ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551-9486 • PHONE (925) 454-5000

January 20, 2017

Mark Nordberg, GSA Project Manager
Sustainable Groundwater Management Program
California Department of Water Resources
901 P Street, Room 213-B
P.O. Box 942836
Sacramento, CA 94236
Mark.Nordberg@water.ca.gov

Bill Brewster,
Senior Engineering Geologist
3500 Industrial Blvd
West Sacramento, CA 95691
Bill.Brewster@water.ca.gov

Subject: **Decision to Become the Exclusive Groundwater Sustainability Agency For Livermore Valley Groundwater Basin (DWR Basin 2-10)**

Mr. Nordberg and Mr. Brewster,

The Alameda County Flood Control and Water Conservation District, Zone 7 ("Zone 7 Water Agency") provides this Notice, pursuant to *Water Code §10723.8(a)*, of its election to serve as the exclusive Groundwater Sustainability Agency ("GSA") for the entire Livermore Valley Groundwater Basin (DWR Basin 2-10) as identified by the Department of Water Resources (DWR) Bulletin 118 (2016) and shown in **Figure 1**.

Zone 7 Water Agency is identified in the Sustainable Groundwater Management Act (SGMA) as an agency created by statute to manage groundwater and deemed to be the exclusive local agency within its statutory boundaries with powers to comply with SGMA *(Water Code § 10723 (c)(1)(A))*.

Zone 7 Water Agency has managed the Livermore Valley Groundwater Basin sustainably for many decades. Zone 7 Water Agency has prepared a Salt Management Plan (2004), a Groundwater Management Plan (2005), a Nutrient Management Plan (2015), and Annual Groundwater Management Reports (2006-2016) for the basin. All of these documents have been submitted to DWR and are available on Zone 7's website (www.zone7water.com). In December 2016, Zone 7 Water Agency submitted an Alternative Groundwater Sustainability Plan for the Livermore Valley Groundwater Basin for DWR's consideration.

The Alameda County Flood Control and Water Conservation District was created in 1949 by the California State Legislature through passage of the *Alameda County Flood Control and Water Conservation District Act* (District Act); published as Act 205 of the California Uncodified Water Code. Pursuant to Section 36 of the District Act, Zone 7 Water Agency was established in 1957 to address regional flood control and local water supply issues including, at that time, overdraft of the groundwater basin. Zone 7 is governed by a seven-member Board of Directors (Board). Each director is elected at-large by residents within Zone 7's service area to a four-year term. In 2003, Assembly Bill 1125 was passed giving the Zone 7 Board of Directors full authority and autonomy to govern matters solely affecting Zone 7 Water Agency, independent of the Alameda County Board of Supervisors who govern the other nine zones of the District. Agendas and Minutes of Board meetings are presented on Zone 7 Water Agency's website along with Board Resolutions (www.zone7water.com).

Zone 7 Water Agency's jurisdictional area and the 2016 Bulletin 118 basin boundary of the Livermore Valley Groundwater Basin, as well as others are shown in **Figure 1**. Because a small portion of the Livermore Valley Groundwater Basin extends into Contra Costa County, and outside of Zone 7 Water Agency's statutory boundaries, Zone 7 Water Agency engaged the agencies potentially qualified to become a GSA for the small Contra Costa County portion, namely: Contra Costa County and Contra Costa County Water Agency, City of San Ramon, Dublin San Ramon Services District, and East Bay Municipal Utility District, and entered into a Memorandum of Understanding with each, authorizing Zone 7 to assume the GSA role **(Attachment A)**.

On December 21, 2016, Zone 7 conducted a public hearing in accordance with *Water Code §10723(b)* to provide an opportunity for any interested party to provide comments on the decision for Zone 7 Water Agency to become the GSA for the Livermore Valley Groundwater Basin. The hearing was advertised two times in two local papers; each on Thursday, December 8 and Thursday December 15, 2016 **(Attachment B)**. The Board Meeting agenda and the associated Staff Report on becoming a GSA are included as **Attachments C**. All feedback and comments received prior to and during the public hearing were supportive of Zone 7 becoming the exclusive GSA for the Livermore Valley Groundwater Basin. There was no opposition given to Zone 7 Water Agency Board of Directors during the public hearing. The approved minutes from the December 21, 2016, Board Meeting are included as **Attachment D**. The Zone 7 Water Agency Board of Directors subsequently adopted *Resolution No. 16-190* deciding for the agency to become the Groundwater Sustainability Agency for the Livermore Valley Groundwater Basin and directing staff to submit the notice to DWR **(Attachment D)**. No new bylaws, ordinances, or other authorities were adopted in conjunction with Zone 7 Water Agency 's decision to become the GSA at this time.

Zone 7 Water Agency has a philosophy of working cooperatively with groundwater stakeholders in the Livermore Valley Groundwater Basin including the public, irrigation and domestic well owners, gravel mining companies, Tri-Valley Water Retailer Group (City of Pleasanton, California Water Service, Dublin San Ramon Services District, and the City of Livermore), and other water purveyors, as well as land use planning agencies (i.e., Alameda County and Cities of Livermore, Pleasanton, Dublin and San Ramon). Zone 7 Water Agency actively involves local

agencies, the public and other stakeholders in its own planning and programs through meetings, data sharing, and online media. Through this approach, Zone 7 Water Agency has established positive ongoing working relationships with the various resource agencies involved with water and groundwater resources in the Livermore Valley, including DWR, Regional Water Quality Control Board, California Department of Fish and Wildlife, U.S. Fish and Wildlife Service, National Marine Fisheries Service, and the U.S. Army Corps of Engineers. Zone 7 Water Agency will continue to engage these stakeholders in its efforts as the GSA to manage the basin sustainably and satisfy the requirements of SGMA (*Water Code §10723.2*).

Please do not hesitate to contact me or Carol Mahoney if you have any questions regarding this Notice. I can be reached at (925) 454-5000, or by email at jduerig@zone7water.com, and Carol at (925) 454-5064, or by email at cmahoney@zone7water.com. Public comments can be forwarded to groundwater@zone7water.com.

Sincerely,

for

G.F. Duerig
General Manager

Attachments:

Figure 1: Zone 7 Service Area and Livermore Valley Groundwater Basin

Attachment A: Memorandum of Understanding Among Zone 7 of the Alameda County Flood Control and Water Conservation District, Contra Costa County, Contra Costa County Water Agency, City of Ramon, East Bay Municipal Utility District, and Dublin San Ramon Services District.

Attachment B: Public Notices for Public Hearing

Attachment C: Agenda for December 21, 2016 Zone 7 Board Meeting and Staff Report

Attachment D: Approved Minutes of December 21, 2016 Zone 7 Board Meeting

Attachment E: Resolution to Become the Groundwater Sustainability Agency for the Livermore Valley Groundwater Basin and File an Alternative Groundwater Sustainability Plan

Enclosure: CD with GIS Shapefiles of Zone 7 Water Agency's Jurisdictional Area and Basin Boundaries

