

AGENDA

NOTICE OF SPECIAL MEETING

TIME: 6 p.m.

DATE: Tuesday, February 5, 2019

PLACE: Alcosta Senior & Community Center, Garden View Room
9300 Alcosta Boulevard, San Ramon, CA 94583

Our mission is to provide reliable and sustainable water, recycled water, and wastewater services in a safe, efficient, and environmentally responsible manner.

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL – Members: Duarte, Halket, Johnson, Misheloff, Vonheeder-Leopold
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES
5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC)
At this time those in the audience are encouraged to address the Board on any item of interest that is within the subject matter jurisdiction of the Board and not already included on tonight’s agenda. Comments should not exceed five minutes. Speaker cards are available from the District Secretary and should be completed and returned to the Secretary prior to addressing the Board. The President of the Board will recognize each speaker, at which time the speaker should proceed to the lectern, introduce him/herself, and then proceed with his/her comment.
6. REPORTS
 - 6.A. Reports by Staff
 - Event Calendar
 - Correspondence to and from the Board
 - 6.B. Joint Powers Authority and Committee Reports
Tri-Valley Water Liaison – January 23, 2019
Special DERWA – February 4, 2019
 - 6.C. Agenda Management (consider order of items)
7. CONSENT CALENDAR
Matters listed under this item are considered routine and will be enacted by one Motion, in the form listed below. There will be no separate discussion of these items unless requested by a Member of the Board or the public prior to the time the Board votes on the Motion to adopt.
 - 7.A. Approve Regular Meeting Minutes of January 15, 2019
Recommended Action: Approve by Motion
 - 7.B. Approve Annual Scholarship Donations to Association of California Water Agencies (ACWA) and California Association of Sanitation Agencies (CASA) in Honor of James B. Kohnen
Recommended Action: Approve by Motion

8. BOARD BUSINESS

- 8.A. Public Hearing: Receive Presentation on the Transition Process from an At-Large to a Division-Based Election System and Receive Input from the Community Regarding Boundaries and Composition of Divisions to Be Established for Division-Based Elections Pursuant to Elections Code Section 10010
Recommended Action: Hold Public Hearing and Receive Presentation
- 8.B. Review Overview of District Office Renovation Options and Provide Direction
Recommended Action: Receive Report and Provide Direction
- 8.C. Approve Continuation of Emergency Action Procurement by General Manager for Repair of the District Office and Find that the Need for the District Office Flooding Emergency Still Exists
Recommended Action: Approve by Motion
- 8.D. Amend Previous Board Action on Fund Transfers from the Regional Wastewater Rate Stabilization (Fund 305) to Make Transfers to the Regional Wastewater Replacement (Fund 310) and Regional Wastewater Expansion (Fund 320)
Recommended Action: Approve by Motion
- 8.E. Discuss Tri-Valley Water Reliability Projects and Provide Direction
Recommended Action: Discuss and Provide Direction
- 8.F. Receive Water Rate Presentation and Provide Direction for Water Rate Study
Recommended Action: Receive Presentation and Provide Direction

9. BOARD MEMBER ITEMS

- Submittal of Written Reports from Travel and Training Attended by Directors
- Request New Agenda Item(s) Be Placed on a Future Board or Committee Agenda

10. CLOSED SESSION

- 10.A. Conference with Legal Counsel – Anticipated Litigation
Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): One Potential Case
- 10.B. Conference with Legal Counsel – Existing Litigation Pursuant to Government Code Section 54956.9(d)(1)
Name of Case: Dublin Unified School District
- 10.C. Conference with Legal Counsel – Anticipated Litigation
Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): Two Potential Cases

11. REPORT FROM CLOSED SESSION

12. ADJOURNMENT

All materials made available or distributed in open session at Board or Board Committee meetings are public information and are available for inspection at the front desk of the DSRSD Field Operations Facility at 7035 Commerce Circle, Pleasanton, during business hours, or by calling the District Secretary at (925) 828-0515. A fee may be charged for copies. District facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the District Secretary as soon as possible, but at least two days prior to the meeting.

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

January 15, 2019

1. CALL TO ORDER

A regular meeting of the Board of Directors was called to order at 6:02 p.m. by President Misheloff.

2. PLEDGE TO THE FLAG

3. ROLL CALL

Boardmembers present at start of meeting:

President Madelyne A. (Maddi) Misheloff, Vice President Edward R. Duarte, Director Ann Marie Johnson, Director Richard M. Halket, and Director Georgean M. Vonheeder-Leopold.

District staff present: Dan McIntyre, General Manager; Carol Atwood, Administrative Services Manager/Treasurer; Judy Zavadil, Engineering Services Manager/District Engineer; Jeff Carson, Operations Manager; Carl P.A. Nelson, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

New Employee Introduction:

Jason Bertacchi, Instrumentation Technician
Irene Suroso, Associate Civil Engineer

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:05 p.m. No public comment was received.

6. REPORTS

6.A. Reports by General Manager and Staff

- Event Calendar – General Manager McIntyre reported on the following:
 - o Zone 7 Water Agency (Zone 7) will discuss its draft Water Supply Evaluation at its Board meeting on Wednesday, January 16.
 - o A Tri-Valley Water Liaison Committee meeting will be held Wednesday, January 23 hosted by Zone 7.
- Correspondence to and from the Board on an Item not on the Agenda

| Date | Format | From | To | Subject | Response |
|---------|--------|--------------------|--|-------------------------|----------|
| 1/15/19 | Email | Mr. Scott Rafferty | General Manager Dan McIntyre and Special Counsel | Tonight’s DSRSD Meeting | N/A |

- 6.B. Joint Powers Authority and Committee Reports – None
- 6.C. Agenda Management (consider order of items) – No changes were made.

7. CONSENT CALENDAR

Director Vonheeder-Leopold MOVED for approval of the items on the Consent Calendar. Vice President Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

- 7.A. Regular Meeting Minutes of December 18, 2018 – Approved
- 7.B. Accept the Following Regular and Recurring Reports: Warrant List – Approved
- 7.C. Approve Budget Increase to the Capital Improvement Program Two-Year Budget for Fiscal Years Ending 2018 and 2019 for the Facilities Relocation for Dublin Boulevard Widening – Sierra Court to Dublin Court Project (CIP 16-A002), Approve Increase to the Local Wastewater Replacement Fund Capital Improvement Program Fund Limit for Fiscal Year Ending 2019, and Approve an Increase to the Construction Agreement Change Order Contingency for the Facilities Relocation for Dublin Boulevard Widening – Sierra Court to Dublin Court Project (CIP 16-A002) – Approved) – Resolution No. 1-19, Resolution No. 2-19 and Resolution No. 3-19
- 7.D. Approve Board Committees and Joint Powers Authority Assignments for Calendar Year 2019 – Approved
- 7.E. Adopt Pay Schedule in Accordance with California Code of Regulations, Title 2, Section 570.5, Requirement for a Publicly Available Pay Schedule and Rescind Resolution No. 57-18 – Approved – Resolution No. 4-19

General Manager McIntyre reported that a corrected resolution has been distributed to the Board for Item 7.E as a typo has been discovered in the fifth WHEREAS clause (“food” has been corrected to “good”). The Board agreed to reconsider and approve item 7.E with the corrected resolution as noted via a separate motion.

Director Vonheeder-Leopold MOVED to approve Item 7.E with the corrected resolution as presented. Director Johnson SECONDED the MOTION, which CARRIED with FIVE AYES.

8. BOARD BUSINESS

- 8.A. Consider Adoption of Resolution Declaring Dublin San Ramon Services District's Intent to Transition from an At-large to District-based System of Electing Directors, Outlining Specific Steps to Be Undertaken to Facilitate the Transition, and Specifying a Timeline within which the Necessary Actions Would Be Taken

Executive Services Supervisor/District Secretary Nicole Genzale reviewed the item for the Board. She explained the District is considering transitioning from an at-large to a division-based election system due to receiving a letter threatening litigation from Walnut Creek attorney Scott Rafferty if it did not do so. The letter asserted that "racially polarized voting" is occurring in the San Ramon Valley, and so the District's at-large

electoral system, therefore, violates the California Voting Rights Act of 2001. The letter was addressed to the District and other agencies in the San Ramon Valley. After weighing the legal and financial implications of such litigation in closed session, the Board directed staff to present a resolution of intent this evening to proceed with making the election system transition. The process will include several public hearings held at Board meetings to encourage and gather community input, and will culminate in the District adopting an ordinance transitioning to division-based elections. A proposed timeline of meetings, to be held at various locations throughout the District's service area, is included as an exhibit to the resolution. Staff is working with District General Counsel, special counsel, and an independent demographer to facilitate the process, which is estimated to cost approximately \$200,000 including staff time, legal and consultant fees, and public outreach.

The Board and staff discussed the aspects of the transition process. Staff confirmed the meetings will be held at the usual Board meeting time of 6 p.m. on regular meeting dates, but will be considered "special" meetings due to being at locations other than the Shannon Community Center, which is the District's current regular meeting location. General Counsel Nelson also confirmed the District is moving ahead with the transition process independently from the other San Ramon Valley agencies that received the same demand letter because of jurisdictional differences, but added that resource sharing would still be considered if deemed possible. Director Halket commended staff on orchestrating an impressive Board meeting "road show" to carry out the transition process throughout the District's service area.

Director Halket MOVED to adopt Resolution No. 5-19, Declaring Its Intent to Transition from an At-large Election System to a District-based System for Electing Directors, Outlining Specific Steps to Be Undertaken to Facilitate the Transition, and Specifying a Timeline within which the Necessary Actions Would Be Taken. Vice President Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

- 8.B. Accept the Rate Stabilization Funds Annual Report and Direct Transfers from the Regional Wastewater Operating Fund (Fund 300) to the Regional Wastewater RSF (Fund 305), from the Regional Wastewater RSF (Fund 305) to the Regional Wastewater Replacement Fund (Fund 310), and the Local Wastewater RSF (Fund 205) to the Local Wastewater Operating Fund (Fund 200)

Administrative Services Manager Atwood reviewed the item for the Board. She provided copies of the slide presentation for the Board. She explained the status of the three "fund families" and staff's recommendations to make certain transfers to meet the Financial Reserves policy criteria, meet best practices, and demonstrate prudence with public funds. Local Wastewater is below minimum (collection system in Dublin/San Ramon), Regional Wastewater is doing well (treatment system in Pleasanton), and Water is very healthy (includes water and recycled water). She reviewed the three recommended transfers to improve the health of certain funds.

Director Halket stated that having been on the Board during the most recent recession and ensuing financial crisis, it is critical to have reserves in place for the District and the ratepayers when the next challenging economic event happens. The Board also agreed

that staff's effective financial planning has positioned the District well to have the ability to make such transfers when needed.

Director Vonheeder-Leopold MOVED to Accept the Rate Stabilization Funds Annual Report and Direct Transfers from the Regional Wastewater Operating Fund (Fund 300) to the Regional Wastewater RSF (Fund 305), from the Regional Wastewater RSF (Fund 305) to the Regional Wastewater Replacement Fund (Fund 310), and the Local Wastewater RSF (Fund 205) to the Local Wastewater Operating Fund (Fund 200). Director Halket SECONDED the MOTION, which CARRIED with FIVE AYES.

8.C. Receive Presentation on the Zone 7 Water Agency 2018 Water Supply Evaluation Update

Engineering Services Manager Zavadil reviewed the item for the Board. She provided copies of the slide presentation for the Board which outlined the Zone 7 Water Agency (Zone 7) Water Supply Evaluation (WSE) Update findings presented at its December 21 Water Resources Committee meeting. She reviewed the WSE's 11 recommended water supply action items the Zone 7 Board will consider for approval at its Board meeting tomorrow. She noted many of the actions are consistent with DSRSD objectives and include continuing support for pursuing a variety of water supply projects, such as a Regional Potable Reuse project. The WSE will also be discussed at the Tri-Valley Water Liaison Committee on January 23, and will then be considered at the February 8 Zone 7 Board meeting.

The Board and staff discussed the upcoming Tri-Valley Water Liaison Committee's anticipated review of the WSE on January 23, and aspects of the WSE as presented thus far. The Board agreed that Zone 7 is far ahead of where it was years ago now that it is open to supply diversification and to considering other water supply projects, given the California WaterFix seemed to be the primary focus at one time. General Manager McIntyre also reported that the Tri-Valley Water Liaison Committee has discussed the importance of conducting public outreach, education, and engagement and agrees it would be important to do so in parallel with supporting a potable reuse project. Some participating agencies have already shared some information with community groups, as has DSRSD at its first annual Citizens' Water Academy last year.

8.D. Approve Increase in Budgeted Full-Time Equivalent (FTE) Staffing

General Manager McIntyre reviewed the item for the Board. He explained the need to meet near- and immediate-term staffing needs due to disruptive staffing losses and transitions in the Engineering Department, coupled with an increase of workload including the unexpected District Office flooding restoration project.

Director Vonheeder-Leopold MOVED to adopt Resolution No. 6-19, Approving an Extension of the Increase of Maximum Full-Time Equivalent Staff Positions. Director Johnson SECONDED the MOTION, which CARRIED with FIVE AYES.

8.E. Approve Continuation of Emergency Action Procurement by General Manager for Repair of the District Office and Find that the Need for the District Office Flooding Emergency Still Exists

Engineering Services Manager Zavadil reviewed the item for the Board. She explained that staff was working on gathering repair and renovation costs and options to present to the Board at the February 5 Board meeting. She reported there is a possibility of having the District Office construction work done by the City of Dublin's police services building contractor to save the District cost and time. A change order to the city's existing construction agreement would be presented to Dublin's City Council for approval per the agencies' Tri-Valley Intergovernmental Reciprocal Services Master Agreement, should this avenue seem feasible. The Board and staff further discussed the possibility of such an approach, noting the benefits to the District and how that process could work in concert with Dublin.

Director Vonheeder-Leopold MOVED to Approve Continuation of Emergency Action Procurement by General Manager for Repair of the District Office and Find that the Need for the District Office Flooding Emergency Still Exists. Vice President Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

- 8.F. Establish the 2019 Process and Schedule for Performance Assessments of General Manager and Confirm Process for Board Appointees General Counsel, Treasurer, and District Secretary

General Manager McIntyre reviewed the item for the Board. The Board agreed the current evaluation process was still acceptable.

Director Vonheeder-Leopold MOVED to Approve the Recommended 2019 Process and Schedule for Performance Assessments as Outlined in the Summary and Recommendation: 1. Approve the process and schedule for the performance assessment for the General Manager for 2019, and 2. Confirm the biennial review process for the General Counsel and direct the next process for 2020, and 3. Confirm the delegation to the General Manager of the annual performance reviews of the Treasurer and District Secretary. Director Halket SECONDED the MOTION, which CARRIED with FIVE AYES.

9. BOARDMEMBER ITEMS

- Submittal of Written Reports from Travel and Training Attended by Directors

Director Vonheeder-Leopold submitted a written report to Executive Services Supervisor Genzale. She reported she attended the Alameda County California Special Districts Association chapter meeting at the Alameda County Water District in Fremont on January 9. She summarized the activities and discussions at the meeting.

