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

REGULAR MEETING
December 19, 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 SARAH PALMER RICHARD QUIGLEY ANGELA RAMIREZ HOLMES BILL STEVENS
DIRECTORS ABSENT:	DIRECTOR MACHAEVICH
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING TOM HUGHES, ASSISTANT GENERAL MANAGER, ADMINISTRATION TAMARA BAPTISTA, FINANCE MANAGER MIKE WALLACE, STAFF ANALYST JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

Item 3 - Citizens Forum - None.

Item 4 - Minutes of the Regular Meeting of November 28, 2012

President Palmer added language to Item 12, Open Session and Report Out of Closed Session, clarifying that the General Manager had received a cost-of-living adjustment of 2.65%. Director Greci moved for approval of the revised minutes and Director Ramirez Holmes seconded the motion. There was a voice vote of 6-0 with Director Machaevich absent.

Item 5 - Consent Calendar

Director Greci moved for approval of both Consent items and Director Quigley seconded the motion. There was a voice vote of 6-0 with Director Machaevich absent. The following resolutions were approved:

Resolution 13-4243	Authorized Director Quigley's attendance at the "Santa Ana River Watershed 2013" meeting on April 11, 2013, and reimbursement of actual and necessary expenses associated with his attendance at this event. (Item 5a)
Resolution 13-4244	Acceptance of the annual report of development fee revenues and expenditures for fiscal year ending June 30, 2012. (Item 5b)

Item 6 - Staffing Updates

Item 6a - New Employees

Ms. Duerig gave the Board information on Tami Church, Zone 7's new Junior Water Resources Planner. The Board recognized and welcomed her in absentia and President Palmer requested that it be noted in the minutes that the Board is glad she is here.

Item 6b - Employee of the Month Recognition

Ms. Duerig congratulated Joel Larson, Instrument Technician II, on becoming the October Employee of the Month. Joel has been able to do a lot of the in-house SCADA work that was previously done by outside contracts with Telestar. The Board applauded Joel in absentia.

Item 7 - Award of Contract for Centrifuge Equipment System Rental Service for Patterson Pass Water Treatment Plant

Kurt Arends gave the background on long-term plans for handling sludge at both treatment plants. Mechanical dewatering is the long-term solution for Del Valle WTP and additional drying beds for Patterson Pass WTP. Staff is working with the Department of Water Resources to acquire additional land at Patterson Pass to expand the drying beds but until that is done, mechanical dewatering at Patterson Pass WTP is needed in the interim. The remainder of the contract will be used at Del Valle WTP while Zone 7 installs a dewatering system. Karl Needham has a current contract for both plants and he was the sole bidder for the three-year Patterson Pass contract.

President Palmer asked when approval of land for Patterson Pass would go through. Mr. Arends replied that the appraisal has been approved but it is now going through the State's land process, which could take time. He estimated at least two years to have the beds in place at Patterson Pass.

Director Quigley commented on the sludge cost components at Del Valle. He requested that staff track the three cost components: dewatering, hauling (labor and transport fees) and dumping fees (depending upon the wetness of the load) so that they have two years' worth of costs for handling approximately 45 tons of sludge at each plant. He believes having real numbers for that operating element would be helpful. Ms. Duerig replied that when the new financial software is available in July 2013, it will be possible to gather these numbers.

Director Figuers moved to approve the contract and Director Quigley seconded the motion. There was a roll call vote of 6-0 with Director Machaevich absent. Resolution 13-4245 was passed approving the plans and specifications for the PPWTP Centrifuge Rental Services Contract with KNE, Inc., in an amount not to exceed $488,125 per year.

Item 8 - Information Technology Services Contract Award

Mike Wallace, Staff Analyst in Finance, reviewed the information with the Board leading up to the selection of Lanlogic as the best service provider of IT services for Zone 7 for the next three years in a total not-to-exceed amount of $671,788.

Director Ramirez Holmes asked if Lanlogic's budget for last year was based on the number of call outs and about the importance of the criteria for the Dun and Bradstreet report as required by the RFP. Mr. Wallace said staff uses the report to gauge the financial stability of the company.

Her concern is that when there is only a 5% difference in reviewing scores, is the current vendor worth the dollar difference in bids.

President Palmer expressed concern about the justification for not selecting the lowest bidder and that it was a fair process. Ms. Duerig replied that all bidders had been notified and if they objected, they had time to respond or attend tonight's board meeting.

Director Quigley would like to know how many hours of service are provided per year and what tasks are covered in addition to SCADA support and maintenance? Mr. Wallace noted that they do not track hours because the time element is whatever it takes to provide the service required to keep Zone 7 up and running. Ms. Duerig said the negative is the down time Zone 7 has when we cannot function because computers are down. Because Lanlogic can get on the computer remotely to solve problems, they are often able to respond more quickly.

Ms. Ramirez Holmes asked about in-house IT support which resulted in a discussion that it is cheaper to contract out than to have a small department, plus the advantage of 24/7 coverage. Mr. Hughes said the cost to have a full-time Zone 7 employee is unrealistic when 24/7 coverage is needed.

Director Greci moved and Director Quigley seconded the motion for approval of the contract with Lanlogic. There was a roll call vote of 6-0 with Director Machaevich absent and Resolution 13-4246 was approved for a contract for a total three-year, not-to-exceed amount of $671,788.

