

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

REGULAR MEETING

May 20, 2015

The following were present:

DIRECTORS: SANDY FIGUERS
JOHN GRECI
SARAH PALMER
ANGELA RAMIREZ HOLMES
BILL STEVENS

DIRECTORS ABSENT: JIM McGRAIL
DICK QUIGLEY

ZONE 7 STAFF: JILL DUERIG, GENERAL MANAGER
KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING
DONNA FABIAN, ACTING BOARD SECRETARY

COUNSEL: DAVID ALADJEM, DOWNEY BRAND

Item 1 - Call Meeting to Order

President Greci called the meeting to order at 7:00 p.m.

Item 2 - Pledge of Allegiance

President Greci led the Pledge of Allegiance.

Item 3 - Citizens Forum

Alfred Exner, Pleasanton resident, suggested that the septic tank rebate program be limited to owner-occupied dwellings with a household income of less than \$50,000. He also suggested that Zone 7 consider putting an item on the agenda on how Zone 7 is managing the water in the "Gate" area of Pleasanton, as he is concerned about the subsidence issue.

Item 4 - Minutes of the Regular Meeting of April 15, 2015

Director Palmer said there was a typo on page 5. There needs to be an "e" in Director Ramirez Holmes' last name.

Director Palmer moved to approve the minutes with the proposed change and Director Ramirez Holmes seconded the motion. The minutes were approved by a voice vote of 5-0 with Directors McGrail and Quigley absent.

Item 5 - Consent Calendar - none

Item 6 - Employee Updates

a. March Employee of the Month Recognition

General Manager Jill Duerig announced that the March Employee of the Month was Zeljka Bozic, Buyer I. Ms. Bozic was present and the board applauded her.

b. Recent Employee Activities

Ms. Duerig directed the board's attention to the poster boards in the boardroom detailing the events of Take Our Children to Work Day on April 22, and the Annual Service Recognition Awards on May 12. The service recognition awards were presented to employees celebrating milestones of 5, 15, 20, 25, 30 and 35 years with the County. Recipients of the Hall of Fame Awards, nominated by co-workers, were also acknowledged. A slideshow with pictures of the service recognition awardees and hall of fame recipients was shown.

Item 7 - Presentations by Science and Engineering Fair Awardees

Boni Brewer, Communications Specialist, introduced the Alameda County Science and Engineering Fair award recipients. Zone 7 staff Amparo Flores and Emily Moshier acted as Special Awards Judges of water-related projects during the Fair. They selected three students to receive awards for their water-related projects, and those three students were present at the meeting and they presented their projects to the board.

This year's recipients were:

- William Leslie Olsen, Sunol Glen School, who got a middle school water award for his study entitled, "Parabolic Solar Water Distillation."
- Meenakshi Singhal, Granada High School, who got a high school water award for her study entitled, "Optimization of Moringa Oleifera Functionalized Sand for Water Purification."
- Sidharth Bommakanti, Amador High School, who got a high school water award for his study entitled, "Project Wellness Water."

Ms. Duerig pointed out that congratulations should go not only to the students, but to the parents as well who supported their students. Director Palmer pointed out that teachers deserve credit, too.

Item 8 - Lake Del Valle Property Grazing Lease

Assistant General Manager Kurt Arends stated that this item is a follow-up to the Special Board Meeting that was held earlier in the evening where the board interviewed three potential tenants for the Lake Del Valle property. Mr. Arends asked the board to recommend a tenant, as well as authorize the General Manager to negotiate a long-term lease.

Director Palmer said how impressed she was with all three presentations, and the care and considerations for both animal husbandry and environmental issues. Director Ramirez Holmes stated that the environmental credentials were very impressive as were the letters of recommendation in all three proposals and it was easy to see why the presenters were in the top 3.

Director Stevens agreed with Directors Palmer and Ramirez Holmes and wanted to add that all three potential tenants have excellent reputations and he believes all three could do a very good job at managing the land. He said that the Banke family, because of their history, has the advantage over the other potential lessees. He said that all three are fully capable of managing the land to Zone 7's satisfaction.

Director Figuers stated that he is going to be voting for the Banke family, but also said that all three candidates are perfectly well qualified. He said that his concern with the other two organizations is that they are spread too thin with too many irons in the fire, and that Mr. Banke is not. He feels that Mr. Banke would be able to devote much more time to the Patterson Ranch than the other two.

President Greci said he, too, was impressed with the presentations. He is very familiar with the Banke family and with TN Cattle Company. He did research on Mission Livestock and all three potential lessees come highly recommended from many other cattlemen. President Greci continued to say that he also has a background in livestock and has a good understanding of rangeland management and the cattle business. He said it is very important to him that Zone 7 have a steward of the property that understands it, knows the history, and has proven they can handle this project. He said he spent a lot of time reading the proposals, and the one thing that was in the Banke proposal that was not in the others is the amount of time and money invested into a ranch that they rent. They have been excellent stewards and their letters of recommendation were very strong. President Greci said that he too would vote for the Banke family because of their history and their dedication.

