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

REGULAR MEETING
October 21, 2009

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

DIRECTORS:	SANDY FIGUERS JOHN GRECI CHRISTOPHER MOORE SARAH PALMER DICK QUIGLEY BILL STEVENS
DIRECTORS ABSENT:	STEVE KALTHOFF
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER ROGER PETERS, BEST BEST & KRIEGER, SPECIAL COUNSEL KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING VINCE WONG, ASSISTANT GENERAL MANAGER, OPERATIONS JOHN YUE, ASSISTANT GENERAL MANAGER, FINANCE JAIME RIOS, ASSOCIATE ENGINEER TAMARA BAPTISTA, SENIOR STAFF ANALYST JAVIA GREEN, STAFF ANALYST BARBARA MORSE, BOARD SECRETARY

Item 5—Citizens Forum

Mrs. Margaret Tracy, Livermore resident, spoke about a recent article in the Valley Times on water clean up efforts, entitled: "Poison Water Cleanup Efforts Bring Erin Brockovich to Oakland." The article concerns hexavalent chromium, a known carcinogen, and efforts to set allowable standards in drinking water. She wanted more information.

Ms. Duerig stated that hexavalent chromium is not a concern in this Valley as none has been detected in our water supply.

Mr. Jim Horen, Principal Engineer, Zone 7, referenced the minutes of September 16, 2009, Item No. 5, Citizen's Forum, where he spoke regarding matters of concern at Zone 7. Mr. Horen noted that he had given specific examples that were omitted from the minutes. He requested that the material which had been omitted be put into the minutes and be made part of the public record of the meeting.

There were no further public comments.

Item 4—Minutes of the Regular Meeting of September 16, 2009, Special Meeting of September 29, 2009 and Special Meeting of October 12, 2009

Director Palmer moved that the minutes of the regular meeting of September 16, 2009, be approved with the addition requested by Mr. Horen. The motion was seconded by Director Moore and passed by a voice vote of the Board. Director Stevens abstained.

Director Figuers moved that the minutes of the special meeting of September 29, 2009, be approved as presented. The motion was seconded by Director Moore and passed by a voice vote of the Board.

Director Palmer moved that the minutes of the special meeting of October 12, 2009, be approved as presented. The motion was seconded by Director Moore and passed by a voice vote of the Board. Director Greci abstained.

Item 5 —Consent Calendar

Director Stevens had a question on Item No. 5c, and that item was pulled to be considered separately.

On a motion by Director Moore with second by Director Greci, the following resolutions were adopted by a roll call vote of 6-0:

Resolution No. 10-3335	Approving the form of and authorizing the execution and delivery of a Purchase and Sale Agreement and related documents with respect to the sale of the seller's Proposition 1A Receivable from the State, and directing and authorizing certain other actions in connection therewith. (Item 5a)
Resolution No. 10-3336	Approving application for membership and authorizing the General Manager to execute the Memorandum of Agreement and any other documents as may be required to apply for such membership. (Item 5b)

Item 5c—Personnel Action: Conservation Coordinator

Director Stevens asked what level of interest is expected for this position.

Ms. Duerig responded that there is currently an individual in the position as an acting Water Conservation Coordinator, and undoubtedly, that person will apply. Other than that, she could not say definitively what the level of interest might be.

Director Quigley moved for the adoption of Resolution No. 10-3337, approving the position of Water Conservation Coordinator and recommended salary schedule. The motion was seconded by Director Stevens and passed by a roll call vote of 6-0.

Item 6—Staffing Updates

Item 6a—New Employee Introduction: Ms. Duerig introduced and welcomed the following new employees:

Mr. Will Costello, Associate Control Systems Engineer, Engineering Section at North Canyons.

Mr. Brandon Woods, Water Resources Technician I, Flood Control Section at North Canyons.

Mr. Dave Zachry, Instrument Technician, Maintenance Section at Del Valle Water Treatment Plant.

Item 6b—Congratulations to Retiree: Ms. Duerig expressed congratulations to Mr. David Lunn, Principal Engineer in the Water Resources Section, who retired from Zone 7 on October 3, 2009, after over 29 years of service. A resolution acknowledging Mr. Lunn's service to the agency has been prepared. She noted that from now on retirees would be recognized for their service with a board-adopted resolution.

