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

SPECIAL MEETING
April 1, 2009

President Palmer called the regular meeting to order at 7:00 p.m. The following were present:

DIRECTORS:	SANDY FIGUERS JOHN GRECI STEPHEN KALTHOFF DALE MYERS SARAH PALMER DICK QUIGLEY BILL STEVENS
DIRECTORS ABSENT:	NONE
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER AMY NAAMANI, GENERAL COUNSEL KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING VINCE WONG, ASSISTANT GENERAL MANAGER, OPERATIONS JOHN YUE, ASSISTANT GENERAL MANAGER, FINANCE ELKE RENK, ASSISTANT PLANNER CAROL MAHONEY, ASSOCIATE ENGINEER BRAD LEDESMA, ASSOCIATE ENGINEER BARBARA MORSE, BOARD SECRETARY

Item 3—Citizens Forum

Item 4 —Consent Calendar

Though there was only one item on the Consent Calendar, President Palmer stated that she wished to pull it for a brief explanation.

Item 4a—Amendments to Agreement for Dry Year Water Purchase – Yuba Accord, Agreement No. A09-98-CAL

Mr. Wong provided some information and background on the two amendments that the Board was being asked to approve.

- The Yuba Accord Water Purchase Agreement allows Yuba the option to sell "Component 4" Water to the Department of Water Resources which in turn, makes the acquired water available to State Water Project Contractors (such as Zone 7) who want to buy the available water.

- Zone 7, along with 20 other SWP Contractors and the San Luis & Delta-Mendota Water Authority, participated in the "Agreement for the Supply and Conveyance of Water by the Department of Water Resources of the State of California to the Participating State Water Project Contractors under the Dry Year Water Purchase Program" ("Agreement") associated with the Yuba River Accord.

- Tonight the Board is being asked to authorize the General Manager to sign Amendments 1 and 2 to the Agreement.

  - Amendment 1 approves a technical change to the reservoir refill accounting procedures.
  - Amendment 2 approves an increase in the price of Component 4 groundwater substitution water for 2009 only.
  - In order to be effective, all participating contractors must execute the amendments regardless of whether Component 4 water will actually be requested.
  - Mr. Wong stated that this one-year amendment is part of the process to address a dispute over terms related to the availability and pricing of the Groundwater Substitution Component water provided under the Water Purchase Agreement.
  - Staff recommends adoption of the attached resolution authorizing the General Manager to execute the Amendments with DWR.

Director Quigley moved for the adoption of Resolution No. 09-3292 approving Amendments No. 1 and 2 to Yuba Accord Water Purchase Agreement. The motion was seconded by Director Kalthoff and passed by a vote of 6-0.

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President Palmer suggested that Item 5 be delayed until Director Stevens arrives. He phoned earlier and said he would be arriving about 7:30 p.m.

Item No. 6 was taken out of order.

<u>Item 6—Alameda Creek Fisheries Restoration Workgroup—Project Update</u>

The Board heard a presentation from Ms. Elke Renk giving an update on the Steelhead Recovery Project in Alameda Creek.

- Zone 7 Water Agency recently negotiated a "Statement of Understanding" (SOU) with National Marine Fisheries Service and Sonoma County Water Agency to assist in the preparation of a Steelhead Recovery Plan for the Central California Coast region.
- Historically, the Alameda Creek Fisheries Restoration Workgroup was formed in early 1999 as a collaborative effort among many parties focusing on water flows and habitat restoration in the Alameda Creek watershed to support steelhead salmon.
- A Memorandum of Understanding (MOU) was authorized by the Workgroup members in 2006 and identifies 3 study phases:
  - Phase 1: Data gathering; Study Plan (completed)
  - Phase 2: Hydrologic/geomorphic conditions; Habitat (current)
  - Phase 3: Strategies for restoration (2010+)
- Phase 1 culminated with a comprehensive study plan, the "Alameda Creek Population Recovery Strategies and Instream Flow Assessment for Steelhead Trout – Final Study Plan, January 2008." The Workgroup as a whole deliberated and agreed upon the Plan which includes recovery goals, life history tactics assessment, management issues, and study plan elements, among other topics.
  - Because Phase 1 came in under budget, the balloon photography portion of the study was started in order to create detailed basemaps.
- Phase 2 will include basemap construction, field habitat mapping, and analysis of "number of good days," and is expected to be underway in 2009 - 2010.