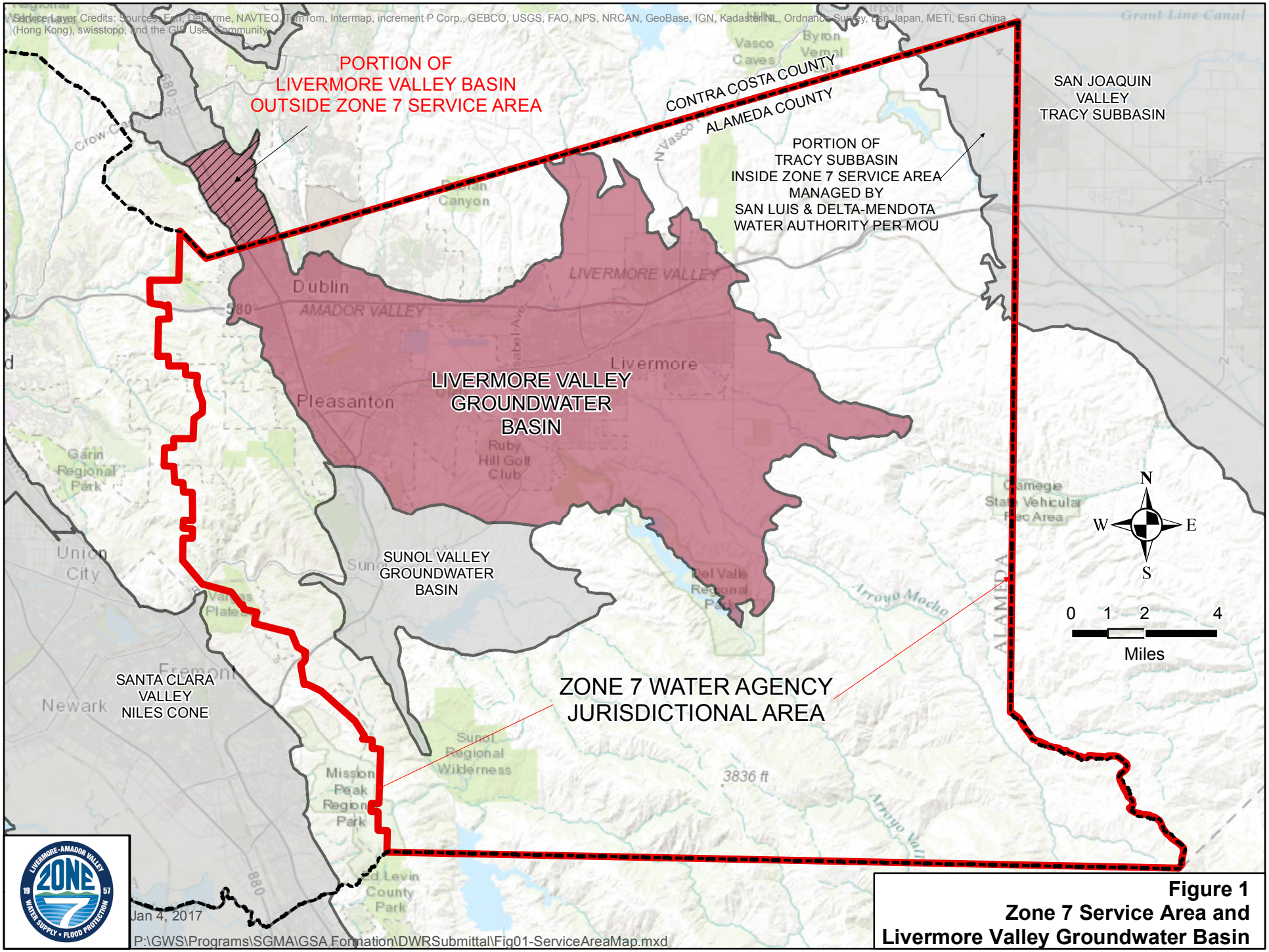

Figure 1
Zone 7 Service Area and
Livermore Valley Groundwater Basin

Attachment A

MEMORANDUM OF UNDERSTANDING
AMONG
ZONE 7 OF THE ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT,
CONTRA COSTA COUNTY,
CONTRA COSTA COUNTY WATER AGENCY,
CITY OF SAN RAMON,
EAST BAY MUNICIPAL UTILITY DISTRICT
AND
DUBLIN SAN RAMON SERVICES DISTRICT

This memorandum of understanding (MOU) is made and entered among Contra Costa County (CCC), Contra Costa County Water Agency (CCCWA), the City of San Ramon (San Ramon), the East Bay Municipal Utility District (EBMUD) and the Dublin San Ramon Services District (DSRSD) (together, the Five Parties) and Zone 7 of the Alameda County Flood Control and Water Conservation District (Zone 7) in consideration of the factual recitals and mutual obligations contained herein.

W I T N E S S T H

WHEREAS, the Sustainable Groundwater Management Act of 2014 (SGMA) requires the formation of Local Groundwater Sustainability Agencies (GSAs) and the adoption of Groundwater Sustainability Plans for high- and medium-priority basins within five to seven years; and

WHEREAS, while the majority of the Livermore-Amador Valley Groundwater Basin (DWR Groundwater Basin No. 2-10, hereinafter referred to as "Basin No. 2-10"), a medium priority basin, lies within the boundaries of Alameda County and the jurisdiction of Zone 7, portions lie within the boundaries of Contra Costa County and the jurisdictions of CCC, CCCWA, San Ramon, DSRSD, and EBMUD; and

WHEREAS, SGMA identified Zone 7 as the exclusive local agency to be the GSA for managing groundwater within its statutory boundaries (Water Code, § 10723, subd. (c)(1)(A)), and those statutory boundaries include the portion of Basin No. 2-10 lying within Alameda County, which comprises the majority of the basin; and

WHEREAS, the Five Parties agree it would be prudent for Zone 7 to also manage the small remaining portion of Basin No. 2-10 that lies within the jurisdictions of CCC, CCCWA, San Ramon, DSRSD, and EBMUD to achieve effective groundwater management; and

WHEREAS, it is in the interests of the Five Parties and Zone 7 to maintain current levels of jurisdictional authority while striving for holistic, sustainable groundwater basin management; and

WHEREAS, it is mutually beneficial to create this agreement to establish a delegation of authority to allow Zone 7 to be the GSA for the remaining portion of Basin No. 2-10 within the jurisdictions of CCC, CCCWA, San Ramon, DSRSD, and EBMUD to assure sustainable groundwater management;

NOW, THEREFORE, the Five Parties and Zone 7 do hereby agree as follows:

1. Purposes of MOU. The purposes of this MOU are (1) for each of the Five Parties to agree to confer to Zone 7 certain Delegated Authority (as that term is defined in Paragraph 2.A below) within the Delegated Area (as that term is defined in Paragraph 3 below), and (2) for Zone 7 to agree to exercise the Delegated Authority within the Delegated Area.

2. Authority and Responsibility.

   A. Upon execution of this MOU, and upon final approval by California Department of Water Resources recognizing Zone 7 as the GSA responsible for the portion of Basin No. 2-10 lying within the area described in Paragraph 3 of this MOU, the Five Parties agree to delegate to Zone 7 all functions, powers, duties, and authority of a GSA conferred by SGMA. Notwithstanding any other provision of this MOU, the following authority shall not be delegated to Zone 7: (1) CCC shall continue to be the well permitting agency for all areas within its jurisdiction, (2) San Ramon and CCC shall continue to be the land use agencies for all areas within their respective jurisdictions, and (3) EBMUD and DSRSD shall continue to be the water supply agencies for all areas within their respective jurisdictions. The authority delegated by this Paragraph 2.A is referred to herein as the "Delegated Authority".

   B. Zone 7 agrees to assume and exercise all responsibilities required of a GSA, and to enforce all provisions and requirements contained in the Groundwater Sustainability Plan to be adopted for Basin No. 2-10 in accordance with SGMA. Zone 7 shall continue to monitor groundwater elevations within the Designated Area and to enter data into CASGEM as required in order to maintain grant eligibility.

3. Geographic Extent of Delegated Authority. The Delegated Authority shall have effect in that portion of Basin No. 2-10 which lies within the jurisdictional boundaries of each of the Five Parties, which portion is depicted in Exhibit A and is referred to herein as the "Delegated Area".

4. Records. Zone 7 shall provide each of the Five Parties copies of all documents, reports, studies and other records created in the course of its exercise of the Delegated Authority which affects or relates to groundwater management within the Delegated Area. CCC shall provide Zone 7 with copies of all well permits issued or environmental reports received (including well completion reports) and any water level measurements taken within the Delegated Area. Zone 7 and the Five Parties shall cooperate and coordinate in responding to requests made under the California Public Records Act regarding records related to groundwater management within the Delegated Area.

5. Term. This MOU becomes valid and effective immediately upon execution by each of the Five Parties and Zone 7 and shall remain in effect unless terminated pursuant to Paragraph 9, below.

6. Entire Agreement. This MOU shall constitute the entire agreement among the Five Parties and Zone 7 relating to the delegation of authority provided by SGMA as relates to Basin No. 2-10. This MOU supersedes and merges all previous understandings, and all other agreements, written or oral, between the parties and sets forth the entire

understanding of the parties regarding the subject matter thereof.

