



43885 SOUTH GRIMMER BOULEVARD • FREMONT, CALIFORNIA 94538
(510) 668-4200 • FAX (510) 770-1793 • www.acwd.org

**NOTICE OF SPECIAL MEETING OF THE
ACWD BOARD OF DIRECTORS**

Date: October 22, 2020

Time: 4:00 P.M.

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

MEMBERS OF THE PUBLIC MAY PARTICIPATE IN THIS MEETING VIA WEBINAR <https://us02web.zoom.us/j/89291584035>, OR BY CALLING ANY OF THE FOLLOWING PHONE NUMBERS: **1-669-900-9128** OR **1-346-248-7799** OR **1-301-715-8592** FOLLOWED BY **892 9158 4035**.

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

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

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

Date this Notice Posted: October 16, 2020

A handwritten signature in blue ink that reads "Gina Markou".

Gina Markou, District Secretary

ALAMEDA COUNTY WATER DISTRICT

43885 So. Grimmer Boulevard
Fremont, CA 94538

SPECIAL BOARD OF DIRECTORS MEETING

A G E N D A

October 22, 2020

4:00 P.M.

ACCESSIBLE PUBLIC MEETINGS: Upon request, ACWD will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request at least 72 hours before the meeting to the District Secretary, ACWD, 43885 S. Grimmer Blvd., Fremont, CA 94538, or to gina.markou@acwd.com stating your name, mailing address, phone number, and brief description of the requested materials and preferred alternative format or auxiliary aid or service.

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

MEMBERS OF THE PUBLIC MAY PARTICIPATE IN THIS MEETING VIA WEBINAR <https://us02web.zoom.us/j/89291584035>, OR BY CALLING ANY OF THE FOLLOWING PHONE NUMBERS: 1-669-900-9128 or 1-346-248-7799 or 1-301-715-8592 FOLLOWED BY 892 9158 4035.

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

1. ROLL CALL
2. SALUTE TO THE FLAG
3. PUBLIC COMMENTS ON MATTERS ON THIS NOTICE OF SPECIAL MEETING
4. FINANCIAL WORKSHOP FOR CALENDAR YEAR 2020

This is the fourth in a series of financial workshops scheduled for calendar year 2020. The first two workshops focused on the District budget and Advanced Metering Infrastructure project. The third workshop focused on the District's current and projected future financial status, water rates and charges, rate setting requirements, the allocation between fixed and

variable charges, and charges for dedicated fire service lines. This workshop will continue the discussion regarding the District's current and projected future financial status and potential water rates and charges increases and will include the following topics:

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

5. GENERAL MANAGER'S REPORTS

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

7. ADJOURNMENT

Alameda County Water District

Financial Workshop Rates & Charges

October 22, 2020

Presentation Overview

- Introduction
- Update on Cost of Service Analysis
- Financial Plan Update and Scenarios
- Potential Rate Adjustment and Public Outreach Plan
- Next Steps

Board Guidance Requested

- Financial planning assumptions
- Potential water rate adjustment
 - Feedback on potential rate adjustment
 - Public outreach plan

Cost of Service Analysis Update

- Raftelis is nearly complete with the study.
- The study is based on the current budget and maintains the same allocation between fixed and variable revenue recovery
- The study is evaluating dedicated fire service lines, regular service charges, and commodity rates
- Preliminary feedback is that updates will be relatively minor

Financial Plan Update and Scenarios

- Review of updates to the Financial Planning Model since the August 27, 2020 financial workshop
- Review of baseline assumptions
- Presentation of rate increase scenarios

Changes to Status Quo Financial Planning Model Since August Workshop

- Shifted debt proceeds for Advanced Metering Infrastructure (AMI) Project out one year to FY 2021/22
- Updated Delta Conveyance cost estimates