Director Palmer stated that she had known and worked with Mr. Lunn for many years, and he had made a tremendous contribution in terms of knowledge of the local watershed and Valley's groundwater basin. She cited his advocacy of good science and his interest in education and educational programs. He was a tremendous source of legacy knowledge, and he will be sorely missed.

President Quigley echoed Director Palmer's comments. He also noted that he'd worked with Mr. Lunn for over 10 years on various community activities relating to trails and water. In fact, it had been Mr. Lunn who encouraged him to run for the Board. He called Mr. Lunn unsurpassed in his corporate knowledge of Zone 7.

Director Palmer moved for the adoption of Resolution No.10-3334 thanking and commending Mr. Lunn for his service to Zone 7. The motion was seconded by President Quigley, and passed by a vote of 6-0.

Item 6c—Employee of the Month: Ms. Duerig announced that the Zone 7 Employee of the Month for August 2009 is Ms. Elena Scharnhorst, Secretary in the Human Resources Section at North Canyons. Ms. Scharnhorst was praised for her positive outlook, professionalism and her problem solving skills when presented with challenging assignments.

Item 7—Award of Contract for the Del Valle Water Treatment Plant Electrical Power System Upgrade Project-Contract No. 193-09

The Board heard a summary of this project by Mr. Arends:

- The DVWTP Electrical Power System Upgrade Project includes the replacement of the main plant switchboard, the motor control center and switchgear for backwash pumps and service water pumps.
- The engineers estimate for the project was $532,000.
- The project was advertised in accordance with established procedures and on October 8, 2009, six bids were received, opened, and publicly read.
- The lowest responsive, responsible bidder is DM Jepsen Electric with a bid of $416,798.00.
- It is recommended that the project be awarded to DM Jepsen Electric.

Director Greci commented on the broad range of bids that were received. The engineers estimate was $532,000. He wondered if the lowest bid was the right bid. This is a relatively small project but the variances made him skeptical about the number of change orders that we might expect.

Mr. Jaime Rios, Project Engineer, responded that he had spoken with the low bidder, Jepsen Electric, who expressed confidence that he can do the contract at the price bid. There is some variability in the bids but the four lowest bidders are very close to the engineers estimate. Additionally, Jepsen Electric is located in Livermore.

Director Palmer moved for the adoption of Resolution No. 10-3338 approving the following actions:

- Approve plans, specifications, appendices and addenda;
- Accept and award a contract to DM Jepsen Electric as the lowest responsive and responsible bidder for the bid amount of $416,798.00;
- Authorize the General Manager to prepare the contract and bond forms for review and approval by the General Counsel;
- Authorize the General Manager to execute the Contract with DM Jepsen Electric;
- Authorize the General Manager to issue change orders as and when required by the contract for an amount not-to-exceed $41,680.00 (10% of contract amount).

The motion was seconded by Director Moore and passed by a roll call vote of 6-0.

<u>Item 8—Treated Water/Recharge Rate Scheduled for 2010</u>

Ms. Duerig noted that letters had been received from Dublin San Ramon Services District and the City of Pleasanton expressing opposition to the proposed treated water rate increase. Tonight's presentation will address the issues raised in those letters.

The Board heard a presentation on the Treated Water Rate for 2010 by Ms. Tamara Baptista.

Highlights of the presentation:

Recent Issues

- Bay Delta issues/increased operating costs.
    - Court rulings which have decreased water supply from the Delta.
    - Conservation efforts have resulted in decreased revenue.
- Chemical costs to Zone 7 which are higher than budgeted estimates.
- New program: Mocho demineralization—O&M will be funded from the enterprise fund.
- Slow housing market translates to less revenue from connection fees and lower water sales.