- Request New Agenda Item(s) Be Placed on a Future Board of Committee Agenda – None

10. CLOSED SESSION

At 6:55 p.m. the Board went into Closed Session.

- 10.A. Conference with Legal Counsel – Anticipated Litigation

Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2):
One Potential Case

Executive Services Supervisor Nicole Genzale left the closed session at 7:13 p.m.

10.B. Conference with Legal Counsel – Existing Litigation Pursuant to Government Code
Section 54956.9(d)(1)

Name of Case: Dublin Unified School District

10.C. Conference with Legal Counsel – Anticipated Litigation
Initiation of Litigation Pursuant to Government Code Section 54956.9(d)(4): One
Potential Case

11. REPORT FROM CLOSED SESSION

At 7:25 p.m. the Board came out of Closed Session. President Misheloff announced that there was no reportable action.

12. ADJOURNMENT

President Misheloff adjourned the meeting at 7:25 p.m.

Submitted by,

Nicole Genzale, CMC
Executive Services Supervisor/District Secretary



TITLE: Approve Annual Scholarship Donations to Association of California Water Agencies (ACWA) and California Association of Sanitation Agencies (CASA) in Honor of James B. Kohnen

RECOMMENDATION:

Staff recommends the Board of Directors approve, by Motion annual contributions for FYE 2019 and 2020, in the amount of \$1,000 each year to the Association of California Water Agencies (ACWA) scholarship program and the California Association of Sanitation Agencies (CASA) Education Foundation, in memory of former DSRSD Director James B. Kohnen.

SUMMARY:

Dr. James B. Kohnen served on the District Board of Directors for eight years, from 1992 to 2000. His commitment and vision made a difference in our community. After he passed away in 2012, the District decided to honor Dr. Kohnen, and in September 2012, created the James B. Kohnen Scholarship in his name. In May 2013, the first scholarship was awarded to the only applicant. In 2014, despite staff efforts to promote the scholarship, the District received only one applicant who did not meet the scholarship eligibility criteria. Thus, no scholarship was awarded for 2014. On January 2015, the Board changed the District’s scholarship program to a \$1,000 annual donation for to each of the scholarship programs at ACWA and CASA. Each year, \$2,000 is fully budgeted in the Legislative Account 900.10.10.000.3.340.

In 2018, ACWA awarded six scholarships of \$28,500 in total to deserving, full-time college students in a water resources related field of study; engineering, agriculture, urban water supply, environmental studies, or public administration associated with resources management. In 2018, CASA awarded three scholarships of \$5,000 in total to students pursuing higher education in engineering, environmental science, public administration, or other related fields, who show an interest in serving the wastewater industry.

While District students will have an opportunity to receive a larger scholarship, they will be competing statewide. The District will promote the ACWA and CASA scholarships to our customers. ACWA honors the legacy of Dr. Kohnen by posting on its website information about the annual \$1,000 donation from DSRSD to ACWA’s scholarship fund.

Annual contributions of \$2,000 to two key associations’ scholarship funds are an appropriate investment in developing the next generation of a highly-effective and diverse workforce.

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| Originating Department: Office of the General Manager | Contact: S. Stephenson | Legal Review: Not Required |
| Cost: \$2,000 annually | Funding Source: Administrative Overhead (Account 900.10.10.000.3.340) | |
| Attachments: <input type="checkbox"/> None <input type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input checked="" type="checkbox"/> Other (see list on right) | Attachment 1 – ACWA web page re donation honoring Kohnen Attachment 2 – ACWA scholarship information Attachment 3 – CASA scholarship information | |
| | | 9 of 68 |

<https://www.acwa.com/about/scholarships/memorial-scholarship-donations/>

MEMORIAL SCHOLARSHIP DONATIONS

ACWA members may make a gift in honor or in memory of a colleague or fellow member who has been instrumental to the enhancement, protection or development of water resources in California. Memoriam

Donations are applied to ACWA's Scholarship Fund, which assists undergraduate students majoring in engineering, irrigation technology, environmental sciences, public administration and other water-resources related fields.

To arrange for a memorial scholarship donation, please call (916) 441-4545 or email scholarships@acwa.com.

The following memorial scholarship donations have been made by ACWA members.



Dublin San Ramon Services District – James B. Kohnen

In 2015, Dublin San Ramon Services District contributed \$1,000 in memory of James B. Kohnen who served on the District's Board of Directors for eight years, from 1992 to 2000.

Mr. Kohnen played an integral part in creating the modern district that now exists. He had his hand in developing the Dougherty Valley, in bringing recycled water to the Tri-Valley, and in the expansion of the District's Regional Wastewater Treatment Facility. Mr. Kohnen contributed to the expansion of water, wastewater, and recycled water services to east Dublin. He was also instrumental in the expansion of the Livermore Amador Valley Water Management Agency that built the pipeline to transport treated wastewater from member agencies' treatment plants in the Tri-Valley, west, over the Dublin grade, to a deep water outfall in the San Francisco Bay.

Mr. Kohnen was a life-long learner, earning two bachelor degrees (one in biology from Ripon College, Wisconsin, and the other in management from St. Mary's College, California), two masters degrees (one in Procurement and Contract Management from St. Mary's College, California, and the other in Human Resources and Organizational Development from the University of San Francisco, California), and a doctorate (in Education/Organization and Leadership from the University of San Francisco, California). Mr. Kohnen also served in the U.S. Army Reserve for 30 years, graduating from the U.S. Army War College and the Air War College, and the Industrial College of the Armed Forces before retiring as a Colonel.

Mr. Kohnen served on Zone 7 Water Agency's Board of Directors for four years, from 2004 to 2008. At the time of his death, May 29, 2012, he was serving on the Boards of Hope Hospice, the Alameda County Mosquito Abatement District, and the California Special Districts Association.

<https://www.acwa.com/about/scholarships/>

ACWA SCHOLARSHIPS

ACWA began its scholarship programs in 1961 to motivate committed students to join the effort to ensure California's water quality through sound management policies. The scholarship program is all about investing in future water leaders. Our hope is to cultivate a bright future for students who are dedicated to working for a safe, stable water supply for all Californians.

The 2019-'20 ACWA Scholarship application cycle is now open. To view and apply for one of ACWA's four scholarships, please register at <https://acwa.awardspring.com/>

Scholarship Opportunities

Each year, ACWA offers the following scholarship programs for graduate and undergraduate students:

Undergraduate scholarships

- [ACWA Scholarship](#)
- [Clair A. Hill Scholarship](#)
- [Ted and Nancy Way Scholarship for the Next Generation of Water Leaders](#)

Graduate scholarship

- [Stephen K. Hall ACWA Water Law & Policy Scholarship](#)

For questions about ACWA's Scholarship Program, please call (916) 441-4545 or email scholarships@acwa.com.



Scholarships for Future Clean Water Professionals

The CASA Education Foundation wants to help you make a difference within the clean water community. With a CASA Education Foundation scholarship, you can focus more on your studies and less on your expenses.

The scholarship program is open to California undergraduate students seeking a degree in:

- Public Administration
- Environmental Science
- Engineering
- Natural Resources
- Water Resources
- Resource Economics
- Wastewater Operations Certification
- Related degrees

How to Apply

For more information about the CASA Education Foundation scholarship program, please visit casaweb.org/about-us/casa-education-foundation.



The deadline to apply for a scholarship is April 28, 2019.

Sponsored by the California Association of Sanitation Agencies (CASA) in partnership with the CASA Education Foundation.

 **CASA**
EDUCATION FOUNDATION



TITLE: Public Hearing: Receive Presentation on the Transition Process from an At-Large to a Division-Based Election System and Receive Input from the Community Regarding Boundaries and Composition of Divisions to Be Established for Division-Based Elections Pursuant to Elections Code Section 10010

RECOMMENDATION:

Staff recommends the Board of Directors hold the first of two public hearings to receive a presentation on the transition process from an at-large to a division-based election system from the District’s independent demographer, Wagaman Strategies, and receive input from the community regarding boundaries and composition of areas to be established for division-based elections for Directors pursuant to Elections Code Section 10010.

SUMMARY:

On January 15, 2019, the Board of Directors adopted a resolution of intent to transition from an at-large to a division-based election system in conformance with the California Voting Rights Act of 2001 (“CVRA”). The Board of Directors considered adoption of the resolution after the District received a letter on November 6, 2018 from Walnut Creek attorney Scott Rafferty, on behalf of the Bay Area Voting Rights Initiative (“BAVRI”), asserting that "racially polarized voting" is occurring in the San Ramon Valley, and that the District’s at-large electoral system therefore violates the CVRA. Mr. Rafferty's letter threatened litigation unless the District voluntarily transitioned to division-based elections in time for the November 3, 2020 election. After weighing the legal implications and potential costs of litigation, the Board decided to adopt the resolution of intent and begin the transition process.

This is the first of two public hearings to inform the community about the transition process, present options, and receive public input regarding the boundaries and composition of divisions. The second public hearing to receive and consider further input from the community concerning the composition of the divisions is scheduled for Tuesday, February 19 and will be held at The Wave in Dublin. The tentative timeline for the entire transition process is included as Attachment 3 to the staff report. The public meetings will be held on regularly scheduled Board meeting dates at locations throughout the District’s service area to facilitate participation in this process by all of its customers.

| | | |
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| Originating Department: Office of the General Manager | Contact: C. Nelson/N. Genzale | Legal Review: Yes |
| Cost: \$200,000 preliminary estimates | Funding Source: Administrative (Fund 900) - Legislative Budget (Division 10) | |
| Attachments: <input type="checkbox"/> None <input checked="" type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right) | | |

STAFF REPORT



District Board of Directors
February 5, 2019

Public Hearing: Receive Presentation on the Transition Process from an At-Large to a Division-Based Election System and Receive Input from the Community Regarding Boundaries and Composition of Divisions to Be Established for Division-Based Elections Pursuant to Elections Code Section 10010

BACKGROUND

On January 15, 2019, the Board of Directors adopted a resolution of intent to transition from an at-large to a division-based election system in conformance with the California Voting Rights Act of 2001 (“CVRA”). The Board of Directors considered adoption of the resolution after the District received a letter on November 6, 2018 from Walnut Creek attorney Scott Rafferty, on behalf of the Bay Area Voting Rights Initiative (“BAVRI”), asserting that “racially polarized voting” is occurring in the San Ramon Valley, and that the District’s at-large electoral system therefore violates the CVRA. Mr. Rafferty’s letter threatened litigation unless the District voluntarily transitioned to division-based elections in time for the November 3, 2020 election. After weighing the legal implications and potential costs of litigation, the Board decided to adopt the resolution of intent and begin the transition process.

This is the first of two public hearings to inform the community about the transition process, present options, and receive public input regarding the boundaries and composition of divisions. The second public hearing to receive and consider further input from the community concerning the composition of the divisions is scheduled for Tuesday, February 19 and will be held at The Wave in Dublin. The proposed timeline for the entire transition process is included as Attachment 3 to the staff report. The public meetings will be held on regularly scheduled Board meeting dates at locations throughout the District’s service area to facilitate participation in this process by all of its customers.

DISCUSSION

Pursuant to Elections Code Section 10010, the District is required to hold at least two public hearings over a period of no more than 30 days before any map or maps of the boundaries for the proposed divisions are drawn. At the public hearings, the community is invited to provide input regarding boundaries and composition of divisions. The District’s independent demographer will give a presentation at the first public hearing to review the transition process. The presentation is attached as Attachment 1.

Before developing draft division boundaries, the Board of Directors is to receive comments from residents and interested community groups at the two public hearings to understand the community’s views about which areas (called “communities of interest” in the CVRA) should be kept together and where boundaries between divisions should be drawn. At the end of the second public hearing, the Board of Directors will then define the criteria to be used to create one or more proposed division maps. The District’s independent demographer will then create one or more draft maps, which will be published for public comment and review at two subsequent public hearings. Interested citizens will also be able to propose maps.

The Board of Directors will then provide further direction to finalize the map which will be presented to the Board of Directors for a final vote. The Board of Directors is the final decision-making body on adopting division boundaries. To ensure that the District can take advantage of a “safe harbor provision” in the CVRA, which would limit the District’s potential liability for prospective plaintiffs’ attorney’s fees to no more than \$30,000, adoption of the ordinance must occur no later than June 1, 2019.

Analysis

The legally required criteria that apply to creation of the divisions for electing Directors are as follows:

- Each division shall contain nearly equal population, with any deviations justified by other traditional redistricting criteria.
- Each division shall be drawn in a manner that complies with the state and federal Constitutions, the Federal Voting Rights Act, and state law.
- Consistent with the principles established by the United States Supreme Court in *Shaw v. Reno*, 509 U.S. 630 (1993), divisions shall not be drawn with race as the predominant factor.
- Each division shall be contiguous, meaning that there are no islands or parts of the division that are not attached to the whole.

The Board of Directors may consider other criteria. Additional criteria that have been used in other communities to define divisions include:

- Keeping communities of interest, such as neighborhoods, school district boundaries, etc., undivided by a division boundary, to the extent feasible.
- Respecting visible natural and man-made geographical and topographical features when drawing division boundaries, as much as possible.
- Having compactness of divisions, including their shape and appearance.
- Identifying changes to the housing stock, including areas of population growth since 2010, provided, however, that divisions will have to contain nearly equal population based on the 2010 Census data.
- Including public facilities in each division, to the extent feasible.
- Including commercial interests in each division, to the extent feasible.
- Following existing precinct boundaries where feasible to facilitate the County's ability to conduct elections.

The additional criteria may or may not be applicable or appropriate in Dublin San Ramon Services District's service area. The community is encouraged to provide input on some or all of these additional criteria options, and may also provide input on or suggest other criteria not mentioned above.

The Board of Directors will be informed by the public input. To support the public in providing input, baseline District maps have been attached to this report as Attachment 2. The Board of Directors must balance criteria, and may choose to include some, all, or no additional criteria. The Board of Directors may also choose to develop additional alternative criteria that the Board of Directors believes are applicable to the District when selecting a division plan.

The next public hearing to receive and consider further input from the public concerning the composition of potential divisions is scheduled for Tuesday, February 19, 2019 and will be held in the Community Room at The Wave located at 4201 Central Parkway in Dublin. The tentative transition process timeline with meeting locations is attached as Attachment 3. The public is also encouraged to provide input via e-mail to contact@dsrsd.com or mail written input to the District Secretary at the District's Field Operations Facility located at 7035 Commerce Circle, Pleasanton, CA 94588.

