ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

NOTICE OF REGULAR MEETING OF BOARD OF DIRECTORS

DATE: Wednesday, November 19, 2014

TIME: 7:00 p.m.

LOCATION: Zone 7 Administration Building
100 North Canyons Parkway, Livermore, California

Any member of the public desiring to address the Board on an item under discussion may do so upon receiving recognition from the President. After receiving recognition, please step to the podium and state your name and address.

In compliance with the Americans with Disabilities Act, the meeting room is wheelchair accessible and disabled parking is available at the Zone 7 Administrative Building lot. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact the Zone 7 Board Secretary, Judy Rector, at (925) 454-5053 or fax (925) 454-5724. Notification 48 hours prior to the meeting will enable Zone 7 to make reasonable arrangements to ensure accessibility to this meeting. {28 CFR 35.102-35, 104 ADA Title II}

AGENDA

1. Call Meeting to Order
2. Pledge of Allegiance
3. Citizens Forum

   This is an opportunity for members of the public to speak on an item not listed on the agenda. The Board cannot deliberate or take action on a non-agenda item unless it is an emergency as defined under Government Code Section 54954.2.

4. Minutes of the Regular Meeting of October 15, 2014
5. Consent Calendar

   a. DVWTP Carbon Dioxide Injection System
   b. Personnel Action: Manager of Integrated Water Resources

6. Staffing Update:

   a. September Employee of the Month Recognition

7. Amendment 5 to Agreement for Yuba Accord Dry Year Water Purchases

   Recommended Action: Adopt resolution.

8. Water Exchange with Contra Costa Water District

   Recommended Action: Adopt resolution.

9. Committees - Water Resources Committee Meeting - November 5, 2014 - notes
   Retailers/Wholesaler Liaison Committee Meeting - November 17, 2014 - notes pending

10. Reports - Directors

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

11. Items for Future Agenda - Directors

12. Staff Reports (Information items. No action will be taken.)

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

13. 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.

14. Open Session and Report Out of Closed Session

15. Verbal Reports

16. Adjournment

17. Upcoming Board Schedule: (All meeting locations are in the Boardroom at 100 North Canyons Parkway, Livermore, California, unless otherwise noted)

    a) Special Board Meeting (if needed): December 3, 2014
    b) Finance Committee Meeting: December 8, 2014, 4:00 p.m.
    c) Regular Board Meeting: December 17, 2014, 7:00 p.m.

Materials related to an item on this agenda that have been provided to the Board less than 72 hours prior to the meeting are available for public inspection at the Zone 7 office at the time of, and prior to, the meeting and at www.zone7water.com.
All other material otherwise provided to the Board will be available at the public meeting.

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

REGULAR MEETING

October 15, 2014

The following were present:

DIRECTORS:	SANDY FIGUERS JOHN GRECI JIM MCGRAIL SARAH PALMER DICK QUIGLEY ANGELA RAMIREZ HOLMES BILL STEVENS
DIRECTORS ABSENT:	NONE
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING TAMARA BAPTISTA, FINANCE MANAGER JAVIA GREEN, STAFF ANALYST MATT KATEN, PRINCIPAL ENGINEER, GROUNDWATER JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

The Board went into closed session at 6:00 p.m.

Item 1 - Closed Session

(a) Government Code Section 549547; Public Employee Performance Evaluation
Title: General Manager

(b) Conference with Legal Counsel - Significant exposure to litigation pursuant to Gov't Code Section 54956.9(d) (2): 3 cases

(c) Conference with Legal Counsel - Potential litigation pursuant to Gov't Code section 54956.9(d) (3): 1 case

(d) 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

Contra Costa Water District, et al., v. Sacramento Regional County Sanitation District, Sacramento County, Case No. 05CS00908 (Consolidated with Case No. 05CS00913)

(e) 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 2 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 7:08 p.m.

President Greci announced that the Board of Directors has completed their performance evaluation of the General Manager and found it to be satisfactory. The Board will proceed in the coming weeks to establish mutually agreeable goals for the next year.

Item 3 - Call Meeting to Order

President Greci called the meeting to order at 7:09 p.m.

Item 4 - Pledge of Allegiance

Director Figuers left the meeting.

Item 5 - Citizens Forum

Jacquie Williams-Courtright, owner of Alden Lane Nursery in Livermore and former Zone 7 board member, requested that the board modify the current rationing plan in order to meet the needs of preserving water resources while enabling homeowners to protect their landscape assets, grow their own food, and establish water wise plants. Also attending in support were her colleagues Aires Souto, owner of Western Garden Nursery in Pleasanton, David Roth, Manager of Armstrong Garden Center in Dublin, Desiree Heimann of Armstrong's corporate office in southern California, and Alden Lane Nursery's General Manager Cyndee Carvalho.

Angelina Summers lives on Summergate Avenue in Pleasanton, and she said that all ten wells in the district are in Pleasanton. She lives one block from one of the wells, her house has shifted two inches and she has an estimate for almost $15,000 in repairs. Some of her neighbors have had pilings installed to stabilize their houses due to shifting. She asked the board to consider this when they are discussing water rates because she is already paying a price for the wells.

Margaret Tracy said she had asked questions of staff and the board concerning contaminants in our valley but had not received answers from the board or staff. A number of places in the valley, such as former dry cleaning locations, have contaminants that need to be disposed and she wants to know how Zone 7 is planning for it and how will it be funded.

President Greci reminded everyone that he appreciates all the information shared but the board is not allowed to react under the guidelines for the Citizens Forum.

Carma Hodges of Pleasanton said that when the Windemere division was developed in the Dougherty Valley there was not enough water to support it, and active building is still going on. She asked why Zone 7 is not speaking up against new building.

President Greci responded that he and the board are concerned about growth in the valley and that Zone 7's reliability is part of the Mission Statement. More water cannot be created but the developers do not come to Zone 7 for the building permits. The valley has our groundwater basin and we have to limit the amount of water we pump from it to a sustainable amount.

Marv Hodges of Pleasanton asked about the Board's action with respect to State water. He said that 40% of the state's water is under the control of environmentalists. Eleven percent of the state's water is for the people in the State of California; 42% for the farmers, and 48% for the environmentalists. He is challenging the Zone 7 Board to stand up and take back the water for the people of this valley. President Greci again stated that permitting and zoning is done by the cities, not Zone 7.

Item 6 - Minutes of the Regular Meeting of September 17, 2014, and Special Meeting of October 1, 2014

Director Ramirez Holmes moved to approve the minutes of September 17, 2014, and Director Quigley seconded. The minutes were approved by a voice vote of 6-0 with Director Figuers absent.

Director Ramirez Holmes submitted proposed revisions to the minutes prior to the meeting, and they were distributed to the Board. Director Palmer moved to approve the amended minutes of October 1, 2014, and Director Ramirez Holmes seconded. The minutes were approved by a voice vote of 6-0 with Director Figuers absent.

Item 7 - Consent Calendar

Director Palmer pulled Item 7(a) for discussion. Director Quigley moved to approve Items 7(b), (c) and (d) and Director Ramirez Holmes seconded. The motions were approved by a voice vote of 6-0 with Director Figuers absent.

Item 7(b)	Amend Contracts for Records Management Software Equipment and Support Services
Resolution No. 15-17	Authorized amendments to the contracts with Incrementum and with Kaizen InfoSource.

Item 7(c) Resolution Proclaiming the Week of October 20-25, 2014, to be California Flood Preparedness Week

Resolution No. 15-18	Authorized Zone 7 participation in California Flood Preparedness Week.
Item 7(d) Personnel Action	Buyer I/II Position
Resolution No. 15-19	Approved one unfunded position of Buyer I/II, Zone 7.

Item 7(a) Joint Funding Agreement with USGS for Annual Stream Gauge Operations and Maintenance

Director Palmer's question was about funding in the U.S. Department of the Interior's September 29th letter. She asked why Alameda County Water District did not have to contribute to the Alamo Canal near the new wastewater treatment plant station. Kurt Arends, Assistant General Manager, Engineering, responded that the data will help with flood modeling and Zone 7 will be the primary beneficiary. She then asked about the Early Warning System for potential flooding and why Alameda County Water District would not be interested. Mr. Arends replied that it is for Zone 7 to establish the flows for early warnings within our service area. There are gauges downstream that measure flow leaving our watershed and going into Fremont and that is Alameda County Water District's primary concern.

Director Palmer moved that Item 7(a) be approved and Director Quigley seconded the motion. Item 7(a) was approved by a voice vote of 6-0 with Director Figuers absent.

Resolution No. 15-16 Authorized joint funding agreements with the USGS for stream gauges.

Item 8 - Staffing Update

Ms. Duerig announced that the August Employee of the Month was Allan Dahlquist, Water Facilities Supervisor at the Patterson Pass Plant. The Board applauded Mr. Dahlquist in absentia.

Item 9 - Draft FY 15/16 Capital Improvement Program:

- **Ten-Year Water System Plan**
- **Five-Year Flood Protection Plan**

JaVia Green, Staff Analyst, presented a summary to the Board on the Capital Improvement Program that included background, recent challenges, and major projects. The ten-year water system plan is for Funds 120 (Renewal/Replacement and System-Wide Improvements) and 130 (Expansion). The five-year flood protection plan is for Fund 200 (General Flood Protection) and Fund 210 (Flood Protection and Stormwater Drainage) and all are reviewed every two years.

Mr. Arends gave a brief background on the challenges and issues driving the CIP and talked about major projects. One of the key challenges is the poor water quality from the Delta coming in and it has impacted the treatability of the water due to the drought resulting in lower production at our water treatment plants as well as increased chemical costs. He discussed the Patterson Pass Ultra-Filtration Plant that was scheduled to be taken out of service when the Altamont Treatment Plant came online in 2009. Since Altamont was not built, Zone 7 has continued to use Patterson Pass UF for its production capacity but it is coming to the end of its useful life and the membrane manufacturer will no longer be producing those membranes. Production capacity of that plant will be reduced, the plant will become obsolete and will have to be upgraded and retrofitted, or other facilities will need to be constructed. He noted that some of the drought projects this year deferred some of the ongoing maintenance projects and Asset Management activities. Staff identified new projects or moved up projects in the CIP such as reliability inter-tie with another agency, Ozonation at DVWTP and PPWTP, PPWTP Expansion/New Media Filters, Chromium 6 treatment facilities, a Booster Pump Station, and Well Rehabilitation.

Director Figuers returned at 7:55 p.m.

Ms. Green discussed an overview of Fund 120 and the board-approved $3.3 million transfer to Fund 120 reserves from Fund 100 reserves to fund drought emergency projects. Because of the acceleration of the ozone projects and assumptions about Chromium 6 treatment, the fund balance drops below zero dollars in FY 17/18. Staff looked at three examples of funding: 1) base case; 2) debt financing for ozone and Chromium 6 treatment; and 3) deferring projects including blending or leasing equipment to treat Chromium 6 and not building permanent Chromium 6 facilities. The ozone at the DVWTP could also be deferred until FY 2024. Ms. Green pointed out the impacts of deferring projects and the tax and investment advantages of building capital facilities sooner. Additional evaluations and studies on debt financing will be forthcoming and will guide budgeting for further CIP decisions. The CIP is the plan but the projects are authorized as part of the annual budget.

Fund 130 includes fixed costs such as payments Zone 7 makes to others including for the South Bay Aqueduct Enlargement and Improvement Project and the Cawelo groundwater banking program. The

Connection Fee Study that is done every five years looks at the expansion program needs as well as the projected connections in the service area for new development.

The Flood Protection CIP, reviewed every five years, is funded by property taxes for Fund 200 and pays for maintenance and renewal/replacement of our existing flood control system ($10.6 million) and for system-wide improvements ($23 million). Fund 210, flood protection and stormwater drainage expansion projects, is projected to be $23 million over the next five years. There is sufficient funding for the Flood Protection CIP.

At the last board meeting, Director Palmer and Director Ramirez Holmes asked for a project list reorganized by year. Although a list was provided as part of the Executive Summary, it was organized differently than expected. Ms. Duerig said that it does group projects by each year, the type of project, and what years it covers so staff felt it addressed the request.

Director Ramirez Holmes noted that at the last meeting, the board was told that staff could do an average of 15 projects per year but there are 22 new projects that begin in 2015 and is that correct. Ms. Duerig clarified that any time Zone 7 has a shortage of staff for engineering projects, we rely more heavily on consultants as we did eight years ago where consultants did more design and construction management. As the economy slowed, the number of projects was reduced and more was done internally. Although an aggressive schedule, it was felt it could be done by using outside resources.

Director Ramirez Holmes asked about the Chromium 6 options. Ms. Green said the permanent Chromium 6 treatment projects for Chain of Lakes Well Nos. 1, 2, 5 and Stoneridge would occur in 2020. There will be at least two more CIP iterations before then so staff will have more information.

Director Ramirez Holmes asked about the retailers' comments at the last meeting. Mr. Arends replied that the retailers' asked for more information on the impacts of deferring projects. She referred to the letters presented by DSRSD and Hacienda Business Park about being in a partnership with Zone 7 and if their concerns had been addressed. She also noted that the CIP did not go to a committee.

Mr. Arends said it is important to understand the magnitude of the future projects that are funded through the different funding mechanisms and the amount of upcoming improvements that need to be made. These are separate from water rates and the funding for Funds 120, 130, 200 and 210 are critical for future projects and they need to be in the funding plan.

Ms. Duerig added that there is no recommendation by staff to make any change in the transfer schedule between Fund 100 and Fund 120. If the board chooses to follow this aggressive schedule in the future, we may be looking at incurring debt. If the board chooses not to incur debt, then the discussion will be about what projects should be deferred. Mr. Arends clarified that the CIP is based on the existing AMP transfers established by the Board.

Director McGrail said the Board has been using pay-as-you-go financing but he would like to see staff do a study on debt financing, and why are we paying today when future users will benefit without paying?

John Archer, Dublin San Ramon Services District, commented on the importance of financing and cash flows. There are $50 million worth of new projects proposed and the Board needs to seriously consider how to pay for them because that could mean another 10-20% added to future rates.

Director Stevens moved and Director Quigley seconded the motion. Item 9 was approved by a roll call vote of 7-0.

Resolution No. 15-20 Adopted the Fiscal Year 15/16 Capital Improvement Program.

Item 10 - Treated Water/Recharge Rate Schedules for 2015 and 2016

Tamara Baptista, Finance Manager, reminded the Board that staff had two Finance Committee meetings, three meetings with the retailers, and one Board meeting on water rates. She broke down water rate components into revenue, expenses and reserves, as well as background on the board-adopted 2013 water rates of 0% and a 2.65% CPI for 2014. For FY 12/13, reserves did increase $4.2 million, and based on the unaudited actuals for FY 13/14, the reserves decreased approximately $900,000.

Ms. Baptista summarized the results of the Finance Committee meetings. At the September 8, 2014, Finance Committee meeting, the first calculation was for a 12% increase for 2015, and a 3% CPI for 2016 was suggested based on input from the retailers. The second calculation was for a 3% CPI and a 9% drought surcharge for 2015 & 2016, but the 12% increase was too high and the Finance Committee members were not comfortable with the concept of a drought surcharge if there was an automatic trigger.

At the October 1, 2014, Board meeting, the resulting calculations included one for no water rate increase as requested at the September 8th Finance Committee meeting. The second calculation was for a 3% CPI with a lower transfer to Fund 120 for AMP as the Finance Committee had requested a creative way to keep rate increases as low as possible. Calculation 3 was for 7% for 2015 and 2016; covered two years' cost of service, and was reserve neutral over the two-year period of analysis. This would be the lowest possible rate increase with the smallest impact on reserves during the two-year period. The board decided to eliminate the baseline of no increase and develop a third option with a base rate and a drought surcharge.

Calculation 1 for the October 15, 2014, Board meeting was for a 7% water rate increase for 2015 and 2016; Calculation 2 was for a 3% CPI with a lower transfer to Fund 120 for AMP in effect using $3.5 million in reserves from Fund 120, as well; and Calculation 3, the new option, was for a 5% increase for non-drought related cost of service and a 2% drought surcharge for 2015 and 2016 (starts January 1 and ends December 31 of each year) that partially covers the drought-related cost of service. The remainder of the cost of service and loss of revenue is covered by the use of reserves but this option still uses another $1.2 million of the Rate Stabilization Reserve in FY 15/16 and FY 16/17.

Ms. Baptista explained that there had been a change in the proposed reserve allocation. At the October 1 Board meeting, the financial consultant recommended increasing the emergency reserve level from 2% to 3%, but based on the feedback received at that meeting, it was returned to the previous level of 2% and is consistent in all three options presented in the staff report and at this meeting.

Director Palmer said at the previous board meeting she asked for the 3% but also wanted to see the drought surcharge on the 3% to see what it would look like. Ms. Baptista showed a graph with 3% plus a 2% surcharge for 2015 and 2016. Director Palmer verified that it would be 3% each year plus a 2% surcharge for both years and she agreed that the graph is what she asked for previously.

Director Ramirez Holmes asked where Option 3 came from because Board direction was 3% plus the drought surcharge. Ms. Duerig said there was a range of opinions voiced but Board direction was unclear. The minutes of the meeting noted that a 3% base, plus a surcharge was discussed but once we looked at our cost of service for the next two years, our base non-drought related costs of service increased by 5%, rather than 3%. Director Quigley agreed that board direction was unclear.

Director Quigley asked if the Governor cancels the drought emergency, would that sunset the 2% drought surcharge from Zone 7. General Counsel Aladjem said no, because an emergency resolution was adopted, but when adopting a drought surcharge, it would be for calendar years so it would not be tied to whatever the Governor said. Ms. Duerig said there could be some political opinion that if the statewide or local drought emergency was lifted, there might be expectations by the community that Zone 7 would also lift the surcharge. Director Ramirez Holmes said if we assume a one-year drought for all of the rate settings, the community could also assume that the drought surcharge would only be for one year.

President Greci said the Governor has the right to declare the drought over and it may be over in other areas of California but it may not be over for us. If the State still does not give us our allocation, we still have to deal with the drought so he is not in favor of a drought surcharge. Stay with 7% and avoid the issue of dropping the surcharge later and recalculating rates. The 7% was based on our operating costs and what it takes for us to keep our reserves where they belong. Zone 7 used reserves this year and didn’t charge anything because there was not an increase. He is more comfortable with the 7% increase.

Director Quigley said he agrees with President Greci on the 7% increase. He says the Board needs to recognize that rate increases were not given for several years and that needs to be considered. He feels that we have dug ourselves into a hole and the retailers always want less, but in order to bring the community an abundance of water, he is in favor of 7%.

Director McGrail said that the 7% information in the Board packet is different from what was presented at the meeting. He had questions on the ending reserve balances and noted that the difference between the 3% and the 7% is about $600,000 for FY 14/15 and FY 16/17. Ms. Duerig pointed out the lower transfer in the 3% option.

Ms. Duerig also noted that Zone 7 did receive letters from Dublin San Ramon Services District and the Hacienda Owners Association and copies were available for the board and public.

Director Ramirez Holmes said that because numbers and percentages are hard to follow, she passed out written comments on FY 14/15 projected reserves surplus and explained why she thought a surcharge is not necessary. She also noted that the option preferred by retailers shows that Zone 7 is well over the minimum reserve amounts and is at or over the maximum in two out of four funds. Her concern is that the emphasis will be that Zone 7 reserves are going to be low but they are well over the midpoint for the maximum reserves. The board adopted a policy to transfer funds for capital projects but the board authorized the transfer of more money, which was not following the policy as the retailers had asked. Option B gives back that extra money by following the policy and requires no use of reserves in FY 15/16. Her concern is that retailers and customers are willing to make Zone 7 whole but ask for justification. She does not think a drought surcharge is needed. She explained how the idea of combining the two reserves also does not follow the reserve policy. She said 3% and 3% makes Zone 7 “whole” and wants policies that can be followed and show real numbers. There is no policy to do a drought surcharge.

Director Figuers asked what do we mean by reserve levels and how are they used? Ms. Baptista answered his questions about the AMP transfer schedule but there was more discussion about the three proposals.

President Greci opened the meeting for public comment.

Dan Martin, City of Pleasanton, feels Option 2, 3% CPI, is still within the board's reserve policy minimums so he asked the board not to do an increase greater than the CPI. The impression given is that if the money is not transferred, critical projects and emergency deferred maintenance will not get done but that is not how CPI projects are funded, staffed and completed. He said that in his experience there are more projects than can be completed on purpose but they track what is needed and higher priority projects move to the top.

Darren Greenwood, City of Livermore, feels what when reserves meet the minimum level, it means that Zone 7 is fully funded for every contingency thought of by the Board and staff. He is not aware of a rate being set in the past to protect a reserve and those reserves were generated over time, mostly by surpluses. The Board packet shows an extra $4 million has been budgeted and was put into reserves for situations when it is needed. He disagreed with having a Rate Stabilization reserve with a minimum balance that cannot go to zero dollars, and asked the board no matter what they decided about rates, to think about reserve policies in the future: 1) set a maximum on the Rate Stabilization reserve; 2) set the minimum for the Rate Stabilization reserve to zero; and 3) establish what happens when that maximum is reached – do you reduce rates, find a new project to spend it on, where does that money go and how do we stop accumulating it? Livermore has their own surcharge for conservation rates and the reason for a surcharge is either to cut demand or make you whole on your resources. He encouraged the Board to consider ending the surcharge early if water is not purchased or demand is higher.