Comparison of FY 08/09 Actuals vs. FY 09/10 Projected Expenses

- Increase of $8.2 million
    - Significant increases in areas of demineralization, BDCP, water, chemicals and maintenance

Water Rate Components

A. Operating expenses.

Variance FY 2009-10 vs. 2010-11 Projected Expenses

2009-10	$35.5M	
2010-11	$35.1M	Difference of $0.4M or 1.14% lower

Referring to the two retailer letters asking for Zone 7 to use reserves to make up the difference and hold the 2010 water rate at the 2009 level, Ms. Baptista displayed a table which showed that Zone 7 is already dipping into its reserves to minimize future water rate increases. The table showed beginning fund balance, total sources, total uses and the amount taken from reserves to cover the gap in revenue. During the current FY 09/10, the funding gap was $6.2M which Zone 7 took out of reserves. The projected funding gap for FY 10/11 is $1.4M. Total uses exceed total sources until FY 13/14.

She added that this meets the Board approved policy (February 16, 2005) of having reserve levels of 20% of operating expenses. Replenishment of the Rate Stabilization Fund will begin in FY 11/12.

5-Year Water Rates in AF—Effects of three water rate scenarios on rates and reserves

- Graph showed effects on water rates of three scenarios: 2009 rate, 2010 staff recommended rate and 2010 rate as proposed by City of Pleasanton and DSRSD.

- Following the recommendation of the City and DSRSD for no increase and making up the difference with reserves would mean a larger increase in future years to meet funding requirements.

- Staff attended meetings of the DSRSD Board and the Pleasanton Council to answer questions on the proposed water rates.

- A second graph showed the effects on Operating/Emergency and Rate Stabilization Reserve levels under the three previously mentioned scenarios.

Recommended action:

a) Approve a Delta charge of $35 per acre-foot for all rates.
b) Authorize the use of the Rate Stabilization Reserve, as needed.
c) Approve a treated water rate schedule for 2010 based on $878 per acre-foot which includes the Delta charge.
d) Approve a recharge fee of $617 per acre-foot which includes the Delta charge.
e) Approve a temporary treated water rate schedule of $3.60/CCF which includes the Delta charge.
f) Approve a treated water rate schedule for private fire and standby service of $3.60/CCF which includes the Delta charge.

Questions/comments:

Referring to the letters from the two retailers, President Quigley remarked that a zero percent water rate increase this year would mean higher increases in the coming years. He felt that was a very compelling reason to proceed with the recommended rate increase this year. He added that a Delta fix is desperately needed.

Director Greci agreed. He recalled past years when rates were held to zero. It created large increases and many unhappy customers. He supported increasing rates gradually as indicated by the financial analyses.

Referring to the table which showed use of Zone 7 reserves, Mr. Bert Michalczyk, General Manager, Dublin San Ramon Services District (DSRSD), stated that he felt Zone 7 staff is capable of running the agency at lower expenses than were budgeted. He felt the proper model was to look at actuals and past experience. He felt there was plenty of cushion and urged the Board to take a chance and not to raise rates.

Mr. Michalczyk stated he appreciated the time spent by Ms. Duerig, Mr. Yue and Ms. Baptista on outreach with the retailers.

Director Figuers requested that staff look at 1990 to present and give figures for the estimated budget in each year and then what it turned out to be. In other words, how good were the estimates of what actually occurred. We're always going to have these expenses, and there is nothing special about projected changes that have occurred before. He wanted to see if there is a pattern.

Director Stevens requested a graph showing the adopted treated water rate rate since 1990.

Ms. Duerig stated that we know that certain costs are out of kilter with the CPI, e.g. chemicals, where costs have risen from about $250,000/yr. in 2007 to $652,000 in 2009. Much of that increase can be attributed to changes in hazardous materials requirements, increased security, shipping, etc. The demineralization plant uses a very energy intensive process and that will increase costs in the future.

Director Palmer noted that a recent letter to the editor in the local papers had taken Zone 7 to task over how much chemical costs have risen in recent years. She hoped people appreciated how much chemical costs have risen, and realize that it's not a linear rise. Zone 7 has no control over those costs. Being good shoppers does not help.

Ms. Emily Wagner, City of Pleasanton, echoed the comments of Mr. Michalczyk. She stated that she saw the same pattern referred to in the DSRSD letter, i.e., that the actuals vs. the budgeted amounts are very different.

Ms. Wagner presented a letter from the City Council which raised the following points:

- Zone 7's use of "pay-as-you-go" financing rather than debt financing causes current customers to pay for capital improvements from which they may never see any benefits. Zone 7 has had major rate increases since 2001, and projections show additional increases in the future. The letter advocated a prudent mix of pay-as-you-go and debt financing.