Director Ramirez Holmes had a question in the sample lease. She said that under section 5.1 it says the lessee's use of the premises be limited to cattle grazing, and she wondered what staffs' thoughts were in terms of business ventures other than cattle. Mr. Arends said that staff are willing to listen to any proposals the tenant may want to make. He said it was not addressed in the proposed lease, and he welcomes input and/or direction from the board. Director Figuers stated that he has no problem with horse boarding. President Greci said that he also does not have a problem with it, and he has several friends that do the same thing. They are all insured under an umbrella policy and he said that in this case, Zone 7 would need to be listed as additionally insured on their policy. Director Ramirez Holmes said that she wants to make sure that the lease covers the required insurance and that it will also ensure, that as a public landlord, Zone 7 is outlining the policies of a public agency. Mr. Arends said that insurance would be included as part of the lease and there will be limitations on the number of horses that can be boarded on the property.

President Figuers moved that the board vote for Mr. Banke to continue managing the ranch, and Director Palmer seconded. The motion was approved by a voice vote of 5-0 with Directors McGrail and Quigley absent.

Since there were no further questions or comments, President Greci congratulated the Banke family and thanked them for their patience in the process.

Resolution No. 15-64

Authorizing the Lake Del Valle Property Lease (Item No. 8)

Item 9 - Consider Action to Increase the Compensation of Zone 7 Board Members

At the April 15, 2015 board meeting, the board reviewed the results of the 2015 Compensation Survey of comparable water agency's boards of directors. At the April 15 meeting the board directed staff to bring back Option 2 for discussion. Option 2 was to increase board compensation to \$176.21 per meeting. President Greci opened the public hearing and there was no comment from the public so the public hearing was closed.

Director Figuers moved that the board accept Option 2. Director Palmer seconded. The motion was approved by a roll call vote of 3-1-1 with President Greci abstaining, Director Ramirez Holmes voting no, stating that she feels uncomfortable voting for a raise for herself, and Directors McGrail and Quigley absent.

Ordinance No. 2015-01 Approving an Increase in the Compensation of Board Members (Item No. 9)

Item 10 - Proposed FY 2015/16 Budget

Hossein Golestan, Financial Consultant for Zone 7, gave an overview of the budget process, which began in December with the assistance of various individuals and departments in the agency. He said that staff met with the retailers then the Finance Committee three times. He stated that financial issues facing Zone 7 include the drought, the increasing fiscal impacts from water conservation efforts, the increased State Water Project charges, the slow recovery of the economy, and the continued increasing need to allocate funds to the Asset Management Program for aging infrastructure maintenance and improvements. Mr. Golestan showed a PowerPoint presentation highlighting the budget process and the major factors affecting the budget. Highlights included decreased water sales, increased expenses for water purchases, and the use of reserves to fill funding gaps.

Director Figuers referred to pages 7 and 8 of the slideshow. He asked that in the future there be a note explaining which funds are combined and which funds are separated so that he could fully understand. Director Ramirez Holmes said combining the funds is good because individually all of the accounts meet the minimums except the drought contingency, because that is what brings it down to below the minimum, and we want to make sure we are presenting the correct information that is the reserves for water enterprise are not in dire straits, and that Zone 7 is within the reserve levels. Ms. Duerig stated that this came up at the Finance Committee Meeting as staff presented the same graphs.

Director Figuers asked staff and the board if the term "at minimum" under the water enterprise operating reserve fund bothers staff, and do they want that amount higher? Ms. Duerig said that at a Finance Committee meeting when Zone 7 had a presentation by Fieldman, Rolapp & Associates, who assisted staff in preparing the policy that the board adopted, minimums were set, and yes Zone 7 could squeak through for a short time if funds get down to a minimum. She said that staff talked about having a board workshop in August or September to discuss the Reserve Policy, rates, and the agency's credit-worthiness.

Director Ramirez Holmes stated that the policy was set up based on a percentage to cover 32 days of operating expenses and Zone 7 has that. She said that Zone 7 has gotten into trouble with the retailers who are wondering why Zone 7 holds onto all that money while raising rates. She said Zone 7 is not focused on cutting costs, but on raising rates, and that is her concern about the proposed budget. She feels that Zone 7 needs to get a better handle on controlling costs. She said the budget has gone up every year since she has been at Zone 7. Director Palmer said that is a good topic for when they meet to

discuss reserves and rates. Director Stevens said he believes that staff explained very well the reasons why costs are going up, and he disagrees that Zone 7's costs are out of control.

