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

REGULAR MEETING

September 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:	JOHN GRECI A J MACHAEVICH SARAH PALMER RICHARD QUIGLEY ANGELA RAMIREZ HOLMES BILL STEVENS
DIRECTORS ABSENT:	DIRECTOR FIGUERS
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING TAMARA BAPTISTA, FINANCE MANAGER JAVIA GREEN, STAFF ANALYST MIKE WALLACE, STAFF ANALYST JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND (by conference call during closed session)

Item 3 – Citizens Forum – None.

Item 4 - Minutes of the Regular Meeting of August 15, 2012, and Special Meeting of August 22, 2012

Director Ramirez Holmes corrected the minutes of the regular meeting of August 15, 2012, with the note that under Item 10 – Items for Future Agendas – the wording should be revised to reflect that President Palmer placed the Brown Act item on the agenda. Director Quigley moved and Director Greci seconded a motion to approve the revised minutes for the August 15, 2012, meeting and the minutes for the Special Meeting of August 22, 2012. The motion was approved by a vote of 6-0 with Director Figuers absent.

Item 5 - Consent Calendar

President Palmer and Director Ramirez Holmes asked that Consent Item 5a be pulled for clarification. Director Ramirez Holmes asked that Consent Item 5c also be pulled.

Director Stevens moved to approve Resolution No. 13-4217 for Consent Item 5b and Director Quigley seconded the motion. The motion was approved by a voice vote of 6-0 with Director Figuers absent.

Resolution 14-4217	Amend the resolution revising the Zone 7 Water Agency Board Policy on Conducting Business.

Director Ramirez Holmes asked that the title of agenda Item 5a be changed with the addition of the words “and Board” so it reads: “Consider Adopting a Resolution Supporting Continuation of Staff and Board Procedures Despite Suspension of Certain Brown Act Requirements.” Director Ramirez Holmes asked that the title change be noted in the minutes. At the Special Meeting on August 22, 2012, one of the main discussion points was that the Agency operate in a transparent manner and this resolution confirms that direction. Director Ramirez Holmes moved and Director Stevens seconded the motion to approve Resolution 13-4216. The motion was approved by a voice vote of 6-0 with Director Figuers absent.

Resolution 14-4216	Continue existing practices to provide government transparency and to provide correct information to the public.

Director Ramirez Holmes pulled Consent Item 5c on responding to the 2012 Alameda County Grand Jury Final Report because comments were made on the Grand Jury report when it first came out. She felt it was unclear if the letter should come to the entire Board for approval. General Manager Jill Duerig said the letter was coming from the Board President and the resolution was asking for authorization for the President of the Board to provide clarifying comments to the Grand Jury. The Ad Hoc Response Committee met and discussed the comments so that the letter could be finalized and received by the Judge by September 21, 2012. Director Quigley moved and Director Machaevich second the motion which was approved by a voice vote of 5-1with Director Ramirez Holmes voting no and Director Figuers absent.

Resolution 14-4218	Authorize and direct the President of the Zone 7 Board to timely provide clarifying comments on the Annual Report.

Item 6 - Staffing Updates

Item 6a – Employee of the Month Recognition

Ms. Duerig informed the Board Jeff Madden, Water Plant Operator III in the Operations Section, was chosen as the July 2012 Employee of the Month. Jeff, who works mainly at the Del Valle Water Treatment Plant (DVWTP), is extremely knowledgeable of water treatment and distribution system operation. He is a natural leader and has stepped up several times serving as Acting Water Facilities Supervisor for DVWTP and the Mocho Groundwater Demineralization Plant (MGDP). He volunteered to give a technical tour of the MGDP as part of the CA/NV American Water Works Association’s Spring Conference. Mr. Madden was not present but the Board applauded him in absentia.

President Palmer moved Agenda Item 10 before Agenda Item 7 so that any members of the Blue Culture Committee present at the meeting could be available for questions or comments prior to the discussions on water rates.

Item 10 - Consider Modifying Mission Statement and Adopting Vision and Value Statements

A committee was formed to clarify the values present in the Zone 7 Mission Statement and develop a draft vision statement and a draft list of values. This committee consisted of members from the Management Advisory Team (MAT) and the Staff Advisory Team (SAT). The drafts were discussed with the Board at the Special Board Meeting on August 22, 2012.

Director Ramirez Holmes said the Board members at the Special Meeting decided not to revise the mission statement. Changes noted on the Mission Statement were clarifying the reference to the Livermore-Amador Valley as discussed in the Special Meeting. The Board wanted to see the maps of the area for discussion purposes before changing the wording, if needed, in the Mission Statement.

After discussion, the Directors agreed to adopt the Vision and Value statements included in the agenda item but not make any changes to the mission statement at this time. Director Ramirez Holmes made a motion to approve a revised resolution to cover the adoption of the new Vision and Values Statements only and Director Stevens seconded the motion. Resolution No. 13-4219 was approved by a voice vote of 6-0 with Director Figuers absent.

Item 7 - Preliminary Treated Water Rate Proposals

Finance Staff Analyst Mike Wallace gave a presentation the preliminary treated water rates for calendar year 2013 and a suggestion of looking at setting a rate for 2014 as presented to the Finance Committee on August 28, 2012. Staff originally proposed a treated water rate increase of 2.65% (CPI) for 2013 and 2.65% for 2014. After further discussion with the retailers present at the Finance Committee, staff proposed 0% in 2013 and 2.65% in 2014. The Finance Committee directed staff to forward revised proposals to the full Board:

- Proposal A – 0% in 2013 and 2.65% in 2014
- Proposal B – 0% in 2013 and 0% in 2014

Staff also outlined a proposal to create a new reserve and to change the name of the "Rate Stabilization" reserve to the "Drought Contingency Reserve," which will be discussed with the Finance Committee.

