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

REGULAR MEETING

October 17, 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 KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING TOM HUGHES, ASSISTANT GENERAL MANAGER, ADMINISTRATION TAMARA BAPTISTA, FINANCE MANAGER JAVIA GREEN, STAFF ANALYST MIKE WALLACE, STAFF ANALYST BRAD LEDESMA, ASSOCIATE CIVIL ENGINEER JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

Item 3 – Citizens Forum – None.

Item 4 - Minutes of the Regular Meeting of September 19, 2012

Director Ramirez Holmes noted two corrections to the minutes: (1) Page 1: She clarified that she pulled Item 5c because she wanted more information about Board policy and was uncomfortable approving a letter sight unseen; (2) Page 3, Item 10: Corrected the sentence to show that at the retreat the Board said they wanted to see the maps of the area before changing the wording of the Mission Statement.

Director Quigley added a correction to his comments on Page 3, Item 7. He wants to make sure the North Canyons lease money due in a few years is in the rate calculations and reflects reserves.

Director Quigley moved to approve the minutes as corrected and Director Ramirez Holmes seconded the motion. The corrected minutes were approved by a voice vote of 6-0-1 with Director Figuers abstaining.

Item 5 - Consent Calendar

Director Ramirez Holmes pulled Consent Items (d) and (f). Director Figuers moved for approval of Consent Items (a), (b), (c) and (e) and Director Machaevich seconded the motion. President Palmer asked for public comments but there were none so those Consent Items were approved by a roll call vote of 7-0.

Resolution 13-4221	Approved the General Manager rescheduling the regular November Board meeting in 2012 for Wednesday, November 28, 2012. (Item 5a)
Resolution 13-4222	Authorized the General Manager to amend the contract with ESA PWA for $60,000 for design services on the Arroyo Mocho - Stanley Reach Project. (Item 5b)
Resolution 13-4223	Authorized the General Manager to accept the quitclaim deed from PG&E and execute and record a certificate of acceptance at the Office of the Recorder of Alameda County. (Item 5c -1)
Resolution 13-4224	Authorized the General Manager to negotiate and finalize the Easement Deed and request that the Board of Supervisors approve granting the Easement Deed and authorized the President of the Board of Supervisors to execute it. (Item 5c - 2)

Director Ramirez Holmes pulled Consent Item 5 (d) and asked about past practice of sending two people to conferences. Ms. Duerig replied that past practice has been that if a Board or staff member wants to attend an out-of-state conference, it comes to the Board for approval.

Director Palmer asked if any staff members were interested in attending the ACWA Conference in Washington DC in addition to her and Director Quigley. When questioned if there is a benefit that would necessitate personal knowledge and conversations with Federal and/or California representatives, Director Quigley responded that because of our reliance on conveyance through the Delta and the Delta Fix, a partnership with the Federal agencies, Congress and Senate knowing Zone 7's point of view is extremely important. President Palmer concurred with Director Quigley's statement and said in the past both Director Quigley and Director Moore reported that this conference was extremely valuable, especially now that the Bay-Delta and Zone 7 issues are more in the national eye.

Director Ramirez Holmes clarified that her point was that the conference is very expensive and if it is prudent from a public policy standpoint. She is in favor of one board member attending but not two people at that cost.

Director Stevens moved and Director Greci seconded the motion to approve. Resolution 13-4225 approving President Palmer and Director Quigley's attendance at the ACWA Annual Washington DC Conference was approved by a roll call vote of 6-0-1 with Director Ramirez Holmes abstaining.

Item 5 (f): Director Ramirez Holmes expressed concern at the response to Supervisors Haggerty and Miley regarding why the letter was not included in the board packet and that the Board should have been able to review the letter before it was sent and have a public discussion. President Palmer noted that it was a courtesy to send them a letter that will have the same basic information in it as sent to the Grand Jury but would be a shorter letter.

Director Stevens moved and Director Greci seconded a motion to approve Resolution No. 13-4227 authorizing and directing the President of the Zone 7 Board to provide a written response to Supervisors Haggerty and Miley's June 22 letter. The motion was passed by a voice vote of 6-1 with Director Ramirez Holmes voting no.