Kathy Narum, Pleasanton City Council member, agreed with Director McGrail on the insignificance in the total reserves between the three options. She asked the Board to be cautious in setting rates. Since the residents have done so well with conservation, she feels community leaders need to curtail their spending and do their best to soften the rate increases. She asked the Board to consider the 3% with CPI rate increase. A temporary drought surcharge may be appropriate in the future but more justification is needed for how and why the increase will be used. Show projected and planned water purchases and if and when the reserves will be used. She noted the collaboration with the retailers, stressed a more conservative approach to setting rates during the drought emergency, and asked the Board to demonstrate more sensitivity to the impact of conservation on residents and businesses.

Karla Brown, Pleasanton City Council member, told the Board that it is understood that Zone 7 must collect fees to maintain fiscal sustainability, but the method of collection and timing needs to be taken into consideration. Residents have incurred additional costs for conservation and there must be a nexus between the fees that are being charged and the services provided. She supports the idea of a cost-basis increase and wants a tie between actual costs and rates. She invited the Board to come to a City Council meeting and have a discussion with the citizens who are paying money for late fees, service fees and additional penalties in addition to their water bill because they wanted to use the amount of water it takes to water their yard and take a shower.

John Archer referred to the letter from the DSRSD Board of Directors recommending 3% but noted there is a volume differential because of the drought. DSRSD does support sun setting the drought charge to make Zone 7 whole. They also asked the Board to consider total reserves when setting rates.

Director Stevens said the AMP should be discussed in the future and he supports 7% and 7%. Director Palmer said that if there is problem down the line that can be justified, then raise the rates in the future. If we don't need to do that much now, don't do it, so she is in favor of 3% and 3%. Director McGrail said reserves are needed but the money belongs to the people and if it is not needed, Zone 7 should not be banking it. He made a promise during his election that his mission statement was to have sustainable, clean water at the most decent price possible. He feels 3% and 3% is fine for now and can be increased later, if needed. Director Quigley thinks the 7% option is the best because it helps preserve reserves and helps fund Zone 7's fixed and variable costs. Director Figuers said he is voting for 3% and 3% because the 7% means that at the end of two years, we have added to our reserves and made a profit. If the drought continues, Zone 7 may need to use drought emergency and rate stabilization reserves again but that is why they exist.

Director Ramirez Holmes moved for approval of Option B as proposed (3% CPI with a lower transfer to Fund 120 for AMP and no drought surcharge) and Director McGrail seconded the motion. The motion passed with a roll call vote of 4-3, with Directors Palmer, McGrail and Ramirez Holmes voting "yes" for Option B and President Greci and Directors Stevens and Quigley voting "no" against Option B.

Resolution No. 15-21 — Adopted the Treated Water Service Rates for 2015 & 2016 effective January 1, 2015, and ending on the next effective date for such water rates:

a) Treated Water service charge of $144 per month per metered service for 2015 and $148 per month per metered service for 2016;
b) A recharge fee of $702 per acre-foot for 2015;
c) A Temporary Treated Water service establishment charge of $144 per turnout for 2015 and $148 per turnout for 2016 for each new direct connection to the Zone 7 system;
d) A service charge of $144 per month for 2015 and $148 per month for 2016 for the connection for Fire and Standby services;
e) A water rate of $112 for CY 2015 for In-Lieu water services.

Item 11 - Untreated Water Rates for 2015

Ms. Baptista gave a brief presentation on the untreated water rate proposal for CY 2015 of $130 per acre-foot, which is an 18% increase over CY 2013-14. The untreated water rate is a pass through for the cost of imported water, supplemental water purchases, and program administration. Ms. Baptista showed the Board a history of untreated water rates from 1994 to the proposed rate for CY 2015.

Director Ramirez Holmes asked about notification to the untreated water contractors regarding the rate increase. She also asked about the new charges for Cawelo and Semitropic, and arsenic treatment for pump backs. Ms. Baptista said it is an estimate based on a projection of how much water may be purchased in CY 2015. Staff looks at total water supply and water sources available divided by the total volume of water delivered to both treated and untreated customers so everyone pays their share.
Zone 7 does plan on purchasing recovery water from Cawelo and Semitropic for treated and untreated customers. Director Ramirez Holmes asked what if we don't purchase that pump back water, is there a policy to refund money? Ms. Baptista said it is part of the rate but in 2014, Zone 7 purchased water and it was not part of the rate so it is a deficit in that line item. Director Palmer clarified that it is not a policy, just a methodology. Director Ramirez Holmes pointed out the methodology is new and there was no discussion with the untreated customers. In addition, an untreated customer mentioned that there had been a change from fixed costs to property taxes so there is a variable rate each year and if the Delta

charges from previous years were taken out, this would be the highest untreated water rate in history. In response to a question from Director Ramirez Holmes about the Delta charge, Ms. Baptista said the Delta charge was added in 2009-2010 and there was a shift from $171/acre-foot to $97 several years ago because some of the DWR fixed costs were on water rates and they were shifted to property taxes. Ms. Baptista confirmed that it is the highest dollar amount but not the highest increase, and that it fluctuates over the years.

Ms. Duerig explained further that staff does not look at just the dollar amount because inflation has to be backed out of the numbers. Staff looks at the gradual trends and whether they match and this is just a pass-through of calculated costs. Zone 7 has not had access to Cawelo, a new bank of water, until this year.

Director Ramirez Holmes said her concern is about process and we should reach out to the untreated customers when we have a change in the calculation so they understand why it is being done. She thinks those customers should have had an opportunity to weigh in and be invited to participate. Director Palmer had complaints about the untreated rate and told those customers about this Board meeting but they did not attend. Director McGrail, an untreated water customer and a residential customer, asked General Counsel Aladjem if he should proceed or abstain from voting and was told he could proceed. Director McGrail said notice to the agricultural customers is needed because they are losing cattle and it is their livelihood. He would like to see this item tabled and everyone should be noticed. The Directors continued to discuss the issue of notification, wheeling water rates, and that only administration charges are negotiable.

President Greci asked for public comments.

Director Stevens moved and Director Quigley seconded the motion. Item 11 was approved by a roll call vote of 5-2 with President Greci and Directors Palmer, Stevens, Quigley and Figuers voting to approve the motion and Directors McGrail and Ramirez Holmes voting against the motion

Resolution No. 15-22	Approved the 2015 untreated water rate of $130/AF, a temporary untreated water rate of $509/AF, a non-scheduled untreated water rate of $309/AF and a surplus untreated water rate of $240/AF.

Item 12 - Proposed 2015 Municipal & Industrial Water Connection Fee

Ms. Green reminded the Board that they had resolved to update the M&I water connection fee regularly to keep pace with inflation, and based on Zone 7's philosophy that new development pays for itself. The fee pays for short, year-to-year and long-term expansion program costs and is updated every five years. The last study was in 2011 and the next study is planned for 2016. Staff recommends increasing the current fee by 3.33%. The normal methodology used every year is based on an increase in the ENR 20-City CCI from September 2013 to September 2014. The resulting 2014 fees are $24,830 for the Zone 7 service area and $22,980 for Dougherty Valley. Staff recommendation is to adopt the resolution approving connection fees for 2015.

Director Quigley moved and Director Stevens seconded the motion. Item 12 was approved by a roll call vote of 7-0.

Resolution No. 15-23	Amended connection fees within the Zone 7 service area and the Dougherty Valley service area.

Item 13 - Agreements Associated With the El Charro Specific Plan Agreement

Kurt Arends reminded the Board that in 2010 they approved the El Charro Specific Plan Agreement with the City of Livermore. Zone 7 worked with the City of Livermore on the Specific Plan for the El Charro area to incorporate flood control or flood protection improvements into that project. The result of that agreement was the construction of several flood facilities, plus other projects including land use and mitigation. Zone 7 contributed $10 million towards the project, and to date, $9.5 million has been paid to Livermore and the other $0.5 million will be paid when all obligations are fulfilled. Three final pieces that need to be completed are the Floodway/Floodplain Agreement, Maintenance of Mitigation Area Agreement, and Covenant and Deed Restriction. Staff is seeking board approval of the three agreements with the City of Livermore, and then Zone 7 will pay the balance.

Director McGrail moved and Director Ramirez Holmes seconded the motion. Both resolutions for Item 13 were approved by a roll call vote of 7-0.

Resolution No. 15-24	Authorized the Floodway/Floodplain and Maintenance Mitigation Area Agreement.
Resolution No. 15-25	Authorized the Covenant and Deed Restriction and recommends that the Board of Supervisors execute same.

Item 14 - Proposed Well Ordinance

Mr. Arends informed the Board that in response to the letter received from Alameda County Public Works Agency (copies distributed) regarding the draft Well Ordinance, a meeting has been set up with County staff to discuss their concerns. No action is being taken at this meeting. In reference to the letter, Director Stevens pointed out that when you drill in Zone 7 territory, you get a Zone 7 permit, not an Alameda County permit, and it has been this way for years at no charge. Director Ramirez Holmes asked if the item should be deferred if the board would benefit from information obtained at the meeting with the County. President Greci said that this item is only the first reading of the draft. He wanted to hear the presentation before discussion.

Matt Katen, Principal Geologist in the Groundwater Section, said the intent of it is for the Zone 7 Ordinance to replace or supersede the existing County Well Ordinance within the Zone 7 service area. The State began requiring well ordinances in 1967 and Alameda County adopted one in 1973. Zone 7 was administering the Ordinance for the whole county except for Alameda County Water District's (ACWD) portion. Public Works took over the western county after twenty years and Zone 7 continued to administer the Ordinance in its service area. The Cities of Livermore, Pleasanton and Dublin adopted the County Ordinance or a resolution authorizing Zone 7 to administer and regulate well drilling in their jurisdictions. The State developed the State Model Ordinance template with minimum standards for the entities that didn't have a Well Ordinance. The County elected not to change their Ordinance at that time.

Zone 7 is the last Bay Area agency to not charge permit fees, and the current permit program is funded by water rates. Zone 7 has received input and support on the Well Ordinance from Tri-Valley cities, retailers and the Zone 7 Water Resources Committee.

Goals in developing this draft Ordinance included conformance with the State Model Well Standards Ordinance; clear permit requirements, well construction standards and enforcement steps; increases in groundwater protection; providing for Zone 7 well and soil boring permit fees; and strengthening Zone 7's position for maintaining local control over the groundwater basin in light of recent State groundwater legislation.

Mr. Katen described the Ordinance features and how they were determined. The Zone 7 jurisdictional area does not include Dougherty Valley or an overlap Sphere of Influence with ACWD. Staff determined a fee amount based on program expense and permit type which covers about 97% of the program's costs, and Mr. Katen went into details on how those fees were developed. He also showed the Board a permit fee comparison with ten other agencies. Zone 7 would not have the highest or the lowest permit fees.

Recommended actions are to discuss the draft Ordinance and proposed permit fees, ask for public input, and provide direction to staff.

Director McGrail, President Greci and Director Figuers discussed proper well destruction. Director Figuers suggested lowering the $700 cost in order to encourage proper well destruction.

Director Figuers said there is a distinction in the document between water supply wells, wells used to produce water, and geotechnical borings that will give information. He questioned various definitions and areas of the document. Since this agenda item is only for discussion at this meeting, President Greci suggested that the board write down their questions and present them to staff.

Director Ramirez Holmes asked several questions but noted that she did not expect answers at this meeting: 1) what is the current process for wells?; 2) how many wells do we have and whether Zone 7 has the right to inspect them now in lieu of the Ordinance?; and 3) she wants to know more about special requirement areas and why we are against a public hearing to change those requirement areas.
Mr. Katen commented that all of our current provisions are included in the current program, and for the past 40 years Zone 7 has been issuing permits. Director Ramirez Holmes requested the information for permit conditions that is typed on the permits.

President Greci said that the Well Ordinance appears to be something Zone 7 is already doing and Director Ramirez Holmes added that the Board could have a first reading and put the second on consent. Since Zone 7 has not had a meeting with the County and there are still questions and this is the first reading, she would like some of the questions answered and would prefer to have the first reading at the next meeting.

Item 15 - Committees - Joint Water Liaison Meeting with DSRSD/Zone - August 27, 2014 - notes pending

Item 16 - Reports - Directors

a. Verbal comments by President - none
b. Written report by Director Quigley
c. Verbal Reports

Item 17 - Items for Future Agendas - Directors

Director Stevens asked staff to talk to the retailers about the Asset Management Plan (AMP).

Director Ramirez Holmes said that the Hacienda Business Park Owners Association had brought up some comments that they had no objection to the philosophy behind the connection fee increase but they would like to have a meeting with further information and input. She asked staff to set up a meeting with them since they requested the meeting in writing.

Ms. Duerig clarified that there is a lot of outreach for both the AMP updates and the connection fee studies. Both of the updates are scheduled within the next two years. The last AMP update in 2011 involved the retailers every step of the way from defining the scope to finding the consultants, and Zone 7 will have that collaborative process again. The connection fee update is also scheduled within the next couple of years. Previously staff met with developers and other stakeholders.

Item 18 - Staff Reports (Information items.)

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

Item 19 - Adjournment

The meeting was adjourned at 10:48 p.m.

ORIGINATING SECTION: FACILITIES ENGINEERING
CONTACT: BRANDON WOODS / RHETT ALZONA

AGENDA DATE: November 19, 2014 ITEM NO. **5a**

SUBJECT: DVWTP Carbon Dioxide Injection System

SUMMARY:

- Source water quality at the Del Valle Water Treatment Plant (DVWTP) varies in alkalinity and pH, with pH levels varying on a daily basis as much as two units (between 7.5 and 9.5).
- To treat the water, pH levels must be lowered and stabilized which is currently achieved through the use of additional ferric chloride, which is a more expensive chemical used for coagulation.
- Carbon dioxide (CO_2) has successfully been used as a pH suppressor at other treatment plants and has proven to be effective in stabilizing pH and improving water treatability.
- Additionally, using CO_2, a less expensive chemical, to stabilize source water pH will result in lower coagulant usage, which will lower coagulant chemical costs and lower sludge production, offsetting the costs related to a CO_2 system.
- Zone 7 solicited proposals from the two major manufacturers of CO_2 injection systems widely used in water treatment facilities, Tomco$_2$ and BlueInGreen, Inc.
- Proposals were reviewed by Zone 7 staff and it was determined that the Tomco$_2$ rental system does not provide the required metering capabilities to cover the range of flows anticipated while the BlueInGreen, Inc., rental system meets the metering capability needs at DVWTP.
- Staff recommends that the General Manager be authorized to negotiate and execute annual contracts with BlueInGreen, Inc., for CO_2 injection system rental services for an amount not to exceed $120,000 per year for up to three years.
- The CO_2 injection system will be used in combination with a leased CO_2 storage tank to feed carbon dioxide at DVWTP. The storage tank rental and carbon dioxide chemical purchases are each expected to cost around $24,000 per year for a total estimated cost of $168,000 annually.

FUNDING:
Funding for the CO_2 injection system, storage tank rental and carbon dioxide is available in Fund 100 - Water Enterprise.

RECOMMENDED ACTION:
Adopt the attached resolution authorizing the General Manager to negotiate and execute rental services contract(s) with BlueInGreen, Inc., for a not-to-exceed amount of $120,000 per year for up to three consecutive years.

ATTACHMENTS:
1. Memo providing additional background and discussion of agenda item
2. Zone 7 Board Resolution

Interoffice Memo

Date: November 19, 2014
To: Jill Duerig, General Manager
From: Brandon Woods, Assistant Engineer
Subject: DVWTP CO_2 Injection System

The following provides additional background and discussion of the above-referenced agenda item.

BACKGROUND:

Source water quality for the Del Valle Water Treatment Plant (DVWTP) varies in alkalinity and pH, with pH swings on a daily basis often varying between 7.5 and 9.5. The current drought has been gradually degrading the water quality of raw water being delivered to Zone 7's treatment plants. Over this past year, ferric chloride dosages have been averaging around 50 parts per million (ppm) where over the last decade the average ferric chloride dosage was around 25 ppm. The higher dosages have not drastically improved the coagulation process and filter run times have been much shorter resulting in lower plant production, higher chemical costs and increased sludge disposal costs.

Zone 7 wishes to explore the use of carbon dioxide (CO_2) to improve water treatment. CO_2 helps to stabilize the pH of source water at a level around 7 to help optimize coagulation with ferric chloride. By using CO_2, ferric chloride dosages are anticipated to be reduced resulting in savings from reduced chemical costs and less sludge production resulting in lower disposal cost, offsetting the costs for a CO_2 system.

DISCUSSION:

Zone 7 solicited proposals from the two major manufacturers of CO_2 injection systems widely used in water treatment facilities, $Tomco_2$ and BlueInGreen, Inc.

Since the $Tomco_2$ injection system is equipped with only one automatic valve, the flow variation capability of the system is limited. This means that during low flows (10-15MGD plant flow), metering of the CO_2 injection can vary by ±20% of the system set point, making the unit inaccurate at lower plant flow rates. Additional equipment and controls outside of the rental unit would need to be designed and operated to meet the accuracy needed for the range of DVWTP operations.

The BlueInGreen, Inc., unit is fully automated and integrated, meaning all the parts required for the unit are already supplied and once the unit is setup there will be no further modification needed by staff. The BlueInGreen, Inc., unit has greater control over a wider operating range due to two automated valves as well as a variable frequency drive (VFD) installed on the pump. This results in much more stable and accurate metering of CO_2 injection at both low and high plant flows.

In addition to the CO_2 injection system, a separate storage tank for the carbon dioxide is needed. The storage tank will be rented through another supplier under a GM contract for an amount not to exceed $24,000 a year. Quotes from suppliers to provide the ongoing supply of carbon dioxide have been solicited by informal bids. Praxair submitted the lowest quote at $91/ton of NSF approved food grade CO_2. With treatment plant flows around 36MGD, carbon dioxide chemical costs are not expected to exceed $24,000 a year. With lower treatment plant flows, CO_2 chemical costs will be reduced further. These costs are expected to be offset by savings from reduced ferric chloride chemical orders and significantly lower sludge production and disposal costs.

The rental agreement would be renewable each year for up to three calendar years or terminated if CO_2 is not shown to be effective. If proven successful as a long-term treatment process, the rental services could continue to be provided until a permanent facility can be built and the rental contract is no longer needed.

Staff recommends that the General Manager be authorized to execute annual contracts with BlueInGreen Inc., for CO_2 injection system rental services for an amount not to exceed $120,000 per year for up to three years.

SCHEDULE:

The rental system can be installed and tested by December 2014 for use in Calendar Year 2015.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

DVWTP Carbon Dioxide Injection System

WHEREAS, Zone 7 of the Alameda County Flood Control and Water Conservation District has determined the need to rent a carbon dioxide (CO_2) injection system at the Del Valle Water Treatment Plant (DVWTP); and

WHEREAS, staff solicited proposals and determined that the proposal submitted by BlueInGreen, Inc., for a CO_2 injection system is the most suitable for the DVWTP.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby authorize the General Manager to negotiate and execute rental services agreement(s) with BlueInGreen, Inc., for a CO_2 Injection System at DVWTP in an amount not to exceed $120,000 per year for up to three years (up to and including calendar year 2017).

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on November 19, 2014

By: ______________________________________
President, Board of Directors

ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT PERSON: JILL DUERIG

AGENDA DATE: November 19, 2014 ITEM NO. **5b**

SUBJECT: Personnel Action: Manager of Integrated Water Resources

SUMMARY:

- Zone 7 continues to assess the staffing needs of the Office of the General Manager.
- The agency would benefit by adding one Manager of Integrated Water Resources position to existing staff.
- This new position is a core management classification with overall responsibility to plan, organize, direct and review the activities and operations of Integrated Planning and Programs, potentially including planning and programs for watershed stewardship, flood control, water supply, groundwater, water transmission, storage, and distribution facilities and related technical support activities such as information technology programs.
- A proposed salary range based on internal benchmarking to the Manager of Engineering is reflected in the following salary schedule:

ITEM NO.		CLASSIFICATION	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	MO LO	MO HI
	eff.	**Manager of Integrated Water Resources** 11/23/2014	5714.40				6946.40	12,381	15,051
			71.43				86.83		
		6/21/2015	5885.60				7154.40	12,752	15,501
			73.57				89.43		

FUNDING:

The cost for the Manager of Integrated Water Resources position is approximately $277,161 per year, including benefits. These costs will come from Fund 100 – Water Enterprise.

RECOMMENDED ACTION:

The General Manager recommends that the Board adopt the attached Resolution to (1) approve the addition of one position at the proposed salary schedule; and (2) authorize the General Manager to approve and sign the salary schedule for this position.