Public Outreach

In addition to the aforementioned public meetings, District staff has developed a public outreach strategy. Since the Board of Directors adopted the resolution of intent on January 15, 2019, the District immediately engaged in public outreach efforts to help inform the public on division-based elections and to encourage and obtain feedback and input, per the following methods:

- Established a dedicated web page on the District's website to provide information regarding the boundary drawing and transition process: <http://www.drsd.com/about-us/area-based-elections>
- Created a home page slide on the District's website that promotes the meetings and links to the dedicated web page
- Mailed over 38,000 notification postcards to residents and businesses in the District's service area informing them about the District's transition to division-based elections and how they can participate in the process
- Posted ongoing social media outreach to Facebook, Twitter, and Nextdoor
- Issued a press release to inform residents and businesses in the District's service about the District's transition to division-based elections and how they can participate in the process

Fiscal and Administrative Impacts

The fiscal and administrative impacts to adopt the resolution and to implement the procedures to transition from an at-large election system to a division-based election system within the safe harbor time period will include several dedicated hours from multiple staff and consultants. Anticipated costs include: staff time, General Counsel fees (up to \$25,000), consultant fees for special legal counsel and demographer (up to \$75,000), and customer outreach campaigns (postcard notification cost estimate is approximately \$20,000), exclusive of potential attorneys' fees to Mr. Rafferty that are limited to \$30,000. A preliminary estimate of the total amount necessary to complete this process, including the above anticipated costs, and others yet unknown, is estimated to be approximately \$200,000. These expenses, which were not anticipated when the budget was approved, will be charged to the District's Administrative Overhead fund (Legislative budget - Division 10) and may require a future budget adjustment.

RECOMMENDATION

Staff recommends the Board of Directors hold the first of two public hearings to receive a presentation on the transition process from an at-large to a division-based election system and receive input from the community regarding boundaries and composition of divisions to be established for division-based elections for Directors pursuant to Elections Code Section 10010.

ATTACHMENTS:

1. Demographer Presentation
2. Baseline Maps
3. Tentative Timeline

DUBLIN SAN RAMON SERVICES DISTRICT AREA-BASED ELECTIONS

PUBLIC HEARING #1

MICHAEL WAGAMAN
WAGAMAN STRATEGIES
DEMOGRAPHER, CONSULTANT

FEBRUARY 5, 2019



**Dublin San Ramon
Services District**

Water, wastewater, recycled water



BOARD ACTION REQUESTED

- Conduct first of two public hearings to receive input on the composition of voting divisions before maps are drafted.
- Request any additional information needed from staff and/or the demographer before the next public hearing on February 19th to facilitate providing direction on creation of draft maps.

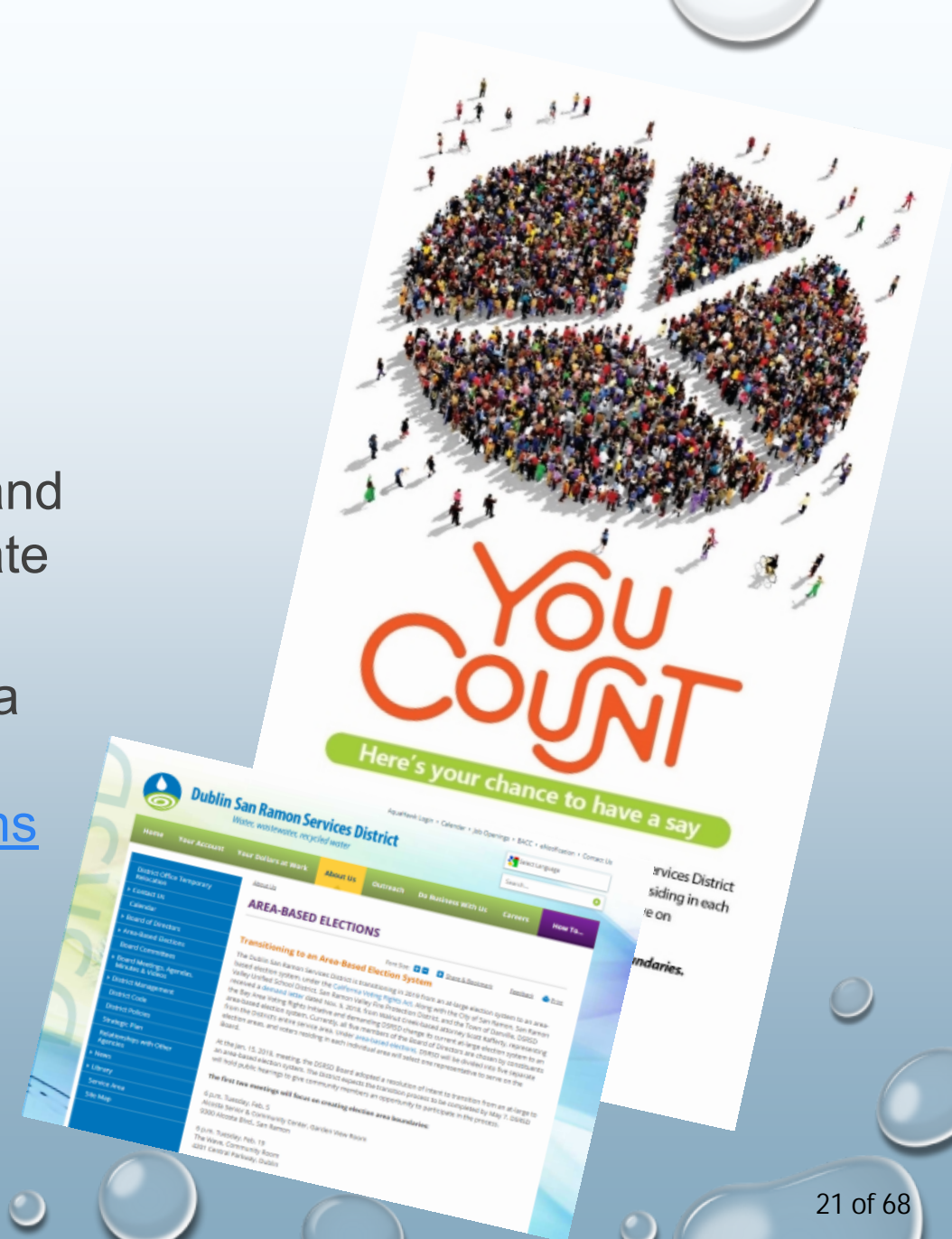


TIMELINE

- Jan 15** Board adopted resolution to transition to area-based elections
- Feb 5** **Public Hearing #1** - Receive public input
- Feb 19** **Public Hearing #2**- Receive public input, provide direction on criteria for boundaries
- Mar 12** Draft maps published
- Mar 19** **Public Hearing #3** - Public input on draft maps and provide direction on adjustments
- Mar 26** Revised maps published
- Apr 2** **Public Hearing #4** - Public input on revised maps, and potential selection of map
- Apr 16** Introduction of ordinance
- May 7** **Public Hearing #5** - Adoption of ordinance

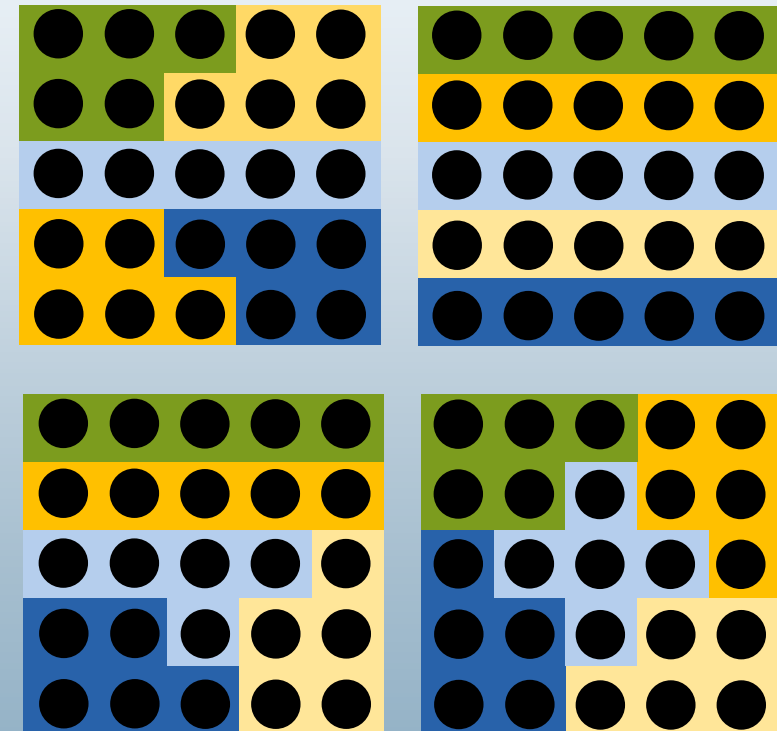
PUBLIC OUTREACH

- Mail 38,000 postcards to residents and businesses inviting them to participate
- Create a home page slide that promotes the meetings and links to a dedicated web page:
www.dsrds.com/area-based-elections
- Post on social media: Nextdoor, Facebook and Twitter
- Issue a news release



WHAT ARE AREA-BASED-ELECTIONS?

- As opposed to an at-large system, Board Members are elected from divisions
- Districting is simply the process of drawing boundaries to divide a jurisdiction into those divisions
- How those lines are drawn can affect how people are represented



DSRSD DEMOGRAPHICS

| Dublin San Ramon Special District | Total | White* | Latino | Asian* | Black* |
|--|--------------|---------------|---------------|---------------|---------------|
| Population ('10)^ | 84,865 | 42.3% | 11.6% | 37.6% | 6.7% |
| Voting Age Population ('10)^ | 61,604 | 45.1% | 11.4% | 34.3% | 7.6% |
| Citizen Voting Age Population ('12-'16)+ | 57,380 | 47.6% | 9.1% | 35.9% | 6.4% |

* Does not include Latinos. Calculated pursuant to OMB BULLETIN NO. 00-02.

^ 2010 Census Redistricting Data [P.L. 94-171] Summary File, U.S. Census Bureau.

+ Citizen Voting Age Population Special Tabulation from the 2012-2016 5-Year American Community Survey, U.S. Census Bureau.

AREA-BASED-ELECTIONS

1. **Law and Criteria**
2. Geography and Data
3. Next Steps



RELEVANT LAWS

U.S. Constitution

Federal Voting Rights Act

California Voting Rights Act

State Constitution and
Elections Code

Case Law



EQUAL PROTECTION CLAUSE OF THE 14TH AMENDMENT

Equal Population: Divisions must be substantially equal in population. i.e. “One-Person, One-Vote”

Exact equality not required.
Good faith effort is

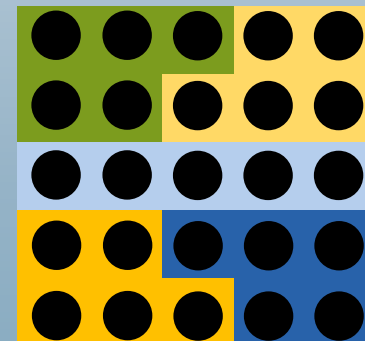
10% is no longer a clear “safe harbor.”

Population (2010): 84,856

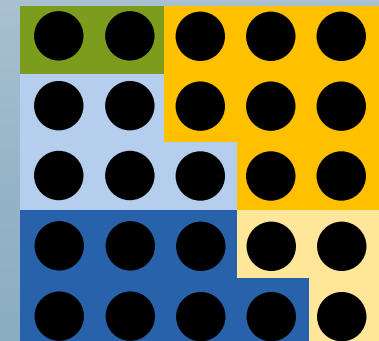
Ideal division size: 16,971

Deviation: Percent difference between actual division size and ideal division size

Equal



Not



EQUAL PROTECTION CLAUSE OF THE 14TH AMENDMENT

Race: Must not be the
“predominant” factor

Does not prohibit considering
along with traditional, race-
neutral, criteria

Traditional criteria must not be
subordinate

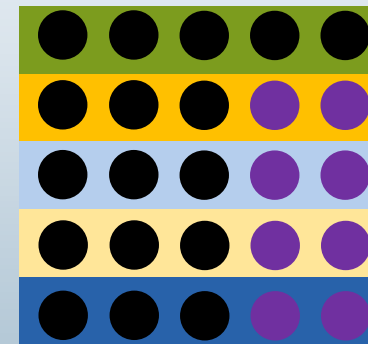


FEDERAL VOTING RIGHTS ACT

Vote Dilution: Depriving minority voters of an equal opportunity to elect a candidate of their choice.

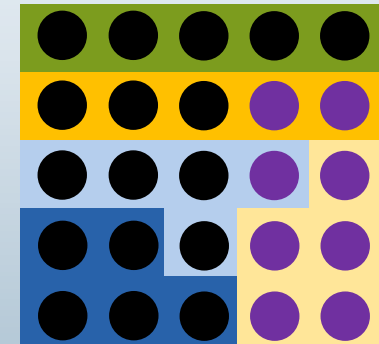
Discriminatory intent not required, only effect.

Cracking



Dispersing voters into several divisions such that a block-voting majority can routinely outvote them.

Packing



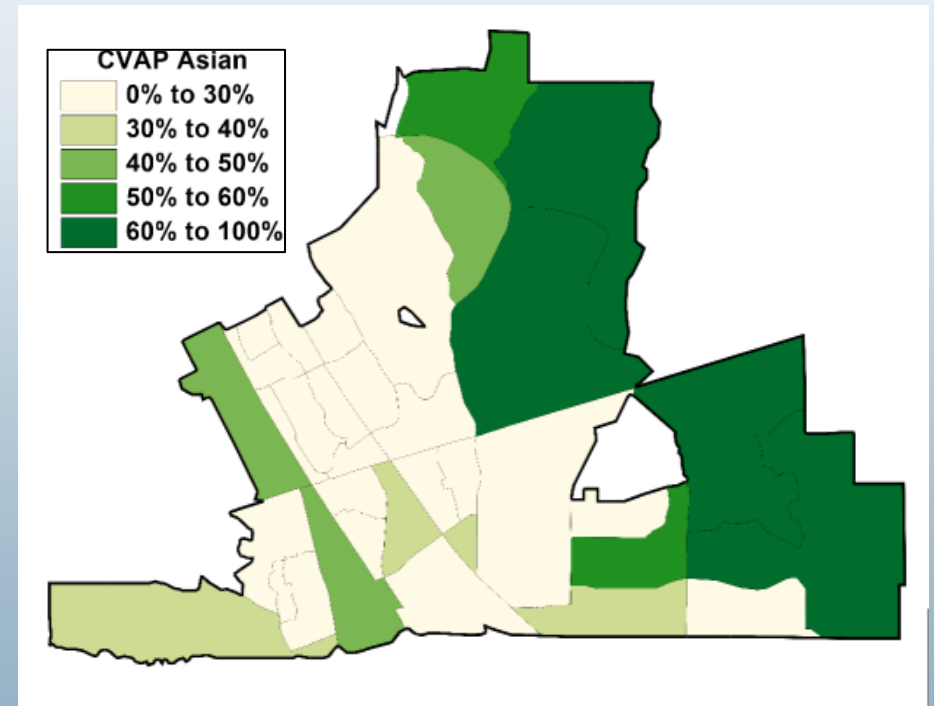
Concentrating voters to minimize their influence in other divisions.

