



NOT YET REVIEWED BY PARTICIPATING AGENCIES!

**Preliminary Draft Minutes
Meeting of the Utility Coordination Ad Hoc Committee
WEDNESDAY, MARCH 5, 2014
1:00 P.M.**

**THE MARTINELLI EVENT CENTER
3585 GREENVILLE RD
LIVERMORE, CA 94550**

1. CALL TO ORDER – The meeting of the Utility Coordination Ad Hoc Committee was called to order by Mayor John Marchand at 1:07 pm, in the Martinelli Event Center, 3585 Greenville Road, Livermore, California.

1.01. Roll Call – Present: City of Dublin Mayor Tim Sbranti, City of Dublin Vice Mayor Don Biddle, City of Livermore Mayor John Marchand, City of Livermore Vice Mayor Bob Woerner, City of Pleasanton Mayor Jerry Thorne, Dublin San Ramon Services District Director Edward R. Duarte, Dublin San Ramon Services District Director Dawn L. Benson, Zone 7 Water Agency Board Member Sarah Palmer, Zone 7 Water Agency Board Member Angela Ramirez Holmes, Zone 7 Water Agency President Bill Stevens, City of San Ramon Councilmember Harry Sachs

1.02. Pledge of Allegiance

2. CITIZENS FORUM

No members of the public spoke.

3. MATTERS FOR CONSIDERATION

3.01. Discussion regarding the Phase 1 of the Tri-Valley Utility Coordination/Integration Study and a shared services agreement. (Action)

City of Livermore Public Works Director, Dan McIntyre and Jan Perkins of Management Partners presented the report.

Dan McIntyre said the purpose of the Ad Hoc Committee Meeting was to receive feedback from elected officials about the Phase 1 Management Partners Report and the Steering Committee's work. A staff level Steering Committee formed by the

General Managers, Assistant General Managers, and Department Directors has been guided by cooperative principles and the Steering Committee has reviewed the Phase 1 Study. A conclusion of the Steering Committee is that there are a diversity of policy perspectives in the Tri-Valley. There are no known deficiencies in the Tri-Valley's utilities. There are opportunities for further short-term cooperation, such as a Reciprocal Services Agreement that would allow for sharing of resources between agencies. A Draft Reciprocal Services Agreement is not available at this time for the Utility Coordination Ad Hoc Committee review but staff is working on it.

Jan Perkins said Management Partners conducted district case studies interviewing utility agencies that have integrated/coordinated services. She said the studied agencies were not representative of the Tri-Valley agencies, but provided lessons. She said Phase 2 with a focus on Operations and Support offers the most flexibility; any major integration between the Agencies was far into the future and would require consensus. Service integration is not easy as agencies must consider driving factors, the most important of which is the governing bodies must support service integration.

Dan McIntyre said the current work completed thus far by the Steering Committee for Tri-Valley Water, Recycled Water, Sewer, and Stormwater Utilities in the Tri-Valley Utilities Results of Coordination/Integration Phase 1 Study represents 10% to 20% of the total work needed to complete a fully comprehensive integration study, which could be done in subsequent Phase 2 operational integration study and a Phase 3 major integration and governance options study. The current study has not gone far enough to quantify and identify the economic benefit to ratepayers from changes in governance structures. A change in governance structures could be covered in a Phase 3 study.

Dan McIntyre indicated that the Steering Committee recommends that the Utility Coordination Ad Hoc Committee: 1) express support for a Reciprocal Service Agreement concept for collaboration and sharing of resources in the near term, 2) defer any formal study of operational integration operations, 3) ask staff to informally consult directly on feasible operational integration options and implement those that are feasible, 4) ask staff report back on progress in 2-4 years, 5) recommend not proceeding with a Phase 3 governance study, and 6) make a report to LAFCo on the Phase 1 study.

Angela Ramirez Holmes Zone 7 Water Agency Board Member asked how the Steering Committee would like feedback.

In response, Dan McIntyre said this meeting was an opportunity to receive comments, discuss, and define the collective process beyond this discussion; there is no current process defined. Any process suggestions would require the approval of the Agency Councils and Boards.