ATTACHMENT:

Zone 7 Board Resolution

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the following personnel action:

New classification and salary schedule for Manager of Integrated Water Resources, Zone 7; and

BE IT FURTHER RESOLVED that the General Manager of Zone 7 is hereby authorized and directed to approve and sign the salary schedule for this position; and

BE IT FURTHER RESOLVED that the Auditor Controller of Alameda County is authorized and directed to draw the necessary payroll warrants from Zone 7 funds in accordance with the adopted schedule.

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on November 19, 2014.

By:___________________________________
President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: GINGER STATON

AGENDA DATE: November 19, 2014 ITEM NO. **6a**

SUBJECT: September Employee of the Month Recognition

SUMMARY:

The Employee Recognition Program Nomination Committee met in October and selected the Employee of the Month for September 2014 according to the established Program Guidelines. The individual chosen out of the submitted nominations is then recommended to Management for approval and there is a subsequent announcement of the selection to all Agency employees.

John Koltz, Senior Engineer, has been chosen from among those nominated as the September 2014 Employee of the Month. John works in the Facilities Engineering section at the North Canyons office.

As noted in his recommendation, during the past year John has undertaken and completed several CIP projects. These projects include the Well Repair Project (including Mocho 3, Mocho 4 and Stoneridge Well Pump Replacements), the Del Valle Water Treatment Plant Sludge Handing Project (Centrifuge Purchase), and PWRPA (Power and Water Resources Pooling Authority) at Patterson Pass Water Treatment Plant.

While working on these CIP projects, the recommendation noted that John continued to work as a distribution system facilities engineer. He led the effort to coordinate and vet hydraulic modeling runs for distribution system scenarios to assess potential need for specific CIP projects. He also continues to work with outside entities on encroachment permits to protect affected Zone 7 facilities.

The committee seconded the recommendation and recognized John as a valuable employee and asset to Zone 7, with management approving the selection.

RECOMMENDED ACTION:

It is recommended that the Zone 7 Board of Directors recognize and congratulate John Koltz as September 2014 Employee of the Month.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Integrated Planning
CONTACT: Sal Segura/Carol Mahoney

AGENDA DATE: November 19, 2014 ITEM NO. **7**

SUBJECT: Amendment 5 to Agreement for Yuba Accord Dry Year Water Purchases

SUMMARY:

- The Yuba Accord Water Purchase Agreement allows Yuba County Water Agency (Yuba) the option to transfer water to the Department of Water Resources (DWR) which in turn makes the acquired water available to participating State Water Project (SWP) Contractors, primarily in dry years.
- Zone 7 has been participating in the Yuba Dry Year Water program since 2008.
- On average, Zone 7 has received 550 AF of Dry Year Water each year, except in 2011.
- Amendment 5 to the agreement would provide for several changes including:
    - Revised price structure
    - Increased availability of Dry Year Water
    - Provides new participants the option to join program and existing members to exit
    - Fixed pricing for 5 years in exchange for up-front $20M deposit from participants; optional for Zone 7
    - Allows selling up to 10,000 AF to third parties under certain conditions
    - Allows Component 4 water transfer from groundwater substitution only
- The proposed Amendment 5 would become effective October 1, 2015 and terminate September 30, 2020 when a new pricing agreement will be developed.
- Starting in 2015, participating contractors would pay a pro-rata share of $350,000 to cover interest payments to those contractors who contribute to the $20M deposit.
- DWR has requested signed amendments by December 4, 2014 from participating agencies.
- Although there are no direct costs associated with signing Amendment 5, the cost to remain in the program will increase on average $136,000 per year due primarily to the increased cost of water.
- Staff recommends adoption of the attached resolution authorizing the General Manager to negotiate and execute the Amendment.

FUNDING:
Future purchase of Dry Year Water will be funded from Fund 100 –Water Enterprise.

RECOMMENDED ACTION:
Adopt the attached resolution authorizing the General Manager to negotiate and execute Amendment 5 to Agreement for Yuba Accord Dry Year Water Purchases.

ATTACHMENTS:

- Memorandum providing additional background information and Board Resolution
- Summary of Yuba River Accord
- Amendment 5 to Agreement for Dry Year Water Purchase Associated with Yuba Accord
- Resolution

Interoffice Memo

Date: November 10, 2014
To: Jill Duerig, General Manager
From: Sal Segura, Associate Civil Engineer, Integrated Planning
Subject: Amendment 5 to Agreement for Yuba Accord Dry Year Water Purchases

BACKGROUND:

In March 2008, Zone 7 entered an agreement with DWR to become a participant in the "Agreement for the Supply and Conveyance of Water by DWR to Participating SWP Contractors Under the Dry Year Water Purchase Program." Under separate agreement, the Yuba Accord Water Purchase Agreement allows Yuba County Water Agency (Yuba) the option to make Dry Year Water available for purchase to the Department of Water Resources (DWR) who in turn sells it to participating State Water Project (SWP) contractors on terms agreed upon in advance. The DWR-Yuba agreement extends through 2025 and calls for price negotiations in 2016 and 2020. SWP contractors who wish to remain in the program must abide by the terms and conditions agreed upon between Yuba and DWR. Amendment 5 calls for several changes in addition to price increases.

Dry Year Water is comprised of four Components which serve different functions and are offered in varying amounts and prices to the program. Each component is explained in greater detail in the attached Summary of the Yuba River Accord. The primary purpose of Amendment 5 is to set the price for Components 1 – 3 based on recent market conditions for five years starting in 2016. Component 4 will continue to be negotiated annually by the Management Committee and offered to willing participants. Component 1 water, which to date has been available only to meet fish flow requirements, will be available for purchase by program participants.

Among other terms, Yuba is asking for a $20M up-front deposit that is to be returned as water purchases to contributing contractors between 2016 and 2020. Several participating contractors have offered to put up all the funds, meaning that Zone 7 does not need to contribute to the deposit. Staff is not recommending such a contribution by Zone 7. The deposit will earn 2.25% interest which will be paid by all program participants, including Zone 7. Yuba also has the option to sell water to third parties after meeting Component 1 commitments if program participants are not willing to purchase it.

History of Zone 7 – DWR Agreement and Amendments:
On March 31, 2008, Zone 7 signed the "Agreement for the Supply and Conveyance of Water by DWR to Participating SWP Contractors Under the Dry Year Water Purchase Program," which allows Zone 7 to participate in the Yuba River Accord Dry Year Water Purchase Program. In 2009, two amendments to the Agreement were negotiated and approved – Amendment 1 to approve technical changes to Yuba River reservoir accounting procedures, and Amendment 2 to approve a Component 4 groundwater substitution price of $250 per acre-foot for 2009 only. In 2010, Amendment 3 was signed setting the Component 4 rate at $200 per acre-foot for 2010 only. In 2011, Amendment 4 was signed to allow the Management Committee to negotiate the price of Component 4 water each year by March 31.

DISCUSSION:

By signing Amendment 5, Zone 7 agrees to: (1) the new price structure for water purchases between 2016 and 2020, (2) decline payment contribution toward the $20M Yuba has requested, (3) pay its pro-rata share of $350,000 as interest payments on the $20M deposit, and (4) purchase its pro-rata share of Components 1 - 3 Yuba water in any year when it is available.

The pricing schedule of this amendment will be effective from October 1, 2015 through September 30, 2020. This table shows existing and new price structure for Dry Year Water purchases. In most cases, costs have approximately doubled. This is based on experience with market conditions during the current drought.

	2016-2020 Pricing Schedule			Current Water Purchase Agreement Pricing		
YEAR TYPE	C1, C3 $/AF	C2 $/AF	C4 $/AF	C3 $/AF	C2 $/AF	C4 $/AF
Wet	50		To Be Negotiated Annually In Feb-March	25		2014 Rate
Above Normal	100			50		
Below Normal	150			75		
Dry	200	160		100	75	
Critical	300	240		125	93.75	475
Sequential Dry/Critical	350	280		125	93.75	475
Long-Term Average	165	231		70	83	

There is a maximum amount Yuba can sell of the Components in the table above through the Dry Year program. Zone 7's prorated share of Dry Year Water is currently 1.4% of this amount and will vary depending on the number of new SWP subscribers to the program. Anytime Component 1 – 3 water is offered, Zone 7 is entitled to and must buy its pro-rata share, but has the option of forgoing all or part if other subscribers are willing to take it. This has not been an issue since the program has historically been over-subscribed.

Total availability of Components 1 – 3 is expected to increase from 55 – 70 TAF to 70 – 100 TAF with Amendment 5. Based on this increase and assuming that Zone 7's program share remains relatively unchanged, Zone 7 water purchases are estimated at $220,000 per year, an increase of $136,000 from the current average of $84,000. Delivery to Zone 7 is expected to increase to 850 AF up from a current average of 550 AF after carriage losses. This demonstrates that the bulk of the cost increase is directly related to water prices. Carriage losses, which are currently about 30% of purchases, will continue to be the responsibility of program participants. Component 4 water pricing will continue to be negotiated each year in February-March by the Management Committee as set forth by Amendment 4. The 2014 price was set at $475/AF, but Zone 7 declined to purchase Component 4 water at that price.

Following is a summary of the key elements of Amendment 5:

- The new pricing and availability under the new terms of the Amendment become effective October 1, 2015 and January 1, 2016, respectively and terminate September 30, 2020 and December 31, 2020, respectively.
- A new price structure has been negotiated between Yuba, DWR and negotiating members.
- Component 1 water will now be used for Dry Year purchases instead of fish flows.
- A $20M deposit is required in order to keep water prices fixed for 5 years (2016-2020)
- All program participants will pay their prorated share of $350,000 each year to cover

non-refundable interest payments to agencies funding the $20M deposit. Zone 7's estimated share is $5300 per year.

- Yuba has the option of selling up to 10 TAF to third parties in any year after meeting Component 1 deliveries (60 TAF). This may reduce Components 2 and 3 water availability.
- Yuba has the option of selling up to 30 TAF of Component 4 water to third parties if Accord partners and Yuba cannot agree on purchase terms.
- Exit dates from the program for participants are at the end of either 2015 or 2020.

A Brief Summary of the Yuba River Accord

The Yuba River Accord is a settlement of the issues related to State Water Resources Control Board Decision D-1644 and subsequent litigation regarding flow requirements on the Lower Yuba River. The Accord includes three major elements:

(1) the **Fisheries Agreement**: an agreement between YCWA and DFG, and several environmental groups, with USFWS and NOAA Fisheries signing a letter of support (but not signatory to the Agreement), under which YCWA has revised the operation of the Yuba Project to provide higher flows in the lower Yuba River to protect and enhance fisheries and to increase downstream water supplies;

(2) the **Conjunctive Use Agreements**: a set of agreements between YCWA and its member agencies (water agencies within Yuba County) for the implementation of a comprehensive program of conjunctive use and water use efficiency (groundwater management) that provides groundwater substitution supplies for transfer; and

(3) the **Water Purchase Agreement**: an agreement between YCWA and DWR for purchase and transfer of certain YCWA Yuba River releases and groundwater substitution releases to DWR to benefit the CVP and SWP contractors and the Environmental Water Account.

All three of these agreements, plus other required agreements and approvals, are executed and have been in effect since 2008. The other agreements include a revised PG&E-YCWA power agreement and the DWR "Tier 3" agreements with the San Luis & Delta/Mendota Water Authority and 21 SWP contractors.

The SWRCB approved Water Right Order 2008-0025 on March 18, 2008, adopting the Yuba River Fisheries Agreement flow standards and allowing YCWA to transfer up to 200,000 acre-feet in any year, completing the Yuba Accord approval process.

Background

In 1989, the State Water Resources Control Board received a complaint regarding fishery protection and water right issues on the lower Yuba River. The SWRCB held hearings on the issues raised in this complaint, and in 1999, issued a draft decision. At the request of YCWA and DFG, subsequent hearings were postponed in order to provide the parties an opportunity to reach a proposed settlement regarding instream flows and further studies. The parties failed to reach agreement on a settlement and the SWRCB held additional hearings in the spring of 2000. A draft decision was issued in the fall of 2000 and was adopted as Decision 1644 on March 1, 2001.

Subsequent litigation led to withdrawal of Decision 1644 and issuance of Revised Decision 1644 (RD-1644) in July, 2003. These decisions established revised instream flow requirements for the lower Yuba River and required actions to provide suitable water temperatures for Chinook salmon and steelhead and to reduce fish losses at water diversion facilities.

After the issuance of Decision 1644, the parties involved in the SWRCB proceedings expressed a desire to further negotiate the instream flows, flow fluctuations and water temperature issues on the lower Yuba River. The parties engaged in a collaborative, interest-based negotiation with numerous stakeholders, known as the Yuba River Accord. These negotiations resulted in the three agreements described above.

The parties agreed in principle to the terms for a water purchase agreement in 2004. Three Pilot Years of Accord fishery flows and water transfers to the EWA Program ensued while NEPA and CEQA requirements were met and other permits and approvals were obtained prior to the 2008 SWRCB order implementing the Accord.

Water Purchase Agreement

The Water Purchase Agreement extends through 2025, subject to a required renegotiation of pricing at the end of 2015. That negotiation has been completed, and Amendment 5 is pending execution in early December to implement those changes. YCWA's FERC license expires April 30, 2016, although annual extensions of the current license are likely. The provisions of annual licenses and a new long-term FERC license could affect water quantities and unit prices. (The Fisheries Agreement extends until a new long-term FERC license is issued.)

There are four blocks of water under the Accord:

1. **Component 1 Water –** 60,000 acre feet a year in all year types – priority to EWA – fully paid in the spring of 2008 with $30,900,000 of EWA funds from Proposition 50 Chapter 7 D for delivery in 2008-2015, a total of 480,000 acre-feet. Following the termination of the EWA at the end of 2007, the water has helped offset Delta export reductions to benefit fish. Beginning in 2012 the Component 1 water has been shared equally with Reclamation.

2. **Component 2 Water –** 15,000 acre-feet in dry years at $75 per acre-foot; 30,000 acre-feet in critical years at $93.75 per acre-foot. This water is "put" water and DWR must buy it; it is shared equally among the SLDMWA and the group of SWP contractors unless they collectively decide otherwise, and is apportioned among the participating SWP contractors relative to Table A.

3. **Component 3 Water –** 40,000 acre-feet in low allocation years, as defined in the agreement. Under very low allocations (CVP 35% or below <u>and</u> SWP 40% or below) this water is a "put" and DWR must buy it; with slightly higher, but still low allocations (CVP at or below 45% <u>or</u> SWP at or below 60%), it is a "call" at DWR's option. DWR takes the "call" water when requested by the CVP or SWP contractors. The Component 3 Water is priced at the Phase 8 schedule ($125/$100/$75/$50/$25 for

critical to wet years, respectively). This water is also shared equally among the SLDMWA and the group of SWP contractors unless they collectively decide otherwise, and is apportioned among the participating SWP contractors relative to Table A.

4. **Component 4 Water –** this water is additional water that may be offered in any year, but is supplied in greater quantity in the drier years by implementing groundwater substitution with YCWA's member agencies. Groundwater substitution can provide up to 90,000 acre feet in some dry years, but only for about two consecutive years. Yuba estimates the long-term safe annual yield of their groundwater basin at around 40,000 acre-feet. This water was originally priced the same as Component 3 water, and is shared equally among the SLDMWA and the SWP contractors unless they collectively decide otherwise and is apportioned among the participating SWP contractors relative to contract Table A amounts. In 2009 and 2010, the groundwater interests in YCWA balked at the Accord pricing, and amendments were put in place to price the water at $250 and $200 per acre-foot in those two years respectively. A price of $190 per acre-foot was agreed for 2013 and $475 per acre-foot was agreed for 2014. For the remaining years through 2020, annual pricing agreements will be negotiated for groundwater substitution water when it is requested.

Amendment 5, to be executed in late 2014, will simplify the components effective in 2016 by eliminating the Component 3 triggers, classifying all surface releases beyond Components 1 and 2 as Component 3 water, and classify all groundwater substitution water as Component 4. Component 1 water will be offered directly to Participating Contractors beginning in 2016. Component 1 will remain as 60,000 acre-feet in all year types, and Component 2 will remain as 15,000 or 30,000 acre-feet, in dry or critical year types, respectively.

The new Amendment 5 pricing schedule beginning in 2016 and extending through 2020 will be $300/$200/$150/$100/$50 for critical to wet years, respectively, except that the consecutive dry and/or critical year price will be $350 per acre-foot, and Component 2 water will be 80 percent of those rates. If third party sales by Yuba impair the quantity of Component 2 water, an equivalent discount will be credited to Component 1 supplies.

Dry year supplies to benefit CVP and SWP contractors can be up to 140,000 acre-feet in the years in which Component 2-4 water is made available. Total annual transfers are limited to 200,000 acre-feet under the terms of the SWRCB order.

The 60,000 acre-feet per year of Component 1 water an be moved through DWR's added 500 cfs July-September capacity at Banks pursuant to the Corps of Engineers permit. That water repays some of the export curtailments under the Biological Opinions.

SWP contractor dry year supply is moved through Banks under Article 55 and with priority pursuant to Article 12 (f) of the long-term water supply agreements as capacity is available. SLDMWA dry year supply is moved through Banks or Jones, depending on capacity, with a priority at Banks after all SWP supplies, and after Phase 8, CVC, Musco Olive, and Veterans Cemetery supplies.

The contractors purchasing the water are responsible for any conveyance costs and carriage and conveyance losses after the water leaves Marysville Gage. Project use energy is available for pumping and conveyance of the water for SWP contractors; CVP contractors or Reclamation supply power for any pumping of their water at Banks. South of the Delta the cost of water delivered into O'Neill also reflects DWR wheeling from Banks. From O'Neill south, it is the responsibility of the receiving contractor to pay any additional delivery costs.

If YCWA offers Component 3 "call" water or Component 4 water that the buyers do not take, YCWA may sell that water to others after ten days' advance notice to DWR, provided that sale will not impair YCWA's ability to deliver Component 1-4 water in the current or future years. (Amendment 5 expands these Yuba rights, and Yuba may also sell 10,000 acre-feet per year to third parties effective in 2016 after satisfying the Component 1 delivery obligation.)

In a Conference Year (exceptionally dry year with the North Yuba Index less than 500,000 acre-feet), there could be no transfer water available; the parties would meet and confer on the situation.

The participating SWP contractors and SLDMWA have been responsible for payment of (1) a fixed annual cost of $250,000 for YCWA river management activities shared between participating SWP contractors and SLDMWA, with these annual amounts becoming credits to future purchases of Component 2-4 water; that charge is now eliminated by Amendment 5 effective in 2015; (2) up-front costs of YCWA's conversion of certain diesel-powered well pumps to electric motor-driven wells up to a total joint cost of $1,000,000 to meet air quality regulations; and (3) operations and maintenance cost increases tied to operation of the groundwater extraction facilities compared to a 2006 base cost and indexed to the CPI (also being eliminated by Amendment 5).

Beginning in 2015, Participating Contractors will be responsible for an annual payment of $350,000 prorated by the relative quantity of water each contractor is entitled to under the agreements that will be redistributed to those contractors that have funded a $20,000,000 deposit towards surface water purchases beginning in 2016 in proportion to their contribution to that deposit.

Water Purchase Agreement Amendments

In early 2009, the Water Purchase Agreement was modified to correct a technical problem with reservoir refill accounting requirements (Amendment No. 1) and, as noted above, to provide a higher price for groundwater substitution water and for its delivery as Component 4 water to address pricing issues (Amendment No. 2) in light of high market prices for the 2009 Drought Water Bank supplies. A similar amendment (No.3) was also executed in early 2010 to address water market pricing issues. In early 2012, Amendment 4 was executed to simplify the annual pricing negotiations by eliminating the need for all 22 Participating Contractors to approve an amendment every year. In late 2014, Amendment 5 is expected to be executed to amend the pricing for water and make other changes to the program as noted above.

STATE OF CALIFORNIA

THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT 5 TO THE
AGREEMENT FOR THE SUPPLY AND CONVEYANCE OF WATER
BY THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF CALIFORNIA
TO THE PARTICIPATING STATE WATER PROJECT CONTRACTORS
UNDER
THE DRY YEAR WATER PURCHASE PROGRAM
SWPAO NO. 14-804

THIS AMENDMENT 5 (Amendment) to the March 31, 2008 “Agreement for the Supply and Conveyance of Water by the Department of Water Resources of the State of California Under the Dry Year Water Purchase Program” (Participation Agreement, or Agreement) is entered into as of the _________ day of _________ , 2014 pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California, between the Department of Water Resources of the State of California, herein referred to as “DWR,” and the Alameda County Flood Control and Water Conservation District, Zone 7, a public agency in the State of California, herein referred to as the “AGENCY.” DWR and the AGENCY are herein referred to separately as the “Party” and collectively as the “Parties.” Unless otherwise provided in this Amendment, the definitions in the Agreement, the Yuba Water Purchase Agreement, and the exhibits to that agreement shall apply to this Amendment.