FEDERAL VOTING RIGHTS ACT

Gingles Criteria

1. The minority group must be sufficiently large and geographically compact to constitute a majority in a division.
2. The minority group must be politically cohesive.
3. The white majority votes sufficiently as a block to enable it to usually defeat the minority's preferred candidate.

Asian Citizen Voting Age Population



CALIFORNIA VOTING RIGHTS ACT

- Enacted to implement the equal protection and voting rights provisions of the California Constitution
- Can require jurisdictions to transition to area-based elections
- When jurisdictions do transition, provides guidance for sequencing of elections



CALIFORNIA ELECTIONS CODE 22000

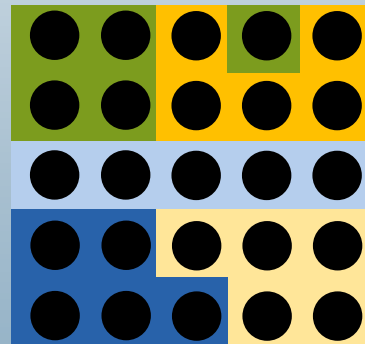
In adjusting the boundaries of the divisions, the board may give consideration to the following factors:

- (1) topography,
- (2) geography,
- (3) cohesiveness, contiguity, integrity, and compactness of territory, and
- (4) community of interests of the division.

CONTIGUITY

All parts of the district should be connected

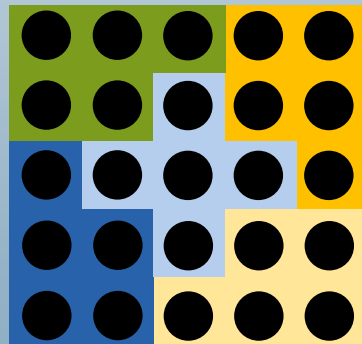
Not Contiguous



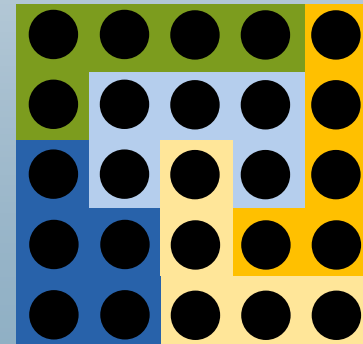
COMPACTNESS

- Many technical measures
- Be aware of shape and appearance

More Compact



Less Compact

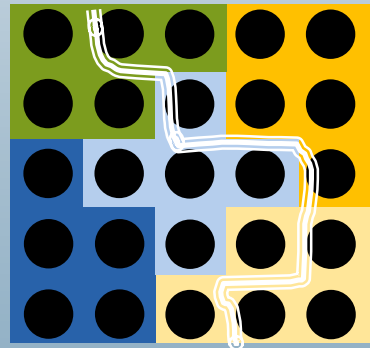


TOPOGRAPHY AND GEOGRAPHY

Natural and man-made barriers and boundaries are not always compact

Dougherty Hills are an example of non-compact natural topography

More compact, but...

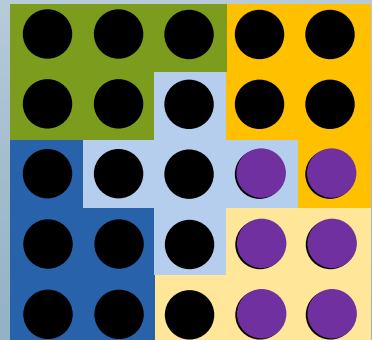


COMMUNITIES OF INTEREST

Sharing common interests.
Bringing like people together for
representation.

Law does not limit the kinds of
interests that may bind a
community. Can represent current
situation or common goals.

More compact, but...



COMMUNITIES OF INTEREST

Can consider existing information but there is no dataset that defines communities of interest.

Need Public Testimony!

Examples include neighborhoods, common assets like schools and shopping areas, housing, culture and language, and employment.



AREA-BASED-ELECTIONS

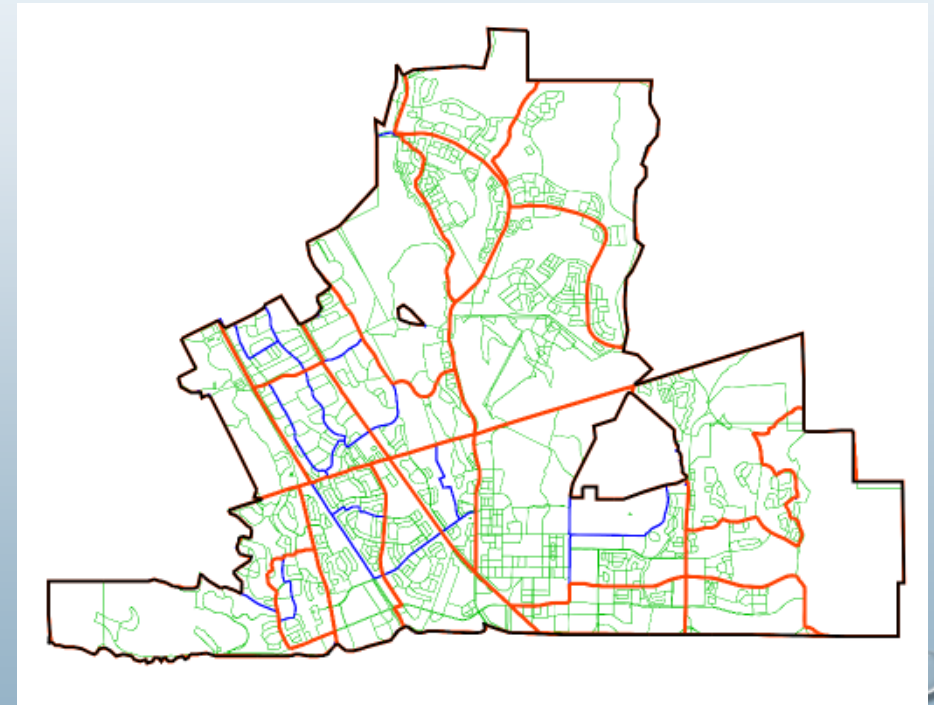
1. Law and Criteria
2. **Geography and Data**
3. Next Steps

CENSUS GEOGRAPHY AND DATA

Block: Smallest unit of analysis. 2010 census data on population used to determine if populations are equal

Block Group: Next smallest unit of analysis. Smallest unit for American Community Survey (ACS) demographic information, including CVAP data

Tract: Still larger unit of analysis. Some ACS data is only available at this size

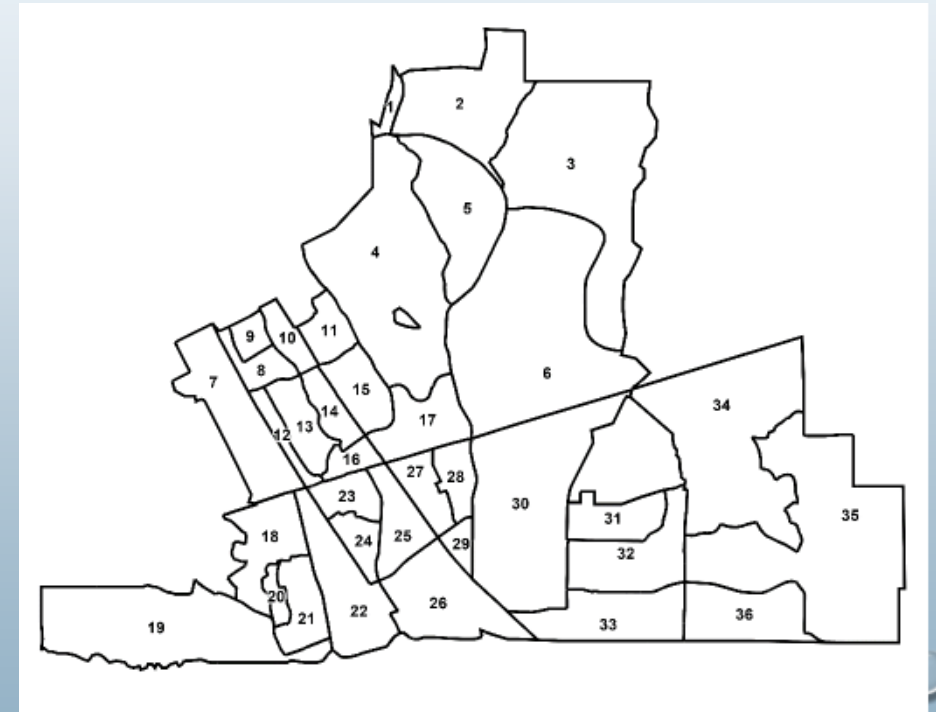


CENSUS GEOGRAPHY AND DATA

Slices: Based primarily on census block groups

Adjusted to account for the fact census block groups do not always align well with jurisdiction boundaries

Used to facilitate public input and submission of redistricting plans



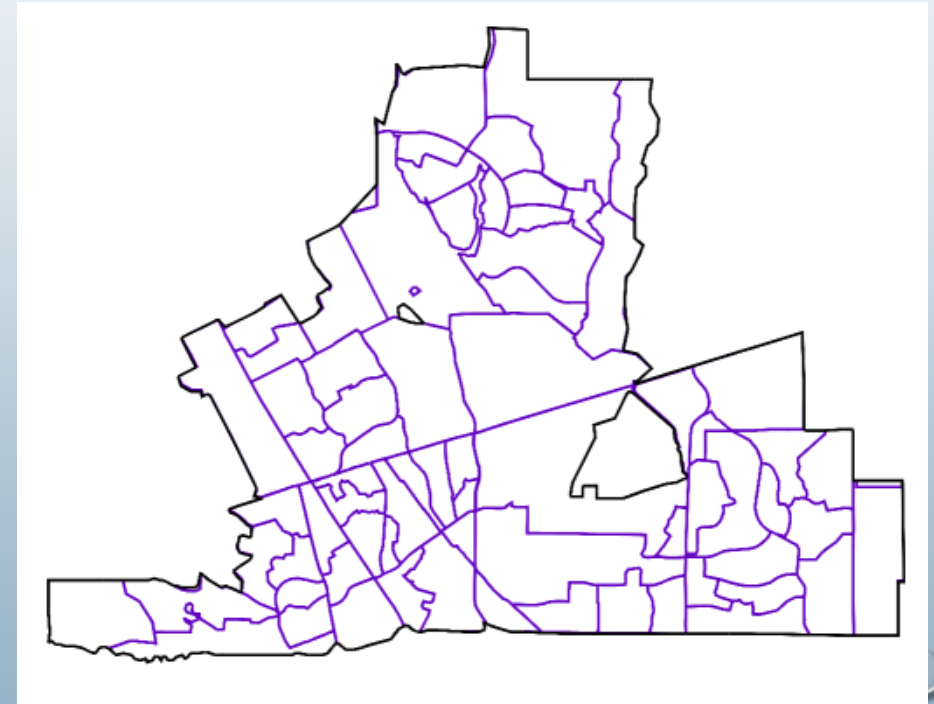
ELECTORAL GEOGRAPHY AND DATA

Precincts Smallest unit of analysis for electoral data.

May change with each election and do not always line up with census geography

Includes information on who is registered, who voted, and results for state contests

Other City, Assembly, Senate, Congressional, Supervisorial, Board of Equalization, Community College, High School, Elementary School...



THINGS TO REMEMBER

Strive for population equality. Be prepared to justify any deviations.

Focus on traditional redistricting criteria. Draw contiguous, compact divisions when possible while respecting existing boundaries and communities of interest.

Do not use race as the predominant factor.

Ensure compliance with federal Voting Rights Act.
Avoid vote dilution where required.

AREA-BASED-ELECTIONS

1. Law and Criteria
2. Geography and Data
3. **Next Steps**

PHASES

Phase 1: Gather Information and Establish Priorities

- Next public hearing: Feb 19
- Website: www.dsrsd.com/area-based-elections
- Email: contact@dsrsd.com
- Phone: Lea Blevins (925) 875-2294

Phase 2: Confront Tradeoffs and Refine

- Maps published by Mar 12 and Mar 26
- Hearings on Mar 19 and Apr 2

Phase 3: Adoption

- If maps agreed upon, introduce ordinance on April 16
- Adopt ordinance by May 7

Phase 4: Implementation

- Three seats in 2020
- Two seats in 2022

PHASE 1

Gather Information

Communities of interest:

- Where is it located?
- What is the mutual interest of the community?
- Why should it be kept together?


Establish Priorities

- Prioritize among traditional redistricting criteria
- Identify key communities to keep whole, including their boundaries

QUESTIONS?

Michael Wagaman
Demographer, Consultant
(916) 440-0883

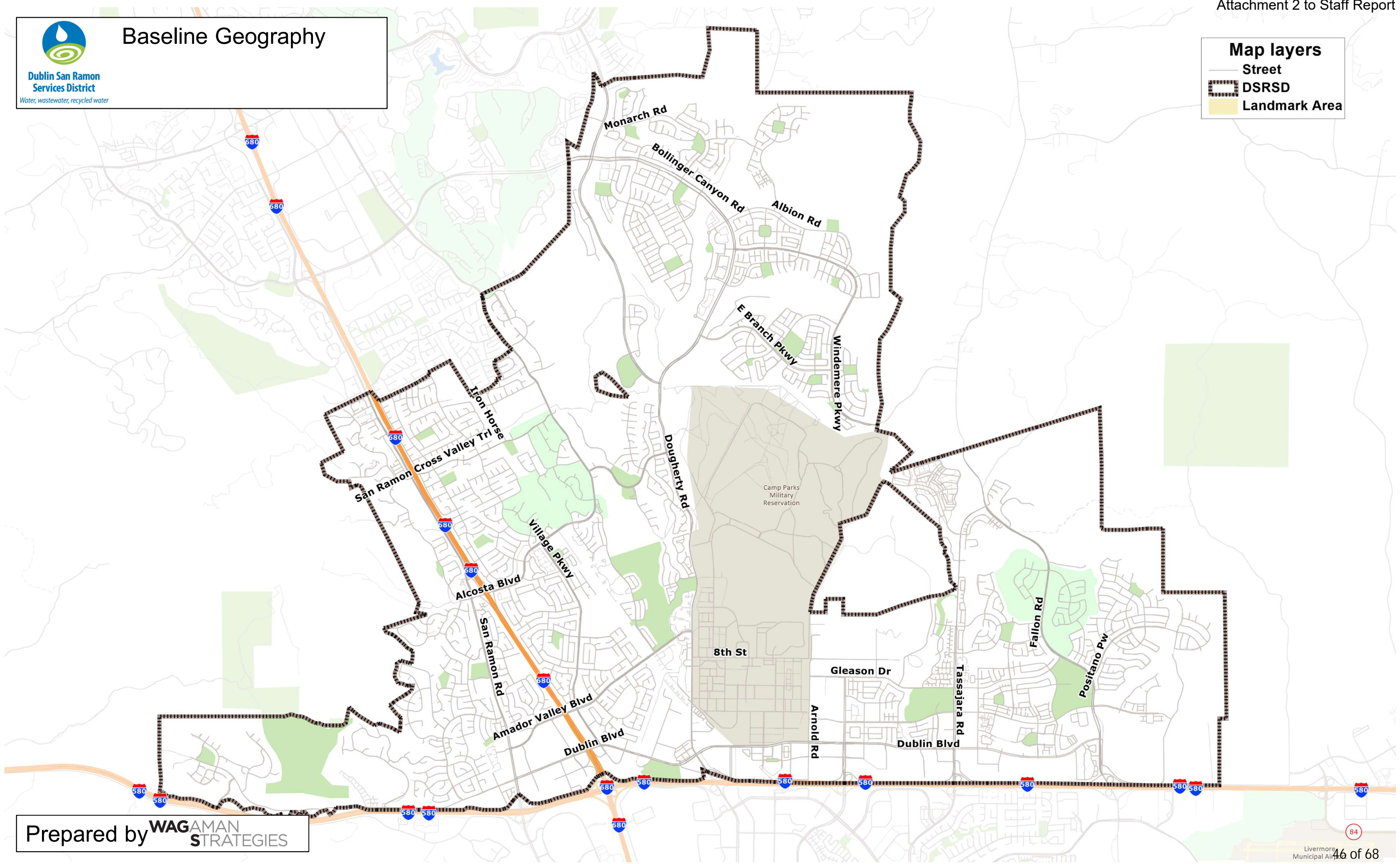
michael@wagamanstrategies.com



Baseline Geography
 Dublin San Ramon Services District
 Water, wastewater, recycled water

