

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

May 5, 2015

A regular meeting of the Board of Directors was called to order at 6:00 p.m. by President Edward R. Duarte. Boardmembers present: President Edward R. Duarte, Vice President D.L. (Pat) Howard, Director Richard M. Halket, Director Dawn L. Benson, and Director Georgan M. Vonheeder-Leopold. District staff present: Bert Michalczyk, General Manager; Dan McIntyre, Engineering Services Manager; John Archer, Administrative Services Manager/Treasurer; Dan Gallagher, Operations Manager; Doug Coty, Assistant 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

Director Benson announced that she would not attend Closed Session Item 11.B to avoid any appearance of participation in any discussions, decisions, or voting on the approved DSRSD water supply contract with EBMUD and to ensure that she neither influence nor attempt to influence another member of the DSRSD Board regarding any matters pertinent to the contract, consistent with applicable provisions of the Government Code, because she is a salaried employee of EBMUD.

General Manager Michalczyk presented District Secretary Nancy Gamble Hatfield with a 25-year District service pin in recognition of her years of public service at Dublin San Ramon Services District. He also presented and congratulated her with a sparkly 25-year wine cork to memorialize her service. The Board thanked and congratulated Ms. Hatfield.

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:03 p.m. - There was no public comment received.
6. REPORTS
 - A. Reports by General Manager and Staff
 - Event Calendar – General Manager Michalczyk reported on the following:
 - o On Wednesday, May 13, 2015 at 5:00 p.m. in the District Boardroom the Tri-Valley Water Policy Roundtable #4 meeting will be held. Directors Halket and Benson will represent the District at that meeting. Mr. Michalczyk stated that if additional Directors wanted to attend and participate in that meeting, it would require noticing of a Special Board meeting.

- o ACWA is assembling their leadership team for 2016. Region 5 has just issued a call for candidates for a two-year term. If a Director is interested in seeking a seat, staff needs to be notified by June 1 so there is adequate time for Board approval.
- Correspondence to and from the Board on an Item not on the Agenda

Date	Format	From	To	Subject
4/29/15	Letter	Dublin Chamber of Commerce	Bert Michalczyk	Congratulations for 25 years of membership
4/27/15	Email	Lauren Dupont	Board of Directors	Camp Parks Community Partnership Invitation

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

C. Committee Reports

DSRSD/Pleasanton Liaison Committee	April 20, 2015
DSRSD/City of Dublin Liaison Committee	April 27, 2015
DSRSD/Zone 7 Liaison Committee	April 27, 2015
DERWA	April 27, 2015

President Duarte invited comments on recent committee activities.

Dublin Liaison - Director Benson reported she attended the meeting. She complimented staff on the tour of the WWTP and Recycled Water plant. V. P. Howard stated he was very pleased to hear Dublin City Manager Chris Foss express his great satisfaction with the positive working relationships between the City and District staff.

Zone 7 Liaison - Director Vonheeder-Leopold reported she attended the meeting but that no elected officials from Pleasanton or Livermore attended that meeting even though it was a joint liaison meeting involving Zone 7 and all the retailers. She commented on the Zone’s sustainability report and expressed her great concern with how the Zone plans to meet their 100% delivery requests by relying on significant use of stored groundwater resources. Director Benson reported she also attended the DSRSD/Zone 7 Liaison meeting. She, too, expressed concern about the Zone providing 100% of the water deliveries this year and using groundwater resources to do so. General Manager Michalczyk stated that the DSRSD/Zone 7 Liaison Committee minutes are not yet finalized because of the need to have them reviewed by all involved agencies.

DERWA - V.P. Howard reported that at the DERWA Board meeting the DERWA Board elected EBMUD Director John Coleman to the position of Chair and DSRSD Director Ed Duarte to position of Vice Chair for 2015. The General Manager stated

that the DERWA minutes are also not yet finalized because of the need to have them reviewed by the DERWA staff.

7. APPROVAL OF MINUTES – Special Meeting of *April 21, 2015* and Regular Meeting of *April 21, 2015*

Director Vonheeder-Leopold MOVED for the approval of the April 21, 2015 special meeting minutes. Director Benson SECONDED the MOTION, which CARRIED with FIVE AYES.

Director Halket MOVED for the approval of the April 21, 2015 regular meeting minutes. Director Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

8. CONSENT CALENDAR

Director Halket requested to remove Item 8.B from the Consent Calendar.

