

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

February 4, 2014

A regular meeting of the Board of Directors was called to order at 6:00 p.m. by President Georgean M. Vonheeder-Leopold. Boardmembers present: President Georgean 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
5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:01 p.m.
6. REPORTS
 - A. Reports by General Manager and Staff
 - Event Calendar – General Manager Michalczyk reported on the following:
 - o On Wednesday, January 22, 2014 the District had a sanitary sewer overflow (SSO) along the Ironhorse Trail in a remote area away from direct public exposure. The SSO did not affect any residents or businesses, nor make its way into surface waters and was fully contained. Operations Manager Gallagher reported that District staff learned of this situation on that Wednesday morning when they were contacted by the fire department. A nearby resident made a call to the fire department thinking the steam was a fire. This SSO was caused by the accumulation of roots in one of the District’s manholes. Approximately 24,000 gallons came out of the manhole and almost the entire overflow was pumped back into the sewer and cleaned up. The remainder soaked into the ground. None of the overflow entered any waterway. A report was made to the Regional Water Quality Control Board.
 - o On Tuesday, February 11, 2014 San Ramon Mayor Bill Clarkson will give his annual “State of the City Address” at the Wedgewood Banquet Center in San Ramon. Directors need to notify District Secretary Hatfield this evening if interested in attending as the chamber has extended the sign up period only until tomorrow morning.

- o On Wednesday, February 26, 2014 Dublin Mayor Tim Sbranti will give his annual “State of the City Address” at the Shannon Community Center. The lunch has been twice rescheduled. Directors should confirm their availability to attend with this rescheduled date.
- Correspondence to and from the Board

Date	Format	From	To	Subject
1/23/14	Letter	Jonathan & Amy Lambert	Board of Directors	Installation of AT&T Cellular Base Station (CBS) at the Dublin Ramon Services District Water Tank located at 8208 Rhoda Avenue
1/24/14	Letter	Ngoc Nguyen	Board of Directors	Installation of AT&T Cellular Base Station (CBS) at the Dublin Ramon Services District Water Tank located at 8208 Rhoda Avenue
1/31/14	Letter	Edwin Kokko & Gretchen Hellman	Board of Directors	Installation of AT&T Cellular Base Station (CBS) at the Dublin Ramon Services District Water Tank located at 8208 Rhoda Avenue
Received 1/31/14 Dated 12/15/13	Petition	Rhoda/Vomac Neighbors Against Cell Site	Rhoda/Vomac Neighbors Against Cell Site	Installation of AT&T Cellular Base Station (CBS) at the Dublin Ramon Services District Water Tank located at 8208 Rhoda Avenue
Received 1/31/14 Dated 12/15/13	Letter (copied to District)	Rhoda/Vomac Neighbors Against Cell Site	Dublin Community Development Director	Installation of AT&T Cellular Base Station (CBS) at the Dublin Ramon Services District Water Tank located at 8208 Rhoda Avenue

B. Committee Reports
Water

January 23, 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.

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

7. APPROVAL OF MINUTES – Regular Meeting of *January 21, 2014* and Special Meeting of *January 30, 2014*

Director Howard MOVED for the approval of the January 21, 2014 minutes. Director Benson SECONDED the MOTION, which CARRIED with FIVE AYES.

Director Benson MOVED for the approval of the January 30, 2014 minutes. V.P. Duarte SECONDED the MOTION, which CARRIED with FOUR AYES, ONE ABSTENTION (Halket).