Map layers

- Street
- DSRSD
- Landmark Area



Prepared by **WAGAMAN STRATEGIES**



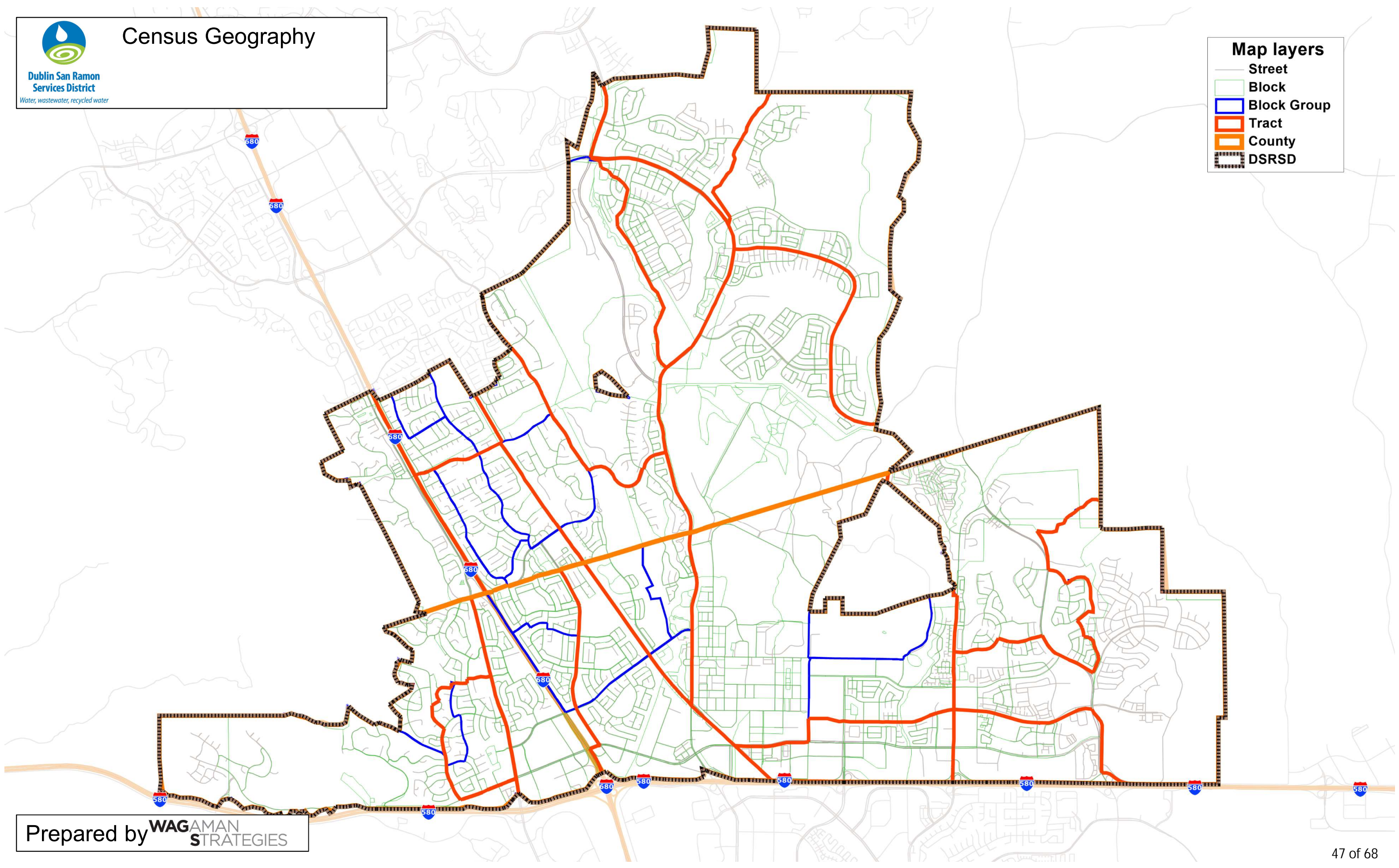
Census Geography

Dublin San Ramon
Services District

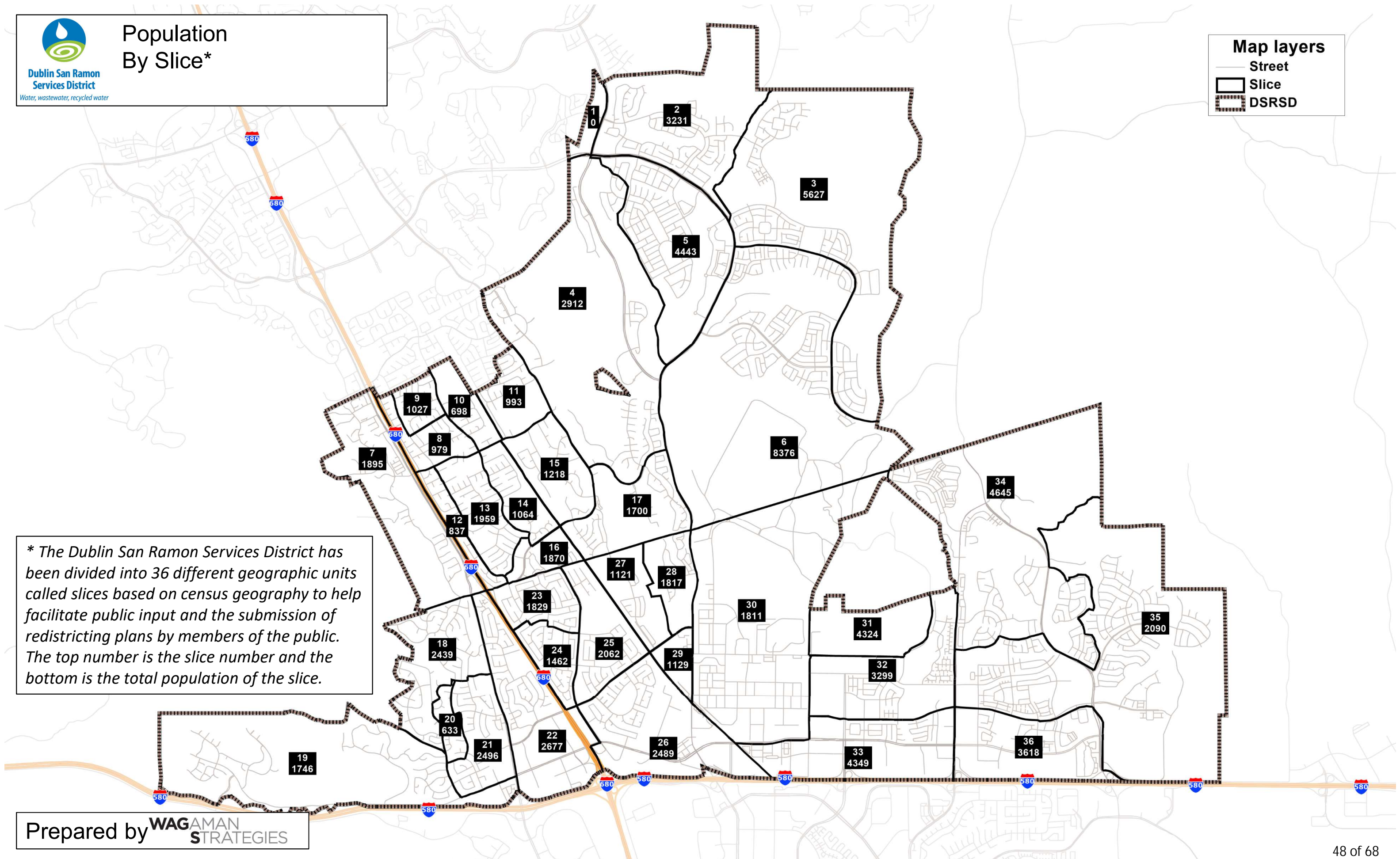
Water, wastewater, recycled water

Map layers

- Street
- Block
- Block Group
- Tract
- County
- DSRSD



Prepared by **WAGAMAN STRATEGIES**



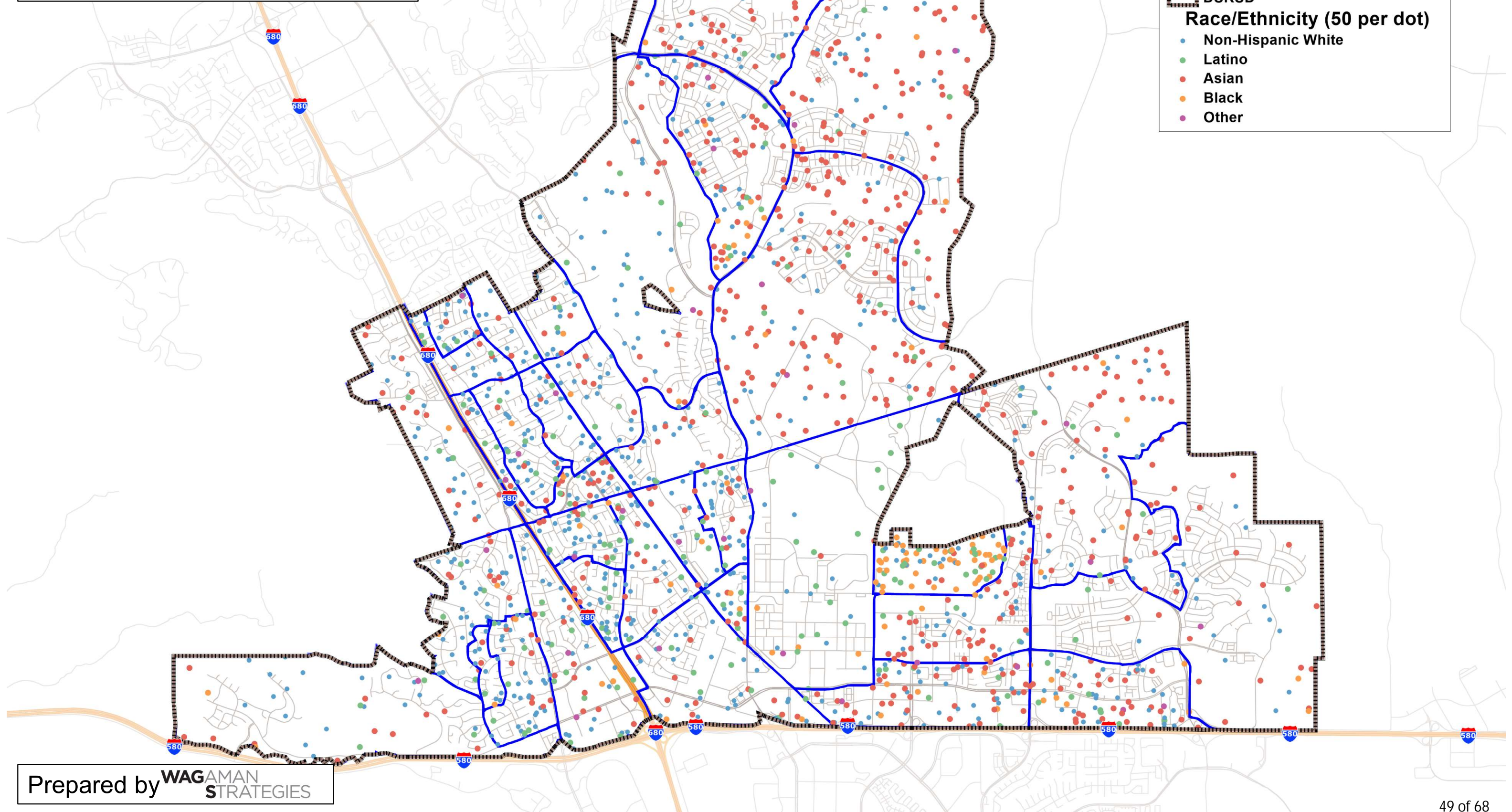
* The Dublin San Ramon Services District has been divided into 36 different geographic units called slices based on census geography to help facilitate public input and the submission of redistricting plans by members of the public. The top number is the slice number and the bottom is the total population of the slice.