New Status Quo Financial Planning Assumptions

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

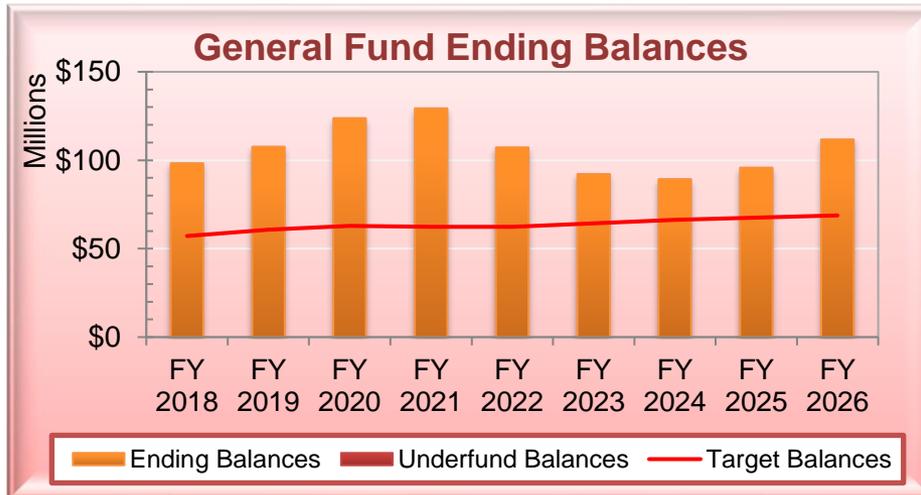
New Status Quo Financial Planning Model

Key Assumptions

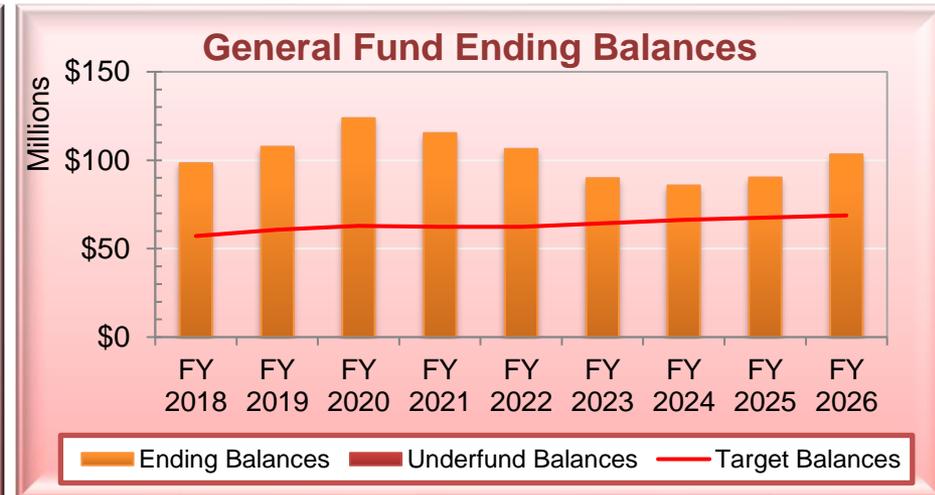
- 3% rate increase effective March 1, 2021 and each year thereafter
- \$5 million (cash) contribution towards N3 Ranch partnership purchase + \$1 million annual O&M expenses
- \$19.5 million debt financing for AMI program (increased by \$5 million due to N3 Ranch contribution)
- No pandemic-related decline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

General Fund Ending Balances

August Workshop Baseline



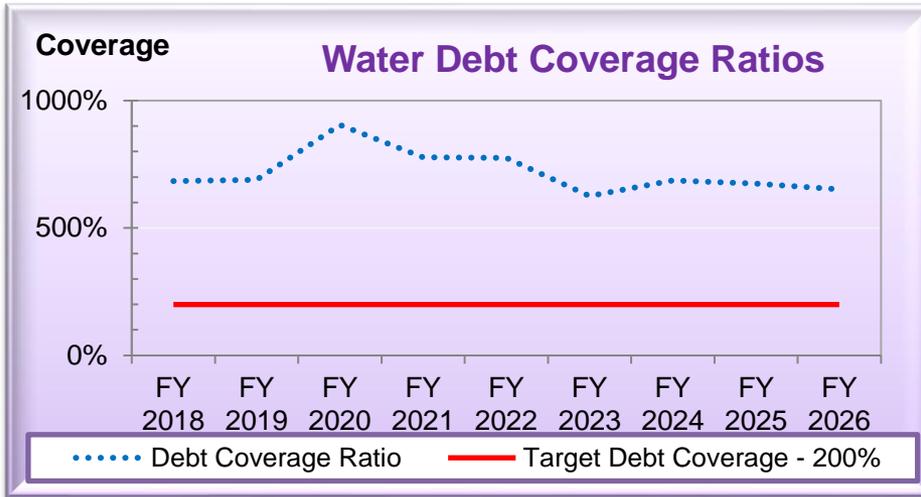
New Status Quo



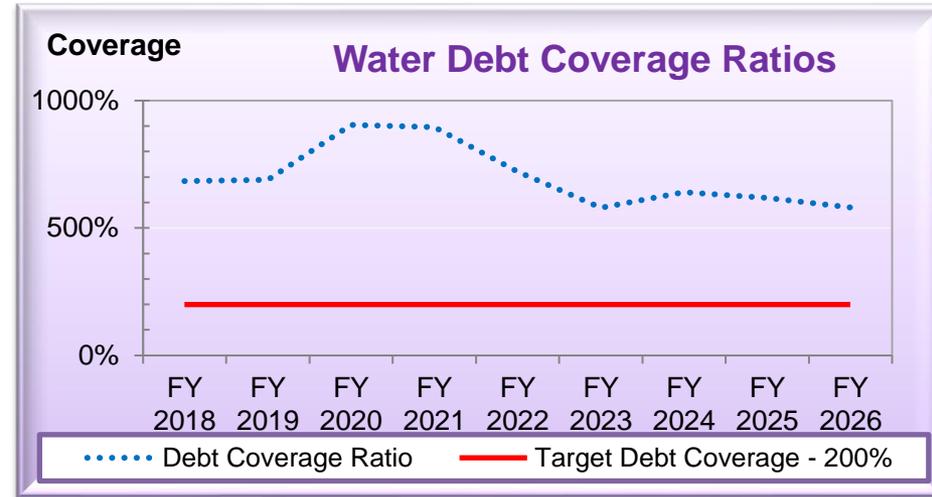
- The District continues to maintain ending balances for the General Fund above the target levels
 - August Workshop Baseline: Low balance of \$89.4 million in FY 2023/24
 - New Status Quo: Low balance of \$85.8 million in FY 2023/24

