

**DUBLIN SAN RAMON SERVICES DISTRICT
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS**

June 3, 2014

A regular meeting of the Board of Directors was called to order at 6:00 p.m. by President Georgan M. Vonheeder-Leopold. Boardmembers present: President Georgan M. Vonheeder-Leopold, Vice President Edward R. Duarte, Director D.L. (Pat) Howard, Director Richard M. Halket, and Director Dawn L. Benson. District staff present: Bert Michalczyk, General Manager; Rhodora Biagtan, Interim Engineering Services Manager; John Archer, Interim Financial Services Manager/Treasurer; Dan Gallagher, Operations Manager; Michelle Gallardo, Interim Organizational Services Manager; Carl P.A. Nelson, General Counsel; and Nancy Gamble Hatfield, District Secretary.

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL - Members: Benson, Duarte, Halket, Howard, Vonheeder-Leopold
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES
 - Comprehensive Annual Financial Report (CAFR) Award - General Manager Michalczyk presented Financial Services Manager Archer with the CAFR Award from the Government Finance Officers Association of California. Mr. Michalczyk credited Mr. Archer and his staff for the preparation of and information provided in the financial reports for FYE 2013. President Vonheeder-Leopold expressed her satisfaction with the fact the District is continuing to receive this award.
 - Special District Leadership Foundation Transparency Certificate for Excellence – Ms. Megan Hemming, Program Manager, from the Special District Leadership Foundation presented the District with the prestigious “District Transparency Certificate of Excellence,” which is in recognition of the District’s completion of all program requirements designed to promote transparency in operations and governance to the public and other stakeholders. President Vonheeder-Leopold thanked Ms. Hemming for the award and thanked staff for the work it took to achieve this recognition.
5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:07 p.m.
6. REPORTS
 - A. Reports by General Manager and Staff
 - Event Calendar – General Manager Michalczyk reported on the following:
 - o On June 19, 2014 at 6:00 p.m. at the Val Vista Picnic Area there will be a Re-dedication of the Val Vista Community Park and Neighborhood Meeting with a free barbeque sponsored by the District and the City of Pleasanton.

Attendees can learn about the newly installed recycled water system and view the District's newly planted landscape. Depending on the number of Directors attending, the event may be a noticed meeting under the Brown Act.

- o Operations Manager Gallagher gave an informative update on the Bay Area Chemical Consortium that is in the fifth year of bidding chemicals together.

- Correspondence to and from the Board

Date	Format	From	To	Subject
5/22/14	USPS	Mrs. Brown Fallon Middle School Science, Connor Vergara, Kavin Kasi, Konrad Keihl	Dublin San Ramon Water District Board	Alameda County Science and Engineering Fair - Excellence in Water Research Award
5/29/14	Email	Marlene Massetti	Mr. Michalczyk and Board of Directors	Water Shortages
5/14/14	USPS	Marc Hannigan, Vice President, Adams Pools Solution	Ms. Georgean M. Vonheeder-Leopold	Oppose Regulation Concerning Filling Swimming Pools and Spas

B. Agenda Management (consider order of items) – No changes were made.

President Vonheeder-Leopold reported that the General Manager advised her that information regarding a proposal for a 15% drought surcharge to be considered by the Board of Directors of the Zone 7 Water Agency first came to the District's attention after posting of the agenda and that action is required before the next Board meeting. She stated that a motion is required to add the item to the agenda to be able to discuss the matter and be prepared for Zone 7's Board meeting tomorrow night.

Director Benson **MOVED** to add an item to the agenda to discuss the proposal for a 15% drought surcharge to be considered by the Zone 7 Water Agency Board of Directors tomorrow night since immediate action is necessary because the new information came to the attention of the District after posting of the Agenda. V.P. Duarte **SECONDED** the **MOTION**, which **CARRIED** with **FIVE AYES**.

President Vonheeder-Leopold announced this item would be added as Item 9.D to the Board Business portion of the Agenda.

