

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

September 19, 2023

1. CALL TO ORDER

A regular meeting of the Board of Directors was called to order at 6 p.m. by President Vonheeder-Leopold.

2. PLEDGE TO THE FLAG

3. ROLL CALL

Boardmembers present at start of meeting: President Georgan M. Vonheeder-Leopold, Vice President Ann Marie Johnson, Director Arun Goel, Director Dinesh Govindarao, and Director Richard M. Halket.

District staff present: Dan McIntyre, General Manager; Jan Lee, Assistant General Manager; Carol Atwood, Administrative Services Director/Treasurer; Steve Delight, Engineering Services Director/District Engineer; Michelle Gallardo, Special Assistant to the General Manager; Douglas E. Coty, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

4.A. New Employee Introductions

Erin Steffen, Public Affairs Program Administrator

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:03 p.m.

Speaker: Ms. Rose Allen (Power of Attorney for a Dublin resident) – Ms. Allen addressed the Board and explained she is requesting a bill reduction due to a leak on behalf of a District customer.

6. AGENDA MANAGEMENT (CONSIDER ORDER OF ITEMS) – At the conclusion of Item 8.B discussion, General Manager McIntyre recommended the Board hold Closed Session Item 10.B due to an attendee's time constraint. The Board agreed to take Closed Session 10.B after Item 8.B. and return to open session to hold Items 9 and 10.A.

7. CONSENT CALENDAR

Director Govindarao MOVED for approval of the items on the Consent Calendar. Director Goel SECONDED the MOTION, which CARRIED with FIVE AYES.

7.A. Approve Regular Meeting Minutes of September 5, 2023 – Approved

7.B. Approve Continuation of Emergency Action Procurement by General Manager for Repair of the LAVWMA Livermore Interceptor Pipeline and Find that the Need for the LAVWMA Livermore Interceptor Pipeline Emergency Still Exists – Approved

- 7.C. Affirm No Changes to Drug Free Workplace, Inspections for Prohibited Materials and District Property, Relations, and Salary Plan Policies – Approved

Director Govindarao inquired about the Department of Transportation (DOT) regulations referenced in the policy. Special Assistant to the General Manager Gallardo explained the District follows the DOT's drug testing regulations requiring a five-panel test.

- 7.D. Adopt Revisions to Rules and Regulations Governing Employer-Employee Organization Relations and Rescind Resolution No. 18-19 – Approved – Resolution No. 39-23

- 7.E. Approve Proclamation Celebrating October 7–15, 2023 as Water Professionals Appreciation Week – Approved

8. BOARD BUSINESS

- 8.A. Affirm No Changes to Consolidated Water Enterprise Fund Policy

Administrative Services Director Atwood reviewed the item for the Board. She also provided information to address a recent Board request for staff to evaluate segregating potable and recycled water enterprises into separate funds.

Ms. Atwood explained that the operational costs for both water and recycled water services are consolidated in Water Operations (Fund 600), per the Consolidated Water Enterprise Fund policy. The District's current practice of a single consolidated potable and recycled water enterprise is consistent with the majority of water districts based on a recent poll through the California Special District Association (CSDA) and follows best practice. Creating a separate recycled water fund would double the number of funds to manage (from four to eight) and would necessitate the substantial restructuring of administration and infrastructure established in the 1990's when the District integrated recycled water. In addition, the methodology to calculate capacity reserve fees would change and current Water Fund debt would need to be separated out. She reported that the logistical changes are possible, but would result in no benefit to the District. Any revenue benefit would be impermissible since the water rates are developed based on cost of service principles set forth in the California Government Code and Proposition 218. The District is legally mandated to calculate charges based on actual cost of service as reflected under our current rate scenario.

The Board and staff discussed a potential need to revisit the policy should potable reuse water projects come online. Staff explained that Zone 7 Water Agency (Zone 7), the District's water wholesaler, would lead such a project and build the cost into the rate charged to the District. At present, no projects are anticipated to occur within the four-year policy review cycle. The policy review could be expedited if circumstances present any potential impacts.

Director Halket MOVED to Affirm No Changes to the Consolidated Water Enterprise Fund Policy. Director Goel SECONDED the MOTION, which CARRIED with FIVE AYES.

8.B. Receive Presentation on Water Rates and Provide Direction for the 2024 Water Cost of Service Study and Rate Policies and Guidelines Policy

Management Analyst II Corinne Ferreyra reviewed the item for the Board and gave a presentation, 2024 Water Rates: Policy Direction (handed out to the Board), that was added to the website as supplementary materials providing an overview of the following:

- Background
- Current Rate Structure
- Policy Discussion
 1. Zone 7 Wholesale Cost
 2. Fixed & Variable Cost Ratio
 3. 2024 Retail Rate Adjustment
- Next Steps

The Board and staff discussed various aspects of the presentation and the policy options.

