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

REGULAR MEETING

October 19, 2011

President Figuers called the regular meeting to order at 7:00 p.m. The following were present:

DIRECTORS: SANDS FIGUERS
JOHN GRECI
AJ MACHAEVICH
CHRISTOPHER MOORE
SARAH PALMER
RICHARD QUIGLEY
BILL STEVENS

DIRECTORS ABSENT: NONE

ZONE 7 STAFF: JILL DUERIG, GENERAL MANAGER
KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING
JOHN YUE, ASSISTANT GENERAL MANAGER, FINANCE
TAMARA BAPTISTA, FINANCIAL AND SYSTEMS SERVICES MANAGER
JAVIA GREEN, STAFF ANALYST, FINANCE
JUDY RECTOR, BOARD SECRETARY

COUNSEL: DAVID ALADJEM, DOWNEY BRAND

Item 3 - Citizens Forum – None.

Item 4 - Minutes of the Regular Meeting of September 21, 2011 and the Special Meeting of October 5, 2011

Director Palmer had two corrections to the minutes for September 21, 2011: Page 2 – Citizens Forum: Sandy Yamaoda voiced her disapproval regarding a proposed increase in water rates; and on Page 7 there was a typographical error in Director's Machaevich's comments regarding the phrase "right away" which should read "the correct way." On a motion by Director Palmer with a second by Director Quigley, the minutes of the Regular Meeting of September 21, 2011, and the Special Meeting of October 5, 2011 were approved by a voice vote of 7-0.

Item 5 - Consent Calendar

The resolutions were approved by a voice vote of 7-0.

Resolution 11-4119	Approved authorizing the General Manager to negotiate, execute and submit all documents necessary for completion of the Arroyo Mocho – Stanley Reach Project. (Item 5a)
Resolution 11-4121	Approved authorizing the General Manager to enter into any contract with Union Bank. N.A. relating to any deposit which is to the public advantage until the Bank receives written notice of revocation. (Item 5b)
Resolution 11-4122	Approved President Figuers' attendance at the ACWA 2011 Fall Conference in Anaheim, California November 29 - December 2, 2011. (Item 5c)

On a motion by Director Palmer with a second by Director Quigley, the consent calendar passed by a voice vote of 7-0.

Item 6 - Staffing Updates

Item 6 (a) – New Employee Introduction

Ms. Duerig reviewed the staff report with the Board and the Board welcomed Mr. John Brixie to Zone 7.

Item 6 (b) - Employee of the Month Recognition

Ms. Duerig reviewed the staff report with the Board and the Board congratulated Mr. Steve Yonkman who was applauded for his fine work on behalf of Zone 7.

Item 7 – Treated Water/Recharge Rates for 2012

Assistant General Manager John Yue introduced the Treated Water/Recharge rates item for 2012 and Tamara Baptista, Financial & Systems Services Manager, gave a brief presentation. President Figuers asked for public comment. Dan Martin reiterated City of Pleasanton's request to avoid water rate increases. He said it is not the time to raise rates due to the economy.

Ken Bradley, a property manager, expressed his feelings to the Board about the phone poll that was taken and that he must pass on a water rate increase to his tenants. Now is not the time to be raising fees unless you absolutely have to so he urged the Board not to approve an increase.

Director Moore asked if any formal comments were received from Dublin San Ramon Services District, California Water Service or the City of Livermore and Ms. Duerig responded "no." Director Moore then stated that reserves and policies need to be reviewed but that the Board should consider a 3% water rate increase.

Director Quigley supports the 5% increase, even though retailers always request 0%, because he supports the Zone 7 staff recommendations.

Director Palmer added that she understands Director Moore's concern but 3% this year means higher rates next year when the economy is unlikely to be much better.

Director Machaevich said he crunched the numbers with the Finance Committee and 5% preserves the reserves for another few years if the poor economy continues. He stated that he doesn't like increases but look at Livermore's waste management bills that are 19% higher. He feels 5% is prudent although it hurts him to ask for a raise but we have to; the difference between 3% and 5% is only a 75-cent average and he is not willing to put Zone 7 at risk so he is voting for the 5% increase.

Director Greci stated that Zone 7 went without increases for years in the past but then there was a need for a big increase. The demineralization (demin) plant was a big expense at the request of City of Pleasanton. He added that Zone 7 does not have control over state water charges, the cost of repairs, etc. and less than 5% increase isn't good business. The public expects reliability and a 5% increase is needed.