RECITALS

A. Under the December 4, 2007 “Agreement for the Long-Term Purchase of Water from Yuba County Water Agency by the Department of Water Resources” (Yuba Water Purchase Agreement), Yuba County Water Agency (Yuba) makes surface water available for delivery and purchase by DWR, some of which is made available through substitution of groundwater for surface flows that would otherwise be used by a number of water districts within Yuba County (Member Units).

B. In 2007 and 2008, 21 State Water Project (SWP) Contractors and the San Luis & Delta-Mendota Water Authority (“AUTHORITY”) entered into agreements with DWR for the purchase and delivery of the water made available under the Yuba Water Purchase Agreement (cumulatively referred to as the Participation Agreements). The Participating SWP Contractors and the AUTHORITY are jointly referred to as “Participating Contractors”.

C. In 2009, the parties to the Yuba Water Purchase Agreement executed the first amendment to the Yuba Water Purchase Agreement to address a technical reservoir refill accounting provision in Section 1 of Exhibit 2. DWR and the Participating Contractors executed conforming amendments (Amendment Number 1) to each of the Participation Agreements. This amendment is still in effect.

D. In 2009 and 2010, the parties to the Yuba Water Purchase Agreement executed the second and third amendments to the Yuba Water Purchase Agreement to make groundwater substitution water available to DWR for purchase as Component 4 Water at mutually agreed upon pricing. DWR and the Participating Contractors executed conforming amendments to each of the Participation Agreements. Both the second and third amendments have since expired.

E. On January 6, 2012, the parties to the Yuba Water Purchase Agreement executed the fourth amendment to the Yuba Water Purchase Agreement providing for annual pricing negotiations for surface flows made available from groundwater substitution. DWR and the Participating Contractors executed conforming amendments (Amendment Number 4) to each of the Participation Agreements. Amendment 4 expires on December 31, 2015.

F. The term of the Yuba Water Purchase Agreement is through December 31, 2025, or when all obligations thereunder have been satisfied, whichever is later, unless it is terminated earlier.

G. Under Section 15 of the Yuba Water Purchase Agreement, a new amendment is needed to establish prices for water made available after September 30, 2015.

H. In accordance with Section 15 of the Yuba Water Purchase Agreement, DWR and Yuba, in coordination with representatives of the Participating Contractors, have negotiated a new pricing agreement that will be incorporated into the Yuba Water Purchase Agreement by the fifth amendment to that agreement. The fifth amendment reflects changes in market conditions since the initial pricing schedule was proposed in 2004, as well as amending other provisions of that agreement.

I. In light of the new pricing agreement reflected in the fifth amendment to the Yuba Water Purchase Agreement, the parties to the Participation Agreements desire to amend their respective Participation Agreements to conform with changes made by that amendment. This fifth amendment to the Participation Agreement shall be referred to in this Amendment as “Amendment 5”.

AMENDMENT 5 to the Participation Agreement

Now Therefore, the Parties hereby amend the Participation Agreement as follows:

1. SECTION 1 , “DEFINITIONS”, is amended as follows:

(a) By adding at the end the following new definition:

"“**Contributing Participating Contractor**” means any Participating Contractor that elects to contribute money towards the $20,000,000 deposit for purchases of Water from Yuba as described in Section 25 of the Yuba Water Purchase Agreement.”

(b) By amending the definition of Participating SWP Contractors to read as follows:

"“**Participating SWP Contractors**” means all SWP contractors that have executed a Participation Agreement, Amendment 1 conforming the Participation Agreement to the first amendment to the Yuba Water Purchase Agreement, and Amendment 5 conforming the Participation Agreement to the fifth amendment to the Yuba Water Purchase Agreement. However, a contractor that executes this Amendment 5 will not be considered a Participating SWP Contractor beyond December 31, 2020 if that contractor does not agree to amend its Participation Agreement prior to December 31, 2020.”

(c) By amending the definition of Yuba Water Purchase Agreement by adding after "Exhibit A": ", and as amended".

2. EFFECTIVE DATE OF AMENDMENT

Amendment 5 to the Participation Agreement shall take effect when all of the following have occurred: (i) execution by the Parties; (ii) execution of the same or substantively similar amendments by DWR and all other Participating Contractors that elect to participate beyond December 31, 2015; and (iii) execution of the fifth amendment to the Yuba Water Purchase Agreement by DWR and Yuba.

3. SECTION 2, "TERM OF THE AGREEMENT", is amended by adding at the end the following new subparagraphs :

"B. Notwithstanding Subparagraph A, the Parties may terminate the Participation Agreement on December 31, 2020, if they fail to amend the Participation Agreement pursuant to Section 3.B.5 and as necessary to address amendments made to the Yuba Water Purchase Agreement regarding the quantity and pricing of Water to be made available by Yuba after September 30, 2020 pursuant to Section 15 of the Yuba Water Purchase Agreement.

C. Notwithstanding Subparagraphs A and B, the Agreement shall remain in effect beyond the termination dates set forth above to the extent required to enable the Parties to satisfy all payment and water delivery obligations then existing or outstanding at the time of termination."

4. CHANGES TO SECTION 3, "PURCHASED WATER"

a. Section 3.B.1.a, "COMPONENT 1 WATER", is amended to read as follows:

"a. For Component 1 Water that is accounted for as Purchased Water and made available to the AGENCY, the AGENCY will pay:

i. $50 per acre-foot in a Wet Year;
ii. $100 per acre-foot in an Above Normal Year;
iii. $150 per acre-foot in a Below Normal Year;
iv. $200 per acre-foot in a Dry Year, except as provided in subsection vi;
v. $300 per acre-foot in a Critical Year, except as provided in subsection vi;
vi. $350 per acre-foot in two or more consecutive Final Classification Dry Years (or a Dry Year following a Critical Year) or in two or more consecutive Final Classification Critical Years.
vii. Notwithstanding subsections i-vi, in any year in which Yuba's Third-Party Transfer of up to 10,000 acre-feet of Storage Component water under

Section 11 of the Yuba Water Purchase Agreement reduces the quantity of Component 2 Water available to the AGENCY, the price for Component 1 Water will reflect the reductions specified in Section 11.F.2 of such agreement."

b. Section 3.B.2, "COMPONENT 2 WATER", is amended to read as follows:

"For Component 2 Water that is accounted for as Purchased Water and made available to the AGENCY, the AGENCY will pay:

a. $160 per acre-foot in a Dry Year, except as provided in subsection c;
b. $200 per acre-foot in a Critical Year, except as provided in subsection c;
c. $280 per acre-foot in two or more consecutive Final Classification Dry Years (or a Dry Year following a Critical Year) or in two or more consecutive Final Classification Critical Years."

c. Section 3.B.3, "COMPONENT 3 WATER", is amended to read as follows:

"For Component 3 Water that is accounted for as Purchased Water and made available to the AGENCY, the AGENCY will pay:

a. $50 per acre-foot in a Wet Year;
b. $100 per acre-foot in an Above Normal Year;
c. $150 per acre-foot in a Below Normal Year;
d. $200 per acre-foot in a Dry Year, except as provided in subsection f;
e. $300 per acre-foot in a Critical Year, except as provided in subsection f;
f. $350 per acre-foot in two or more consecutive Final Classification Dry Years (or a Dry Year following a Critical Year) or in two or more consecutive Final Classification Critical Years."

d. Section 3.B.4, "COMPONENT 4 WATER", is amended to read as follows:

"a. Notwithstanding any other provision to the contrary of the Yuba Water Purchase Agreement, the following provisions shall apply to Groundwater Substitution Component water and Accrued Groundwater Substitution Component water made available by Yuba, through DWR, to the AGENCY beginning on January 1, 2016 and continuing through the term of this Agreement.

b. Component 4 water shall be comprised solely of Groundwater Substitution Component water. All Groundwater Substitution Component water shall be accounted for as Component 4 Water. Except as otherwise provided herein, Groundwater Substitution Component water and Accrued Groundwater Substitution Component water will be accounted for in accordance with the provisions of the Yuba Water Purchase Agreement.

c. In every year within the term of this Agreement when one or more Participating Contractor(s) desire to purchase Accrued Groundwater Substitution Component water from Yuba through DWR, the Management Committee representatives of DWR, Yuba, and the Participating Contractors will convene by February 15 and conclude by March 31 to negotiate the price per acre-foot of Accrued Groundwater Substitution Component water, any provisions for the Delta export priority for such water, and any other terms applicable to the Accrued Groundwater Substitution Component water.

d. In every Water Accounting Year when: (1) one or more Participating Contractor(s) desire to purchase Accrued Groundwater Substitution Component water; (2) the annual negotiations referenced in Section 3.B.4.c have reached a successful conclusion calling for the purchase of such water that year; (3) the Management Committee representatives for Yuba, the AUTHORITY, and the Participating SWP Contractors have agreed as to the terms of, and each of these representatives has recommended in writing said terms and the approval of, a letter agreement between Yuba and DWR establishing the price per acre-foot and any modified terms that will be applicable to the Accrued Groundwater Substitution Component water for that Water Accounting Year; and (4) DWR and Yuba have executed said letter agreement, DWR will offer in writing to the AGENCY the opportunity to purchase Accrued Groundwater Substitution Component water at the price and terms as provided in the letter agreement between DWR and Yuba."

5. CHANGES TO SECTION 4, "REQUESTS, SCHEDULING AND CONVEYANCE"

a. Section 4.A.1 is amended to read as follows:

"1. On or before April 1 of each year during the term of this Agreement DWR will notify the AGENCY of the quantity of Accrued Groundwater Substitution Component water that Yuba will make available during the Water Accounting Year and the terms of such water, including the price per acre-foot, and any other applicable terms. On or before April 11 of each Water Accounting Year, DWR will inform the AGENCY of the potential quantity of Component 1 Water, Component 2 Water, and Component 3 Water that is available to the AGENCY."

b. Section 4.A.2 is amended by striking "if not used by the EWA, as provided in Section 3.B.1a".

c. Section 4.A.3 is amended to read as follows:

"3. DWR and the AGENCY will, between April 11 and May 14, confer on the allocation of water under Section 3A. By April 13, the AGENCY will notify DWR of the quantity of Accrued Groundwater Substitution Component water it commits to purchase based on the price and terms for Groundwater Substitution Component water for that year. The AGENCY may adjust the quantity of water, up or down, on or before May 14, and on May 14 the AGENCY will commit to the final quantity of Accrued Groundwater Substitution Component water to be purchased during the Water Accounting Year, but such amount will not be less than the actual amount of Accrued Groundwater Substitution Component water made available between April 1 and May 15 for Groundwater Substitution Component water in accordance with the accounting provisions for Groundwater Substitution Component water set forth in Exhibit 1 of the Yuba Water Purchase Agreement. This provision is intended to be consistent with, and not modify, provisions of Section 4.A.5. If necessary, the dates herein may be adjusted if approved in writing by Yuba and DWR with written notice to the AGENCY to allow the Yuba Member Units to maximize the quantities of groundwater substitution pumping program water that could be made available during each year."

d. Section 4.A.4 is amended to read as follows:

"4. No later than May 19, DWR will notify the AGENCY of the quantity of Component 1 Water, Component 2 Water, and Component 3 Water that has been allocated to the AGENCY and that the AGENCY will schedule pursuant to Section 4.A.7."

e. Section 4.A.5 is amended to read as follows:

"5. The AGENCY will provide DWR not less than 24 hours notification for suspension or termination of groundwater pumping due to limitations on the ability of the AGENCY to divert the Groundwater Substitution Component water. In the event of such a suspension or termination of Groundwater Substitution Component water, the AGENCY will pay for its allocated share of the quantity of Accrued Groundwater Substitution Component water, up to and including through a 72-hour period commencing after DWR notifies Yuba to suspend or terminate pumping related to the amount of Groundwater Substitution Component water requested by the AGENCY unless another Participating Contractor purchases that Accrued Groundwater Substitution Component water."

f. Section 4.A.6 is amended to read as follows:

"6. Pursuant to the negotiations described in Section 3.B.4.c in which a letter agreement has been executed as provided in Section 3.B.4.d, the AGENCY will comply with Delta conveyance priority, as determined by the Management Committee representatives as provided in Section 3.B.4.c, for any Groundwater Substitution Component water requested under the Agreement, relative to any other transfer water that DWR conveys at the Harvey O. Banks Pumping Plant for the AGENCY, provided that the Groundwater Substitution Component water will not have a higher priority than Storage Component water provided under the Agreement."

g. Section 4.A.7 is amended by striking "if not used by the EWA, as provided in Section 3.B.1.a".

h. Section 4.A. is further amended by adding at the end the following new paragraph 12:

"12. In the event that Yuba notifies DWR on or before September 1 to not back a specified quantity of Released Transfer Water into Project storage after September 30 of a Water Accounting Year, DWR will notify the AGENCY within five business days and provide an opportunity for the AGENCY to guarantee, no later than September 15, purchase of that portion of such water allocated to the AGENCY in accordance with Section 3.A at the current year pricing regardless of whether it becomes Delivered Transfer Water. Such water, when stored in Project storage, will be released in a subsequent year to the AGENCY provided it was stored in Project storage and not spilled by flood control releases before its scheduled release."

6. CHANGES TO SECTION 5, "INVOICING AND PAYMENTS"

a. Section 5.A.1 is amended to read as follows:

"A. Invoicing and Payment of Purchased Water

1. On or about May 22 (or within 9 days of the date that DWR receives an invoice from Yuba), DWR will invoice the AGENCY for fifty percent of the payment for the estimated amount of Storage Component water that the AGENCY scheduled as Purchased Water for that calendar year minus any credits due to the AGENCY as provided in Sections 5.C and 5.D. DWR will simultaneously invoice the AGENCY for 50 percent of the amount of Accrued Groundwater Substitution Component water that the AGENCY has committed to purchase under Section 4.A.3. Within 32 days of the date that

the AGENCY receives an invoice from DWR, the AGENCY will submit payment to DWR."

b. Section 5.A. is amended further by: redesignating Section 5.A.2 as 5.A.3, Section 5.A.3 as 5.A.4, and adding a new Section 5.A.2 as follows:

"2. a. The AGENCY will pay DWR the per acre foot price for the quantity of Accrued Groundwater Substitution Component water that the AGENCY has committed to purchase pursuant to Section 4.A.3, unless this amount is reduced pursuant to Sections 4.A.5 or 5.A.2.b or is reduced because the Yuba Member Units do not pump the requested quantity of groundwater substitution pumping program water for the Groundwater Substitution Component water.

b. The Parties acknowledge that Section 5.1.8 of the Yuba Accord Fisheries Agreement allows the River Management Team to schedule the release of a portion of Groundwater Substitution Component water at a time when it might not be transferable. The AGENCY will not be required to pay for the portion (if any) of Groundwater Substitution Component water that is scheduled for release in accordance with the provisions of Section 5.1.8 of the Yuba Accord Fisheries Agreement to the extent that this quantity of Groundwater Substitution Component water is not transferable under the accounting provisions set forth in Exhibit 1 of the Yuba Water Purchase Agreement.

c. On or about August 30 in each year that the AGENCY has agreed to purchase Accrued Groundwater Substitution Component water, DWR will submit an invoice to the AGENCY for 90 percent of the amount of Accrued Groundwater Substitution Component water the AGENCY has committed to purchase in Section 4.A.3 or that is otherwise payable under this Agreement during the current Water Accounting Year, less the amount of prior invoices for such Accrued Groundwater Substitution Component water during the current Water Accounting Year. Within 32 days of the date that the AGENCY receives an invoice from DWR, the AGENCY will submit payment to DWR.

d. Approximately 30 days after the end of the release of Accrued Groundwater Substitution Component water from New Bullards Bar Reservoir, after confirmation of the amount of Groundwater Substitution Component water released has been completed, after Yuba and DWR have reached agreement on the final accounting, and Yuba has provided to DWR a final invoice that is undisputed and as required under the Yuba Water Purchase Agreement, DWR will invoice the AGENCY for final payment for Accrued Groundwater Substitution Component water provided under this Amendment. The AGENCY will submit payment to DWR within 32 days of invoicing by DWR.

e. The final payment for Accrued Groundwater Substitution Component water will reflect any adjustments necessary to account for the total quantity of Accrued Groundwater Substitution Component water payable under this Agreement and any adjustments due pursuant to Sections 4.A.5 or 5.A.2.b.

f. The Agreement provides for a Participating Contractor to pay interest on delinquent payments at the rate of 1 percent per month from the due date until paid in full. DWR will assess such interest on the AGENCY if payments to DWR for invoices pursuant to this Agreement are delinquent. The AGENCY agrees to pay such interest, and DWR will pay such interest collected along with the payments on invoices to Yuba."

c. Section 5.A is further amended by adding at the end the following new subsection 5.A.5:

"5. In the event that the AGENCY has guaranteed the purchase of Water allocated in accordance with Section 3.A that Yuba had notified DWR to not back into Project storage, DWR will invoice the AGENCY for the amount of Water the AGENCY has guaranteed in accordance with Section 4.A.12 to purchase at the current year pricing regardless of whether it becomes Delivered Transfer Water."

d. Section 5.C, PAYMENT OF FIXED ANNUAL COSTS AND CREDIT AGAINST PURCHASED WATER, is amended to read as follows:

"C. <u>PAYMENTS AND CREDITS FOR TIME VALUE OF DEPOSIT FUNDS</u>

1. The AGENCY shall make an annual payment to DWR for the purpose of compensating Contributing Participating Contractors for the time value of the money, computed as a compounded interest rate of 2.25 percent on the outstanding balance, that Contributing Participating Contractors contribute by about December 31, 2014 to comprise the $20,000,000 of deposit funds that serve to guarantee the five-year pricing reflected in the fifth amendment to the Yuba Water Purchase Agreement. On or about May 22 each year, DWR will invoice the AGENCY its share of the annual charge to pay the interest costs on the deposit funds provided by Contributing Participating Contractors providing deposit funds as provided in Section 5.E. The AGENCY's payment of these fixed annual costs will be its share of $175,000 prorated among the Participating SWP Contractors calculated in the manner as provided in Section 3.A. This payment may be offset with any applicable credits due the AGENCY under the Agreement. This annual

payment will be discontinued once the total interest charges have been paid to the Contributing Participating Contractors that fund the deposit after the $20,000,000 deposit has been fully credited to Storage Component water purchases by the Participating Contractors. This annual charge may be reduced in the final year(s) of payment to assure complete payment of the interest without overcharging the Participating Contractors.

2. All charges invoiced to the Participating Contractors for interest as provided in Section 5.C.1 shall be credited by DWR to Water purchases in the same Water Accounting Year by the Contributing Participating Contractors, in proportion to the amount of money each Contributing Participating Contractor contributed to the deposit described in Section 5.E. DWR will compute the actual amount of interest due to the AGENCY, if it is a Contributing Participating Contractor, based on the 2.25 percent interest rate and the deposit balances outstanding during the term of this Agreement. DWR shall credit or pay to AGENCY its proportionate share of the interest amount until the full amount of such interest due has been paid."

e. Section 5.E. PAYMENTS FOR ADJUSTMENTS TO GROUNDWATER O&M COSTS is amended to read as follows:

"E. PROVISION OF DEPOSIT FUNDS TO SECURE PRICING GUARANTEE

1. An AGENCY that has elected to be a Contributing Participating Contractor shall deposit money with DWR towards the $20,000,000 deposit for purchases of Water from Yuba.

   a. The AGENCY shall pay a deposit of $0 to DWR within 10 working days of executing Amendment 5 to the Agreement as its share of the $20,000,000 deposit towards all purchases of Storage Component water by all Participating Contractors beginning after September 30, 2015. DWR will remit these deposit funds to Yuba by December 31, 2014 as part of the $20,000,000 deposit as provided in the Yuba Water Purchase Agreement.

   b. As Yuba credits the deposit funds to Storage Component water purchases by all Participating Contractors, if the AGENCY is a Contributing Participating Contractor, DWR will, in turn, credit these deposit credits to all purchases of Water by the AGENCY beginning October 1, 2015 in proportion to the AGENCY's contribution to the deposit until the entire deposit has been credited and the AGENCY has received full credit for or repayment of its deposit amount during the term of the Agreement as provided herein. In the event that the AGENCY's purchases of Water in any Water Accounting Year are less than the credits available to the AGENCY under the Agreement, DWR will pay such credit amounts to the AGENCY upon receipt of an invoice.

c. By June 10 each year and by January 17 of the following year, DWR will provide the AGENCY with an accounting of all purchases of Water by Participating Contractors setting forth the amount and cost of Storage Component and Groundwater Substitution Component water purchased by the AGENCY, charges for the AGENCY's proportional share of interest payments, credits for the AGENCY's share of interest on the deposit if any, credits for repayment of deposit funds to the AGENCY from purchases of Storage Component water if any, and any other applicable credits and charges provided in this Agreement. If funds are due from DWR to the AGENCY, the AGENCY shall promptly invoice DWR, and DWR will pay the AGENCY within 30 days. DWR will compute the deposit balance attributable to the AGENCY and compute the interest amounts earned and credited or paid, and provide the AGENCY with detailed accounting of these balances. DWR will adjust the deposit balance attributable to the AGENCY's contribution to the deposit accordingly until the deposit is fully credited.

