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

REGULAR MEETING
September 15, 2010

President Greci called the regular meeting to order at 7:00 p.m., with a salute to the flag. The following were present:

DIRECTORS:	[SANDS FIGUERS, late] JOHN GRECI A J MACHAEVICH CHRISTOPHER MOORE SARAH PALMER RICHARD QUIGLEY BILL STEVENS
DIRECTORS ABSENT:	NONE
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER REN NOSKY, GENERAL COUNSEL KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING VINCE WONG, ASSISTANT GENERAL MANAGER, OPERATIONS JOHN YUE, ASSISTANT GENERAL MANAGER, FINANCE JUDY RECTOR, ACTING BOARD SECRETARY

Item 3 - Citizens Forum

None.

Item 4 – Minutes of the Regular Meeting of September 15, 2010

Director Moore moved and Director Quigley seconded approval of the minutes of the Special Meeting of August 11, 2010. The vote to approve was 6-0-1 with Director Figuers absent.

Director Palmer corrected the August 18th minutes by noting that she and Director Stevens were not absent but arrived during the discussion of Item 5 (d) as noted in Item 5 – Consent Calendar. Director Palmer moved and Director Quigley seconded approval of the corrected minutes of the Regular Meeting of August 18, 2010. The vote to approve was 6-0-1 with Director Figuers absent.

Item 5 - Consent Calendar

On a motion by Director Moore and seconded by Director Quigley, Consent Item 5a was approved and the following resolution was adopted by a roll call vote of 6-0-1with Director Figuers absent.

Resolution No: 11-4030 Approved appropriation of $100,000 from Fund 73 – Expansion for FY 2010/11 and authorizing the General Manager to negotiate and execute Contract Amendment No. 6 with Meyers Nave for $100,000 for legal services for property acquisition activities for the Altamont Water Treatment Plant and Pipeline Project.

Director Figuers arrived at 7:05 p.m.

Item 6 - Staffing Updates

Item 6a – New Employee Introduction

Daren Putnam was in attendance and introduced to the Board of Directors. Daren joined Zone 7 on August 23rd as a Water Quality Laboratory Technician in the Water Quality Section at Del Valle Water Treatment Plant, reporting to Gurpal Deol. Daren has a Bachelor's Degree in Environmental Sciences and Resource Management from Cal State University Channel Islands in Camarillo, CA. He also has several years of field technician experience in various industries, most recently for Phoenix Fire Systems in Chicago, Illinois.

Item 6b - Employee of the Month Recognition

Tom Pico, Human Resources Analyst II, was also present and acknowledged by the Board of Directors as the July 2010 Employee of the Month. Tom works in the Human Resources and Safety Section at the North Canyons Facility. According to the recommendation received by the committee, Tom does an outstanding job to help staff solve difficult problems. The recommendation goes on to say that Tom is persistent, demonstrates initiative, and is professional in pursuit of his work. Tom is complimented for finding ways to cut the red tape of County bureaucracy for individual employees and for the Agency as a whole.

Item 7 – Preliminary Treated Water Rate for 2011

The purpose of the presentation given by Tamara Baptista, Financial & Systems Services Manager, was to discuss the preliminary treated water rate recommendation by the Finance Committee from their August 25, 2010, meeting. The Board was asked to give direction to staff regarding finalizing the rate for adoption at the October 20, 2010 Board meeting.

The Finance Committee discussed the alternatives presented and recommended a water rate of $878 per acre-foot for calendar year 2011, which is a 0% increase.

Director Palmer disagreed with the Finance Committee and said an 8.5% increase next year will upset people. She used a bottle of water to emphasize that people are willing to pay $1 a bottle, or $7 a gallon, for bottled water because they prefer its quality to Zone 7's. Water quality and public health is a priority over rates, plus there is a fiscal responsibility for old, failing infrastructures; therefore, she is against using reserves to avoid increases. After all, bottled water costs will go up and people will gladly pay.

Director Moore responded that no one wants to lower the quality of water but a 0% water rate vote would be a statement to consumers that Zone 7 is interested in helping the Valley residents through a difficult time.