President Figuers commented that he felt Zone 7 could do a 3% increase but it would delay a lot of major projects and a short-term economic swing is unlikely.

Director Greci also stated that he feared a 36" pipe failure because of corroded pipeline joints which will be very expensive and will interrupt service and could force emergency indebtedness if we don't implement our planned Asset Management Program.

Director Stevens said that last year he wanted a 0% increase but he is glad his colleagues adopted 2.5%. This year he wanted a 2.5% or 3% but, as an avid Asset Management Plan supporter, he recognized the need for a 5% increase.

President Figuers acknowledged the aging infrastructure.

Director Moore restated that the Directors are trying to do the right thing by proposing a one-time only use of emergency contingency reserves to maintain reliability. As the Board reviews reserves, they may need to be increased due to aging infrastructure.

Director Quigley noted that AMP and CIP projects have already been pushed out and belts tightened because the Board is balancing economic pressures with a commitment to give the public a reliable supply of great water.

On a motion by Director Stevens and seconded by Director Quigley, Resolution 11-4123 was passed for a 5% treated water rate increase by a 5-2 roll call vote with Director Moore and President Figuers voting no.

Item 8 - Untreated Water Rate for 2012

John Yue gave a recap regarding the reduction in the untreated water rate from $97/acre feet to $92/acre feet, a 5% decrease. On a motion by Director Moore and seconded by Director Palmer, Resolution 11-4124 was passed by a 7-0 roll call vote.

Item 9 - Draft Fiscal Year 2012/13 Capital Improvement Program:

- **10-Year Water System Plan**
- **5-Year Flood Protection Plan**

Item 10 - 2011 Municipal & Industrial Connection Fee Program Update

Finance Staff Analyst JaVia Green gave a presentation covering Items 9 & 10, the CIP and the Connection Fee. Director Greci applauded staff's effort. Director Quigley noted the professionalism and cost-savings since the CIP is done biennially and the CIP and connection fee and engineering study are done in-house.

President Figuers said the numbers are astounding (42 projects totaling $1,069,388) and we may want to revisit next year what we are asking people to pay for.

Director Greci suggested looking at the Dougherty Valley steel tank and relining and whether it could be deferred. We probably have already spent $1 billion since the inception of Zone 7 to now. Ms. Duerig confirmed that this valley has already spent over $600 million on infrastructure.

Director Quigley asked questions about some of the graphs JaVia presented and she explained that zeros on the graph he questioned mean no planned expenditures for that year.

Hearing no public comments, President Figuers closed the public comment part of the agenda.

On a motion by Director Stevens and seconded by Director Greci, Resolution No. 4125 adopting the FY 12/13 Capital Improvement Program document was passed by a roll call vote of 7-0.

On a motion by Director Moore and seconded by Director Palmer, Resolution No. 4126 adopting the 2011 M&I Connection Fee Program Update and connection fees for Alameda County and Dougherty Valley Service Areas was passed by a roll call vote of 7-0.

On a motion by Director Quigley and seconded by Director Palmer, Resolution No. 4127 adopting the Dougherty Valley Facility Use Fee was passed by a roll call vote of 7-0.

Item 11 - Committees – None

Item 12 - Items for Future Agendas – Directors

Item 13 - Reports – Directors

Director Quigley noted that the new East Bay Regional Park District map, "Regional in Nature" is a Delta topographical map and is worth visiting but lacks water conveyance detail. Director Palmer noted that there is a good water map at Pyramid Lake that shows the full water story.

Item 14 - Staff Reports (Information items.)

a. General Manager's Report
b. Recent & Upcoming Public Outreach Activities
c. Legislative Update
d. Status Report on Separation Efforts
e. Quarterly Update of Expansion Fund
f. Verbal Reports

No comments or questions on staff reports.

The Board went into closed session at 8:20 p.m.

Item 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.

Item 16 - Open Session and Report Out of Closed Session

President Figuers said there was nothing to report when the Board came out of closed session at 8:50 p.m.

The Board of Directors unanimously approved Resolutions No. 11-4128 through 11-4132 approving Footnote Amendments and a Supplemental Agreement with the Alameda County Management Employees Association.

The meeting was adjourned at 8:55 p.m.