2. In the event that there are AGENCY deposit funds that have not been fully credited for Storage Component water that has been accounted for as Delivered Transfer Water that is made available through September 30, 2020, then these remaining deposit funds will be: (1) applied to future payments due by the AGENCY to DWR for Storage Component Delivered Transfer Water delivered on or after October 1, 2020 under a subsequent amendment between the Parties at the prices provided in Section 26 of the Yuba Water Purchase Agreement; or (2) if there is no such amendment, refunded by DWR to the AGENCY upon receipt of Prepayment funds from Yuba as provided in Section 25.A of the Yuba Water Purchase Agreement."

7. <u>YUBA WATER SALES TO THIRD PARTIES</u>
The Agreement is amended by adding at the end the following new section:

"**31. <u>SALES TO THIRD PARTIES</u>**

Amendment 5 to the Yuba Water Purchase Agreement provides for the sale of water to third parties under the terms outlined in Section 11.F of that agreement. In accordance with Sections 11.F.3 and 4 of the Yuba Water Purchase Agreement, so long as a transfer is carried out consistent with the transfer water accounting provisions of Exhibit 1 for Released Transfer Water during Balanced Conditions, the AGENCY will not object based on the use of the transfer water accounting provisions of Exhibit 1 to such a transfer as not protective of DWR and the AGENCY as legal users of water during the time the AGENCY remains a Participating Contractor. The

AGENCY also agrees that while a Participating Contractor, it will not purchase water from Yuba other than through the Yuba Water Purchase Agreement."

8. NO OTHER CHANGES

All remaining provisions of the Agreement that are not changed by this Amendment will remain in full force and effect.

9. COUNTERPARTS OF THE AGREEMENT

This Amendment may be signed in any number of counterparts by the Parties, each of which will be deemed to be an original, and all of which together will be deemed to one and the same instrument. This Amendment, if executed in counterparts, will be valid and binding on a Party as if fully executed all in one copy.

IN WITNESS WHEREOF, the Parties hereto, by their authorized representatives, have executed this Amendment on the last date set forth below.

Approved as to legal form and sufficiency:	STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES
____________________________ Cathy Crothers Chief Counsel	____________________________ Mark W. Cowin Director
____________________________ Date	____________________________ Date
Approved as to legal form and sufficiency:	THE AGENCY
____________________________ Counsel	____________________________ Title
____________________________ Date	____________________________ Date

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO

INTRODUCED BY
SECONDED BY

Amendment 5 to Yuba Accord Agreement

WHEREAS, Zone 7 has approved a water supply and conveyance agreement, A08-98-CAL, known as the “Agreement for the Supply and Conveyance of Water by the Department of Water Resources of the State of California to the Participating State Water Project Contractors under the Dry Year Water Purchase Program,” associated with the Yuba River Accord; and

WHEREAS, the Agreement needs to be amended to continue participating in the Dry Year Water Purchase Program in years 2016 thru 2020 in parallel with the “Amendment No. 5 to the Agreement for the Long-Term Purchase of Water From Yuba County Water Agency by the Department of Water Resources (SWPAO 14-800).”

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby authorize the General Manager to negotiate and execute “Amendment 5 to the Agreement for the Supply and Conveyance of Water by the Department of Water Resources of the State of California to the Participating State Water Project Contractors under the Dry Year Water Purchase Program (SWPAO 14-804).”

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District on November 19, 2014

By: ____________________________________
President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Integrated Planning
CONTACT: Amparo Flores/Carol Mahoney

AGENDA DATE: November 19, 2014 **ITEM NO. 8**

SUBJECT: Water Exchange with Contra Costa Water District

SUMMARY:

- In preparation for a potential fourth consecutive year of drought in 2015, Zone 7 Water Agency (Zone 7) is working with Contra Costa Water District (CCWD) on a one-for-one water exchange of up to 2,500 acre-feet (AF) to increase the reliability of Zone 7's water supply in the summer, when peak demands occur in the Valley.
- Assuming the exchange is eventually approved by the State Water Resources Control Board, this one-year exchange could also serve as a good demonstration project of the potential role of Los Vaqueros Reservoir in enhancing water storage options for Zone 7.
- The exchange is facilitated by CCWD's use of Los Vaqueros Reservoir storage water; therefore Zone 7 would compensate CCWD for associated costs.
- The maximum additional cost of the exchange is estimated at $483,000 for 2,500 AF, which would be funded out of Fund 100 – Water Enterprise.
- Alameda County Water District (ACWD) is proposing the same exchange of their State Water Project (SWP) water with CCWD, and would therefore be a signatory to a three-party agreement for this proposed exchange.

FUNDING:
Fund 100 – Water Enterprise.

RECOMMENDED ACTION:
Staff recommend that the Board adopt the attached resolution directing the General Manager to negotiate and execute all required documents needed for the one-year demonstration project.

ATTACHMENTS:
Memorandum providing additional background and discussion of the agenda item
Resolution

INTEROFFICE MEMORANDUM

DATE: November 19, 2014

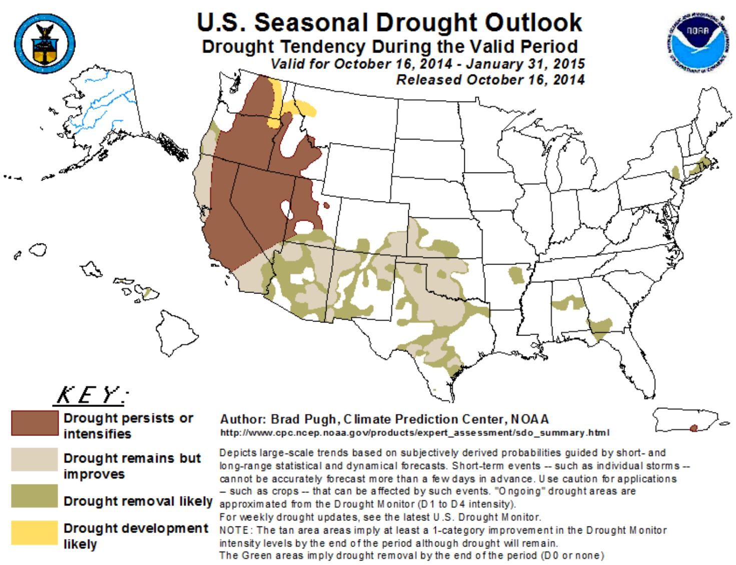
TO: Jill Duerig, General Manager

FROM: Amparo Flores, Associate Engineer

SUBJECT: Water Exchange with Contra Costa Water District

INTRODUCTION

This year is the third consecutive year of drought conditions in the State of California, and current weather forecasts from the National Oceanic and Atmospheric Administration (NOAA) predict drought conditions to remain, persist, or intensify throughout California through January 2015. Furthermore, given the low reservoir levels across the state and the dry soil conditions, allocation of State Water Project (SWP) supplies is likely to remain low even under improved rainfall conditions. Consequently, Zone 7 Water Agency (Zone 7) is proactively seeking ways to improve the water supply reliability for the Livermore-Amador Valley for 2015 and beyond. In particular, Zone 7 staff is currently working with Contra Costa Water District (CCWD) on a one-for-one water exchange to facilitate access to Zone 7's banked water in the summer of 2015, when peak demands occur in the Valley.



ONE-FOR-ONE EXCHANGE

The proposed exchange would involve Zone 7's SWP water previously stored in groundwater banks in Kern County[1] and recovered for Zone 7. Both Semitropic Water Storage District (Semitropic) and Cawelo Water District (Cawelo) are planning to pump back water for Zone 7 from September 2014 through February 2015; this is typically the period when these two agencies have maximal pumping capacity available to serve their banking partners. Due to reduced demands in the fall/winter, Zone 7 is unable to use all of this available "pumpback water" directly; therefore, Zone 7 staff are proposing to transfer up to 2,500 acre-feet (AF) of this pumpback water to CCWD for direct use in CCWD's service area between December 2014

[1] Zone 7 is projected to have 74,000 AF of banked water remaining in Semitropic Water Storage District and 18,000 AF in Cawelo Water District at the end of 2014.

and February 2015. CCWD would divert this SWP water at their Old and/or Middle River Intakes. In exchange, Zone 7 would receive an equal amount of CCWD's Central Valley Project (CVP) water supply next summer, when demands in Zone 7's service area are at their peak. The CVP water would be diverted through Banks Pumping Plant by the SWP, and delivered via the South Bay Aqueduct to Zone 7. Note that Alameda County Water District (ACWD) is proposing the same exchange of their SWP water with CCWD, and would therefore be a signatory to the three-party agreement for this proposed exchange.

From CCWD's internal operational perspective, this exchange is made possible by the use of stored water in Los Vaqueros Reservoir. Without this exchange, CCWD would need to release some of its previously stored CVP Contract water from Los Vaqueros Reservoir, in addition to diverting water under its CVP Contract allocation, to meet its water supply needs this fall/winter. With the proposed exchange, CCWD can instead divert some of Zone 7's and ACWD's SWP water this fall/winter, and avoid releasing an equal amount of water from Los Vaqueros Reservoir storage. The saved Los Vaqueros Reservoir storage water can then be used by CCWD in the summer of 2015 while CCWD's CVP supply is made available through transfer to Zone 7 and ACWD during that time. As such, Zone 7 will compensate CCWD for the associated costs of using Los Vaqueros Reservoir as described in the 'Costs' section below.

This one-time exchange requires temporary changes to the State Water Project and Central Valley Project water rights. CCWD, ACWD, and Zone 7 are working with the Department of Water Resources (DWR) and the US Bureau of Reclamation (Reclamation) to file the necessary petition documents with the State Water Resources Control Board. DWR and Reclamation staff have expressed support for the exchange concept and see it as a valuable Integrated Regional Water Management tool, particularly during this drought. This exchange not only bolsters Zone 7's water supply reliability in the summer of 2015, but also provides an opportunity to evaluate the potential long-term opportunities of Los Vaqueros storage available to Zone 7.

COSTS AND FUNDING SOURCE

As noted above, Zone 7 would compensate CCWD for the costs of conveyance of water to and storage in Los Vaqueros Reservoir, which is facilitating this one-for-one exchange. The cost per AF is shown in the table below.

Table of Costs Associated with the CCWD Exchange

COMPONENT	COST	DESCRIPTION
Conveyance		
Power	$100/AF	Supplemental power at CCWD's Old River and Middle River Pump Stations ($27/AF) and CCWD's Transfer Pump Station ($58/AF) in August 2013, plus the differential in power cost for pumping non-CVP water at Old River and Middle River Pump Stations in winter 2014 ($15/AF).
Conveyance Facilities Wear and Tear and Rental	$20/AF	• Wear and Tear is based on annual depreciation of facilities used per acre-foot of total facility capacity (250 cfs or 180,985 AF/year). 2014 basis is ($4.5 million/year) * (18% facilities used for conveyance) / 180,985 AF = $5/AF • Rental is based on annual cost of facilities used divided by total facility capacity. 2014 basis is ($14.6 million/year) * (18% facilities used for conveyance) / 180,985 AF = $15/AF
Fish Monitoring	$2/AF	CCWD's costs for fish monitoring activities at the Old River intake facility. Basis is annual costs divided by actual pumping in acre-feet.
SUB-TOTAL	**$122/AF**	
Storage		
Storage Facilities Wear and Tear and Rental	$60/AF per year	Costs for wear and tear and rental of storage facilities include costs for the Los Vaqueros Project and the Los Vaqueros Reservoir Expansion Project. Costs for the Los Vaqueros Project exclude CCWD's emergency storage reservation. • Wear and Tear is based on annual depreciation of facilities used per acre-foot of total facility capacity. 2014 basis is ($1.1 million/year + 1 million) / 160,000 AF = $13/AF per year • Rental is based on annual cost of facilities used per acre-foot of total facility capacity. 2014 basis is ($3.6 million/year + 3.9 million) / 160,000 AF = $47/AF per year
Fixed costs	$11/AF per year	Fixed costs include watershed O&M and property taxes and fees. • Watershed O&M FY15 operating budget of $1,746,157 / 160,000 AF = $10.91/AF per year • 2014 Property taxes and fire district fees: (Property taxes $72,759 + Fire $14,780) / 160,000 AF = $0.55/AF per year
SUB-TOTAL	**$71/AF per year**	

The costs above would be IN ADDITION TO the costs of recovering water from Semitropic or Cawelo and the costs of conveying the exchange water to Zone 7 through the SWP.

At 2,500 AF (the maximum amount that Zone 7 would exchange) and assuming that the exchange happens over a one-year period, the cost of the exchange would be:

2,500 AF x ($122 + $71)/AF = ***$482,500*** **[ONE YEAR OF STORAGE]**

As proposed, CCWD would use Zone 7's SWP water between December 2014 and February 2015, and Zone 7 would use CCWD's CVP water over July to September 2015. Under this scenario, CCWD would keep their water in storage for about 7 months. Pro-rating the storage costs, the cost under this scenario would be:

*2,500 AF x ($122 + [$71*7/12])/AF =* ***$408,542*** **[7 MOS OF STORAGE]**

The exchange would be funded out of Fund 100 (Water Enterprise).

CEQA EXEMPTION

As a one-year temporary transfer, this exchange is statutorily exempt under the California Environmental Quality Act (CEQA). Zone 7 staff have filed a Notice of Exemption with the Alameda County Clerk and the California Office of Planning and Research.

RECOMMENDED ACTION:

Staff recommend that the Board adopt the attached resolution directing the General Manager to negotiate and execute all required documents needed for the one-year demonstration project.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Water Exchange with Contra Costa Water District

WHEREAS, 2014 is the third consecutive year of drought conditions in the State of California, and current weather forecasts from the National Oceanic and Atmospheric Administration (NOAA) predict drought conditions to remain, persist, or intensify throughout California through January 2015, and, given the low reservoir levels across the State and the dry soil conditions, allocation of State Water Project (SWP) supplies is likely to remain low even under improved rainfall conditions; and

WHEREAS, Zone 7 Water Agency is proactively seeking ways to improve the water supply reliability for the Livermore-Amador Valley for 2015, and beyond; and

WHEREAS, the proposed one-year, one-for-one water exchange with Contra Costa Water District would facilitate access to Zone 7's banked water in the summer of 2015, when peak demands occur in the Valley; and could also serve as a good demonstration project of the potential role of Los Vaqueros Reservoir in enhancing water storage options for Zone 7.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District authorizes and directs staff to negotiate and execute all required documents needed for the one-year demonstration project.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on November 19, 2014.

By: ______________________________
President, Board of Directors

Water Resources Committee

Summary Notes

Meeting Date:	Nov. 5, 2014	**Start Time:**	4:00 p.m.
Directors Present:	John Greci Bill Stevens Jim McGrail	**Staff Present:**	J. Duerig, K. Arends, T. Rooze, M. Katen

Director Greci called the meeting to order at 4:05 p.m.

1. Public Comment on Items Not on the Agenda

None.

2. Draft Nutrient Management Plan

Staff gave a PowerPoint presentation summarizing the Draft Nutrient Management Plan and answered questions from the committee and from the public. The Committee and the audience gave verbal comments during the meeting.

<u>Summary of Presentation</u>

Staff summarized the history of the project, project outreach activities, some groundwater basin characteristics, the methodology and results of their nutrient loading analyses, continuation of existing nutrient management measures regionally and the need for additional management measures in some degraded or threatened parts of the groundwater basin and the strategies behind the selected implementation measures.

According to staff's assessment, all of the sub-basins have sufficient assimilative capacity to accommodate the planned future recycled water projects; however, measures should be taken to minimize the nutrient loading from all manageable sources, such as: 1) fertilizer use; 2) recycled water use; 3) livestock manure at confined animal facilities; and onsite wastewater treatment systems (OWTS). The NMP recommends the continued use of existing best management practices (BMPs) for all these potential sources of nitrogen, and recommends that new septic systems installed in the high nitrate areas-of-concern include pre-treatment equipment that removes at least 50% of the nitrogen from the effluent before disposal to the subsurface unless adequate hydrogeologic information is submitted demonstrating that the site should not be an area of concern.

<u>Comments and Questions</u>

President Greci asked if the audience had any questions or comments. One member of the public spoke about her concern for the planned expansion of recycled water use over the Main Basin which could potentially degrade quality of the Valley's water supply. Five other public members asked the following questions pertaining to the proposed special septic tank permit requirements for new OWTS installations inside the areas-of-concern:

1. Would a failed conventional septic tank system require replacement with an engineered treatment system (i.e., one engineered for nitrate removal)?

2. Does Zone 7 have any plans to do any additional testing to better define the nitrate "hot spots?"
3. Can Zone 7 make the data and copies of reports available to the public?
4. What is Alameda County Environmental Health Agency's involvement in the development, approval and implementation of these requirements?
5. Are we guaranteed that these requirements will meet the State's (or RWQCB's) requirements?
6. Can Zone 7 provide an example of an acceptable hydrogeologic study that would meet the requirement for new commercial OWTS installation? Can Zone 7 provide some of the parameters that would go into the study?
7. Will Zone 7 have the final say on the OWTS approval?
8. Will reducing the loading from OWTS fix the nitrate problem or are there other historical sources that will prevent these areas from improving?
9. What are Zone 7 and RWQCB doing to encourage the City of Livermore to extend its sewer to the "hot spots?"

The questions were followed by discussions, with many comments related to the requirement for new septic systems in the areas-of concern to be engineered systems having nitrogen reduction pretreatment. Comments included: Zone 7's data is too sparse to justify the size of the areas-of-concern; small hot-spots areas should be acceptable as long as the main basin is meeting water quality objectives; there are other major sources of nitrogen other than septic tank effluent. It was expressed that Zone 7 should limit its nutrient management concern to the Main Basin; many of the rural residents can't afford engineered systems; in many of the areas-of-concern residents already have a public water supply, the others can figure out their own water supply; it looks like rural residents are being forced to do expensive studies unnecessarily.

Staff and Committee members supported the proposed septic tank provisions. They explained how it is within Zone 7's mission to protect and manage groundwater within the fringe areas as well as the Main Basin, and how the proposed nitrogen reduction in the areas-of-concern was the "low hanging fruit" for nitrate management in the areas-of-concern. Staff mentioned that the pre-treatment requirement would only apply to new septic tank installations. Staff also mentioned that some of Cal Water's municipal water supply wells down gradient from the high nitrate hot spots are already impacted. Director Stevens compared the measures to a requirement to upgrade certain features to comply with the latest building code when doing a building remodel.

At the conclusion of the discussion, the committee thanked everyone who participated, but was in consensus that the item should be brought to the full board. Director McGrail stated that he would be absent at the next board meeting and requested that the item come to the board in December so that he could be present when the Board considers approval of the NMP.

3. Status Update on Draft Well Ordinance and Proposed Permit Fees

Kurt Arends gave an update on the staff's meeting with the Alameda County Public Works Agency (ACPWA) to discuss their concern over Zone 7's proposed well ordinance. Mr. Arends reported that ACPWA would like to update the county's well ordinance using much of the draft language that Zone 7 staff developed for the proposed Zone 7 ordinance. At the meeting, it was suggested that the county ordinance could be re-written such that both agencies could use the county ordinance, if it was clear that Zone 7 would be the Implementing Agency within Zone 7's jurisdiction and could set and adjust its own permit fees independent of ACPWA's. The Committee asked staff what the downside was with moving forward with the Zone 7 ordinance at the next full board meeting. Staff recommended that the Committee allow staff time to continue to work with ACPWA over the next month on new county ordinance language that acknowledges Zone 7's jurisdiction and authority. The Committee agreed with staff's recommendation.

When asked if the audience had any questions or comments, one member of the public said he would like to see the detail on the special permit requirement areas and suggested that the proposed fees for domestic well constructions and destructions in the rural areas were set too high and should not be tied to the expense incurred for managing toxic sites in the urban areas. Staff agreed to provide the current map showing special requirement areas and also communicated that the groundwater basin is being managed for everyone including the rural population. President Greci stated that the fees were developed using actual costs of the program and Director Stevens added that the permit fees should be the same for all permitees regardless of location.

4. Verbal Reports

None.

5. Adjournment

Meeting was adjourned at approximately 5:40 p.m.

11/19/14 Board written/narrative comments by Dick Quigley

October 19 & 20 participated at ACWA Region 5 program on outside-the-box approaches to watershed sustainability event.

REGION 5 GETS INNOVATIVE TO DO MORE WITH LESS

Submitted by Dick Quigley on Wednesday, 11/05/2014 - 10:52 am

ACWA Region 5 Members gathered in Livermore on Oct. 19 and 20 for our 2014 fall event, titled "Creative Approaches to Watershed Reliability in the Tri-Valley." With water managers having to do more with less these days, Region 5 decided to host a program on outside-the-box approaches to water reliability to showcase how local districts are making the current water supplies work for them.

