ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

NOTICE OF REGULAR MEETING OF BOARD OF DIRECTORS

DATE: Wednesday, September 19, 2012

TIME: 7:00 p.m.

LOCATION: Zone 7 Administration Building
100 North Canyons Parkway, Livermore, California

Any member of the public desiring to address the Board on an item under discussion may do so upon receiving recognition from the President. After receiving recognition, please step to the podium and state your name and address.

In compliance with the Americans with Disabilities Act, the meeting room is wheelchair accessible and disabled parking is available at the Zone 7 Administrative Building lot. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact the Zone 7 Board Secretary, Judy Rector, at (925) 454-5053 or fax (925) 454-5724. Notification 48 hours prior to the meeting will enable Zone 7 to make reasonable arrangements to ensure accessibility to this meeting. {28 CFR 35.102-35, 104 ADA Title II}

A G E N D A

1. Call Meeting to Order
2. Pledge of Allegiance
3. Citizens Forum

   This is an opportunity for members of the public to speak on an item not listed on the agenda. The Board cannot deliberate or take action on a non-agenda item unless it is an emergency as defined under Government Code Section 54954.2.

4. Minutes of the Regular Meeting of August 15, 2012 and Special Meeting of August 22, 2012

5. Consent Calendar
   a. Consider Adopting a Resolution Supporting Continuation of Staff Procedures Despite Suspension of Certain Brown Act Requirements
   b. Consider Amending Board Policy on Conducting Business
   c. Consider Responding to the 2012 Alameda County Grand Jury Final Report

6. Staffing Update:
   a. Employee of the Month Recognition

7. Preliminary Treated Water Rate Proposals

   Recommended Action: Continue to October 17, 2012 for adoption.

8. Preliminary Untreated Water Rate for 2013

   Recommended Action: Continue to October 17, 2012 for adoption.

9. Proposed 2013 Municipal & Industrial Water Connection Fee

   Recommended Action: Information only.

10. Consider Modifying Mission Statement and Adopting Vision and Value Statements

    Recommended Action: Adopt resolution.

11. Committees - Finance Committee, August 28, 2012 - minutes
    Liaison Committee, September 11, 2012 - minutes pending

12. Reports – Directors

    a. Verbal comments by President
    b. Written report by Director Quigley
    c. Other Directors' Verbal reports

13. Items for Future Agenda - Directors

14. Staff Reports (Information items. No action will be taken.)

    a. General Manager's Report
    b. Legislative Update
    c. Status Report on Separation Efforts and Financial Software Replacement Project
    d. Report on Water Sales & Connection Fee Revenue
    e. Verbal Reports

15. CLOSED SESSION

    a) Conference with Labor Negotiators:
       Agency Negotiator: G.F. Duerig
       Employee Organizations: Alameda County Management Employees Association; Alameda County Building and Construction Trades Council, Local 342, AFL-CIO; International Federation of Professional and Technical Engineers, Local 21, AFL-CIO; Local 1021 of the Service Employees International Union, CTW; Unrepresented Management.
    b) Conference with Legal Counsel – Significant exposure to litigation pursuant to Subdivision (b) of Government Code Section 54956.9: 1 case

16. Open Session and Report Out of Closed Session

17. Adjournment

18. Upcoming Board Schedule: (All meeting locations are in the Boardroom at 100 North Canyons Parkway, Livermore, California, unless otherwise noted)

    a) Special Board Meeting: October 3, 2012 (if needed)
    b) Regular Board Meeting: October 17, 2012, 7:00 p.m.

Materials related to an item on this agenda that have been provided to the Board less than 72 hours prior to the meeting are available for public inspection at the Zone 7 office at the time of, and prior to, the meeting and at www.zone7water.com. All other material otherwise provided to the Board will be available at the public meeting.

MINUTES OF THE BOARD OF DIRECTORS
ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

REGULAR MEETING

August 15, 2012

President Palmer called the regular meeting to order at 7:00 p.m. with a salute to the flag. The following were present:

DIRECTORS:	SANDS FIGUERS JOHN GRECI A J MACHAEVICH SARAH PALMER RICHARD QUIGLEY ANGELA RAMIREZ HOLMES BILL STEVENS

DIRECTORS ABSENT: NONE

ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER TOM HUGHES, ASSISTANT GENERAL MANAGER, ADMINISTRATION KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING ROBYN NAVARRA, WATER CONSERVATION COORDINATOR JUDY RECTOR, BOARD SECRETARY
COUNSEL:	MAYA FERRY-STAFFORD, DOWNEY BRAND

Item 3 - Citizens Forum - None.

Item 4 - Minutes of the Regular Meeting of July 18, 2012

Director Greci moved and Director Quigley seconded a motion to approve the minutes. The minutes were approved by a voice vote of 6-1 with Director Figuers absent.

Item 5 - Consent Calendar

There was no discussion on the one consent item. Director Quigley moved and Director Machaevich seconded a motion to approve and the resolution passed by a roll call vote of 6-1 with Director Figuers absent.

Resolution 14-4214 Authorized the General Manager to accept and record the Grant of Easement from Surplus Property Authority of Alameda County and authorize payment for the easement. (Item 6a)

Item 6 - Staffing Updates

Item 6 (a) - Employee of the Month Recognition

General Manager Jill Duerig introduced to the Board the Employee of the Month for June, Brandon Woods, Water Resources Technician II. Brandon is currently working in the Facilities Engineering section but started in Flood Control. He has helped fill in as a skilled draftsperson using AutoCAD/Civil 3D providing design drawings for the Cope Lake Repair and Del Valle Chemical Improvements projects. He is also a participant on the Staff Advisory Team (SAT). Brandon was not present so the Board applauded him in absentia.

Item 7 - Award of Contract to Southwest Environmental for the Continuation of the Direct Install High-Efficiency Toilet and Urinal Program

Ms. Duerig noted that there had been a typographical error in the resolution distributed in the board packet but a corrected version was redistributed and posted on the website. The correct dollar amount for the contract is not to exceed $350,000, not $150,000.

Robyn Navarra, Water Conservation Coordinator, outlined to the Board the Direct Install Toilet and Urinal Program and request for a contract with Southwest Environmental for an amount not to exceed $350,000. This program involves replacing older, high volume toilets with high-efficiency toilets and existing urinals with high-efficiency urinals. The primary goal of the program is to reduce potable water demand over the next 20 years.

Because Director Ramirez Holmes is new to the Zone 7 Board, Robyn expanded her discussion to include the types of programs, legislation, budget, successes, and outreach efforts involved with Zone 7's water conservation program.

Director Figuers arrived at 7:45 p.m.

After further discussion and comments by Directors Figuers, Quigley and Machaevich, Director Ramirez Holmes suggested that case studies such as Summerhill Suites should be presented to the community through press releases to further educate them on the water conservation program and remind the public that the programs are available.

President Palmer asked for public comment and hearing none, Director Ramirez Holmes moved that the item be approved and Director Quigley seconded the motion. Resolution No. 13-4215 was approved by a roll call vote of 7-0. The General Manager was authorized to sign the contract with Southwest Environmental in an amount not to exceed $350,000 for the Direct Install High-Efficiency Toil and Urinal Program.

Item 8 - Committees - Administrative Committee Minutes - August 2, 2012

Director Ramirez Holmes asked what are the next steps from the Board perspective since the Administrative Committee has met. President Palmer said they are still waiting for some information that is being gathered.

Ms. Duerig noted that Tom Hughes should be added to the list of MAT members noted on the first page of the August 2 minutes and Tom Pico should be moved from the SAT list to the list of MAT members.

Item 9 - Reports - Directors

a. Verbal comments by President –
President Palmer noted that the Board Retreat will be held on August 22.

b. Written report by Director Quigley –
He reported on the two classes he took at the Zone 7 Parkside facilities for the California Special District Association (CSDA) academy. He asked for a tour of Parkside as a large Zone 7 asset and revisited his request for a tour of Chain of Lakes. Mr. Arends is trying to arrange the tour with no more than three Board members in order to be Brown Act compliant.

c. Verbal reports

President Palmer discussed a phone call she received from a City of Dublin resident who lives in an adjoining condominium complex and was very concerned about the work being done in Alamo Creek. President Palmer discovered that the work was for brush management and that a brush wall formation was being formed to capture sediment from flowing water during the winter plus it helps to build the stream bank. She has offered to walk along the arroyo with the resident and explain erosion control.

Director Ramirez Holmes reported Zone 7 had been a discussion item at the June Alameda County Local Agency Formation Commission (LAFCo) meeting and, in light of the Grand Jury report, she attended this meeting on July 31. In January the Commission assigned an in-depth Spheres of Influence review to Zone 7 to determine the financial adequacy and a thorough review of any government structure alternatives; the draft may be available by October with a public hearing between November and January. The Spheres of Influence decisions for Zone 7 were postponed at the last LAFCo meeting until the review is done. Ms. Duerig was also in attendance and will supply the Board with the information.

Director Quigley thanked staff for getting a "read" on the filling of Del Valle. He would like to see it converted into inches instead of acre feet. President Palmer advised that all that information is available on DWR's CDEC website.

President Palmer asked for items for the Board Retreat agenda.

Item 10 - Items for Future Agendas – Directors

Director Ramirez Holmes brought up the recent State action on suspending the Brown Act mandates that require local jurisdictions to post meeting agendas and require disclosures for reporting out of closed session. She asked that by resolution at the regular September meeting, Zone 7 reaffirm a commitment to continue to be transparent and post agendas. President Palmer assured her that it is on the agenda for the Board Retreat.

Item 11 - Staff Reports (Information items.)

a. General Manager's Report
b. Legislative Update
c. Status Report on Separation Efforts
d. Updated Related to the Bay Delta Conservation Plan
e. Report on Water Sales and Connection Fee Revenue
f. Verbal Reports - None

Item 12 - Closed Session

Closed session was cancelled.

Item 13 - Open Session and Report Out of Closed Session - none

Item 14 - Adjournment

The meeting was adjourned at 8:18 p.m.

MINUTES OF THE BOARD OF DIRECTORS
ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

SPECIAL MEETING/BOARD WORKSHOP
August 22, 2012

President Palmer called the Special Board Meeting to order at 8:48 a.m., in the Pheasant Room, Marriott Livermore Residence Inn, 1000 Airway Boulevard, Livermore, California. The following were present:

DIRECTORS: SANDY FIGUERS (arrived at 11:45 a.m.)
JOHN GRECI
SARAH PALMER
DICK QUIGLEY
ANGELA RAMIREZ HOLMES
WILLIAM STEVENS
A.J. MACHAEVICH (absent)

ZONE 7 STAFF: JILL DUERIG, GENERAL MANAGER
KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING
TOM HUGHES, ASSISTANT GENERAL MANAGER, ADMINISTRATION
DAVID ALADJEM, GENERAL COUNSEL
JUDY RECTOR, BOARD SECRETARY

Item 2 - Public Forum - No public comments.

Item 3 - Board Workshop

a) Review of standards

i. Brown Act

General Counsel David Aladjem gave a power point presentation regarding the Brown Act and handed out copies of Open & Public IV: A Guide to the Ralph M. Brown Act by the League of California Cities. He said the language from the Code stresses "openness" and discussed the basics of the Brown Act, key elements, the definition of a meeting (including serial meetings and email communications), closed session reporting out, and enforcement of the Brown Act. AB 1464 has caused confusion and new technology such as Facebook have created a public forum where users must be cautious about discussions that could be considered informal collusion so the best practice is not to comment.

ii. Gentleperson's Agreement

Copies of the July 20, 2007 Gentleperson's Agreement was distributed to remind Board members of agreement to:

- Be cordial to each other even when disagreeing
- Communicate with staff in advance of board meetings to address detailed questions and not to put them on the spot or embarrass them
- Use the THINK philosophy of: T –is it true?
  H – is it helpful?
  I – is it inspiring?
  N – is it necessary?
  K – is it kind?

iii. Board Policy on Conducting Business

Due to recent legislation (AB 1464) related to the Brown Act, the Board discussed a proposal to address creating a resolution for a board policy which would endorse staff practices of publishing agendas ahead of time to maintain public awareness and clarity in Zone 7 communications. The Board agreed to vote on a resolution in the next regular board meeting to endorse the current procedure for posting and distributing agendas, regardless of whether or not this is still a requirement under the Brown Act.