Director Moore also discussed the three alternatives that the Finance Committee discussed: Alternative 1 is for small, consistent water rate increases; Alternative 2 is for a moderate use of reserves; and Alternative 3 is for maxium use of reserves which would allow for the 0% increase for 2011. He does not see an 8.5% increase for next year, perhaps 4%, 4-1/2% or 5%. He also feels that current reserves are adequate to cover repairing water lines. If there is a disaster, we will have the necessary money for repairs.

Director Figuers responded that as Chair of the Finance Committee, he feels this forces us to look at the bigger viewpoint regarding water supply and that we may be looking at a 25% increase in 2015 no matter which alternative is chosen and a 0% rate is a wake up call to look at long-range plans.

Director Quigley said he agrees with Director Palmer against the 0% increase. He noted three areas of concern that he has and two recent large dollar issues that have been brought to the Board's attention that he would like to see some discussion on:

1) Balloon payment on North Canyons Building in future years;
2) The Del Valle branch line break last December which will cost Zone 7 about 53% of $12-15 million - he would like to understand if and how this has been included in our projections of rate needs;
3) The asset inventory is incomplete as pumps and pipe filtration systems are routinely having unpredictable cost and service issues. He would like to see some staff discussion on risk reward as with our variable and fixed cost containment strategy the past year or more may have picked low hanging fruit available one time, but placed us in a more vulnerable position long term. With inflation he believes on the horizon, a 0% increase to him is very questionable.

Director Machaevich said he was originally skeptical of the 0% increase but, although it will be hard, we owe it to the public. He said it is possible that a zero rate may not result in an 8.5% increase in 2012.

President Greci said he is not in favor of a 0% increase because it will take too much from the reserve fund. He is more in favor of a 2% or 2-1/2% increase.

Director Stevens asked for last year's projections for the October meeting. Director Quigley asked for a list of what projects were deferred in the last year.

General Manager Jill Duerig directed the Board's attention to the letter from Dublin San Ramon Services (DSRSD) that was included in the agenda packet with Item 7. DSRSD is in favor of the 0% rate increase because it shows Zone 7's "continuing efforts to control costs in order to minimize rate impacts on the Tri-Valley residents."

Randy Werner said that, although the retailers would like to see a 0% increase in water rates, a 2% or 4.5% increase may be more reasonable because 0% may lead to the 8.5% jump in 2012.

Daniel Smith from the City of Pleasanton said Pleasanton has been absorbing Zone 7 rate increases for about 10 years in order to provide consistent water rates for customers. Pleasanton is willing to help with asset management and still cares about good, safe water but is willing to wait for the next Demineralization Plant.

<u>In-Lieu Water Rate</u>

JaVia Green, Staff Analyst in the Financial and Systems Services Department, spoke about the in-lieu water rate in the event there is surplus surface water in 2011. In-lieu water is treated water that could be made available to the Retailers instead of pumping their respective Groundwater Pumping Quota (GPQ) if financial and operational needs are identified by staff. This rate was established in 1993 to encourage artificial recharge when surplus surface water is available. The rate is based on the power and chemical costs at Del Valle and Patterson Pass Water Treatment Plants and would be $98 per AF for 2011.

It was noted that the water rate assumptions are based on best available information, however should the hydrology and water demand projections change significantly, there may be a need to return to the Board with mid-year rate adjustments.

No action was required as this item was for information only. Further action will be recommended at the October 20, 2010 Board of Directors Meeting.

<u>Item 8 – Preliminary Untreated Water Rate for 2011</u>

JaVia Green also presented the information for the untreated water rate for 2011. The Untreated Water Rate is based on the cost of State Water Project water transportation variable charges, Byron-Bethany Irrigation District (BBID) water, Del Valle Water Rights, Yuba Dry Year Water Purchase Program, Bay-Delta related costs and an administrative fee based on actual staff costs. A rate of $97 per Acre-Foot (AF) is being proposed for 2011 which represents a decrease of approximately 43% compared to the current rate. The decrease is primarily due to a reduction in the Department of Water Resources (DWR) fixed costs, lower per unit estimates by DWR for the cost of transporting water because of a rate management credit of $704,000 applicable to both treated and untreated customers, a reduction in the Delta Water charge and lower Zone 7 administrative costs.