Our program began on Sunday, Oct. 19, with a tour of Del Valle Pumping plant, led by Jim Odom from Department of Water Resources, where we learned how the plant is used to store water off of the South Bay Aqueduct. Jim pointed out the dam, and we drove to the crest to view the lake and learned it had never been used to its original volume holding capacity.

Next, we headed to Las Positas Vineyards for a networking opportunity and program. Livermore Mayor John Marchand welcomed everyone to Livermore, and ACWA Vice President Kathy Tiegs updated attendees on ACWA activities and upcoming programs and events to look forward to. ACWA/JPIA Chief Executive Officer Andy Sells updated us on what is happening in the insurance world, and gave us a heads up on a few items to look for in the year to come.

On Monday, Oct. 20, we met at Livermore's Martinelli Center for a day of presentations and idea sharing. David Aladjem, a partner at Downey Brand, set the stage for the panel discussions to come with a presentation about water supply reliability that included an overview of where the Tri-Valley water supply has been and where it is headed.

The first panel, "Creative Approaches to Achieving Water Reliability," was moderated by Zone 7 Water Agency General Manager Jill Duerig. She opened up the panel by giving some background on Zone 7 Water Agency's water supply and the effects this year's drought has had on the district.

Livermore Mayor John Marchand spoke first on the panel, giving the history of the South Bay Aqueduct and its Improvements and Enlargements Project. Next, Santa Clara Valley Water District's Water Supply Division Assistant Officer Garth Hall gave an overview of the history of water supply in the Santa Clara Valley and the district's new Silicon Valley Advanced Water Purification Center project. San Francisco Public Commission District Director of Water Resources Paula Kehoe spoke about a regulatory blueprint for non-potable water use and innovations the SFPUC building and others in San Francisco are employing to reuse the building's rain and stormwater. Rounding out the panel was Stopwaste.org Executive Director Gary Wolff, who told us Australia's story of dealing with its historic drought and the innovative and creative ways Australia developed to conserve and reuse water.

Dublin San Ramon Services District General Manager Bert Michalczyk brought the conversation closer to home in the Tri-Valley with the panel he moderated, "Local Efforts toward Water Reliability & Sustainability." He began the panel discussion with an overview of his district, and the excellent conservation measures his customers have been making.

Speaking first on this panel, CalDesal Executive Director Ron Davis talked about the future of desalination projects in California and how these projects provide a local option for districts to create more water supply. He explained that while expensive, desalination is reliable and very sustainable. City of Livermore Assistant Public Works Director Darren Greenwood was up next to talk about the area's current water supply, local recycled water programs, and opportunities for collaboration among the local Tri-Valley districts. Following Darren, Zone 7 Water Agency Integrated Planning Manager Carol Mahoney spoke about reliability and sustainability in the district's service area in a changing time with changing water allocations to adjust for. A local rancher, Paul Banke with WP Cattle Company, wrapped up the conversation with his ground-level perspective on running a business with a dwindling water supply, stressing that water needs to be stored and reused to be sustainable.

After a brief break for lunch, ACWA President John Coleman reflected on a busy water year in California with his presentation, "2014 Retrospective." His remarks touched on how member agencies are doing in today's current drought conditions, the Governor's California Water Action Plan, the updated water bond on the Nov. 4 Ballot, and the 2014 Sustainable Groundwater Management Act. Attendees were eager to hear how this historic water year will shape what is to come for California water managers next year and beyond.

The region program concluded with Dr. Phil Duffy's presentation, "Climate Change Effects on the Tri-Valley." Dr. Duffy is on assignment from Lawrence Livermore Laboratory to the White House National Science and Technology Council, where he is a senior advisor to the US Global Change Research Program. He explained the current warming conditions as being too rapid to be entirely natural and is likely a result of human greenhouse gases. His presentation described how water management planning will need to adjust to changing conditions caused by climate change, such as planning for rainfall vs. a snowpack when planning for storage and conveyance.

The ACWA Region 5 program was a great success, full of some very informative and enlightening presentations. All of the event materials and presentations can be found on the ACWA website.

It is with the support from our sponsors that these region events can take place and provide opportunities for learning and sharing information – The Covello Group, Downey Brand, Santa Clara Valley Water District, and Alameda County Supervisor Scott Haggerty - thank you for sponsoring!

The Region 5 membership will meet next at ACWA's Fall Conference in San Diego – I look forward to seeing you all there!

~ DICK QUIGLEY'S BLOG ~

October 30 - Attended the annual Pit Master barbecue competition was held October 30th at the Del Valle Treatment plant. There was a large turnout from Zone 7 and the food was fantastic. Well done team!

Let me know if you have any questions or suggestions.

Thanks,
DQ

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATION
CONTACT: Jill Duerig

AGENDA DATE: November 19, 2014 **ITEM NO. 12a**

SUBJECT: GENERAL MANAGER'S REPORT

SUMMARY: The following highlights a few of the key activities which occurred during October. Also attached is a list of the General Manager (GM) contract(s) executed during the month.

Environmental & External Affairs:

- As of October 29th, the level in Lake Del Valle had dropped to 29,900 acre feet/AF (elevation 687.5 feet), achieving the target level for flood management purposes so on October 24th, the California Department of Water Resources (DWR) suspended releases from the lake. This meant that the source of water was 100% conveyed through the Delta directly to the plants (no dilution from local runoff) with the associated lower quality of water.

- Cope Lake levels have dropped significantly due to Vulcan's cessation of discharges (possibly due to the low groundwater table). Water levels in Lake I continue to fall, as well.

- Over 30 volunteers showed up for the first public Living Arroyos Volunteer Day at Alden Lane Nursery on October 4th. Volunteers of all ages, repeat volunteers and new recruits gathered nearly 8,000 acorns for future plantings.

Engineering and Flood Control:

- In honor of California Flood Preparedness Week (October 20-25, 2014), the US Army Corps of Engineers released a video on flood dangers and the need to prepare, which includes a segment by Zone 7's Integrated Planning Manager, Carol Mahoney (see http://www.spk.usace.army.mil/Media/NewsReleases/tabid/1034/Article/520498/flood-agencies-illustrate-disaster-threat-need-for-preparation.aspx).

- Evaluations are ongoing of ways to extend the life of the Patterson Pass Ultra-Filtration (UF) Plant's membranes. Restorative chemical cleaning of each rack and jar testing of alternative coagulants are all moving forward. Approvals have been received from the California Department of Drinking Water to proceed with full-scale testing of the alternative coagulants.

- The Patterson Pass Water Treatment Plant's chemical separation project is now complete and the project is being closed out.

Administration:

- Staff are still noting issues with people cutting locks, removing chains and installing unauthorized locks on the El Charro gate to the Chain of Lakes area. Staff will be talking to Legacy about possible solutions. In the meantime, Alameda County Fire plans to use Lake I for an open water rescue practice event.

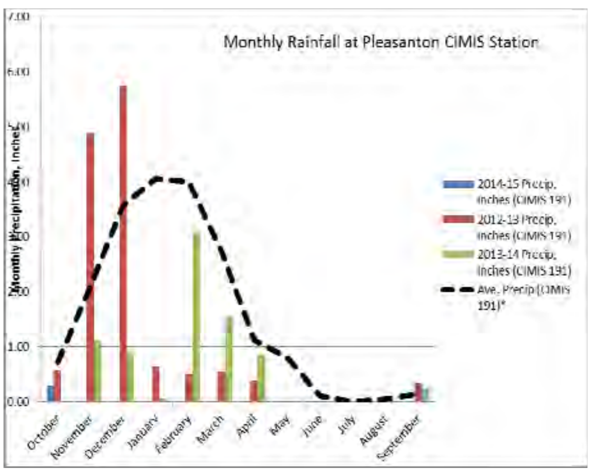
- The final balancing change order was completed for the Del Valle Water Treatment Plant Filter Bed No. 1 repair project; the modified project cost was reduced from $275,000 to $167,000. The contractor has also signed the release of claims and guaranty documents.

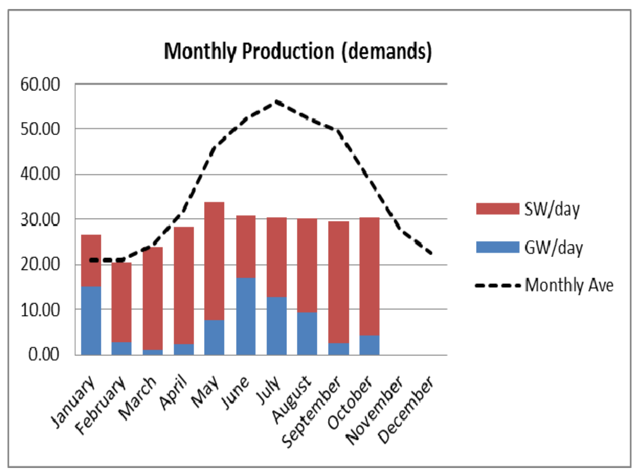
Operations and Maintenance:

- During October, staff hauled dried sludge from both Patterson Pass and Del Valle Water Treatment Plants in preparation for the rainy season.

- Staff also completed installation of electrical conduits and wiring for the new air compressor at the Patterson Pass Ultra-Filtration Plant. A weather shed will also be installed to protect the new compressor.

- Rain in October (the first month of the new water year) was below average. Production remained largely dependent on imported surface water (water previously banked out-of-basin in Kern County):





Monthly List of GM Contracts

October 2014

Contracts:

Alameda County Resource Conservation District	$15,000	MOU on Implementation of the Altamont Creek (Line R) Confluence Planting Project and the Upper Altamont Creek Willow Demonstration Project
JDH Corrosion Consultants	48,480	Corrosion Engineering Services
Fanfa, Inc.	21,800	Equipment Supply Contract for Maintenance & Emergency Work For Water Supply Facilities
Total September 2014	$85,280	

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING DIVISION: ADMINISTRATIVE SERVICES
CONTACT PERSON: JAVIA GREEN/TAMARA BAPTISTA

AGENDA DATE: November 19, 2014 ITEM NO. **12b**

SUBJECT: **Monthly Budget Report**

SUMMARY:

The new financial software system (New World) was implemented in FY 13/14. The New World software provides monthly reports of revenue and expenses. This report provides a summary of FY 14/15 budget performance and explanations of any major variances for the period July 1, 2014 through October 31, 2014.

The following provides explanations and additional details concerning this report:

The period of July 1, 2014 through October 31, 2014 is reported herein, which is approximately 33% of the fiscal year or four months. However, Zone 7's revenue and expense cycles do not follow this pattern. For example, the first installment of property tax revenue is not received until December and capital project expenses vary based on construction schedules. In addition, by October, we typically expect anywhere between 20-25% of the budget has been used, representing only about three months (25%) of expenses rather than four. This is because services rendered/goods purchased in October would typically be billed and paid for in November. Other variations are due to the as-needed and seasonal nature of expenses.

The FY 14/15 Budget shown is the adopted budget plus Board-approved additional appropriations.

The attached Fund Equity Changes Report details year-to-date changes in fund balance by fund type and category. Note the overall fund balance of the Proprietary Fund Category (Water Enterprise Funds), decreased by $14M. This is primarily due to the timing differences between the receipt of property tax/connection fee revenue and DWR payments for fixed costs, which are the bulk of Fund 110 and 130 expenses.

The information in the following tables summarizes, by fund, the attached Annual Budget by Account Classification Report:

Water Enterprise Fund – Fund 100 (formerly Fund 52)

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 34,461,062	$ 8,151,921	24%
Expenses	$ 49,680,609	$ 10,520,089	21%

This fund provides financing for the acquisition and conveyance of raw water, treatment and delivery to the Zone 7 service area. The main source of revenue for this fund is water sales. FY 14/15 YTD revenue is primarily from the sale of 7,923 acre-feet of treated water through September 2014. The month of September 2014 treated water sales of $2.4M are 62% of the September 2013 (pre-drought) amount of $3.9M; staff expects this conservation trend to continue throughout calendar year 2014. October water sales revenue is not reported because the meter reading data that generates the monthly water billing was not available at the time of this report. Other revenue is from grant proceeds and DWR refunds; both are greater than the budget estimates.

YTD expenses include the first quarter transfer to Fund 120, water production costs, maintenance, miscellaneous services/supplies and memberships and dues. While imported water purchases are low, utility and chemical costs are slightly ahead of budget because Zone 7 has pumped more groundwater this summer and used higher dosages of chemicals to deal with source water quality issues. Rental expenses are significantly less than budget because the planned use of portable generators for the wells during the drought hasn't occurred, to date.

State Water Facilities Fund – Fund 110 (formerly Fund 51)

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 14,060,937	$ 492,379	4%
Expenses	$ 14,227,251	$ 7,275,127	51%

This is a pass-through fund for fixed charges associated with the State Water Project, assessed as a property tax override. The first installment of property tax payments is not usually received until November or December. YTD revenue is from DWR refunds. YTD expenses reflect payments to DWR for fixed costs. DWR charges are both monthly and semi-annual – the Transportation Capital charges and the SBA Improvement and Enlargement debt service payment are paid in January/July and March/September, respectively, so expenses of about 50% of budget and lower revenues are anticipated.

Water Renewal/Replacement & System-Wide Improvements – Fund 120 (formerly Fund 72)

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 13,129,324	$ 3,431,339	26%
Expenses	$ 8,193,391	$ 1,920,098	23%

This fund pays for capital projects addressing the replacement and improvement of the current water treatment and delivery system. The primary source of funding is a quarterly transfer from Fund 100 – Water Enterprise; the first quarter transfer has been posted. Other revenue is from the sale of plans and specifications, grant proceeds and Dougherty Valley Facility Use Fees. FY 14/15 YTD expenses reflect capital project expenses such as a portion of the Chain of Lakes Well 5 costs, the Chemical Systems/Parking Lot Improvements and Filter 1 Media Replacement projects at DVWTP, PPWTP Ferric Chloride & Caustic Improvement project, and this fund's share of the North Canyons Building Lease. Capital project expenses are tied to construction schedules. Projects related to the existing treatment facilities are typically done during the fall and winter when water demands are lower, and plant flows can be reduced or interrupted to facilitate construction.

Water Expansion – Fund 130 (formerly Fund 73)

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 22,042,020	$ 5,404,224	25%
Expenses	$ 19,792,638	$ 12,116,937	61%

This fund is intended to provide funding for new facilities and supplies to meet the demands of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others). The primary source of revenue is connection fees. YTD revenue is primarily comprised of connection fee revenue from 232 connections. Since July 1, 2014, a total of 98 connection fee credits have been used totaling $2.4M, while 351 credits remain outstanding, valued at $8.4M at the 2014 connection fee level (see Chart 1 attached). FY 14/15 YTD expenses reflect this fund's portion of capital project expenses such as Chain of Lakes Well 5 costs and the SBA Improvement and Enlargement debt service payment ($9.8M). The SBA payment is made twice a year (March and Septmber), with September always being the higher payment per the DWR debt service schedule.

Flood Protection Operations – Fund 200 (formerly Fund 50)

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 6,505,936	$ 404,460	6%
Expenses	$ 10,416,092	$ 1,256,251	12%

This fund provides for general administration and the maintenance and improvement of the existing flood protection system. The primary source of revenue is property taxes. Similar to Fund 110 - State Water Facilities Fund, property tax revenue will not be posted until taxes are received by the County in April and November of each year. Expenses include labor, a fraction of the North Canyons lease payment, some summer flood protection maintenance activities and capital project expenses such as the Arroyo Las Positas Reach 1-7 Improvement Project, Flood Control Hydrology Study, and the Stream Management Master Plan Update. Budgeted projects (i.e., Arroyo Las Positas Treatment Wetland and Chabot Canal Regional Stormwater Detention projects) have yet to commence. Note that these projects are funded by both Fund 200 and Fund 210.

Flood Protection and Stormwater Drainage (DIF) – Fund 210 (formerly Fund 76)

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 2,646,500	$ 121,443	5%
Expenses	$ 5,755,275	$ 214,394	4%

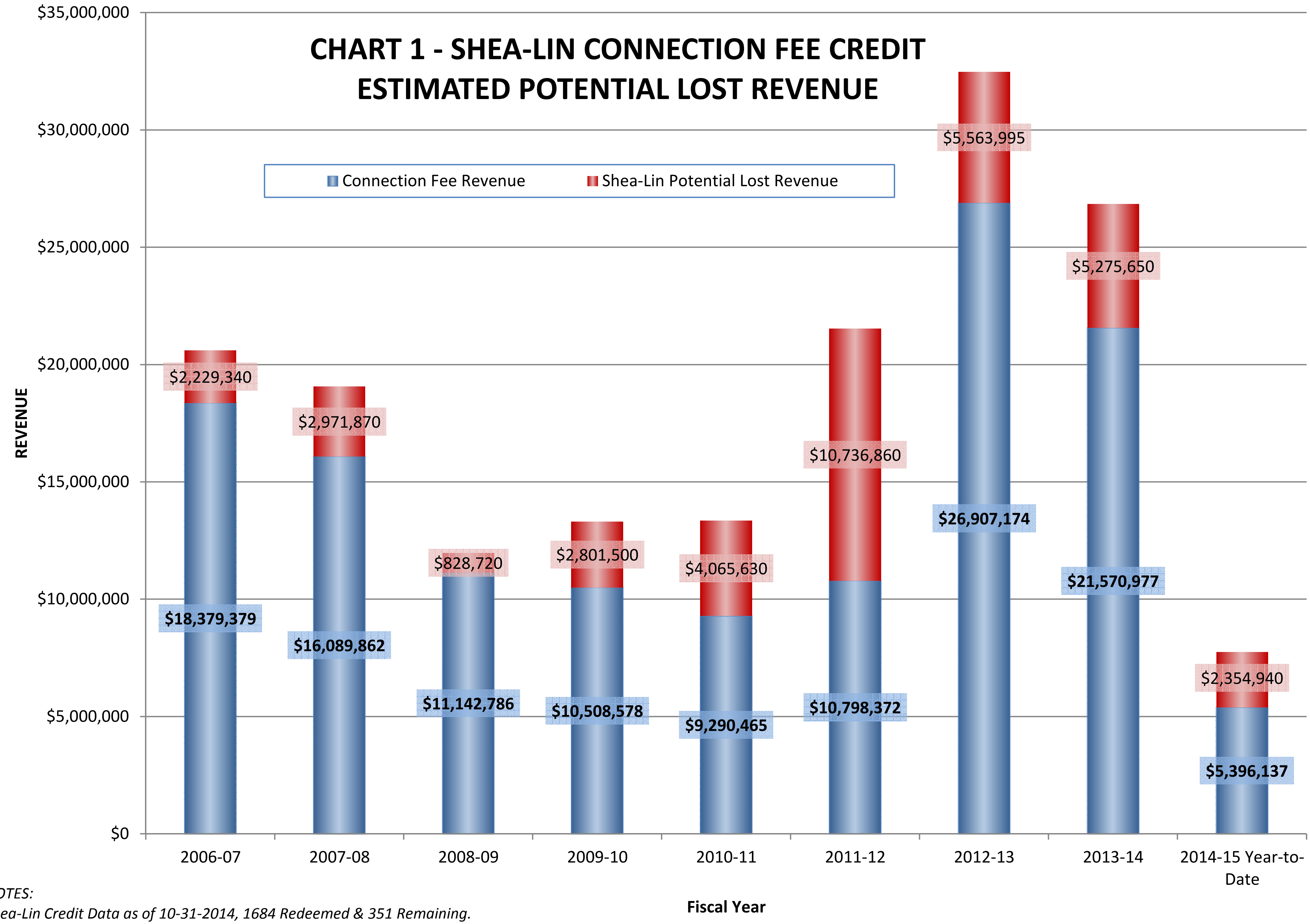
This fund pays for flood protection facilities required for new development. The primary source of revenue is development impact fees. Zone 7 tends to receive most development impact fee revenue in the spring/early summer. FY 14/15 YTD capital project expenses are for projects such as the Flood Control Hydrology Study, SMMP Update and the Arroyo Las Positas Reach 1-7 Improvement Project. Budgeted projects that are split with Fund 200 (i.e., Arroyo Las Positas Treatment Wetland and Chabot Canal Regional Stormwater Detention projects) have yet to commence.

RECOMMENDED ACTION:

Information only.