Page 5, Section 10, of the Board Policy on Conducting Business requires a revision to include language that the policy was revised February 15, 2012 by the Zone 7 Board of Directors regarding the General Manager's authority to respond to emergency situations. The policy was originally adopted March 15, 2006, amended September 20, 2006, and again on February 15, 2012. Staff were directed to bring this forward at the September board meeting, too.

b) Mission Statement – review, discuss

The Board took a fresh look at the mission statement to see if it needs to be redefined. The use of the "Livermore-Amador Valley" in the first sentence was considered unclear. Staff were requested to review valley names and to prepare a staff report with maps and history of terminology.

c) Possible Vision/Values – review MAT/SAT draft, discuss

Board members received a packet of mission-vision-value statements from other agencies that were collected by a joint Blue Culture Committee from the Management Advisory Team (MAT) and the Staff Advisory Team (SAT). The Committee of members from those teams attempted to clarify the values suggested in the Mission Statement to add other core values and to draft a vision statement for Zone 7. The Board decided to have the MAT/SAT committee present their ideas to the full Board so Board members could have a dialogue with them and ask questions on their selection of the specific statements chosen from other agencies. Director Ramirez Holmes stressed using language for diversity, quality, and values.

During the Board's discussion, it was suggested that the mission statement should remain substantially unchanged. Other words suggested that could be considered as value statements include: open and/or transparent government and communication; community partnerships; and customer service.

There was some discussion whether in the current Zone 7 mission statement, the first sentence is the mission statement:

"Zone 7 Water Agency is committed to providing a reliable supply of high quality water and an effective flood control system to the Livermore-Amador Valley."

The second sentence is the vision statement:

"In fulfilling our present and future commitments to the community, we will develop and manage the water resources in a fiscally responsible, innovative, proactive and environmentally sensitive way."

The next item was taken out of order due to time and schedule constraints.

e) Committees:

- Standing and *ad hoc*

Current standing and ad hoc Zone 7 Board Committee Assignments were reviewed by the Board and President Palmer. Mr. Aladjem clarified the difference between standing committees such as the Administrative Committee, Finance Committee, or Liaison Committee and the ad hoc committees which are formed for specific issues and are short term.

- appointments and suggestions

Angela Ramirez Holmes was appointed to the Finance Committee to replace retired director Chris Moore. She was also recognized as the official alternate for the Liaison Committee.

The name of the Delta Committee was changed to the Water Resources Committee to reflect its coverage of both flood control and water issues. The definition of this committee will be changed on the Zone 7 website to reflect these changes.

Director Figuers arrived at the meeting at 11:45 a.m.

The Board discussed ways to be notified of upcoming meetings for other agencies. Board members can go to websites for agencies they are interested in and add themselves to the agency's e-mail meeting notification list.

Director Ramirez Holmes will be the "Political Liaison Yeoman" and distribute to Board members a list of other agencies to determine interest.

An Ad Hoc Response Committee was formed with President Palmer and Directors Greci and Stevens to respond to the Grand Jury report by September 21st.

d) Strategic Plan – review, discuss, revise as necessary

The intention of the Strategic Plan is to be a tool for planning to help Zone 7 staff focus its attention on multiple priorities and to be a living document. The Board originally reviewed the priorities and deliverables at the July 2010 board meeting.

- Review strategic plan function

    - <u>a living document</u> reviewed periodically to ensure continuing value as a tool to help Zone 7 meet its mission statement. General Counsel David Aladjem stated that the Strategic Plan is not a guarantee that something will be done, just what the Board aspires or wants to do.

    - <u>not too long</u>

The Board reviewed, discussed and revised the five general priorities under strategic planning:

1) Assist retailers in providing their customers with a reliable, cost-effective and safe water supply.
2) Provide the valley with an effective system of flood protection.
3) Provide the Agency with effective organization, administration and governance.
4) Operate the Agency in a cost effective manner.
5) Improve public understanding of the Agency and the challenges it faces with respect to accomplishing its core functions of water supply and flood protection.

    - <u>easily tracked</u>

Two deliverables charts were addressed by the Board: 1) updated the 8/11/2010 list, and 2) a status chart noting the deliverable, priority addressed, responsible leads and accomplishments. The Board reviewed both charts and eliminated those tasks that have been completed while revising deadlines on others.

- How does the MAT/SAT information affect our strategic plan?
- Are we meeting our goals? What needs to be deleted or changed?
- Going forward?

The Board discussed the need to increase the public's understanding of the Agency's functions.

Item 4 - Verbal Comments

The City of San Ramon, City of Livermore, City of Dublin, Dublin San Ramon Services and Zone 7 are involved with an "integration of services" study for the Local Agency Formation Commission (LAFCo). Ms. Duerig has given the Board periodic updates but when the public information approved by all six agencies is drafted, she will provide it to the Board.

Adjournment

The meeting was adjourned at 3:58 p.m.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Office of the General Manager
CONTACT: Jill Duerig

AGENDA DATE: September 19, 2012 ITEM NO. 5a

SUBJECT: Consider Adopting a Resolution Supporting Continuation of Staff Procedures Despite Suspension of Certain Brown Act Requirements

SUMMARY:

- This summer, the California Legislature suspended portions of the Brown Act as part of its budget effort (claiming it will save the State $96 million over the next three years).
- This cost-saving suspension is related to a 1986 amendment to the state constitution providing that whatever new burdens the legislature places on local government, the legislature must appropriate funds to reimburse local agencies for those new burdens (i.e., no "unfunded state mandates").
- Only the post-1986 Brown Act requirements are subject to this state reimbursement requirement.
- As a result, for many years local agencies have been seeking reimbursement for preparing and posting meeting agendas for their governing and other bodies as mandated by Brown Act amendments passed in 1986—even though many were routinely doing this anyway to satisfy practical and political expectations.
- Zone 7 has not received state reimbursement for such postings in recent times.
- The suspension means that boards no longer need to:
  - (i) post meeting agendas,
  - (ii) include a detailed description of items to be discussed in closed session, and
  - (iii) provide verbal report in open session about the actions and votes taken in closed session.
- Staff recommends continuing existing practices despite the suspension of portions of the Brown Act. While this might require some extra staff effort, staff are accustomed to it and feel it is best to continue, especially in light of the Zone's Core Values to be open and transparent.

RECOMMENDATION:

Adopt attached resolution to continue existing practices to provide government transparency and to provide correct information to the public.

FINANCIAL:

No fiscal impact.

ATTACHMENT:

Resolution

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO

INTRODUCED BY
SECONDED BY

WHEREAS, the State recently suspended portions of the Brown Act;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control & Water Conservation District does hereby direct the General Manager to continue existing practices to maintain an open and transparent approach to its public meetings.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on September 19, 2012.

By____
President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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ORIGINATING SECTION: ADMINISTRATION
CONTACT: JILL DUERIG

AGENDA DATE: September 19, 2012 ITEM NO. 5b

SUBJECT: CONSIDER AMENDING BOARD POLICY ON CONDUCTING BUSINESS

SUMMARY:

During the Board Retreat on August 22, 2012, the board identified an improvement that could be made to Section 10 of the Board Policy on Conducting Business to keep it current as changes are made to other policies. The proposed change is to modify the Section 10 paragraph as follows:

> Members of the Board of Directors shall comply with the provisions of the current Zone 7 Board of Directors' Compensation and Expense Reimbursement Policy ~~adopted March 15, 2006 and as amended September 20, 2006~~. ~~Said policy is attached hereto and incorporated herein as Appendix "A."~~

FINANCIAL:

There is no direct fiscal impact from adopting the proposed amendment.

RECOMMENDED ACTION:

Adopt attached resolution.

Attachments: Resolution Amending Policy
Revised Policy on Conducting Business (full text)

Alameda County Flood Control & Water Conservation Agency, Zone 7
Zone 7 Water Agency

Resolution No.

Motion:
Second:

A Resolution Revising the Zone 7 Water Agency Board Policy on Conducting Business

WHEREAS, the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District adopted the Board Policy on Conducting Business on December 17, 2008; and

WHEREAS, the Board of Directors amended this Policy on February 15, 2012; and

WHEREAS, the Board has expressed an interest in further amending this Policy by changing Section 10 to read:

> Members of the Board of Directors shall comply with the provisions of the current Zone 7 Board of Directors' Compensation and Expense Reimbursement Policy ~~adopted March 15, 2006 and as amended September 20, 2006~~. ~~Said policy is attached hereto and incorporated herein as Appendix "A."~~

NOW THEREFORE BE IT RESOLVED by the Board of Directors of the Zone 7 Water Agency that the "ZONE 7 WATER AGENCY BOARD POLICY ON CONDUCTING BUSINESS" is amended to include this change.

* * * * *

ADOPTED by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on September 19, 2012.

By: ______________________________
President, Board of Directors

ZONE 7 WATER AGENCY BOARD POLICY
ON CONDUCTING BUSINESS

PREAMBLE

The most fundamental principle of public service ethics was stated by Henry Clay in 1829: "Government is a trust, and the officers of government are the trustees; and both the trust and the trustees are created for the benefit of the people."

SECTIONS:

1. PURPOSE AND SCOPE
2. RESPONSIBILITIES OF PUBLIC OFFICE
3. FAIR AND EQUAL TREATMENT
4. PROPER USE AND SAFEGUARDING OF AGENCY PROPERTY AND RESOURCES
5. USE OF CONFIDENTIAL INFORMATION
6. CONFLICT OF INTEREST
7. SOLICITING POLITICAL CONTRIBUTIONS
8. CANDIDATE'S STATEMENT
9. INCOMPATIBLE OFFICES

9A. POTENTIALLY INCOMPATIBLE POSITIONS

10. DIRECTORS' COMPENSATION & EXPENSE REIMBURSEMENT
11. VIOLATION OF ETHICS POLICY
12. IMPROPER ACTIVITIES AND THE REPORTING OF SUCH ACTIVITIES; PROTECTION OF "WHISTLE BLOWERS"
13. COMPLIANCE WITH THE BROWN ACT
14. BOARD OF DIRECTORS' ROLES AND DUTIES; GENERAL MANAGER'S ROLE AND DUTIES
15. BOARD-GENERAL MANAGER RELATIONSHIP
16. BOARD OFFICERS AND BOARD COMMITEES
17. BOARD MEETINGS; QUORUM; VOTING
18. BOARD MEETING AGENDA
19. BOARD DECORUM

SECTION 1. PURPOSE AND SCOPE

The policy of the Zone 7 Water Agency is to maintain the highest standards of ethics by its Board Members in carrying out their duties to achieve the Agency's missions. The proper operation of the Agency requires decisions and policies to be made in the proper channels of governmental structure, that public office not be used for personal gain, and that all individuals associated with the Agency remain impartial and responsible toward the public. Accordingly, it is the policy of the Agency that Board Members and Agency employees will maintain the highest standard of personal honesty and fairness in carrying out their duties and to do so in conformity with these Agency Guidelines for operations and procedure. This policy sets forth the minimum ethical standards to be followed by the Board of Directors of the Zone 7 Water Agency and the manner in which the Agency and the Zone 7 Board of Directors shall operate. The objectives of this policy are (1) to establish uniform guidelines and operating procedures for the Board of Directors; (2) to heighten awareness of ethics and values and critical elements in Board Members' conduct; (3) to provide guidance for dealing with ethical issues; and (4) to improve ethical decision-making and values-based management.

SECTION 2. RESPONSIBILITIES OF PUBLIC OFFICE

Board Members are sworn to uphold the Constitution of the United States and the Constitution of the State of California. Board Members will comply with applicable laws regulating their conduct, including conflict of interest, financial disclosure and open government laws. Board Members will work in cooperation with other public officials unless prohibited from so doing by law or officially-recognized confidentiality of their work.

