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, September 17, 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}

A G E N D A

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 August 20, 2014

5. Consent Calendar

   a. Request for "Out-of-State" Travel and Associated Expense Reimbursement to attend the AWWA Cal-Nevada Section Annual 2014 Fall Conference in Reno, Nevada
   b. Patterson Ranch Lease Extension
   c. Support for Continued Temporary Water Service for Livestock

6. Staffing Update:

   a. July Employee of the Month Recognition

7. Agreement in Principle Concerning Extension of the State Water Project Water Supply Contract

   Recommended Action: Adopt resolution.

8. Tri-Valley Intergovernmental Reciprocal Services Master Agreement

   Recommended Action: Adopt resolution.

9. Proposed Position on Water Bond

Recommended Action: Discussion and consider adopting resolution.

10. Clarifying the Role of Committees

Recommended Action: Discuss and provide direction.

11. Committees - Retailers/Wholesaler Liaison Committee Meeting - August 27, 2014 - notes pending
Finance Committee Meeting - August 28, 2014 - notes
Finance Committee Meeting - September 8, 2014 - notes

12. Reports - Directors

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

13. Items for Future Agenda - Directors

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

a. General Manager's Report
b. Monthly Budget Report
c. August Legislative Update
d. August Outreach Activities
e. Drought Update
f. Update Related to the Bay Delta Conservation Plan
g. Verbal Reports

15. CLOSED SESSION

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

(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.

16. Open Session and Report Out of Closed Session

17. Verbal Reports

18. Adjournment

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

    a) Liaison Committee Meeting: September 27, Beeb's, 915 Club House Drive, Livermore, 9:00 a.m.
    b) Special Board Meeting: October 1, 2014, 5:00 p.m.
    c) Water Resources Committee Meeting: October 6, 2014, 4:00 p.m.
    d) Regular Board Meeting: October 15, 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
August 20, 2014

President Greci called the meeting to order at 6:59 p.m. The following were present:

DIRECTORS:	JOHN GRECI JIM MCGRAIL SARAH PALMER DICK QUIGLEY ANGELA RAMIREZ HOLMES BILL STEVENS
DIRECTORS ABSENT:	SANDY FIGUERS
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING CAROL MAHONEY, MANAGER, INTEGRATED PLANNING RHETT ALZONA, SENIOR ENGINEER, FACILITIES ENGINEERING JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

Item 1 - Call Meeting to Order

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

Item 2 - Pledge of Allegiance

President Greci led a salute to the flag.

Item 3 - Citizens Forum - none.

Item 4 - Minutes of the Regular Meeting of July 16, 2014 and Special Board Meeting (Board Workshop) of July 21, 2014

Director Stevens moved and Director Palmer seconded the motion to approve the minutes of July 16, 2014. The minutes were approved by a voice vote of 6-0-0-1 with Director Figuers absent. Director Palmer moved and Director Quigley seconded the motion to approve the minutes of July 21, 2014. The minutes were approved by a voice vote of 5-0-1-1 with Director Ramirez Holmes abstaining and Director Figuers absent.

Item 5 - Consent Calendar

Item 5(a) - Participation in the Bacon Island Levee Rehabilitation Project

Resolution No. 15-03	Authorized all agreements and contracts necessary to participate in the Bacon Island Levee Rehabilitation Project. (Item 5a)

Item 5(b) - Document Management Software for Records Retention/Management

Resolution No. 15-04 Authorized (1) a contract with Incrementum for Laserfiche software, support and project management; and (2) a contract with Kaizen InfoSource LLC to assist with the implementation, training and mapping. (Item 5b)

Director Stevens moved for approval and Director Quigley seconded the motion, which was approved by a roll call vote of 6-0-0-1 with Director Figuers absent.

Item 6 - Staffing Update:

Ms. Duerig announced that the June Employee of the Month is Judy Rector, Executive Assistant, who was present so the directors acknowledged and applauded her.

Item 7 - Environmental Compliance & Planning As Needed Services

Carol Mahoney, Integrated Planning Manager, told the Board that on-call services contracts are occasionally needed to help Zone 7 move projects forward, i.e., environmental surveys on routine projects or answering CEQA questions when staff does not have the expertise, or doing biological surveys. In 2013, a contract with ESA for three years was approved but Zone 7 staff made sure everything went smoothly the first year before committing to the other two years. Staff is asking for the option to extend the contract for two additional years at a total of $215,000 annually for a total of $645,000 for all three years as approved in October 2013. ESA has been doing a good job and the recommendation is to continue the contract with ESA for the remaining two years: 2014-2015 for $215,000 and an additional year for 2015-2016 for $215,000 for a two-year total of $430,000.

Director Stevens moved for approval and Director Quigley seconded the motion, which was approved by a roll call vote of 6-0-0-1 with Director Figuers absent.

Resolution No. 15-05 Authorized the extension of the contract with ESA for two additional one-year periods. (Item 7)

Item 8 - Award of Contract for the PWRPA/Zone 7 - Mocho Electrical Facilities Installation Project

Kurt Arends, Assistant General Manager, Engineering, provided background information on this construction project. In 2011 Zone 7 entered into an agreement with PWRPA (Power and Water Resources Pooling Authority), a public entity from which Zone 7 can purchase power cheaper than PG&E. Zone 7 and PWRPA have worked together identifying accounts that can be switched over so Zone 7 can receive PWRPA power at a lower rate and achieve savings. The Patterson Pass Water Treatment Plant was the first project and has been completed. The next project was the Mocho Complex (Mocho Pumps 3 and 4 and the Demineralization Plant) and one service supplies all of those facilities. In order to convert from PG&E, the construction of intermediate facilities between PG&E, ACE Transmission Facilities, and Zone 7 facilities is required. New transformers, switchgears and hardware to take the power from the PG&E system before it goes to Zone 7's system is a large capital cost but offset by cost savings that are paid through reduced PWRPA rates. Part of the requirement is the design process. PG&E increased the hardware requirements, and the cost of the switchgear increased by $175,000, which was not accounted for, so the Engineers Estimate was $645,000. Two bids were received: Blocka Construction at $797,500 and Bockman & Woody Electric at $984,400, both higher than anticipated. The estimated energy cost savings by completing this project are approximately

$250,000/year. Staff recommends awarding the contract to Blocka Construction along with an additional appropriation of $307,000 to complete this project and cover the additional design requirements by PG&E.

Director Quigley confirmed that the life expectancy of the facilities would be between 20 and 30 years so as long life cycle assets, and after the investment is paid, considerable money could be saved. He asked if we would have a budget line that tracks the power savings. Mr. Arends said that the savings could be calculated but the money budgeted is based on the anticipated cost of electricity. Director McGrail agreed that the project makes sense but he suggested documenting the $250,000 savings so the public can see it. Mr. Arends replied that Sal Segura is Zone 7's key person that tracks power use and is on the PWRPA Board. He tracks all of the Zone 7 facilities, electrical accounts and rates and should be able to provide that information.

President Greci noted the considerable amount of money also saved by using solar panels at Del Valle Water Treatment Plant.

General Manager Jill Duerig mentioned that the PWRPA involvement was spearheaded by Zone 7 Consultant Carl Morrison.

Director Stevens asked why Blocka's bid was so low and Bockman's was so high. Mr. Arends said the switchgear and the trenching costs were the primary bid items that were higher than expected along with a supply-and-demand factor, which influenced the cost because as the demand goes up and the supply of contractors goes down, prices go up. PWRPA staff as well as an electrical engineer reviewed the bid. Re-bidding the project was considered but it made more sense to move forward due to the cost savings with this project. Rhett Alzona, Senior Engineer in Facilities Engineering, said the low bid included $300,000 for the switchgear but the higher bid included $500,000 for the switchgear, which accounts for the $200,000 difference on just that item or the bids would have been more comparable.

Director Ramirez Holmes asked if an additional appropriation would come from reserves. Mr. Arends explained that it would come from Fund 120, the account for Renewal and Replacement, shifting from reserves to the active fiscal budget for that fund.

Director Stevens moved for approval and Director Quigley seconded the motion, which was approved by a roll call vote of 6-0-0-1 with Director Figuers absent.

Resolution No. 15-06	Authorized a contract with Blocka Construction, Inc. for the PWRPA/ Zone 7 - Mocho Electrical Facilities Installation Project. (Item 8)

Item 9 - Contract Amendment No. 1 to the Chain of Lakes Well No. 5 Project

Rhett Alzona, Senior Engineer in Facilities Engineering, reminded the Board that the purpose of the Chain of Lakes Well No. 5 project was to increase well production capacity due to a lack of surface water in part because of the drought. Chain of Lakes No. 5 meets the long-term water supply demands and was identified in the Well Master Plan. A Progressive Design Build (PDB) approach was used for collaborative partnering not to exceed $3.5 million, a rough cost based on the basic design and construction costs of Chain of Lakes Well No. 2. On January 29, 2014, when the Board approved the project for Chain of Lakes Well No. 5, another $100,000 was approved for miscellaneous costs for a total of $3.6 million.

Conco West was the low bidder for Chain of Lakes Wells No. 1 and 2 so they are familiar with Zone 7's needs and the design. Stantec Engineering was brought in because they have engineers who had been involved with the design of Chain of Lakes Wells No. 1 and No. 2. To keep the project moving, the group worked in phases such as bidding for the monitoring well, and Cascade was the low bidder at $130,000, higher than anticipated. Two bids for drilling the production well were received and Maggoria was the lowest bid at $804,000.

The project estimated cost at completion was $3.5 million. Additional costs for the contract amendment, property acquisition, and additional staff costs totaling $615,000 need to be appropriated to complete the project.

President Greci asked for public comments but there were none.

Director Ramirez Holmes asked if a previous contract for Mr. Mahoney was related to this project. Mr. Alzona explained that Mr. Mahoney ran three projects: the Cope Lake Pipeline project which was completed early and on budget; he is still actively working on Chain of Lakes No. 5; and he is leading the Busch Valley Well No. 1 basis of design project where they are trying to get a realistic cost for Busch Valley No. 1. Director Ramirez Holmes asked if the additional line items had not been anticipated or were not part of what the Board saw as a total package. Mr. Alzona said staff was trying to complete the project by the end of August and in the short time they had to prepare the agenda item for January, failed to include some of the ancilliary costs such as the PG&E service cost. Director Ramirez Holmes asked if the production capacity was low or as expected and Ms. Duerig responded that it is better than expected.

Ms. Duerig explained that staff usually brings just the contract to the Board for approval and the PG&E service costs could have been a separate item, but the full cost is shown instead due to requests by the Finance Committee. Because it is not a typical project, it has not been a typical budget or process since January.

President Greci said that the VFD (variable frequency drive) for various speeds on pumps is very important and expensive, but needed to regulate the flow and protect the motor from burning out plus having maximum control of the water it will produce. He is happy with the process, the bid, and the drilling outfit and noted that drilling costs have gone from $45/foot to $80/foot to drill a 5-1/2 inch well with no guarantees.

Director Quigley asked for a framework on production wells of 2.5 mgd with wells not pumping 24/7 and sometimes turned off, and how many days are they in an "off" mode? Mr. Alzona said wells are balanced out depending upon demands. Any well can be turned on in different conditions.
President Greci said it depends upon the amount of water Zone 7 gets from the state and less water from the state means pumping the wells more. He said we need the confidence that we have the ability to pump and Well No. 5 is vital to meet our mission of supplying this valley with water.

Director McGrail complimented Mr. Alzona on the presentation he gave to the Water Resources Committee. Director Stevens said that the project could have cost much more if the window of opportunity for this project had not been pursued in January. Zone 7 staff did the right thing to "rush" this project; however, he is concerned about the Busch Valley Well drilling and feels the project will cost more than what is shown on paper.

Director Quigley moved for approval and Director McGrail seconded the motion, which was approved by a roll call vote of 6-0-0-1 with Director Figuers absent.

Resolution No. 15-07	Authorized a contract amendment with Conco West for additional funding. (Item 9)

Item 10 - Committees

Liaison Committee Meeting with EBRPD/LARPD/Tri-Valley Conservancy - July 22, 2014 - notes
Water Resources Committee Meeting - August 12, 2014 - notes

Item 11 - Reports - Directors

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

Director Quigley gave a verbal report on the water bond issue discussed at the July ACWA Board meeting and the unanimous vote to support the water bond. He said that some of the leaders north of the Sacramento area talked about thresholds that the bond needs and those were negotiated by the ACWA negotiating team and other stakeholders and became part of the package put together by the Governor and the Legislature. Director Quigley shared a handout of the October 19 and 20th Region 5 meeting at Martinelli Center in Livermore, which includes a tour of the DWR pumping plants and returning to Los Positas Vineyards for networking. The theme of the conference is "Approaches to Watershed Reliability in the Tri-Valley." He also attended the East Bay Regional Park's ribbon-cutting ceremony in celebration of the extension of the Iron Horse trail from Dublin to Pleasanton. Zone 7 was part of the collaborative effort for a $10 million grant for this project. The water community will have a "water table" for the East Bay Regional Board's September 13th 80th anniversary celebration.

Item 12 - Items for Future Agendas - Directors

Ms. Duerig shared a suggestion from Director Figuers that the Finance Committee have a standing meeting date every other month instead of as needed and asked for Board guidance. Director Figuers suggested that time be scheduled for a Finance Committee similar to the Special Board meeting dates that are reserved in advance if needed.

President Greci said that he has confidence that staff will ask for a meeting if needed but to have a meeting every other month creates extra work for staff and he does not think it is necessary. Director Palmer clarified that it would be scheduled for every other month but cancelled if not needed.
Ms. Duerig said the workload is usually around budget time and water rates so there may be a need to meet more often during that time with longer stretches of time between. Director Ramirez Holmes said that because it cannot be resolved now, it needs to come back as a future board agenda item. President Greci directed staff to place it on a future board agenda.

Item 13 - Staff Reports (Information items.)

a. General Manager's Report
b. Monthly Budget Update
c. Legislative Update
d. July Outreach Activities
e. Facilities Engineering Project Status
f. Drought Update
g. Groundwater Management Program Annual Report
h. Verbal Reports

Director Quigley discussed the Annual Groundwater Report that included data through October 2013 but he wanted current production numbers and how to replenish the groundwater basin. Ms. Duerig explained that the annual reports are for a defined period as a water year and the data in the most recent one is from October 2012 through September 2013. It takes time to compile the data and the Board usually sees it in May but staff wanted to make the report more organized and readable so the Board received it in August this year. Monthly reports such as the Drought Staff Report show groundwater table updates and what is being planned.

Director Stevens said that the last page of Staff Report 14(f), Drought Update, has a graph noting that we are going to obtain our drought protection storage from Cawelo and Semitropic. Because of planning for drought conditions, groundwater pumping is minimal. He feels this graph is very important. Director Stevens told Director Quigley that his questions may be answered at the bottom of Page ES-3 of the Staff Report 14(g), Groundwater Management Program Annual Report, which shows supply volume and stream recharge. Page 14 ES-7 has totals for groundwater and we have not hit the same lows as we did in 1991. Staff is doing a great job with limited resources getting water and making sure that groundwater is replenished.

President Greci asked that, after closed session, the board meeting be adjourned in memory of Tom McCormick. Mr. McCormick was a Board member for Dublin San Ramon Services District for seventeen years. The board then adjourned to closed session at 8:00 p.m.

Item 14 - Closed Session

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

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

(c) Conference with Legal Counsel - Existing litigation pursuant to Gov't Code Section 54956.9(d) (1):

Alameda County Flood Control and Water Conservation District, Zone 7 v. Pleasanton Gravel Co., Alameda County case no. HG14724177

(d) Conference with Labor Negotiators:
Agency Negotiator: G.F. Duerig
Employee Organizations: Alameda County Management Employees Association; Alameda County Building and Construction Trades Council, Local 342, AFL-CIO; International Federation of Professional and Technical Engineers, Local 21, AFL-CIO; Local 1021 of the Service Employees International Union, CTW; Unrepresented Management.

Item 15 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 8:16 p.m. and President Greci reported there were no reportable actions taken in closed session.

Item 16 - Adjournment

The meeting was adjourned at 8:17 p.m.

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: OPERATIONS
CONTACT: Kurt Arends

AGENDA DATE: September 17, 2014 **ITEM NO. 5a**

SUBJECT: Request for "Out-of-State" Travel and Associated Expense Reimbursement to attend the AWWA Cal-Nevada Section Annual 2014 Fall Conference in Reno, Nevada

SUMMARY:

- Out-of-state travel authorization is requested for Water Operations staff Bill Sadler, Kevin Correia and Colter Andersen, to attend the 2014 Fall American Water Works Association (AWWA) Conference.
- The California-Nevada Section - AWWA 2014 Fall Conference is being held on October 20-23, 2014 in Reno, Nevada. The 2014 Conference will offer a wide variety of technical sessions, exhibits, and technical tours to share the latest on regulations, technologies, case studies, and research projects and their results. The Conference offers practical information that will increase base knowledge and skills on the challenges of facility rehabilitation and replacement, water quality, permitting, and current industry trends.

FUNDING:

For three staff members, the Conference costs include a total of $1,485 for three registration fees plus travel, lodging, and miscellaneous expenses for a total of approximately $4,500.00. Funds are budgeted in the Water Enterprise Fund (100).

RECOMMENDED ACTION:

Adopt attached Resolution approving the reimbursement of actual and necessary expenses associated with Bill Sadler, Kevin Correia and Colter Andersen's attendance at AWWA 2014 Fall Conference in Reno, Nevada.

ATTACHMENT:

Resolution

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY:
SECONDED BY:

Out-Of-State Travel Expense Reimbursements to Attend the California-Nevada Section - American Water Works Association (AWWA) 2014 Fall Conference in Reno, Nevada

WHEREAS, Bill Sadler, Kevin Correia and Colter Andersen request to attend the 2014 Fall Conference of the California-Nevada Section of American Water Works Association (AWWA) in Reno, Nevada, from October 20 through October 23, 2014.

NOW, THEREFORE, BE IT RESOLVED that out-of-state travel to attend the 2014 Fall Conference of the California-Nevada Section of American Water Works Association (AWWA) in Reno, Nevada, from October 20 through October 23, 2014, is hereby approved, and reimbursements of actual and necessary expenses associated with the attendance of Bill Sadler, Kevin Correia and Colter Andersen at the 2014 Fall Conference are hereby authorized.

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 September 17, 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: Engineering
CONTACT: Kurt Arends

AGENDA DATE: September 17, 2014 ITEM NO. **5b**

SUBJECT: Patterson Ranch Lease Extension

SUMMARY:

- In November 2013, Zone 7 acquired approximately 5,000 acres of land adjacent to DWR's Lake Del Valle which was owned by the Patterson Family Trust and referred to as Patterson Ranch.
- The purchase of the property was subject to an existing agricultural lease which expires on September 30, 2014.
- The Board has expressed an interest in going through the Request for Proposal (RFP) process before signing a new long-term lease.
- Prior to soliciting proposals, a Range Management Plan must be developed describing the existing conditions, goals and objective Zone 7 wishes to achieve through a lease.
- It will take to the end of the calendar year to develop a preliminary Range Management Plan which will be included in the RFP process which may take up to an additional four months. A final plan cannot be completed until a full year of normal hydrologic conditions occurs allowing a full biologic monitoring of the site.
- To allow ample time to develop the preliminary Range Management Plan and complete the RFP process, staff recommends extending the existing lease for an additional thirteen months to expire on October 31, 2015.
- On August 25, 2014, the topic was discussed with the Board's Patterson Ranch Ad-Hoc Committee and the Committee expressed its support for staff's proposed approach.

FUNDING:

Revenue collected from the lease is used to maintain the property and the remainder is distributed between Fund 100 – Water Enterprise and Fund 200 – General Flood Control.

RECOMMENDED ACTION:

Approve attached Resolution, authorizing the General Manager to negotiate and execute the Second Amendment to the Patterson Ranch Lease.

ATTACHMENT:

Resolution

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

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

SECOND Amendment of Patterson Ranch Lease

WHEREAS, on July 17, 2013, the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District did authorize the General Manager to enter into a Land Sale Contract for the purchase of certain parcels commonly referred to as the "Patterson Ranch" for the purpose of watershed protection; and

WHEREAS, Zone 7 acquired title to Patterson Ranch on November 15, 2013, subject to an existing agricultural lease which expires on September 30, 2014; and

WHEREAS, the Board of Directors of Zone 7 wishes to solicit proposals for a new land lease; and

WHEREAS, a Range Management Plan must be developed before a Request for Proposal process can begin which may take until May 2015 to complete.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District hereby authorizes the General Manager to negotiate and execute up to a thirteen month extension to the existing lease with the existing lessee of the Patterson Ranch property.

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 September 17, 2014.

By: ______________________________
President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
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ORIGINATING SECTION: Engineering
CONTACT: Kurt Arends

AGENDA DATE: September 17, 2014 ITEM NO. **5c**

SUBJECT: Support for Continued Temporary Water Service for Livestock

SUMMARY:

- Zone 7 has been providing temporary water contracts to customers that cannot connect to Zone 7 or retailer water systems due to their remote location for various beneficial water uses including the support of livestock.
- Temporary customers are able to fill tanks and haul treated water from the Patterson Pass Water Treatment Plant to their livestock operations.
- The Zone 7 Board annually sets a temporary treated and untreated water rate as part of the rate setting process. Staff then issues temporary treated and untreated water service contracts to administer the program.
- During a severe drought such as we are experiencing this year, many drinking water sources for livestock, including stock ponds, springs, creeks and wells become dry requiring livestock operators to seek emergency water supplies to maintain the health of the animals.
- Stressing the importance of the agriculture industry, the attached letter was received from Supervisor Scott Haggerty seeking support in helping to mitigate the extreme water emergency that now exists for local livestock operators.
- Staff seeks Board support for continuing to grant temporary water service contracts for beneficial water uses including livestock operations and not limiting such service to the Zone 7 service area.

