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

REGULAR MEETING
November 18, 2009

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

DIRECTORS:	SANDY FIGUERS JOHN GRECI STEVE KALTHOFF CHRISTOPHER MOORE SARAH PALMER DICK QUIGLEY BILL STEVENS
DIRECTORS ABSENT:	NONE
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER MALA SUBRAMANIAN, BEST BEST & KRIEGER, SPECIAL COUNSEL KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING JOHN YUE, ASSISTANT GENERAL MANAGER, FINANCE DIANA GAINES, SENIOR ENGINEER BARBARA MORSE, BOARD SECRETARY

Item 3 – Citizens Forum

There were no public comments.

Item 4 – Minutes of the Regular Meeting of October 21,2009, Special Meeting of October 26, 2009

On a motion by Director Greci with second by Director Palmer, the minutes of the Regular Meeting of September 16, 2009, were approved as presented. Director Kalthoff abstained.

On a motion by Director Palmer with second by Director Kalthoff, the minutes of the Special Meeting of October 12, 2009, were approved as presented. Director Greci abstained.

Item 5 – Consent Calendar

Consent Item 5f was pulled by Director Palmer.

On a motion by Director Greci with second by Director Figuers, Consent Items 5a through 5e were adopted by a roll call vote of 6-0. The following resolutions were approved:

Resolution No. 10-3352	Approving out-of-state travel for Mr. Kurt Arends and Ms. Tamara Baptista to attend the Water and Wastewater Leadership Training at the University of North Carolina – Chapel Hill on March 7-19, 2010. (Item 5a)

Resolution No. 10-3353	Approving new classification and salary schedule for Maintenance Manager, Zone 7. (Item 5b)
Resolution No. 10-3354	Approving changing the classification Instrument Technician, Zone 7 to the flexibly staffed classification of Instrument TechnicianI/II, Zone 7. (Item 5c)
Resolution No. 10-3355	Approving the refund of overpaid drainage fees in the amount of $26,713.68 to Shea Center Livermore, LLC. (Item 5d)
Resolution No. 10-3356	Approving the Memorandum of Understanding between members of the Bay Area Regional Mussel Prevention Consortium. (Item 5e)

Item 5f—Request for Designation of Voting Delegate for ACWA Amendment to Bylaws

Ms. Duerig explained that the Association of California Water Agencies will hold this year's Fall Conference in San Diego, California. Directors Dick Quigley and Sandy Figuers are registered to attend. During the Conference, there will be a General Session meeting of the ACWA membership at which time votes will be taken for upcoming ACWA officer elections. ACWA has asked member agencies to designate a voting delegate who will be physically present at the conference to vote on behalf of the agency. The Board needs to designate either Director Figuers or Director Quigley to cast votes on behalf of Zone 7. The Board could also suggest how any such votes should be cast on the matter under consideration.

Director Figuers moved for the adoption of Resolution No. 10-3357 nominating Director Dick Quigley as Zone 7's voting delegate for the upcoming 2009 Fall ACWA Conference. The motion was seconded by Director Stevens. The motion passed by a voice vote of 6-0.

Director Kalthoff asked why it is necessary to send two board members to this conference.

Ms. Duerig responded that it is not unusual for entire agency governing boards to attend ACWA conferences. These conferences focus on highly relevant water issues, and she encouraged all directors to attend at least one of the two annual conferences. She noted that others who will be attending include Mr. Kurt Arends, Ms. Boni Brewer, and Mr. Carl Morrison.

President Quigley agreed stating that he is also an ACWA committee member.

Item 6a—Employee of the Month Recognition

Ms. Duerig announced that the Zone 7 employee of the month for September 2009 is Mr. Gerry Gates, Geographic Information Systems Analyst in the Financial & Systems Services Section at North Canyons. Mr. Gates was praised for his work initiative, professional demeanor and willingness to help employees and staff solve difficult problems.

Ms. Duerig noted that a plaque would be installed in the lobby with the names of the Employees of the Month.

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Director Moore arrived at about 7:20 p.m.

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Item 7—First Amendment to Bay-Delta Conservation Plan Planning Agreement and Cooperation Agreement

The Board heard a brief presentation by Mr. Arends on the BDCP and the need for the First Amendment to the Planning Agreement and Cooperation Agreement.

