



BOARD MEETING AGENDA
Monday, September 22, 2014
Regular Meeting - 7:00 P.M.

Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

David M. O'Hara
Attorney

1. Call to Order.

2. Pledge of Allegiance.

3. Roll Call.

- Motion 4. Approve Minutes of the Meeting of September 8, 2014.

- Information 5. Monthly Operations Report for August 2014 (*to be reviewed by the Budget & Finance Committee*).

6. Written Communications.

7. 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 8. Approve Revisions to Policy 3300 – Contributions and Endorsements (*to be reviewed by the Personnel Committee*).

- Motion 9. Resolution No. ____, Approve 2014 Conflict of Interest Code (*to be reviewed by the Legal/Community Affairs Committee*).

- Motion 10. Adopt an Investment Policy for FY 2015 (*to be reviewed by the Budget & Finance Committee*).

- Motion 11. Adopt a Reserves Policy #2090 (*to be reviewed by the Budget & Finance Committee*).

- Information 12. Information Items:
- a. Check Register.
 - b. Report on the EBDA Commission Meeting of September 18, 2014.
 - c. Widening of Fremont Boulevard in Front of USD's Irvington Pump Station (*to be reviewed by the Legal and Community Affairs Committee*).
 - d. Agenda for Joint Board of Directors Meeting Between Union Sanitary District and Alameda County Water District (*to be reviewed by the Legal and Community Affairs Committee*).
 - e. Agenda for the Board Retreat to be held September 29, 2014 (*to be reviewed by the Personnel Committee*).
 - f. Cogeneration Project Status (*to be reviewed by the Construction Committee*).
 - g. Final June, 2014 Internal Financial Report (*to be reviewed by the Budget & Finance Committee*).
-

- Information 13. Committee Meeting Reports. (*No Board action is taken at Committee meetings*):
- a. Legal/Community Affairs – scheduled for Wednesday, 9/17/14 at 4:30 p.m.
 - b. Construction Committee – scheduled for Thursday, 9/18/14 at 8:45 a.m.
 - c. Budget & Finance Committee – scheduled for Thursday 9/18/14 at 4:30 p.m.
 - d. Personnel Committee – scheduled for Friday, 9/19/14 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 an ACWD/USD Joint Board Special Meeting in the Boardroom on Thursday, September 25, 2014 at 6:00 p.m.
-

17. Adjournment - The Board will then adjourn to a USD Board Retreat in the Boardroom on Monday, September 29, 2014 at 5:00 p.m.
-

18. Adjournment – The Board will then adjourn to a Board Workshop - Private Lateral Study in the Boardroom on Monday, October 6, 2014 at 6:30 p.m.
-

19. Adjournment - The Board will then adjourn to the next Regular Meeting in the Boardroom on Monday, October 13, 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 SEPTEMBER 22, 2014

Committee Membership:

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

Legal/Community Affairs Committee, Wednesday, September 17, 2014, 4:30 p.m.

- 9. Resolution No. ____, Approve 2014 Conflict of Interest Code
 - 12c. Widening of Fremont Boulevard in Front of USD's Irvington Pump Station
 - 12d. Agenda for Joint Board of Directors Meeting Between Union Sanitary District and Alameda County Water District
-

Construction Committee, Thursday, September 18, 2014 at 8:45 a.m.

- 12f. Cogeneration Project Status
-

Budget & Finance Committee, Thursday, September 18, 2014 at 4:30 p.m.

- 5. Monthly Operations Report for August 2014
- 10. Adopt an Investment Policy for FY 2015
- 11. Adopt a Reserves Policy #2090
- 12g. Final June, 2014 Internal Financial Report

Personnel Committee, Friday, September 19, 2014 at 9:30 a.m.

8. Approve Revisions to Policy 3300 – Contributions and Endorsements

12e. Agenda for the Board Retreat to be held September 29, 2014

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
September 8, 2014**

CALL TO ORDER

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

PLEDGE OF ALLEGIANCE

ROLL CALL

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

STAFF: Richard Currie, General Manager/District Engineer
Andy Morrison, Collection Services Manager
Dave Livingston, Treatment & Disposal Services Manager
Tim Grillo, Treatment & Disposal Services Coach
Sami Ghossain, Technical Services Manager
Robert Simonich, FMC Manager
Michelle Powell, Communications Coordinator
David O'Hara, Legal Counsel
Regina McEvoy, Newly Hired Assistant to the GM/Board Secretary
Carol Rice, Assistant to the General Manager/Board Secretary

APPROVAL OF THE MINUTES OF AUGUST 25, 2014.

On a motion made by Director Lathi and seconded by Director Kite, the minutes of the Board of Directors' Meeting of August 25, 2014 were unanimously approved.

WRITTEN COMMUNICATIONS.

There were no written communications.

ORAL COMMUNICATIONS.

There were no oral communications.

INFORMATION ITEMS:

Check Register. In response to a question from Director Handley regarding the cost of desktop computers purchased, staff will research the expense and report back to the Board.

Annual Report to Union City, Fiscal Year 2014. The Legal/Community Affairs Committee reviewed this item. Tim Grillo reported that Use Permit No. UP-4-95, approved by the Union City Planning Committee on July 20, 1995, requires the District to submit an annual report to the City Manager's Office with the required documentation. He stated that the annual average daily flow (AADF) has been trending downward for the past several years due to fewer high water use industries and water conservation efforts by ACWD. The AADF for FY14 was 23.6 MGD, a decrease of 1.0 MGD from the FY 2013 average. The prediction for next year is the downward trend will continue.

There were no violations of the Discharge permit in FY 2014, and USD was presented with the Peak Performance Platinum Award from the National Association of Clean Water Agencies for Calendar Year 2013.

The District has no plans for construction of additional treatment outside the facility; however, a planning study is underway to determine the siting of treatment plant improvements that may be necessary to meet future needs.

Report from the CASA Annual Conference Held in August 2014. The Legislative Committee reviewed this item. Rich Currie reported the following from the CASA Conference:

- **CSRMA Board of Directors.** USD applied for the 2014 SHELL Award for Outstanding Safety Program; however, Fairfield-Suisun Sewer District won the award.
- **Water Bond.** There was a panel discussion regarding the new California Water Bond. The bill includes the following elements: \$2.7 billion for water storage (reservoirs); \$725 million for recycled water; \$1.5 billion for Eco-System improvements/restoration; and \$1.3 billion for drinking water quality improvements.
- **Business Session.** New CASA Officers and Board members were elected. Dave Williams was elected as president.
- **Emerging Environmental Issues.** Topics included using biosolids to successfully reclaim abandoned mine sites, an update on AB32 (greenhouse gas reduction), and the impacts of the CalEnviroScreen program. Under AB32, there is a 2016 goal to eliminate disposal of organic material (including biosolids) to landfills in California.
- **AB371 – Salas – Kern County Biosolids.** Originally intended to create a ban on biosolids application in Kern County, the bill was amended several times and evolved to a requirement for extensive sampling and reporting on a variety of contaminants in both biosolids and adjacent groundwater.

The bill was passed by large margins, but ultimately withdrawn by the author in committee and will not be included in this legislative session.

- AB1699 Bloom – Microplastics Ban. This bill would have created a ban on the use of microplastic beads in cosmetic products such as shampoos and facial scrubs, after 2019. Although the bill was strongly opposed by the personal care products industry and placed in the “inactive” file, several large companies, including Unilever, Proctor and Gamble, and Johnson and Johnson have agreed to stop using Microplastics in their products.
- AB1716 Garcia – Conflict of Interest. This bill expands the Political Reform Act. Dave O'Hara explained that local agency officials who make public agency decisions cannot, for five years after leaving office, appear for a fee before the former public agency, in a court or before a state agency, with intent to influence a decision with regard to a matter where the former agency either has a substantial interest, or an issue in which the former official participated. The exceptions include: s/he is an indispensable witness having unique knowledge; will provide factual background information only; or the retired official possesses the peculiar expert qualifications necessary in the matter. For these exceptions, no expert witness fee can be paid, and this new law does not affect local officials who left government service before January 1, 2015.
- AB2126 Bonta – Labor Dispute Resolution. This bill makes changes to the law regarding the use of mediation and fact finding for resolving labor disputes.
- SB1014 Jackson – Pharmaceutical Take-Back Programs. This legislation was developed to create a statewide Pharmaceutical Take-back Program to be designed and paid for by pharmaceutical companies. Strong opposition resulted in amending the bill to create guidelines for the program; however, further opposition resulted in the author removing the bill for further consideration.

Crisis Communication Plan. The Legal/Community Affairs Committee reviewed this item. Rich Currie noted that at the request of the Board, a crisis communication plan was developed for use by employees in the event of a major crisis or incident. The General Manager and Michelle Powell prepared the Crisis Communication document as a tool to be used when communicating with the press, stakeholder groups, employees, or the public during a crisis. This tool defines the role of key individuals at the District, the different stages of a crisis and what to expect, and what kinds of questions the press may ask.

The document does not include a section on the role of the Board of Directors during a crisis; the Legal Committee suggested discussing this topic at a future Board workshop. They also suggested showing the video of the 2010 PG&E pipeline explosion that occurred in San Bruno and then modifying the Crisis Communication Plan after that meeting to include the role of the Board. Further, they would like training for the Executive Team on how to communicate with the press.

The Board thanked Michelle Powell and the General Manager for the well-prepared document.

COMMITTEE MEETING REPORTS:

The Legal/Community Affairs, Legislative, and Budget & Finance Committees met. The Budget and Finance Committee also reviewed the General Manager's Expense Statement and discussed Board workshop logistics.

GENERAL MANAGER'S REPORT:

Rich Currie reported the following:

- At the August 25, 2014 Board meeting, it was reported there were two businesses near the corner of Warm Springs and Mission Boulevard with laterals that were never connected during a project that was done years ago. Staff worked to get a contractor to rectify the situation and the connection was made to both units on September 5, 2014.
- The Carpenters Union is continuing to picket USD as the result of a project GSE is working on at the District.
- Things are going well with the Cogeneration Project. Staff recently received clearance from PG&E to begin running on digester gas.
- There was a spill on September 2, 2014 of 325 gallons, most of which was recovered. The spill was due to a clogged pipe. Staff is investigating the cause.
- Monica Oakley, a consultant who works with USD on Hayward Marsh permit issues, is taking a leave of absence and may not return to work in the wastewater industry. Staff is talking to consultants about her possible replacement.
- There is a piece of property for sale on Veasy Street that the District may be interested in purchasing. It is approximately one acre.
- The ACWD/USD joint meeting is scheduled for September 25. The topics for discussion include recycled water and lateral insurance. Each agency will also provide a summary of their current activities.
- No staff will be attending the Board Planning meeting scheduled for Monday, September 15, 2014 at 6:30 p.m.

OTHER BUSINESS:

Director Kite expressed an interest in attending a public tour of the Silicon Valley Advanced Water Purification Center, owned and operated by the Santa Clara Valley Water District. Director Handley also expressed an interest. The General Manager will talk to other agencies to see if there is additional interest. November would be a good month for this tour.

ADJOURNMENT:

The meeting was adjourned at 7:29 p.m. to a Board Planning Meeting in the Boardroom on Monday, September 15, 2014 at 6:30 p.m.

The Board will then adjourn to the next Regular Board Meeting in the Boardroom on Monday, September 22, 2014 at 7:00 p.m.

SUBMITTED:

ATTEST:

CAROL RICE
SECRETARY TO THE BOARD

TOM HANDLEY
SECRETARY

APPROVED:

MANNY FERNANDEZ
PRESIDENT

Adopted this 22nd day of September, 2014



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

David M. O'Hara
Attorney

DATE: September 15, 2014

MEMO TO: Board of Directors - Union Sanitary District

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

SUBJECT: Agenda Item No. 5 - Meeting of September 22, 2014
Information Item: **Monthly Operations Report for August, 2014**

Background

Attached is the August 2014 Operations Report. Staff is available to answer questions regarding information contained in the report.

Table of Contents

| | | |
|--|-----------------|-----|
| General Manager/Administration | Richard Currie | GM |
| Business Services | Rich Cortes | BS |
| Collection Services | Andy Morrison | CS |
| Technical Support | Sami Ghossain | TS |
| Treatment and Disposal Services/FMC | Dave Livingston | T&D |
| Fabrication, Maintenance, and Construction | Robert Simonich | FMC |

Recommendation

File Report.

GENERAL MANAGER'S SUMMARY

Below is a summary of major activities that occurred at the District during August 2014.

ODOR COMPLAINTS: We received two odor complaints for the month of August. Both complaints were in the City of Fremont. One was investigated with no odor found. A second appeared to be due to a USD construction project where a bypass pipeline had been set up. The contractor took action to minimize impacts of pressure relief valves that could have been the source. During the month there were periods with strong odors coming from the salt ponds, but no complaints were received.

SAFETY: There were two accidents during the month. One employee tripped and broke his hand in the resulting fall. Lost time was minimized and the employee has returned to work on limited duty. A second employee had a strained muscle that prevented him from doing some of his duties. Lost time was very limited and the employee has returned to work on limited duty with lifting restrictions.

FINANCIAL: The District's Auditor, Vavrinek, Trine, Day and Co. completed their field work at USD and will be preparing their audit documents for Fiscal Year 2014. USD received the final amount of our SSC for the year from Alameda County (\$2.2 million).

COLLECTION SYSTEM: There were no spills for the month of August. Two representatives from South Tahoe Public Utilities District visited USD to learn about our Asset Management program for our collection system pipelines.

PLANT OPERATIONS: The Cogeneration project has entered the testing mode. Many equipment items, including the Digester Gas treatment system, were tested for operation. Testing and operation of the generators is scheduled for the first week of September. Training efforts are underway as well. The ammonia removal pilot project, "Anitamox" has been working successfully at removing ammonia from the side stream coming from the centrifuges.

PROJECTS: Updates of selected projects:

- The \$10 million Thickener Control Building project is underway.
- The second phase of the Newark Backyard Sewer Replacement Project was successfully completed.
- Lining work has begun on the Upper Hetch Hetchy Sewer Rehabilitation project.

STAFFING & PERSONNEL: Some news from recruitments:

- A total of 44 applications were received for the Painter position.
- A new Utility Worker has been hired to replace retiring mechanic Robert Lee.
- Interviews are being conducted for Plant Operator 3 and Operator 3 trainee.
- Recruitments for the Collection Services Manager and the Treatment and Disposal Services Manager were initiated.

G.M. ACTIVITIES: For the month of August, the GM was involved in the following:

- Paul Eldredge began work on August 11 as the future GM. The focus of his work for August was orientation activities and knowledge transfer from GM.
- A District-wide meeting was held to introduce Paul Eldredge and present information about the GM transition and succession plan for other management staff.
- Executive Team conducted equity review of unclassified staff annual performance evaluations.
- Met with City of Fremont staff to discuss the widening of Fremont Blvd. adjacent to the Irvington Pump Station.



ODOR REPORT August 2014

During the recording period from August 1, 2014 through August 31, 2014, there were two odor related service requests received by the District.

City: Fremont

1. Complaint Details:

Date: 8/8/2014

Location: BRUCE DR

Wind (from): N/A

Temperature: 68 Degrees F

Time: 8:30 am

Reported By: CS

Wind Speed: 0 mph

Weather: Clear

Response and Follow-up:

Inspected our sewer mains, both one block upstream and downstream. We checked the homeowner's clean-out. There were no storm drain inlets by the home. We detected no signs of any odors. We gave the homeowner our brochure on laterals and Traps & Vents.

2. Complaint Details:

Date: 8/26/2014

Location: BLACOW RD

Wind (from): North West

Temperature: 69 Degrees F

Time: 6:00 pm

Reported By: Fremont PD

Wind Speed: 10 mph

Weather: Clear

Response and Follow-up:

We inspected the area around the residence and found no odor at this time. Homeowner said in the evenings, there is a foul smell in the area. A USD contractor is working on pipe lining in the adjacent flood control channel area and has a by-pass line with 2 blow off valves to relieve pressure which is causing the odor. We talked to the contractor who said he would install some hoses to re-direct the odor away from the house. We relayed our findings to the homeowner. This issue was passed on to CIP. CIP followed up with the contractor to ensure that mitigative actions were taken. The contractor installed plastic secured with duct tape around the ARV's in question to mitigate any potential future odors. This should solve this ilssue.



Legend

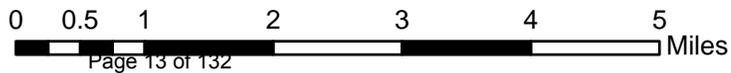
Odor Complaints: August 2014

- ★ Odor found, USD resolved (1)
- Odor found, not related to USD (0)
- ▲ No odor found (1)

Odor Complaints: Sep. 2013 to Jul. 2014

- ★ Odor found, USD resolved (6)
- Odor found, not related to USD (5)
- ▲ No odor found (11)

**Location of Odor Reports
September 2013 to August 2014**



HOURS WORKED AND LEAVE TIME BY WORK GROUP
 June 28, 2014 to August 22, 2014

| DIVISION | Reg. Hours | Lt Duty | O/T | Total | | | | Historical FY14 | | | Average Number of Employees |
|-----------------------|---------------|---------|--------------|--------------|-------------|------------|------------|-----------------|--------------|-------------|--|
| | | | | Leaves* | Sick | STD | WC | Sick | STD | WC | |
| General Manager Staff | 462 | | | 258 36% | 6 0.8% | | | 85 1.7% | | | 129 |
| Business Services | 6,382 | | 2 | 978 13% | 126 1.7% | | | 604 1.6% | 14 0.5% | | Current Number of Vacant Positions (1) |
| Technical Services | 8,355 | | 29 | 1,056 11% | 80 0.8% | | | 1,039 3.4% | 238 0.8% | | 8 |
| Collection Services | 7,751 | | 861 | 1,929 20% | 517 5.3% | 54 0.6% | 36 0.4% | 1,791 2.5% | 718 0.4% | 1 0.2% | Hours Worked Per Week Per Employee (2) |
| Treatment & Disposal | 6,457 | | 161 | 888 12% | 2 0.0% | | | 1,344 2.0% | 408 0.3% | | 35.25 |
| FMC | 5,548 | | 301 | 1,132 17% | 208 3.1% | | 11 0.2% | 1,019 3.1% | 74 0.2% | 107 0.1% | Projected Average Annual Sick Leave Per Employee (3) |
| Totals | 34,955 | | 1,353 | 6,241 | 938 | 54 | 46 | 5,882 | 1,452 | 108 | 47.37 |
| % | 84.9% | | 3.3% | 15.1% | 2.3% | 0.1% | 0.1% | 2.4% | 0.5% | 1.3% | |

(1) Current vacancies include: Business Services (0), Collections (1), FMC (1), T&D (3), TS (3)

(2) An employee using 3 weeks vacation, 11 holidays, 2 HEC days and 40 hours of sick leave will work an average of 34.9 hours per week over the course of a year. With four weeks vacation, 34.2 hours per week.

(3) Target goal for sick leave incentive program is 47 hours per employee per year.

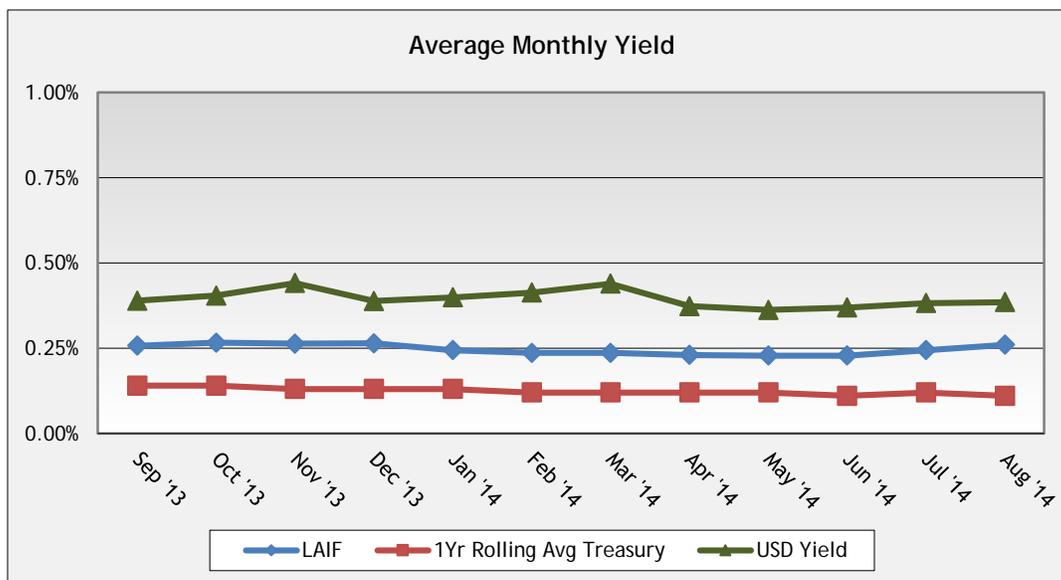
**Business Services Group
Activities Report
August 2014**

Accomplishments

- The recruitment for EC inspector was completed; Doug Dattawalker was hired on 7/14/2014.
- The recruitment for General Manager was completed; Paul Eldredge was hired on 8/11/2014.
- The recruitment for Utility Worker was completed; Eloy Sepulveda was hired on 8/11/2014.
- The Human Resources Administrator helped plan the Leadership School graduation for the second set of LS participants.
- The Human Resources Administrator served on an interview panel for a Human Resources Analyst for Central Contra Costa Sanitary District.
- The Organizational Performance Program Manager (OPPM) and Human Resources Administrator provided an organizational orientation to new employees Doug Dattawalker and Thomas Lam.
- The Human Resources Administrator participated along with Maintenance Coach Dave Port and three USD Mechanics in a meeting at EBMUD on apprenticeships in the mechanical maintenance trades and other techniques to obtain well-qualified candidates.
- The Human Resources Administrator and OPPM presented information about the Leadership School to the Board of Directors as part of Business Services' presentation on the work group's Balanced Scorecard report.
- The Human Resources Analyst completed the salary survey for unclassified staff.
- The OPPM completed Organizational Orientation for new EC employee, Doug Dattawalker.
- The OPPM completed all the team pre-chartering assessment activities.
- The OPPM prepared and presented a summary report on the pre-chartering activities to the Management group.
- The OPPM prepared and presented FY 14 District-Wide Balanced Scorecard Measures (Annual Report) to the Budget & Finance Committee and the Board of Directors.
- The OPPM facilitated comprehensive team chartering activities for 2 teams (assistance requested).
- The OPPM helped develop and participated in FMC Intern Mock Interview/Job Preparation pilot process.
- The OPPM revised, prepared and delivered 7-Step Problem Solving training (2 full days) to 9 new employees (with positive post session survey results).
- The OPPM participated in Organizational Orientation for new GM, Paul Eldredge.
- The OPPM continued facilitating for both Alt Comp Committee and Task Force groups.
- The Board reviewed the report on reimbursements over \$100.

Performance Measures

AVERAGE MONTHLY YIELD



BUDGET AND FINANCE REPORT

FY 2015

Year-to-date as of 8/31/14

17% of year elapsed

Revenues

| | Budget | Actual | % of Budget Rec'd | Unaudited Last Year Actuals 6/30/14 |
|--|---------------------|--------------------|--------------------------|--|
| Capacity Fees | \$2,700,000 | \$1,277,499 | 47% | \$3,315,007 |
| Sewer Service Charges | 47,448,461 | 0 | 0% | 45,139,420 |
| Operating | 848,500 | 76,700 | 9% | 1,072,242 |
| Interest | 299,000 | 41,625 | 14% | 385,844 |
| Misc. (incl. LAVWMA pymnt, solar, Cogen rebates) | 1,994,200 | 55,131 | 3% | 297,776 |
| Subtotal Revenues | \$53,290,161 | \$1,450,956 | 3% | \$50,210,289 |
| SRF Loan Proceeds (Thickener) | 3,390,000 | 0 | 0% | 2,424,739 |
| Total Revenues + SRF Proceeds | \$56,680,161 | \$1,450,956 | 3% | \$52,635,028 |

Expenses

| | Budget | Actual | % of Budget Used | Last Year Actuals |
|--|---------------------|----------------------|-------------------------|--------------------------|
| Capital Improvement Prog. | | | | |
| Capacity Projects | \$3,240,000 | \$241,204 | 7% | \$5,592,023 |
| Renewal & Repl. Projects | 11,632,500 | 744,304 | 6% | 14,195,068 |
| Operating | 32,659,214 | 4,351,518 | 13% | 30,751,966 |
| Special Projects | 1,708,478 | 3,970 | 0% | 775,361 |
| Retiree Medical (Annual Required Contribution) | 543,540 | 0 | 0% | 462,852 |
| Vehicle & Equipment | 1,057,700 | 0 | 0% | 784,695 |
| Information Systems | 1,216,000 | 61,639 | 5% | 848,449 |
| Plant & Pump Station R&R | 250,000 | 0 | 0% | 197,237 |
| Pretreatment Fund | 7,000 | 571 | 8% | 5,124 |
| County Fee for Sewer Service Charge Admin. | 106,000 | 0 | 0% | 105,559 |
| Misc. (A/R write-off) | 0 | 0 | 0% | 1,343 |
| Debt Servicing: | | | | |
| SRF Loans (Irv.,Wilw,LHH,Cdr,NPS, Sub1,Boyc,Prim Cl) | 3,127,389 | 1,319,228 | 42% | 4,675,361 |
| Total Expenses | \$55,547,821 | \$6,722,434 | 12% | \$58,395,038 |
| Total Revenue & Proceeds less Expenses | \$1,132,340 | (\$5,271,478) | | (\$5,760,010) |

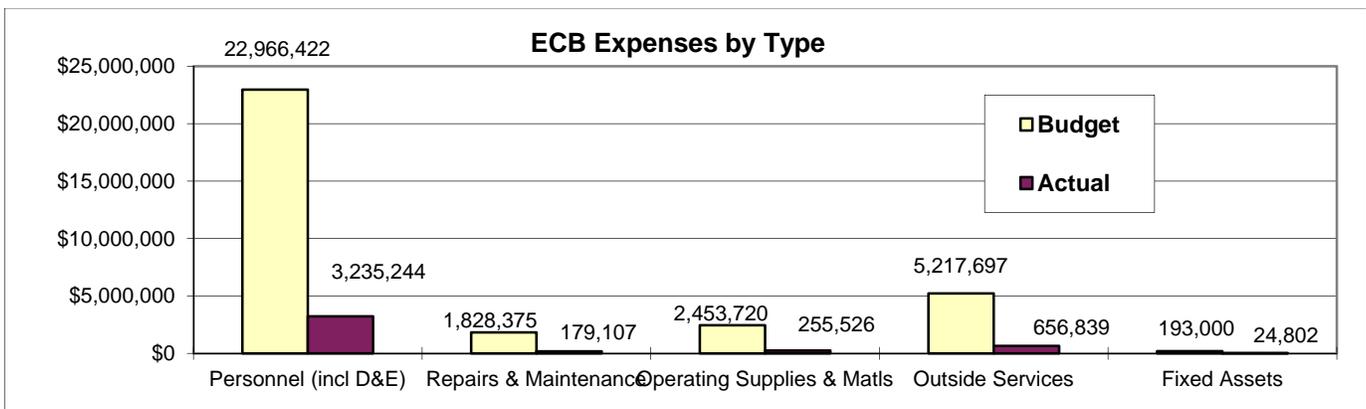
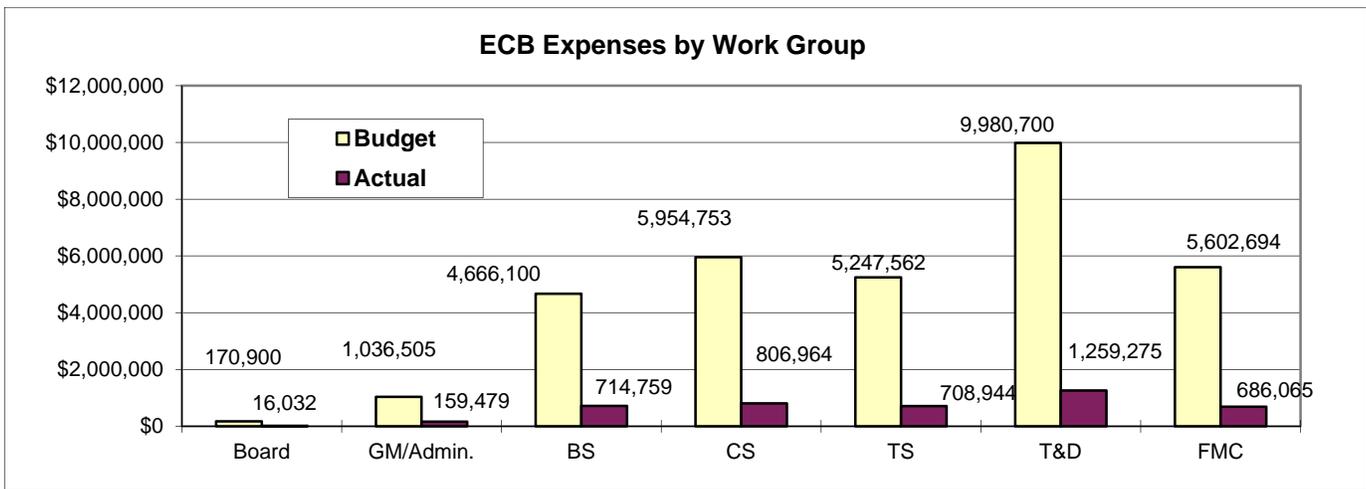
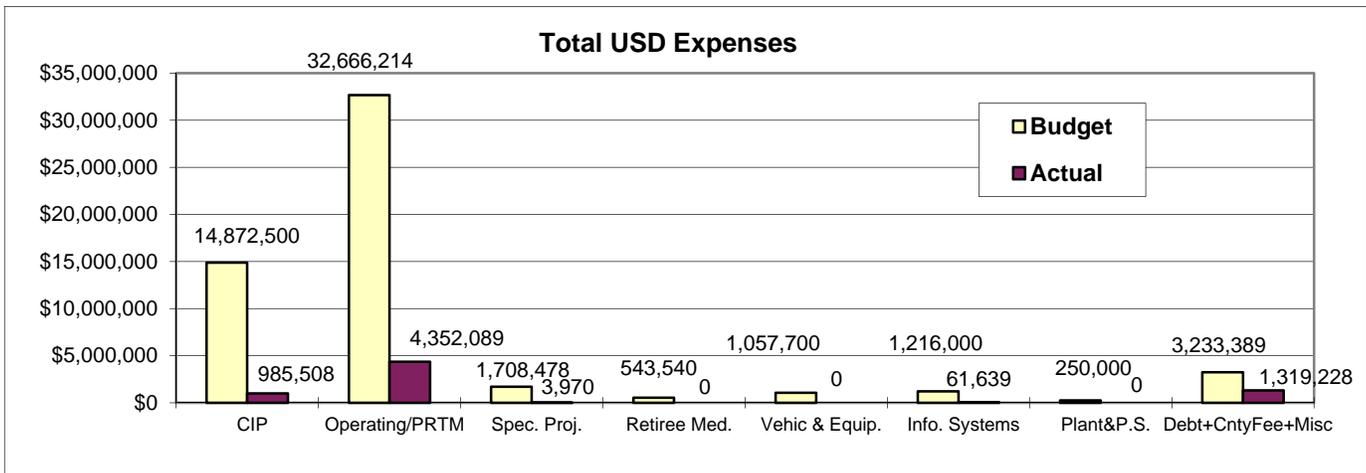
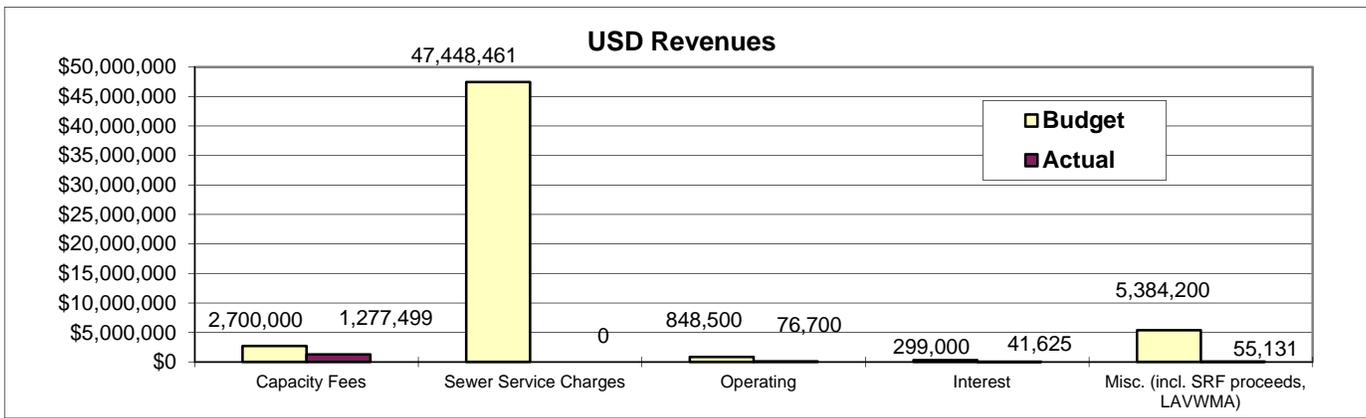
Gross Operating Expenses by Work Group

| | Budget | Actual | % of Budget Used | Last Year Actuals |
|------------------------------------|---------------------|--------------------|-------------------------|--------------------------|
| Board of Directors | \$170,900 | \$16,032 | 9% | \$166,233 |
| General Manager/Admin. | 1,036,505 | 159,479 | 15% | 1,153,217 |
| Business Services | 4,666,100 | 714,759 | 15% | 4,416,832 |
| Collection Services | 5,954,753 | 806,964 | 14% | 5,460,336 |
| Technical Services | 5,247,562 | 708,944 | 14% | 4,850,139 |
| Treatment & Disposal Services | 9,980,700 | 1,259,275 | 13% | 9,739,655 |
| Fabrication, Maint. & Construction | 5,602,694 | 686,065 | 12% | 4,965,555 |
| Total | \$32,659,214 | \$4,351,518 | 13% | \$30,751,966 |