SECTION 3. FAIR AND EQUAL TREATMENT

Board Members will not, in the performance of their official functions, discriminate against or harass any person on the basis of race, religion, color, creed, age, marital status, national origin, ancestry, sex, sexual preference, medical condition or disability. A Board Member will not grant any special consideration, treatment or advantage to any person or group beyond that which is available to every other person or group in similar circumstances.

SECTION 4. PROPER USE AND SAFEGUARDING OF AGENCY PROPERTY AND RESOURCES

Except as specifically authorized, a Board Member will not use or permit the use of Agency owned vehicles, equipment, telephones, materials or property for personal convenience or profit. A Board Member will not ask or require an Agency employee to perform services for the personal convenience or profit of a Board Member or employee. Each Board Member must protect and properly use any Agency asset within his or her control, including information recorded on paper or in electronic form. Board Members will safeguard Agency property, equipment, moneys and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

SECTION 5. USE OF CONFIDENTIAL INFORMATION

A. A Director is not authorized, without approval of the Board of Directors, to disclose information that qualifies as "confidential information" under applicable provisions of law to a person not authorized to receive it, that (1) has been received for, or during, a closed session meeting of the Board; (2) is protected from disclosure under the attorney/client or other evidentiary privilege; or (3) is not required to be disclosed under the California Public Records Act.

B. This section does not prohibit any of the following: (1) making a confidential inquiry or complaint to the Agency's General Counsel or grand jury concerning a perceived violation of law, including disclosing facts to the Agency's General Counsel or grand jury that are necessary to establish the alleged illegality of an action taken by the Agency; (2) expressing an opinion concerning the propriety or legality of actions taken by the Agency in closed session, including disclosure of the nature and extent of the allegedly illegal action; or (3) disclosing information acquired by being present in a closed session that is not confidential information. Prior to disclosing confidential information pursuant to (1) or (2), above, however, a Board Member is encouraged to first bring the matter to the attention of either the President of the Board or the Board, in a lawful and appropriate manner, to provide the Board an opportunity to cure an alleged violation.

C. A Director who willfully and knowingly discloses for pecuniary gain confidential information received by him or her in the course of his or her official duties may be guilty of a misdemeanor under Government Code section 1098.

SECTION 6. CONFLICT OF INTEREST

A. A Board Member will not have a financial interest in a contract with the Agency, or be a purchaser at a sale by the Agency or a vendor at a purchase made by the Agency, unless the Board Member's participation was authorized under Government Code section l091. A Board Member will not participate in the discussion, deliberation or vote on a matter before the Board of Directors, or in any way attempt to use his or her official position to influence a decision of the Board, if he or she has a prohibited interest with respect to the matter, as defined in the Political Reform Act, Government Code sections 81000, and following, relating to financial conflicts of interest.

Generally, a Director has a financial interest in a matter if it is reasonably foreseeable that the Board's decision would have a material financial effect:

a) on a business entity in which the Director has a direct or indirect investment in an amount as established by the FPPC;

b) involving real property in which the Director has a direct or indirect investment interest, in an amount as established by the FPPC

c) involving a source of income of the Director in an amount as established by the FPPC within twelve months before the Board decision;

d) involving a source of gifts to the Director in an amount as set or adjusted January 1 of each odd-numbered year by the FPPC, within twelve months before the Board decision; or

e) on a business entity in which the Director holds a position as a director, trustee, officer, partner, manager or employee.

The above circumstances would constitute a material financial effect if distinguishable from the effect on the public generally. For additional information or questions, see www.FPPC.ca.gov or contact the FPPC at 1-866-ASK-FPPC.

An "indirect interest" means any investment or interest owned by the spouse or dependent child of the Director, by an agent on behalf of the Director, or by a business entity or trust in which the Director, or the Director's spouse, dependent child or agent, owns directly, indirectly or beneficially, a ten percent or greater interest. A Director will not accept gifts that exceed the limitations set forth above in subsection (d) or honoraria. Board Members will report all gifts, honoraria, campaign contributions, income and financial information as required under the Agency's Conflict of Interest Code and the provisions of the Fair Political Practices Act and the FPPC Regulations.

B. If a member of the Board believes that he or she may be disqualified from participation in the discussion, deliberations or vote on a particular matter due to a conflict of interest, the following procedure will be followed:

a) if the Director becomes aware of the potential conflict of interest before the Board meeting at which the matter will be discussed or acted on, the Director will notify the Agency's General Manager of the potential conflict of interest, so that a determination can be made whether it is a disqualifying conflict of interest;

b) if it is not possible for the Director to discuss the potential conflict with the General Manager before the meeting, or if the Director does not become aware of the potential conflict until during the meeting, the Director will immediately disclose the potential conflict during the Board meeting, so that there can be a determination whether it is a disqualifying conflict of interest; and

c) upon a determination that there is a disqualifying conflict of interest, the Director (1) will not participate in the discussion, deliberation or vote on the matter for which a conflict of interest exist, which will be so noted in the Board minutes; and (2) will leave the room until after the discussion, vote and any other disposition of the matter is concluded, unless the matter has been placed on the portion of the agenda reserved for uncontested matters, except that the Director may speak on the issue during the time that the general public speaks on the issue.

C. A Board Member will not recommend the employment of a relative by the Agency. In addition, a Board Member will not recommend the employment of a relative to any person known by the Board Member to be bidding for or negotiating a contract with the Agency.

D. A Board Member who knowingly asks for, accepts or agrees to receive any gift, reward or promise thereof for doing an official act, except as may be authorized by law, may be guilty of a misdemeanor under Penal Code section 70.

SECTION 7. SOLICITING POLITICAL CONTRIBUTIONS

Board Members are prohibited from soliciting political funds or contributions at Agency facilities or from Agency employees. A Board Member will not accept, solicit or direct a political contribution from Agency vendors or consultants who have a material financial interest in a contract or other matter while that contract or other matter is pending before the Agency. A Director will not use the Agency's seal, trademark, stationery or other indicia of the Agency's identity, or facsimile thereof, in any solicitation for political contributions as per state or federal law.

SECTION 8. CANDIDATE'S STATEMENT

A Board Member will not include false or misleading information in a candidate's statement for a general Agency election filed pursuant to section 13307 of the Elections Code.

SECTION 9. INCOMPATIBLE OFFICES

Pursuant to California Government Code Section 1099, it shall be prohibited for any Board Member appointed or elected to the Zone 7 Board of Directors to simultaneously hold two public offices that are incompatible**.** Offices are incompatible when any of the following circumstances are present, unless simultaneous holding of the particular offices is compelled or expressly authorized by law:

> **(1)** Either of the offices may audit, overrule, remove members of, dismiss employees of, or exercise supervisory powers over the other office or body.
>
> **(2)** Based on the powers and jurisdiction of the offices, there is a possibility of a significant clash of duties or loyalties between the offices.
>
> **(3)** Public policy considerations make it improper for one person to hold both offices.

When two public offices are incompatible, the Director shall be deemed to have forfeited his/her Directorship on the Zone 7 Board upon acceding to the second. Offices which may be deemed incompatible with being a Director of the Zone 7 Board, include but are not limited to: Council members of the Dublin, Pleasanton or Livermore City Council, the Mayor of any of these three Cities, Supervisors of the Alameda County Board of Supervisors and Directors of the East Bay Regional Park District.

SECTION 9A: POTENTIALLY INCOMPATIBLE POSITIONS

Pursuant to California Government Code Section 53227, active Zone 7 employees may not be sworn into office as a member of the Zone 7 Board of Directors unless he/she resigns as an employee. Failure to resign shall result in his/her employment automatically terminating upon his/her being sworn into office.

Section 9 above generally does not apply to employees of other local agencies whose public offices may be deemed incompatible. However, in the event that the scope and nature of the employment and associated authority is such that any of the factors set forth above are present, then such employment may be deemed incompatible with that of the Office of Zone 7 Director.

SECTION 10. DIRECTORS' COMPENSATION AND EXPENSE REIMBURSEMENT

Members of the Board of Directors shall comply with the provisions of the current Zone

7 Board of Directors' Compensation and Expense Reimbursement Policy.

SECTION 11. VIOLATION OF ETHICS POLICY

A perceived ethical violation by a Board Member should be referred to the President of the Board or the Board of Directors for investigation, and consideration of any appropriate action warranted. A violation of this policy may be addressed by the use of such remedies as are available by law to the Agency, including but not limited to:

a.) adoption of a resolution expressing disapproval of the conduct of the Board Member who has violated this policy;

b.) injunctive relief; or

c.) referral of the violation to the Agency General Counsel and/or the Grand Jury.

SECTION 12. IMPROPER ACTIVITIES AND THE REPORTING OF SUCH ACTIVITIES; PROTECTION OF "WHISTLE BLOWERS"

A. The General Manager has primary responsibility for (1) ensuring compliance with the Agency's personnel policies and procedures, and ensuring that Agency employees do not engage in improper activities; (2) investigating allegations of improper activities; and (3) taking appropriate corrective and disciplinary actions. The Board has a duty to ensure that the General Manager is operating the Agency according to law and the policies approved by the Board. Board Members are encouraged to fulfill their obligation to the public and the Agency by disclosing to the General Manager to the extent not expressly prohibited by law, improper activities within their knowledge. Board Members will not interfere with the General Manager's responsibilities in identifying, investigating and correcting improper activities, unless the Board determines that the General Manager is not properly carrying out these responsibilities. Nothing in this section affects the responsibility of the Board to oversee the performance of the General Manager.

B. A Board Member will not directly or indirectly use or attempt to use the authority or influence of his or her position for the purpose of intimidating, threatening, coercing, commanding or influencing any other person for the purpose of preventing such person from acting in good faith to report or otherwise bring to the attention of the General Manager or the Board any information that, if true, would constitute: a work-related violation by a Board Member or Agency employee of any law or regulation, gross waste of Agency funds, gross abuse of authority, a specified and substantial danger to public health or safety due to an act or omission of an Agency official or employee, use of an Agency office or position or of Agency resources for personal gain, or a conflict of interest of an Agency Board Member or Agency employee.

C. A Board Member will not use or threaten to use any official authority or influence to affect any action as a reprisal against an Agency Board Member or Agency employee who reports or otherwise brings to the attention of the General Manager, General Counsel, Board

President, Assistant General Manager, or other legal authority any information regarding the subjects described in this section.

SECTION 13. COMPLIANCE WITH THE BROWN ACT

The members of the Board of Directors will fully comply with the provisions of the State's open meeting law for public agencies (the Brown Act; Government Code Section 54950, *et seq*.). Interpretation of Brown Act provisions shall be within the purview of the Agency's General Counsel.

SECTION 14. BOARD OF DIRECTORS' ROLES AND DUTIES; GENERAL MANAGER'S ROLE AND DUTIES

A. The Board of Directors holds governing authority for the Agency and its roles and responsibilities are:

1. Establish policies, procedures and regulations for District operations;
2. Establish and oversee the Agency's finances and budgets;
3. Provide the resources needed by management and staff to carry out Agency policy;
4. Determine the mission of the Agency
5. Approve and ensure the development and implementation of the Agency's Strategic Plan; and
6. Appoint and evaluate the General Manager.