Item 6 - Staffing Updates

Item 6a – Employee of the Month Recognition

Ms. Duerig introduced Linda Van Buskirk to the Board. Linda is the Administrative Assistant at the Del Valle Water Treatment Plant in addition to serving on the Staff Advisory Team (SAT) and the Blue Culture Committee. President Palmer remarked that she was glad Linda was present so the Board could place a face with the name.

Item 7 – Proposed Revisions to the Current Zone 7 Reserve Policy

President Palmer noted that the item had been pulled from this agenda and will be continued to a future Board meeting.

Item 8 - Treated Water/Recharge Rate Schedules for 2013

Ms. Duerig noted that revised resolutions were distributed to the Board and made available to the audience. The revisions provide a clearer explanation of the resolutions for different items.

Mike Wallace, Staff Analyst with the Finance and Communications Department, gave a brief presentation and noted letters had been received from Dublin San Ramon Services District and the Hacienda Owners' Association. The three proposals are:

- Proposal A - Two-year treated water rate: No increase for 2013 and 2.65% for 2014
- Proposal B - Two-year treated water rate with no increase for 2013 and no increase for 2014.
- Proposal C - One-year treated water rate with no increase for 2013.

The temporary rate and private fire standby rate are determined by the treated water rate and can be set for two years. The recharge fee and in-lieu rate are determined annually based on updated numbers similar to the untreated water rate.

Mr. Wallace added that staff had conducted a survey of four wholesale water providers and compared the rates. Zone 7 remains in the middle with a $945 per acre foot price. Staff also conducted a survey of 11 retail water providers and compared their rates, including the four that Zone 7 serves directly, and Zone 7 retailers' average monthly charge is currently the second lowest of other Bay Area retailers surveyed.

President Palmer asked for public comments. Dan Martin, Utilities Superintendent for the City of Pleasanton, stated that Pleasanton's position is that, during these current economic times, we need to do everything we can to keep the rate increase as low as possible. He also complimented Zone 7 staff on working closely with the retailers and improved communication is appreciated. Director Figuers asked which of the three proposals the City of Pleasanton would prefer and Mr. Martin answered Proposal A.

Dave Requa, Assistant General Manager, Dublin San Ramon Services District, said they also would prefer 0% and 0% but from a policy point of view, a multi-year setting of rates is important and if the Board decides it needs a 2.65% increase the second year, then they will agree with the two-year proposal. DSRSD evaluates the rate they need and adds an automatic inflation escalator for the next two years, allowing them to set rates for three years at a time. He also complimented Zone 7 on listening to the retailers even if they don't always agree.

Director Quigley asked if DSRSD does a straight pass through like the City of Pleasanton. Mr. Requa said their water bill shows a Zone 7 component. There have been small incremental increases and they are doing a water rate study now. A 0% increase from Zone 7 helps. DSRSD, the City of Dublin and the Dublin Unified School District would all prefer three-year planning and incremental baby steps.

Gerald Ledbetter, City of Livermore resident, attended the Board meeting and asked several questions, which were answered by Zone 7 and retailer staff.

Director Greci told Mr. Ledbetter that an important issue is where the water comes from and since 80% is from the Delta and Zone 7's reserve is the groundwater basin, it is imperative that we keep it as full as possible. We do not have a guarantee of how much water will be given to us each year and we have to plan on that variable and use water that we have stored with other districts that have storage. The Chain of Lakes will help because of the recharge and pumping capabilities. All things come together in forecasting the needs from our retailers to the customers and Zone 7 meeting all those demands. It is our mission to meet 100% reliability so it is imperative to understand where it comes from and how much we need to take out each year like a bank account.

Scott Hayes, a candidate for the DSRSD board, had a question about why it is necessary to increase rates in 2014 since there are such high reserves. He would favor a 0%-0% (Proposal B). Ms. Duerig explained that some of the one-time cost savings this year had to be paid back so Zone 7 will have increased costs. For the past three years there have been deferred contributions of $400,000 from our building sinking fund and we have to make that up, too. While it was a one-time cost savings, we have to replenish what we borrowed.