Policy #1: Zone 7 Wholesale Rate

(2023 fixed charge to DSRSD is \$8.4 million)

Four (4) options were presented; the bolded option is the staff recommendation:

1. Collect 30% of Zone 7 fixed charge as a separate Zone 7 fixed charge.
- 2. Collect 100% of Zone 7 fixed charge as a separate Zone 7 fixed charge.**
- 3a. Continue current practice of blending Zone 7 fixed and variable charges as a separate Zone 7 cost of water charge (status quo).
- 3b. Blend Zone 7 wholesale water costs into the DSRSD retail rate.

The Board and staff discussed various scenarios and risks pertaining to these options, the user classes and possible impacts to each one, the various approaches to equitability, and potential impacts of pending legislation that could further reduce per capita water use. General Counsel Coty further noted that the District's cost of service has to be allocated in such a way that no user subsidizes another customer class; in this, the law looks at equity a little differently. Rate creation is based on how much water is used and what costs are going into the water purchased. The Board has flexibility in how to shape the rates. Zone 7 follows Proposition 26 and must meet a proportionality threshold, much like DSRSD follows Proposition 218 and cannot subsidize another user.

The Board noted that Zone 7 changed its methodology from a variable rate to a fixed charge in 2016. The Board requested staff provide the Zone 7 and DSRSD revenue actuals from the last six years. The Board and staff also discussed how the Zone 7 retailers collect the Zone 7 fixed charge – City of Livermore collects 100%, City of Pleasanton is considering collecting 22% at this evening's Council meeting, and DSRSD currently blends the fixed and variable charges.

Policy #2: Fixed vs. Variable Cost Ratio for DSRSD's Retail Water Rates

(Fixed cost is based on meter size; variable cost is based on per hundred cubic feet consumed)

Three (3) options were presented; the staff recommendation is dependent on the option selected for Policy #1:

1. Reallocate the District's fixed and variable charges to 30%/70%.

2. Reallocate the District's fixed and variable charges to 30%/70% in addition to separating Zone 7's fixed and variable charges.
3. Continue the District's current fixed and variable charges allocation of 20%/80% (status quo).

Policy #3: 2024 Retail Rate Adjustment

Two (2) options were presented; the bolded option is the staff recommendation:

1. **Forego a rate adjustment on January 1, 2024, and make new rates effective March 1, 2024.**
2. Implement a rate adjustment on January 1, 2024, and make new rates effective July 1, 2024.

Ms. Ferreyra concluded the presentation and reviewed the proposed steps and timeline to complete the policy revision, conduct the 2024 Water Cost of Service Study, and complete rate adoption. General Manager McIntyre confirmed that the schedule is flexible, should the Board desire additional time to consider the policy updates.

The Boardmembers expressed their initial impressions and concerns regarding the policy options presented, and conveyed they were not yet prepared to determine the policy revisions. The Board directed staff to bring the item back to the Board in two to four weeks with the following additional information:

- A comparison of DSRSD and Zone 7 revenue actuals from the last six years;
- The coinciding dollar amounts of the increase/decrease percentages shown in the user class bill impact tables;
- A list of pros and cons for each option; and
- An option under Policy #2's Staff Recommendation B to reallocate District charges to 30%/70% with a 30% collection of the Zone 7 fixed charge as a separate Zone 7 fixed charge.

9. REPORTS

9.A. Boardmember Items

9.A.1. Joint Powers Authority and Committee Reports

The Board confirmed that the next DERWA Board meeting will be held next Monday, September 25, at 6 p.m.

9.A.2. Submittal of Written Reports for Day of Service Events Attended by Directors

Director Govindarao reported that he gave a Water Conservation presentation to the Dublin Rotary Club meeting on Wednesday, September 6, with Engineering Services Director Delight and Senior Engineer Irene Suroso. He summarized the activities and discussions at the meeting, and thanked staff for doing an outstanding job. He did not submit a written report.

President Vonheeder-Leopold submitted a written report to Executive Services Supervisor/District Secretary Genzale. She reported that she attended the

Alameda County Special Districts Association Chapter meeting on Wednesday, September 13, hosted by the Fairview Fire Protection District at the Hayward Area Recreational and Park District. She summarized the activities and discussions at the meeting.

9.A.3. Request New Agenda Item(s) Be Placed on a Future Board or Committee Agenda

Director Halket requested that an item be placed on a future agenda to consider and discuss the customer request received this evening regarding a bill reduction due to a leak.

9.B. Staff Reports – None

10. CLOSED SESSION

The Closed Session items were held out of order as recommended by the General Manager.

At 7:54 p.m. the Board went into Closed Session 10.A.

10.A. Conference with Legal Counsel – Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): (one case)

At 7:36 p.m. the Board went into Closed Session 10.B.

10.B. Public Employee Appointment – Pursuant to Government Code Section 54957
Title: General Manager

11. REPORT FROM CLOSED SESSION

At 8:38 p.m. the Board came out of Closed Session 10.A. President Vonheeder-Leopold announced that there was no reportable action.

At 7:49 p.m. the Board came out of Closed Session 10.B. President Vonheeder-Leopold announced that there was no reportable action.

12. ADJOURNMENT

President Vonheeder-Leopold adjourned the meeting at 8:38 p.m.

Submitted by,

Nicole Genzale, CMC
Executive Services Supervisor/District Secretary