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

REGULAR MEETING
December 18, 2013

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

DIRECTORS:	SANDS FIGUERS JOHN GRECI AJ 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 MARGARET CHUN, ACCOUNTING MANAGER JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

Item 1 - Call Meeting to Order

Item 2 - Pledge of Allegiance

President Stevens led a salute to the flag.

Item 3 - Citizens Forum - None.

Item 4 - Minutes of the Regular Meeting of November 20, 2013

Director Ramirez Holmes moved and Director Quigley seconded the motion. The minutes passed by a 7-0 voice vote.

Item 5 - Consent Calendar

Director Ramirez Holmes requested that Consent Item 5(d) be pulled from Consent for discussion. Director Greci moved that Items 5(a), 5(b), and 5(c) be approved and Director Palmer seconded the motion, which was approved by a roll call vote of 7-0.

Resolution No. 14-4325	Authorized the General Manager to negotiate and execute an Agreement with the City of Livermore for the Del Valle Water Treatment Plant Roadway Maintenance Project in an amount not to exceed $105,500. (Item 5a)

Resolution No. 14-4326 The Board of Directors of Zone 7 accepted the annual report of development fee revenues and expenditures for the fiscal year ending June 30, 2013. (Item 5b)

Resolution No. 14-4327 The Board of Directors of Zone 7 authorized Director Quigley's attendance at ACWA's Annual D.C. Conference and expenses associated with his attendance at this event. (Item 5c)

Director Ramirez Holmes commented on Item 5(d) and the communication practices with Supervisors Miley and Haggerty. She feels there should be more direct communication and meetings with the Supervisors and their staff.

Director Palmer said the letter is one of the next steps the Supervisors wanted to see and this letter is appropriate. Director Quigley and Director Machaevich agreed with Director Palmer and said that in the separation process plan this letter memorializes our interactions. We are going in a direction that is open and transparent with County staff and the Board of Supervisors. Director Machaevich agreed it is important to document, and approves moving forward. Director Greci said that written communication is filed, recorded and irrefutable and does not impose more meetings on their busy schedules. If they are dissatisfied with the steps taken, they have not told Zone 7. Director Ramirez Holmes said that writing a letter to LAFCo with copies to the Supervisors is not keeping them "in the loop" which was the problem last time with the pursuit of independence from the County. It is a political process that needs a political solution. Ms. Duerig stated that she will personally contact the Supervisors' Chiefs of Staff prior to mailing out letters letting them know that the letters will be issued and asking if they have any questions. Director Figuers agreed with Director Ramirez Holmes that we need to "glad hand." President Stevens stated that Zone 7 is doing exactly what the County wanted Zone 7 to do which was 1) go through the LAFCo process; 2) get a Principles of Agreement with Contra Costa County; and 3) get a Memorandum of Understanding with Alameda County Flood Control. He goes to every LAFCo meeting and tries to make contact with both Supervisors. Now we have a Principles of Agreement with Contra Costa County and it is important to update LAFCo.

Director Quigley moved for approval of the resolution and Director Greci seconded the motion. The motion passed with a roll call vote of 6-1-0 with Director Ramirez Holmes voting no.

Resolution No. 14-4328 The Board of Directors of Zone 7 directed the Board President to notify LAFCo of the development of Principles of Understanding that will provide a framework for future LAFCo applications and/or legislative language for Zone 7's independence. (Item 5d)

<u>Item 6 - Staffing Update</u>

Ms. Duerig announced that Sara Whatley, Safety Technician II, was chosen as the October 2013 Employee of the Month. After another staff member left Zone 7, the work was spread among other employees and Sara stepped in and worked on the compliance programs. She is also working on developing her knowledge and skills that contribute to the Agency. The Board applauded her and was pleased that she was present to receive their congratulations.

Item 7 - Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2013

Margaret Chun, Accounting Manager, presented to the Board the Independent Auditor's Report and Annual Financial Statements for the Fiscal Year Ending June 30, 2013, which had been presented to the Finance Committee in November. Committee members recommended that the report be brought to the full Board for acceptance.

Ms. Chun introduced Tim Kirsch from Maze and Associates, who was present to answer any questions regarding the audit process or findings.

Director Greci and Director Palmer both said they are pleased with the findings and layout of the audit. Director Figuers said that although the actual numbers were fine, he noted the interest paid on the reserves held in the county treasury, as reported on the Statement of Net Position in the Basic Financial Statements document, is low and that Zone 7 should get a higher interest rate on those funds. He also noted that on Item 5 (b), Annual Report on Collection and Use of Development Fees, the interest rate is also low on the interest from county investments. He asked if we have any large-scale flood control projects coming up and noted the amount of money in the Flood Protection/Storm Drainage DIF fund.