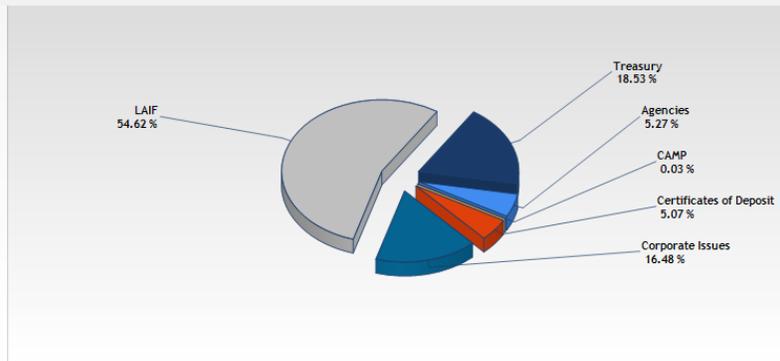
Operating Expenses by Type

| | Budget | Actual | % of Budget Used | Last Year Actuals |
|--|---------------------|--------------------|-------------------------|--------------------------|
| Personnel (incl D&E) | \$22,966,422 | \$3,235,244 | 14% (19%)* | \$21,125,985 |
| Repairs & Maintenance | 1,828,375 | 179,107 | 10% | 1,615,427 |
| Supplies & Matls (chemicals, small tools) | 2,453,720 | 255,526 | 10% | 2,442,617 |
| Outside Services (utilities, biosolids, legal) | 5,217,697 | 656,839 | 13% | 5,493,010 |
| Fixed Assets | 193,000 | 24,802 | 13% | 74,927 |
| Total | \$32,659,214 | \$4,351,518 | 13% | \$30,751,966 |

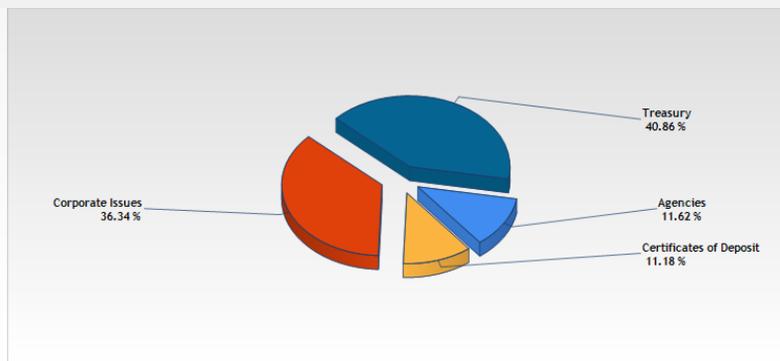
* Personnel Budget Target



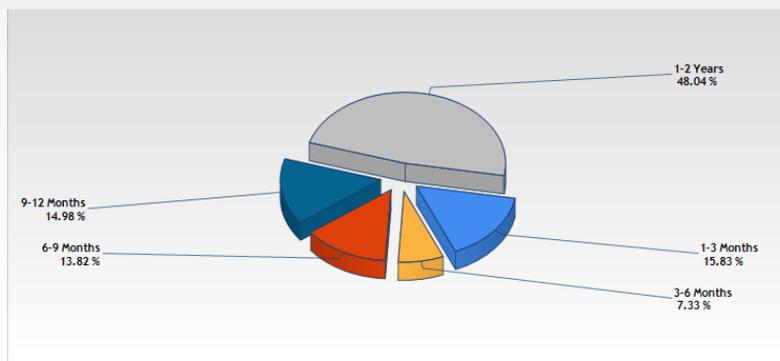
All Portfolio Holdings Distribution by Asset Class



Operating Fund Holdings Distribution by Asset Class



Operating Fund Maturity Distribution



| Maturity Range | Face Amount/Shares | YTM @ Cost | Cost Value | Days To Maturity | % of Portfolio | Market Value | Book Value | Duration To Maturity |
|------------------------|----------------------|--------------|----------------------|------------------|----------------|----------------------|----------------------|----------------------|
| 1-3 Months | 2,725,000.00 | 0.434 | 2,725,624.00 | 73 | 15.83 | 2,726,998.04 | 2,725,052.46 | 0.20 |
| 3-6 Months | 1,240,000.00 | 0.554 | 1,261,670.00 | 133 | 7.33 | 1,246,694.76 | 1,245,555.32 | 0.36 |
| 6-9 Months | 2,240,000.00 | 0.889 | 2,379,630.00 | 185 | 13.82 | 2,285,491.46 | 2,279,236.51 | 0.50 |
| 9-12 Months | 2,545,000.00 | 0.565 | 2,579,611.60 | 306 | 14.98 | 2,566,843.59 | 2,561,981.40 | 0.84 |
| 1-2 Years | 8,240,000.00 | 0.454 | 8,271,420.00 | 571 | 48.04 | 8,266,067.85 | 8,259,417.25 | 1.56 |
| Total / Average | 16,990,000.00 | 0.535 | 17,217,955.60 | 367 | 100 | 17,092,095.70 | 17,071,242.94 | 1.00 |

Union Sanitary District
Board Report - Holdings
Report Format: By Transaction
Group By: Asset Class
Portfolio/Report Group: All Portfolios
As of 8/31/2014

| Description | CUSIP/Ticker | Credit Rating 1 | Settlement Date | Face Amount/Shares | Cost Value | Coupon Rate | Market Value | YTM @ Cost | Next Call Date | Maturity Date | % of Portfolio |
|--|--------------|-----------------|-----------------|---------------------|---------------------|--------------|---------------------|--------------|----------------|---------------|----------------|
| Agencies | | | | | | | | | | | |
| FHLMC 0.5 6/20/2016-14 | 3134G4N38 | Moodys-Aaa | 12/20/2013 | 1,000,000.00 | 1,000,000.00 | 0.500 | 998,040.00 | 0.500 | 9/20/2014 | 6/20/2016 | 2.63 |
| FNMA 0.5 3/30/2016 | 3135GOVA8 | Moodys-Aaa | 1/24/2014 | 1,000,000.00 | 1,000,750.00 | 0.500 | 1,001,380.00 | 0.465 | | 3/30/2016 | 2.64 |
| Sub Total / Average | | | | 2,000,000.00 | 2,000,750.00 | 0.500 | 1,999,420.00 | 0.482 | | | 5.27 |
| CAMP | | | | | | | | | | | |
| CAMP LGIP | LGIP4000 | None | 5/31/2011 | 9,789.69 | 9,789.69 | 0.060 | 9,789.69 | 0.060 | N/A | N/A | 0.03 |
| Sub Total / Average | | | | 9,789.69 | 9,789.69 | 0.060 | 9,789.69 | 0.060 | | | 0.03 |
| Certificates of Deposit | | | | | | | | | | | |
| Bank of Baroda NY US 0.4 1/22/2015 | 06062AFE4 | None | 1/22/2014 | 240,000.00 | 240,000.00 | 0.400 | 240,164.76 | 0.400 | | 1/22/2015 | 0.63 |
| BMW Bank North America 0.5 3/14/2016 | 05568P6V4 | None | 3/31/2014 | 240,000.00 | 239,760.00 | 0.500 | 239,645.45 | 0.552 | | 3/14/2016 | 0.63 |
| Discover Bank 0.5 6/11/2015 | 254671D72 | None | 12/24/2013 | 240,000.00 | 239,918.40 | 0.500 | 240,260.35 | 0.523 | | 6/11/2015 | 0.63 |
| GE Capital Bank 0.4 10/17/2014 | 36163CFX3 | None | 10/18/2013 | 245,000.00 | 245,000.00 | 0.400 | 245,083.18 | 0.400 | | 10/17/2014 | 0.65 |
| GE Capital Retail Bank 0.95 3/16/2015 | 36157PAU3 | None | 1/2/2013 | 240,000.00 | 240,000.00 | 0.950 | 240,891.46 | 0.950 | | 3/16/2015 | 0.63 |
| Goldman Sachs Bank 0.75 11/14/2014 | 38143AU78 | None | 11/30/2012 | 240,000.00 | 240,000.00 | 0.750 | 240,297.43 | 0.750 | | 11/14/2014 | 0.63 |
| Merrick Bank 0.5 6/30/2015 | 5912Y5Y9 | None | 12/30/2013 | 240,000.00 | 240,000.00 | 0.500 | 240,209.04 | 0.500 | | 6/30/2015 | 0.63 |
| Sallie Mae Bank 0.75 11/14/2014 | 795450QK4 | None | 11/30/2012 | 240,000.00 | 240,000.00 | 0.750 | 240,297.43 | 0.750 | | 11/14/2014 | 0.63 |
| Sub Total / Average | | | | 1,925,000.00 | 1,924,678.40 | 0.593 | 1,926,849.10 | 0.603 | | | 5.07 |
| Corporate Issues | | | | | | | | | | | |
| General Electric Capital Corp 1.625 7/2/2015 | 36962G5Z3 | Moodys-A1 | 3/31/2014 | 1,000,000.00 | 1,014,530.00 | 1.625 | 1,010,750.00 | 0.460 | | 7/2/2015 | 2.67 |
| General Electric Capital Corp 2.15 1/9/2015 | 326962G5M2 | Moodys-A1 | 8/16/2013 | 1,000,000.00 | 1,021,670.00 | 2.150 | 1,006,530.00 | 0.590 | | 1/9/2015 | 2.69 |

| Description | CUSIP/Ticker | Credit Rating 1 | Settlement Date | Face Amount/Shares | Cost Value | Coupon Rate | Market Value | YTM @ Cost | Next Call Date | Maturity Date | % of Portfolio |
|---|--------------|-----------------|-----------------|----------------------|----------------------|--------------|----------------------|--------------|----------------|---------------|----------------|
| General Electric Capital Corp 2.375 6/30/2015 | 36962G5F7 | Moodys-A1 | 11/30/2012 | 500,000.00 | 517,745.00 | 2.375 | 508,545.00 | 0.980 | | 6/30/2015 | 1.36 |
| General Electric Capital Corp 4.875 3/4/2015 | 36962GP65 | Moodys-A1 | 9/18/2013 | 1,000,000.00 | 1,059,830.00 | 4.875 | 1,022,960.00 | 0.750 | | 3/4/2015 | 2.79 |
| Internaltional Business Machs 0.45 5/6/2016 | 459200HL8 | Moodys-Aa3 | 11/26/2013 | 1,000,000.00 | 996,840.00 | 0.450 | 997,820.00 | 0.580 | | 5/6/2016 | 2.63 |
| JP Morgan Chase 4.75 3/1/2015 | 46625HCE8 | Moodys-A3 | 1/2/2013 | 1,000,000.00 | 1,079,800.00 | 4.750 | 1,021,640.00 | 1.012 | | 3/1/2015 | 2.84 |
| Well Fargo Bank 0.75 7/20/2015 | 94985H5F7 | Moodys-Aa3 | 3/31/2014 | 565,000.00 | 567,418.20 | 0.750 | 567,079.20 | 0.420 | | 7/20/2015 | 1.49 |
| Sub Total / Average | | | | 6,065,000.00 | 6,257,833.20 | 2.596 | 6,135,324.20 | 0.684 | | | 16.48 |
| LAIF | | | | | | | | | | | |
| LAIF LGIP | LGIP1002 | None | 4/30/2011 | 20,735,461.96 | 20,735,461.96 | 0.260 | 20,735,461.96 | 0.260 | N/A | N/A | 54.62 |
| Sub Total / Average | | | | 20,735,461.96 | 20,735,461.96 | 0.260 | 20,735,461.96 | 0.260 | | | 54.62 |
| Treasury | | | | | | | | | | | |
| T-Bond 0.25 5/16/2016 | 912828VC1 | Moodys-Aaa | 1/24/2014 | 1,000,000.00 | 994,530.00 | 0.250 | 997,620.00 | 0.488 | | 5/16/2016 | 2.62 |
| T-Note 0.375 11/15/2014 | 912828RQ5 | Moodys-Aaa | 5/25/2012 | 2,000,000.00 | 2,000,624.00 | 0.375 | 2,001,320.00 | 0.362 | | 11/15/2014 | 5.27 |
| T-Note 0.375 2/15/2016 | 912828UM0 | Moodys-Aaa | 1/24/2014 | 1,000,000.00 | 999,530.00 | 0.375 | 1,001,170.00 | 0.398 | | 2/15/2016 | 2.63 |
| T-Note 0.5 6/15/2016 | 912828VG2 | Moodys-Aaa | 3/27/2014 | 1,000,000.00 | 999,530.00 | 0.500 | 1,001,330.00 | 0.521 | | 6/15/2016 | 2.63 |
| T-Note 1.375 11/30/2015 | 912828PJ3 | Moodys-Aaa | 12/20/2013 | 2,000,000.00 | 2,040,480.00 | 1.375 | 2,029,062.40 | 0.330 | | 11/30/2015 | 5.37 |
| Sub Total / Average | | | | 7,000,000.00 | 7,034,694.00 | 0.665 | 7,030,502.40 | 0.398 | | | 18.53 |
| Total / Average | | | | 37,735,251.65 | 37,963,207.25 | 0.750 | 37,837,347.35 | 0.385 | | | 100 |

All investment actions executed since the last report have been made in full compliance with the District's Investment Policy. The District will meet its expenditure obligations for the next six months. Market value sources are the LAIF, CAMP, and BNY Mellon monthly statements.

Union Sanitary District
Board Report - Activity
Portfolio/Report Group: All Portfolios
From 8/1/2014 To 8/31/2014

| Description | CUSIP/Ticker | Face Amount/Shares | Principal | Interest/Dividends | Coupon Rate | YTM @ Cost | Settlement Date | Total |
|---------------------------------------|--------------|---------------------|---------------------|--------------------|-------------|------------|-----------------|---------------------|
| DEPOSIT | | | | | | | | |
| CAMP LGIP | LGIP4000 | 0.48 | 0.48 | 0.00 | | 0.000 | 8/31/2014 | 0.48 |
| LAIF LGIP | LGIP1002 | 2,000,000.00 | 2,000,000.00 | 0.00 | | 0.000 | 8/29/2014 | 2,000,000.00 |
| Sub Total / Average | | 2,000,000.48 | 2,000,000.48 | 0.00 | | | | 2,000,000.48 |
| INTEREST | | | | | | | | |
| CAMP LGIP | LGIP4000 | 0.00 | 0.00 | 0.48 | | 0.000 | 8/31/2014 | 0.48 |
| Natixis US Finance Co 0.426 8/19/2014 | 6323A1HK5 | 0.00 | 0.00 | 3,150.00 | 0.426 | 0.000 | 8/19/2014 | 3,150.00 |
| T-Note 0.375 2/15/2016 | 912828UM0 | 0.00 | 0.00 | 1,875.00 | 0.375 | 0.000 | 8/15/2014 | 1,875.00 |
| Sub Total / Average | | 0.00 | 0.00 | 5,025.48 | | | | 5,025.48 |
| MATURED | | | | | | | | |
| Natixis US Finance Co 0.426 8/19/2014 | 6323A1HK5 | 1,000,000.00 | 1,000,000.00 | 0.00 | 0.426 | 0.000 | 8/19/2014 | 1,000,000.00 |
| Sub Total / Average | | 1,000,000.00 | 1,000,000.00 | 0.00 | | | | 1,000,000.00 |
| WITHDRAW | | | | | | | | |
| LAIF LGIP | LGIP1002 | 800,000.00 | 800,000.00 | 0.00 | | 0.000 | 8/1/2014 | 800,000.00 |
| LAIF LGIP | LGIP1002 | 600,000.00 | 600,000.00 | 0.00 | | 0.000 | 8/12/2014 | 600,000.00 |
| LAIF LGIP | LGIP1002 | 300,000.00 | 300,000.00 | 0.00 | | 0.000 | 8/15/2014 | 300,000.00 |
| LAIF LGIP | LGIP1002 | 2,000,000.00 | 2,000,000.00 | 0.00 | | 0.000 | 8/22/2014 | 2,000,000.00 |
| Sub Total / Average | | 3,700,000.00 | 3,700,000.00 | 0.00 | | | | 3,700,000.00 |

**COLLECTION SERVICES
ACTIVITIES REPORT
July and August 2014**

Progress/Accomplishments

- Completed 113,299 feet of cleaning and 88,732 feet of televising of sewer lines in July
- Completed 96,707 feet of cleaning and 98,156 feet of televising of sewer lines in August
- Responded to 19 service request calls in July and 31 service request calls in August
- Completed a total of 10 main repairs in July and 19 main repairs in August
- Marked and located all sewer lines (Underground Service Alerts)
- Provided support on the following projects: Lateral Condition Assessment, Alvarado Site use Study, & Plant Shut Downs
- Participated in a CSOTF Benchmarking meeting
- Attended the Mid-Summer CWEA CS Meeting
- Participated in Strategic Planning
- Hosted a meeting with South Tahoe PUD
- Completed training and handoff of managing Vehicle and Equipment R&R to James Schofield
- Assisted TS Work Group in resolving the 2 Warm Springs lateral issues
- Participated in a BACWA meeting
- Continued training of 3 Collection System Worker I employees
- Continued on our progress on catching up on 72 Month Cleaning and Inspection PMP
- Participated in Benchmarking meetings with CASSE
- Participated with State Committee to rewrite the SSMP Development Guide
- Completed 620 days in a row with no injuries

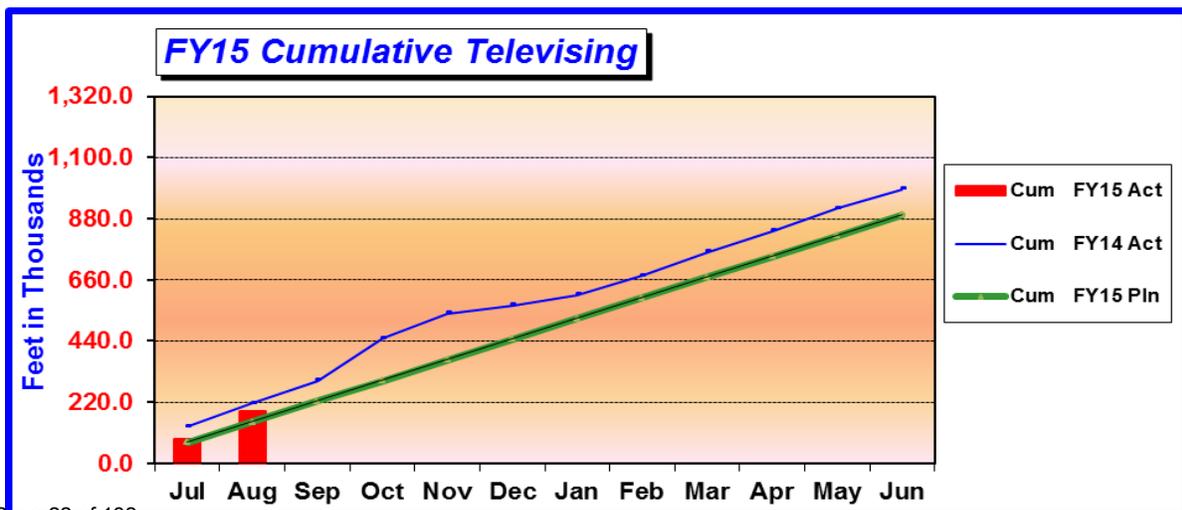
Training for Collections included;

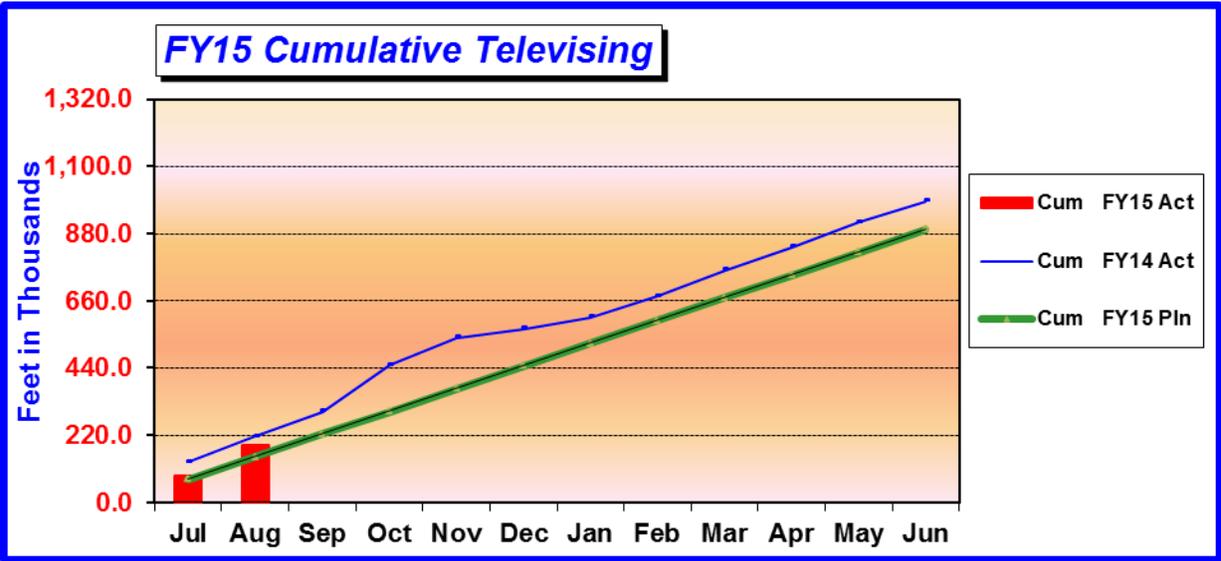
SOP CS 113-1 Dual Cable Winch Truck #17, SOP CS 113-2 Single Cable Winch Truck #76, SOP CS105-1 Plugging, SOP CS110-1 SSL – Pre-Trip, Start-Up, & Shut-Down, SOP CS110-2 SSL – Loading & Unloading, SOP CS110-3 SSL – Bobtach Attachment System, Hazmat Handler, Steve Novak attend the first two days of CDL training, and Safety Star Points shared and discussed topics from Safety meeting.

Future Planning

- Continue effort of to catch up on 72 Month Cleaning and Inspection PMP
- Train new CSW I employees
- Start planning for transition for new CS Work Group Manager

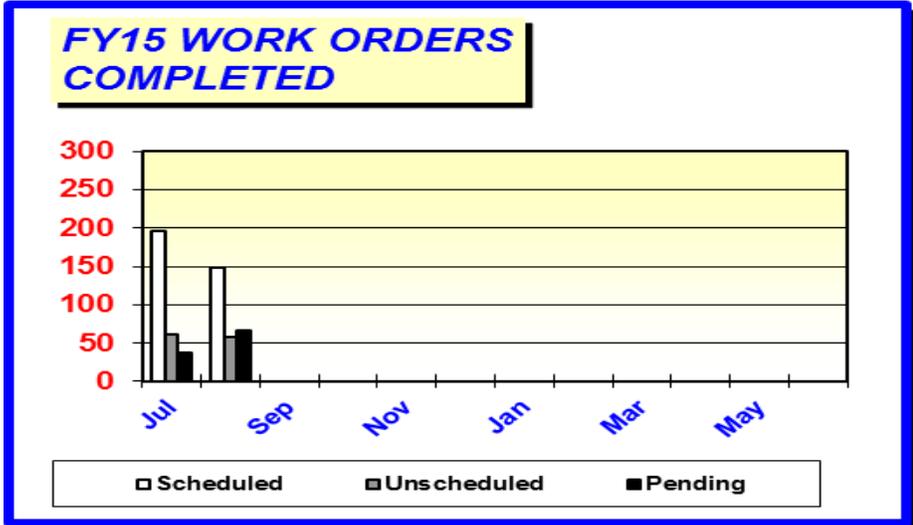
Performance Measures



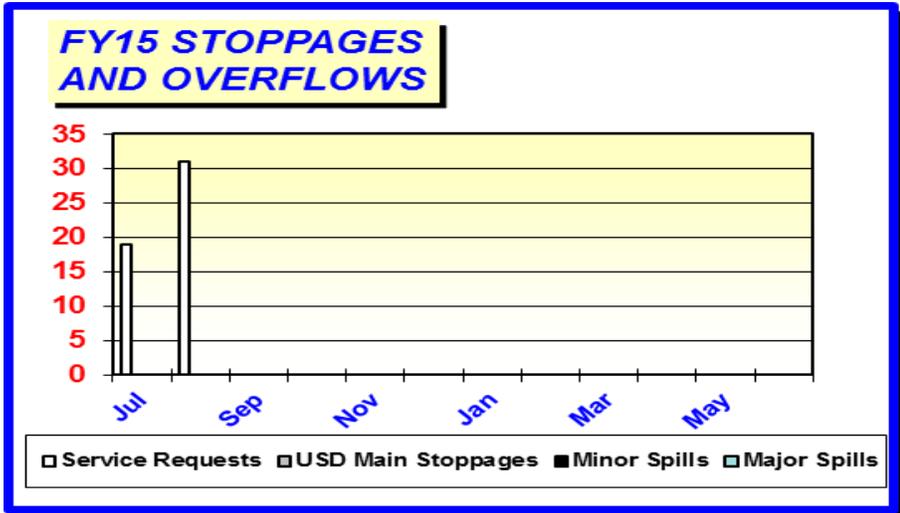


Other Collection Services Status Data:

Support Team Work Order Status:



C/S Maintenance Status:



**MONTHLY OPERATIONS REPORT FOR THE MONTH OF AUGUST 2014
TECHNICAL SUPPORT WORK GROUP SUMMARY**

Capital Improvement Program

Boyce Road Lift Station Project – Phase 2 – Contractor installed 4 emergency lights, coated the influent structure, set the load bank on the concrete pad and installed the conduits and detectors for the gas detection system.

Cogeneration Project – The contractor began the commissioning process of the new cogeneration system and started the new biogas conditioning system. PG&E’s pre-parallel inspection of the 12-kilovolt switchgear was completed in July, and the inspection of the 480-volt cogeneration switchgear is scheduled in September. Contractor also provided equipment and system overview training to the plant staff. Additional training will continue in September.

Jarvis Ave. SS Replacement – Submittals are nearly complete. Contractor D’Arcy & Harty mobilized and began field work on August 22nd.

Newark Backyard SS Relocation Project Phase 2 – Design began with initial field visits to 95 properties in the Phase 2 area.

Sodium Hypochlorite Tanks A and B Replacement – Ferrous chloride tank at Irvington Pump Station planned to be replaced and put back into service on 9/3.

Thickener Control Building Improvements Project – Excavations for the new TPS pipeline, Thickener Electrical Building and electrical duct banks have been completed. Contractor GSE Construction is finalizing their pipe layout and materials are scheduled to be ordered in early September. Underground conduits are to be installed in September and process piping is scheduled to be installed by December 2014.

Upper Hetch Hetchy SS Rehabilitation – Contractor SAK Construction continues sewer bypassing and CIPP lining along Sacramento and Calaveras Ave. in Fremont.