B. Directors Individually: Apart from his/her normal function as a part of the Board of Directors, each individual Director's roles and responsibilities are as follows:

1. Function only as one member of the Board;
2. Have no individual authority unless authorized by the Board;
3. May not commit, nor represent that they can commit, the District to any policy, act, or expenditure; and
4. Directors are encouraged to support decisions made by the Board

C. The Agency's General Manager:

1. Has full charge and control of the construction, maintenance and operation of the water system, flood control systems and other facilities of the Agency;

2. Has full charge and control of the day-to-day management, operation and administration of the Agency;

3. Has full power and authority to employ and discharge employees and assistants, consistent with Agency policy and other provisions of law;

4. Prescribes the duties of employees and assistants, consistent with Agency policy; and

5. Fixes and alters the compensation of employees and assistants, subject to approval by the Board.

SECTION 15. BOARD-GENERAL MANAGER RELATIONSHIP

The Board sets the policy for the Agency. The Agency's General Manager serves by appointment of the Board. The Board provides policy direction and general instructions to the General Manager on matters within the authority of the Board by the requisite vote of the Board during duly-convened Board meetings. Members of the Board will deal with matters within the authority of the General Manager through the General Manager and not through other Agency employees. Members of the Board will refrain from making requests directly to Agency employees (rather than to the General Manager) to undertake analyses, perform other work assignments or change the priority of work assignments. A director's requests for non-confidential, factual information regarding Agency operations should be made through the General Manager, an Assistant General Manager or the District Secretary so that the appropriate Agency staff members may be engaged and coordinated to provide the information for the Board Member(s) in the most efficient and effective manner.

SECTION 16. BOARD OFFICERS AND BOARD COMMITTEES

No later than the first regularly scheduled Board meeting of each July, the Board shall elect its President and Vice President to serve for the following twelve month period. Nominations shall be made by Board Member(s) and if the nomination is seconded, it shall be submitted to a vote of the Board. A majority vote of members present shall be required to ratify the election of the nominated Member.

The Board President shall be responsible for determining the Board committees and committee assignments no later than the first regularly scheduled Board meeting in August of each year. If a Board member is not satisfied with the committee or his/her assignment, that member may take his/her request or complaint to the Board for consideration and action at the next regularly scheduled Board meeting.

The Board President shall be responsible for the orderly and timely conduct of Board meetings and shall have the discretion to impose reasonable time limits for statements or discussion by members of the public and members of the Board.

The Vice President of the Board shall preside over any Board meeting at which the Board President is absent and shall assume the responsibilities of the Board President for the conduct of that meeting.

SECTION 17. BOARD MEETINGS; QUORUM; VOTING

A) The Agency's Board meetings shall be conducted following the general guidelines of "Rosenberg's Rules of Order: Simple Parliamentary Procedures for the 21st Century," League of California Cities, 2003, attached hereto and incorporated herein as Appendix B.

B) Regular meetings of the Board shall be held on the third Wednesday of each month, beginning at 7:00 pm in the Agency's Board room located at 100 North Canyons Parkway, Livermore, California. The agenda for regular Board meetings shall be posted in a public place at least 72 hours prior to the meeting. Any changes to that schedule must be determined at a regularly-scheduled board meeting at least two months earlier than the scheduled meeting.

C) Special meetings of the Board shall be held for the purpose of discussing Agency matters that either (1) require prompt Board consideration and action which cannot be delayed until the next regularly scheduled Board meeting; (2) concern matter(s) of a specialized topic/nature which would benefit from focused Board consideration and deliberation;(3) matters continued from the last regular Board meeting; or (4) at the discretion of the President of the Board of Directors. Notice and posting of Special Meetings shall be in conformity with the provisions of the Brown Act.

D) The Board hereby ratifies and re-approves Resolutions 1296 and 95-1777 which detail the manner in which the Agency and the General Manager will respond to emergency situations (i.e., taking necessary actions to protect public health or safety). In non-emergency situations where action is required prior to the time when the Board is able to convene a Special Meeting (i.e., those times when it is critical from a business standpoint to take immediate action), the Board hereby delegates all necessary authority to respond to such urgent circumstances to the General Manager, who shall consult with either the President of the Board or, if unavailable, one of the other Directors, prior to taking the action. The General Manager shall report his/her actions to the full Board of Directors during its next meeting.

E) A quorum of the members of the Board of Directors shall be present in order to convene an official regular or special meeting of the Board for the transaction of business. A quorum is established by the presence of no less than four (4) Directors. In the event a quorum of the Board is not present at a noticed and agendized regular or special meeting, the meeting shall be adjourned to a future date pursuant to the provisions of Government Code sections 54955 or 54954.2(b)(3).

F) Board members shall at the earliest opportunity, advise the Board Secretary in the event that he/she is unable to attend a scheduled meeting of the Board.

G) A majority vote of the members of the Board present at a regular or special meeting shall be required to constitute an official act of the Board unless a greater number of votes are otherwise required by law. Abstentions are to be considered neutral and do not count as affirmative or negative votes.

H) Committee Meetings shall be held on an “as needed” basis. Board Members desiring to convene meetings of a standing committee or to establish an ad hoc committee shall submit, for consideration, such request to the Board President or General Manager detailing the nature and purpose for such meeting. If the request is approved, the scheduling of such meeting shall be at the earliest practical opportunity. Alternatively, Board Members may, during the “Items for Future Agendas” portion of the agenda at a regular meeting of the Board, request that a committee meeting be convened and such request shall be submitted to a vote of the Board members present. The General Manager may convene meetings of committees as necessary to further Agency operations as s/he deems necessary, and may also submit specific matters to the Board President for referral to standing or ad hoc committees.

SECTION 18. BOARD MEETING AGENDAS

Any Board member may request items be placed onto the board agenda of upcoming Board meetings by submitting a request to the President of the Board and General Manager no later than ten (10) business days prior to the scheduled Board meeting at which the item is requested to be considered, a written document explaining the item and offering recommendations. The Board President and/or the General Manager shall determine whether such request shall be granted. Alternatively, Board Members may request that items be calendared for future Board agendas during the “Items for Future Agendas” portion of the agenda at a regular meeting of the Board.

Zone 7 staff shall send regular Board meeting agendas and supporting documents to each member of the Board no later than the Friday immediately preceding the regularly scheduled Board meeting. Board members should thoroughly review the agenda and accompanying documents and materials and be prepared to discuss same at the scheduled Board meeting. Any questions regarding the agenda, items contained therein and/or supporting documents and materials, shall be directed to the General Manager, an Assistant General Manager or the District Secretary at the earliest opportunity.

SECTION 19. BOARD DECORUM

Board members shall at all times conduct themselves with the utmost decorum. Members shall afford due respect to one another, Agency staff and the public. Members shall be courteous and shall not engage in personal attacks or make malicious or offensive statements or comments during the conduct of Agency business. In carrying out their duties, Board members shall bear in mind the Board’s role, the Agency’s mission and the interests of the constituency the Board serves. Director participation shall be relevant to the subject matter at hand and should be expressed in a thoughtful, clear, succinct and articulate manner.

During the section of the agenda of “Director Reports”, directors reporting at the Board meeting shall limit verbal reports to topics related to Zone 7’s mission and limited to five minutes per director. If the Director has additional information to share with the Board, such information shall be provided in advance to the General Manager as a written report that can be included in the agenda package.

When communicating with members of the public or other public agency representatives, individual board members shall refrain from making personal commitments or promises for the Agency. In addition, when expressing *personal views and opinions* to third parties concerning matters within the jurisdiction of or affecting the Agency, Directors shall duly qualify them as such to avoid misinterpretation of those views and opinions as those of the Board of Directors. Conversely, when authorized by the Board of Directors to speak for the Agency at other public agencies' meetings, clearly state that what is said has been approved by the Board or that the Board has no position on an issue.

Directors are encouraged to support District policy and avoid personal statements that conflict with Board-adopted policy and decisions. Members shall afford due respect for other Member's differing opinions and viewpoints. When expressing a dissenting view to members of the public, other public agencies, other public officials and/or to the media, to avoid stimulating or inflaming controversy, Directors are encouraged to support adopted Board policy.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Office of the General Manager
CONTACT: Jill Duerig

AGENDA DATE: September 19, 2012 ITEM NO. 5c

SUBJECT: Consider Responding to the 2012 Alameda County Grand Jury Final Report

SUMMARY:

- On June 25, 2012, the Alameda County Grand Jury issued its 2011/12 Final Report.
- This report included comments on Zone 7 and its efforts to separate from the County of Alameda.
- Although there were no specific recommendations pertaining to Zone 7, some of the statements in the report seem to be based upon incomplete information.
- The Ad Hoc Response Committee met and recommended authorizing the President of the Board to provide clarifying comments and a response to the Grand Jury's June 25, 2012 Annual Report.

RECOMMENDATION:

Adopt attached resolution to authorize the President of the Board to provide clarifying comments to the Grand Jury.

FINANCIAL:

No fiscal impact.

ATTACHMENT:

Resolution

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO

INTRODUCED BY
SECONDED BY

WHEREAS, on June 25, 2012, the Alameda County Grand Jury issued its 2011/12 Final Report; and

WHEREAS, this report included comments regarding Zone 7 and its efforts to separate from the County of Alameda;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control & Water Conservation District does hereby authorize and direct the President of the Zone 7 Board to timely provide clarifying comments on this Annual Report.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on September 19, 2012.

By____
President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Administrative Services
CONTACT: Tom Hughes

AGENDA DATE: September 19, 2012 ITEM NO. 6a

SUBJECT: Employee of the Month Recognition

SUMMARY:

The Employee Recognition Program Nomination Committee met in August and selected the Employee of the Month for July 2012 according to the established Program Guidelines. The individual chosen out of the submitted nominations is then recommended to Management for approval and there is a subsequent announcement of the selection to all Agency employees.

Jeff Madden, Water Plant Operator III in the Operations Section, has been chosen from among those nominated as the July 2012 Employee of the Month. Jeff, who works mainly at the Del Valle Water Treatment Plant (DVWTP), is extremely knowledgeable of water treatment and distribution system operation. He is a natural leader and has stepped up several times serving as Acting Water Facilities Supervisor for DVWTP and the Mocho Groundwater Demineralization Plant (MGDP) while taking classes at Las Positas College to work towards an engineering degree. Jeff is easy to work with, has a great attitude, and doesn't hesitate to help co-workers when asked. For example, Jeff was one of the few volunteers to give a technical tour of the MGDP as part of the CA/NV American Water Works Association's Spring Conference. At the time, he was not even assigned to MGDP but willingly made himself available to conduct the tour.

The committee seconded the recommendation and recognized Jeff as a valuable employee and an asset to Zone 7, with management approving the selection.

RECOMMENDED ACTION:

It is recommended that the Zone 7 Board of Directors recognize and congratulate Jeff Madden as July 2012 Employee of the Month.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING DIVISION: ADMINISTRATIVE SERVICES
CONTACT PERSON: TOM HUGHES/TAMARA BAPTISTA/JAVIA GREEN

AGENDA DATE: September 19, 2012 ITEM NO. 7

SUBJECT: Preliminary Treated Water Rate Proposals

SUMMARY:

- On August 28, 2012, the Finance Committee received a staff presentation on the preliminary treated water rates for calendar year 2013 and the suggestion of looking at setting a rate for 2014 at the same time.

- The Finance Committee discussed the presentation and directed staff to forward two proposals for the Board's discussion.

- Staff has prepared the attached report discussing two proposals:

  - Proposal A - 0% in 2013 and 2.65% in 2014
  - Proposal B - 0% in 2013 and 0% in 2014

- Staff recommends either Proposal A or a one-year rate setting of no (0%) increase in 2013.

- Along with the adoption of water rates in October, Staff plans to bring forward a revised reserve policy for consideration which may include: reclassification of the Rate Stabilization Reserve to the Drought Contingency Reserve and designating the unrestricted reserve as a Rate Stabilization Reserve.

FUNDING:

The water rate determines the amount of revenue from wholesale water sales to operate the Water Enterprise (Fund 52).

RECOMMENDED ACTION:

Receive the presentation, discuss the preliminary treated water rate proposals and provide direction to staff regarding the treated water rates to be brought forward for adoption at the October 17, 2012 Board meeting.

M E M O R A N D U M

DATE: September 19, 2012

TO: Jill Duerig, General Manager

FROM: Tom Hughes, Assistant General Manager, Administrative Services
Tamara Baptista, Financial & Systems Services Manager
JaVia Green, Staff Analyst

SUBJECT: Memo Providing Additional Information on Agenda Item

SUMMARY:

Possible 2013 and 2014 water rates were discussed at the Finance Committee meeting on August 28, 2012. Attached is a summary table with the background material used for the development of the proposed two-year water rates for calendar years 2013 and 2014.