Director Halket MOVED for approval of Items 8.A & 8.C on the Consent Calendar. Director Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

- A. Approve Standard Form of Right of Entry and Construction Agreement for DSRSD Customer Retrofit – Approved – Resolution No. 23-15
- B. REMOVED – Approve Agreement for Auditing Services with Badawi & Associates

Director Halket commented that the District intermittently hires new auditors. He stated he looks forward to working with the firm Badawi & Associates for audit services.

Mr. Ahmed Badawi from Badawi & Associates addressed the Board.

No members of the public addressed the Board on this topic.

Director Halket MOVED to approve Resolution No. 24-15, approving the Agreement for Professional Auditing Services between Dublin San Ramon Services District and Badawi & Associates. V.P. Howard SECONDED the MOTION, which CARRIED with FIVE AYES.

- C. Approve Format and Content of General Manager Performance Assessment for Fiscal Year Ending June 30, 2015 – Approved

9. BOARD BUSINESS

A. Discuss Drought Management Program

General Manager Michalczyk suggested no changes at this time to the Drought Management Program. He stated that on May 19, 2015 several items will be presented to the Board for their consideration related to drought management in 2015. He went on to state that the purpose of the next agenda is to review and discuss any changes to District ordinances and programs associated with the continuing and upcoming drought season including the Governor's recent Executive Order related to the California drought.

No members of the public addressed the Board on this topic.

The Board did not direct staff to develop any changes to the program.

B. Discuss and Provide Appropriate Direction Related to the Extension of the Current State of Community Drought Emergency and Revisions to the Elements to the District's Drought Management Plan

General Manager Michalczyk reviewed Governor Brown's Executive Order issued April 1, 2015 calling for a 25% state-wide water reduction. He reported the State Water Resources Control Board (SWRCB) is considering regulations to implement various provisions of the Governor's Executive Order. Taken together, the Executive Order and the SWRCB regulations proposed prohibitions that will require the District to make some changes to its existing water prohibition ordinance and overall drought management program.

No members of the public addressed the Board on this topic.

Mr. Michalczyk led a discussion of the District's drought management program and the Board confirmed and/or suggested changes to be incorporated into the ordinances and other actions they will consider at the May 19, 2015 Board meeting. The Board direction is identified in the table below.

ITEM	Current	BOD Direction for Revision
Timing of actions	May 5, 2014	Target May 19, 2015
Duration of State of Emergency	Through June 30, 2015	Through February 29, 2016
Implementation Method	Urgency Ordinance	Revised Urgency Ordinance
CURTAILMENT LEVELS		
Percent conservation	Overall – 25% Inside – 5% Outside – 50 to 60%	Per SWRCB regulations (tentatively 16% overall 2015 as compared to 2013)

ITEM	Current	BOD Direction for Revision
Mandatory or Voluntary Use Limitations	Mandatory	No Change
WATER SHORTAGE RATES		
Rate Stage	Stage 3	Stage 2
Rate Structure	Tiered rates with various drought stages	No Change
Effective date for rates	June 1, 2014	June 1, 2015
Approx..price difference between proposed and baseline (non drought) rates increase at zero percent conservation	35% at Stage 3	20% at Stage 2
Approx. price difference between proposed and baseline (non drought) rates increase at targeted percent conservation	0% at Stage 3	0% at Stage 2
POTABLE WATER USE LIMITATIONS		
<i>Landscape Irrigation</i>		
Applicable Customers	All (residential, commercial, Irrigation, schools)	No Change
Weekly Frequency	<ul style="list-style-type: none"> • Drip – no limitation • Bucket – no limitation • Hand with shutoff nozzle – as below • Temporary oscillating devices – as below • Permanent sprinklers– as below <p><u>Monthly schedule</u> <u>Apr/May</u> – 1 day / week <u>June to Sept</u> – 2 days/ week <u>Oct-Nov</u> - 1 day / week <u>Dec to Mar</u> - Prohibited</p>	<p>Two days per week year round rather than varying monthly schedule</p> <p>To be applied “per meter” not “per irrigation zone”</p>
Daily Limitations - Time	<ul style="list-style-type: none"> • Drip – No Limitations • Bucket – No Limitations • Hand held – 6PM to 9AM • Temporary oscillating devices– 6PM to 9AM • Sprinklers – 6PM to 9AM 	<p>Add “bubblers” and “micro-sprayers” as clarification for the definition of “drip” and similarly high efficiency system</p>
Daily Limitations other	Never two days in a row	No Change
Irrigation / raining coordination	If on monthly schedule: <ul style="list-style-type: none"> • Prohibited when it is raining • Prohibited for 2 days after rain 	No Change
Irrigation of nursery stock for sale	Nursery stock not considered landscaping	No Change
<i>Other Prohibitions</i>		
All waste and unreasonable uses	Prohibited	No Change
Hose use	Prohibited for any use unless equipped with quick-acting positive shutoff nozzles	No Change
Runoff from landscape Irrigation	Prohibited	No Change