Director Stevens feels the reserve balances are too low. He asked if the reason the flood control fund went down is because of the Stanley Reach. He said it has continually been going down over the last 4 years while we have been in a drought, and he doesn't understand why. Ms. Duerig responded that a big part of the drop from the 2012-13 to the 2013-14 flood control fund was due to the purchase of the Lake Del Valle property. Director Stevens asked about the drop from 2014-15 to 2015-16. Ms. Duerig responded that some money was put aside to try to get grants to do some projects, and those that are not complete will carry over to next year. Director Stevens is concerned that if we get rains next year since they are predicting an El Niño year, Zone 7 won't have enough reserves in their flood control fund to take care of potential flooding. He said he is looking forward to the retreat because he disagrees with the application of the Reserve Policy that was passed by the Finance Committee. Director Ramirez Holmes stated that it is a board-approved Reserve Policy and that it didn't come from the Finance Committee. Director Stevens agreed but said Zone 7 is at the minimum reserves so we need to rethink that policy. President Greci said that the Reserve Policy will be discussed further at the upcoming board retreat.

President Greci asked for public comment.

Alfred Exner, Pleasanton resident, said that he believes Zone 7 is eating up its reserves and will be broke in a couple of years. He believes the revenues for this coming fiscal year are overly optimistic. He said that at a Finance Committee meeting he pointed out line items that appear to be too high. He said that if Zone 7 continues this path, particularly if the drought continues into next year, Zone 7 will be below its minimums. He suggested that the revenue estimates be revised. He recommends Zone 7 put a cap on the carryover.

John Archer, Administrative Services Manager at Dublin San Ramon Services District, said that Zone 7 staff has done a great job, the reserves are at minimum, but no one knows what next year will bring. He recommended that Zone 7 come up with a five-year plan and a rate plan that mirrors the five-year plan.

Leonard Olive, Assistant Director Operations at the City of Pleasanton, thanked Director Ramirez Holmes for her input. He said that Zone 7 is free to transfer money between different funds with the exception of the capital expansion fund, and that Zone 7 can loan itself money between those funds.

Director Figuers stated that within the last 5 years, Zone 7 has gone from \$170 million to a projected \$123 million in reserves and he wanted to know where the interest of that money is identified in the budget. Mr. Golestan said that it is listed under investment earnings. Director Figuers asked if the interest could be moved between funds. Ms. Duerig stated that the two funds where you could move interest funds between are Fund 100 and Fund 120.

Director Palmer moved to approve the 2015/16 budget and Director Figuers seconded the motion, which was approved by a roll call vote of 3-2 with Directors Ramirez Holmes and Stevens voting no, and Directors McGrail and Quigley absent.

Resolution No. 15-65

Approved the proposed budgets for Fiscal Year 2015/16.

Item 11 - Committee Reports - Finance Committee Meeting - April 23, 2015 - notes
Liaison Committee Meeting - April 27, 2015 - notes
Finance Committee meeting - May 7, 2015 - notes
Water Policy Roundtable #4 - May 13, 2015 - notes pending

Item 12 - Reports - Directors

- a. Verbal comments by President
- b. Written report by Director Quigley
- c. Verbal Reports

Director Palmer attended a breakfast meeting in Sacramento on May 6 and said that the message was that water agencies need to stick together and that they are in for a rough road ahead. She also attended the Tri-Valley Liaison Roundtable meeting on May 13.

Item 13 - Items for Future Agendas - Directors

None.

Item 14 - Staff Reports

- a. General Manager's Report
- b. Monthly Budget Report
- c. Legislative Update
- d. Outreach Activities
- e. Drought Update
- f. Flood Protection Program 2014 Annual Report
- g. Verbal Reports

Ms. Duerig stated that at the ACWA Spring Conference, Zone 7 received a plaque for being a Claire A. Hill Award Finalist for the Arroyo Mocho Riparian Restoration and Channel Enhancement Pilot Project.

Director Stevens requested that on future Drought Updates, there be a graph showing the water levels at Lake Del Valle similar to the one used for Lake Oroville.

The Board went into closed session at 8:50 p.m.

Item 15 - Closed Session

- (a) Conference with Legal Counsel - Significant exposure to litigation pursuant to Gov't Code Section 54956.9(d) (2): 3 cases
- (b) Conference with Legal Counsel - Potential litigation pursuant to Gov't Code section 54956.9(d) (3): 1 case
- (c) Conference with Legal Counsel - Existing litigation pursuant to Gov't Code Section 54956.9(d) (1):
Alameda County Flood Control and Water Conservation District, Zone 7 v. Pleasanton Gravel Co.,
Alameda County Case No. HG14724177

(d) 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

The Board came out of Closed Session at 9:05 p.m. and President Greci reported that there were no reportable actions taken in Closed Session.

Director Palmer moved and Director Figuers seconded a motion to approve the settlement agreement and adopt the resolution. The board approved the motion 5-0, with Directors McGrail and Quigley absent.

Resolution No. 15-63	Approve the salary adjustment and amendment to Appendix A, Footnotes to Salary Schedule Section 4.20.
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Item 17 - Adjournment

The meeting was adjourned at 9:10 p.m.