7. Counterparts and Copies. This MOU may be executed in any number of counterparts, each of which may be deemed an original and all of which collectively shall constitute a single instrument. Photocopies, facsimile copies, and PDF copies of this MOU shall have the same force and effect as a wet ink original signature on this MOU.

8. Amendment. This MOU may be amended at any time by a written agreement duly executed by each of the Five Parties and Zone 7.

9. Termination.

A. This MOU may be voluntarily terminated in full at any time by a writing signed by each of the Five Parties and Zone 7.

B. Any of the Five Parties may elect to terminate its participation in this MOU at any time. Termination of such party's participation in this MOU shall not become effective until after both of the following have occurred: (1) the terminating party provides written notice to all other signatories to this MOU of its intent to terminate its participation, and (2) one year has elapsed following the date of such written notice, during which time the terminating party may make efforts to assume the GSA role for the portion of the Delegated Area within the terminating party's jurisdiction. The termination of any of the Five Parties' participation in this MOU shall not affect the continuing validity of the MOU with respect to the remaining signatories.

C. Zone 7 may provide written notice to each of the Five Parties of its intent to terminate the Agreement, and the MOU shall cease to be of further effect one year following delivery of Zone 7's notice, during which time Zone 7 shall continue to exercise the Delegated Authority within the Delegated Area to allow adequate time for the Five Parties to address GSA related requirements for their respective portions of the Delegated Area.

10. Signatures. The individuals executing this MOU represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

IN WITNESS WHEREOF, the parties hereto have executed this MOU as follows:

CONTRA COSTA COUNTY

By: _____
President, BOS Dated:

ZONE 7 OF THE ALAMEDA COUNTY FLOOD CONTROL & WATER CONSERVATION DISTRICT

By: _____ 21 Apr 2016
G.F. Duerig Dated:

understanding of the parties regarding the subject matter thereof.

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CONTRA COSTA COUNTY	ZONE 7 OF THE ALAMEDA COUNTY FLOOD CONTROL & WATER CONSERVATION DISTRICT
By:_____	By:_____
President, BOS Dated:12/22/16	G.F. Duerig Dated:

CONTRA COSTA WATER AGENCY

By: _____
John Kopchik, Director, Department of Conservation and Development

CITY OF SAN RAMON

By: _____

DUBLIN SAN RAMON SERVICES DISTRICT

By: _____

EAST BAY MUNICIPAL UTILITY DISTRICT

By: _____ 8/19/16
Richard Sykes Dated:
Director of Water
and Natural Resources

CONTRA COSTA WATER AGENCY

By:_____

CITY OF SAN RAMON

By:_____

DUBLIN SAN RAMON SERVICES DISTRICT

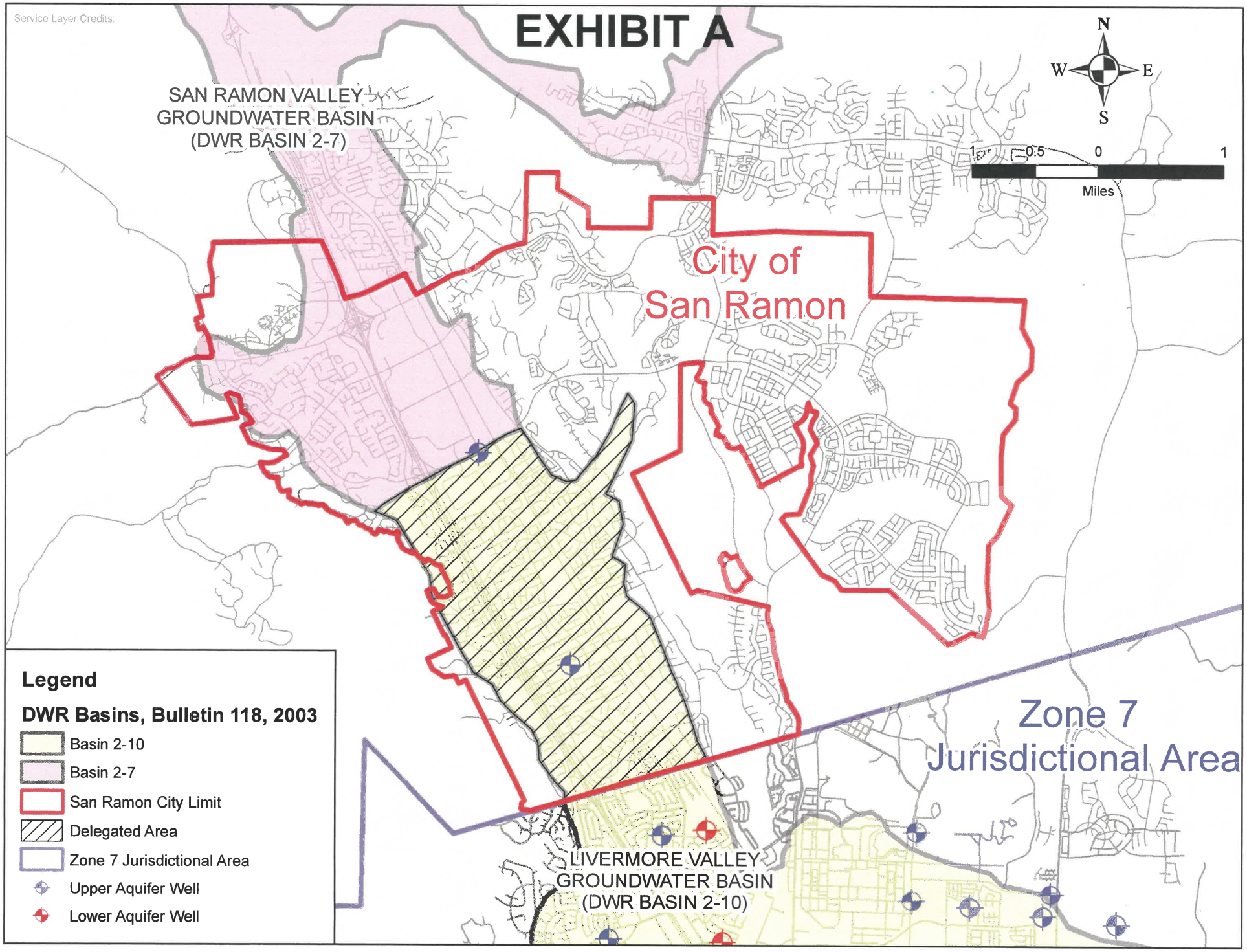
By: _____ 10/20/16

Dan McIntyre Dated:
General Manager

EAST BAY MUNICIPAL UTILITY DISTRICT

By:_____

Richard Sykes Dated:
Director of Water
and Natural Resources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GROUNDWATER BASIN
(DWR BASIN 2-7)
City of
San Ramon
Zone 7
Jurisdictional Area
LIVERMORE VALLEY
GROUNDWATER BASIN
(DWR BASIN 2-10)
Legend
DWR Basins, Bulletin 118, 2003
Basin 2-10
Basin 2-7
San Ramon City Limit
Delegated Area
Zone 7 Jurisdictional Area
Upper Aquifer Well
Lower Aquifer Well

Attachment B

Public Notices

The Independent
Published December 8 and 15, 2016

NOTICE OF PUBLIC HEARING TO CONSIDER BECOMING A GROUNDWATER SUSTAINABILITY AGENCY

Notice is hereby given that the Board of Directors of Zone 7 Water Agency (Zone 7) will hold a public hearing on Wednesday, December 21, 2016 at 7:00 p.m., at 100 North Canyons Pkwy, Livermore, California, to receive comments from the public before deciding to become the Groundwater Sustainability Agency (GSA) for the Livermore Valley Groundwater Basin, which lies beneath the cities of Livermore, Pleasanton, Dublin, and a portion of San Ramon.

Zone 7 is a public agency that supplies treated and untreated water for approximately 245,215 residents in the Tri-Valley area of eastern Alameda County. A new state law known as the Sustainable Groundwater Management Act (SGMA) requires that GSAs be created to sustainably manage certain groundwater basins, including the Livermore Valley Groundwater Basin. SGMA also designated Zone 7 as the exclusive GSA for groundwater basins within its service area. For more information on SGMA, please see http://www.water.ca.gov/groundwater/sgm/.