Water Debt Coverage Ratios

August Workshop Baseline



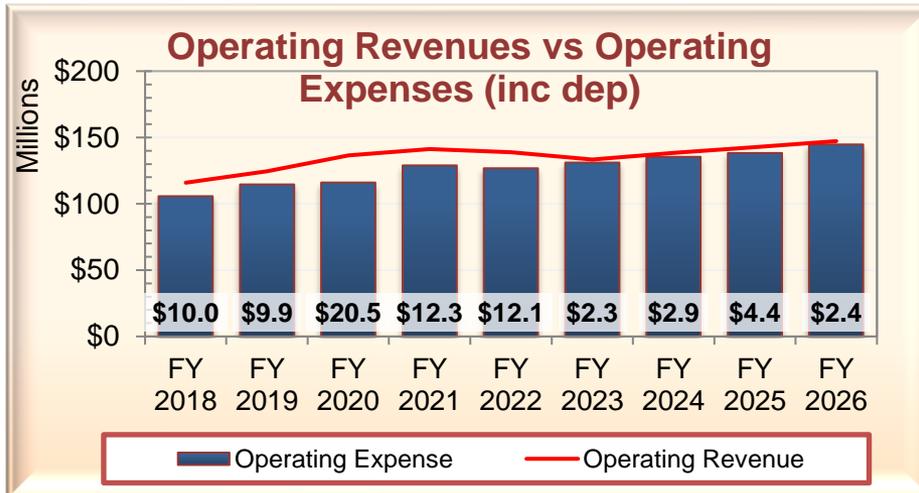
New Status Quo



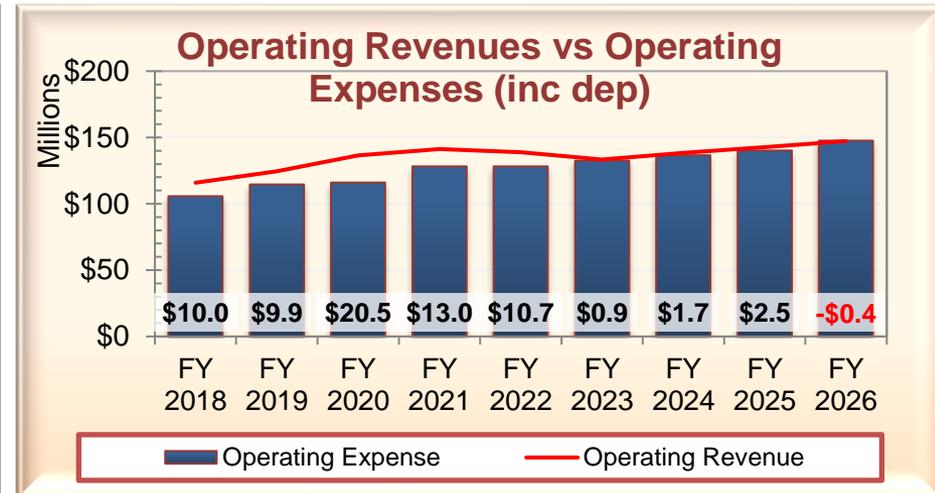
- The District continues to maintain strong annual debt coverage ratios
- The District maintains extremely strong ratings
 - ‘AAA’ by S&P and ‘Aa1’ by Moody’s

Revenues vs Expenses

August Workshop Baseline



New Status Quo

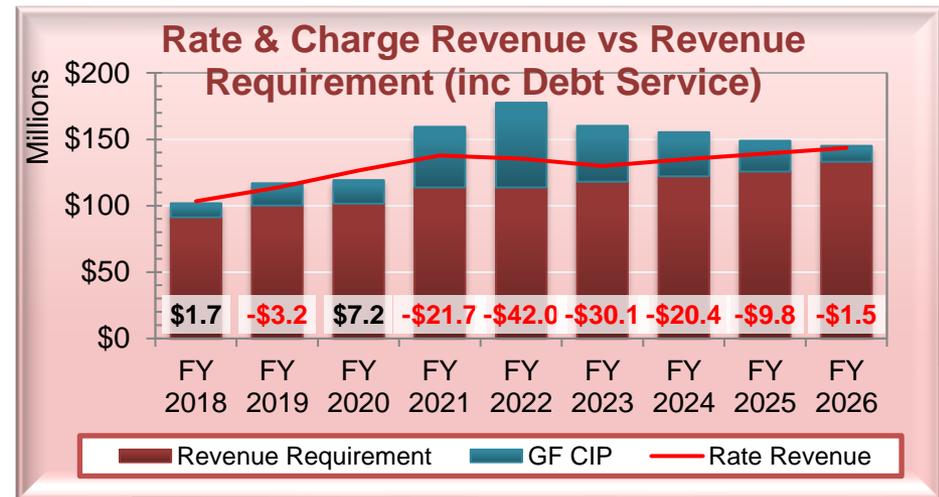
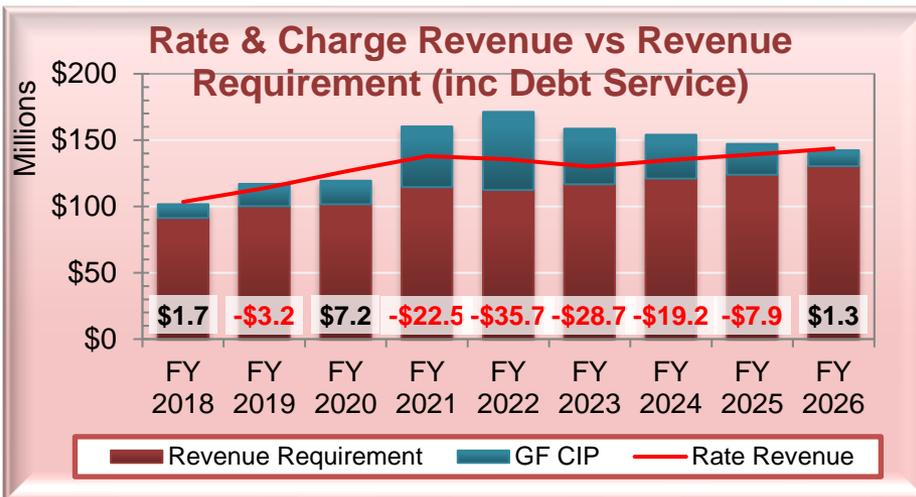


