CORRECTED/REVISED

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

REGULAR MEETING

September 18, 2013

The following were present:

DIRECTORS:	SANDS FIGUERS JOHN GRECI A J 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 JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

The Board went into closed session at 6:30 p.m.

Item 1 - 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 99-525-2, 99-550-2-3, 99-550-3-2, 99A-2700-2-5, 99A-2700-6-6, 99A-2700-9- 8, 99A-2700-10, 99A-2700-11-3, 99A-2700-12-6, 99A-2700-12-7, 99A-2420-4-13, 96-420-2, 96-420-3, 96-429-6, 99A-2701-1, 99A-2701-2, 99A-2701-3.
Agency negotiator: G.F. Duerig
Negotiating parties: Patliv; PTLM, Inc.; Henry H. Patterson Trust, and Charles Edwards Engs
Under negotiation: Price and terms of payment.

Director Figuers left after closed session and Director Ramirez Holmes arrived at the meeting at 7 p.m.

Item 2 - Open Session and Report Out of Closed Session

The Board came out of closed session at 7:00 p.m. President Stevens stated no reportable action had been taken in closed session.

Item 3 - Call Meeting to Order

Director Quigley moved and Director Machaevich seconded a motion approving the following resolutions, which were passed by a roll call vote of 5-0-1-1 with Director Figuers absent and Director Ramirez Holmes abstaining.

Resolution 14-4307 Approved salary adjustments of 3% each year for all SEIU-represented classifications for the period June 23, 2013 through July 2, 2016.

Director Quigley moved and Director Machaevich seconded a motion approving the following resolutions, which were passed by a roll call vote of 5-0-1-1 with Director Figuers absent and Director Ramirez Holmes abstaining.

Resolution 14-4308 Approved salary increases of 3% each year for the General Manager of Zone 7 for the period June 23, 2013 through July 2, 2016.

Director Palmer noted that this is the same percentage given to those bargaining units that have already settled. President Stevens noted that the Zone 7 General Manager is about 14% behind the median.

Director Quigley moved and Director Machaevich seconded a motion approving the following resolutions, which were passed by a roll call vote of 5-0-1-1 with Director Figuers absent and Director Ramirez Holmes abstaining.

Resolution 14-4309 Approved salary adjustments for the Assistant General Manager, Engineering and delete Appendix A Footnotes to Salary Schedules Section 4.12 - Multiple Divisions (Assistant General Manager, Engineering) and effective September 29, 2013, convert the footnote to salary.

Director Quigley moved and Director Machaevich seconded a motion approving the following resolutions, which were passed by a roll call vote of 5-0-1-1 with Director Figuers absent and Director Ramirez Holmes abstaining.

Resolution 14-4310 Approved salary adjustments for the Assistant General Manager, Finance and Assistant General Manager, Personnel, and delete Appendix A Footnotes to Salary Schedules Section 4.13 - Multiple Divisions (Assistant General Manager, Finance or Personnel); and effective September 29, 2013, the classifications of Assistant General Manager, Finance, and Assistant General Manager, Personnel, will be benchmarked to 5% below the Assistant General Manager, Engineering position.

Item 4 - Pledge of Allegiance

President Stevens led a salute to the flag.

Item 5 - Citizens Forum - None.

Item 6 - Minutes:

Special Meeting of August 19, 2013:

Director Greci moved that the corrected minutes of August 19, 2013, be approved and Director Quigley seconded the motion. The minutes passed by a 6-0-1 voice vote with Director Figuers absent.

Regular Meeting of August 21, 2013:

General Counsel David Aladjem noted a correction in the minutes. The language "President Stevens reported there was no report out of closed session" was corrected to read, "President Stevens reported there was no reportable action taken in closed session."

Director Greci moved that the corrected minutes of August 21, 2013, be approved and Director Quigley seconded the motion. The minutes passed by a 6-0-1 voice vote with Director Figuers absent.

Item 7 - Consent Calendar

President Stevens moved that Consent Item 7 (a) be pulled. Director Ramirez Holmes moved that Consent Item 7 (b) be pulled.

Item 7 (c): Authorize Watershed Protection Property Acceptance

Director Greci moved that Consent Item (c) be approved and Director Palmer seconded the motion. The motion was approved with a voice vote of 6-0-1 with Director Figuers absent.

Resolution 14-4303 Approved authorizing the General Manager to take any and all other actions that may be necessary, consistent with the terms of Resolution No. 14-4282, to complete acquisition of the Patterson Ranch.