    - “Good days” refers to days when the fish are exposed to proper habitat, food, etc., in other words, ideal conditions for survival.
- Near-term projects that may significantly improve conditions for fish migration into the watershed:
    - Modification to ACWD’s lower rubber dam: 2009
    - Fish ladders at the BART weir/ACWD middle rubber dam: 2010
    - Fish ladders at ACWD’s upper rubber dam: 2012
    - Improvements to PG&E pipeline crossing Alameda Creek: 2009/2010
    - Calaveras Dam replacement (including SFPUC’s HCP): 2-5 years

Director comments:

From a water production standpoint Director Figuers cautioned about the introduction of a threatened species into an area where they have never previously existed.

Ms. Duerig noted that this is why the water agencies have been such active participants in the on going efforts of environmental groups and environmental regulatory agencies to look at restoration projects.

Director Figuers disputed this effort being called a “restoration” project because the steelhead could not have even gotten to this area before 1900 when a channel was created to drain the swamps. Prior to that time, the Livermore Valley was one of the one or two areas in the western United States that had no through-going streams.

President Palmer added, from an environmental point of view, much of the habitat that used to exist does not exist any more. We do have a potential habitat here; it’s a substitute habitat.

Director Figuers felt that we need to make it very clear in the documentation for these projects that we are creating new habitat that never existed before so that 10-20 years down the road we don’t get told we need to turn off our water to restore the habitat of a particular threatened species.

Director Figuers noted that personally he thinks it’s great that this project is going on but as a director of a water district he thought we need to be very careful.

Ms. Duerig said that Zone 7 is not alone in this. SFPUC and ACWD both have similar concerns and are involved to keep a level of logic in this restoration effort. President Palmer is correct in that as we move forward with the SMMP, we also need to look at habitat enhancement and that can be new habitat. We will be extremely cautious not to over commit.

There were no further comments.

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Director Stevens arrived at 7:30 p.m.

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Item 5—Interim Report and Presentation by Management Partners, Inc., on the Economic and Operational Analysis of Zone 7's Operating Relationship with Alameda County

The Board heard a presentation from Ms. Tamara Letourneau and Mr. David Jensen, from the consulting firm of Management Partners, on the preliminary results of the Economic and Operational Analysis of Zone 7's Operating Relationship with Alameda County.

Highlights of the presentation:

Purpose of Study

- Analyze the advantages and disadvantages of Zone 7 continuing to use Alameda County support services to improve the efficiency and effectiveness of Zone 7.
- This study was about how to optimize Zone 7 operations; it is not an evaluation of the effectiveness of County services.

Context of the Study

- Ensure effective and efficient service delivery for Zone 7's rate payers
- Costs of County services vs. in-house
- Concern over time it takes to conduct routine business

Service Areas Analyzed

- Financial Services
- Risk Management
- Human Resources
- Information Technology
- Benefit Administration
- Other Support Services

Points of Analysis (for each of the service areas)

- Efficiency of the service provided
- Cost

Results of the Analysis

- Zone 7 is currently spending over $1.2M per year for County services.
- Separation from County services would reduce the cost to approximately $821,000 per year for a savings of approximately $410,000/year.
- Zone 7 staff have developed extra processes to accommodate and/or work around the County system which creates inefficiencies, e.g., budgeting and payroll. (More detailed examples in the budgeting and payroll were given)
- Zone 7 is required to process all Human Resources decisions through the County Civil Service System which adds another layer of internal controls and causes delays and lengthy recruitments.
- Governance issues have previously been resolved and service delivery is a vestige of the language in AB 1125.

Preliminary Recommendations

- Consider a range of options to provide Zone 7 with the ability to deliver services efficiently and effectively separate from County services.

- Specific preliminary recommendations were given for the various functional areas. Some of those are:

  - Financial Services: change from fiscal to calendar year; review accounting procedures and software; develop own CAFR and other financial reports; keep more accounts payable/receivable services in-house utilizing existing staff; open commercial bank account; consider outsourcing payroll to a private provider; implement a 2-year budget cycle; develop internal purchasing policies and procedures; explore purchase card program.

  - Human Resources/Benefit Administration: Consider possibility of eliminating Civil Service Board and establishing a Zone 7 personnel commission; establish own policies and procedures for recruitment, disciplinary procedures, etc.; administer and manage benefit programs in-house; join insurance pool; administer benefits in-house and address changes through meet & confer process; join joint powers insurance authority or contract with a private insurer.

