



BOARD MEETING AGENDA
Monday, June 9, 2014
Regular Meeting - 7:00 P.M.

Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard B. Currie
*General Manager/
District Engineer*

David M. O'Hara
Attorney

1. Call to Order.
-

2. Pledge of Allegiance.
-

3. Roll Call.
-

Motion

4. Approval of the Minutes of May 27, 2014.
-

5. Written Communications.
-

6. Oral Communications.

The public may provide oral comments at regular and special Board meetings; however, whenever possible, written statements are preferred (to be received at the Union Sanitary District office at least one working day prior to the meeting). This portion of the agenda is where a member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction that is not on the agenda. If the subject relates to an agenda item, the speaker should address the Board at the time the item is considered. Oral comments are limited to three minutes per individuals, with a maximum of 30 minutes per subject. Speaker's cards will be available in the Boardroom and are to be completed prior to discussion.

Motion

7. Approve or Reject Changes to CASA Bylaws (to be reviewed by the Legal/Community Affairs Committee).
-

8. THIS NUMBER NOT USED.
-

Motion

9. Authorizing the General Manager to Execute an Agreement and Task Order No. 1 with Brown & Caldwell for providing Construction Management Services for the Upper Hetch Hetchy Sanitary Sewer Rehabilitation Project (to be reviewed by the Construction Committee).
-

Motion

10. Approve New Board Policy on Contributions and Endorsements (to be reviewed by the Personnel Committee).
-

11. THIS NUMBER NOT USED.

Information

12. Information Items:
- a. Check Register.
 - b. Audit Committee Report of May 22, 2014.
 - c. Preliminary Operating and Capacity Fund Budgets for FY15 *(to be reviewed by the Budget & Finance Committee)*.
 - d. California Alliance for Sewer System Excellence (CASSE) – Scoring System *(to be reviewed by the Personnel Committee)*.
 - e. Retiree Medical Actuarial Results for July 1, 2013 *(to be reviewed by the Budget & Finance Committee)*.
-

Information

13. Committee Meeting Reports. *(No Board action is taken at Committee meetings):*
- a. Budget & Finance Committee—scheduled for Wednesday, 6/7/14, 9:00 a.m.
 - b. Legal/Community Affairs Cmte—scheduled for Wednesday, 6/7/14 at 5:00 p.m.
 - Clarification of Board Member Communication Issues
 - c. Construction Committee – scheduled for Thursday, 6/8/14 at 4:30 p.m.
 - d. Personnel Committee – scheduled for Friday, 6/9/14 at 9:30 a.m.
-

Information

14. General Manager's Report. *(Information on recent issues of interest to the Board)*.
-

Information

15. Other Business:
- a. Comments and questions. *Directors can share information relating to District business and are welcome to request information from staff.*
 - b. Scheduling matters for future consideration.
-

16. Adjournment - The Board will adjourn to a Special Meeting to Select the Candidate for the GM Recruitment on Wednesday, June 11, 2014. Tentative time is 3:00-7:00 p.m.
-

17. Adjournment - The Board will then adjourn to the next Regular Meeting in the Boardroom on Monday, June 23, 2014 at 7:00 p.m.
-

The Public may provide oral comments at regular and special Board meetings; however, whenever possible, written statements are preferred (to be received at the Union Sanitary District at least one working day prior to the meeting).

If the subject relates to an agenda item, the speaker should address the Board at the time the item is considered. If the subject is within the Board's jurisdiction but not on the agenda, the speaker will be heard at the time "Oral Communications" is calendared. Oral comments are limited to three minutes per individual, with a maximum of 30 minutes per subject. Speaker's cards will be available in the Boardroom and are to be completed prior to discussion of the agenda item.

The facilities at the District Offices are wheelchair accessible. Any attendee requiring special accommodations at the meeting should contact the General Manager's office at (510) 477-7503 at least 24 hours in advance of the meeting.

THE PUBLIC IS INVITED TO ATTEND

**NOTICE OF
COMMITTEE MEETING**

All meetings will be held in
the General Manager's Office



BOARD MEETING OF JUNE 9, 2014

Committee Membership:

Budget and Finance	Directors Jennifer Toy and Pat Kite (Alt. - Anjali Lathi)
Construction Committee	Directors Tom Handley and Manny Fernandez (Alt. – Pat Kite)
Legal/Community Affairs	Directors Anjali Lathi and Tom Handley (Alt. –Manny Fernandez)
Legislative Committee	Directors Pat Kite and Anjali Lathi (Alt. – Tom Handley)
Personnel Committee	Directors Jennifer Toy and Manny Fernandez (Alt. – Anjali Lathi)
Audit Committee	Directors Jennifer Toy and Tom Handley (Alt. Manny Fernandez)

Budget & Finance Committee, Wednesday, June 4, 2014 at 9:00 a.m.

- 12c. Preliminary Operating and Capacity Fund Budgets for FY15.
- 12e. Retiree Medical Actuarial Results for July 1, 2013.

Legal/Community Affairs Committee, Wednesday, June 4, 2014 at 5:00 p.m.

- 7. Approve or Reject Changes to CASA Bylaws.
 - Clarification of Board Member Communication Issues

Construction Committee, Thursday, June 5, 2014 at 4:30 p.m.

- 9. Authorizing the General Manager to Execute an Agreement and Task Order No. 1 with Brown & Caldwell for providing Construction Management Services for the Upper Hetch Hetchy Sanitary Sewer Rehabilitation Project.

Personnel Committee, Friday, June 6, 2014 at 9:30 a.m.

- 10. Approve New Board Policy on Contributions and Endorsements.
- 12d. California Alliance for Sewer System Excellence (CASSE) – Scoring System.

Committee meetings may include teleconference participation by one or more Directors.
(Gov. Code Section 11123)
Committee Meetings are open to the public. Only written comments will be considered. No action will be taken.

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF
UNION SANITARY DISTRICT
May 27, 2014**

CALL TO ORDER

President Lathi called the meeting to order at 7:00 p.m.

PLEDGE OF ALLEGIANCE

ROLL CALL

PRESENT: Anjali Lathi, President
Manny Fernandez, Vice President
Jennifer Toy, Secretary
Pat Kite, Director
Tom Handley, Director

STAFF: Richard Currie, General Manager
Richard Cortes, Business Services Manager
Sami Ghossain, Technical Services Manager
Andy Morrison, Collection Services Manager
Donna Wies, Quality Coordinator
Tim Grillo, Treatment & Disposal Services Coach
Rollie Arbolante, Technical Services Coach
Laurie Brenner, Plant Operator III
David O'Hara, Legal Counsel
Carol Rice, Assistant to the GM/Board Secretary

APPROVAL OF THE MINUTES OF MAY 12, 2014.

On a motion made by Director Kite and seconded by Director Fernandez, the minutes of the Board of Directors' Meeting of May 12, 2014 were unanimously approved.

QUARTERLY BALANCED SCORECARD PERIOD ENDING MARCH 31, 2014.

Richard Currie introduced Laurie Brenner, Plant Operator III, who was recently promoted to Organizational Performance Program Manager, replacing Donna Wies, Quality Coordinator, effective June 16, 2014. He noted this is Donna's last time to present the Districtwide Balanced Scorecard and welcomed Laurie to her first Board Meeting.

- a. Districtwide Balanced Scorecard Measures: Donna Wies stated that all safety measures are meeting target except for number of vehicle incidents. There were three vehicle accidents, one which resulted in a claim against the District, and one which involved equipment damage to the head works. All inspections were on target. Under Operational Excellence, total number of adverse impacts, priority Non-ECB expenditures, and number of priority CIP projects completed are below target. There was one category one Sanitary Sewer Overflow. All public relations activities were completed, including a career outreach day, an Earth Day Fair, and the Certificates of Merit presentation.

- b. Technical Services Balanced Scorecard: Sami Ghossain explained that the Technical Services Workgroup consists of three teams. The Capital Improvements Project team is responsible for the implementation of the 10-year CIP. There were six projects that exceeded the targets for consulting costs, mainly due to construction projects that exceeded their schedule. The Customer Service team measures timely completion of plan reviews (within 10 working days). The target is 90%. In the 4th quarter of FY13, there were six incidences out of 55 where the plans took more than 10 days to review, with the longest review taking 17 days. The team is responsible for timely dispatch of trouble calls and managed 90% or more of all trouble calls within the first 10 minutes. The Environmental Compliance Team is responsible for implementing the District's Industrial Pretreatment Pollution Prevention, and Public Outreach Programs required as part of our NPDES Permit, as well as the contract with the City of Fremont for the Clean Water Program. The team met all their measures.

- c. General Manager's Monthly Operations and Investment Report: Rich Currie reported the following: there were no odor complaints, no accidents or injuries, and no spills for April; a kick-off meeting was held for the Sewer Service Charge study; and there were 160 applicants for the Utility Worker position.

Rich Cortes presented the financial report. Capacity fees are at 101%, which includes credit for Old Castle. Sewer Service Charge fee is up to 95% with the final payment expected in late August. CIP expenses included \$900K for the Cogeneration Project and almost \$200K was spent on MCC Replacement. Under non-ECB, \$92,000 was spent for the Hayward Marsh Rehabilitation Study, and under investments, we are up to \$52M in holdings with the recent semi-annual payment from Alameda County. LAIF is at .233%, down from .236% the previous month. There were no maturities or purchases in April.

WRITTEN COMMUNICATIONS.

The Board received a thank you letter from the New Haven Unified School District dated May 6, 2014 for the donation of eight HP printers and two Dell servers to the school district.

ORAL COMMUNICATIONS.

There were no oral communications.

REPORT ON THE EBDA COMMISSION MEETING OF MAY 15, 2014.

Director Handley reported the following: the General Manager presented an overview of the nutrient watershed permit that becomes effective July 1; EBDA will participate in the BACWA regional effort; the development of design standards for EBDA pump stations and the design documents for replacement of the Variable Frequency Drives at the Alvarado Effluent Pump Station was discussed along with revising the policy to include language about incidental personal use of the telephone and voicemail systems. Director Handley stated he will be the Commission Chair in FY15 and there was discussion about forming an Ad Hoc Committee to start opening the JPA for discussion.

AWARDING THE CONSTRUCTION CONTRACT FOR THE THICKENER CONTROL BUILDING IMPROVEMENTS PROJECT TO GSE CONSTRUCTION COMPANY, INC.

The Construction Committee reviewed this item. Sami Ghossain stated that the Thickener Control Building and Thickener Tank Nos. 1 and 2 were originally constructed during the 1978 Plant Construction Project. Thickener Tank Nos. 3 and 4 were constructed during the 1985 Plant Expansion Project with modifications to the control building made in 1985 and 1993. The scum and sludge pumps, valves, weir gates, and various electrical components inside the control building were installed at various times in the 1970s, 1980s and 1990s and need to be replaced due to age, and/or maintenance problems. The power and control systems for the Thickener Control Building and Heating and Mixing Buildings Nos. 1-3 are antiquated and no longer meet current building codes.

Staff advertised the project for bids on January 15, 2014 and received three bids with GSE Construction Company being the lowest at \$10,065,050. The project's bid schedule included four bid alternates. Bid Alternate A provides the cost for the contractor to procure builder's risk insurance coverage. Staff recommends including this bid alternate of \$18,000 in the construction contract.

Bid Alternate D provides the cost for the contractor to replace the existing thickener primary sludge pipes and fittings with glass-lined ductile iron pipes and

fittings at a bid amount of \$217,000. Staff recommends including this bid in the construction contract.

On a motion made by Director Fernandez, seconded by Director Handley, and unanimously approved, the Board awarded the construction contract for the Thickener Control Building Improvements Project to GSE Construction Company, Inc.

AUTHORIZING THE GENERAL MANAGER TO EXECUTE TASK ORDER NO. 3 WITH CAROLLO ENGINEERS FOR PROVIDING ENGINEERING SERVICES DURING CONSTRUCTION OF THE THICKENER CONTROL BUILDING IMPROVEMENTS PROJECT.

The Construction Committee reviewed this item. Sami Ghossain reported that on September 24, 2012, the Board authorized the General Manager to execute Task Order No. 2 with Carollo Engineers for the final design of the Thickener Control Building Improvements Project. Carollo Engineers completed the project's final design in January 2014. The bid opening for the project took place on April 22, 2014 and GSE Construction Company was the low bidder at \$9,990,050. Task Order No. 3 will have a substantial number of equipment and materials submittals that will require Carollo to review for conformance with the design elements. The submittals for the Thickener Control Building and its components are expected to be complicated and will require more time to review than a typical submittal. The project will require the contractor to demolish and construct a new Thickener Control Structure.

On a motion made by Director Kite, seconded by Director Fernandez, and unanimously approved, the Board authorized the General Manager to execute Task Order No. 3 with Carollo Engineers for providing Engineering Services during construction of the Thickener Control Building Improvements Project.

RESOLUTION NO. 2732, ACCEPTING THE CONSTRUCTION OF THE LIFT STATION NO. 1 IMPROVEMENTS PROJECT FROM D. W. NICHOLSON CORPORATION AND AUTHORIZING THE ATTORNEY FOR THE DISTRICT TO RECORD A NOTICE OF COMPLETION.

The Construction Committee reviewed this item. Sami Ghossain stated that on June 24, 2013, the Board awarded the construction contract for the Lift Station No. 1 Improvements Project to D. W. Nicholson Corporation. The purpose of the project was to replace four primary effluent lift pumps at Lift Station No. 1 located at the Alvarado Wastewater Treatment Plant. The Plant has two primary effluent lift stations consisting of eight total pumps. Staff conducted a condition assessment of both lift stations in May 2009. The assessment revealed that the carbon steel lift pumps were corroding and in need of replacement. Carollo Engineers completed the design of the Project in May 2013 and D. W. Nicholson completed the Project on May 9, 2014

It was moved by Director Handley, seconded by Director Toy, and unanimously approved to adopt Resolution No. 2732, accepting the construction of the Lift Station No. 1 Improvements Project from D. W. Nicholson Corporation and authorizing the Attorney for the District to Record a Notice of Completion.

APPROVE NEW BOARD POLICY ON CONTRIBUTIONS AND ENDORSEMENTS BY UNION SANITARY DISTRICT.

The Personnel Committee reviewed this item. Rich Currie stated this policy will address those times when the District receives requests from various charities or requests for endorsements that do not directly relate to the business of the District. The Policy will document the District's acceptable practices for consistency. The Board discussed the policy and made several suggestions for changes. No action was taken on this item. Staff will make the recommended changes and return the policy to the next Board meeting for review and approval.

INFORMATION ITEMS:

Check Register. All questions were answered to the Board's satisfaction.

GENERAL MANAGER'S REPORT:

Rich Currie reported the following:

- The recruitment opened for the position of Assistant to the General Manager/Board Secretary. It closes on June 17, 2014.
- The GM held a districtwide meeting on May 20, 2014 and kicked off a new effort to re-commit the District to the team-based structure.
- There were a couple of grease interceptor issues that surfaced recently and it appears that a restaurant and care home with a large cooking facility will be required to have a grease interceptor installed.
- The IT Department will make the official switch from unionsanitary.com to unionsanitary.ca.gov this week.
- There was filming at the District last week for a joint video with the City of Fremont.
- The Chairman for the committee sponsoring the Fremont 4th of July Parade informed staff that we will not be able to use a District truck in the parade. They suggested we create a float or sponsor a balloon. The cost; however, would be anywhere from \$2,500 to \$4,000. Given those figures, staff is leaning towards not participating in the Parade.
- The GM recently had a phone conversation with a ratepayer to address a number of issues. The ratepayer would like the Board to consider that the District be transparent and republish the rate increase notice for this year with the amount of the increase. The Board agreed to include the amount of the increase in the Public Notice scheduled for publication in June.

OTHER BUSINESS:

Director Kite reported on her attendance at the Alameda County Special Districts Association meeting on May 14th. There was discussion about the water shortage and limits being placed on watering for landscaping, and she noted there are reports of neighbors reporting their neighbors for over watering.

Director Toy reported on her attendance at the GIS JPA meeting on May 21st. She noted there were no major changes to report; however, they are doing upgrades to the systems and there was a presentation of GIS technology being used with the City of Fremont. She stated Al Nagy will chair the GIS JPA next year and she will be vice chair.

ADJOURNMENT:

The Board adjourned the meeting at 7:59 p.m. to a Special Meeting on Wednesday, May 28, 2014 at 6:00 p.m. to discuss applicants for the General Manager position.

Following the Board Workshop, the Board will adjourn to a Special Meeting on Saturday, June 7, 2014 at 11:00 a.m. for the purpose of interviewing candidates for the General Manager position.

The Board will then adjourn to the next Regular Meeting in the Boardroom on Monday, June 9, 2014 at 7:00 p.m.

SUBMITTED:

ATTEST:

CAROL RICE
SECRETARY TO THE BOARD

JENNIFER TOY
SECRETARY

APPROVED:

ANJALI LATHI
PRESIDENT

Adopted this 9th day of June, 2014

ACWD's Dedicated Landscape Partnership Program 2013 Water Conservation Business of the Year Award



CONGRATULATIONS! Alameda County Water District (ACWD) would like to commend your organization for your landscape water use efficiency efforts!

May is Water Awareness Month and Alameda County Water District (ACWD) is taking this opportunity to present your organization with the enclosed **CERTIFICATE OF RECOGNITION** as an **ACWD 2013 Water Conservation Business of the Year!**

Over the past year your landscape water usage closely paralleled calculated water needs for your landscaped areas. This is reflected in landscape irrigation water budget reports we send out several times per year.

We hope that you will proudly display this certificate and continue your water use efficiency efforts - both indoors and outdoors. Recognition of your water conservation efforts will also be published **on ACWD's website** so that others in our service area will be aware of your contribution toward the conservation of one of our most important natural resources!

If you have any questions or comments regarding this program, or water conservation in general, please contact ACWD's Water Conservation Department at (510) 668-4218 or you can send an email to water.cons@acwd.com.

Sincerely,



Walter L. Wadlow
General Manager

Enclosure



2013 WATER CONSERVATION BUSINESS OF THE YEAR

Certificate of Recognition

is hereby granted to:

UNION SANITARY DISTRICT

for 

Meeting their Landscape Irrigation Water Budget

A MEMBER OF ALAMEDA COUNTY WATER DISTRICT'S
DEDICATED LANDSCAPE PARTNERSHIP PROGRAM



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard Currie
*General
Manager/District
Engineer*

David M. O'Hara
Attorney

DATE: June 2, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Richard B. Currie, General Manager/District Engineer

SUBJECT: Agenda Item No. 7 - Meeting of June 9, 2014
Approve or Reject Changes to CASA Bylaws

Recommendation

Authorize the General Manager to approve bylaws changes recommended by CASA staff.

Background

CASA retained legal counsel to conduct a comprehensive review of its Bylaws to ensure compliance with California Law, update provisions for membership, Board of Directors, officers and committees, and to adapt the bylaws to changes in CASA's strategic directory.

The attached packet from Executive Director Bobbi Larson presents summary information as well as the text of the new Bylaws. Key changes include the following:

- Voting Rights. Previously, any agency representative at a CASA Conference could vote on business matters. Under the new provisions, each agency must designate a specific individual and two alternates to have exclusive voting rights for the agency. A quorum for voting purposes will be 30 members.
- Suspension or Expulsion of Members. New provisions allow for expulsion of members by the Board of Directors if that member has failed to comply with CASA Articles of Incorporation, Bylaws, Code of Ethics, or any law applicable to CASA, or has engaged in "conduct materially and seriously prejudicial to the purposes and interests of the association."

- Meetings. Provides for annual meeting, special meetings, electronic meetings and notice requirements for meetings.
- Term of Board of Directors. Formalizes the terms of elected directors to three years to be consistent with current practice
- Budget. The provision for members to approve the annual budget has been deleted. The Board of Directors will now approve the budget.
- Approval of Amendments to the Bylaws. The provisions on Page 18 allow the Board of Directors to approve changes to the Bylaws, except those specifically listed, which must be by the members. This language is somewhat concerning.

Staff has reviewed the new Bylaws and recommends approval subject to clarification of the language on Approval of Amendments to the Bylaws.

Attachments



CALIFORNIA ASSOCIATION of SANITATION AGENCIES

1225 8th Street, Suite 595 • Sacramento, CA 95814 • TEL: (916) 446-0388 → www.casaweb.org

April 21, 2014

Executive Board

President
STEPHEN A. HOGG
City of Fresno

1st Vice President
DAVID R. WILLIAMS
East Bay Municipal Utility District

2nd Vice President
KEVIN M. HARDY
Encina Wastewater Authority

Secretary-Treasurer
TOM SELFRIDGE
Truckee Sanitary District

TIMOTHY P. BECKER
Oro Loma Sanitary District

DAVE BACHTEL
Lee & Ro

PAUL BUSHEE
Leucadia Wastewater District

WILLIAM C. LONG
Nevado Sanitary District

JEFF M. MOORHOUSE
Carpinteria Sanitary District

MARGIE L. RICE
Midway City Sanitary District

E.J. SHALABY
West County Wastewater District

ROBERTA L. LARSON
Executive Director

MICHAEL F. DILLON
State Lobbyist

GREG KESTER
Biosolids Program Manager

ERIC SAPIRSTEIN
Federal Legislative Advocate

TO: **Richard B. Currie, GM**
Union Sanitary District
5072 Benson Road
Union City, CA 94587

FROM: **ROBERTA LARSON, EXECUTIVE DIRECTOR**

RE: **VOTE NEEDED ON PROPOSED NEW BYLAWS—MAIL
BALLOTS DUE BY JUNE 16, 2014**

Over the past two years, CASA has made a number of organizational changes to implement the Association's Strategic Plan. As part of this effort, the Executive Board identified the need to modernize and update the bylaws to ensure CASA is compliant with applicable California law. The bylaws have been revised in accordance with the advice of general counsel, Jill S. England, and the Executive Board has approved the new bylaws. Now we need the members' approval for the new bylaws to become effective.

If adopted, the enclosed new bylaws will replace the existing bylaws in their entirety. The proposed bylaws address the following key areas:

- **Membership:** Clarification of voting, definition of quorum
- **Board of Directors:** Length of terms
- **Officers:** Designated officers, manner of election
- **Committees:** Types of committees authorized

The most significant changes are described in the following pages of this memorandum. In addition, the enclosed side-by-side comparison of the proposed bylaws with the existing bylaws may assist you in your review. CASA will also hold two webinars in early June for members interested in learning more about the proposed bylaws and to answer any questions members may have. Additional information regarding the schedule and logistics for the webinars will be provided soon.

Historically, CASA has approved revisions to the bylaws during the business meeting portion of the conference. We are using a mail ballot for this election in order to have the new bylaws in place prior to the annual conference in August. Each member agency has one vote. The ballot is being sent out two months ahead of the voting deadline to allow consideration of the bylaws by the agency governing boards, as appropriate.

Vote Needed
April 21, 2014
page 2

Enclosed is an "Official Ballot" for the purpose of voting on this important matter. The existing bylaws govern this process until the new bylaws are effective. Based on the quorum requirement for membership actions, we need to receive ballots back from at least a majority of the voting members (at least 56 ballots must be returned), and of those voting, at least a majority must approve the new proposed bylaws.

Please complete the enclosed ballot and return it by the deadline. Your vote on this matter is very important. When ballots are received, they will be placed, unopened, in a designated location. Once the deadline to vote has passed, I will personally open and count the ballots in the presence of two witnesses and report the results to the membership.

We must **receive** your **completed signed ballot** at the CASA office (1225 8th Street, Suite 595 Sacramento, CA 95814) **no later than June 16, 2014**, in order for it to be counted. A postmark date will not suffice – a completed/signed ballot must be received by that date.

Thank you in advance for your participation in this important vote. Please don't hesitate to contact me if you have questions. Email: blarson@casaweb.org

Proposed New CASA Bylaws

Why New Bylaws?

CASA's existing bylaws have served the organization well. The bylaws have not undergone a comprehensive review and revisions for many years, and in the assessment of the Board and Executive Director, no longer meet the Association's needs. The objective of the new bylaws is to be (1) legally compliant; (2) address the core governance of the association; and (3) allow flexibility to operate and adapt to changing priorities (for example, with regard to committee structure.)

In November CASA retained Jill S. England to serve as General Counsel and to prepare revised bylaws. Counsel's assessment was that the Association's existing bylaws are deficient and require significant redrafting. The proposed bylaws reflect the recommended bylaws for a section 501(c)(6) mutual benefit corporation and meet both state and federal law requirements. 

What are the Key Provisions?

Article II: Members

- Section 1: Each member agency must designate in writing the individual (and alternate) who will have exclusive voting rights for the agency. (Page 2.)
- Sections 6-8: Sets forth the process for suspending or expelling a member. (Pages 3-4.)
- Section 13: Member meetings. State law requires that official notices of member business meetings and ballots (for voting outside a meeting) be provided by U.S. mail unless the members have signed a consent form. Thus, if CASA wants to rely on email notices for member meetings, we must have consent forms on file. (Pages 5-6.)
- Section 15: Membership Quorum. A quorum is defined as 30 members. (Page 7.)
- Budget: The proposed bylaws delete the requirement that the annual budget be approved by the membership. The budget is a planning document related to the sound management of the Association, and will be approved by the Board.

Article III: Board of Directors

- Changes the nomenclature from Executive Board to Board of Directors.
- Section 4: Terms of Office. Provides for three year terms of office for elected Directors. The President will continue to appoint the Associates' Director.
- Section 10: Board meetings. As noted above for member meetings, State law requires that official notices of Board meetings be provided by U.S. mail unless the Directors have signed a consent form. (Page 11.)
- Section 19: Prohibits compensation of Directors and elected Officers by CASA. Directors and elected officers must be volunteers (not paid) in order to qualify for the liability protection offered by section 7231.5 of the California Corporations Code. (Page 13.)

Article IV: Officers

- Sections 2-4: Election/Removal of Elected Officers. The revised bylaws call for the Board to elect officers from among its members to serve one year terms, and specifies that officers serve at the pleasure of the Board. This is the structure the statute contemplates and it would allow the Board to deal with the (unlikely but not impossible) situation of a non-performing or disruptive officer. (Page 13.)
- Section 7: Responsibilities of Officers: The proposed bylaws specify three officer positions: President, Vice President and Secretary/Treasurer. (Page 14.)
- Past Presidents: Past Presidents with time remaining in their terms of office would serve out their terms. If a president were in the third year of a three year term, it is possible that he or she would leave the Board following the one year term as President.

Article V: Committees

This section has been significantly streamlined. The bylaws simply authorize the Board to establish either committees of the Board or advisory committees and the committees are not enumerated in the bylaws. Under the applicable statute, there are only two types of committees authorized—"committees of the board" and "advisory committees." All committees must fall under one of these two categories.

Article VIII: Amendments to Bylaws:

- Section 1: Specifies the types of bylaws changes that require member approval. (Page 19.)

**Side-by-Side Comparison
CASA Bylaws**

Topic	Proposed Bylaws	Current Bylaws	Rationale for Change
Article II: Members			
Official notices	Requires Consent for Electronic Distribution of official notices	Silent	Consent Required by Law (Corp Code)
Dues	Provides for member approval of dues	Provides for member approval of dues	No Change
Quorum	Defined as 30 members	Defined as a majority of member agencies represented at a meeting	Facilitates conduct of official business outside meetings Ensures quorum is representative of membership by establishing quorum as a fixed number of members
Budget	Approved annually by Board of Directors	Approved annually by membership	Budgeting is a function of elected Board
Article III: Board of Directors			
Nomenclature	Board of Directors	Executive Board	Consistent with nonprofit corporation law & typical practice
Terms of Office for elected directors	3 years; 4 seats elected each year	Technically, one year but in practice open ended	Facilitates turnover, provides clarity re duration of commitment to directors
Article IV: Officers			
Number/titles	Three (3): President, Vice President, Secretary/Treasurer	Four (4): president, First Vice President. Second Vice President, Secretary/Treasurer	
Election/terms	Elected by the Board of Directors for one (1) year terms	Elected by the membership for one (1) year terms	Consistent with statute; allows the Board to deal with non-performing or disruptive officer.
Past Presidents	May remain on the Board until end of three year term as Director and may be re-nominated	Automatically remain on Board for 2 years following term as President	Consistent with fixed terms

Article V: Committees		
Types of Committees	Authorizes establishment of two types of committees: Board Committees, consisting only of Directors and Advisory Committees (all other committees)	Enumerates 12 Standing committees
		Change is consistent with corporation law; Allows greater flexibility with formation of committees, membership, functions, etc. CASA will retain committees as outlined in the attachment and announced to the membership in January 2014 though no longer enumerated in the bylaws

In addition, a number of provisions were removed from the bylaws. The goal was to have the bylaws conform to legal requirements and reflect as much as possible the standards for non-profit associations. Deleting these programmatic details from the bylaws will allow CASA to be more flexible, accommodate innovation, change its committee structure in response to member needs, and ensure the bylaws serve their true function: To define, control and set the basic principles and manner by which the organization will be operated.

CASA will continue to develop policies, procedures, strategic plans and other documents that will cover much of the information not carried forward in the bylaws.

Provisions to be deleted or significantly revised:

- Mission and Strategic Goals (simplified into a statement of purpose)
- Committees (revised)
- Rules of procedure
- Schedule and Detail re Dues Structure.

Adopted by the Board of Directors March 10, 2014
Approved by the Membership _____, 2014

BYLAWS
OF
CALIFORNIA ASSOCIATION OF SANITATION AGENCIES
(a California nonprofit mutual benefit corporation)

ARTICLE I.

General Provisions

Section 1. Name. The name of this corporation is CALIFORNIA ASSOCIATION OF SANITATION AGENCIES (hereafter referred to in these bylaws as "CASA" or "Association").

Section 2. Principal Office. The principal office for the transaction of business of the Association shall be located in California. The Board of Directors ("Board") shall have the authority to set and change the precise location of the principal office so long as the principal office remains in California. The Association may also have offices at such other places within or without the State of California where it is qualified to do business, as its activities may require, and as the Board may from time to time designate.

Section 3. Purposes and Limitations. The Association is a NONPROFIT MUTUAL BENEFIT CORPORATION organized under California law. The Association is formed for the purpose of engaging in any lawful act or activity for which a nonprofit mutual benefit corporation may be organized under the law.

The specific purpose of this Association is to provide leadership, advocacy and information to members, legislators, and the public, and to promote clean water and beneficial reuse issues that protect public health and the environment.

ARTICLE II.

Members

Section 1. Voting Members. CASA is organized with members, but without capital stock. Any local public agency or public organization authorized by California law to engage in the collection, treatment, or disposal of wastewater or the recycling of water

therefrom, may become a full voting member of the Association upon signing and approval of a membership application/agreement and payment of the required dues.

All persons admitted to voting membership in the Association shall have the rights afforded members under the California Nonprofit Mutual Benefit Corporation Law, including the right to vote on issues put before the membership. Each voting member shall have one (1) vote on membership issues.

Each voting member shall designate in writing the individual who shall exercise the voting rights and other privileges on behalf of the member and two alternates to that individual as well. The designation shall be filed with the Secretary of the Association and shall be maintained with the corporate records. Said designation may be changed by written notice to the Secretary of the Association.

Section 2. Non-voting Associate Members. CASA may also admit associate members who shall be non-voting members of the Association. Any person who isn't qualified for voting membership but who has a bona fide interest in the welfare of the Association and its mission and strategic goals may become an associate member upon signing and approval of a membership application/agreement and payment of the required dues. For purposes of these bylaws, "person" shall mean an individual, sole proprietorship, limited or general partnership, limited liability company, corporation, or any other business entity recognized by the state of California.

Associate members shall be non-voting members of the Association and shall not have any of the voting rights or other rights afforded voting members under the California Nonprofit Mutual Benefit Corporation Law.

Section 3. Non-voting Honorary Members. Any individual who meets the following minimum criteria may, by majority vote of the Board, be granted an honorary life membership in the Association:

1. He or she is no longer actively employed by or affiliated with a voting member of the Association.
2. He or she has held leadership positions, such as officer, director, committee chair or staff in the Association.
3. He or she has been an active participant in the Association for at least ten years.
4. He or she has made a significant individual contribution to the Association's mission and goals.

Honorary life members are not required to pay fees, dues or assessments, nor shall they be entitled to vote or hold office as a director or officer or be employed as staff. They shall be entitled to notice of meetings and to attend meetings in an emeritus capacity at their own expense so as to contribute their knowledge and experience for the good of the Association.

Section 4. Fees, Dues, and Assessments. The fees, dues, and assessments for all members of the Association shall be set by the Board and approved by the voting members.

Section 5. Good Standing. Those CASA members who have timely paid the required fees, dues, and assessments, who conduct themselves in accordance with any code of ethics established by the Association, and who are not in violation of any bylaw, rule, or policy of the Association, shall be members in good standing.

Section 6. Termination of Membership. Membership shall terminate on the occurrence of any of the following events:

- (a) Resignation of a member upon notice to the Association;
- (b) Failure of a member to pay any fees, dues, or assessments within the period of time established by the Board after they become due and payable;
- (c) Expulsion pursuant to Sections 7 and 8 of this Article.