Public comments will be received during the public hearing on December 21, 2016. Zone 7's Board of Directors may decide whether to become a Groundwater Sustainability Agency immediately after the public hearing closes. For more information about Zone 7 or to learn about its water management efforts, visit www.zone7water.com or call (925) 454-5000.

PT/VT #5868269; December 8, 15, 2016

ATTORNEY: TELEPHONE NUMBER:

The Tri-Valley Times
Published December 8 and 15, 2016

4041. Published December 8, 15, 22, 29, 2016.

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Public comments will be received during the public hearing on December 21, 2016. Zone 7's Board of Directors may decide whether to become a Groundwater Sustainability Agency immediately after the public hearing closes. For more information about Zone 7 or to learn about its water management efforts, visit www.zone7water.com or call (925) 454-5000.

The Independent Legal No. 4042. Published December 8, 15, 2016.

Attachment C

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, December 21, 2016**

TIME: **6:30 p.m. CLOSED SESSION**

7:00 p.m. OPEN SESSION (time approximate)

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, Linda Van Buskirk, at (925) 454-5007 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}

AGENDA

1. Call Meeting to Order

2. CLOSED SESSION – OPEN SESSION TO FOLLOW AT APPROXIMATELY 7:00 p.m.

   (a) Conference with Labor Negotiators pursuant to Government Code section 54954.5:
   Agency Negotiators: G.F. Duerig and David Aladjem
   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. – General Manager and Assistant General Manager, Finance

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

   (c) Conference with Legal Counsel - Potential litigation pursuant to Gov't Code section 54956.9(d) (4): 1 case

   (d) Conference with Real Property Negotiator.
   Property: APN 099A-1650-003-09
   Agency Negotiator G.F. Duerig
   Negotiating Party: Sandra Weck, Colliers International
   Under negotiation: Price and terms of payment

3. Open Session and Report Out of Closed Session (approximate time: 7:00 p.m.)

4. Pledge of Allegiance

5. 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.

6. Minutes of the Regular Meeting of November 16, 2016

7. Consent Calendar:
    a. Chain of Lakes Well No. 1 & 2 Ground Movement Investigation and Utility Relocation
    b. Annual Report on Collection and Use of Development Fees
    c. Amending Existing Security Services Contract
    d. Authorization to Execute Contract with Agency Treasurer
    e. Amendment to October Board Meeting Minutes

    Recommended Action: Adopt resolutions approving items as presented

8. Staffing Update:
    a. Employee of the Month Recognition
    b. New Employee Introduction

9. Decision to Become the Groundwater Sustainability Agency and to Submit an Alternative Groundwater Sustainability Plan

    Recommended Action: Conduct public hearing then adopt resolution

10. Sites Reservoir – Phase 1 Reservoir Project Funding

    Recommended Action: Adopt resolution

11. Contract Amendment for the PPWTP New Media Filters and Clearwell Project to Include Design of PPWTP Ozonation

    Recommended Action: Adopt resolution

12. Independent Auditor's Report and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2016

    Recommended Action: Adopt resolution

13. Committees:
    a. Water Resources Committee Meeting Notes – December 13, 2016
    b. Finance Committee Meeting Notes – December 13, 2016

14. Reports - Directors
    a. Verbal comments by President
    b. Written report by Director Quigley
    c. Verbal reports

15. Items for Future Agenda - Directors

16. Staff Reports (Information items. No action will be taken.)
    a. General Manager's Report
    b. Water Inventory and Demand Update (October 2016)
    c. Water Inventory and Demand Update (November 2016)
    d. Legislative Update
    e. Outreach Activities
    f. Update Related to the Cal WaterFix (former Bay Delta Conservation Plan)
    g. Chain of Lakes Well No. 1 Ground Movement and Cope Lake Slope Repair
    h. Verbal Reports

17. Adjournment

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

    a) Regular Board Meeting: January 18, 2017, 7:00 p.m.
    b) Administrative Committee Meeting: January 4, 2017, 11:00 a.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.

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: INTEGRATED WATER RESOURCES
CONTACT: MATT KATEN/CAROL MAHONEY

AGENDA DATE: December 21, 2016 **ITEM NO. 9**

SUBJECT: Decision to Become the Groundwater Sustainability Agency and to Submit an Alternative Groundwater Sustainability Plan

SUMMARY:

- The Sustainable Groundwater Management Act (SGMA) of 2014 requires establishing Groundwater Sustainability Agencies (GSAs) by June 30, 2017, for all high- and medium-priority basins. The Livermore-Amador Valley Groundwater Basin is considered a medium-priority basin.
- SGMA designates Zone 7 as the exclusive GSA for all groundwater basins within its service area, but still requires that the agency formally elects to accept the role.
- SGMA also requires that all medium-priority basins must be managed under a Groundwater Sustainability Plan (GSP) by 2022.
- An Alternative GSP may be submitted instead of a GSP if it is "functionally equivalent" to a GSP as specified in Title 23 of the California Code of Regulations and it can be demonstrated that the basin has been managed sustainably for ten years or more; however, it must be submitted by January 1, 2017.
- SGMA uses terms previously undefined in Zone 7 plans and therefore the Alternative GSP contains new elements that define "minimum thresholds" and "undesirable results" for the Basin.
- Zone 7 has managed the Livermore-Amador Valley Groundwater Basin sustainably for more than 40 years, therefore staff, with the assistance of Todd Groundwater, has assembled an Alternative GSP from the existing Zone 7 Groundwater Management Plan and related documents.
- The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment. Accordingly, a Notice of Exemption will be filed upon Board approval.

FUNDING:
There is no funding impact associated with this action.

RECOMMENDED ACTION:
Conduct public hearing then adopt attached resolution.

ATTACHMENTS:
Interoffice Memo and Resolution
Alternative GSP Executive Summary

Interoffice Memo

Date: December 16, 2016
To: Jill Duerig, General Manager
From: Matt Katen, Principal Geologist
Subject: Decision to Become the Groundwater Sustainability Agency and to Submit an Alternative Groundwater Sustainability Plan

BACKGROUND:

The Sustainable Groundwater Management Act (SGMA) (Water Code sections 10720, et seq.) requires the formation of Groundwater Sustainability Agencies (GSAs) for all medium- and high-priority basins by June 30, 2017. In addition, SGMA designated Zone 7 as the exclusive GSA for the groundwater basins within its service area if the Agency elects to be the GSA.

SGMA also requires that all medium- and high-priority basins be managed under a Groundwater Sustainability Plan (GSP) by 2022 (2020 if the basin is in overdraft). The elements of a GSP are prescribed in the GSP emergency regulations adopted by the California Water Commission in August 2016. The Livermore Valley Groundwater Basin is ranked a "medium priority" basin per DWR. As an alternative, agencies managing groundwater basins sustainably for 10 years or more are eligible to submit an Alternative GSP that is "functionally equivalent" to a GSP as specified in the recent emergency regulations for Groundwater Sustainability Plans (California Code of Regulations, Title 23). Other requirements include that the GSP or Alternative GSP must cover the entire basin and updates be provided to DWR every 5 years.

Zone 7's service area overlies the majority of the Livermore Valley Groundwater Basin, the entire Sunol Groundwater Basin, and a small portion of the Tracy Subbasin. The Livermore Valley Basin and the Tracy Subbasin have both been designated as medium-priority basins and will need to be operated under a GSA(s) and a GSP(s). The Sunol Groundwater Basin is designated as a low-priority basin and is not subject to the GSA and GSP requirements at this time. Zone 7 entered into an MOU with San Luis and Delta-Mendota Water Authority delegating them to be the GSA for the small portion of the Tracy Subbasin that lies within Zone 7's service area. As provided in this Memorandum of Understanding (MOU), Zone 7 will continue to issue drilling permits and monitor water levels for CASGEM in the Alameda County portion of the Tracy Subbasin.

