

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

SPECIAL MEETING
January 30, 2008

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

DIRECTORS: JOHN GRECI
JAMES CONCANNON
STEPHEN KALTHOFF
JAMES KOHNEN
SARAH PALMER
BILL STEVENS

DIRECTORS ABSENT: RICHARD QUIGLEY

ZONE 7 STAFF: JILL DUERIG, GENERAL MANAGER
AMY NAAMANI, GENERAL COUNSEL
KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING
VINCE WONG, ASSISTANT GENERAL MANAGER, OPERATIONS
KARLA NEMETH, ENVIRONMENTAL & PUBLIC AFFAIRS MANAGER
BARBARA MORSE, BOARD SECRETARY

Before getting started with the agenda, Director Palmer noted that a large share of tonight's audience was made up of her ROP students from various high schools in the Valley. She welcomed them and commended them for giving up their evening to attend this presentation on Delta issues.

Item 3—Citizens Forum—No comments.

Item 4—Request for Out-of-State Travel Expense Reimbursement to Attend ACWA 2008 Washington, D.C. Conference

Ms. Duerig stated that this request is for Ms. Nemeth to attend the ACWA annual conference in Washington, D.C., February 26 – 28. This is an annual event that is held in Washington D.C. that gives attendees the opportunity to meet with members of Congress and the Administration about key federal issues and legislation affecting ACWA member agencies, such as water infrastructure funding priorities and the water regulatory environment. This is the first of two trips to Washington D.C. in which Ms. Nemeth has been invited to participate. The second will be a much smaller group of key players in the BDCP process and will focus on Delta issues. Approval for the second trip will be on the February 20 agenda.

On a motion by Director Palmer with second by Director Greci, the Board adopted Resolution No. 08-3129 approving out-of-state travel for Ms. Karla Nemeth to attend the Association of California Water Agencies 2008 Washington D.C. Conference on February 26 through 28, and for reimbursement of actual and necessary expenses associated with that travel.

Item 5—Delta Workshop

The Board heard a presentation by Ms. Nemeth on the crisis in the Delta and impacts to the Valley's water supply. Before the presentation, she acknowledged the efforts of former General Manager Dale Myers who has been representing Zone 7 interests in the BDCP process since his retirement in February of 2006. He has worked tirelessly on Delta issues and contributed greatly to the process.

Some of the key issues of the presentation:

Importance of the Delta statewide and to the Bay Area in particular

- Delta is a key component of the state's water delivery system.
 - Water originates as snow melt from the northern Sierra which is stored in Lake Oroville.
 - It is transported down the Sacramento River and then conveyed through channels in the Delta.
 - Huge state and federal pumps at the southern end of the Delta pump the water to the various contracting agencies, including Zone 7.
- 40% of water for the State and Federal Water Projects passes through the Delta.
- Local diversions (e.g., City of Sacramento) account for 49%.
- Upstream diversions from Delta tributaries (e.g., SFPUC and EMBUD) account for 11%.
- As a South Bay Contractor, approximately 80% of Zone 7's water supply is conveyed through the Delta.
- The Delta is used not only for water supply but also for farming, flood control, agricultural and urban run-off disposal, shipping, transportation, recreation, urban development and habitat for approximately 450 species (both native and non-native).

Factors Causing Uncertainty in Delta

- Regulatory issues, including Wanger ruling on Delta smelt and pending ruling on salmon, California Sportfishing Alliance lawsuit, pending listing of additional species of fish.
 - Wanger ruling changes how water supplies are able to be delivered by limiting reverse flows in the Delta.
- Deteriorating water quality.
- Non-native invasive species.
- Climate change.
- Seismic risk.

Importance of Delta to Zone 7

- 80% of Zone 7's water supply delivered through the Delta.
- Long term planning (through 2030) based on 76% reliability of the State Water Project.
- \$580 million invested in programs and projects based on the 76% reliability assumption:
 - Water acquisition and annual costs.
 - Groundwater basin, including recharge facilities, wells, demineralization.
 - Out of area groundwater banking, i.e., Semitropic and Cawelo.
 - Water treatment facilities.

Impacts of Wanger Ruling to Zone 7

- Reliability of SWP reduced from 76% to 66%.
- 20% to 30% annual reduction in SWP water deliveries through the Delta.
- Area should have adequate water supplies until 2015 (with projected buildout in 2030 and water rights in place)
- 7%-9% reductions during average year at buildout in 2030 if current pumping restrictions remain in place.
- Dual conveyance system could take 10-15 years to build.
- With a dual conveyance system, the impact to water rates would mean an increase of 6% to 13% but would restore reliability.

Zone 7 Strategy for Addressing Impacts of Wanger Ruling

- Immediate, short-term local projects to enhance water supplies
 - New groundwater wells.
 - Distribution improvements, e.g., portion of Altamont Pipeline.
 - Long term water resources, e.g., chain of lakes.
 - Re-evaluation of storage options, including Los Vaqueros expansion.
- Addressing Delta threats
 - Supporting and participating in efforts to integrate science, regulatory and institutional approaches to Delta management to improve conveyance.