Section 7. Suspension or Expulsion from Membership. Any CASA member may be suspended or expelled in accordance with this Article, based on the good faith determination by the Board, or a committee authorized by the Board to make such a determination, that the member has failed in a material and serious degree to comply with the Association's Articles of Incorporation, bylaws, code of ethics if any, or any law applicable to the Association and its members, or has engaged in conduct materially and seriously prejudicial to the purposes and interests of the Association.

An entity whose membership is suspended shall not be a member in good standing during the period of suspension.

Section 8. Procedure for Suspension or Expulsion. If grounds appear to exist for suspension or expulsion of a member under this Article, the procedures set forth below shall be followed:

- (a) The member shall be provided at least 15 days prior notice of the proposed suspension or expulsion and the reasons for the proposed suspension or expulsion. Notice shall be given by any method reasonably calculated to provide actual notice. Any notice given by mail shall be sent first class or express mail to the member's last address as shown on the Association's records.
- (b) The member shall be given an opportunity to be heard, either orally or in writing, at least five (5) days before the effective date of the proposed suspension or expulsion. The hearing shall be held, or the written statement

considered, by the Board or by a committee authorized by the Board to determine whether the suspension or expulsion should take place.

- (c) The Board or authorized committee shall decide whether or not the member should be suspended, expelled or sanctioned in some other way. The decision of the Board or committee shall be in writing and shall be final.
- (d) Any action challenging an expulsion, suspension or termination of membership, including any claim alleging defective notice, must be commenced within one year after the effective date of the expulsion, suspension or termination.

Section 9. Effect of Termination, Suspension or Expulsion. All rights and privileges of a member of the Association shall cease upon termination, suspension or expulsion from membership. If a suspended member also has a director/officer on the Board, he/she will not be eligible to serve on the Board during the period of the member's suspension. He/she may resume his/her director/officer duties if the suspension is lifted and good standing is restored.

In the case of termination or expulsion, the member's membership in the Association shall terminate on the effective date of the termination or expulsion. If the terminated or expelled member had a director/officer on the Board, he/she shall no longer be eligible to serve on the Board as of the effective date of the member's termination or expulsion.

However, termination, suspension or expulsion shall not relieve the member (or former member) of any existing obligations to the Association (e.g. unpaid dues, fees, or assessments, duties of loyalty and confidentiality relative to CASA if the member had a director/officer on the Board, duty to return CASA property and documents, etc).

Section 10. No property Rights/No Withdrawal Value. Membership in the Association does not constitute an ownership interest in any asset of the Association at any time. If a member is terminated or expelled for any reason, the Association shall not be liable for the payment of any amount whatsoever to the member. Each member is received into membership on its express agreement to this provision.

Section 11. Transfer of Memberships. A membership or any right arising from membership may not be transferred to another person without the prior written approval of the Board.

Section 12. Limitations. No person shall hold more than one membership in the Association.

Section 13. Liability of Members. Except as provided by law, no member is liable for the Association's debts, liabilities, or obligations.

Section 14. Meetings of Members.

- (a) **Place of Meetings.** Meetings of the members shall be held in any place designated by the Board. In the absence of any such designation, members' meetings shall be held at the Association's principal office.
- (b) **Annual Meeting.** An annual meeting of the members shall be held each year at a time and location determined by the Board. At this meeting, any proper business may be transacted, subject to any limitations in law or these bylaws. Written notice of the annual members' meeting shall be given to all members of the Association, and the Board, in accordance with the procedures provided in subsections (d) and (e) below. Only voting members of CASA as described in Section 1 above may vote at the CASA annual membership meeting. Other interested persons may attend (but do not vote), and may be excluded from some portions of the meeting in the discretion of the Board President.
- (c) **Special Meetings of the Members.** Other meetings of the members ("special meetings") may be called at any time by 1) the Board, (2) the President of the Board, or (3) five percent of the voting members.

A special meeting of members shall be called by written request, specifying the general nature of the business proposed to be transacted and submitted to the President or the Secretary of the Association. The officer receiving the request shall cause notice to be given promptly to the members entitled to vote, in accordance with subsections (d) and (e) below, stating that a meeting will be held at a specified time and date. If the meeting is called by anyone other than the Board or President, the meeting date shall be at least thirty-five (35), but not more than ninety (90) days after receipt of the request. If the Board or President calls the meeting, the meeting date may be any date for which appropriate notice is given in accordance with subsections (d) and (e) below. If notice of a requested special meeting is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice.

- (d) **Notice Requirements for Members' Meetings.** Written notice of any membership meeting shall be given, in accordance with these bylaws, to each voting member of the Association. Subject to any additional requirements in law or these bylaws, the notice shall state the place, date and time of the meeting, the means of electronic transmission by and to the Association (Corporations Code Sections 20 and 21) or electronic video screen communication, if any, by which members may participate in the meeting, and the general nature of the business to be transacted, and no other business may be transacted. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given to members.

- (e) **Manner of Giving Notice for Meetings.** Except as otherwise provided in these bylaws or by law, notice of any meeting of members shall be sent not less than 10 nor more than 90 days before the date of the meeting to each member who, on the record date for notice of the meeting, is entitled to vote; provided, however, that if notice is given by mail, and the notice is not mailed by first-class or express mail service, then that notice shall be given not less than 20 days before the meeting.

Notice of a members' meeting or any report shall be given personally, by electronic transmission (Corporations Code sections 20 and 21), or by regular, bulk, or express mail service, addressed to a member at the address of the member appearing on the books of the Association or given by the member to the Association for purpose of notice; or if no such address appears or is given, at the place where the principal office of the Association is located. An affidavit of giving of any notice or report in accordance with the provisions section, executed by the Secretary, shall be prima facie evidence of the giving of the notice or report.

Notice given by electronic transmission by the Association under this subdivision shall be valid only if it complies with Corporations Code Section 20. Notwithstanding the foregoing, notice shall not be given by electronic transmission by the Association after either of the following:

- (1) The Association is unable to deliver two consecutive notices to the member by that means.
- (2) The inability to so deliver the notices to the member becomes known to the Secretary or other person responsible for the giving of the notice.

Section 15. Waiver of Notice or Consent. The transactions of any members' meeting, however called or noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present, and (2) either before or after the meeting, each member who is not present in person, signs a written waiver of notice, a consent to holding of the meeting, or an approval of the minutes. The waiver of notice, consent or approval need not specify either the business to be transacted or the purpose of any meeting of members. All such waivers, and consents, or approvals shall be filed with the corporate records or made a part of the minutes.

A member's attendance at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the member objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting, but not so included, if that objection is expressly made at the meeting.

Section 16. Quorum. Thirty (30) of the voting members shall constitute a quorum for the transaction of business at any meeting of members. Provided, however, that if any meeting of members is actually attended by less than one-third of the voting power, the only matters that may be voted on are those for which the general nature of the action was specified on the notice of the meeting.

Section 17. Loss of Quorum. The members present at a duly called or held meeting at which a quorum is present may continue to transact business until notwithstanding the withdrawal of enough members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the members required to constitute a quorum (or by a greater number if required by law or by the articles of incorporation or these bylaws). Any meeting may be adjourned by a majority of those members in attendance, whether or not a quorum is present.

Section 18. Act of the Members. If a quorum is present, the affirmative vote of a majority of the voting power represented at the meeting, entitled to vote and voting on any matter, shall be the act of the members, unless the vote of a greater number is required by law, or by the articles of incorporation or these bylaws.

Section 19. Eligibility to Vote/Number of Votes. Voting members entitled to vote at any meeting of members or by ballot shall be all those voting members in good standing as of the date the vote is taken. Each voting member shall be entitled to one vote at any annual or special meeting of members.

Section 20. Proxies. Proxy voting is not allowed.

Section 21. Action of Members by Written Ballot Without a Meeting. Any action that may be taken at any meeting of members may be taken without a meeting by complying with the following procedure.

The President of CASA shall cause a ballot to be distributed to each voting member in accordance with Section 14(e) of this Article.

Any written ballot pursuant to this section shall: 1) set forth the proposed action, 2) provide an opportunity to specify approval or disapproval of any proposed action, and 3) provide a reasonable time within which to return the ballot to the Association.

The cover letter or memo soliciting ballots shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the action submitted. The solicitation must specify the time by which the ballot must be received by the Association in order to be counted.

Approval of an action by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a

meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Directors may be elected by written ballot under this section. If directors are to be elected by written ballot and the Board adopts a nomination procedure for the election process, the procedure may provide for a date for the close of nominations prior to the printing and distributing of the written ballots.

A written ballot may not be revoked. All written ballots shall be filed with the Secretary of the Association and maintained in the corporate records for at least three years.

ARTICLE III.

Board of Directors

Section 1. Powers of Board of Directors. The Board, subject to restrictions of law, the Articles of Incorporation, and these bylaws, shall exercise all powers of the Association. Without limitation on its general power, except as specified herein, the Board may do the following:

- (a) **Policies.** Adopt policies, rules and procedures for the management and operation of the Association.
- (b) **Administration.** Employ or retain an individual or management firm to administer the day-to-day activities of the Association. An individual retained pursuant to this authority shall be known as the Executive Director. The Executive Director, if any, cannot also be a member of the Board. The Board may also employ, retain, or authorize the employment of such other employees, independent contractors, agents, accountants, and legal counsel as it from time to time deems necessary or advisable in the interest of the Association, prescribe their duties and set their compensation.
- (c) **Bonds.** Require officers, agents, and employees charged by the Association with responsibility for the custody of any of its funds or negotiable instruments to give adequate bond.
- (d) **Borrowing money.** Borrow money and incur indebtedness on behalf of the Association and cause to be executed and delivered for the Association's purposes, in the Association name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, liens, and other evidences of debt and securities.
- (e) **Gifts.** Receive and accept gifts, devises, bequests, donations, annuities, and endorsements of real and personal property, and use, hold and enjoy the same, both as to principal and income, and to invest and re-invest the same or any part thereof for the furtherance of any objects, interests or purposes of this Association.

- (f) Contributions. Make such contributions as the Board determines are necessary and advisable in furtherance of the interests and purposes of this Association.
- (g) Fiscal Year. Fix and change the fiscal year of the Association.
- (h) Contracts. Enter into contracts and agreements with individuals and with public and private entities for the advancement of the purposes for which the Association is organized.
- (i) Property. Acquire, construct and possess real and personal property.
- (j) Bank Accounts and Special Funds. Establish one or more bank accounts and/or special funds in order to accomplish and further the purposes of the Association.
- (k) Committees. Appoint committees as provided in these bylaws.
- (l) Lobbying/Political Activity. Lobby local, state, and federal agencies and officials and engage in political activity on issues important to the members of CASA.
- (m) Political Action Committees. Establish and administer state and federal political action committees in order to accomplish and further the purposes of CASA.
- (n) Litigation. Initiate or participate in litigation as a party or via amicus brief if such action is deemed in the best interests of the corporation.
- (o) Other. Do and perform all acts and exercise all powers incidental to, or in connection with, or deemed reasonably necessary for the proper implementation of the purposes of the Association.

Section 2. Number/Qualifications. The Board shall consist of 13 directors as follows:

Twelve (12) directors elected by and from among the voting members; and

One (1) director appointed by the President from among the non-voting associate members.

Every director must be interested in and committed to the mission and purposes of CASA.

Section 3. Election of Directors. The twelve elected directors shall be elected at the annual meeting of the membership, or by written ballot in accordance with these bylaws. The one appointed director shall be appointed by the President at the annual meeting of

the Board. The Board may adopt additional procedures relative to the nomination and election process.

Section 4. Terms of Office. The term of office for all elected directors shall be three (3) years and all elected directors shall serve until expiration of the term for which elected and until a successor has been elected and qualified. The term of office for the appointed director shall be one (1) year and he/she shall serve until expiration of the term for which appointed and until a successor has been appointed and qualified. There shall be no limit on the number of terms a director may serve if he or she remains qualified and elected or appointed. The terms of the elected directors may be staggered using any reasonable method.

Section 5. Reduction of Number of Directors. No change of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 6. Resignations/Removals. Any director may resign by giving written notice to the President or the Secretary. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective.

Any elected director may be removed from the Board by a majority vote of the members at any properly called and noticed membership meeting where a quorum is present or by written ballot pursuant to Section 21 of Article II above. The appointed director may be removed from the Board by a majority vote of the other Board members at any properly called and noticed Board meeting where a quorum is present.

Section 7. Vacancies. A vacancy or vacancies on the Board shall exist on the occurrence of the following: (a) the death or resignation of any director, (b) the declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by an order of court or convicted of a felony, (c) the vote of the members or the Board, as applicable, to remove any director(s), (d) the increase of the authorized number of directors, or (e) the failure of the members, at any meeting of members at which any director or directors are to be elected, to elect the number of directors required to be elected at that meeting or the failure of the Board to appoint any director they are authorized to appoint.

Section 8. Filling Vacancies. Vacancies on the Board may be filled by a majority vote of the remaining directors on the Board at any properly called and noticed Board meeting where a quorum is present. The members may fill any vacancy or vacancies not filled by the Board. Any individual filling a vacancy pursuant to this section shall meet the criteria for election to that seat. An individual appointed to fill a vacancy shall serve until the end of the term of the director whose vacancy he or she is filling.

Section 9. Annual and Special Board Meetings. An annual meeting of the Board shall be held in conjunction with the annual membership meeting. Other meetings ("special meetings") of the Board may be held from time to time on the call of the President, the

Board, or any two directors. The time and purpose for any special meeting shall be set by the person(s) calling such meeting.

Section 10. Notice of Board Meetings. Notice of meetings of the Board, specifying the time and place of the meeting, shall be given to each director at least seven (7) days before the meeting if sent by first-class mail or express mail service, or forty-eight (48) hours before the meeting if personally delivered or delivered by telephone (including a voice messaging system), or by electronic transmission by the Association (Corporations Code Section 20).

Notice shall be deemed delivered when deposited in the U.S. mail or with an express mail service, or when received if delivered personally or by telephone, or on its confirmation of delivery if by electronic transmission. A notice, or waiver of notice, need not specify the purpose of any meeting of the board.

Section 11. Place and Time of Meetings. Meetings of the Board shall be held at whatever place and time is designated from time to time by the Board or persons calling the meeting and, in the absence of any designation, shall be held at the principal office of the Association.

Section 12. Board meetings by Telephone or Video Conference or by Electronic Transmission.

Directors may participate in a meeting of the Board through use of conference telephone, electronic video screen communication, or electronic transmission by and to the Association (Corporation Code Sections 20 and 21).

Participation in a meeting through use of conference telephone or electronic video screen communication constitutes presence in person at that meeting as long as all directors participating in the meeting are able to hear one another.

Participation in a meeting through use of electronic transmission by and to the Association, other than conference telephone and electronic video screen communication, constitutes presence in person at that meeting if both of the following apply:

(a) Each director participating in the meeting can communicate with all of the other directors concurrently.

(b) Each director is provided the means of participating in all matters before the Board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Association.

Section 13. Waiver of Notice and Consent to Meetings. Notice of a meeting need not be given to any director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting.

All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice to him or her.

Section 14. Quorum. A majority of the authorized number of directors shall constitute a quorum of the Board for the transaction of business.

Section 15. Act of the Board. Unless otherwise restricted by law or these bylaws, every act or decision done or made by a majority of directors present at a meeting duly held at which a quorum is present shall be regarded as an act of the Board. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of a director(s), if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

Section 16. Adjournment. A majority of the directors present, whether or not a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of the adjournment to another time or place must be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment. Any business that might have been transacted at a meeting as originally noticed may be transacted at an adjourned and rescheduled meeting.

Section 17. Closed Meetings. Any meeting of the Board may be closed by the President so that only directors and individuals deemed necessary by the President are present. Members of the Association who are not directors may attend any Board meeting unless excluded by the President as described in this Section.

Section 18. Board Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all directors on the board individually or collectively consent in writing to that action. An action by written consent shall have the same force and effect as a unanimous vote of the directors.

Section 19. Compensation of Directors/Officers. Directors and officers shall not receive compensation from CASA for their services as directors/officers. Directors/officers may, at the discretion of the Board, receive reimbursement for travel and other actual expenses related to activities on behalf of the Association if authorized by the Board or a committee having such authority.

Section 20. Voting Power. For all purposes, the voting power of each voting director shall be one vote.

Section 21. Property Rights. No director shall have any property rights in any assets of the Association.

ARTICLE IV.

Officers

Section 1. Officers of the Association. The elected officers of the Association shall be a President, a Vice-President, and a Secretary/Treasurer. All officers must be directors. The Executive Director shall be an officer of the corporation, but not an elected officer.

Section 2. Election of Officers. The elected officers of the Association shall be elected by the Board from among its directors at the annual Board meeting.

Section 3. Terms of Office; Term Limits. Elected officers shall serve at the pleasure of the Board for one (1) year terms. There is no limit on the number of terms an officer may serve if she is a director and continues to be qualified and elected by the Board.

Section 4. Removal of Officers. Any elected officer may be removed at any time, with or without cause, by a majority vote of the Board at any properly called and noticed meeting where a quorum is present.

Section 5. Resignation of Officers. An officer may resign at any time by giving written notice to the President or Secretary of CASA. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective.

Section 6. Vacancies in Office. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled by a majority vote of the directors present at any annual or special meeting of the Board where a quorum is present. The individual filling a vacant officer position shall serve until the end of the term of the officer whose vacancy he or she is filling.

Section 7. Responsibilities of Officers.

(a) President. The President of the Board shall preside at meetings of the Board and shall exercise and perform such other powers and duties as the Board may assign from time to time.

(b) Vice-President. In the absence or disability of the President, the Vice-President shall perform all of the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions on the President. In case of death or resignation of the President, the Vice-President shall assume the office of President and fulfill the remainder of that term of office. The Vice-President shall have such other powers and perform such other duties as the Board or the bylaws may prescribe.

(c) Secretary/Treasurer.

The Secretary/Treasurer shall keep or cause to be kept a book of minutes at the principal office, or at such other place as the Board may order, of all meetings of

the Board. The Secretary/Treasurer shall give, or cause to be given, notice of all conferences and meetings of the Members and Board for which the bylaws require notice, and shall have such other powers and perform such other duties as the Board or the bylaws prescribe.

The Secretary/Treasurer shall keep and maintain the following records on behalf of the corporation:

- Copies of the Articles of Incorporation and Bylaws.
- Accounting books.
- Minutes of board and membership meetings.
- Membership lists.
- Any records related to special meetings.
- Tax records.

The Secretary/Treasurer shall cause to be prepared and distributed the following reports on behalf of the corporation:

- **Annual Report:** An annual report, audited by a Certified Public Accountant selected by the Board, must be prepared within 120 days of the close of the corporation's fiscal year. This must include: a balance sheet for the end of the fiscal year; an income statement and statement of changes in financial position for the fiscal year; a statement of where the records of current members' names and addresses are located and; a statement of transactions involving self-dealing, indemnifications or advances between the corporation and any director, officer or holder of more than 10 percent of voting power.

The report must be made available to any member on request, and members must be notified of the availability of the report annually.

- **Secretary of State Filing:** A biennial form must be filed with the Secretary of State that gives the name and address of the officers and an agent for service of process.
- **IRS tax return:** A federal tax return must be prepared and filed by November 15 of each year.

(d) **Executive Director.** The Executive Director serves at the pleasure of the Board and may not be an individual who is serving on the Board. The Executive Director shall be the chief executive officer and general manager of CASA and shall supervise, direct, and control the Association's day-to-day activities, affairs, and administration. The Executive Director shall keep the Board apprised of significant matters relating to the operation of the Association, its activities, employees, contractors, and financial condition. The Executive Director shall have such other powers and duties as the Board or the Bylaws may prescribe.

ARTICLE V.

Committees

Section 1. Committees of the Board. The Board may create one or more “committees of the Board”, each consisting of two or more directors *and no persons who are not directors*, to serve at the pleasure of the Board. Appointments to committees of the Board shall be made by the President. Any such committee, to the extent provided in the Board resolution creating the committee, shall have all the authority of the Board, except that no committee, regardless of Board resolution, may:

- (a) Fill vacancies on the Board or on any committee that has the authority of the Board;
- (b) Fix compensation of the directors for serving on the Board or on any committee;
- (c) Amend or repeal Bylaws or adopt new Bylaws;
- (d) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- (e) Create any other committees of the Board or appoint the members of committees of the Board; or
- (f) Approve any contract or transaction to which the Association is a party and in which one or more of its directors has a material financial interest, except as allowed by the California Corporations Code.

Section 2. Notice Requirements for Committees of the Board. Written notice for meetings of committees of the Board shall be given in accordance with Article III of these bylaws. Provided, however, that this notice may be waived in writing, or by the committee member’s actual attendance at the meeting.

Section 3. Quorum for Committees of the Board. A majority of the voting members of any committee of the Board shall constitute a quorum, and the acts of a majority of the voting members present at a meeting at which a quorum is present shall constitute the act or recommendation of the committee.

Section 4. Advisory Committees. The Board may also establish advisory committees composed of any number of directors and/or non-directors who shall be appointed by the President. Advisory committees shall provide advice and recommendations to the Board but shall not have the authority of the Board or any final decision making authority.

Section 5. Meetings by Telephone or Video Conference or by Electronic Transmission. Any meeting of a committee may be held by telephone or video

conference or by electronic transmission in the same manner provided for in Article III of these bylaws.

ARTICLE VI.

Liability, Indemnification, and Insurance stop

Section 1. Liability. Subject to any limitations contained in the California Corporations Code, there is no monetary liability on the part of, and no cause of action for damages shall arise against, any volunteer director or officer of the Association based on any alleged failure to discharge the person's duties as a volunteer director or officer if the duties are performed in accordance with the standards of conduct provided for in the California Corporations Code.

Section 2. Indemnification.

- (a) Indemnification. To the fullest extent permitted by law, this Association shall indemnify its directors, officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Association, by reason of the fact that the person is or was a person described in that Section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 7237 of the California Corporations Code.
- (b) Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporations Code, the Board shall promptly determine under Section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification. If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the Board shall promptly call a meeting of members. At that meeting, the members shall determine under Section 7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the members present at the meeting shall authorize the indemnification.

Section 3. Insurance. The Board shall adopt a resolution authorizing the purchase and maintenance of an insurance policy or policies or bond on behalf of its directors, officers or employees against any liabilities, other than for violating provisions against self-dealing, incurred by the director, officer or employee in such capacity or arising out of their status as such.

ARTICLE VII.

Miscellaneous

Section 1. Inspection of Records. The members and directors of the Association shall have the right to inspect the records of the Association to the extent and under the circumstances provided by the California Nonprofit Mutual Benefit Corporation Law.

Section 2. Fiscal Year. Unless changed by the Board, the fiscal year of the Association shall begin on July 1 and end on June 30.

Section 3. Conflicts of Interest. Board members and committee members must actively seek to avoid situations and activities that create an actual or potential conflict between the individual's personal interests and the interests of the Association. If a Board member or committee member believes that a conflict exists relative to a particular issue being considered by the Board or any committee, he or she shall disclose the conflict to the Board or committee, as appropriate, and abstain from discussion or voting on the issue.

For purposes of this section and these bylaws, a "conflict of interest" means a situation in which a Board or committee member is part of a discussion or decision by the Board or a committee which has the potential to financially benefit that Board or committee member or a member of that Board or committee member's immediate family. "Immediate family" means, spouse or same-sex/domestic partner, children, parents, siblings, parents-in-law, or siblings-in-law.

Both the fact and the appearance of a conflict of interest should be avoided. Board members or committee members who are unsure as to whether a certain transaction, activity, or relationship constitutes a conflict of interest should discuss it with the President, who will determine whether disclosure to the Board or the assistance of legal counsel is required.

Section 4. Intellectual Property. All intellectual property prepared or purchased by or on behalf of the Association, including but not limited to the CASA name, educational, promotional, and training materials, newsletters, contracts, logos, service marks, membership lists, contributor lists, and research results, shall be the exclusive property of the Association and directors, members, and contractors/employees agree to deal with it as such. Directors, members and contractors/employees agree that they will not sell, transfer, publish, modify, distribute, or use for their own purposes, the intellectual property belonging to the Association without prior approval of the Board memorialized in a writing signed by the President.

Section 5. Required Disclosures and Reporting. CASA shall comply with the disclosure and reporting requirements of federal and state agencies to which it is subject.

ARTICLE VIII.

Amendments

Section 1. Amendment to Bylaws. These bylaws may be initially adopted, amended, or repealed and new bylaws adopted, by a majority vote of the Board at any properly called and noticed meeting where a quorum is present.

However, approval of the members is also required for any amendment or for new bylaws after the initial adoption that would:

- (a) Materially and adversely affect the members' rights as to voting or dissolution;
- (b) Effect an exchange, reclassification, or cancellation of all or part of the memberships;
- (c) Authorize a new class of membership;
- (d) Change the number of authorized directors;
- (e) Change from a fixed number of directors to a variable number of directors, or vice versa;
- (f) Increase or extend the terms of directors;
- (g) Allow any director to hold office by designation or selection rather than by election by the members;
- (h) Increase the quorum for members' meetings; or
- (i) Repeal, restrict, create, expand, or otherwise change proxy rights.

All proposed bylaw amendments or new bylaws must be sent to all directors and/or members eligible to vote on such amendments or new bylaws at least ten (10) days prior to the meeting at which the amendments or new bylaws will be discussed and voted on.

ARTICLE IX.

Dissolution

Section 1. Voluntary Dissolution. The Association may be voluntarily dissolved at any time by a majority vote of the voting members at any properly called meeting where a quorum is present. If the voting members approve the dissolution, the Board shall promptly cease operations and proceed to wind up and dissolve the Association.

Section 2. Remaining Assets. Upon the dissolution of the Association, all debts thereof shall be paid and its affairs settled, and all remaining assets shall be distributed as determined at the time of dissolution by the CASA Board in its sole discretion, so long as the distribution is not inconsistent with law.

**CERTIFICATE OF SECRETARY
OF
CALIFORNIA ASSOCIATION OF SANITATION AGENCIES**

I certify that I am the duly elected and acting Secretary of the CALIFORNIA ASSOCIATION OF SANITATION AGENCIES, a California Nonprofit Mutual Benefit Corporation; that the above Bylaws, consisting of 20 typewritten pages including this page, are the Bylaws of this Association as adopted by the Board of Directors on March 10, 2014, and approved by the voting members on _____, 2014; and that these Bylaws have not been amended since that date.

Executed on the _____ day of _____, 2014, at
_____, California.

_____, Secretary



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard B. Currie
General Manager
District Engineer

David M. O'Hara
Attorney

DATE: June 2, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Richard B. Currie, General Manager/District Engineer
Sami Ghossain, Manager of Technical Services
Raymond Chau, CIP Coach
Chris Elliott, Associate Engineer

SUBJECT: Agenda Item No.9 - Meeting of June 9, 2014
Authorizing the General Manager to Execute an Agreement and Task Order No. 1 with Brown & Caldwell for Providing Construction Management Services for the Upper Hetch Hetchy Sanitary Sewer Rehabilitation Project

Recommendation

Staff recommends the Board authorize the General Manager to execute an Agreement and Task Order No. 1 with Brown & Caldwell in the amount of \$279,432 to provide construction management services for the Upper Hetch Hetchy Sanitary Sewer Rehabilitation Project (Project). Funds for the project have been budgeted in the Renewal and Replacement Fund.

Background

The Newark Basin Masterplan update, completed by RMC Water & Environment in December of 2012, identified the Upper Hetch Hetchy Corridor trunk sewer as having high critical ratings due to hydrogen sulfide (H₂S) corrosion. These sewers were installed in the late 1950's and early 1960's using reinforced concrete pipe (RCP) that is highly susceptible to corrosion. Staff has reviewed television inspections performed by Collection Services and confirmed that there is extensive corrosion in this RCP trunk sewer that requires immediate rehabilitation.

The Project will rehabilitate the existing 24-inch and 27-inch diameter RCP trunk sewer which runs from Sacramento Ave. and Argonaut Way (adjacent to the Fremont Hub) to the vicinity of Selma Ave. and Granville Dr. (near Interstate 880), in Fremont. This alignment is approximately 4,070 linear feet of 24-inch gravity sewer and 4,382 linear feet of 27-inch gravity sewer. Additionally, the project will rehabilitate 194 linear feet of

30-inch RCP trunk sewer on Willow St. between Cedar Blvd. and Mayhews Landing Rd. in Newark. Finally, the project will rehabilitate 253 linear feet of 48-inch RCP trunk sewer at the Newark Pump Station. Please see the location maps provided in Exhibits A1 and A2.

The project scope of work includes traffic control, sewage flow control, lateral reinstatement, manhole rehabilitation, construction of various access improvements, and surface restoration.

West Yost & Associates was hired by the District to design the Project and to provide design support during the Project's bid period. On May 12, 2014, the Board of Directors awarded the construction contract to SAK Construction, in the amount of \$3,015,965.

Task Order No. 1

The purpose of Task Order No. 1 is to authorize construction management services to Brown & Caldwell for the duration of the Project. The negotiated cost proposal is \$279,432, which represents 9.3% of the construction contract. Typical fees for this kind of a project range between 8% and 10%. The scope of work for Task Order No. 1 includes conducting pre-construction surveys, contractor schedule review, processing of submittals and clarification requests, processing of progress payments and change order requests, construction inspection, and general contract administration.

The scope of work and cost proposal for Task Order No. 1 have been reviewed by staff and determined to be appropriate. The Brown & Caldwell construction manager is very knowledgeable and experienced in District projects, having completed the I-680 at Sabercat Rd. Sanitary Sewer Relocation Project, the Blacow Rd. Sanitary Sewer Replacement Project, and the Cedar Blvd. Sanitary Sewer Rehabilitation Project.

Work under Task Order No. 1 began in May, 2014, and the Project is expected to be completed by the end of February, 2015.

Staff recommends that the Board of Directors authorize the General Manager to execute an Agreement and Task Order No. 1 with Brown & Caldwell in the amount of \$279,432 to provide construction management services for the Upper Hetch Hetchy Sanitary Sewer Rehabilitation Project.

RBC/SG/RC/CE;ks

Attachments: Exhibit A1
Exhibit A2
Agreement with Brown & Caldwell
Task Order No. 1





↑ N
NOT TO SCALE

SITE B

SITE C

NEWARK PUMP STATION

WEST YOST ASSOCIATES



**EXHIBIT A2
SEWER REHABILITATION PROJECT
PROJECT LOCATION**

**UPPER HETCH HETCHY CORRIDOR
SANITARY SEWER REHABILITATION PROJECT
AGREEMENT
BETWEEN
UNION SANITARY DISTRICT
AND
BROWN AND CALDWELL
FOR
PROFESSIONAL SERVICES**

THIS IS AN AGREEMENT MADE AS OF June ____, 2014 BETWEEN UNION SANITARY DISTRICT (hereinafter referred to as District), and BROWN AND CALDWELL (hereinafter referred to as Engineer).

WITNESSETH:

WHEREAS, District intends to construct the Upper Hetch Hetchy Corridor Sanitary Sewer Replacement Project (hereinafter referred to as Project), and,

WHEREAS, District requires certain professional services in connection with the Project (hereinafter referred as Services); and

WHEREAS, Engineer is qualified and prepared to provide such Services;

NOW, THEREFORE, in consideration of the promises contained herein, the parties agree as follows:

ARTICLE 1 - SERVICES TO BE PERFORMED BY ENGINEER

- 1.1 Specific Services and the associated scope of services, payment, schedule, and personnel will be defined in specific Task Order as mutually agreed by District and Engineer.
- 1.2 All Task Orders will by reference incorporate the terms and conditions of this Agreement, and become formal amendments hereto.

ARTICLE 2 - COMPENSATION

2.1 Compensation for consulting services performed under this Agreement shall include:

- (1) Direct labor costs, multiplied by an agreed upon fixed factor (the Multiplier), to compensate for fringe benefits, indirect costs, and profit.
- (2) Non-labor direct project charge not included in the fixed factor and acceptable, without any markup.
- (3) Subconsultant costs, with a maximum markup of 5%.

Definitions are as follows:

- (a) Direct labor is salaries and wages paid to personnel for time directly chargeable to the project. Direct labor does not include the cost of Engineer's statutory and customary benefits, such as sick leave, holidays, vacations, and medical and retirement benefits nor the cost of the time of executive and administrative personnel and others whose time is not identifiable to the project.
- (b) Fringe benefits include Engineer's statutory and customary benefits, such as sick leave, holidays, vacations, medical and retirement benefits, incentive pay, tuition, and other costs classified as employee benefits.
- (c) Indirect costs are allocations of costs that are not directly chargeable to a specific engagement and are commonly referred to as Engineer's overhead. Indirect costs include provisions for such things as clerical support, office space, light and heat, insurance, statutory and customary employee benefits, and the time of executive and administrative personnel and others whose time is not identifiable to the Project or to any other project. Under no circumstances can the same labor costs be charged as direct labor and also appear at the same time as indirect costs, and vice versa.
- (d) The Multiplier is a multiplicative factor which is applied to direct labor costs, and compensates Engineer for fringe benefits and indirect costs (overhead) and profit.
- (e) Other non-labor direct project charges shall be included in the overhead and these charges include typical expenses as cost

of transportation and subsistence, printing and reproduction, computer time and programming costs, identifiable supplies, outside consultant's charges, subcontracts, and charges by reviewing authorities.