FUNDING:

This program is funded from Fund 100 –Water Enterprise.

RECOMMENDED ACTION:

Adopt the attached resolution to continue issuing temporary water service contracts for beneficial water uses including livestock operations.

ATTACHMENTS:

Letter from Supervisor Scott Haggerty
Resolution

RECEIVED
SEP - 5 2014
Zone 7 Water Agency

BOARD OF SUPERVISORS

SCOTT HAGGERTY
SUPERVISOR, FIRST DISTRICT

August 31, 2014

Jill Duerig
Zone 7 Water Agency
100 North Canyons Pkwy
Livermore, CA 94551

Subject: Water Availability Emergency

Dear Municipal Water Policy Makers & Managers:

The State of California, but more specifically, the Bay Area, is experiencing a 3rd consecutive year of severe and unprecedented drought. The Bay Area Counties, among others, were granted a USDA Secretarial Disaster Designation on January 16, 2014 to help provide relief to our local ranchers and growers that are experiencing significant losses due to the lack of rainfall. While all agricultural operations are experiencing challenges as a result of these conditions, livestock operators are most deeply affected and in urgent need of emergency water supplies to support their operations.

In Alameda County, forage production for livestock was extremely poor and almost nonexistent in parts of the eastern portion of the county. In those few areas where forage is available, most of the drinking water sources for livestock, including stock ponds, springs, creeks, wells and other drinking water sources have become extremely scarce rendering that land unusable by livestock operators unless they can acquire the water. This includes purchasing, transporting and storing water necessary to sustain healthy animals.

Loss estimates are in the tens of millions of dollars for rangeland forage and ranchers continue to incur unprecedented high costs associated with supplemental feeding, animal transportation, and the acquisition and handling of water.

Food prices continue to climb because of the increased cost to produce it. The environmental and social benefits of supporting our local agriculture should be of high concern to us all. Agriculturalists help stabilize ecological systems while providing food security and economic vitality. Growers, and more specifically livestock producers, practice sustainable efficient land management while protecting wildlife habitats, endangered species and reducing the threat of grassland fires. Our local rangeland, which is known to be some of the most productive rangeland in the region, also provides open space for public recreation and enjoyment.

This letter seeks your support in helping to mitigate the extreme water emergency that now exists for our livestock operators. Many municipalities and water district managers have ordinances or rules in place that may impede or prohibit the sale of water to non-residence, such as livestock operators, that may have animals adjacent to or very near city limits or water district boundaries. Access to the nearest practical water is essential for the continued stability of the livestock industry. Cattle must have at least 20-30 gallons of water per day per animal to maintain their health.

Those ranchers that must acquire water for their animals are willing to pay reasonable costs for acquiring it; however, it is essential that they have an opportunity to purchase it. We ask for your understanding of this critical water need and for your sincere consideration in developing strategies to assist agriculturalists in and near your jurisdiction with the acquisition of currently unavailable water resources.

Immediate emergency measures that might be taken to help alleviate this water crisis threatening our food supply, undermining proper land management practices and increasing the risk of fire include:

- Temporary emergency waivers or reductions of deposits and fees to obtain water meters.
- Temporary access to nearby public water sources (i.e. municipal, park, irrigation and other water districts) that are currently unavailable to neighboring agricultural lands due to zoning requirements, ordinances or policies.

It is not likely that this current drought will be our last, quite the contrary; there will be another at some point in time. Therefore we also suggest that we collaborate to develop additional long-term drought strategies such as:

- Developing planning strategies that recognize the multiple public values and benefits of managed rangelands, particularly, lands adjacent to residents.
- Establish programs or policies that provide access to municipal water sources by adjacent landowners and/or livestock managers where it is not available at any time, especially during a drought.
- When developing municipal water systems near grassland properties, consider including water access to those properties.
- Seek to develop and coordinate consistent regional jurisdictional policies during drought emergency measures so the most efficient access to water can be available to livestock managers.
- Consider local loan programs for grassland owner/operators so that they can develop a practical water system for their property.

These recommendations have the formal support of the Coast County Agricultural Commissioner's and Sealers Association which includes the counties of Monterey, Santa Cruz, San Benito, Santa Clara, Alameda, Contra Costa, San Mateo, San Francisco, Marin, Sonoma and Napa.

Agriculture contributes an estimated $120 million annually to the local economy. Alameda County and its neighboring counties have a rich agriculture heritage. To preserve, expand and support a sustainable future for agriculture in the 21st century, Alameda County made this a priority when in 2000 voters adopted Measure D. This measure established an urban growth boundary beyond which agricultural lands could flourish.

It is in the best interests of our urban and suburban communities to ensure that agricultural activities receive support necessary to ensure that these adjacent lands remain viable for this purpose. Please support these recommendations as you make the challenging decisions of managing our public resources.

On behalf of the endorsees listed below, and as the public representative of the largest agricultural District in Alameda County, we look forward to your consideration in this matter. You may contact our County Agricultural Commissioner Scott Paulsen directly at 510-670-5232 to discuss these critical issues.

Respectfully,

Scott Haggerty

Supervisor Scott Haggerty – District 1
Alameda County Board of Supervisors

Endorsers:

Coast County Agricultural Commissioners
Alameda County UC Cooperative Extension Service
Contra Costa Alameda County Cattlemen's Association
Alameda County Farm Bureau
Alameda County Agricultural Advisory Committee
Alameda County Resource Conservation District

cc: Alameda County Board of Supervisors
Alameda County Administrator
California Office of Emergency Services
Secretary California Department of Food and Agriculture

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Support for Continued Temporary Water Service for Livestock

WHEREAS, Zone 7 has been providing temporary treated and untreated water service to customers that cannot connect to Zone 7 or retailer water systems due to their remote location for various beneficial water uses including the support of livestock operations; and

WHEREAS, during extended droughts such as this year, the ability to obtain water supply from Zone 7 becomes extremely critical in maintaining livestock operations and the health of the animals.

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 continue to support providing temporary water service for beneficial water uses including the support of livestock operations and direct staff to continue administering the program and to not limit such service to the Zone 7 service area.

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 September 17, 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: September 17, 2014 ITEM NO. **6a**

SUBJECT: July Employee of the Month Recognition

SUMMARY:

The Employee Recognition Program Nomination Committee met in August and selected the Employee of the Month for July 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.

Steve Ellis, Associate Civil Engineer, has been chosen from among those nominated as the July 2014 Employee of the Month. Steve works in the Facilities Engineering Section at the North Canyons office. He was the project engineer of the Mocho Groundwater Demineralization Plant (MGDP). Zone 7 heavily depends on Steve to help resolve issues at MGDP. He also manages the Zone 7 Connection Fee Program and facilitates development reviews.

Most recently, as the construction manager for the Cope Lake Slope Repair Project and the Cope Lake-Lake I Pipeline Project, Steve faced many challenges. Both these projects were successfully completed and Steve is currently the construction manager for the Patterson Pass Water Treatment Plant Ferric-Caustic Chemical Separation Project.

Steve has shown himself to be a dedicated construction manager who takes accountability for his work. Besides diligently keeping up with the daily construction management activities, his ability to diligently face construction issues and develop and implement solutions with minimal supervision, frees up staff to focus on other Agency goals. Whether Steve is faced with a contentious or urgent issue, he always maintains a courteous manner and focuses on the problems at hand.

The committee seconded the recommendation and recognized Steve 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 Steve Ellis as July 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: Administrative Services
CONTACT: Mike Wallace/Tom Hughes

AGENDA DATE: September 17, 2014 ITEM NO. 7

SUBJECT: Agreement in Principle Concerning Extension of the State Water Project Water Supply Contract

Summary:

- Zone 7's current State Water Project (SWP) water supply contract with the California Department of Water Resources (DWR) expires in 2035, as do most of the other SWP contracts.
- Negotiations to extend those contracts began in 2013; these negotiations included over twenty-three formal, public meetings and resulted in an Agreement in Principle (AIP).
- Many greatly needed enhancements to financial accountability, financial reporting and general communications have been included in the AIP.
- The AIP continues water services for fifty more years, with a contract period extended to December 31, 2085.
- DWR provides capital financing via bonds to fund major projects and all bonds issued prior to the contract extension mature on or before 2035.
- The AIP would give the state the ability to extend financing beyond 2035 and to ease the looming financial burdens on State Water Contractors (SWC's).
- The AIP will serve to provide the foundation for drafting the contract extension amendment and does not constitute a final commitment to execute the contract extension amendment.
- The AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the water supply contract extension process, including scoping and preparation of the Environmental Impact Report (EIR).
- The next steps following signing of the AIP will be to complete the CEQA process in 2015 and plan for formal contract amendment implementation in 2016.
- The AIP was presented to the Finance Committee on August 28th and the committee unanimously supported execution of the AIP and bringing to the board for approval.
- A representative from the SWC will be giving the board presentation.

Recommendation:

Authorize the General Manager to negotiate and execute the AIP.

Attachments:

1. Memorandum providing additional background and discussion of agenda item
2. Zone 7 Board Resolution
3. Agreement in Principle

Interoffice Memorandum

DATE: September 17, 2014

TO: Jill Duerig, General Manager

FROM: Mike Wallace, Staff Analyst

SUBJECT: Agreement in Principle Concerning Extension of the State Water Project Water Supply Contract

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

BACKGROUND:

The current State Water Project (SWP) water supply contract between California's Department of Water Resources (DWR) and Zone 7 expires in 2035. Since 2035 is a common end date for most of the SWP contracts and the terms of respective SWP contracts are similar, if not identical, negotiations are proceeding between DWR and the State Water Contractors (SWC).

Negotiations to extend these contracts began in the spring of 2013 with over twenty-three formal, public meetings taking place and resulting in an Agreement-in-Principle (AIP) that staff from approximately twenty-six of the twenty-nine SWCs expressed an intention to recommend approval to their respective elected bodies. The SWCs not intending to sign have concerns that do not impact Zone 7. As a result of the negotiating sessions, many sorely needed enhancements to financial oversight, financial reporting and general communications have been included in the AIP. The proposed term would extend to December 31, 2085.

The AIP serves to provide the foundation for drafting the contract extension amendment and does not constitute a commitment to execute the contract extension amendment. The AIP will merely serve to justify the investment in developing an environmental impact report to evaluate the proposed contract amendment and continue to move the contract-extension process forward. The next steps following signing the AIP will be to complete the CEQA process in 2015 and plan for formal contract amendment implementation in 2016.

On August 28, 2014, staff presented the AIP to the Zone 7 Finance Committee and reviewed the general points concerning the contract amendment and the reason for SWCs to continue the amendment negotiation process by supporting the AIP. The Committee unanimously supported the staff recommendation and directed staff to carry this item to the full Board for approval on September 17, 2014.

DISCUSSION:

Two primary reasons to extend the State Water Project water supply contract are:

1. To secure continued water supply services to 2085, and
2. To create the ability to finance facilities beyond 2035 and easing the financial burdens on SWC's, as DWR provides capital financing via bonds to fund projects. All bonds issued prior to the contract extension would mature on or before 2035. New capital financing prior to a contract extension mature on or before 2035, and the cost to SWC's increases dramatically resulting in a repayment time compression by shortening the payback period and increasing the periodic payment amounts.

By amending the contract, the state would continue water services for fifty more years and extend bond issues well out into the future thus lowering the periodic payback amounts paid by each SWC.

The ramifications to Zone 7 if contractors do not sign the CE Amendment are that the following issues will not be addressed:

I. Financing window is getting shorter. DWR will not finance capital costs or issue bonds beyond 2035. Contractor's amortized charges will continue to escalate, compressing payments until 2035.

II. Commitment for continued water supply beyond 2035. Urban Water Management Plans require 20-year water supply forecast.

III. Financial management structure and programs to reduce the SWP financial uncertainty, manage cash reserves, and safeguard cost recovery provisions.

IV. Need to streamline and improve transparency of billing process, to facilitate contractor's ability to anticipate SWP water supply costs allowing for better forecasting of rate and reserve requirements.

A few particular topics were discussed in the Finance Committee meeting on August 28, 2014 and are addressed below:

Truing-up of costs – Zone 7 receives an annual (calendar year) Statement of Charges (SOC) from DWR for water supply from the State Water Project (SWP). The charges are based on the estimated annual costs to be incurred by the SWP. For two years following the estimated annual charge, the estimated charges are "trued- up" to the actual costs. This "true-up" process is called the "over/under collection". The over/under collection is the differences between payments made on estimated charges and the actual costs incurred by the SWP. The over/under collection differences are accumulated with interest and are amortized over the repayment period. Since DWR is a non-profit Agency, they cannot over-charge their customers. The SWP charges are purely a cost recovery or cost reimbursement billing model.

Public Comments - DWR conducted the negotiations in accordance with the "Principles Regarding Public Participation Process In SWP Contract Negotiations," which were approved as part of the settlement agreement reached in the case entitled, *Planning and Conservation League et al. v. Department of Water Resources*, 83 Cal. App. 4th 892 (2000). Given the project-wide contract amendment being negotiated and consistent with the settlement agreement, DWR was required to provide the public with the opportunity to observe negotiations and comment in each of the negotiating session. Within the public negotiation process, DWR was not required to respond to the comments. This process does not replace or supplant any requirements for public participation and comment that may be applicable under the California Environmental Quality Act, Public Resources Codes section 21000, *et seq*. ("CEQA"). DWR and the Contractors will determine what level and scope of environmental review is required under CEQA prior to approval and execution of the contract extension amendment. The public will have their opportunity to have their comments addressed under this CEQA process.

Bay Delta Conservation Plan (**BDCP**) - The BDCP was not contained in nor addressed by the AIP or the Contract Extension negotiations. This Contract Extension (CE) Amendment is separated from the BDCP Contract Amendment because DWR wanted to treat each of the amendments as separate projects and did not want to complicate the CEQA analysis for either of the projects. Each project is independent from the other and the contractors need this CE Amendment regardless of the ultimate decision made on whether or not to pursue the BDCP and the related Delta Habitat Conservation and Conveyance Program (DHCCP). This CE Amendment addresses the financial issues with the current contract terms that are separate and apart from any BDCP/DHCCP charges that might be negotiated in the future if the BDCP/DHCCP is approved. The BDCP/DHCCP contract amendment and any related CEQA analysis will address the charges required to finance the BDCP/DHCCP, if it is approved.

RECOMMENDATION:

Authorize the General Manager to negotiate and execute the Agreement-in-Principle.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Agreement in Principle to Extend State Water Project Water Supply Contract

WHEREAS, the current State Water Project (SWP) water supply contract, between California's Department of Water Resources (DWR) and Zone 7 expires in 2035; and

WHEREAS, an Agreement in Principle (AIP) has been developed under which the state would continue water services for fifty more years with a contract period extended to December 31, 2085; and

WHEREAS, the terms of the AIP include many enhancements to financial oversight, financial reporting and general communications; and

WHEREAS, the AIP developed through the negotiation process serves to provide the foundation for drafting the actual contract extension amendment and does not constitute a final commitment to execute the contract extension amendment;

NOW THEREFORE BE IT RESOLVED by the Board of Directors of Zone 7 of the Alameda Flood Control and Water Conservation District that the General Manager is hereby authorized to negotiate and execute this Agreement in Principle.

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 September 17, 2014.

By ______________________________
President, Board of Directors

DATE: June 18, 2014

SUBJECT: Agreement in Principle Concerning Extension of the State Water Project[1] Water Supply Contracts

This document contains a statement of principles that could provide the foundation for an agreement between each State Water Project Contractor[2] (Contractor) and the Department of Water Resources (DWR or Department) that will extend and otherwise amend the Water Supply Contract between such Contractor and DWR.

Outline of Agreement in Principle

I.	Objective 1	Term of Contract
II.	Objective 2A	Reserves
III.	Objective 2B	Accounts (SRA, SSA, FCA)
IV.	Objective 2C	Flow of Funds
V.	Objective 2D	Financial Management
VI.	Objective 2E	Supplemental Billing
VII.	Objective 2F	Cost Recovery
VIII.	Objective 2G	SWRDS Reporting Principles
IX.	Objective 2H	51(e) Revenue Reporting Requirements
X.	Objective 3A	Simplification of Billing
XI.	Objective 3B	Replacement Accounting System
XII.	Objective 3C	Article 1(hh)
XIII.	Objective 3D	Billing Authorization
XIV.	Objective 4	BDCP and DHCCP Participation
XV.	Provision 1	Other Contract Provisions
XVI.	Provision 2	Environmental Review Process
XVII.	Provision 3	Authorized Representative Signatures

[1] The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931)
[2] The State Water Project Contractors includes Alameda County Flood Control and Water Conservation District (Zone 7), Alameda County Water District, Antelope Valley-East Kern Water Agency, Castaic Lake Water Agency, City of Yuba City, Coachella Valley Water District, County of Butte, County of Kings, Crestline-Lake Arrowhead Water Agency, Desert Water Agency, Dudley Ridge Water District, Empire West Side Irrigation District, Kern County Water Agency, Littlerock Creek Irrigation District, The Metropolitan Water District of Southern California, Mojave Water Agency, Napa County Flood Control and Water Conservation District, Oak Flat Water District, Palmdale Water District, Plumas County Flood Control and Water Conservation District, San Bernardino Valley Municipal Water District, San Gabriel Valley Municipal Water District, San Gorgonio Pass Water Agency, San Luis Obispo County Flood Control and Water Conservation District, Santa Barbara County Flood Control and Water Conservation District, Santa Clara Valley Water District, Solano County Water Agency, Tulare Lake Basin Water Storage District, and Ventura County Flood Control District.

STATEMENT OF PRINCIPLES

I. OBJECTIVE 1: TERM OF CONTRACT

A. Water Supply Contract Term Extension

1. Extend term of the SWP water supply contracts to December 31, 2085.

II. OBJECTIVE 2A: RESERVES

A. General Operating Account (GOA)

1. **Uses of GOA** - Cash flow deficiencies resulting from chargeable water supply purposes and/or during a SWRDS emergency for any SWRDS purpose.

2. **SWRDS Emergency** - An immediate, urgent, critical, unexpected, or impending situation that, in the judgment of the Director, Department of Water Resources (Director), may cause or pose a risk of causing injury, loss of life, damage to the property, impairment of the financial condition, and/or interference with the normal activities of the State Water Resources Development System which requires immediate attention and remedial action.

3. **Initial Cap** - Increase the authorized General Operating Account (GOA) initial cap to $150 million in Article 51(a)(3).

4. **Cap Adjustment Determination** - Every five years subsequent to the year of the initial cap increase, there shall be a business case analysis on the GOA authorized cap including an evaluation of the cap and business risks associated with SWRDS cash flow provided to the SWRDS Finance Committee for recommendation to the Director regarding a GOA cap adjustment. If there is a decrease in the cap (but the cap shall not be lower than $150 million), the excess funds would be transferred to the SWRDS Reinvestment Account (SRA).

5. **Cap Adjustment Funding Source (Pre-2035)** - Shall be the Director's discretion to use 51(e) revenues[3], investment earnings retained in the GOA, and transfers of funds from the SRA and SWRDS Support Account (SSA).

6. **Cap Adjustment Funding Source (Post-2035)** - Shall be the Director's discretion to use the investment earnings retained in GOA and the funds within the SRA and SSA.

7. **Rate of Funding for Cap** - Limitation on the amount ($2 million per year) and timing of additional contributions to the GOA contained in Article 51(e)(3)(v) will be deleted. DWR will be able to use any amount of available 51(e) revenues to increase funds in the GOA up to the authorized maximum GOA funding level and such funding shall be subordinate to the annual rate management reductions to the Contractors.

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[3] The definition and calculation of 51(e) revenues will be included in the contract amendment language.

8. **GOA Replenishment** - Replenishment of the use of GOA funds will come from charges to the Contractors to the extent the expended funds were spent on chargeable water supply purposes and from the SSA or other available revenues for costs not chargeable to the Contractors.

9. **GOA Reporting** - DWR will prepare monthly reports on the balance and use of the GOA for the Director, which will be provided to the SWRDS Finance Committee. The SWRDS Finance Committee will periodically review reporting frequency and make recommendations to the Director regarding reporting frequency.

10. **GOA Investment Earnings** - shall be used as follows:

    a) Funding GOA to authorized GOA funding level;

    b) Transferred, at the discretion of the Director, to the SSA and/or to the SRA.

III. OBJECTIVE 2B: ACCOUNTS (SRA, SSA, FCA)

A. SWRDS Reinvestment Account (SRA)

1. **Effective Date of SRA** - The SRA shall be established and take effect upon the effective date of the contract extension amendment.

2. **SRA Uses** - The primary purpose is to provide a post-2035 SWRDS revenue stream by investing SRA funds in chargeable SWRDS facilities and programs.

3. **Funding Source** - At the discretion of the Director, available Article 51(e)(1)(ii) revenues collected by the State pre-2035. The Director also has discretion to transfer funds from the SSA or the GOA.

4. **Cap on SRA** - There will be no Cap or Cap Adjustments to the SRA.

5. **SRA Investments** - At the discretion of the Director, authorized SRA investments shall be as follows:

    a) Investment in SWRDS capital facilities, recovered at the prevailing municipal bond market rates corresponding to the SWRDS bond rating at the time of financing, in maturity ranges that may extend 10 to 50 years, provided that if the capital asset being financed has a useful life of less than 10 years, the investment may be recovered over a comparable period of less than 10 years;

    b) Bridge financing of capital costs in lieu of the SWRDS commercial paper program; and

   c) Allowable investments for SWRDS that generate a monetary return on investment.

6. **Use of SRA Funds** - At the discretion of the Director, the SRA funds, including but not limited to investment earnings, shall be used to:

   a) Provide a source of replenishment funds to the SSA;

   b) Provide a source of funds to be held in the SRA for investment purposes; and

   c) Provide a funding source for funding level adjustments to the GOA.