Map layers

- Street
- ▭ Block Group
- ▭ DSRSD

Race/Ethnicity (50 per dot)

- Non-Hispanic White
- Latino
- Asian
- Black
- Other





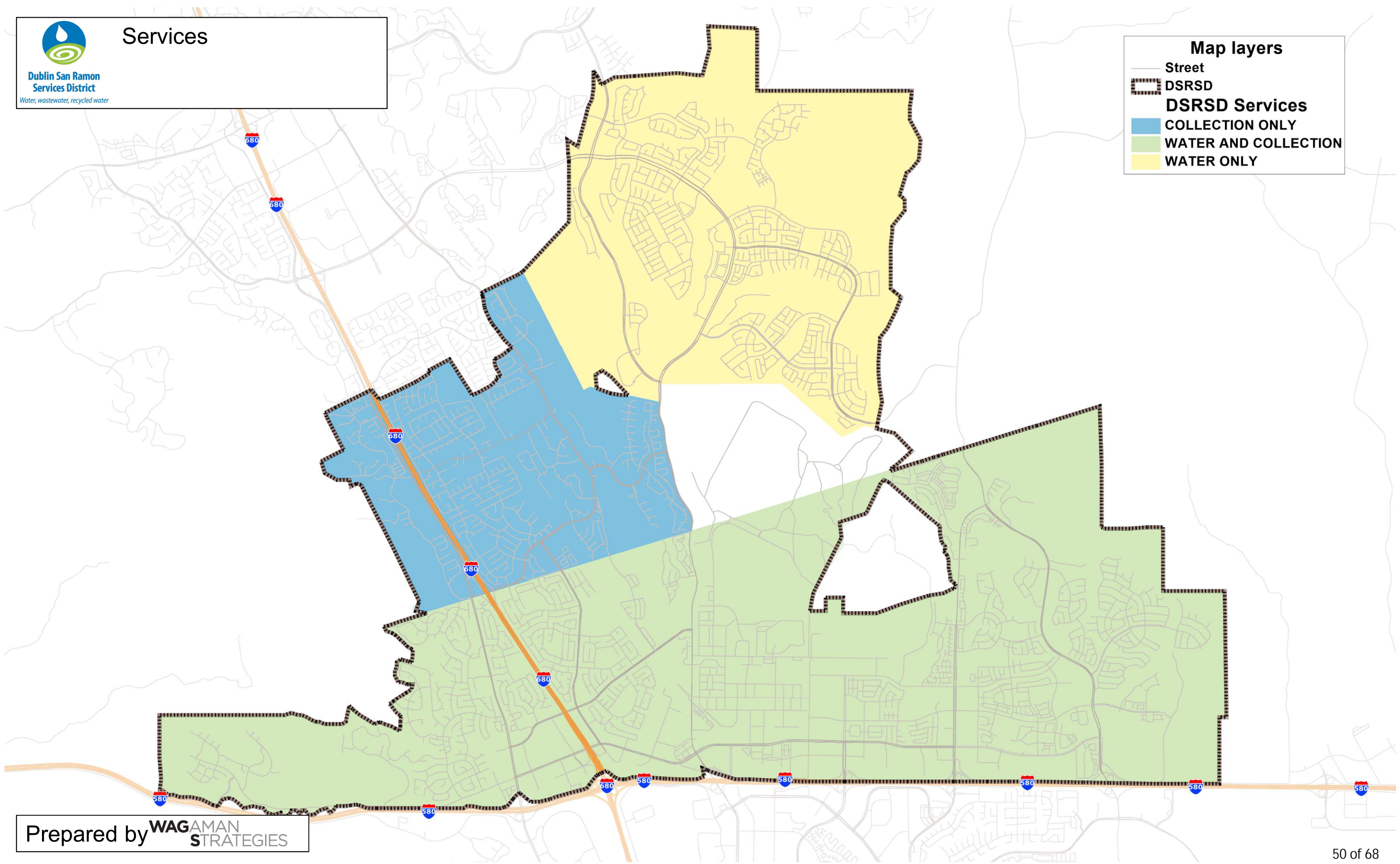
Services

Dublin San Ramon
Services District

Water, wastewater, recycled water

Map layers

- Street
- DSRSD
- DSRSD Services**
- COLLECTION ONLY
- WATER AND COLLECTION
- WATER ONLY



Prepared by **WAGAMAN STRATEGIES**

Tentative Timeline

| Board Meeting | Actions | Date & Location |
|---------------|---|--|
| 1 | Public Hearing without maps to provide input on criteria to be used for drawing voting divisions | February 5, 2019 Alcosta Senior & Community Center Garden View Room 9300 Alcosta Blvd., San Ramon |
| 2 | Public Hearing without maps to provide input on criteria to be used for drawing voting divisions Board to provide direction to demographer on desired criteria to be used for drawing maps | February 19, 2019 The Wave Wave Community Room 4201 Central Parkway, Dublin |
| 3 | Public Hearing with maps produced by the demographer for consideration and feedback by the public and Board | March 19, 2019 Dougherty Station Community Center Front Row Theater 17011 Bollinger Canyon Road, San Ramon |
| 4 | Public Hearing with revised map(s) produced by the demographer for consideration and selection of one of the published maps and sequencing of voting divisions | April 2, 2019 Shannon Community Center Ambrose Hall 11600 Shannon Avenue, Dublin |
| 5 | Introduce the ordinance to establish voting divisions | April 16, 2019 Shannon Community Center Ambrose Hall 11600 Shannon Avenue, Dublin |
| 6 | Public Hearing to adopt the ordinance to establish voting division on second reading | May 7, 2019 Shannon Community Center Ambrose Hall 11600 Shannon Avenue, Dublin |



TITLE: Receive Overview of District Office Renovation Options and Provide Direction

RECOMMENDATION:

Staff recommends the Board of Directors receive an overview of renovation options for the District Office and direct staff to proceed with a concurrent restoration and remodel of the District Office and completion of all the building remodel elements detailed in this item.

SUMMARY:

The interior of the District Office was flooded on November 11, 2018 as a result of a leak in the fire service line below the building. The District’s insurance is anticipated to cover the cost of replacing damaged sheet rock, wall coverings, carpet, and vinyl throughout the building, and repairing water damaged casework. The insurance will also cover replacing cubicles and cubicle furniture as well as some of the office furniture.

The District Office is 27 years old, and the majority of the building systems and furnishings are original and in need of repair or updating. Staff has identified building and furnishing improvements that may be more economical and less disruptive to complete if included as part of the building restoration. The improvements have been grouped into four options which are listed below and described in more detail in the attached staff report.

- 1. Office Furniture
- 2. Flooring and Furnishings
- 3. Building Systems Improvements
- 4. Building Space Alterations

| | | |
|--|--|-----------------------------------|
| Originating Department: Engineering Services | Contact: J. Zavadil | Legal Review: Not Required |
| Cost: \$2,840,000 | Funding Source: Local Wastewater Replacement (Fund 210) – 10% Regional Wastewater Replacement (Fund 310) – 53% Water Replacement (Fund 610) – 37% | |
| Attachments: <input type="checkbox"/> None <input checked="" type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right) | 52 of 68 | |

STAFF REPORT



District Board of Directors
February 5, 2019

Receive Overview of District Office Renovation Options and Provide Direction

BACKGROUND

The interior of the District Office was flooded on November 11, 2018 as a result of a leak in the fire service line below the building. To recover from the flooding, all the furnishings have been removed from the building and either disposed of or stored at the District’s Field Operations Facility or at the restoration contractor’s storage facility. The carpet and some vinyl flooring, the vinyl wall paper, and the sheet rock up to a height of 18 to 24 inches on all walls have been removed; and all the casework, with the exception of overhead cabinets, has been removed from the walls. An approximate 1800-square-foot section of the floor slab in the southeast section of the building and a few interior walls were lifted as a result of the water under the slab.

DSRSD is insured through the California Sanitation Risk Management Authority (CSRMA). The insurance is required to restore the building to “as-was” condition. Staff has been working with the insurance adjuster and anticipates the cost of the initial clean-up, drying operations, packing and storing of furnishings and equipment, repair of the fire service line, replacement of furnishings, and building restoration will be covered by insurance. The District will receive insurance payments at key milestones in the restoration. An advance of \$1,000,000 is anticipated shortly.

The District Office is 27 years old, and the majority of the building systems and furnishings are original. The District may want to take advantage of the building being empty and the furnishings removed to update the building furnishings and systems. Staff has developed four renovation options for the Board’s consideration.

DISCUSSION

RENOVATION OPTIONS

Staff has identified building and furnishing improvements that may be more economical and less disruptive to complete as part of the building restoration. The improvements have been grouped into four options that are ordered approximately by cost, complexity and impact to project timing. The options are listed and described in the paragraphs below.

1. Office Furniture
2. Flooring and Furnishings
3. Building Systems Improvements
4. Building Space Alterations

Office Furniture

The insurance is anticipated to cover the cost of cubicles and cubicle furniture as well as water damaged furniture in a few offices. The District may want to replace all the individual office furniture and conference room furniture to match the new furnishings. The District Office has 17 individual offices and 4 conference rooms. The estimated cost of office and conference room furniture to match new furnishings is \$400,000.

Flooring and Furnishings

The insurance is anticipated to cover the cost of replacing the removed sheet rock, the wall covering, the carpet and some vinyl flooring as well as repair of the water damaged casework. Casework repair would involve replacing the toe kick on cabinets. To give the office a full renovation and update to match the new flooring and furnishings, the casework and remaining flooring would be replaced. A full renovation would include: replacing the casework in the reception area, at the permit and customer service counter, in the GM Conference Room, in the mailroom, in the kitchen/break areas; replacing the tile in the main entrance, reception area, hallways, and bathrooms; and replacing bathroom counters and fixtures. The additional cost of these renovations is estimated at \$940,000.

Building Systems Improvements

Maintenance staff has recommended changing out the heating system hot water control valves and controllers as well as replacing the existing fluorescent lights with LED lights. Both the heating and lighting systems would provide savings in energy and maintenance costs as both of these systems are becoming more maintenance intensive. The cost to upgrade these systems is difficult to estimate as altering the lighting system will trigger compliance with the California Building Code Energy Efficiency Standards which includes shut-off, multi-level and automatic daylighting controls for all lighting alteration projects. In addition, staff anticipates a requirement to upgrade building fire/life safety systems as part of building system improvements. The estimated cost to upgrade the building systems is \$1,220,000 based on an estimated unit cost per square foot to comply with the energy efficiency standards.

Building Space Alterations

Staff reviewed the current and future staff space requirements to determine if any improvements could be made by moving interior, non-loadbearing walls. There were a few interior walls that could be moved to improve the use of the space. The cost for altering the interior spaces is estimated at \$280,000. This estimate assumes that the cost of any compliance with the Energy Efficiency Standards required due to the alteration of the space is already accounted for through the building system improvements noted above. If the building systems are not improved, the cost will increase to meet the code requirements.

Additional Renovation Options Cost Summary

A summary of the total estimated cost of the building and furnishings improvements is provided in the table below. The costs were based on preliminary contractor and staff estimates, and the District architect's recent unit cost per square foot experience with similar construction. They include a 20% construction contingency, a 20% contingency to comply with Americans with Disabilities Act (ADA) requirements, design costs at 15% of total construction cost, and construction management at 15% of total construction cost. The cost of Energy Efficiency and ADA compliance can be better estimated in the permit review process with the City of Dublin.

| Option | District Office Improvements | Cost Estimate |
|---------------|-------------------------------------|----------------------|
| 1 | Office Furniture | \$400,000 |
| 2 | Flooring and Furnishings | \$940,000 |
| 3 | Building Systems Improvements | \$1,220,000 |
| 4 | Building Space Alterations | \$280,000 |
| | Total | \$2,840,000 |

OTHER DISTRICT OFFICE IMPROVEMENTS

Prior to the District Office flooding, the District had prepared final plans and specifications and was ready to bid the Boardroom Audio/Video Improvements (CIP 16-A004) project. That project will replace the lighting and the ceiling, and add registers to the HVAC (heating, ventilation, and air conditioning) system, acoustical panels, high

definition cameras, and an audio system. The engineer’s estimate of \$400,000 included carpet, which will now be covered by insurance.

There are other building systems that will require replacement or upgrade at some point in the future such as roofing, exterior paint, heating (boiler), air conditioning, plumbing, security, and back-up power generation. Staff has not evaluated these systems or estimated costs for improvements for these items. Staff does not recommend proceeding with any of these elements at this time.

CONSTRUCTION OPTIONS AND SCHEDULE

As noted above, the options are ordered by cost, complexity, and impact to project timing. There is a fairly significant step between options 1 and 2 and options 3 and 4 as the proposed replacement of lighting or the movement of walls will trigger compliance with the Energy Efficiency Standards. Options 3 and 4 will also require more time for design and permit review.

If the Board selects none of the options or option 1, staff will complete the restoration work with the restoration contractor under the current state of emergency declaration. It is anticipated the restoration work would be completed in four months.

Staff has been working with the City of Dublin to determine whether the restoration can be completed through a change order with the City of Dublin’s contractor for its Police Building under the Tri-Valley Intergovernmental Reciprocal Services Master Agreement. The City would like to understand the scope and cost of the work prior to entering into a task order with the District for the restoration. If the Board selects option 2, 3 or 4, staff would complete the design and either complete the construction through the Tri-Valley Intergovernmental Reciprocal Services Master Agreement or bid the project in accordance with the District standard procurement procedures. If the Board selects options 1 and 2, the time to complete the project would be six to seven months. If the Board chose to complete options 3 and/or 4, the time to complete is estimated to be eight to ten months. The Boardroom Audio/Video Improvements project would also be incorporated into the construction for any of the options 2 through 4.

To keep progressing towards restoration of the building, under the Board approved State of Emergency procurement procedures, staff has procured design and inspection services from Cal Engineering and Geology, Inc. for the removal and replacement of the floor slab and walls in the southeast section of the building, and is working on a permit from the City and a task order with Overaa Construction for the removal of the slab in the southeast section of the building.

PROJECT FUNDING

Funding of any of the options would be split based on the same allocation as employee costs, 53% Regional Wastewater Replacement (Fund 310), 37% Water Replacement (Fund 610) and 10% Local Wastewater Replacement (Fund 210), as the building is used by the employees to conduct District business. The table below shows the cost to each fund, assuming all project options were selected as well as the current balance of the fund.

| Fund | Project Cost, \$ | Working Capital, \$ |
|--|-------------------------|----------------------------|
| Regional Wastewater Replacement (Fund 310) | 1,505,200 | 26,706,676 |
| Water Replacement (Fund 610) | 1,050,800 | 26,628,118 |
| Local Wastewater Replacement (Fund 210) | 284,000 | 6,088,010 |

Should the Board choose to move forward with any of the renovation options, staff will prepare a resolution for the next Board meeting to either increase the operating budget for capital outlay (option 1) or create a Capital Improvement Project and increase the Capital Improvement Program Budget (options 2, 3, or 4).

RECOMMENDATION

Although the cost is substantial, staff recommends that the District complete all the options. The majority of the District Office furnishings, finishes, and systems are original and will require replacement or renovation in the next five to ten years. In the past few years, there have been piecemeal upgrades to the furnishing and finishes and increased maintenance and replacement of parts of the building systems. It is more efficient, and the District gets a better product if the work is completed with consistent design and construction. Also, while the required Energy Efficiency Standards compliance may add expense, some of the cost will be recovered through energy cost savings. Lastly, the period of time the District Office building is vacant for restoration creates an opportunity to complete some upgrades and make some energy efficiencies with minimum disruption to staff. Completing these various remodel and updating elements at a later time will create future operational disruption.

The cost of the options above, as well as the cost of the Boardroom Audio/Video Improvements project and other potential future system improvements, prompts the question of whether it may be more economical to build an entirely new building. To address that question, staff took the cost per square foot of Dublin's Police Building; applied it to the current square footage of the District Office; multiplied the cost by 1.5 to cover design, permitting and construction management; and estimated a new building cost of \$18,000,000.

The District Office has a good basic structure and was well designed for the District's needs. The location, close to the City offices and in the core of the City, facilitates communication and coordination with the City as well as keeps DSRSD in the public's mind and helps them connect with the District as an agency that provides essential public services similar to those provided by the City. Therefore, staff recommends investing in the existing building in an estimated amount of \$2,840,000, concurrently with the District Office flood restoration work (paid for separately by property insurance).