No action was required as this item was for information only. Further action will be recommended at the October 20, 2010 Board of Directors Meeting.

Item 9 – Proposed 2011 Development Impact Fee – Municipal & Industrial Water Connection Fee

JaVia Green reminded the Board that Zone 7 established the Municipal & Industrial (M&I) Connection Fee Program in 1972 to assess water connection fees to new development in order to fund water system expansion projects required to serve additional water demands from new development.

The Board resolved with the adoption of the 2002 Connection Fee (Resolution No. 02-2450), that the basic fee be updated annually, at a minimum, based on the Engineering News Record Construction Cost Index (ENRCCI), or as warranted to keep current with inflation. At the October 20, 2010 Zone 7 Board of Directors meeting, staff will recommend adjusting the current Water Connection Fee by 3.2%, which is the change in the 20-City ENRCCI from September 2009 to September 2010. The resulting fees will be $22,230 for a 5/8-inch connection within the Zone 7 service area and $20,580 for the Dougherty Valley service area.

No action was required as this item was for information only. Further action will be recommended at the October 20, 2010 Board of Directors Meeting.

Item 10 - Hydrostatigraphic Investigation of Chain of Lakes Project Award of Construction Contract to Cascade Drilling, L.P., for Monitoring Well Installation, Project Number 208-11

Kurt Arends, Assistant General Manager, Engineering, reminded the Board that at the August Board meeting they authorized the project, approved the plans and specifications for the project, and rejected all bids. Tom Rooze, Associate Professional Geologist in the Groundwater Section, gave an overview of the project which will investigate the potential for future gravel quarry pits, Lakes C and D, to be effective as aquifer recharge basins when mining is completed. The information will be used in the development of Zone 7's Chain of Lakes Master Plan.

The Department of Water Resources' (DWR) is providing Zone 7 with up to $250,000 of the estimated $278,000 project cost for the investigation as part of the Local Groundwater Assistance Program.

The bid was re-advertised for the project and the lowest responsive and responsible bidder is Cascade Drilling, L.P., at $96,186, which is $13,116 less than the previously rejected low bid and $50,000 below the Engineer's estimate which eliminates Zone 7's cost share.

Cheryl Dizon, Assistant Engineer in the Groundwater Section, discussed the scope of the contract including: drilling a borehole to 600 feet deep on CEMEX property; doing electrical logging which investigates geologic materials; installing a triple-nested well set which will monitor different aquifers; assessing aquifer connectivity through pumping tests; generating cross sections and analyzing results; and preparing a report by April 2011.

President Greci commented on how great it is to do a project without money due to no co-payment.

General Manager Jill Duerig responded to a question about additional quarries. She said only Lakes A through I are committed to Zone 7 and the quarry owners have flexibility if they want to fill other quarries or sell the land for development.

Director Quigley moved to adopt the resolution regarding the approval of the contract with Cascade Drilling, L.P., for monitoring well installation. Director Figuers seconded the motion and a voice vote resulted in adopting Resolution No. 11-4031 by a vote of 7-0.

Item 11 – Sedimentation Study of Arroyo Mocho and Arroyo Las Positas

Carol Mahoney, Associate Professional Geologist, introduced the agenda item on the Sedimentation Study of Arroyo Mocho and Arroyo Las Positas. She discussed why the study was brought forward. The San Francisco Estuary Institute (SFEI) is a scientific research organization that was formed to address concerns over pollutants and their effects on the San Francisco Bay Estuary. In recent years, SFEI has been contracted by the other districts of Alameda County Flood Control and Water Conservation District (AlCo-West) to study the sources and quantities of sediment entrained in Alameda Creek to facilitate their existing sediment maintenance program and to allow them to attain regulatory permits for this maintenance. Zone 7 proposes to enter into a contract with SFEI to augment the existing sediment data collected during the AlCo-West study and to refine sediment estimates from other stream reaches in the Livermore-Amador Valley.