7. **SRA Review** - The SWRDS Finance Committee is to be consulted about the investments and activities to be funded from the SRA.

8. **SRA Reporting** - DWR will prepare regular reports on the SRA for the Director, which reports will be provided to the SWRDS Finance Committee.

B. SWRDS Support Account (SSA)

1. **Effective Date of SSA** - The SSA shall be established and take effect upon the effective date of the contract extension amendment.

2. **SSA Uses** - The purpose of the SSA shall be to provide a source of funds to pay for non-chargeable expenditures where there are no funds or revenue sources available to pay for such costs. If reimbursement or a source of revenue is received after the expenditure is incurred this revenue shall be deposited in the SSA.

3. **SSA Review** - The SWRDS Finance Committee shall be consulted about the projects and activities to be funded from the SSA.

4. **SSA Reporting** - DWR will prepare regular reports on the SSA for the Director, which will be provided to the SWRDS Finance Committee.

5. **Initial Cap** - There would be no cap on the SSA.

6. **Funding Source for Initial Funding** - 51(e) revenues and/or the remaining balance of the State Water Facilities Capital Account (FCA) once the FCA is closed.

7. **SSA Replenishment** - Shall be accomplished through 1) reimbursements received for expenditures made from the SSA; 2) at the discretion of the Director, transfers from the SRA and/or from the GOA's available investment earnings, 3) deposits, in the discretion of the Director, from other available revenues, and 4) interest and other investment income retained in the SSA. DWR will not charge the Contractors to replenish the SSA for costs not chargeable to the Contractors under the Water Supply Contracts.

8. **SSA Interest Earnings** – At the Director's discretion, retained in the SSA to reduce the annual SRA replenishment requirement.

C. State Water Facilities Capital Account (FCA)

1. The State Water Facilities Capital Account (FCA) pursuant to Article 51(c)(2)(v) shall be reviewed by the SWRDS Finance Committee after five years from the date of the contract amendment to recommend to the Director whether or not it should be closed and the balance of the account transferred to the SSA.

IV. OBJECTIVE 2C: FLOW OF FUNDS

A. Maintain the Monterey Amendment Article 51 Flow of Funds with the following edits/additions:

1. Increase Annual Rate Reductions to $48 million. The Annual Rate Reductions shall no longer apply after December 31, 2035 and the applicable provisions in Article 51 shall be deleted as of that date.

2. After the $48 million in annual rate reductions, the Director shall have the discretion to allocate and transfer up to 80% of available 51(e) revenues, as determined on a projected basis, and up to 100% on an actual basis into one or more of the following accounts:

   a) General Operating Account (GOA)

   b) SWRDS Support Account (SSA)

   c) SWRDS Reinvestment Account (SRA)

   After funds are deposited into a, b, and c above, any remaining available 51(e) revenues will remain in the Systems Revenue Account and will be tracked separately in DWR's Enterprise Resource Planning (ERP) system. The Director will have full discretion over the use of these funds. DWR will prepare financial reports annually with supporting documentation of the determination and provide these reports to the Finance Committee.

3. Contractors shall agree to forego additional rate management reductions including additional rate management reductions to make up for deficiencies in past projected rate management reductions or to provide any additional rate management reductions above $48 million annually pursuant to Article 51(e)(3). Effective with the contract amendment, Article 51(e)(3) shall be deleted.

4. The contract amendment shall specify those provisions in Article 51 that shall remain in effect after December 31, 2035 (such as the General Operating Account provision as it may be amended) and those provisions that will no longer apply after December 31, 2035 and shall be deleted as of that date.

5. Contractors shall agree to waive and release issues related to DWR's recent adjustment of the Contractors' responsibility for facilities south of Dos Amigos.

V. OBJECTIVE 2D: FINANCIAL MANAGEMENT

A. State Water Resources Development System Finance Committee

1. Immediately, the Department of Water Resources shall establish a joint Department of Water Resources and Contractor finance committee (Committee).

2. The membership of the Committee shall include both representatives from the Department of Water Resources and representatives from the Contractors.

3. The primary purpose of the Committee shall be to make recommendations to the Director of the Department of Water Resources concerning the financial policies of the State Water Resources Development System.

4. The Department of Water Resources and the Contractors shall describe the scope of the committee in a charter mutually agreeable to the Department of Water Resources and the Contractors.

VI. OBJECTIVE 2E: SUPPLEMENTAL BILLING

A. Supplemental Billing

1. The supplemental billing provisions authorized under Article 51(c)(4) shall remain in effect through December 31, 2035, unless the Director determines in his or her discretion to eliminate the use of supplemental billing prior to that date or upon Director's acceptance of a recommendation from the SWRDS Finance Committee. In full consultation with the SWRDS Finance Committee, DWR will review the System cash balances when the System's forecasted 120 days cash balance becomes critical. The Committee will make a recommendation for action to the Director. The supplemental billing provision may only be used when available System cash balances are projected to be less than an amount equal to 90 days operating expenditures[4]. The term "available System cash balances" shall mean the funds in the following California Water Resources Development Bond Fund accounts: System Revenue Account (to the extent the funds in the System Revenue Account are not projected to be needed for payment of Burns-Porter General Obligation Bond debt service for the next two years), GOA, SRA and SSA (to the extent the funds in the SSA are not projected to be needed for non-chargeable expenditures for the next two years).

[4] A description of "operating expenditures" will be included in the contract amendment language.

VII. OBJECTIVE 2F: COST RECOVERY

A. Cost Recovery

1. In general, DWR should seek reimbursement for all SWRDS costs from the appropriate customers and users of SWRDS facilities, including the State. With respect to those SWRDS costs that are reimbursable by the Contractors, DWR should allocate financial responsibility for such costs in a manner that is both lawful and equitable, and which endeavors to recover such costs from the appropriate Contractors. If the Department proposes to not charge any Contractor the full amount that the Department is entitled to charge the Contractor under the contract, DWR shall bring a written proposal to the Finance Committee for purposes of developing a recommendation to the Director regarding the proposal. DWR shall submit such proposal in writing to the Finance Committee 90 days in advance of the Director issuing any decision and within such 90 day period the Finance Committee shall provide the Director with a recommendation regarding such proposal. Such proposals will comply with the structure set out in II.D.2 of the SWRDS Finance Committee Charter.

VIII. OBJECTIVE 2G: SWRDS REPORTING PRINCIPLES [EXHIBIT TO THE CONTRACT]

A. During the term of the water supply contracts, it is likely that financial reports and financial management reports will change in scope, nature, and frequency. Regardless of the exact reports used, such reports shall follow the below principles and guidelines to the extent applicable.

1. <u>Principle 1</u>: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), such as SAP.

    - The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.

2. <u>Principle 2</u>: Financial reporting is not limited to annual financial statements but will be developed for regular reporting periods.

3. <u>Principle 3</u>: Financial management reporting generated from other financial systems, such as Utility Cost Accounting Billing System (UCABS), will identify and analyze significant variances from prior years or budgets.

4. <u>Principle 4</u>: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, reviewed, and resolved by management.

5. Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, UCABS, or other system, to provide controls/validations to ensure data integrity and reliable reporting.

6. Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:

   (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
   (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next.
       a. Data used outside of the Enterprise Resource Planning (ERP) systems to meet the reporting needs of Program will undergo any number of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.
   (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be correct – including business rules, relations, dates, definitions and lineage – for data to be complete.
   (4) Data integrity is imposed within an ERP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
   (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
   (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.

The SWRDS Finance Committee is charged with providing financial policy recommendations to the Director, and the Director has final discretion on whether or not to accept the recommendations. While the SWRDS Finance Committee is not charged with reviewing the content of financial reports, timely and accurate financial reporting and financial management reporting provides technical committees access to useful information that can be used to formulate proposals on financial policy matters that may be brought to the SWRDS Finance Committee.

IX. OBJECTIVE 2H: 51(e) REVENUE REPORTING REQUIREMENTS

A. 51(e) Revenue Report

1. Create and distribute the Annual Rate Reduction Determination Report. In addition, display the distribution of Gross Annual Revenues before Recreation, Fish and Wildlife

Expenditures, Facilities Capital Account and Rate Management Credits and Net Annual Revenues after Rate Management Credits to the accounts listed in item 2 below.

2. Create and distribute quarterly an Activity Report by fund-account for all uses, including but not limited to the following accounts:
   a) General Operating Account (GOA)
   b) SWRDS Support Account (SSA)
   c) SWRDS Reinvestment Account (SRA)
   d) Systems Revenue Account, 51(e) Sub-Account
   e) Davis-Dolwig Fund
   f) Facilities Capital Account
   g) Suspended Costs

3. The Activity Report shall display the annual and accumulated 51(e) revenue and expenditure activity, including the beginning balance, the annual activity and the ending balance for the year.

4. Reporting data shall be auditable which includes an audit trail from the costing ledgers to the general ledger or the Bulletin 132 estimates to the Activity Report.

5. Report should have sufficient detail to provide comprehensive accounting of annual 51(e) revenues and the uses the of annual 51(e) revenues to enable the SWRDS Finance Committee to assess the utilization of these revenues.

X. OBJECTIVE 3A: SIMPLIFICATION OF BILLING

A. Implement the Freeze-Go Billing Methodology

1. The freeze-go date shall be January 1 of the first calendar year starting six (6) months after the contract extension takes effect, but not earlier than January 1, 2017, provided that if the Department determines it to be necessary, the Department may rely on estimates and later true-up for billing and reporting purposes in the initial implementation years after the freeze go date.

2. Methodology will recover all costs incurred on and after the freeze-go date, by converting and authorizing repayment on a Pay-As-You-Go methodology.

3. Amend the definition of the Project Repayment Period to apply only to those costs incurred prior to the freeze-go date.

4. The term of the Project Repayment Period, January 1, 1961 through December 31, 2035, will remain the same.

5. The Water Systems Revenue Bond Surcharge will apply only to those costs incurred prior to the freeze-go date and will terminate at the completion of the Project Repayment Period.

6. Amend the definition of the Project Interest Rate to apply only to those costs incurred prior to the freeze-go date. No interest rate, including the Project Interest Rate, shall be applied to the over/under charges for costs incurred after the freeze-go date. The Project Interest Rate will remain 4.610%.

7. In identifying "costs incurred" for purposes of determining whether the cost is incurred before the freeze-go date or on or after the freeze-go date, the following shall apply:

    a) Variable costs shall be deemed to occur when the goods or service is provided, regardless of when the expenditure for such goods or service is recorded in the financial information system;

    b) Capital and minimum costs shall be deemed to occur when the expenditure for the goods or service is recorded in the financial information system, regardless of the date the goods or service is provided.

B. Defining the Pay-As-You-Go Repayment of Costs Incurred On and After the Freeze-Go Date

1. The annual cost recovery within a bill year for estimated annual operation, maintenance, power, and replacement costs for project conservation facilities.

2. The annual recovery of actual debt service, including repayment of the SRA, created by SWRDS financing activities, within a bill year for financed capital transportation and conservation facilities.

3. A capital asset which has a short useful life and/or will not have a substantial cost, may be charged to the Contractors in the year the cost is incurred. The SWRDS Finance Committee may review and make recommendations to the Director regarding the policy of charging the costs of such assets.

C. Defining the Pay-As-You-Go Repayment of Actual Debt Service from SWRDS Financing Capital Costs On and After the Freeze-Go Date

1. Authorize DWR to finance 100% of all capital costs.

2. Authorize DWR to use various methods of financing including Water System Revenue Bonds and SRA, with each method providing an annual repayment schedule which includes a principal and interest (debt service) component over the life of the financing.

3. Authorize DWR to bill an amount that is equal to the accumulated annual debt service payments due per the debt service schedules for SRA investments or matching dollar for dollar the SWRDS annual debt service payments including the bond cover requirements, providing 100% capital cost recovery at the financed interest rate over the term of the financing while meeting the additional bond debt cover requirements.

XI. OBJECTIVE 3B: REPLACEMENT ACCOUNTING SYSTEM (RAS)

A. Elimination of the Replacement Accounting System (RAS)

1. Eliminate the Replacement Accounting System (RAS) for Transportation and Conservation Facilities with the intent to have replacement costs treated as a minimum or capital cost.

2. The unencumbered cash balance of the RAS funds are to be returned to the SWP Contractors using the RAS allocation methodology.

XII. OBJECTIVE 3C: ARTICLE 1 (hh)

A. Expanding Water System Facilities Authorized to be Financed by Water System Revenue Bonds Under Article 1(hh)

1. Eliminate the January 1, 1987 date for existing facilities within Article 1(hh)(8); provision to now read as follows, " Finance all repairs, additions, and betterments to conservation or transportation facilities and to all other facilities described in this sub-article (hh) except for item (5) the land acquisition prior to December 31, 1995 for the Kern Fan Element of the Kern Water Bank."

2. Add provision to expand Article 1(hh) to include "Finance all other capital projects (i.e. projects and programs for which revenue bonds can be sold) mutually agreed upon in writing by DWR and 80% of the affected Contractors, provided that the approving Contractors' Table A amounts exceed 80% of the Table A amounts representing all affected Contractors". "Affected Contractors" means those Contractors which would be obligated to pay a share of the debt service for such project.

XIII. OBJECTIVE 3D: BILLING AUTHORIZATION

A. Billing Authorization

The Department, in fixing and establishing prices, rates, and charges for water and power, shall include as a reimbursable cost of any state water project an amount sufficient to repay all costs incurred by the department, directly or by contract with other agencies, for the preservation of fish and wildlife and determined to be allocable to the costs of the project works constructed for the development of that water and power, or either. Costs incurred for the enhancement of fish and wildlife or for the development of public recreation shall not be included in the prices, rates, and charges for water and power, and shall be nonreimbursable costs.

Such recreational purposes include, but are not limited to, those recreational pursuits generally associated with the out-of-doors, such as camping, picnicking, fishing, hunting, water contact sports, boating, and sightseeing, and the associated facilities of campgrounds, picnic areas, water and sanitary facilities, parking areas, viewpoints, boat launching ramps, and any others necessary to make project land and water areas available for use by the public.

In administering this Contract “development of public recreation” shall include recreation capital and operation and maintenance.

XIV. OBJECTIVE 4: BDCP AND DHCCP PARTICIPATION

This Objective will not be part of the SWP contract amendment based on this AIP. Instead, Contractor participation in the BDCP and DHCCP will be addressed through a separate public negotiation and environmental review process to develop appropriate SWP water supply contract amendments. DWR has begun the administrative process that will be used to facilitate the public negotiations of such amendments. The first public negotiation session is scheduled for December 2014.

XV. PROVISION 1 – OTHER CONTRACT PROVISIONS

Except as amended, all provisions of the Water Supply Contract shall be and remain in full force and effect.

XVI. PROVISION 2 – ENVIRONMENTAL REVIEW PROCESS

DWR and the Contractors agree that this AIP is intended to be used during the environmental review process for the California Environmental Quality Act (CEQA), to define the proposed project description for the purposes of CEQA, and to permit the next steps of the water supply contract extension process, including scoping and the preparation of the EIR.

The AIP principles are not final contract language and do not represent a contractual commitment by either DWR or the Contractors to approve any proposed project, to sign contract amendments, or to extend the contract. By concurring with the AIP, DWR and the Contractors express their intent to move forward with the CEQA process with DWR as lead agency and the Contractors as responsible agencies, and ultimately develop a proposed project consisting of contractual amendments consistent with the AIP principles and prepare the EIR for consideration by DWR and the Contractors.

At the end of the CEQA process and in compliance with CEQA, DWR and the Contractors will each individually evaluate the EIR and contract amendments, exercise their independent judgment, and determine whether or not to certify the EIR, approve the proposed project and sign the contract amendments or to approve an alternative project. Consequently, even though DWR and the Contractors have agreed to the AIP for the purposes described in the preceding paragraphs, DWR and each Contractor retain their full discretion under CEQA to consider and adopt mitigation measures and alternatives, including the alternative of not going forward with the proposed project.

XVII. PROVISION 3 – AUTHORIZED REPRESENTATIVE SIGNATURES

DWR and each Contractor may express concurrence with this AIP by having their authorized representatives sign below. DWR and each Contractor will use their best efforts to make a decision whether to sign the AIP by September 1, 2014. The AIP may be signed in counterparts.

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

ALAMEDA COUNTY WATER DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

ANTELOPE VALLEY – EASTERN KERN WATER AGENCY

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

CASTAIC LAKE WATER AGENCY

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

CITY OF YUBA CITY

By: ________________________________
Name: ________________________________
Title: ________________________________
Date: ________________________________

COACHELLA VALLEY WATER DISTRICT

By: ________________________________
Name: ________________________________
Title: ________________________________
Date: ________________________________

COUNTY OF BUTTE

By: ________________________________
Name: ________________________________
Title: ________________________________
Date: ________________________________

COUNTY OF KINGS

By: ________________________________
Name: ________________________________
Title: ________________________________
Date: ________________________________

CRESTLINE LAKE ARROWHEAD WATER AGENCY

By: ________________________________
Name: ________________________________
Title: ________________________________
Date: ________________________________

DESERT WATER AGENCY

By: ________________________________
Name: ________________________________
Title: ________________________________
Date: ________________________________

DUDLEY RIDGE WATER DISTRICT

By: __________________________________
Name: ________________________________
Title: _________________________________
Date: _________________________________

EMPIRE WESTSIDE IRRIGATION DISTRICT

By: __________________________________
Name: ________________________________
Title: _________________________________
Date: _________________________________

KERN COUNTY WATER AGENCY

By: __________________________________
Name: ________________________________
Title: _________________________________
Date: _________________________________

LITTLEROCK CREEK IRRIGATION DISTRICT

By: __________________________________
Name: ________________________________
Title: _________________________________
Date: _________________________________

MOJAVE WATER AGENCY

By: __________________________________
Name: ________________________________
Title: _________________________________
Date: _________________________________

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: __________________________________
Name: ________________________________
Title: _________________________________
Date: _________________________________

NAPA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

OAK FLAT WATER DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

PALMDALE WATER DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

PLUMAS COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

SAN GABRIEL VALLEY MUNICIPAL WATER DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

SAN GORGONIO PASS WATER AGENCY

By: __________________________________
Name: __________________________________
Title: __________________________________
Date: __________________________________

SAN LUIS OBISPO COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: __________________________________
Name: __________________________________
Title: __________________________________
Date: __________________________________

SANTA BARBARA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

By: __________________________________
Name: __________________________________
Title: __________________________________
Date: __________________________________

SANTA CLARA VALLEY WATER DISTRICT

By: __________________________________
Name: __________________________________
Title: __________________________________
Date: __________________________________

SOLANO COUNTY WATER AGENCY

By: __________________________________
Name: __________________________________
Title: __________________________________
Date: __________________________________

TULARE LAKE BASIN WATER STORAGE DISTRICT

By: __________________________________
Name: __________________________________
Title: __________________________________
Date: __________________________________

VENTURA COUNTY FLOOD CONTROL DISTRICT

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

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/David Aladjem

AGENDA DATE: September 17, 2014 ITEM NO. **8**

SUBJECT: Tri-Valley Intergovernmental Reciprocal Services Master Agreement

SUMMARY:

- On March 19, 2014, the Zone 7 Board adopted a resolution accepting Management Partners' October 2013 "Tri-Valley Utilities – Results of Coordination/Integration Study, Phase 1" report and directing staff to implement the Joint Recommendations as outlined in the Joint Staff Report dated March 5, 2014 and as described to the Joint Liaison Committee at the meeting held the same day.
- As part of this effort, representatives from Dublin-San Ramon Services District; the Cities of Dublin, Livermore and Pleasanton; and Zone 7 have developed a draft Master Agreement that would allow these entities to share staff and supplies and thereby reduce the cost of providing public services.
- The proposed agreement would provide a framework for member agencies to obtain services and/or supplies from each other, at a reduced cost to the public.
- Under the terms of the draft Master Agreement, each agency is required to comply with all of its own statutes, regulations, policies and practices for procurement. No agency can be forced to provide services or supplies to another. Each transaction will be documented through a purchase order (or similar document) that is acceptable and approved by the agencies involved.
- Other public agencies and utilities in the area may join in this effort if they agree to comply with the terms of the Master Agreement.
- The proposed agreement is consistent with the direction from the Alameda County Local Agency Formation Commission (LAFCo), requesting that agencies in the Tri Valley Area collaborate in seeking ways to reduce the cost of public services.
- The City of Pleasanton is scheduled to consider this agreement on September 16, the City of Livermore is scheduled to consider this agreement on September 22, and the Dublin-San Ramon Services District is scheduled to consider this agreement on October 7. The agreement will go into effect once two agencies sign the agreement.

FUNDING:
Funding for each project will be determined at the time that Zone 7 decides to request services or supplies from another member agency.

RECOMMENDED ACTION:
Adopt attached resolution authorizing the General Manager to negotiate and execute the attached agreement.

ATTACHMENTS:
Resolution and proposed Tri-Valley Intergovernmental Reciprocal Services Master Agreement

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Tri-Valley Intergovernmental Reciprocal Services Master Agreement

WHEREAS, on March 19, 2014, the Zone 7 Board adopted a resolution directing staff to implement the Joint Recommendations as outlined in the March 5th Joint Staff Report presented to the Joint Liaison Committee at the meeting held that day; and

WHEREAS, in order to implement these recommendations, representatives from the Cities of Dublin, Livermore and Pleasanton; Dublin-San Ramon Services District and Zone 7 have developed a draft Master Agreement that would allow these entities to share staff and supplies and thereby reduce the cost of providing public services;

NOW THEREFORE BE IT RESOLVED by the Board of Directors of Zone 7 of the Alameda Flood Control and Water Conservation District that the General Manager is hereby authorized to negotiate and execute this Master Agreement.

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 September 17, 2014.