ITEM	Current	BOD Direction for Revision
Any landscape irrigation that results in ponding, flooding, or marshy conditions	Prohibited	No Change
Newly Constructed homes or buildings unless with drip or micro spray		Prohibited if delivered in a manner inconsistent with regulations or other requirements established by the California Building Standards Commission (noted that exact regulations still being developed by SWRCB)
Turf on street medians		No Change
Campuses, golf courses and cemeteries		TBD noted that exact regulations have not yet been proposed
Where recycled water is available	Prohibited	No Change
Compaction / dust control	Prohibited	No Change
Driveway Wash Down	Prohibited	No Change
Sidewalk Wash Down	Prohibited	No Change
Street Sweeping	Prohibited	No Change
Sewer Maintenance	Prohibited	No Change
Gutter Flushing	Prohibited	No Change
Water from fire hydrants	Prohibited except for firefighting purposes Operational flushing only where necessary	No Change
Filling / Refilling Swimming pools	Prohibited unless for health and safety purposes and with prior approval	No Change
Filling / Refilling spas	Prohibited unless for health and safety purposes and with prior approval	No Change
Swimming pool /spa topping off	<u>Private Pools and Spas</u> : Prohibited for pools and spas unless covered when not in use. <u>Semi-Private Pools</u> : allowed for up to four months to the extent not due to leaks if no cover installed as of effective date <u>Semi-Private Spas</u> : Prohibited unless covered when not available for use <u>Public Pools</u> : Prohibited unless covered when not available for use <u>Public Water Play Features</u> : to the extent not due to leaks and limited to use on hot days	No Change but sunset the four month exemption in prior Ordinance
Non-recirculating decorative water features	Prohibited	No Change
Recirculating decorative water features using potable water	Prohibited	No Change
Decorative water features using recycled water	Allowed	No Change

ITEM	Current	BOD Direction for Revision
Water service	Limited to restaurants - only when requested	Only when requested in restaurants, hotels, cafes, cafeterias, bars and all public places where food and drink are served and purchased
Hotels and Motels – Linens and towels		Give option to guest to not have towels and linens laundered daily and prominently display this option
Car washing	Prohibited except at commercial car washes using recirculation	Relax prohibited to restrict only if not done with a hose with a shut off nozzle. Encompass residential as well as self- service commercial
Unrepaired leaks	Repair as quickly as possible and prohibited if not repaired	No Change
Building exteriors	Prohibited unless for the purpose of repair work or painting	To the definition of “building exteriors” add fences that surround homes
ENFORCEMENT AND PENALTIES		
<i>For Prohibitions</i>		
Warning	Verbal or written	<u>For non-residential accounts</u> – the greater of the values at left or 10% /20%/40% of the comparable 2013 water billing for the period during which the violation occurs
First violation	\$250 fine	
Second violation	\$500 fine	
Third violation	\$1000 fine	
Fourth violation	Flow restrictor or shut-off	
Appeals process	First to Drought Coordinator then to BOD	<u>For irrigation accounts</u> – the greater of the values at left or 10% of the comparable 2013 water billing for the period during which the violation occurs
<i>For Excessive Use</i>		
Definition	<ul style="list-style-type: none"> • Single family resident use that is 50% in excess of the 34 ccf Tier 3 level on a weekly basis (threshold at 50 ccf bimonthly; 6 ccf weekly; 640 gpd assuming 2-3 persons per household) • Use of an unreasonable or inappropriate amount of water at any time¹ 	Restate as 4,480 gallons per week for residential customers to simplify understanding
Warning	Verbal or written	<u>For irrigation accounts</u> - Limit of no more than 50% of 2013 usage for the same billing period for dedicated irrigation customers
First violation	\$250 fine	
Second violation	\$500 fine	
Third violation	\$1000 fine	
Fourth violation	Flow restrictor or shut-off	
Appeals process	First to Drought Coordinator Then to BOD	<u>For commercial accounts</u> – indoor potable use no greater than 95% of 2013 levels as adjusted for changes in use or occupancy since 2013
REBATES AD CREDITS		
Water Efficient Appliances Rebates	Participate in Zone 7’s Add \$25	No change Noted that exact regulations have not yet been issued per Gov Exec Order: CA Energy Commission to develop Statewide Program to “compliment” local programs in place
High Efficiency Toilets	Participate in Zone 7’s Add \$50	No change