Primary Digester No. 5 Rehabilitation Project - Issued Notice to Proceed to Contractor DW Nicholson on 8/28.

Customer Service

Trouble Calls dispatched from the Front Desk during business hours:

| Fremont | Newark | Union City | Total |
|---------|--------|------------|-------|
| 19 | 3 | 3 | 25 |

Communication & Graphics

- Continued process for Website Improvement RFP release
- Updated current website:
 - Website Improvement Project

- Capacity Fees ordinance in effect 8/28/2014 – linked ordinance, created new fee table for Customer Service pages
- Paul Eldredge press release
- Wrote Safe Medicine story for inclusion in ACWD's Fall Newsletter
- Attended CASA conference as member of CASA Communications Workgroup
- Presented Public Outreach Strategy Outline for next 12 months to Board
- Wrote Press Release re: Paul Eldredge; took photo to accompany release to media
- Attended Public Participation training with BAB2E Steering Committee and member agency Public Information representatives
- Designed online and printed materials for Operations and Collection Services Manager recruitments

Environmental Compliance

Pollution Prevention Program

| # of Dental Inspections | # of School Outreach Events including Sewer Science | # of Plant Tours |
|--------------------------------|--|-------------------------|
| 6 | 0- school summer break | 2 SIU Plant Tours |

Misc. Pollution Prevention (Dental trainings, Plumbing Contractor training, etc.)

| Name of Event | Date |
|----------------------|-------------|
| None | |

Reports (Annual Pollution Prevention, City of Fremont reports, etc.)

| Report Name | Date Report Completed and Submitted |
|-------------------------------------|--|
| FY 2014 Pollution Prevention Report | 8/28/2014 |
| Annual COF Storm Water Report | 8/8/2014 |
| COF Styrofoam Compliance Report | 8/18/2014 |

Pollution and Prevention

| Business Inspected | | | Illicit Discharge Complaints | Enforcement Actions | | |
|---------------------------|------------|--------------|-------------------------------------|-----------------------------|-----------|------------|
| UR | FOG | Total | | Type | UR | FOG |
| 111 | 70 | 181 | 1 | Verbal Warning | 11 | 14 |
| | | | | Notice of Deficiency | 0 | 0 |
| | | | | Warning Letter | 1 | 5 |
| | | | | Notices of Violation | 6 | 0 |
| | | | | Admin Fine | 4 | 0 |
| | | | | Legal Action | 0 | 0 |

Industrial

Reports (Annual & Semi-Annual Pretreatment Report, Union City Report, etc.)

| Report Name | Date Report Completed and Submitted |
|--------------------|--|
| Union City Report | 8/20/2014 |

Pending Permits

| | |
|---|------------------------------|
| New Industrial/Groundwater Permits | Groundwater/Temporary |
| None | Preston Pipelines |

Permits Issued

| | |
|---------------------|---------------------------|
| Company Name | Date Permit Issued |
| None | |

Industrial Closures

| | |
|---------------------|------------------------|
| Company Name | Date of Closure |
| None | |

Enforcement Action

| Violation | IU Name & Nature of Business | City (F, N, UC) | Parameters Violated | Discharge concentration (mg/L) | USD/Fed Limit (mg/L) | Comments |
|-----------|------------------------------|-----------------|---------------------|--------------------------------|----------------------|--------------------|
| N14-002 | Boehringer Ingelheim | F | Copper | 6.2 mg/L | 2.0 mg/L | NOV issued 8/27/14 |
| | | | | | | |

- (1) Warning Letter (WL), Notice of Violation (NOV), Administrative Order (AO), Cease & Desist Order (C&D), Significant Non Compliance (SNC), (EM) Enforcement Meeting
- (2) Fremont (F) Newark (N) Union City (UC)
- (3) Daily Max (DM) Monthly Average (MA)

Other - Team training, Special Meetings, Conferences, Special Recognition, IAC (topics)

| | | |
|-----------------|----------------------|------------------|
| Activity | Date of Event | Attendees |
| None | | |

Engineering/Construction

| | Construction Projects | Capital (\$1000) | Scheduled Completion | Completed Scope | Completed Time | Comments for August 2014 Activity |
|----|---------------------------------------|------------------|----------------------|-----------------|----------------|---|
| 1. | Boyce Road LS Phase 2 – Thomas | \$330 | 10/14 | 55% | 63% | Coated influent structure; anchored load bank to concrete pad; installed gas detectors in the wet well. |
| 2. | Cogeneration Project – Raymond | \$10,566 | 9/14 | 93% | 98% | Began commissioning process of the new cogeneration system equipment. Began training of plant staff. |
| 3. | Jarvis Ave. SS Replacement – Chris E. | \$1,035 | 11/14 | 16% | 27% | Submittals nearly complete. Field work begun Aug. 22 nd . |

| | Construction Projects | Capital (\$1000) | Scheduled Completion | Completed Scope | Completed Time | Comments for August 2014 Activity |
|----|--|------------------|----------------------|-----------------|----------------|---|
| 4. | Sodium Hypochlorite Tanks A and B Replacement – Rollie/Derek | \$220 | 9/30 | 62% | 100% | New ferrous chloride tank is scheduled to go back into service on 9/3. Work on Hypo Tank A will resume after the ferrous chloride tank is in service. |
| 5. | Newark Backyard SS Relocation Ph. 1 – Rollie/Al | \$400 | 8/27 | 100% | 100% | Board accepted the project on 8/25. |
| 6. | Thickener Control Building Improvements Project – Curtis | \$9,990 | 9/16 | 5% | 6% | Excavations complete for new thickened primary sludge pipeline, Thickener Electrical Building and electrical duct banks. |
| 7. | Upper Hetch Hetchy SS Rehabilitation – Chris E. | \$3,016 | 2/15 | 33% | 34% | Sewer bypassing and CIPP lining in progress. |
| 8. | Primary Digester No. 5 Rehabilitation Project - Chris P. | \$779 | 12/14 | 0% | 0% | Issued Notice to Proceed on 8/28. |

Design/Study

| | Design/Study Projects | Capital (\$1000) | Scheduled Completion | Completed Scope | Completed Time | Comments for August 2014 Activity |
|----|---|------------------|----------------------|-----------------|----------------|---|
| 1. | Irvington Basin Master Plan Update – Capacity Assessment - Rollie | \$231 | 6/15 | 0% | 0% | Task Order No. 2 was approved by Board on 8/11. |
| 2. | Local Limits and Wastewater Treatability Study – Michael D. | \$107 | 12/14 | 98% | 100% | Waiting for RWQCB comments on proposed Local Limits. |
| 3. | Seismic Study - Raymond | \$148 | 9/14 | 95% | 95% | Consultant will meet with staff in September to review findings and recommendations for next steps. |
| 4. | Cast Iron Lining Phase VI – Andrew | In-House | 11/14 | 95% | 70% | 75% Submittal completed. |
| 5. | Miscellaneous Spot Repairs Phase VI – Andrew | In-House | 12/14 | 50% | TBD | CS reviewed potential site list, provided feedback and comments. |

| | Design/Study Projects | Capital (\$1000) | Scheduled Completion | Completed Scope | Completed Time | Comments for August 2014 Activity |
|-----|---|------------------|----------------------|-----------------|----------------|---|
| 6. | Alvarado-Niles Road SS Rehabilitation – Chris E. | \$248 | 4/15 | 0% | 2% | Agreement & Task Order No. 1 authorized for design by West Yost. |
| 7. | Pine St. Easement Improvements – Chris E. | TBD | TBD | 0% | 0% | Design & permitting proposals under review. Authorize in September. |
| 8. | Plant Site Use Study – Curtis | \$200 | 6/15 | 0% | 4% | Kickoff meeting to take place in early September. |
| 9. | MCC and PLC Replacement Project, Phase 3 – Chris P. | \$78 | 6/15 | 0% | 0% | Completed negotiations of Task Order No. 1. |
| 10. | Generator Controls Upgrade Project – Chris P. | TBD | TBD | 0% | 0% | Negotiating Task Order No. 1 (pre-design). |
| 11. | Plant Facilities Improvements Project – Thomas | \$200 | 6/15 | 0% | 0% | Selected West Yost as design consultant; complete negotiation with West Yost for agreement & design services task order in September. |
| 12. | Plant Lighting Study – Thomas | \$50 | 6/15 | 0% | 0% | Two design proposals under review; select consultant and negotiate with consultant for agreement & design services task order in September. |
| 13. | Administrative and Field Operations Buildings Leak Investigation – Chris P. | \$51 | 10/14 | 80% | 75% | Completed site investigation including restoration of destructive testing areas. Report due in September. |
| 14. | Pump Station Master Plan – Raymond | TBD | TBD | TBD | TBD | Selected Carollo Engineers and will begin contract negotiations. |
| 15. | Newark Backyard SS Relocation – Phase 2 | \$30 | 3/15 | 13% | 13% | Field investigations on 95 private properties began. |

**Treatment & Disposal
Activities Report
August 2014**

Progress/Accomplishments

- Maintained 100% compliance with NPDES permits.
- Completed 96% preventive maintenance activities for the month of August.
- Conducted semiannual sampling for priority pollutants.
- Conducted dry season sampling of the adjacent flood control channel to determine feasibility for a stormwater diversion project.
- Hosted Anitamox technology briefing by Kruger Inc.
- Negotiated a contract amendment with RMC for the Hayward Marsh Rehabilitation Options study.

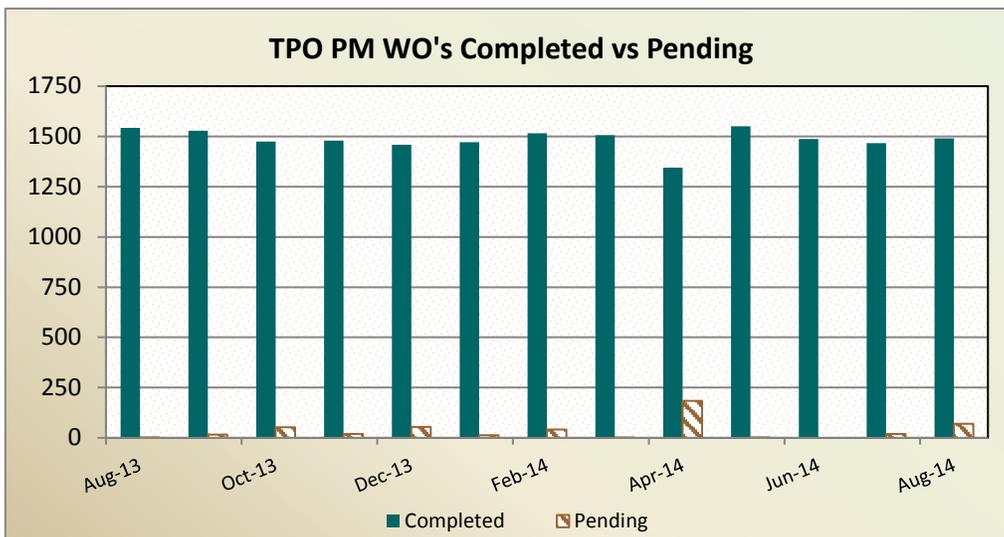
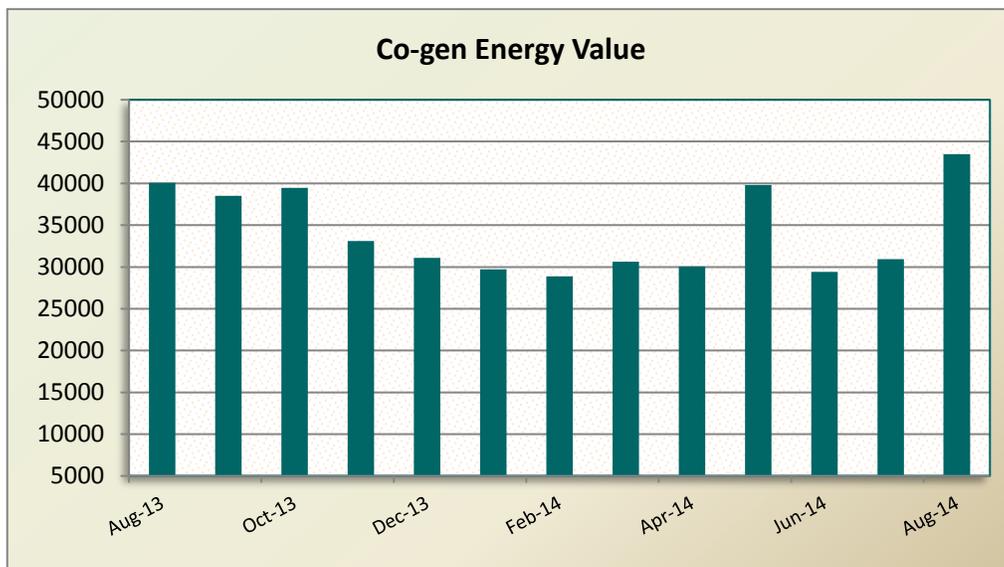
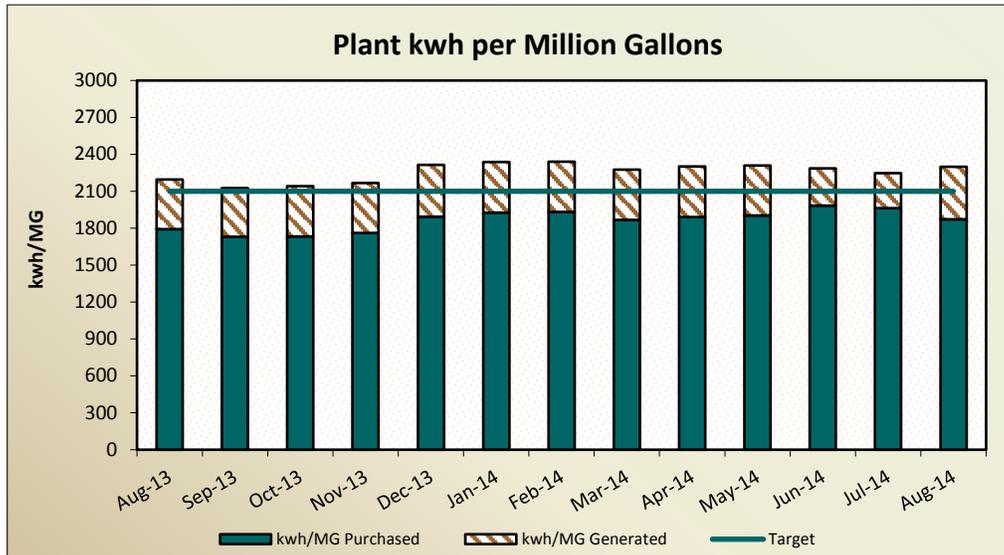
Future Planning

- Review comments on the Hayward Marsh Baseline Condition Technical Memorandum from RMC.
- Prepare for ELAP recertification of the treatment plant laboratory.
- Prepare the Annual Report to Union City.
- Complete the ANITAMOX sidestream pilot study.
- Meet with the Regional Board to discuss the status of the Hayward Marsh.

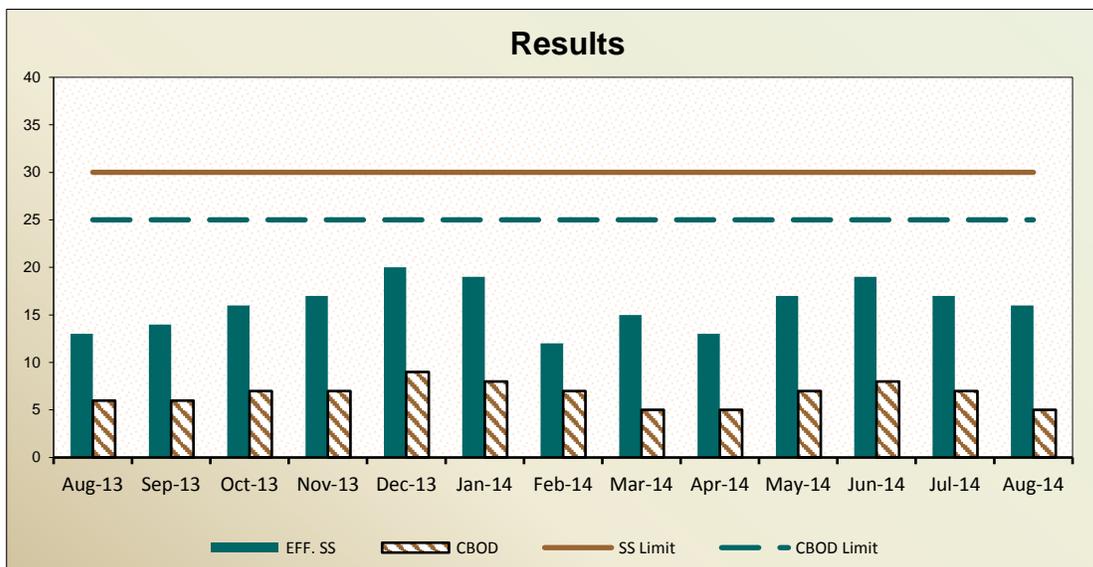
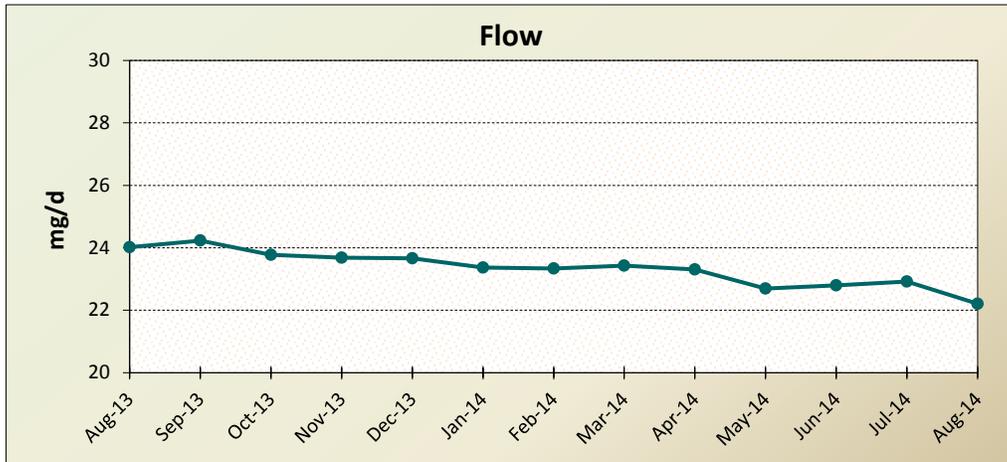
Other

- Cogen system produced 18.6% of power consumed for the month of August.

Performance Measurements



Operational/NPDES Performance



| <u>Parameter</u> | <u>Monthly Average</u> | <u>NPDES Permit Limits</u> |
|------------------|------------------------|--|
| SS | 16 | 30 mg/l |
| BOD | 5 | 25 mg/l |
| F. Coliform | 19 - 29 29 - 48 | 500, 5-Day Log Mean 1100, 90th Percentile |
| Copper | 4.5 | 78 µg/l |
| Nickel | 3.6 | 79 µg/l |
| Mercury | 0.00341 | 0.066 µg/l |
| Cyanide | < 3.0 | 42 µg/l |

**FMC
Activities Report
August 2014**

Progress/Accomplishments

- Completed 91% preventive maintenance activities for the month of August.
- Completed 63 corrective maintenance work orders for the month of August.
- Repaired drain line in Degritter Building.
- Repaired Fremont Lift Station headgate accumulator.
- Repaired #2 GBT polymer blending unit.

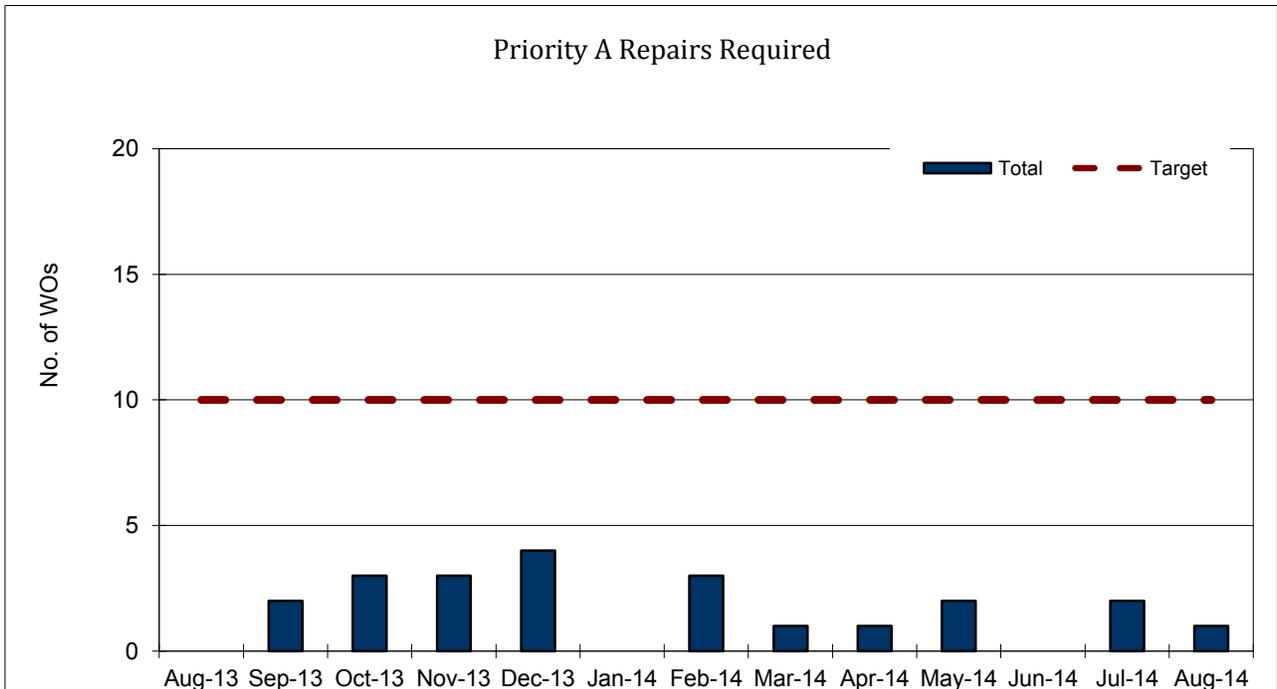
Future Planning

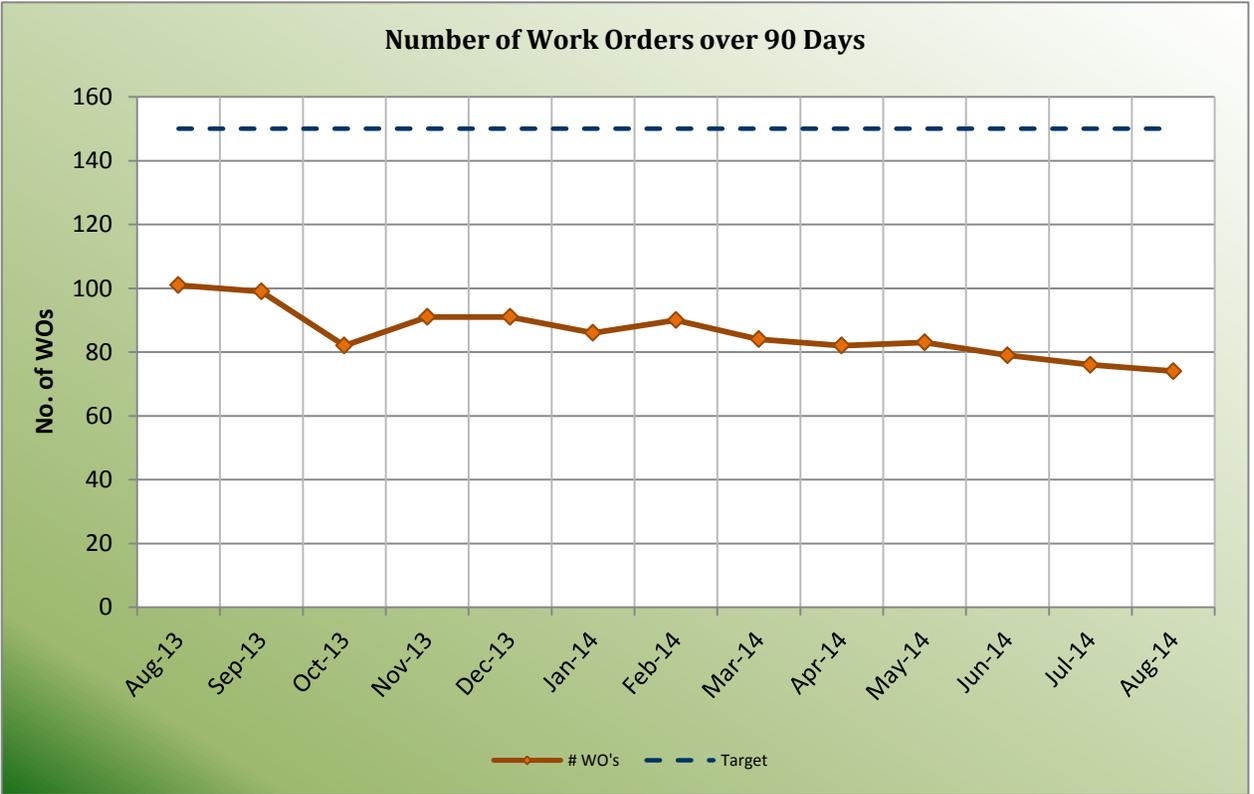
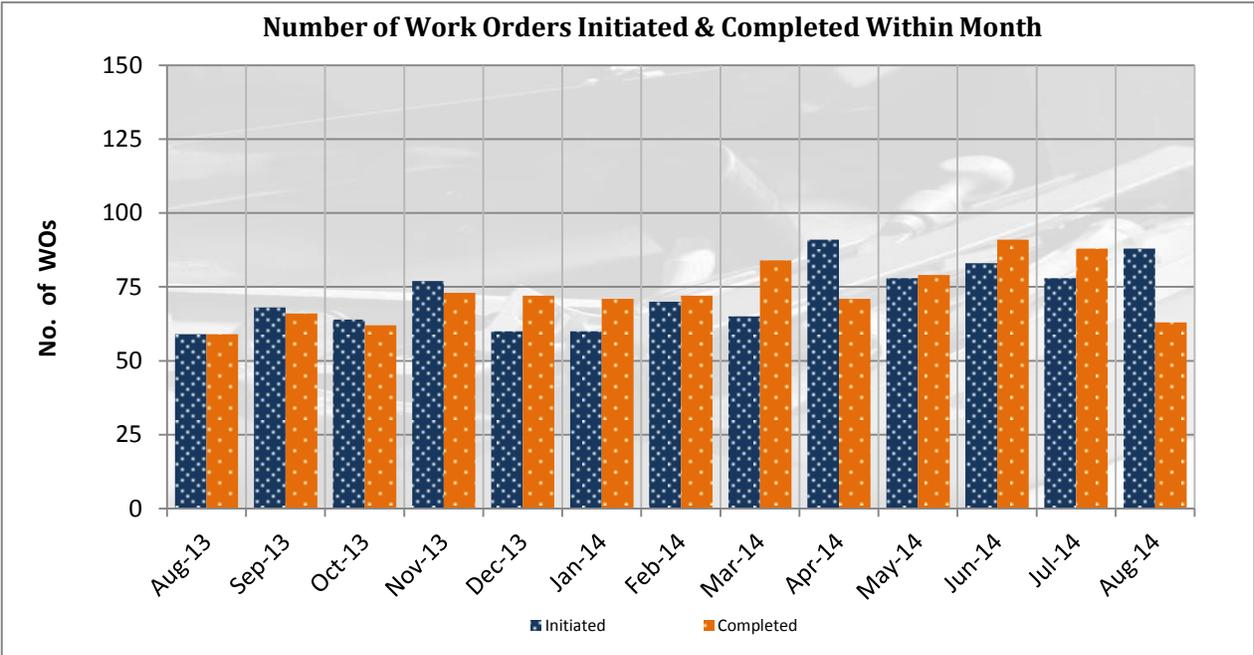
- Repair effluent screen chamber isolation gate operator.
- Replace #1 TPS feed valve.
- Repaired Irvington Pump Station #3 pump moisture sensor.

Other

- Co-Generation Training
- Cathodic Protection Certification Training

Performance Measurements







Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/District
Engineer*

David M. O'Hara
Attorney

DATE: September 9, 2014

MEMO TO: Board of Directors - Union Sanitary District

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

SUBJECT: Agenda Item No. 8 - Meeting of September 22, 2014
**APPROVE REVISIONS TO POLICY 3300 – CONTRIBUTIONS
AND ENDORSEMENTS**

Recommendation

Approve revisions to Policy 3300.

Background

On June 9, 2014, the Board approved Policy 3300 to address restrictions on endorsements and contributions. Human Resources staff subsequently reviewed the policy and recommended a number of structural and language changes that do not impact the intent of the policy.

These changes make the Policy Statement and Definitions more consistent with USD standards for policies. Note that the language used for the revised policy statement is taken from the "Procedure" section of the policy as originally approved by the Board.

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

Effective:
~~June 9~~September
22, 2014

Contributions and Endorsements by Union Sanitary District

Policy Number 3300

Page 1 of 3

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.~~

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.

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~~ 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.
- Deminimus expenditures for day--to--day operations.
- Items distributed at public gatherings which promote the District, recycling, proper drug disposal, environmental protection, or District goals.
- 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 ~~p~~Policy Number 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 ~~P~~policy.

Board of Directors Responsibility

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

Consult with legal counsel on interpretation of this ~~p~~Policy.

Review the ~~p~~Policy periodically to identify appropriate changes.

Administrative Information

| | |
|---------------------------------|---|
| Approved by Board of Directors: | June 9, 2014, Revised September 22, 2014 |
| Author/Owner: | Board of Directors |
| Reviewers: | General Manager, Board of Directors |
| Notify Person: | General Manager |
| Revision Frequency: | Every 3 Years |
| Next Review: | June-September 2017 |

| | | |
|----------------------------------|--|---------------------------------------|
| Effective: September 22, 2014 | Contributions and Endorsements by Union Sanitary District | Policy Number 3300 Page 1 of 3 |
|----------------------------------|--|---------------------------------------|

Policy

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.

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.

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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.

Contributions Commitment of district funds, property, equipment or staff resources to entities or efforts.

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.