Sarah Palmer Zone 7 Water Agency Board Member said the Case Studies presented in the report noted indicated other agencies had taken action because there was

ample opportunity for improvement through coordination and integration. The Tri-Valley Utility Agencies are healthy. Additional study for further integration/coordination between the agencies does not seem necessary.

Jerry Thorne City of Pleasanton Mayor said the next phase of study seemed excessive.

Bob Woerner City of Livermore Vice Mayor agreed the cost of further study may not be a beneficial expenditure when there were no big issues to solve. He asked what problem this effort is trying to solve. He asked what there cost issues were. Costs can be saved by reducing personnel. He asked how many utility staff are employed by the agencies.

In response to Vice Mayor Woerner, Steering Committee staff said the City of Livermore utility has 60 FTE, Dublin San Ramon Services District has 110 FTE, Zone 7 Water Agency has 110 FTE, and City of Pleasanton has 35 FTE.

Vice Mayor Woerner said utility coordination/integration would reduce administrative level staff and asked if this was the desired action and if there was the political will to undertake this action

Tim Sbranti City of Dublin Mayor said there might be managerial savings but the cost of major study may not make a Phase 2 or 3 study effort worthwhile. Efficiencies could be found even though nothing is broken. It is good to keep working at the current staff level.

In response to Mayor Sbranti, staff stated that collaborations include a water wholesaler's meeting, LAVWMA, Tri-Valley Water Retailers Group, and Dublin San Ramon Services District and City of Pleasanton meet annually to discuss formal structures.

John Marchand City of Livermore Mayor said he had some experience with consolidation in his career. All of the Tri-Valley Agencies are robust and some opportunities for shared resources at staff level exist, shared resources at governance level are not needed.

Angela Ramirez Holmes Zone 7 Water Agency Board Member asked about staff recommendations on governance options and how Phase 2 and Phase 3 studies might proceed.

In response to Board Member Holmes, Dan McIntyre said the Steering Committee did not reach a consensus that Management Partners recommendation to immediately proceed with a review of integrating stormwater functions and integration of recycled water functions would result in a fiscal benefit. He said that the Phase 2 and Phase 3 studies could be completed sequentially, or simultaneously.

Angela Ramirez Holmes Zone 7 Water Agency Board Member referenced the Case Studies noted in the report and asked at what point did the political will become enough to push action forward.

In response to Board Member Holmes, Jan Perkins said public opinion did not come up in the district case study interviews.

Harry Sachs City of San Ramon Councilmember inquired who provides and consumes recycled water services.

In response to Councilmember Harry Sachs, staff said the Cities of Livermore and Pleasanton, and Dublin San Ramon Services District participates in recycled water.

Harry Sachs City of San Ramon Councilmember asked if there were opportunities for synergy for agencies to move forward on integration of recycled water functions, cost of studies aside. The research completed to date is a valuable resource. Perspectives could change as circumstances change, and the drought makes the situation precarious. He asked if there could be partnerships with East Bay Municipal Utilities District (EBMUD) and Dublin San Ramon Services District (DSRSD).

Nelson Fialho, City of Pleasanton City Manager said the City of Pleasanton does not have a recycled water plant and the City relies on agency partners.

John Marchand City of Livermore Mayor said recycled water is less expensive to build in new, undeveloped areas but expensive in built out areas. He said the best opportunities integrating recycled water functions are realized at the staff level. EBMUD doesn't use well water. Recycled water adds salts to the ground water.

Harry Sachs City of San Ramon Councilmember said the report was well prepared and it is a good to have this conversation.

Jerry Thorne City of Pleasanton Mayor said he initially believed that reducing overhead would result in savings. He suggested the Utility Coordination Ad Hoc Committee not overcomplicate this project. A 10% savings is not worth the cost of future studies. He said the agencies should move ahead with further studies only if the cost-benefit analysis warranted the action.

Tim Sbranti City of Dublin Mayor said the greatest value of the study identifies opportunities for all agencies, staff, policymaker, and accountability. He supported moving forward with the Steering Committee's recommended options to support feasible short and intermediate term coordination/cooperation concepts; defer a formal Phase 2 Study of operational integration, but have staff continue to informally evaluate the feasibility of some options; table a Phase 3 study of complete integration; and provide an update to LAFCo.