By ______________________________________
President, Board of Directors

Tri-Valley Utility Coordination and Integration Steering Committee

Tri-Valley Intergovernmental Reciprocal Services Master Agreement

TRI-VALLEY INTERGOVERNMENTAL RECIPROCAL SERVICES MASTER AGREEMENT

This AGREEMENT ("AGREEMENT") establishes a Tri-Valley Intergovernmental Reciprocal Services Master Agreement to facilitate the process of contracting for services, or sharing resources, materials, personnel, and equipment between the signatory local or regional government entities, and, to the extent appropriate, private utilities for the purposes described herein. This AGREEMENT is made and entered into by and between the parties that are signatories to this AGREEMENT. The AGREEMENT was first approved on ___________.

Recitals

WHEREAS, each of the initial parties to this AGREEMENT is a local or regional government entity functioning within the Tri-Valley Region,

WHEREAS, the parties recognize that this AGREEMENT may also be applicable to other local or regional government entities serving communities near the Tri-Valley Region; and

WHEREAS, the parties hereto recognize the value of using common resources effectively and find that promoting the coordination of interagency efforts in the Tri-Valley Region, or a larger regional area that could include local or regional government entities servicing nearby communities is in the public interest and for the common benefit of all; and

WHEREAS, the parties desire to enter into an AGREEMENT to efficiently coordinate interagency efforts to reduce costs, increase efficiency, or achieve higher quality work-product by providing services and resources to the other parties; and

WHEREAS, it is understood that the primary purpose of this AGREEMENT is to provide a structure for the successful and efficient coordination of utility and public works maintenance activities, sharing of resources and contracting for services described herein; and

WHEREAS, the parties understand that the AGREEMENT provides only a general framework to address the administration, liability and equitable apportionment of the cost of services provided by one party to the other, with more specific terms and conditions contained in written Task Orders negotiated between the individual parties for sharing resources or contracting for services; and

WHEREAS, the parties do not intend to create a separate public agency pursuant to Government Code §6500 et seq. through this AGREEMENT and no provision of this AGREEMENT should be so construed; and

WHEREAS, the parties intend to directly contract with one another for services, supplies, equipment, or materials using the framework set forth in this agreement.

NOW, THEREFORE, the parties hereto do hereby enter into this AGREEMENT, as follows:

1. **Definitions**. As used in this AGREEMENT, the following words and phrases shall have the meanings set forth below unless the context clearly indicates otherwise.

a. “AGREEMENT” shall mean the Tri-Valley Intergovernmental Reciprocal Services Master Agreement.

b. “Member Agency” or “Member Agencies” or “Party” or “Parties” shall mean local or regional government entities that are signatories to this AGREEMENT.

c. “Task Order” shall mean a written agreement between two or more member agencies describing the services to be performed or resources to be shared between the agencies and the terms of the services or project, which may include but not be limited to compensation and payment, term or duration, required inspections, milestones, and insurance or indemnity requirements.

2. **Objectives**. Through this AGREEMENT, the Parties initially intend that this Agreement will enable willing Member Agencies to share among and between themselves resources that support local or regional government functions including, but not limited to utility and public works administrative and maintenance activities such as fleet or landscape maintenance; cleaning, televising and repairing subsurface pipelines; pavement marking or repairs; maintenance of water reservoirs and fire hydrants; custodial/janitorial services; purchasing equipment and/or supplies; and training, grant writing and sharing of equipment.

3. **Membership**

a. **Member Agency**. Any local and/or regional public agency that operates within or has jurisdiction over any area within the Tri-

Valley Region, or that operates within or has jurisdiction over areas immediately adjacent to the Tri-Valley Region or which is located within sufficient geographical proximity to provide efficient sharing of resources with agencies operating within the Tri-Valley may be a Member Agency under this AGREEMENT. Each Member Agency must be a signatory to this AGREEMENT. Other local or regional public agencies may become a Party to this Agreement by (i) passing a resolution of its governing body by which it agrees to comply with all the terms of this Agreement, (ii) executing the signature page attached hereto, and (iii) providing notice of these actions to the Member Agencies of the AGREEMENT. Acceptance or approval by the existing Parties is not needed for a new party to enter into this agreement.

b. **Initiation of Membership**. If an eligible agency as defined in Section 3 requests to enter this AGREEMENT as a new Member Agency, the new Member Agency is subject to all provisions of this AGREEMENT.

c. **Termination of Membership**. Any Member Agency may voluntarily terminate its membership in the AGREEMENT upon completion of all obligations and Task Orders entered into between it and the other member(s) and upon 90 days' notice to the Member Agencies, if any. Except as specified in Section 11, a Member Agency's termination of membership shall have no effect on the continuing effectiveness of the AGREEMENT among the remaining Member Agencies.

4. **Sharing Information Among Member Agencies.** Member Agencies shall, upon the request of another Member Agency, submit copies of Task Orders initiated under this AGREEMENT to the other Member Agency at mutually agreeable intervals.

5. **Task Orders**.

Implementation of interagency efforts shall be accomplished through Task Orders issued by one Member Agency to another Member Agency referencing the standard terms and conditions described in Exhibit B. The parties agree that the terms and conditions for compensation or payment from one Member Agency to another for sharing resources or providing services will be negotiated between the individual Member Agencies and contained in a Task Order. Said task orders are subject to the laws and purchasing authorities of each Member Agency. Task Orders shall be executed by the designated official or Chief Executive Officer of the respective Member Agency, or his or her authorized designee. The Task Orders shall be in substantially the same form as attached hereto as Exhibit A, and shall be specific to the coordinated effort or task.

6. **Hold Harmless and Indemnity:**

a. **Regarding the Performance of Services Under a Task Order.** Each Task Order issued under this AGREEMENT shall contain one or more provisions addressing the defense of and indemnity against loss, liability, damage, cost and expense arising out of services received and furnished under a Task Order issued pursuant to this AGREEMENT. Unless the Task Order creates a different standard between those two parties, as provided in Subsection b., below, the provision(s) shall take the form(s) set forth in Section 9 of Exhibit B to the AGREEMENT.

b. **Alternative indemnification arrangements.** In Task Orders issued pursuant to this AGREEMENT, Member Agencies may agree between or among themselves to replace the defense and indemnity provisions set forth in Section 9 of Exhibit B to the AGREEMENT with alternative indemnification provisions specific to the subject matter of any particular Task Order or Task Orders.

7. Inconsistent Terms Between AGREEMENT and Task Orders: Member Agencies are encouraged to maintain consistency through the use of the Task Order form and standard terms and conditions found in Exhibits A and B. Nonetheless, the Parties recognize that the circumstances of the transaction being memorialized by a Task Order may require variations from those templates. Accordingly, the Member Agencies agree, that in the event that there are any conflicts between any provision of this AGREEMENT and the corresponding provision of any Task Order issued thereunder, the provision of the Task Order shall govern. Notwithstanding anything to the contrary, the preceding sentence shall not be construed to allow any Task Order to be executed without mutually agreeable provisions for defense of and indemnity against loss, liability, damage, cost and expense including but not limited to reasonable attorney, consultant and expert fees, and court costs.

8. **Effective Date**. This AGREEMENT shall become effective when at least two (2) agencies have executed it.

9. **Term and Expiration**. This AGREEMENT shall remain in effect as long as at least two agencies remain as parties to the AGREEMENT. It shall expire when only one agency is a party.

10. **General Provisions**

    a. **Counterparts**. This AGREEMENT may be executed in counterparts and each of these executed counterparts shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same instrument.

    b. **Notices**: Any notice required, or convenient to the performance, hereunder, shall be in writing and may be given to the parties by personal delivery, or by mail (first class or equivalent), postage prepaid.

    c. **Contact Information For Member Agencies**

    Upon joining, Member Agencies will provide contact information.

    d. **Modification**: This AGREEMENT may only be modified by written amendment or supplement approved and executed by the parties in the same manner as this AGREEMENT.

    e. **Waiver**: Failure of any party to insist upon the strict performance of any term or condition in this AGREEMENT or in any Task Order, no matter how long the failure continues, is not a waiver of the term or condition by that party and does not bar the right of the party to subsequently demand strict performance. To be effective, a waiver must be in writing and signed by the non-breaching party.

f. **Severability:** If any term or provision of this AGREEMENT or any Task Order is deemed invalid or unenforceable by any court of final jurisdiction, it is the intent of the Parties that all other provisions shall be construed to remain fully valid, enforceable and binding on the parties.

g. **Governing Law:** This AGREEMENT and Task Orders shall be governed by, and will be interpreted in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT as set forth below.

AGENCY	**AGENCY**
By: ______________________________	By: ___________________________
Print Name: _______________________	Print Name: ____________________
Title: _____________________________	Title: __________________________
Date: _____________________________	Date: __________________________
AGENCY	**AGENCY**
By: ______________________________	By: ___________________________
Print Name: _______________________	Print Name: ____________________
Title: _____________________________	Title: __________________________
Date: _____________________________	Date: __________________________
AGENCY	**AGENCY**
By: ______________________________	By: ___________________________
Print Name: _______________________	Print Name: ____________________

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT as set forth below.

__________________________________ __________________________________

By: ______________________________ By: ______________________________

Print Name: ________________________ Print Name: ________________________

Title: ______________________________ Title: ______________________________

Date: ______________________________ Date: ______________________________

__________________________________ __________________________________

By: ______________________________ By: ______________________________

Print Name: ________________________ Print Name: ________________________

Title: ______________________________ Title: ______________________________

Date: ______________________________ Date: ______________________________

Exhibit A

Task Order Template

Exhibit B

Standard Terms and Conditions

The parties agree that the following standard terms and conditions will be used in Task Orders initiated under this AGREEMENT. Member Agencies may include additional terms and conditions specific to the coordinated effort or may agree between or among themselves to modifications of these terms for any particular task order.

1. **Description of Activity or Services**. Each Task Order shall describe the specific activity, service or resource being shared or performed. The description should contain information on required inspection, testing or acceptance procedures, if any, as well as milestones or completion dates for the tasks to be completed.

   Compensation and Payment. The Task Order shall include the compensation and payment terms for the services or resources provided. It is anticipated that costs for services and sharing resources would be based on or related to the cost of providing the service or sharing the resource, however nothing in this section is intended to restrict Member Agencies from providing or accepting services based on factors other than the cost of providing the service.

2. **Term**. Task Orders shall specify the term of the activity, project, service or sharing of resources.

3. **Termination**. Unless a Task Order provides otherwise, a Member Agency

may terminate any portion or all of the services authorized under a Task Order by giving the other Member Agency or agencies party to the Task Order 30 calendar-days advance written notice. Upon receipt of a termination notice, Member Agencies shall immediately stop all work in progress on the services authorized under the Task Order, except where necessary to preserve the benefit of the work, and assemble the work for delivery to the other Member Agency on or about the termination date. All compensation for services performed prior to the termination dates shall be payable within 30 days to the Member Agency in accordance with the Compensation and Payment provisions of the specific Task Order.

4. **Insurance**. Task Orders shall include insurance provisions acceptable to each Member Agency that is a party to the specific Task Order, and consistent with the insurance underwriting and risk management principles of each participating Member Agency.

5. **Reference to Master Agreement**. Task Orders may incorporate by reference any condition in this AGREEMENT, or may include different conditions or requirements specific to the proposed work or services. Examples include, but are not limited to indemnification, insurance, waiver and severability. Conditions or requirements contained in Task Orders may be more or less restrictive than conditions, terms or requirements included in this AGREEMENT with consent of all parties to the individual Task Order;

6. **Non-Exclusive Agreement**. Task Orders shall include a statement that they are non-exclusive agreements, and that Member Agencies reserve the right

to provide, and to retain others to provide, services that are the same or similar to the services described in the Task Order.

7. **No Assignment**. Task Orders shall include the requirement that the Member Agency providing the service shall not assign or subcontract any of the services to non-public agency staff without the prior consent of the Member Agency receiving the service. Task Orders initiated to take advantage of coordinated purchasing or contracting arrangements where the service will be provided using outside contractors shall explicitly note that the service is being provided with contract or non-public agency resources to ensure appropriate competitive bidding procedures are followed.

8. **Dispute Resolution**. It the event of a dispute concerning the terms and conditions of this AGREEMENT or a Task Order initiated pursuant to this AGREEMENT the affected parties will negotiate and attempt to resolve the matter informally. Each party shall negotiate in good faith by ensuring its representative is knowledgeable about the dispute, this AGREEMENT and any pertinent Task Order, and has the ability to either agree to a solution or has authority to make a direct recommendation to the party's decision makers who can approve a solution.

9. **Defense and Indemnity.** Each Party to this Task Order shall defend, indemnify and hold each of the other parties to this AGREEMENT, and their respective elected officials, officers, directors, employees, agent, and designated volunteers harmless from and against any and all loss, liability, damage, cost and expense including but not limited to reasonable attorney,

consultant and expert fees, and court costs, to the extent caused by the indemnifying party's own negligence, recklessness, willful misconduct, or infringement of any patent, trademark, or copyright (or uncopyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used) in the performance of its services under a Task Order issued pursuant to this AGREEMENT. This indemnity shall not apply to liability for damages for death or bodily injury to persons, injury to property, or other loss arising from the sole misconduct, including active negligence, of the party receiving the service, or of another Party to this AGREEMENT, or their respective elected officials, officers, directors, employees, agents, and designated volunteers unless the Parties expressly so provide.

Acceptance of insurance certificates and endorsements required under this Task Order does not relieve a Member Agency from liability under this indemnification and hold harmless clause except to the extent payment is made under such policy or policies.

10. **Obligation to Correct Errors.** In addition to the above indemnification obligations, a Member Agency providing services shall correct, at its own expense, all errors in the services provided measured against the terms of the Task Order under which services were provided. Should a Member Agency providing services fail to make such correction in a timely manner after being notified, the Member Agency contracting for the service shall make the correction and charge the cost thereof to the Member Agency responsible for providing the service.

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: September 17, 2014 ITEM NO. **9**

SUBJECT: Proposed Position on Water Bond

SUMMARY:

- On January 22, 2014, the Brown Administration released its final California Water Action Plan (CalWAP), a comprehensive approach to addressing management of the state's water supplies (see http://resources.ca.gov/california_water_action_plan/docs/Final_California_Water_Action_Plan.pdf).
- CalWAP was based on the input from many stakeholders, including the water community. In anticipation of this effort, on September 27, 2013, the Association of California Water Agencies (ACWA) released a Statewide Water Action Plan (SWAP) to provide a framework from which state staff could build such a comprehensive program (for ACWA's SWAP, see http://www.acwa.com/sites/default/files/post/statewide-water-action-plan/2013/10/final-printer_statewide-water-action-plan-3.pdf).
- On June 18, 2014, the Zone 7 Board of Directors passed a resolution supporting both the California Water Action Plan and the ACWA Statewide Water Action Plan.
- On August 13, 2014, the legislature passed The Water Quality, Supply and Infrastructure Improvement Act of 2014, a $7.545 billion general obligation bond measure in support of CalWAP; Proposition 1 is set for the November 2014 ballot. This bond replaces an $11.14 billion measure previously slated for the November ballot.
- Further information is available in both the attached Fact Sheet prepared by ACWA and the attached legislative summary from Alf Brand, Legislative Director to Assembly Member Rendon.
- Staff recommends discussing and deciding whether to adopt attached resolution of support for Proposition 1 to provide $7.545 billion in bond funding for a variety of water resource purposes, as outlined in CalWAP. DSRSD is also discussing the possibility of taking a support position at their September 16th board meeting and results will be reported verbally.

FUNDING:
This action has no funding impact.

RECOMMENDED ACTION:
Discuss possibility of adopting attached resolution.

ATTACHMENTS: ACWA Fact Sheet, Brandt's Summary and Draft Resolution

Association of California Water Agencies
Since 1910
Leadership • Advocacy
Information • Service

WATER BOND 2014
THE TIME IS NOW

Proposition 1 – The Water Quality, Supply and Infrastructure Improvement Act of 2014

Fact Sheet

The Water Quality, Supply and Infrastructure Improvement Act of 2014 is a $7.545 billion general obligation bond measure set for the November 2014 ballot. If approved by voters, the measure would provide funding for new surface and groundwater storage projects, regional water reliability, sustainable groundwater management and cleanup, water recycling, water conservation, watershed protection and safe drinking water, particularly for disadvantaged communities.

Proposition 1 is the product of more than five years of discussions and negotiations among state lawmakers, stakeholders and others to craft a responsible bond measure to fund needed investments as part of a statewide comprehensive water plan for California. The measure was approved by the Legislature and signed by Gov. Jerry Brown on Aug. 13.

Supported by a broad coalition of water, business, conservation, labor and agriculture organizations, the $7.545 billion bond replaces an $11.14 billion measure previously slated for the November ballot.

Key Funding Areas

Surface and Groundwater Storage - $2.7 billion

- Continuous appropriation for above-and below-ground water storage projects.

Regional Water Reliability - $810 million

- Integrated regional water management: $510 million.
- Stormwater capture: $200 million.
- Water conservation: $100 million.

Safe Drinking Water - $520 million

- Leverages federal funds for safe drinking water and clean water programs and for disadvantaged communities.
- Small Community Wastewater Program: $260 million.
- Drinking Water Public Infrastructure: $260 million.

Water Recycling - $725 million

• Statewide water recycling projects and activities.

Groundwater Sustainability - $900 million

• Prevent and reduce groundwater contaminants: $800 million.
• Provide sustainable groundwater management planning and implementation: $100 million.

Watershed Protection, Ecosystem Restoration, State Settlements - $1.495 billion

• Conservancies: $327.5 million.
• Wildlife Conservation Board: $200 million (restoration of flows).
• Department of Fish and Wildlife: $285 million (out of Delta, no mitigation on BDCP).
• Department of Fish and Wildlife: $87.5 million (in-Delta with constraints).
• State settlement obligations including CVPIA: $475 million.
• Rivers and Creeks: $120 million.

Statewide Flood Management - $395 million

- Statewide flood management projects and activities: $100 million.
- For Delta levee subvention programs and Delta flood protection projects: $295 million.

General Provisions

- Funding eligibility requires urban or agricultural water management plans and compliance with 2009 Water Conservation Act.
- Bay Delta Conservation Plan neutral.
- Protects existing water rights and reaffirms area of origin protections.

The Water Quality, Supply and Infrastructure Improvement Act of 2014

Clean, Safe and Reliable Drinking Water ($520 Million) – Disadvantaged Communities

- $260 Million – Small Community Wastewater Treatment
    - priority for disadvantaged communities and public health hazards
- $260 Million – Safe & Affordable Drinking Water
    - priority for disadvantaged communities
    - $25 million for technical assistance program
    - $2.5 million for disadvantaged community matching funds
- Benefits for Disadvantaged Communities
    - cost sharing requirement (generally 50%) may be reduced or waived
    - minimum 10% for severely disadvantaged communities
    - 15% of funding allowed for technical assistance
    - technical assistance proportion may exceed 15% of grant

Protecting Rivers, Lakes, Coastal Waters and Watersheds ($1.495 Billion)

- $327.5 Million – Multibenefit Watershed Projects by State Conservancies
- $200 Million – Enhanced Stream Flows by Wildlife Conservation Board
- $100 Million – Urban Creek Restoration (Los Angeles and San Gabriel Rivers)
- $20 Million – Multibenefit Urban Watershed Projects by Competitive Grant
- $475 Million – Fulfilling State Obligations in Water Settlements
- $285 Million – Watershed Restoration Projects by Dept. of Fish & Wildlife
- $87.5 Million – Delta Water Quality & Ecosystem Restoration

Regional Water Security, Climate, and Drought Preparedness ($810 Million)

- $510 Million – Allocation to Each Hydrologic Region
- $100 Million – Urban and Agricultural Water Conservation
- $200 Million – Stormwater Management

Statewide Water Storage ($2.7 Billion)

- Continuous Appropriation to California Water Commission
- Public Benefits of Surface Water Reservoirs and Groundwater Aquifers
- Required 50% Non-State Cost-Share
- Required Ecosystem Improvement for Delta or Delta Tributaries

Water Recycling ($725 Million)

- Broad Range of Potential Projects – including desalination and water quality
- Required 50% Non-State Cost-Share (reduced/waived for disadvantaged communities)

Groundwater Sustainability & Cleanup ($900 Million)

- $100 Million – Groundwater Sustainability Planning & Projects
- $80 Million – Groundwater Cleanup for Drinking Water Source
- Required 50% Non-State Cost-Share (reduced/waived for disadvantaged communities)

Statewide Flood Management ($395 Million)

- $295 Million – Delta Levee Maintenance and Improvements
- $100 Million – Multibenefit Projects to Achieve Public Safety and Enhance Fish/Wildlife

ELEMENTS OF THE 2014 WATER BOND
$7.545 Billion for Next-Generation Water Infrastructure

Invests in the Next Generation of Water Infrastructure
- Promotes New Technology – priority for "new or innovative technology"
- Funds Projects for the Future – water conservation, recycling, desalination
- Addresses Emerging Water Challenges – stormwater, groundwater cleanup
- Increases Regional Self-Reliance for Water Supply
- Encourages Cross-Agency Collaboration to Set Top Investment Priorities

Improves Drinking Water Quality Statewide
- Commits More than $1 BILLION to Improving Water Quality
- Restores Source Water Quality in Upstream Watersheds
- Allows for Water Quality Projects in Several Funding Categories
    - Safe Drinking Water
    - Recycled Water
    - Regional Water Security
    - Protecting Rivers/Coast
    - Groundwater Sustainability

Protects California's Water Environment
- Restores Watersheds That Provide California's Water Supply
- Allocates $1.495 Billion to Protect Rivers, Coast and Watersheds
- Funds Ecosystem Restoration Projects – The Delta, Watersheds, The Coast

Eliminates Earmarks for Specific Projects – Reduces Bond $3.5+ Billion
- Deleted Project-Specific Allocations from Previous Water Bond
- Limits Allocations to Specific Agencies with Defined Water Purposes
- Prohibits Legislature from Appropriating Money to Specific Projects
- Reduced Water Bond By 1/3 – $11.14 billion to $7.545 billion

Protects Disadvantaged Communities Most at Risk
- Allows Smaller Local Contributions for Water Quality Projects
- Creates Technical Assistance Program for Disadvantaged Communities
- Prioritizes State Funding on Needs of Disadvantaged Communities

Ensures Accountability of State Expenditures
- Requires Audits and Public Reporting of Water Bond Expenditures
- Establishes Competitive Grant/Loan Programs – with public guidelines
- Requires Formal and Public Process for Water Transfers

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

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Supporting Proposition 1, The Water Quality, Supply and Infrastructure Improvement Act of 2014

WHEREAS, on June 18, 2014, the Zone 7 Board of Directors passed a resolution supporting both the California Water Action Plan and the ACWA Statewide Water Action Plan; and

WHEREAS, the Brown Administration and the State Legislature cooperatively reviewed an $11.14 billion bond measure previously slated for the November ballot to identify ways to reduce the overall fiscal impact on the state while providing funding for many components of the California Water Action Plan; and

WHEREAS, the resulting reduced $7.545 billion bond passed the State Senate unanimously and passed the Assembly with just two "no" votes;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Zone 7 Water Agency hereby supports Proposition 1, The Water Quality, Supply and Infrastructure Improvement Act of 2014.