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.
- Items distributed at public gatherings which promote the District, recycling, proper drug disposal, environmental protection, or District goals.
- 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 Number 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, Revised September 22, 2014 |
| Author/Owner: | Board of Directors |
| Reviewers: | General Manager, Board of Directors |
| Notify Person: | General Manager |
| Revision Frequency: | Every 3 Years |
| Next Review: | September 2017 |



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/District
Engineer*

David M. O'Hara
Attorney

DATE: September 11, 2014

TO: Board of Directors - Union Sanitary District

FROM: Paul R. Eldredge, General Manager/District Engineer
David M. O'Hara, Legal Counsel

SUBJECT: Agenda Item No. 9 - Meeting of September 22, 2014
Resolution No._____, Approve 2014 Conflict of Interest Code

Recommendation:

Find that the 2012 version of the Conflict of Interest Code requires only a minimal change, eliminating the designated position of Deputy General Manager, and authorize legal counsel to so inform the Board of Supervisors.

Background:

Every two years it is necessary to review the Conflict of Interest Code to ensure compliance with current law and conditions in the District's structure. Legal Counsel has undertaken the necessary review and found minimal changes are required from the Code adopted September 10, 2012.

Therefore, it would be appropriate to authorize Legal Counsel to inform the Board of Supervisors what changes are necessary and to provide a new code as is included herein.

**UNION SANITARY DISTRICT
RESOLUTION NO. 2739**

RESOLUTION CONFIRMING REVISIONS TO CONFLICT OF INTEREST CODE

RESOLVED, by the Board of Directors of Union Sanitary District, Alameda County, California, that:

WHEREAS, Government Code Section 87300 requires a biannual review of the District's Conflict of Interest Code; and

WHEREAS, the Conflict of Interest Code of Union Sanitary District approved on September 10, 2012, has been reviewed by legal counsel and found to require no modification except for the deletion of the Deputy General Manager as a designated position in Exhibit "A".

NOW, THEREFORE, IT IS ORDERED AS FOLLOWS:

Legal Counsel will inform the Alameda County Board of Supervisors, before October 1, 2014, that an amendment of the Conflict of Interest Code of Union Sanitary District is necessary by deleting the Deputy General Manager as a designated position.

The foregoing Resolution was duly and regularly adopted and passed by the Board of Directors of Union Sanitary District, Alameda County, California, at a meeting held on the 22nd day of September, 2014.

AYES: Fernandez, Handley, Kite, Lathi, Toy
NOES: None
ABSENT: None
ABSTAIN: None

Manny Fernandez
President, Board of Directors
UNION SANITARY DISTRICT

Attest:

Tom Handley
Secretary, Board of Directors
UNION SANITARY DISTRICT

**CONFLICT OF INTEREST CODE OF
UNION SANITARY DISTRICT**

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**CONFLICT OF INTEREST CODE OF
UNION SANITARY DISTRICT**

SECTION 1. Purpose. Pursuant to the provisions of Government Code Sections 87300 et seq., the UNION SANITARY DISTRICT of Alameda County hereby adopts the following Conflict of Interest Code. Nothing contained herein is intended to modify or abridge the provisions of the Political Reform Act of 1974. The provisions of this Code are in addition to Government Code Section 87100 et seq., 2 California Code of Regulations Section 18000, et seq., and other laws pertaining to conflicts of interest. Except as otherwise indicated, the definitions of said Act and regulations adopted pursuant thereto are incorporated herein and this Code shall be interpreted in a manner consistent therewith.

SECTION 2. Designated Positions. The positions listed in Exhibit "A" are designated positions. Officers and employees holding those positions are designated employees and are deemed to make, or participate in the making of, decisions which may foreseeable have a material effect on a financial interest of the designated employee. Each designated employee shall file an annual statement disclosing that employee's interests in investments, real property, and income designated as reportable by the Political Reform Act of 1974, as may be subsequently modified.

SECTION 3. Place and Time of Filing.

(a) All designated employees required to submit a statement of financial

interests shall file the original with the Assistant to the General Manager.

- (b) The person holding the position listed in Exhibit "A" receiving the statement of financial interest shall make and retain a copy and forward the original to the Alameda County Board of Supervisors.
- (c) A designated employee required to submit a statement of financial interest shall submit a statement disclosing all reportable investments and interests in real property, but not income, as specified below.
- (d) District employees appointed, promoted or transferred to designated positions shall file initial statements within 30 days after date of employment.
- (e) All other employees appointed, promoted or transferred to designated positions shall file initial statements not less than 10 days before assuming office (or if subject to confirmation, 10 days before being confirmed), unless an earlier assumption of office is required by emergency circumstances, in which case the statement shall be filed within 30 days thereafter.
- (f) Annual statements shall be filed by all designated employees on or before March 14, of each year. Such statements shall cover the period of the preceding calendar year and shall include income for the preceding calendar year as well as investments and interest in real property.
- (g) A designated employee required to file a statement of financial interest with any other agency, which is within the same territorial jurisdiction,

may comply with the provisions of this Code by filing a duplicate copy of the statement filed with the other agency, in lieu of an entirely separate document.

SECTION 4. Contents of Disclosure Statements. Disclosure statements shall be made on forms supplied by Alameda County, and shall contain the following information:

(a) Contents of Investment and Real Property Reports:

When an investment, or an interest in real property is required to be reported, the statement shall contain:

- 1) A statement of the nature of the investment or interest;
- 2) The name of the business entity in which each investment is held, and a general description of the business activity in which the business entity is engaged;
- 3) The address or other precise location of the real property;
- 4) A statement whether the fair market value of the investment, or interest in real property:
 - a) Exceeds two thousand dollars (\$2,000.00) but does not exceed ten thousand dollars (\$10,000.00),
 - b) Exceeds ten thousand dollars (\$10,000.00) but less than one hundred thousand dollars (\$100,000.00),
 - c) Exceeds one hundred thousand dollars (\$100,000.00) but does not exceed one million dollars (\$1,000,000.00),
 - d) Exceeds one million dollars (\$1,000,000.00).

This information need not be provided with respect to an interest in real

property which is used principally as the residence of the filer.

(b) Contents of Personal Income Reports:

When personal income is required to be reported, the statement shall contain:

1) The name and address of each source of income aggregating five hundred dollars (\$500.00) or more in value, or fifty dollars (\$50.00) or more in value if the income was a gift, and a general description of the business activity, if any, of each source;

2) A statement whether the aggregate value of income from each source was;

a) In the case of a loan, the highest amount owed to each source was at least five hundred dollars (\$500.00) but does not exceed one thousand dollars (\$1,000.00); or

b) Whether it was in excess of one thousand dollars (\$1,000.00) but was not greater than ten thousand dollars (\$10,000.00), or

c) Whether it was greater than ten thousand dollars (\$10,000.00) but was not greater than one hundred thousand dollars (\$100,000.00).

d) Whether it was greater than one hundred thousand dollars (\$100,000.00).

3) A description of the consideration, if any, for which the income was received;

4) In the case of a gift, the name and address of the donor, the amount or other description of the gift, and the date on which the gift was received.

5) In the case of a loan, the annual interest rate and the security, if any, which secures the loan.

(c) Contents of Business Entity Income Reports:

When income of a business entity, including income of a sole proprietorship, is required to be reported, the statement shall contain:

1) The name, address and a general description of the business activity of the business entity;

2) In the case of a business entity which provides real estate, insurance or stock brokerage services, or travel, retail or wholesale sales, the name of every person who paid fees to the business entity if the filer's business received commissions from such person was equal to or greater than ten thousand dollars (\$10,000.00).

3) For purposes of this section, indirect designated employee investment or interest means any investment or interest owned by the spouse or dependent child of a employee, by an agent on behalf of a designated employee; or by a business entity or trust in which the designated employee, the designated employee's agents, spouse, and/or dependent children own directly, indirectly or beneficially a 10-percent interest or greater.

(d) Contents of Management Position Reports:

When management positions are required to be reported, designated

employees shall list the names of each business entity not specified above in which they are a director, officer, partner, trustee, employee, or in which they hold any position of management.

1) Initial Statement:

The initial statement filed by an employee appointed to a designated position shall disclose any reportable investments and interests in real property.

2) Acquisition or Disposal During Reporting Period:

In the case of a statement filed under Section 3 subsection (f), (annual statements) if the investment, or interest in real property, was partially or wholly acquired or disposed of during the period covered by the statement, the date of acquisition or disposal.

SECTION 5. Disqualifications. Designated employees must disqualify themselves from making or participating in the making of any decisions which will foreseeably have a material financial effect, distinguishable from its effect on the public generally, on any reportable interest of that employee, except sources of income or gifts less than \$250.00 or any other financial interest as defined in Government Code Section 87103. No designated employee shall be prevented from making or participating in the making of any decision to the extent his or her participation is legally required for the decision to be made.

Material financial effect is defined as the making of a decision, participating in or using an official position to influence a governmental decision in which the official knows that he or she has a financial interest. Such a decision is considered material if:

(a) It will directly affect a source of income or gifts of \$500.00; a business

entity in which the official holds any financial interest; or decisions which affect the official or a spouse's employment with a government agency or salary different from others similarly situated.

- (b) It will indirectly affect income or investments of the official in which the investment is \$2,000.00 or more.
- (c) It will indirectly affect a business entity of an official by a amount on a scale of \$10,000.00 gross revenues of a small company to one million dollars (\$1,000,000.00) for a large, Fortune 500 company.
- (d) It will affect property within 300 feet of the official's property - unless no financial effect.
- (e) It will affect property within 2500 feet of official's property if the effect is to change value by \$10,000.00 or \$1,000.00 rent over a 12 month period. (Some exceptions).
- (f) It would affect a non-profit source of income or gift to the official, on a scale based on size of non-profit organization.

Caveat: Materiality regulations are complex and subject to changes.

Legal Counsel should be consulted in any areas mentioned in subsections a) through f) above.

SECTION 6. Manner of Disqualification. A designated employee required to disqualify himself or herself shall notify the General Manager of the agency in writing. A copy of this notice shall be retained by the General Manager who shall forward the original to the Alameda County Board of Supervisors. Upon receipt of such statement, the General Manager shall immediately reassign the matter to

another member of the office.

SECTION 7. Amendments to Code. The provisions of this code shall remain valid until amended or repealed. Any and all amendments made to the Political Reform Act or the FPPC regulations relating to conflicts of interest are automatically made a part of this Code pursuant to 2 California Code of Regulations Section 18730(a). Any invalidity of any portion of the provisions herein shall not affect the remaining provisions.

Exhibit "A"

UNION SANITARY DISTRICT
CONFLICT OF INTEREST CODE
DESIGNATED POSITIONS

Full Disclosure

Disclosure

Categories

| | | | | |
|---|---|---|-----|---|
| Board Members (5) | I | R | INC | B |
| General Manager/District Engineer | I | R | INC | B |
| Work Group Manager - Technical Services | I | R | INC | B |
| Work Group Manager - Business Services | I | R | INC | B |
| Work Group Manager - Collection Services | I | R | INC | B |
| Work Group Manager - Treatment & Disposal Services | I | R | INC | B |
| Work Group Manager - Fabrication, Maintenance and Construction | I | R | INC | B |
| District Legal Counsel | I | R | INC | B |

Limited Disclosure

Purchasing Agent - Disclosure of Interest in
manufacturers, sellers or providers of
goods, equipment, vehicles, machines or
services of the type utilized by the District

Code:

Disclosure Categories

I - Investments
R - Real Property
INC - Income
B - Business Positions



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

David M. O'Hara
Attorney

DATE: September 11, 2014

MEMO TO: Board of Directors – Union Sanitary District

FROM: Paul R. Eldredge, General Manager/District Engineer
Rich Cortes, Business Services Manager
Maria Scott, Principal Financial Analyst
Debi Kull, Senior Accountant

SUBJECT: Agenda Item No. 10 - Meeting of September 22, 2014
ADOPTING AN INVESTMENT POLICY FOR FY 2015

Recommendation:

Adopt Investment policy for FY 2015 and renew delegation of authority of Treasurer to the Business Services Manager for a one-year period, per CA Govt. Code section 53607.

Background:

The District adopts an investment policy annually. The proposed investment policy for FY 2015 is attached. As of final FY 2014 audit fieldwork, there were no comments on the investment policy or procedures.

Performance Review:

Size of Portfolio

- The size of the portfolio decreased from a monthly average of \$46.2M as of June 2013, to a monthly average of \$43.6M as of June 2014.
- Comparing the months of June 2013 and 2014, the total portfolio decreased from \$50.9M to \$44.7M, or -12.8%.

Make-up of Portfolio (June '13 vs. June '14)

- US Treasuries increased from 8% to 16% of the portfolio.
- LAIF decreased from 63% to 56%.
- Commercial Paper holdings increased from 12% to 18%.
- Federal Agencies decreased from 14% to 4%.
- CDs increased from 4% to 5%.
- CAMP is currently <1% of the total portfolio.

Yields

From FY 2013 to FY 2014 respectively:

- The average monthly yields for entire portfolio decreased from .44% to .38%.
- The average monthly yields for LAIF decreased from .31% to .24%.

There is one edit to the policy this year – excluding the pension funds from District-invested funds (see top of page 3 of the policy).

The portfolio investment practices and procedures are scheduled for an external review in FY16.

Union Sanitary District Policy

| | | |
|-----------------------------|--------------------------|------------------------------------|
| Effective: <i>9/22/2014</i> | Investment Policy | Policy Number 2030 Page 1 of 17 |
|-----------------------------|--------------------------|------------------------------------|

I. INVESTMENT POLICY

A. Purpose

The purpose of the Union Sanitary District's ("USD") Investment Policy is to establish clear guidelines for the investment of all USD funds. USD funds invested shall provide sufficient cash flow to meet current and expected operating expenses and to fund capital requirements as described in USD's 10-year Capital Improvement Program and 10-year Financial Plan.

B. Policy

1. USD sets forth this Investment Policy for the following purposes:
 - a. To establish a clear understanding for the Board of Directors, USD management, responsible employees, citizens and third parties of the objectives, policies and guidelines for the investment of USD funds;
 - b. To offer guidance to investment staff and the external investment adviser on the investment of USD funds; and
 - c. To establish a basis for evaluating investment results.
2. USD establishes investment policies which meet its current investment goals.
3. USD shall review this policy at least once annually, and may change its policies as investment objectives change.

C. Objectives

The objectives of this investment policy are, in order of priority:

1. To assure ongoing compliance with all Federal, State and local laws governing the investment of public funds;
2. To ensure safety of invested funds;
3. To maintain sufficient liquidity to meet cash flow needs; and

4. To attain a “market average rate of return” consistent with the primary objectives of safety and liquidity. The expected rate of return on USD’s portfolio is more specifically defined in Section IV.

D. Prudence

1. The Prudent Investor Standard shall be used by investment officials, and shall be applied in the context of managing an overall portfolio. Investment staff acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.
2. The Prudent Investor Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, a trustee is authorized to acquire investments as authorized by law.

E. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

II. OPERATIONS AND PROCEDURAL MATTERS

A. Scope

This investment policy applies to all financial assets and investment activities of USD with the following exceptions:

1. USD’s Deferred Compensation Plan is excluded because it is managed by a third party administrator and invested by individual plan participants; and
2. USD’s retiree medical trust held with CalPERS (the CERBT Trust) is excluded since the assets of the plan are invested and managed by CalPERS.

3. *USD's pension assets held with CalPERS are excluded since the assets of the plan are invested and managed by CalPERS.*
4. Proceeds of debt issuance shall be invested in accordance with the general investment philosophy of USD as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

B. Delegation of Authority

1. Authority to manage USD's investment program is derived from the California Government Code Sections 53600 et seq., and USD's Charter.
2. With the approval of the Board of Directors, USD may engage the services of an external investment advisor to assist in the management of USD's investment portfolio in a manner consistent with USD's objectives. Such external investment advisors may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such discretion will be subject to oversight and other restrictions which are to be described in a written agreement. Such advisor must be registered under the Investment Advisers Act of 1940.
3. In accordance with Government Code Section 53607, the Board of Directors delegates to the General Manager/Treasurer, or his designee, the authority to invest, sell or exchange securities. This delegation of authority must be reviewed, and if still applicable, renewed on an annual basis. The Board shall receive a monthly report of the transactions conducted on its behalf.

C. Internal Controls

The General Manager/Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As part of the annual financial audit, USD's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

D. Delivery vs. Payment

All investment transactions of USD shall be conducted using standard delivery-vs.-payment procedures.

E. Safekeeping of Securities

To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by USD shall be held in safekeeping by a third party bank trust department, acting as agent for USD under the terms of a custody agreement executed by the bank and by USD. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each of these investments will be held by USD.

F. Qualifications and Selection of Broker/Dealers

USD's procedures shall be designed to encourage multiple bids and offers on investment transactions from an approved list of broker/dealers.

For any investments not purchased directly from the issuer, USD shall transact business with security broker/dealers after careful review of their qualifications and creditworthiness. All dealers who desire to do business with USD shall provide the necessary information (e.g. audited financial statements, proof of state registration, proof of Financial Industry Regulatory Authority ("FINRA") registration, etc.) from which USD can determine their creditworthiness, the existence of any pending legal action against the firm or the individual broker, as well as an understanding of the security markets that they service. USD shall maintain a list of authorized broker/dealers which are approved for investment purposes, in the state of California, and it shall be the policy of USD to purchase securities only from authorized institutions or firms.

USD shall annually send a copy of the current investment policy to all broker/dealers approved to do business with USD. Confirmation of receipt of this policy shall be considered evidence that the dealer understands USD's investment policies and intends to present USD only appropriate investments authorized by this investment policy.

For transactions initiated through an external investment advisor, the investment advisor may use their own list of approved broker/dealers and financial institutions, which it will maintain and review periodically.

USD shall review broker/dealers at least every six years to determine whether any changes need to be made regarding the current list of approved firms.

III. PERMITTED INVESTMENT AND PORTFOLIO RISK MANAGEMENT

A. Authorized Investments

All investments shall be made in accordance with Sections 53600 et seq. of the Government Code of California and as described within this Investment Policy. Within the investments permitted by the Government Code, USD seeks to further restrict eligible investment to the investments listed below. In the event an apparent discrepancy is found between this Investment Policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased. Credit ratings, where shown, specify the minimum credit rating category required at purchased without regard to +/- or 1,2,3 modifiers.

1. Securities issued by the US Treasury. There is no limitation as to the percentage of the portfolio that may be invested in this category.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises, provided that there shall be no maximum allowable investment in such securities; however purchases of currently callable Federal Agency obligations are limited to a maximum of 20 % of the portfolio. In addition, purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 % of the portfolio.
3. Banker's acceptances, provided that:
 - a. They are issued by institutions the short term obligations of which are rated a minimum of "A1" or its equivalent by two; or , if the short-term obligations are unrated, the long-term obligations of which are rated a minimum of "A" by a Nationally Recognized Statistical Rating Organization (NRSRO);
 - b. The maturity does not exceed 180 days; and
 - c. No more than 40% of the total portfolio may be invested in banker's acceptances.
4. Bank Deposits. FDIC insured or fully collateralized demand deposit accounts, savings accounts, market rate accounts, time certificates of deposits ("TCDs") and other types of bank deposits in financial institutions located in California. Bank deposits shall meet the requirements for deposit under Government Code Section 53630 et. seq. To be eligible to receive USD deposits, the

financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided in Government Code Section 53635.2. Deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The General Manager/Treasurer, at his or her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. USD shall have a signed agreement with all depositories receiving USD deposits per Government Code Section 53649. The maturity of time deposits may not exceed 5 years. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 20 percent of the portfolio may be invested in time deposits.

5. Certificates of deposit placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance. The maximum term for placement service certificates of deposit shall be 5 years. The combined amount invested in placement service certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the portfolio.

6. Negotiable certificates of deposit (NCDs), provided that:
- a. They are issued by institutions which have long term debt rated at least "A" or its equivalent by a NRSRO; and /or have short term debt rated at least "A1" or its equivalent by a NRSRO;
 - b. No more than 30% of the total portfolio may be invested in NCDs.

The maximum term for negotiable certificates of deposit shall be five years.

7. Repurchase agreements, provided that:
- a. The maximum maturity of repurchase agreements shall be 90 days;
 - b. No more than 10% of the portfolio shall be invested in repurchase agreements;
 - c. Repurchase agreements shall be fully secured by deliverable U.S. Treasury and Federal Agency obligations as described under Sections III (A1-2) of this policy (without limit to maturity) having a market value at all times of at least one hundred two percent (102%) of the amount of the contract. If additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not

corrected within this time frame, the collateral securities will be liquidated);

- d. Securities used as collateral for repurchase agreements, shall be free and clear of any lien and be held by USD's custodian bank or an independent third-party custodian acting solely as agent for the USD, provided such third party is not the seller under the repurchase agreement;
 - e. The repurchase agreements are the subject of a master repurchase agreement or a specific written repurchase agreement between USD and the provider of the repurchase agreement; and
 - f. The counterparty meets the following criteria:
 - (i) The counterparty must be a primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or a bank, savings and loan association, or diversified securities broker-dealer having \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency;
 - (ii) Has a long-term credit rating of at least 'AA' or the equivalent from a NRSRO;
 - (iii) Has been in operation for at least 5 years; and
 - (iv) Is reputable among market participants.
8. Commercial Paper, provided that:
- a. The maturity does not exceed 270 days from the date of purchase;
 - b. The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million;
 - c. The commercial paper is "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. Commercial paper rated below the highest letter and number rating by any NRSRO is not eligible for purchase for USD's portfolio;
 - d. No more than 25% of the portfolio is invested in commercial paper; and
 - e. USD may purchase no more than 10% of the outstanding commercial paper of any single corporate issue.
9. State of California's Local Agency Investment Fund ("LAIF"), provided that:

- a. A maximum of 70% of USD's funds or the limit permitted by the State may be invested in LAIF, whichever is less;
 - b. LAIF's investments in instruments prohibited by or not specified in USD's policy do not exclude LAIF from USD's list of allowable investments, provided that the fund's reports allow USD's Treasurer to adequately judge the risk inherent in LAIF's portfolio; and
 - c. The General Manager/Treasurer or designee shall review LAIF's summary portfolio holdings on a quarterly basis.
10. Corporate medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, provided that:
- a. Such notes have a maximum maturity of five years;
 - b. Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States;
 - c. Are rated a minimum of "A" or its equivalent or better by a NRSRO; and
 - d. Medium-term notes may not exceed 30 percent of the portfolio.
11. Municipal Obligations. USD may purchase municipal obligations in the following categories.
- a. USD Bonds – Bonds issued by USD, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by USD or by a department, board, agency, or authority of USD.
 - b. California State Obligations – Registered state warrants or treasury notes or bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State.
 - c. Local Agency Bonds – Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

With the exception of obligations issued by USD, purchases of municipal obligations are limited to securities rated at least in the "A" (long-term) or "A-1" (short-term), or their equivalents, by a NRSRO. Obligations shall have a maximum maturity of five years. A maximum of 30 percent of the portfolio may be invested in this category. The amount invested with any one issuer shall not exceed 10 percent of the portfolio.

12. Money market mutual funds, provided that such funds

- a. Are registered with the Securities and Exchange Commission and are rated "AAAm" or its equivalent by not less than two NRSROs; or have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500 million;
- b. The purchase price of shares shall not exceed 20% of USD's portfolio; and
- c. If USD has funds invested in a money market fund, a copy of fund's information statement shall be maintained on file for due diligence. In addition, the General Manager/Treasurer should review the fund's summary holdings on a quarterly basis.

13. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o) as provided, provided that

- a. A maximum of 50% of USD's funds may be invested in the shares of any one investment pool;
- b. The pool's investment advisor meets the requirements of 53601(p);
- c. The pool seeks to maintain a stable Net Asset Value ("NAV");
- d. The pool is rated "AAAm" or its equivalent by a NRSRO; and
- e. If USD has funds invested in a pool, a copy of pool's information statement shall be maintained on file for due diligence. In addition, the General Manager/Treasurer should review the pool's summary holdings on a quarterly basis.

B. Prohibited Investment Vehicles and Practices

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to, mutual funds.

2. In accordance with Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
3. In accordance with Government Code Section 53601.6, investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
4. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
5. Purchasing or selling securities on margin is prohibited.
6. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
7. USD is not permitted to deposit funds into any state or federal credit union, if a member of the Board of Directors, or any person with investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or supervisory committee, of the state or federal credit union.

C. Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. USD shall mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section III (A) are designed to mitigate credit risk in the portfolio;
2. No more than 10% of the total portfolio may be invested in securities of any single issuer, other than LAIF, local government investment pools, all U.S. Government, its agencies and instrumentalities;
3. USD may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or USD's risk preferences; and
4. If securities owned by USD are downgraded by a NRSRO to a level below the quality required by this Investment Policy, it shall be USD's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. Please see Appendix A for credit ratings.
 - a. If a security is downgraded two rating categories below the level required by USD (A, depending on the rating Agency), the security shall be sold immediately.

- b. If a security is downgraded one rating category below the level required by this policy, USD will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
- c. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to USD's Board of Directors.

D. Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio will decline in value (or will not optimize its value) due to changes in the general level of interest rates. USD recognizes that, over time, longer term portfolios achieve higher returns. On the other hand, longer term portfolios have higher volatility of return. USD shall mitigate market risk by providing adequate liquidity for short term cash needs, and by making some longer term investments only with funds which are not needed for current cash flow purposes. USD further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. USD, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. Funds are divided into two categories:
 - a. Funds needed for current operating expenses and capital requirements, known as the "Liquid Fund," and
 - b. Funds not currently needed, known as the "Operating Reserve Fund."
2. If USD uses an investment advisor, USD shall inform the investment advisor from time to time of amounts to be allocated to each of the two categories.
3. The investment goals of the Liquid Fund shall be:
 - a. To provide liquidity for operating expenses and capital requirements,
 - b. To preserve capital, and
 - c. To earn a return commensurate with the first two goals.
4. The investment goal of the Operating Reserve Fund shall be to preserve real capital and provide growth over the long term by earning the rate of return which is available from the longer term investments permitted under the California Government Code.

IV. INVESTMENT PERFORMANCE OBJECTIVES

- A. A 12-month rolling average of the 1-year U.S. Treasury yield may serve as a reasonable benchmark for the total current portfolio.

V. INVESTMENT GUIDELINES

A. Liquid Fund

1. The average maturity of the Liquid Fund shall not exceed 90 days, and the maximum final stated maturity of individual securities in the Liquid Fund may not exceed one year.
2. If USD uses an investment advisor, USD's General Manager/Treasurer shall communicate periodically with the investment adviser in order to keep the adviser informed as to USD's specific short-term liquidity requirements.
3. A minimum of 10% of USD's funds shall be maintained in the Liquid Fund at all times to ensure adequate cash reserves to pay current expenses.
4. Staff shall report to the Board in advance of initiating any new investment instruments not used at the time of the latest policy revision.

B. Operating Reserve Fund

1. The maximum stated final maturity of individual investments in the Operating Reserve Fund shall not exceed the limits set forth in Section III of this policy. However, no investment shall exceed a maturity of five years from the date of purchase unless USD's Board of Directors has granted express authority to make that investment either specifically or as a part of an investment program approved by USD's Board of Directors no less than three months prior to the investment. The weighted average maturity of the Operating Reserve Fund shall not exceed two and a half (2½) years.

VI. REPORTING, DISCLOSURE AND PROGRAM EVALUATION

A. Monthly Reports

Monthly investment reports shall be submitted by USD finance staff to USD's Board of Directors and the General Manager. These reports shall disclose, at a minimum, the following information about the risk characteristics of USD's portfolio:

1. As asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer name, credit quality, coupon rate and yield to maturity at cost;
2. A one or two-page summary report which shows:
 - a. Weighted average maturity of the portfolio;
 - b. Maturity distribution of the portfolio;
 - c. Average monthly yield to maturity at cost for the portfolio for the prior twelve months compared to the Benchmark Index returns for the same periods;
 - d. A list of portfolio transactions;
3. A statement of compliance with the investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, if any, including a justification for their presence in the portfolio and a timetable for resolution; and
4. A statement that USD has adequate funds to meet its cash flow requirements for the next six months.

B. Annual Reports

1. The investment policy shall be reviewed and adopted at least annually within 120 days of the end of the fiscal year to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.
2. The investment program shall be included in the scope of USD's annual audit.

C. Periodic Investment Program Review

USD shall retain the services of an expert consultant to perform a thorough review of the investment program a minimum of once every four years.

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

| Title | Policy # | Effective Date |
|-------------------|-----------------|-----------------------|
| Investment Policy | 2030 | 11/27/95 |
| Investment Policy | 2030 | 10/11/11 |
| Investment Policy | 2030 | 9/24/2012 |

Approved by: Board of Directors
Author/owner: Principal Financial Analyst
Reviewers: Senior Accountant and Business Services Work Group Manager
Notify Person: Principal Financial Analyst
Revision frequency: Every 1 year
Next Review: **9/28/15** (within 120 days of the end of the fiscal year)

GLOSSARY OF INVESTMENT TERMS

Asset-backed security. A security supported by assets such as automobile loans or other consumer receivables which are placed with a trustee for the benefit of the owners of the security.

Banker's acceptance. A high quality, short term money market instrument used to finance international trade. There has never been an instance of a failure to pay a banker's acceptance in full at its maturity date.

Benchmark. A segment of the securities market with characteristics similar to the subject portfolio. It is used to compare portfolio performance to the performance of the appropriate segment of the market.

Callable Security. Callable securities are those which contain an option allowing the issuer to retire the security prior to its final maturity date. If the level of interest rates falls sufficiently, the issuer of the bond will exercise the option and call the bond away from the investor. The issuer can save money by issuing new bonds at lower rates. Types of callable bonds can range from "one-time" to "quarterly" to "continuous" calls.

CAMP (California Asset Management Program). A pooled investment vehicle and Joint Powers Authority for local agencies in California which manages the California Asset Management Trust.

Commercial paper. Short term, negotiable unsecured promissory notes of corporations.

Delivery vs. payment. A securities industry procedure in which payment for a security is not released until the security is delivered to the customer's bank custodial account.

Inverse floaters. A security with an interest rate which changes periodically in the opposite direction to the change in the general level of interest rates.

Investment Official. An individual who is authorized to make investment decisions and execute investments of funds on behalf of USD.

Leverage. An investment practice in which the investor borrows money in order to increase the amount invested.

Local Agency Investment Fund (LAIF). A pooled investment vehicle for local agencies in California sponsored by the State of California and administered by the State Treasurer.

Market cycle. A market cycle is defined as a period of time which includes a minimum of two consecutive quarters of falling interest rates followed by a minimum of two consecutive quarters of rising interest rates.

Money market mutual fund. A mutual fund which invests in short term money market instruments only, and which has as an investment objective.