8. CONSENT CALENDAR

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

A. Approve Board Committee Charters for 2014 – Approved

B. Approve Amendment to Personal Services Agreements between Senior Managers R. Biagtan, D. Gallagher, J. Archer and M. Gallardo and Dublin San Ramon Services District – Approved – Resolution No. 3-14, Resolution No. 4-14, Resolution No. 5-14 and Resolution No. 6-14

C. Authorize Execution of Amendment No. 12 to the Agreement for Personal Services between Bert L. Michalczyk and the Dublin San Ramon Services District – Approved – Resolution No. 7-14

D. Upcoming Board Calendar – Approved

E. Report of Checks and Electronic Disbursements Made – Approved

Date Range	Amount
12/30/13 – 1/27/14	\$3,662,975.94

9. BOARD BUSINESS

A. Receive Presentation on Status of District Water Supply - 2014

General Manager Michalczyk addressed the Board stating that staff from the District and Zone 7 would be presenting a lot of information during three presentations; however, no decisions need to be made at this time on the status of the water supply. He explained staff is seeking general policy level guidance and will return on February 18, 2014 to ask the Board to consider a declaration of a drought emergency and endorse a District action plan. It is anticipated that in late April or so, the Board will be asked to make the hard decisions related to the

drought and mandatory measures and rate adjustments. Mr. Michalczyk stated that the overall impression he wanted to leave the Board with is that the water supply condition is a very serious situation, but that the situation is not desperate. The District has to consider various options and move forward in a logical manner.

Mr. Michalczyk stated that there would be three separate presentations:

- Status of the District Water Supply 2014 in which he would discuss current hydrological conditions and policy framework for the District response;
- Ms. Amparo Flores from Zone 7 would discuss the water supply constraints that Zone 7 faces and actions they are taking in response; and
- District Operations Manager Dan Gallagher would discuss concepts to possibly include in action plans so as to receive Directors' thoughts and ideas.

Mr. Michalczyk discussed the following topics in his presentation: precipitation; snow water content, long-term precipitation forecasts; Lake Oroville storage; Department of Water Resources (DWR) water delivery allocations; other anticipated water supplies including Lake Del Valle, recycled water, possible future rainfall, etc.; policy level actions taken by Governor Jerry Brown, Zone 7; status and actions of other local and regional water suppliers; and upcoming District Board actions.

Highlights of Mr. Michalczyk's presentation were:

- Six of the last seven years have been below normal to critically dry years;
- 2013 was the driest calendar year on record since California has been collecting data;
- 2014 is starting out to be an even worse water year;
- The current water supply situation is worse than the 1976-77 drought;
- The 2013-2014 water year that started in October 1, 2013 and ends September 30, 2014 shows California has received only about 9% of the average rainfall; and
- The DWR is stating that the water allocation from the State Water Project (SWP) is projected to be 0%.

Directors asked questions about and discussed the impact on agriculture with this drought, the 20% reduction requested by the Governor, associated baselines, recall of potable water construction meters use, and local restaurants only serving water upon request.

Mr. Michalczyk acknowledged Zone 7 Director Angela Ramirez Holmes seated in the audience and then invited Zone 7 Engineer Amparo Flores to give her presentation.

Ms. Flores discussed the following topics in her presentation titled “2014 Drought Emergency Response Plan – Zone 7 Action Plan”:

- The SWP;
- Factors affecting SWP operations;
- Impacts of regulations;
- Worst-case scenario for imported water;
- Local water supply conditions for 2014;
- The 2014 supply outlook through mid-January;
- The 2014 supply outlook and worst-case view;
- The 2014 supply and demand worst-case scenario;
- The supply opportunities for the 2014 drought;
- The 2014 drought response plan options; and
- Next steps being taken by Zone 7.

Directors asked Ms. Flores issues associated with filling Lake Del Valle and senior water rights on the SWP.

District Operations Manager Gallagher next gave a presentation titled the “DSRSD Drought Actions and Ideas” and discussed the following topics:

- Actions taken to date by the District;
- Potential short to mid-term initiatives;
- Increase recycled water use;
- Conservation price signals;
- Leveraging partnerships;
- Public outreach options;
- What District customers can do to reduce water usage; and
- Possible long-term initiatives.

V.P. Duarte asked questions about getting recycled water hookups accomplished. Mr. Gallagher explained that getting pipeline under I-680 could be a challenge and that possibly this could be done via a Zone 7 drainage canal. The City of Dublin is interested in keeping grass alive at parks on the west side, so using recycled water could be a possible way to do this.