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 September 17, 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: Administration
CONTACT: Jill Duerig

AGENDA DATE: September 17, 2014 ITEM NO. **10**

SUBJECT: Clarifying the Role of Committees

SUMMARY:

At the June 18, 2014 board meeting and at the July 21, 2014 board retreat (staff reports attached), the directors discussed several topics concerning the role of board committees and board-staff relationships and roles (setting policy vs. managing to achieve policy objectives), especially as these pertain to the finance committee.

These issues have been raised again by the Finance Committee. Clear direction is needed from the board to answer the following two key questions:

- What is the Role of the Finance Committee?
- Who determines scheduling, agenda-setting and frequency of Committee Meetings?

Historically, staff have requested meetings with the Finance Committee as and when needed to solicit policy direction, after confirming with the Board President whether or not such a meeting is appropriate for a committee or whether the subject(s) should be discussed with the full board. These meetings have most often taken place in the Spring to discuss the draft budget, in August-September for water rates (if it is a rate year) and in November-December to review the audit. This approach has worked well for staff. This has resulted in the following varied frequency of Finance Committee meetings:

Year	*Number of Meetings*	*Dates*
2010	3	2/8/10, 8/25/10 & 12/14/10
2011	5	3/29/11, 5/4/11, 8/29/11, 9/13/11 & 11/28/11
2012	4	3/19/12, 8/28/12, 10/9/12 & 11/26/12
2013	3	4/8/13, 4/22/13 & 11/14/13
2014	3, to date	6/2/14, 8/28/14 & 9/8/14

RECOMMENDATION:

Discuss and provide direction to staff as to whether the board president delegates the authority to individual committees to set their own agendas and schedule their own meetings, and whether standing dates for committee meetings are needed to facilitate such scheduling.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
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ORIGINATING SECTION: Administration
CONTACT: Jill Duerig

AGENDA DATE: July 21, 2014 ITEM NO.

SUBJECT: The Role of Committees

SUMMARY:

At the June 18, 2014 board meeting (see meeting minutes and attached staff report), the directors suggested several topics for discussion concerning the role of directors and board committees, especially the finance committee, including:

- "What Board Members Need to Know about Agency Finances"[1]
- Role of the Finance Committee
- Whether staffing in financial management group needs to be expanded
- Frequency of Committee Meetings
- What Committees are needed (does Zone 7 need more or less, given frequency of meetings)
- Staff-board relationships and roles - Setting Policy vs. Managing to Achieve Policy Objectives

RECOMMENDATION:

Discuss and provide direction.

[1] Note that copies of a booklet from CSDA entitled ""Financial Management for Elected Officials: Questions to Ask" have been ordered for board members and will be distributed to directors upon receipt; it can be ordered online at http://members.csda.net/imis15/ItemDetail?iProductCode=FINANCEMGMT&Category=FINANCE&WebsiteKey=590ca197-4475-44cc-b2b3-516cae04ed3b

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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ORIGINATING SECTION: Administration
CONTACT: Jill Duerig

AGENDA DATE: June 18, 2014 ITEM NO.

SUBJECT: Retreat Agenda Discussion

SUMMARY:

- At the May 21st Regular Board meeting, President Stevens requested an agenda item to discuss possible subject matter for the summer board workshop/retreat.
- In the past, retreat topics have included strategic planning updates, organizational culture and similar items. Last year, the board deferred discussions of watershed management planning until Summer 2014 so that the land transfer of Patterson Ranch could be completed.
- In addition, this year there have been numerous comments about the role of committees in the organization and whether standing committees should meet more frequently. Item 3.5 of the Strategic Plan is to reevaluate the functions of the Board and committee structures. For instance, Director Figuers has commented that:
  - The finance committee is one of the original committees created by the Board when Zone 7 was founded in 1958. The committee has historically had two duties: a) review the annual budget and forward the budget to the Board with a committee recommendation, and b) review the annual audit of the books and forward that information to the Board with a committee recommendation. Other financial information (financial effects of drought and other occurrences, auditing details, etc.) is commonly presented to the board by staff without going through the finance committee. This has a historical basis. Many of the financial details that would be handled by the Zone (and the committee) are done by Alameda County (retirement, investments, claims, personnel, etc.) coupled with "this is the way it has always been done." This does not mean that board members are not informed about financial details. It means that financial information is presented to the Board via several methods.
  - The Zone has significantly enlarged over the past 20-30 years, along with budget and financial complexity. Should the finance committee expand its activities and scope of work, or is the status quo acceptable to the committee and the Board?
  - Options include:
    - The finance committee becomes more active at an earlier stage, becoming the venue through which most financial information is first reviewed prior to presentation to the board
    - Maintain its current functions, but have the finance committee involve itself more with the financial details of the zone
    - Remain the same
- Discuss other possible topics for this year's retreat and confirm venue selection

RECOMMENDED ACTION: Discuss and provide direction.

SUMMARY NOTES OF THE FINANCE COMMITTEE
ZONE 7 BOARD OF DIRECTORS

August 28, 2014
3:30 p.m.

Directors present:	Sandy Figuers Angela Ramirez Holmes Sarah Palmer
Staff present:	Jill Duerig, General Manager Tamara Baptista, Finance Manager Mike Wallace, Staff Analyst Judy Rector, Board Secretary

Director Figuers called the meeting to order at 3:30 p.m.

Director Figuers asked the other committee members, Directors Palmer and Ramirez Holmes, about reorganization of the Finance Committee. They both agreed that the Committee can remain as it currently is with Director Figuers as the Chair.

1. Public Comment – None

2. Agreement in Principle Concerning Extensions of the State Water Project Water Supply Contract (Theresa Lightle - State Water Contractors)

Jill Duerig welcomed Theresa Lightle to Zone 7 and Mike Wallace introduced her. Mr. Wallace gave a brief description of Ms. Lightle's background with the State Water Contractors and the Department of Water Resources. Ms. Lightle, Senior Financial Management Analyst representing the State Water Contractors, discussed the contract negotiations between California's Department of Water Resources (DWR) and the State Water Contractors (SWC's) with Zone 7 as one of the 29 contractors taking part in the negotiations.

Ms. Lightle explained that the Agreement in Principal (AIP) is the foundation the lawyers will use to draft the contract amendment. The amendment extends the current contract, which expires in 2035, to 2085 and will secure continued water supply services to 2085. This will create the ability to finance facilities beyond 2035 and ease financial burdens on SWC's. By amending the contract, the state would continue water services for fifty more years and DWR would provide capital financing with bonds to fund projects, which would eventually lower periodic payment amounts for SWC's. What is important to DWR at this point is that the Agreement-in-Principle is ratified so they can use it as a project description for the environmental review. There is nothing in the amendment about the BDCP and it is strictly regarding the financial articles of the contract and how the SWC's are billed. DWR's goal is to get everyone to support the AIP. The contract extension is being done now to focus on capital financing beyond 2035 and avoid financial compression and escalation.

Ms. Lightle explained the contract extension process timeline, the implementation of "Freeze-Go" or "Pay-as-You-Go" billing methodology, creation of a State Water Resources Development System (SWRDS) Finance Committee, Cash-Flow & 51(e) Revenues, and answered questions by the Directors.

General Manager Jill Duerig asked the Finance Committee for direction. Directors Palmer and Figuers agreed that the item asking for signatory authority to sign the Agreement in Principle amendment should go to the full Board at the September board meeting. Director Ramirez Holmes noted that it should be a full board discussion and not on consent so the public can comment. She would like to hear the General Manager's thoughts on "truing up" of costs with DWR. She also suggested that there should be a conversation on tunnels so people know what is being signed. Ms. Lightle reiterated that the BDCP and the Delta Conveyance are not part of the AIP.

3. Water Rate Design & Process

Ms. Duerig introduced consultant Lori Rose whose goal is to step back and make suggestions on ways to make things better. Ms. Rose said she and Tamara Baptista, Finance Manager, had been working on water rates and looking at things that might improve the process of determining rates including a normal rate and a drought rate. This allows flexibility to establish a regular rate and a drought rate under Zone 7's 2010 Urban Water Management Plan.

Multiple alternatives for rates were developed for the Board in the past and presented over two Board meetings, but data isn't fully available until late August. Both the Finance Committee and the Retailers prefer to have more time for discussions prior to the Board adopting the rates in October. Director Palmer agreed that compression made things fall through the cracks.

Director Ramirez Holmes says she has always pressed for more communication with the Retailers but is opposed to reducing the number of public hearing meetings because the public has to be able to weigh in. She noted that she would personally like to see a public meeting/workshop entirely on budget. She asked about the process and timeline for working with the Retailers and what we are waiting on before starting those conversations with Retailers. Ms. Baptista replied that staff analyzes a large volume of data including the demand projections submitted by the retailers and water operation expenses. The Directors discussed the timing of meetings and Ms. Duerig reminded them that a date for a Special Board Meeting is set up every month in advance, if needed.

The Joint Liaison Committee proposed a Water Policy Roundtable on September 27. The purpose would be to begin discussions on balancing competing policy priorities for rates, financial sustainability, water reliability and water quality. Another reason for not coming back to the full Board before the October meeting was so staff could process what happens on September 27th and come up with a proposal to the Board. There is also a Finance Committee meeting scheduled for September 8th.

Director Figuers said using reserves in a drought is like a drought rate but if we have another two to four years of drought, do we want a contingency for back-to-back drought years? We have never had a plan for an extended drought. He asked if the Board would want to deplete reserves or create a Stage 2 Action specific plan, which ties our hands.

Director Ramirez Holmes said we should declare a drought for emergency projects but don't do an automatic surcharge.

Ms. Duerig said that the Urban Water Management Planning Act requires a five-year update next year. Use of the drought reserve, as outlined in the 2010 Urban Water Management, can be revisited.

Director Palmer said we could adopt a plan that is not automatic but goes through the Board, has a deadline and a sunset, and the Board's hands are not tied. The Directors agreed that a drought surcharge should not be automatic but available if the Board needs to impose one and that is why a policy is developed to address the issue. Director Ramirez Holmes asked if retailers are charging a surcharge in order to be made whole financially, and if Zone 7 adds one on top that would mean paying more for less water.

Director Figuers noted that by March we know if we are going to have a drought but Ms. Duerig said it is more about what Zone 7's state allocations going to be. This year we knew it was going to be low because it was set at 0% in January but rains significantly improved the allocation. Ms. Rose said the drought rate can be calculated if there is a reduction in volume, i.e., if the rains come, you go back to a regular rate by late April. The Sustainability Report in April or May analyzes whether we need conservation that year or not. Ms. Duerig said if you have the rules upfront and adopted in advance, then everyone knows what Zone 7 is likely to do.

Dan Martin, City of Pleasanton, said residents are not upset with the increase but more with the reasoning behind it and ask why the increase? City of Pleasanton follows a guiding principle of not charging people more money and having small increases over time based on the Consumer Price Index. Director Ramirez Holmes asked about significant revenue losses for Pleasanton. Mr. Martin responded that with the structure of the Pleasanton revenue stream, their largest cost component is purchasing water from Zone 7 but they have reserves to make up any revenue shortfall.

John Archer from DSRSD said the drought rate process was easy this year because of working in advance. The Board takes the action, the Board has to continue the action, and the Board has control over when to start to decide the action, it is not a staff decision.

Director Ramirez Holmes said she does not like something that automatically goes into effect even if we don't need it. The reserves worked exactly as intended. She is concerned about Retailers adding drought surcharges when people are doing their best to conserve, so she doesn't want Zone 7 to also add a surcharge.

The Directors discussed having the option of having a policy with a rate structure and multiple levels of options based on the severity of the drought but not tier-based.
Ms. Duerig said that because untreated customers would still be a pass-through, if they take less water, we get charged less and any drought surcharge is hard to justify. We have a lot more

fixed costs on the treated water side for treatment plants and even if we are treating less water, any savings are balanced by increased energy costs at the wells. Director Palmer noted that sometimes you have to do more treatment because the water quality is worse.

Director Figuers said he would prefer to start the process early, have meetings early, such as mid-April, so if staff declares a drought, it is not compressed into the last month and there is more time for public hearings knowing that it is going to be a tough year. Ms. Duerig explained that if you have the rules adopted in advance, then everyone knows what Zone 7 is going to do.

The Committee agreed that a policy should be set up with options that state "if we have a drought, these are the steps we are going to take" and put things in place ahead of time such as a rate structure built on multiple levels based upon the severity of the drought.

Ms. Duerig said there are two separate proposals. The first one about the drought rate and staff will come back with a proposal as there is no urgency except to complete it before the Urban Water Management Plan. The second proposal is to change the process to present the rates at one Board meeting (October) which would allow more time for the Committee, staff and the Retailers to meet.
Director Figuers restated that he would like to see the Committee get involved earlier, hear the rates at a regular board meeting and then choose if a second meeting is necessary.

4. Finance Policies, Part I (DRAFT Operating Budget Policy)

Lori Rose told the Committee that it is important to have policies and give guidance to the General Manager and staff on how to implement the Board's expectations. The Operating Budget policy lays the groundwork for the upcoming budget process. This will also establish a two-year budget cycle for Zone 7. Director Palmer asked about the point in the agenda item on authorizing the General Manager to make budget transfers as appropriate within the same fund. Ms. Rose explained that this allows Ms. Duerig to make budget transfers within approved limits.

Director Ramirez Holmes said one of the challenges at Zone 7 is so many funds and having to add funds. In the audit they summarize all this and some of the numbers jumped out last year and she asked how to prevent this? She said that the auditor said there are budget variance controls that should come back for discussion. Director Ramirez Holmes said a policy is needed and wanted to make sure there are budget variance controls over 5% to 7% so there are no surprises. This gets back to roles and responsibilities and focusing on the level of control. The Board is looking for simple explanations. The auditor's report did not show a lot of detail and added up to a larger amount. Ms. Duerig said this is how staff came up with the monthly format to show budget expense vs. expense to date and add text to show a proper policy level and keep the Board in the loop. Director Ramirez Holmes said most of the discrepancies were with transfer and project overruns to cover shortfalls.

Director Figuers asked about the term "structurally balanced" used in the agenda item. Ms. Rose said it means having a plan and using resources to look at all factors and pieces for a responsible budget and not draining reserves. He also asked about "operating budget carryovers." Ms.

Duerig explained that if you don't buy as many chemicals one year as budgeted, you don't get to carry over that money into the next year.

Dan McIntyre, City of Livermore, said the two-year budget works great for the City of Livermore. He suggested that minimum and maximum amounts in policies are good, too, because it creates a floor and a ceiling.

Director Ramirez Holmes said that she does not see Board empowerment to do the Budget, it says General Manager. She likes the DSRSD policy on accountability where the Board is mentioned and is the body that sets the goals and objectives. She also mentioned that budget principles should have the phrase "unless the Board decides otherwise" for consistent terminology assuming all of the principles would be different if the Board chose otherwise.

In referring to the section on Reporting, she said she would like an actual quarterly staff discussion explaining changes and saying "here is where we are" as opposed to a report in the packet. Because the Monthly Staff Report is at the end of the meeting, there isn't a lot of time left to ask questions.

Ms. Duerig said at the last Board meeting, President Greci directed that the role and frequency of meetings be on a future agenda.

5. Verbal Reports

Director Ramirez Holmes requested that a work plan for the year be developed so the directors know what to expect and have an idea of what the Finance Committee plan is for the year.

6. Adjournment

Since there were no further issues or comments, the meeting was adjourned at 5:35 p.m.

SUMMARY NOTES OF THE FINANCE COMMITTEE
ZONE 7 BOARD OF DIRECTORS

September 8, 2014
3:30 p.m.

Directors present: Sandy Figuers
Angela Ramirez Holmes
Sarah Palmer

Staff present: Jill Duerig, General Manager
Tamara Baptista, Finance Manager
JaVia Green, Staff Analyst
Judy Rector, Board Secretary

Director Figuers called the meeting to order at 3:30 p.m.

1. Public Comment – None

2. Proposed 2015 Municipal & Industrial Water Connection Fee

JaVia Green, Staff Analyst in Finance, updated the Finance Committee members regarding the Municipal & Industrial (M&I) Connection Fee Program. The basic fee is updated annually based on inflation, with periodic, detailed reviews. The next periodic review will be in 2016. Staff recommends adjusting the current fees this year to keep pace with inflation. Staff recommends that the item be brought to the full board at the October board meeting for adoption.

The directors discussed the item and asked questions. If the Engineering News Record Construction Cost Index (ENR CCI) goes down, the connection fee will be lower. All three directors recommended that the item go to the full board for adoption.

3. Water Rates

General Manager Jill Duerig introduced Sandra Sato, a contract employee with Urban Futures. She will be working for Assistant General Manager Tom Hughes, overseeing Administration, including Finance, Accounting and Employee Services.

Tamara Baptista, Finance Manager, presented this item as a continuation of the water rate discussion from the Finance Committee meeting on August 28. Staff members met with the retailers on September 4. The retailers stated that they want to see Zone 7 increases in line with the Consumer Price Index (CPI) increases but did recognize that Zone 7 faces revenue shortfalls with the 2014 drought and may need a water rate increase that is higher simply to keep up with inflation. Staff told the retailers that they are looking at water rates, models and options and one option is the 12% increase under discussion. This option meets revenue requirements and stabilizes reserves. Two components that go into the development of water rates are projected revenue and estimated cost of service.

Staff discussed two options for treated water. One was a 12% water rate increase for 2015 and 3% CPI for 2016, which stabilizes reserves and is a long-term plan for replenishing reserves. Option 2, based on input from the retailers, is a 3% CPI for two years for 2015-16 along with a 9% drought recovery surcharge (which is temporary) for 2015 and 2016. For the first year, 2015, Zone 7 would have 3% CPI and 9% temporary drought recovery surcharge on top of the 3% and the same for the second year, 2016.

The retailers stated that if Zone 7 was going to have a large water rate increase, they would support a drought recovery surcharge rather than a large water rate increase to recover the loss of revenue due to the drought. Director Ramirez Holmes said the retailers don't want the drought recovery tied into water rates.

Ms. Baptista asked for direction from the Finance Committee before moving forward on the water rates. Reserves are taken into consideration so there are two questions: 1) how much of the reserves to use; and (2) how long do you want to take to replenish the reserves?

Director Ramirez Holmes asked for dollar amounts for Operating Reserves and the AMP and the revenue gap created by reduced sales. She suggested discussing a hiatus for the AMP ramp-up instead of the high fees, which might help resolve the high rate increases. She urged being creative in how Zone 7 uses money. She questioned having a two-year drought recovery surcharge assuming the drought is a one-year event. Ms. Baptista said staff could come back with a baseline to show the shortfall.

Director Figuers asked what is the average number for reserves, what is the time period to replenish reserves and how long will it take to replenish them to a comfortable level? He suggested asking the full board to define the term "minimum reserves." The issue of water consumption after the drought was discussed and lower water consumption due to conservation habits developed by customers.

The directors discussed the options presented by staff and the use and replenishment of reserves including shifting money from one reserve to another or reducing the operating reserve. Director Ramirez Holmes said she feels there are options to explore, be more creative than just raising rates, and lay options out to the board. She also feels the minimum amounts in reserves cover what could occur, she would not vote for either option presented by staff, and would like to see new options. She wants to see how much Zone 7 is short for 2015-16, how much is projected to be short for 2016-17, figure out how not to be at the maximum and use more of the reserves, plus consider not bumping up the AMP for two years. Director Palmer wants to see the baseline.

Director Figuers asked for public comments. Matt Morrison, Pleasanton, said he feels it is important to have separate, designated reserves and the public can see who is paying for what.

Darren Greenwood, City of Livermore, feels that Zone 7 can sharpen its pencil more when using reserves.

Bert Michalczyk, DSRSD, said he supports the AMP to maintain assets. The better approach is Option 2 in order to focus on rates for core services and a surcharge for the drought; if the base rate is wrong, it can be changed. He sees the concepts as drought surcharge versus replenishing reserves.

The Finance Committee's recommendation to staff is to develop more options. Director Ramirez Holmes noted that the reserve policy needs to be reviewed but in terms of making up for the lack of water sales, not using the drought surcharge to replenish them. Director Figuers said the directors need a range so they can see what is happening.

Director Ramirez Holmes left the meeting early due to a previous commitment.