- The City has not raised its water rates to customers since 2001. During that time, the City absorbed about 46% cumulative rate increases in Zone 7 water rates.

- The Rate Stabilization Fund, though approved for use in FY 08/09 was not used because revenues came in higher than budgeted. It is possible that the current year (FY 2010) will also produce positive income without use of reserves based upon past years' historical results.

- The City believes Zone 7 has high enough reserve levels to hold the CY 2010 water rate at the same level as CY 2009 and assist the community by drawing down reserves rather than imposing another significant rate increase during this difficult economic time.

Ms. Wagner concluded by thanking staff for working with the retailers.

In response to questions about why the City would absorb Zone rate increases and not pass them on to their customers, Ms. Wagner agreed that the practice cannot continue. Increases such as the 9.25% increase recommended this year cannot continue to be absorbed. Customer base increased 20%.

Ms. Duerig noted that the Zone's soft hiring freeze was estimated to bring in savings of approximately $978,000 in FY 09/10 and approximately $991,000 in FY 10/11. These estimates compare very favorably with what DSRSD has achieved (approximately $769,000) using such methods as soft hiring freeze, golden handshake program, furloughs and wage freezes.

Discussion turned to appropriate levels for reserves.

In response to a question on DSRSD policy, Mr. Michalczyk noted that DSRSD's target is four months of working capital.

Mr. Randy Werner, City of Livermore, advised that the City of Livermore is still working on building the level of reserves to what was originally set up. The City is trying to get to a reserve level of $17M to $20M. The goal is to add $1M per year but this is not always met.

Mr. Werner stated that incremental rate increases are preferred to holding rates steady and then having a large increase. He stated he appreciated Zone 7's efforts to work with the retailers and to incorporate their suggestions in the rate setting process. He also didn't think it was fair to wait until the last minute to present alternative proposals to staff. This does not allow for adequate research and preparation on the part of Zone 7 staff. This year we started with a proposal for a 19% increase and got it down to 9.25%.

Mr. John Freeman, California Water Service Company, remarked that it is hard to imagine that cuts to staff and service will preserve the same level of service. As the Valley's water purveyor, Zone 7 cannot cut maintenance and stop building infrastructure.

Mr. Bart Hughes, Pleasanton resident, stated that it is hard to imagine Zone 7 raising the water rate by 9.25% during a deflationary period. He added that it is a completely different world out there. He was struck by how this group approaches problems. Things would be different if Zone 7 had a competitor; there would be a better quality product at a lower price. Competition changes everything. The usage over the next five years appears to be flat compared to a 50% increase in cost. Where is better, faster, cheaper? Where is the desire to reduce costs? The private sector has a completely different approach. He urged Zone 7 look at its business from the perspective of the end user.

Director Figuers agreed and noted that he is a business owner. He had the same shock when he first got on the Board. We are government regulated and in an inflexible, restrictive environment that is hard to change.

Mr. Hughes stated he realized this is not just a Zone 7 issue. Many agencies have the same problem but a 160 percent increase is beyond comprehension. He stated he did not see scrutiny of costs in this organization.

President Quigley commented that the Board has recently embarked on a strategic planning process that will help contain costs. Additionally, a study is underway to look at ways to streamline services and cut costs by separating certain functions away from Alameda County.

Director Palmer added that independent financial services should make our financial decisions more businesslike.

Director Stevens listed several issues that impact Zone 7 finances and financial planning decisions, including: decision not to use debt financing; under promising and over delivering; water needs to happen when its needed; drought conditions—must provide water all the time; price of oil and volatile value of the dollar. He felt the current reserve policy is good right now. We need to look at ways to cut costs but water is a different type of business; our customers demand good quality, reliable water supply.

Director Palmer added that the public health and safety issue that must be foremost in our minds.

Director Greci thanked the community members who spoke. Zone 7 is a service agency, and the reality of our economics is not what it is in private industry. We are looking for ways to become more cost effective but we are unable to give up our primary vendors, i.e., California Department of Water Resources and the groundwater basin. Right now we need rain to ensure our deliveries from the state and to replenish the basin. We have a reliable system that produces good quality water. We don't like to raise rates but costs are rising all over. We can't ignore what's happening in the rest of the world. We don't look forward to passing rate increases on. We will continue to work with retailers and try to be economically smart. We appreciate public comments but there are fewer choices for governmental agencies.