Director Benson asked if the District will reach out to restaurants about water conservation so that water is poured upon request rather than in the normal course of business. She also asked about getting outreach to children because of their positive influence on parents’ behavior.

Mr. Gallagher responded that staff does intend to remind restaurants that pouring water upon request is a good policy to follow. He also agreed school children are an excellent way to modify parents' behavior.

Director Halket asked about the status of the District's cash for grass program.

Mr. Gallagher commented that there is minimal use of the District's program whereby customers are compensated for removing grass and planting drought tolerant plants. The program needs to be further evaluated for effectiveness.

Director Howard asked if all of the recycled water efforts for west Dublin would be funded through DERWA.

Mr. Gallagher explained the projects would be District projects, not DERWA projects, with temporary connections. The District can also encourage EBMUD to hook up more customers in their service area.

Director Halket emphasized the importance of the retailers delivering a consistent message to customers and the necessity of instituting drought rates. He thanked staff and Ms. Flores for their excellent presentations.

Mr. Michalczyk cautioned the Board that all of these activities have cost implications for the District, and when coupled with significantly lower water sales constitutes the rationale behind the District's system of staged water rates, which the Board may be asked to consider in April.

At 7:17 p.m. President Vonheeder-Leopold called a recess.

At 7:35 p.m. President Vonheeder-Leopold called the Board meeting back in session.

B. Receive Water Quality Briefing - Actions Taken and Future Actions

General Manager Michalczyk reported that staff is requesting policy level guidance from the Board related to the need for and the relative priority of water quality improvement projects included in Zone 7's next 10-year Capital Improvement Program (CIP). Additionally, he stated this is an opportunity for Principal Engineer – Supervisory Judy Zavadil to give a presentation on work accomplished in the mid-2000s related to water quality, since some of the Directors were not on the Board at that time. Staff also is requesting policy level direction from the Board as to whether or not they desire the District to resume its "District-alone" water quality improvement program that was placed on hold several years ago by the Board.

Engineering Services Manager Biagtan reported that in addition to managing drought actions, Zone 7 is working on their next 10-year CIP. Some of the CIP

projects include water quality; historically, the District spent significant time and resources working with Zone 7 to improve the quality of water delivered to customers. Only Directors Howard and Halket were on the Board in the mid-2000s and may remember the actions the District took in this regard. The District worked with Zone 7 at that time, which resulted in several projects including the Mocho Groundwater Demineralization project. However, with the downturn in the economy, and the concern about rate increases and water reliability, Zone 7 delayed several water quality projects. Ms. Biagtan stated that in preparation of Zone 7's 10-year CIP, staff is seeking direction regarding the District's input on the schedule for Zone 7 water quality projects and direction regarding the District's independent pursuit of water quality improvements. She invited Principal Engineer Zavadil to discuss the past and current District and Zone 7 water quality actions.

Ms. Zavadil gave a presentation titled "DSRSD Water Quality Actions" and discussed the following topics:

- Definition of water quality;
- Taste and odor main complaints;
- How hardness of water is measured;
- 2012 hardness of water;
- Water quality impacted by location in the Valley;
- Zone 7 water quality policy goals;
- DSRSD water quality enhancement study;
- 2004 water quality survey and quantitative taste test results;
- Water quality parameter vs. flavor rating;
- Correlations of flavor rating with water quality parameter;
- DSRSD and Zone 7 water quality actions;
- Mocho Well Demineralization;
- Taste and odor study from 2009;
- Zone 7 water quality projects, and
- Water quality policy direction needed.

V.P. Duarte asked about current customers' impressions and comments about water quality.

Ms. Zavadil explained that the District tracks customer comments about how the water tastes or looks if the customer can describe their complaint to some degree, e.g., chlorinous odor, earthy/musty, or cloudy, etc. These water complaints are shared with Zone 7.