4. Draft FY 15/16 Capital Improvement Program Development Methodology

JaVia Green said the CIP is developed every other year and when staff comes to the Finance Committee, it is a list of projects and cash flow but staff has not explained how the list of projects is developed, the CIP prioritization methodology. The CIP Prioritization Committee is made up of staff from several sections (Integrated Planning, Finance, Operations, Maintenance and Engineering) that are responsible for coming up with a list of projects to recommend to the General Manager and retailers to maintain Zone 7's water and flood control systems for the duration of the CIP period. As part of the CIP, they look at water supply needs, the facilities needed to deliver water, and create water supply portfolios.

She discussed the funding strategy for the CIP with investments such as expanding capacity, taste and odor at the treatment plant, and treating for Chromium 6 but Zone 7 has a pay-as-you-go funding policy to minimize borrowing. With pay-as-you-go funding, sometimes projects have to be deferred until Zone 7 has the cash to pay for those projects. Risks such as inflation can be incurred because those projects are more expensive to do in the future. When using connection fees or impact fees, there has to be a rational nexus between the fee and the cost.

One of the advantages of debt financing is that Zone 7 most likely has a favorable credit rating. Also the rating agencies look favorably upon the fact that Zone 7 has an asset in banked water at Cawelo and Semitropic. Interest rates are low and can be used to Zone 7's advantage, which helps with inflation. Financing helps smooth out rate increases and reserve levels, spreads the cost over the life of the asset, and can be appropriate for big-ticket items.

Fieldman, Rolapp & Associates is a financial consultant that put together Zone 7's reserve policy and works on the long term financial plan for Zone 7. As part of the agenda item, the directors reviewed a study that Fieldman Rolapp did for another water district that used pay-as-you-go financing and compared pay-as-you-go versus debt financing. Staff asked the Committee if they were interested in having Fieldman Rolapp do a plan for Zone 7 comparing the two types of financing.

Director Palmer asked why Zone 7 needs the study. Ms. Duerig said there are a lot of projects that should be done and there are liability issues so perhaps it is time to revisit the financing policy. Director Figuers commented that Director Ramirez Holmes left notes on the item saying that what is needed is the money variation on both pay-as-you-go and debt financing options. Maintaining current infrastructure and expansion for 30-40 years is also important. Director Palmer said we need to decide if we need an ISA or increase debt. We can change things as a board and use staff to give the directors advice, but do we need this study?

Ms. Duerig said if the directors are open to a discussion, with staff, Ms. Sato and retailers' input, staff could come back with a proposal. Staff would need to know the comfort level of the directors and if they would be open to the concept of debt financing, and if Fieldman Rolapp is needed to explain it and make a proposal. Ms. Green said that part of the CIP analysis is to know whether debt financing is an option for the project schedule. Director Figuers said he would like to hear a discussion on the types of long-term financing. Director Palmer said it would probably be a combination of pay-as-you-go/debt financing for some projects because of deferral issues.

The Committee's recommendation is to have staff look at the concept of pay-as-you-go and debt financing because some can't be deferred and big ticket items can't be pay-as-you-go due to the cost involved.

5. Verbal Reports - none.

6. Adjournment

Since there were no further issues or comments, the meeting was adjourned at 5:05 p.m.

9/17/14 Board written/narrative comments by Dick Quigley

August 27: Attended Retailer Liaison meeting at DSRSD. Interesting assortment of new faces and comments.

August 29: Met with ACWA staff and Jim Odom DWR, Delta Field Division, Water Services Supervisor, for tour of Del Valle Pumping station (dry run for October 19th Region 5 Sunday event). Jim will be the DWR presenter and is very knowledgeable. We toured Los Positas Cellars (Sunday's event reception site), followed by Garré Winery and Martinelli Center where Monday, October 20 program will take place. Event is coming together nicely with great team help. Registration is now open!

910 K Street, Suite 100 · Sacramento, CA 95814 · 916.441.4545 · www.acwa.com

ACWA Association of California Water Agencies Since 1910
Leadership · Advocacy Information · Service

Event underwritten by ACWA Region 5 & Sponsored by

DOWNEYBRAND

The Covello Group

Suggested Overnight Stay on Sunday, October 19, 2014:

Courtyard Marriott
2929 Constitution Dr., Livermore

ACWA Rate: $89 + taxes

To take advantage of the discounted ACWA Rate, reservations must be made by **October 15.**

To reserve a room, call Courtyard Marriott directly at:
925-243-1000

Questions? Contact ACWA Regional Affairs Representative Katie Dahl at katied@acwa.com or call 916-441-4545.

ACWA Region 5 Hosted Program

Creative Approaches to Watershed Reliability in the Tri-Valley

October 19 & 20, 2014 | Livermore, CA

ACWA Region 5 is hosting a program on outside-the-box approaches to watershed sustainability in the Tri-Valley. The program will begin on **Sunday, October 19** with a tour of the Del Valle Pumping Plant and Dam, followed by a program and networking opportunity at Las Positas Vineyards. On **Monday, October 20**, attendees will gather for a program at the Martinelli Center where they will hear regional insights on imported water, aquifer management, flood control, conservation, and water recycling.

Sunday, October 19:

3:30 p.m. Check-in / Board Bus at Courtyard Marriott
2929 Constitution Dr., Livermore, CA 94551

- Tour Del Valle Pumping Plant & Dam
- Program & No-Host Reception at Las Positas Vineyards
1828 Wetmore Rd., Livermore, CA 94550

7:00 p.m. Bus will return participants to Courtyard Marriott

**If not participating in the tour, attendees are welcome to provide their own transportation to the reception that will begin at 5 p.m.*

Monday, October 20:

9:00 a.m. – 2:00 p.m. Program & Lunch at Martinelli Center
7986 Tesla Rd., Livermore, CA

Registration will be available September 8 at:
www.acwa.com

Pre-Registration Fee: $ 70.00

Regular registration fee includes Sunday tour & no-host networking reception (bus, materials, snacks, and refreshments), Monday program materials, lunch, and refreshments. Registrations prorated by activity are not available. All tour participants must complete an ACWA Voluntary Release and Waiver. Onsite registrations will be accommodated as space permits (except for the Sunday tour). **A $5 fee will be added to onsite registrations.**

Pre-Registration deadline: Tour participants must register by October 3 to allow enough time for security clearance processing. **Those not participating in the tour must pre-register by October 13.** Cancellations must be received in writing by 5 p.m. on October 13, 2014, in order to receive reimbursement. After that date, substitutions will be handled onsite (except for the Sunday tour). Event details are subject to change and registrants will be notified by e-mail if changes occur.

September 5: Attended Energy & WaterNexus Summit 3 at the PG&E Auditorium 77 Beale Street, San Francisco, CA 94177

The Energy Water Nexus Summit 3 is a follow-up to the Summits held in 2012 and 2013, and provided the opportunity to continue to explore the vital intersection of energy and water resources, and the effects and economic implications of energy and water issues on our state. The Summit provided a forum to discuss the developments, challenges, innovations, and considerations around energy and water in Northern California.

Topics of discussion included:

- Federal Issues – The Regulatory World of Energy & Water
- The 2014 Water Bond
- Desalination – Has the Time Arrived?
- Renewable Energy vs. Carbon Free – What is the Difference?

A few of the Speakers & Panelists included:

Senator Lois Wolk, State Senator for the 3rd District of California - **Wade Crowfoot**, Deputy Cabinet Secretary & Senior Advisor to Governor Brown - **Felicia Marcus**, Chair of the State Water Resources Control Board - **Lt. Col. John Morrow**, San Francisco District Commander for the U.S. Army Corps of Engineers - **Nancy Skinner**, California State Assembly Member - **Peter Miller**, NRDC - **Ron Davis**, CalDesal - **Stan Williams**, Poseidon Water - **Sean Bothwell**, California Coastkeeper Alliance - **Paul Hann**, State Water Resources Control Board - **Tim Quinn**, ACWA - **Doug Obegi**, NRDC - **Dr. Peter Williams**, IBM - **Michael Montgomery**, U.S. EPA - **Sunne McPeak**, California Emerging Technology Fund.

September 10: Attended the Alameda County Special Districts Association meeting at LARPD. Updates were given by LAFCO, EBEA (East Bay Economic Alliance) and other special districts. The current drought, water bond, and groundwater legislation were discussed.

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: September 17, 2014 **ITEM NO.** **14a**

SUBJECT: GENERAL MANAGER'S REPORT

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

Environmental & External Affairs:

- The level in Lake Del Valle remained relatively full during August at approximately 40,100 acre feet/AF (703.3 foot elevation). At the end of the month, the South Bay Contractors requested that the California Department of Water Resources (DWR) start blending aqueduct water with lake water for water quality and treatment reasons; this also allows DWR to meet the Fall target elevation of 685' (28,500 AF) by October 30th for flood control purposes and to proceed with the Del Valle Outlet Tower and Tunnel repair project in November.

- More plants for the Stanley Reach were planted in August as part of the Living Arroyos program. Urban Creeks Council staff will resume summer watering of the young plants using recycled water courtesy of City of Livermore.

- Staff are also working with the US Natural Resources Conservation Service (NRCS) and the Alameda County Resource Conservation District (RCD) under a US Environmental Protection Agency (USEPA) Healthy Watersheds Grant to complete two demonstration bank stabilization projects on the upper Altamont Creek to improve water quality.

Engineering and Flood Control:

- As part of the summer flood control facility maintenance program, Zone 7's contractor completed the roadway rehabilitation work in the Arroyo Mocho in Pleasanton. The bank repair work in Tassajara Creek has also been completed. Another contractor continued working on tree trimming in Pleasanton and debris removal (the result of illegal dumping) in Dublin.

- Hanson's consultant on the Mocho Diversion-to-Lake H project submitted a revised design for Zone 7 review; however only four of Zone 7's previous 19 comments were adequately addressed. Zone 7 staff submitted a set of updated comments on the revised design and will continue to work with Hanson to address feasibility issues in the design.

- The Bay Area Air Quality Management District (BAAQMD) initiated discussions with Zone 7 staff about possible placement of an air monitoring station on Zone 7 flood control property near the I-580/I-680 interchange. Other locations are also under evaluation by BAAQMD.

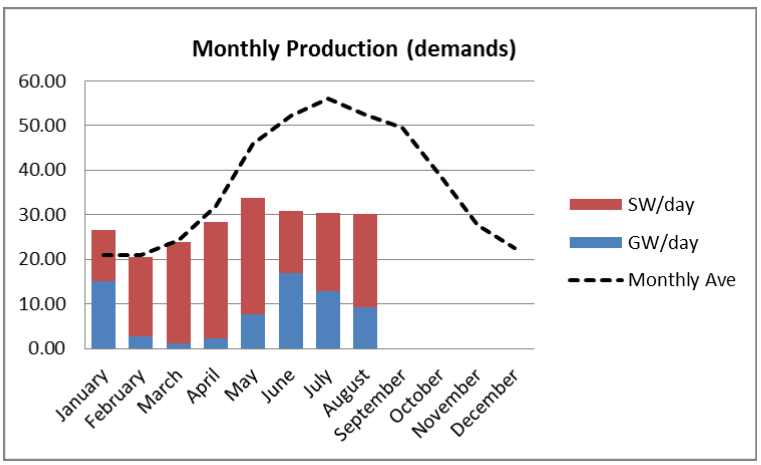
Administration:

- The annual evacuation drills at the treatment plants have been completed and the Employee Health & Safety Handbook is being updated.

Operations and Maintenance:

- Powdered Activated Carbon (PAC) feed was maintained throughout the month at both conventional water treatment plants as an interim method to try to keep treated water levels of the algal byproduct, geosmin, below threshold taste and odor levels. PAC has the ancillary benefit of removing microcystins (a potential byproduct of some bluegreen algae that have been detected in the Patterson Reservoir) should these byproducts be present.

- August was another month of low demands, thanks to the continuing conservation efforts of the community. This allowed Zone 7 to operationally preserve some of its stored groundwater and have the possibility to carry over some unused surface water to 2015, should it again be dry:



Monthly List of GM Contracts

August 2014

Contracts:

Advanced Chemical Transport, Inc.	$ 8,478	Demolition and Disposal of Sodium Chloride Tank
The Hitmen Termite & Pest Control, Inc.	50,000	Pest Control Services for District Facilities
Morrison & Associates, Inc.	20,000	Consulting Support Services for Steelhead Recovery Planning & Coordination with National Marine Fisheries Service
Coast Radio Broadcast	24,300	Water Conservation Radio Spots
Urban Futures, Inc.	50,000	Finance and Accounting Consulting Services
Ernst & Young, LLP	16,200	Revised Statement of Work for Audit Support Services
Total August 2014	$168,978	

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

AGENDA DATE: September 17, 2014 ITEM NO. **14b**

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 an explanation of any major variances for the period July 1, 2014 through August 31, 2014.

The following provide explanations and additional details concerning this report:

The period of July 1, 2014 through August 31, 2014 is reported herein, which is approximately 17% of the fiscal year or two 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 August, we typically expect anywhere between 5-10% of the budget has been used, representing only about one month (8%) of expenses rather than two. This is because services rendered/goods purchased in August would typically be billed and paid for in September. Other variations are due to the as-needed and seasonal nature of 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 Adopted Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 34,461,062	$ 2,861,386	8%
Expenses	$ 49,680,609	$ 2,170,792	4%

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 2,687 acre-feet of treated water through July 2014. July 2014 treated water sales of $2.6M are 55% of the July 2013 (pre-drought) amount of $4.7M; staff expects this conservation trend to continue throughout calendar year 2014. August 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 Adopted Budget estimates.

Expenses are significantly less than budget because the first quarter transfer of $4.2M to Fund 120 has not been posted yet. YTD expenses include water production costs, maintenance, miscellaneous services/supplies and memberships and dues. More than half of the memberships and dues budget has been spent because these expenses are generally paid at the beginning of the fiscal year.

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

Category	FY 14/15 Adopted Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 14,060,937	$ 120,643	1%
Expenses	$ 14,227,251	$ 4,585,934	32%

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. YTD revenue is from DWR refunds. YTD expenses reflect payments to DWR for fixed costs. DWR charges are both monthly and semi-annual. DWR's Transportation Capital charges are semi-annual (January and July). The July charges are reflected in the YTD expenses.

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

Category	FY 14/15 Adopted Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 13,129,324	$ 59,099	0%
Expenses	$ 7,578,891	$ 898,758	12%

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 isn't booked until September. FY 14/15 YTD revenue is from the sale of plans and specifications 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. Capital project expenses are tied to construction schedules and the percentage of budget spent reflects the timing difference. Construction projects related to the existing treatment facilities are typically done during the fall and winter when water demands are lower.

Water Expansion – Fund 130 (formerly Fund 73)

Category	FY 14/15 Adopted Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 22,042,020	$ 2,311,142	10%
Expenses	$ 19,485,138	$ 655,842	3%

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. Since July 1, 2014, a total of thirty-eight connection fee credits have been used totaling $0.9M, while 411 credits remain outstanding, valued at $9.9M 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. Expenses are only about 3% of the budget because fixed/non-discretionary expenses (the bulk of this fund's expenses) are paid in the spring and fall.

Flood Protection Operations – Fund 200 (formerly Fund 50)

Category	FY 14/15 Adopted Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 6,505,936	$ 17,765	0%
Expenses	$ 10,416,092	$ 474,623	5%

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 Auditor in April and November of each year. Expenses include labor, a fraction of the North Canyons lease payment and flood facility protection maintenance.

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

Category	FY 14/15 Adopted Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 2,646,500	$ 21,706	1%
Expenses	$ 5,755,275	$ 137,562	2%

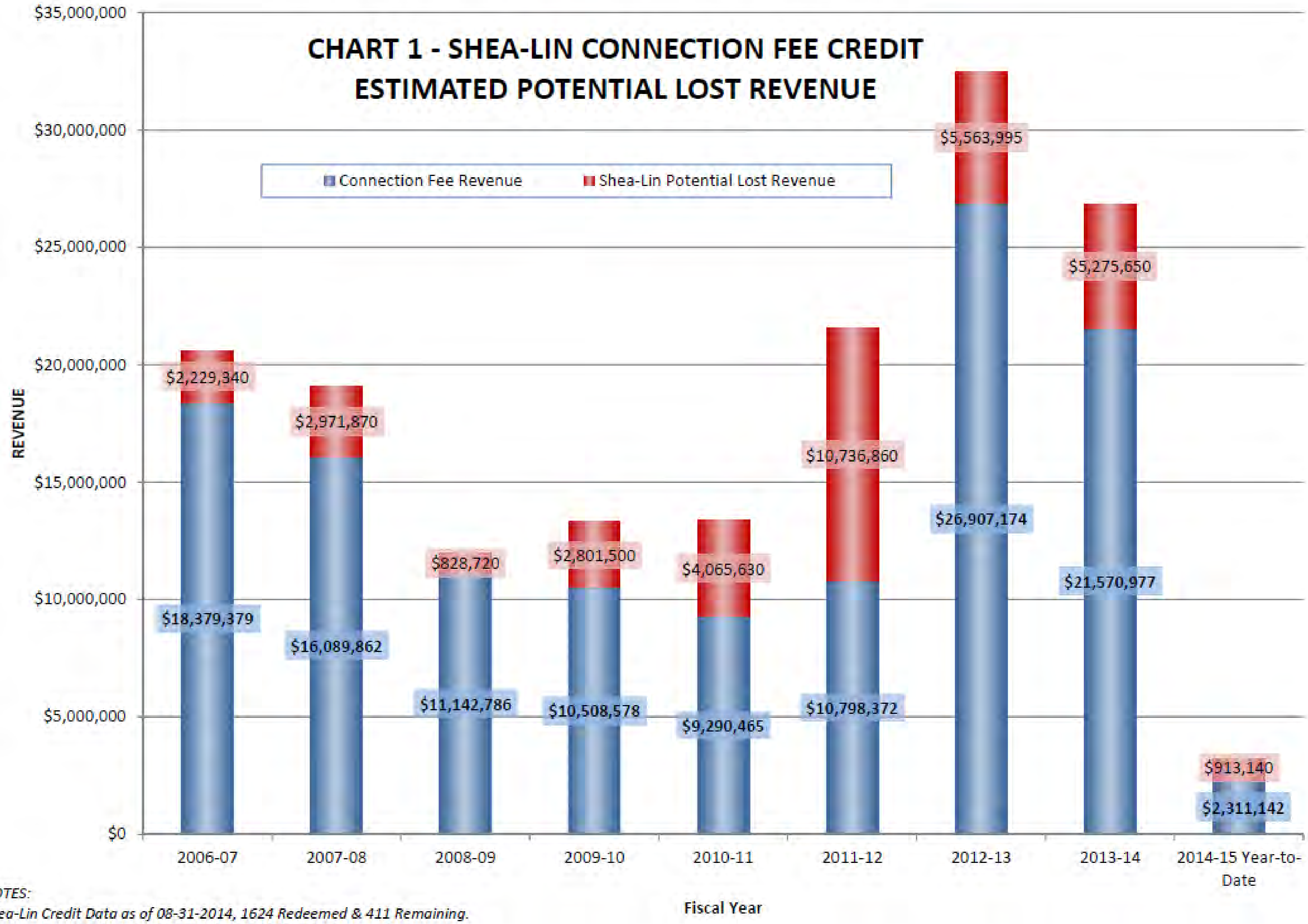
This fund pays flood protection facilities required for new development. The primary source of revenue is development impact fees. Zone 7 tends to receive most development impact fee revenue in the spring/early summer. FY 14/15 YTD capital project expenses are for projects such as the Flood Control Hydrology Study, SMMP Update and Cope Lake Slope Repair.