Nationally Recognized Statistical Rating Organization (NRSRO). A credit rating agency which issues credit ratings that the US Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. Commonly used NRSROs are Moody's Investor Service, Standard & Poor's, and Fitch Ratings.

Negotiable certificate of deposit. A large denomination certificate of deposit which can be sold in the open market prior to maturity.

Range notes. Fixed income securities which pay interest only under certain conditions which are defined in the bond's indenture.

Repurchase agreement. An investment transaction wherein an investor agrees to purchase securities at an agreed upon price, and simultaneously agrees to sell the securities back to the counterparty on an agreed upon future date at an agreed upon price.

Time certificate of deposit. A non-negotiable certificate of deposit which cannot be sold prior to maturity.

Total rate of return. Annual return on an investment including appreciation and dividends or interest. For bonds held to maturity, total return is yield to maturity.

Weighted Average Maturity. The weighted average of the remaining terms of the underlying securities, using the current balance of each security as the weighting factor.

Appendix A – Credit Ratings for Corporate Notes

| Equivalent Credit Ratings | | | | |
|---|-----------------|-------------------------------|---------------------|----------------------------|
| Credit Risk | Moody's* | Standard & Poor's* | Fitch IBCA** | Duff & Phelps** |
| INVESTMENT GRADE | | | | |
| Highest quality | Aaa | AAA | AAA | AAA |
| High quality (very strong) | Aa | AA | AA | AA |
| Upper medium grade (strong) | A | A | A | A |
| Medium grade | Baa | BBB | BBB | BBB |
| NOT INVESTMENT GRADE | | | | |
| Lower medium grade (somewhat speculative) | Ba | BB | BB | BB |
| Low grade (speculative) | B | B | B | B |
| Poor quality (may default) | Caa | CCC | CCC | CCC |
| Most speculative | Ca | CC | CC | CC |
| No interest being paid or bankruptcy petition filed | C | C | C | C |
| In default | C | D | D | D |

Source: The Bond Market Association

* The ratings from Aa to Ca by Moody's may be modified by the addition of a 1, 2 or 3 to show relative standing within the category.

**The ratings from AA to CC by Standard & Poor's, Fitch IBCA and Duff & Phelps may be modified by the addition of a plus or minus sign to show relative standing within the category.



Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/
District Engineer*

David M. O'Hara
Attorney

DATE: September 11, 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. 11 - Meeting of September 22, 2014
ADOPT A RESERVE FUNDS POLICY #2090

Recommendation

Approve changes to the attached Reserve Funds Policy #2090.

Background

The Reserve Funds policy was last reviewed and approved by the Board in 2011. Since then, a number of changes have been implemented. In addition, staff recommends changing the amount of the Liability Insurance Reserve:

- Name change from Non-ECB to Special Projects Fund
- Clarification of the Retiree Medical Fund's purpose
- Establishing the Future Projects Reserve to account for unallocated designated reserves
- Reduce the amount of the Liability Insurance Reserve by \$500,000 based on claim history.

Attachment

| | | |
|---|----------------------|---|
| Effective: 3/28/2011 9/xx/14 | Reserve Funds | Policy Number 2090 Page 1 of 57 |
|---|----------------------|---|

Policy

To responsibly plan for funding of the long-term capital improvement program and ongoing operating budgets, and to meet legal and contractual obligations requires the development and maintenance of various reserve funds. This policy establishes fund reserve targets for each of the District’s reserve funds. These targets provide guidance for long-term financial planning and for maintaining the District’s long-term financial health. Maintaining a prudent level of fund reserves is an important component of financial management. Adequate fund reserves a) provide a financial cushion for dealing with unanticipated financial needs and emergencies, b) enable the District to accrue adequate funds to meet future financing needs, c) provide working capital to help stabilize rates, and d) are a component of achieving favorable credit ratings which can help to minimize the costs of issuing debt.

Purpose

Reserve funds are needed to fund planned and unplanned events. Planned events include, but are not limited to, accumulating balances to fund the expected ten year capital improvement program, setting aside funds to account for cash flow variances throughout the fiscal year, segregating funds for SRF loan reserves and other covenants required as a result of debt issues. Unplanned events include accounting for revenue short falls, unanticipated expenses, and paying for unforeseen emergency events.

Fund Reserve Fund Targets

The District maintains a number of reserve funds. ~~Some of the All~~ funds are designated ~~and/or~~ restricted for specific purposes. The attached matrix summarizes minimum fund reserve targets. Each year the District should review its actual and recommended reserve targets and replenish each designated reserve fund as needed. Remaining reserves, if any, can be retained in the Structural Renewal and Replacement Fund.

Achieving Fund Reserve Targets

The District will update its ~~long-term financial plan 10-year rate model~~ each year in order to determine an appropriate level of rate and fee adjustments. Rate and fee adjustments should be adopted to achieve and maintain the District’s minimum fund reserve targets over the ten year planning period. This can include phasing in a series of rate increases to gradually restore reserves to target levels over a number of years. For financial planning purposes, it is acceptable

for reserves to drop below their target level on a temporary basis, ~~so~~ as long as the District takes action to achieve the target over the planning period.

Order of Use for ~~Fund~~ Reserve Funds

The California Special Districts Association (CSDA) recommends that “Districts’ policies should specify the order in which fund balances are spent when more than one amount is available for a specific purpose.” The order of use of fund reserves will be such that designated funds are used first, the Cashflow Reserve, next, the Future Projects Reserve, and finally the Emergency Fund.

Investing ~~Fund~~ Reserve Funds

Reserve Funds reserves will generally be fully invested according to the District’s Investment Policy, ~~except as it pertains to the California Employers’ Retiree Benefits Trust. [The CERBT is not a reserve, just as the pension is not a reserve.]~~

Policy Updates

This policy and the District’s fund reserve targets will be periodically reviewed and amended to ensure they remain up-to-date and support the District’s future financial objectives.

Types of Reserves

- **Planned Reserves**

- ✓ **Capacity Fund (Restricted)** – The 10 year Financial Plan includes projections of capacity revenues derived from new connections or increased discharges, capital project expenditures related to expanded capacity or maintenance of capacity in the collection or treatment systems, as well as any debt issues and payments. The Capacity Fund balance is comprised of the amount of funds (cash and investments) the District is projecting at the end of each fiscal year to be available to fund the capacity portion of the CIP **and Special Projects, if applicable**, for the following year.

- ❖ **Target Criteria** - The Capacity Fund balance should at a minimum remain positive throughout the ten year planning horizon. In addition, at the ten year mark the fund balance should be greater than \$3M or the average annual capacity-related capital costs based on the ten year CIP, whichever is greater. This minimum amount should account for uncertainties in the next five year planning horizon. The maximum fund balance at the tenth year should not exceed the

targeted amount plus 50%, unless a specific project(s) is identified for the next five year planning horizon.

- ❖ **Fund Maintenance** – Revenues and expenditures shall be reviewed each year in the budget planning cycle and adjustments recommended to remain within the Capacity Fund target criteria. Excesses shall be adjusted by reducing future rate increases until the target criteria is within range.
- ✓ **Structural Renewal and Replacement Fund (Designated)** – The 10 year Financial Plan includes projections of sewer service charge revenues, other revenues, operating expenditures, and planned capital projects for asset renewal and replacement expenditures as well as debt issues and payments. The Structural Renewal and Replacement Fund balance is comprised of the amount of funds (cash and investments) the District is projecting are required to fund approved renewal and replacement capital projects, including debt. In addition, this fund will include reserve amounts above maximums identified for other funds identified in this policy. **At the beginning of the fiscal year, any funds not allocated to designated reserves will be allocated to the Structural Renewal and Replacement Fund and accounted for in a sub-fund entitled Future Projects Reserve. At the end of the fiscal year, the balance in the Future Projects reserve will be transferred to the Structural Renewal and Replacement Fund to mitigate any negative fund balance, and to ensure adequate funding of CIP and debt for the upcoming fiscal year. This fund will receive its full budgeted allocation in conjunction with the first sewer service charge payment each December.**
- ❖ **Target Criteria** – The Structural Renewal and Replacement Fund balance should at a minimum remain positive throughout the ten year planning horizon. In addition, at the ten year mark the fund balance should be greater than \$5M or the average annual renewal/replacement capital costs based on the ten year CIP, whichever is greater. This minimum amount should account for uncertainties in the next five year planning horizon. The maximum fund balance at the tenth year should not exceed three times the annual average CIP expenditure.
- ❖ **Fund Maintenance** – Revenues and expenditures shall be reviewed each year in the budget planning cycle and adjustments recommended to remain within the Renewal and Replacement Fund target criteria. Excesses shall be adjusted by reducing future rate increases until the target criteria is within range.
- ✓ **Information Systems Renewal and Replacement Fund (Designated)** – The District maintains a five year schedule that tracks the replacement of

hardware and software assets. This reserve also funds the Information Technology Master Plan projects. The ending year fund balance should be positive in each year. In addition the fund balance should be \$250k or the average annual information systems renewal/replacement costs projected over the next five years, whichever is greater. The maximum fund balance should not exceed the targeted amount plus 50%, unless a specific expenditure(s) is identified for the next five year planning horizon.

- ✓ **Vehicle and Equipment Renewal and Replacement Fund (Designated)**
- The District maintains a five year schedule that tracks the replacement of fleet and major equipment assets. The ending year fund balance should be positive in each year. In addition the fund balance should be \$500k or the average annual equipment renewal/replacement costs projected over the next five years, whichever is greater. The maximum fund balance should not exceed the targeted amount plus 50%, unless a specific expenditure(s) is identified for the next five year planning horizon.
- ✓ **Plant and Pump Station Renewal and Replacement Fund (Designated)** – This ~~is a limited term~~ fund ~~was~~ established to fund high cost plant and pump station equipment purchases, and to protect the Operating budget from ~~to avoid~~ spikes ~~in the operating budget. This fund may be superseded when asset management recommendations are adopted from the Plant R&R Study. In the interim~~ There is an annual provision of \$250k, with the fund balance set at zero for each year.
- ✓ **Retiree Medical Benefit Plan Fund (Designated)** – The District has negotiated a retiree medical benefit for employees that meet certain criteria. Periodically the District updates funding requirements needed to provide these benefits by conducting an actuarial study. ~~The fund balance should be maintained at the actuarially recommended rate. Note: This fund is being replaced with the California Employers' Retiree Benefits Trust (CERBT) listed below.~~ This fund is a clearing account for the District's California Employers' Retiree Medical Trust (CERBT) activity. Its target balance is zero at the end of the fiscal year. While the CERBT is not a District Reserve, the District's funding intent is to perform biennial actuarial studies and deposit into the trust the recommended Annual Required Contribution (ARC). The maximum fund balance is the ARC.
- ✓ ~~California Employers' Retiree Benefits Trust (CERBT) (Designated)~~ ~~The District has joined the Cal-PERS trust fund in order to pre-fund the future cost of retiree health insurance benefits negotiated in the MOU with employees. CERBT is a tax qualified trust organized under Internal Revenue Code (IRC) section 115. The funding intent is to perform biennial actuarial studies and deposit into the trust the recommended Annual Required Contribution (ARC). [The Trust is not a District Reserve, just as the pension is not a District Reserve]~~

- ✓ **SRF Loan Contingency Reserve (Restricted)** – The District is able to utilize low interest rate loans through the State of California to finance capital projects. A requirement of the loan is the establishment and maintenance of a contingency reserve that is defined in the loan documents. The fund balance will be set at the amount required in the loan documents, **typically one annual payment per loan.**
 - ✓ **Liability Insurance Reserve (Designated)** – The District is a member of and purchases liability insurance from the California Sanitation Risk Management Association (CSRMA). The selected deductible of \$500k reduces the amount of premiums incurred by the District. In order to account for an event that is either not covered by insurance or under the deductible amount, the District reserves **three two** times the annual deductible **[based on claim history].**
 - ✓ **Operating Cashflow Reserve (Designated)** – Sewer Service Charge revenues are collected by the Alameda County Tax Assessor’s Office and remitted to the District in two major installments in April and December of each year. In order for the District to pay its on-going **operating** expenses throughout the year it reserves six months (50%) of gross operating expenditures at the start of each fiscal year.
 - ✓ **Emergency Fund Reserve (Designated)** – In order to help mitigate the financial impacts of an emergency or catastrophic event the District has initiated an Emergency Reserve. The target for this reserve in the year 2018 is \$5M. The target amount will be reached by depositing **\$250,000 yearly until the balance reaches \$1.5M, then depositing** \$750,000 yearly until the balance reaches \$5M.
 - ✓ **Non-ECB Special Projects/Programs Fund (Designated)** – This fund is divided into three major parts: Administrative/Regulatory, Studies and Hayward Marsh. It includes non-routine expenses such as one-time studies, **hiring of consultants,** and new programs where long-term financial impact is not known. The projects are approved on an annual basis by the Board of Directors. The intent is to reduce volatility in operating budgets from one-time expenditures. The target for the fund is the approved budget for the following year’s projects plus the unspent budget carry-over from the previous year’s uncompleted projects. The maximum fund balance should not exceed the targeted amount plus 50%.
- **Other Funds**
 - ✓ **Cash in Bank (Designated)** - The District maintains a minimum amount in immediately available funds, 125% of bi-weekly payroll, held in a local bank account, **either** in cash deposits **or via a line of credit.**

- ✓ **Pretreatment Fund (Designated)** – This fund is the special account referenced in the Administrative Procedures and Penalties section of Ordinance No. 36. Only expenses authorized under Ordinance No. 36 may be charged to this fund. The maximum fund balance should not exceed \$200,000. Excess fund balance amounts will be transferred into the Vehicle and Equipment Renewal and Replacement Fund to purchase Environmental Compliance related equipment and vehicles.

Management Responsibility

Management will ensure that these funds and reserves are reviewed during the annual budget cycle and are adjusted as necessary to remain within the guidelines outlined in this document and Board direction.

| | |
|---------------------|---|
| Approved by: | Board of Directors |
| Author/owner: | General Manager/District Engineer and Business Services Manager |
| Reviewers: | Executive Team and Board of Directors |
| Notify Person: | Business Services Manager |
| Revision frequency: | Every 3 years |
| Next Review: | 3/28/2014 |

Other:

- 1) **Added Special Projects Fund to the table.**
- 2) **Added Pretreatment Fund to table.**
- 3) **Added Future Projects Reserve to table.**
- 4) **Deleted the terms “Fund” or “Reserve” from the table descriptions since they are already in the heading (for uniformity and to eliminate redundancy).**
- 5) **Added “Restricted” to Capacity and SRF funds in the table.**
- 6) **Updated the term “Reserve Funds” (instead of “Fund Reserves” in many instances) throughout the policy to be consistent with the title of the policy.**

Minimum Fund Reserve Fund Targets

| Reserve Fund | Purpose | Fund Reserve Fund Target | Reserves 06/30/13 | FY 14 Target | FY 24 Estimate |
|---|---|--|---------------------|---------------------|---------------------|
| DESIGNATED & RESTRICTED | | | | | |
| Special Projects | Non-routine expenses, studies, and programs | Approved budget plus unspent budget carry-over from prior year. | \$310,580 | \$309,183 | \$0 |
| Capacity Fund (Restricted) | Activities related to collection and treatment system capacity increases | Average annual capacity-related capital costs based on 10-year CIP, with minimum 10-year target of \$3 million (no maximum recommended for capital reserves) | \$16,093,405 | \$3,791,400 | \$1,249,000 |
| Structural Renewal & Replacement | Renewal and replacement of infrastructure | Average annual renewal/replacement capital costs based on 10-year CIP, with minimum 10-year target of \$5 million (no maximum recommended for capital reserves) | (\$3,792,647) | \$13,903,000 | \$33,401,000 |
| Information Systems Renewal & Replacement | Replacement of computer hardware and software | Average annual information systems renewal/ replacement costs projected over next 5 years, with a minimum of \$250,000 | \$1,368,371 | \$701,350 | \$545,000 |
| Vehicle & Equipment Renewal & Replacement | Replacement of District fleet and major equipment | Average annual equipment renewal/replacement costs projected over next 5 years, with a minimum of \$500,000 | \$1,150,234 | \$730,835 | \$388,000 |
| Plant & Pump Station Renewal & Replacement | Replacement of plant & pump station equipment (limited-term fund) | None (This is a limited term fund that will be superseded by an asset management recommendation in the Plant R&R study) | \$158,524 | \$0 | \$0 |
| Retiree Medical Benefit Plan | District's share of retiree medical benefits Clearing account for Retiree Medical fund transactions. Funds are currently held in CalPERS OPEB Trust. | Maintain fund reserves at level recommended in actuarial study (these funds will ultimately need to be placed in an independent trust account per GASB 43 & 45) | \$1,860 | \$0 | \$0 |
| SRF Wastewater Capital Reserve Fund (Restricted) | Required by SRF; can be used for expansion, major repairs & replacements | Equivalent to one year's principal and interest payment for each outstanding SRF loan. Requirement may vary based on each loan agreement | \$4,204,415 | \$3,457,000 | \$3,104,000 |
| Liability Insurance Reserve | For CSRMA liability insurance deductible and for non-covered events | 3 X annual deductible (currently 3 X \$500,000 deductible established 12/97) [Recommend changing to 2 x \$500,000 deductible based on claim history] | \$1,500,000 | \$1,500,000 | \$1,500,000 |
| Operating Cashflow Reserve | For operating & maintenance expenses, particularly between semi-annual receipt of service charges on property tax rolls | 6 months (50%) of budgeted operating expenditures should be in this reserve fund on July 1 of each fiscal year | \$15,139,823 | \$16,050,179 | \$23,124,000 |
| Emergency Reserve | To help mitigate the financial impacts of an emergency or catastrophic event | Accrue and maintain \$5 million within 10-years by 2018 | \$2,000,000 | \$2,750,000 | \$5,000,000 |
| Pretreatment | Ord. 36, Enforcement revenue and expenses | No target | \$112,797 | N/A | \$36,000 |
| Future Projects Reserve | To allocate excess resources for long-term infrastructure funding | A sub-fund of Structural Renewal & Replacement | \$12,669,050 | \$ | \$ |
| Undesignated/Unrestricted Cash in Bank | Available for any purpose District maintains a minimum amount in immediately available funds held in a local bank | No Target Immediate liquidity to fund 125% of payroll; either in cash deposits or via line of credit | \$643,752 | \$630,000 | \$848,000 |
| TOTAL | | | \$51,560,164 | \$46,385,000 | \$69,195,000 |

Revised 08/14

| | | |
|-----------------------|----------------------|--|
| Effective: 9/22/14 | Reserve Funds | Policy Number 2090 Page 1 of 7 |
|-----------------------|----------------------|--|

Policy

To responsibly plan for funding of the long-term capital improvement program and ongoing operating budgets, and to meet legal and contractual obligations requires the development and maintenance of various reserve funds. This policy establishes fund reserve targets for each of the District’s reserve funds. These targets provide guidance for long-term financial planning and for maintaining the District’s long-term financial health. Maintaining a prudent level of fund reserves is an important component of financial management. Adequate fund reserves a) provide a financial cushion for dealing with unanticipated financial needs and emergencies, b) enable the District to accrue adequate funds to meet future financing needs, c) provide working capital to help stabilize rates, and d) are a component of achieving favorable credit ratings which can help to minimize the costs of issuing debt.

Purpose

Reserve funds are needed to fund planned and unplanned events. Planned events include, but are not limited to, accumulating balances to fund the expected ten year capital improvement program, setting aside funds to account for cash flow variances throughout the fiscal year, segregating funds for SRF loan reserves and other covenants required as a result of debt issues. Unplanned events include accounting for revenue short falls, unanticipated expenses, and paying for unforeseen emergency events.

Reserve Fund Targets

The District maintains a number of reserve funds. All funds are designated or restricted for specific purposes. The attached matrix summarizes minimum fund reserve targets. Each year the District should review its actual and recommended reserve targets and replenish each designated reserve fund as needed. Remaining reserves, if any, can be retained in the Structural Renewal and Replacement Fund.

Achieving Fund Reserve Targets

The District will update its 10-year rate model each year in order to determine an appropriate level of rate and fee adjustments. Rate and fee adjustments should be adopted to achieve and maintain the District’s minimum fund reserve targets over the ten year planning period. This can include phasing in a series of rate increases to gradually restore reserves to target levels over a number of years. For financial planning purposes, it is acceptable for reserves to drop below their

target level on a temporary basis, as long as the District takes action to achieve the target over the planning period.

Order of Use for Reserve Funds

The California Special Districts Association (CSDA) recommends that “Districts’ policies should specify the order in which fund balances are spent when more than one amount is available for a specific purpose.” The order of use of fund reserves will be such that designated funds are used first, the Cashflow Reserve, next, the Future Projects Reserve, and finally the Emergency Fund.

Investing Reserve Funds

Reserve Funds will generally be fully invested according to the District’s Investment Policy.

Policy Updates

This policy and the District’s fund reserve targets will be periodically reviewed and amended to ensure they remain up-to-date and support the District’s future financial objectives.

Types of Reserves

- **Planned Reserves**

- ✓ **Capacity Fund (Restricted)** – The 10 year Financial Plan includes projections of capacity revenues derived from new connections or increased discharges, capital project expenditures related to expanded capacity or maintenance of capacity in the collection or treatment systems, as well as any debt issues and payments. The Capacity Fund balance is comprised of the amount of funds (cash and investments) the District is projecting at the end of each fiscal year to be available to fund the capacity portion of the CIP and Special Projects, if applicable, for the following year.

- ❖ **Target Criteria** - The Capacity Fund balance should at a minimum remain positive throughout the ten year planning horizon. In addition, at the ten year mark the fund balance should be greater than \$3M or the average annual capacity-related capital costs based on the ten year CIP, whichever is greater. This minimum amount should account for uncertainties in the next five year planning horizon. The maximum fund balance at the tenth year should not exceed the targeted amount plus 50%, unless a specific project(s) is identified for the next five year planning horizon.

- ❖ **Fund Maintenance** – Revenues and expenditures shall be reviewed each year in the budget planning cycle and adjustments recommended to remain within the Capacity Fund target criteria. Excesses shall be adjusted by reducing future rate increases until the target criteria is within range.
- ✓ **Structural Renewal and Replacement Fund (Designated)** – The 10 year Financial Plan includes projections of sewer service charge revenues, other revenues, operating expenditures, and planned capital projects for asset renewal and replacement expenditures as well as debt issues and payments. The Structural Renewal and Replacement Fund balance is comprised of the amount of funds (cash and investments) the District is projecting are required to fund approved renewal and replacement capital projects, including debt. In addition, this fund will include reserve amounts above maximums identified for other funds identified in this policy. At the beginning of the fiscal year, any funds not allocated to designated reserves will be allocated to the Structural Renewal and Replacement Fund and accounted for in a sub-fund entitled Future Projects Reserve. At the end of the fiscal year, the balance in the Future Projects reserve will be transferred to the Structural Renewal and Replacement Fund to mitigate any negative fund balance, and to ensure adequate funding of CIP and debt for the upcoming fiscal year. This fund will receive its full budgeted allocation in conjunction with the first sewer service charge payment each December.
 - ❖ **Target Criteria** – The Structural Renewal and Replacement Fund balance should at a minimum remain positive throughout the ten year planning horizon. In addition, at the ten year mark the fund balance should be greater than \$5M or the average annual renewal/replacement capital costs based on the ten year CIP, whichever is greater. This minimum amount should account for uncertainties in the next five year planning horizon. The maximum fund balance at the tenth year should not exceed three times the annual average CIP expenditure.
 - ❖ **Fund Maintenance** – Revenues and expenditures shall be reviewed each year in the budget planning cycle and adjustments recommended to remain within the Renewal and Replacement Fund target criteria. Excesses shall be adjusted by reducing future rate increases until the target criteria is within range.
- ✓ **Information Systems Renewal and Replacement Fund (Designated)** – The District maintains a five year schedule that tracks the replacement of hardware and software assets. This reserve also funds the Information Technology Master Plan projects. The ending year fund balance should be positive in each year. In addition the fund balance should be \$250k or the

average annual information systems renewal/replacement costs projected over the next five years, whichever is greater. The maximum fund balance should not exceed the targeted amount plus 50%, unless a specific expenditure(s) is identified for the next five year planning horizon.

- ✓ **Vehicle and Equipment Renewal and Replacement Fund (Designated)**
- The District maintains a five year schedule that tracks the replacement of fleet and major equipment assets. The ending year fund balance should be positive in each year. In addition the fund balance should be \$500k or the average annual equipment renewal/replacement costs projected over the next five years, whichever is greater. The maximum fund balance should not exceed the targeted amount plus 50%, unless a specific expenditure(s) is identified for the next five year planning horizon.
- ✓ **Plant and Pump Station Renewal and Replacement Fund (Designated)** – This fund was established to fund high cost plant and pump station equipment purchases, and to protect the Operating budget from spikes. There is an annual provision of \$250k, with the fund balance set at zero for each year.
- ✓ **Retiree Medical Benefit Plan Fund (Designated)** – The District has negotiated a retiree medical benefit for employees that meet certain criteria. Periodically the District updates funding requirements needed to provide these benefits by conducting an actuarial study. This fund is a clearing account for the District's California Employers' Retiree Medical Trust (CERBT) activity. Its target balance is zero at the end of the fiscal year. While the CERBT is not a District Reserve, the District's funding intent is to perform biennial actuarial studies and deposit into the trust the recommended Annual Required Contribution (ARC). The maximum fund balance is the ARC.
- ✓ **SRF Loan Contingency Reserve (Restricted)** – The District is able to utilize low interest rate loans through the State of California to finance capital projects. A requirement of the loan is the establishment and maintenance of a contingency reserve that is defined in the loan documents. The fund balance will be set at the amount required in the loan documents, typically one annual payment per loan.
- ✓ **Liability Insurance Reserve (Designated)** – The District is a member of and purchases liability insurance from the California Sanitation Risk Management Association (CSRMA). The selected deductible of \$500k reduces the amount of premiums incurred by the District. In order to account for an event that is either not covered by insurance or under the deductible amount, the District reserves two times the annual deductible, based on claim history.

- ✓ **Cashflow Reserve (Designated)** – Sewer Service Charge revenues are collected by the Alameda County Tax Assessor’s Office and remitted to the District in two major installments in April and December of each year. In order for the District to pay its on-going expenses throughout the year it reserves six months (50%) of gross operating expenditures at the start of each fiscal year.
 - ✓ **Emergency Fund (Designated)** – In order to help mitigate the financial impacts of an emergency or catastrophic event the District has initiated an Emergency Reserve. The target for this reserve in the year 2018 is \$5M. The target amount will be reached by depositing \$750,000 yearly until the balance reaches \$5M.
 - ✓ **Special Projects/Programs Fund (Designated)** – This fund is divided into three major parts: Administrative/Regulatory, Studies and Hayward Marsh. It includes non-routine expenses such as one-time studies and new programs where long-term financial impact is not known. The projects are approved on an annual basis by the Board of Directors. The intent is to reduce volatility in operating budgets from one-time expenditures. The target for the fund is the approved budget for the following year’s projects plus the unspent budget carry-over from the previous year’s uncompleted projects. The maximum fund balance should not exceed the targeted amount plus 50%.
- **Other Funds**
 - ✓ **Cash in Bank (Designated)** - The District maintains a minimum amount in immediately available funds, 125% of bi-weekly payroll, held in a local bank account, in cash deposits.
 - ✓ **Pretreatment Fund (Designated)** – This fund is the special account referenced in the Administrative Procedures and Penalties section of Ordinance No. 36. Only expenses authorized under Ordinance No. 36 may be charged to this fund. The maximum fund balance should not exceed \$200,000. Excess fund balance amounts will be transferred into the Vehicle and Equipment Renewal and Replacement Fund to purchase Environmental Compliance related equipment and vehicles.

Management Responsibility

Management will ensure that these funds and reserves are reviewed during the annual budget cycle and are adjusted as necessary to remain within the guidelines outlined in this document and Board direction.

