

AGENDA

NOTICE OF SPECIAL MEETING

TIME: 6 p.m.

DATE: Monday, May 6, 2024

PLACE: Regular Meeting Place
7051 Dublin Boulevard, Dublin, CA
www.dsrsd.com

Our mission is to protect public health and the environment by providing reliable and sustainable water, recycled water, and wastewater services in a safe, efficient, and fiscally responsible manner.

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES
 - 4.A. Presentation by and Award to Winner of the Excellence in Water, Wastewater or Recycled Water Research Category of the Alameda County Science and Engineering Fair
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. Written comments received by 3 p.m. on the day of the meeting will be provided to the Board.
6. 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 April 16, 2024
Recommended Action: Approve by Motion
 - 7.B. Accept Regular and Recurring Report: Treasurer's Report
Recommended Action: Accept by Motion

Board of Directors

8. BOARD BUSINESS

8.A. Accept Fiscal Year Ending 2023 Annual Report on Rate Stabilization Fund Reserves and (1) Approve Transfers from the Local and Regional Wastewater Operations Funds (Funds 200 and 300) to the Local and Regional Wastewater Rate Stabilization Funds (Funds 205 and 305), (2) Approve Transfers from the Local and Regional Wastewater Rate Stabilization Funds (Funds 205 and 305) to the Local and Regional Wastewater Replacement Funds (Funds 210 and 310), and (3) Approve a Transfer from the Water Rate Stabilization Fund (Fund 605) to the Water Operations Fund (Fund 600)

Recommended Action: Accept by Motion

8.B. Receive Presentation on Proposed Changes to the District Code Related to Administration of Wastewater Capacity Reserve Fees

Recommended Action: Receive Presentation and Provide Direction

9. REPORTS

9.A. Boardmember Items

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

DERWA Board Meeting of April 22, 2024

Tri-Valley Water Liaison Committee Meeting of April 29, 2024

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

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

9.B. Staff Reports

10. ADJOURNMENT

All materials made available or distributed in open session at Board or Board Committee meetings are public information and are available for inspection during business hours 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**

April 16, 2024

1. CALL TO ORDER

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

2. PLEDGE TO THE FLAG

3. ROLL CALL

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

District staff present: Jan Lee, General Manager; Steve Delight, Engineering Services Director/District Engineer; Dan Gill, Operations Director; Michelle Gallardo, Interim Administrative Services Director; Douglas E. Coty, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

4.A. California Water Environment Association (CWEA) Award Winners

General Manager Lee announced the awards presentation and introduced DSRSD staff in attendance for the CWEA recognitions. She then introduced Mr. Mike Walkowiak, Managing Principal at Brown and Caldwell, who presented the following awards to the DSRSD staff members on behalf of the CWEA Board of Directors:

- Heidi Birdsell, Senior Quality Assurance Chemist - Laboratory Person of the Year (local, state)
- Field Operations Division – Collection System of the Year (local – small system)

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:08 p.m. No public comment was received.

6. 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.
Director Govindarao SECONDED the MOTION, which CARRIED with FIVE AYES.

7.A. Approve Regular Meeting Minutes of April 2, 2024 – Approved

7.B. Approve Proclamation Celebrating May 2024 as Water Awareness Month – Approved

7.C. Approve Intention to Levy the Dougherty Valley Standby Charge District 2001-1 Annual Assessment for Fiscal Year Ending 2025 – Approved – Resolution No. 6-24

Upon Director Govindarao's inquiry, staff explained the schedule for presentation of the annual Dougherty Valley assessment-related items to the Board.

8. BOARD BUSINESS

- 8.A. Approve 180-Day Wait Period Exception for Retired Annuitant Kenneth Spray as Administrative Services Director (Finance) under Government Code Sections 7522.56 and 21224

Human Resources & Risk Manager Samantha Koehler reviewed the item for the Board. The Board and staff discussed that Mr. Spray's interim appointment will continue for six to nine months while the District considers the financial management reporting structure and recruits to fill the vacancies in the Financial Services Division.

Director Vonheeder-Leopold MOVED to adopt Resolution No. 7-24, Approving a 180-Day Wait Period Exception for Retired Annuitant Kenneth Spray as the Administrative Services Director (Finance) under Government Code Sections 7522.56 and 21224. Director Halket SECONDED the MOTION, which CARRIED with FIVE AYES.

- 8.B. Public Hearing: Adopt Resolution Establishing Miscellaneous Fees and Charges and Rescind Resolution No. 9-22

President Johnson announced the item and declared the Public Hearing open. She asked for the staff presentation. Senior Engineer Jackie Yee reviewed the item for the Board.

President Johnson inquired if there were any comments from the public. There was no public comment received. President Johnson declared the Public Hearing closed.