- The District's annual operating revenues are sufficient to cover operating expenses including depreciation

Rate Revenue vs Revenue Requirement

August Workshop Baseline

New Status Quo



- The District relies on other revenue sources (such as property tax, grants, interest income, etc.) in addition to water rate and charge revenue to fully fund its annual operations, debt service payments, and capital program

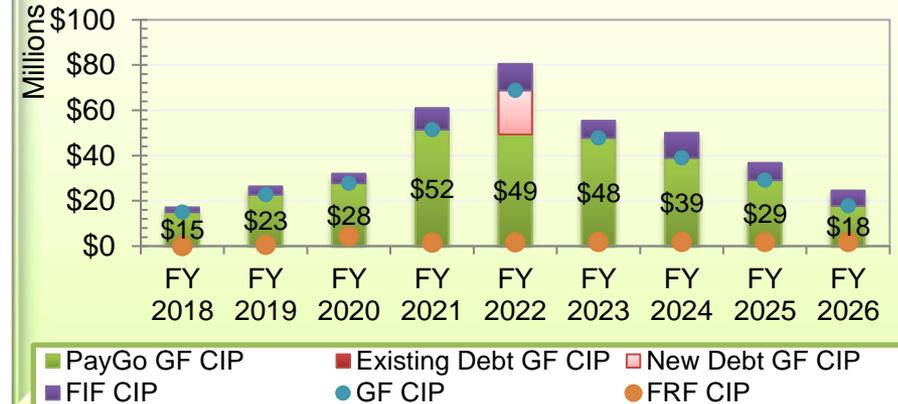
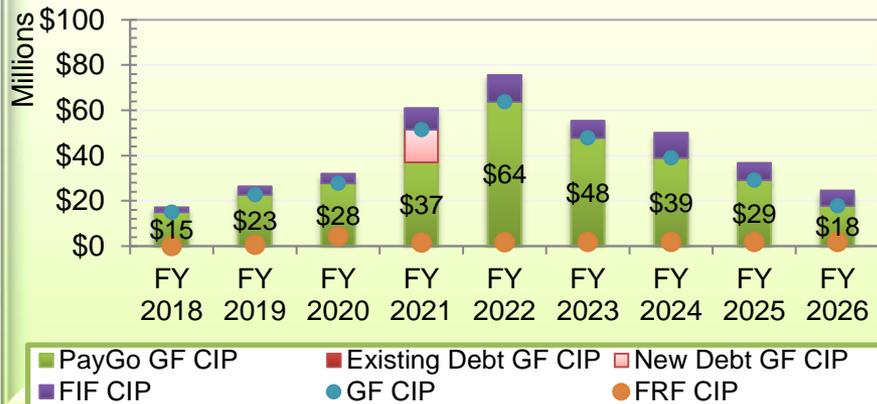
Capital Improvement Program

August Workshop Baseline

New Status Quo

CIP & Funding Sources

CIP & Funding Sources



- New debt for AMI moved to FY 2021/22

Financial Plan Scenarios

- Rate Adjustment Scenarios
 - FY 2020/21 & FY 2021/22
 - 1% & 1%
 - 2% & 2%
 - 3% & 3%
- Potential additional supplemental funding
 - Pension/OPEB Unfunded Liabilities
 - Main Renewal Program