¹ All indoor usage below health and safety levels (55 gpcpd are considered reasonable)

ITEM	Current	BOD Direction for Revision
Waterless Urinals Rebates	Participate in Zone 7's Add \$50	No change
Weather Based Irrigation Controller Rebates (Smart Controllers)	\$75 SFH \$100 multi-family complexes	No change
Lawn Replacement Rebates Two step conversion: <ul style="list-style-type: none"> Up front funding for lawn removal with mulching Deferred planting until fall rains begin 	Participate in Zone 7's and add: SFH - \$0.25/sf \$250 max. Others -\$0.25/sf \$1,500 max. Min. 250 sf conversion	Go to \$0.50 / sq ft SFH \$500 mx 0.50 for comm Max \$3000 if more BOD approval Noted that exact regulations have not been issued per Gov Exec Order: DWR to develop Statewide Program to "compliment" local programs in place
Pool and spa cover rebates	\$50 rebate	No change
Wise Water User Credit	\$2 per month during Stage 3 rates if: <ul style="list-style-type: none"> 2013 =< 10ccf per bimonthly period; 2015 =< 10 ccf per bimonthly period; and 2015 <= 2013 	No change – stay at \$2

C. Discuss Draft Financial Reserves Policy and Provide Direction

Administrative Services Manager Archer presented proposed revisions to the current Financial Reserves policy. The policy establishes guidance for the prudent accumulation and management of certain designated reserves. He explained the proposed changes under the Capital Asset Replacement & Improvement Reserves section of the policy and noted several concerns with the current approach to setting replacement targets. Because a resolution of all these financial issues and considerations will take significant Board discussion, a revised policy is being presented for now and referred to as a "bridge policy" until a vetting of such issues is accomplished. The "bridge policy" will be presented for adoption by the Board on June 2, 2015. The proposed CIP and Operating budgets have incorporated this "bridge policy" methodology for the next two years.

Director Benson departed from the meeting at 7:03 p.m.

Mr. Archer described the key changes which are essentially:

- Projected spending will be based on a longer planning horizon and increase from the current 6 years to 15 years period by using a combination of the 10-Year CIP and long term projections from the Asset Management Program.
- The minimum reserve target will continue to be 2 years of average approved spending based on 15 years of projections.

- During each budget, staff will evaluate the relative long term health of each Replacement and Improvement fund over the planning period using specific cash flow methodologies.

No members of the public addressed the Board on this topic.

Directors asked various questions related to Mr. Archer's presentation. The Board, by consensus, conceptually supported the proposed changes contained in the proposed "bridge policy" that will guide the management of financial reserves until such time the Board fully discusses and decides further changes.

D. Review Operating Budgets for Fiscal Years Ending 2016 and 2017

Administrative Services Manager Archer presented the draft proposed Operating Budgets for Fiscal Years Ending (FYE) 2016-2017.

Mr. Archer's presentation included: an overview of the budget process; key assumptions, revenue assumptions, projection of new connections, personnel costs (no change to current 113 budgeted positions), capital spending for capital outlay and 10-year CIP; items identified by the Board on March 17, 2015; Strategic Work Plan items; notable operating expenses; overview of budget impact, total Operating Expenses of approximately \$55.3 million for FYE 2016 and \$55.8 million for FYE 2017; debt coverage ratio compliance; Financial Reserves policy compliance; budget detail; and, final budget package for Board consideration. The final budgets will be presented for consideration to the Board on June 2, 2015. Management is still in the process of reviewing the details so some numbers may change in the final documents.

Director Benson returned to the meeting at 7:32 p.m.

No members of the public addressed the Board on this topic.

In response to a question raised by Director Benson, the Directors discussed other options of paying the District's PERS liability in less than the proposed \$5 million increments. General Manager Michalczyk stated that paying the liability will draw down reserves but will save money in the longer term, particularly since once it is paid off the District will save nearly \$1 million annually in reduction of PERS payments. Directors also discussed that if necessary in the future, the District could borrow replacement funds after having this liability paid off. After discussion, it was the Board's consensus that paying off the PERS liability in \$5 million increments was the method to use.

Director Halket asked if the water sales number listed for FYE 2017 in the "Estimated Change in Net Assets" spreadsheet document was too high. He noted that the sales seemed to increase faster than the cost of sales. Mr. Archer responded he would look into Director Halket's question.

The Board gave no other direction at this time related to the draft proposed budget.