Director Quigley added that the water that we didn't purchase has a cost component and the cost to make it up and artificially recharge the aquifer with imported water is missing out of the equation.

Director Ramirez Holmes noted that Zone 7 had a $5.6 million surplus during FY 11-12 and she is in support of Proposal B because there is only a $400,000 difference between Proposal A and Proposal B in terms of how much would be projected to be used from the reserve.

Director Figuers is in favor of Proposal A for several reasons because the economy is beginning to stabilize and, although he agrees in theory with Director Ramirez Holmes' comments, he feels the desire of the customers override it with the opinions expressed by the retailers.

Director Quigley expressed concern about either 0%-0% or 0%-2.65%. Due to uncontrollable costs and the need for reserve funds, he has difficulty supporting any 0% increase and would prefer small incremental increases every year.

Ms. Duerig said the first draft proposal for the Finance Committee was 2.65% and 2.65% before evaluations and analyses were completed. Staff revised their recommendation prior to the Finance Committee so the staff proposal was 0% in 2013 and 2.65% in 2014.

Director Machaevich noted that he is on the Finance Committee. After talking to the retailers and fellow water rate payers, he is supporting Proposal A, 0% and 2.65 for stability and the ability to keep a strong Zone 7.

Director Greci doesn't believe in giving money away just because you have high reserves. Nothing says the 2.65% for 2014 is locked in and it is better to look at it next year than make a false prediction now on the finances that will be needed in the future

Director Stevens said that since the Cities give us 5-year water demand projections, and our water rate is tied to the retailers' projections and actual usage, we should give them multi-year rates. Emergency situations can be handled on a year-by-year basis. He supports Proposal A and suggested a three-year rate increase based on appropriate inflationary adjustments like connection fees in the future.

President Palmer was in favor of Proposal A.

Director Stevens moved for approval of Proposal A for a 0% and a 2.65% and Director Figuers seconded the motion. The roll call vote was 6-1 with Director Ramirez Holmes voting no. Because Resolution 13-4228 passed, a vote on Proposals B and C was not needed.

Item 9 - Untreated Water Rates for 2013

JaVia Green, Staff Analyst in the Finance Department, introduced the Untreated Water Rate for 2013 item. She noted that the untreated cost is based on the cost of State Water Project water transportation variable charges, Byron-Bethany Irrigation District water, Del Valle Water Rights, Yuba Dry Year Water Purchase Program, Bay-Delta related costs and an administrative fee based on actual staff costs.

Staff recommended approval for 2013 of: an Untreated Water rate of $110/AF, a Temporary Untreated Water rate of $437/AF, a Non-Scheduled Untreated Water rate of $437/AF, and a Surplus Untreated Water rate of $232/AF.

President Palmer asked for public comment.

Dave Lunn, Livermore resident and untreated water contractor, sent an e-mail and asked staff for background but said he had not received an answer. The letter had been given to the Finance Committee to discuss his questions but he was not notified. He looked on the Zone 7 website for the FY 2012-2013 budget but could not find it. President Palmer recommended getting the budget on the website in a timely manner. Director Ramirez Holmes added that the letter was not discussed at the Finance Committee meeting due to a lack of a quorum. It was for information only and she apologized for the delay in getting the answers to him.

Mr. Ledbetter asked questions about the untreated water program which were answered by Director Greci and President Palmer.

Mr. Lunn stated that it was his understanding that the reason the rate dropped so much, $70-$80/AF, is because of the way it is charged and the delta charge for the State Water Project was shifted from water rates to property taxes. That took the water rates from $170 down to $90 and that was a savings although he saw a spike in his property taxes. President Palmer suggested he refer to the Finance Committee agenda packet for information regarding his questions.

Director Greci moved and Director Figuers seconded the motion to approve the untreated water rates. Resolution 13-4229 was approved by a roll call vote of 7-0.