V.P. Duarte asked if there was any conceptual estimates on the scope of work and what would be built to allow the District to unilaterally improve water quality delivered to its customers.

Ms. Zavadil stated that extensive facility plans and cost estimates were prepared; those showed that even the best option would result in an estimated 30% rate increase.

Mr. Michalczyk mentioned that during the time of these studies, customers expressed a willingness to pay up to 10%, but not 30%, more for water quality improvements. He stated that at that time the Board decided that it would be better for Zone 7 to pay for and make water quality improvements because of the economies of scale—such improvements would have only created a 6% increase for Zone 7 rates.

Director Halket noted that tonight staff wanted comments and direction from the Board on the Zone 7 CIP. He pointed out the significant differences between 2004 and 2008, and that improving filtration and activated carbon is good, but losing up to 15% of water supply does not make sense with today's short and long-term water shortage conditions. He suggested the District needs to live with the water it has for now and believes the focus should be on supply. He stated he does want to see future projects in Zone 7's CIP and timeline.

Director Howard agreed that water reliability is the main issue, but noted that money may also need to be spent in the near-term to deal with chromium issues.

Speaker: Zone 7 Director Angela Ramirez, addressed the Board and asked them to consider the longer-term perspective even though there are water shortage concerns now. She noted that input from the DSRSD Board will be helpful because the Zone board will be making 10-year decisions for their CIP. She also mentioned that the chromium issues are still being discussed and no decision has yet been made.

President Vonheeder-Leopold mentioned that Zone 7 does not approach their CIP like the District does and it is important they keep water quality projects in the CIP even if delayed to future years. She stated that the most important issue is supply, then taste and odor issues.

Director Howard commented that the water quality in this area has definitely improved since 1976 when he moved to Dublin.

By consensus, the Board supported the schedule for water quality projects proposed in the draft Zone 7 Capital Improvement Program. By consensus, the Board was not supportive of the District re-starting its efforts to improve water quality through a DSRSD-alone project or projects.

- C. Discuss Water Expansion Fund Management Policy, Priority for Addressing Emerging Issues and Action Plan

General Manager Michalczyk reported that this agenda item revolves around long- term financial projections for the District's Water Expansion fund. He stated that this is perhaps the most critically vulnerable fund maintained by the District and as such, it has to be very closely monitored and managed. In the 2009 - 2010 timeframe, this fund required the imposition by the Board of a Temporary Infrastructure Charge (TIC) on District water customers. Since that time, the fund has significantly recovered and is currently healthy. However, some long-term issues have still not been fully resolved that could have potential negative effects on the fund if it is not properly and prudently managed.

Mr. Michalczyk gave a presentation titled "Water Expansion Fund Management Policy – Priority for Addressing Emerging Issues and Action." He explained that the Finance Committee reviewed various emerging issues affecting the fund and prioritized their resolution as follows: 1) extend life of water capacity rights (*completed in October 2013*); 2) delay capacity payment to building permit (*completed in December 2013*); 3) closeout of Windemere BLC Reimbursement Agreement (*in progress*); 4) conditionally "un-suspension" of fee credit program with three developers (*in progress*); 5) Clean Water Revival closeout (*in progress*); 6) update Water System Master Plan (*in progress*); and, 7) pay back the Temporary Infrastructure Charge (TIC) (*in progress*). Many of the "*in progress*" issues will need to be addressed over a multi- year timeframe.

Mr. Michalczyk explained that staff and the Finance Committee undertook a detailed and extremely complicated analysis of the Water Expansion fund. He noted that the analysis was done under two fundamental scenarios: development will proceed as currently planned and future development projections are stressed. The key parameter to focus on in the summary charts is the projected year-ending fund balance as it relates to the target fund balance set by contract and policy, which is essentially to maintain two years of debt service reserves. Mr. Michalczyk showed tables for each scenario that show the impact of each of the emerging issues, addressed in the priority order recommended by the Finance Committee. He explained a Water Expansion Fund Management policy will be developed and presented in March 2014 for consideration by the Board. The policy will be consistent with the order of priorities decided upon by the Board tonight and that will also identify protocols to be followed for the long-term management of this fund.