Item 7 (b): Grant of Easement on Portion of Arroyo Las Positas to City of Livermore for Widening North Front (Northfront) Road

Director Ramirez Holmes asked for clarification that the name of the street in the agenda item is Northfront Road (one word), not North Front Road (two words as stated in the agenda item). Because legal documents are involved, she wanted to confirm the correct spelling of the street name. Director Ramirez Holmes moved to approve the motion with the correction and Director Quigley seconded the motion, which was approved by a voice vote of 6-0-1 with Director Figuers absent.

Resolution 14-4302 Authorized the General Manager to negotiate and finalize the Grant of Easement and that the Board of Supervisors approve granting the easement and authorize the President of the Board of Supervisors to execute it.

Item 7 (a): Approval of Guiding Principles for Board Members

President Stevens pulled Item 7 (a) and had recommendations for edits to the agenda item attachment Guiding Principles for Board Members, Role of the Board. He recommended that in Bullet #4 of the section on the Role of the Board, the wording be changed from "Understand your role and relationship to other board members and to the General Manager" to "Understand your role and relationship to other board members, staff, to the General Manager and the public."

President Stevens also requested adding three additional bullet items to the Principles of the Board of Directors section including the following:

- Acts with decorum at and outside board meetings.
- Cannot represent or commit Zone 7 without a vote by the full board.
- Contacts the General Manager or Clerk of the Board with requests rather than going directly to staff.

Director Ramirez Holmes feels that the asterisk at the bottom of the page referring to Zone 7 Water Agency's Board Policy on Conducting Business covers these items. She ~~feels the Principles of the Board are to control behaviors of Board Members and~~ questioned why ~~the~~those were requested additions. Director Quigley agreed that these are guiding principles and the asterisk is the key for more information.

President Stevens asked for confirmation that the changes under the Role of the Board are okay. Director Ramirez Holmes and Director Quigley were not okay with the first bullet on decorum under the Principles of the Board of Directors. Director Palmer asked if it could be one simple one instead of three bullets. President Stevens replied that all three bullets are important. Director Palmer asked if it could be brought up in discussions with Board members to address issues so it is self-regulating. President Stevens wants to bring it to the Board's attention, have a vote on each bullet item and wants it on record. Director Ramirez Holmes wants the minutes to reflect why it is being put on record and that she ~~and Director Quigley are~~ is voting no because it was discussed at the Board retreat and there is nothing in the packet for this Board meeting on the revisions. She suggested tabling the item to the next Board meeting to have more information so the public can understand the actions of the Directors. Director Greci said President Stevens is trying to eliminate vagueness in the written policy but Director Greci agreed to table it for now because it needs more discussion. Director Palmer feels the subject was not fully covered at the retreat but needs to be addressed with careful thought.

Director Ramirez Holmes made a motion to table the item but Director Palmer suggested a simple addendum to Bullet #4 and address the other items at another time. Director Quigley agreed. Director Ramirez Holmes agreed to vote on the Guiding Principles for Board Members with the idea that it would come back in the future.

Director Palmer moved that a simple addendum to Bullet #4 under Role of the Board be made per President Stevens' suggestion and pass the Guiding Principles as amended. Director Quigley seconded the motion. There was a voice vote of 6-0-1 with Director Figuers absent and Resolution 14-4301 was approved.

Resolution 14-4301 Approved Guiding Principles for Board members summarizing key principles in the "Gentleperson's Agreement" and "Zone 7 Water Agency's Board Policy on Conducting Business."

Item 8 - Staffing Update -

July Employee of the Month Recognition

Ms. Duerig announced that Dominique Johnson, who works as an Account Clerk in the Accounting Section, is the July Employee of the Month. Dominique has participated in several activities to promote a healthier lifestyle and balancing work and life. The new financial software challenged everybody but to have Payroll Clerk named Employee of the Month soon after the changeover was phenomenal. The Board applauded her in absentia.

Item 9 - Agreement to Purchase DWR Property Adjacent to Patterson Pass Water Treatment Plant

Kurt Arends, Assistant General Manager, Engineering, explained that there is a 10.4-acre portion of property owned by the State of California Department of Water Resources (DWR), just east of Patterson Pass Road that is available for purchase. Zone 7 is interested in using the property for expansion for sludge drying beds and other water system-related uses. The purchase price of $297,000 was determined after an appraisal by Associated Right of Way Services. DWR prepared an Agreement for the Sale of the property for a not-to-exceed amount of $317,000, which includes $20,000 for escrow-related fees.

Director Greci moved for approval and Director Machaevich seconded the motion. A roll call vote was taken and the motion was passed 6-0-1 with Director Figuers absent.

Resolution 14-4304 The Board authorized the General Manager to negotiate and execute an agreement with DWR for purchase of the property, accept the Grant Deed, and execute a certificate of acceptance for recording at the Office of the Recorder of Alameda County.

