

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

July 20, 2011

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

DIRECTORS: SANDS FIGUERS
JOHN GRECI
AJ MACHAEVICH
CHRISTOPHER MOORE
RICHARD QUIGLEY
BILL STEVENS

DIRECTORS ABSENT: DIRECTOR PALMER

ZONE 7 STAFF: JILL DUERIG, GENERAL MANAGER
KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING
JOHN YUE, ASSISTANT GENERAL MANAGER, FINANCE
TOM HUGHES, ASSISTANT GENERAL MANAGER, PERSONNEL
BRAD LEDESMA, ASSOCIATE CIVIL ENGINEER
JUDY RECTOR, BOARD SECRETARY

COUNSEL: REN NOSKY, DOWNEY BRAND

Item 3 - Citizens Forum

No public comments but Board Secretary Judy Rector requested that the following be added to the agenda:

"Pursuant to Government Code Section 54954, the following items need to be added to the agenda because they arose after the agenda was posted and cannot wait for the next regular board of directors meeting: Approval of Transition Agreements with Local 1021 of the Service Employees International Union and Local 342 of the Alameda County Building and Construction Trades Council. These items will be added to the agenda upon a vote of 2/3 of the board members."

The items were added to the agenda as Items 14 (b) and 14 (c) after a voice vote of 6-0 with Director Palmer absent. President Greci clarified that agenda items 14 (a), 14 (b) and 14 (c) would be heard after closed session later in the meeting.

Item 4 – Reorganization of the Board

President Greci stated that every year there is a rotation of Board members, basically the President and Vice-President duties. Director Moore moved that Director Figuers be appointed

the new President and Director Machaevich seconded the motion. By a voice vote of 6-0 with Director Palmer absent, the motion passed. Director Figuers was elected President of the Board.

President Figuers then took nominations for Vice-President. Director Greci nominated Sarah Palmer and Director Machaevich second the motion. By a voice vote of 6-0 with Director Palmer absent, the motion passed and Director Palmer was elected Vice-President of the Board.

President Figuers discussed the reorganization of Board committees. He chose to leave the committees the same unless there is a future request for a change. He specifically requested that Director Greci and Director Palmer remain as liaisons on the Ad Hoc Separation Committee because he feels they are doing a great job and there is continuity.

Item 5 - Minutes of the Regular Meeting of June 15, 2011

General Manager Jill Duerig noted that a redline set of minutes were presented to the Board with changes on Pages 6 and 7 that clarify comments made by staff during the presentation on the Asset Management Plan at that Board meeting.

Randy Werner, City of Livermore, also noted corrections to the statement he made under Public Comments at the June 15th Board meeting: “He also stated that when the first AMP came out, all four retailers were unanimously against it when Zone 7 said we have to go from 5 % \$5 million/year to 10% \$10 million/year rate increase; they were okay with 5% \$5 million to 5% or 5% to 7% \$6 million, etc. If we had waited until 2005 and increased the rates by one percent million dollars each year, today we would be at 11 percent \$11 million and we would be where we need to be and not asking for more.” The corrections changed the percentages to million/year.

On a motion by Director Figuers with a second by Director Greci, the minutes of the Regular Meeting of June 15, 2011, were approved as corrected by a voice vote of 6-0 with Director Palmer absent.

Item 6 - Consent Calendar

Director Machaevich moved to approve Consent Items 6a through 6d and Director Moore seconded the motion. The resolutions were approved by a roll call vote of 6-0 with Director Palmer absent.

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| Resolution 11-4093 | Approved a \$82,200 contract with DTN Engineers, Inc. for electrical engineering support services for FY 2011/12. (Item 6a) |
| Resolution 11-4094 | Approved a \$140,500 contract with Kier & Wright Civil Engineers and Surveyors for surveying support services for FY 2011/12. (Item 6b) |
| Resolution 11-4095 | Approved acceptance of easement from Livermore Airway Associates, LLC, and execution of a certificate of acceptance to be recorded at the Office of the Recorder of Alameda County. (Item 6c) |
| Resolution 11-4096 | Authorized Director Sarah Palmer’s attendance at the ACWA 2011 Regulatory Summit in Pasadena, California, August 17, 2011. (Item 6d) |

