and Additional Stakeholders
• Public Notifications & Information
  – Proposition 218 mailer, Bill message, Tri City Voice information piece, District Website, Social Media
• Board Guidance
  – Financial Planning Assumptions
  – Potential Water Rate Adjustment
    • % Increases, Two-Year, Uniform Rates
  – Public Outreach Plan
• **Next Steps**
  – Depending on Board guidance:
    • Develop Public Outreach and Prop. 218 Mailings
    • December 10: Board Meeting
      – Set Public Hearing for Commodity Rates & Service Charges and approve Prop. 218 Mailings
      – Review miscellaneous fees and charges
    • December 28: Deadline to Mail Prop. 218 Notices
    • Mid-January 2021: Community Meeting(s)
    • February 11, 2021: Board Meeting
      – Public Hearing for Commodity & Services Charges
      – Consider Adoption of Amendments to the Rate and Fee Schedule
    • March 1, 2021: Effective Date for New Water Service-Related Charges
Stay Connected to the District

• www.acwd.org
• ACWD Aqueduct Newsletter
• Facebook & Twitter
  @AlamedaCountyWD

Alameda County Water District
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510.668.4200

October 22, 2020 Financial Workshop
Thank you