Approved by: Board of Directors
 Author/owner: General Manager/District Engineer and Business Services Manager

Reviewers: Executive Team and Board of Directors
Notify Person: Business Services Manager
Revision frequency: Every 3 years
Next Review: 3/28/2017

Minimum Reserve Fund Targets

| Reserve Fund | Purpose | Reserve Fund Target | Reserves 06/30/13 | FY 14 Target | FY 24 Estimate |
|---|---|---|----------------------|---------------------|---------------------|
| DESIGNATED & RESTRICTED | | | | | |
| Special Projects | Non-routine expenses, studies, and programs | Approved budget plus unspent budget carry-over from prior year. | \$310,580 | \$309,183 | \$0 |
| Capacity (Restricted) | Activities related to collection and treatment system capacity increases | Average annual capacity-related capital costs based on 10-year CIP, with minimum 10-year target of \$3 million (no maximum recommended for capital reserves) | \$16,093,405 | \$3,791,400 | \$1,249,000 |
| Structural Renewal & Replacement | Renewal and replacement of infrastructure | Average annual renewal/replacement capital costs based on 10-year CIP, with minimum 10-year target of \$5 million (no maximum recommended for capital reserves) | (\$3,792,647) | \$13,903,000 | \$33,401,000 |
| Information Systems Renewal & Replacement | Replacement of computer hardware and software | Average annual information systems renewal/ replacement costs projected over next 5 years, with a minimum of \$250,000 | \$1,368,371 | \$701,350 | \$545,000 |
| Vehicle & Equipment Renewal & Replacement | Replacement of District fleet and major equipment | Average annual equipment renewal/replacement costs projected over next 5 years, with a minimum of \$500,000 | \$1,150,234 | \$730,835 | \$388,000 |
| Plant & Pump Station Renewal & Replacement | Replacement of plant & pump station equipment (limited-term fund) | None (This is a limited term fund that will be superseded by an asset management recommendation in the Plant R&R study) | \$158,524 | \$0 | \$0 |
| Retiree Medical Benefit Plan | Clearing account for Retiree Medical fund transactions. Funds are currently held in CalPERS OPEB Trust. | Maintain fund reserves at level recommended in actuarial study | \$1,860 | \$0 | \$0 |
| SRF Wastewater Capital (Restricted) | Required by SRF; can be used for expansion, major repairs & replacements | Equivalent to one year's principal and interest payment for each outstanding SRF loan. Requirement may vary based on each loan agreement | \$4,204,415 | \$3,457,000 | \$3,104,000 |
| Liability Insurance | For CSRMA liability insurance deductible and for non-covered events | 2 X annual deductible | \$1,500,000 | \$1,500,000 | \$1,500,000 |
| Cashflow | For operating & maintenance expenses, particularly between semi-annual receipt of service charges on property tax rolls | 6 months (50%) of budgeted operating expenditures should be in this reserve fund on July 1 of each fiscal year | \$15,139,823 | \$16,050,179 | \$23,124,000 |
| Emergency | To help mitigate the financial impacts of an emergency or catastrophic event | Accrue and maintain \$5 million within by 2018 | \$2,000,000 | \$2,750,000 | \$5,000,000 |
| Pretreatment | Ord. 36, Enforcement revenue and expenses | No target | \$112,797 | N/A | \$36,000 |
| Future Projects | To allocate excess resources for long-term infrastructure funding | A sub-fund of Structural Renewal & Replacement | \$12,669,050 | \$ | \$ |
| Cash in Bank | District maintains a minimum amount in immediately available funds held in a local bank | Immediate liquidity to fund 125% of payroll; in cash deposits | \$643,752 | \$630,000 | \$848,000 |
| TOTAL | | | \$51,560,164 | \$46,385,000 | \$69,195,000 |

Revised 09/14

**UNION SANITARY DISTRICT
CHECK REGISTER
08/30/2014-09/12/2014**

| Check No. | Date | Invoice No. | Vendor | Description | Invoice Amt | Check Amt |
|-----------|-----------|--------------|--------------------------------|---|--------------|--------------|
| 155183 | 9/4/2014 | 62702 | RANGER PIPELINES INC | NEWARK FLAT TOPS AREA SEWER RELOCATION | \$143,346.66 | \$143,346.66 |
| 155255 | 9/11/2014 | 5863 | SOUTHERN WINE & SPIRITS | REFUND # 17449 | \$115,846.50 | \$115,846.50 |
| 155192 | 9/4/2014 | 30102771 | SYNAGRO WEST LLC | JULY 2014 BIOSOLIDS DISPOSAL | \$51,019.23 | \$51,019.23 |
| 155219 | 9/11/2014 | 136560 | CAROLLO ENGINEERS | THICKENER CONROL BUILDING IMPROVEMENTS PHASE II | \$23,336.89 | \$24,916.97 |
| | 9/11/2014 | 136561 | | COGENERATION PROJECT | \$1,580.08 | |
| 155184 | 9/4/2014 | 18446 | RMC WATER AND ENVIRONMENT | HAYWARD MARSH REHABILITATION OPTIONS | \$24,089.92 | \$24,089.92 |
| 155246 | 9/11/2014 | 761520140827 | PACIFIC GAS AND ELECTRIC | SERV TO 08/27/14 NEWARK PS | \$21,429.53 | \$21,429.53 |
| 155225 | 9/11/2014 | 894 | EAST BAY MUNI UTILITY DISTRICT | FY14-15 BACWA PARTICIPATION FEES | \$18,000.00 | \$18,000.00 |
| 155148 | 9/4/2014 | 11221554 | BROWN & CALDWELL CONSULTANTS | UPPER HETCH HECTCHY SS REHABILITATION | \$17,714.56 | \$17,714.56 |
| 155154 | 9/4/2014 | 913975C | DELTA DENTAL SERVICE | AUGUST 2014 DENTAL | \$14,352.58 | \$16,189.71 |
| | 9/4/2014 | 913975A | | AUGUST 2014 DENTAL | \$1,837.13 | |
| 155144 | 9/4/2014 | 3KB13 | BAY AREA AIR QUALITY MGMT DIST | ANNUAL PERMIT RNWL-PLANT A1209 | \$15,737.00 | \$15,737.00 |
| 155249 | 9/11/2014 | 11495 | RALPH ANDERSEN & ASSOCIATES | RECRUIT FEES, GM, INSTALLMENT 2 & 3 OF 4 | \$14,000.00 | \$14,000.00 |
| 155197 | 9/4/2014 | 636155 | UNIVAR USA INC | 4,952 GALS SODIUM HYPOCHLORITE | \$2,288.81 | \$9,205.18 |
| | 9/4/2014 | 635699 | | 4,955 GALS SODIUM HYPOCHLORITE | \$2,290.21 | |
| | 9/4/2014 | 635714 | | 5,057 GALS SODIUM HYPOCHLORITE | \$2,337.35 | |
| | 9/4/2014 | 634364 | | 4,952 GALS SODIUM HYPOCHLORITE | \$2,288.81 | |

**UNION SANITARY DISTRICT
CHECK REGISTER
08/30/2014-09/12/2014**

| Check No. | Date | Invoice No. | Vendor | Description | Invoice Amt | Check Amt |
|-----------|-----------|----------------|--------------------------------|---|-------------|------------|
| 155191 | 9/4/2014 | 16364 | SOURCECODE NORTH AMERICA INC | K2 SOFTWARE ANNUAL SUPPORT | \$8,662.50 | \$8,662.50 |
| 155168 | 9/4/2014 | 125391 | KNAPP POLLY PIG INC | 1 EA PIG | \$8,418.51 | \$8,418.51 |
| 155193 | 9/4/2014 | 13676 | SYSTEMATES INC | CAPITAL PROGRAM MANAGEMENT SYSTEM | \$7,640.00 | \$7,640.00 |
| 155170 | 9/4/2014 | 37432220140901 | LINCOLN NATIONAL LIFE INS COMP | LIFE & DISABILITY INSURANCE - SEPT 2014 | \$7,286.03 | \$7,286.03 |
| 155258 | 9/11/2014 | 638627 | UNIVAR USA INC | 5,017 GALS SODIUM HYPOCHLORITE | \$2,318.86 | \$6,923.75 |
| | 9/11/2014 | 638411 | | 4,953 GALS SODIUM HYPOCHLORITE | \$2,289.27 | |
| | 9/11/2014 | 638764 | | 5,010 GALS SODIUM HYPOCHLORITE | \$2,315.62 | |
| 155159 | 9/4/2014 | 21487011 | GLOBAL KNOWLEDGE TRAINING | SOFTWARE TRAINING - T NGUYEN, WEEK OF 10/13/14 | \$2,182.80 | \$6,890.00 |
| | 9/4/2014 | 21487010 | | SOFTWARE TRAINING - T NGUYEN, WEEK OF 10/20/14 | \$2,182.80 | |
| | 9/4/2014 | 21484609 | | SOFTWARE TRAINING - R. TAI, WEEK OF 12/15/14 | \$2,524.40 | |
| 155173 | 9/4/2014 | 6800 | MCSHANE COMPANY | REFUND # 17442 | \$6,012.50 | \$6,012.50 |
| 155180 | 9/4/2014 | 903843 | POLYDYNE INC | 42,120 LBS CLARIFLOC WE-539 | \$5,534.57 | \$5,534.57 |
| 155141 | 9/4/2014 | 62245 | 3T EQUIPMENT COMPANY INC | 6 PIPEPATCH KIT - WINTER | \$3,370.41 | \$5,331.65 |
| | 9/4/2014 | 62231 | | 4 PIPEPATCH KIT - WINTER & 8 T-HANDLE MANHOLE HOOKS | \$1,961.24 | |
| 155167 | 9/4/2014 | 9047405346 | KEMIRA WATER SOLUTIONS, INC. | 8.02 DRY TONS FERROUS CHLORIDE | \$5,245.08 | \$5,245.08 |
| 155234 | 9/11/2014 | 9017406183 | KEMIRA WATER SOLUTIONS, INC. | 7.80 DRY TONS FERROUS CHLORIDE | \$5,101.20 | \$5,101.20 |
| 155252 | 9/11/2014 | 1064 | ROCKWELL SOLUTIONS INC | ASTD PARTS & MATERIALS | \$3,938.02 | \$3,938.02 |
| 155149 | 9/4/2014 | 59123 | CDW GOVERNMENT LLC | 1 WINDOWS DATA CENTER SERVER LICENSE W/SA | \$3,675.00 | \$3,675.00 |
| 155166 | 9/4/2014 | 4 | STEPHANIE HUGHES, CHE P.E. | P2 PROGRAM SUPPORT | \$3,444.00 | \$3,444.00 |

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| 155163 | 9/4/2014 | 7010 | LEE HARRIS | REFUND # 17440 | \$3,300.00 | \$3,300.00 |
| 155205 | 9/4/2014 | 6801 | WONG PROPERTIES | REFUND # 17441 | \$3,300.00 | \$3,300.00 |
| 155214 | 9/11/2014 | 6917 | ASSOCIATED BUILDERS | REFUND # 17450 | \$3,300.00 | \$3,300.00 |
| 155199 | 9/4/2014 | 538237 | VINCENT ELECTRIC MOTOR CO | MEGGER, SURGE & HYPOTENTIAL TEST AC WINDINGS | \$3,164.92 | \$3,164.92 |
| 155200 | 9/4/2014 | 20140901 | VISION SERVICE PLAN - CA | SEPTEMBER 2014 VISION STMT | \$3,114.01 | \$3,114.01 |
| 155260 | 9/11/2014 | 29318 | VOX NETWORK SOLUTIONS INC | PHONE SYS MAINT AUG 14 - OCT 14 | \$2,873.40 | \$2,873.40 |
| 155223 | 9/11/2014 | 262920 | DLT SOLUTIONS | AUTOCAD ANNUAL SUPPORT AND MAINTENANCE | \$2,761.59 | \$2,761.59 |
| 155204 | 9/4/2014 | 1955483001 | WHCI PLUMBING SUPPLY CO | 1 ZOELLER MX282 1/2HP 115V EXPLOSION PROOF PUMP | \$2,456.11 | \$2,456.11 |
| 155218 | 9/11/2014 | 446646 | BRENNTAG PACIFIC, INC. | 1282 LBS SODIUM HYDROXIDE | \$708.46 | \$2,125.41 |
| | 9/11/2014 | 446645 | | 2564 LBS SODIUM HYDROXIDE | \$1,416.95 | |
| 155230 | 9/11/2014 | 8988324 | HACH COMPANY | 10 EA KIT, SENSOR CAP REPLACEMENT | \$2,124.99 | \$2,124.99 |
| 155198 | 9/4/2014 | 27381 | VALLEY OIL COMPANY | 1 DR XLD 15/40 OIL & 1 DR SHELL PELLA A OIL | \$1,951.04 | \$1,951.04 |
| 155245 | 9/11/2014 | 31214 | OWEN EQUIPMENT SALES | 2 EA NOZZLE ASSEMBLIES | \$1,807.35 | \$1,807.35 |
| 155152 | 9/4/2014 | 249342 | CURTIS & TOMPKINS LTD | 8 LAB SAMPLE ANALYSIS | \$1,015.00 | \$1,650.00 |
| | 9/4/2014 | 249350 | | 9 LAB SAMPLE ANALYSIS | \$145.00 | |
| | 9/4/2014 | 249206 | | 14 LAB SAMPLE ANALYSIS | \$490.00 | |
| 155179 | 9/4/2014 | 14240921 | PACIFIC TEST & BALANCE INC | BOYCE ROAD LIFT STATION | \$1,570.00 | \$1,570.00 |
| 155210 | 9/11/2014 | 132503 | ALFA LAVAL ASHBROOK SIMON-HART | 1 GBT WASHBOX MOTOR | \$1,225.02 | \$1,225.02 |
| 155175 | 9/4/2014 | 40994375 | OFFICE TEAM | TEMP LABOR-BLANCHETTE, V., WKEND 08/08/14 | \$1,219.20 | \$1,219.20 |

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| 155186 | 9/4/2014 | 1602443001 | SAN LEANDRO ELECTRIC SUPPLY | ASTD PARTS & MATERIALS | \$504.85 | \$1,208.26 |
| | 9/4/2014 | 1602443002 | | 1 PK NYLON BLACK CABLE TIES | \$42.64 | |
| | 9/4/2014 | 1605630001 | | 40 LAMP FLUORESCENT & 10 CONTACT CLEANER | \$660.77 | |
| 155196 | 9/4/2014 | 20140514 | CITY OF UNION CITY | 4 MANHOLE ADJUSTMENT | \$1,204.00 | \$1,204.00 |
| 155176 | 9/4/2014 | 20140828 | DAVID M O'HARA ATTY AT LAW | EXP REIMB: CASA CONFERENCE - MONTEREY, CA | \$1,150.22 | \$1,150.22 |
| 155257 | 9/11/2014 | 3436 | T&D DIESEL SMOKE TESTNG LLC | 15 CALIFORNIA (PSIP) DIESEL SMOKE TESTS | \$1,087.50 | \$1,087.50 |
| 155238 | 9/11/2014 | 1391351 | LIEBERT CASSIDY WHITMORE | LEGAL SERVICES | \$1,056.10 | \$1,056.10 |
| 155212 | 9/11/2014 | 483211 | A-PRO PEST CONTROL INC | AUG PEST CONTROL | \$1,005.00 | \$1,005.00 |
| 155194 | 9/4/2014 | 222739 | THE PAIGE COMPANY INC | 300 BOX FILES STORAGE W/LID (MIRACLE BOX) | \$962.28 | \$962.28 |
| 155177 | 9/4/2014 | XCTZ003 | PACHECO BROTHERS GARDENING INC | WEED ABATEMENT WORK JULY 2014 | \$915.00 | \$915.00 |
| 155157 | 9/4/2014 | 1110416 | FASTENAL | ASTD PARTS & MATERIALS | \$914.71 | \$914.71 |
| 155241 | 9/11/2014 | 20140829 | NAPA AUTO PARTS | MONTHLY AUTO PARTS STMT - AUG 2014 | \$860.11 | \$860.11 |
| 155153 | 9/4/2014 | 20140825.10 | DALE HARDWARE INC | 08/14 - ASTD PARTS & MATERIALS | \$858.04 | \$858.04 |
| 155250 | 9/11/2014 | 8200000007659 | RED WING SHOE STORE | SAFETY SHOES - FMC & CS | \$828.97 | \$828.97 |
| 155235 | 9/11/2014 | 2258478 | LAB SUPPORT | TEMP LABOR-WINSOR, B., WKEND 08/17/14 | \$828.00 | \$828.00 |

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| 155229 | 9/11/2014 | 9508824498 | GRAINGER INC | 1 EA LINEAR FLUORESCENT BATTERY PK | \$117.75 | \$804.28 |
| | 9/11/2014 | 9507035187 | | 1 EA CONTROL MEAS RELAY | \$489.75 | |
| | 9/11/2014 | 9507259753 | | 1 EA LED LAMP, POST TOP | \$83.71 | |
| | 9/11/2014 | 9507259779 | | 4 EA INCANDESCENT SEALED BEAM LAMPS | \$60.49 | |
| | 9/11/2014 | 9507259761 | | 1 EA TEST LEAD KIT | \$52.58 | |
| 155146 | 9/4/2014 | 10353350 | BLAISDELL'S | ASTD OFFICE SUPPLIES | \$129.49 | \$766.82 |
| | 9/4/2014 | 10359960 | | ASTD OFFICE SUPPLIES | \$251.86 | |
| | 9/4/2014 | 10351231 | | 1 CHAIR MAT | \$42.46 | |
| | 9/4/2014 | 10351230 | | 1 ECONO CHAIRMAT | \$107.30 | |
| | 9/4/2014 | 10351370 | | 1 PK LBL TAPE | \$38.31 | |
| | 9/4/2014 | 10357390 | | ASTD OFFICE SUPPLIES | \$16.58 | |
| | 9/4/2014 | 10359600 | | ASTD OFFICE SUPPLIES | \$154.93 | |
| | 9/4/2014 | 10357391 | | 1 NOTEBOOK | \$3.60 | |
| | 9/4/2014 | 10360340 | | ASTD OFFICE SUPPLIES | \$22.29 | |
| 155243 | 9/11/2014 | 20140910 | CITY OF NEWARK | NEWARK CORPORATE GAMES FEE FOR 28 EMPLOYEES | \$690.00 | \$690.00 |
| 155182 | 9/4/2014 | 45041111 | RAIN FOR RENT | 28 DAYS TANK POLY 2450 RENTAL | \$688.80 | \$688.80 |
| 155169 | 9/4/2014 | 2256305 | LAB SUPPORT | TEMP LABOR-WINSOR, B., WKEND 08/10/14 | \$662.40 | \$662.40 |
| 155164 | 9/4/2014 | 3145689567 | HILTON NASHVILLE DOWNTOWN | PRE-PAY LODGING - V HOLSLAG OPTIMUM CONF | \$612.56 | \$612.56 |
| 155244 | 9/11/2014 | 41071893 | OFFICE TEAM | TEMP LABOR-BLANCHETTE, V., WKEND 08/15/14 | \$609.60 | \$609.60 |

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| Check No. | Date | Invoice No. | Vendor | Description | Invoice Amt | Check Amt |
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| 155226 | 9/11/2014 | 1132882496 | EMPLOYMENT DEVELOPMENT DEPT | UI 2ND Q 2014 - T. DOUGLAS | \$597.00 | \$597.00 |
| 155189 | 9/4/2014 | 246247 | SHERATON GARDEN GROVE ANAHEIM | PRE-PAY HOTEL - MIKE MOSLEY | \$579.15 | \$579.15 |
| 155161 | 9/4/2014 | 9498484402 | GRAINGER INC | 1 EA COMBINATION WRENCH | \$17.36 | \$569.25 |
| | 9/4/2014 | 9502962203 | | 1 EA HEAT GUN | \$32.61 | |
| | 9/4/2014 | 9498484410 | | 1 EA HAND RATCHET | \$39.65 | |
| | 9/4/2014 | 9500595286 | | 4 E CASTERS | \$479.63 | |
| 155171 | 9/4/2014 | 95707 | MCINERNEY & DILLON, P.C. | LEGAL SERVICES - THICKENER CONTROL BLDG IMPROVMENTS | \$525.00 | \$525.00 |
| 155211 | 9/11/2014 | 5102661 | ALL INDUSTRIAL ELECTRIC SUPPLY | 1 BASLER BE3-47N-3D4N2 | \$294.92 | \$523.71 |
| | 9/11/2014 | 5102557 | | ASTD PARTS & MATERIALS | \$228.79 | |
| 155155 | 9/4/2014 | 20140828 | PAUL ELDREDGE | TRAVEL REIMB: CASA CONFERENCE LODGING | \$518.00 | \$518.00 |
| 155222 | 9/11/2014 | 249505 | CURTIS & TOMPKINS LTD | 10 LAB SAMPLE ANALYSIS | \$154.00 | \$504.00 |
| | 9/11/2014 | 249460 | | 12 LAB SAMPLE ANALYSIS | \$160.00 | |
| | 9/11/2014 | 249546 | | 5 LAB SAMPLE ANALYSIS | \$190.00 | |
| 155174 | 9/4/2014 | 7499 | MR. ROOTER - SAN JOSE | REFUND # 17444 | \$500.00 | \$500.00 |
| 155201 | 9/4/2014 | 7395 | JEFFREY-XUAN THANH VO | REFUND # 17446 | \$500.00 | \$500.00 |
| 155206 | 9/4/2014 | 7456 | XIAN KANG YAO | REFUND # 17445 | \$500.00 | \$500.00 |
| 155207 | 9/4/2014 | 7396 | BRIAN YOON | REFUND # 17439 | \$500.00 | \$500.00 |
| 155216 | 9/11/2014 | 7486 | BHNV CONSTRUCTION | REFUND # 17451 | \$500.00 | \$500.00 |
| 155224 | 9/11/2014 | 7503 | DRAIN DOCTOR | REFUND # 17452 | \$500.00 | \$500.00 |

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| 155162 | 9/4/2014 | 3H6126 | HARRINGTON INDUSTRIAL PLASTICS | ASTD PARTS & MATERIALS | \$494.92 | \$494.92 |
| 155143 | 9/4/2014 | 86281 | ATS ELECTRO LUBE INC | 10 AUTOLUBERS | \$463.29 | \$463.29 |
| 155156 | 9/4/2014 | 1090 | ELITE ANALYTICAL LABORATORIES | 3 LAB SAMPLE ANALYSIS | \$450.00 | \$450.00 |
| 155232 | 9/11/2014 | 601270525 | HILLYARD/SAN FRANCISCO | ASTD JANITORIAL SUPPLIES | \$424.43 | \$446.24 |
| | 9/11/2014 | 601266321 | | 12 EA TRIGGER SPRAYERS AND BOTTLES | \$21.81 | |
| 155202 | 9/4/2014 | 29288 | VOX NETWORK SOLUTIONS INC | ADD NEW PHONE EXT & FAX EXT | \$420.00 | \$420.00 |
| 155248 | 9/11/2014 | 140820 | PROSAFE | PLANT FACILITIES IMPROVEMENTS | \$400.00 | \$400.00 |
| 155251 | 9/11/2014 | 7512 | RESCUE ROOTER | REFUND # 17462 | \$200.00 | \$400.00 |
| | 9/11/2014 | 7466 | | REFUND # 17463 | \$200.00 | |
| 155227 | 9/11/2014 | 1000353944 | ENVIRONMENTAL EXPRESS | ASTD CHROMIUM STD. 1000PPM, 250ML. ENV. | \$376.50 | \$376.50 |
| 155151 | 9/4/2014 | 2112669 | CUMMINS PACIFIC LLC | SERVICE CALL: FILTER CLEANING | \$375.00 | \$375.00 |
| 155221 | 9/11/2014 | 2112768 | CUMMINS PACIFIC LLC | SERVICE CALL: FILTER CLEANING | \$375.00 | \$375.00 |
| 155256 | 9/11/2014 | 7472 | STAR ROOTER AND PLUMBING | REFUND # 17457 | \$350.00 | \$350.00 |
| 155165 | 9/4/2014 | 5479827 | HOSE & FITTINGS ETC | 1 EA MALE SAE/FEMALE NPT | \$5.44 | \$322.52 |
| | 9/4/2014 | 55479579 | | ASTD FITTINGS | \$114.75 | |
| | 9/4/2014 | 5479860 | | 1 EA 6HP50N-S | \$1.08 | |
| | 9/4/2014 | 5479550 | | ASTD FITTINGS | \$7.33 | |
| | 9/4/2014 | 5478676 | | ASTD FITTINGS | \$193.92 | |

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| 155239 | 9/11/2014 | 10942725 | MCMASTER SUPPLY INC | 1 ROLL FOAM TAPE | \$177.05 | \$311.21 |
| | 9/11/2014 | 10803097 | | ASTD PARTS & MATERIALS | \$108.01 | |
| | 9/11/2014 | 10631089 | | 3 PACKS WASHERS | \$26.15 | |
| 155187 | 9/4/2014 | 20498 | SERVICWRKX | SERVICE REQUEST: MOLD ON CEILING ADMIN BLDG | \$300.00 | \$300.00 |
| 155217 | 9/11/2014 | 10360850 | BLAISDELL'S | 1 CLP HOLDER | \$12.03 | \$297.19 |
| | 9/11/2014 | 10369050 | | ASTD OFFICE SUPPLIES | \$21.74 | |
| | 9/11/2014 | 10368590 | | ASTD OFFICE SUPPLIES | \$79.89 | |
| | 9/11/2014 | 10365020 | | 3 EASEL PAPER | \$118.23 | |
| | 9/11/2014 | 10363770 | | ASTD OFFICE SUPPLIES | \$50.91 | |
| | 9/11/2014 | 10365570 | | ASTD OFFICE SUPPLIES | \$14.39 | |
| 155247 | 9/11/2014 | 233548 | PRESTIGE LENS LAB | SAFETY GLASSES - MOSLEY | \$271.42 | \$271.42 |
| 155158 | 9/4/2014 | 116521351 | FREMONT URGENT CARE CENTER | 1 NEW HIRE PHYSICAL/1 EMPLOYEE EXAM | \$267.00 | \$267.00 |
| 155240 | 9/11/2014 | 24829295 | MOTION INDUSTRIES INC | 4 EA BEARINGS | \$265.94 | \$265.94 |
| 155160 | 9/4/2014 | 75159 | GORILLA METALS | ASTD METAL, STEEL, STAINLESS, AND ALUMINUM | \$232.22 | \$263.78 |
| | 9/4/2014 | 75123 | | ASTD METAL, STEEL, STAINLESS, AND ALUMINUM | \$31.56 | |
| 155150 | 9/4/2014 | 44597971 | CINTAS FIRE PROTECTION | INSPECTION,QTRLY,SPRINKLER SYSTEM WET TYPE | \$250.00 | \$250.00 |
| 155228 | 9/11/2014 | 901827159 | EVOQUA WATER TECHNOLOGIES | DI WATER SYSTEM | \$243.45 | \$243.45 |
| 155220 | 9/11/2014 | 88347 | COPYMAT OF NEWARK/FREMONT | 1000 DAILY DATA SHEETS/500 SERVICE REQUEST SHEETS | \$238.71 | \$238.71 |
| 155208 | 9/11/2014 | 62259 | 3T EQUIPMENT COMPANY INC | REPAIR OMNI III ZOOM CAMERA | \$231.66 | \$231.66 |

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| 155233 | 9/11/2014 | 5481291 | HOSE & FITTINGS ETC | ASTD HOSE & PIPE | \$101.55 | \$211.61 |
| | 9/11/2014 | 5480925 | | ASTD PARTS & MATERIALS | \$110.06 | |
| 155145 | 9/4/2014 | 17122400 | BECK'S SHOES | SAFETY SHOES - M. GILL | \$208.00 | \$208.00 |
| 155261 | 9/11/2014 | 8058681992 | VWR INTERNATIONAL LLC | 2 CS CAP SNAP LID ONLY NS | \$191.06 | \$191.06 |
| 155181 | 9/4/2014 | 54120 | QUENVOLD'S SAFETY SHOEMOBILES | SAFETY SHOES - SIMONICH | \$189.44 | \$189.44 |
| 155172 | 9/4/2014 | 10449986 | MCMASTER SUPPLY INC | ASTD PARTS & MATERIALS | \$137.76 | \$181.08 |
| | 9/4/2014 | 99890144 | | 4 EA WELDED STAINLESS STEEL D-RINGS | \$43.32 | |
| 155253 | 9/11/2014 | 2456562008 | S & S SUPPLIES & SOLUTIONS | 1 WATER COLLER 5 GALLON PLASTIC RUGGED DUTY | \$42.18 | \$178.18 |
| | 9/11/2014 | 2456562007 | | 36 PRS G-TEK MAXIFLEX II GLOVES | \$136.00 | |
| 155213 | 9/11/2014 | 20140910 | ROLLIE ARBOLANTE | REIMB EXP - FY15 1ST QTR SAFETY RECOG, CUSTOMER SERVICE | \$175.00 | \$175.00 |
| 155203 | 9/4/2014 | 8058596928 | VWR INTERNATIONAL LLC | 1 SOLUTION COD STAN 800MG/L | \$32.36 | \$169.71 |
| | 9/4/2014 | 8058592812 | | 1 SODIUM HYDROXIDE & 1 FILTERS MEMBRANE | \$137.35 | |
| 155195 | 9/4/2014 | 20140829 | UNION CITY CHAMBER OF COMMERCE | 2014 STATE OF THE CITY ADDRESS LUNCHEON | \$150.00 | \$150.00 |
| 155190 | 9/4/2014 | 20140826 | THOMAS SOLARI | EXP REIMB: MILEAGE FOR CALL OUT | \$138.66 | \$138.66 |
| 155215 | 9/11/2014 | 638 | AUTOMATED NETWORK CONTROLS | SCADA / PLC PROGRAMMING SERVICES | \$125.00 | \$125.00 |
| 155188 | 9/4/2014 | 835657541 | SHARP BUSINESS SYSTEMS | MTHLY MAINTENANCE BASED ON USE | \$115.71 | \$115.71 |
| 155236 | 9/11/2014 | 20140908 | THOMAS LAM | EXP REIMB: PE LICENSE RENEWAL | \$115.00 | \$115.00 |

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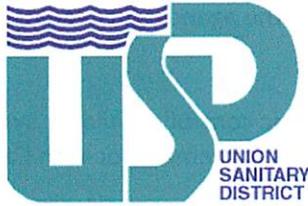
| Check No. | Date | Invoice No. | Vendor | Description | Invoice Amt | Check Amt |
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| 155185 | 9/4/2014 | 2456562006 | S & S SUPPLIES & SOLUTIONS | 3 PRS G-TEX MAXIFLEX MICROFOAM NITRILE COATED GLOVES | \$11.33 | \$88.69 |
| | 9/4/2014 | 2456562004 | | 10 PR AZTEC BROWN SAFETY GLASSES | \$23.87 | |
| | 9/4/2014 | 2456562005 | | 1 PR KNEE BOOTS RUBBER WITH SAFETY TOE | \$53.49 | |
| 155147 | 9/4/2014 | 20140829 | LAURIE BRENNER | EXP REIMB: TRAINING SUPPLIES | \$79.90 | \$79.90 |
| 155254 | 9/11/2014 | 1818464683 | SAFELITE GLASS CORPORATION | REPAIR WINDSHIELD | \$74.94 | \$74.94 |
| 155242 | 9/11/2014 | 1500033 | NEWARK UNIFIED SCHOOL DISTRICT | MISC. SS SPOT REPAIRS PHASE V - FACILITY RENTAL | \$59.51 | \$59.51 |
| 155237 | 9/11/2014 | 20140910 | MARCUS LEE | EXP REIMB: PRE-EMPLOYMENT FINGERPRINTING FEE | \$52.00 | \$52.00 |
| 155209 | 9/11/2014 | 4088644120140826 | ALAMEDA COUNTY WATER DISTRICT | SERV TO: 08/26/14 - BOYCE ROAD | \$46.53 | \$46.53 |
| 155231 | 9/11/2014 | 3H6287 | HARRINGTON INDUSTRIAL PLASTICS | 20 EA TEES | \$42.67 | \$42.67 |
| 155142 | 9/4/2014 | 5102105 | ALL INDUSTRIAL ELECTRIC SUPPLY | 1 LITHONIA EU2-LED-M12 | \$32.84 | \$32.84 |
| 155178 | 9/4/2014 | 224720140825 | PACIFIC GAS AND ELECTRIC | SERV TO 08/24/14 CS TRAINING TRAILER | \$25.08 | \$25.08 |
| 155259 | 9/11/2014 | 9853334.0 | UPS - UNITED PARCEL SERVICE | SHIPPING CHARGES W/E 08/16/14 | \$15.77 | \$15.77 |

Invoices:

| | | |
|-------------------------------|------------|-------------------|
| Credit Memos : | 0 | |
| \$0 - \$1,000 : | 117 | 30,849.61 |
| \$1,000 - \$10,000 : | 46 | 138,827.60 |
| \$10,000 - \$100,000 : | 9 | 199,679.71 |
| Over \$100,000 : | 2 | 259,193.16 |
| Total: | 174 | 628,550.08 |

Checks:

| | | |
|-------------------------------|------------|-------------------|
| \$0 - \$1,000 : | 73 | 28,297.89 |
| \$1,000 - \$10,000 : | 37 | 137,962.11 |
| \$10,000 - \$100,000 : | 9 | 203,096.92 |
| Over \$100,000 : | 2 | 259,193.16 |
| Total: | 121 | 628,550.08 |



**Summary of the EBDA Commission Meeting
Thursday, September 18, 2014 at 9:30 a.m.**

Prepared by: P. Eldredge

- Commissioners Handley, Dias, Johnson, Peixoto and Prola were all present.
- The Consent Calendar was approved unanimously and included the Commission Meeting Minutes, the List of Disbursements, and the Treasurer's Report for August 2014;
- For the General Manager's report, Mike graphically presented the results from balanced scorecard and briefly explained the details of each slide (attached). Highlights included a decrease in average flow resulting in reduced power and chemical costs; low levels of fecal coliform and mercury in the effluent; and good progress on the Agency's asset management program.
- The Commission unanimously approved the reports from the Regulatory Affairs, Operation & Maintenance, Financial Management, Personnel and Management Advisory Committees. The following items were discussed:
 - **Managers Advisory Committee** received a presentation from Brown and Caldwell on options available for evaluation of the condition and useful remaining life of the submerged portion of the outfall, including the deep water diffuser section. The consultant feels the predicted life of the outfall could be extended to 100 years or more; however, more information is needed on pipe condition and diffuser condition. The consultant provided a presentation on various pipe inspection options and the associated costs. Direction was provided to the consultant on which methods to undertake and the timeline associated with the work. There was a brief discussion on the upcoming (October 6, 2014) BACWA nitrogen workshop along with the anticipated list of guest speakers.
 - **Financial Management Committee** reviewed the annual California Retiree Benefit Trust (CERBT) statement for the fiscal year ending June 30, 2014.
 - **Regulatory Affairs Committee** reviewed the status report (informational only, no action required) for the NPDES permit. EBDA staff did not determine any violations of the combined effluent in August of 2014. EBDA has not had any permit violations since April of 2006. A report was received regarding the lower south bay, water quality, and beneficial uses. The discussion is primarily centered around the ongoing discussion on nutrient control and the definition of "beneficial uses". In its current NPDES negotiations, San Jose has indicated that it is of the opinion that its current discharge meets beneficial uses. This debate is important from the standpoint that this portion of the lower south bay is most susceptible to water quality challenges associated with nutrient discharges. There was a question from Commissioner Dias about the BACWA study and if the study would require additional funding from participating agencies. Mike answered that it would require additional funds and that this expenditure had already been anticipated and budgeted for. He also mentioned that it is

very cost effective to have BACWA complete the study for all of the agencies instead of each agency performing its own study.