Director Greci expressed his opposition to 0% for the second year of the two-year rate increase because he felt it is not possible to predict costs for the second year.

Director Ramirez Holmes advised that the Finance Committee intended to discuss reserves and the drought contingency rate stabilization fund of $5 million a year in excess reserves. She complimented staff on doing a good job of finding ways to save costs but the public expects a reward by not having a rate increase.

Director Quigley asked if the time the South Bay Aqueduct was shut down, what was saved in acre feet and dollar values – what are the real numbers? He also wants to know the cost value of replenishing the groundwater pulled from the aquifer during the shutdown. Director Quigley also noted that the North Canyons' lease may come due in a few years. He hopes the change in the sinking fund is reflected in the water rate calculations over the next few years.

Director Machaevich stated he is not in support of 0% for two years but suggested 0% for one year and re-evaluate for the next year. He reminded the Board that they were going to review reserves and get the amounts squared away. He feels there is not enough information about the reserve funds to use the money for repairs, but there may be enough next year due to the South Bay Aqueduct shutdown. He also noted that you can replenish the aquifer but that it would have a cost and water availability is hard to predict.

Director Stevens said two years would help the retailers plan ahead and he supported the first year at 0% and the second year at 2.65%.

President Palmer supported using 0% and 2.65% for two years because of possible infrastructure problems next year but not raise rates higher than 2.65% next year and revisit a lower rate if it is warranted. Proposal A does not use any reserves. She reminded the Board that the reserves are not a slush fund. She agrees with Director Machaevich that we have the potential for lots of problems due to droughts, earthquakes and decaying infrastructure; therefore, it would be inappropriate to have 0% rate increases for two years with that amount of uncertainty. President Palmer suggested adding a "Proposal C" which would be 0% for 2013 and revisit the situation the second year for 2014.

Public Comments: Randy Werner, City of Livermore, said he thinks the rate should be 0% for two years and revisit the second year rate if something extraordinary arises. He suggested baby steps, not giant leaps and bounds when considering rate increases.

Treated water rates will come back to the Board for final approval and adoption at the October 17, 2012 Board meeting.

Item 8 - Preliminary Untreated Water Rate for 2013

JaVia Green, Staff Analyst in Finance, repeated the presentation on the untreated water rate for 2013 that she gave to the Finance Committee on August 28, 2012. Ms. Green explained the untreated water rate increase to $110/af, a 20% increase, for 2013 is due to a pass through of the cost of importing water, supplemental water purchases and program administration costs. Changes to the untreated water rate are considered annually.

During a discussion by the Directors, Director Quigley asked how we have communicated with our untreated customers. All untreated and treated customers were sent an agenda and a copy of the Board item by U.S. mail. Staff received one e-mail with questions and staff is researching the answers to share next month in a staff report for the next Finance Committee.

Staff will bring forward the untreated rate for adoption at the October 17, 2012 Board meeting.

Item 9 - Proposed 2013 Municipal & Industrial Water Connection Fee

Finance Staff Analyst JaVia Green discussed the proposed 2013 Municipal and Industrial Water Connection fee. The M&I program assesses water connection fees with new development in order to fund water system expansion projects required to serve additional water demands from new development. Although the item was for information only, staff recommended that the

Board approve a 2.47% increase at the October 17, 2012 Board meeting. The adjustment is based on the current fees plus inflation (the change in the ENR CCI for September 2011 through September 2012).

Director Machaevich asked what the number of projected annual connections is and Ms. Green answered 512 in 2013.

Item 11 - Committees - Finance Committee Minutes - August 28, 2012 - no comments.

Item 12 - Reports - Directors

a. Verbal comments by President – President Palmer noted that Director Ramirez Holmes made a list of meetings of other agencies that may be of interest to the Board. There was a request to post links from the sites listed on the Zone 7 website.

b. Written report by Director Quigley – Director Quigley made a presentation to the Tri-Valley Conservancy about the history of water but not as a Zone 7 Board member. He discussed in more detail the note in his written report concerning attending the ACWA Regions 5 & 8 joint program "Managing Complex Issues in Tough Times, A Look at Proposition 218 and ESA Impacts on Water Agencies."

c. Verbal reports – President Palmer said she, Jill Duerig and Director Ramirez Holmes attended a recent Local Agency Formation Commission (LAFCo) meeting to keep abreast of what is happening with LAFCo, but Zone 7 was not discussed at the meeting.

   Director Ramirez Holmes has been asked to be on Supervisor Nate Miley's Pleasanton Advisory Committee. Director Ramirez Holmes and Ms. Duerig attended the Valley Mayors' luncheon. Director Ramirez Holmes also reported that she had a tour of Chain of Lakes with Zone 7's Integrated Planning Manager Carol Mahoney.

Item 13 - Items for Future Agendas – Directors - none.

Item 14 - 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. Verbal Reports

Item 15 - 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 16 - Open Session and Report Out of Closed Session

President Palmer said there was nothing to report when the Board came out of closed session at 9:35 p.m.

Director Greci made a motion and Director Stevens seconded to approve Resolution 13-4220 which approved Appendix A, Footnotes to Salary Schedules Section 4.11 – Section Manager. The resolution was approved by a voice vote of 6-0 with Director Figuers absent.

Item 17 - Adjournment

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