- 2.2 Reimbursement for mileage shall not exceed the prevailing Internal Revenue Service's standard mileage rate.
- 2.3 A *Cost Ceiling* will be established for each Task Order which is based upon estimated labor-hours and cost estimates. Costs as described above, comprising direct labor, overhead cost, and other direct costs, shall be payable up to a Cost Ceiling as specified in the Task Order. A *Maximum Fee Ceiling*, or *Task Order Firm Ceiling*, will also be established for each Task Order which includes the Cost Ceiling plus the Professional Fee.
- 2.4 Engineer shall invoice District monthly for the actual costs incurred, and a pro-rated portion of the Professional Fee for work performed during the previous month. If the Maximum Fee Ceiling is reached, the Engineer will complete the agreed-upon work for the Maximum Fee Ceiling. With District staff approval, labor hours may be reallocated within the tasks without renegotiation in such a manner so as not to exceed the Maximum Fee Ceiling.
- 2.5 The Engineer shall provide the District with a review of the budget amounts when 75 percent of the Cost Ceiling for any task has been expended. Engineer may request a revision in the Cost Ceiling for performance of this Agreement, and will relate the rationale for the revision to the specific basis of estimate as defined in the Scope of Services. Such notification will be submitted to the District at the earliest possible date. The authorized Cost Ceiling shall not be exceeded without written approval of the District.
- 2.6 The Professional Fee will not be changed except in the case of a written amendment to the Agreement which alters the Scope of Services. District and Engineer agree to negotiate an increase or decrease in Cost Ceiling and Professional Fee for any change in Scope of Services required at any time during the term of this Agreement. Engineer will not commence work on the altered Scope of Services until authorized by District.
- 2.7 Direct labor rates are subject to revision to coincide with Engineer's normal salary review schedule. Adjustments in direct labor rates shall not affect the firm ceiling without prior written authorization of the District.

- 2.8 District shall pay Engineer in accordance with each Task Order for Services.
- 2.9 Engineer shall submit monthly statements for Services rendered. District will make prompt monthly payments in response to Engineer's monthly statements.

ARTICLE 3 - PERIOD OF SERVICE

- 3.1 Engineer's services will be performed and the specified services rendered and deliverables submitted within the time period or by the date stipulated in each Task Order.
- 3.2 Engineer's services under this Agreement will be considered complete when the services are rendered and/or final deliverable is submitted and accepted by District.
- 3.3 If any time period within or date by which any of the Engineer's services are to be completed is exceeded through no fault of Engineer, all rates, measures and amounts of compensation and the time for completion of performance shall be subject to equitable adjustment.

ARTICLE 4 - DISTRICT'S RESPONSIBILITIES

District will do the following in a timely manner so as not to delay the services of Engineer.

- 4.1 Provide all criteria and full information as to District's requirements for the services assignment and designate in writing a person with authority to act on District's behalf on all matters concerning the Engineer's services.
- 4.2 Furnish to Engineer all existing studies, reports and other available data pertinent to the Engineer's services, obtain or authorize Engineer to obtain or provide additional reports and data as required, and furnish to Engineer services of others required for the performance of Engineer's services hereunder, and Engineer shall be entitled to use and rely upon all such information and services provided by District or others in performing Engineer's services under this Agreement.
- 4.3 Arrange for access to and make all provisions for Engineer to enter upon public and private property as required for Engineer to perform services hereunder.

- 4.4 Perform such other functions as are indicated in each Task Order related to duties of District.
- 4.5 Bear all costs incident to compliance with the requirements of this Section.

ARTICLE 5 - STANDARD OF CARE

- 5.1 Engineer shall exercise the same degree of care, skill, and diligence in the performance of the Services as is ordinarily provided by a professional Engineer under similar circumstance and Engineer shall, at no cost to District, re-perform services which fail to satisfy the foregoing standard of care.

ARTICLE 6 - OPINIONS OF COST AND SCHEDULE

- 6.1 Since Engineer has no control over the cost of labor, materials, equipment or services furnished by others, or over contractors', subcontractors' , or vendors' methods of determining prices, or over competitive bidding or market conditions or economic conditions, Engineer's cost estimate and economic analysis shall be made on the basis of qualification and experience as a professional engineer.
- 6.2 Since Engineer has no control over the resources provided by others to meet contract schedules, Engineer's forecast schedules shall be made on the basis of qualification and experience as a professional Engineer.
- 6.3 Engineer cannot and does not guarantee that proposals, bids or actual project costs will not vary from his cost estimates or that actual schedules will not vary from his forecast schedules.

ARTICLE 7 - SUBCONTRACTING

- 7.1 No subcontract shall be awarded by Engineer until prior written approval is obtained from the District.

ARTICLE 8 - ENGINEER-ASSIGNED PERSONNEL

- 8.1 Engineer shall designate in writing an individual to have immediate responsibility for the performance of the services and for all matters

relating to performance under this Agreement. Key personnel to be assigned by Engineer will be stipulated in each Task Order. Substitution of any assigned person shall require the prior written approval of the District, which shall not be unreasonably withheld. If the District determines that a proposed substitution is not responsible or qualified to perform the services then, at the request of the District, Engineer shall substitute a qualified and responsible person.

ARTICLE 9 - OWNERSHIP OF DOCUMENTS

- 9.1 All work products, drawings, data, reports, files, estimate and other such information and materials (except proprietary computer programs, including source codes purchased or developed with Engineer monies) as may be accumulated by Engineer to complete services under this Agreement shall be owned by the District.
- 9.2 Engineer shall retain custody of all project data and documents other than deliverables specified in each Task Order, but shall make access thereto available to the District at all reasonable times the District may request. District may make and retain copies for information and reference.
- 9.3 All deliverables and other information prepared by Engineer pursuant to this Agreement are instruments of service in respect to this project. They are not intended or represented to be suitable for reuse by District or others on extensions of this Project or on any other project. Any reuse without written verification or adaptation by Engineer for the specific purpose intended will be at District's sole risk and without liability or legal exposure to Engineer; and District shall indemnify and hold harmless Engineer against all claims, damages, losses, and expenses including attorney's fees arising out of or resulting from such reuse. Any such verification or adaptation will entitle Engineer to further compensation at rates to be agreed upon by District and Engineer.

ARTICLE 10 - RECORDS OF LABOR AND COSTS

- 10.1 Engineer shall maintain for all Task Orders, records of all labor and costs used in claims for compensation under this Agreement. Records shall mean a contemporaneous record of time for personnel; a methodology and calculation of the Multiplier for fringe benefits and indirect costs; and invoices, time sheets, or other factors used as a basis for determining other non-labor Project charges. These records must be made available to the District upon reasonable notice of no

more than 48 hours during the period of the performance of this Agreement.

- 10.2 After delivery of Services (completion of Task Orders) under this Agreement, the Engineer's records of all costs used in claims for compensation under this Agreement shall be available to District's accountants and auditors for inspection and verification. These records will be maintained by Engineer and made reasonably accessible to the District for a period of three (3) years after completion of Task Orders under this Agreement.
- 10.3 Engineer agrees to cooperate and provide any and all information concerning the Project costs which are a factor in determining compensation under this Agreement as requested by the District or any public agency which has any part in providing financing for, or authority over, the Services which are provided under the Agreement.
- 10.4 Failure to provide documentation or substantiation of all Project costs used as a factor in compensation paid under Article 2 hereof will be grounds for District to refuse payment of any statement submitted by the Engineer and for a back charge for any District funds, including interest from payment; or grant, matching, or other funds from agencies assisting District in financing the Services specified in this Agreement.

ARTICLE 11 - INSURANCE

Engineer shall provide and maintain at all times during the performance of the Agreement the following insurances:

- 11.1 Workers' Compensation and Employer's Liability Insurance for protection of Engineer's employees as required by law and as will protect Engineer from loss or damage because of personal injuries, including death to any of his employees.
- 11.2 Comprehensive Automobile Liability Insurance. Engineer agrees to carry a Comprehensive Automobile Liability Policy providing bodily injury liability. This policy shall protect Engineer against all liability arising out of the use of owned or leased automobiles both passenger and commercial. Automobiles, trucks, and other vehicles and equipment (owned, not owned, or hired, licensed or unlicensed for road use) shall be covered under this policy. Limits of liability for Comprehensive Automobile Liability Insurance shall not be less than \$1,000,000 Combined Single Limit.

- 11.3 Comprehensive General Liability Insurance as will protect Engineer and District from any and all claims for damages or personal injuries, including death, which may be suffered by persons, or for damages to or destruction to the property of others, which may arise from the Engineer's operations under this Agreement, which insurance shall name the District as additional insured. Said insurance shall provide a minimum of \$1,000,000 Combined Single Limit coverage for personal injury, bodily injury, and property damage for each occurrence and aggregate. Such insurance will insure Engineer and District from any and all claims arising from the following:
1. Personal injury;
 2. Bodily injury;
 3. Property damage;
 4. Broad form property damage;
 5. Independent contractors;
 6. Blanket contractual liability.
- 11.4 Engineer shall maintain a policy of professional liability insurance, protecting it against claims arising out of negligent acts, errors, or omissions of Engineer pursuant to this Agreement, in an amount of not less than \$1,000,000. The said policy shall cover the indemnity provisions under this Agreement.
- 11.5 Engineer agrees to maintain such insurance at Engineer's expense in full force and effect in a company or companies satisfactory to the District. All coverage shall remain in effect until completion of the Project.
- 11.6 Engineer will furnish the District with certificates of insurance issued by Engineer's insurance carrier and countersigned by an authorized agent or representative of the insurance company. The certificates shall show that the insurance will not be cancelled, altered, or reduced without at least ten (10) days' prior written notice to the District. The certificates for liability insurance will show that liability assumed under this Agreement is included.

ARTICLE 12 - LIABILITY AND INDEMNIFICATION

- 12.1 Having considered the risks and potential liabilities that may exist during the performance of the Services, and in consideration of the promises included herein, District and Engineer agree to allocate such liabilities in accordance with this Article 12. Words and phrases used in this Article shall be interpreted in accordance with customary insurance industry usage and practice.

- 12.2 Engineer shall indemnify and save harmless and defend the District and all of their agents, officers, and employees from and against all claims, demand, or cause of action of every name or nature arising out of negligent error, omission, or act of Engineer, its agents, servants, or employees in the performance of its services under this Agreement.
- 12.3 In the event an action for damages is filed in which negligence is alleged on the part of District and Engineer, Engineer agrees to defend District. In the event District accepts Engineer's defense, District agrees to indemnify and reimburse Engineer on a pro rata basis for all expenses of defense and any judgment or amount paid by Engineer in resolution of such claim. Such pro rata share shall be based upon a final judicial determination of negligence or, in the absence of such determination, by mutual agreement.
- 12.4 Engineer shall indemnify District against legal liability for damages arising out of claims by Engineer's employees. District shall indemnify Engineer against legal liability for damages arising out of claims by District's employees.
- 12.5 Indemnity provisions will be incorporated into all Project contractual arrangements entered into by District and will protect District and Engineer to the same extent.
- 12.6 Upon completion of all services, obligations and duties provided for in the Agreement, or in the event of termination of this Agreement for any reason, the terms and conditions of this Article shall survive.
- 12.7 To the maximum extent permitted by law, Engineer's liability for District's damage will not exceed the aggregate compensation received by Engineer under this Agreement or the maximum amount of professional liability insurance required by this Agreement, which ever is greater.

ARTICLE 13 - INDEPENDENT CONTRACTOR

Engineer undertakes performance of the Services as an independent contractor and shall be wholly responsible for the methods of performance. District will have no right to supervise the methods used, but District will have the right to observe such performance. Engineer shall work closely with District in performing Services under this Agreement.

ARTICLE 14 - COMPLIANCE WITH LAWS

In performance of the Services, Engineer will comply with applicable regulatory requirements including federal, state, and local laws, rules, regulations, orders, codes, criteria and standards. Engineer shall procure the permits, certificates, and licenses necessary to allow Engineer to perform the Services. Engineer shall not be responsible for procuring permits, certificates, and licenses required for any construction unless such responsibilities are specifically assigned to Engineer in Task Order.

ARTICLE 15 - NONDISCLOSURE OF PROPRIETARY INFORMATION

Engineer shall consider all information provided by District and all drawings, reports, studies, design calculations, specifications, and other documents resulting from the Engineer's performance of the Services to be proprietary unless such information is available from public sources. Engineer shall not publish or disclose proprietary information for any purpose other than the performance of the Services without the prior written authorization of District or in response to legal process.

ARTICLE 16 - TERMINATION OF CONTRACT

- 16.1 The obligation to continue Services under this Agreement may be terminated by either party upon seven days written notice in the event of substantial failure by the other party to perform in accordance with the terms hereof through no fault of the terminating party.
- 16.2 District shall have the right to terminate this Agreement or suspend performance thereof for District's convenience upon written notice to Engineer, and Engineer shall terminate or suspend performance of Services on a schedule acceptable to District. In the event of termination or suspension for District's convenience, District will pay Engineer for all services performed and costs incurred including termination or suspension expenses. Upon restart of a suspended project, equitable adjustment shall be made to Engineer's compensation.

ARTICLE 17 - UNCONTROLLABLE FORCES

- 17.1 Neither District nor Engineer shall be considered to be in default of this Agreement if delays in or failure of performance shall be due to uncontrollable forces, the effect of which, by the exercise of reasonable diligence, the nonperforming party could not avoid. The term

"uncontrollable forces" shall mean any event which results in the prevention or delay of performance by a party of its obligations under this Agreement and which is beyond the control of the nonperforming party. It includes, but is not limited to, fire, flood, earthquake, storms, lightening, epidemic, war, riot, civil disturbance, sabotage, inability to procure permits, licenses, or authorizations from any state, local, or federal agency or person for any of the supplies, materials, accesses, or services required to be provided by either District or Engineer under this Agreement, strikes, work slowdowns or other labor disturbances, and judicial restraint.

- 17.2 Neither party shall, however, be excused from performance if nonperformance is due to uncontrollable forces which are removable or remediable, and which the nonperforming party could have, with the exercise of reasonable diligence, removed or remedied with reasonable dispatch. The provisions of this Article shall not be interpreted or construed to require Engineer or District to prevent, settle, or otherwise avoid a strike, work slowdown, or other labor action. The nonperforming party shall, within a reasonable time of being prevented or delayed from performance by an uncontrollable force, give written notice to the other party describing the circumstances and uncontrollable forces preventing continued performance of the obligations of this Agreement. The Engineer will be allowed reasonable negotiated extension of time or adjustments for District initiated temporary stoppage of services.

ARTICLE 18 - MISCELLANEOUS

- 18.1 A waiver by either District or Engineer of any breach of this Agreement shall not be binding upon the waiving party unless such waiver is in writing. In the event of a written waiver, such a waiver shall not affect the waiving party's rights with respect to any other or further breach.
- 18.2 The invalidity, illegality, or unenforceability of any provision of this Agreement, or the occurrence of any event rendering any portion or provision of this Agreement void, shall in no way effect the validity or enforceability of any other portion or provision of the Agreement. Any void provision shall be deemed severed from the Agreement and the balance of the Agreement shall be construed and enforced as if the Agreement did not contain the particular portion or provision held to be void.

ARTICLE 19 - INTEGRATION AND MODIFICATION

- 19.1 This Agreement (consisting of pages 1 to 14), together with all Task Orders executed by the undersigned, is adopted by District and Engineer as a complete and exclusive statement of the terms of the Agreement between District and Engineer. This Agreement supersedes all prior agreements, contracts, proposals, representations, negotiations, letters, or other communications between the District and Engineer pertaining to the Services, whether written or oral.
- 19.2 The Agreement may not be modified unless such modifications are evidenced in writing signed by both District and Engineer.

ARTICLE 20 - SUCCESSORS AND ASSIGNS

- 20.1 District and Engineer each binds itself and its directors, officers, partners, successors, executors, administrators, assigns and legal representatives to the other party to this Agreement and to the partners, successors, executors, administrators, assigns, and legal representatives of such other party, in respect to all covenants, agreements, and obligations of this Agreement.
- 20.2 Neither District nor Engineer shall assign, sublet, or transfer any rights under or interest in (including, but without limitation, monies that may become due or monies that are due) this Agreement without the written consent of the other, except to the extent that the effect of this limitation may be restricted by law. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this Agreement. Nothing contained in this paragraph shall prevent Engineer from employing such independent engineers, associates, and subcontractors as he may deem appropriate to assist him/her in the performance of the Services hereunder and in accordance with Article 7.
- 20.3 Nothing herein shall be construed to give any rights or benefits to anyone other than District and Engineer.

ARTICLE 21 – INFORMATION SYSTEM SECURITY

The Engineer shall obtain written approval from the District representative prior to accessing District internal systems through real-time computer connections. Upon approval, the Engineer will use only in-bound connections to accomplish a legitimate

business need and a previously defined and approved task. As a condition of approval, the Engineer shall:

- a) Be running a current operating system supported by the District with up-to-date security patches applied as defined in the District COE/Non-COE document.
- b) Have anti-virus software installed on his/her personal computer with up-to-date virus signatures.
- c) Have personal firewall software installed and enabled on their computer.
- d) Understand and sign the District's Electronic Equipment Use Policy, number 2160.

The District reserves the right to audit the security measures in effect on Engineer's connected systems without prior notice. The District also reserves the right to terminate network connections immediately with all Engineer's systems not meeting the above requirements.

ARTICLE 22 - EXCEPTIONS

- 22.1 Paragraph 11.3, CHANGE "Comprehensive General Liability Insurance..." to "Commercial General Liability Insurance..."
- 22.2 Paragraph 11.4, DELETE "The said policy shall cover the indemnity provisions under this Agreement."
- 22.3 Paragraph 11.6, second sentence, DELETE "...altered, or reduced..."
- 22.4 Paragraph 11.6, third sentence, ADD "general" prior to liability Insurance..."
- 22.5 Paragraph 12.2, REPLACE in its entirety, REPLACE with the following:

"Engineer shall indemnify, including the cost to defend, and save harmless and defend the District and all of its agents, officers, and employees from and against all claims, demand, or cause of action of every name or nature arising out of negligent error, omission, or negligent, willful, or reckless act of Engineer, or its agents, servants, or employees in the performance of its services under this Agreement."
- 22.6 Paragraph 12.3, DELETE in its entirety, ADD "Not Used"

22.7 Paragraph 12.7, CHANGE "...or the maximum amount of professional liability insurance required by this Agreement." To "...or the minimum amount of professional liability insurance required by this Agreement."

IN WITNESS THEREOF, the parties hereto have made and executed this Agreement as of the day and year first above written.

UNION SANITARY DISTRICT

BROWN AND CALDWELL

By: _____

By: _____

Richard B. Currie
General Manager / District Engineer

Grace Chow
Vice President

Date: _____

Date: _____

**TASK ORDER 1
TO
AGREEMENT BETWEEN
UNION SANITARY DISTRICT AND BROWN AND CALDWELL
FOR
PROFESSIONAL SERVICES
DATED JUNE __, 2014**

**UPPER HETCH HETCHY CORRIDOR SANITARY SEWER REHABILITATION
PROJECT
USD PROJECT No. 800-414**

1. PURPOSE

The purpose of this Task Order 1 is to authorize construction management services provided by Brown and Caldwell, hereinafter referred to as “Engineer” or “Construction Manager”, for the Upper Hetch Hetchy Corridor Sanitary Sewer Replacement Project hereinafter referred to as the “Project.” The Project is described in the construction contract documents prepared by and issued by the Union Sanitary District, hereinafter referred to as the “District.”

2. SCOPE OF SERVICES

Deliverables to be provided to the District are described under each task item, where applicable. For the purpose of estimating the required effort for this scope of services, the Engineer assumes construction shall be completed within 266 calendar days of Notice to Proceed, but no later than February 28, 2015.

Task 1. Construction Contract Administration

Provide the following construction contract administration services for the construction of the Project. For the purpose of estimating the effort required for this task, the Engineer assumes that this task shall be performed concurrent with Task 2 Field Services, and the effort therefore included therewith.

1.1 Establish and Maintain Coordination Procedures

Conduct a preconstruction conference to establish administrative procedures and implement a short-term schedule of activities for project mobilization. Identify to the Contractor the procedures for communications, submittals, requests for information or clarification, proposed contract modifications, scheduling and progress payment submissions, and other procedures as may be necessary for the project. Prepare and distribute minutes of the preconstruction meeting to attendees.

1.2 Partnering Workshops

The Construction Manager shall attend a Partnering Workshop to be conducted by the District with the objective of the effective completion of the project on schedule, within budget and in accordance with the Contract Documents in a cooperative rather than adversarial atmosphere.

1.3 Coordinate Construction Activities

The Construction Manager shall be the primary point of contact for work conducted in the field. Coordinate with the District regarding the contractor's activities and keep Owner informed of the progress of the Work, including as to the common objectives of timely completion within contract cost and quality of the constructed project.

1.4 Schedule, Conduct, and Document Project Meetings

On a weekly basis, schedule, chair, record minutes, and monitor the action items identified. Particular attention shall be given to construction progress, the contractor's 3-week look-ahead schedule, resolution of problems, coordination with other agencies, and status of submittals, RFIs, and Change Orders. Attendees shall include the Construction Manager and representatives from the Contractor, the District, and other affected parties.

1.5 Maintain Project Records and Documentation

Maintain detailed records of the project including daily logs, inspection reports, RFIs, clarification letters, submittals, potential change orders, photographs, measurements of quantities, schedules, and correspondence. Screen and process submittals received from the Contractor to the Design Consultant; receive submittals from the Design Consultant and return them to the Contractor. Maintain a record of items mentioned above in logs provided by the District or in an equivalent form provided by the Construction Manager. Maintain Construction Manager's working as-built drawings (per 2.7) to document changes in the field.

1.6 Status Reporting System

Provide weekly oral project progress reports to the District. Significant variances between planned and actual results shall receive appropriate attention and corrective action shall be recommended.

1.7 Negotiate Change Orders with the Contractor

Represent the District's interest in negotiation of change orders, as directed by the District. Obtain scope documentation from and consult with District on proposed changes. Estimate change order cost as necessary, and provide recommendations to the District. Track change order details on the Change Order Log.

1.8 Records Management

Maintain project records including correspondence, minutes of meetings, submittals, test reports and data, certificates, permits, certified payrolls, cost accounting records, status reports, daily inspection reports, specialty inspection reports, photographs, claims files, change orders, schedules and progress estimates, and other records as may be required.

1.9 District and Other Agency Relations

Establish and maintain communication and coordination with affected agencies, as directed by the District, and advise the District as to notifications received regarding the Contractor's adherence to permit requirements and other established agency requirements.

Construction Manager shall not provide legal advice, and any required expert witness services are considered additional services.

Task 2. Field Services

Establish, implement, and maintain quality assurance/control procedures, as described below in Task 2, for the construction work. For the purpose of estimating the effort for this task, the Engineer assumes Construction Manager labor hours at 8 hours per day for a total of 175 working days, Mondays to Fridays, from May 15, 2014 through February 28, 2015, which includes pre-construction and project completion activities. It is assumed that no work shall be performed during Saturdays, Sundays and Holidays.

2.1 Preconstruction Site Documentation

Prior to construction, assess the preconstruction surface conditions with Contractor and document the conditions of all street pavements, medians, sidewalks, curb and gutter, and adjacent structures. Pre-construction inspection and site condition documentation shall be conducted utilizing video recorder, photos, and notes.

2.2 Field Inspection

Inspect construction to monitor conformance of the Contractor's work with drawings and specifications. Report nonconformance and construction deficiencies to the Contractor and to the District. Work with the Contractor to develop and implement appropriate corrective actions.

Construction Manager shall not, as a result of such observations of Contractor's Work in progress, actually or be deemed to supervise, direct, or have control over Contractor's Work, nor shall Construction Manager have authority over or responsibility for the means, methods, techniques, sequences, or procedures of construction selected or used by Contractor, for security or safety at the Site, for safety precautions and programs incidental to Contractor's Work, nor for any failure of Contractor to comply with Laws and Regulations applicable to Contractor's furnishing or performing the Work. Accordingly, and consistent with the District's agreement with Contractor, Construction Manager is not a guarantor of the performance of any Contractor and does not assume responsibility for any Contractor failure to furnish or perform the Work in accordance with the Contract Documents.

2.3 Clarifications and Interpretations

Whenever there is a question of design intent requiring clarification or interpretation of the drawings and specifications, obtain the District's or District's design engineer's (Designer) clarification and/or interpretation and provide them to the Contractor.

2.4 Field and Laboratory Testing

Manage, coordinate, and schedule specialty inspections with the Contractor, District, all agencies having jurisdiction, and inspection/testing service providers.

2.5 Punch Lists

Near completion of the project, inspect finished products, restoration works, and other structures to determine the general quality of work and the work items that remain to be done, and review Contractor's record drawings. Based on these reviews and inspections, prepare corrective work lists for the Contractor to complete or repair. Update and monitor punch list item disposition until project closeout.

2.6 Visual Documentation

Take daily photographs and / or videotape of the construction activities to show the progress and quality of the work, including special and typical conditions encountered during construction. Provide copies to the District at the end of construction.

2.7 Record Drawings

Review and monitor monthly the Contractor's development and maintenance of working record drawings. At approximately 90 percent of Milestone completion, review the Contractor's working record drawings and advise the District as to the accuracy, thoroughness, and completeness based on site observation or information furnished by others. Construction Manager's review will not make Construction Manager responsible for Contractor's duty as to the production of record drawings, nor any errors or omissions in

such record drawings. Progress pay estimates to Contractor will be contingent upon the acceptability of its working record drawings. Upon completion of the project, retain the Contractor's working record drawings for use in preparing the formal record drawings to be provided to the District.

Task 3. Scheduling

Review and determine acceptability of the Contractor's construction schedule as well as schedule submittals, updates, time impact reports, and revisions in accordance with the Contract Documents. Review and distribute the 3-week look-ahead schedules prepared by Contractor to the Project Team. Evaluate progress payment requests and recommend payment to the Contractor based upon the Construction Manager's judgment of the value of work completed during the payment period and the requirements of the Contractor. Evaluate the impact of change orders on the construction schedule to recommend eligible time extensions.

Task 4. Cost Control

In conjunction with work in Task 2, establish, implement, and maintain cost monitoring and control procedures for the project.

4.1 Progress Pay Estimates

Review the Contractor's progress pay estimates for accuracy and completeness and incorporation of changes in cost and time, and determine the amounts that Construction Manager recommends Contractor be paid. The review shall be based, in part, upon the Contractor's monthly schedule update so that time and cost are in reasonable accord, the earned value in place, and materials on site are documented with substantiating invoices.

Task 5. Observation of Safety and Safe Practices

In concert with the Construction Manager's services under Task 2, Construction Manager shall perform the following activities as and when necessary.

Since Construction Manager's scope of work includes services during construction, District will require the Contractor to indemnify and hold harmless Construction Manager, its officers, employees, agents, and consultants against claims, suits, demands, liabilities, losses, damages, and costs, including reasonable attorneys' fees and all other costs of defense, arising out of the performance of the work of the contractor, breach of contract, or willful misconduct of the contractor or its subcontractors, employees, and agents.

Construction Manager shall verify by inspection that the Contractor has posted its safety program at locations identified in the specifications and required by regulations.

When requested by the District, Construction Manager shall communicate the District's concerns and requests relating to safety to the Contractor's Safety Officer.

Construction Manager shall provide documentation to the District of accidents when they occur, to the extent not required or provided by Contractor. Such documentation may include copies of daily inspection reports, photographs, and memoranda describing the accident.

Construction Manager shall inform the District when Construction Manager becomes aware of suspected safety violations. Notwithstanding, Contractor shall be responsible for Contractor's operations, and the health and safety of same, consistent with District's agreement with Contractor. While Construction Manager is not responsible for the Construction Contractor's Health and Safety policies or enforcement, to the extent the Construction Manager actually observes and recognizes a site condition as an imminent danger, Construction Manager is authorized to shut the project or a portion of the project down, and notify the District so the District can determine appropriate action.

Construction Manager shall confirm that the Contractor is conducting safety training on site by obtaining Contractor's safety training schedule for the project and verifying that the training is conducted.

The Construction Manager shall be trained and able to enter permit required and non-permit required confined space for the purpose of construction inspection.

The Construction Manager shall be knowledgeable of the District's safety procedures.

Task 6. Project Completion

The following subtasks shall be conducted to close out the project. For the purpose of estimating the effort required for this task, the Engineer assumes that this task shall be performed concurrent with Task 2 Field Services, and the effort therefore included therewith.

6.1 Final Inspection

Schedule and conduct substantial completion inspections, issue punch lists, review compliance. Advise the District, and schedule, conduct, and complete final inspection with the District. Assist in negotiation of unsettled changes or disputes. When final punch list items have been completed or resolved, recommend final acceptance to the District. Prepare a Certificate of Completion. Obtain from the Contractor and deliver to the District bonds, guarantees, operation and maintenance manuals, and record drawings.

6.2 Project Close Out

Prepare documentation recommending the acceptance of the complete project by the District. After completion of the project, turn over project documentation to the District in an orderly manner. Construction Manager shall maintain a warranty work file, and process final submittals including warranty certificates.

Task 7. Project Management

Project management subtasks are those necessary for the conduct of the resident engineering services, exclusive of the construction contract administration tasks identified in Task 2.

7.1 Monitor Progress

Establish and monitor time schedule, work force loading, and budget for the project.

7.2 Review the Work

Supervise project team and review the work performed.

7.3 Communications

Maintain communications with the District.

3. COMPENSATION

Payment to the Engineer shall be as called for in Article 2 of the Agreement and as modified herein. Compensation shall be on a cost plus professional fee basis. Reimbursable costs shall include (1) direct time-related labor charges (including direct salary costs, plus fringe benefits, plus indirect labor costs); (2) Associated Project Costs (APC) at \$8.00 per direct labor hour for office and at \$5.00 per direct labor hour for field based labor for the costs of in-house reproduction services, color printing, cell phone charges, long distance telephone calls, facsimile, postage, field office supplies and equipment, overnight and courier services, and CAD/Computer usage; (3) other (non-labor) direct expenses such as mileage and outside reproduction services; and (4) subconsultant services (including 5 percent mark-up). The professional fee will equal thirteen (13) percent of the direct time-related labor charges and shall serve as Engineer's profit for services rendered.

The cost ceiling, professional fee, and the maximum fee ceiling for Task 1 through 7 are presented in Exhibit A. Total charges to the District shall not exceed the schedule maximum fee ceiling of \$279,432 without written modifications of this Task Order, except as provided under Article 2.4 of the Agreement.

The following table summarizes all task orders and amendments, if any, including those previously executed under the Agreement, ending with this Task Order:

Task Order / Amendment	Not to Exceed Amount	Board Authorization Required? (Yes/No)	District Staff Approval
Task Order No. 1 Construction Management	\$279,432	Yes	Rich Currie
Total	\$279,432		

4. TIME OF COMPLETION

Work defined in Task Order 1 shall be completed within 30 calendar days following the initially scheduled construction contract completion date for the project.

5. KEY PERSONNEL

Key personnel assigned to Task Order 1 are as follows:

<u>Role</u>	<u>Personnel</u>
Principal-in-Charge Construction Manager Manager of Construction Services	Grace Chow Carlos Garcia Norm Settle

Key personnel shall not change except in accordance with Article 8 of the Agreement.

IN WITNESS WHEREOF, the parties hereto have made and executed this Task Order 1 as of June ___, 2014, and therewith incorporated it as part of the Agreement.