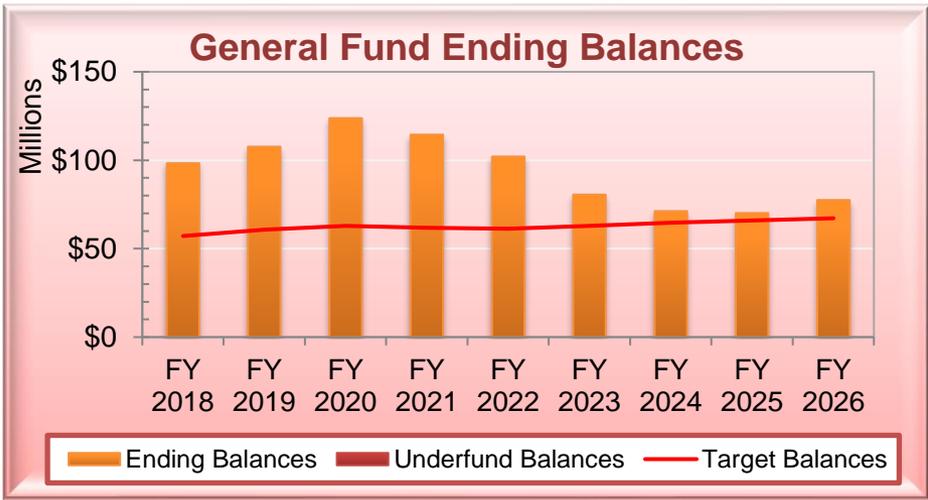
Rate Adjustment Scenarios

- 1% & 1% Rate Adjustment
 - No additional funding (but maintain status quo expenditures)

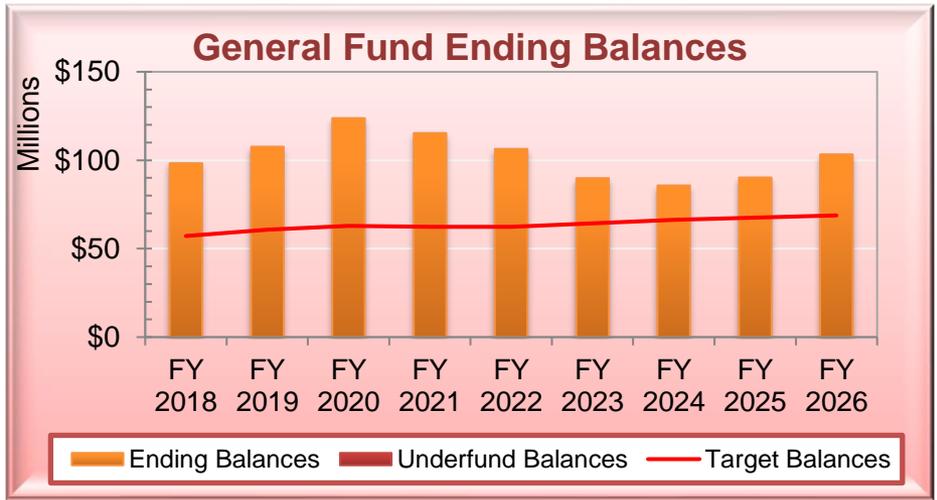
Financial Planning Model Scenarios

1% & 1% for FY2020/21 & FY2021/22

1% & 1% Rate Adjustment



New Status Quo



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

- New Status Quo low balance of \$85.8 million in FY 2023/24 (\$19.6 million above reserve target)

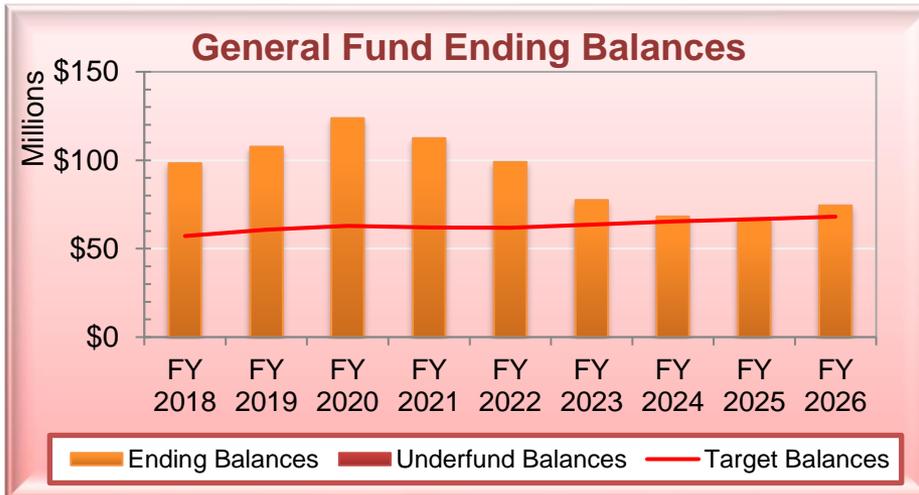
Rate Adjustment Scenarios

- **2% & 2% Rate Adjustment**
 - Provides about \$2.5 million per year that can be used for either additional capital projects (Main Renewal Program) or faster paydown of pension/OPEB liabilities
 - Pension/OPEB – additional \$2.5 million per year starting in FY 2020/21
 - Full funding by June 30, 2030 and saves the District about \$10.9 million in total payments (\$8.5 million for pension and \$2.4 million for OPEB)