General Manager Michalczyk stated that the Board's action was in accordance with Government Code Section 54954.2(b)(2).

C. Committee Reports

Special External Affairs
Special Personnel

May 28, 2014
May 28, 2014

President Vonheeder-Leopold invited comments on recent committee activities. Directors felt the available staff reports adequately covered the many matters considered at committee meetings and made a few comments about some of the committee activities.

7. APPROVAL OF MINUTES – Regular Meeting of *May 20, 2014*

Director Howard MOVED for the approval of the May 20, 2014 minutes. Director Halket SECONDED the MOTION, which CARRIED with FOUR AYES, and ONE ABSTENTION (Vonheeder-Leopold).

8. CONSENT CALENDAR

Director Benson MOVED for approval of the items on the Consent Calendar. V.P. Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

- A. Authorize Consolidation of District Election with November 4, 2014 Statewide General Election – Approved – Resolution No. 32-14
- B. Upcoming Board Calendar – Approved
- C. Report of Checks and Electronic Disbursements Made – Approved

Date Range	Amount
04/28/14 – 05/26/2014	\$5,709,599.12

9. BOARD BUSINESS

- A. Discuss Drought Management Program

General Manager Michalczyk explained that as requested by the Board a drought discussion item will be placed on each Board agenda as a standing item. This will allow anyone in the audience to address the Board at each meeting regarding concerns and questions they may have about the drought and the District's response. Doing so also will allow the Board to respond at that time instead of having to defer a matter until an upcoming agenda due to Brown Act requirements.

President Vonheeder-Leopold, who was absent at the last meeting, agreed this was an excellent idea.

Hearing no public comment, President Vonheeder-Leopold closed the item for discussion.

- B. Accept Water Supply and Demand and Drought Response Action Plan Status Reports and Find that the Need for the Community Drought Emergency Still Exist

General Manager Michalczyk reviewed that previously he has given the Board reports on water supply during the rainy season. Now that the water supply season is completed, he stated his reports will shift to a focus on water demand management. He stated he will address the five key points requested by the Board at every meeting and will provide an update on the various actions contained in the Drought Response Action Plan.

Mr. Michalczyk went on to report there have not been any significant changes in the water supply with the exception that the State announced that Zone 7 will receive 20% of its 5% allocation prior to September 1.

With regard to water demand, the District is exceeding its allocations from Zone 7. Additionally, the District is not achieving 25% reduction in use as compared to 2013. However, the situation seems to be improving in that for the week ending June 1, 2014 the results were the best they have been in 2014 to date. This seems to suggest that improvements in water savings are slowly occurring as the public is becoming more aware. Mr. Michalczyk emphasized the importance of curtailing outdoor water use so targets can be met.

No operational issues related to the drought have occurred since the Board's emergency declaration.

On a policy level, last week, for the first time since 1976 the State Water Resources Control Board issued several thousand orders to diverters around the State to cease further diversions from rivers. In particular, they have ordered water diverters in the Delta watershed (north of Bakersfield up to Shasta) to halt diversions. The most recent appropriators will have to curtail their deliveries before the more senior ones. Last week, the State extended the comment period on the Bay Delta Conservation Plan (BDCP) for a few more months and issued the first public draft of the Implementation Agreement which identifies how water agencies pay for the BDCP improvements.

In response to the Drought Response Action Plan, the District has received 30 exemption requests for water use limitations with 12 approved, 3 denied, and 15 in progress. These requests will be processed within 5 to 10 working days. The first written warning was issued last week. Rebates requests are also starting to come in for spa and pool covers and lawn conversions.

Mr. Michalczyk concluded his remarks stating his recommendation that at this time the Board should not rescind or revise its May 5, 2014 emergency drought declaration.

Operations Manager Gallagher referred the Board's attention to the red and white printed "Water Use Limitation Violation" door hangers that will be hung on doors as necessary to notify a customer of a violation of the District ordinance prohibiting the use of water exceeding 640 gallons per day, irrigating too long or on too many days, washing vehicles, etc.