DISTRICT

ENGINEER

UNION SANITARY DISTRICT

BROWN AND CALDWELL

By: _____
Richard B. Currie
General Manager/District Engineer

By: _____
Grace C. Chow
Vice President

Revised Exhibit A

Union Sanitary District (CA) -- Upper Hetch Hetchy Sanitary Sewer																
Phase	Phase Description	Garcia, Carlos L. PM	Karthik, Jennifer PA	Chow, Grace C PIC	Settle, Norman F MSC	Adkins, Una H&S	Bucha, James A H&S	Total Labor Hours	Total Labor Effort	APC	Office Rental	Mileage	Total ODCs	Total Expense Cost	Total Expense Effort	Total Effort
	2014 Rates	\$ 174.04	\$ 83.13	\$ 248.70	\$ 180.24	\$ 90.80	\$ 216.14									
	2015 Rates	\$ 179.26	\$ 85.63	\$ 256.16	\$ 185.64	\$ 93.52	\$ 222.63									
001	Field Services	1,400	0	0	0	8	0	1,408	246,266	7,040	3,500	11,760	15,260	15,260	22,300	268,566
014	Field Services-2014	1,040	0	0	0	8	0	1,048	181,731	5240	3,500	8,804	12,304	12,304	17,544	199,275
015	Field Services-2015	360	0	0	0	0	0	360	64,535	1800	0	2,956	2,956	2,956	4,756	69,291
002	Project Management	0	40	8	24	4	1	77	10,250	616	0	0	0	0	616	10,866
014	Project Management-2014	0	32	8	22	4	1	67	9,194	536	0	0	0	0	536	9,730
015	Project Management-2015	0	8	0	2	0	0	10	1,056	80	0	0	0	0	80	1,136
	GRAND TOTAL	1,400	40	8	24	12	1	1,485	246,266	7,656	3,500	11,760	15,260	15,260	22,916	279,432

Estimated Cost Assumptions

Labor costs are calculated with a multiplier of 2.88

CM Hours are calculated as follows:

1. 16 hours for pre-construction photos and video
2. 8 hours for pre-construction-partnering meeting
3. 1376 hours for construction phase services as outlined in Task Order 1
4. 40 hours for project closeout.
5. Labor rates for 2015 will include a 3% escalation over 2014 labor rates

CM hours are also assumed to cover the period May 15, 2014 through project completion estimated to occur on February 28, 2015.

Construction Manager to provide most of the required inspections

Project close-out to be completed within the last week of construction contract completion

Field ODCs are for an meeting room rental \$3500 and vehicle mileage

APC = \$8.00 per labor hour for office

\$5.00 per labor hour for field



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard Currie
*General Manager/District
Engineer*

David M. O'Hara
Attorney

DATE: June 2, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Richard B. Currie, General Manager/District Engineer

SUBJECT: Agenda Item No. 10 - Meeting of May 27, 2014
Approve New Board Policy on Contributions and Endorsements

Recommendation

This policy was initially reviewed by the Board at the meeting of May 27. Staff has made proposed revisions and is presenting to the Board for review and approval.

Background

Periodically, the District receives requests to make charitable contributions or endorse candidates or legislative matters. It has been the practice of the District not to make contributions or endorsements. In order to clearly document the District's acceptable practices, it is recommended that the Board adopt a Policy to address this issue

Attached is the revised draft Policy for the Board's review and consideration.

Other Attachments:

Board Policy # 3030 – Boardmember Business Expenses
Board Policy # 3060 – Letters to the Media and Publically-Elected Officials

DRAFT

Union Sanitary District Policy and Procedure Manual

Effective: June 9, 2014	Contributions and Endorsements by Union Sanitary District	Policy Number 3XXX Page 1 of 2
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Policy

It is the Policy of Union Sanitary District not to make contributions to individuals, groups, businesses, or other entities, including charitable foundations, political candidates or political funds, or to endorse candidates or measures that do not directly relate to the business of the District.

Purpose

As responsible stewards of the Rate Payer's funds held by the Union Sanitary District, it is the responsibility of the Board of Directors and Management to ensure that monies or other resources spent by the District are appropriate to conducting the Business of the District and are not spent as gifts of public funds in accordance with California Constitution Article XVI, Section 6, and California Government Code Sections 8314 and 54964.

Definitions

Business of the District Work associated with providing for collection, treatment and disposal of wastewater, including connection to the system, regulation of discharges to the system and other valid public purpose associated with fulfilling the functions of the District as established in the Sanitary District Act of 1923, as amended.

Endorsement Acknowledgement that Union Sanitary District, a public agency, supports a candidate or supports or opposes a measure or piece of legislation that does not relate to the business or conduct of the business of the District.

Contributions Commitment of district funds, property, equipment or staff resources to entities or efforts that do not benefit the rate payers of the District or further the Business of the District

Mission of the District To safely and responsibly collect and treat wastewater for the Tri-Cities while protecting human health and improving the environment in a way that benefits our customers, employees and the community.

Procedure

No contributions will be made using District funds or resources that do not provide a direct and substantial benefit to the rate payers of the District, further the business of the District, or provide an identifiable secondary benefit to the District and its ratepayers as determined by legal counsel and approved by the Board.

Exceptions to the Policy are identified as follows:

- Gifts to employees in recognition for service to the District or achievement of strategic goals that further the Mission of the District.
- Gifts to employees in recognition of suggestions or contributions that provide benefit to the District or the customers of the District.
- Reimbursement of Expenses by Board members or employees per Board Policy 3030 or Policy 2050.
- Contributions required as mitigation of environmental impacts associated with District projects as required by Regulatory Authorities of the State of California or Federal Government or conditions of a legal settlement of a lawsuit under the federal Clean Water Act.
- Participation in Mutual Aid activities to assist other public agencies during a declared emergency or disaster.
- De minimus expenditures for day to day operations.
- Minimal time by staff associated with charitable activities conducted during normal work hours that involve solicitation or donation of individual employee contributions, but do not involve District contributions.
- Participation in activities that enhance the local environment or the quality of San Francisco Bay.
- Donation of surplus equipment in accordance with the Purchasing Policy of Union Sanitary District.
- Specific Findings made by Resolution of the Board of Directors and determined not to be in conflict with California Law as determined by the District's Legal Counsel.
- Individual Board members may endorse a candidate or support or oppose legislation or an initiative as an individual, not representing the Board of Directors per Policy 3060.

Management Responsibility

Ensure that no contributions are made to any individual, group, business or other entities in accordance with this policy.

Inform individuals, groups, businesses or other entities making a request for contributions or endorsements that Union Sanitary District policy prohibits such contribution or endorsement except as identified specifically in this Policy.

Board of Directors Responsibility

Ensure that no endorsements are made on behalf of the District as provided in this Policy.

Consult with legal counsel on interpretation of this Policy.

Review the Policy periodically to identify appropriate changes.

Administrative Information

Approved by Board of Directors:	June 9, 2014
Author/Owner:	Board of Directors
Reviewers:	General Manager, Board of Directors
Notify Person:	General Manager
Revision Frequency:	Every 3 Years
Next Review:	June 2017

**Union Sanitary District
Policy and Procedures Manual**

Effective 10/28/13	Boardmember Business Expense	Policy Number 3030.3 Page 1 of 3
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Policy

Boardmembers shall be compensated/reimbursed for actual and necessary expenses incurred in the performance of their official duties, subject to applicable Federal, State, and local laws and procedures established by the Board of Directors. Official expenses are limited to those which would be deductible business expenses under IRS regulations. If Boardmembers accept meals or gifts, the member must report them as gifts to elected officials in accordance with the state regulations Political Reform Act of 1974.

Purpose

To establish a uniform method for payment/reimbursement of business expenses incurred by Boardmembers in the performance of their duties.

Reimbursable occurrences

As indicated in Board Policy No. 3045, events qualifying for expense reimbursement include meetings, seminars, workshops, or conferences conducted by CASA, CSDA, NACWA, CWEA, WEF, WaterReuse, or EPA. In addition, attendance at State or Regional Water Quality Control Board meetings and ethics classes as required by Government Code § 53235 are qualifying events. Attending a USD sponsored school outreach event generally qualifies as a compensable meeting. If the function is conducted by any other organization, attendance and qualification for reimbursement must be approved by the Board in open session.

Costs which are reimbursable

Reimbursable business expenses include:

- a. **Lodging.** One night's lodging at the conference site or equal for each day's attendance at a meeting, provided the site is at least 60 miles from the District's Office. For alternate accommodations, if the conference room rate or the conference hotel is not available, Boardmembers will be reimbursed no more than the normal room rate for the conference hotel plus 10% at another hotel site. Reimbursement in excess of this amount must be approved by the Board of Directors.
- b. **Meals.** Meal reimbursement will be based on actual costs for which receipts are provided up to a maximum of \$75 per day with no individual meal exceeding \$40. Alcoholic beverages are not eligible for reimbursement.

- c. **Parking.** Parking reimbursement for airport parking will be based on using the economy lot or off-site parking. Valet parking at the conference venue will be reimbursed if no other parking option is available on site, or within one block of the hotel, or if there is a physical impediment requiring vehicle drop off at the hotel or conference site.
- d. **Rental Cars.** Board members will be reimbursed for all reasonable rental car expenses associated with travel to a conference or other qualifying event where personal vehicles are not used. Board members will share rental car expenses wherever practical. Rental car expenses will be reimbursed for only the days of the conference and up to one additional day if required due to travel arrangements.
- e. **Personal Vehicle usage.** Where a personal vehicle is used in lieu of air travel, Board members will be reimbursed actual mileage, or the sum of reasonable coach airfare + airport parking + shuttle or taxi to the event site + other transportation costs associated with air travel, whichever is less. Personal vehicle mileage will be reimbursed based on "Map Quest" mileage or a reasonable alternate route.
- f. **Air Fare and Other Transportation Costs.** Air fare reimbursement is restricted to reasonable, available "coach" class seating. Board members are encouraged to make travel plans early to take advantage of lower air fares. Other transportation costs will be reimbursed in accordance with existing policies for District employees.

Procedure

1. Boardmembers or the Assistant to the General Manager are to make arrangements for attending events, including but not limited to meetings and conferences.
2. Directors are encouraged to obtain the lowest commercial coach airfare whenever possible.
3. If prepayment is desired for travel, lodging, and/or conference registration, the Boardmember should check the "prepayment" box of the Expense Report form and forward it to the General Manager for review and authorization two weeks prior to the deadline to allow for check processing.
4. Reimbursement claims will be submitted on the Expense Report form, to be reviewed and approved by the General Manager. Forms will be submitted within 45 days after the expense was incurred and will include detailed receipts documenting each expense. These Expense Report forms will be reviewed by the Board quarterly. Quarterly expenditure reports will be part of the public record.
5. Members of the Board will use government and group rates offered by a provider of transportation or lodging services when available. For rental cars, reservations should be made through Enterprise Car Rental where USD has obtained special reduced rates. The Assistant to the General Manager can make arrangements.

6. Board members will provide a brief report on meetings attended (those paid for by the District) at the next regularly scheduled meeting of the Board.

Management Responsibility

The General Manager will be responsible for reviewing expense/reimbursement forms for consistency with the above policy. Any inconsistencies or irregularities shall be brought to the attention of the entire Board.

Supersedes Policy #3030 dated: 7/26/04, #3030.1 dated 1/23/06, 3030.2 dated 1/28/08, revised 9/13/10

Approved by Board of Directors: October 28, 2013

Reviewers: Board of Directors, General Manager, District's Attorney

Notify Person: General Manager

Review Frequency: Every 3 years

Next Review: October 2016

Union Sanitary District
Policy and Procedure Manual

Effective: 04/2013	Communication with the Media and Publicly-Elected Officials by Members of the Board of Directors	Policy Number 3060 Page 1 of 2
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Policy

Boardmembers are to seek prior approval from a majority of the Board of Directors when wishing to express a point of view that is representative of the Board.

When Boardmembers want to express their own personal opinions on matters pertaining to USD, they are to use caution to ensure that letters, electronic correspondence, or other communication with the media or publicly-elected officials are not construed to represent the “Board” or “Union Sanitary District” when written or communicated as an “individual.”

Purpose

The Board recognizes that individual Boardmembers are also members of the public and may want to express their own personal opinions on issues pertaining to USD, or correspond with media representatives or publicly-elected officials. The intent of this policy is to clarify the procedure for “individual” contact so that it is not mistaken as representing the view of the entire Board.

Definitions

Individual refers to a Boardmember acting as a “individual,” not as an official “District Representative.”

District Representative refers to a Boardmember acting in his/her role as a “member of the Board of Directors of Union Sanitary District”; i.e., the majority of the Board has formally authorized the Boardmember to speak on behalf of the Board of Directors.

Media refers to newspapers, magazines, television stations, or electronic news outlets, including on-line newspapers, blogs or social media sites.

Procedure

1. Letters, e-mails or other electronic correspondence, or other communications to the media or publicly-elected officials representing the Board of Directors, must be approved by a majority of the Board before being sent.
2. As a courtesy to other Boardmembers, a Boardmember writing in his/her capacity as an individual, should let other Boardmembers know of the pending communication with the media or publicly-elected officials. In this way, other Boardmembers are aware of the action.
3. Correspondence with the media or publicly-elected officials written by an “individual,” should not be signed as “Boardmember.”
4. Boardmembers may endorse a candidate for political office, or a ballot measure, and indicate their affiliation with the USD Board of Directors without obtaining prior approval of the Board. However, an individual may not make an endorsement on behalf of the entire Board or the District without prior approval.

Management Responsibility

The General Manager will be responsible for keeping all Boardmembers informed of media contacts made by Boardmembers when they are acting as a “District Representative.”

This revision supersedes the versions listed below, which are no longer effective.

Title	Policy #	Effective Date
Communication with the Media and Publicly Elected Officials by Members of the Board of Directors	3050	7/1991
Communication with the Media and Publicly Elected Officials by Members of the Board of Directors	3050	12/2000
Communication with the Media and Publicly Elected Officials by Members of the Board of Directors	3050	02/2008

Author/owner: General Manager
Approved by: Reviewed and Approved by Board April 22, 2013
Reviewers: Board of Directors, General Manager
Notify Person: General Manager
Review Frequency: Every 5 years
Next Review: April 2018

**UNION SANITARY DISTRICT
CHECK REGISTER
05/17/2014-05/30/2014**

Check No.	Date	Invoice No.	Vendor	Description	Invoice Amt	Check Amt
154147	5/22/2014	20140519	ALAMEDA COUNTY WATER DISTRICT	MISC SS SPOT REPAIRS PHASE V	\$120,000.00	\$120,000.00
154229	5/29/2014	20130178	COVELLO GROUP INC	THICKENER CONTROL BLDG INTERIM	\$879.46	\$62,041.45
	5/29/2014	201103326		THICKENER 3 AND 4 REHABILITATION	\$5,437.00	
	5/29/2014	201300814		COGENERATION PROJECT	\$55,724.99	
154153	5/22/2014	133671383	BASF CORPORATION	45,100 LB WATER TREATMENT POLYMER	\$52,347.57	\$52,347.57
154276	5/29/2014	2025209	WEST YOST & ASSOCIATES	NEWARK FLAT TOPS AREA SEWER RELOCATION	\$7,868.22	\$32,918.94
	5/29/2014	2025164		UPPER HETCH HECTCHY SS REHABILITATION	\$25,050.72	
154191	5/22/2014	380420140509	PACIFIC GAS AND ELECTRIC	SERV TO 04/30/14 CHERRY ST PS	\$148.40	\$29,722.60
	5/22/2014	013720140508		SERV TO 05/07/14 BOYCE RD PS	\$1,661.82	
	5/22/2014	140120140507		SERV TO 05/05/14 IRVINGTON PS	\$27.47	
	5/22/2014	170120140508		SERV TO 04/22/14 PLANT	\$27,884.91	
154221	5/29/2014	800347.13	ANDERSON PACIFIC ENG CONST INC	HEADWORKS AND EMERGENCY OUTFALL	\$21,620.00	\$21,620.00
154168	5/22/2014	901680788	EVOQUA WATER TECHNOLOGIES	4,620 GALS HYDROGEN PEROXIDE	\$21,449.74	\$21,449.74
154213	5/22/2014	3672	WATER WORKS ENGINEERS LLC	PRIMARY DIGESTER #5 REHABILITATION	\$15,175.36	\$15,175.36

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154230	5/29/2014	246799	CURTIS & TOMPKINS LTD	31 LAB SAMPLE ANALYSIS	\$2,335.00	\$12,555.00
	5/29/2014	246823		44 LAB SAMPLE ANALYSIS	\$570.00	
	5/29/2014	246778		35 LAB SAMPLE ANALYSIS	\$2,085.00	
	5/29/2014	246802		39 LAB SAMPLE ANALYSIS	\$2,500.00	
	5/29/2014	246783		38 LAB SAMPLE ANALYSIS	\$2,025.00	
	5/29/2014	246800		37 LAB SAMPLE ANALYSIS	\$1,705.00	
	5/29/2014	246779		18 LAB SAMPLE ANALYSIS	\$1,335.00	
154146	5/22/2014	140402214	AIRTECH MECHANICAL INC	REPAIRS ON BUILDINGS 70, 82 & 83	\$7,628.00	\$11,348.00
	5/22/2014	140402213		REPAIRS ON BUILDINGS 53, 67, 74 & 77	\$3,720.00	
154259	5/29/2014	140302	RAFTELIS FINANCIAL CONSULTANTS	SSC COST OF SERVICE STUDY	\$10,140.54	\$10,140.54
154208	5/22/2014	609567	UNIVAR USA INC	5,015 GALS SODIUM HYPOCHLORITE	\$2,359.11	\$9,432.21
	5/22/2014	614544		5,008 GALS SODIUM HYPOCHLORITE	\$2,355.82	
	5/22/2014	614684		5,013 GALS SODIUM HYPOCHLORITE	\$2,358.17	
	5/22/2014	610520		5,015 GALS SODIUM HYPOCHLORITE	\$2,359.11	
154189	5/22/2014	86420140502	DAVID M O'HARA ATTY AT LAW	GENERAL LEGAL - APR 14	\$6,993.00	\$7,938.00
	5/22/2014	97720140502		CIP LEGAL - APR 2014	\$945.00	
154271	5/29/2014	615529	UNIVAR USA INC	5,015 GALS SODIUM HYPOCHLORITE	\$2,359.11	\$7,077.80
	5/29/2014	615725		5,014 GALS SODIUM HYPOCHLORITE	\$2,358.64	
	5/29/2014	616668		5,017 GALS SODIUM HYPOCHLORITE	\$2,360.05	

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154212	5/22/2014	2842	VON EUW TRUCKING	25.25 TONS CRUSH & 48.23 TONS BASE ROCK	\$1,918.48	\$5,949.35
	5/22/2014	2818		70.81 TONS 3/4 CLASS II AB & 23.25 HRS END DUMP	\$4,030.87	
154247	5/29/2014	9017389580	KEMIRA WATER SOLUTIONS, INC.	8.11 DRY TONS FERROUS CHLORIDE	\$5,471.90	\$5,471.90
154180	5/22/2014	9017388928	KEMIRA WATER SOLUTIONS, INC.	7.98 DRY TONS FERROUS CHLORIDE	\$5,384.18	\$5,384.18
154155	5/22/2014	41457	BEECHER ENGINEERING	BOYCE ROAD LIFT STATION	\$3,840.00	\$5,160.00
	5/22/2014	41455		MCC REPLACEMENT - PHASE 2	\$1,320.00	
154227	5/29/2014	71476	CDW GOVERNMENT LLC	1 HP COLOR LASER JET ENT M750XH	\$4,902.03	\$4,902.03
154256	5/29/2014	880842	POLYDYNE INC	42,320 LBS CLARIFLOC WE-539	\$4,819.40	\$4,819.40
154190	5/22/2014	30363	OWEN EQUIPMENT SALES	1 EA ENZ 30.100, STANDARD CLEANING NOZZLE	\$4,598.84	\$4,598.84
154270	5/29/2014	1042111708	THYSSENKRUPP ELEVATOR CORP	MAINTENANCE MAY 2014-MAY 2015	\$4,008.96	\$4,008.96
154225	5/29/2014	414269	BRENNTAG PACIFIC, INC.	2564 LBS SODIUM HYDROXIDE	\$1,416.95	\$3,896.60
	5/29/2014	414268		4487 LBS SODIUM HYDROXIDE	\$2,479.65	
154196	5/22/2014	140430	PROSAFE	32 HRS INSPECTIONS & 4 HRS SPCC	\$3,600.00	\$3,600.00
154203	5/22/2014	4490007	TEKSYSTEMS	NRB SOFTWARE SUPPORT WKEND 04/18/14	\$3,452.80	\$3,452.80
154152	5/22/2014	7002111225	APPLIED INDUSTRIAL TECHNOLOGIE	ASTD PARTS & MATERIALS	\$747.51	\$2,610.96
	5/22/2014	7002133727		15 GOODYEAR BLUE PLIOVIC HOSE 1" 50 FT LONG	\$1,863.45	
154202	5/22/2014	6856	SOUTHERN WINE & SPIRITS	REFUND # 17182	\$2,500.00	\$2,500.00
154261	5/29/2014	17893	RMC WATER AND ENVIRONMENT	IRVINGTON BASIN SEWER MASTER PLAN UPDATE	\$2,418.05	\$2,418.05

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154148	5/22/2014	4017420220140506	ALAMEDA COUNTY WATER DISTRICT	SERV TO: 05/06/14 - FREMONT BLVD	\$31.95	\$2,399.71
	5/22/2014	4017275220140506		SERV TO: 05/06/14 - FREMONT BLVD	\$80.93	
	5/22/2014	4017274120140507		SERV TO: 05/06/14 - FREMONT BLVD	\$2,286.83	
154255	5/29/2014	405133	PACHECO BROTHERS GARDENING INC	WEED ABATEMENT WORK MAY 2014	\$915.00	\$2,280.00
	5/29/2014	405132		LANDSCAPE MAINTENANCE SERVICES MAY 2014	\$1,365.00	
154242	5/29/2014	8812947	HACH COMPANY	1 EA DO PROBE	\$1,977.22	\$1,977.22
154158	5/22/2014	528004	BRANOM INSTRUMENT COMPANY	4 METER RELAY 0-75 AMPS AC SCALE	\$1,971.00	\$1,971.00
154248	5/29/2014	2227947	LAB SUPPORT	TEMP LABOR-PATEL, N., WKEND 05/04/14	\$991.88	\$1,918.28
	5/29/2014	2227631		TEMP LABOR-ALBINO, E., WKEND 05/04/14	\$926.40	
154249	5/29/2014	18305032	LABOR READY	TEMP LABOR-PERRY R., WK END 05/02/14	\$1,020.36	\$1,901.60
	5/29/2014	18314026		TEMP LABOR-PERRY R., WK END 04/25/14	\$881.24	
154186	5/22/2014	24822215	MOTION INDUSTRIES INC	2 EA LOCKNUTS	\$16.27	\$1,882.95
	5/22/2014	24822908		1 EA SHEAVE & BUSHING	\$73.78	
	5/22/2014	24822390		1 EA BLADDER REPAIR KIT	\$664.60	
	5/22/2014	24822056		2 EA HI-BOL BALL BRG.MTD.UNITS	\$143.04	
	5/22/2014	24822746		25 EA OIL SEALS	\$8.41	
	5/22/2014	24822023		1 EA BEARING ASSEMBLY	\$615.37	
	5/22/2014	24822323		4 EA SRDG BALL BRGS	\$361.48	

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154253	5/29/2014	86374317	MCMASTER SUPPLY INC	1 EA THROUGH-WALL FITTING	\$81.56	\$1,757.56
	5/29/2014	86599905		ASTD PARTS & MATERIALS	\$1,246.34	
	5/29/2014	86241172		1 EA DIN-RAIL MOUNT AC TO DC TRANSFORMER	\$58.06	
	5/29/2014	86384552		ASTD PARTS & MATERIALS	\$103.60	
	5/29/2014	86535235		2 EA LONG-LIFE MEDIUM-AMP RELAYS	\$175.61	
	5/29/2014	86418334		1 EA HIGH-TEMPERATURE BRAIDED AIR & WATER HOSE	\$92.39	
154182	5/22/2014	2225451	LAB SUPPORT	TEMP LABOR-PATEL, N., WKEND 04/27/14	\$750.38	\$1,676.78
	5/22/2014	2225682		TEMP LABOR-ALBINO, E., WKEND 04/27/14	\$926.40	
154164	5/22/2014	20140425.25	DALE HARDWARE INC	05/14 - ASTD PARTS & MATERIALS	\$1,597.34	\$1,597.34
154179	5/22/2014	5272	IRON MOUNTAIN	OFF-SITE STORAGE AND SERVICE - APR 2014	\$287.28	\$1,582.54
	5/22/2014	9604		OFF-SITE STORAGE AND SERVICE - APR 2014	\$1,295.26	
154154	5/22/2014	758022	BAY AREA NEWS GROUP EAST BAY	AD: TRI CITY INDUSTRIES	\$1,492.13	\$1,492.13
154269	5/29/2014	4499744	TEKSYSTEMS	NRB SOFTWARE SUPPORT WKEND 04/25/14	\$1,381.12	\$1,381.12
154211	5/22/2014	537786	VINCENT ELECTRIC MOTOR CO	BALANCE FAN ASSEMBLY	\$1,274.32	\$1,274.32
154174	5/22/2014	9415299065	GRAINGER INC	3 BOXES BURN GEL	\$73.46	\$1,270.04
	5/22/2014	9412467517		1 EA ULTRASONIC CLEANER	\$881.54	
	5/22/2014	9414120361		1 EA ALUMINUM MOUNTING BOX	\$121.36	
	5/22/2014	9415215301		12 EA FOLDING KNIVES	\$193.68	
154206	5/22/2014	7465	TERMITE BUSTERS	TERMITE CONTROL CYANIDE ROOM LAB	\$1,265.00	\$1,265.00

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154185	5/22/2014	85347306	MCMASTER SUPPLY INC	4 EA STEEL BALL SOCKETS	\$14.84	\$1,262.10
	5/22/2014	86126280		2 EA MULTIPURPOSE 6061 ALUMINUM	\$120.51	
	5/22/2014	85231728		100 FEET PVC TUBING	\$277.02	
	5/22/2014	86151325		4 EA LIGHT-WEIGHT PLASTIC HOSE	\$12.86	
	5/22/2014	84692094		1 EA COMPACT TIME & DAY ACTIVATED SWITCH	\$61.16	
	5/22/2014	85082819		ASTD PARTS & MATERIALS	\$775.71	
154175	5/22/2014	3H3215	HARRINGTON INDUSTRIAL PLASTICS	1 EA STRAINER BASKET	\$420.47	\$1,257.99
	5/22/2014	3H3251		ASTD PVC PARTS & MATERIALS	\$537.76	
	5/22/2014	3H3329		1 EA VALVE DIAPHRAGM	\$299.76	
154200	5/22/2014	2402916002	S & S SUPPLIES & SOLUTIONS	15 LANTERN BATTERY COIL SPRING TOP	\$36.14	\$1,100.22
	5/22/2014	2411355002		ASTD SAFETY SUPPLIES - GLOVES	\$1,029.15	
	5/22/2014	2402916005		11 PR AZTEC BROWN SAFETY GLASSES	\$34.93	
154193	5/22/2014	32614	PEAK SOLAR PERFORMANCE INC	SOLAR PANEL CLEANING	\$1,075.20	\$1,075.20
154223	5/29/2014	3HR31	BAY AREA AIR QUALITY MGMT DIST	ANNUAL PERMIT A1702 RNWL 6/14-6/16	\$535.00	\$1,070.00
	5/29/2014	3HR33		ANNUAL PERMIT A2737 RNWL 6/14-6/16	\$535.00	
154220	5/29/2014	140502227	AIRTECH MECHANICAL INC	SERVICE CALL: BLDG 83 AC #M-5	\$335.00	\$1,055.90
	5/29/2014	140502215		SERVICE CALL: BLDG 82 TS MANAGER OFFICE	\$720.90	

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154274	5/29/2014	8057583927	VWR INTERNATIONAL LLC	3 ALARM TIMER 4-CHANNEL	\$66.72	\$1,025.68
	5/29/2014	8057511263		CREDIT 1 BX PIPET TD CLASSA GRN 2ML	\$-182.36	
	5/29/2014	8057607839		1 DIPHENYLCARBAZONE-BROMO/BL 4OZ	\$21.25	
	5/29/2014	8057583926		1 PROBE THRMO 0-90C 12DX110LMM	\$247.05	
	5/29/2014	8057598554		3 PKS MICROFIBRE GLS GF 12.5CM	\$873.02	
154156	5/22/2014	7219.2	BEYOND PLUMBING	REFUND # 17195	\$500.00	\$1,000.00
	5/22/2014	7219		REFUND# 17194	\$500.00	
154192	5/22/2014	7367.2	PAYLESS PLUMBING & SEWER	REFUND # 17187	\$500.00	\$1,000.00
	5/22/2014	7367		REFUND # 17186	\$500.00	
154233	5/29/2014	7374.1	E Z PLUMBING	REFUND # 17210	\$500.00	\$1,000.00
	5/29/2014	7374.2		REFUND # 17211	\$500.00	
154252	5/29/2014	23588	MAR-LEN SUPPLY INC	REPAIR STEAM CLEANER/PRESSURE WASHER	\$995.75	\$995.75
154214	5/22/2014	31533	WECO INDUSTRIES LLC	1 REMOTE PLACEMENT 12" VARIABLE FLOW CONTROL PLUG	\$967.06	\$967.08
154244	5/29/2014	601131892	HILLYARD/SAN FRANCISCO	ASTD JANITORIAL SUPPLIES	\$471.70	\$960.30
	5/29/2014	601131891		1 CS DEB NAT PWR WASH SPCLIST HD CLNR	\$203.49	
	5/29/2014	601134560		1 CS PAPER PLATES; 2 CS DISH SOAP	\$285.11	
154205	5/22/2014	559261370	TELEPACIFIC COMMUNICATIONS	WIRELESS INTERNET BACKUP - MAY	\$960.00	\$960.00
154161	5/22/2014	43589	COKER PUMP AND EQUIPMENT	1 LIQUIFLO REPAIR KIT	\$940.33	\$940.33
154162	5/22/2014	20140429	COMMUNICATION & CONTROL INC	UTILITY FEE/ANTENNA RENTAL	\$903.51	\$903.51

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154254	5/29/2014	140541	METROMOBILE COMMUNICATIONS INC	RADIO SERVICE AGREEMENT - MAY 2014	\$879.40	\$879.40
154263	5/29/2014	2401260001	S & S SUPPLIES & SOLUTIONS	REPAIR SALA WENCH	\$669.64	\$775.42
	5/29/2014	2402916006		2 PRS KNEE BOOTS & 1 PR SAFETY GLASSES	\$105.78	
154145	5/22/2014	9918155170	AIRGAS NCN	CYLINDER RENTAL	\$752.13	\$752.13
154262	5/29/2014	1099532	ROCHESTER MIDLAND CORPORATION	HOT WATER LOOP SERVICE	\$685.90	\$685.90
154258	5/29/2014	117002	R-2 ENGINEERING INC	2 PACKING GLAND HALF MOYNO	\$678.70	\$678.70
154188	5/22/2014	9882027	CITY OF NEWARK	2 EA ENCROACHMENT PERMITS - NEWARK	\$665.00	\$665.00
154236	5/29/2014	9436	FREMONT EXPRESS COURIER SVC	COURIER SERVICES: APR 2014	\$660.00	\$660.00
154204	5/22/2014	20034866	TELEDYNE ISCO INC	1 TUBING VINYL 3/8 X 500 FT	\$361.46	\$631.60
	5/22/2014	20034866		1 TUBING VINYL 1/4 X 500 FT	\$270.14	
154159	5/22/2014	32229	CLAREMONT BEHAVIORAL SERVICES	JUN 2014 EAP PREMIUM	\$621.00	\$621.00
154207	5/22/2014	58463957	ULINE INC	2 PKS TYVEK TAG-WIRED	\$611.36	\$611.36
154194	5/22/2014	20140520	PETTY CASH	PETTY CASH REPLENISHMENT	\$581.32	\$581.32
154222	5/29/2014	5353001	AT&T	SERV: 04/01/14 - 04/30/14	\$566.31	\$566.31

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154157	5/22/2014	10219590	BLAISDELL'S	ASTD OFFICE SUPPLIES	\$17.82	\$550.79
	5/22/2014	10219870		ASTD OFFICE SUPPLIES	\$68.81	
	5/22/2014	10220080		ASTD OFFICE SUPPLIES	\$68.84	
	5/22/2014	10219880		ASTD OFFICE SUPPLIES	\$5.97	
	5/22/2014	10222500		5 EA DIPLOMA FRAME	\$29.07	
	5/22/2014	10224470		4 BX CLASP ENVELOPES	\$31.19	
	5/22/2014	10225480		ASTD OFFICE SUPPLIES	\$172.83	
	5/22/2014	10221900		ASTD OFFICE SUPPLIES	\$35.12	
	5/22/2014	C10219870		CREDIT 1 WHITE BOARD	\$-18.60	
	5/22/2014	10219350		1 PK INDEX DIVIDERS	\$10.23	
	5/22/2014	10224691		3 DOCUMENT FRAMES	\$55.81	
	5/22/2014	10223520		ASTD OFFICE SUPPLIES	\$55.10	
	5/22/2014	10224690		1 DOCUMENT FRAME	\$18.60	
154171	5/22/2014	119747	FASTENAL	ASTD PARTS & MATERIALS	\$260.55	\$545.64
	5/22/2014	119794		ASTD PARTS & MATERIALS	\$285.09	
154215	5/22/2014	1204520444	WRA ENVIRONMENTAL CONSULTANTS	FORCE MAIN CONSTRUCTION	\$540.14	\$540.14
154163	5/22/2014	20140519	RICHARD CORTES	EXP REIMB: CLASS REG/PORTFOLIO/WEF BOOK	\$506.91	\$506.91
154216	5/29/2014	61646	3T EQUIPMENT COMPANY INC	24 STUDDER TIRE FOR UNIVERSAL HUB	\$501.18	\$501.18
154150	5/22/2014	7358	ALPHA OMEGA PLUMBING INC	REFUND # 17193	\$500.00	\$500.00