Director Moore stated that he felt Zone 7's relationship with its retailers is critical. He is on the Finance Committee and at the initial meeting, five alternatives were presented. The goal was to keep the treated rate increase as low as possible, and we have done that. He recommended that the Board go with the staff recommendation.

President Quigley agreed. He and Director Palmer had recently attended an ACWA Region 2 tour where one of the stops was Lake Oroville. That is the source of 80% of Zone 7's water supply and it is 70% empty. We cannot afford to not raise rates this year. He recommended that the Board approve the proposed rate increase and look to next year to cut costs and become leaner and meaner.

There were no further comments.

On individual roll call votes, the Board adopted the each of the following resolutions on a vote of 6-0.

Resolution No. 10-3339	Approving a Delta charge of $35 per acre-foot for all rates.
Resolution No. 10-3340	Authorizing the use of the Rate Stabilization Reserve, as needed.
Resolution No. 10-3341	Approving a treated water rate schedule for 2010 based on $878 per acre-foot which includes the Delta charge.
Resolution No. 10-3342	Approving a recharge fee of $617 per acre-foot which includes the Delta charge.
Resolution No. 10-3343	Approving a temporary treated water rate schedule of $3.60/CCF which includes the Delta charge.
Resolution No. 10-3344	Approving a treated water rate schedule for private fire and standby service of $3.60/CCF which includes the Delta charge.

Item 9—Untreated Water Rates for 2010

Ms. Baptista then presented the calculations for arriving at the untreated water rate for CY 2010. She noted that a correction was made to the Preliminary Untreated Water Rate presented to the Board at the September 16 meeting. The projected FY10/11 Enhanced Water Conservation cost component was inadvertently left out of the Delta charge calculation. Adjusting this, added $8 per acre-foot, so the proposed untreated water rate is $171/acre-foot (AF), still a 6% decrease from the 2009 rate.

- The Untreated Water Rate is based on the cost of State Water Project water (transportation and facilities charges), Byron-Bethany Irrigation District water and an administrative fee based on actual staff costs.
- The decrease is primarily due to lower per unit estimates from the Department of Water Resources for the cost of transporting water, no additional Delta Water charge and lower administrative costs.
- Staff recommends the adoption of the Untreated Water Rates as presented.

    a. Untreated water rate for 2010 of $171/AF.
    b. Temporary untreated water rate for 2010 of $412/AF.
    c. Non-scheduled untreated water rate for 2010 of $412AF.
    d. Surplus untreated water rate for 2010 of $231/AF.

Board questions/comments:

In response to the number of untreated customers served by Zone 7, Ms. Duerig responded 70 or 80.

There were no public comments.

On individual roll call votes, the Board adopted the each of the following resolutions on a vote of 6-0.

Resolution No. 10-3345	Approving an untreated water rate for 2010 of $171/AF.
Resolution No. 10-3346	Approving a temporary untreated water rate for 2010 of $412/AF.
Resolution No. 10-3347	Approving a non-scheduled untreated water rate for 2010 of $412AF.
Resolution No. 10-3348	Approving a surplus untreated water rate for 2010 of $231/AF.

Item 10—Adoption of the FY 2010/2011 Capital Improvement Program Document: 10-Year Water System Plan and 5-Year Flood Protection Plan

The Board heard a presentation by Ms. Green on the FY 2010/2011 Capital Improvement Program Document: 10-Year Water System Plan and 5-Year Flood Protection Plan.

- As part of Zone 7's capital planning and budget processes, the FY 2010/11 Capital Improvement Program (CIP) document has been prepared to prioritize projects to be implemented for the Water System over the next ten years, beginning with FY 2010/11 and five years for the Flood Protection System. Specifics included within this document are: a description of the process used to develop the CIP document; a summary of the capital programs with highlights of key projects, expected costs over the next ten years, a comparison with previous CIP projections; and, cash flow analysis of the various capital funds.

- The Draft FY 2010/11 Ten-Year CIP was presented to the Zone 7 Finance Committee on August 27, 2009, to the Zone 7 Board on September 16, 2009 and to the Retailers on October 5, 2009.