The Board and staff discussed associated drought management activities and considerations related to the drought, including customer service call volume, Tier 3 rates that became effective June 1, 2014, the Aquahawk Customer Portal system accessible on the website, Dublin High School baseball field recycled water conversion, and attending the Farmer's Market to disseminate drought information.

V.P. Duarte MOVED to: (a) accept the Water Supply and Demand Report and the Drought Response Action Plan Status Report; and, (b) find that there still exists a need for continuing the Community Drought Emergency which the Board declared on May 5, 2014. Director Benson SECONDED the MOTION, which CARRIED with FIVE AYES.

- C. Approve Out of Area Service Agreement for DSRSD Services for Nielsen Property West of Dublin

Engineering Services Manager Biagtan addressed the Board and presented for consideration an Out of Area Service Agreement for District Services with the Nielsen family. The subject property is outside of the District's service area boundary west of Dublin. Mr. Robert Nielsen, the authorized owner representative for the Nielsen property, has requested sanitary sewer service for its operations for health and safety reasons. He has also gone through Alameda County for land use entitlements and permits.

Ms. Biagtan acknowledged Mr. Nielsen and his representative John Doyle seated in the audience. She explained the plan is to construct three buildings to support their agricultural needs outside of the District's service area but within the agency's sphere of influence. This agreement will also formalize an informal arrangement dating back to the 1980s when the District agreed to install a water meter for a water trough on Mr. Nielsen's property.

She stated that the agreement is effective only upon LAFCo approval which will be considered by LAFCo on July 10, 2014.

Director Halket MOVED to adopt Resolution No. 33-14, approving and authorizing Execution of Out of Area Service Agreement for DSRSD to Nielsen Property West of Dublin with Robert J. Nielsen, Jr., Thomas Nielsen, and the N. Dublin Family Partnership. Director Benson SECONDED the MOTION, which CARRIED with FIVE AYES.

- ADDED: ITEM 9.D – Proposed Zone 7 Water Agency Board Fifteen Percent Drought Surcharge

General Manager Michalczyk briefed the Board on the Zone 7 Finance Committee meeting held yesterday June 2, 2014 and key points of the proposed Zone 7 drought surcharge to be presented to the Zone 7 board tomorrow evening June 4, 2014. Mr. Michalczyk, along with Financial Services Manager Archer and Director Halket, attended the Zone 7 Finance Committee meeting at which

their staff presented three options for a drought surcharge: 0%, 15% and 25%. The Zone 7 Finance Committee voted 2-1 to not support the staff recommendation to their board for a 15% drought surcharge. Additionally, the three Finance Committee members voted to not support their proposed budget for board consideration. The Zone 7 Finance Committee members are Angela Ramirez-Holmes, Sarah Palmer, and Sandy Figuers.

Mr. Michalczyk requested the District Board endorse the following position for the District to take in the event a Zone 7 drought surcharge is considered further:

<p>1. Nature of the Surcharge</p>	<ul style="list-style-type: none"> a. Surcharge to be expressed as a dollar/acre foot value rather than a percentage so to allow “pass through” in accordance with District Code and Section 53756 of Proposition 218 Implementation Act. b. Surcharge needs to be effective on date that allows District to give ratepayers legally required 30 day notification before effective—earliest possible date is 8/1/14. c. Surcharge needs to have clear sunset language.
<p>2. Calculation of the Surcharge Amount</p>	<p>The guiding principle is a surcharge should result in a “revenue neutral” amount after drought related expenses are accounted for.</p> <ul style="list-style-type: none"> a. Increased maintenance costs for standby generators need to be what Zone 7 expects to actually spend, not the “upset limit” of the contract (identified at \$700,000). b. Increased water costs (\$2,600,000 identified), either: <ul style="list-style-type: none"> i. Don’t include in surcharge until water transfer legally binding and deliveries actually occur during curtailment months; ii. If included in surcharge and water transfer does not occur, then at end of CY 2014 funds collected are used by Zone 7 to replenish Drought Contingency fund for future years; or iii. If included in surcharge and water transfer does not occur, then at end of CY 2014 the funds collected are returned to Retailers for crediting ratepayers. c. CIP charges (\$3,300,000 identified) – total capital cost of any CIP projects implemented for drought relief should not be fully repaid by current ratepayers but spread over life of the projects.
<p>3. Process for Adopting the Surcharge</p>	<p>Retailer/Zone 7 Water Supply Contracts allow for only one annual rate adjustment that is proposed in September, approved in October, and effective in January. A surcharge requires Retailer concurrence by one of the following forms</p>