DISCUSSION:

A small portion of the Livermore Valley Groundwater Basin extends outside of Zone 7's service area and into Contra Costa County, consequently SGMA's designation of Zone 7 as an exclusive GSA does not include this portion. Zone 7 has since entered into an MOU with Contra Costa County, City of San Ramon, Dublin San Ramon Services District, and East Bay Municipal Utility District to allow Zone 7 to be the GSA for the portion of the Livermore Valley Groundwater Basin that underlies Contra Costa County.

SGMA also requires a public hearing prior to an agency filing as a GSA. The December 21, 2016, public hearing was advertised in two local papers on Thursday, December 8 and Thursday,

December 15, 2016. This public hearing provides an opportunity for any interested party to provide comments on the decision for Zone 7 to become the GSA for the Livermore Valley Groundwater Basin. If the Board chooses to move forward with Zone 7 becoming the GSA, staff will submit notification to DWR within the 30-day requirement and file a notice of exemption in both Alameda and Contra Costa counties as is required by the California Environmental Quality Act (CEQA).

Since Zone 7 can demonstrate that it has been managing the Livermore Valley Groundwater Basin sustainably for more than 40 years, staff has assembled an Alternative GSP with the assistance of Todd Groundwater from the Agency's Groundwater Management Plan (GWMP) and various annual GWMP reports. In addition, the Well Master Plan, Water Supply Evaluation, and other groundwater studies have been referenced. Zone 7 and Todd Groundwater staff have been in contact DWR staff for guidance and clarification during the development of the Alternative GSP.

Staff believes that the Alternative Plan meets the requirements of the GSP established in Water Code §10733.6. A copy of the Executive Summary is attached. If the Board authorizes it, staff will finalize the Alternative Plan and submit it to DWR for their consideration through their website prior to the January 1, 2017 deadline. DWR has not established a timeline for their approval process after submittal, but it could take more than a year. To comply with CEQA, a Notice of Exemption will be filed in both Alameda County and Contra Costa County because the GSA and Alternative GSP will cover portions of both counties.

Attachment D

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

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

REGULAR MEETING
December 21, 2016

The following were present:

DIRECTORS: SANDS FIGUERS
JOHN GRECI
JIM McGRAIL
SARAH PALMER
RICHARD QUIGLEY
ANGELA RAMIREZ HOLMES
BILL STEVENS

DIRECTORS ABSENT: NONE

ZONE 7 STAFF: JILL DUERIG, GENERAL MANAGER
KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING
OSBORN SOLITEI, ASSISTANT GENERAL MANAGER, FINANCE
DONNA FABIAN, ACTING BOARD SECRETARY

COUNSEL: DAVID ALADJEM, DOWNEY BRAND

Item 1 - Call Meeting to Order

President Quigley called the meeting to order at 6:30 p.m. and the board went into Closed Session immediately.

Item 2 - Closed Session

(a) Conference with Labor Negotiators pursuant to Government Code section 54954.5:
Agency Negotiators: G.F. Duerig and David Aladjem
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 – General Manager and Assistant General Manager, Finance

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

(c) Conference with Legal Counsel - Potential litigation pursuant to Gov't Code section 54956.9(d) (4): 1 case

(d) Conference with Real Property Negotiator
Property: APN 099A-1650-003-09

Agency Negotiator G.F. Duerig
Negotiating Party: Sandra Weck, Colliers International
Under negotiation: Price and terms of payment

Item 3 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 7:15 p.m.

President Quigley asked the audience to join him in a moment of silence on behalf of Margaret Tracy, a dear friend and a long time Zone 7 board member, who recently passed away.

Item 4 - Pledge of Allegiance

President Quigley led the Salute to the Flag.

Item 5 - Citizens Forum

President Quigley stated that he had quite a few speaker cards and invited Rob Brent from the audience. Mr. Brent, resident of Pleasanton, spoke about his dismay at the increase in water rates while customers have done more conserving than they were asked. He said that Zone 7's salaries are higher than other local water agencies and that the citizens are upset and feel they are being gouged.

Julie Testa, also from Pleasanton, said that there would probably be a common theme at tonight's meeting. She said the community is coming together and that they are outraged that after reducing water consumption, they are being penalized with excessive rate increases. She said she is a small business owner and when her revenues decrease she has to cut back on her expenses. She said that Zone 7 needs to look at their expenses and share the burden of the shortfall that the Zone is experiencing with the reduction of water use.

Paul Fagliano, a resident of Livermore, stated that he is concerned that there may be some potential marijuana grow sites approved in eastern Alameda County and he wanted to bring it to the board's attention. He is concerned that chemicals could potentially get into the groundwater.

John Bauer, resident of the City of Pleasanton, stated that last year he attended his first Zone 7 board meeting. The main topic of discussion was a rate increase that was to take place over three years. He said staff stated there was no money in the reserves, and that a rate increase was needed to rebuild the reserves so that Zone 7 could issue bonds to pay for the ozone treatment project. He said that current water supply at the tap does not exceed 10 parts per billion of chrome 6 and he feels an ozone plant is not required. He is requesting the board roll back the rates to 2015 levels.

Vin Poh' Ray, resident of Pleasanton, stated that the board is causing citizens heartache with a 56% hike in rates. He said that Zone 7 spends more than 50% of the money that is collected from customers on salaries. He asked that the board repeal the rate hike that is planned for January.

Purnam Sheth, also a resident of Pleasanton, thanked the Board for raising the rates on water because it was a bad mistake. He said the board has not listened to what the citizens want. He said that Zone 7 claimed to raise the rates because of the drought and low revenue, but he said that that is not true. He said Zone 7's revenue went from $65 million in 2012 to $104 million in

2016. He said that Zone 7 doesn't have a revenue problem, they have a spending problem. He said the board has a choice to not increase the rates.

Kathy Narum, Pleasanton Councilmember, thanked Zone 7 for agreeing to a workshop to educate and clarify the water rates for their residents, and share information about any rebate programs that might be available. She said their staff is happy to arrange for a meeting room in Pleasanton at no cost to Zone 7.

Lin Reedy, resident of Pleasanton, wanted to reiterate much of what has been said. She said a lot of people have taken a lot of time to understand their bills. They're going up and they're going up over 50% while they've reduced. She feels it is clearly an expense problem. She said a lot of folks are in business, a lot of have small businesses, and they understand that you have to manage expenses. She said Zone 7 is not managing expenses. She wants to see salaries down, and that the whole issues with retirement is a mistake. She said that Zone 7 needs to address the fact that they have a humongous expense issue.

There were no further public comments.

Item 6 - Minutes of the Regular Meeting of November 16, 2016

Director Palmer moved that the minutes be approved, and Director Greci seconded the motion. The minutes were approved by a voice vote of 7-0.

Item 7 - Consent Calendar

a. Chain of Lakes Well Nos. 1 & 2 Ground Movement Investigation and Utility Relocation
b. Annual Report on Collection and Use of Development Fees
c. Amending Existing Security Services Contract
d. Authorization to Execute Contract with Agency Treasurer
e. Amendment to October Board Meeting Minutes

Director Greci moved to approve the consent items and Director Stevens seconded the motion. The items were passed by a voice vote of 7-0.

Resolution No. 16-185	Authority to Conduct Chain of Lakes Well Nos. 1 & 2 Ground Movement Investigation and Utility Relocation
Resolution No. 16-186	Accepting the Annual Report on Collection and Use of Development Fees
Resolution No. 16-187	Authority to Amend Contract for Security Guard Services
Resolution No. 16-188	Authorization to Execute Treasurer Contract
Resolution No. 16-189	Correction of Minutes of October 19, 2016, meeting

Item 8 - Staffing Update

a. October Employee of the Month

Ms. Duerig announced that James Ballou, Water Plant Operator in the Operations Division, was selected as October's Employee of the Month. Ms. Duerig stated that Mr. Ballou is one of the Plant Operators currently working in the wellfield. She said that he is one of those wonderful people who is very good at keeping his head in all kinds of situations. He locates pipelines for future digging, and he monitors the water quality to make sure our wells are operating well. His coworkers appreciate his willingness to step up, and his diligence in getting the job done. The board joined Ms. Duerig in congratulating Mr. Ballou in absentia.

b. New Employee Introduction

Ms. Duerig announced a new employee. Jatinder Brar, Water Plant Operator III, started on November 21st, reporting to Colter Andersen. Mr. Brar comes to Zone 7 with over 12 years of operating experience, having worked for the Sonoma Developmental Center, Solano Irrigation District and most recently the California State Prison in Solano. He holds Grade 4 water treatment and Grade 3 water distribution certificates.