TITLE: Approve Continuation of Emergency Action Procurement by General Manager for Repair of the District Office and Find that the Need for the District Office Flooding Emergency Still Exists

RECOMMENDATION:

Staff recommends the Board of Directors approve, by Motion, a continuation of the Emergency Action as declared in Board Resolution No. 53-18 and find that there exists a need for continuing the District Office flooding emergency which the Board last confirmed on January 15, 2019.

SUMMARY:

On Sunday, November 11, 2018, the District Office flooded due to a leak in the fire service line. The General Manager, as the District’s Emergency Manager per the District’s Emergency Response Plan policy immediately proclaimed a District State of Emergency to reduce potential further property damage due to water exposure and to minimize the time to restore core business operations.

The District Office is closed for restoration and repair. Staff is requesting the Board of Directors find that there still exists a need for continuing the State of Emergency reflected by Board Resolution No. 53-18. Expedited action, including the emergency procurement of equipment, furnishings, services, supplies, and repairs, is necessary to bring about re-occupancy of the District Office by staff at the earliest opportunity, in order to restore normal operations and core services. Delay in restoration and repair will have an unacceptable adverse impact on the services provided by the District.

Further detail is reflected in the attached staff report.

| | | |
|--|--|-------------------------|
| Originating Department: Engineering Services | Contact: J. Zavadil | Legal Review: No |
| Cost: \$0 | Funding Source: Insurance Claim | |
| Attachments: <input type="checkbox"/> None <input checked="" type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right) | 57 of 68 | |

STAFF REPORT



District Board of Directors
February 5, 2019

Approve Continuation of Emergency Action Procurement by General Manager for Repair of the District Office and Find that the Need for the District Office Flooding Emergency Still Exists

BACKGROUND

On Sunday, November 11, 2018, the District Office flooded due to a leak in the fire service line. The General Manager, as the District’s Emergency Manager per the District’s Emergency Response Plan policy, immediately proclaimed a District State of Emergency to reduce potential further property damage due to water exposure and to minimize the time to restore core business operations. As the Emergency Manager, the General Manager is charged with managing all emergency operations and making decisions to allocate resources and expend funds as necessary to meet the needs of the emergency.

Per the District’s Purchasing policy, in case of an emergency and in accordance with Public Contract Code Section 22050, the General Manager may let contracts for any amount without giving notice for bids for repair or replacement of a public facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services, and supplies for those purposes. On November 20, 2018, the Board of Directors adopted Resolution No. 53-18 approving emergency action procurement by the General Manager for restoration of the District Office. Per the Public Contract Code, at every regularly scheduled meeting after the initial emergency action, the Board is to review and determine by a four-fifths vote, that there is a need to continue the emergency action.

DISCUSSION

RESTORATION UPDATE

All furnishings have been removed from the building. The carpet, vinyl wall paper, and sheet rock up to a height of 18 to 24 inches on all walls and the lower casework have been removed. Staff is working with the City of Dublin on a permit to remove the floor slab in the southeast section of the building that was lifted by water and a task order with Overaa construction to complete the work. Full restoration of the building, assuming a restoration to an “as-was” condition is estimated to take four months from the date of this Board meeting under accelerated contracting and repair procedures.

Staff has outlined potential renovations and facility systems updates in addition to the flooding restoration work for the Board’s consideration (see item “Receive Overview of the District Office Renovation Options and Provide Direction”). Staff is also working with the City of Dublin to determine whether the restoration work can be completed by the City of Dublin’s contractor for the Police Building under the Tri-Valley Intergovernmental Reciprocal Services Master Agreement.

In the interim, staff has rented cubicles and furniture for the displaced staff to improve the working environment and maintain productivity.

RESTORATION COST AND REIMBURSEMENT

DSRSD is insured through the California Sanitation Risk Management Authority (CSRMA). Staff anticipates the cost of the initial clean-up, drying operations, packing and storing of furnishings and equipment, partial repair of the fire service line, replacement of furnishings, and building restoration will be covered by insurance. The District will receive insurance payments at key milestones in the restoration.

NEED FOR CONTINUING EMERGENCY

The District Office is closed until further notice. Displaced District Office staff have been assigned to the Regional Wastewater Treatment Facility, the Field Operations Facility, the utility building behind the District Office, and Dublin City Hall. District administrative operations and customer service have been hampered in the following ways:

- The Board's customary meeting place for Board meetings is unavailable for use, inconveniencing the public who might wish to attend Board meetings;
- Customer service functions related to "in-person" bill payment have been suspended, as the Field Operations Facility where the Customer Service Division has been temporarily relocated to cannot accommodate in-person payment of water and sewer bills. Thus, one form of payment (in person) is not available to the District's customers;
- There is minimal meeting space for staff for internal meetings, to meet with developer representatives and contractors, and to confer with other agency personnel;
- Work units in the Engineering Department, the Administrative Services Department, the Executive Services Division, and the Communications Division are located in inefficient and inconvenient locations at the Field Operations Facility, the Regional Wastewater Treatment Plant, and Dublin City Hall. The convenience of working in close proximity, with adequate work space, is hampered. Natural work efficiencies are degraded because of location of staff in scattered and inadequate work facilities;
- Many supervisory staff have lost use of their individual offices for confidential meetings pertaining to performance management, coaching, and recruiting;
- Through relocation of some District staff to the Field Operations Facility Training Room, space for large group training activities has been lost. Moreover, meeting space for regional meetings has been lost (neither the Boardroom nor the Field Operations Facility Training Room are available).

Based on the above consequences of the District Office being closed for restoration and repair, staff is requesting the Board of Directors find that there still exists a need for continuing the State of Emergency reflected by Board Resolution No. 53-18. Expedited action, including the emergency procurement of equipment, furnishings, services, supplies, and repairs, is necessary to bring about re-occupancy of the District Office by staff at the earliest opportunity, in order to restore normal operations and core services. Delay in restoration and repair will have an unacceptable adverse impact on the services provided by the District.

RECOMMENDATION

Staff recommends the Board of Directors approve, by Motion, a continuation of the State of Emergency as declared by Board Resolution No. 53-18 and find that there exists a need for continuing the District Office flooding emergency which the Board confirmed at the previous regularly scheduled meeting on January 15, 2019.



TITLE: Amend Previous Board Action on Fund Transfers from the Regional Wastewater Rate Stabilization (Fund 305) to Make Transfers to the Regional Wastewater Replacement (Fund 310) and Regional Wastewater Expansion (Fund 320)

RECOMMENDATION:

Staff recommends the Board of Directors approve, by Motion, the following recommended fund transfers:

1. \$850,153 from the Regional Wastewater Rate Stabilization (Fund 305) to the Regional Wastewater Replacement (Fund 310), and
2. \$800,271 from the Regional Wastewater Rate Stabilization (Fund 305) to the Regional Wastewater Expansion (Fund 320)

SUMMARY:

On March 7, 2017, the Board of Directors approved a resolution approving an "Agreement Between the City of Pleasanton and Dublin San Ramon Services District Regarding City of Pleasanton Advance Sale Permits," one of the purposes of which was to recognize certain City of Pleasanton Sewer Credits. Since these credits had not been accounted for in past Regional Capacity Reserve Fee studies, it was necessary for the Regional Wastewater Operations (Fund 300) to reimburse the Regional Wastewater Expansion (Fund 320) by \$889,188 over a 10-year period. The first payment was made in FYE 2018, and the remaining portion of the original obligation is still outstanding. Given the strong financial position of both the Regional Wastewater Operations (Fund 300) and its associated Regional Wastewater Rate Stabilization (Fund 305), there is an opportunity to prepay the entire obligation now from these funds.

On January 15, 2019, the Board received a report on the financial condition of the District's three enterprise funds and the District's three rate stabilization funds. The health of the Regional Wastewater Rate Stabilization (Fund 305) was very strong, and had a fund balance exceeding the policy maximum reserve level. In response to this information, the Board directed a transfer of \$1,650,424 from the Regional Wastewater Rate Stabilization (Fund 305) to the Regional Wastewater Replacement (Fund 310). However, there is an opportunity for a portion of this transfer to be applied to prepaying the entire obligation from the City of Pleasanton Advance Sale Credits Program.

Staff recommends that the Board amend its January 15 action, by redirecting part of the \$1,650,424 transfer to the Regional Wastewater Expansion (Fund 320) in order to prepay the entire remaining obligation of \$800,271 associated with the City of Pleasanton Advance Sale Credits Program. The balance of the originally directed transfer would still be made from the rate stabilization fund to the replacement fund in the amount of \$850,153.

Such an action would have no adverse impact on the Regional Wastewater Replacement (Fund 310), because that fund currently holds \$19,327,551 (before the scheduled transfer), significantly above the policy minimum reserve requirement of \$9,628,454. This action is advantageous, in that it prepays annual transfers from the Regional Wastewater Operations (Fund 300) of \$88,919 per year over the next nine years, saving that fund future annual payments. Moreover, this represents an opportunity for administrative streamlining, by consolidating all subsequent budgeting and transfers into a single action in FYE 2019.

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|--|--|-----------------------------|-----------------------------------|
| Originating Department: Office of the General Manager | | Contact: D. McIntyre | Legal Review: Not Required |
| Cost: \$0 | | Funding Source: N/A | |
| Attachments: <input checked="" type="checkbox"/> None <input type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right) | | 60 of 68 | |



TITLE: Discuss Tri-Valley Water Reliability Projects and Provide Direction

RECOMMENDATION:

Staff recommends the Board of Directors discuss the status of Tri-Valley Water Reliability Projects and provide direction.

SUMMARY:

Approximately two-thirds of DSRSD’s water supply is conveyed through the State Water Project. The vulnerability of the State Water Project has become apparent since 2008, and was underscored by the Great Drought of 2014. In response, the DSRSD Board adopted a Water Supply, Storage, Conveyance, Quality, and Conservation policy that mandates that no more than 40% of the District’s water supply comes from any one source and that 60% of the District’s water supply come from local sources (such as the Lake Del Valle watershed and the DERWA recycled water system).

Since 2014, the water agencies and cities of the Tri-Valley have held 10 roundtables and liaison meetings to discuss Tri-Valley water policies. The main focus of the discussions has been on water reliability and water supply projects. There have been a number of discussions about a Regional Potable Reuse Project, and the Tri-Valley Water Liaison Committee endorsed the completion of a Joint Potable Reuse Feasibility Study. This study was completed in 2018, and concluded that potable reuse was a feasible water supply, with the potential to provide 7% to 15% of the Tri-Valley’s water supply at buildout. The cost of the project could range from \$112 to \$222 million.

At the January 23 Tri-Valley Water Liaison Committee meeting, the Committee discussed whether or not the agencies should work together on a Regional Potable Reuse master plan, building on the work of the 2018 Joint Potable Reuse Feasibility Study. The cost of the master plan would be in the \$1 million range, and the burden would be shared by the water agencies. The collaborative study would take 2 to 3 years to complete, and would serve as a foundational document for a programmatic Environmental Impact Report for a regional project. The Committee expressed an interest in continuing to consider a Regional Potable Reuse Project in parallel with other water supply projects that Zone 7 Water Agency (Zone 7) is exploring. The committee requested that additional information about potable reuse be presented at the next Tri-Valley Water Liaison Committee meeting on April 24. However, a decision was not made to recommend starting a master plan or additional technical studies on potable reuse; that decision was deferred until other information is provided and considered by the Committee.

The Tri-Valley Water Liaison Committee also heard a short summary of the findings of Zone 7’s 2018 Water Supply Evaluation. Zone 7 is exploring concurrently a number of water supply options to bolster the Tri-Valley’s water supply, including:

- California WaterFix
- Sites Reservoir
- Los Vaqueros Expansion (and Bethany Transfer Pipeline)
- Regional Potable Reuse
- Regional Desalination
- Water Transfers

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|--|--|-----------------------------|-----------------------------------|
| Originating Department: Office of the General Manager | | Contact: D. McIntyre | Legal Review: Not Required |
| Cost: \$0 | | Funding Source: N/A | |
| Attachments: <input checked="" type="checkbox"/> None <input type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right) | | 61 of 68 | |



TITLE: Receive Water Rate Presentation and Provide Direction for Water Rate Study

RECOMMENDATION:

Staff recommends the Board of Directors receive a Water Rate Presentation and provide direction for the Water Rate Study.

SUMMARY:

Dublin San Ramon Services District (District) performs water rate studies approximately every five years with the last study completed in 2013. The District has retained Raftelis Financial Consultants (RFC) to review and update the water and recycled water rates. The objective in conducting a comprehensive water rate study is to develop cost-based rates that meet the District’s operation and maintenance (O&M) needs (excluding growth-related debt service and coverage ratios) as well as the Water fund’s replacement programs. The study determines the adequacy of the existing water rates and provides the framework for any needed future adjustments. In addition, with the outcome of the San Juan Capistrano case, the District needs to ensure that our rates are structured appropriately for all customers and that our assumptions are well documented in an “administrative record.”

Staff is requesting direction from the Board on several policy issues to enable RFC to proceed with the rate study. These issues, along with Board options, are discussed in detail in the accompanying staff report.

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|--|-----------------------------------|--------------------------|
| Originating Department: Administrative Services | Contact: H. Chen/C. Atwood | Legal Review: Yes |
| Cost: \$0 | Funding Source: N/A | |
| Attachments: <input type="checkbox"/> None <input checked="" type="checkbox"/> Staff Report <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Task Order <input type="checkbox"/> Proclamation <input type="checkbox"/> Other (see list on right) | 62 of 68 | |

STAFF REPORT



District Board of Directors
February 5, 2019

Receive Water Rate Presentation and Provide Direction for Water Rate Study

BACKGROUND

District water rates are periodically reviewed to ensure financial sufficiency to meet operation and maintenance (O&M) and capital replacement costs, achieve policy reserve fund targets, and realign rates to more closely reflect costs incurred and adequately recover the water enterprise's revenue requirements. The District engaged with Raftelis Financial Consultants (RFC) to complete a comprehensive review of water rates, which were last updated in 2013.

On November 5, 1996, the voters of California approved Proposition 218 ("Right to Vote on Taxes Act"), which amended the California Constitution by adding Articles XIII C and XIII D. These constitutional amendments affected the ability of local governments to levy and collect existing and future taxes, assessments, and property-related fees and charges. An agency proposing a rate increase is required to hold a public hearing and mail a public notice to all affected property owners notifying them of the rate increase and the scheduled public hearing date. The public notice must also be mailed a minimum of 45 calendar days before the public hearing date. If the agency receives a formal (written) protests from a majority (50% + 1) of the affected properties, either from tenants-in-residence or owners, by the conclusion of the public hearing, the agency is prohibited from increasing the rates. The District has considered and approved rate increases in the past, and has followed the Proposition 218 majority protest procedures. As a practical matter, it is difficult for there to be a majority protest. Typically, only a few protest letters from thousands of property owners are submitted to the agency. Staff is not aware of any instances in the last 22 years where a successful majority protest has been made regarding utility rates anywhere in California.