  - Information Technology: outsource e-mail filtering; additional tech support may be needed for the district's financial system.

  - Other Support Services:
    - No change in following services: County Assessor; County Property Tax Administration; Public Works (including the Agricultural Department and Vector Control); Property & Salvage.

    - Develop employee recognition program

Preliminary Fiscal Analysis

• Cost of County Services	$1,232,000
• Cost of Services if kept in-house	$ 821,507
• Estimated Annual Savings	$ 410,493
• Estimated one-time cost for separation of services	$ 188,000

Next Steps:

- Review analysis and recommendations with the County
- Work with staff to develop business plans for each transition area
- Develop draft report
- Review draft report with staff, including development of a communications plan.
- Present final report to the Board.
- Study completion is estimated to be about the end of May.

At the conclusion of the presentation, Ms. Duerig emphasized that each step has underlying steps. We are not suggesting in any way that we could make changes to MOUs without going through the meet and confer process and a lot of outreach. Every single thing that was mentioned has a lot of underlying steps that have to be taken. At this point, this is an overview of the study to date.

President Palmer asked about legal ramifications.

Ms. Naamani responded that under AB 1125 the Zone 7 Board already has the authority to manage and govern the operations of Zone 7. The step that has not been taken is to exercise the full extent of that authority. What we've been doing is utilizing the county departments as third party service providers. Legally because of AB 1125, we can make the decision to continue doing that or bring the functions in house or use outside providers. There is the legal authority for us to take control of the day to day functions currently being provided by the county. The only areas with legal limitations could potentially be within the area of the Civil Service Commission and the application of Civil Service Rules. By virtue of the language in the District Act, we must follow our appointment process in conformity with those Civil Service Rules. However, as was suggested that does not mean we cannot do so by way of our own independent civil service to take the place of Alameda County civil service. That process is going to take some time. Legally the recommendations that have been made conform with the Board's authority granted under AB 1125.

Director comments:

Director Greci was concerned with what the employees think about this and whether they are still protected. If we can save money by separating services, then it could be a good thing. $400K in annual savings is a significant amount of money. He suggested a formal final presentation to the board containing more detailed cost analysis for each function.

President Palmer too wanted to be certain that the employee benefits are protected.

Director Greci asked about impact on the retailers, particularly if we were to shift from a fiscal year to a calendar year for everything.

Mr. Dave Requa, DSRSD, was present and said that DSRSD passes through Zone 7 rate increases and it really doesn't matter whether it is FY or CY but the cities may feel differently.

The suggestion was made for presentations to the retailers and staff.

Regarding a question on costs, Mr. Yue responded that tonight's presentation was an overview and we will get better numbers as we go deeper.

Responding to questions about Zone 7's legal authority, Ms. Naamani stated that AB 1125 gives clear legal authority for the Zone 7 Board to manage Zone 7 business. However, she recommended using the state legislature's annual omnibus bill to clean up some of the ambiguities with regard to property ownership, civil service issues, etc.

In response to a question regarding how Alameda County feels about Zone 7's intent, Mr. Jensen noted one controversial area is revenue. For Zone 7 to separate functions, it would likely mean loss of about $1M in revenue to Alameda County.

Director Quigley stated that he would like to see a timeline including the one time cost to get the separate functions established. *(Mr. Jensen responded that is in the second half of the analysis.)*

Director Stevens asked if the staff is fully aware of this study.

Mr. Yue responded that staff presentations are planned in the format of brown bag lunch presentations to those who are interested.

President Palmer felt the staff should be fully aware and involved.

Mr. Randy Werner, City of Livermore, asked about any impact on water rates. He stated that the $400K in annual savings could be used to keep water rates lower.

There were no further comments.

Item 7—Chain of Lakes Projects Status Report

The Board heard a presentation from Ms. Carol Mahoney on the status of Chain of Lakes Projects. Using a power point presentation with map overlays, Ms. Mahoney described the planning and projects that are currently going on in the Chain of Lakes area and those activities which are planned for the future.

Chain of Lakes Master Plan—in the CIP for 2012 or 2013. (Based on the Quarry Area Specific Plan Zone 7 will receive most of the lakes between 2014 and 2030. Lakes I and Cope Lake were received from Hanson Aggregates in 2003.)