Item 7 - Staffing Updates

Item 7a. Employee of the Month Recognition

Tom Schall, Plant Mechanic, was introduced to the Board as the May 2011 Employee of the Month. Tom has worked in the Maintenance Section at the Del Valle Water Treatment Plant for the past 6 years. Tom has a very positive attitude, is well-liked and respected by his co-workers, has been a great help working with fellow employees and communicates well with all the departments. He is complimented for having a “blue” attitude, for being very conscientious and easy to work with, and for always being willing to lend a helping hand to others with difficult tasks. Despite all that, he still puts safety first and the best interests of Zone 7 and our customers at the top of his priority list every day. He is a really valuable employee and an asset to Zone 7.

Item 8. Draft 2011 Water Supply Evaluation

Brad Ledesma, Associate Civil Engineer in Water Supply Engineering, made a presentation on the Draft 2011 Water Supply Evaluation to the Delta Committee on June 29, 2011. Because the presentation contained good information regarding Zone 7’s average long-term water supply being at risk and subject to a very uncertain future, he was asked to make the same presentation to the full Board. His presentation summarized the analysis, results, and recommendations of the evaluation.

Due to court rulings and biological opinions associated with the Sacramento-San Joaquin Delta and climate change, Zone 7 staff completed the Draft 2011 Water Supply Evaluation report (Draft 2011 WSE) in close coordination with Zone 7’s Delta Committee and all four local water supply retailers.

The Draft 2011 WSE developed a diverse set of water supply options and corresponding portfolios to help identify supplemental studies necessary to refine associated yields and limits; evaluated the ability of various water supply portfolios to meet future reliability targets; and identified low-cost, zero-impact actions that will minimize near-term risks of water supply shortages while providing long-term flexibility.

The supplemental studies generally include continuing to support efforts to restore the sustainability of the Delta and reliability of the State Water Project, further evaluating the benefits and constraints of significantly increasing the use of recycled water within Zone 7’s service area, and developing a more detailed review of intertie options and the associated water supply sources.

The evaluation also indicates that costs and individual portfolios were not strong drivers for changes in the reliability policy, but that other factors (e.g., demand hardening and uncertainty) could drive changes. Consequently, the Draft 2011 WSE recommends working with the local water supply retailers to develop a proposal for possibly changing the existing reliability policy for the Board of Directors to consider.

All of the recommended near-term “no regret” actions are zero-impact operational improvements and studies. Key operational improvements include reducing unaccounted-for water, minimizing brine losses from the existing demineralization facility, maximizing supply from existing contracts, and continuing support of conservation to help retailers meet the requirements of the Water Conservation Act of 2009.

These “no regret” actions will provide Zone 7 the time necessary to identify and implement a major new water supply project should a fix for the Delta not restore the anticipated reliability or if there is no fix at all. A summary of some key observations regarding reliability was provided. In particular, the analysis indicated that there was only about a 10 to 20 percent difference in total portfolio costs between a 75 and 99 percent reliability, and that other drivers (e.g., demand hardening and uncertainty) would likely drive any potential changes in policy.

Some of the key recommendations from the study to help minimize near term risk and provide long-term flexibility included working with the local water supply retailers to develop additional water conservation and recycled water programs, confirming minimum yields from Zone 7’s existing contract with BBID, reducing unaccounted-for water, and developing an enhanced in-lieu recharge program.

Some of the other major studies recommended included working with the Retailers to develop a water conservation tracking methodology, linking potable water demand offsets identified in the Water Supply Evaluation to potential recycled water demands, and evaluating the potential salt implications of recycled water over the Main Basin as part of the Salt Management Plan update. The evaluation also recommends continuing to participate in both the BDCP/DHCCP effort and the feasibility studies associated with the Bay Area Regional Desalination Project.

There were no public comments.

Director Machaevich asked if climate change, temperatures, and surface water loss was taken into consideration in this study? Mr. Ledesma answered that 80 percent of the water supply is from the State Water Project so that will dominate any long-term analysis and is incorporated in the climate change aspect that DWR had already evaluated.