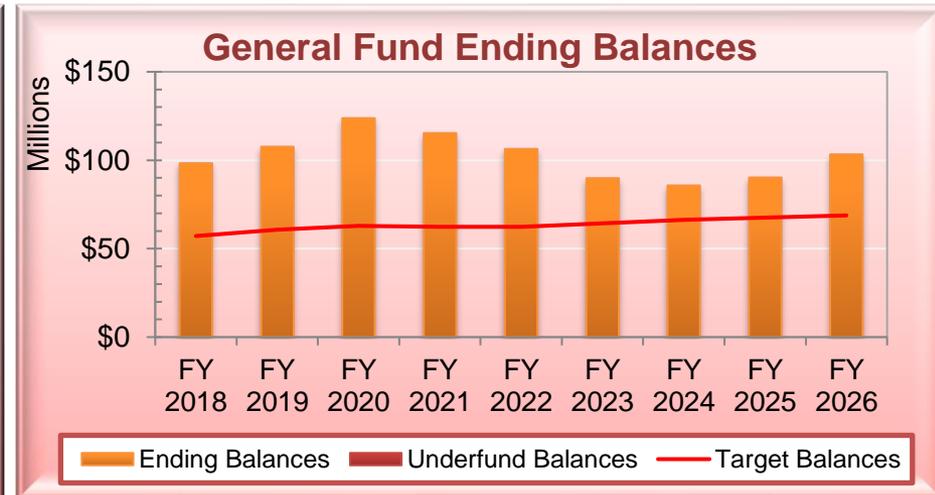
Financial Planning Model Scenarios

2% & 2% for FY2020/21 & FY2021/22

2% & 2% Rate Adjustment



New Status Quo



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

- New Status Quo low balance of \$85.8 million in FY 2023/24 (\$19.6 million above reserve target)

Rate Adjustment Scenarios

- **3% & 3% Rate Adjustment**
 - Provides additional supplemental payments toward pension/OPEB
 - \$4 million in FY 2020/21; \$3 million in FY 2021/22; \$2 million in FY 2022/23; \$1 million in FY 2023/24
 - Full funding by June 30, 2031 and saves the District about \$8.2 million in total payments (\$6.4 million for pension, \$1.8 million for OPEB)
 - Build up the Main Renewal Program while additional supplemental pension/OPEB payments are phased out. That level of funding will require additional staff to support project delivery.
 - \$1 million in FY 2021/22; \$2 million in FY 2022/23; \$3 million in FY 2023/24; \$4 million in FY 2024/25; \$5 million in FY 2025/26 and ongoing
 - Staff is working on a revised Main Renewal Program plan to share with the Board. Staff anticipates additional investment will be required to achieve a more sustainable main renewal rate.