Item 9 - Decision to Become the Groundwater Sustainability Agency and to Submit an Alternative Groundwater Sustainability Plan

Matt Katen, Groundwater Section Manager, gave a brief presentation on the steps necessary for Zone 7 to accept the role of Groundwater Sustainable Agency (GSA) and submit an Alternative Plan for our Groundwater Sustainability Plan (GSP). Mr. Katen highlighted the requirements of the 2014 Sustainable Groundwater Management Act (SGMA) and Zone 7's designated role as the exclusive GSA for the Livermore Valley Groundwater Basin, which is a medium priority basin requiring that a sustainability plan be created, as determined by the Department of Water Resources (DWR). Basins with a history of sustainable management for 10 years or greater have the option to file an Alternative GSP by January 1, 2017.

Because Zone 7 can show sustainable management of the Livermore Valley Groundwater Basin for over 40 years, staff prepared an Alternative GSP with the assistance of Todd Groundwater, which is due by January 1, 2017. Iris Priestaf, President of Todd Groundwater, was present in the audience. Staff also asked the Board to accept the role, as designated in the SGMA legislation, as the GSA for the Livermore Valley Groundwater Basin. Additionally, the Board was asked to find that becoming a GSA was not a Project subject to CEQA and therefore direct staff to file GSA notification with DWR and CEQA Notice of Exemptions in both Alameda and Contra Costa counties.

Director Stevens commented on the complexity of explaining the nature of groundwater basin functions to the public and stated his complete agreement with the proposed action for Zone 7 to accept the GSA. He stated that the Alternative GSP was a great report and a summary of everything Zone 7 is doing in the basin including the chapter on land surface subsidence measuring, which can be a confusing topic to the public as has been the case with some local residents.

Director Ramirez Holmes inquired as to the difference between elastic and inelastic subsidence that was referenced. Mr. Katen explained that elastic deformation is cyclical and recoverable and is related to numerous soil conditions including the amount of moisture and water elevations.

Inelastic deformation causes permanent change and down drop of land surface. Director Stevens further clarified that elastic deformation is similar to what has been observed in the City of Pleasanton where the soil acts like a sponge and compresses when dry, but expands again when wet, and that inelastic is more like a crushing of soil particles that cannot be recovered.

Director Ramirez Holmes further inquired about the nature of the "public involvement" that was referenced in the Board resolution. Ms. Duerig explained that this was in reference to not only the meetings that have previously been held including two Water Resource Committee meetings on the subject, but also the history that Zone 7 has had, such as the series of meetings held during the adoptions of both the original Groundwater Management Plan and the most recent Nutrient Management Plan. Zone 7 plans to continue this level of public engagement.

President Quigley commented that the report, although voluminous, was wonderful and serves as a primer for conjunctive use. He commended staff for their hard work and noted the Agency's efforts to keep the groundwater basin healthy and sustainable. He also noted that he was proud that the Agency had been sustainably managing groundwater for over 40 years and that we are a "poster child" for the State. He offered kudos to staff and Todd Groundwater for the report. Lastly, President Quigley inquired about the specifics of the timeline for DWR's acceptance of the report. Ms. Duerig explained that DWR is allowed to set their own timeframe and reminded the Board of similar efforts that have taken upwards of two years.

Director Figuers echoed what had been said by other Board members regarding the quality of the writing and the report and complemented staff and Todd Groundwater. He noted that the report showed what a respectable job Zone 7 had done of managing our water supply.

Director Palmer noted that she ran into the consultant from Todd Groundwater working on the report at the ACWA conference in Anaheim and that Phyllis Stanin had commented on how easy her job had been to document Zone 7's groundwater management because the information was already assembled so well, and that the work had already been done by staff through the years.

President Quigley opened the Public Hearing at 8:06 p.m. and asked for public comment. There was none. President Quigley then closed the Public Hearing.

Director Stevens moved to approve Item 9 and Director Palmer seconded the motion. The item was approved by a voice vote of 7-0.

Resolution No. 16-190	Resolution to Become the Groundwater Sustainability Agency and to File an Alternative Groundwater Sustainability Plan

Item 10 - Sites Reservoir - Phase 1 Reservoir Project Funding

Amparo Flores, Integrated Planning Manager, gave a brief presentation to update the Board on Phase 1 and the proposed Scope of Work to initiate the studies needed for the application to the California Water Commission for potential state cost share (through Proposition 1 funding) in exchange for providing qualifying public benefits. Ms. Flores noted that a Public Draft Environmental Impact Report/Statement is included in the Phase 1 scope.

Zone 7's cost share of the project would make up about 5% of the Phase 1 cost of about $17 million. This Phase 1 cost share is based on $48.50/AF for Class 1 water and $24.25/AF for Class 2 water (consistent with previous estimates presented to the Board of up to $60/AF). Class 1 water is unencumbered with respect to its use and makes up roughly 50% of reservoir storage

(250 thousand acre-feet (TAF)). Class 2 water represents the remaining expected yield, which is currently reserved for only Proposition 1 (Water Storage Investment Program) public benefit environmental uses, but which might become available depending on later decisions by the CA Water Commission, the Sites Project Authority, the Reservoir Project Agreement Committee, and potentially the federal government. Likewise, Class 2 water is projected up to 250 TAF of reservoir storage. Zone 7's costs have been estimated at $761,000 based on the Sites Project Authority's counter-offer. Staff requested a contingency of 10% for a total not-to-exceed of $850,000. Funding for future water, water storage and Delta-related projects is from Fund 310 (Water Supply and Reliability Fund), which currently has $4.8 million available.

Staff recommended that the Board adopt the resolution authorizing the General Manager to negotiate and execute the Phase 1 Reservoir Project Agreement to participate in Phase 1 of the Sites Reservoir Project in an amount not-to-exceed $850,000, which includes a contingency of about ten percent.

Director Stevens stated his surprise that there were only 28 interested parties and inquired why more contractors were not exploring the reservoir. Ms. Duerig noted that north of Delta contractors would likely not need the supplies, there is limited capacity in the reservoir, and that the offer was opened exclusively to State Water Contractors and Central Valley Project contractors. Zone 7's request for 20,000 AF was reduced to roughly 11,000 AF of Class 1 water. Should contractors back out or the State choose not to participate in the Class 2 water, then more water could become available and the offer might be extended to others to participate. Director Stevens asked why Class 1 water was more expensive than Class 2. Ms. Flores explained that Class 1 water has more certainty. Class 2 water is designated for public benefit, so its availability for drinking water supply is dependent on how much is funded by grants for environmental uses.

President Quigley asked if consideration of splitting the water in Sites 50/50, similar to the SWC/CVP split in San Luis Reservoir, was explored. Ms. Flores explained that Sites would not be owned by the project, as San Luis is, so this was not one of the options explored.

Director Greci stated that one of the lessons from the drought was that we cannot make water and that additional storage and water supply would be a positive step forward in improving reliability and addressing drought problems in the future. With limited availability of water for agricultural uses, he further stated that Zone 7's proactive decisions like this one that have well-served the people of the Valley.

Director McGrail agreed with Director Greci and stated that he was a proponent of storage, saying it is a step in the right direction.

Director Palmer noted that this is the only source of new water this side of the Coastal Range that is not dependent on the Sierra snowpack and captures excess flows above the Delta.

President Quigley noted that the cost of this option at $600/AF is low compared to other alternatives explored.

Director Stevens pointed out that although Sites would also be impacted under drought conditions where we would likely not receive the full 11,000 AF, we have the option to store this water locally during non-drought years.

Director Greci asked if we could use this water locally and bank less expensive State Project water offsite. Ms. Duerig stated that we could store it locally in our groundwater basin.