E. Review of Draft CIP 10-Year Plan for FYEs 2016 through 2025 and 2-Year CIP Budget for FYEs 2016 and 2017

Engineering Services Manager McIntyre presented the District's Capital Improvement Program. The program has two primary elements that have now been newly-combined as of this budget cycle: the 10-Year CIP Plan for Fiscal Years Ending 2016 through 2025 and the 2-Year Capital Budgets for Fiscal Years Ending 2016 and 2017. Projects are now grouped into five general types: 1) studies and master plans; 2) general projects; 3) water system; 4) wastewater collection; and, 5) resource recovery facilities. The CIP Plan also now includes preliminary estimates for future asset needs in the five-year window following the 10-Year CIP Plan. It is important to look beyond that 10-year horizon to reduce surprises in changes to infrastructure conditions and revenue streams.

CIP Manager Judy Zavadil presented a summary of capital expenditures for the next 10 years and showed charts that reflect the anticipated reduced capacity fee working capital for the Local Wastewater, Regional Wastewater and Water Replacement and Expansion funds. Ms. Zavadil also highlighted some of the upcoming projects in the CIP Budget.

Mr. McIntyre noted that the developing Asset Management Program shows there are significant rehabilitation and replacement needs just beyond the 10-year planning horizon. The revised Financial Reserves policy discussed earlier this evening, begins to guide the District to ramp up replacement funding over the next decade. Further analysis and data collection will be required to fully fund improvements over the long term. Mr. McIntyre concluded his remarks giving credit to the many staff members who assisted in the preparation of the CIP Plan and CIP Budgets.

No members of the public addressed the Board on this topic.

The Board thanked staff for the streamlined and enhanced CIP Plan and CIP Budget.

President Duarte requested staff inform the Board one month in advance of when projects will actually go out to bid. Mr. McIntyre responded he will make that a standard practice.

The Board gave no other direction at this time related to the draft CIP Plan and Budget.

F. Receive Presentation on the Status of Bay Area Biosolids to Energy

Senior Engineer Steve Delight discussed the history of the Bay Area Biosolids to Energy (BAB2E) project, project status, location of the project, and the proposed technology to be used in the resource recovery process of the biosolids. The Staff Report contained in the agenda materials also explains in more detail participation in the BAB2E project.

General Manager Michalczyk emphasized the significant operating cost savings to the District if the project was sited at the WWTP, noting that the life span of the District's current Dedicated Land Disposal site is not known for certain due to continuing public acceptance and possible future regulatory changes and that the District will soon have to make a very significant investment in sludge dewatering facilities that could be wholly or partially avoided.

Directors discussed the pros and cons of siting this project at the District's Wastewater Treatment Plant in Pleasanton.

President Duarte asked how lobbying efforts with the Department of Energy (DOE) are progressing. Mr. Delight noted that since the last meeting with the DOE in January there has not been a lot of movement towards making grant funds available.

No members of the public addressed the Board on this topic.

The Board expressed their appreciation for the presentation and gave no other direction at this time.

10. BOARDMEMBER ITEMS

V.P. Howard reported that at the April 15, 2015 LAVWMA Board meeting, he opted to not be elected to the position of Chair position per the District's JPA policy and instead allowed Director Dawn Benson to be elected as the LAVWMA Chair. He reported that Councilmember Jerry Pentin was elected as the LAVWMA Vice Chair.

Director Vonheeder-Leopold noted an opportunity offered in the Dublin Chamber newsletter to participate in "welcome baskets" for Camp Parks' residents. She suggested the District participate and include water nozzles in this opportunity.

11. CLOSED SESSION

At 8:24 p.m. the Board went into Closed Session. Assistant General Counsel Maddow also attended Closed Session Item 11.B.

- A. Consultation with Bert Michalczyk, Security Operations Manager Pursuant to Government Code Section 54957 – Threat to Public Services or Facilities
- B. Conference with Real Property Negotiator-Pursuant to Government Code Section 54956.8 Property: Potential Water Supply Contract

Agency Negotiators: Bert Michalczyk, General Manager
Dan Gallagher, Operations Manager
John Archer, Administrative Services Manager
Dan McIntyre, Engineering Services Manager
Doug E. Coty, Assistant General Counsel

Negotiating Parties: East Bay Municipal Utility District and Yuba County Water Agency
Under Negotiation: Price and Terms

12. REPORT FROM CLOSED SESSION

At 8:55 p.m. the Board came out of Closed Session. President Duarte announced that there was no reportable action.

13. ADJOURNMENT

President Duarte adjourned the meeting at 8:56 p.m.

Submitted by,

Nancy Gamble Hatfield
District Secretary