Item 10 - Proposed 2014 Municipal & Industrial Water Connection Fee

Tom Hughes, Assistant General Manager, Administrative Services, explained to the Directors that this is the first reading for the proposed 2014 Municipal & Industrial (M&I) Water Connection Fee. Further action will be recommended at the October 16, 2013, Board of Directors meeting.

The M&I Connection Fee Program began 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. In 2002, the Board adopted a resolution so that the basic fee would be updated annually based on the Engineering News Record Construction Cost Index (ENR CCI). In 2011, Zone 7 staff determined that future funding needs of the program were in-line with the existing connection fees and the review recommended annual increases based on the ENR CCI to account for the impact of inflation on future projects. For the 2014 fees, staff recommends adjusting the current fees with a 2.26% increase.

In response to President Stevens' inquiry about the next review, staff responded that it would be in five years (2016). General Manager Duerig added that every five years Zone 7 staff looks at the needs of the program as a whole. When connection fees come in, they pay for all the planned development-driven projects. The CIP is done every two years but the connection fee updates are done every five years.

Director Ramirez Holmes requested a copy of the 2011connection fee report and the Annual Report on Collection and Use of Development Fees from December of last year. Staff responded that these would be provided.

<u>Item 11 - Authority to Enter into a Tax-Exempt Revolving Line of Credit for the Reimbursement of Capital Projects</u>

Mr. Hughes introduced an item regarding a Tax-Exempt Revolving Line of Credit (LOC) and said the proceeds will be used for a number of capital projects. A board-approved reimbursement resolution is needed if Zone 7 wants to finance capital projects on a tax-exempt basis and it serves as a declaration of an official intent to reimburse expenditures pursuant to Treasury Regulations Section 1.150-2. Projects include: Watershed Investments; DVWTP Superpulsator Rehab; DVWTP Chemical System Improvements; DWR Land Acquisition; DVWTP Clearwell Recoating; PPWTP Chemical Systems Improvements; Reach 1-7 Arroyo Las Positas Improvements @ Vasco; and SMMP Flood Facilities Land Acquisition - Chain of Lakes.

Staff also requested the authority to negotiate and execute an LOC with Wells Fargo Bank, the proceeds of which will fund several capital projects.

Director Palmer moved for approval and Director Quigley seconded the motion. A roll call vote was taken and the motion was passed 6-0-1 with Director Figuers absent.

Resolution 14-4305	The Board authorized the reimbursement of projects listed in the resolution from the Line of Credit (LOC).
Resolution 14-4306	The Board authorized the General Manager to negotiate and execute a Tax-Exempt Revolving Line of Credit with Wells Fargo Bank in an amount not to exceed $31 million.

<u>Item 12 - Committees - Zone 7/City of Pleasanton Liaison Committee</u> - August 1, 2013 minutes.

Director Ramirez Holmes said the minutes, prepared by an outside source for the City of Pleasanton, needs to be corrected including attendees from Zone 7, Connie Cox's flood control comments under Public Comment instead of "none" and Zone 7 Board member comments made at the meeting.

President Stevens said that, in summary, Zone 7 directors and staff brought several issues to the attention of the meeting attendees. Director Palmer added that City of Pleasanton staff members appeared to understand but the members of the East Pleasanton Specific Plan Committee did not appear to be aware of those issues and limitations. Director Ramirez Holmes expressed her concern that because Zone 7's comments were not in the Liaison meeting minutes, those comments will not be heard.

Item 13 - Reports - Directors

a. Verbal comments by President

President Stevens gave a verbal report on the last LAFCo meeting regarding open space and agriculture. There will be a joint meeting between the Wine Growers Association and the Rangeland Association regarding Measure D (city not County), Open Space, and whether LAFCo should have a prime agriculture and open space policy. Residents of Doolan Canyon are asking for help because their wells are dry. President Stevens asked Ms. Duerig to direct staff to work with them to find emergency water because that is our job at Zone 7 and Livermore cannot help them because it is out of their growth boundary.

Ms. Duerig said Zone 7 has contracts with water haulers that can deliver Zone 7 water to their tanks. This happens on a routine basis but perhaps the Doolan Canyon residents are not aware of this option.

b. Written report by Director Quigley

c. Other Directors' Verbal Reports

Director Ramirez Holmes expressed her appreciation for Zone 7 hosting the Alameda County Chapter of the California Special District Association meeting on September 11, 2013. The focus was on water issues and presentations on Zone 7 and the Alameda Creek Watershed. Directors Greci and Quigley also attended.