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154166	5/22/2014	7119	JOHN DU	REFUND # 17199	\$500.00	\$500.00
154181	5/22/2014	7208	ANIL KESWANI	REFUND # 17192	\$500.00	\$500.00
154183	5/22/2014	7340	LALO'S SEWER & DRAIN	REFUND # 17197	\$500.00	\$500.00
154187	5/22/2014	7293	MR. ROOTER - SAN JOSE	REFUND # 17196	\$500.00	\$500.00
154195	5/22/2014	7371	PLUMBING CONNECTION	REFUND # 17202	\$500.00	\$500.00
154232	5/29/2014	7380	DRAINLINE SEWER SPECIALIST	REFUND # 17213	\$500.00	\$500.00
154234	5/29/2014	7169	JASON EGGERT	REFUND # 17209	\$500.00	\$500.00
154250	5/29/2014	9964	LOOKINGPOINT INC	MONTHLY PREMIER SUPPORT - MAY 2014	\$500.00	\$500.00
154278	5/29/2014	73867599	XEROX CORPORATION	MTHLY MAINTENANCE BASED ON USE	\$18.45	\$492.37
	5/29/2014	73970009		MTHLY MAINTENANCE BASED ON USE	\$335.06	
	5/29/2014	73867600		MTHLY MAINTENANCE BASED ON USE	\$13.66	
	5/29/2014	73867602		MTHLY MAINTENANCE BASED ON USE	\$125.20	
154257	5/29/2014	20140528.1	MICHELLE POWELL	EXP REIMB: CAPIO ANNUAL CONFERENCE	\$409.70	\$448.44
	5/29/2014	20140528.2		EXP REIMB: CAPIO ANNUAL CONFERENCE	\$38.74	
154177	5/22/2014	515550	HULBERT LUMBER SUPPLY	ASTD LUMBER SUPPLIES	\$434.00	\$434.00
154228	5/29/2014	44805	CITYLEAF INC	PLANT MAINTENANCE - MAY 2014	\$429.65	\$429.65
154151	5/22/2014	20140521	AMERICAN PAYROLL ASSOCIATION	CLASS REG: S. WEST	\$429.00	\$429.00
154237	5/29/2014	116520770	FREMONT URGENT CARE CENTER	5 HEARING TESTS/1 DOT PHYSICAL/1 NEW HIRE PHYSICAL	\$429.00	\$429.00
154231	5/29/2014	109A1	DCM CONSULTING INC	DUMBARTON TRANSIT-ORIENTED DEV & USD FORCE MAINS	\$420.00	\$420.00

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154224	5/29/2014	10230370	BLAISDELL'S	ASTD OFFICE SUPPLIES	\$32.00	\$418.93
	5/29/2014	10233680		1 BX LTR PAPER	\$26.27	
	5/29/2014	10229440		ASTD OFFICE SUPPLIES	\$117.66	
	5/29/2014	10233330		1 10-KEY CALCULATOR	\$131.38	
	5/29/2014	10232900		6 DOCUMENT FRAMES	\$111.62	
154277	5/29/2014	2134980	WHAT'S HAPPENING INC	AD NAME: CONGRATS TO TRI-CITY INDUSTRIES	\$415.00	\$415.00
154268	5/29/2014	20140506	TAX RELATED SERVICES	ANALYSIS OF PROVIDED MEALS TAXATION	\$400.00	\$400.00
154275	5/29/2014	20140522	JANINNE WARD	EXP REIMB: SOCIAL COMMITTEE FAIR TICKETS	\$400.00	\$400.00
154198	5/22/2014	8200000007406	RED WING SHOE STORE	SAFETY SHOES - CZAPKAY & CHAPARRO	\$379.39	\$379.39
154238	5/29/2014	1186412703	GLACIER ICE COMPANY INC	107 EA 7-LB BAGS OF ICE	\$182.16	\$358.80
	5/29/2014	1179410803		138 EA 7 POUND BAGS OF ICE	\$176.64	
154241	5/29/2014	9419742243	GRAINGER INC	1 EA JUMBO DRUM	\$324.60	\$324.60
154172	5/22/2014	223761	CITY OF FREMONT	UPPER HETCH HECTCHY SS REHABILITATION	\$324.20	\$324.20
154251	5/29/2014	20140526.1	DUNG LU	EXP REIMB: MILEAGE FOR CALLOUT	\$57.38	\$321.07
	5/29/2014	20140526.2		EXP REIMB: ACCESS TRAINING - SACRAMENTO	\$263.69	
154267	5/29/2014	20140527	RUFUS TAI	TUITION REIMB - SPRING SEMESTER 2014	\$294.05	\$294.05
154217	5/29/2014	2693	AERUS ELECTROLUX	6 GAL TURBO SHAMPOO	\$285.92	\$285.92
154170	5/22/2014	20140519	YIN FANG	EXP REIMB: CWEA CONFERENCE REG	\$275.00	\$275.00
154266	5/29/2014	4496	SKIL-PAINTING INC	SANDBLAST FORKLIFT RACK & TOOL BOX	\$275.00	\$275.00

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154167	5/22/2014	1070	ELITE ANALYTICAL LABORATORIES	2 LAB SAMPLE ANALYSIS	\$270.00	\$270.00
154178	5/22/2014	775809	INTERNATIONAL PAINT LLC	ASTD PAINT SUPPLIES	\$230.93	\$230.93
154218	5/29/2014	60894	AIR & TOOL ENGINEERING COMPANY	REPAIR CHIPPING GUN	\$205.75	\$205.75
154199	5/22/2014	1690000008447	RED WING SHOE STORE	SAFETY SHOES - ANDERSON	\$185.00	\$185.00
154160	5/22/2014	156577	CLARK'S HOME AND GARDEN INC	1.5 CAL GOLD FINES	\$112.82	\$181.49
	5/22/2014	156567		1 FIR BARK MEDIUM	\$68.67	
154197	5/22/2014	11007	R & S ERECTION OF S ALAMEDA	PM SERVICE ON GATE	\$180.05	\$180.05
154264	5/29/2014	85340220140520	SAN FRANCISCO WATER DEPT	SERVICE 04/18/14 TO 05/19/14	\$179.85	\$179.85
154272	5/29/2014	25278	VALLEY OIL COMPANY	50 TUBES CHEVRON MULTIFAK #2	\$164.25	\$164.25
154246	5/29/2014	9442	IRON MOUNTAIN	CREDIT FOR PAST STORAGE FEES FOR DESTROYED BOXES	\$-97.98	\$129.60
	5/29/2014	200275211		DATA/MEDIA OFF-SITE STORAGE - APRIL 2014	\$227.58	
154173	5/22/2014	20140515	ROSLYN FULLER	EXP REIMB: MEETING REG & MILEAGE	\$120.07	\$120.07
154265	5/29/2014	824153541	SHARP BUSINESS SYSTEMS	MTHLY MAINTENANCE BASED ON USE	\$115.71	\$115.71
154149	5/22/2014	5096134	ALL INDUSTRIAL ELECTRIC SUPPLY	2 HEATERS	\$85.60	\$85.60
154243	5/29/2014	3H3459	HARRINGTON INDUSTRIAL PLASTICS	ASTD COUPLINGS	\$43.93	\$73.40
	5/29/2014	3H3458		10 EA 1 1/12" BUSHINGS	\$29.47	
154273	5/29/2014	20140528	AUDREY VILLANUEVA	EXP REIMB: OUTREACH VIDEO FILMING	\$72.77	\$72.77
154201	5/22/2014	20140522	JENNIFER SIO-KWOK	EXP REIMB: LUNCH EC INSPECTOR QAI PANEL	\$69.35	\$69.35
154165	5/22/2014	20140519	KATHRYN DESTAFNEY	EXP REIMB: RECRUITMENT PANEL SNACKS & LUNCH	\$63.14	\$63.14

**UNION SANITARY DISTRICT
CHECK REGISTER
05/17/2014-05/30/2014**

Check No.	Date	Invoice No.	Vendor	Description	Invoice Amt	Check Amt
154219	5/29/2014	9027286371	AIRGAS NCN	REPAIR TORCH REG MIG GUN HOSE	\$59.95	\$59.95
154260	5/29/2014	64956	REMOTE SATELLITE SYSTEMS INT'L	IRIDIUM SVC FEE JUNE 2014	\$48.95	\$48.95
154240	5/29/2014	73945	GORILLA METALS	ASTD METAL, STEEL, STAINLESS, AND ALUMINUM	\$46.38	\$46.38
154176	5/22/2014	15305	HAYWARD PIPE AND SUPPLY	42 FEET 3/4" PIPE	\$43.14	\$43.14
154209	5/22/2014	9853174.0	UPS - UNITED PARCEL SERVICE	SHIPPING CHARGES W/E 04/26/14	\$41.36	\$41.36
154184	5/22/2014	77719393	MATHESON TRI-GAS INC	CYLINDER RENTAL - APRIL 2014	\$33.10	\$33.10
154226	5/29/2014	33660	STATE OF CALIFORNIA	1 NEW HIRE FINGERPRINTS	\$32.00	\$32.00
154235	5/29/2014	119822	FASTENAL	ASTD PARTS & MATERIALS	\$29.88	\$29.88
154189	5/22/2014	114422	EXAMINETICS	ANNUAL HEARING & RESPIRATORY TEST	\$19.75	\$19.75
154210	5/22/2014	9724389266	VERIZON WIRELESS	WIRELESS SERV 04/02/14-05/01/14	\$14.04	\$14.04
154245	5/29/2014	5459586	HOSE & FITTINGS ETC	2 EA 6 C5OX-S	\$13.84	\$13.84
154239	5/29/2014	1841066669	GOODYEAR COMM TIRE & SERV CTRS	FUEL SURCHARGE FEE	\$5.00	\$5.00

Invoices:

Credit Memos :	3	-298.94
\$0 - \$1,000 :	164	53,063.71
\$1,000 - \$10,000 :	50	140,104.88
\$10,000 - \$100,000 :	8	229,393.83
Over \$100,000 :	1	120,000.00
Total:	226	542,263.48

Checks:

\$0 - \$1,000 :	83	34,248.52
\$1,000 - \$10,000 :	40	118,695.76
\$10,000 - \$100,000 :	10	269,319.20
Over \$100,000 :	1	120,000.00
Total:	134	542,263.48



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard B. Currie
General Manager
District Engineer

David M. O'Hara
Attorney

DATE: June 3, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Richard Currie, General Manager/District Engineer
Rich Cortes, Business Services Manager
Maria Scott, Principal Financial Analyst

SUBJECT: Agenda Item No. 12b — Meeting of June 9, 2014
Information Item: **Audit Committee Meeting Report of May 22, 2014**

PRESENT: Jennifer Toy, Tom Handley, Rich Currie, AJ Major (VTD), Rich Cortes, Maria Scott

- Minutes from the 11/22/13 meeting were reviewed.
- VTD explained the engagement letter, noting that one of the main purposes of the letter is to mitigate litigation against auditors. It also spells out the standards that auditors are to follow. VTD stated that the engagement letter is not a contract.
- VTD reviewed upcoming applicable GASB Pronouncements for FY14, particularly GASB 65 (Items Previously Reported as Assets and Liabilities). The main impact for USD will be new sections on the financial statements with minor changes in naming conventions, e.g. Deferred Inflows or Outflows of Resources.
- GASB 67 and 68 (Accounting and Financial Reporting for Pensions) will apply for FY15. The details of GASB 68 are still being hashed out with the American Institute of CPAs (AICPA).
- Other issues – Group Audit
 - In FY13, VTD reviewed EBDA's FY13 draft audit report, but our equity adjustment entry was based on FY12 numbers. This is the practice we have been following, but auditors would prefer that we use the same fiscal year information instead of data that is one year in arrears.
 - Staff will continue to work with the EBDA to ensure timely audits for all five agencies, and will work to get member agencies to submit final billings earlier in order to complete the EBDA audit sooner.
- Statement on Auditing Standards (SAS) No. 99 and No. 114 discussion with Audit Committee members only.

Communications to Board:

Summarize above items.

Next Meeting:

Fall 2014.



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard B. Currie
*General Manager/
District Engineer*

David M. O'Hara
Attorney

DATE: May 29, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Richard B. Currie, General Manager/District Engineer
Rich Cortes, Business Services Manager
Maria Scott, Principal Financial Analyst

SUBJECT: Agenda Item No. 12c - Meeting of June 9, 2014
Information Item: **Preliminary Operating and Capacity Fund Budgets
for Fiscal Year 2015**

Recommendation

Review Preliminary Operating and Capacity Fund Budgets for FY 2015 and direct staff to present the final version at the June 23, 2014 Board meeting, including the setting of the annual Sewer Service Charges and Capacity Fees for FY 2015.

Background

Attached for your review are the Preliminary Operating and Capacity Fund budgets for FY 2015. These budgets reflect the Board's input and information presented at the Budget workshop on April 21st. The budget reflects 1) increasing the existing Sewer Service Charge for all customer categories by 5.7%. This would increase the Single Family Dwelling unit to \$357.02 and the Multi Family Dwelling rate to \$315.25. Commercial and Industrial unit rates would increase 5.7% as well, 2) increasing the Capacity fees 5.0% to \$5,595.66 per equivalent dwelling unit and increasing commercial and industrial unit rates 5.0% as well, 3) increasing the Net Operating Budget 0.77%.

This document for FY15 reflects four significant changes since the April 21st workshop:

- 1) Operating (T&D) – Chemical costs - \$10,000 reduction.
- 2) Operating (T&D) – EBDA expense reduction - \$13,000.
- 3) Operating (T&D) – Increase in plant electricity of \$146K, due to delay in Cogen project.
- 4) Retiree Medical Fund – Increase in ARC of \$65,645, based on recent actuarial results.

Attached are schedules supporting the budget including brief comments.

Attachments

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**SUMMARY & COMMENTS
FISCAL YEAR 2015 BUDGET**

This summary and comments section addresses the proposed budget and rates for Fiscal Year 2015.

10-YEAR FINANCIAL PLAN

Rates: Increase by 5.7% the existing Sewer Service Charge for Single Family Dwelling (SFD) to \$357.02 and \$315.25 for Multi-family Dwelling (MFD). Sewer Service Charge ordinance rates will increase by 5.7% in 2015. A Proposition 218 notice to reflect an increase for FY14-FY16 of 5.7% each year was mailed to property owners in April 2013. Increases are projected for the following several years, but will be reviewed and analyzed annually.

PERS retirement investment losses from 2008-2009 have adversely impacted employer rates. Rates are expected to increase dramatically in the next five years, due to assumption changes and prior year losses. Projected rates for FY 2015 and FY 2016 are 17.41% and 18.7%, respectively. The employee paid portion of the employer rate will gradually increase as well.

Capacity fees are projected to increase by 5% to \$5,595.66 in FY 2015 and reviewed annually. A comprehensive capacity fee study was completed in FY 2010 and the results have been incorporated into the FY 2015 budget.

Financing: The District will fund capital projects by a combination of pay-as-you-go and debt financing (State Revolving Fund Loans).

SEWER SERVICE FUND REVENUES **FY 2015 Revenues & Proceeds: \$52,195,161**

Revenue and Transfers:

- The principal revenue for the Operating Fund is from the annual sewer service charges of \$47.5 million in FY 2015.
- Interest and other income (\$4.7 million) includes \$210,000 in interest, \$845,000 in Operating revenue from the City of Fremont Urban Runoff program, East Bay Dischargers Authority (EBDA) revenue, inspection/plan check fees; \$76,000 from Livermore Amador Valley Water Management Agency (LAVWMA), \$189,200 from PG&E in carport and Irvington solar panel rebates (until 2017), and \$38,000 from the sale of surplus equipment. The District will also receive \$845,000 in SGIP rebates from the Cogeneration project.
- The District is anticipating total receipts of \$2,542,500 in SRF loan proceeds for the Thickener project for the sewer service charge fund in FY 2015.

SEWER SERVICE FUND EXPENSE **FY 2015 Expense: \$51,193,011**

Each component of the Sewer Service Fund expense is described below:

- Operating Budget: FY 2015 Expense: \$32,421,081

The Operating Fund contains expenditures required for the day-to-day operation of the District, including maintenance, regulatory activities, engineering, and administration. The net Operating budget will increase 0.77% in FY 2015.

- **Special Projects** FY 2015 Expense: \$1,708,478

This fund includes non-routine expenses such as one-time studies, hiring of consultants, and new programs where the long-term financial impact, if any, is not known. Major FY 2015 expenses by categories include: Administrative and Regulatory \$172,000, Hayward Marsh Projects, \$164,410; Studies and other projects include Corrosion Control & Pretreatment Chemical Study, \$100,000; Irvington Basin Master Plan Update, \$200,000; Pump Station Master Plan, \$150,000; Water Recycling & Conservation Plan, \$220,000, and Odor Control System Evaluation, \$100,000.

- **Retiree Medical Benefits** FY 2015 Expense: \$543,540

The District began to transfer Retiree Assets to the CalPERS trust (CERBT) in FY 2009. For FY 2015, the annual required contribution (ARC) based on the recently completed 7/1/13 actuarial study will be \$543,540.

- **Renewal & Replacement - Vehicle and Equipment** FY 2015 Expense: \$1,017,000

Vehicles and equipment that are scheduled to be replaced due to age or obsolescence are purchased through this fund. The provision is based on a 10-year replacement schedule and expense projection. Major expenses include eight pickup trucks, \$338,500, two construction trucks and one dump truck planned but not purchased in FY14, \$315,000 and \$145,000, respectively, and three hybrid sedans, \$108,000. The provision is \$589,900 for FY 2015.

- **Renewal & Replacement - Information System** FY 2015 Expense: \$1,216,000

This fund replaces major information systems hardware and software. The provision is \$800,000 for FY 2015. Major projects include the new Time and Attendance System, \$200,000, SCADA Upgrade, \$150,000. IT/PBX and Security Replacements, \$311,000, as identified in the latest IT Master Plan.

- **Renewal & Replacement – Plant & Pump Station** FY 2015 Expense: \$250,000

This fund is for the purchase of Plant equipment that is scheduled to be replaced due to age or obsolescence, as well as unplanned replacement costs. The provision for FY 2015 is \$250,000 and expenses include replacing valve actuators, parts washer, and overhaul of #1 centrifuge, overhaul of #1 NPS pump, and replacing pumps; Purchase of spare PWAS pump.

- **Emergency Fund** FY 2015 Expense: \$0

The District established the Emergency Fund in FY 2008. The purpose of this fund is to mitigate the financial impact of an emergency or catastrophic event. The provision for FY 2015 will be \$750,000.

- **Structural Renewal and Replacement** FY 2015 Expense: \$13,923,212

The proposed Capital Improvement Program projects of \$11,722,500 for FY 2015 are included in this fund. In addition, the fund will pay SRF loan payments of \$681,000 for the Irvington Equalization Storage Facility project, \$108,000 for the Willow/Central Ave. project, \$343,000 for Newark Pump Station, \$140,000 for the Lower Hetch Hetchy project, \$127,000 for the Cedar Blvd project, \$157,000 for the Substation 1 project, \$444,000 for the Primary Clarifier project, and \$202,000 for the Boyce Road project. The provision will be approximately \$12,699,000. A detailed CIP schedule is included with this document.

- Pretreatment Fund FY 2015 Expense: \$7,000

Expenses are for supplies, equipment and training that support the Pretreatment Program and Ordinance No. 36. There is no sewer service charge provision for this fund.

- Miscellaneous Expense FY 2015 Expense: \$106,000

The District pays Alameda County an annual fee for administration and sewer service charge collection through the tax rolls, based on the number of parcels.

SEWER SERVICE FUND RESERVES

- Approximately \$1.0M will be transferred to reserves for funding of the FY '15 Operating Fund, Renewal and Replacement funds, Capital Improvement Program, and related debt servicing.

CAPACITY FUND FY 2015 Revenues & Proceeds: \$4,481,500

- Revenues for FY 2015 include capacity fees of \$2,700,000, and interest income of \$89,000. The Capacity fund will be financed by a Capacity Fee of \$5,595.66 per equivalent dwelling unit, a 5% increase from 2014.
- The Capacity fund is scheduled to receive SRF loan proceeds for the Thickener project in the amount of \$847,500.
- The Capacity fund will receive \$845,000 in SGIP rebates for the Cogeneration project.

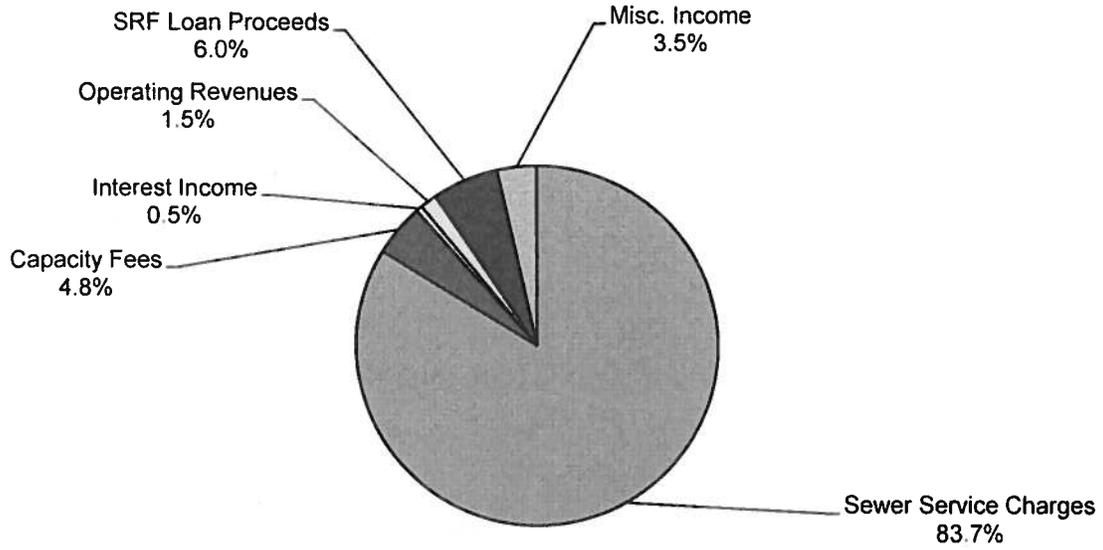
CAPACITY FUND FY 2015 Expense: \$4,069,000

- The expenditures for FY 2015 include \$3,150,000 for the Capacity-related portion of the Capital Improvement Program.
- The Capacity fund will pay debt servicing of \$227,000 for the Capacity portion of the Irvington Equalization Storage Facilities project SRF loan and \$343,000 for the Capacity portion of the Newark Pump Station SRF loan, \$147,000 for Primary Clarifier, and \$202,000 for Boyce Road, for a total of \$919,000.

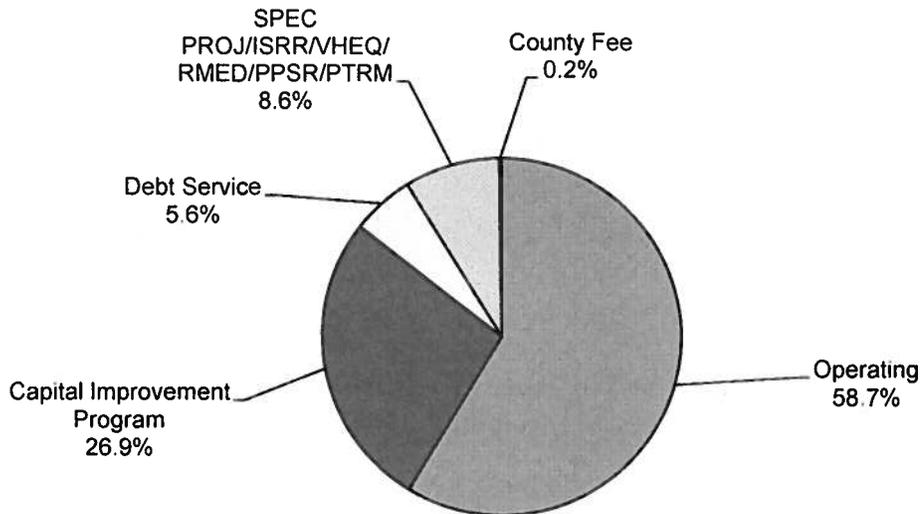
CAPACITY FUND RESERVES

- Approximately \$412,000 will be added to Capacity Fund reserves in FY 2015.

**FY '15 Total Revenues & Proceeds
\$56,676,661**



**FY '15 Total Expenditures
\$55,262,011**



**Amount to Reserves
\$1,414,650**

NET OPERATING BUDGET			
Work Group	FY '14 Budget	FY '14 Projected	FY '15 Proposed
District Board	\$190,063	\$164,200	\$170,900
General Manager/Administration	1,182,404	1,190,500	1,048,000
Business Services	4,501,787	4,534,014	4,664,105
Collection Services	5,552,778	5,360,000	5,906,998
Technical Services	4,721,559	4,360,000	4,680,674
Treatment & Disposal Services	9,709,975	9,432,875	9,524,610
Fabrication, Maintenance & Construction	5,476,790	5,146,982	5,580,794
Total OPERATING	\$31,335,356	\$30,188,571	\$31,576,081
Percent of FY '14 Budget		96.3%	

Percent change from FY '14 Budget

0.77%

SPECIAL PROJECTS FUND FY '14 - FY '15

	<u>DESCRIPTION</u>	<u>BUDGET</u> FY '14	<u>PROJECTION</u> FY '14	<u>ESTIMATED</u> CARRYOVER	<u>New \$</u>	<u>PROPOSED</u> <u>BUDGET</u> FY '15
	<i>Administrative & Regulatory</i>					
	GIS JPA	24,500	7,550	16,950	21,050	38,000
	New Public Outreach Programs	20,000	10,000	10,000	15,000	25,000
	Professional Recruitment Services	0	0	0	65,000	65,000
	Public Information Program (includes USD Newsletter)	45,000	35,000	10,000	34,000	44,000
	<i>Sub-Total Admin & Regulatory</i>	<i>89,500</i>	<i>52,550</i>	<i>36,950</i>	<i>135,050</i>	<i>172,000</i>
	<i>Studies & Other</i>					
	Admin & Field Services Building Leak Investigation	0	0	0	48,000	48,000
	Alvarado Sub-Surface Investigation (was Plant Groundwater Wells	10,000	4,278	5,722	10,000	15,722
	Anitamox Sidestream Treatment Pilot	0	0	0	15,000	15,000
	Biosolids Dewatering Evaluation	0	19,521	0	0	0
	Corrosion Control & Pretreatment Chemical Study	0	0	0	100,000	100,000
	Effluent Flow Management Study	50,000	3,281	46,719	0	46,719
	Evaluation of CS Preventive Maintenance Program	50,000	0	50,000	0	50,000
	FOG - Residential Public Outreach	0	10	0	0	0
	Fremont Mid-Town Capacity Assessment	20,000	13,138	6,862	0	6,862
	Fuel Management System Upgrade	40,000	31,904	0	0	0
	Hazardous Materials Program	50,000	48,000	2,000	48,000	50,000
	Intelligent Manhole Covers	20,000	10,436	0	0	0
	Irvington Basin Master Plan Update	50,000	25,000	25,000	175,000	200,000
	Lateral Pilot Program - Condition Assessment	110,000	14,350	95,650	0	95,650
	Local Limits and Wastewater Treatability (Ammonia)	10,000	21,340	0	5,000	5,000
	NPDES Permit Renewal - Old Alameda Creek	0	0	0	75,000	75,000
	Odor Control System Evaluation	0	0	0	100,000	100,000
	Plant-wide Lighting Study	0	0	0	50,000	50,000
	Pump Station Master Plan	0	0	0	150,000	150,000
	Sea Level Rise Study	0	2,460	0	0	0
	Seismic Evaluation	100,000	100,000	0	50,000	50,000
	Sewer Service Charge Cost of Service Study	100,000	45,345	26,615	0	26,615
	Vehicle Storage Bird Netting and Light Replacement	0	0	0	67,500	67,500
	Water Recycling & Conservation Program (Funded by CPTY)	70,000	70,000	0	220,000	220,000
	<i>Sub-Total Studies & Other</i>	<i>680,000</i>	<i>409,063</i>	<i>258,568</i>	<i>1,113,500</i>	<i>1,372,068</i>
	<i>Hayward Marsh</i>					
	Ammonia Removal Study	50,000	56,000	0	0	0
	Rehabilitation Study	0	311,000	0	128,000	128,000
	NPDES Permit Annual Fee	2,000	2,062	0	2,100	2,100
	NPDES Permit Support Services	0	0	0	5,000	5,000
	Permit Amendment to Delay Mixing Study	30,000	16,900	13,100	0	13,100
	Regional Monitoring Plan (RMP) Annual Fee	18,000	16,935	1,065	15,145	16,210
	<i>Sub-Total Hayward Marsh</i>	<i>100,000</i>	<i>402,897</i>	<i>14,165</i>	<i>150,245</i>	<i>164,410</i>
	Total Special Projects Fund	869,500	864,510	309,683	1,398,795	1,708,478

99.4%

196.5%

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
SPECIAL PROJECTS - Fund 30						
Beginning Balance	\$310,580	\$309,683	\$0	\$0	\$0	\$0
Revenue						
Provisions from SSC	417,027	1,398,795	600,000	600,000	600,000	600,000
Expenditures						
Studies and Projects	864,500	1,708,478	600,000	600,000	600,000	600,000
Ending Balance	(136,893)					
Estimated Carryover	(\$309,683)	\$0	\$0	\$0	\$0	\$0

PROJECTS PLANNED FOR FY '14

Project Category	Amount
Administrative & Regulatory	\$172,000
Studies & Other	1,372,068
Hayward Marsh	164,410
Total	\$1,708,478

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
RETIREE MEDICAL - Fund 40						
Beginning Balance	\$1,860	\$0	\$0	\$0	\$0	\$0
Revenue						
Provisions from SSC for ARC*	462,852	543,540	561,205	579,444	598,276	617,720
Expenditures						
Medical Expenses	(362,859)	(360,707)	(398,224)	(432,737)	(466,174)	(501,989)
Medical Reimbursement	362,859	360,707	398,224	432,737	466,174	501,989
Transfers out:						
Annual Required Contribution (ARC)	464,712	543,540	561,205	579,444	598,276	617,720
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0

* From actuarial valuation completed in FY'14

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
RENEWAL & REPLACEMENT VEHICLES AND EQUIPMENT - Fund 50						
Beginning Balance	\$1,150,237	\$1,075,221	\$685,421	\$635,431	\$480,290	\$755,990
Revenue						
Provisions from SSC	561,800	589,900	619,400	638,000	657,000	677,000
Sale of surplus	25,000	38,000	39,000	37,000	18,000	26,000
Expenditures						
Vehicles and Equipment	661,816	1,017,700	708,390	830,141	399,300	637,500
Ending Balance	\$1,075,221	\$685,421	\$635,431	\$480,290	\$755,990	\$821,490

REPLACEMENTS SCHEDULED FOR FY '15						
Vehicles			Equipment			
QTY	Type	Repl. Cost	QTY	Type	Repl. Cost	
8	Pickup Trucks	\$338,500	2	Utility Carts	\$36,000	
2	Construction Trucks*	315,000	1	6" Portable Pump	59,000	
1	10-Yard Dump Truck*	145,000	28	Chairs	7,000	
3	Hybrid Sedans	108,000	1	Small Generator	2,800	
			2	Cutoff Saws	2,400	
			1	Super Rip Cord Blower	2,000	
			1	Hurco Blower	2,000	
Total for Vehicles		\$906,500	Total for Equipment			\$111,200
TOTAL VEHICLES AND EQUIPMENT FY '15 BUDGET						\$1,017,700

*Carryover from FY'14

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
RENEWAL & REPLACEMENT INFORMATION SYSTEM - Fund 60						
Beginning Balance	\$1,368,371	\$1,143,124	\$727,124	\$490,024	\$659,624	\$555,424
Revenue						
Provisions from SSC	800,000	800,000	800,000	800,000	700,000	700,000
Expenditures						
IT/PBX/Security Replacements	167,700	311,000				
IT Master Plan Projects	857,547	905,000	1,037,100	630,400	804,200	703,500
Ending Balance	\$1,143,124	\$727,124	\$490,024	\$659,624	\$555,424	\$551,924

SYSTEM UPGRADES & REPLACEMENTS SCHEDULED FOR FY '15

Project / System	Amount
SCADA Master Plan/Standards	\$250,000
Time/Addendance System Replacement	200,000
SCADA Upgrade	150,000
Collection System GIS Upgrade	60,000
Mobile Projects	55,000
Operating Data Management System - start	50,000
Records Management	50,000
Public Website Improvements - complete	40,000
Capital Projects Management System - complete	20,000
ECMS - complete project	15,000
Hansen 8 Complete interfaces/mobile	15,000
IT/PBX/Security Replacements	311,000
Total	\$1,216,000

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
RENEWAL & REPLACEMENT PLANT AND PUMP STATION - Fund 70						
Beginning Balance	\$158,524	\$0	\$0	\$0	\$0	\$0
Revenue						
Provisions from SSC	113,217	250,000	250,000	250,000	250,000	250,000
Expenditures						
Plant and Pump Station Equipment	220,000	220,000	200,000	200,000	200,000	200,000
Unplanned expenditures	52,388	30,000	50,000	50,000	50,000	50,000
Charged to ECB if exceeds Budget	(647)					
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0

REPLACEMENTS SCHEDULED FOR FY 2015	
Replace 6 Valve Actuators	\$45,000
Replace Parts Washer	35,000
Overhaul#1 Centrifuge	30,000
Purchase Spare PWAS Pump	30,000
Overhaul #1 NPS Pump	25,000
Replace 2 Positive Displacement Pumps	22,000
Replace Portable 6" Submersible Pump	15,000
Subtotal Planned Projects:	\$202,000
Unplanned Maintenance	\$48,000
Total for FY 2015	\$250,000
TOTAL PLANT AND PUMPSTATION R&R FY '15 BUDGET	

It is anticipated that the Plant & Pump Station Renewal & Replacement fund will be incorporated with or replaced by an asset management program in the future.