ATTACHMENTS:

CHART 1 – Shea-Lin Connection Fee Credit Estimated Potential Lost Revenue
Zone 7 Water Agency Annual Budget by Account Classification Report
Zone 7 Water Agency Fund Equity Changes Report



NOTES:
Shea-Lin Credit Data as of 10-31-2014, 1684 Redeemed & 351 Remaining.
Revenue as of 09-30-2014 for DSRSD, Pleasanton, & Livermore
Initial Calendar Year 2000 Payment of $10,000,000 in for Credits is Not Reflected in This Graph

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary for the period 7/1/2014 - 10/31/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 100 Water Enterprise Operations			
Revenue			
411 - Water Sales & Service	$34,246,611.00	$7,841,228.43	23%
441 - Charges for Services	$0.00	$1,050.00	-
452 - Aid from Governmental Agencies - State	$0.00	$112,733.22	-
461 - Investment Earnings	$75,000.00	$0.00	0%
462 - Rents and Royalties	$65,263.00	$27,826.31	43%
464 - Fines and Penalties	$0.00	$44.89	-
481 - Other Revenue	$74,188.00	$169,038.39	228%
Revenue Totals	$34,461,062.00	$8,151,921.24	24%
Expenditures			
511 - Personal Services - Salaries and Wages[1]	$13,859,924.00	$2,621,969.96	19%
512 - Personal Services - Overtime[1]	$215,074.00	$29,968.01	14%
513 - Personal Services - Benefits[1]	$7,120,240.00	$1,535,911.12	22%
600 - Labor & Overhead Distributed[2]	($8,402,436.00)	($992,528.99)	12%
611 - Purchased Services	$4,356,103.00	$731,451.70	17%
621 - Water	$8,883,578.00	$1,040,086.46	12%
631 - Chemicals	$2,250,973.00	$642,055.60	29%
641 - Utilities	$1,922,616.00	$625,562.05	33%
643 - Communications	$174,097.00	$39,211.25	23%
651 - Cleaning Services	$50,931.00	$14,128.98	28%
652 - Repairs and Maintenance	$2,705,999.00	$442,326.51	16%
653 - Rental Services	$792,900.00	$15,819.86	2%
661 - General Office Services/ Supplies	$586,247.00	$76,716.56	13%
662 - Organizational Membership/ Participation	$467,783.00	$298,694.32	64%
665 - Other Services/ Supplies	$827,130.00	$74,813.92	9%
667 - Training and Travel	$402,045.00	$28,574.14	7%
669 - Special Departmental Expense	$615,781.00	$89,346.81	15%
671 - Equipment, Furniture and Vehicles	$27,700.00	$0.00	0%
691 - Transfers	$12,823,924.00	$3,205,981.00	25%
Expenditure Totals	$49,680,609.00	$10,520,089.26	21%
FUND Total: Water Enterprise Operations	($15,219,547.00)	($2,368,168.02)	

FUND: 110 State Water Facilities			
Revenue			
411 - Water Sales & Service	$1,311,950.00	$0.00	0%
421 - Property Taxes	$11,350,000.00	$371,735.70	3%
452 - Aid from Governmental Agencies - State	$45,000.00	$0.00	0%
453 - Aid from Governmental Agencies - Local	$610.00	$0.00	0%
461 - Investment Earnings	$15,000.00	$0.00	0%
481 - Other Revenue	$1,338,377.00	$120,643.00	9%
Revenue Totals	$14,060,937.00	$492,378.70	4%
Expenditures			
621 - Water	$14,227,251.00	$7,275,126.57	51%
Expenditure Totals	$14,227,251.00	$7,275,126.57	51%
FUND Total: State Water Facilities	($166,314.00)	($6,782,747.87)	

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary for the period 7/1/2014 - 10/31/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 120 Water Enterprise Capital IR&R			
Revenue			
431 - Development Fees	$250,000.00	$206,339.40	83%
441 - Charges for Services	$2,500.00	$150.00	6%
452 - Aid from Governmental Agencies - State	$0.00	$18,868.47	-
461 - Investment Earnings	$52,900.00	$0.00	0%
499 - Transfers	$12,823,924.00	$3,205,981.00	25%
Revenue Totals	$13,129,324.00	$3,431,338.87	26%
Expenditures			
600 - Labor & Overhead Distributed[1]	$1,170,962.00	$359,294.83	31%
611 - Purchased Services	$1,400,033.00	$98,178.53	7%
653 - Rental Services	$549,198.00	$181,846.32	33%
661 - General Office Services/ Supplies	$150,000.00	$7,182.52	5%
665 - Other Services/ Supplies	$0.00	$10,020.33	-
669 - Special Departmental Expense	$835,698.00	$0.00	0%
671 - Equipment, Furniture and Vehicles	$120,000.00	$0.00	0%
672 - Land and Facility Improvements	$3,967,500.00	$1,263,575.05	32%
Expenditure Totals	$8,193,391.00	$1,920,097.58	23%
FUND Total: Water Enterprise Capital IR&R	$4,935,933.00	$1,511,241.29	

FUND: 130 Water Enterprise Cap Expansion			
Revenue			
431 - Development Fees	$19,020,120.00	$5,396,137.45	28%
452 - Aid from Governmental Agencies - State	$0.00	$8,086.48	-
461 - Investment Earnings	$81,100.00	$0.00	0%
481 - Other Revenue	$2,940,800.00	$0.00	0%
499 - Transfers	$0.00	$0.00	-
Revenue Totals	$22,042,020.00	$5,404,223.93	25%
Expenditures			
600 - Labor & Overhead Distributed[1]	$607,457.00	$104,468.34	17%
611 - Purchased Services	$1,296,400.00	$66,324.38	5%
621 - Water	$16,744,211.00	$10,963,404.38	65%
653 - Rental Services	$426,376.00	$141,436.04	33%
661 - General Office Services/ Supplies	$0.00	$8.03	-
662 - Organizational Membership/ Participation	$694.00	$0.00	0%
669 - Special Departmental Expense[3]	$410,000.00	$8,943.07	2%
672 - Land and Facility Improvements	$307,500.00	$832,352.38	271%
Expenditure Totals	$19,792,638.00	$12,116,936.62	61%
FUND Total: Water Enterprise Cap Expansion	$2,249,382.00	($6,712,712.69)	

ZONE 7 WATER AGENCY
Annual Budget by Account Classification Report
Budget Summary for the period 7/1/2014 - 10/31/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 200 Flood Protection Operations			
Revenue			
421 - Property Taxes	$6,307,731.00	$279,494.53	4%
441 - Charges for Services	$13,000.00	$97,507.07	750%
452 - Aid from Governmental Agencies - State	$54,000.00	$0.00	0%
453 - Aid from Governmental Agencies - Local	$10,700.00	$0.00	0%
461 - Investment Earnings	$25,000.00	$15.88	0%
462 - Rents and Royalties	$60,505.00	$27,442.71	45%
481 - Other Revenue	$35,000.00	$0.00	0%
Revenue Totals	$6,505,936.00	$404,460.19	6%
Expenditures			
600 - Labor & Overhead Distributed[1]	$2,528,996.00	$473,252.73	19%
611 - Purchased Services	$5,051,000.00	$146,208.41	3%
643 - Communications	$3,000.00	$1,695.05	57%
651 - Cleaning Services	$10,000.00	$1,170.80	12%
652 - Repairs and Maintenance	$2,355,491.00	$522,416.23	22%
653 - Rental Services	$159,322.00	$53,155.33	33%
661 - General Office Services/ Supplies	$19,550.00	$5,104.64	26%
662 - Organizational Membership/ Participation	$158,000.00	$0.00	0%
665 - Other Services/ Supplies	$86,000.00	$289.38	0%
667 - Training and Travel	$31,400.00	$2,325.00	7%
669 - Special Departmental Expense	$13,333.00	$3,333.33	25%
672 - Land and Facility Improvements	$0.00	$47,300.00	-
Expenditure Totals	$10,416,092.00	$1,256,250.90	12%
FUND Total: Flood Protection Operations	($3,910,156.00)	($851,790.71)	
FUND: 210 Flood Protection/Drainage DIF			
Revenue			
431 - Development Fees	$2,530,000.00	$104,442.91	4%
441 - Charges for Services	$0.00	$17,000.00	-
461 - Investment Earnings	$91,500.00	$0.00	0%
481 - Other Revenue	$25,000.00	$0.00	0%
Revenue Totals	$2,646,500.00	$121,442.91	5%
Expenditures			
600 - Labor & Overhead Distributed[1]	$655,730.00	$55,513.09	8%
611 - Purchased Services	$4,727,723.00	$58,264.47	1%
643 - Communications	$0.00	$5.72	-
653 - Rental Services	$121,822.00	$40,410.28	33%
669 - Special Departmental Expense	$250,000.00	$0.00	0%
672 - Land and Facility Improvements	$0.00	$60,200.00	-
Expenditure Totals	$5,755,275.00	$214,393.56	4%
FUND Total: Flood Protection/Drainage DIF	($3,108,775.00)	($92,950.65)	3%
Revenue Grand Totals:	$92,845,779.00	$18,005,765.84	19%
Expenditure Grand Totals:	$108,065,256.00	$33,302,894.49	31%
Net Grand Totals:	($15,219,477.00)	($15,297,128.65)	

Notes:

1. Agency-wide salaries, wages, overtime and benefits are budgeted in Fund 100, then distributed to other funds based on assignments and work demands.
2. This is a credit to Fund 100 for salaries, wages, overtime and benefits charged to other funds.

Zone 7 Water Agency
Fund Equity Changes Report

Through 10/31/14
Summary Listing

FUND	FUND Description	July 1, 2014 Unaudited Fund Balance	YTD Revenues	YTD Expenses	October 31, 2014 Estimated Fund Balance
Fund Category **Proprietary Funds**					
Fund Type **Enterprise Funds**					
100	Water Enterprise Operations	30,450,709	8,151,921	10,520,089	28,082,541
110	State Water Facilities	8,849,889	492,379	7,275,127	2,067,141
120	Water Enterprise Capital IR&R	18,690,974	3,431,339	1,920,098	20,202,215
130	Water Enterprise Cap Expansion	33,346,252	5,404,224	12,116,937	26,633,540
	Fund Type **Enterprise Funds** Totals	91,337,825	17,479,863	31,832,250	76,985,437
	Fund Category **Proprietary Funds** Totals	91,337,825	17,479,863	31,832,250	76,985,437
Fund Category **Governmental Funds**					
Fund Type **Special Revenue Funds**					
200	Flood Protection Operations	15,260,267	404,460	1,256,251	14,408,476
210	Flood Protection/Drainage DIF	41,506,429	121,443	214,394	41,413,479
	Fund Type **Special Revenue Funds** Totals	56,766,696	525,903	1,470,644	55,821,955
	Fund Category **Governmental Funds** Totals	56,766,696	525,903	1,470,644	55,821,955
	Grand Totals	148,104,521	18,005,766	33,302,894	132,807,392

Please note:

This Fund Equity Changes Report shows the unaudited beginning balance of total reserves as of July 1, 2014 (which is the balance of total reserves as of June 30, 2014 carried over to July 1, 2014 as the beginning balance) and posted revenues and expenses which have occurred as of the date that the report was created.

There are other timing differences in posting revenues which have been earned and expenses which have been incurred (e.g., payroll).

The July 2014 report (Unaudited Reserve Balances as of July 31, 2014) calculated individual reserve balances on the basis of posted revenues and expenses as of the date of the report. This led to some questions as to why there was no decrease in certain reserves. This Fund Equity Changes Report reports total reserve balances as of the date of the report. An accurate allocation of the individual reserves cannot be calculated without considering all of the revenues earned and expenses incurred for the period and then allocating the reserves based on the amounts budgeted for each reserve. This is why the individual reserve balances cannot be estimated monthly.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: TOM PICO

AGENDA DATE: November 19, 2014 ITEM NO. **12c**

SUBJECT: October Legislative Update

SUMMARY:

- Zone 7 staff, with the support of Agency consultants, monitors legislation that is being considered in Sacramento, as well as other political activities of interest to the Agency.
- Highlights and Volumes I to III of the California Water Plan Update 2013 were released by the Department of Water Resources on October 30th. The 3,500-page document is linked to, but not to be confused with, Governor Brown's Water Action Plan that was released by the Brown administration in January 2014. The governor's five-year Water Action Plan laid out 10 priority actions to meet urgent needs and set the foundation for sustainable management of water in California. It is the lead policy guidance on all things water. Meanwhile, the California Water Plan Update 2013 plans to the year 2050. It contains 17 objectives to achieve water sustainability and more than 300 specific actions to reinforce implementation of the governor's plan (http://www.waterplan.water.ca.gov/cwpu2013/final/index.cfm).
- At its October meeting, the California Water Commission was updated on a variety of items by California Department of Fish and Wildlife Director Chuck Bonham, who leads the governor's drought operations team. Bonham said he planned to organize a meeting immediately to prepare for a potential 2015 drought. He also said that the department is rushing to install high-tech monitoring devices as close to the Delta pumps as possible to enable real-time decisions on operations.

RECOMMENDED ACTION: Information only

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
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ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: BONI BREWER/MIKE WALLACE

AGENDA DATE: November 19, 2014 ITEM NO. **12d**

SUBJECT: October Outreach Activities

Fall Home & Garden Show, October 3rd, 4th and 5th

During this annual event at the Alameda County Fairgrounds in Pleasanton, Zone 7 had a booth with educational activities and information on water conservation.

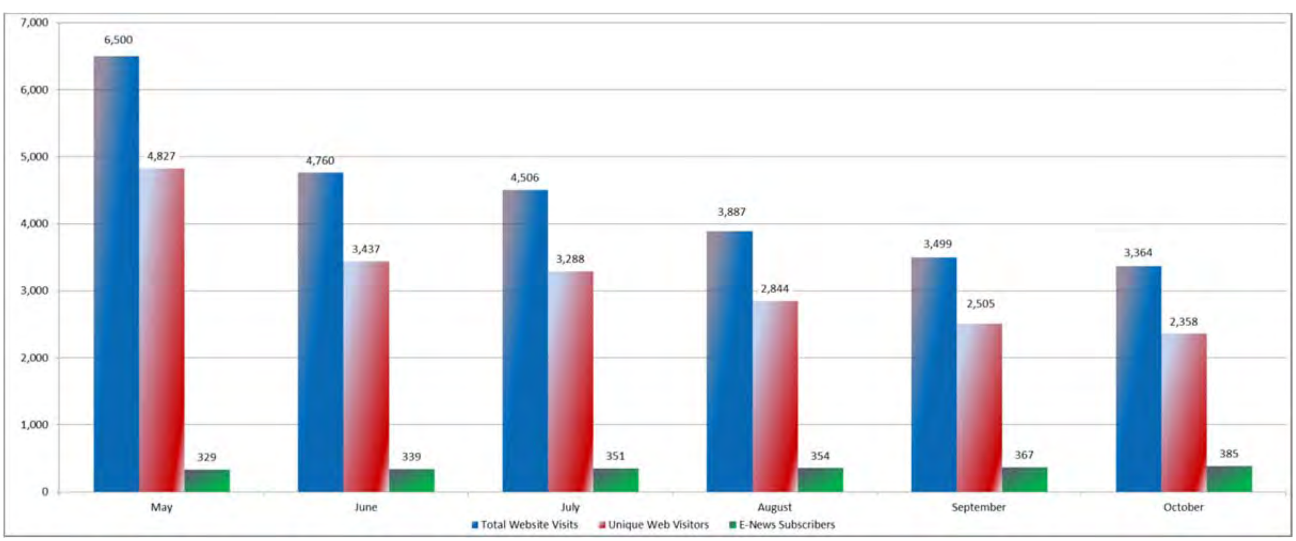
Boy Scouts STEM event, October 11th

Zone 7 had a booth at the Science, Technology, Engineering and Math event for scouts, held at the Alameda County Fairgrounds. We demonstrated the stormwater diorama in providing education about water pollution prevention, and provided activities and information on water conservation.

E-Newsletter, October 20th and 23rd

The October 20th e-newsletter had articles on Flood Preparedness Week (October 20-25, 2014), on board adoption of 2015 and 2016 water rates, and on board consideration of a well ordinance to protect the groundwater basin. The October 23rd e-newsletter had an article about Zone 7's participation in a new statewide video on flood awareness and preparedness, and noted that local flooding doesn't mean the drought is over.

Website & E-news Subscription Activity



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Engineering
CONTACT: Rhett Alzona

AGENDA DATE: November 19, 2014

SUBJECT: Drought Update ITEM NO. **12e**

SUMMARY:

- DWR was able to maintain Lake Del Valle full throughout the summer. DWR has lowered the lake by releasing water into the South Bay Aqueduct from August 28 to October 24 for flood control. The current lake level is 687.5' (29,900 AF).

- Raw water TOC concentrations at the treatment plants held around 4.0 mg/L which remain above normal. Coagulant demand also remains much higher than normal to combat the elevated TOC levels.

- Following is the status of the two remaining emergency projects approved by the board on January 29th.

  1. Chain of Lakes Well No. 5 – Substantial completion was issued on October 31. The well has been operational and is producing around 1,500 gpm (2.1 MGD).
  2. Busch Valley Well No. 1 – Zone 7 entered into a Progressive Design-Build contract with Conco West, Inc. (with Stantec as sub-consultant). The basis of design still needs some refinements, notably the site improvements for safe ingress/egress to Valley Avenue, the sodium hypochlorite facility layout, and the potential for future sewer connection. The draft basis of design is expected in December 2014. Also working with the City of Pleasanton and Union Pacific Railroad (UPRR) on their concurrence with a temporary fence to be installed around the BV1 property. Moreover, the temporary fence is a condition under the Quitclaim Deed with UPRR to prevent access to the railroad from the BV1 site.

- From an operational standpoint, staff used wells only as needed during October while optimizing surface water treatment given the timing of the limited SWP allocation and associated window for exchanges (to access water banked out-of-basin). There were no groundwater recharge operations during the month. The Mocho Groundwater Demineralization Plant (MGDP) operation was limited to minimum reverse osmosis (RO) feed to maintain the membranes. Minimal MGDP use avoids discharge of the concentrate and minimizes water loss (waste stream is approximately 15% of the amount of groundwater pumped). Staff also continues to review water quality and minimum water supply needs.

- In September, Zone 7 began recovering water from both Semitropic and Cawelo water banks. With current conservation levels, it is anticipated there will be more water recovered than Zone 7 needs in 2014. Therefore, in preparation for another drought year in 2015, staff is working with DWR to store any excess water in San Luis Reservoir to make the water available to Zone 7 in 2015.

BACKGROUND:

Calendar Year 2013 was the driest year in recorded state history. 2013 also set a new record as the driest year measured in the Livermore-Amador Valley, with total precipitation of only 4.5 inches out of the average yearly rainfall of 14.47-inches (only 31% of average at Livermore Station 15e). At the beginning of 2014, the snowpack's statewide water content was estimated at about 20% of average for this time of year and January set a record for being the driest January in recorded history for the State and Bay Area.

On January 17, 2014, Governor Jerry Brown declared a State of Emergency in California due to the current drought conditions and asked all citizens to cut back water use by 20%. On January 29, 2014 at a Special Meeting of the Zone 7 Board, a Local Drought Emergency was declared and a Drought Emergency Response Plan was accepted. In addition, on January 31, 2014, the California Department of Water Resources (DWR) announced they were reducing State Water Project allocations from 5% to zero for the first time in history.

On January 29, 2014 the General Manager was authorized and directed to establish an appropriate level of conservation for the Livermore-Amador Valley, consistent with the governor's proclamation of a drought emergency (20% or greater). The initial conservation level was set at 20%.

On April 16th, the Zone 7 Board received the annual Sustainability Report and authorized the General Manager to implement Stage Two Actions under the 2010 Urban Water Management Plan to achieve 25% demand reductions. On April 25th, Governor Jerry Brown issued a second drought proclamation.

On July 29th, a State Water Resources Control Board emergency regulation to increase mandatory conservation practices for all Californians went into effect. The new conservation regulation targets outdoor urban water use and mandates conservation reporting by retail water agencies.