The suggested action plan prepared by the Finance Committee for the Water Expansion fund is to: 1) brief the Board on the "big picture;" 2) continue to negotiate with Windemere BLC for a close-out deal; 3) conditionally "un-suspend" the credit against fee reimbursements; 4) affirm commencement of Water System Master Plan; 5) establish a conditional TIC repayment program (to be done at the end of each fiscal year; transfer available Water Expansion fund dollars to the Water Rate Stabilization fund; and extend proper fund balance projected to be maintained); 6) prepare a "Water Expansion Fund Management policy" consistent with this plan for the Board's consideration in March 2014.

President Vonheeder-Leopold clarified that this proposed Water Expansion Fund Management policy will be specific to this fund although there are other financial policies in place that discuss fund balances and targets.

Mr. Michalczyk confirmed this as correct explaining the policy to be developed will establish how the decision is made at the end of the year to transfer money to the Rate Stabilization fund for TIC repayment.

Director Halket commented that the Water Rate Stabilization fund is unique in the sense it provides a safety net against unforeseen events and protects the District, ratepayers, bond holders and developers.

Director Benson stated she likes the policy concepts proposed by the Finance Committee.

V.P. Duarte commented favorably on the rigorous analysis and that he endorses the proposal.

President Vonheeder-Leopold stated that staff should be given a great deal of credit for the analysis and this presentation; she commented on how this big picture analysis helped to bring many things into focus.

Mr. Michalczyk emphasized the importance of committing to a formal policy for the future long-term management of this fund as staff and the Board changes will occur over the coming years.

Director Benson stated that she likes the idea of paying down \$750,000 of the TIC.

Director Benson MOVED to direct staff to prepare a Water Expansion Fund Management policy in accordance with the priorities recommended by the Finance Committee. V.P. Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

D. First Reading: Introduction of Ordinance Repealing and Replacing Chapter 6.10 (Personnel Merit System) of the District Code

President Vonheeder-Leopold read aloud the title of the ordinance. She noted that the second reading of the ordinance will occur on February 18, 2014.

Director Halket MOVED TO WAIVE the reading of the Ordinance Repealing and Replacing Chapter 6.10, Section 6.10.010 of its District Ordinance Code to Update the Definition, Purpose, Administration and Positions Covered by the Personnel Merit System. Director Howard SECONDED the MOTION, which CARRIED with FIVE AYES.

President Vonheeder-Leopold invited public discussion. There was none.

The Board asked staff to withhold any presentation on this item until the second reading in deference to tonight's long meeting.

10. BOARDMEMBER ITEMS

Director Benson thanked staff for the work they did for the January 30, 2014 joint meeting at the Dublin City Council Chambers where California Natural Resources Secretary John Laird spoke on the California Water Action Plan. She also noted that the External Affairs and Personnel Committee meetings will be held on the same evening during the remainder of 2014.

V.P. Duarte commented that he attended the January 30, 2014 excellent presentation by California Natural Resources Secretary John Laird.

President Vonheeder-Leopold reported that she received lots of positive comments about the January 30, 2014 John Laird presentation. She noted that another update may be planned for June 2014. President Vonheeder-Leopold gave General Manager Michalczyk a copy of the Reunion Dinner booklet titled "37 Years of Service – Providing Fire Suppression, Fire Prevention, EMS and Education for the Communities of Dublin and San Ramon." The booklet was in celebration of the Valley Community Services District from 1960 – 1978, Dublin San Ramon Services District from 1978 – 1988, and Dougherty Regional Fire Authority from 1988 – 1997.

11. ADJOURNMENT

President Vonheeder-Leopold adjourned the meeting at 8:41 p.m.

Submitted by,

Nancy Gamble Hatfield
District Secretary