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
EMERGENCY - Fund 75						
Beginning Balance	\$2,000,000	\$2,750,000	\$3,500,000	\$4,250,000	\$5,000,000	\$5,000,000
Revenue						
Provisions from SSC	750,000	750,000	750,000	750,000	0	0
Expenditures						
	0	0	0	0	0	0
Ending Balance	\$2,750,000	\$3,500,000	\$4,250,000	\$5,000,000	\$5,000,000	\$5,000,000

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
STRUCTURAL RENEWAL & REPLACEMENT - Fund 80						
Beginning Balance	\$8,876,000	\$5,351,000	\$7,793,000	\$5,784,000	\$1,941,000	\$287,000
Revenue						
Provisions from SSC/Net Revenue	11,064,000	12,699,000	12,038,000	13,571,000	16,109,000	17,941,000
SRF Proceeds	1,669,000	3,577,000	3,950,000	200,000	200,000	325,000
Expenditures						
CIP Projects	12,300,000	11,633,000	15,233,000	14,850,000	15,199,000	14,749,000
Debt Service (SRF Repayments)	3,958,000	2,201,000	2,764,000	2,764,000	2,764,000	2,764,000
Ending Balance	\$5,351,000	\$7,793,000	\$5,784,000	\$1,941,000	\$287,000	\$1,040,000

Fiscal Years Ending June 30,	Estimated	Projected				
	2014	2015	2016	2017	2018	2019
PRETREATMENT - Fund 85						
Beginning Balance	\$112,797	\$106,497	\$99,497	\$92,497	\$85,497	\$78,497
Revenue						
Transfer from SSC	0	0	0	0	0	0
Enforcement Fees	11,200	0	0	0	0	0
Expenses						
Supplies/Equipment	17,500	4,000	4,000	4,000	4,000	4,000
Training	0	3,000	3,000	3,000	3,000	3,000
Ending Balance	\$106,497	\$99,497	\$92,497	\$85,497	\$78,497	\$71,497

	<i>Estimated</i>	<i>Projected</i>				
<u>Fiscal Years Ending June 30,</u>	2014	2015	2016	2017	2018	2019
CAPACITY - Fund 90						
<i>Beginning Balance</i>	\$16,093,405	\$14,802,792	\$15,125,292	\$13,451,292	\$8,506,292	\$4,654,292
<u>Revenue</u>						
Capacity Fees	3,576,000	2,700,000	2,300,000	2,300,000	2,300,000	2,300,000
SRF Proceeds	945,387	847,500	1,125,000	0	1,000,000	1,000,000
SGIP Proceeds (Cogen)	0	845,000	169,000	169,000	169,000	169,000
Interest	125,000	89,000	92,000	83,000	53,000	31,000
<u>Expenditures</u>						
CIP	5,220,000	3,240,000	4,253,000	6,390,000	6,267,000	4,557,000
Debt Servicing	717,000	919,000	1,107,000	1,107,000	1,107,000	1,107,000
<i>Ending Balance</i>	\$14,802,792	\$15,125,292	\$13,451,292	\$8,506,292	\$4,654,292	\$2,490,292

Annual Contract Purchases of Supplies, Services & Vehicle Renewal Replacements Over \$100,000 for Fiscal Year 2015	
ITEMS	
	Estimated Expenditure
Supplies*:	
Sodium Hypochlorite - One-year contract with Univar USA, Inc.	\$396,000
Ferrous Chloride, One-Year contract with Kemira Water Solutions, Inc.	395,000
Polymer, emulsion, One-Year Contract with BASF Corp.	395,000
Hydrogen Peroxide, One-Year Contract with Evoqua Water Technologies	325,000
Total Supplies:	\$1,511,000
Services:	
State Water Resources Control Board, Debt payments for seven SRF loans	\$3,119,757
PERS Retirement payments for employees	3,198,933
PERS Medical - payments for employee coverage	3,025,342
PERS Retiree Medical Trust payments - Annual Required Contribution - (ARC)	543,540
PG&E, payments for electrical service - Alvarado site	1,082,000
PG&E, payments for electrical service - Newark Pump Station	191,513
EBDA Operations & Maintenance payments	1,123,200
Biosolids, Year Three of Five-Year Contract with Synagro West	651,579
Total Services:	\$12,935,864
Vehicle & Equipment Renewal/Replacement:	
2 New Construction Trucks	340,000
1 10-Yard Dump Truck	145,000
Total Vehicle & Equipment Renewal/Replacement	\$485,000

STATEMENT OF CASH FLOW AND FUND BALANCES			
	FY '14 Budget	FY '14 Projected	FY '15 Proposed
OPERATING FUND			
Beginning Balance	\$35,467,000	\$35,467,000	\$32,622,440
<u>Revenues:</u>			
Sewer Service Charges	\$44,887,853	\$44,887,853	\$47,448,461
Operating Revenues	765,000	912,517	845,000
Interest Income	219,000	219,000	210,000
SGIP Rebates (Cogen)	0	0	845,000
Solar Rebates (Irvington & Carport)	180,000	180,000	189,200
SRF Loan Proceeds	3,200,000	1,479,352	2,542,500
Misc. (LAVWMA, enforcement fees)	109,500	115,000	115,000
<i>Total Revenues</i>	\$49,361,353	\$47,793,722	\$52,195,161
<u>Expenditures:</u>			
Operating	\$32,100,356	\$31,060,571	\$32,421,081
Special Projects	869,500	864,500	1,708,478
Retiree Medical Benefits (ARC)	462,852	462,852	543,540
R & R - Vehicles & Equipment	1,089,734	661,816	1,017,700
R & R - Information System	1,101,990	1,025,247	1,216,000
R & R - Plant & Pump Stations	250,000	197,237	250,000
Pretreatment Program	7,000	17,500	7,000
Sewer Service Fee from County	106,000	105,559	106,000
Debt Servicing	3,958,000	3,958,000	2,200,712
Capital Program - R & R Structural*	12,285,000	12,285,000	11,722,500
<i>Total Expenditures</i>	\$52,230,432	\$50,638,282	\$51,193,011
Ending Sewer Service Fund Balance	\$32,597,921	\$32,622,440	\$33,624,590
CAPACITY FUND			
Beginning Balance	\$16,093,000	\$16,093,000	\$14,801,824
<u>Revenues:</u>			
Capacity Fees	\$2,300,000	\$3,575,626	\$2,700,000
Interest Income	102,000	125,000	89,000
SGIP Rebates (Cogen)	0	0	845,000
SRF Loan Proceeds	500,000	945,387	847,500
<i>Total Revenues</i>	\$2,902,000	\$4,646,013	\$4,481,500
<u>Expenditures:</u>			
Capital Program*	\$5,220,000	\$5,220,000	\$3,150,000
Debt Servicing - SRF	718,000	717,189	919,000
<i>Total Expenditures</i>	\$5,938,000	\$5,937,189	\$4,069,000
Ending Capacity Fund Balance	\$13,057,000	\$14,801,824	\$15,214,324

*CIP Budgeted at 90%

TEN YEAR CIP FY15-FY24 EXPENDITURE PLAN
 June 2, 2014
 (All Figures x\$1,000)

ADMINISTRATIVE FACILITIES		FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Fund	Rank Project Name											
800	3 Additional CS (Vehicle) Storage		50	200								250
800	2 FMC Bldg. - New		700	4,000	2,000							6,700
800	2 FMC Bldgs Renovation		50	300								350
800	3 FMC Storage		50	200								250
800	3 Plant Paving			200			250					450
900	3 Solar Panels at Alvarado - Phase II		150	1,500								1,650
Total for ADMINISTRATIVE FACILITIES		0	1,000	6,400	2,000	0	0	250	0	0	0	9,650

COLLECTION SYSTEM		FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Fund	Rank Project Name											
800	1 Alvarado-Niles Sewer Rehab	275	3,500									3,775
800	2 Cast Iron/Pipe Lining		500		500							1,000
800	1 Jarvis Ave	750										750
900	1 Jarvis Ave	250										250
800	2 Misc. C S Projects		250	250	300	300	300	300	300	300	300	2,600
800	2 RCP Sewer Rehab (Alvarado Basin)						200	2,000	100	1,000		3,300
800	2 RCP Sewer Rehab (Irvington Basin)				200	2,000	300	3,000				5,500
800	2 RCP Sewer Rehab (Newark Basin)					100	1,000				100	1,200
800	2 Newark Backyard Relocation	225	1,250	100	1,250							2,825
900	2 Newark Backyard Relocation	225	1,250	100	1,250							2,825
800	2 Pine St. Easement	100										100
800	2 Spot Repairs		500								500	1,000
900	2 Stevenson at Davis St.				150	1,000						1,150
800	1 Upper Hetch Hetchy	3,500									500	4,000

TEN YEAR CIP FY15-FY24 EXPENDITURE PLAN
 June 2, 2014
 (All Figures x\$1,000)

<u>Fund</u>	<u>%</u>	<u>Rank</u>	<u>Project Name</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>Total</u>
Collection cont'd														
900		1	Veasy St. Sewer Improvements	100	600									700
Total for COLLECTION SYSTEM				5,425	7,850	450	3,650	3,400	1,800	5,300	400	1,300	1,400	30,975
TRANSPORT SYSTEM PROJECTS														
<u>Fund</u>	<u>%</u>	<u>Rank</u>	<u>Project Name</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>Total</u>
800	0.50	2	Alameda Creek Crossing Lift Station						250		2,000	2,000		4,250
900	0.50	2	Alameda Creek Crossing Lift Station						250		2,000	2,000		4,250
800	0.50	1	Boyce Rd. LS Replacement	150										150
900	0.50	1	Boyce Rd. LS Replacement	150										150
800		2	Cherry St. PS Improvements	50										50
900		2	Eden Marsh			1,000	1,000							3,000
900		3	Equalization Storage @ Irvington									300	3,000	3,300
900		2	Equalization Storage @ Newark					500			3,000			6,500
800	0.50	1	Fremont & PP LS\ Internal Lift Pumps	100	500									600
900	0.50	1	Fremont & PP LS\ Internal Lift Pumps	100	500									600
800	0.50	2	Hayward Marsh Ammonia Removal Facility			50	500							550
900	0.50	2	Hayward Marsh Ammonia Removal Facility			50	500							550
800		2	New Cherry St. PS							300	3,000			3,300
800		1	Stevenson Property Backup Comm Towe	700										700
800		3	Transport System Misc. Projects					1,000		1,000			1,000	3,000
800	0.50	1	Wet Weather Flow Management	200	200	200	2,000							4,600
900	0.50	1	Wet Weather Flow Management	200	200	200	2,000							4,600
Total for TRANSPORT SYSTEM PROJECTS				1,650	1,400	1,500	6,000	6,500	500	4,300	10,000	4,300	4,000	40,150

TEN YEAR CIP FY15-FY24 EXPENDITURE PLAN
 June 2, 2014
 (All Figures x\$1,000)

Fund	TREATMENT	Rank	Project Name	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
Fund	%	Rank	Project Name	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Total
900		2	3rd Degritter System		100	500								600
800		2	30" ML Pipe Lining		100	500								600
800		2	Aeration Internal Lift Pumps						1,000					1,000
800	0.50	2	Aeration System Rehab	50	200	1,000	1,000							2,250
900	0.50	2	Aeration System Rehab	50	200	1,000	1,000							2,250
900		2	Aeration Tank (East) Baffling		100	500								600
800		2	Aeration Tank (East) Roof		250	2,500								2,750
800		3	Alvarado PS Roof		50									50
800		3	Blower Bldg & Channel Air Demo & Rep				100	500						600
800	0.50	1	Cogen Project	1,150										1,150
900	0.50	1	Cogen Project	1,150										1,150
800		2	Contact Tank Valve Replacement					1,000						1,000
800		2	Control Box No. 1 Improvements		150	1,500	1,500							3,150
800		2	Diffuser Replacement		100	100	150							350
800		1	Digester No. 5 Rehab	500										500
900		3	Digester No. 7										100	100
800		2	Emergency Outfall Outlet Improvements			300								300
800	0.50	2	FOG Receiving Station & Fuel Cell								250	2,500		2,750
900	0.50	2	FOG Receiving Station & Fuel Cell								250	2,500		2,750
800		2	Gravity Belt Thickener					500	2,000	3,000				5,500
800		2	Generator Controls Upgrade	200	1,000									1,200
800		2	Headworks gates, actuators and Screens			100	1,500							1,600

Treatment cont'd next page

TEN YEAR CIP FY15-FY24 EXPENDITURE PLAN
 June 2, 2014
 (All Figures x\$1,000)

<u>Fund</u>	<u>%</u>	<u>Rank</u>	<u>Project Name</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>Total</u>
800		1	MCC Replacement	100	600				100	600				1,400
800		2	Misc. Electrical Equipment Upgrade		500				500		500		1,000	2,500
800		2	Misc Projects		250	250	250	300	300	300	300	300	300	2,550
800		2	Odor Scrubber System Improvements					250	2,500	300	3,000	200	2,000	8,250
800		2	Old Newark Plant Demo			100	1,000							1,100
800		3	Paint Facilities - Additional		200	1,000								1,200
800		2	Plant Facilities Improvements	300	800									1,100
800		2	Plant Master Plan Equipment Replacement					2,000	3,000	3,000	4,000	4,000	6,000	22,000
800		2	PLC Replacement		100	200	350							650
800	0.75	2	Primary Clarifier Rehab (5-6)			375	1,688							3,750
900	0.25	2	Primary Clarifier Rehab (5-6)			125	563							1,250
800		2	Primary Effluent (60") Pipeline Rehab	50	200									250
800		1	RAS PS Pumps, Valve & Pipe Replacement		100	600	600							1,300
800		2	Repairs to Concrete Tanks		200	200	200	200	200	200	200	200	200	1,800
800	0.75	2	Sec. Clarifiers No. 5 and 6 Rehabilitation		150	1,500	1,500							3,150
900	0.25	2	Sec. Clarifiers No. 5 and 6 Rehabilitation		50	500	500							1,050
900		3	Secondary Clarifiers No. 7 & 8									400	2,000	2,400
800		2	Seismic Retrofit of Conc. Structures				200	2,000	200	2,000	300	3,000	300	8,000
800		2	Sludge Drying (BACWA)	100	100	100								300
800		2	Sludge Recirculation Pump Replacement		200	200								400
800		2	Standby Generators 5 and 6					150	2,500					2,650
800		2	Standby Generators 7 and 8				200	200	4,000					4,200
900		2	Storm Water Diversion Pump Station		200	1,500								1,700

TEN YEAR CIP FY15-FY24 EXPENDITURE PLAN
 June 2, 2014
 (All Figures x\$1,000)

<u>Fund</u>	<u>%</u>	<u>Rank</u>	<u>Project Name</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>Total</u>
Treatment cont'd														
800	0.75	2	Thickener Control Bldg Improvements	4,125	4,125	375								8,625
900	0.25	2	Thickener Control Bldg Improvements	1,375	1,375	125								2,875
800		2	Thickener Mechanisms 1-2				100	2,200						2,300
800		2	Truck Scales Improvements			100								100
800		2	Water Storage Tank and Well	300										300
Total for TREATMENT				9,450	11,400	15,250	12,200	11,550	16,300	9,400	8,800	13,100	11,900	119,350
GRAND TOTAL				16,525	21,650	23,600	23,850	21,450	18,600	19,250	19,200	18,700	17,300	200,125
FUND 800 - Structural Renewal & Replacement				12,925	16,925	16,500	16,888	16,388	18,350	16,250	13,950	13,500	12,200	153,875
FUND 900 - Capacity				3,600	4,725	7,100	6,963	5,063	250	3,000	5,250	5,200	5,100	46,250

FY 2015 Budget

ASSUMPTIONS (Long-Term)	
Interest Rate - Bonds, SRF	2.70%
CIP Inflation Rate	3.50%
Investment Rate	0.60%
CIP Funding @	90%

Amounts x\$1000, except where noted

Debt Summary - At 2019		Debt Summary - At 2024	
SRF Loans Outstanding - SSC	\$43,818	SRF Loans Outstanding - SSC	\$30,247
SRF Loans Outstanding - Capacity	21,082	SRF Loans Outstanding - Capacity	15,422
Total SRF Loans & other Debt Outstanding	\$64,900	Total SRF Loans & other Debt Outstanding	\$45,669
CIP Expenditures - 2015-2019		CIP Expenditures - 2015 - 2024	
Renewal & Replacement - SSC	\$71,663	Renewal & Replacement - SSC	138,488
Capacity Fund	24,706	Capacity Fund	41,626
Total CIP Expenditures @ 90%	\$96,369	Total CIP Expenditures @ 90%	180,114

Rate Study Impact												
Capacity Fee Increase	2014			2015			2016			2017		
	5.00%	5.70%	7.00%	5.00%	5.70%	7.00%	5.00%	5.70%	7.00%	5.00%	5.70%	
SSC Increase	10.00%	5.70%	5.00%	5.00%	5.70%	5.00%	5.00%	5.70%	5.00%	5.00%	5.70%	
Rate Model Time Period (must match time period below)	Fiscal Years Ending June 30,											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	

Capacity Fee Increase	10.00%	5.70%	5.00%	5.00%	5.70%	5.00%	5.00%	5.70%	5.00%	5.00%	5.70%
SSC Increase	5.70%	5.00%	5.70%	5.00%	5.70%	5.00%	5.00%	5.70%	5.00%	5.00%	5.70%
Rate Model Time Period (must match time period below)	Fiscal Years Ending June 30,										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024

Commercial (EDU) Increase (Growth) - 1 year lag in rates	0.25%
Industrial Increase (Memo only here)	0.00%
Industrial Increase (Memo only here)	0.00%
Increase in Operations Budget	6.00%
Capacity Fee Charge (whole \$)	\$5,329
Sewer Service Charge (SFD) (whole \$)	\$338

CASH FLOW PROJECTIONS											
Sewer Service Fund											
Beginning Balance (Fund 80 + FPR)	\$8,876	\$7,794	\$5,763	\$1,920	\$266	\$1,018	\$1,443	\$5,444	\$15,052	\$25,005	
Revenue											
Net Revenues (SSC-Int+OPRev-Gross ECB Exp-Prov)	11,064	12,699	13,571	16,109	17,941	19,253	20,640	22,284	23,250	26,588	
Loan Payments from Capacity Fund	0	0	0	0	0	0	0	0	0	0	
Temporary Transfer To/From Capacity Fund	0	0	0	0	0	0	0	0	0	0	
SRF Loan/SGIP Proceeds	1,669	3,577	3,950	200	325	450	750	2,750	2,000	0	
Expenditures											
CIP Expenditures	12,300	11,633	15,233	14,850	15,199	16,515	14,625	12,555	12,150	10,980	
Loans to Capacity Fund	0	0	0	0	0	0	0	0	0	0	
Debt Servicing - New Issues	0	0	0	0	0	0	0	0	0	0	
Debt Servicing - SRF Loan	3,958	2,201	2,764	2,764	2,764	2,764	2,764	2,870	3,148	3,148	
Ending Balance	\$5,351	\$7,794	\$5,763	\$1,920	\$266	\$1,443	\$5,444	\$15,052	\$25,005	\$37,485	

Other Designated Reserves (funds #30,40,60,70,76,86,SRF,INS,CF, Cash in bank)	26,249	27,742	29,160	30,012	30,781	31,241	32,213	32,268	33,812	34,014
Total Sewer Service Fund Balance	\$31,600	\$34,445	\$33,487	\$31,062	\$31,781	\$32,666	\$37,640	\$47,304	\$58,800	\$71,463

Capacity Fund (Capacity Fees)											
Beginning Balance	\$16,093	\$14,802	\$15,125	\$13,451	\$8,506	\$4,655	\$2,492	\$3,648	\$5,667	\$7,107	\$5,077
Revenue											
Interest Income	125	89	92	83	53	31	19	26	40	53	42
Capacity Fees	3,576	2,700	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Temporary Transfer To/From Existing Fund	0	0	0	0	0	0	0	0	0	0	0
SRF Loan/SGIP Proceeds	945	1,693	1,294	169	1,169	1,169	169	3,500	5,250	2,000	0
Expenditures											
CIP Expenditures	5,220	3,240	4,253	6,390	6,267	4,557	225	2,700	4,725	4,680	4,590
Loan Payments to R & R Fund	0	0	0	0	0	0	0	0	0	0	0
Debt Servicing - SRF Loan	717	919	1,107	1,107	1,107	1,107	1,107	1,107	1,425	1,703	1,703
Ending Balance	\$14,802	\$15,125	\$13,451	\$8,506	\$4,655	\$2,492	\$3,648	\$5,667	\$7,107	\$5,077	\$1,125

% OF DEBT SERVICE TO GROSS REVENUES											
Debt Capacity Target (should not exceed 25% of Op + Debt)	9.3%	6.0%	7.4%	7.0%	6.7%	6.3%	6.0%	5.8%	6.1%	6.6%	6.3%
Ratio of debt service to SSC Net Rev (min. 1.30 per Debt policy#2060)	13.1%	8.8%	10.3%	10.0%	9.6%	9.3%	9.0%	8.7%	9.2%	9.6%	9.6%
	3.30	5.33	4.18	4.59	5.05	5.54	5.89	6.27	6.05	5.67	6.04

BONDING CAPACITY - Above 1.25 coverage											
	117,579	155,824	138,685	158,383	179,796	203,007	219,883	237,697	252,186	262,446	284,334



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Richard Currie
*General
Manager/District
Engineer*

David M. O'Hara
Attorney

DATE June 1, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Richard B. Currie, General Manager/District Engineer
Andy Morrison, Collection Services Manager

SUBJECT: Agenda Item No. 12d - Meeting of June 9, 2014
Information Item: **California Alliance for Sewer System
Excellence (CASSE) – Scoring System**

Recommendation

Information Only

Background

In 2012, USD joined CASSE as a founding member. CASSE was formed to create a network of agencies that manage collection systems and are interested in improving performance and sustaining excellence. Since the scoring system was developed, USD has always scored higher than 100, which is considered to be an *Exceptional Performance Goal*. The scores are updated every two months. This past April USD (Agency V) scored 132.5, higher than any other agency participating.

CASSE Scoring System

Because of the myriad of differences between sewage collection agencies across California, there is no perfect method to compare their performance. The CASSE scoring methodology is designed to measure best value, based on a cost component and a performance component. Cost is the amount an agency charges its customers each month, and performance is the number and volume of sanitary sewer overflows (SSOs) occurring in the agency's system. The scoring system weights these two factors equally, but further breaks down the

performance factor into two components, each equally weighted. These performance factors are defined as follows:

- The SSO Rate is calculated by dividing the number of SSOs in the reporting period by the number of miles of pipe and then multiplying by 100. The result is expressed in **SSOs per 100 miles of pipe**.
- The Volume Lost Rate is calculated by first subtracting the volume of SSOs recovered from the volume of all SSOs during the reporting period, and then dividing this number by the number of miles of pipe, and finally multiplying by 100. The result is expressed in **volume lost per 100 miles of pipe**.

Thus the total score is made up of the following three components, weighted as shown below:

- Cost (50%)
- SSO Rate (25%)
- Volume Lost Rate (25%)

Additional adjustment factors are applied to the scoring system to account for some of the differences between California agencies. These adjustment factors normalize the data so that all agencies are scored as if they **own mainlines**, but **do not own upper or lower laterals**, and **do not provide wastewater treatment**. Adjustment factors are calculated using the averages of all agencies who report each factor necessary to calculate each respective adjustment factor. Raw data is downloaded from the California Water Integrated Quality System (CWIQS) and it is entered in the CASSE worksheet. Sewer Service Charges, provided by each agency, are also entered in this worksheet. The adjusted data is then translated into a score by comparing the agency's performance to an "Exceptional Performance Goal." Averages and maximum and minimum values are calculated for each component. It is important to note that the Exceptional Performance Goal is not intended to be achievable by all agencies. It is used to establish a reference point for the scoring system that will not change over time. This will allow the group to check its overall progress against this constant measure. The Exceptional Performance Goal is purposely set very high to give agencies something to shoot for, and to keep the majority of scores below 100. It was initially set so that the average agency performance was 70% of the Exceptional Performance Goal.

**California Alliance for Sewer System Excellence
April 2014 Scoreboard (Data from 2/1/13 - 1/31/14)**

Agency	Code	SSO Score	Net Volume Score	Cost Score	Total score
Mega Agencies (3000 or more miles of pipe)					
Mega With Laterals					
O	1GL	9.8	47.5	28.7	86.0
Large Agencies (1,000 - 2,999 miles of pipe)					
Large With Laterals					
I	2LL	9.9	39.9	51.8	101.6
H	2LL	22.7	20.0	53.7	96.4
U	2LL	10.5	2.0	39.3	51.8
Large Without Laterals					
A	2LN	14.3	39.0	61.2	114.5
E	2LN	42.5	46.7	18.2	107.4
G	2LN	15.7	0.5	42.8	58.9
C	2LN	10.6	15.0	27.6	53.2
R	2LN	7.0	5.9	32.5	45.4
Medium Agencies (200 - 999 miles of pipe)					
Medium With Laterals					
AA	3DL	50.0	50.0	30.8	130.8
N	3DL	24.1	49.2	41.1	114.4
F	3DL	8.5	34.0	35.2	77.7
W	3DL	15.2	17.8	29.0	62.0
Z	3DL	0.8	1.9	40.5	43.1
B	3DL	9.9	7.9	13.7	31.5
Medium Without Laterals					
V	3DN	43.4	50.0	39.1	132.5
M	3DN	43.9	49.5	24.6	118.1
P	3DN	4.6	46.1	34.4	85.1
T	3DN	29.1	0.3	43.8	73.2
Y	3DN	9.0	4.7	38.4	52.1
L	3DN	3.5	1.4	14.8	19.8
Small Agencies (20-199 miles of pipe)					
Small Without Laterals					
X	4SN	20.7	50.0	59.1	129.8
K	4SN	3.4	1.3	26.9	31.6
S	4SN	3.5	2.7	18.7	24.8
EPG		25.0	25.0	50.0	100.0
Average		17.2	24.3	35.2	76.7
Max		50.0	50.0	61.2	132.5
Min		0.8	0.3	13.7	19.8



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 Richard Currie
*General Manager/
 District Engineer*

David M. O'Hara
Attorney

DATE: June 2, 2014

MEMO TO: Board of Directors – Union Sanitary District

FROM: Richard B. Currie, General Manager/District Engineer
 Rich Cortes, Business Services Manager
 Maria Scott, Principal Financial Analyst

SUBJECT: Agenda Item No.12e – Meeting of June 9, 2014
 Information Item: **Retiree Medical Actuarial Results for July 1, 2013**

Recommendation:

Information Only.

Background:

The District has participated in a Retiree Medical Trust with PERS since 2008. As required by accounting standards and PERS we must produce an actuarial report on the plan every two years. The District hired Bickmore to produce the attached report which has calculated a new ARC and other values as of July 1, 2013. Changes from the prior 2011 report are presented below:

	2011	2013
Actuarial Accrued Liability (AAL)	6,557,147	7,568,777
Actuarial Value of Assets (AVA)	2,849,311	3,377,623
Unfunded Actuarial Accrued Liability (UAAL)	3,707,836	4,191,154
Average Rate of Return		3.3%
Annually Required Contribution (ARC)	448,284	543,540
Funded Ratio (AVA/AAL)	43.5%	44.6%

The increase in UAAL of \$483,318 consists of:

- + \$381,000 due to increasing medical allowances payable to employees who retire on or after July 1, 2013, as negotiated in the latest MOU
- + \$181,000 due to increases in projected mortality
- + \$117,000 due to expected new costs for actives and interest accrued on future benefits
- + \$16,000 due to increases of assumed future medical premium levels (primarily Medicare)
- - \$117,000 due to lowering of assumed future increases in retiree medical allowances
- - \$95,000 due to favorable plan experience (lower increase in Medicare premiums, somewhat offset by lower than expected investment return)

The above factors, including lower than expected investment returns, have resulted in a significant increase in the Annually Required Contribution (ARC). Attached is a table projecting the future ARC levels (yellow column), based on the assumption that the ARC is designed as a consistent percent of payroll costs.

Future Issue:

As mentioned at the PERS Board workshop of May 19, 2014, changes being considered in accounting standards may cause all OPEB liabilities to be increased if we must value the cost of the implicit rate subsidy of medical premiums between actives and retirees.



May 30, 2014

Ms. Maria Scott
Principal Financial Analyst
Union Sanitary District
5072 Benson Rd
Union City, CA 94587

Re: July 1, 2013 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Maria:

We are pleased to enclose our report providing the results of the July 1, 2013 actuarial valuation of other post-employment benefit (OPEB) liabilities for the Union Sanitary District (the District). The report's text describes our analysis and assumptions in detail.

The primary purposes of the report are to develop the value of future OPEB expected to be provided by the District, and the current OPEB liability and the annual OPEB expense to be reported in the District's financial statements for the fiscal years ending June 30, 2015 and June 30, 2016.

This valuation was prepared with the understanding that the District will:

- Continue to follow its previously established policy of prefunding OPEB liabilities through the irrevocable trust account with the California Employers' Retiree Benefit Trust (CERBT).
- Continue to invest in CERBT asset allocation Strategy 2, with a .31% Margin for Adverse Deviation. Accordingly, liabilities were calculated based on a 6.75% discount rate.
- Follow the terms of its current PEMHCA resolutions on file with CalPERS, as well as its current MOUs which provide additional benefits to qualifying retirees. Minor details of these benefits have changed since the July 2011 valuation was prepared and we encourage the District to review our summary of the benefits described in Table 3A to be comfortable that we have summarized these provisions correctly.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of the District's staff, who provided valuable information and assistance to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod, FSA, EA, MAAA
Director, Health and Benefit Actuarial Services

Enclosure



Union Sanitary District

Actuarial Valuation of the Other
Post-Employment Benefit Programs
As of July 1, 2013

Submitted May 2014

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A. Executive Summary

This report presents the results of the July 1, 2013 actuarial valuation of the Union Sanitary District (the District) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical coverage for eligible retirees. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45) and to provide information to be reported to the California Employers' Retiree Benefit Trust (CERBT).

How much the District contributes each year affects the calculation of liabilities. The District has been prefunding its OPEB obligations by consistently making contributions greater than or equal to the Annual Required Contribution (ARC) each year. Trust assets are currently invested with CERBT using Asset Allocation Strategy 2. At the time the 2011 valuation was prepared, a discount rate of 6.75% was used. The District indicated to Bickmore that no change is planned; accordingly, this valuation was also prepared using a 6.75% discount rate. Please note that use of this rate is not a guarantee of future investment performance, but rather an assumption about the expected long term rate of return.

Exhibits presented in this report are based on our understanding that the results of this July 1, 2013 valuation will be applied in determining the annual OPEB expense for the fiscal years ending June 30, 2015 and 2016. The ARC for the fiscal year ending June 30, 2014 was developed from the results of the July 1, 2011 valuation. Please refer to Appendix 2 for our projection of the District's net OPEB asset on June 30, 2014.

We calculate the GASB 45 actuarial accrued liability (AAL) to be \$7,568,777 and the normal cost to be \$246,665 as of July 1, 2013. The District reported assets in CERBT as of July 1, 2013 of \$3,377,623 to offset these liabilities. Thus, the unfunded accrued liability as of this date is \$4,191,154, and the funded ratio is 44.6%.