Historically, the Zone 7 Board has set treated water rates annually based on the funding requirements needed to support the water enterprise's annual operations and long-term capital needs based on a combination of the approved budget for the current fiscal year and a preliminary budget for the next fiscal year. This year staff suggested establishing a two-year treated water rate schedule encompassing calendar years 2013 and 2014 based on estimated actuals. Setting treated water rates on a two-year basis provides greater predictability and stability, both for our customers and for Zone 7. This approach also streamlines the rate-setting process, which significantly improves efficiencies by reducing administrative staff time spent on treated water rates.

The process for developing this two-year rate schedule included estimating the cost of service for fiscal years (FY) 12/13 and 13/14. The cost of service includes Water Enterprise Fund (Fund 52) operating expenses and the annual capital contribution to the Renewal and Replacement/System-wide Improvements Fund (Fund 72). The contribution to Fund 72 is based on the Asset Management Program (AMP) funding schedule adopted by the Zone 7 Board on June 15, 2011.

The water rates were further developed by estimating revenue from projected water sales per the Retailers water delivery requests (with conservation factored in) and balanced against Zone 7's cost of service. In November 2009, the California legislature passed Senate Bill SBX7-7 (SB 7) requiring water supply retailers to reduce statewide per capita potable water consumption twenty percent by 2020. The Retailers have factored this requirement into their delivery requests.

DISCUSSION:

A meeting with the Retailers was held on August 23, 2012 to review preliminary water rates. The Retailers expressed support for presenting the Finance Committee with a single proposal covering a two-year period. During the discussions, the Retailers suggested establishing a staff workgroup to discuss Zone 7's future financing, including funding for future Delta improvements and debt financing. Subsequent retailer discussions helped staff update the proposal to the Finance Committee.

On August 28, 2012 Staff presented the Finance Committee with a two-year treated water rate proposal – 0% in 2013 and 2.65% in 2014 (Proposal A). The 2.65 % represents the 2012 Consumer Price index – Bay Area (CPI) increase from June 2011 to June 2012. This proposal takes advantage of the FY 11/12 cost savings, provides sufficient funding to balance revenue against cost of service, but does require continued use of unrestricted reserves starting in FY 13/14.

Staff developed an additional water rate alternative of 0% in 2013 and 0% in 2014 (Proposal B) at the request of the Finance Committee. This proposal also provides sufficient funding to balance revenue against cost of service; however it requires a higher use of unrestricted reserves than projected in Proposal A. If the Board chooses this alternative staff recommends adopting a 0% rate increase for 2013 only, and then staff will re-evaluate the 2014 rate next year. Staff is primarily concerned with the inherent risk of committing to two years of no rate increases.

Along with the adoption of water rates in October, Staff plans to bring forward a revised reserve policy for consideration which may include: reclassification of the Rate Stabilization Reserve to the Drought Contingency Reserve and designating the unrestricted reserve as the Rate Stabilization Reserve.

The Finance Committee directed staff to present both proposals to the Zone 7 Board for discussion. Staff will give a presentation overviewing both rate proposals and will also provide a recap of the Retailer and Finance Committee meetings.

ATTACHMENT:

Proposals for 2013 & 2014 Water Rates

ATTACHMENT - PROPOSALS FOR 2013 and 2014 WATER RATES

PROPOSAL A: 0% for 2013 and 2.65% (CPI) for 2014

Assumptions:

- Will experience conservation. We used the retailer water delivery request for 2013 - 2017 with their conservation estimates.
- Updated unaudited actuals for FY 11/12 and forecast for FY 12/13. Incorporated projected actuals in future years instead of projected budgets.
- Asset Management Plan (AMP) funding schedule per the Board resolution dated June 15, 2011.
- This proposal provides sufficient funding to balance revenue against cost of service.
- Reclassify the Rate Stabilization Reserve as Drought Contingency.

Calendar Year	**2012**	**2013**	**2014**	**2015**	**2016**
Water Rate per A/F	**$945**	**$945**	**$970**	**$1,009**	**$1,049**
Increase	**5.00%**	**0.00%**	**2.65%**	**4.00%**	**4.00%**
	FY 11/12 Unaudited Actuals	**FY 12/13 Forecast**	**FY 13/14 Preliminary Budget**	**FY 14/15**	**FY 15/16**
Beginning Fund Balance	**21,562,251**	**27,252,955**	**28,037,619**	**26,101,584**	**24,143,766**
Treated Water Revenue	34,915,102	36,937,338	37,112,829	38,745,967	40,780,982
Other Revenue	1,098,694	726,630	863,847	1,097,860	1,286,598
Total Sources	36,013,796	37,663,968	37,976,676	39,843,827	42,067,580
Operating Expenses	25,278,944	30,279,304	31,412,711	32,301,645	33,275,484
Transfer to Fund 72	5,044,148	6,600,000	8,500,000	9,500,000	10,500,000
Total Uses	30,323,092	36,879,304	39,912,711	41,801,645	43,775,484
Ending Fund Balance	**27,252,955**	**28,037,619**	**26,101,584**	**24,143,766**	**22,435,861**
Net Additions/(Uses) of Funds	5,690,704	784,664	(1,936,035)	(1,957,818)	(1,707,904)
Operating/Emergency	6,708,414	6,440,902	6,682,542	6,760,329	7,015,097
Rate Stabilization (proposed Drought Contingency)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Designated Reserves					
Reserve for Encumbrances	1,376,892				
Total Restricted Reserves	13,085,306	11,440,902	11,682,542	11,760,329	12,015,097
Unrestricted Reserves (proposed Rate Stabilization)	14,167,648	16,596,717	14,419,042	12,383,437	10,420,764
Total Reserves	**27,252,955**	**28,037,619**	**26,101,584**	**24,143,766**	**22,435,861**

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ATTACHMENT - PROPOSALS FOR 2013 and 2014 WATER RATES

PROPOSAL B: 0% for 2013 and 0% (CPI) for 2014

Assumptions:

- Same assumptions Proposal A, except:
- This proposal more reserves in FY 13/14 and future years require a higher use of reserves to fund cost of service.

Calendar Year	**2012**	**2013**	**2014**	**2015**	**2016**
Water Rate per A/F	**$945**	**$945**	**$945**	**$992**	**$1,042**
Increase	**5.00%**	**0.00%**	**0.00%**	**5.00%**	**5.00%**
	FY 11/12 Unaudited Actuals	**FY 12/13 Forecast**	**FY 13/14 Preliminary Budget**	**FY 14/15**	**FY 15/16**
Beginning Fund Balance	**21,562,251**	**27,252,955**	**28,037,619**	**25,667,210**	**22,879,482**
Treated Water Revenue	34,915,102	36,937,338	36,678,455	37,916,057	40,290,807
Other Revenue	1,098,694	726,630	863,847	1,097,860	1,286,598
Total Sources	36,013,796	37,663,968	37,542,302	39,013,917	41,577,405
Operating Expenses	25,278,944	30,279,304	31,412,711	32,301,645	33,275,484
Transfer to Fund 72	5,044,148	6,600,000	8,500,000	9,500,000	10,500,000
Total Uses	30,323,092	36,879,304	39,912,711	41,801,645	43,775,484
Ending Fund Balance	**27,252,955**	**28,037,619**	**25,667,210**	**22,879,482**	**20,681,402**
Net Additions/(Uses) of Funds	5,690,704	784,664	(2,370,409)	(2,787,728)	(2,198,079)
Operating/Emergency	6,708,414	6,440,902	6,682,542	6,760,329	7,015,097
Rate Stabilization (proposed Drought Contingency)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Designated Reserves					
Reserve for Encumbrances	1,376,892				
Total Restricted Reserves	13,085,306	11,440,902	11,682,542	11,760,329	12,015,097
Unrestricted Reserves (proposed Rate Stabilization)	14,167,649	16,596,717	13,984,668	11,119,153	8,666,305
Total Reserves	**27,252,955**	**28,037,619**	**25,667,210**	**22,879,482**	**20,681,402**

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ORIGINATING DIVISION: ADMINISTRATIVE SERVICES
CONTACT PERSON: TOM HUGHES/TAMARA BAPTISTA/JAVIA GREEN

AGENDA DATE: September 19, 2012 ITEM NO. 8

SUBJECT: **Preliminary Untreated Water Rate for 2013**

SUMMARY:

- Since 1962, Zone 7 has delivered untreated State Water Project water via the South Bay Aqueduct (SBA) to untreated water customers for agricultural and other irrigation purposes.
- The Untreated Water Rate is based on the cost of State Water Project water transportation variable charges, Byron-Bethany Irrigation District (BBID) water, Del Valle Water Rights, Yuba Dry Year Water Purchase Program, Bay-Delta related costs and an administrative fee based on staff costs.
- The administrative fee calculation is based on the actual time staff spent on the untreated water program and projected pass-through costs for purchasing water from Department of Water Resources (DWR) and BBID.
- Staff proposes an untreated water rate of $110 per acre-foot (AF) for 2013, which represents an increase of approximately 20% compared to the current rate of $92, but which is still 36% lower than three years ago. The actual untreated water rate for the past nine years and the 2013 preliminary rate are shown in Attachment 2.
- The increase is primarily due to planned increases in unit rates for water purchased from BBID and DWR, respectively. Attachment 1 lists the DWR costs and other components used to determine the untreated water rate.

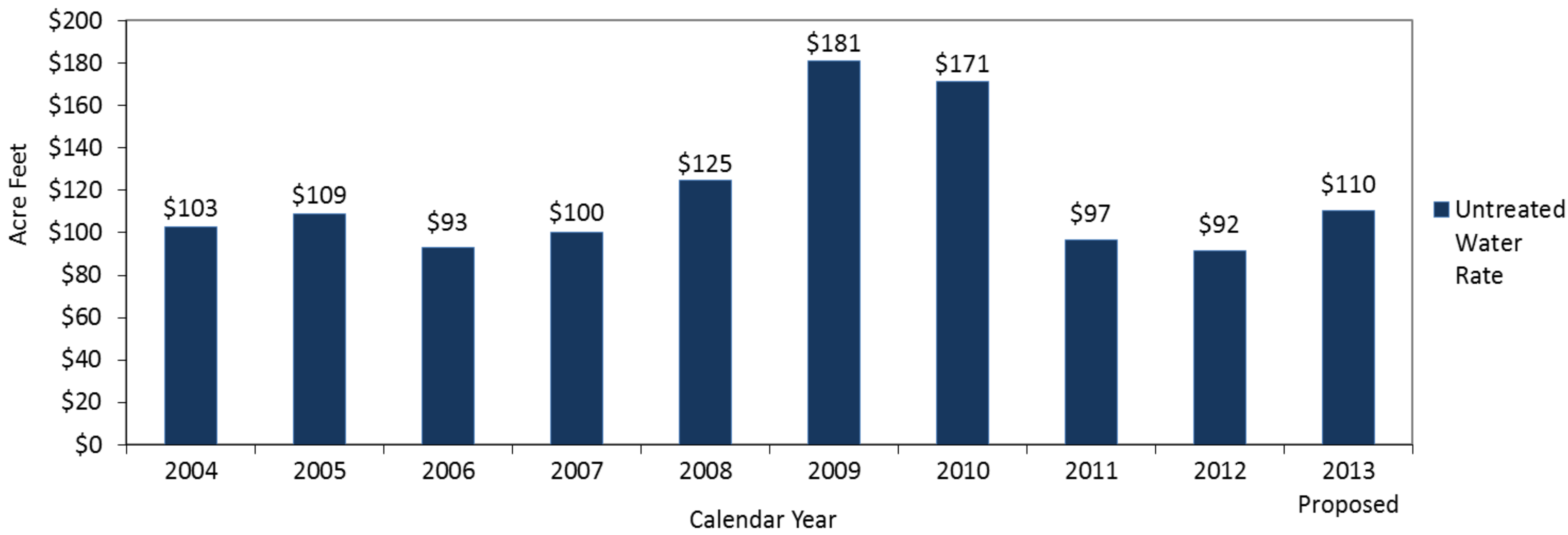
RECOMMENDED ACTION:

Discuss the proposed untreated water rate and continue the matter to the October 17, 2012 meeting to set the untreated water rate for 2013.