Item 9 - Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2012

Tamara Baptista, Financial Services Manager, introduced Tim Kirsch, Auditor from Maze and Associates, who provided the independent financial audit of Zone 7 for the fiscal year ending June 30, 2012. Mr. Kirsch stated that it was an unqualified "clean" opinion, which is the highest level of assurance that auditors can bestow on organizations. The agency is in compliance with financially acceptable accounting principles, financial statements are materially correct (accurate) and staff is following the policies adopted by the Board of Directors. In reference to the Memorandum on Internal Control and Required Communications (MOIC), there were also no material weaknesses or other areas needing to be improved.

President Palmer encouraged Zone 7 staff to meet with the retailers soon so the information on reserves is available as soon as possible. Mr. Hughes noted that the retailers asked that the process not be rushed. A meeting with the retailers will be scheduled to discuss a draft of the reserve policy in January.

President Palmer also congratulated staff and the Finance Committee on taking the time and making the effort to analyze the audit.

Director Stevens complimented the auditor on the letter included in the report and that the letter was easy to understand.

Ms. Duerig credited Margaret Chun and Teri Yasuda from Accounting and Tamara Baptista and JaVia Green for Zone 7 receiving an unconditional report and audit.

Director Ramirez Holmes moved and Director Figuers seconded the motion accepting the audit report for the fiscal year ending June 30, 2012. Resolution 13-4247 was passed after a roll call vote of 6-0 with Director Machaevich absent.

Item 10 - Committees - Finance Committee - November 26, 2012 - minutes.

Item 11 - Reports - Directors

a. Verbal comments by President

President Palmer and Director Ramirez Holmes both attended Supervisor Haggerty's Holiday Open House.

President Palmer said that a final Ad Hoc Response Committee meeting was held. The purpose of the committee was to follow-up with comments on the Grand Jury report to Supervisors Haggerty and Miley. Since that purpose has been met, there is no longer a need for the committee and that it has been dissolved.

A revised Doodle Poll will be sent out with new Liaison Committee dates.

Director Ramirez Holmes added that she attended the swearing in of two local legislators in Sacramento, Assemblywoman Joan Buchanan and Senate Majority Leader Ellen Corbett.

She also attended a Civil Justice Association of California (CJAC) luncheon honoring Joan Buchanan as legislator of the year.

b. Written report by Director Quigley

Director Quigley noted that he had attended an ACWA Board Meeting on November 16 and there were discussions concerning the super majority in the State, the water bond, and federal and state elections. Director Greci asked for clarification of Director Quigley's remarks in his written comments about PG&E efficiency dollars for water heaters where he noted that "a run soon appears likely" and there may be new "low hanging fruit" as a result. Director Quigley said it is a warning shot and President Palmer asked if that meant it is similar to the Educational Revenue Augmentation Fund (ERAF). Ms. Duerig clarified that the passage of Property 30 eased concern that Special District revenues may be attacked.

Director Figuers referred to his remarks in the November board meeting and said his concern is that the toilet recycling program is based on a twenty-year-old paradigm that was needed in the late 80's, early 90's, but now we have "plucked all the low hanging fruit." He feels the program does not encourage anyone to replace a toilet and toilet replacement money could be better spent.

Randy Werner, City of Livermore, referred to the replacement of 125 toilets at Motel 6 and that the City of Livermore will be able to compare how much water is saved and how productive the program was by comparing twenty years' of water consumption statistics. Director Figuers asked if Motel 6 would have replaced the 125 toilets anyway if the program did not exist. Mr. Werner replied that he thought they took advantage of the program because it does exist. Cal Water has had more success in getting apartment complexes to replace toilets for water savings.

Ms. Duerig said there could be a verbal staff report updating the Conservation Master Plan. A consultant could update the program because in 2008 outdoor uses were identified such as large landscape audits and less about internal pumping because of changes in the plumbing code and the lack of availability of high-flow toilets in the stores.

Item 12 - Items for Future Agendas – Directors

Director Figuers suggested a future agenda item would be to discuss the toilet recycling program.

Item 13 - Staff Reports (Information items.)

a. General Manager's Report
b. Legislative Update
c. Status Report on Separation Efforts and Financial Software Replacement Project
d. Report on Water Sales and Connection Fee Revenue
e. Update Related to the Site-Specific Analysis for the Bay Area Regional Desalination Project
f. Verbal Reports

Kurt Arends gave a Delta-related verbal report that between smelt take and turbidity increases, the State is cutting back on pumping which affects the supply of water. One of the actions required in the biological opinion is that certain triggers force reductions in the pumping due to smelt losses and turbidity. DWR will ramp up as soon as they can but with rain predicted, Mr. Arends is not sure when that will occur.

General Counsel David Aladjem reminded the Board that there is a December 25th cut-off where the pumping routine changes due to rain and turbidity, so this may be an early beginning to the reduction that goes on until late spring. Ms. Duerig responded that the aqueduct issue last year and biological opinion will continue to impact us even with a lot of rain because if not captured in Oroville, we cannot capture it now due to the smelt and turbidity.

Director Ramirez Holmes said she is still waiting for information on the status of separation legislation and is it going to be pursued again in 2013. Ms. Duerig replied it is unlikely in 2013.

The Board went into Closed Session at 7:55 p.m.

Item 14 - 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 15 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 8:45 p.m. and President Palmer said there was nothing to report. Then President Palmer asked for a moment of silence for the people who lost loved ones in the Newtown, Connecticut, school shooting.

The meeting was adjourned at 8:50 p.m.