These results have been adjusted to be applicable to the years for which the annual OPEB expense will be developed. The following summarizes results for the fiscal year ending June 30, 2015:

- We calculate the annual required contribution (ARC) to be \$543,540.
- District contributions are assumed to equal the ARC. We expected that the District will pay its portion of retiree premiums during the period (estimated to total \$360,707), and contribute the balance of the ARC to CERBT.
- Based on the calculations and contributions described above, we project a net OPEB asset of \$1,449,455 on June 30, 2015.

These results are shown in tables beginning on page 11. Projected results for the fiscal year ending June 30, 2016 are also shown in these tables.

The liabilities shown in the report reflect assumptions regarding continued future employment, rates of retirement and survival, and elections by future retirees to retain coverage for themselves and their dependents. To the extent that actual experience is not what we assumed, future results will be different. We also note that this valuation has been prepared on a closed group basis, with no provision made for new employees.

Executive Summary (Concluded)

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages.

The next valuation is scheduled to be prepared as of July 1, 2015 as required for continued participation in CERBT. If there are any significant changes in the employee data, benefits provided or the funding policy, please contact us to discuss whether an earlier valuation is appropriate.

B. Requirements of GASB 45

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. We understand that the District implemented GASB 45 for the fiscal year ended June 30, 2009.

For agencies with 200 or more members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every two years. GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If the District's OPEB contributions equal the ARC each year, the net OPEB obligation will equal \$0.
- If the District's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation, in addition to the ARC (see Table 1C).

GASB 45 provides for recognition of payments as contributions if they are made (a) directly to retirees or beneficiaries, (b) to an insurer, e.g., for the payment of premiums, or (c) to an OPEB fund set aside toward the cost of future benefits. Funds set aside for future benefits should be considered contributions to an OPEB plan only if the vehicle established is one that is capable of building assets that are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the assets should be to provide benefits under the plan. These conditions generally require the establishment of a legal trust, such as the District's OPEB trust account with CERBT. Earmarked assets or reserves may be an important step in financing future benefits, but they may not be recognized as an asset for purposes of reporting under GASB 45.

The decision whether or not to prefund, and at what level, is at the discretion of the District, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the District's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

We note that various issues in this report may involve legal analysis of applicable law or regulations. The District should consult counsel on these matters; Bickmore does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the District consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

C. Sources of OPEB Liabilities

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are:

- Medical
- Dental
- Prescription drug
- Vision
- Life insurance

Other possible post-employment benefits may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include vacation, sick leave¹ or COBRA benefits, which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB is referred to as an “explicit” subsidy and these are included in the determination of OPEB liabilities. In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain types of coverage, such as medical, payment of the same premium rate results in an “implicit” subsidy of retiree claims by active employee premiums since the retiree premiums are lower than they would have been if the retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Exceptions may exist when the plan is part of a “community-rated” program. Current GASB guidance² may allow an agency whose membership is a very small portion (e.g., less than 1%) of the total coverage of a multiple employer plan to reasonably conclude that any change in their group’s mix of retirees and active employees would not affect the premium rates for the plan. In those circumstances, while an implicit subsidy may exist, it is not required to be disclosed.

OPEB Obligations of the District

The District provides continuation of medical coverage to its retiring employees. For retirees and their dependent(s) who have chosen to retain this coverage:

- The District contributes directly to the cost of retiree medical coverage. These benefits are described in Table 3 and liabilities have been included in this valuation.
- Employees are covered by the CalPERS medical program. The experience of public agency employer membership in this program is community-rated (“OPEB Assumption Model”, August 2012) and the District’s membership in this program is incidental relative to the total number of members covered. As currently permitted by GASB 45, this report does not make age-related premium adjustments or compute an implicit rate subsidy for employees covered under this program.

¹ When a terminating employee’s unused sick leave credits are converted to provide or enhance a defined benefit OPEB, e.g., healthcare benefits, such converted sick leave credits should be valued under GASB 45.

² A change in Actuarial Standards of Practice was recently adopted and a new GASB Statement for reporting of OPEB liabilities is under development. One important change is the elimination of the exception for disclosing the implicit subsidy liability for community rated plans. This change could significantly impact the OPEB liability to be reported by the District beginning July 1, 2016.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the District in January 2014 and clarified in various related communications. Summaries of that data are provided in Table 2. While the individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3, based on information supplied to Bickmore by the District. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In the specific development of the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. We then calculate a present value of these benefits as of the valuation date.

- These present value determinations discount the value of each future expected benefit payment back to the valuation date, using the discount rate. The present value calculations also reflect assumptions for the likelihood that an employee may not continue in service with the District to receive benefits.
- For those that do continue in service with the District, assumptions are made regarding the probability of retirement at various ages.
- After adjustments for the probabilities of whether and when an employee may retire from the District, we then apply an assumption about whether or not the retiree will elect coverage for themselves and/or dependents.
- To the extent an employee is assumed to qualify and elect coverage in retirement, the calculated liability reflects expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefits will cease.
- These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 70 years or more.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "actuarial accrued liability" (AAL). The amount of future OPEB cost allocated to the current year is referred to as the "normal cost". The remaining cost to be assigned to future years is called the "present value of future normal costs".

In summary:

Actuarial Accrued Liability	Past Years' Costs	\$ 7,568,777
<i>plus</i> Normal Cost	Current Year's Cost	246,665
<u><i>plus</i> Present Value of Future Normal Costs</u>	<u>Future Years' Costs</u>	<u>1,560,560</u>
<i>equals</i> Present Value of Future Benefits	Total Benefit Costs	\$ 9,376,002

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. In this valuation, we set the Actuarial Value of Assets equal to the market value of assets invested in the District's CERBT account. The market value reported as of June 30, 2013 was \$3,377,623. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Basic Valuation Results

The following chart compares the results of the July 1, 2013 valuation of OPEB liabilities to the results of the July 1, 2011 valuation.

Valuation date	Prefunding Basis	
	7/1/2011	7/1/2013
Discount rate	6.75%	6.75%
Number of Covered Employees		
Actives	133	136
Retirees	75	77
Total Participants	208	213
Actuarial Present Value of Projected Benefits		
Actives	\$ 4,815,557	6,020,410
Retirees	3,210,637	3,355,592
Total APVPB	8,026,194	9,376,002
Actuarial Accrued Liability (AAL)		
Actives	3,346,510	4,213,185
Retirees	3,210,637	3,355,592
Total AAL	6,557,147	7,568,777
Actuarial Value of Assets	2,849,311	3,377,623
Unfunded AAL (UAAL)	3,707,836	4,191,154
Normal Cost	198,695	246,665
Benefit Payments		
Actives (in retirement)	-	35,297
Retirees	267,319	297,662
Total	267,319	332,959

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 44.6% as of July 1, 2013. Covered payroll as of July 1, 2013 was reported to be \$13,310,618. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 31.5% as of this date.

Changes Since the Prior Valuation

Even if all of our previous assumptions were met exactly as projected, liabilities generally increase over time as active employees get closer to the date their benefits are expected to begin. Because of the uncertainties involved and the long term nature of these projections, our prior assumptions were not and are likely never to be exactly realized.

In comparing results shown in the exhibit above, we can see that the UAAL increased by \$483,000 over the two year period between July 1, 2011 and July 1, 2013. We *expected* the

Basic Valuation Results (Concluded)

UAAL to increase by \$117,000 over this period, from new costs for active employees and interest accrued on future benefits, offset by District contributions and earnings on trust assets. Thus, the actual UAAL is about \$366,000 higher than expected, primarily due a combination of the following factors:

- A \$95,000 decrease in the UAAL from favorable plan experience. Plan experience includes changes in plan population and premium rates other than anticipated. The latter resulted in a decrease in AAL arising from the fact that CalPERS medical premium rates, primarily the rates that apply when retirees are covered by Medicare, increased less than we anticipated, and in some cases, actually decreased.
Plan experience also includes asset performance relative to the expected contributions and rate of return. Actual plan assets were about \$216,000 less than projected. The actual return over this two year period was roughly 3.3% per year, less than the expected long term rate of return of 6.75% per year.
- A \$381,000 increase in the AAL from increasing the retiree medical allowances payable to employees who retire on or after July 1, 2013, as negotiated in the latest MOU.
- A \$181,000 increase in the AAL due to additional projection of future mortality improvements (i.e., longer life expectancies). This represents about 2.4% of the total AAL, though the impact varies by individual, based on gender and current age. The chart below provides a comparison of the expected increase in life expectancy at selected ages³. Younger employees have the greatest potential years of improvement, however, they also have a lower expectation of retirement from the District and a much longer time before their benefits would begin (i.e., greater discounting of future benefit costs).

Mortality Improvement Using Scale AA					
Years Added to Life Expectancy					
Age in 2014	30	40	50	60	70
Males	4.1	3.3	2.4	1.5	0.8
Females	2.3	1.8	1.4	0.9	0.6

- A \$16,000 increase in the AAL from changes in assumed future increase in medical premium levels. Even though the monthly retiree medical allowances are fixed, the monthly Supplemental plan premium rates for retirees covered by Medicare may be lower than the allowance. Changing the rate at which those Supplemental plan premiums are assumed to increase in future years increases the AAL.
- A \$117,000 decrease in the AAL from lowering our assumption of increases in the retiree medical allowances for future retirees, from 5.0% to 4.5% per year beginning July 1, 2017.

³ For this general illustration, we used pre-retirement mortality rates up to age 54 and post-retirement mortality rates for ages 55 and older. These rates are as described in Table 4 of this report.

F. Funding Policy

The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. Contributing an amount greater than or equal to the ARC each year is referred to as “prefunding”. Prefunding generally allows the employer to have the liability calculated using a higher discount rate, which in turn lowers the liability. In addition, following a prefunding policy does not build up a net OPEB obligation because the contribution equals or exceeds the annual OPEB cost each year.

Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to the District’s fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ARCs for the fiscal years ending June 30, 2015 and June 30, 2016 are developed in Table 1B.

Decisions Affecting the Amortization Payment

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted, where the expected employer contribution is shown as the interest-adjusted sum of the normal cost and the entire amount of the unfunded accrued liability. Expected contributions in future years are then reduced to the expected normal cost (as a percentage of payroll) plus amortization of any new changes in the unfunded AAL.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that, to the extent that future plan experience matches our assumptions, this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

Funding Policy Illustrated in This Report

It is our understanding that the District’s prefunding policy includes amortization of the unfunded AAL over a closed 30-year period initially effective July 1, 2008. The number of years used in developing the ARC for the fiscal year ending June 30, 2015 is 24 years, with 23 years used to develop the ARC for the fiscal year ending June 30, 2016. Amortization payments are determined on a level percent of pay basis.

G. Choice of Actuarial Funding Method and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the "incidence of cost". Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each is in the glossary.

Factors Impacting the Selection of Funding Method

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance.

Factors Affecting the Selection of Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for the District. The actuarial assumptions used in this report were chosen, for the most part, to be the same as the actuarial assumptions used for the most recent actuarial valuations of the retirement plans covering District employees. CalPERS has previously issued a set of standardized actuarial methods and assumptions to be used by entities participating in CERBT and many assumptions used in this report for GASB 45 analysis are also consistent with that assumption model. Other assumptions were selected based on demonstrated plan experience and/or our best estimate of expected future experience.

In selecting an appropriate discount rate, GASB states that the discount rate should be based on the expected long-term yield of investments used to finance the benefits. CERBT provides participating employers with three possible asset allocation strategies; a maximum discount rate is assigned to each of these strategies, which may be rounded or reduced to include a margin for adverse deviation. As requested by the District and permitted by CERBT where its asset allocation Strategy #2 is employed, the discount rate used in this valuation is 6.75%.

H. Certification

This report presents the results of our actuarial valuation of the other post employment benefits provided by the Union Sanitary District. The purpose of this valuation was to provide the actuarial information required for the District's reporting under Statement 45 of the Governmental Accounting Standards Board. The calculations were focused on determining the plan's funded status as of the valuation date, developing the Annual Required Contribution and projecting the Net OPEB Obligations for the years to which this report is expected to be applied.

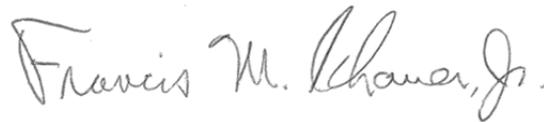
We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by the District. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 45. The results may not be appropriate for other purposes.

Each of the undersigned individuals is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

Signed: May 30, 2014



Catherine L. MacLeod, FSA, EA, MAAA



Francis M. Schauer Jr., FSA, FCA, EA, MAAA

Table 1A
Roll Forward of 2013 Valuation Results

The basic valuation results are presented in Section E. The following summarizes the results of the July 1, 2013 valuation adjusted to be applicable for the fiscal years ending June 30, 2015 and 2016. These adjusted results become the basis for calculating the annual required contribution for these years, shown in Table 1B on the following page.

These results reflect our understanding that the District intends to contribute 100% of the ARC for each fiscal year up to and including the years to which this report is expected to be applied. Should those contributions differ by more than an immaterial amount, some of the results in this report will need to be revised.

Valuation date	Prefunding Basis	
	7/1/2013	
For fiscal year beginning	7/1/2014	7/1/2015
For fiscal year ending	6/30/2015	6/30/2016
Expected long term date of return on assets	6.75%	6.75%
Discount rate	6.75%	6.75%
Number of Covered Employees*		
Actives	136	136
Retirees	77	77
Total Participants	213	213
Actuarial Present Value of Projected Benefits		
Actives	\$ 6,391,491	\$ 6,757,083
Retirees	3,284,432	3,211,258
Total APVPB	9,675,923	9,968,341
Actuarial Accrued Liability (AAL)		
Actives	4,725,593	5,250,611
Retirees	3,284,432	3,211,258
Total AAL	8,010,025	8,461,869
Actuarial Value of Assets	3,735,506	4,170,486
Unfunded AAL (UAAL)	4,274,519	4,291,383
Normal Cost	254,682	262,959
Benefit Payments		
Actives (in retirement)	65,833	100,441
Retirees	294,874	297,783
Total	360,707	398,224

* The numbers of active employees and retirees shown above are as of the valuation date and are not necessarily the number expected in the years shown above. Because this valuation has been prepared on a closed group basis, no future employees are included. Based on assumptions outlined in Table 4, we recognize that active employees may leave employment, some may retire and elect benefits and coverage for some of the retired employees may cease.

Table 1B
Calculation of the Annual Required Contribution

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a prefunding basis for the fiscal years ending June 30, 2015 and June 30, 2016.

Fiscal Year End	Prefunding Basis	
	6/30/2015	6/30/2016
Funding Policy		
Discount rate	6.75%	6.75%
Amortization method	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30
Remaining period (in years)	24	23
Determination of Amortization Payment		
UAAL	\$ 4,274,519	\$ 4,291,383
Factor	16.7965	16.3320
Payment	254,489	262,760
Annual Required Contribution (ARC)		
Normal Cost	254,682	262,959
Amortization of UAAL	254,489	262,760
Interest to 06/30	34,369	35,486
Total ARC at fiscal year end	543,540	561,205

While the following is not intended to be used to determine the normal cost or ARC in future years, this information may be of value for planning purposes:

Valuation date	7/1/2013	
Fiscal Year End	6/30/2015	6/30/2016
Projected covered payroll	\$ 13,743,213	\$ 14,189,868
Normal Cost as a percent of payroll	1.9%	1.9%
ARC as a percent of payroll	4.0%	4.0%
ARC per active ee	3,997	4,127

Table 1C
Expected OPEB Disclosures

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the fiscal years ending June 30, 2015 and June 30, 2016. The calculations are based on the prefunding approach outlined on the prior page.

Fiscal Year End	Prefunding Basis	
	6/30/2015	6/30/2016
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	\$ 543,540	\$ 561,205
b. Interest on Net OPEB Obligation (Asset) at beginning of year	(97,454)	(97,838)
c. Adjustment to the ARC	91,758	94,740
d. Annual OPEB Expense (a. + b. + c.)	537,844	558,107
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	360,707	398,224
b. Estimated contribution to OPEB trust	182,833	162,981
c. Total Expected Employer Contribution	543,540	561,205
3. Change in Net OPEB Obligation (1.d. minus 2.c.)	(5,696)	(3,098)
Net OPEB Obligation (Asset), beginning of fiscal year	(1,443,759)	(1,449,455)
Net OPEB Obligation (Asset) at fiscal year end	(1,449,455)	(1,452,553)

The net OPEB asset of \$1,443,759 as of June 30, 2014 (column 1) is developed from the results of the July 1, 2011 valuation and can be found in Column 2 of Table 1C on page 13 of that report. For the District's convenience, we have included a copy of that development in this report as Appendix 2. Should the reported net OPEB asset be different than we assumed, the amount shown above should be replaced and the affected entries changed accordingly.

Please note that the expected payments to retirees shown in item 2.a. above are projections and should be replaced with the actual payments in order to determine the portion of the ARC to be contributed to the OPEB trust.

Table 2
Summary of Employee Data

The District reported 136 active employees; of these, 124 are currently participating in the medical program while 12 employees were waiving coverage as of the valuation date. Age and service information for the reported individuals is provided below:

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25	2	1					3	2%
25 to 29	2	2					4	3%
30 to 34	3	7	8				18	13%
35 to 39			7	3			10	7%
40 to 44	1	2	10	3	1	1	18	13%
45 to 49	1	3	2	7	4	5	22	16%
50 to 54	1	2	6	6	1	7	23	17%
55 to 59	1		2	4	2	9	18	13%
60 to 64		1	3	3	2	6	15	11%
65 to 69					1	2	3	2%
70 & Up		1				1	2	1%
Total	11	19	38	26	11	31	136	100%
Percent	8%	14%	28%	19%	8%	23%	100%	

	<u>July 2011 Valuation</u>	<u>July 2013 Valuation</u>
Annual Covered Payroll	\$12,094,561	\$13,310,618
Average Attained Age for Actives	47.5	47.9
Average Years of Service	11.5	11.5

There are also 70 retirees and 7 survivors currently receiving benefits, whose ages are summarized in the chart below.

Retirees by Age		
Current Age	Number	Percent
Below 50	1	1%
50 to 54	2	3%
55 to 59	7	9%
60 to 64	12	16%
65 to 69	19	25%
70 to 74	13	17%
75 to 79	13	17%
80 & up	10	13%
Total	77	100%
Average Attained Age for Retirees:		70.0

**Includes 7 surviving spouses.*

**Table 2- Summary of Employee Data
(Concluded)**

Active and retirees employee counts for Classified and Unclassified employee groups are shown below:

Participants by Group			
Group	Actives	Retired	Total
Classified	93	48	141
Unclassified**	43	29	72
Total	136	77	213

***Includes Board members*

The chart below reconciles the number of actives and retirees included in the July 1, 2011 valuation of the District plan with those included in the July 1, 2013 valuation:

Reconciliation of District Plan Members Between Valuation Dates					
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of July 1, 2011	122	11	69	6	208
New employees	13	4	-	-	17
Terminated employees	(3)	(1)	-	-	(4)
New retiree, elected coverage	(7)	-	7	-	0
New retiree, waiving coverage	(1)	(2)	-	-	(3)
Previously covered, now waiving	(1)	1	-	-	0
Previously waiving, now covered	1	(1)	1	-	1
Deceased or dropped coverage	-	-	(7)	1	(6)
Number reported as of July 1, 2013	124	12	70	7	213

Retiree medical allowances vary by dates of retirement and years of District service; please see Table 3A on the following two pages for details. The chart below summarizes the number of current retirees in each benefit category:

Monthly Retiree Medical Allowance						
Date of Retirement		Years of Service				Totals
On or after:	Not later than	5 but less than 10	10 but less than 15	15 but less than 20	20 or more	
-	12/31/1990	7				7
1/1/1991	2/28/2001	0	2	4	19	25
3/1/2001	2/28/2008	1	3	7	17	28
3/1/2008	2/28/2010	0	0	2	1	3
3/1/2010	6/30/2013	2	0	2	6	10
Retirees with Special Arrangements with District		4				4
Totals		5	6	18	48	77

Table 3A Summary of Retiree Benefit Provisions

OPEB provided: The District has indicated that the only OPEB provided is medical coverage⁴.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital and Care Act (PEMHCA).

- This coverage requires the employee to satisfy the requirements for retirement under CalPERS. CalPERS retirement requires attainment of age 50 (age 52, if a new member on or after January 1, 2013) with 5 years of State or public agency service or approved disability retirement.
- If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period.
- Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.
- The employee must commence his or her retirement warrant within 120 days of terminating employment with the District to be eligible to continue medical coverage through the District and be entitled to the employer subsidy described below.

District paid benefits: The retiree medical benefits paid by the District are a combination of amounts provided through a PEMHCA resolution and as described in formal Memorandums of Understanding.

- All employees who retire from the District and who are eligible and elect to continue medical coverage through CalPERS in retirement will receive the required PEMHCA minimum employer contribution (the MEC)⁵. Benefits continue to a covered surviving spouse, if the spouse is entitled to survivor benefits under the retirement program. The MEC was \$115 per month in 2013 and increased to \$119 per month in 2014.
- Employees who retire at age 50 or older (52, if first joining PERS in 2013 or later) having worked at least 10 years with the District are eligible to receive a higher "retiree medical allowance". This allowance is payable for the lifetime of the retiree and his or her spouse; the retiree is not required to continue medical coverage through CalPERS to be eligible for this benefit, but if he/she does, the allowance includes the MEC.
The amount varies based on service and retirement date. The monthly payment is fixed at the time of retirement and, though it may begin at a level higher than the MEC, if the MEC later increases due cost-of living adjustments, retirees continuing their medical coverage through CalPERS will receive the greater amount.
The chart on the following page summarizes benefits payable to retirees based on their service and date of retirement.
- Special contractual benefits apply to 4 current retirees which have been included in the valuation, but not described in detail here. None are significant to overall results.

⁴ With the exception of one current retiree who receives District-paid dental and vision coverage as well.

⁵ It is our understanding that the District provides healthcare benefits to active employees in excess of the MEC contributions to a pre-tax flexible benefit plan and that such additional benefits are not required to be provided to retired employees to meet PEMHCA requirements.

**Table 3A
(Concluded)**

Monthly Retiree Medical Allowance *					
Date of Retirement		Years of Service			
On or after:	Not later than	5 but less than 10	10 but less than 15	15 but less than 20	20 or more
-	12/31/1990	MEC			
1/1/1991	2/28/2001	See **	\$ 275	\$ 275	\$ 275
3/1/2001	2/28/2008	MEC	300	300	300
3/1/2008	2/28/2010	MEC	300	350	400
3/1/2010	6/30/2013	MEC	300	400	500
7/1/2013	6/30/2015	MEC	350	450	550
7/1/2015	8/31/2016	MEC	375	475	575

* For retirees continuing medical coverage through CalPERS, the allowance includes the MEC.

** Employees retiring in this time frame with at least 5 but less than 10 years of District service are eligible for a vested % of \$275 per month, ranging from 50% with 5 years to 90% with 9 years of service.

Current premium rates: The 2014 CalPERS monthly medical plan rates in the Bay Area rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. Note that the additional CalPERS administration fee is assumed to be separately expensed each year and has not been projected as an OPEB liability in this valuation.

Bay Area 2014 Health Plan Rates						
Plan	Actives and Pre-Med Retirees			Medicare Eligible		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access/ Adv HMO	\$ 836.59	\$1,673.18	\$ 2,175.13	\$ 298.21	\$ 596.42	\$ 1,098.37
Blue Shield NetValue/ Adv	704.01	1,408.02	1,830.43	298.21	596.42	1,018.83
Kaiser HMO	742.72	1,485.44	1,931.07	294.97	589.94	1,035.57
PERS Choice PPO	690.77	1,381.54	1,796.00	307.23	614.46	1,028.92
PERS Select PPO	661.52	1,323.04	1,719.95	307.23	614.46	1,011.37
PERSCare PPO	720.04	1,440.08	1,872.10	327.36	654.72	1,086.74

Table 3B

General CalPERS Annuitant Eligibility Provisions

The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of June 30, 2013, issued March 2014, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

Health Care Coverage

Retired Employees

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employee will notify CalPERS and the member's coverage will continue into retirement.

Eligibility Exceptions: Certain family members are not eligible for CalPERS health benefits:

- Children age 26 or older
- Children's spouses
- Former spouses
- Never enrolled or disabled children over age 26
- Grandparents
- Parents
- Children of former spouses
- Other relatives

Coordination with Medicare

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former, or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

Survivors of an Annuitant

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

Surviving enrolled family members who do not qualify to continue their current coverage are eligible for continuation coverage under COBRA.

Table 4
Actuarial Methods and Assumptions

Valuation Date	July 1, 2013
Funding Method	Entry Age Normal Cost, level percent of pay ⁶
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.75%
Discount Rate	6.75%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis
General Inflation Rate	3.0% per year

The demographic actuarial assumptions used in this valuation are based on the (demographic) experience study of the California Public Employees Retirement System using data from 1997 to 2007. Rates for selected age and service are shown below and on the following pages.

Mortality Before Retirement Mortality rates in the table below were projected by applying Scale AA on a fully generational basis.

CalPERS Public Agency Miscellaneous Non- Industrial Deaths only		
Age	Male	Female
15	0.00045	0.00006
20	0.00047	0.00016
30	0.00053	0.00036
40	0.00087	0.00065
50	0.00176	0.00126
60	0.00395	0.00266
70	0.00914	0.00649
80	0.01527	0.01108

⁶ The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Mortality After Retirement Mortality rates in each of the tables below were projected by applying Scale AA on a fully generational basis.

Healthy Lives			Disabled Lives		
CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality			CalPERS Public Agency Disabled Miscellaneous Post Retirement Mortality		
Age	Male	Female	Age	Male	Female
40	0.00093	0.00062	20	0.00664	0.00478
50	0.00239	0.00125	30	0.00790	0.00512
60	0.00720	0.00431	40	0.01666	0.00674
70	0.01675	0.01244	50	0.01632	0.01245
80	0.05270	0.03749	60	0.02293	0.01628
90	0.16747	0.12404	70	0.03870	0.03019
100	0.34551	0.31876	80	0.08388	0.05555
110	1.00000	1.00000	90	0.21554	0.14949

Termination Rates

For miscellaneous employees: sum of CalPERS Terminated Refund and Terminated Vested rates for miscellaneous employees – Illustrative rates

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.1193	0.0946	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0868	0.0749	0.0000	0.0000
30	0.1606	0.1055	0.0790	0.0668	0.0581	0.0000
35	0.1537	0.0987	0.0711	0.0587	0.0503	0.0450
40	0.1468	0.0919	0.0632	0.0507	0.0424	0.0370
45	0.1400	0.0849	0.0554	0.0427	0.0347	0.0290

Service Retirement Rates

For miscellaneous employees hired before 1/1/2013:
CalPERS Public Agency 2.5% @ 55 – Illustrative rates

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0261	0.0333	0.0404	0.0475	0.0546	0.0618
55	0.0880	0.1120	0.1360	0.1600	0.1840	0.2080
60	0.0880	0.1120	0.1360	0.1600	0.1840	0.2080
65	0.1430	0.1820	0.2210	0.2600	0.2990	0.3380
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Service Retirement Rates
(Concluded)

*For miscellaneous employees joining CalPERS on or after
1/1/2013 CalPERS Public Agency 2% @ 62 - Sample rates*

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
65	0.1287	0.1638	0.1989	0.2340	0.2691	0.3042
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

Illustrative rates:

CalPERS Public Agency Miscellaneous Disability		
Age	Male	Female
25	0.00010	0.00010
30	0.00021	0.00020
35	0.00063	0.00088
40	0.00145	0.00164
45	0.00252	0.00243
50	0.00331	0.00311
55	0.00366	0.00306
60	0.00377	0.00253

Healthcare Trend Rate

Medical plan premiums are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective Jan 1	Premium Increase	Effective Jan 1	Premium Increase
2014	Actual	2020	6.00%
2015	8.50%	2021	5.50%
2016	8.00%	2022	5.00%
2017	7.50%	2023	4.50%
2018	7.00%	2024	4.50%
2019	6.50%	2025 & later	4.64%

The PEMHCA minimum required contribution (MEC) is assumed to increase annually by 4.5%.

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Future Retiree Medical Allowance Levels	The retiree medical allowance is fixed at the time each employee retires. However, the dollar amounts of the employer's negotiated retiree medical allowances for future retirees is assumed to remain constant through June 30, 2017, and then increase at the rate of 4.5% per year.
Participation Rate	<i>Actives:</i> 100% are assumed to continue their current plan election in retirement. If currently waiving coverage, the employee is assumed to elect coverage in the Kaiser HMO Bay area plan in retirement. <i>Retired participants:</i> Existing medical plan elections are assumed to be maintained until the retiree's death.
Spouse Coverage	<i>Active employees:</i> 85% of employees are assumed to be married at retirement, and 90% of married retirees are assumed to elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives. <i>Retired participants:</i> Existing elections for spouse coverage are assumed to be maintained until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Changes Since the Prior Valuation:

Mortality	Future improvement in mortality rates was projected by applying Scale AA on a fully generational basis to the rates published in the 1997-2007 CalPERS Experience Study.
Healthcare trend	Medical plan premiums are assumed to increase at slightly higher rates than were assumed in the prior valuation.
Future Retiree Medical Allowance	The dollar amounts of the employer's negotiated retiree medical allowances for future retirees (which are fixed at the time each employee retires) are assumed to increase at 4.5% per year starting July 1, 2017, instead of 5% per year.

Table 5
Projected Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the District.

- No benefits expected to be paid on behalf of current active employees prior to retirement are considered in this projection.
- No benefits for potential future employees have been included.

Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

Projected Annual Benefit Payments						
Fiscal Year Ending June 30	Projected Number of Current Retirees	Projected Benefit Payments for Current Retirees	Projected Number of Future Retirees	Projected Benefit Payments for Future Retirees	Projected Total Number of Covered Retirees	Total Projected Benefit Payments for Covered Retirees
2014	77	\$ 297,662	0	\$ 35,297	77	\$ 332,959
2015	75	294,874	11	65,833	86	360,707
2016	73	297,783	23	100,441	96	398,224
2017	71	296,479	33	136,258	104	432,737
2018	69	292,840	42	173,334	111	466,174
2019	67	289,804	52	212,185	119	501,989
2020	64	285,330	63	251,556	127	536,886
2021	62	280,712	73	290,581	135	571,293
2022	60	276,159	82	328,071	142	604,230
2023	57	270,349	89	364,933	146	635,282

Appendix 1A Breakout of Valuation Results by Group Fiscal Year Ending June 30, 2015

The chart below breaks out the valuation results for 2 employee groups for the fiscal year ending June 30, 2015. Amortization of the unfunded actuarial accrued liability is on the same basis as described in Section F and in Table 1B. Plan assets and the net OPEB asset on June 30, 2013 were both allocated between the two groups based on the ratio of each group's AAL to the total AAL as of that date.

Approach	Classified	Unclassified	Total
	Prefunding Basis		
Interest Rate	6.75%	6.75%	6.75%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Remaining amortization period (in years)	24	24	24
Number of Covered Employees			
Actives	93	43	136
Retirees	48	29	77
Total Participants	141	72	213
Actuarial Present Value of Projected Benefits			
Actives	\$ 4,214,499	\$ 2,176,992	\$ 6,391,491
Retirees	1,801,417	1,483,015	3,284,432
Total APVPB	6,015,916	3,660,007	9,675,923
Actuarial Accrued Liability			
Actives	3,033,114	1,692,479	4,725,593
Retirees	1,801,417	1,483,015	3,284,432
Total AAL	4,834,531	3,175,494	8,010,025
Actuarial Value of Assets	2,237,736	1,497,770	3,735,506
Unfunded Actuarial Accrued Liability	2,596,795	1,677,724	4,274,519
Amortization Factor	16.7965	16.7965	16.7965
Annual Required Contribution (ARC)			
Normal Cost	174,298	80,384	254,682
Amortization of UAAL	154,604	99,885	254,489
Interest to 6/30/2015	22,201	12,168	34,369
ARC for Fiscal Year End 6/30/2015	351,103	192,437	543,540
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	351,103	192,437	543,540
b. Interest on Net OPEB Obligation (Asset) at beginning of year	(58,379)	(39,075)	(97,454)
c. Adjustment to the ARC	54,967	36,791	91,758
d. Annual OPEB Expense (a. + b. + c.)	347,691	190,153	537,844
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	204,308	156,399	360,707
b. Estimated contribution to OPEB trust	146,795	36,038	182,833
c. Total Expected Employer Contribution	351,103	192,437	543,540
3. Change in Net OPEB Obligation (1.d. minus 2.c.)	(3,412)	(2,284)	(5,696)
Net OPEB Obligation (Asset), beginning of fiscal year	(864,876)	(578,883)	(1,443,759)
Net OPEB Obligation (Asset) at fiscal year end	(868,288)	(581,167)	(1,449,455)

Appendix 1B Breakout of Valuation Results by Group Fiscal Year Ending June 30, 2016

The chart below breaks out the valuation results for 2 employee groups for the fiscal year ending June 30, 2016. Amortization of the unfunded actuarial accrued liability is on the same basis as described in Section F and in Table 1B.