Resolving the Challenges

- Interim actions—smaller, localized projects/actions that could provide conveyance and habitat enhancements.
- Delta Vision Process: 100-year vision which will address Delta governance and include recreation, ag-urban development and other uses.
- CalFed: existing Delta science program.
- Bay-Delta Conservation Plan (BDCP):
 - On completion will fulfill regulatory requirements for operation of state and federal water projects (40-year permit term).
 - Focuses science on adaptive resource management decisions.
 - Assesses proportional impacts of water projects.
- Dual Conveyance option:
 - Through Delta modifications with East Delta conveyance and habitat enhancement.
 - Provides for flexibility to restore natural fluctuations in salinity of Delta.
 - Improvements to Delta species habitat and water reliability.
 - Most promising long term approach.

Legislation/Initiatives

- SBX21 (Perata): water quality, flood control, water storage and wildlife preservation
- Drinking Water, Water Conservation and Water Protection (Perata and Machado)

- Comprehensive Safe Drinking Water, Water Supply Reliability and Delta Restoration Act of 2008 (California Chamber of Commerce)

Questions/comments from the Board

- In response to a question from Director Palmer, Ms. Nemeth described the Franks Tract Project (Interim Action) as a project to create a tidal barrier to prevent salt water intrusion, thereby improving conditions for Delta smelt and Delta water quality.
- In response to a question from Director Kohlen about Los Vaqueros Reservoir expansion plans and potential Zone 7 participation, Ms. Duerig advised that the project is still in the initial EIR phase, and there are no firm cost numbers. If it is determined that LV expansion would benefit the State Water Project as a whole, that could greatly reduce Zone 7's share of the cost. There will likely be long term impacts to the water rate because beneficiaries of these projects will pay for them.
- Water quality: Director Palmer noted that a dual conveyance facility will bring improved water quality to Zone 7. Ms. Duerig agreed and added that there is an increased treatment cost associated with poor Delta water quality. In recent years, increased salinity in Delta water has made it difficult to treat because of increased levels of bromides and other factors that are hard to treat and cause disinfection by-products. Add to that the higher levels of Total Organic Carbon (TOCs) and other nutrients coming from the wastewater side, and Delta water becomes more difficult and expensive to treat. With regard to reliability in relation to the Wanger Decision, we don't know what species might be identified within the next five years so continuing with the status quo will put us at risk of losing what we have right now.
- President Stevens asked if when we talk to the retailers about Delta issues, we talk about not going below historic lows when we pump from the groundwater basin.

Ms. Duerig responded that one of the identified goals of our Groundwater Management Plan is not to lower the basin below the historic lows of the basin except in an extreme emergency. All of our projects are based on groundwater levels not being drawn down below historic lows because of concern with subsidence.

President Stevens then asked if any of the students in the audience had questions.

- In response to a request to define "dual conveyance," Ms. Nemeth stated that it refers to two different ways to convey water that originates in the northern Sierras. One is what we do today, via man-made canals through the Delta, and the second way is to build a pipe or canal which skirts around the eastern side of the Delta. We would have two mechanisms by which to convey water to the State Water Project pumps. The operational details and a determination of how the species will respond will be worked out within the next few years.

Director Greci added that we need to think of the Delta as a conveyance system. The water doesn't come from the Delta; it flows through the Delta. If we can divert that water at a point further north, it is less intrusive to the Delta, and the pumping doesn't affect the native species found in the Delta. Using this method also means delivery of higher quality water to the Zone 7 service area.

Ms. Nemeth commented that strictly from a fishery perspective, a fully isolated system would be best for the fish population of the Delta.

- In response to a question about whether the groundwater basin is impacted by salinity, Ms. Duerig confirmed that it is. In fact, one of the reasons Zone 7 first contracted with the State to bring in water was to combat salinity in our groundwater basin. The main basin which is located under Livermore and Pleasanton contains fairly good water but in the fringe basins the water contains high levels of minerals and salts. As the water from the fringe basins flows into the main basin, it degrades the quality and the salt can build up. Our need for more local water supplies has driven us to look more closely at recycled water. Using the recycled water for irrigation can further cause a build up of salt in the basin. Locally, we plan to pump groundwater and run it through a demineralization process to remove salts. The concentrated brine is exported to a deep sea location in the middle of SF Bay. In that way, we're able to restore the salt balance of our basin by use of demineralization facilities.

There were no further questions.

Item 6—Verbal Reports--None

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Director Palmer thanked the students for attending. She felt it helps for the Board and staff to hear questions from people who aren't immersed in this all the time because that is more representative of what the general public sees and hears.

At 8:00 p.m., President Stevens recessed the Board for a short break before reconvening in Closed Session

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Item 7—Closed Session

- a) Conference with Legal Counsel - Existing litigation pursuant to Subdivision (a) of Government Code Section 54956.9: 1 case

Alameda County Flood Control & Water Conservation District, Zone 7 v. Land Factors, Inc. et al.
Alameda County Superior Court Case No. VG06293120

- b) Conference with Legal Counsel –Significant exposure to litigation pursuant to Subdivision (b) of Government Code Section 54956.9: 3 cases

Upcoming Board Schedule

- a. Finance Committee Meeting: February 7, 2008, 3:45 p.m. (Directors Concannon, Kalthoff & Palmer)
- b. Regular Board Meeting: February 20, 2008, 7:00 p.m.

There being no further business, the meeting adjourned at about 8:30 p.m.