Director Quigley said he was hoping for comments from the retailers. There were things in the report that he liked, for example: the Chain of Lakes pipeline sounded exciting and he hadn’t heard the idea before; increased recycling for improved sustainability; spot water potential; and a reliability intertie sounds like it could give Zone 7 a future insurance policy for sustainability a for a regional fix in addition to the Delta. He noted that we have got to figure out a way to fix the Delta. Director Quigley feels a single conveyance through a pipeline would give a tremendous improvement in water quality. He encouraged colleagues to read the large binder that was sent to them prior to the Board meeting even though it is a hard read. Unaccounted for water may be due to meter problems so could we have been overpaying DWR? He would like to see a model of 100 percent of the water that comes through the valley, the sources of supply, and it does fluctuate for wet and dry years, but requested a simple graph like an investment portfolio or inventory control system to tell us what the wells by the fairgrounds pump from our basin, what the lab use is, etc.

Director Moore asked how likely is it that it is a computer problem and not real water. Mr. Ledesma responded that there is a good chance it could be a computer problem. Director Moore then asked when you look at cost not being a real driver to get from 75 percent up to 90 percent, how important is it to the retailer for that extra dollar amount to get to that higher level? He was also curious if retailers at an outreach meeting stated how important it is to them. Mr. Ledesma responded that those are the discussions staff recommended to starting having with the retailers in the next month or so and bring something back to the Board by the end of the year.

Director Stevens stated that he doesn't believe a Delta Fix will occur even by 2025 and we may still be looking at it for many years with the way politics in California are and this is the first step in looking at alternatives. This is another tool in the tool basket when talking to retailers. Zone 7 already talked to them about the Asset Management Plan and now is talking to them about what kind of reliability they want. This gives them a planning process on their water rates that they have never had in the past five years. They say this is what we want and this is what it will cost, but now they have a stake in the game to tell Zone 7 how much they think should be done; they can't complain or they would be complaining about their own choices.

Randy Werner from the City of Livermore stated in discussions with Brad and Kurt and other retailers, they did discuss recycled water. The City of Pleasanton is anxious to get into recycled water and the cities of Dublin and Livermore are the only ones currently using recycled water. He hopes everyone starts using more but how much more does one retailer invest in additional facilities if Zone 7 is going to start doing some things. That part is unknown so further discussions are needed.

Director Greci noted that there is a strong, cooperative relationship between retailers and staff and it is key to how much do you as a retailer and Zone 7 want to put into recycling. We all know that recycling is one of the conclusions. There aren't many options so take advantage of every option possible with good common sense as a joint effort between Zone 7 and all of our retailers. He is very positive about where Zone 7 and the Board are headed and thanked the retailers for working so well with staff.

Director Figuers noted that recycled water is not a driver in the water supply evaluation which is an important concept.

Director Stevens has doubts about recycled water especially as designed and used. There was a plan 14 years ago that was rejected by the population. What we are putting down is something people may not want in the future. We may be contaminating our groundwater basin with high total dissolved solids (TDS). Until the revised Salt Management Plan comes out, he is not for expanding recycled water use in the valley.

Director Greci responded that the main objection at that time was a protest and about 200 people came and made comments about "toilet to tap." It was the most heated community meeting he had ever sat in on but the biggest objection was recharging by direct injection of recycled water directly into the aquifer. You don't have as much contention in the use of recycled water when you use it for irrigation. That is a practical use. We would have another contentious issue with Livermore residents for direct injection.

Director Quigley added that times have changed as well as technology models in California, specifically Orange County, and when we look at updating the Salt Management Plan, keep our eyes open and look at models that are working and providing communities increased sustainable yield and water that is quite drinkable.

Director Figuers complimented staff on one of several high quality engineering studies that have come out in the past years.

Director Stevens said that Mr. Ledesma gave the same presentation to the Delta Committee and asked if it should be shortened for the Board presentation. The Committee decided that there is too much good information and to present the full presentation at this Board meeting.

Item 9 – Committees – Delta Committee Minutes for June 29, 2011

Item 10 - Items for Future Agendas – Directors

Director Figuers noted that the Ad Hoc Energy Committee had not met for over a year so if there isn't a reason to continue the Committee, he will disband it. He asked how often the City Liaison committee holds meetings? Director Greci said it is based on requests from the General Manager, she does all the coordinating with the other cities, and it is their call so we are "at will." Ms. Duerig said she anticipates during the next year as Zone 7 ramps up to begin the flood control development fee work, there might be interest in renewing liaison committee meetings. There has also been some interest expressed by DSRSD in having a liaison committee meeting in the fall because Zone 7 has a new board member, they have some new board members, and it may be good just to touch base again. They are not as active as the Finance Committee but do have occasional meetings.