In 2008, SFEI completed a sediment budget on behalf of AlCo-West that examined the amount of sediment estimated to be transported into lower Alameda Creek. As part of this study, SFEI quantified the amount of sediment that is estimated to be coming from the Arroyo De La Laguna watershed as measured at the Verona Bridge. Because Zone 7 Staff have limited knowledge of sediment transport and geomorphology, in this study, SFEI will work with Staff to examine the geomorphology and sediment transport regimes of the Arroyo Mocho and Arroyo Las Positas to assist Zone 7 in quantifying the amounts of sediment that are being contributed to aggrading sections of each of these channels.

Carol mentioned that Joe Seto and Flood Control staff are partnering to assist in data collection of sediment capture at the steam gauge site.

Director Quigley asked three questions on the sediment study: 1) lower laguna alone – why, what benefit to water supply or quality? What is the project goal? 2) have we looked at sediment catch basins on Mocho Livermore & El Charro by fish ladders and possibly others? 3) why not upper watershed above treatment plants, i.e. Del Valle effect at the Lane Canyon Bridge? Dredging or removal as re-mediation measure?

Director Figuers and Director Quigley expressed their concern that there was no public bid, that it was sole sourced, and that it is a $244,000 contract with the SFEI, a quasi-governmental agency. General Counsel Nosky explained that this situation was unique and that using a sole source was legal.

Director Figuers also asked about professional registration of SFEI and Ms. Mahoney explained how SFEI proposed to address that need.

After more discussion, Director Stevens moved that the resolution authorizing the General Manager to enter into a contract with the San Francisco Estuary Institute be approved and Director Palmer seconded the motion. Resolution No. 11-4032 was approved by a voice vote of 7-0.

Item 12 – Committees

a) Finance Committee of August 25, 2010 – The Committee met to review staff water rate recommendations. Minutes are available.

Item 13 Items for Future Agendas – Directors

Director Quigley suggested an Energy Committee meeting but President Greci recommended that vendors and other technical staff should go directly to Zone 7 staff instead of to the board.

Item 14 - Reports - Directors

a. Written reports by Director Quigley - none
b. Verbal reports

President Greci reported that he and Jill Duerig had met with Abram Wilson, candidate for State Assembly, and gave him data on the Delta.

They also met with Jeff Hansen and Bert Michalczyk regarding Zone 7's separation from the county. President Greci also asked that an Ad Hoc Separation Committee be formed with Directors Palmer, Figuers and President Greci because it is important to meet with individuals on the subject of separation from the county.

Director Quigley gave a verbal report instead of a written report and talked about his experiences at the Utility Elected Officials 2010 Conference in Napa; the California Special Districts Association meeting at the Dublin San Ramon Services District Treatment Plant; and the tour he took of the Dublin San Ramon Services District renewable energy facilities.

Item 15 – Staff Reports

Staff Reports (Information items. No action was taken.)

a. General Manager's Report
b. Upcoming Public Outreach Activities
c. Legislative Update
d. Status Report on Separation Efforts
e. Status of FY 2010/11 Conservation Activities
f. Verbal Reports

The Board went into closed session at 9:30 p.m.

Item 14 – CLOSED SESSION

a) Conference with Legal Counsel – Significant exposure to litigation pursuant to Subdivision (b) of Government Code Section 54956.9: 2 cases

b) Conference with Legal Counsel – Existing litigation pursuant to Subdivision (a) of Government Code Section 54956.9: 1 case

Central Delta Water Agency, et.al. v. California Department of Water Resources, et al.; Sacramento County Superior County Case No. 34-2010-80000561

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

Item 15 – OPEN SESSION AND REPORT OUT OF CLOSED SESSION

Closed session lasted only about ten minutes with nothing to report out, as announced by the board president.

The meeting was adjourned at 9:40 p.m.