	<p>below. All forms are acceptable provided terms above met with preference for simplest and easiest.</p> <ul style="list-style-type: none"> • An administrative exchange of letters between chief executives • A side letter agreement to Water Supply Contract • An amendment to Water Supply Contract
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As Mr. Michalczyk presented the several key points, the Board asked questions and shared their thoughts and opinions.

V.P. Duarte added that another condition must be that the surcharge apply to all Retailers on the same terms.

The Board reached conceptual agreement on the District's position as above and directed that it be conveyed to the Zone 7 Board meeting tomorrow night if a drought surcharge is being considered. Mr. Michalczyk and Interim Financial Services Manager Archer planned to attend the meeting.

10. BOARDMEMBER ITEMS

Director Howard reported he was quite satisfied with his new swimming pool cover and that he is using one-eighth the amount of water he was previously using.

V.P. Duarte reported in light of the drought he was very surprised that not a single citizen attended the May 22, 2014 town hall meeting held in the Dougherty Valley. The meeting date preceded the Memorial Day weekend and some "Back to School Nights." The City of San Ramon handled the publicity for the event that may be held again at a future date.

Director Halket noted his place of business is only a few minutes from the Zone 7 office so he may plan to attend future meetings. He did attend yesterday's Zone 7 Finance Committee meeting.

V.P. Duarte commented that he attended his granddaughter's graduation from Linfield College in Oregon. His granddaughter earned a 4.0 grade point average her last two semesters, interned at a winery and received an offer as an assistant marketing position in Linfield. He was very pleased about her accomplishments!

Director Benson commented she attended the Dublin High School ribbon cutting for the new Performing Arts and Education Center on June 2, 2014. Director Benson asked if the Board planned to give recognition to retiring Dublin Chamber President/CEO Nancy Feeley.

General Manager Michalczyk told the Board staff was preparing a proclamation for Ms. Feeley. He also mentioned there were no time urgent board business matters for the June 17, 2014 meeting; however, the July 1, 2014 Board meeting is necessary and the proclamation could be adopted retroactively for Ms. Feeley. Her retirement celebration is

scheduled for Wednesday, June 25, 2014 from 4:30 – 6:30 p.m. at Dublin Ranch Golf Course.

President Vonheeder-Leopold reported she and Mr. Gallagher attended the recent Alameda County Board of Supervisors meeting to receive a proclamation for declaring the month of May as Water Awareness Month in Alameda County. She also commented the Dublin library is 100 years old. The opening of the library exhibit is in the little school house until July 31, 2014.

11. CLOSED SESSION

At 7:11 p.m. the Board went into Closed Session.

A. Conference with Labor Negotiators – Pursuant to Government Code Section 54957.6

Agency Negotiator: Bert Michalczyk, General Manager

Unrepresented Employees: 1. Interim Engineering Services Manager
2. Operations Manager
3. Interim Financial Services Manager
4. Interim Organizational Services Manager

Additional attendees: General Counsel Carl P. A. Nelson

Michelle Gallardo, Interim Organizational Services Manager

12. REPORT FROM CLOSED SESSION

At 7:25 p.m. the Board came out of Closed Session.

13. ADJOURNMENT

President Vonheeder-Leopold adjourned the meeting at 7:26 p.m.

Submitted by,

Nancy Gamble Hatfield
District Secretary