Item 10 - Proposed 2013 Municipal & Industrial Water Connection Fee

JaVia Green explained that the Board previously resolved that connection fees be updated annually in keeping with the policy that new development pays for itself. The Hacienda Owners' Association sent a letter to Zone 7 recommending that we do a thorough review of the water connection fee. Ms. Green reminded the Board that in 2011 they did do a comprehensive re-evaluation of our water system expansion program looking at water expansion project needs as well as the associated funding through 2040. That study, available on the Zone 7 website, did recommend regular inflationary adjustments to the Zone 7 fee. Staff recommended increasing the rate by 2.47% which is the change in the Engineering News Record Construction Cost Index from September 2011 to September 2012. The fees will be $23,500 for the Zone 7 service area and $21,750 for Dougherty Valley.

Director Ramirez Holmes asked if Zone 7 responded to The Hacienda Owners' Association and provided them a copy of the study? Ms. Duerig replied that she had sent an e-mail to them explaining that the study was done last year, available on the website, and would be updated in a few more years as it is done about every five years.

Director Ramirez Holmes also asked if there other appropriate indexes and who looks at them and evaluates what is to be used in a given year? Ms. Green said they have been using the ENR Construction Cost Index because it does reflect the materials and supplies generally used in the construction of water system projects such as concrete and metal. Ms. Green said no other indexes have been identified but they have used the CCI for close to 30 years.

President Palmer asked Ms. Green to share information on why Dougherty Valley was less than the Zone 7 service area. Ms. Green said Dougherty Valley developers required their own water supplies and purchased water storage at Semi-Tropic so the water connection fee does not include the cost of reliability projects, conservation, or out-of-area storage.

Dave Requa from DSRSD encouraged Zone 7 to look at three years for the connection fee because it saves staff time on analyses and concerns about incorrect water supply estimates if something breaks.

Directors Machaevich and Greci said they could support that idea because it also helps the retailers and construction companies with long-term plans. President Palmer suggested that it be considered next time rates are set.

Tom Hughes, Assistant General Manager of Administration Services, said over the next two years, Zone 7 plans to meet with the retailers to talk about the rate structure and multiple-year setting.

Director Ramirez Holmes said that since Mr. Paxson from the Hacienda Owners' Association represents a large property owners association impacted by the connection fee, do we have to vote on it at this meeting? Their letter asked Zone 7 not to take immediate action because they would like to weigh in. Does it have to be done in October or can it wait until November? Ms. Green responded that in order for it to be effective in January 1, it needs to be set 60 days prior to that date.

Director Greci moved and Director Figuers seconded Resolution 13-4231 amending the basic fee which passed by a roll call vote of 7-0.

Item 11 – Consider Adopting Revised Reliability Policy for Municipal & Industrial Water Supplies

Brad Ledesma, Associate Civil Engineer in Integrated Planning, presented a revised Reliability Policy for Municipal & Industrial (M&I) Water Supplies. He discussed the collaboration between Zone 7 staff and the Retailers.

Only Zone 7 has a reliability policy of 100% of M&I water demands during prolonged droughts but changing the reliability policy to something less than 100% such as 85% would bring Zone 7's policy in-line with the policies of other water agencies in the area. He noted the revisions needed to reflect Level of Service Goal 1 and Goal 2. The Annual Sustainability Report meets the Retailers needs so there were no changes to that part of the policy. Director Quigley expressed a concern that annual reporting was too infrequent.

Dave Requa stated that the Annual Report is intended to be a summary to the public. He felt that because communication between Zone 7 and DSRSD staff is on a regular basis, a quarterly report to the Board is not worth staff time.

Director Machaevich asked how the Reliability Policy relates to the quality of water. Ms. Duerig explained that there are two separate policies: one for reliability and one for quality. There have been discussions with Retailers about amending the Water Quality Policy next.

Director Quigley moved and Director Stevens seconded Resolution 13-4231to rescind Resolution 04-2662 and establish a new water supply reliability policy. The motion was approved by a roll call vote of 7-0.