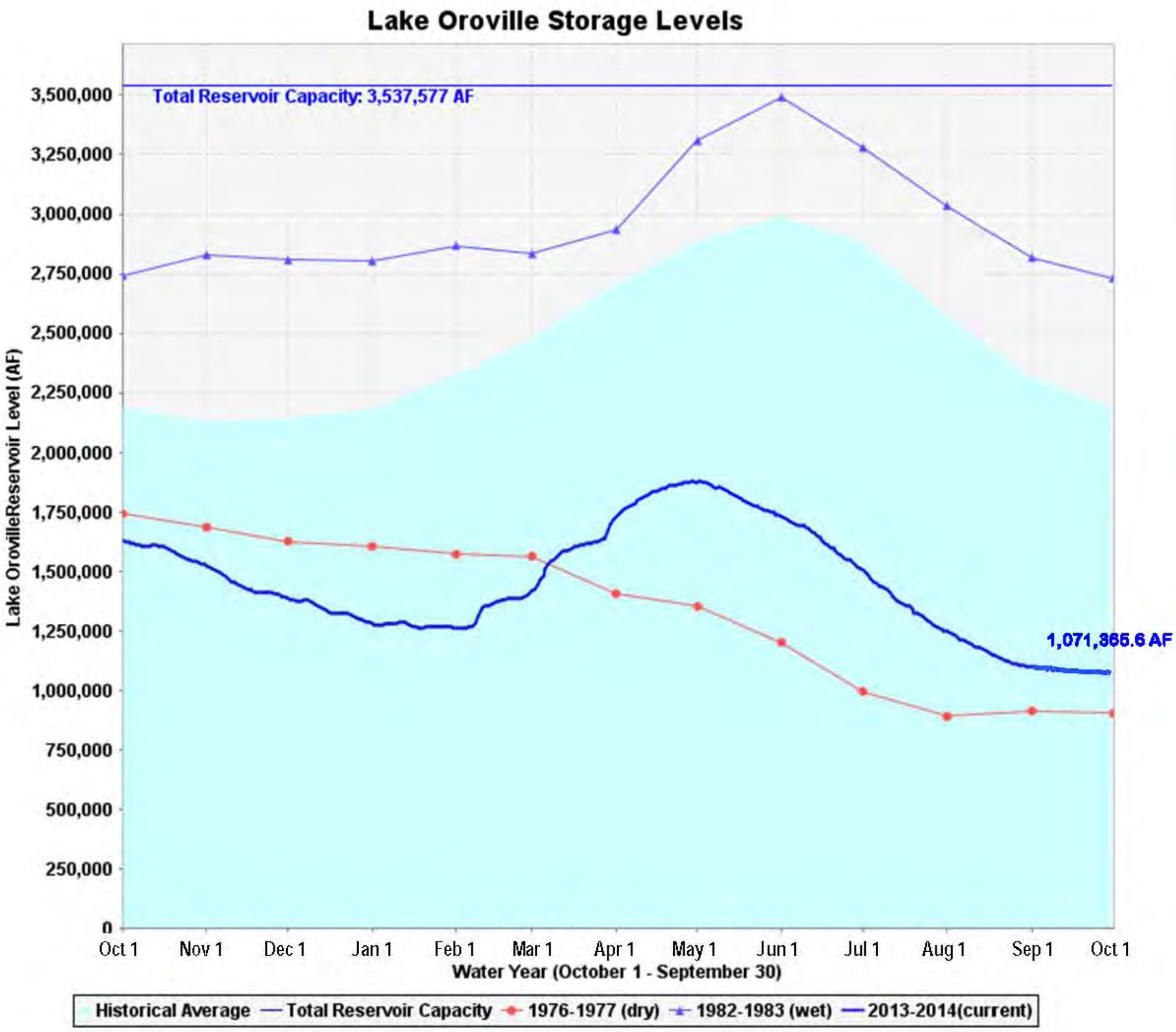
On August 14th, the California Public Utilities Commission ordered the water companies under its jurisdiction to provide notice to their customers of the July 29th emergency regulation.

DISCUSSION:

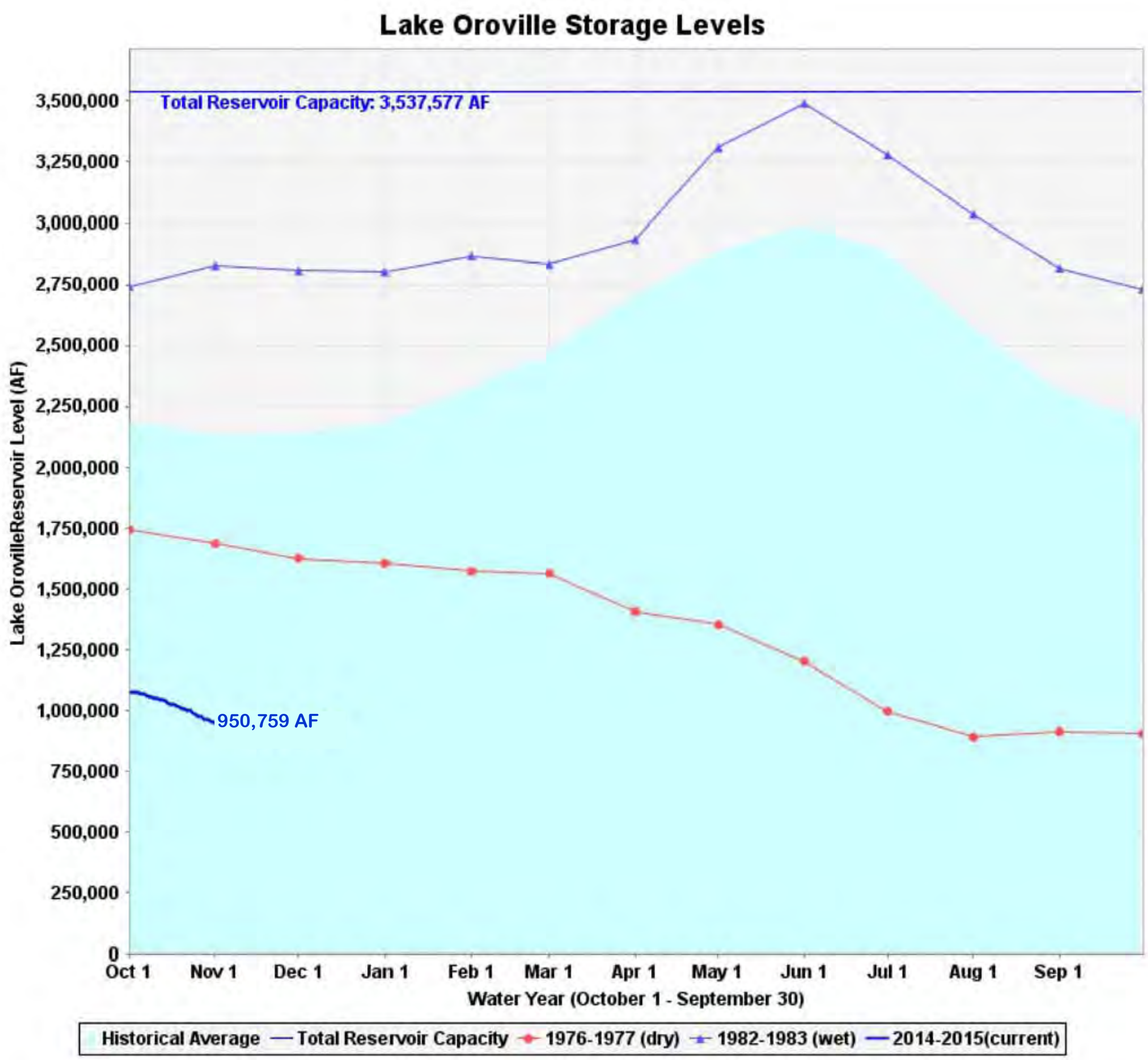
Storage in Lake Oroville began the water year well below average and well below the 1976-1977 critical dry year conditions at approximately 49% of the historic average (see Oroville graph, below).

This can be tracked on the DWR data website at
http://cdec.water.ca.gov/cdecapp/resapp/resDetailOrig.action?resid=ORO

WATER YEAR 13-14



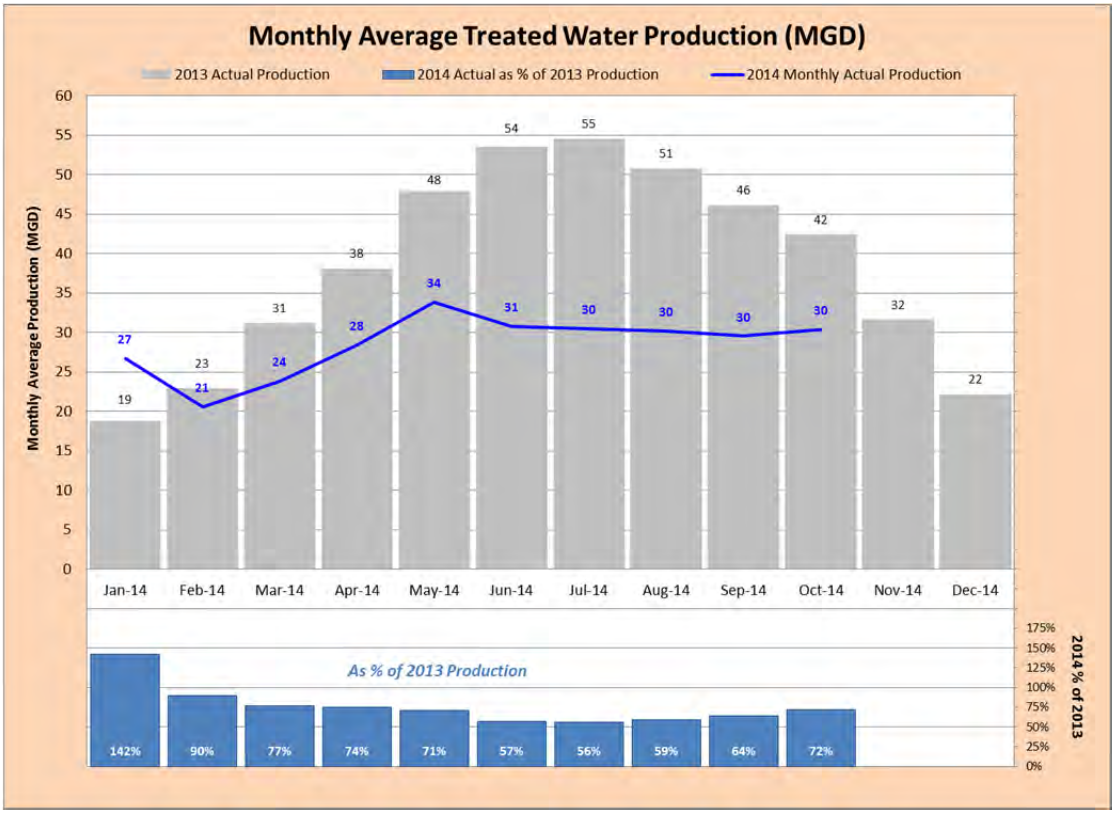
WATER YEAR 14-15



The local hydrology for the Water Year (October 1, 2013-September 30, 2014) ended at 44% of average conditions at 6.42 inches. This minimized the amount of local water captured under the Arroyo Valle Water Rights permit. The current water year has brought little relief from the drought with October yielding only 24% of normal precipitation.

From January to October 2014, cumulative valley-wide treated water demands from Zone 7 have stayed 30% below 2013 demands. Successful conservation efforts continued through October: the treated water production in October 2014 was 28% lower than October 2013, a difference of 1,150 AF. As expected, percentage demand reductions for 2014 relative to 2013 are expected to decrease in the fall since there is much less outdoor irrigation during this season and demands are more representative of indoor demands.

In October, surface water production remained high with the increased water deliveries from the SWP of recovered banked water from Semitropic Water Storage District and Cawelo Water District. Del Valle Water Treatment Plant and the Patterson Pass Treatment Plant produced an average of 26 million gallons per day (MGD). Production wells met approximately 13% of October demands. Total average production in October 2014 remained at 30 MGD, as compared to 42 MGD in October 2013.



Monthly Average Treated Water Production (MGD)
2013 Actual Production
2014 Actual as % of 2013 Production
2014 Monthly Actual Production
Monthly Average Production (MGD)
Jan-14
Feb-14
Mar-14
Apr-14
May-14
Jun-14
Jul-14
Aug-14
Sep-14
Oct-14
Nov-14
Dec-14
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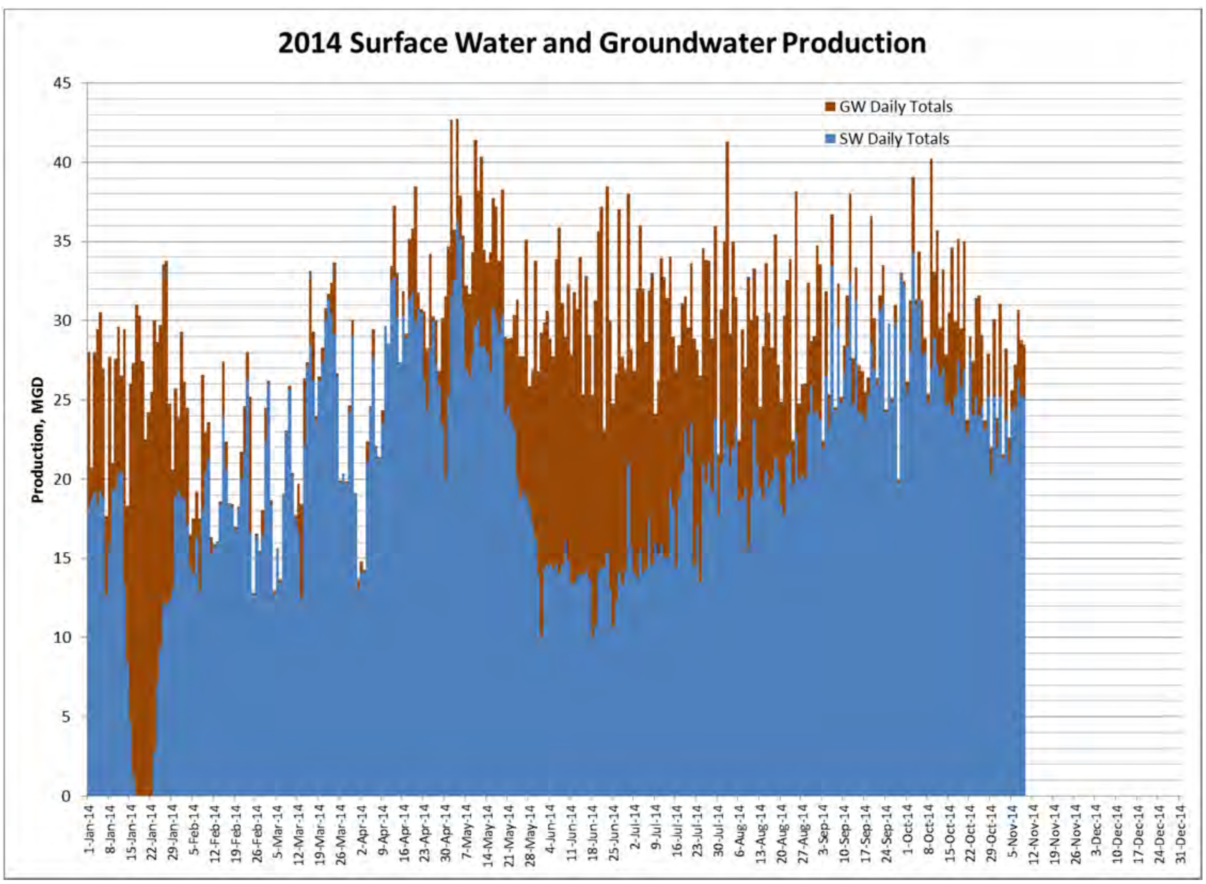
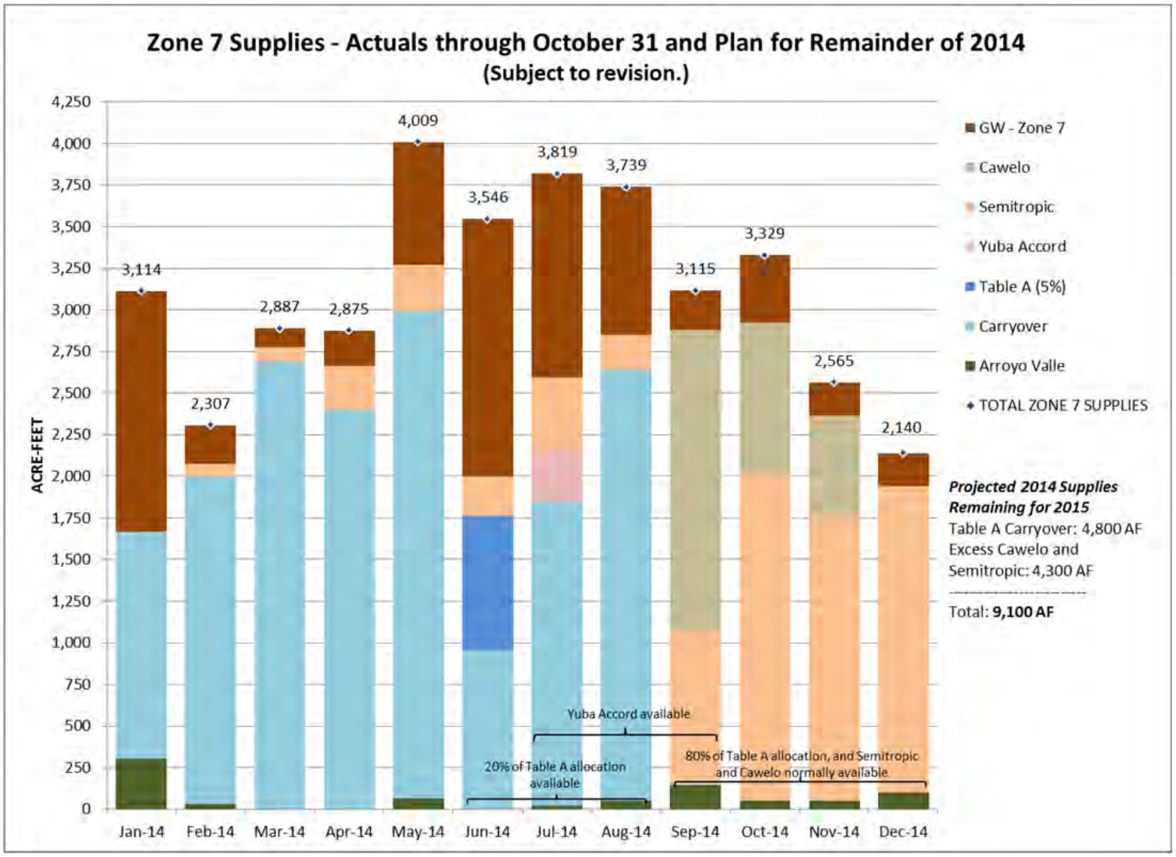
As % of 2013 Production
142%
90%
77%
74%
71%
57%
56%
59%
64%
72%
2014 % of 2013



2014 Surface Water and Groundwater Production
GW Daily Totals
SW Daily Totals
Production, MGD

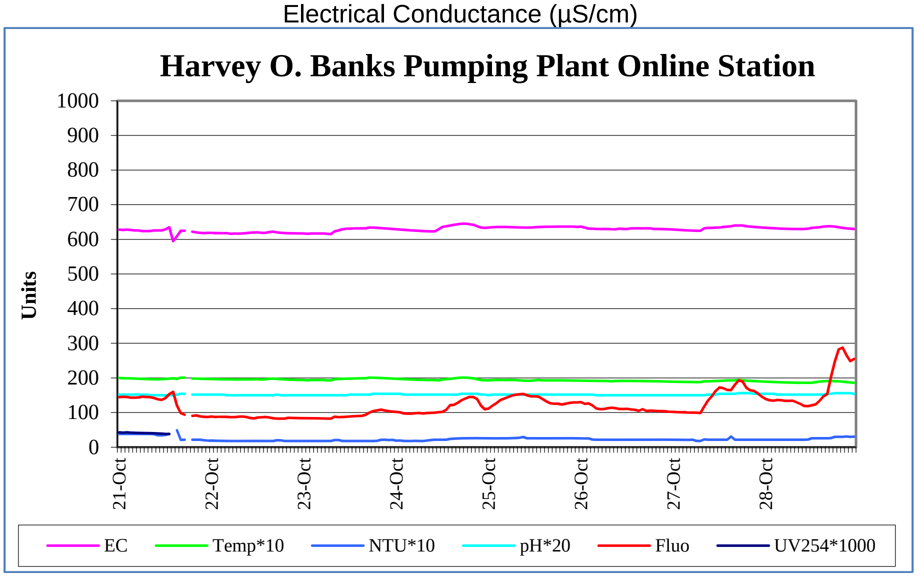
The graph below shows Zone 7's actual use of water supplies through October 31 and planned use for the remainder of the year. This graph is regularly updated to reflect additional information received from DWR, Zone 7's banking partners, and actual demands. This year, Semitropic was able to pump some water for Zone 7 during the summer months; pumpback water is typically not available during the peak irrigation months of June, July, and August. Semitropic and Cawelo deliveries will cover much of the projected water use this fall.



Zone 7 is preparing for another drought year in 2015. This year is the third consecutive year of drought conditions in the State of California, and current weather forecasts from the National Oceanic and Atmospheric Administration (NOAA) predict drought conditions to remain, persist, or intensify throughout California through January 2015. Under this latest plan, there would be 9,100 AF of 2014 supplies saved for 2015 use. Staff will continue to work with Cawelo, Semitropic, DWR, and other SWP contractors to ensure deliveries of banked water this fall and into next year.

Electrical conductivity is measured as a surrogate for TDS (TDS is approximately equal to 0.58 times EC):

Electrical Conductance (µS/cm)



Based on the above data, raw water to the treatment plants has total dissolved solids (TDS) around 350 mg/L. Typical TDS levels around this time of year are between 250 mg/L and 300 mg/L.

Higher TOC levels continue to impact treatment at the plants requiring higher ferric chloride dosages and more pH adjustments. Ferric chloride dosages have been around 55 to 60 mg/L in late October and November. In the past, Zone 7 treatment plants have operated with ferric chloride dosages in the neighborhood of 25 mg/L.