Item 11 - Reports - Directors

- a. Written report by Director Quigley
- b. Verbal reports

President Figuers noted that at last month's Board meeting he mentioned a 1909 water supply study of Oakland. He has created a .pdf of that document and it will be made available on the website. It shows how water was handled between the 1870's and 1909.

Item 12 – Staff Reports (Information items.)

- a. General Manager's Report
- b. Recent & Upcoming Public Outreach Activities
- c. Legislative Update
- d. Status Report on Separation Efforts
- e. Quarterly Update of Expansion Funds
- f. Verbal Reports (Kurt – text provided)

Kurt Arends, Assistant General Manager, Engineering, reported that the Department of Water Resources continues to have reliability problems associated with the operation of the State Water Project. A specific example is the pumps at the South Bay Pumping Plant which delivers water to the South Bay Aqueduct serving Zone 7 along with ACWD and SCVWD. One of the nine pumps at the plant has been out of service for over a year, a second pump has been out of service for approximately six months, and yesterday morning a third pump was taken off line. As a result, the capacity of the pumping plant has been reduced by approximately 75 cfs and has resulted in the suspension of recharge operations on the Arroyo Mocho and Arroyo Las Positas. The Department of Water Resources (DWR) is having a lot of problems with the system but this directly impacts Zone 7. Mr. Arends will keep the Board updated.

General Manager Jill Duerig said this is becoming increasingly a topic for conversation among the State Water Contractors and DWR's ability to adequately operate and maintain the State Water Project. A couple of years ago the Little Hoover Commission suggested that DWR may not be the best operator and for maintenance. Subsequent to that there was a PPIC report that said the same. There was a meeting of several General Managers and DWR, Mark Cowin and the Secretary of Natural Resources, John Laird, in which the General Managers asked the department whether it wasn't time to start talking about transferring some of the operations and management to some other entity. Secretary Laird said that he was hoping to have a year to prove how much better they are than previous administrations. In this year, when we actually have enough water to recharge, they are now affecting our recharge operations because they have not maintained these pumps that have been out of service for so long.

The Board went into closed session at 8:10 p.m.

Item 13 – Closed Session

- a) Conference with Labor Negotiators:
Agency Negotiator: G.F. Duerig
Employee Organizations: Alameda County Management Employees Association; Alameda County Building and Construction Trades Council, Local 342, AFL-CIO; International Federation of Professional and Technical Engineers, Local 21, AFL-CIO; Local 1021 of the Service Employees International Union, CTW; Unrepresented Management.
- b) Government Code Section 549547: Public Employee Performance Evaluation
Title: General Manager

Item 14 – Open Session and Report Out of Closed Session

The Board reconvened open session at 8:45 p.m. There was no report out of closed session.

- (a) Approval of Transition Agreement with Alameda County Management Employees Association (ACMEA)

Tom Hughes summarized the basic terms of proposed Memoranda of Understanding between Zone 7 and three bargaining groups (ACMEA, SEIU Local 1021 and Building and Construction Trades Local 342) covering terms and conditions of employment upon Zone 7's separation from the County of Alameda. Upon a motion by President Figuers and seconded by Director Greci, the agreements were approved by a vote of 6-0, with Director Palmer absent.

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| Resolution No. 11-4098 | Approved Appendix A, Footnotes to Salary Schedules Section 7.4 Professional Engineer License Fee (Unrepresented); and |
| Resolution No. 11-4099 | Approved Appendix A, Footnotes to Salary Schedules Section 6.3 Certificate Renewal (Maintenance Manager). |

Item 15. - Approval of General Manager Contract Amendment

President Figuers noted the board's satisfaction with the General Manager's performance and asked for a vote on a proposed contract amendment. Resolution No. 11-4100 approving the second amendment to the General Managers' contract was approved by a voice vote of 6-0 with Director Palmer absent.

The meeting was adjourned at 8:55 p.m.