Attachments:
Attachment 1 - Preliminary Untreated Water Rate Calculation for 2013
Attachment 2 - Zone 7 Untreated Water Rate History

Attachment 1 - Zone 7 Water Agency Preliminary Untreated Water Rate Calculation for 2013		
1) Volume of Treated and Untreated Water to be Delivered to Contractors (in AF)		**42,268**
Water Costs	**Dollar Amt**	**per AF**
2. Byron Bethany Irrigation District (BBID) Costs	$875,000	$21
3. Yuba Dry Year Water Purchase Program	$60,000	$1
4. Del Valle Water Rights	$3,000	$0
5. Unit Fixed Cost (2+3+4) ÷ (1)	$938,000	$22
6. SWP Transportation Variable Unit Cost	$2,414,501	$57
7. Subtotal Unit Cost (5+6)	$3,352,501	$79
8. Zone 7 Administrative costs	$427,371	$10
9. Delta Charge	$898,618	$21
10. Total Unit Cost (6+7+8 rounded to nearest dollar)	$4,649,480	$110

Attachment 2 - Zone 7 Untreated Water Rate History



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATIVE SERVICES/INTEGRATED PLANNING
CONTACT: JAVIA GREEN/AMPARO FLORES

AGENDA DATE: September 19, 2012 ITEM NO. 9

SUBJECT: Proposed 2013 Municipal & Industrial Water Connection Fee

SUMMARY:

- Zone 7 established the Municipal & Industrial (M&I) Connection Fee Program in 1972 to assess water connection fees to new development in order to fund water system expansion projects required to serve additional water demands from new development.

- The Board resolved with the adoption of the 2002 Connection Fee (Resolution No. 02-2450), that the basic fee be updated annually, at a minimum, based on the Engineering News Record Construction Cost Index (ENR CCI), or as warranted to keep current with current plans and projections based on periodic reviews.

- One of these periodic reviews was performed in 2011. Zone 7 staff determined that the future funding needs of the program were in-line with the existing connection fees. The review recommended annual increases based on ENR CCI to account for the impact of inflation on future projects.

- For the 2013 fees, staff recommends adjusting the current fees to keep pace with inflation, based on the change in the ENR CCI from September 2011 to September 2012.

Effective Period	Alameda County (per DUE)	Dougherty Valley (per DUE)
Effective January 1, 2012	$22,930	$21,230
Preliminary Fee Estimate - to be effective January 1, 2013 (2.47% increase)	$23,500	$21,750

- No action is required at this time as this item is for information only. Further action will be recommended at the October 17, 2012 Board of Directors Meeting.

FUNDING:

Water connection fee revenue accrues to Fund 73 – Expansion.

RECOMMENDED ACTION:

Information only.

SUMMARY MINUTES OF THE FINANCE COMMITTEE
ZONE 7 BOARD OF DIRECTORS

August 28, 2012
4:00 p.m.

Directors present:	Sandy Figuers A. J. Machaevich Angela Ramirez Holmes	Zone 7 Staff:	Jill Duerig, General Manager Tom Hughes, Assistant General Manager, Administration Tamara Baptista, Financial Services Manager JaVia Green, Staff Analyst Mike Wallace, Staff Analyst Judy Rector, Board Secretary

Director Machaevich called the meeting to order at 4:08 p.m.

1. Public Comment - None

Director Figuers arrived at 4:11 p.m.

Mike Wallace, Staff Analyst in Finance, gave a presentation covering the following:

2. Preliminary Treated Water Rates for 2013-14

Mr. Wallace presented a power point presentation which included an overview of the discussion, information on water rate components, and a treated water rates proposal. Staff proposed a two-year treated water rate schedule for 2013 and 2014 based on estimated actuals. Staff originally proposed a treated water rate increase of 2.65% (CPI) for 2013 and 2.65% for 2014 along with a proposed new reserve called "Future Delta Improvements". A proposed alternative would be to change the name of the "Rate Stabilization" reserve to "Drought Contingency Reserve". After further discussion with the retailers, the proposal was revised. The new staff proposal for 2013 is for no increase (0%) and a 2.65% increase (approximating anticipated inflation) for 2014.

3. Preliminary Untreated Water Rates for 2013

JaVia Green, Staff Analyst, completed the presentation with an explanation of the untreated water rate increase to $110/af, a 20 percent increase, for 2013 due to a pass through of the cost of importing water, supplemental water purchases and program administration costs.

DISCUSSION

Revenue exceeded expenses by $5.6 million primarily due to the South Bay Aqueduct shutdown and purchasing less water from the Department of Water Resources, lower chemical costs due to participation in the chemical consortium, cost-saving initiatives associated with the soft-hiring freeze, and reduction in professional and maintenance services as Zone 7 has continued to do more work in-house.

Director Figuers stated that there was a confluence of fortuitous events that led to the cost savings.

Director Ramirez Holmes asked questions about the untreated water rate. The untreated water cost last year was $92/af. Ms. Green explained that the $18 increase is due to the rise in the cost of untreated water purchased from the Byron Bethany Irrigation District (the rate that we buy the water has gone up by $8/af) and we pay a variable rate water charge to the State Water Project to convey the water through the South Bay Aqueduct to Zone 7 (the rate has gone up by $12/af). Another component is staff costs. The cost has risen to $20 but staff is recommending an $18 increase. Changes to the untreated water rate are considered annually. The discussion continued about treated water rates and the committee voted on the untreated water rate later in the meeting.

Director Figuers asked what would happen if the rates were decreased by 2.65% for 2013 and 0% for 2014 and asked for a ten minute recess so staff could calculate the numbers for a revised scenario and create Version B.

Director Figuers asked for comments from the retailers in the interim. A meeting was held with the Retailers on August 23, 2012 to review preliminary water rates. The Retailers expressed support for presenting a single proposal covering a two-year period. The Retailers also suggested establishing a workgroup to discuss Zone 7's future financing, including funding for future Delta improvements and debt financing.

Dan Martin, City of Pleasanton, feels Pleasanton's position has been consistent for wanting lower rates. They appreciate Zone 7 looking at the cost savings from last year to reduce water rate increases.

Lori Rose, DSRSD, feels that since DSRSD does a pass-through, decreasing the rate would present a logistic challenge for the retailers. Considering the amount of the funding is not significant, they would like to continue the trend of no increase and holding the rate steady while utilizing the reserves to offset future increases. The retailers do appreciate the alternate proposal for two years of 0% increases.

Darren Greenwood, City of Livermore, agreed and said he would be agreeable to banking some of the reserve money.

John Freeman, California Water Service, supports the 0% increase but if there is a rebate, Cal Water can handle the logistics for customers.

Ms. Rose said that when there are significant undesignated reserves, why raise rates and 0% for two years seems appropriate. The fact that there is $14 million in reserves that are unrestricted is a concern to the retailers. Rate increases may have been implemented unnecessarily in past years. It is prudent to utilize reserves and have increases that are reasonable. Zone 7's rate increases had historically been in alignment with the Consumer Price Index (CPI) but that trend ceased and some significant rate increases were adopted. All of the retailers would be happy to get back into the mode of having the increases related to the CPI for administrative and operating costs.

Tom Hughes, Assistant General Manager, Administration, discussed the challenge of a two-year budget and 0% and 2.65% proposed for the two years. He feels that 0% for both years is gambling that costs won't rise the second year. He encouraged the board members to pay attention to the projection for 2015 because the increase could be 5.5%.

Director Machaevich feels Zone 7 has tightened its belt and controlled rising costs. He also stated that if Zone 7 approves a 0% increase, maybe it should be approved for a single year.

Dan Martin agreed with small increases over time and using surpluses and excess reserves to minimize rate increases.

Darren Greenwood asked if we go back to the first revision, 0% and 2.65%, and at the end of the first year our projections come in higher and there is extra money, rate is 0%, we have extra revenue but are facing a 2.65% increase, what would Zone 7 propose to do then? Go ahead and let the 2.6% happen or approve two years at 0% now?

Director Figuers said it is time to try to help the retailers. His preference is 0% for both years.

Version A: original proposal for 0% in 2013 and 2.65% in 2014
Version B: 0% for both 2013 and 2014
Version C: -2.5% in 2013 and 0% in 2014

Director Ramirez Holmes moved and Director Figuers seconded a motion that staff present Versions A & B to the board at the September 19th board meeting. The motion was approved by Directors Figuers, Machaevich and Ramirez Holmes by a unanimous voice vote of 3-0.

Ms. Green asked the committee for a recommendation for the full board's consideration for the untreated water rate. Director Ramirez Holmes, a new board member, asked for the history of untreated water rates to help her have a better understanding of the background of increases. There was a discussion of how the untreated rate increase is based on the cost of purchasing the water plus actual staff costs so surplus money only affects treated water rates.

Director Machaevich moved and Director Figuers seconded a motion to approve the 20% untreated water increase for 2013 but Director Ramirez Holmes abstained. The motion was approved and the recommendation will be presented to the full board on September 19th.

4. Verbal Reports

Director Figuers asked that the full board look at reserve funds and the financial framework of Zone 7. He would like staff to make a presentation to the Board on all funds and reserve funds. Ms. Duerig reminded the committee members that a Financial Framework has been adopted but that this could be a part of developing a Financial Master Plan and/or reserve policies under the Strategic Plan.

Director Ramirez Holmes asked for a history of debt financing and how it is used. Director Figuers answered that Zone 7 has historically been conservative about debt financing.
Ms. Duerig added that Zone 7 has allowed others to incur debt on Zone7's behalf such as DWR's bonding of the South Bay Aqueduct Enlargement and Improvement Project and Cawelo's capital improvements, both of which are part of the fixed costs in the connection fee calculation.

5. Adjournment

Since there were no further questions or comments, the meeting was adjourned at 5:15 p.m.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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ORIGINATING SECTION: Joint MAT/SAT Blue Culture Committee
CONTACT: Rhett Alzona, Tim Brown, Anthony Choi, Gerald Dewitt, Matt Katen, Linda Van Buskirk and Pony Yim

AGENDA DATE: September 19, 2012 ITEM NO. 10

SUBJECT: Consider Modifying Mission Statement and Adopting Vision and Value Statements

SUMMARY:

- A committee was formed to clarify the values present in our Mission Statement and further develop a vision statement for Zone 7 Water Agency. This committee consists of members from the Management Advisory Team (MAT) and the Staff Advisory Team (SAT).

- The committee developed a draft vision statement and a draft list values for Zone 7 Water Agency.

- Along with the Mission Statement, these drafts were discussed with the Board at the Special Board Meeting on August 22, 2012.

- The attached addresses comments received at that meeting.

Attachments: DRAFT amendments to the Mission Statement
DRAFT Zone 7 Vision and Value Statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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"It's not hard to make decisions when you know what your values are."
(Roy Disney, American Film Writer, Producer, Nephew of Walt Disney)

DRAFT Changes to Zone 7's Mission Statement:
Zone 7 is committed to providing a reliable supply of high quality water to its water customers and an effective flood control system to ~~the Livermore-Amador Valley~~Eastern Alameda County. In fulfilling our present and future commitments to the community, we will develop and manage the water resources in a fiscally responsible, innovative, proactive, and environmentally sensitive way.

DRAFT Vision Statement:
To be recognized as the platinum standard water and flood control district in which to live, work and do business by enhancing the quality of life, economic vitality and environmental health of the communities we serve.