- He began by noting a typo on page 1 of the interoffice memo, second paragraph where it calls the Delta "the principal water supply for more than 23 million people." A more accurate description of the Delta would be to call it a "conveyance."
- The purpose of the BDCP is to develop a means to comply with the Federal & State Endangered Species Acts, and to potentially conserve and recover certain species within the Delta whose natural habitats may be impacted by water and power facilities and other activities.
- The direct benefit of the BDCP to Zone 7 is the assured long-term reliability and potential water quality improvement of our imported water supplies.
- The Planning Agreement spells out the specific goals, responsibilities, and process for the development of the BDCP.
- The Cooperation Agreement contains provisions which define the decision making process for managing the BDCP process, identifies a budget and management process for the administration of contracts for consultant services, and the principles of cost sharing and financing, and defines the duties and responsibilities of the contracting authority, and the contract administrator identified as Zone 7.
- Both the Planning Agreement and Cooperation Agreement are set to expire and need to be extended to continue the BDCP process and the role of Zone 7 as contract administrator.
- The First Amendment to the Planning Agreement will extend the agreement for two years and the First Amendment to the Cooperation Agreement will provide an extension of one year.
- Staff recommends approval.

Responses to comments/questions from the Board:

President Quigley called attention to the typo mentioned by Mr. Arends and emphasized the importance of correctly stating these facts.

In response to a question on why the two agreements have different extension periods, Mr. Arends responded that the Planning Agreement is proposed to be extended for an additional two years to allow adequate time to complete the BDCP process. A one year extension of the Cooperation Agreement is being proposed to allow for an anticipated change to the way contracting is done for the BDCP which should happen within the next six months. This change could relieve Zone 7 of its contracting responsibility and would require a new Cooperating Agreement. If this happens, the one year extension will allow time for Zone 7 to pay final invoices, invoice other agencies for reimbursement and transition to another contracting agent. Should this change not occur, the Cooperating Agreement will likely need to be amended again at the end of the year.

Ms. Duerig noted that the BDCP process is behind schedule and significantly over budget. The participants are in the process of bringing in an independent contractor to manage the process and get it back on track. If an independent contractor is hired, it is likely that person will manage the contract. We'll be back to the Board with more information.

President Quigley commented that it is likely we'll hear more at ACWA in December on this issue. He further noted that he had misgivings about the process because there is no sunset, and we really need to fix the Delta. He further stated that he believed Zone 7's operating and chemical costs would go down significantly if an isolated facility is built. He was in favor of the BDCP moving forward but he wanted to see a sunset; we should think about why we are there—to fix our conveyance. The principal mission is to deliver water to our service area and to do so in a manner that will protect the environment.

In response to a question from Director Greci about how the BDCP fits into the new legislation signed by the governor, Ms. Duerig responded that the new legislation gives assurances that we will stay on the same path even though Governor Schwarzenegger's term ends in 2010. The key objective was to codify the coequal goals so that the transition of governors will not change that. There was a fear that if the BDCP is not finished by 2010 whether it will continue.

Director Greci commented that some legislators felt that the legislation was rammed down their throats. How does staff feel about that?

Ms. Duerig responded that politics played a major part in the bond bill. However, even if the bond fails, the policy will remain in effect.

Director Moore asked about a successor agency if Zone 7 no longer acts as contract administrator.

Ms. Duerig responded that Mr. Chuck Gardner (formerly of the UC system) is a leading contender to take over the role of contract administrator for the BDCP. He would be given the appropriate authority and become a true program manager. The administering agency would likely be either DWR or SFCWA. Zone 7 is on board with these changes. It would not diminish our influence because we are still members of the basic group as well as many of the committees and subgroups.

Director Greci moved for the adoption of Resolution No. 10-3358 approving the amendments to the Bay Delta Conservation Plan Planning Agreement and Cooperation Agreement and authorizing the General Manager to sign the amendments. The motion was seconded by Director Figuers and passed by a vote of 7-0.

<u>Item 8—Award of Contract to Provide, Operate and Maintain Centrifuge Equipment System Project, Project No. 199-09</u>

The Board heard a brief report by Mr. Arends on the award of the centrifuge equipment rental contract.

Background:

- There is an ongoing need for contract services to provide, operate and maintain centrifuge equipment for water treatment facilities on an all year round basis for up to three more years, while designs for a permanent system are developed.
- The current contract with Karl Needham Enterprises to provide these services will expire on December 31, 2009.
- In September 2009, Zone 7 advertised and solicited bids for a new services contract to provide, operate and maintain centrifuge equipment for water treatment facilities for three calendar years (2010 – 2012).

- The Contract will have provisions for annual adjustments of bid prices, for two operational items, based on changes in the Consumer Price Index – All Urban Consumers, US City Average (CPI).
- The Engineer's Estimate for the project for the next three years is $2,000,000 and funds will be provided by Fund 52 – Water Enterprise. An annual amount of $670,000 is provided in the FY 2009/10 and the FY 2010/11 budgets.
- Three bids (including one No Bid) were received on October 23, 2009.
- Karl Needham Enterprises, Inc. (KNE) was identified as the lowest responsive responsible bidder with a Total Bid Price of $1,983,000.00. KNE's performance under the existing contract has been satisfactory.
- The contract provides for early termination of services at one or both plant locations if permanent facilities are developed before the end of the three years.
- Staff recommends adoption of the attached resolution, which (1) authorizes the project; (2) approves the project specifications; (3) authorizes the General Manager to execute a contract with KNE, for an amount not-to-exceed $1,983,000.00; and (4) authorizes the General Manager to execute change orders in accordance with Contract Documents up to a maximum of 10% of the contract amount as needed.