Director Palmer inquired about the oversight of the Class 2 environmental water and who would be determining how much was used to improve Delta ecology. Ms. Duerig stated that the amount of Class 2 water would be based on funding from Proposition 1 and could be up to 50% of the total available, but that details still need to be worked out.

President Quigley asked for public comment.

Eric Elam, resident of Pleasanton, inquired about the cost per acre-foot. Director Stevens replied that the current costs for SWP water is roughly $500/AF and this option is much less than other alternatives being considered like potable reuse and desalinization. Mr. Elam also stated that it was his understanding that this was the first reservoir to be constructed in northern California in many years and Director Stevens replied in the affirmative.

Director McGrail moved for approval and Director Palmer seconded the motion. The item was passed with a roll call vote of 7-0.

Resolution No. 16-191	Authorizing Sites Project Authority's Phase 1 Reservoir Project Agreement

Item 11 - Contract Amendment for the PPWTP New Media Filters and Clearwell Project to Include Design of PPWTP Ozonation

Mona Olmsted, Associate Engineer in the Facilities Engineering Section, gave a brief presentation on the addition of the Patterson Pass Water Treatment Plant (PPWTP) Ozonation Project to the PPWTP New Media Filter and Clearwell Project.

Ms. Olmstead stated that at the April 2016 Board meeting, the Board authorized a professional services agreement with CDM Smith for planning and design engineering services for the PPWTP New Media Filters and Clearwell Project (PPWTP Project). The PPWTP Project includes construction of three new media filters with a combined capacity of 12 MGD and a new clearwell with 5 MG of usable capacity to help meet peak hourly and maximum day demands. At the May 2016 Board meeting, the Board authorized a professional services agreement with CDM Smith for planning and design engineering services for the DVWTP Ozonation Project.

The current CIP has the ozone installation at the PPWTP in 2029 at a cost of $26.86 million. With the design for the DVWTP Ozonation and the PPWTP Project in progress, accelerating the PPWTP Ozonation Project and implementing it as part of the PPWTP Project provides potential cost savings of approximately $3 million. Accelerating the PPWTP Ozonation Project will also provide more comparable water quality to all Zone 7 treated water customers. Should the Board approve proceeding with the PPWTP Ozonation Project, the combined PPWTP Project is anticipated to be completed by Fall 2021.

Staff recommends that the Zone 7 Board authorize the General Manager to negotiate and execute an amendment to the CDM Smith contract for the PPWTP Project to include the scope for planning and design services for PPWTP Ozonation-related facilities and improvements, increasing the authorized planning and design contract amount by $1,960,000, for a total not-to-exceed amount of $4,160,000, which includes a 10% contingency. This was discussed with the

Water Resources Committee on November 2 and December 13 and they concurred in expanding the scope and extending the schedule.

Director Greci commented that it is Zone 7's mission to provide reliable and safe water to our customers and he is very supportive of the project. Director Palmer commented that we are going to see more and more algae blooms and cyanotoxins are going to be a major issue. Ozone is also one of the best ways to address contaminants of emerging concern such as endocrine disruptors. Director McGrail agreed with the comments made and was pleased to see the project going forward. He then asked about the chances of getting debt financing to which Mr. Solitei replied that the agency is pursuing two paths, looking at a loan from the State Drinking Water Program, and looking at bond financing. Between the two approaches, Mr. Solitei feels we should be able to obtain funding.

Director Ramirez-Holmes asked about the distribution of customers between the two drinking water plants. She also asked about the funding sources and if this would add to the amount of debt needed. Mr. Solitei replied that the current plan for $40 million in debt is sufficient to cover the addition of ozone at PPWTP. She asked about the additional operating cost of ozone and if the amount indicated was an additional cost, to which staff answered yes. Director Ramirez-Holmes expressed concern with installing ozone at two treatment plants at once and not learning from lessons learned and the possibility of ozone not working. Mr. Arends responded that the lessons learned that were mentioned were related to functional issues such as layout and instrumentation and not the ozone technology. He stated that ozone is a proven technology for treating delta water and all the other South Bay Aqueduct contractors use ozone, as do EBMUD, Contra Costa Water District and SFPUC.

Director Stevens commented that rates for borrowing money are still low and now is a good time to borrow and we owe it to our customers to build this project. Ms. Duerig responded that money is available and in addition, we have the same consultant, CDM Smith, working on both projects.

President Quigley expressed his support for the project and asked for comments from the public.

Resident John Bauer spoke encouraging the Board to vote no on this item. Mr. Bauer references a statement that the project was needed for a safe reliable water supply and questioned that rationale since our current water supply is safe. Mr. Bower also stated that if these toxins are going to be regulated in the future, how does the consultant know what to design for until there are regulations, referencing what happened with chromium 6.

Mr. Eric Elam of Pleasanton also spoke asking what percentage of the rate increase is going to the $24 million? Director Figuers responded that none of the rate increase was due to this project. Mr. Solitei clarified that half of the $24 million would be funded from connection fees, which are separate from water rates. For the remaining amount, which is to be debt financed, the ongoing debt payment would be the amount funded through water rates.

Mr. Elam also asked how much revenue is being generated from the rate increase? Mr. Solitei responded that the total water rate revenue last year was about $28 million, but he would have to follow up to get the specific numbers.

Director Stevens moved to approve Item 11 and Director Palmer seconded. The item was approved by a roll call vote of 7-0.

Resolution No. 16-192 Authorizing Contract Amendment for the PPWTP New Media Filters and Clearwell Project to include design of PPWTP Ozonation

Follow-up:

President Quigley announced that he missed reporting out of Closed Session. David Aladjem, General Counsel, reminded President Quigley that the board considered a COLA increase for the General Manager. Mr. Aladjem stated that what the Board did for all unrepresented managers, was to provide them a 3%/2%/2% over the next three years, a COLA increase that began on July 1st, and what the board could consider is the same increase for the General Manager. Director Stevens moved to approve the COLA increase for the General Manager and Director Greci seconded it. The item was approved by a roll call vote of 6-1 with Director Ramirez Holmes voting no.

Item 12 - Independent Auditor's Report and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2016

Osborn Solitei, Assistant General Manager - Finance, stated that he had a two-part presentation. In the first part, Mr. Solitei gave a presentation of the Comprehensive Annual Financial Report and in the second part, David Alvey of Maze & Associates, Independent Auditor, presented the Independent Auditor's Report. Mr. Solitei said the combined report was presented to the Finance Committee, which in turn recommended the report be presented to the full board. He further stated that the purpose of the audit was to ensure compliance with generally accepted auditing standards and the standards for financial audits.

Mr. Solitei said that based on Finance Committee recommendation, staff have been directed to evaluate Zone 7's ability to have an Actuarial Valuation and Review of the agency's pension plan; review options for establishment of a trust fund to address the agency's Net Pension Liability; and to confer with the County regarding the agency's ability to negotiate independently with unions for benefits including pension-related benefits.

Mr. Solitei introduced David Alvey, Vice President/Partner of Maze & Associates. Mr. Alvey gave a brief overview of the Independent Auditor's Report and opened it up for questions.

Director Figuers stated that he had several questions. He began with the actuary evaluations for the pension funds. He said we are still listing an assumed investment rate of return or discount rate of 7.6%. He asked for real numbers, stating you can't get 7% these days. Director Stevens stated that Zone 7 does not set the numbers, ACERA actuary does.

Mr. Solitei said based on the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, the discount rate used to measure the total pension liability was 7.6% for the Plan. The Net Pension Liability at June 30, 2016 was $24.9 million. Mr. Solitei said he would be glad to talk with ACERA to find out the actual earning on investments for 2016, but for the purposes of satisfying the GASB No. 68, the discount rate used was 7.6%.

Director Figuers said he has been asking for years for this information. He is finding even at their own assumption, a high rate of 7.6%, we're still $25 million short. If you dropped down, if we went up to $36 million, we drop down to 6%, well we drop it down to 4%, we're up to $50, $60, $70 million dollars and that's what we're going to be facing.