DRAFT Values:

1. OPEN AND TRANSPARENT – The Board's meetings and communications shall be open and public, except when the Brown Act authorizes otherwise.
2. CUSTOMER SERVICE - Our commitment to the community requires prompt, respectful and courteous relations with our customers, both internal and external, as well as pursuing community partnerships and collaboration with other area public agencies when beneficial to the public.
3. INTEGRITY – We practice the highest ethical standards and maintain open, honest communications at all levels of the organization at all times.
4. FISCALLY RESPONSIBLE – We will operate in a productive, cost effective, transparent and efficient manner to ensure sound financial stability.
5. ENVIRONMENTALLY SENSITIVE – In carrying out our mission, we are dedicated to preserving and enhancing the environment while complying with regulations.
6. INNOVATIVE/PROACTIVE – We encourage innovation, creativity and ingenuity, seeking constant improvement and keeping up with the latest economical technologies and management practices.
7. SAFETY – We are committed to public and employee safety to maintain a healthy work environment. We work safely and provide safe products and services.
8. EMPLOYEE DEVELOPMENT – We foster a respect for diversity, equality, a spirit of performance-based accountability and productivity along with personal and professional growth for all team members so as to achieve excellence through the collective energy that comes from a work environment where each employee can flourish and succeed to their highest potential.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO

INTRODUCED BY
SECONDED BY

WHEREAS, the Board discussed changes to the Mission Statement and possible Vision and Value Statements;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control & Water Conservation District does hereby adopt the changes to the Mission Statement and adopt new Vision and Value Statements.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on September 19, 2012.

By____
President, Board of Directors

9/19/12 Board written/narrative comments by Dick Quigley **ITEM NO.** 12b

8/14/12 Participated in an ACWA Energy committee meeting (via conference call). Committee's two- year work plan for energy will be advanced to the full board for approval. Items discussed: advocacy for regulatory changes and DWR partnering; in conduit (small hydro) project; demand load reduction; white paper – Cal Water/Energy Nexus and cost savings success stories. New grant opportunity for agencies ready with projects by January 1, 2013 (CPUC/CEC).

8/16/12 Participated in an ACWA Region 5/Region 8 joint planning committee meeting for Santa Barbara event September 9 and 10, 2012. An in-depth program on ESA and Proposition 218 issues. Heard from industry experts and local agencies who will share their stories and lessons learned about these processes. This program will be preceded by a networking reception and program about regional challenges on ESA issues Sunday evening, September 9, 2012 at Arnoldi's Café in Santa Barbara.

8/30/12 Gave a Value of Water (Tap vs. Bottled) presentation to five Granada Science and Health classes, 260 students. The two teachers asked for assistance to get a personal water bottle refill station program started. I have asked staff for ideas. The program has been very successful in several communities.

9/9-10/12 Attended ACWA Regions 5 & 8 joint program "Managing Complex Issues in Tough Times, A Look at Proposition 218 and ESA Impacts on Water Agencies." A very knowledgeable attorney panel gave a historical overview on the law and several case studies on protests, defenses and best management practices to follow.

Bob Bosso shared that historically Prop 218 emanated as an aftermath of Prop 13 in 1978. Prior to this was Common Law, burden of proof for challenges. In 1998, Prop 218 required a 2/3 approval for a tax increase and a 45-day notice for a public hearing. Jim Ciampa shared that "218 was poorly drafted" and originally not applicable to water as not connected to property ownership. Arguments and cases discussed reflected a governmental fees charge; "a reasonable standard does not exist anymore;" "must be related to cost of service;" "good record keeping is extremely important for public justification." "Replenishment assessment rates" were discussed for basin recharge and may have application for Zone 7. We learned that government code claims have a one year statute of limitations. AWWA meter factors were discussed; the size/cost associated with "just and reasonable."

Rates are the mechanism to "finance the landscape" and the cost of delivery is going up!

"Value of water" speaker used much of the new video by H. Houser which is well worth watching.

ESA panel scared most of the audience as they spoke of project delays and infrastructure dismantlement opinions that appear to have little science-based backing. New endangered species are being found or renamed in many water bodies. Did you know that there was a specific endangered Southern California steelhead?

9/12/12 Attended the Alameda County Chapter CSDA meeting at the ACRCD Martinelli Center in Livermore. The outreach material used by agencies was solicited to share at an Alameda County booth at CSDA's annual meeting in San Diego.

Let me know if you have any questions or suggestions.

Thanks.

DQ

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ORIGINATING SECTION: ADMINISTRATION
CONTACT: Jill Duerig

AGENDA DATE: September 19, 2012 **ITEM NO.** 14a

SUBJECT: GENERAL MANAGER'S REPORT

SUMMARY: The following highlights a few of the key activities which occurred during August. Also attached is a list of the General Manager (GM) contract(s) executed during the month.

Environmental & External Affairs:

- Storage in Lake Del Valle as of August 28th was 37,300 acre feet (699.2 feet) and rising. Fill rate remains at 60 cubic feet per seconds (40 MGD).

- The Alameda Creek Watershed Council, chaired by Zone 7 staff, has set October 25th from 9:00 to 3:00 at the Dublin Library for its annual, public workshop. Anticipated agenda includes the San Francisco Estuary Institute (SFEI) discussing the results of their Alameda Creek Historical Ecology Study, staff from Livermore and LARPD on their new Adopt-A-Creek Spot program for the Tri-Valley area, status of the 2013 update of the Integrated Regional Water Management Plan (IRWMP) and other local efforts and projects to enhance the watershed.

- Two environmental advocacy groups filed a lawsuit against the California Department of Public Health (DPH) alleging unacceptable delays in developing a maximum contaminant level (MCL) for chromium 6. The Office of Environmental Health Hazard Assessment adopted a Public Health Goal (PHG) in 2011, which is normally the first step in developing an MCL (to be set as close as technically and economically feasible to the PHG) but treatment cost data is still being collected to determine an appropriate MCL level since the PHG is significantly lower than the existing MCL for total chromium. ACWA has been actively involved in data collection due to the widespread presence of chromium 6 in California; Zone 7 is currently participating in a study funded by the Water Research Facility since Zone 7's groundwater has naturally-occurring chromium 6 at levels above the PHG (but well below the existing MCL).

- The US Fish and Wildlife Service announced federal grants totaling $33 million to 21 states including $640,575 to California to assist in developing the Bay Delta Conservation Plan (BDCP).

Operations and Maintenance:

- In August, staff submitted the annual Partnership for Safe Water reports for both the Patterson Pass and Del Valle Water Treatment Plants to the American Water Works Association.

- The average daily production at the Del Valle Water Treatment Plant (DVWTP) remained low throughout the month due to extremely short filter runs, averaging below 30 million gallons per day (MGD), compared to a 40 MGD capacity. Troubleshooting included sending filter backwash water to the California Department of Water Resource (DWR) for algae analyses (results did not show high levels) and testing pre-chlorination to see if that improved treatment (but high trihalomethane/THM formation resulted and the testing was terminated).

- Patterson Pass continues to operate somewhat better than DVWTP, perhaps due to the Patterson Pass Raw Water Reservoir. Maximum rate is 11 MGD (compared to a plant capacity of 12 MGD), although filter runs are shorter than average. The Ultra-Filtration (UF) Plant is contributing about 3.9 MGD with two of the five racks remaining out of service (nominal capacity 8 MGD).

- Remaining demands were met with groundwater, with the Mocho Groundwater Demineralization Plant averaging around 6 MGD and other wells being operated as needed.

- Powdered Activated Carbon (PAC) feed continued at both conventional plants through most of the month to minimize algal-related "musty" tastes and odors.

- Two Solar Bee mixers were installed in Dougherty Reservoir, inserting them through the East and West air vents. These mixers should force some circulation in the tank in order to improve chlorine residuals and keep the water fresher.

Engineering and Flood Control:

- In 2010, Zone 7 contracted with San Francisco Estuary Institute (SFEI) for a Sediment Study (Study) for upper Alameda Creek watershed to better understand sediment origin and transport, to help with the stream maintenance program, project permitting, and the SMMP implementation and updates. Thus far, two seasons of sediment sampling and GIS-based terrain mapping of the upper Alameda Creek watershed have been completed and the task related to historical ecology is currently underway. However, due to lack of large storms and some gauging failures in the 2010-2011 and 2011-2012 winters, the sediment sampling data collection needs to be extended for another couple of years to produce a statistically defensible sediment study. Staff anticipates presenting the progress and the results, and a proposal to extend the sedimentation study for two additional seasons at the September or October Board meeting.

- With DVWTP's air binding of the filters, a significant loss of granular filter media has occurred. Evaluation is ongoing but media replacement and underdrain inspections will be pursued during the Fall shutdown to determine if problems with some or all of the underdrain systems have contributed to the challenges this summer.

- Staff are reviewing the annual request for membrane replacements to determine if additional modules should be replaced this year to restore production capacity at the Patterson Pass Ultra-Filtration (UF) Plant.

- Zone 7 staff provided technical assistance to Alameda County Flood Control – West (the other zones) by reviewing project proposals and participating in a consultant selection interview panel related to the Ardenwood Creek Flood Protection and Restoration Project in Fremont. The project involves hydrologic modeling of the creek system and exploring options to control invasive plant growth in the stream corridor, as well as performing public outreach to achieve stakeholder buy-in.

<u>Finance & Administration</u>

- The County processed the last 10% of the annual Blanket Purchase Orders (BPOs) in August, with almost 17% of the fiscal year already over. This sort of process delay results in a need to maintain a higher inventory than would otherwise be appropriate.

- Began the process of repeating the Requests For Quotes (RFQs) effort to purchase a backhoe since the former quotes expired before the County was able to process the paperwork.

Monthly List of GM Contracts

August 2012

<u>Contracts</u>:

Ernst & Young	$25,257	Accounting and Auditing Services
Big Valley Termite & Pest Control	30,000	Pest Control Services for District Facilities
United States Geographical Society	28,425	Joint Funding Agreement for Water Resource Investigation for 2 USGS Stream Gauges (Arroyo Valle and Arroyo de la Laguna)
Urban Creeks Council	50,000	Continued Project Support on Stanley Reach Project
Environmental Science Associates	49,629	California Red-Legged Frog Survey
Environmental Science Associates	50,000	Cope Lake Slope Repair Project
Nestegg Solutions, Inc.	15,000	Development of a Cost Accounting System
Total August 2012	$248,311	

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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ORIGINATING SECTION: Administration
CONTACT: Tom Pico/Tim Hunt

AGENDA DATE: September 19, 2012 ITEM NO. 14b

SUBJECT: Legislative Update

SUMMARY:

- Zone 7 staff, with the support of the Agency's lobbying firm, The Gualco Group, Inc., and the Agency's legislative support consultant, Tim Hunt, monitors legislation that is being considered in Sacramento, as well as other political activities of interest to the Agency.
- The Legislature adjourned its two-year session on September 1. The governor has until September 30 to act upon the legislation sent to his desk.
- The Zone 7-sponsored South American Spongeplant bill (AB 1540, authored by Assemblywoman Buchanan) passed both houses unanimously and was signed by the governor. It is aimed at eradicating the invasive Spongeplant species that threatens the Delta ecosystem as well as state and federal water operations in the Delta.
- AB 2443 (Williams), to impose a fee on recreational watercraft in fresh water to support a dreissenid mussel monitoring, inspection and eradication program, passed the Legislature and is on the governor's desk.
- AB 340 (Furutani), the compromise pension reform plan, negotiated by the administration, was publicized on the final Tuesday of the session, passed both houses with strong bipartisan support and was signed by the governor. In a series of reforms that affect new employees, the retirement age with *full benefits* increases from 55 to 67; spiking of final salary is eliminated; salaries for pension calculations are capped at $110,000; and employees must pay half of the normal cost of pensions.
- Four bills reinstating a version of redevelopment for cities and counties passed the Legislature and are awaiting action by the governor.
- Two Delta-related bills are on the governor's desk, both by Senator Lois Wolk. SB 200 continues the current state fund for levee repairs until 2018. SB 1495 exempts dredging activities at the ports of Stockton and West Sacramento from being "covered actions" under the Delta Plan.
- AB 1532 (Perez) on the governor's desk gives special districts access to funds raised through the greenhouse gas cap-and-trade auctions (authorized by AB 32 in 2006).
- The full Senate approved the nomination of Chuck Bonham as the director of the Department of Fish and Game.