Item 12 – Consider Amending Strategic Planning Priorities

President Palmer explained that a strategic plan is basically something which is dynamic and is revisited periodically and is a part of your priorities but it is not carved in stone.

Kurt Arends, Assistant General Manager, Engineering, explained further that at the August Board Retreat, Board members discussed planning priorities and deliverables. He tried to capture the proposed revisions to the Strategic Planning Priorities.

Director Stevens asked that the Livermore-Amador Valley be used as a general description instead of Eastern Alameda County. It was agreed to revisit the term next year for a possible change; in the meantime it will remain as Livermore-Amador Valley.

President Palmer moved that the revisions to the Strategic Planning Priorities be accepted and Director Stevens second the motion. Resolution No. 13-4232 was passed by a voice vote of 7-0.

Item 13 - Committees – Liaison Committee – September 11, 2012 and Finance Committee Notes – October 9, 2012

Director Ramirez Holmes corrected the Liaison Committee minutes which incorrectly identified Mayor Jennifer Hosterman as Mayor Janet Hosterman. President Palmer also asked about the Doodle Poll for scheduling the next Liaison Committee meeting.

Item 14 - Reports - Directors

a. Verbal comments by President

President Palmer asked if a Board member is unable to attend a committee meeting, please contact her or Board Secretary Judy Rector who can notify the General Manager or the Board President and an alternate can be called to attend in their place.

b. Written report by Director Quigley

Director Quigley noted that he had attended the Delta Science Center ribbon cutting in Oakley and noted the Alamo Trail opening.

Item 15 - Items for Future Agendas – Directors

Director Stevens reported that a year or two ago a developer asked about changing the connection fees. The developer said that when they pay the connection fees months in advance of selling the house, they have to finance that money in advance so he requested that the connection fees be requested later in the project. Director Stevens suggested that the fees be deferred. Mr. Arends noted that Zone 7 does not have any leverage and there was an issue that Zone 7 may need to provide improvements prior to the development going in. President Palmer asked that the issue be put on a future agenda.

Director Quigley commented on a production chart in the General Manager's status report. He requested a quarterly report that gives the real water throughput. Ms. Duerig agreed to include it in future status reports.

Item 16 - Staff Reports (Information items.)

a. General Manager's Report
b. Recent Outreach Activities
c. Legislative Update
d. Status Report on Separation Efforts and Financial Software Replacement Project
e. Report on Water Sales and Connection Fee Revenue
f. Quarterly Update of Expansion Fund
g. Names Used to Collectively Describe Livermore, Pleasanton, Dublin, San Ramon and Surrounding Areas
h. Verbal Reports

Ms. Duerig complimented Dennis Gambs on his staff report (16g) describing the history of naming local valleys and he was applauded for his effort

The Board went into Closed Session at 9:20 p.m.

Item 17 - 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

Item 18 - Open Session and Report Out of Closed Session

At 9:55 p.m., the Board came out of closed session and President Palmer reported that the Board had voted for a 2.65% cost of living increase for all Zone 7 employees, adopting the following resolutions unanimously:

Resolution 13-4233	Approved implementing a 2.65% cost-of-living increase beginning July 8, 2012, for employees represented by the Alameda County Management Employees Association.
Resolution 13-4234	Approved implementing a 2.65% cost-of-living increase beginning July 8, 2012, for employees represented by the Alameda County Building and Construction Trades Council.
Resolution 13-4235	Approved implementing a 2.65% cost-of-living increase beginning July 8, 2012, for employees represented by the International Federation of Professional and Technical Engineers, Local 21.
Resolution 13-4236	Approved implementing a 2.65% cost-of-living increase beginning July 8, 2012, for employees represented by the Northern California Public Section Region, Local 1021 of the Service Employees International Union, CTW.
Resolution 13-4237	Approved implementing a 2.65% cost-of-living increase beginning July 8, 2012, for unrepresented classifications in Zone 7.

Item 19 - Adjournment

The meeting was adjourned at 10 p.m.