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 08-31-2014, 1624 Redeemed & 411 Remaining.
Revenue as of 7-31-14 for Pleasanton & DSRSD, 06-30-14 for 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 - 8/31/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 100 Water Enterprise Operations			
Revenue			
411 - Water Sales & Service	$34,246,611.00	$2,673,983.55	8%
441 - Charges for Services	$0.00	$550.00	-
452 - Aid from Governmental Agencies - State	$0.00	$102,614.93	-
461 - Investment Earnings	$75,000.00	$0.00	0%
462 - Rents and Royalties	$65,263.00	$3,029.43	5%
464 - Fines and Penalties	$0.00	$5.38	-
481 - Other Revenue	$74,188.00	$81,202.54	109%
499 - Transfers	$0.00	$0.00	-
Revenue Totals	$34,461,062.00	$2,861,385.83	8%
Expenditures			
511 - Personal Services - Salaries and Wages[1]	$13,859,924.00	$841,868.92	6%
512 - Personal Services - Overtime[1]	$215,074.00	($1,239.56)	-1%
513 - Personal Services - Benefits[1]	$7,120,240.00	$345,820.89	5%
600 - Labor & Overhead Distributed[2]	($8,402,436.00)	($672,883.85)	8%
611 - Purchased Services	$4,356,103.00	$88,728.67	2%
621 - Water	$8,883,578.00	$452,964.98	5%
631 - Chemicals	$2,250,973.00	$330,943.50	15%
641 - Utilities	$1,922,616.00	$234,453.06	12%
643 - Communications	$174,097.00	$12,085.18	7%
651 - Cleaning Services	$50,931.00	$1,898.44	4%
652 - Repairs and Maintenance	$2,705,999.00	$180,036.59	7%
653 - Rental Services	$792,900.00	$4,419.44	1%
661 - General Office Services/ Supplies	$586,247.00	$27,936.98	5%
662 - Organizational Membership/ Participation	$467,783.00	$293,713.32	63%
665 - Other Services/ Supplies	$827,130.00	$13,120.92	2%
667 - Training and Travel	$402,045.00	$16,924.64	4%
669 - Special Departmental Expense	$615,781.00	$0.00	0%
671 - Equipment, Furniture and Vehicles	$27,700.00	$0.00	0%
691 - Transfers	$12,823,924.00	$0.00	0%
Expenditure Totals	$49,680,609.00	$2,170,792.12	4%
FUND Total: Water Enterprise Operations	($15,219,547.00)	$690,593.71	
FUND: 110 State Water Facilities			
Revenue			
411 - Water Sales & Service	$1,311,950.00	$0.00	0%
421 - Property Taxes	$11,350,000.00	$0.00	0%
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%
464 - Fines and Penalties	$0.00	$0.00	-
481 - Other Revenue	$1,338,377.00	$120,643.00	9%
Revenue Totals	$14,060,937.00	$120,643.00	1%
Expenditures			
621 - Water	$14,227,251.00	$4,585,934.00	32%
669 - Special Departmental Expense	$0.00	$0.00	-
Expenditure Totals	$14,227,251.00	$4,585,934.00	32%
FUND Total: State Water Facilities	($166,314.00)	($4,465,291.00)	

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary for the period 7/1/2014 - 8/31/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 120 Water Enterprise Capital IR&R			
Revenue			
431 - Development Fees	$250,000.00	$58,949.40	24%
441 - Charges for Services	$2,500.00	$150.00	6%
452 - Aid from Governmental Agencies - State	$0.00	$0.00	-
461 - Investment Earnings	$52,900.00	$0.00	0%
499 - Transfers	$12,823,924.00	$0.00	0%
Revenue Totals	$13,129,324.00	$59,099.40	0%
Expenditures			
600 - Labor & Overhead Distributed[1]	$1,163,962.00	$239,464.60	21%
611 - Purchased Services	$1,375,033.00	$41,005.98	3%
643 - Communications	$0.00	$0.00	-
652 - Repairs and Maintenance	$0.00	$0.00	-
653 - Rental Services	$549,198.00	$90,923.16	17%
661 - General Office Services/ Supplies	$150,000.00	$6,553.23	4%
665 - Other Services/ Supplies	$0.00	$9,055.76	-
667 - Training and Travel	$0.00	$0.00	-
669 - Special Departmental Expense	$895,698.00	$0.00	0%
671 - Equipment, Furniture and Vehicles	$120,000.00	$0.00	0%
672 - Land and Facility Improvements	$3,325,000.00	$511,754.94	15%
Expenditure Totals	$7,578,891.00	$898,757.67	12%
FUND Total: Water Enterprise Capital IR&R	$5,550,433.00	($839,658.27)	
FUND: 130 Water Enterprise Cap Expansion			
Revenue			
431 - Development Fees	$19,020,120.00	$2,311,142.05	12%
452 - Aid from Governmental Agencies - State	$0.00	$0.00	-
461 - Investment Earnings	$0.00	$0.00	-
481 - Other Revenue	$81,100.00	$0.00	0%
499 - Transfers	$2,940,800.00	$0.00	0%
Revenue Totals	$22,042,020.00	$2,311,142.05	10%
Expenditures			
600 - Labor & Overhead Distributed[1]	$607,457.00	$66,550.66	11%
611 - Purchased Services	$1,296,400.00	$32,249.32	2%
621 - Water	$16,744,211.00	$0.00	0%
643 - Communications	$0.00	$0.00	-
653 - Rental Services	$426,376.00	$70,718.02	17%
661 - General Office Services/ Supplies	$0.00	$0.00	-
662 - Organizational Membership/ Participation	$694.00	$0.00	0%
665 - Other Services/ Supplies	$0.00	$0.00	-
667 - Training and Travel	$0.00	$0.00	-
669 - Special Departmental Expense[3]	$410,000.00	$0.00	0%
671 - Equipment, Furniture and Vehicles	$0.00	$0.00	-
672 - Land and Facility Improvements	$0.00	$486,323.90	-
675 - Debt Service	$0.00	$0.00	-
Expenditure Totals	$19,485,138.00	$655,841.90	3%
FUND Total: Water Enterprise Cap Expansion	$2,556,882.00	$1,655,300.15	

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary for the period 7/1/2014 - 8/31/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 200 Flood Protection Operations			
Revenue			
421 - Property Taxes	$6,307,731.00	$0.00	0%
441 - Charges for Services	$13,000.00	$230.00	2%
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	$0.00	0%
462 - Rents and Royalties	$60,505.00	$17,535.43	29%
464 - Fines and Penalties	$0.00	$0.00	-
481 - Other Revenue	$35,000.00	$0.00	0%
491 - Other Financing Sources	$0.00	$0.00	-
Revenue Totals	$6,505,936.00	$17,765.43	0%
Expenditures			
600 - Labor & Overhead Distributed[1]	$2,528,996.00	$329,597.27	13%
611 - Purchased Services	$5,051,000.00	$58,194.28	1%
643 - Communications	$3,000.00	$153.15	5%
651 - Cleaning Services	$10,000.00	$0.00	0%
652 - Repairs and Maintenance	$2,355,491.00	$13,440.54	1%
653 - Rental Services	$159,322.00	$23,148.72	15%
661 - General Office Services/ Supplies	$19,550.00	$245.37	1%
662 - Organizational Membership/ Participation	$158,000.00	$0.00	0%
665 - Other Services/ Supplies	$86,000.00	$218.76	0%
667 - Training and Travel	$31,400.00	$2,325.00	7%
669 - Special Departmental Expense	$13,333.00	$0.00	0%
672 - Land and Facility Improvements	$0.00	$47,300.00	-
Expenditure Totals	$10,416,092.00	$474,623.09	5%
FUND Total: Flood Protection Operations	($3,910,156.00)	($456,857.66)	
FUND: 210 Flood Protection/Drainage DIF			
Revenue			
431 - Development Fees	$2,530,000.00	$21,705.75	1%
461 - Investment Earnings	$91,500.00	$0.00	0%
481 - Other Revenue	$25,000.00	$0.00	0%
Revenue Totals	$2,646,500.00	$21,705.75	1%
Expenditures			
600 - Labor & Overhead Distributed[1]	$655,730.00	$37,271.32	6%
611 - Purchased Services	$4,727,723.00	$19,885.17	0%
643 - Communications	$0.00	$0.00	-
653 - Rental Services	$121,822.00	$20,205.14	17%
665 - Other Services/ Supplies	$0.00	$0.00	-
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	$137,561.63	2%
FUND Total: Flood Protection/Drainage DIF	($3,108,775.00)	($115,855.88)	4%
Revenue Grand Totals:	$92,845,779.00	$5,391,741.46	6%
Expenditure Grand Totals:	$107,143,256.00	$8,923,510.41	8%
Net Grand Totals:	($14,297,477.00)	($3,531,768.95)	

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 08/31/14
Summary Listing

FUND	FUND Description	July 1, 2014 Unaudited Fund Balance	YTD Revenues	YTD Expenses	August 31, 2014 Estimated Fund Balance
Fund Category **Proprietary Funds**					
Fund Type **Enterprise Funds**					
100	Water Enterprise Operations	30,450,709	2,861,386	2,170,792	31,141,303
110	State Water Facilities	8,849,889	120,643	4,585,934	4,384,598
120	Water Enterprise Capital IR&R	18,690,974	59,099	898,758	17,851,316
130	Water Enterprise Cap Expansion	33,346,252	2,311,142	655,842	35,001,552
	Fund Type **Enterprise Funds** Totals	91,337,825	5,352,270	8,311,326	88,378,769
	Fund Category **Proprietary Funds** Totals	91,337,825	5,352,270	8,311,326	88,378,769
Fund Category **Governmental Funds**					
Fund Type **Special Revenue Funds**					
200	Flood Protection Operations	15,260,267	17,765	474,623	14,803,409
210	Flood Protection/Drainage DIF	41,506,429	21,706	137,562	41,390,573
	Fund Type **Special Revenue Funds** Totals	56,766,696	39,471	612,185	56,193,983
	Fund Category **Governmental Funds** Totals	56,766,696	39,471	612,185	56,193,983
	Grand Totals	148,104,521	5,391,741	8,923,510	144,572,752

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

Last month's 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

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ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: TOM PICO

AGENDA DATE: September 17, 2014 ITEM NO. **14c**

SUBJECT: August 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.
- The Legislature adjourned August 31st, ending a two-year session. The drought and related water issues drew much attention and the Legislature passed and sent to the governor 16 different water-related bills.
- After much discussion and formally delaying the deadline for the Secretary of State to start preparing ballot information, the Legislature passed a compromise new water bond to replace the $11.14 billion measure on the November ballot. The compromise bond totals $7.54 billion when unexpended funds from prior bonds are rolled in. It includes $2.7 billion continuously appropriated for new water storage projects, a key goal of agricultural interests. Bond funds can pay for no more than 50 percent of any new storage project. It also includes money for regional water reliability ($810 million), safe drinking water ($520 million), groundwater sustainability ($900 million), water recycling ($725 million), watershed protection, ecosystem restoration and state settlements ($1.495 billion), and statewide flood management ($395 million). The bill passed unanimously in the Senate and only two Assembly members voted against it.
- In the session's final hours, a more divided Legislature passed three bills to establish the state's first groundwater monitoring and regulation system. Both main bills (AB 1739, Dickinson, D-Sacramento) and (SB 1168, Pavley, D-Agoura Hills) were amended numerous times after consultations with stakeholders during the legislative process. The third bill (SB 1319, Pavley) was added to the package by the governor's office to address some remaining stakeholder concerns. Thanks to Zone 7's lobbying team, Zone 7 is named as an existing groundwater sustainability agency (SB 1168, chapter 4; Water Code Section 107239(c)(1)(A)). The bills were strongly opposed by a bipartisan group of members representing agricultural communities, but carried easily. A group of 35 legislators has written to the governor urging he veto the package. The governor must sign all three for any of them to take effect.
- Assemblywoman Joan Buchanan's bill (AB 2402) to manage noxious weeds was signed by the governor and will take effect January 1, 2015. It establishes the Department of Food and Agriculture as the lead agency dealing with the control of noxious weeds and revises the allocation of funds in the noxious weed management account. The bill was amended to remove an ongoing allocation of funds.

RECOMMENDED ACTION: Information only

EXECUTIVE SUMMARY
State Legislation

The Gualco Group, Inc.®

Prepared for the Zone 7 Water Agency, Eastern Alameda County by The Gualco Group, Inc.

For the September 2014 Board Meeting

Bill	Topic	Synopsis	Staff Recommendation	Status of the Bill/Comments as of 08/31/2014
Water Bond				
AB 1471 (Rendon)	The Water Quality, Supply and Infrastructure Improvement Act of 2014	This bill would enact the Water Quality, Supply, and Infrastructure Improvement Act of 2014, which, if approved by the voters, would authorize the issuance of bonds in the amount of $7,120,000,000, plus reallocation of $425 million of unissued previously-authorized bonds, pursuant to the State General Obligation Bond Law to finance a water quality, supply, and infrastructure improvement program.	Watch	Chaptered by the Secretary of State, Chapter 188, Statutes of 2014
Special Taxes: Voter Approval				
ACA 8 (Blumenfield)	Local government financing: voter approval	This bill would create an additional exception to the 1% tax rate limit of the full cash value on real property for a rate imposed by a city, county, city and county, or special district, as defined, to service bonded indebtedness incurred to fund specified public improvements and facilities, or buildings used primarily to provide sheriff, police, or fire protection services, that is approved by 55% of the voters of the city, county, city and county, or special district, as applicable.	Support	DEAD
SCA 9 (Corbett)	Local government: economic development: special taxes: voter approval	This measure would provide that the imposition, extension or increase of a special tax by a local government for the purpose of providing funding for community and economic development projects requires the approval of 55% of its voters voting on the proposition.	Watch	DEAD

Bill	Topic	Synopsis	Staff Recommendation	Status of the Bill/Comments as of 08/31/2014
SCA 11 (Hancock)	Local government: special taxes: voter approval	The California Constitution conditions the imposition of a special tax by a local government upon the approval of 2/3 of the voters of the local government voting on that tax, and prohibits a local government from imposing an ad valorem tax on real property or a transactions tax or sales tax on the sale of real property. This measure would instead condition the imposition, extension, or increase of a special tax by a local government upon the approval of 55% of the voters voting on the proposition.	Watch	DEAD
Integrated Regional Water Management				
AB 1249 (Salas)	Integrated regional water management plans: nitrate, arsenic, perchlorate, or hexavalent chromium contamination	If an area within the boundaries of an integrated regional water management plan has nitrate, arsenic, perchlorate, or hexavalent chromium contamination, this bill would require that the plan include a description of (1) the location and extent of that contamination in the region, (2) the impacts caused by the contamination to communities within the region, (3) existing efforts being undertaken in the region to address the impacts, and (4) any additional efforts needed to address the impacts.	Watch	To Enrolling and Engrossing
Invasive Weeds				
AB 2402 (Buchanan)	Noxious weed management	This bill would revise the percentages of Noxious Weed Management Account allocations, and would also revise the purposes for which the percentage of funds allocated for research may be used to include mapping, risk assessment, and prioritization of weeds.	Watch	Chaptered by the Secretary of State – Chapter 271, Statutes of 2014
Stormwater				
SB 985 (Pavley)	Stormwater resource planning	This bill would require a stormwater resource plan to be submitted to any applicable regional water management group, to identify and prioritize stormwater and dry weather runoff capture projects for implementation in a prescribed quantitative manner and to prioritize the use of lands or easements in public ownership for stormwater and dry weather runoff projects.	Watch	To Enrolling and Engrossing

Bill	Topic	Synopsis	Staff Recommendation	Status of the Bill/Comments as of 08/31/2014
Water Conservation				
AB 2104 (Gonzalez)	Common interest developments: water-efficient landscapes	This bill would provide that a provision of the governing documents or of the architectural or landscaping guidelines or policies shall be void and unenforceable if it prohibits, or includes conditions that have the effect of prohibiting, low water-using plants as a group or as a replacement of existing turf, or if the provision has the effect of prohibiting or restricting compliance with a local water-efficient landscape ordinance or water conservation measure.	Watch	Enrolled and presented to the Governor
AB 2636 (Gatto)	CalConserve Water Use Efficiency Revolving Fund	This bill would establish the CalConserve Water Use Efficiency Revolving Fund. This bill would require moneys in the fund to be used for purposes that include, but are not limited to, at-or-below market interest rate loans to local agencies and would permit the Department of Water Resources to enter into agreements with local agencies that provide water or recycled water service to provide loans.	Watch	To Enrolling and Engrossing
Water Management				
AB 2067 (Weber)	Urban water management plans	The bill would require an urban retail water supplier and an urban wholesale water supplier to provide narratives describing the supplier's water demand management measures, as provided. The bill would require, for urban retail water suppliers, the narrative to address the nature and extent of each water demand management measure implemented over the past 5 years and describe the water demand management measures that the supplier plans to implement to achieve its water use targets. The bill would require each urban water supplier to submit its 2015 plan to the Department of Water Resources by July 1, 2016.	Watch	Enrolled and presented to the Governor
SB 936 (Monning)	Utilities	This bill would authorize the Monterey Peninsula Water Management District to issue water rate relief bonds if the Public Utilities Commission finds that the bonds will provide savings to water customers on the Monterey Peninsula.	Watch	Enrolled and presented to the Governor

Bill	Topic	Synopsis	Staff Recommendation	Status of the Bill/Comments as of 08/31/2014
SB 1036 (Pavley)	Urban water management plans	This bill would authorize an urban water supplier to include within an urban water management plan certain energy-related information, including, but not limited to, an estimate of the amount of energy used to extract or divert water supplies. This bill would require the department to include in its guidance for the preparation of urban water management plans a methodology for the voluntary calculation or estimation of the energy intensity of urban water systems.	Watch	Enrolled and presented to the Governor
SB 1420 (Wolk)	Water management: urban water management plans	This bill would require an urban water management plan to quantify and report on distribution system water loss. The bill would authorize water use projections to display and account for the water savings estimated to result from adopted codes, standards, ordinances or transportation and land use plans, when that information is available and applicable to an urban water supplier.	Watch	Enrolled and presented to the Governor
Water Rights				
AB 1905 (Alejo)	Water rights: appropriation: small domestic, small irrigation, and livestock stock pond use	This bill would permit a small domestic use registration and a livestock stock pond use registration to be in effect for the same facility if the total combined water use covered by the registrations does not exceed 10 acre-feet per annum.	Watch	Chaptered by the Secretary of State – Chapter 268, Statutes of 2014
Groundwater				
AB 793 (Gray)	San Joaquin Valley Groundwater Conservancy	This bill would establish the San Joaquin Valley Groundwater Conservancy, to undertake various activities related to the San Joaquin Valley, as defined, and would prescribe the management, powers, and duties of the conservancy. The bill would create the San Joaquin Valley Groundwater Conservancy Fund in the State Treasury. Moneys in the fund would be available, upon appropriation, for the purposes of the conservancy.	Watch	DEAD
AB 1739 (Dickinson)	Groundwater management	The bill would authorize the department or a groundwater sustainability agency to provide technical assistance to entities that extract or use groundwater to promote water conservation and protect groundwater resources.	Watch	To Engrossing and Enrolling

Bill	Topic	Synopsis	Staff Recommendation	Status of the Bill/Comments as of 08/31/2014
SB 1168 (Pavley)	Groundwater management	The bill would authorize the department or a groundwater sustainability agency to provide technical assistance to entities that extract or use groundwater to promote water conservation and protect groundwater resources.	Watch	To Engrossing and Enrolling
SB 1319 (Pavley)	Groundwater	This bill would authorize the state board to designate certain high- and medium-priority basins as a probationary basin if, after January 31, 2025, prescribed criteria are met, including that the state board determines that the basin is in a condition where groundwater extractions result in significant depletions of interconnected surface waters.	Watch	To Engrossing and Enrolling
WATER QUALITY				
AB 1707 (Wilk)	Water quality: scientific peer review	Under existing law, a proposed rule is defined to include, among other things, a policy adopted by the State Water Resources Control Board that has the effect of a regulation and that is adopted in order to implement or make effective a statute. This bill would require the state board to post on its Internet website a copy of the external scientific peer review conducted for proposed rules of the state board or a California regional water quality control board.	Watch	To Engrossing and Enrolling
Collective Bargaining: Mediation				
AB 2126 (Bonta)	Meyers-Milias-Brown Act: mediation.	This bill allows either party in collective bargaining to request mediation after providing the other party with a written declaration of an impasse requires and implements a timeline for the parties to agree on a mediator, process for the appointment of a mediator if the parties fail to agree on one, but exempts from these requirements public agencies that have an arbitration process that results in a binding agreement. With respect to fact-finding procedures, the bill provides that the employee organization's request is not limited to an impasse over a Memorandum of Understanding, and may include any disputed matter within the scope of representation.	Watch	To Engrossing and Enrolling

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: September 17, 2014 ITEM NO. **14d**

SUBJECT: August Outreach Activities

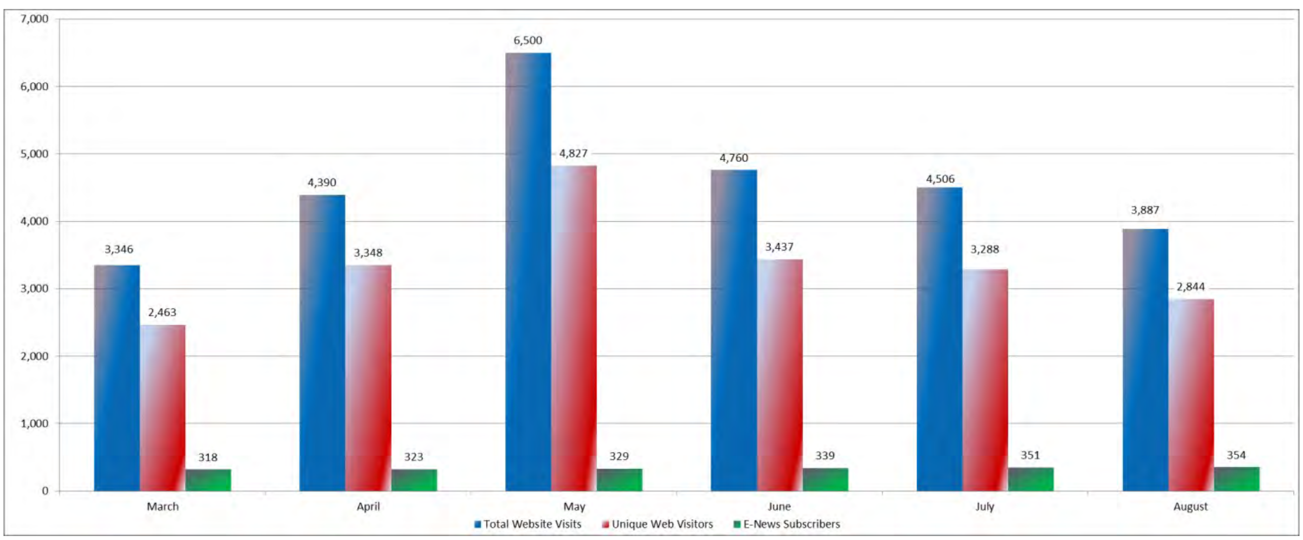
E-Newsletter, August 26th

The e-newsletter featured an article thanking residents and businesses for their drought-related conservation efforts, and outlining the many ways Zone 7 continues working to minimize impacts of this year's unprecedented drought. It also provided an update on the Bay Delta Conservation Plan and on Zone 7's potential participation in a Delta levee rehabilitation project that could provide water supply reliability benefits.

Drought-related newspaper advertising, August 7th and 8th

Half page ads thanking the public for its conservation efforts ran in the Valley Times and Independent on August 7th and in the Pleasanton Weekly on August 8th.

Website & E-news Subscription Activity



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ORIGINATING SECTION: Engineering
CONTACT: Rhett Alzona

AGENDA DATE: September 17, 2014

SUBJECT: Drought Update ITEM NO. **14e**

SUMMARY:

- DWR was able to maintain Lake Del Valle full throughout the summer. Since August 28, DWR has been releasing water from the lake into the South Bay Aqueduct to meet the Fall target elevation of 685' (28,500 AF) by October 30th for flood control purposes. Although raw water TOC concentrations at the treatment plants have steadily dropped from approximately 4.7 mg/L to 4.0 mg/L over the last month, TOC levels are still above normal. Coagulant demand is much higher than normal to combat the TOC levels.