Approach	Classified	Unclassified	Total
	Prefunding Basis		
Interest Rate	6.75%	6.75%	6.75%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay
Remaining amortization period (in years)	23	23	23
Number of Covered Employees			
Actives	93	43	136
Retirees	48	29	77
Total Participants	141	72	213
Actuarial Present Value of Projected Benefits			
Actives	4,456,439	2,300,644	\$ 6,757,083
Retirees	1,761,243	1,450,015	3,211,258
Total APVPB	6,217,682	3,750,659	9,968,341
Actuarial Accrued Liability			
Actives	3,381,375	1,869,236	5,250,611
Retirees	1,761,243	1,450,015	3,211,258
Total AAL	5,142,618	3,319,251	8,461,869
Actuarial Value of Assets	2,535,579	1,634,907	4,170,486
Unfunded Actuarial Accrued Liability	2,607,039	1,684,344	4,291,383
Amortization Factor	16.3320	16.3320	16.3320
Annual Required Contribution (ARC)			
Normal Cost	179,963	82,996	262,959
Amortization of UAAL	159,628	103,132	262,760
Interest to 6/30/2016	22,922	12,564	35,486
ARC for Fiscal Year End 6/30/2016	362,513	198,692	561,205
1. Calculation of the Annual OPEB Expense			
a. ARC for current fiscal year	362,513	198,692	561,205
b. Interest on Net OPEB Obligation (Asset) at beginning of year	(58,609)	(39,229)	(97,838)
c. Adjustment to the ARC	56,753	37,987	94,740
d. Annual OPEB Expense (a. + b. + c.)	360,657	197,450	558,107
2. Calculation of Expected Contribution			
a. Estimated payments on behalf of retirees	226,077	172,147	398,224
b. Estimated contribution to OPEB trust	136,436	26,545	162,981
c. Total Expected Employer Contribution	362,513	198,692	561,205
3. Change in Net OPEB Obligation (1.d. minus 2.c.)	(1,856)	(1,242)	(3,098)
Net OPEB Obligation (Asset), beginning of fiscal year	(868,288)	(581,167)	(1,449,455)
Net OPEB Obligation (Asset) at fiscal year end	(870,144)	(582,408)	(1,452,553)

Appendix 2 Expected Disclosures for Fiscal Year End June 30, 2014

The annual OPEB expense and net OPEB obligation (asset) for the fiscal year ending June 30, 2013 and June 30, 2014 were projected in the July 1, 2011 valuation and reflected Bickmore's understanding of OPEB contributions prior to that date. Since that valuation was prepared, the District has adjusted and updated its payments toward retiree premiums and contributions to CERBT through June 30, 2013.

The following exhibit updates the development of the annual OPEB expense and net OPEB obligation, providing the information assumed to be reported in the District's financial statement for the fiscal year ending June 30, 2014.

Fiscal Year End	Prefunding Basis	
	6/30/2014	
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	\$	462,852
b. Interest on Net OPEB Obligation (Asset) at beginning of year		(96,911)
c. Adjustment to the ARC		88,870
d. Annual OPEB Expense (a. + b. + c.)		454,811
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees		332,959
b. Estimated contribution to OPEB trust		129,893
c. Total Expected Employer Contribution		462,852
3. Change in Net OPEB Obligation (1.d. minus 2.c.)		(8,041)
Net OPEB Obligation (Asset), beginning of fiscal year		(1,435,718)
Net OPEB Obligation (Asset) at fiscal year end		(1,443,759)

Appendix 3 OPEB Disclosure Information

The Information necessary to complete the OPEB footnote in the District's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

Summary of Plan Provisions:	See Table 3A
OPEB Funding Policy:	See Section F; details are provided also at the top of the exhibit in Table 1B
Annual OPEB Cost and Net OPEB Obligation:	See Table 1C
Actuarial Methods and Assumptions:	See Table 4.
Funding Status and Funding Progress:	See Section E – Basic Valuation Results

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 5,201,583	\$ 5,201,583	0.0%	\$ 12,429,787	41.8%
7/1/2010	\$ 2,202,422	\$ 5,120,503	\$ 2,918,081	43.0%	\$ 11,590,155	25.2%
7/1/2011	\$ 2,849,311	\$ 6,557,147	\$ 3,707,836	43.5%	\$ 12,094,561	30.7%
7/1/2013	\$ 3,377,623	\$ 7,568,777	\$ 4,191,154	44.6%	\$ 13,310,618	31.5%

Required Supplementary Information: Three Year History of Amounts Funded
See chart below:

OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$ 346,615	\$ 363,108	104.8%	\$ (1,425,564)
6/30/2013	\$ 438,130	\$ 448,284	102.3%	\$ (1,435,718)
6/30/2014	\$ 454,811	\$ 462,852	101.8%	\$ (1,443,759)
6/30/2015	\$ 537,844	\$ 543,540	101.1%	\$ (1,449,455)
6/30/2016	\$ 558,107	\$ 561,205	100.6%	\$ (1,452,553)

Italicized values above are estimates which may change if contributions are other than projected.

Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see “Actuarial Present Value”

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value (APV) – The amount presently required to fund a payment or series of payments in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Annual OPEB Expense – The OPEB expense reported in the Agency’s financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual’s projected earnings or service forward from the valuation date to the assumed exit date

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member’s account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual’s projected earnings or service from entry age to assumed exit age

Glossary (Continued)

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Non-Industrial Disability (NID) – Unless specifically contracted by the individual Agency, PAM employees are assumed to be subject to only non-industrial disabilities.

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that medical insurance contributions for retired annuitants and paid for by a contracting Agency be equal to the medical insurance contributions paid for its active employees, and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Glossary (Concluded)

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Public Agency Miscellaneous (PAM) – Actuarial assumptions used by CalPERS for most non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility

UNION SANITARY DISTRICT

LEGAL/COMMUNITY AFFAIRS COMMITTEE MEETING

Wednesday, June 7, 2014
5:00 p.m.

AGENDA

7. Approve or Reject Changes to CASA Bylaws.
- Clarification of Board Member Communication Issues

*Committee meetings are open to the public; however, **only written comments** from the public **will be permitted**. Written comments must be received at the Union Sanitary District office, 5072 Benson Road, Union City, CA 94587, at least one working day prior to the committee meeting. No Board action will be taken.*

LARGEST RECYCLED WATER PROJECT IN STATE

Modesto wastewater may irrigate crops

\$100 million pipeline to divert water from river

By J.N. Sbranti
The Modesto Bee

Like that old saying about "one man's trash being another man's treasure," wastewater is becoming a coveted commodity.

It's called recycled water now, and Modesto and Turlock need to get rid of it.

West Side farmers in the Del Puerto Water District in Patterson, meanwhile, are desperate to use it to

irrigate their crops. And apparently they're willing to bankroll the \$100 million cost to pipe the treated water over to their side of Stanislaus County.

The drought is only partly to blame for the ramped-up interest in reusing wastewater, which previously had been flushed from toilets and drained down sinks.

Ever-increasing government regulations and environmental restrictions are making it more difficult and expensive to release that water into the San Joaquin River, even after extensive treatments have removed

all the yucky stuff.

Modesto and Turlock already have spent millions on pipes leading west to the river, but now city leaders think there's a better option than letting that water flow into the San Joaquin.

"This recycled water project will help a neighbor in our county, create some jobs, save some trees and help our economy," predicted Brad Hawn, a structural engineer and former Modesto city councilman who is consulting on the project. "Our community has got to start getting some wins, and this is a win."

If everything goes as planned, recycled water will start flowing down the 6-mile pipeline under the river and to the Delta-Mendota Canal by 2018. Del Puerto farmers will take it from there.

Preliminary work on what is called the North Valley Regional Recycled Water Program began four years ago. Drafting of the environmental impact report is about to begin, and the public has until Wednesday to make initial comments about it.

"This is going to be the largest recycled water project in California," Hawn

said. "It's getting national attention."

It certainly is foremost on the minds of West Side farmers, who are scrambling to find a reliable, affordable source of irrigation water.

The 45,000-acre Del Puerto Water District is supposed to get water from the federally run Central Valley Project system, but it's not getting one drop this season.

"If we cannot get a sustainable, reliable source of water ... we're not going to be able to continue," said Jim Jasper, owner of Stewart & Jasper Orchards and

a member of the Del Puerto board of directors.

Del Puerto stretches from Vernalis to Santa Nella, including western parts of San Joaquin, Stanislaus and Merced counties. It pulls irrigation water from the Delta-Mendota Canal, which is part of the federal Central Valley Project.

If the pipeline is built as proposed, an estimated 30,600 acre-feet per year of recycled water could flow into the Delta-Mendota by 2018. Based on city growth projections, the volume would increase to 59,000 acre-feet by 2045.

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5-21-2014

House approves massive water infrastructure bill

\$12 billion will fund 34 projects

By Henry C. Jackson
Associated Press

WASHINGTON — The House passed the closest thing so far this year to an infrastructure bill — a \$12 billion-plus bipartisan measure authorizing 34 water projects, ranging from flood protection in California and North Dakota to deepening the Port of Savannah and widening a Texas-Louisiana waterway that services the oil industry.

The Water Resources Reform and Development Act passed Tuesday on a 412-4 vote. Lawmakers shook off criticism from conservative and watchdog groups such as Heritage Action and Taxpayers for Common Sense that argued the bill should have done more to rein in wasteful government spending.

The Senate could vote on the bill before the end of the week, sending it to President Barack Obama for his signature. The legislation is a bipartisan compromise of companion bills passed separately by the House and Senate last year. After months of negotiations, a final deal on it was reached last week.

Supporters, including business interests like the U.S. Chamber of Commerce hailed, it an economy-boosting measure that could deliver thousands of new jobs. "It's a bipartisan bill, and it is a jobs bill," said Bill Shuster, chairman of the House Transportation Committee.

"It's certainly going to create construction jobs, but the jobs I'm talking about are when American invests in its infrastructure and keeps us competitive."

Shuster, R-Pa., and other lawmakers also argued the bill was more fiscally responsible than past water projects bills. On the House floor, he noted the bill puts an end to \$18 billion in dormant water projects passed before 2007.



RICH PEDRONGELLI/ASSOCIATED PRESS ARCHIVES

Then-Gov. Arnold Schwarzenegger tours the Natomas Cross Canal levee north of Sacramento in 2006. It is one of the projects that could be funded by a bipartisan \$12 billion-plus bill passed by the House on Tuesday.

STATE WATER PROJECTS AUTHORIZED BY HOUSE

On Tuesday, the House passed the Water Resources Reform and Development Act, which authorizes 34 water projects across the country. The Senate is expected to consider the bill later this week. A list of the California projects, and the federal funds authorized for each:

Flood risk management projects:

- Natomas Basin, California, more than \$760.6 million
- San Joaquin River basin, California, more than \$23.6 million
- Sutter Basin, California, more than \$255.2 million

Hurricane and storm damage risk reduction projects:

- San Clemente shoreline, California, more than \$51 million

— Associated Press

Rep. Nick Rahall, D-W.Va., said the bill was overdue because the country has fallen behind on its investments in infrastructure.

"Many of our coastal ports are ill prepared to take advantage of the expansion of the Panama Canal," said Rahall, the ranking Democrat on the transportation committee.

That was not enough for some critics. A Taxpayers for Common Sense analysis released this week called the bill "a missed opportunity to reform management of our nation's infrastructure in a fiscally responsible manner."

Adam Kolton, with the

National Wildlife Federation, said the bill didn't do enough to "sort out the beneficial projects from the boondoggles."

He said it also "hurts taxpayers again by increasing subsidies for the already heavily-subsidized navigation industry."

With an estimated cost of \$12.3 billion, the measure is a slimmer version of past water project bills. The last one in 2007, for example, had a price tag of \$23.3 billion.

The new bill addresses pent-up demands by lawmakers, including addressing flooding concerns in places like Fargo, North Dakota and the Natomas

Basin in the Sacramento, California area.

The bill authorizes spending up to \$800 million for a flood diversion project that would protect the Red River Valley region of North Dakota and Minnesota, which includes Fargo. The region has suffered major flooding four of the past five years.

In California, the bill allows as much as \$760 million in federal spending for a project that would strengthen levees of the Natomas Basin in the Sacramento area, which could protect more than 100,000 residents.

There are also big investments in projects that improve infrastructure for commerce.

The bill sanctions more than \$748 million for dredging and widening of the 80-mile-long Sabine-Neches Waterway, which is billed as "America's Energy Gateway" in servicing oil and natural gas refineries in Texas and Louisiana.

It also authorizes \$492 million for expanding and deepening the Port of Savannah. Actual funding of all the projects will require

Waste fee justified?

\$9.55 a year: Critics say agency and proposed tax are unnecessary



D. ROSS CAMERON/STAFF

The Alameda County Waste Management Authority board votes Wednesday on whether to assess county homeowners an annual fee of \$9.55 to sustain its household hazardous waste program. More than 50,000 residents wrote letters in protest.

By Matt O'Brien

mattobrien@bayareanewsgroup.com

OAKLAND — The cars line up three days a week at the hazardous waste collection site, dropping off junk that cannot go in the regular trash: batteries, motor oil, paint thinner, rat poison.

But unless every Alameda County homeowner begins pay-

ing \$9.55 on their tax bill each year to cover the cost of disposal, the countywide Waste Management Authority insists it will have to sharply cut back the hours at its four drop-off sites in Oakland, Hayward, Fremont and Livermore. Much of that corrosive and toxic household junk, the agency warns, could end up dumped in our streets,

parks and watershed.

Critics contend the proposed fee — to be adopted or denied Wednesday — is unnecessary, and so is the agency trying to collect it.

“There is no logical reason for that organization to exist,” said San Leandro resident Laython Landis. Landis thinks he should know; he’s on its board of direc-

tors.

Landis and the 16 other politicians who govern the Alameda County Waste Management Authority, also known as Stop-Waste, are scheduled to gather Wednesday afternoon to vote for a second time on whether to adopt the \$9.55-per-home fee, af-

See **WASTE**, Page 2

Waste

Continued from Page 1

ter the board's first vote failed to pass in April.

The board is also prepared Wednesday to approve the agency's budget, which has annual expenditures of about \$24 million and a staff of 42 expecting a 2.5 percent raise. The new fee would bring in about \$5 million yearly to the hazardous waste collection program.

It will take 12 of the board members — two-thirds approval — to adopt the fee. The board could muster only 11 votes last month, but two members were absent for the vote. One of them was Landis, an 88-year-old who represents the Oro Loma Sanitary District and said he had to leave the meeting early.

'Increasingly appalled'

The agency already asked Alameda County property owners what they think, and the response was stunning: more than 50,000 formal protest letters from property owners representing about 100,000 residential units across the county — about 18 percent of all apartments, condos and houses.

Still, the mass protest did not meet the legal threshold to defeat the fee. A majority of homeowners would have had to apply a stamp and send in a protest letter, or speak out at a meeting.

"The StopWaste folks are very, very determined people and really want this revenue," said Emeryville resident Leslie Straus, who said she is not an activist but became "increasingly appalled" observing the process.

The retired librarian has used the county drop-off sites but also said she can now drop most of her modest amount of household hazardous waste at chain stores. She questioned why the agency needed so much money to expand hours.

"The determination to bypass the spirit of the law, to actually ignore really articulate and intelligent pub-

lic input, and tens of thousands of people who have indicated they don't want them to do this, it's just abhorrent," she said.

Those who run the waste collection program argue that the proposed fee will be a needed source of funding over the next decade.

The waste management authority is losing revenue in part because of the success of recycling: as more residents recycle, less trash is going to landfills and less money is coming in to the agency through landfill fees.

But household hazardous waste is not going away and stores and private recyclers are only taking back some of it.

"I don't know what we'd do" without the proposed new fee, said Bill Pollock, who manages the county's household hazardous waste program. "We would have to basically cut ourselves in half."

The Oakland site would likely shift from weekly to every other week and cut back hours; the Hayward and Livermore sites to once a month. With a fee, however, Pollock said the program could expand to include door-to-door pickup for the elderly, and one-day parking lot events for the neighborhoods farthest from the drop-off sites and least likely to use them.

Proper disposal

Pollock has been with the collection program since its inception. He unloaded the

very first car to drop off hazardous household junk as part of the countywide program. It was in Hayward, on Sept. 3, 1993.

Speaking as his staff, clad in protective white uniforms, pulled out paint cans, household cleaners and photographic developing fluid from cars lined up at the East Oakland drop-off site, Pollock described the trajectory of each of the items collected.

Usable items go to a local swap shed. Oil-based paint heads to Midwestern cement kilns. Batteries are sorted by chemistry and many end up with Los Angeles recyclers. Fluorescent lights travel to an Arizona plant that crushes them and recovers much of the mercury and phosphorus for reuse.

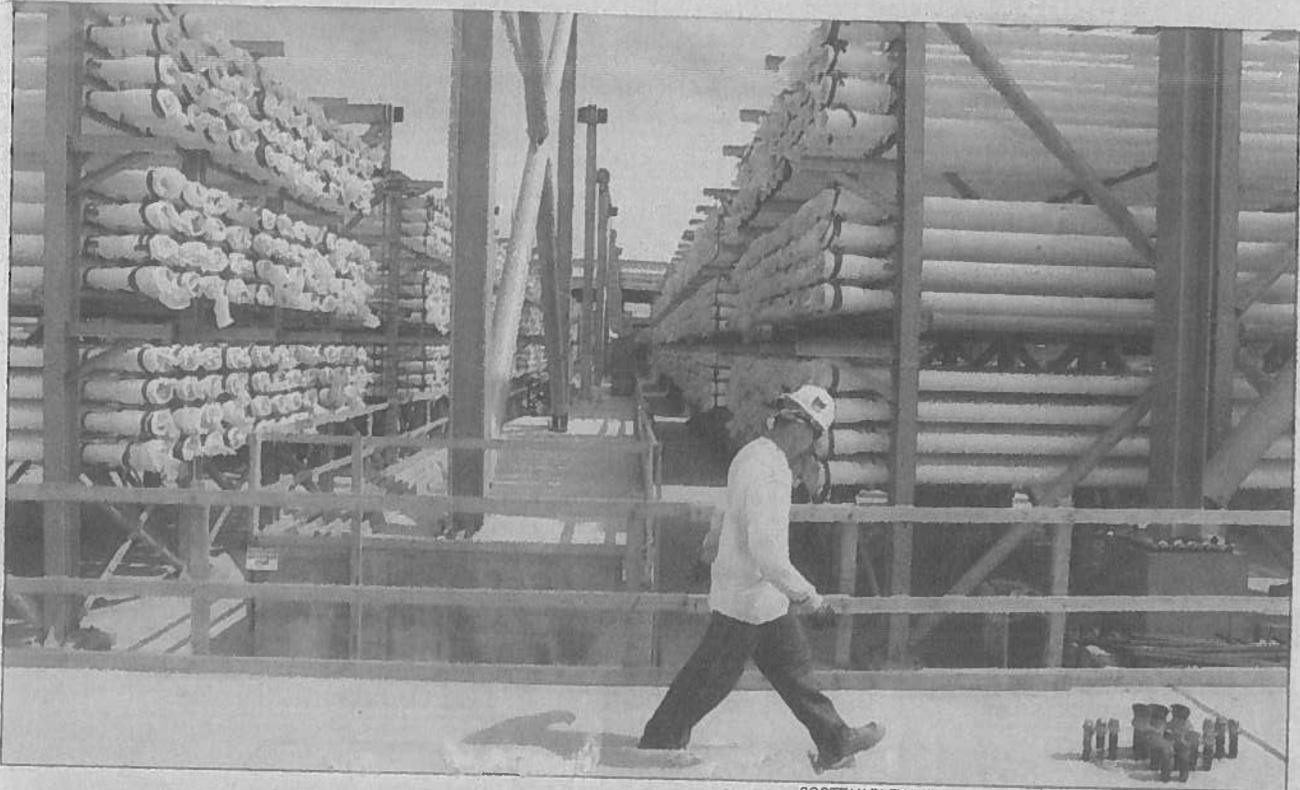
"We would all like to move away from the government being involved and having private industry take responsibility for the entire life cycle of a product," Pollock said. "Put me out of business."

Hardware stores now take back paint, though only if the cans are in good condition. But the reality, he said, is that his work is still necessary if residents want their most environmentally dangerous household items to be disposed of properly.

"They're only taking the cream of the crop, the easy stuff," Pollock said of the manufacturers. "I'm here to take all the crap that everybody else can't, and we do a pretty good job."

Tapping the sea

Under construction: The largest seawater-to-drinking water plant in the nation is intended to be a drought-buster



SCOTT VARLEY/MEDIA NEWS GROUP

COST OF WATER: State estimates of the cost of developing extra water capacity are below. Above, a worker walks by racks of reverse osmosis cartridges at the desalination plant being built in Carlsbad.

<p>Conservation (Urban)</p>  <p>\$223-\$522*</p>	<p>Conservation (Agricultural)</p>  <p>\$85-\$675</p>	<p>Brackish groundwater desalination</p>  <p>\$500-\$900</p>	<p>Recycled wastewater</p>  <p>\$300-\$1,100</p>	<p>New dams and reservoirs</p>  <p>\$300-\$1,300</p>	<p>Carlsbad ocean desalination project</p>  <p>\$2,014-\$2,257</p>
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Source: California Department of Water Resources

*Dollars per acre-foot

BAY AREA NEWS GROUP

By Paul Rogers

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CARLSBAD — On sunny afternoons, this stretch of beach 35 miles north of San Diego offers a classic Southern California backdrop: joggers, palm trees and surfers, flanked by waves rolling in and pelicans soaring overhead.

But just across the road, another scene, unlike any other in the state's history, is playing out: More than 300 construction workers are digging trenches and assembling

a vast network of pipes, tanks and high-tech equipment as three massive yellow cranes labor nearby.

The crews are building what boosters say represents California's best hope for a drought-proof water supply: the largest ocean desalination plant in the Western Hemisphere. The \$1 billion project will provide 50 million gallons of drinking water a day for San Diego County when it opens in 2016.

Since the 1970s, California

has dipped its toe into ocean desalination — talking, planning, debating. But for a variety of reasons — mainly cost and environmental concerns — the state has never taken the plunge.

Until now.

Fifteen desalination projects are proposed along the coast from Los Angeles to San Francisco Bay. Desalination technology is becoming more efficient. And the state is mired

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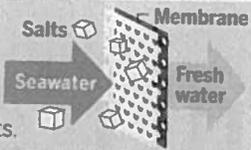
■ For coverage of environmental and drought related news, go to www.mercurynews.com/science.

From saltwater to tap water

A look at how desalination plants convert saltwater to drinkable fresh water.

How the filters work

Through a process called **reverse osmosis**, seawater is forced through layers of superfine membrane to filter out salt and other dissolved contaminants.



1 Pumping seawater

Millions of gallons of seawater a day come in through intake pipes. Protective screens minimize sucking in sea life and large debris.

2 Pretreatment

Water is filtered for sediments, bacteria and viruses. Solid waste is sent to a landfill.

3 Desalination

Seawater is pumped through concentric filters. More than 99% of the salt and minerals is removed.

4 Wastewater

Brine, the remaining water from desalination, is more salty than seawater, so it is mixed with industrial wastewater or other seawater to reduce salinity before it's returned to the sea.

5 Post-treatment

Water is chlorinated. Minerals can be added to match taste of existing water.

6 Storing and delivering water

Fresh water is stored and released into the municipal water system.

Sources: Bay Area Regional Desalination Project, McClatchy-Tribune

BAY AREA NEWS GROUP

In its third year of drought. So critics and backers alike are wondering whether this project in a town better known as the home of Legoland and skateboard icon Tony Hawk is ushering in a new era.

Will California — like Israel, Saudi Arabia and other arid coastal regions of the world — finally turn to the ocean to quench its thirst? Or will the project finally prove that drinking Pacific seawater is too pricey, too environmentally harmful and too impractical for the Golden State?

"Everybody is watching Carlsbad to see what's going to happen," said Peter MacLaggan, vice president of Poseidon Water, the Boston firm building the plant.

"I think it will be a growing trend along the coast," he said. "The ocean is the one source of water that's truly drought-proof. And it will always be there."

To supporters, the Carlsbad Desalination Plant is a historic engineering marvel. And it is a survivor, having endured six years of government permitting, from the Carlsbad City Council to the California Coastal Commission. Supporters won 14 lawsuits and appeals by environmentalists before finally breaking ground in December 2012.

"They went through seven or eight years of hell to get here," said Tim Quinn, executive director of the Association of California Water Agencies. "But they stuck it out. They got it done. If it succeeds, it will encourage other projects. And if it fails, it will have a chilling effect."

To critics, the plant is a costly mistake that will use huge amounts of energy and harm fish and other marine life when it sucks in seawater using the intakes from the aging Encina Power Plant next door.

"This is going to be the pig that will try for years to find the right shade of lipstick," said Marco Gonzalez, an Encinitas attorney who sued on behalf of the Surfrider Foundation and other environmental groups to try to stop construction. "This project will show that the water is just too expensive."

For the plant to be a success and copied in other parts of the state, Poseidon will have to deliver high-quality drinking water at the price promised — and not cause unexpected im-

pacts to the environment such as fish die-offs.

"It's a test case," said Ron Davis, executive director of Cal Desal, an industry advocacy group. "We like to tease them: Only the entire future of desal is riding on this project. No pressure."

High cost

Almost every discussion about desalination begins and ends with cost.

Desalinated water typically costs about \$2,000 an acre foot — roughly the amount of water a family of five uses in a year. The cost is about double that of water obtained from building a new reservoir or recycling wastewater, according to a 2013 study from the state Department of Water Re-

And its price tag is at least four times the cost of obtaining "new water" from conservation methods — such as paying farmers to install drip irrigation, or providing rebates for homeowners to rip out lawns or buy water-efficient toilets.

"We look out and see a vast ocean. It seems obvious," said Heather Cooley, water director for the Pacific Institute, a nonprofit research organization in Oakland. "But its cost prohibitive for most places in California."

In Carlsbad, two gallons of seawater will be needed to produce each gallon of drinking water. And to remove the salt, the plant will use an enormous amount of energy — about 38 megawatts, enough to power 28,500 homes — to force 100 million gallons of seawater a day through a series of filters. The process, known as reverse osmosis, removes salt and other impurities by blasting the water at six times the pressure of a fire hose through membranes with microscopic holes.

San Diego County is probably better suited than any large California community for desalination. It receives only 10 inches of rain a year, one-third less than Los Angeles, Fresno or San Jose. It has very little groundwater. And it has a large customer base to spread out the cost of the Carlsbad plant, which will provide about 7 percent of the total water needs of the county.

The high price is worth it to help San Diego and other regions rely less on water from the Colorado River and the Sacramento-San Joaquin River Delta, both of which are overdrawn and increasingly unreliable, said Bob Yamada, water resources manager for the San Diego County Water Authority.

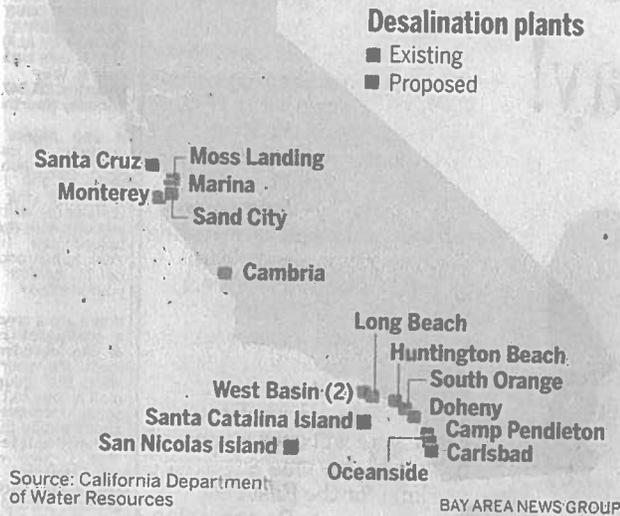
"You can't conserve or recycle what you don't have," Yamada said.

"Desal offers us local control."

The authority will pay from \$2,014 to \$2,257 an acre

Desalination in California

The nation's largest ocean desalination plant is under construction in Carlsbad and set to open in 2016. Only three small plants are open now, and about 15 others are proposed.



foot for the water, depending on how much it buys. The agency, which provides water to 3.1 million people in San Diego County, signed a 30-year contract agreeing to buy at least 48,000 acre feet a year.

With that guarantee, Poseidon and its investors were able to sell bonds to finance the project. The company will be guaranteed a rate of return between 9 and 13 percent, depending on operating costs.

Critics say the agency is getting a raw deal.

"It's not a public-private partnership," Gonzalez said. "It's corporate welfare."

Nobody disputes that the cost of water will go up. According to Yamada, the average customer's bill, now \$71 a month, will rise \$5 to \$77 to pay for desalination.

Santa Barbara redux?

Sometimes the high costs can turn off the spigot.

After enduring severe water shortages during a drought in the late 1980s,

Santa Barbara voters agreed to spend \$34 million to build a desalination plant. It opened in 1991 and provided water for four months. When the drought ended, the city shut it down. Water from reservoirs and other sources was significantly cheaper.

Similarly, Australia spent more than \$10 billion building six huge seawater desalination plants during a severe drought from 1997 to 2009. Today, Cooley noted, four are shut down because when rains finally came, the cost of the water became noncompetitive.

"We run the risk of building facilities that we don't use," Cooley said. "And that's a waste of money."

Earlier this month, the Santa Barbara City Council voted to spend \$935,000 to hire an engineering firm, law firm and lobbyist to try to restart the city's shuttered plant by 2016.

"None of us wants to do it, but I was there 25 years ago, and it's really ugly when you run out of water," said Santa Barbara City Councilman Harwood "Bendy" White. "This is one option for stretching out our supplies."

Monterey County

Similarly, the California American Water Company in Monterey County is studying three locations to build a desal plant to make up for water lost when state regulators ruled the company didn't have valid permits for the Carmel River. In Los Angeles, leaders of the West Basin Municipal Water District, which serves about 100,000 people, built a pilot plant in Redondo Beach and are studying plans for a \$300 million desalination plant by 2020.

Desal technology continues to improve. It now takes only a quarter of the elec-

tricity to generate drinking water as it did in the 1980s because of more efficient pumps, membranes and energy-recovery devices, said Tom Pankratz, editor of the Water Desalination Report, a newsletter based in Houston.

But some places are balking.

Santa Cruz city officials in August shelved plans for a desal plant after environmental activists raised fears that the new water might trigger more growth. Marin County studied a desal project, then dropped it when water use declined. Long-running plans by San Francisco Bay Area water agencies to build a desal plant near Concord were shelved this year when water districts decided they could obtain water more cheaply through recycling and other means.

Another key issue looming large is how to get the seawater without hurting the marine environment.

The Coastal Commission approved the Carlsbad plant and its open-ocean intake system. But new scientific studies and changing laws mean that most future plants probably will be required to bury intake pipes and pump water at a lower rate to reduce the threat to the lives of fish and millions of larvae, eggs and other sea life.

Plans by Poseidon to build a desalination plant in Huntington Beach slowed last year when the Coastal Commission said it wanted the company to investigate whether its pipes could be buried, a prospect that will increase costs. For the Carlsbad plant Poseidon was required to build 66 acres of wetlands in San Diego Bay to offset the plant's environmental harm. It also must blend its brine at a 5:1 ratio with other seawater before flushing it back into the ocean so it won't harm marine life. Other projects will have to do all those things to get state permits.

But some experts say the plants are coming anyway.

"In the next 10 years you are probably going to have three big plants built in Southern California and another plant or two in Northern California," Pankratz said. "The trend is toward more desal. They are the most reasonable insurance policy against a long, protracted drought."

Paul Rogers covers resources and environmental issues. Contact him at 408-920-5045. Follow him at Twitter.com/PaulRogersSJMN.

Water district needs new board members

The Alameda County Water District board doesn't represent the taxpayers and never will. ACWD will increase water rates for the second time this year. It is simple, because it can.

From 2009 through 2014, rates have been raised 35.8 percent (water charge) and 148.8 percent (service meter charge). ACWD budget for 2008/09 was \$97.7 million and 2014/15 is projected \$120.6 million.

Where does all this money go? A majority goes to salaries. Their memorandum of understanding indicates employees received 20 percent raises compounded over five years.

These employees get fully paid health insurance, dental insurance and vision insurance.

There is a \$5,000 education assistance program, longevity pay, paid health insurance in retirement, and work two hours of overtime and get a \$20 paid meal. There is paid vacation leave, sick leave, four floating holidays, 11 holidays per year and 25 days of vacation after 20 years.

Let's not forget the 199 employees making more than \$100,000 a year, plus benefits and their upcoming raises.

ACWD needs a new executive board that is not afraid to control costs for the taxpayers.

Michael Lopez
Fremont

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Letters of up to 175 words will be considered for publication. All letters must include a full name, address and daytime phone number, plus any affiliations that would place your opinion in context.

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