Director Ramirez Holmes attended the Creek Clean-up and worked on the Altamont Creek area in collaboration with City of Livermore's Pam Lung and her husband. Director Ramirez Holmes noted plastic bags of pet excrement had been thrown in the creek and dog waste was along the trail so she suggested additional signage to curb these practices. There were 8 creek spots and 154 clean-up volunteers that worked the event. A tally sheet was kept and 1,736.5 gallons of trash and 235.6 gallons of recyclables from the creeks were collected; more trash than last year, less recyclables. She also acknowledged Lynna Allen, Water Resources Coordinator for the City of Livermore and the Resources Team.

Director Quigley reported that he, too, was at the ACSDA meeting and complimented Zone 7's Tom Hughes on his presentation on Zone 7 to attendees, along with the presentation on the Alameda Creek Watershed by Paul Sethy, Board Member for Alameda County Water District. Director Quigley also participated in the cleanup for Robertson Park and was able to borrow a map of the Alameda Creek Watershed from the City of Livermore, which shows the route of where black water, gray water and trash goes.

Director Quigley reported that was part of an ACWA Region 5 phone conference on the December ACWA meeting in Los Angeles. Region 5 will be putting on a two-hour hard-hitting educational program and he was nominated to chair it. They decided on an overarching concept "Watershed investments - Coloring Outside the Box."

Item 14 - Items for Future Agenda - Directors

Item 15 - Staff Reports (Information items.)

a. General Manager's Report
b. Communications Outreach Activities
c. Legislative Update
d. Monthly Budget Report
e. Verbal Reports

President Stevens asked Ms. Duerig to briefly update the Board about the Castlewood situation. Castlewood owns a portion of the Arroyo de la Laguna, which goes through the golf course and is adjacent to some of the homes. Last year there were issues when a pipe to the drinking water system failed. Either the slab or the pipe broke and caused undermining so December storms caused the concrete to mobilize. Zone 7 asked Castlewood to remove the concrete before this year's storms so we do not get flow blockage and cause upstream flooding and a dangerous situation to people and property upstream. The work will be done before October 15 when the permits run out. It was a real team effort by Zone 7 staff. The County manages a benefit assessment district for Castlewood, which pays for their water utilities so the County is also involved in this repair and contracted with the City of Pleasanton to operate the system. Castlewood should pay for it but Zone 7's standard flood maintenance program is to remove debris and our responsibility is to the people when debris starts impacting flows.

Director Quigley noted an item in the General Manager's staff report that quarrying of Lakes A & B could continue through 2058, 28 years longer than expected. In response to a request by Director Quigley that staff come back with options to accelerate this timeframe, President Stevens replied that Zone 7 has no control over it and the County approves the permits. Director Ramirez Holmes suggested this might be an opportunity to combine a status report and communicate the 2058 date to the public. Ms. Duerig said we will continue to do what we can to receive lakes as soon as possible but constraints, as outlined by President Stevens, are substantial.

Director Machaevich expressed three concerns regarding water quality and budget: 1) how Chromium 6 will impact the drinking water standard and affect Zone 7's budget; 2) how San Luis Reservoir will affect Zone 7 and budget; and 3) how backwashes from Del Valle, plus or minus, will affect the budget when DWR allows Zone 7 to blend water to improve the scenario. Is the water drastically different from last year?

Ms. Duerig replied that chemical costs have increased and there is additional cost of power to run the wells related to the filter clogging at Del Valle but she doesn't think those factors will have a drastic impact on the budget. San Luis Reservoir's levels are having a water quality impact but not loss of water. This year's low levels would mean more room for carryover but now pumping constraints can't move water through the Delta and fill up San Luis Reservoir. Chromium-6 might have the biggest impact on the budget if the 10 parts per billion standard is adopted and could have a huge impact on us in the next six to twelve months.

Director Machaevich asked about how to get more involved. Ms. Duerig assured him the Water Research Foundation did a treatment/cost study anticipating this standard being set and used Zone 7 wells as part of the study. This allows Zone 7 and others to provide detailed comments on the proposed standard.

Director Figuers returned and the board went back into closed session at 8:15 p.m.

Item 16 - 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 99-525-2, 99-550-2-3, 99-550-3-2, 99A-2700-2-5, 99A-2700-6-6, 99A-2700-9- 8, 99A-2700-10, 99A-2700-11-3, 99A-2700-12-6, 99A-2700-12-7, 99A-2420-4-13, 96-420-2, 96-420-3, 96-429-6, 99A-2701-1, 99A-2701-2, 99A-2701-3.
Agency negotiator: G.F. Duerig
Negotiating parties: Patliv; PTLM, Inc.; Henry H. Patterson Trust, and Charles Edwards Engs
Under negotiation: Price and terms of payment.

Item 17 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 9:10 p.m. President Stevens stated there was no reportable action taken in closed session.

Item 18 - Adjournment

The meeting was adjourned at 9:12 p.m.