Director Ramirez Holmes asked Mr. Kirsch if he felt there were any changes that should be made to improve the Board's oversight on finances or management of finances. Mr. Kirsch replied that because the Board receives monthly financial statements as part of the Board packet, budget variance analysis on a monthly basis has already been added this year as a useful tool. In testing internal control, which is a determination of whether or not staff are following the policies and procedures the Board adopted previously, the auditors had absolutely no findings, which speaks highly of the staff and is very unusual as the auditors usually have recommendations for agencies to improve internal controls.

In response to President Stevens' question about how well-managed Zone 7 accounting is, Mr. Kirsch said the Memorandum on Internal Control states that they did not identify any deficiencies in internal control that they consider to be material weaknesses. This was addressed in the Finance Committee meeting. Director Ramirez Holmes referred to the Summary Notes from the Finance Committee meeting that stated, "David Alvey reported that the independent audit of Zone 7 finances was an unqualified 'clean' opinion; the agency remains in solid financial shape; and there are no glitches concerning internal controls."

Director Ramirez Holmes noted that the budget items are spread out but the audit calls out some things the Board needs to pay attention to such as the $1 million in overages for staff time and benefits for four projects. Ms. Duerig explained that they look at the overall budget for how many staff Zone 7 has and project how they will be used and then move staff around and charge particular accounts, i.e., when staff spent more time on hydraulic models for floods with the County for the MOU more money was not spent but labor expense was allocated to a fund where it hadn't been budgeted. Director Ramirez Holmes asked at what point there is a concern so overages are called out to the Board. Ms. Duerig replied that money is saved in other areas, it is just an overage in this fund, but the budget is just a roadmap. The Board approves the budget but staff resources are dedicated and moved around and this does not add to liabilities. President Stevens gave an example where staff did the work themselves on Cope Lake and did not hire a consultant so Zone 7 saved money.

Director Figuers asked about total salaries. They are broken down by funds but what is the overall, rough number for Zone 7 total salaries. Assistant General Manager Tom Hughes said a rough guess would be $19 million. Ms. Duerig said the monthly budget report describes how labor is distributed but is not currently in New World accounting software, and the hope is that monthly budget reporting will give the Board a better handle on how resources are moved around.

Director Ramirez Holmes told the Board that the Finance Committee decided to look at the finance control the auditor suggested would be a good improvement. She wants to make sure that item comes back to the Finance Committee early in the year so they can look at the audit process. She also requested that a positive press release be issued to let the public know about the clean messages from the auditors' impartial review and what the audit means in terms of Zone 7 checks and balances between Board and staff.

Director Ramirez Holmes moved the audit be approved and Director Palmer seconded the motion, which was approved by a voice vote of 7-0.

Resolution No. 14-4329	The Board of Directors of Zone 7 accepted the independent auditor's report, basic financial statements and supplementary information for the fiscal year ending June 30, 2013. (Item 7)

Item 8 - Award of Contract for Security Guard Services

Ms. Duerig told the Board that we have had security guard services for many years. At the treatment plants during the day, stationary guards monitor visitors coming to the plants. Off hours, there is a roving service that visits all facilities and does call-outs if needed. Prior to this year, Zone 7 went through the County as part of their major security contract and we were just one of many departments that used those services but last year there was a glitch where they dropped us inadvertently and there were issues with inadequate service. Now Zone 7 is going completely on our own with a three-year contract and the cost is comparable to what we paid in the past.

Director Figuers asked how many person hours does the $405,000 buy us? The last page of Exhibit B has calculations. Ms. Duerig said it shows hourly rates under $20 for the gatekeeper and closer to $30 for the rover but the total also includes paying for the vehicle and radio. Director Figuers requested that Zone 7 look at the effectiveness of a mixture of video cameras and security staff and reduce needing people as much. Ms. Duerig replied that we have video cameras at the plants so the staff in the plant office can see who is at the gate after hours. To add video cameras at all facilities would require a meet-and-confer with the Unions. Ms. Duerig added there are security alarms at facilities to protect staff and the buildings and this contract also includes the rovers. In other words, security is already made up of a combination of video, alarms and people.

Director Quigley said that at ACWA, there was a module on Safety and there is a lot of interest in security because treatment plants and other public infrastructures have guards.

Director Ramirez Holmes asked questions about the process used to select the vendor and if there was only a one point difference, why the proposals from the competing firms were not brought to the Board. Tom Hughes, Assistant General Manager of Administration, responded that the dollar amount of the contract is not the only factor taken into consideration when selecting a vendor.

Overton's price was the best and they do pay union prevailing wages but it was not based solely on price.

Director Figuers suggested that the actual bids for the contracts from each firm be listed as they are for construction contracts.

General Counsel David Aladjem explained that there are rules governing how contracts like this are different from a construction contract that shows prices for labor, materials, etc. As with professional service contracts, this was awarded on a more complicated system with more variables. The Public Contracting Code recognizes that because of that variability, the way it is rated would defeat obtaining the goods, in this case the security services, by publishing the least cost for the service, which is why they don't do it. What staff has done in presenting the highest score on the RFP is common practice and the way it should be done.