Board comments/questions:

President Quigley stated that after looking at similar operations at the City of Livermore and DSRSD, he recommended a "drop and pick trailer." The sludge would pass through a press facility, dry quickly and drop into a waiting trailer. He felt it would be a more efficient process if it was only handled once.

Mr. Arends responded that Zone 7 moves it around to continue the drying process. The dump fees are based on tonnage, and the drier it is, the cheaper it is to dispose of.

Director Stevens recalled that the last time this contract was extended the Board was told that the process is being studied to make it more efficient. Has that happened?

Mr. Arends responded that staff is working to improve service, and we are working on getting the contract cleaned up to get better service from the vendor. He confirmed that the contractor provides the equipment as well as operates and maintains it.

Regarding Director Moore's comment about receiving only one good bid, Ms. Diana Gaines, Project Manager, stated that we were trying to separate risk between ourselves and the contractor. Putting the burden on the contractor to meet the requirements caused some companies not to bid.

President Quigley noted that other water agencies, such as EBMUD and the City and County of San Francisco have their raw water delivered via pipeline. He opined that because of that less sludge is produced. If Zone 7 had a pipeline, it would likely save us money because we wouldn't have so much sludge to dispose of.

Mr. Arends responded that a lack of a dual conveyance in the Delta is only a part of the problem. There would still be water quality issues. It would not mean a huge reduction in costs. Drying beds for the sludge are still very efficient.

There were no further comments.

Director Stevens moved for the adoption of Resolution No. 10-3359 to

1) Authorize the project;
2) Approve the project specifications;
3) Authorize the General Manager to execute a contract with KNE, for an amount not-to-exceed $1,983,000.00; and
4) Authorize the General Manager to execute change orders in accordance with Contract Documents up to a maximum of 10% of the contract amount as needed.

The motion was seconded by Director Palmer and passed by a vote of 7-0.

<u>Item 9—Water System Update</u>

Mr. Arends introduced this item by stating that an update of the Zone 7 Water System Master Plan needs to be done, and we are planning on doing it in-house this time. He then introduced Mr. Jarnail Chahal, Senior Engineer, and Mr. Brad Ledesma, Associate Engineer, who would be working on the update to give a summary of the findings.

Summary of presentation:

- Zone 7 staff conducted an analysis of existing water supplies, and the existing conveyance, treatment, and transmission system.
- The analysis of existing water supplies indicated that Zone 7 could meet 100% of Zone 7's water demands in 2010 regardless of hydrologic conditions; however, reliability decreases to approximately 97% in the next five years, 91% in the next 10 years, and to 65% over the next 20 years if all current conditions remain unchanged.
- The analysis of the existing system also indicated that there is a 3% chance of any shortage within the next five years, but that there is less than 1% chance that the shortage will be greater than 5,000 acre-feet (i.e., there is less than a 1% chance of a 10% shortage in the next five years).
- The analysis of existing facilities indicated that Zone 7 can meet maximum day demands over the next 10 years without any additional facilities, but would need an additional 15 million gallons per day of delivery capacity by 2030 to meet current Board Policies.
- The analysis of existing facilities also indicated that Zone 7 could not meet 75% of maximum day demands with a major facility out of service based on current peaking assumptions. Ultimately, Zone 7 will require an additional 26 mgd by buildout of adopted general plans to meet this policy.
- Recent habitat, environmental, and legal constraints in the Delta, along with the threat of climate change are the root cause of the reduced reliability of existing water supplies; however, solutions must be adaptable, and should consider the ability to provide both new supply and peaking capacity.
- Zone 7 staff recommends completing a Water System Master Plan using in-house staff that will provide a flexible roadmap through buildout of adopted general plans.

Board questions/comments:

Director Greci asked about the amount of water Zone 7 has in Lake Del Valle, and could we do a massive draw from LDV if necessary?

Mr. Ledesma responded 25,000 acre-feet and that is shared with ACWD and others. The draw from the lake is limited by the size of the pipeline to 22 mgd.

In response to a question on our ability to draw from the groundwater basin, Mr. Chahal noted that the maximum amount from the basin is 40 mgd for peaking.

Regarding replenishment of groundwater reserves, Mr. Ledesma remarked that after 2014 demand exceeds supply and we will have less ability to replenish the basin.

There was general consensus on the Board that the presentation was very well done and presented a wealth of information. Mr. Chahal and Mr. Ledesma continued to answer more detailed questions on the charts.