- **O&M Committee** reviewed the contracts for programmable logic controller failover system for the marina de-chlorination facility and a professional services agreement for with Calcon for on call emergency electrical and instrumentation services.
- **Personnel Committee** received a proposal from the General Manager to reclassify the Operations and Maintenance Manger to Deputy General Manager or to look into a bonus program for exemplary work. The General Manger received feedback from the Commission and will bring back additional information at a later meeting.

The Commission unanimously passed the following resolutions:

- Resolution authorizing the General Manager to Issue a Purchase Order to Calcon Systems, Inc. in the amount not to exceed \$39,600 for completion of the marina de-chlorination facility programmable logic controller failover control system project.
- Resolution authorizing the general manager to enter into a professional services agreement with Calcon Systems, Inc. for electrical, instrumentation and emergency services not to exceed \$150,000.

ITEM NO. P5 EBDA 2014 BALANCED SCORECARD PERFORMANCE MEASURES

Recommendation:

For Committee information and comment only.

Background:

For the last several years, the General Manger has developed a discussion of EBDA's status through the use of a "Balance Scorecard" set of performance measures that tracks parameters that measure environmental compliance, system operations and maintenance, financial management, asset management, and workplace health and safety.

In evaluating these performance measures, the General Manager is seeking input from both the Commission and the Managers Advisory Committee on those items that answer the simple question "How's EBDA doing?"

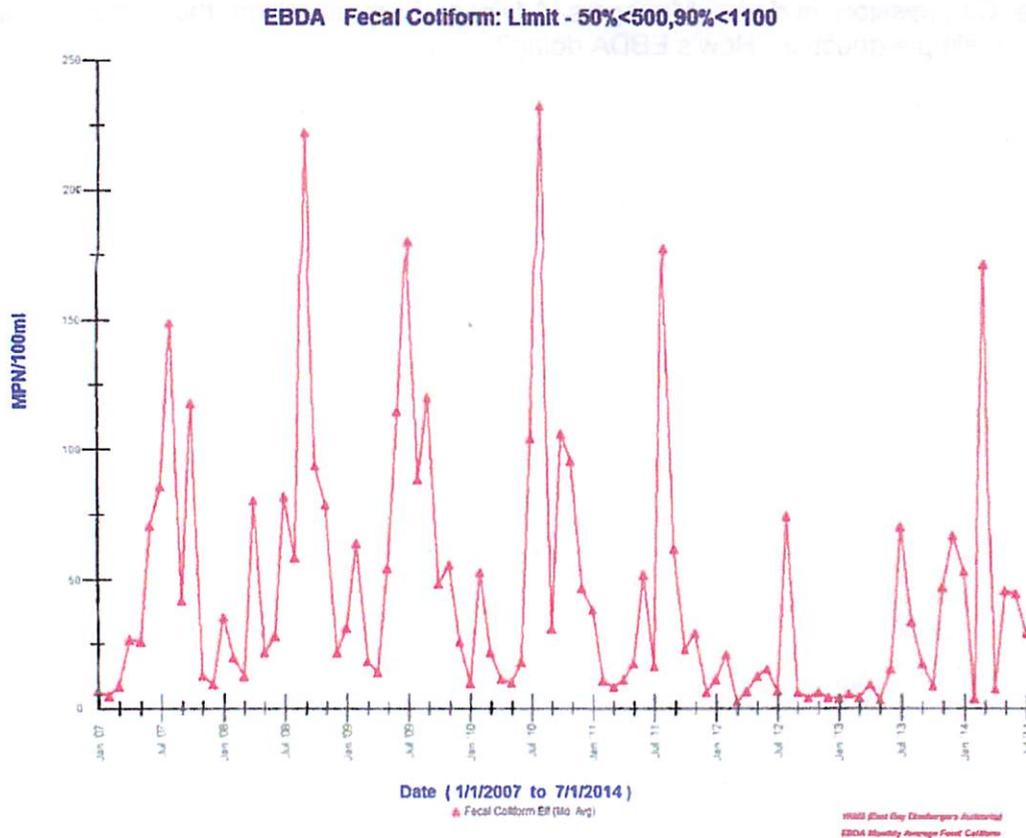
EBDA's "Balanced Scorecard" Performance

Environmental Compliance

Goal: Comply with NPDES permit

EBDA has met all its NPDES permit requirements since April 2006. The three most challenging permit limits with the smallest safety margin have been fecal coliform bacteria limits, total mercury discharges, and acute toxicity caused by chlorination or other contaminants. Nonetheless, these limits have been met consistently in the last five years. The 2012 permit challenges the member agencies to meet secondary limits all the time.

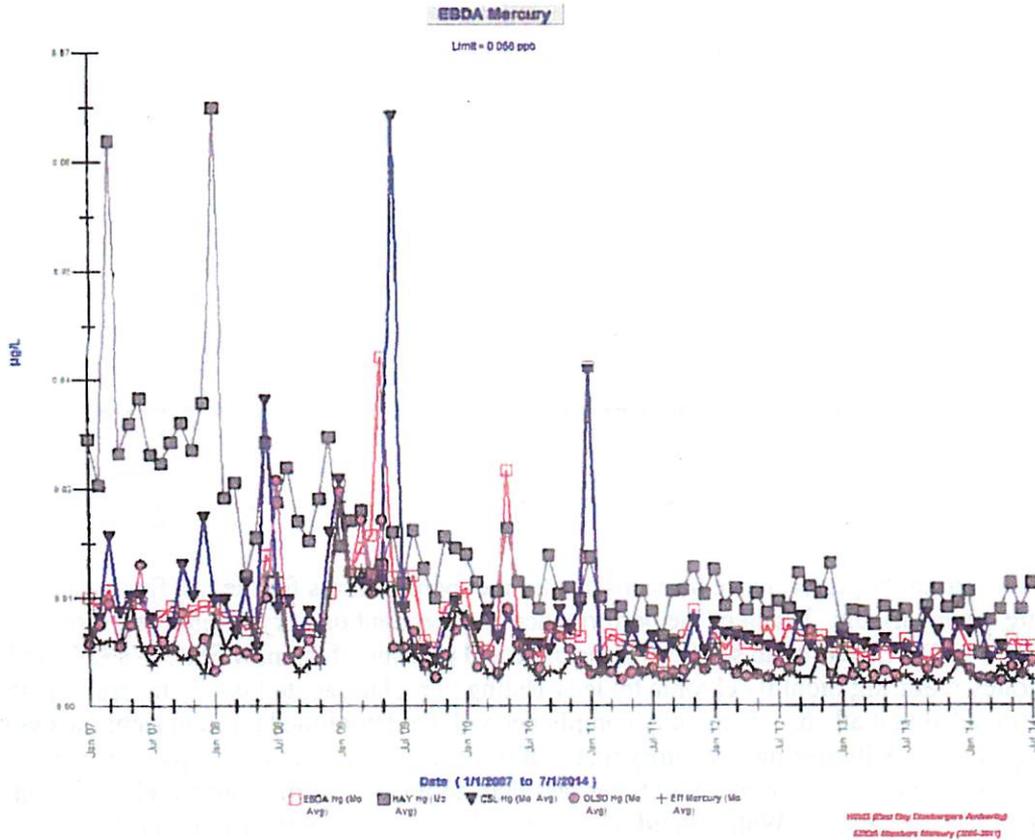
Goal: Coliform bacteria below a geometric mean of 500 or 1200 90% of the time



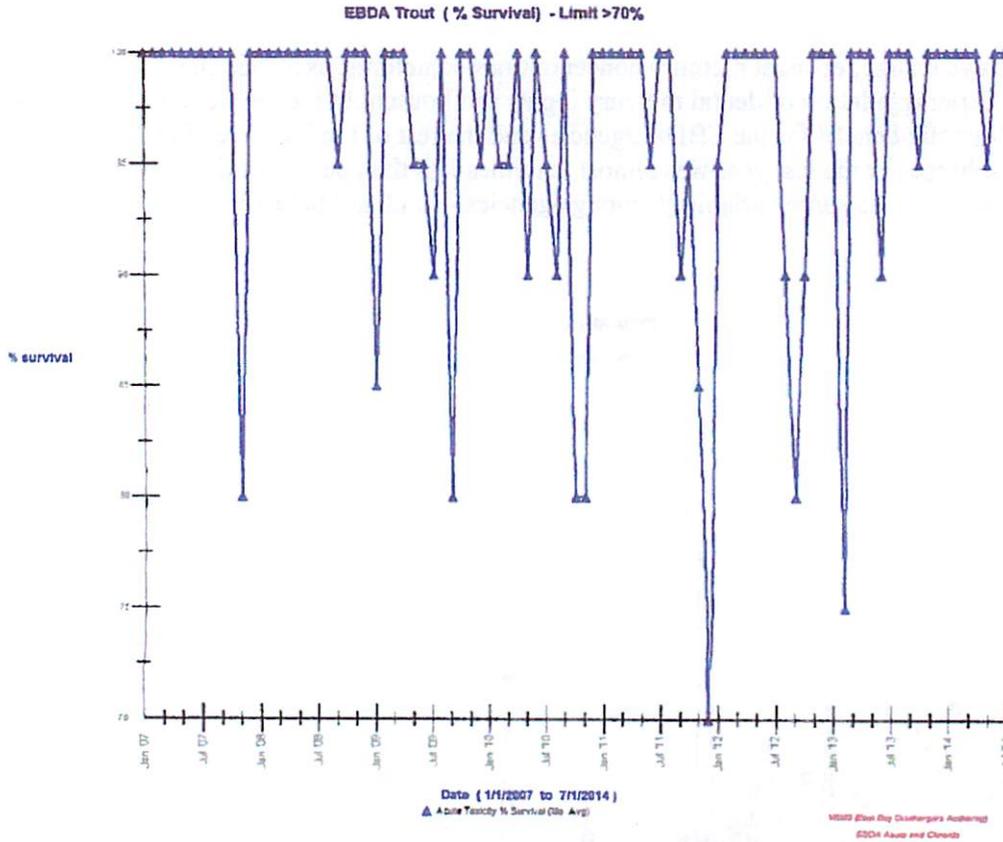
EBDA's attainment of fecal coliform limits has improved significantly over the last several years, primarily due to careful laboratory techniques for sample collection and regular cleansing of the long sample pipe. Because of these pipe maintenance issues, moving the sampling location to the entryway under the Bay Trail has had a significant improvement. However, as this winter showed, sometimes our pipe cleaning schedule lags.

Goal: Mercury concentration below 0.066 ug/l.

About seven years ago, effluent mercury concentrations sometimes exceeded the allowable discharge. Strict regulation of dental mercury inputs and household mercury collection programs has had a dramatic benefit for the EBDA agencies and the rest of the Bay Area POTWs. EBDA's mercury discharge for the last year was almost ten times less than permit limits (0.066). As the graphic shows, there is some variability among agencies, but all are below the limit by about five-fold.

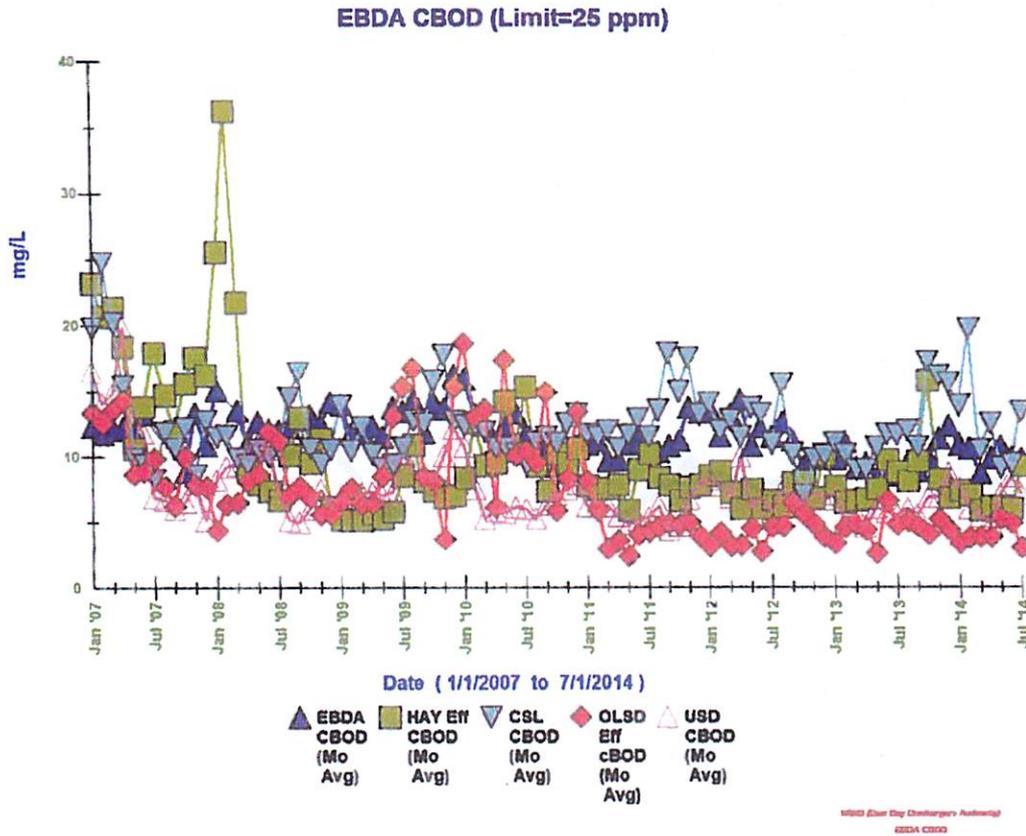


Goal: No less than 70% of exposed fish survive 90% of the time.



EBDA’s acute toxicity performance has consistently met permit limits for the last five years, but the data are quite variable. Much of the performance is dependent on very careful fish care provided by the San Leandro lab staff. With the expected passage of the new State Water Board toxicity policy requiring monthly chronic toxicity testing to replace acute toxicity measurements, staff have decided that all chronic toxicity compliance will be determined through a contract with an expert private toxicity testing laboratory that EBDA began using four years ago. To date, EBDA’s chronic toxicity has been 10-20 times less than anticipated permit limits. However, in the next five to ten years, the Water Board may require EBDA to use very different test organisms. During this time when EBDA has had no toxicity problems, all of the other major BACWA agencies have had to spend several hundreds of thousands of dollars to address toxicity concerns.

Goal: Meet secondary limits for TSS (30 ppm) and CBOD (25 ppm).



About a decade ago, not all the Member Agencies could meet secondary treatment standards all the time (30 ppm TSS and 25 ppm CBOD as a monthly average). While this issue was a concern in negotiating the revised NPDES permit in 2012, all the Member Agencies have had CBOD concentrations below 20 ppm (permit limit=25) for the last five years. Some agencies have been consistently less than 10 ppm during the last several years.

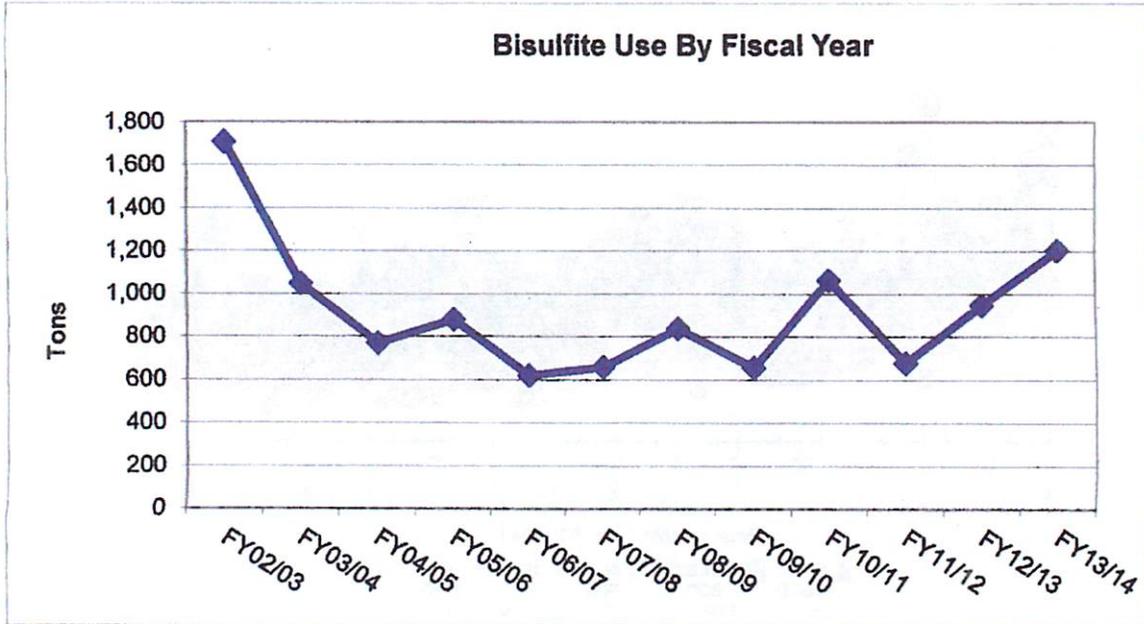
Goal: No wastewater spills or emergency discharges

During the last five years, EBDA has had a handful of inadvertent discharges of secondarily-treated effluent discharged nearshore. These inadvertent discharges were uniformly due to operational decisions and not driven by high wet weather flows. In general, EBDA's Member Agencies had fewer Sanitary Sewer Overflows with lower volumes than the average Bay Area collection system. In FY 2013/14, there were 27 spills with a total volume of 22,400 gal. of which 4400 gal. reached surface waters. For all Alameda County, there were 201 spills totaling 128,000 gal. with 19,246 gal. reaching surface water. <https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportSSOServlet>

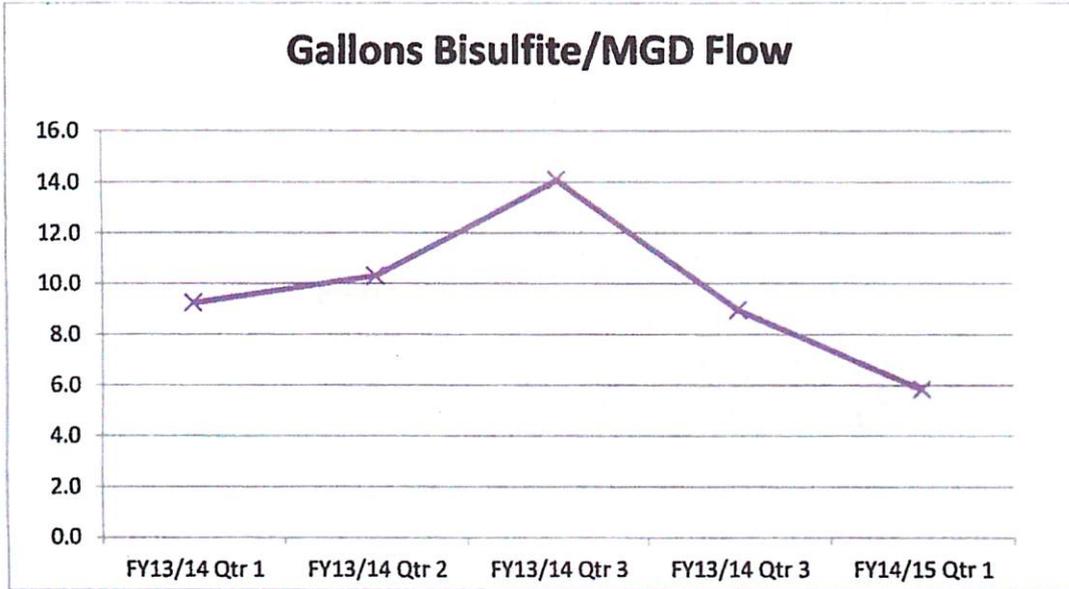
System Operations and Maintenance

Goal: Minimize dechlorination chemical use while meeting permit limits

Bisulfite use increased slightly despite the dry winter, which prompted the O&M Manager to investigate improving the efficiency of pumping at MDF. He tested peristaltic pumps, and began replacing the old pumps with peristaltic pumps.



This bisulfite improvement strategy saw immediate benefits.



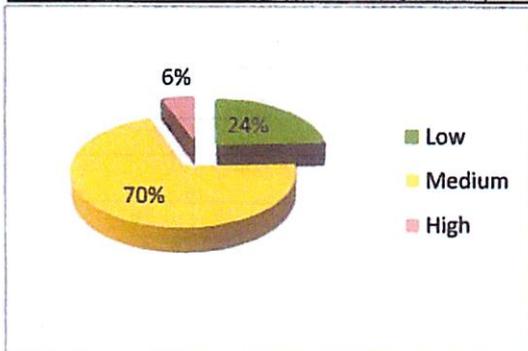
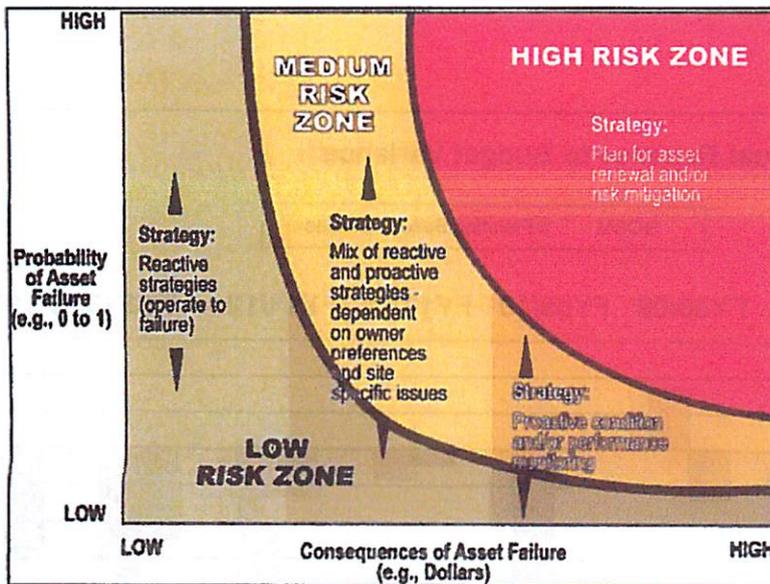
Goal: Minimize energy use (pumping costs normalized for flow (MG))

Pumping costs at most of the stations have been rather stable over time, but several pumps have been replaced or rehabilitated in the past several years as staff seek to keep pumping costs under control. The electricity usage at the pumping stations has been normalized to flows. Comparison between stations is difficult because it further depends on head pressure necessary to overcome pipe friction and ocean head (OLEPS and SLEPS). SLEPS pumping is not presented because electricity there is also being used by San Leandro for plant construction. Pumping costs per gallon pumped has been reduced at OLEPS over the last couple years, perhaps associated with capital projects. HEPS electrical use has yet to show the impact the pump rehabilitation. This performance measure will help us decipher future trends.

Asset Management

Goal: Manage high risk assets effectively

EBDA's initiation of its asset management program this year allows staff to determine which assets present the highest risk and develop a response. Last year 24 assets (6%) were classified as high risk and repaired or replaced. This year, 17 assets (4%) have been classified as high risk with replacement costs of ~\$608K and are being addressed in the RRF Fund.

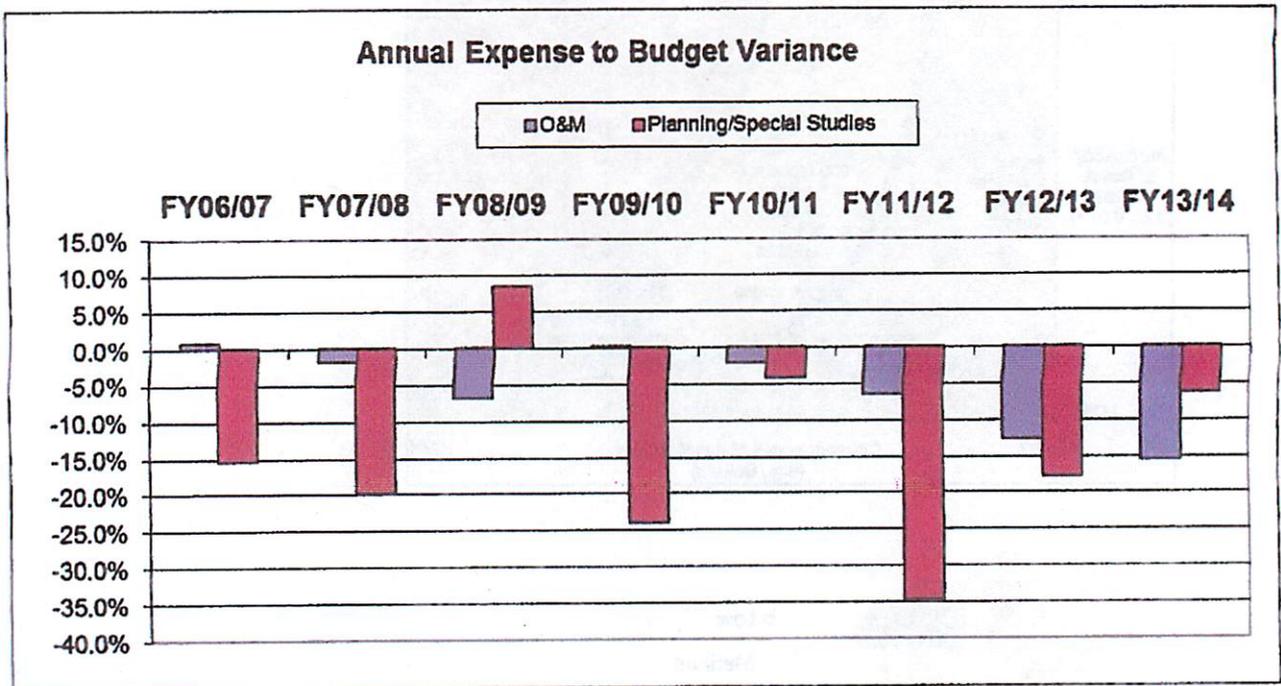


Financial Management

Goal: Keep Operating Costs within 2% of budget. Ensure Planning and Special Studies (PSS) Costs are within budget.

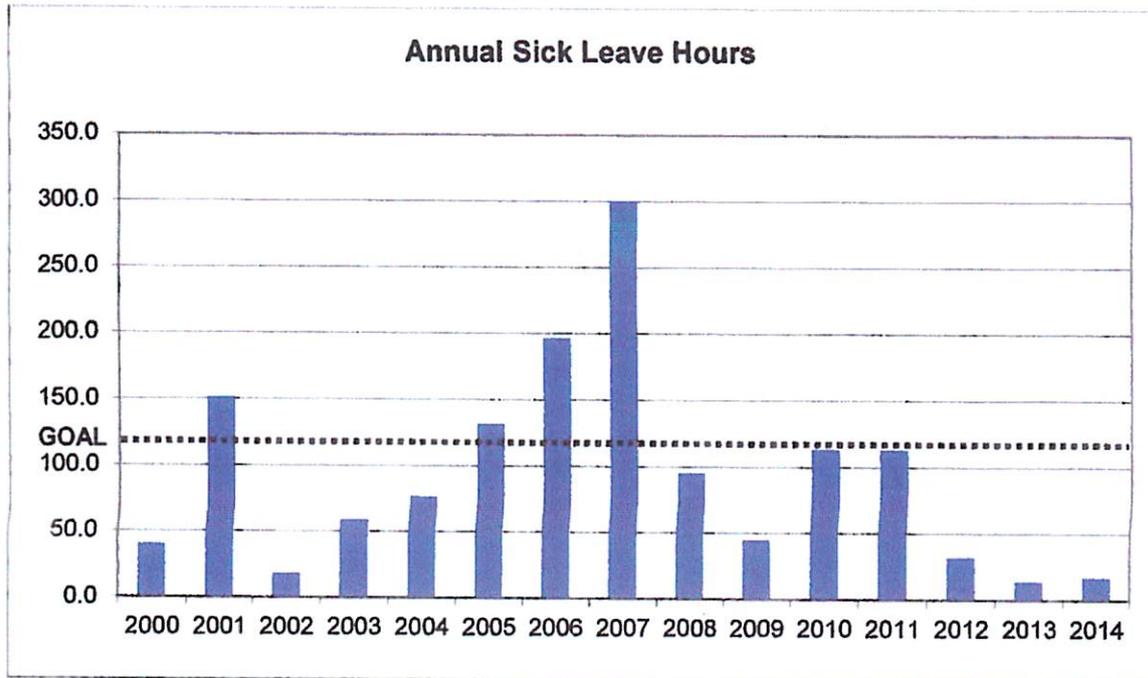
Both the O&M and the PSS budgets came in below budget:

- O&M mainly due to the dry winter and more efficient O&M transition.
- PSS due to the lack of permit issues and a slight delay in the outfall inspection schedule.