Director Ramirez Holmes asked about Exhibit B which listed hourly rates and Mr. Aladjem said it was so staff would have those metrics to use when ranking and tailoring the services. Director Ramirez Holmes felt the Board should have been given more information about the difference in the rankings. Director Machaevich stated that you don't always go for the highest ranked company and services are looked at as a total package, the performance and what they can provide, and staff has to weigh all factors. He thinks Zone 7 will get more value for their money by going with Overton.

Director Palmer moved for approval of the resolution and Director Figuers seconded the motion. The motion passed with a roll call vote of 7-0.

Resolution No. 14-4330	Authorized the General Manager to negotiate and execute a services contract, not to exceed $405,000, with Overton Security Services, Inc. for security guard services for three years (January 1, 2014 through December 31, 2016) plus two optional one-year terms. (Item 8)

<u>Item 9 - Committees</u> - Finance Committee - November 14, 2013 - notes

<u>Item 10 - Reports - Directors</u>

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

Director Palmer reported on the GRACast she viewed on Chromium (6) and 1, 2, 3-TCP and distributed to the Board a copy of slides from the presentation. This is part of the GRACast series on Compounds of Emerging Concerns (CECs). Bottom line is that if Zone 7 has to make changes on treatment options for Chromium 6, it will cost a lot of money.

Director Palmer went to the ACWA Conference and gave Margaret Tracy information she obtained on CECs. There is a treatment technology for every contaminant, i.e., pharmaceuticals, personal care products, etc. Ozonization and activated carbon treat many CECs. She also attended a meeting on fracking. FracFocus.org's website gives a lot of information. A water resources meeting she attended was on habitat restoration and critical habitat. Director Greci complimented Director Palmer on the information she brought back to share with other board members.

Director Machaevich also asked if we can get our treatment plants to use ozone to improve our water. He feels the cost is low for the value in future better water quality because contaminants in the Delta will continue to threaten our supply.

Ms. Duerig explained the additional benefits of ozone. Ozone reduces taste and odor and disinfection byproducts but it also helps with coagulation. She reminded the Board that this summer there was a problem with the treatment plants meeting production demands because of treatment issues. Alameda County Water District and Santa Clara County Water District get the same water but both have ozone and had fewer treatment issues than Zone 7. A Phase 1 treatment study was brought to the Board last month to see how much ozone would help or whether other alternatives should be considered. Once the study is completed, more information will be available.

Director Quigley presented the ACWA award given to Zone 7 as a finalist for the Best in Blue outreach award for the water jug pyramid He also attended the Zone 7 holiday potluck with staff. At the ACWA conference, there was a module on Contaminants of Emerging Concerns, which will be on the ACWA website. He discussed the Region 5 presentation on "Coloring Outside of the Box" and Paula Kehoe, from the San Francisco Public Utilities Commission (SFPUC), had a great presentation and it will be on their website. The new SFPUC building captures 100 percent of the water that goes through the building. His last item was to note that on January 7 there will be a Region 5 board meeting at Zone 7.

Director Ramirez Holmes reported that she attended Supervisor Haggerty's Holiday Open House at the Pleasanton Fairgrounds. She donated raffle items to the Zone 7 Holiday potluck but was unable to attend.

Item 11 - Items for Future Agenda - Directors - none.

Item 12 - Staff Reports (Information items.)

a. General Manager's Report
b. Communications Outreach Activities
c. Legislative Update
d. Monthly Budget Report
e. Constituents of Emerging Concern (CECs): Protecting Groundwater Under the State Recycled Water Policy
f. Verbal Reports

Director Ramirez Holmes had a question on Staff Report 5(d), Monthly Budget Report, and asked for an explanation of why there was such a large percentage increase for Fund 120, Account 672, Land and Facility Improvements, on Page 2 of 3 of the Budget Summary. Ms. Duerig said that is because of the way it is budgeted. Capital projects go into Fund 120, Account 669, and as they are expended, they move to the actual line where they are expended. This is explained in the footnote to Account 669, which appears on the following page. Director Ramirez Holmes suggested that this be discussed with the Finance Committee because it could be done better.

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

Item 13 - Closed Session

(a) Conference with Legal Counsel -- Significant exposure to litigation pursuant to Gov't Code Section 54956.9(d) (2): 1 case.

(b) Conference with Legal Counsel -- Potential litigation pursuant to Gov't Code section 54956.9(d) (3): 2 cases.

(c) 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.

(d) Conference with Real Property Negotiator:
Property: APNs 946-1251-029-00 and 946-1251-8-6 (partial)
Agency Negotiator: G.F. Duerig
Negotiating Parties: Robert M. Krantz, UPRR and Daniel Woldesenbet, AlCo PWA
Under negotiation: Price and terms of payment

Item 14 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 8:53 p.m. President Stevens stated there was no reportable action taken in closed session.

Item 15 - Adjournment

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