- The three emergency projects approved by the board on January 29th are moving forward.

    1. Lake I - Cope Lake Pipeline Project - Project is complete. Water from mining operations in Cope Lake is being transferred to Lake I for recharge to the groundwater basin.
    2. Chain of Lakes Well No. 5 - Well installation, piping, pump and motor are in place. Conco West is working on the pump house construction. Masonry block walls are up, roof trusses are installed and the switchgear is in place. Staff continues to work with PG&E for electrical service at the site.
    3. Busch Valley Well No. 1 - Zone 7 entered into a Progressive Design-Build contract with Conco West, Inc. (with Stantec as sub-consultant). Work has commenced on Phase 1which consists of preparing a Basis of Design report that identifies the Schematic Design, Schedule of Values and Contingency for the Guaranteed Maximum Price, Schedule, Permitting Requirements and related terms and conditions for the Agency to review prior to entering into the Phase 2, Construction of the Well and related facilities. Phase 1 scope of work included preparing and issuing a bid specification for the well to better understand market conditions that could affect the Schedule of Values. Based on the single high bid of $700,000 that was received, drilling costs continue to be high and there are no plans to move forward with construction at this time. Phase 1 scope of work is anticipated to be substantially complete by the end of September 2014.

- From an operational standpoint, staff continued to use wells during August while optimizing surface water treatment given the limited SWP allocation. There were no groundwater recharge operations during the month. The Mocho Groundwater Demineralization Plant (MGDP) operation was limited to minimum RO feed to maintain the membranes. Minimal MGDP use avoids discharge of the concentrate (waste stream is approximately 15% of the amount of groundwater pumped). Staff also continues to review water quality and minimum water supply needs.

- Based on the current DWR delivery schedules, and demand trends in Zone 7's service area, exchange water deliveries from Cawelo and Semitropic should be available to Zone 7 this fall. In preparation for another drought year in 2015, staff is working with DWR to facilitate storage of any excess water in Oroville or 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 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.

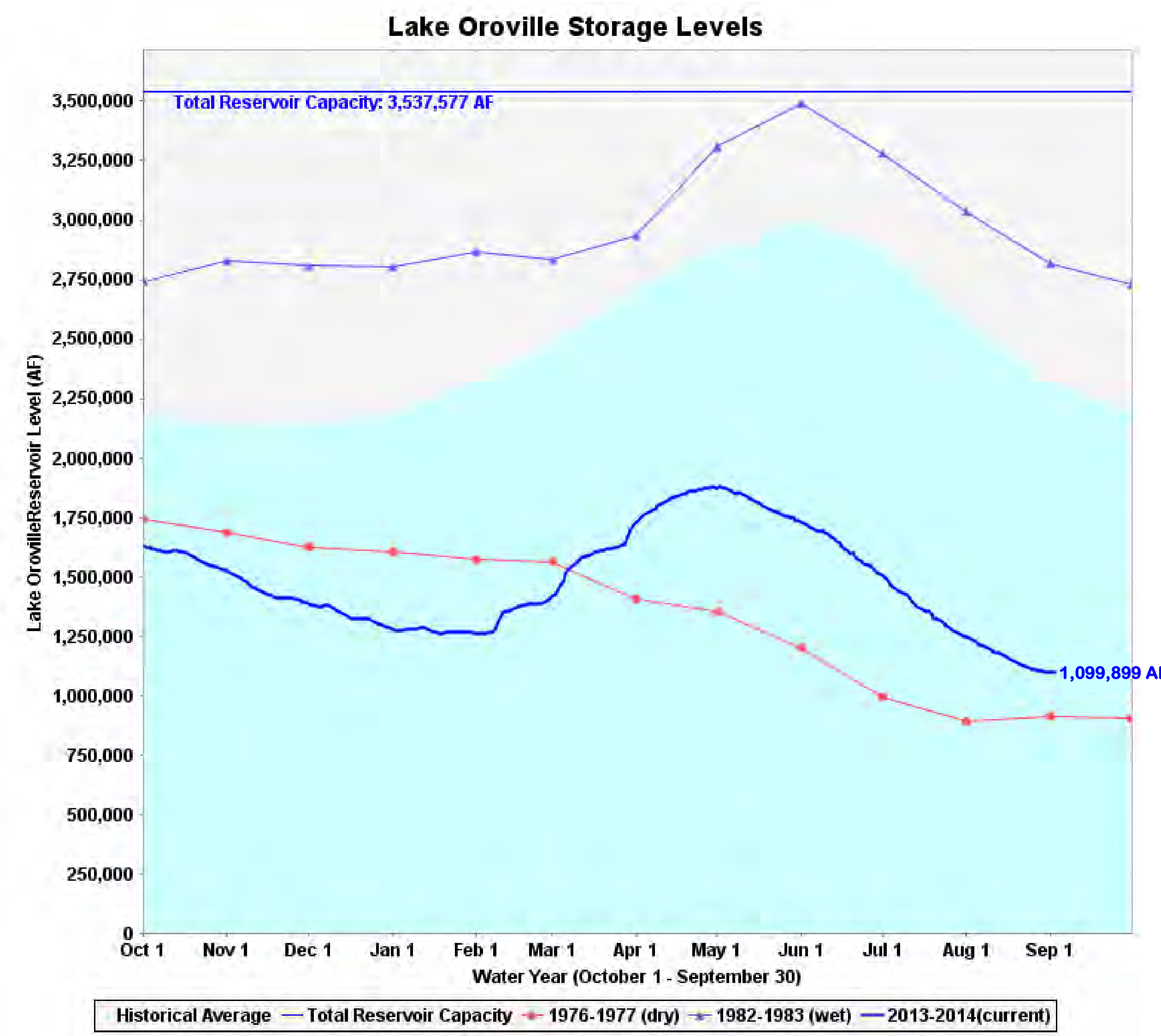
On July 29th, a State Water Resources Control Board emergency regulation to increase mandatory conservation practices for all Californians went into effect. The new conservation regulation targets outdoor urban water use and mandates conservation reporting by retail water agencies.

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 continues to drop, remaining well below average at approximately 48% of the historic average but above the driest year of record (see Oroville graph, below).

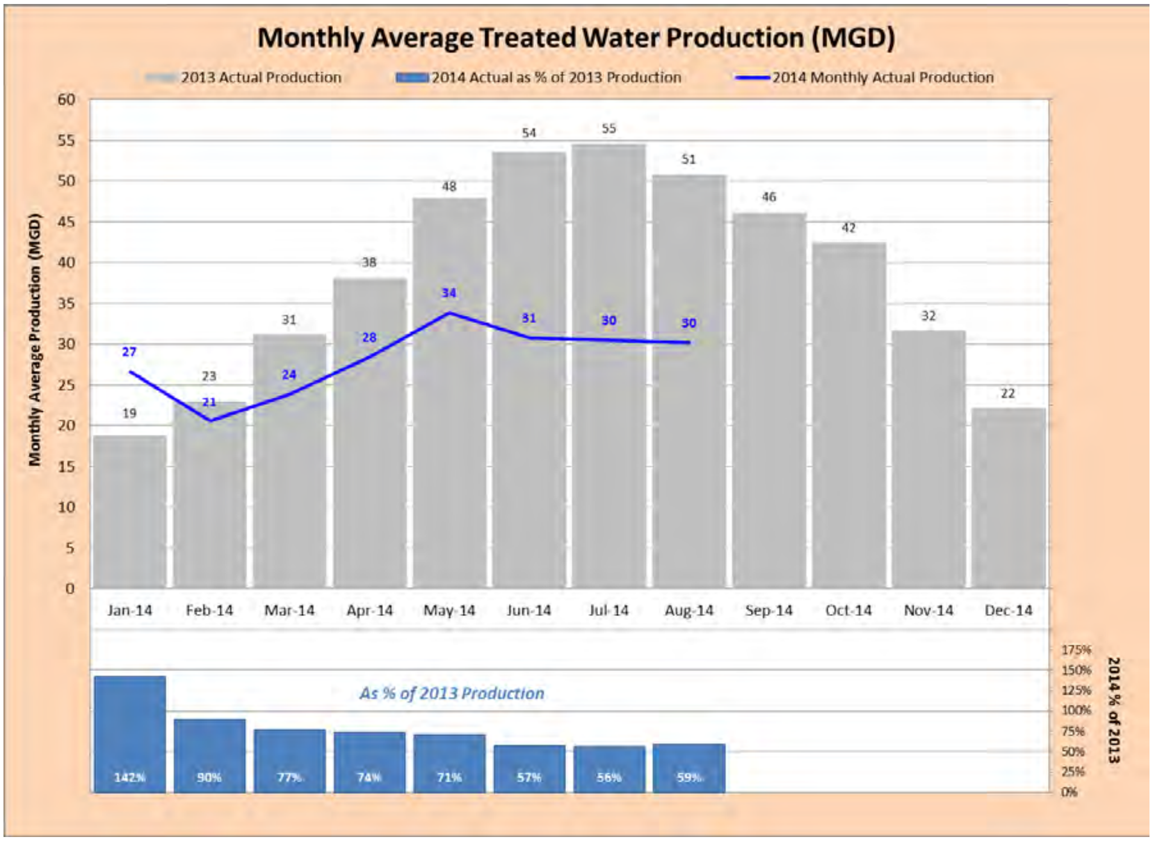
This can be tracked on the DWR data website at
http://cdec.water.ca.gov/cdecapp/resapp/resDetailOrig.action?resid=ORO



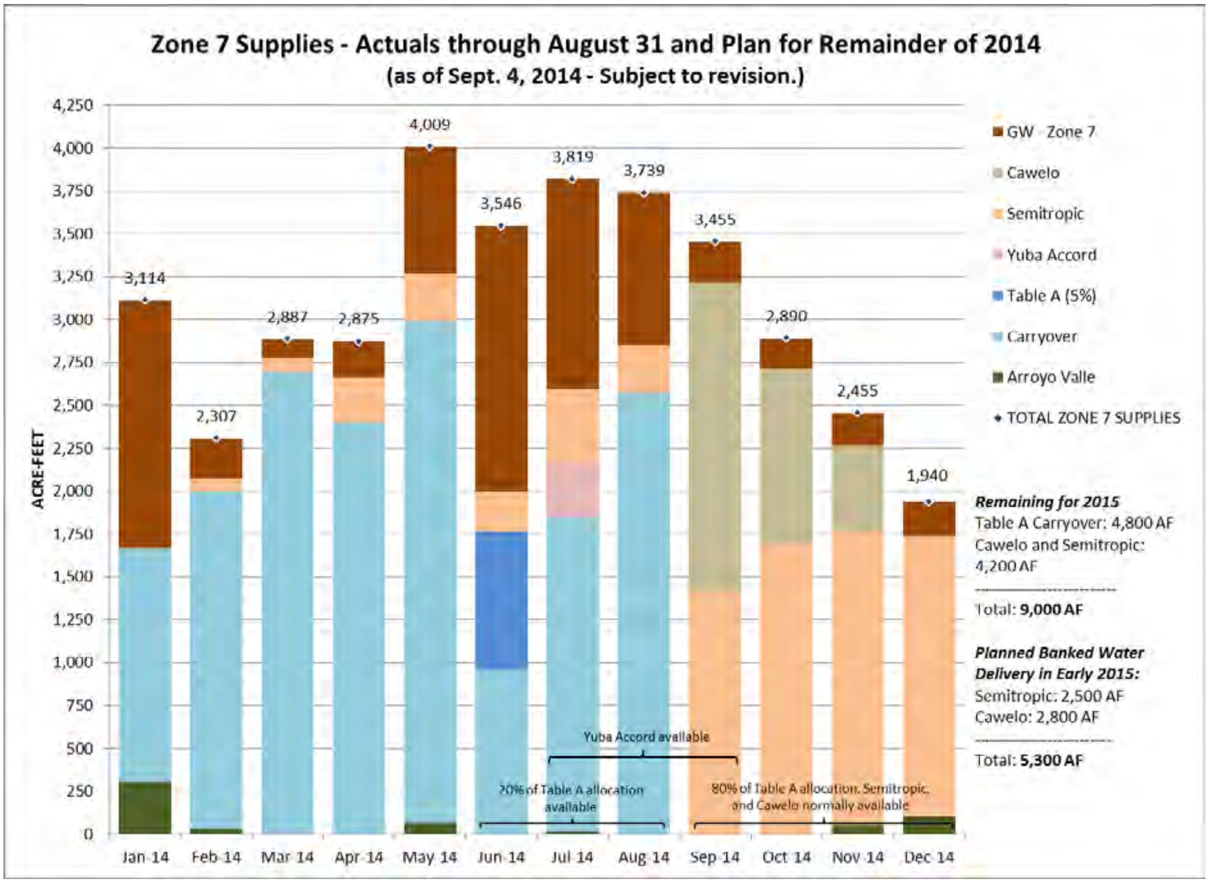
The local hydrology also remains dry, measuring approximately 46% of the average water year. This has minimized the amount of local water captured this year under the Arroyo Valle Water Rights permit.

From January to August 2014, cumulative valley-wide treated water demands have been 29% below 2013 demands. Successful conservation efforts continued through August: the treated water production in August 2014 was 41% lower than August 2013, a difference of 2,000 AF.

In August, both the Del Valle Water Treatment Plant and the Patterson Pass Treatment Plant continued to operate at a reduced combined production of approximately 21 million gallons per day (MGD). Production wells met approximately 30% of August demands. Total average production in August 2014 was 30 MGD, as compared to 51 MGD in August 2013.

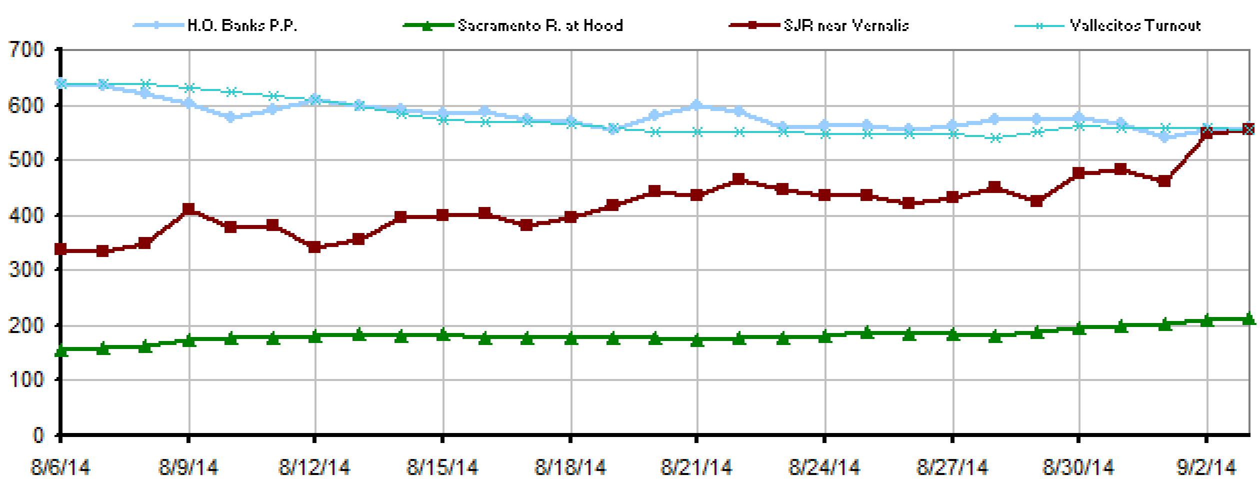


The graph below shows Zone 7's actual use of water supplies through August 31st and planned use for the remainder of the year. This graph is regularly updated to reflect additional information received from DWR, Zone 7's banking partners, and actual demands. This year, Semitropic was able to pump some water for Zone 7 during the summer months; pumpback water is typically not available during the peak irrigation months of June, July, and August. Zone 7 is preparing for another drought year in 2015. Under this latest plan, there would be 4,800 AF of SWP carryover as Zone 7 enters into 2015. Excess water pumped by Cawelo and Semitropic this fall would be stored in San Luis Reservoir; this would provide another 4,200 AF for use in 2015. Staff will continue to work with Cawelo, Semitropic, DWR, and other SWP contractors to secure deliveries of banked water this fall and into next year.



DWR monitors electrical conductivity as a surrogate for TDS (TDS is approximately equal to 0.58 times EC), which is posted as part of DWR's "Real Time Data and Forecasting" effort on the DWR website at http://www.water.ca.gov/waterquality/drinkingwater/rtdf_rprt.cfm:

Electrical Conductance (µS/cm)



Based on the DWR data, raw water to the treatment plants has total dissolved solids (TDS) around 325 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 with higher ferric chloride dosages and more pH adjustments. Ferric chloride dosages are around 50 mg/L through the first week in September. In the past, Zone 7 treatment plants have operated with ferric chloride dosages in the neighborhood of 25 mg/L.

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ORIGINATING SECTION: Engineering
CONTACT: Kurt Arends

AGENDA DATE: September 17, 2014 ITEM NO. **14f**

SUBJECT: Update Related to the Bay Delta Conservation Plan

BACKGROUND:

The Bay Delta Conservation Plan (BDCP), which has the co-equal goals of achieving water supply reliability while improving the ecosystem, is a voluntary effort to obtain long-term, incidental take permits for the operations and infrastructure improvements of the State Water Project (SWP) and the Central Valley Project (CVP) through development of a comprehensive Habitat Conservation Plan (HCP) under the federal Endangered Species Act, and a Natural Community Conservation Plan (NCCP) under the California Natural Community Conservation Planning Act. The BDCP is a mechanism for improving the ecological conditions to provide multi-species regulatory protection for 57 different wildlife and plant species in the Delta. Zone 7's interest is securing the regulatory protection for SWP operations, restoring water supply reliability lost to recent regulation and court actions and improving the ecosystem through a long-term multi-species habitat conservation agreement.

The Delta Habitat Conservation and Conveyance Program (DHCCP) is the associated effort to do enough preliminary engineering to analyze the proposed actions in the BDCP under the National Environmental Policy Act (NEPA) and the California Environmental Quality Act (CEQA) and to prepare the related environmental impact documents (both a federal Environmental Impact Statement and a state Environmental Impact Report, known as an EIR/EIS, collectively). This effort also includes development of preliminary engineering designs, geotechnical field studies and analysis, and other necessary feasibility information for Delta water conveyance improvement projects and related habitat conservation measures under the BDCP.

Although the BDCP is a key element of the Delta planning framework established by the State Legislature in 2009, it is not the only effort needed to accomplish the "co-equal goals" of restoring the Delta ecosystem and water supply reliability for California. The Delta Stewardship Council, Delta Protection Commission, Delta Conservancy and State Water Resources Control Board all have important roles in the planning framework.

To put the BDCP into the context of overall state water management, the California Natural Resources Agency (which includes the Department of Water Resources), the California Department of Food and Agriculture and the California Environmental Protection Agency worked with stakeholders to develop the California Water Action Plan which was finalized on January 22, 2014 at the same time as the governor's State of the State address (see http://resources.ca.gov/california_water_action_plan/docs/Final_California_Water_Action_Plan.pdf). This Plan lays the foundation for implementing broader, statewide measures including water use efficiency, groundwater management, integrated regional water management, expanded recycling and potential development of surface storage to improve water supply reliability.

DISCUSSION:

The public review draft of the BDCP and its corresponding Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) were released on December 13, 2013, for a total 180-day public review period. Formal comments on the Draft BDCP, the associated BDCP Draft EIR/EIS, and the BDCP Draft Implementing Agreement were accepted through July 29, 2014. The agency received approximately 11,000 comment letters on the documents. Of those, approximately 2,000 were original, individual comments. Ten standardized letters make up the remaining 8,000-9,000 letters received. Letters were received from a broad range of stakeholders, including local governments, elected officials, environmental, business, labor and community groups, and individuals. State and federal agencies are now carefully reviewing the comments and will be preparing responses over the coming months.

Subsequent to the end of the public comment period, the Department of Water Resources and the other state and federal agencies leading the Bay Delta Conservation Plan announced that they will publish a Recirculated Draft BDCP, Environmental Impact Report/Environmental Impact Statement (EIR/EIS), and Implementing Agreement (IA) in early 2015. After reviewing the comments received through the public comment period and identifying any needed changes to the Plan, the scope of the partially recirculated draft documents will be announced, anticipated in approximately six to eight weeks. The recirculated documents will include those portions of each document that warrant another public review prior to publication of final documents. The public will also have the opportunity to review the final documents prior to their adoption and any decisions about the proposed actions. Comment letters and responses will be included with the Final BDCP and Final EIR/EIS.

As part of the formal comment process for the Bay Delta Conservation Plan, the U.S. Environmental Protection Agency (USEPA) sent a 43-page letter to the National Marine Fisheries Service, outlining its initial list of concerns but deferring a "ranking" of the document pending the recirculation to allow these concerns to be addressed. USEPA's preliminary research found that by diverting freshwater from three new intakes proposed on the Sacramento River – farther upstream from existing intakes – the project is likely to increase concentrations of salinity, mercury, bromide, chloride, selenium and pesticides in the estuary.

According to the USEPA letter, the most controversial element of the plan is a pair of tunnels, 40 feet in diameter and 30 miles long, that would divert a portion of the Sacramento River's flow at three intakes proposed near Courtland, routing the water to existing diversion pumps near Tracy. The goal is to avoid reverse flows in the estuary caused by the current diversion pumps, which are one source of ecological trouble in the Delta. The new intakes also would have modern fish screens, whereas the current intakes near Tracy do not.

In the USEPA letter, the agency also stated that while the project would improve the water quality for agricultural and municipal water agencies that receive water exported from the Delta, water quality could worsen for farmers and municipalities who divert water directly from the Delta.

While the USEPA letter is critical of the BDCP, it provides clear identification of the items that need to be more thoroughly analyzed and addressed before the plan is recirculated.