Sarah Palmer Zone 7 Water Agency Board Member asked how LAFCo got this issue.

In response to Board Member Sarah Palmer, Mona Palacios LAFCo Executive Officer, said LAFCO's suggestion that the utility operators of the Tri-Valley consider forming a consolidated municipal utility district to provide all of the water and sewer utilities for the Tri-Valley was the result of a suggestion in a staff report, not the result of a formal application, petition, or identified after a grand jury investigation. It was decided to let the agencies move forward with a study. A report to LAFCo is recommended.

Margaret Tracy Member of the Public said the agencies have a public responsibility to protect ground water. Use of recycled water could damage and reduce ground water quality for the next 50 years. She said reduced water quality could affect the reproduction cycles.

John Marchand City of Livermore Mayor said Margaret Tracy's input was valuable; the committee is currently is considering shared resources. Agencies address recycled water policy on an agency-by-agency basis. It seemed the Utility Coordination Ad Hoc Committee was leaning toward supporting the Steering Committee's recommendation.

Margaret Tracy said she was concerned about endocrine disruptors.

Bill Stevens Zone 7 Water Agency President said integration of stormwater and recycled water should not be considered. The Zone 7 Water Agency does stormwater management in the Valley. It is ineffectual to study only one service because the effect of services is interrelated.

Angela Ramirez Holmes Zone 7 Water Agency Board Member supports conducting a public opinion poll and cost-benefit analysis to determine actual rate-payer savings. It is less expensive to study service integration concurrently than dividing the research into phases. She expressed concerns about the cost of starting a study and then stopping again.

John Marchand City of Livermore Mayor asked if a Phase 1 Study has ever been completed before.

In response to Mayor Marchand, staff said a Phase 1 study of the Tri-Valley utility operators forming a consolidated municipal utility district to provide all of the water and sewer utilities for the Tri-Valley had never been conducted in the past 25 years.

Bob Woerner City of Livermore Vice Mayor said the public may state they are confused about water services in the Valley in a public opinion poll.

ON THE MOTION OF BOB WOERNER CITY OF LIVERMORE VICE MAYOR,
SECONDED BY DON BIDDLE, CITY OF DUBLIN VICE MAYOR MOVED TO
SUPPORT STAFF RECOMMENDATIONS.

Edward Duarte Dublin San Ramon Services District Director stated that there is not a duplication of effort, and the agencies owe it to the rate payers to examine how not to duplicate services. He supports the Steering Committee recommendation for short and intermediate term coordination/cooperation concepts to reduce overlaps in service, but not at a study expenditure of \$250,000 which seems high.

Tim Sbranti City of Dublin Mayor said the Utility Coordination Ad Hoc Committee should reconvene in 6 months or a year to receive task status report back.

Harry Sachs City of San Ramon Councilmember agreed with Mayor Sbranti.

John Marchand City of Livermore Mayor said the Steering Committee should report back to their respective Boards.

Tim Sbranti City of Dublin Mayor said the Utility Coordination Ad Hoc Committee should reconvene next month. He asked how much the next phase of the study would cost.

In response to Mayor Sbranti, Jan Perkins said it would be difficult to estimate the cost to analyze the agencies functions in detail. It would depend on the number of factors considered and the number of agencies involved.

Harry Sachs City of San Ramon Councilmember asked what the Steering Committee could report back on in six months.

In response to Councilmember Sachs, Bert Michalczyk Dublin San Ramon Services District General Manager said the Draft Reciprocal Services Agreement would be executed and one of the most easily attainable operations and support integration opportunities would be completed in the next six months.

Jill Duerig Zone 7 Water Agency General Manager said all the agencies would like to have a success story, but funding resources are not available. Two to four years is a more reasonable amount of time to complete the operations and support integration opportunities.

VICE MAYOR BOB WOERNER AMENDED THE MOTION TO INCLUDE STEERING COMMITTEE MEMBERS TO REPORT BACK IN ONE YEAR TO INDIVIDUAL COUNCILS AND BOARDS.

THE MOTION WAS SECONDED BY SARAH PALMER ZONE 7 WATER AGENCY BOARD MEMBER AND CARRIED ON AN 11-0 VOTE.

4. ADJOURNMENT – at 2:36 pm.