Reclamation, Repairs, and Capital Projects:

- CEMEX Mining and Reclamation
  - Lake A Reclamation and Repair
  - Lake B Mining and Reclamation
- Cope Lake Geotechnical Assessment
- Vulcan Mining and Reclamation Plans
- Lake H Diversion Project
- Lake I Final Reclamation
  - Buffer Zone License Agreement
  - Hanson Repairs
  - Extension of South Road Improvements by Ponderosa
- Legacy Partners Development and Pleasanton's East Side Specific Plan
    - Lake I "Area A" Reclamation Request
    - Alignment and Widening of Future El Charro Road Extension

Water Supply Elements:

- Chain of Lakes Wells
  - Phase I: COL Wells #1 & #2
  - Phase II: COL Wells #3, #4, #5
- Lakes C and D Recharge Assessment Study Grant Award
  - State issued hold due to lack of funding for Prop 50
- Mining Area Monitoring

Flood Protection Elements:

- StreamWISE coordination with El Charro Specific Plan, Staples Ranch
  - SMPs 38, 39, & 40 (Lake K)
- Coordination with Oaks Business Park (Future Mocho Bypass)

Other Coordination with Outside Agencies:

- Transportation Projects
  - ACTIA Highway 84 Widening
  - BART to Livermore

Board questions/comments:

- Pedestrian access to the retail area near Vineyard Avenue: This has been suggested to ACTIA as part of the widening project.

- Possibility of getting the lakes sooner: Not likely. Zone 7 is scheduled to get the lakes as the mining winds down.

- Director Quigley had comments related to the potential for early acquisition of the lakes. He then read from the Specific Plan for the Livermore-Amador Valley Quarry Area Reclamation adopted November 5, 1981. Item 4 on page 9, discusses reviews of the Specific Plan. According to this paragraph, periodic reviews of the Specific Plan are required at five-year intervals and may be made at other times if changes to the Plan are necessary due to changed conditions or unforeseen circumstances. Specifically, any changes made must be necessary to ensure the integrity of the water resources and land areas if present concepts prove infeasible or inadequate.

  Director Quigley opined that it might be possible to revisit the Specific Plan and to possibly work with operators to accelerate Zone 7 ownership of some of the lakes to use for possible short term storage if it were in the communities best interest to do that. He wanted to get clarification if that might be available.

  Director Figuers stated that based on his experience being on the State Board for Mines and Geology and being involved in the approval process of reclamation plans during his tenure on that Board, quarries are loathe to reopen reclamation plans because once they are open, they are open for all aspects of the plan. It is an extremely expensive and time consuming undertaking and may take years to accomplish. It would be best if you would just go talk to them nicely. It was his recommendation that we not suggest that we might want to reopen the Specific Plan.

  Director Quigley responded that he was not suggesting that but it may be worthwhile to talk to the quarries to see if something can be worked out.

- Liquefaction potential of areas between lakes: Multiple geotechnical analyses have been done for that area. They have not specifically looked at liquefaction. BART has the latest information because one of their possible routes in Livermore has a station on the edge of the chain of lakes area.

- Habitat: Ms. Mahoney noted that there is a large non-endangered bullfrog population in Lake H, and Zone 7 will most likely have to consider a bullfrog eradication program. Discussions on fish screens have been delayed.

- Joint projects with City of Livermore: Ms. Mahoney confirmed that Zone 7 would be working with the City on the flood control elements of the El Charro Plan and Staples Ranch.

- Lake H: Zone 7 will acquire Lake H at no cost when the current lease expires in 2014.

- In response to a question it was noted that the other smaller lakes in that area will be reclaimed (filled in) or some may be used but it will be up to the Alameda County Planning.

- Director Stevens asked about the property that borders the lakes Zone 7 will acquire.

- Ms. Duerig responded that there is no reluctance on the part of Zone 7 to accept additional property in the Chain of Lakes area.

- Director Stevens was in favor of expediting Zone 7 ownership of Lake H if at all possible.

There were no further comments and President Palmer called for audience comments.

Mr. Ken Henneman, consultant and Pleasanton resident spoke regarding soil stability in the Chain of Lakes area.

There were no further comments.

<u>Item 8—Long-term Water Supply – Risk Based Planning Approach</u>

The Board heard a presentation from Mr. Brad Ledesma regarding the development of a new risk-based long-term water supply model and its application in making future water supply planning decisions. Mr. Ledesma also provided a brief discussion of the recent study commissioned by the South Bay Aqueduct (SBA) contractors to review the benefits of the Los Vaqueros Expansion (LVE) project.