Workplace Health and Safety

Goal: No accidents. Sick leave averages less than five days per year per employee.
There have been no reportable workplace accidents since the 1990's. Sick leave was at historical lows.





Directors
Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/District
Engineer*

David M. O'Hara
Attorney

DATE: September 9, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Richard B. Currie, District Engineer

SUBJECT: Agenda Item No. 12c - Meeting of September 22, 2014
Information Item: **Widening of Fremont Boulevard in Front of USD's Irvington Pump Station**

Recommendation

None. Information only.

Background

As growth and development have taken place in south Fremont, portions of Fremont Boulevard that were previously two lanes have been widened to create a four-lane thoroughfare. Currently there are only 3 locations where Fremont Boulevard remains two lanes, including a section of approximately 700 linear feet along the USD property line in front of our Irvington Pump Station. Attached is an aerial view of the relevant portion of the USD property from GIS. Note that this photo is dated and does not show the solar panel installation east of the pump station and west of Fremont Blvd.

City staff has indicated that Fremont has imposed a requirement on developers to widen the street and add curb, gutter and sidewalk as a condition of development under their building permits. Developers are also required to pay traffic impact fees. Since USD is exempt from building permits as a local government wastewater utility, the City had no mechanism to require the District to make these improvements or pay impact fees during upgrade projects, including the pump station expansion and storage project and the solar project.

The City has estimated the cost of widening and improvements for the 700 foot section along USD's property to be as follows:

| Item | Estimated Cost |
|---|-----------------------|
| Construction | \$477,718 |
| Change Orders @10% | \$ 47,772 |
| Construction Total | \$525,490 |
| Engineering and Constr. Mgmt | \$162,698 |
| Stormwater Permit Fees | \$ 10,000 |
| Contingencies, Cost Escalation over time. | \$139,638 |
| Total Estimate (rounded) | \$840,000 |

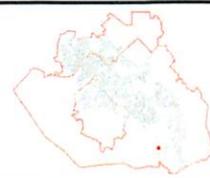
The City is requesting that USD consider paying the cost of the widening of Fremont Blvd along our property, excluding the cost of the median strip and other landscaping improvements.

USD is proceeding to provide a Title Report on the Irvington Pump Station property and analyze the impacts of possibly removing the berm along the front of the property, which would be required for widening of the roadway.

Staff believes the City would need to acquire a small strip of property along the eastern boarder as right of way in order to construct the road. The City staff is checking this information to confirm.

This memorandum is intended to provide information only. In order to evaluate the City's request and the sale of a portion of USD's property for street right of way, staff recommends that the Board meet in Closed Session following a future Board of Directors meeting or a Closed Session workshop to discuss details with legal counsel and staff.

USD Irvington Pump Station (Partial Property)



Legend

- Streets
- Parcels
- Lakes
- 2006 Orthophoto

Item 12c

For USD use only



Disclaimer:
The information on this map is provided by Union Sanitary District (USD) for internal use only. Such information is derived from multiple sources which may not be current, be outside the control of USD, and may be of indeterminate accuracy. The information provided hereon may be inaccurate or out of date and any person or entity who relies on said information for any purpose whatsoever does so solely at their own risk.





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Manny Fernandez
Tom Handley
Pat Kite
Anjali Lathi
Jennifer Toy

Officers
Paul R. Eldredge
*General Manager/District
Engineer*

David M. O'Hara
Attorney

DATE: September 11, 2014

MEMO TO: Board of Directors - Union Sanitary District

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

SUBJECT: Agenda Item No. 12d - Meeting of September 22, 2014
Information Item: **Agenda for Joint Board of Directors Meeting
Between Union Sanitary District and Alameda County Water District**

Recommendation

None. Information only.

Background

On September 25, 2014, USD and Alameda County Water District will conduct a joint Board of Directors meeting to be held at USD starting at 6:00 p.m. The meeting will be held in Open Session and will be conducted in workshop format. The following topics have been tentatively identified for the agenda.

- Oral Communication, Public Comments
- Key Programs and Initiatives (staff presentations)
 - ACWD
 - USD
- Joint Water Conservation Program Update (ACWD, USD GMs)
- ACWD Experience with Private Lateral Insurance (ACWD Staff intro and ACWD Board perspective)
- USD Green Energy Program (USD staff presentation)
- ACWD/USD Finance Authority Update (ACWD GM)
- Overview of ACWD investigations into alternative water supply options (Staff introduction and Joint Board discussion)
- Concluding Remarks

Board members are welcome to indicate any additional topics they would like to include on the joint meeting agenda.



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Jennifer Toy

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*General Manager/District
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David M. O'Hara
Attorney

DATE: September 11, 2014

MEMO TO: Board of Directors - Union Sanitary District

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

SUBJECT: Agenda Item No. 12e - Meeting of September 22, 2014
Information Item: **Agenda for the Board Retreat to be held
September 29, 2014**

Recommendation

None. Information only.

Background

A Board of Directors retreat has been scheduled for Monday, September 29, 2014, at USD Offices at 5:00 p.m. The retreat will be conducted in workshop format and will be an open session that will be attended by the new and out-going general managers. Staff has identified the following potential topics for discussion:

- Goals for New GM for 2015
- Timing of Board Packet Cycle
- Attorney Succession Planning
- Use of Skype
- Review Board Governance Manual

The Board will be holding a planning workshop on September 15 to discuss potential retreat topics and goals for the new general manager. Staff requests that the Board identify any topics developed in the September 15 workshop to be included in the retreat. Staff will then develop a formal agenda.



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Manny Fernandez
Tom Handley
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Anjali Lathi
Jennifer Toy

Officers
Paul Eldredge
*General Manager/
District Engineer*

David M. O'Hara
Attorney

DATE: September 15, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Paul R. Eldredge, General Manager/District Engineer
Sami Ghossain, Manager of Technical Services
Raymond Chau, CIP Coach
Derek Chiu, Assistant Engineer

SUBJECT: Agenda Item No. 12f - Meeting of September 22, 2014
Information Item: **Cogeneration Project Status**

Recommendation

This is an information item.

Background

The Board awarded the construction contract for the Project to D. W. Nicholson Corporation (DWN) in the amount of \$10,566,358 on March 11, 2013. The Project consists of the construction of two new 850-kilowatt biogas-fueled engine generators housed within a new metal building, a new digester gas conditioning system, and modifications to the existing digester gas piping and hot water system.

Staff issued the Notice to Proceed to DWN on April 5, 2013. The Project's construction period is 525 calendar days with completion of all project elements by September 11, 2014 and the commissioning of the new engine generators by June 13, 2014 to meet PG&E's Self-Generation Incentive Program (SGIP) deadline. Due to construction delays, the District applied for and received an extension of the SGIP deadline to January 7, 2015 and the contract completion date is expected to be extended to January 2015. The Project was designed by Carollo Engineers and construction management is being provided by the Covello Group.

Project Status

To date, DWN is approximately 93% complete with the construction work but is approximately three to four months behind schedule due to delays associated with some change orders.

Since the last update to the Board in February 2014, DWN has completed the following major Project elements:

1. Utility Connections – DWN completed all remaining utility connections.
2. Cogeneration Building – DWN completed the erection of the steel building, the installation of the wall and roof panels, and the finishing of the building interior.
3. Engine Generator Piping – DWN installed and tested hot water, digester gas, and natural gas piping systems that connect to the engine generators.
4. Gas Conditioning Equipment – DWN installed and tested equipment and piping associated with the gas conditioning equipment.
5. Electrical – DWN completed installation of electrical cables, conduits, and panels inside the building and outside at the gas conditioning area.
6. Electrical Modifications – DWN upgraded the protective relays for the plant's utility breaker at the Plant's 12,000 volt switchgear.
7. Pre-Parallel Inspection – PG&E inspected the protective relays and approved the District to operate the new engine generators in parallel with utility power.
8. Startup and Pre-Commissioning – DWN successfully tested all equipment and subsystems individually.

Remaining Work

The DWN will be working on the following remaining major Project elements:

1. Commissioning – DWN and USD staff will perform operational testing of the completed and integrated Cogeneration system.
2. Existing Gas Conditioning System – DWN will demolish the existing gas conditioning systems located at the primary and secondary digesters and at the existing cogeneration unit.

Barring any unforeseen delays, this work is expected to be completed by the end of December 2014.

Agenda Item No. 12f
Meeting of September 22, 2014
Page 3

Contract Status

The original contract amount was \$10,566,358. To date, staff has executed 49 change orders in the amount of \$801,584, which is 7.6% of the original contract amount.

PRE/SG/RC/DC;ks

Attachment: Figures 1 through 10



Figure 1 – Cogeneration Building



Figure 2 – Cogeneration Unit No. 2



Figure 3 – Interior of Cogeneration Building



Figure 4 – Exhaust Heat Recovery Unit, Silencer, and Piping



Figure 5 – Digester Gas Conditioning Equipment



Figure 6 – Hydrogen Sulfide and Siloxane Removal Tanks



Figure 7 – Lubrication Oil Tanks and Waste Heat Radiators (Background)



Figure 8 – Cogeneration Unit Control Panel



Figure 9 – Cogeneration Switchgear in the Electrical Room



Figure 10 – Motor Control Center in the Electrical Room



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*General Manager/District
Engineer*

David M. O'Hara
Attorney

DATE: September 11, 2014

MEMO TO: Board of Directors - Union Sanitary District

FROM: Paul R. Eldredge, General Manager/District Engineer
Rich Cortes, Business Services Manager
Maria Scott, Principal Financial Analyst

SUBJECT: Agenda Item No. 12.g - Meeting of September 22, 2014
Information Item: **Final June, 2014 Internal Financial Report**

Recommendation

Information only.

Background

Staff presented preliminary June financials with the June Monthly Operations Report. These were preliminary because we keep the June books open through August for audit and adjustment purposes. The next time the Board sees the June financials is typically in the form of the formal audited financial statements, which are in a different format than the Monthly Operations report.

Most of the differences between preliminary and final are due to accruals for both revenues and expenses. These accruals are accounting entries made to ensure that all activity for Fiscal Year 2014 is accounted for on the books.

There are substantial differences between Monthly Operations and final audited financial statements (e.g. naming conventions and categories, depreciation expense). Staff wants the Board to see the final numbers in the familiar format as well as the audited financial report format.

The final FY 2014 audit is still in progress, and the final report is scheduled to come to the Audit Committee and Board in October.

Attachments

BUDGET AND FINANCE REPORT

FY 2014

Year-to-date as of 6/30/14

100% of year elapsed

Revenues

| | Budget | Actual | % of Budget Rec'd | Audited Last Year Actuals 6/30/13 |
|---|---------------------|---------------------|-------------------|-----------------------------------|
| Capacity Fees | \$2,300,000 | \$3,315,007 | 144% | \$2,864,810 |
| Sewer Service Charges | 44,887,853 | 45,139,420 | 101% | 42,389,872 |
| Operating | 765,000 | 1,072,242 | 140% | 820,386 |
| Interest | 321,000 | 385,844 | 120% | 618,348 |
| Misc. (incl. ann. LAVWMA pymnt, PG&E rebates) | 289,500 | 297,776 | 103% | 343,415 |
| Subtotal Revenues | \$48,563,353 | \$50,210,289 | 103% | \$47,036,831 |
| SRF Loan Proceeds (Prim Clarif., Boyce, Thickenr) | 1,000,000 | 2,424,739 | 242% | 4,118,084 |
| Total Revenues + SRF Proceeds | \$49,563,353 | \$52,635,028 | 106% | \$51,154,915 |

Expenses

| | Budget | Actual | % of Budget Used | Last Year Actuals |
|---|----------------------|----------------------|------------------|---------------------|
| Capital Improvement Program: | | | | |
| Capacity Projects | \$5,220,000 | \$5,592,023 | 107% | \$2,738,698 |
| Renewal & Repl. Projects (incl. escrow) | 12,285,000 | 14,195,068 | 116% | 11,696,467 |
| Operating | 32,100,356 | 30,751,966 | 96% | 29,414,193 |
| Special Projects | 869,500 | 775,361 | 89% | 701,075 |
| Retiree Medical (Annual Required Contribution) | 462,852 | 462,852 | 100% | 445,724 |
| Vehicle & Equipment | 1,089,734 | 784,695 | 72% | 589,238 |
| Information Systems | 1,101,990 | 848,449 | 77% | 657,050 |
| Plant & Pump Station R&R | 250,000 | 197,237 | 79% | 174,553 |
| Pretreatment Fund | 7,000 | 5,124 | 73% | 6,137 |
| County Fee for Sewer Service Charge Admin. | 106,000 | 105,559 | 100% | 105,251 |
| Misc. (A/R Write-off, EBDA Adj.) | 0 | 93,523 | | 0 |
| Debt Servicing: | | | | |
| SRF Loans (Irv., Wiliw, LHH, Plant, Cedar, NPS, Sub1) | 4,678,000 | 4,675,361 | 100% | 4,086,647 |
| Total Expenses | \$58,170,432 | \$58,487,218 | 101% | \$50,615,034 |
| Total Revenue & Proceeds less Expenses | (\$8,607,079) | (\$5,852,190) | | \$539,882 |

Gross Operating Expenses by Work Group

| | Budget | Actual | % of Budget Used | Last Year Actuals |
|------------------------------------|---------------------|---------------------|------------------|---------------------|
| Board of Directors | \$190,063 | \$166,233 | 87% | \$156,099 |
| General Manager/Admin. | 1,182,404 | 1,153,217 | 98% | 835,685 |
| Business Services | 4,501,787 | 4,416,832 | 98% | 4,171,426 |
| Collection Services | 5,587,778 | 5,460,336 | 98% | 5,304,088 |
| Technical Services | 5,251,559 | 4,850,139 | 92% | 4,908,778 |
| Treatment & Disposal Services | 9,889,975 | 9,739,655 | 98% | 9,168,756 |
| Fabrication, Maint. & Construction | 5,496,790 | 4,965,555 | 90% | 4,869,362 |
| Total | \$32,100,356 | \$30,751,966 | 96% | \$29,414,193 |

Operating Expenses by Type

| | Budget | Actual | % of Budget Used | Last Year Actuals |
|--|---------------------|---------------------|------------------|---------------------|
| Personnel (incl D&E) | \$21,948,372 | \$21,125,985 | 96% (100%)* | \$20,190,171 |
| Repairs & Maintenance | 2,000,012 | 1,615,428 | 81% | 1,826,148 |
| Supplies & Matls (chemicals, small tools) | 2,314,095 | 2,442,617 | 106% | 2,304,201 |
| Outside Services (utilities, biosolids, legal) | 5,644,877 | 5,493,010 | 97% | 5,091,924 |
| Fixed Assets | 193,000 | 74,927 | 39% | 1,750 |
| Total | \$32,100,356 | \$30,751,966 | 96% | \$29,414,193 |

* Personnel Budget Target

Reconciliation of Monthly Report to Audited Financial Statement (Income Statement) for FY14

| | Monthly Report | Audited Financial Stmt (IS*) (Draft) | Diff. | Explanation |
|---|--------------------|--------------------------------------|--------------------|---|
| Revenues | | | | |
| Capacity Fees | 3,315,007 | 3,315,007 | 0 | |
| Sewer Service Charges | 45,139,420 | 45,139,420 | 0 | |
| Operating Revenues + Misc Income | 1,370,018 | 1,544,258 | (174,240) | Easement is regarded as revenues on audited financial statements |
| Interest | 385,844 | 180,041 | 205,803 | Monthly report shows actual cash vs. accrued & market adjustment |
| SRF Loan Proceeds | 2,424,739 | 0 | 2,424,739 | Recorded as increase in liability on BS** and cash on Cashflow Stmt |
| Contributed Capital (donated assets) | 0 | 712,683 | (712,683) | Not reported on monthly report (non-cash entry); recorded in June |
| Subtotal Revenues & SRF Proceeds | 52,635,028 | 50,891,409 | 1,743,619 | |
| Expenses | | | | |
| CPTY Fund Project Cost | 5,592,023 | 72,820 | 5,519,203 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| RNWL Fund Project Cost | 14,195,068 | 519,099 | 13,675,969 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| Operating | 30,751,966 | 30,677,039 | 74,927 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| Special Projects | 775,361 | 685,007 | 90,354 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| Retiree Medical (ARC) | 462,852 | 454,811 | 8,041 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| Vehicle & Equipment R&R | 784,695 | 11,978 | 772,717 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| Information Systems R&R | 848,449 | 184,950 | 663,499 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| Plant & Pump Station R&R | 197,237 | 197,237 | 0 | Capital or Asset cost is on Balance Sheet; Non-capital cost is on Inc Stmt |
| Pretreatment | 5,124 | 5,124 | 0 | |
| County Fee for SSC Administration | 105,559 | 105,559 | 0 | |
| A/R write-off | 1,343 | 1,343 | 0 | |
| Debt Servicing (SRF Loan repaymnts) | 4,675,361 | 1,106,610 | 3,568,751 | Principal reduction amount is on Balance Sheet; only interest expense (also Svc chg & Grant chg) is on Income Statement |
| Depreciation | 0 | 17,219,109 | (17,219,109) | Not reported on monthly report; recorded in June |
| Loss on Ret. of Cap Assets | 0 | 796,735 | (796,735) | Not reported on monthly report; recorded in June |
| Loss on Equity Investmt in EBDA | 92,180 | 92,180 | 0 | Recorded in June (non-cash entry) |
| Subtotal Expenses | 58,487,218 | 52,129,600 | 6,357,617 | |
| Change in Net Position | (5,852,190) | (1,238,191) | (4,613,998) | Audited Financial Statement amount is "official" number. |

*IS = Income Statement = Statement of Revenues, Expenses, and Changes in Net Position

**BS = Balance Sheet = Statement of Net Position

9/10/14

Voters favor \$7.5 billion water bond

52% statewide support for measure; highest in Bay Area, L.A. County

By Jessica Calefati

jcalefati@bayareanewsgroup.com

SACRAMENTO — The \$7.5 billion water bond Gov. Jerry Brown and legislative leaders put on the November ballot during a deepening drought has a strong chance of passing muster

with voters, according to a new Field Poll.

The measure has the support of 52 percent of people surveyed even though almost two-thirds of respondents were unfamiliar with it and the water projects it would fund. Another 21 percent of likely voters are undecided on the Proposition 1 water bond, the poll found.

"These numbers signal this proposition has a pretty good

chance of passing," said Mark DiCamillo, executive director of the Field Poll. "Propositions that start out ahead can be defeated by big, organized moneyed interests, but I don't see that happening with Prop. 1."

Although the Sierra Club and some other environmentalist groups have voiced concerns about whether the bond might help Brown's plan to build twin tunnels to divert Sierra water

from the Delta, the groups have not yet said whether they'll campaign against the measure.

So far, no ballot measure committees have been formed to support or oppose Proposition 1, according to the Secretary of State's office.

Bay Area residents and registered Democrats expressed the strongest support for the

See WATER, Page 2

WEDNESDAY, SEPTEMBER 10, 2014

Water

Continued from Page 1

water spending package, with 62 percent and 66 percent in favor, respectively. More than half of Los Angeles County residents also said they would vote for the water bond.

Registered Republicans and voters who live in the Central Valley were the greatest reservoir of opposition, the poll found. Almost 50 percent of Republicans surveyed said they would vote against it, and 35 percent said they would vote for it.

Even though opposition to the package is greatest among likely voters in the Central Valley and Southern California, the percentage of voters who favor the water bond is greater in every region of the state than the percentage of voters who oppose it.

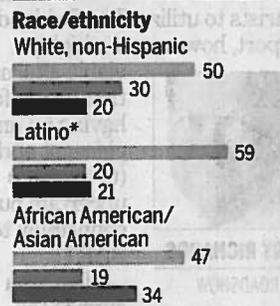
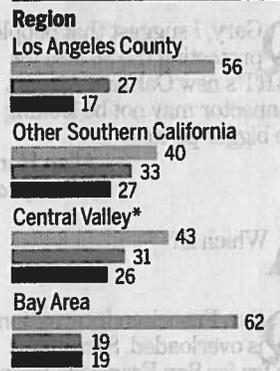
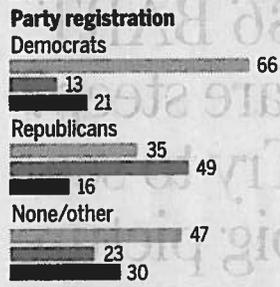
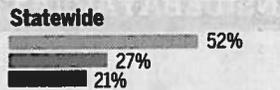
"There's strong support for the water bond in the Bay Area and Los Angeles County because these are Democratic strongholds, and Democrats heavily favor the proposal," DiCamillo said. "There's no regional segment that's hugely against it, and that's significant."

The water bond now on the November ballot replaces a bloated \$11 billion plan negotiated by lawmakers in 2009 that all sides agreed was too costly.

Strong support for water bond

Likely voters' preferences on the Proposition 1 water bond:

■ Yes ■ No ■ Undecided



*Small sample
Source: Field Poll survey of 467 likely California voters conducted Aug. 14-28; margin of error +/- 4.8 percentage points

Republican and Central Valley lawmakers' support for this latest package was critical to getting the proposal through the Legislature, where a two-thirds vote was required. They had threatened to block the measure unless it offered sufficient funding for water storage projects.

More than a third of the bond — \$2.7 billion — is dedicated to construction of the first new state-funded dams, reservoirs

and other water storage solutions in three decades. Projects to protect rivers, lakes and watersheds will get \$1.5 billion or close to 20 percent of the package.

The poll surveyed 467 likely voters between Aug. 14 and 28.

The margin of error is plus or minus 4.8 percentage points.

WEDNESDAY, SEPTEMBER 10, 2014

House moves to stop EPA water rule

By Matthew Daly
Associated Press

WASHINGTON — The Republican-controlled House moved on Tuesday to block the Obama administration from implementing a rule that asserts regulatory authority over many of the nation's streams and wetlands — an action that critics call a classic Washington overreach.

The Environmental Protection Agency has proposed a rule that it says will clarify which streams and waterways are shielded from development under the Clean Water Act, an issue that remains in dispute even after two U.S. Supreme Court rulings.

Agriculture groups and farm-state politicians call the proposed rule a power grab that would allow the

government to dictate what farmers can do on their own land. They call the rule an example of governmental interference by bureaucrats who don't know as much as farmers and ranchers do about how to be good stewards of their land.

The EPA proposal would have "devastating consequences on every major aspect of the economy," from farming to manufacturing and road-building, Rep. Steve Southerland, R-Fla., said. Southerland is a co-sponsor of the bill, which would block the EPA and the Army Corps of Engineers from developing or finalizing the proposed rule.

The measure is not expected to advance in the Democratic-controlled Senate.

9/10/14

Getting serious on water savings

Urban residents cut use 7.5% in July, survey shows

By Paul Rogers

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Deep into the third year of a historic drought, Californians are finally starting to take water conservation seriously.

Statewide, urban residents cut water use 7.5 percent in July, compared with July of last year, according to new figures released Tuesday afternoon.

Those savings show progress from June, when overall water use was down 4.4 percent from the previous year, and from May — when it was up 1 percent.

“People are stepping up,” said Felicia Marcus, chairwoman of the State Water Resources Control Board. “It’s not enough yet, but we are heading in the right direction.”

The board’s survey of 362 cities, private water companies and water districts — the most extensive so far

See **WATER**, Page 10

BAY AREA VS. SOUTHERN CALIFORNIA

13%

Water savings in July 2014 vs. July 2013 in Bay Area

1.7%

Water savings in San Diego-Los Angeles area

ONLINE EXTRA

Find more drought coverage, including photos, video, and maps at www.cadrought.com.

Water

Continued from Page 1

during California’s drought — continues to show Northern Californians are cutting water use more than Southern Californians.

Bay Area residents slashed water use 13 percent in July compared with July 2013, while residents in the Los Angeles and San Diego areas cut use only 1.7 percent.

The region with the most savings was the Sacramento area, which saw a 19.5 percent water reduction.

Some of that difference is because of weather patterns, water officials said.

Another reason is that Los Angeles and San Diego already use less water per capita than other parts of the state — 152 gallons a day in L.A. and 166 in San Diego — compared with 279 gallons a day in Sacramento and 313 in Fresno.

“In Southern California we have been doing conservation since 1991. As demand hardens, it becomes harder for the consumer to know what they can do to save water,” said Ken Weinberg, water resources director with the San Diego County Water Authority.

One thing was clear from the new numbers: Cities with mandatory water rationing, water cops and fines for using more than an allotted amount showed the most savings.

The city with the most savings was tiny Cambria, a coastal community in San

Luis Obispo County whose perennial water shortages have been exacerbated by the drought.

With strict rationing and a limit on new home construction because of water shortages, Cambria reduced water use 49 percent in July compared with the previous year.

Most California cities have asked residents for voluntary conservation, have banned wasting water — such as washing cars without hose nozzles — and have passed rules limiting lawn watering to certain days of the week.

Strict rules help

But cities with strict monthly water allotments saw massive savings.

Pleasanton and Livermore, with mandatory 25 percent cutbacks and fines for not reaching that percentage, cut use by 36.7 percent and 35 percent, respectively.

Santa Cruz, which limits all homes to 10 units of water a month and issues penalties of \$50 per unit above that, saw a 25.1 percent reduction.

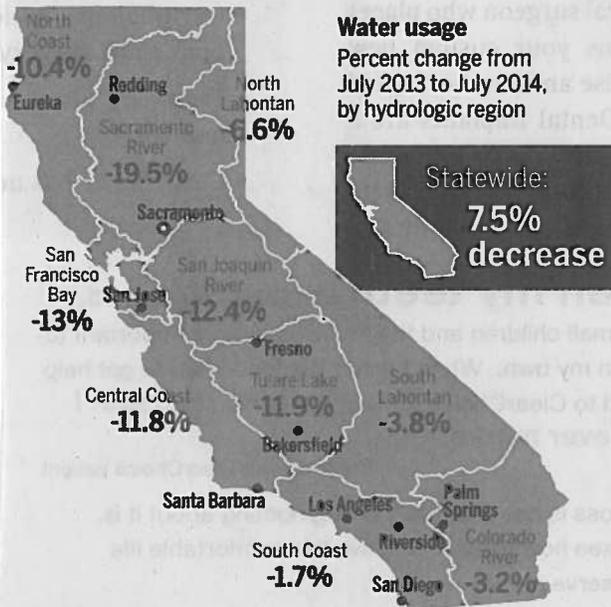
“Fines do make a big difference,” Marcus said. “Over time, we may find that there are areas that need to up their enforcement.”

Some cities actually showed increases in water use. Wasco, near Bakersfield, saw a 29.8 percent increase. San Clemente was up 11.8 percent, Lodi 8.6 percent.

Experts said the reasons why some cities increased their water consumption

Who saved the most water

California as a whole is increasing water conservation, with urban areas cutting water use 7.5 percent in July, compared with the previous July. Cities with tougher water rules and fines generally saved more, a new state report shows.



Breakdown by city, district

Percent change from July 2013 to July 2014

| | | | |
|-------------------------------------|--------|---|-------|
| Pleasanton | -36.7% | Contra Costa | -10.6 |
| Livermore | -35.0 | San Jose Water Co. | -10.0 |
| Menlo Park | -31.8 | San Francisco | -6.9 |
| Burlingame | -27.3 | Other areas | |
| Santa Cruz | -25.1 | Sacramento | -22.2 |
| Alameda County Water District | -22.1 | Fresno | -20.8 |
| Hayward | -20.2 | Los Angeles Department of Water and Power | -4.4 |
| Morgan Hill | -17.3 | San Diego | -1.0 |
| East Bay Municipal Utility District | -11.6 | | |

Source: State Water Resources Control Board BAY AREA NEWS GROUP

varied widely.

"We've got different geography, different climate, different housing patterns.

There's a lot of complexity," said David Bolland with the Association of California Water Agencies.

In the Bay Area, the largest water providers showed savings comparable to each other. The San Jose Water Co., a private company that has 1 million customers in Silicon Valley, cut water use 10.5 percent in July compared with July 2013.

San Francisco cut water use 6.9 percent. The Contra Costa Water District reduced water consumption 10.6 percent. And the East Bay Municipal Utility District cut consumption by 11.6 percent.

California is in its worst drought since 1977. By some measures it's the worst in a century.

Major reservoirs are only about a third full. Rainfall totals in most major cities last winter were about 40 percent of normal. Farmers are desperately pumping groundwater to keep crops alive. Wildfire risk is at extreme levels. And wildlife is suffering as creeks run dry.

Hopes for a soaking El Niño winter this year have faded. Last week, the National Oceanic and Atmospheric Administration reported there is a 65 percent chance of El Niño conditions starting later this year.

But ocean temperatures are only slightly warmer than normal, leading most researchers to predict a mild El Niño, the type that historically has meant a wetter-than-normal winter in California only about half the time, instead of a strong El Niño — which has resulted in wet winters much more often.

In July, Marcus' agency

passed rules requiring all cities, private companies and other urban water providers in California with more than 3,000 customers to report their water use to the state every month.

"We felt the need to do this because water agencies were resting on their laurels," Marcus said. "And that is playing Russian roulette with Mother Nature, which is a bad idea. In Australia, they just had a drought that lasted a decade. They had to take drastic measures that they wouldn't have needed if they had begun conserving earlier."

Fines allowed

In addition to the new reporting rules, the state water board also voted in July to require water providers to limit the days when people could water lawns and to ban wasteful watering practices.

The new rules permitted fines of up to \$500, although most cities and water agencies have chosen not to issue monetary penalties for violations.

Marcus said Tuesday that because of the positive trend the state water board will not issue tougher rules over the next few months.

But, she added, that could happen if water use increases or the drought worsens because of a dry winter.

Paul Rogers covers resources and environmental issues. Contact him at 408-920-5045. Follow him at Twitter. com/PaulRogersSJMN.