RECOMMENDED ACTION: Information only

ATTACHMENT: Executive Summary

EXECUTIVE SUMMARY
State Legislation

Prepared for the Zone 7 Water Agency, Eastern Alameda County
by The Gualco Group, Inc.

September 12, 2012

Bill	Topic	Synopsis	Staff Recommendation	Status of the Bill/Comments
Sponsored Legislation				
AB 1540 (Buchanan)	South American Spongeplant	The bill authorizes the Dept. of Water Resources to eradicate this invasive species.	Sponsor	Signed by the Governor, chaptered by the Secretary of State, Chapter 188, Statutes of 2012
Peripheral Canal				
SB 200 (Wolk)	Delta levee maintenance	This bill would define the board for purposes of levee maintenance as the Central Valley Flood Protection Board. It also extends subvention program to pay for Delta levee repairs until 2018.	Support	Presented to the Governor on 08/31/2012
Public Employment				
AB 340 (Furutani)	Pension reform	This bill, affecting new employees, increases the non-safety worker retirement age will full benefits to 67; eliminates spiking of final salary, caps salaries for pension calculations at $110,000.	Watch	Signed by the Governor on 9/12/2012
Water Conservation, Supply & Delivery				
AB 1750 (Solorio)	Rainwater Capture Act of 2012	This bill would allow residential, commercial and governmental landowners to install, maintain and operate rain barrel systems and rainwater capture systems.	Watch	Passed by both houses; being prepared for submittal to Governor
AB 2208 (Perea)	Drinking Water	This bill would require the Dept. of Public Health to consider regional solutions when awarding grant money to provide clean water to underserved communities.	Watch	Dead

AB 2238 (Perea)	Public water systems: drinking water	This bill would require the Dept. of Public Health to consider determinations and recommendations made by the affected local agency formation commission within the previous 5 years when considering any application for funding.	Watch	Dead
AB 2529 (Weickowski)	Safe Drinking Water: Revolving Fund	This bill would authorize the Dept. of Public Health to adopt interim regulations for purposes of implementing provisions relating to the Safe Drinking Water State Revolving Fund.	Watch	Dead
SB 1340 (La Malfa)	Appropriation of water: Oroville Sewage Comm.	This bill would authorize the Oroville Sewage Commission to file an application to appropriate water based upon its discharges into the Feather River.	Watch	Presented to the Governor on 08/24/2012
SB 1386 (Lowenthal)	Municipal Water Districts: Water Storage	This bill would prohibit a district located in a county with a population greater than 8 million persons and where at least 80% of the area of the district is included within the boundaries of a water replenishment district from having specified authority relating to the storage of water.	Watch	Signed by the Governor, chaptered by the Secretary of State, Number 215, Statutes of 2012

Special Districts

SB 31 (Correa)	Post government employment: restrictions	This bill would apply the prohibitions of the Political Reform Act of 1974, in addition, to local appointed officials.	Watch	Dead
AB 2443 (Williams)	Vessels: registration fees: mussels	This bill would authorize a county to assess a fee on vessels registered there to establish and operate a dreissenid mussel monitoring, inspection and infestation prevention program.	Watch	Passed by both houses, being prepared for submittal to Governor
SB 1495 (Wolk)	Covered actions, Delta Reform Act 2009	This bill would exclude from the definition of "covered action" specified leases approved by special districts as well as dredging activities conducted by the federal government.	Watch	Passed by both houses, being prepared for submittal to Governor

Regulatory

SB 1364 (Huff)	Water corporations	This bill would expand inspection provisions of the Public Utilities Act to authorize the inspection of accounts, books, papers and documents of any subsidiary of a water corporation.	Watch	Signed by the Governor, chaptered by the Secretary of State, Number 224, Statutes of 2012

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ORIGINATING SECTION: Administrative Services
CONTACT: Tom Hughes

AGENDA DATE: September 19, 2012 **ITEM NO.** 14c

SUBJECT: Status Report on Separation Efforts and Financial Software Replacement Project

SUMMARY:

The Board Administrative Committee met with the Management and Staff Advisory Teams (MAT/SAT) and employees on Thursday, August 2 to discuss options on moving forward with separation. A committee, formed of MAT/SAT members to consider possible next steps in separation, presented a list of options, along with pros and cons for each option. All employees were invited to attend and participate. Most staff comments emphasized the importance of maintaining an integrated approach to water supply and flood protection.

Business Administration:

- The joint MAT/SAT Separation Committee drafted a document on the Integration of Flood Control and Water Supply under one agency, which is currently under review.
- Programming of the cost accounting system started in early September.

Employee Services:

- Staff continues to assess all separation-related activities and to reach out to Alameda County staff to address any remaining concerns and to keep moving the transition forward.
- Staff also continues to collaborate with Pleasanton, Livermore, Dublin, San Ramon, and Dublin-San Ramon Services District to identify opportunities to share services.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

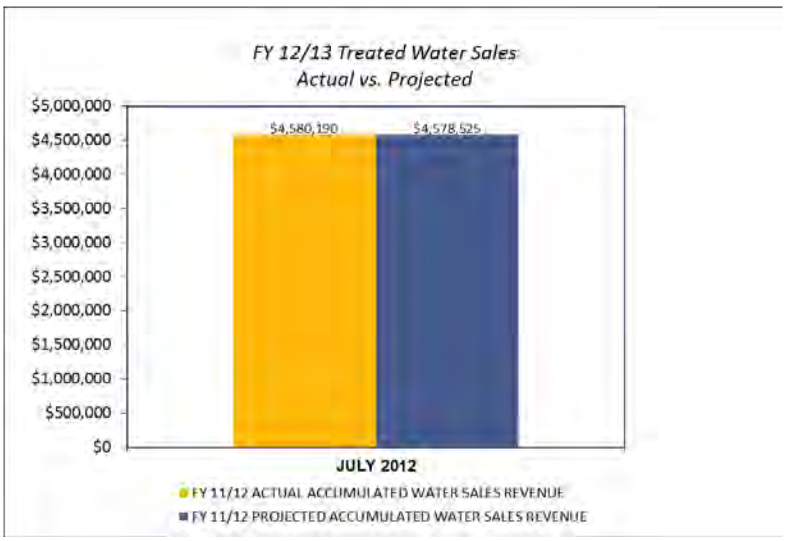
ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: JAVIA GREEN

AGENDA DATE: September 19, 2012 ITEM NO. 14d

SUBJECT: **Report on Water Sales and Connection Fee Revenue**

Treated Water Sales

Treated water sales revenue funds the Water Enterprise (Fund 52). Through the end of July, 4,881 acre-feet of water was sold in this fiscal year, resulting in actual sales of $4,580,190. This is very close to the projection of $4,578,525 (or 4,845 acre-feet) for July. Actual water sales compared to projected sales for July 2012 is shown in the graph below:

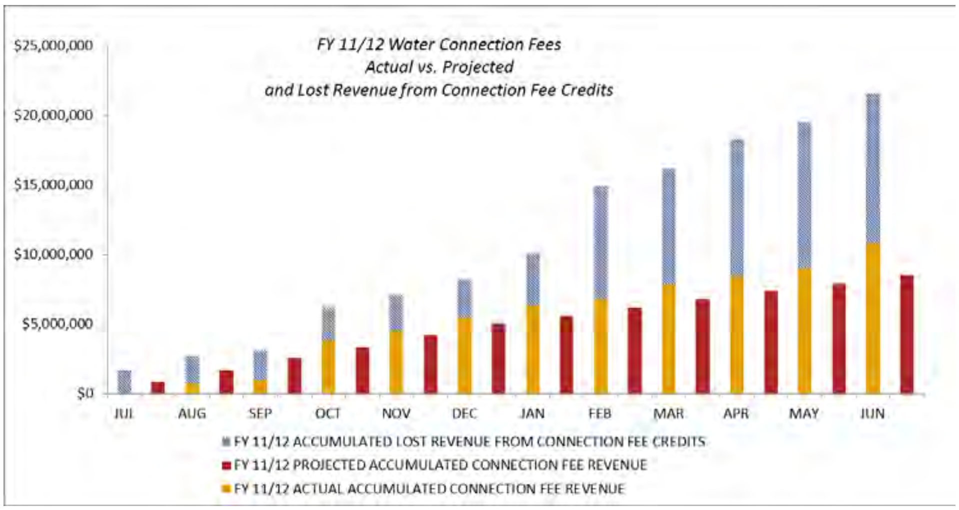


Connection Fees

Non-discretionary expenditures (fixed costs) for Fund 73 are close to $20M annually. The expenditures include debt payments for the South Bay Aqueduct (SBA) Enlargement Project, Fourth Contractor's Share of the SBA and the Cawelo Groundwater Banking Program. While development activity is picking up, Staff continues to closely monitor cash flow and prepares quarterly updates of this fund to assure cash availability.

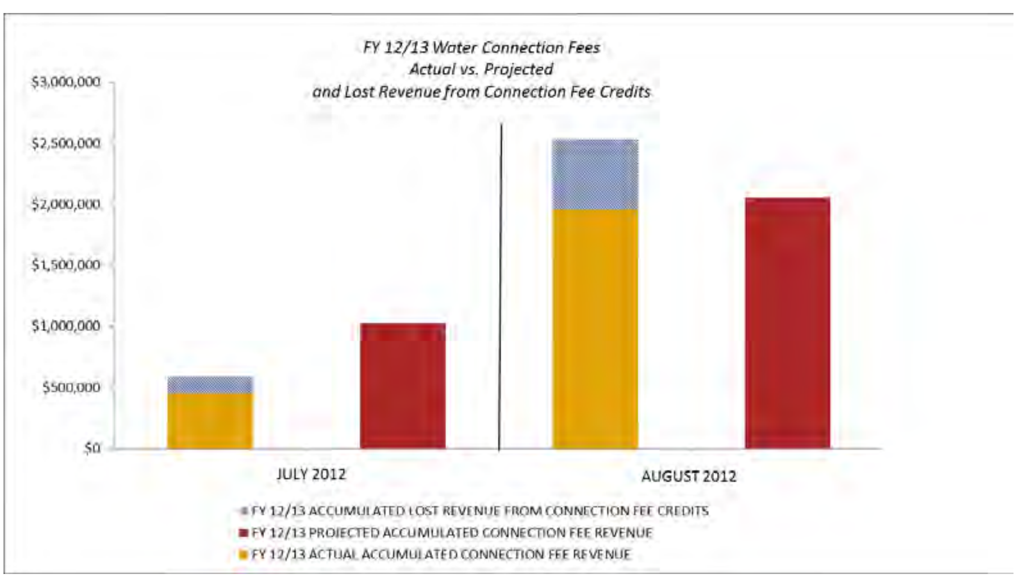
FY 11/12

Connection fee revenue funds Water System Expansion (Fund 73). In last month's report, it was reported that $9.9M of connection fee revenue was received for FY 11/12 and $0.653M was received in July 2012 for FY 12/13. Since the last report, the revenue reported for July 2012 has been posted to June 2012. Also, an additional $0.225M of connection fee revenue was posted to June 2012, resulting in connection revenue of $10.8M for FY 11/12. This amount is 27% higher than the projection for FY 11/12 of $8.5M. This is an indication that new development activity is improving. Another $10.7M worth of connection fee credits were used. Actual connection fee revenue plus lost revenue from credits used for FY 11/12, compared to projected revenue is shown in the graph below:



FY 12/13

For 12/13, year-to-date (July 1, 2012- August 31, 2012) connection fee revenue totals $1.9M, about 5% less than the projection of $2M. A total of twenty-five connection fee credits were used totaling $0.573M. Actual connection fee revenue plus lost revenue from credits used for FY 12/13, compared to projected revenue is shown in the graph below:



RECOMMENDED ACTION: Information only.