- The sustainability and reliability of Zone 7's long-term water supply is highly dependent on its ability to bank and recharge its available water supplies.

- Recent habitat, environmental, and legal constraints in the Delta, along with the threat of climate change are reducing the reliability of our state water supply and its long-term reliability.

- In response to these challenges, Zone 7 staff developed a risk-based long-term water supply model that uses Monte Carlo analysis to assess our water supply system's ability to manage non-sequential allocations of Table A entitlement (as predicted by DWR's CalSims modeling) and our other water supplies.

- Zone 7 staff can use the risk-based water supply model to quantify the risk to key criterion in the system, including the probability of drawing the main groundwater basin to target levels or having a supply shortage (i.e., insufficient supply to meet all demands).

- Zone 7 staff can also use the model to predict the benefit of potential changes to our water supply system in the future (e.g., peripheral canal or water conservation) or to assist the Board of Directors in interpreting current and future water supply reliability policies (e.g., acceptable risk).

Director Figuers recalled that in the late 90's we had a consultant involved in the beginning stages of developing a risk based model.

Director Myers stated that was work performed by Mr. Doug Charlton. However, numbers were never put to that analysis. He continued by saying that he thought the work presented by Mr. Ledesma was an excellent approach.

Mr. Ledesma continued his presentation regarding the potential of other water supply projects:

Los Vaqueros Expansion (LVE)—Can it help with SBC shortfalls?

- Benefits
  - Direct exchange between CCWD and SBA Agencies.
  - Indirect exchange involving BBID
- Costs are unknown.
- Unanswered questions:
  - State of the art fish screens
  - Discrepancies with state modeling
  - Unappropriated wet year Delta supplies
  - Wheeling with others
  - Capital costs

While the LVE project presents potential benefits to Zone 7, there are many questions that must be answered before any recommendations can be made. Staff will continue to work with CCWD staff to answer these questions and use this newly developed risk model to evaluate LVE's specific benefits to Zone 7.

Brief discussion took place on Los Vaqueros and the reasons Zone 7 was not involved in that project from the outset. Mr. Wong stated that it would have been a very low yield project for Zone 7.

Desalination—Delta Diablo Sanitation District (DDSD)

- Two potential pilot projects: 5 to 7.5 mgd each
- Total cost: $6K to $10K/af capital cost
- Advantages:
  - Power provided next door (Delta Energy)
  - Existing intakes in the area.
  - Existing pipeline in the area facilitate the project.
  - Regulatory process believed to be less cumbersome.
  - Enough room for expansion.

Mr. Ledesma described details of two pilot desalination projects for which DDSD is looking for partners.

Ms. Duerig stated that staff is looking for direction from the Board to proceed with talks with DDSD regarding participation in one of the pilot projects. This would be an opportunity for us to evaluate whether it would be worthwhile because there will be some costs involved. Additionally, we will need a transfer agreement with EBMUD for an intertie to their Mokelumne Aqueduct and then a pipeline to Zone 7.

She added that at this time we don't have a lot of information on a timeline or costs but we should know more after meeting with DDSD. She would bring back more information to the Board when it is available.

Ms. Duerig continued by saying that staff would continue to look at Los Vaqueros. CCWD will continue to evaluate it at no cost to Zone 7.

There was consensus for staff to pursue a pilot desalination study with DDSD.

Item 9—Committees

None.

Item 10—Items for Future Agendas—Directors

None.

Item 11—Reports—Directors

a. Verbal reports

Director Quigley reminded the Board that the ACWA Regions 1 and 5 combined meeting would be held tomorrow and Friday (April 2 and 3). Thursday will be a tour of Zone 7 facilities and a reception at the Martinelli Center. Friday's meeting will be held at Zone 7's North Canyons administration building. The program topic is "Dry Times Ahead: Preparing Customers for the New Water Ethic." ACWA Executive Director Tim Quinn will be one of the speakers, and there will be a general manager panel on Friday.

Item 12—Staff Reports (Information items. No action taken.)

a. Verbal reports—none

With the Open Session concluded, the Board went back into Closed Session at 9:40 p.m.

Open Session and Report Out of Closed Session

After Closed Session, President Palmer reconvened the meeting into Open Session.

She stated that there was nothing to report out of the Closed Session.

Upcoming Board Schedule

a. Regular Board Meeting: April 15, 2009, 7:00 p.m.

There was no further business and the meeting was adjourned at approximately 10:45 p.m.