Ms. Duerig responded that we can't give you anything we don't have. We are a member of ACERA and ACERA's actuary provides the discount rate whether we like the way they're calculating it or not. She said Director Figuers' question about other post-employment benefits (OPEB) has to do with retirement health care. The way our health care is set up, currently, it isn't a guaranteed benefit. Therefore, when we ask ACERA they say there is no OPEB. We cannot reinterpret what ACERA actuary is giving us and give the board something different. That is why the Finance Committee suggested that we might want to look at getting our own actuary to determine the liability.

Director Ramirez Holmes stated that we are lucky to have any information because last year's audit was the first time we ever got information about our proportional share of the Alameda County retirement liability. She continued that at the last audit, we did get some of this information and we reported it out from the Finance Committee. We had a conversation about trust funds but because it was a new GASB requirement, we didn't have the means to grapple at that point with taking any concrete action. This year as we saw the number increase, we had a long discussion at the Finance Committee and forwarded three recommendations to the full board for considerations: get our own agency actuary separate from the County; review options for establishment of a pension trust fund; and confer with the County regarding the Agency's ability to negotiate with unions for benefits, including pension-related benefits. She clarified that the Agency should have its own actuary report similar to the other agencies within ACERA (LARPD, Housing Authority, etc.). She also stated that next year OPEB financial reporting will be available through the CAFR, so we'll have a real number which the county has told us up until now will be zero. She stated the California Public Employees' Pension Reform Act ("PEPRA") had some good things including a requirement by employee groups that had to start contributing some and employers to pay their full share. We want to keep the promise we made to our employees, but we don't even have anything to do with the promise. She stated she wants the Board to understand the magnitude of the unfunded liability although it is just a snapshot in time. We need to have some kind of a plan whether the liability is $10 million or $50 million.

Director Figuers said he appreciates what the Finance Committee has been doing. Yes, the statistics of our employees' ages will have an effect on it and a lot of these will have an effect, but the 600-pound gorilla is the interest rate.

Director Ramirez-Holmes said you can look on page 49, and also ACERA's website has a number of information there. They also have an elected board so they run among the people who have the ACERA benefits.

President Quigley said he'd like to focus on the Finance committee's recommendation to approve the audit. He complimented Osborn for going out of his way on the CAFR and David Alvey for the audit. He added that we are kind of held hostage on our pension liability by the county and the committee made three suggestions for next year.

Director Palmer commended Osborn and his group, and also the Finance Committee in particular for the three new recommendations.

Director Ramirez Holmes expressed her continued concern about the labor category being $2.7 million over budget. She feels like we have got to figure out how to improve the labor numbers.

Mr. Solitei reviewed labor costs. The $2.7 million in Fund 100 is from deferred projects. Fund 120, the Capital and Renewal and Replacement fund was under by approximately $2 million,

again because some projects were deferred labor charged to Fund 100. In the report, other funds (130, 200 and 210) have less actual than the budget.

Director Stevens expressed concerns on the growing unfunded liability for pension (which was approximately 11% from last year) and wanted the Agency to start tackling the issue. He continued we need to start building a reserve for it and we have to come up with a plan and the three recommendations from the Finance Committee are the beginnings of that plan.

President Quigley asked if there were any other questions or comments and seeing there were none, Director Palmer moved to approve the item and Director Ramirez Holmes seconded it. The motion was passed by a voice vote of 7-0.

Resolution No. 16-193	Accepted the Independent Auditor's Report and the Comprehensive Annual Financial Report for the fiscal year Ended June 30, 2016.

Item 13 - Committees

a. Water Resources Committee Meeting Notes - December 13, 2016
b. Finance Committee Meeting Notes - December 13, 2016

David Bauer, resident of Pleasanton, repeated concerns about rates.

Director Ramirez Holmes reminded him Zone 7 will have an informational meeting on rates.

Item 14 - Reports - Directors

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

Director Ramirez Holmes attended the swearing in of the new legislature in Sacramento on December 5th which was a lot of pomp and circumstance and quite nice to see all of that. She also attended the swearing in of the new Dublin City Council, the swearing in in Pleasanton, and the elected women's lunch in San Ramon.

Director Palmer provided written notes from the ACWA Fall Conference.

Item 15 - Items for Future Agenda - Directors

Director Stevens would like to add the marijuana issue in east Livermore, and Director Ramirez Holmes wishes to add an informational report on the potential fracking issue to a future meeting.

Item 16 - Staff Reports (Information items. No action will be taken.)

a. General Manager's Report
b. Water Inventory and Demand Update (October 2016)
c. Water Inventory and Demand Update (November 2016)
d. Legislative Update
e. Outreach Activities
f. Update Related to the Cal WaterFix (former Bay Delta Conservation Plan)

g. Chain of Lakes Well No. 1 Ground Movement and Cope Lake Slope Repair
h. Verbal Reports

Ms. Duerig shared that we were notified from DWR today that they increased the 2017 estimated allocation from 20% up to 45%, which was surprisingly early in the year. We also got notification that the California WaterFix final supplemental EIR and EIS should be posted on the Cal WaterFix website tomorrow.

Item 17 - Adjournment

The meeting was adjourned at 10:02 p.m.

Attachment E

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO. 16-190

INTRODUCED BY DIRECTOR STEVENS
SECONDED BY DIRECTOR PALMER

Resolution to Become the Groundwater Sustainability Agency for the Livermore Valley Groundwater Basin and File an Alternative Groundwater Sustainability Plan

WHEREAS, Sustainable Groundwater Management Act of 2014 (SGMA), specifically California Water Code § 10723, requires the formation of local Groundwater Sustainability Agencies (GSAs) by June 30, 2017.

WHEREAS, the SGMA has already identified Zone 7 Water Agency as the exclusive GSA for groundwater basins within its service area; and

WHEREAS, Zone 7 currently exercises water supply and water management responsibilities within its service area, which service area overlies the majority of the Livermore Valley Groundwater Basin; and

WHEREAS, Zone 7 has Memoranda of Understanding (MOUs) with Contra Costa County, City of San Ramon, Dublin San Ramon Services District, and East Bay Municipal Utilities District acknowledging Zone 7 as the exclusive GSA for the Livermore Valley Groundwater Basin for the portion of the basin in Contra Costa County; and

WHEREAS, as required by Water Code § 10723(b), a notice of public hearing to consider this decision to become a GSA was published pursuant to Government Code section 6066, and the Board of Directors held the noticed public hearing before adopting this Resolution; and

WHEREAS, SGMA, specifically Water Code §10733.6, outlines the steps needed for the adoption of Groundwater Sustainability Plans (GSPs) or Alternative Plans for high- and medium-priority basins; and

WHEREAS, staff has prepared an Alternative GSP which is functionally equivalent to a GSP and shows that Zone 7 has sustainably managed the Livermore Valley Groundwater Basin for over 40 years;

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 find and determine as follows:

1. Zone 7 hereby elects to become the GSA for the entire portion of the Livermore Valley Groundwater Basin that underlies the District's service area including a small portion that underlies Contra Costa County and to undertake groundwater management within that area.

2. Zone 7 intends to provide broad opportunity for public involvement in the ongoing management of groundwater in the Livermore Valley Groundwater Basin.

3. Zone 7 will continue to coordinate with other local agencies that overlie the Livermore Valley Groundwater Basin and with other groundwater management entities that elect to be the GSA of neighboring groundwater basins or subbasins.

4. The decision to become a GSA is not a "Project" pursuant to Public Resources Code section 21065 and therefore is not subject to the requirements of the California Environmental Quality Act. (See Title 14, Cal. Code Regs. §15378(b) (5).)

5. Staff is directed to prepare notification of Zone 7's decision to become a GSA and to submit that notification, and all supporting documentation, to DWR in accordance with Water Code §10723.8(a).

6. Staff is directed to finalize and submit the Alternative GSP to DWR in accordance with Water Code §10733.6(b).

7. Staff is directed to file a Notice of Exemption with the County Clerks of Alameda County and Contra Costa County, in accordance with the law.

ADOPTED BY THE FOLLOWING VOTE:

AYES: DIRECTORS FIGUERS, GRECI, McGRAIL, PALMER, QUIGLEY, RAMIREZ HOLMES, STEVENS

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

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 December 21, 2016.

By: _____
President, Board of Directors