- Due to the projected reductions in Expansion revenue and to conserve funds, staff recommends adjusting the Board-approved FY09/10 Budget to stop contributions to the Expansion Fund (73) sinking funds established for the Administration and Engineering Building, and Future Contractors Share of the South Bay Aqueduct (SBA).

- Staff recommends that the Board adopt the Draft FY 2010/11 CIP document as the Final FY 2010/11 CIP document, approve stopping principal contributions to the Expansion Fund (73) sinking funds established for the Administration and Engineering Building, SBA, and the SBA Improvement and Enlargement Project and that the CIP document be updated and adopted on a biannual basis.

Highlights of the presentation:

Ten-Year Plan for Water System Summary

- 62 projects totaling $642 million
- Fund 72, Renewal/Replacement, System-Wide Improvements-17%
- Fund 73, Expansion-83%
- $55M or 9% increase from FY 09/10 CIP

Five-Year Plan for Flood Protection

- Fund 55, General Fund/Flood Protection-12 projects totaling $9.7M

Changes from September Presentation/Draft CIP

- $400K annually in Fund 72 for Enhanced Conservation Program.
- Reduced annual budget for Water Quality Management Program update from $120K annually to $75K annually.
- Transition to biennial CIP, per retailer/staff recommendation:
    - Saves staff time and resources/consistent with recommendation to budget biannual.
    - Executive Summary update annually.
    - Financial status update via Quarterly Financial Report.
- Fund 73 sinking fund contributions
    - Recommendation to stop principal contributions to sinking funds established for the Administration and Engineering Building, SBA, and the SBA Improvement and Enlargement Project.

Fund 50 and 73 Funding Outlooks

- Potential scenarios were presented.
    - $30M Installment Sales Agreement (ISA) still under consideration.
    - Participation in Prop 1A Securitization Program has been approved so net effect on Fund 50 will be zero.

Recommended action:

- Adopt resolution approving the CIP; approve transitioning to a biannual CIP; and temporarily stopping principal Fund 73 sinking fund contributions and contribute interest only.

Comments/Questions:

President Quigley had comments related to the sinking fund for the North Canyons Building. He asked the amount of money that will be needed to buy it in 2020 when the lease runs out.

Mr. Yue responded that he believed $12M is the target amount that will be needed to purchase the North Canyons Building at the end of the lease.

Director Stevens suggested that perhaps if the owner needs cash, he may be willing to sell it early.

Mr. Yue responded that we are not in a cash rich position right now, and we are a ways away from the target amount of $12M.

President Quigley felt that it might be time to do some out of the box thinking about the Parkside Building that we still own. We should take a closer look at expanding or building a second story at that location. He requested that some preliminary planning be done on that.

Ms. Duerig responded that it may be premature at this time but certainly as the time grows near when this lease expires we can do that.

There were no further comments from the Board or public.

Director Moore moved for adoption of Resolution No. 10-3349 approving the Draft FY 2010/11 CIP document as the Final FY 2010/11 CIP document; approving stopping principal contributions to the Expansion Fund (73) sinking funds established for the Administration and Engineering Building, Future Contractors Share of the South Bay Aqueduct, and SBA Improvement and Enlargement Project over the next five years (FY 09/10 - FY 13/14); and giving approval that the CIP document be updated and adopted on a biannual basis.

Director Stevens seconded the motion which passed by a roll call vote of 6-0.

Director Figuers noted that he voted “aye” with reservations.

Requests for information from Director Figuers: During the Water Rate presentation, Director Figuers requested a graph for the period 1990 to present showing annual water rate % increases, CPI % increases and Operating Expenses Actual vs. Budgeted Variance.

Director Figuers further asked about his request at the September Board meeting when the CIP was presented, regarding a graph to show connection fees and the corresponding number of connections starting from 1990 to present. Staff failed to provide the CIP information requested at the October meeting. Staff apologized and responded that both requests will be addressed at the upcoming Finance Committee meeting now scheduled for November 17.

Item 11—Groundwater Influence on Delivered Water Quality Study

The Board heard a brief summary by Mr. Arends on the Groundwater Influence Study.