Financial Planning Model Scenarios

3% & 3% for FY2020/21 & FY2021/22

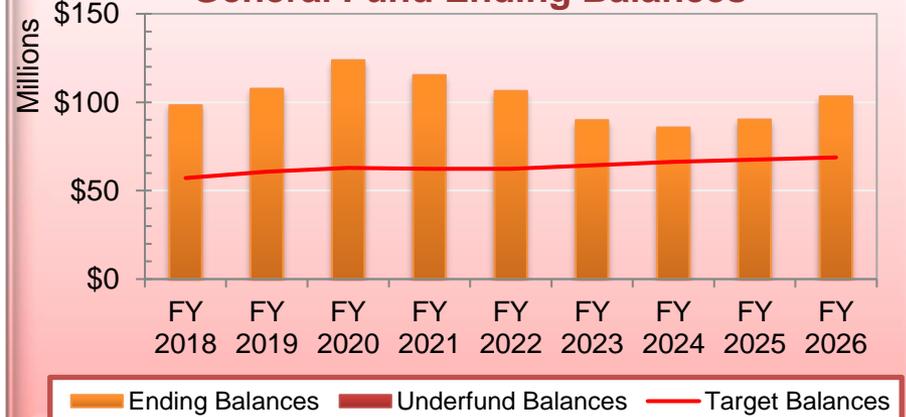
3% & 3% Rate Adjustment

General Fund Ending Balances



New Status Quo

General Fund Ending Balances

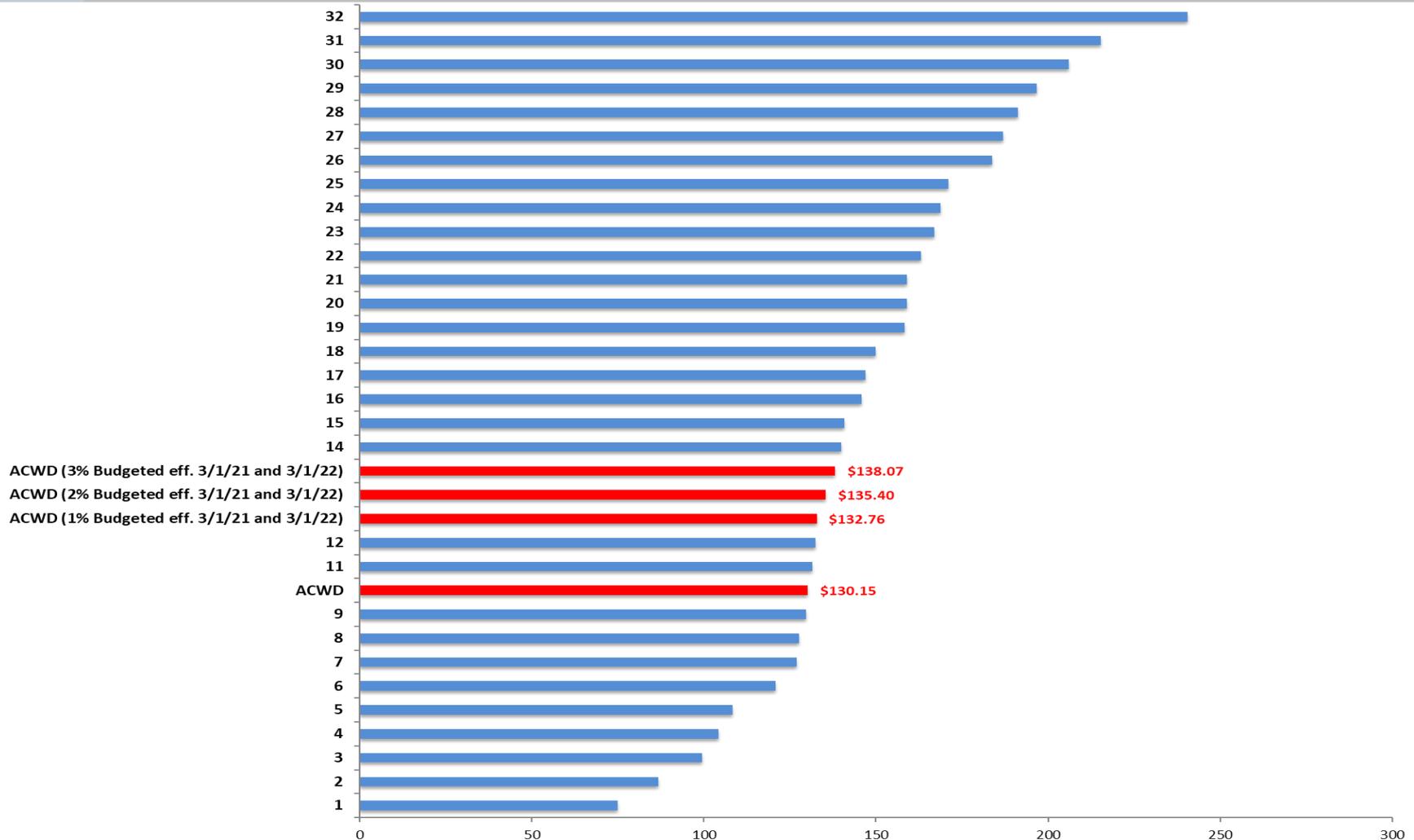


- Provides additional funding for the Main Renewal Program and pension/OPEB
- Low balance of \$69.2 million in FY 2024/25 (\$1.7 million above reserve target)

- New Status Quo low balance of \$85.8 million in FY 2023/24 (\$19.6 million above reserve target)

2020 Average Water Bill Comparison

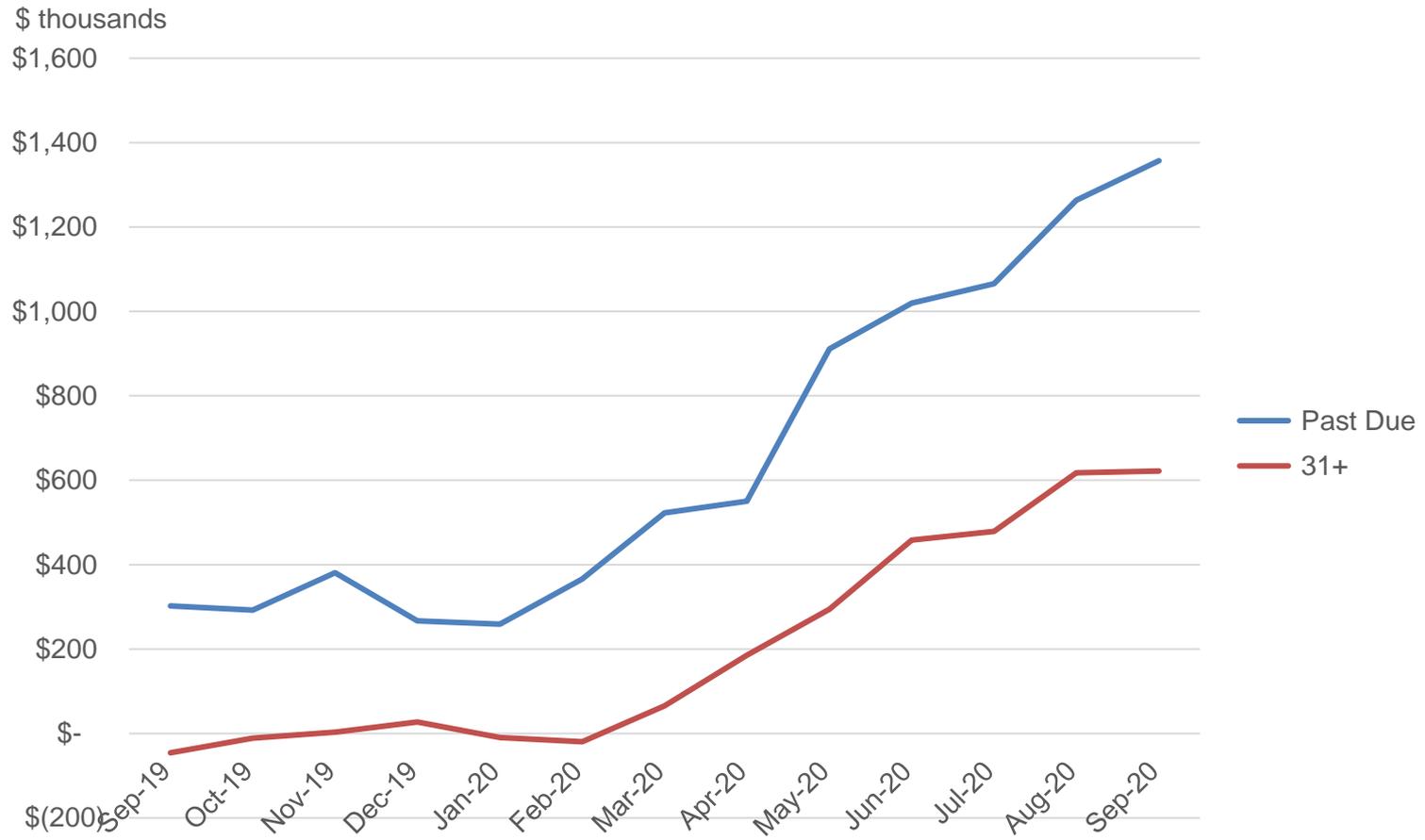
Based on 16 HCF (200 gallons per day) Consumption Bimonthly and a 5/8 or 3/4 inch meter (July 29, 2020 data)