A second applicable provision of Proposition 218 is that for "special assessments," such as the District's Dougherty Valley Standby Charge District (DVSCD), where a more restrictive special assessment ballot proceeding is necessary to increase assessments. In this situation, special ballots are mailed to all property owners as determined by an independent engineer's report, and the number of weighted "votes" received in favor of an assessment increase must exceed the number of weighted "votes" received in opposition to an assessment increase, in order for the assessment increase to be approved. Under Proposition 218, the ballots are weighted in proportion to the special assessment proposed to be levied on each property. As a practical matter, it is very difficult to obtain public approval of an increase in special assessments. The District has never attempted to increase the amount of the standby assessment and therefore has not conducted a special assessment ballot proceeding to increase the Dougherty Valley assessment.

Court cases since the last comprehensive water rates study, place a greater scrutiny on the way utilities approach rate setting. In particular, proposed rate structures must demonstrate, through an administrative record, that they meet stringent Proposition 218 cost of service requirements. Arbitrary rate designs not related analytically to the cost of service are prohibited. Staff is requesting guidance from the Board on several policy issues to provide the framework for RFC to conduct the water rate study. These issues, along with Board options, are discussed below.

DISCUSSION

Policy Guidance #1 – Dougherty Valley Standby Charge District (DVSCD) Assessment

The Zone 7 Water Agency (Zone 7) recovers State Water Project (SWP) costs through the Alameda County property tax roll and charges to Tri-Valley retailers. The DVSCD was established in 2000 to provide potable water service to the newly developed Dougherty Valley in the City of San Ramon of Contra Costa County. Since Zone 7 does not have jurisdiction to place assessments on the Contra Costa County property tax roll, the DVSCD was established and charges were levied by DSRSD and placed on the Contra Costa property tax bills based on parcel Dwelling Unit Equivalents (DUEs). The agreement that established the DVSCD placed a limit on total collected assessments to \$1.56 million. It is projected that this limit will be exceeded over the next few years as SWP costs increase, requiring a Proposition 218 process to increase the special assessments.

DVSCD Assessment Options:

1. *Conduct a property owner mail-in ballot process under Proposition 218 to increase the assessment limit on Contra Costa County property tax rolls* – This option would maintain the current situation whereby SWP pass-through charges are placed on the tax rolls in both Alameda County (percentage based on DUEs) and Contra Costa County (dollar amount based on DUEs) and would be the most expensive and time intensive option for DSRSD. Under Proposition 218, the DVSCD assessment would require a separate mail-in special assessment ballot process by the property owners within the District’s Dougherty Valley service area (each time the charges from SWP exceed the assessment) to approve any increase in assessments, which is very time intensive. In addition, this option would continue the annual adoption of an Engineer’s Report and assessment levy by the Board. The outcome of the election to increase the special assessments would be determined by the results of the weighted votes submitted in favor of the increase compared to the weighted vote of ballots submitted in opposition to the proposed increase. As noted previously, this process for increasing special assessments is more challenging than the majority protest provisions of Proposition 218 for ordinary water rate increases.
2. *Retain the assessment limit, but charge the additional cost increment on water bills* – This option would continue the existing \$170.75 per DUE charge on the property tax rolls and place any additional SWP charges on the individual water bills as a separate line item. Although the incremental charge on the water bill is likely to be small, this option could be confusing to customers because it would appear that they are being charged twice. In addition, the methodologies for the charges would differ, where the property tax assessment would be based on parcel DUEs while water bill charges would be an additional fixed charge based on meter size. This option would still require an annual Engineer’s Report and assessment levy by the Board. The SWP component on the water bill would be specifically addressed in the District’s regular water rate study Proposition 218 majority protest process every five years.
3. *Discontinue the DVSCD assessment and charge the full amount of the SWP pass-through on the water bills (staff recommendation)* – Placing the entire charge on the water bill will transfer a minimum of \$28.46 ($\$170.75/6$) from the tax roll to the bi-monthly bill. This approach will lead to inconsistency between customer classes, as Alameda County customers are charged a percentage based on parcel DUEs directly by Zone 7, which is collected on the tax roll, whereas Contra Costa customers would be charged a flat rate based on meter size by DSRSD to be collected on their water bills. This option would permit DSRSD to analyze the need for pass-through adjustment increases every five years in conjunction with the water rate studies, utilize the less onerous Proposition 218 majority protest process for rates and charges and eliminate all reporting associated with the DVSCD (including the annual Engineer’s report and assessment levy).

The Board discussed this item on April 3, 2018 and expressed approval to move forward with option #3 by a 3-0 vote. Staff continues to recommend option #3 as the preferred option and, with Board concurrence, will begin public outreach in February 2019 to Dougherty Valley customers on the sunset of the DVSCD program and implementation of a Dougherty Valley surcharge on the utility bills.

Policy Guidance #2 – Zone 7 Fixed Charges

Zone 7 charges a “wholesale rate” for water in the Tri-Valley. This rate covers the cost of purchasing water from the Department of Water Resources, as well as treating and storing water. The actual cost of distributing water to individual customers is reflected in a separate “retailer rate” charged by DSRSD, as discussed later in this report.

Zone 7 had historically consolidated fixed and variable charges into the “wholesale rate” to retailers based on projected water sales. In 2016, Zone 7 started separately charging retailers fixed and variable charges. Thus, each retailer in the Tri-Valley is required to pay a fixed amount based on estimated use. As of January 1, the fixed rate from Zone 7 accounts for approximately 37.5% of the cost of water purchased from Zone 7 by the retailers. Up to now, the District has chosen to allocate the fixed charge as a variable component to the Zone 7 charge, in proportion to estimated water use. For example, Zone 7’s current variable “per unit” charge is \$2.01 per unit, but DSRSD is required to also pay Zone 7 a fixed fee of \$5,811,601 this year regardless of the amount of water purchased and sold by DSRSD. DSRSD has elected to apportion this fixed charge of \$5,811,601 across all customers and “fold it” into the Zone 7 variable rate. Based on assumed water sales, DSRSD charges a Zone 7 pass-through rate of \$3.48, which covers both the \$2.01 variable rate, and generates revenue to pay the \$5,811,601 fixed charge from Zone 7, based on preliminary estimates of water sales.

The risk of DSRSD’s approach is that if water sales in a year are less than expected, DSRSD will collect insufficient revenue to pay all of the \$5,811,601 fixed fee, and the Water Enterprise’s reserve will have to pick up the shortfall. Conversely, if water sales are higher than expected, DSRSD will generate more water rate revenue than is necessary to pass through to Zone 7.

Zone 7 Cost of Water Options:

1. *Continue to incorporate Zone 7 fixed charges into the variable Zone 7 Cost of Water Charge* – To the extent that the District’s water demand projections are above/below actual demand, the Zone 7 fixed charge would be over/under collected. Continuation would also be easier to understand due to one charge for all Zone 7 costs. For comparison, the City of Pleasanton continues to use this method.
2. *Establish separate fixed and variable charges for Zone 7 costs (staff recommendation)* – This option would mitigate over/under collection due to deviation from water demand projections. For comparison, the City of Livermore has used this method over the past couple of years. The staff recommendation is to base fixed charges on customer meter sizes. This method would more accurately collect the required Zone 7 pass-through rates and charges. Additionally, this method would require showing an additional Zone 7 pass-through line item on the water bill.

Policy Guidance #3 – Residential Water Rate Tiers for DSRSD’s Retail Rate

In addition to the Zone 7 pass-through charge on water bills, DSRSD charges its own fixed rate and variable rate on the water bill. This “retail rate” is to cover the cost of DSRSD delivering water to the retail customers, and to maintain the water storage and distribution system in Dublin and San Ramon (Dougherty Valley). On average, the DSRSD “retail rate” is somewhat less than the Zone 7 “pass-through” or “wholesale” rate.

The District has currently established a three-tier rate structure for residential customers:

| Residential Customers | Normal Conditions (per unit) |
|------------------------|------------------------------|
| Tier 1 (1-10 units) | \$0.57 |
| Tier 2 (11-34 units) | \$1.20 |
| Tier 3 (over 34 units) | \$1.60 |

Tiered rates are typically established to encourage conservation through price signals. Higher price differentiation between tiers generally results in greater conservation. Price differentiation between tiers is typically based on attributing costs/savings to specific tiers:

- Water Conservation and Efficiency Program – Attributing conservation programs to customers that create the greatest demand (above health and safety thresholds).
- Peaking – Attributing upsized facilities to meet peaking demands. Typically applied to tiers related to irrigation (higher peaking demand during summer compared to winter).
- Avoided Costs – Attributing savings from offsetting demand such as through recycled water to lower tiers.
- Unrestricted Funds – Attributing unrestricted funds such as property tax revenue, cell tower leases, etc. to lower tiers.
- Alternative Water Supplies – Alternative water supplies are generally significantly more expensive than an agency’s primary supply, which could be attributed to higher tiers. Alternative water supplies are typically one of the biggest drivers of price differentiation between tiers. Since the District does not currently have an alternative potable water supply, it may be difficult to justify price differentiation significant enough to drive conservation.

Residential Tier Options:

1. *Maintain three-tiered rate structure* – Tier widths would generally be revised to comprise “health and safety” (tier 1), “average irrigation” (tier 2), and “other” (tier 3). Costs would be spread out over more tiers resulting in smaller conservation signals between tiers. In addition, it may be difficult to establish sufficient justification for the “other” tier. Staff does not recommend this option.
2. *Establish two-tiered rate structure* – Tier widths would generally be established as “health and safety” (tier 1) and “non-health and safety” (tier 2). Fewer tiers would provide for greater conservation signals between tiers, but signals would likely still be significantly lower than currently established rates.
3. *Uniform rate structure (staff recommendation)* – One flat rate for all customers would be viewed as most equitable. However, the effect of this change is that on a per unit basis, the District’s lowest usage customers would pay more than they do currently, while the highest users would pay less than they do currently. Uniform rates would reduce and simplify the number of charges on customer water bills and are also easier to understand and administer.

Policy Guidance #4 – Recycled Water Rates

Recycled water rates (\$4.57/unit) are currently calculated based on the Zone 7 cost of water (\$3.48/unit) plus the impact of DSRSD’s distribution charge for potable water. Staff recommends that recycled water is calculated on a cost of service basis similar to potable water. It is anticipated that a recycled water rate based on cost of service would be lower than the currently established recycled water rate.

This will have the effect of reducing revenues from recycled water sales, precluding any implicit subsidy from recycled water sales to the pricing of potable water. Potable water rates would need to be increased some amount to compensate for the resulting reduction in recycled water revenue.

Policy Guidance #5 – Power Charge

The District has currently established a power charge of \$0.28 per unit for all customers in elevation zones 2, 3, and 4.

Commercial Rate Options:

1. *Maintain one power charge for elevation zones 2, 3, and 4* – Pumping to higher elevations requires more energy, so maintaining one power charge treats all pumping equally.
2. *Establish separate power charges for elevation zones 2, 3, and 4* – Pumping to higher elevations require more energy, so establishing a power charge for each elevation zone may be viewed as being more equitable on a cost of service basis.
3. *Eliminate power charge (staff recommendation)* – Eliminating the power charge assumes treating costs similar to distribution (all customers pay the same distribution base regardless how far from the water treatment plant the customer is). Eliminating power charges would also eliminate one of the line items on a customer’s water bill and be easier to administer. For simplicity, the cost of pumping to higher pressure zones would be allocated to all water users. The impact of this adjustment is a redistribution of costs totaling approximately \$650,000.

Policy Guidance #6 – Commercial Seasonal Fee

The District has currently established a seasonal rate structure for commercial customers:

| Commercial Customers | Normal Conditions (per unit) |
|----------------------|------------------------------|
| Winter (Nov-Apr) | \$1.15 |
| Summer (May-Oct) | \$1.38 |

Seasonal rates generally serve the same purpose as tiered rates, which is to provide price signals to encourage conservation. Note the relatively small price differentiation between seasonal rates (\$1.38 - \$1.15 = \$0.23). Although seasonal rates may be subject to the same factors listed under policy guidance #3, only peaking costs were included in the last water rate study. In addition, a significant number of commercial customers participate in the District’s recycled water program for irrigation needs, further lessening the need for seasonal rates.

Commercial Rate Options:

1. *Maintain seasonal rate structure* – Unless more costs identified in policy guidance #3 were applied to seasonal rates, the price differentiation would remain small and not serve as a strong conservation signal. In addition, since a significant number of commercial customers participate in the District’s recycled water program, seasonal rates may not be effective in driving conservation.
2. *Uniform rate structure (staff recommendation)* – In conjunction with the staff recommendation for policy guidance #3, these two options combined would result in an equitable water rate for all potable water usage. Conservation signals would be primarily generated as part of activating stage rates. Uniform rates have a less pronounced effect on commercial customers due to significant participation in

recycled water and the relatively small price differentiation in the current seasonal rate structure. Uniform rates are also easier to understand and administer.

Policy Guidance #7 – Funding for an Alternative Water Supply Project

The District’s existing water rates provide sufficient funding over the next five years to provide \$30 million of funding for an alternative water supply project, such as a potable reuse project. The current Capital Improvement Program assumed that all this funding would be expended by 2023, with additional funding coming from the Water Expansion fund in the amount of \$10 million. Other funding needed to complete a project, such as from a grant or from Tri-Valley partners on a joint project, has not yet been identified. The Joint Potable Reuse Feasibility Study estimates that the cost of Regional Potable Reuse project will range from \$112 to \$222 million.

As an alternative to providing a significant amount of funding, it may be possible to debt finance a major alternative water supply project at a later time. For example, if in lieu of \$30 million being collected from rates for a “cash contribution,” the District instead anticipated borrowing a larger sum over a 30 year period, the contribution from ratepayers could be reduced in any one year. For example, assuming that \$60 million were borrowed over 30 years at a 4% rate, the annual revenue requirement for debt service would be \$3.5 million. Over the next five-year window, the ratepayer contribution to an alternative water supply project could be reduced from \$30 million to \$17.5 million over five years (5 years x \$3.5 million per year). The resulting savings in rates over the next five years could be used to mitigate the effects of changes in other policy areas, and to prefund rehabilitation costs arising from the Asset Management Program.

Staff recommends a smoothing of rates to assure a contribution of \$3.5 million per year on an on-going basis to meet debt service requirements for an alternative water supply project.

Next Steps

Staff will take the guidance and direction of the Board, and work with the rate consultant to complete a formal rate study. The remaining steps are:

- A first review of the rate study and proposed water rates will be conducted by the Board on March 19 and the Board will authorize issuance of a Proposition 218 notice for the proposed rates.
- Proposition 218 notices are mailed out to all rate payers on March 20.
- Public hearing to consider water rates is held on May 7.
- New water rates go into effect on July 1.

RECOMMENDATION

Staff recommends the Board provide policy guidance on the various water rate structure options presented. RFC will incorporate all policy guidance into the comprehensive water rate study, which will be presented to the Board in March 2019.