- At the July 2009 Board meeting, the Groundwater Influence on Delivered Water Quality Study was submitted to the Board for consideration and acceptance in accordance with Zone 7's Well Master Plan Final EIR Mitigation Measure 3.1-5b.
- Comments by the public and retailers were received. The City of Pleasanton requested a continuance of the agenda item in order to clarify the water quality data which was used in the Study and to allow time to bring the Study before the City Council.
- The Board granted a continuance to the October 2009 Board meeting.
- Staff has met with City staff and discussed the City's concerns with the data and has found that discrepancies between the data used in the study by Zone 7 and the data presented by the City is due to the period of time that data was collected and not the accuracy of the data. Additional analysis was also done at the City's request.
- Recommended action is to adopt the attached resolution accepting the Study and finding no new significant environmental effects or no substantial increase in previously identified significant effects and therefore, per CEQA Guidelines section 15162, a supplemental EIR is not required.

Mr. Koltz is present tonight to answer any questions Directors may have. The Board should have in their possession a letter from the City regarding their concerns with general water quality on the west side of the Valley.

Mr. Cusenza, City of Pleasanton, thanked Zone 7 staff for working with the City. The difference in Hardness values between the east and west sides of the Valley are evident in the results. Results also show that the basin is getting saltier faster than previous analyses indicated. The demineralization is good but salt management is still a challenge. This report shows that the City's concerns are valid. The Hardness numbers on the west side are three times higher than on the east side, and there is a cost to that. He noted that better blending would help alleviate the differences.

Mr. Cusenza requested that discussions begin at the staff level as soon as possible in an effort to agree upon the next steps to provide Pleasanton residents with water quality that is equalized throughout the Valley. Salt is an issue for the entire valley, not just Pleasanton.

Director Moore asked if the second demineralization facility would be eligible for ISA funding.

Mr. Yue responded not the way the ISA is currently structured. We would need to go through a formal substitution process.

Mr. Cusenza responded that the City would love a second demineralization facility but we realize there are funding constraints. An interim solution might be to work with Zone 7 to tweak the system to get a better blend of water or to allow Pleasanton to increase its "Independent Pumping Quota."

Mr. Stevens commented that the downside of the use of recycled water is the high TDS and the additional salt introduced into the basin.

Discussion turned to the financing for the demineralization facilities. Each phase is funded differently:

1st phase-half expansion and half water rates
2nd phase-all expansion
3rd phase-90 percent water rates and 10 percent expansion

Director Stevens felt it might be good to look at the philosophy behind that decision.

Ms. Duerig added that we would have to look to the retailers to see their thoughts on funding more from water rates.

Mr. Freeman, California Water Service Agency, cautioned on the blending scenario because it would affect water quality for CWS customers.

There were no further comments from the Board or the public.

President Quigley moved for the adoption of Resolution No. 10-3350 approving the Study and finding no new significant environmental effects or no substantial increase in previously identified significant effects and therefore, per CEQA Guidelines section 15162, a supplemental EIR is not required. The motion was seconded by Director Figuers and passed by a roll call vote of 6-0.

Item 12—Committees

a. Administrative Committee: Meeting of September 10, 2009—Minutes available.

Item 13—Items for Future Agendas—Directors

Director Quigley brought up the possibility of increasing the footprint of the Parkside building by either expanding up or out.

Ms. Duerig felt it was more prudent to wait until we get closer to the end of the 11-year horizon when the lease is up with the North Canyons Building. She stated that staff could explore the possibility of buying the NC building.

Mr. Yue felt that if we run the numbers now for the 2020 period there could be significant changes to the assumptions used.

Director Stevens asked about the possibility of continuing the Administrative Committee meetings to hear the concerns of staff as we move forward with the strategic planning process and the implementation of the Management Partners Study.

Ms. Duerig responded that under "Verbal Reports" the Board would be hearing from Dr. Bill Mathis who has been retained to help with general communications in the agency as identified during the strategic planning process.

Item 14—Reports—Directors

a. Written report by President Quigley
b. Verbal reports

In addition to the written report he'd submitted, President Quigley commented further on the CSDA annual conference which he had found very informative and useful. He encouraged other Directors to attend the CSDA events, and passed out a listing of attendees which showed a heavy presence of agencies whose main mission is related to water, wastewater, irrigation, etc.