Item 10 – Committees

a. Finance Committee: Meeting of November 17, 2009

Ms. Duerig noted that the Finance Committee met yesterday on November 17. Topics on the agenda were 1) the annual audit which will be presented to the full Board in December; and 2) the Expansion Fund cash flow. More information will be presented to the committee in December at another meeting and then a recommendation to the full Board in December.

Director Figuers stated that it was a good meeting that included a discussion of patterns and trends. We should have a good handle on the potential levels of concern for borrowing $30 million from the ISA. If projections are off, it will give us a good handle on what it may do to us.

Director Moore noted that even though the ISA is for $60 million, it is only possible for us to make a $30M to $33M draw. He felt we should maximize the amount we can borrow on it. The full Board will ultimately decide.

Director Kalthoff agreed but emphasized that we will definitely need $30 million from the ISA.

Item 11—Items for Future Agendas —Directors

Director Stevens noted that the chain-of-lakes is a very important tool and we need to work on taking full advantage of it.

President Quigley agreed. He called attention to a pamphlet that had been distributed to the Board from the Friends of Shadow Cliffs. The group wants to put an interpretive center near the site of the failed water slide expansion similar to the one at Oroville, San Luis and Pyramid Lake. The center would be an opportunity to integrate the environment, water and energy.

Discussion turned to the source of Shadow Cliff's water and how that water supply will continue when quarry activity ends. Director Figuers stated that it may not be a wise use of funds if the lake goes away.

Ms. Duerig noted that EBRPD has talked to Zone 7 about that. Within the past few years, some of the facilities had to be temporarily shut down because of low water levels. We will continue to coordinate with them.

Item 12 – Reports - Directors

President Quigley advised that he and Director Greci had attended the BART presentation of options for alignments. This is important to Zone 7 because some of those alignments go through the chain-of-lakes area.

Director Greci added that of the nine proposed alignments, five go through the chain-of-lakes area and could impair our operations. Zone 7 needs to stay active in the process as it moves forward.

Item 13—Staff Reports (Information items. No action taken.)

a. General Manager's Report
b. Recent & Upcoming Public Outreach Activities
c. State Legislature: Final 2009 Update
d. Zone 7 Strategic Plan Schedule
e. Quarterly Financial Report

In response to a question from Director Kalthoff about how much time it took to compile the Quarterly Financial Report, Mr. Yue estimated it takes one person approximately one and a half weeks to do the report alone.

Director Kalthoff was not sure that the information presented was worth that kind of staff time. Additionally, we get financial updates when we adopt the budget, at water rate setting time, during the CIP discussion and when the annual independent audit is presented.

Director Stevens agreed with Director Kalthoff that the report is probably not necessary.

After some discussion, there was consensus on the Board to suspend the Quarterly Financial Report.

In response to a question from Director Quigley, Ms. Duerig advised that the Reclamation Fee charged to the quarry operators was set by the agreements with each of the operators that were signed in the 1980's.

Item 13f—Verbal reports

Ms. Duerig advised that "all staff" meetings have been held at all four of the Zone's main facilities. Additionally, the Management Advisory Team will be meeting again in the near future. This is the employee group which was formed to look at and offer suggestions to improve the culture at Zone 7. Dr. Bill Mathis who spoke to the Board at the October 21, 2009 meeting will be facilitating that group. Dr. Mathis would like to involve the Board so Directors will be contacted within the next few days to check on their availability for a two-hour workshop.

There was no further discussion.

President Quigley recessed the meeting for a short break before reconvening in Closed Session at 9:05 p.m.

Item 14—CLOSED SESSION

a) Conference with Legal Counsel – Existing litigation pursuant to Subdivision (a) of Government Code Section 54956.9 – 2 cases

ACFCWCD Zone 7 v. Legacy Pleasanton Land, LLC, et al.; Alameda County Superior Court Case No. VG07353303

ACFCWCD Zone 7, et al., v. State of California Department of Water Resources, et al.; Sacramento County Superior Court Consolidated Case No. 07AS04901

b) Conference with Legal Counsel – Significant exposure to litigation pursuant to Subdivision (b) of Government Code Section 54956.9: 5 cases

c) Conference with Labor Negotiators:
Agency Negotiator: G.F Duerig
Employee Organization: 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

Item 16—Upcoming Board Schedule

(All meeting locations are 100 North Canyons Parkway, Livermore, unless otherwise noted)

a) Regular Board Meeting: December 16, 2009, 7:00 p.m.

There was no further business, and the meeting was adjourned at approximately

Item 15—OPEN SESSION AND REPORT OUT OF CLOSED SESSION

During closed session the Zone 7 Board of Directors approved amending the existing contract with Meyers Nave Riback Silver & Wilson by adding $30,000 for ongoing work in connection with the Chain of Lakes Wells No. 1 & 2 eminent domain action.