Rate Increase Deferrals

Agency	Rate Deferrals
City Of Santa Clara	Delay until Nov 2020
City Of Sunnyvale	Defer rate increase until July 1, 2021
North Marin Water District - Novato	Delayed 4.5% increase until October 1, 2020 (instead of July 1, 2020)
Marin Municipal Water District	July 1, 2020 increase delayed until January 1, 2021. 4-year rate increase effective July 1, 2019 – July 1, 2022.
City Of San Jose Municipal Water	Deferred until July 1, 2021
City Of Mountain View	July 1, 2020 increase deferred until Jan 1, 2021
City Of Palo Alto	Deferred until July 1, 2021
Mid-peninsula Water District	Deferred until July 1, 2021
North Coast County Water District	July 1, 2020 increase deferred until Jan 1, 2021
Valley Water	Deferred until July 1, 2021
Zone 7	Postponed rate increase until December 31, 2021

District Past Due Balances



Public Outreach Plan

- Community Information Meetings
- Presentations to City Councils, Community Organizations, and Additional Stakeholders
- Public Notifications & Information
 - Proposition 218 mailer, Bill message, Tri City Voice information piece, District Website, Social Media

Conclusion

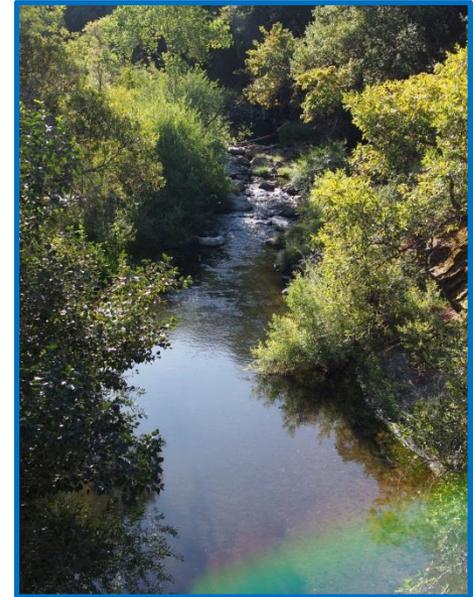
- Board Guidance
 - Financial Planning Assumptions
 - Potential Water Rate Adjustment
 - % Increases, Two-Year, Uniform Rates
 - Public Outreach Plan

Conclusion

- Next Steps
 - Depending on Board guidance:
 - Develop Public Outreach and Prop. 218 Mailings
 - December 10: Board Meeting
 - Set Public Hearing for Commodity Rates & Service Charges and approve Prop. 218 Mailings
 - Review miscellaneous fees and charges
 - December 28: Deadline to Mail Prop. 218 Notices
 - Mid-January 2021: Community Meeting(s)
 - February 11, 2021: Board Meeting
 - Public Hearing for Commodity & Services Charges
 - Consider Adoption of Amendments to the Rate and Fee Schedule
 - March 1, 2021: Effective Date for New Water Service-Related Charges

Stay Connected to the District

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



Alameda County Water District
43885 S. Grimmer Blvd.
Fremont, CA 94538

510.668.4200

October 22, 2020 Financial Workshop

26

Thank you



www.acwd.org



@AlamedaCountyWD



October 22, 2020 Financial Workshop