Director Stevens attended an ASCE Water Resources Group meeting and heard a presentation from the Army Corps of Engineers on new levee requirements which will go into effect this December. This group has been reactivated, and may discuss topics of interest to Zone 7.

Director Palmer stated that she spoke at the Alameda Democratic Party Meeting on October 7 where she gave a push for a Delta pipeline because she believes that a closed pipeline is a better alternative than a canal. She also commented that on the recent ACWA Region 2 tour it was evident that the needs of the rural districts are different from ours. Also, the north Delta folks are not opposed to having a Delta conveyance system. She distributed a written report of the ACWA-sponsored tour of the Oroville Dam Region that she attended on October 15, 2009.

Item 15—Staff Reports (Information items. No action taken.)

a. General Manager's Report
b. Recent & Upcoming Public Outreach Activities
c. State Legislative Update
d. Results of Management Classification & Staffing Review
e. Groundwater Rule Impact Assessment Summary

Ms. Duerig introduced A.H. Pruitt Tully who recently conducted a management classification and staffing study, the results of which have been shared with staff and the Board. As a result of preliminary feedback from the Strategic Planning interviews, on July 15, 2009, the Board endorsed conducting a review of current staffing levels to provide data to assist the General Manager in future decision-making such as position-specific justifications for soft hiring freezes.

Mr. Tully provided some background on his methods and answered questions from the Board.

Responding to questions about specific agencies used in the study, Mr. Tully responded that it is based on the quality of information. For example ACWD and DSRSD both have excellent organizational charts. On the other hand, it is hard to get information from EBMUD; and their budget process is confusing.

Director Stevens commented that the more political an agency is the less accurate their data.

Responding to a question about the recommendation for contracted general counsel services, Mr. Tully responded that the decision can be unrelated to economics. But generally, smaller districts tend to have contract counsel.

There were no further questions.

Item 15e-Verbal Reports

Ms. Duerig announced that Zone 7, as the recipient of a Prop 50 grant for the demineralization project, has now received a check in the amount of $670,000 from the state. She offered congratulations to Mr. Jarnail Chahal, Senior Engineer at Zone 7, and Morrison & Associates for their efforts.

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Regarding improvement of communications at Zone 7, Ms. Duerig informed that a Management Advisory Team had been selected as the initial group to work with Dr. Bill Mathis, Management Psychologist, in improving the flow of communications within the agency. Dr. Mathis is with us this evening to speak briefly to the Board and answer questions.

Dr. Mathis stated he is glad to work with Zone 7 and gave the Board an overview of his intended approach to this issue. He talked about the culture of the agency and stated that the Board has had a lot of influence on what the culture is. He noted that he would like to talk to the Board Members, either individually or as a group to talk about setting the path for the coming years, then measure with staff what the results are.

One of the challenges facing agencies is the unprecedented economic tsunami which is causing uncertainty both for agencies and workers. The economy has changed how we work. There is a "new normal" and he didn't think we could go back to the way it was. Uncertainty causes workers to be anxious, grumpy, not cautious, smart mouthed, quiet. Strategic planning is a good first step. He recommended the adoption of best practices that can be measured.

He complemented the Board on the sense of humor he had observed in tonight's meeting, as well as the complexity of the subject matter.

He looked forward to reporting results back to the Board.

The Board took a short break at 10:00 p.m. and then went into Closed Session.

Item 16—CLOSED SESSION

a) Conference with Legal Counsel – Significant exposure to litigation pursuant to Subdivision (b) of Government Code Section 54956.9: 5 cases

b) Conference with Labor Negotiators:
Agency Negotiator: G.F Duerig
Employee Organization: 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 17—OPEN SESSION AND REPORT OUT OF CLOSED SESSION

There was nothing to report out of Closed Session.

Item 18—Upcoming Board Schedule

(All meeting locations are 100 North Canyons Parkway, Livermore, unless otherwise noted)

a) Finance Committee Meeting: November 17, 2009, 3:00 p.m.
b) Regular Board Meeting: November 18, 2009, 7:00 p.m.

There was no further business, and the meeting was adjourned at approximately 11:05 p.m.