The Board and staff discussed and confirmed that the proposed fees will be subject to adjustment by the appropriate CPI (Consumer Price Index) on January 1 of calendar years 2025 and 2026. They also discussed the proposed Project Planning and Review Fees (Miscellaneous) Research fee. The Board inquired about the frequency of customer research requests that exceed 30 minutes and the method by which staff will assess and track this fee so as to be objective and understandable to customers. General Manager Lee noted that the City of Dublin charges a similar fee and suggested staff can look into the City's process. The Board discussed potential alternatives to this particular fee as well as possibly deferring consideration of the Research fee to a future Board meeting. General Counsel Coty explained that the public noticing completed for the Research fee would need to be redone should the Board decide to consider adoption of this particular fee at a later Board meeting.

President Johnson MOVED to adopt Resolution No. 8-24, Establishing Fees and Charges under District Code Sections 1.30.010(B), 1.40.040, 1.50.010, 1.50.070, 1.100.010, 1.100.030, 2.30.050, 3.70.060, 3.70.070 (A) & (B), 4.30.040, 4.30.070, 4.40.040 (A) & (B), 4.40.050, 4.40.070, 4.40.080 (A) & (C), 4.40.090, AND 5.30.090, and Rescinding Resolution No. 9-22, and further, directed staff to provide the Board with additional data and an implementation process for the new Project Planning and Review Fees (Miscellaneous) Research fee. Director Govindarao SECONDED the MOTION, which CARRIED with THREE AYES and TWO NOES (Halket and Goel).

- 8.C. Public Hearing: Consider Establishing Water Rates under Chapter 4.40 of the District Code and Rescinding, in Part, Resolution No. 21-19

President Johnson announced the item and declared the Public Hearing open. She asked for the staff presentation. Senior Management Analyst Corinne Ferreyra reviewed the item and provided the Board a presentation (handed out to the Board and posted to the website as supplemental materials) summarizing the District's process to develop the proposed water rate schedule presented this evening.

President Johnson inquired if there were any comments from the public or if anyone present wished to submit or withdraw a written protest. There was no public comment received, nor protests withdrawn or submitted. President Johnson declared the Public Hearing closed and asked for the report of apparent protests received.

District Secretary Genzale reported that a total of three (3) apparent protests were received. A revised protest summary (Attachment 4) was handed out to the Board and posted to the website as supplemental materials as the third protest was received after the agenda packet was published.

President Johnson declared that the protest was unsuccessful as a majority of 16,504 valid protests (based on 33,006 parcels) would be needed to constitute a majority protest.

The Board and staff discussed and confirmed that \$7 million in reserves from the Water Rate Stabilization fund will be utilized to lessen rate adjustment impacts to customers for the first two years of the proposed five-year water rate schedule.

Director Halket MOVED to adopt Resolution No. 9-24, Establishing Water Rates under Chapter 4.40 of the District Code and Rescinding, in Part, Resolution No. 21-19. Vice President Goel SECONDED the MOTION, which CARRIED with FIVE AYES.

- 8.D. Receive Presentation on Per-and Polyfluoroalkyl Substances (PFAS) in Water and Wastewater

Laboratory and Environmental Compliance Manager Kristy Fournier reviewed the item for the Board. The Board and staff discussed various aspects of the presentation regarding the background of PFAS, related 2023–2024 legislation, the presence of PFAS detected in drinking water DSRSD receives from Zone 7 Water Agency (Zone 7), Zone 7's progress in adding PFAS treatment to its wellfields to meet the newly issued federal PFAS drinking water regulations, the status of regional studies looking at the presence of PFAS in wastewater, and efforts to educate the community on the presence of PFAS in consumer products. The Board thanked Ms. Fournier for the informative presentation with the suggestion that DSRSD staff continue to work with Zone 7 to receive regular progress updates.

9. REPORTS

- 9.A. Boardmember Items

9.A.1. Joint Powers Authority and Committee Reports – None

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

Director Vonheeder-Leopold submitted a written report to Executive Services Supervisor/District Secretary Genzale. She reported that she attended the virtual Alameda County Special Districts Association (ACSDA) Executive Committee meeting on April 10. She also reported (no written report) that she attended the annual ACSDA dinner meeting on Thursday, March 21, at the Redwood Canyon Golf Course in Castro Valley. She summarized the activities and discussions at the meetings. She shared an April 4 editorial from the Independent newspaper acknowledging DSRSD and City of Livermore for their leadership in wastewater management.

9.A.3. Request New Agenda Item(s) Be Placed on a Future Board or Committee Agenda – None

9.B. Staff Reports

General Manager Lee reported on the following:

- A DERWA Board meeting will be held on Monday, April 22, at 6 p.m.
- The Dublin State of the City Address will be held on Wednesday, May 1, at the Shannon Community Center at 11:30 a.m.
- The regular Board meeting scheduled for Tuesday, May 7, will be cancelled due to a conflict with the Spring ACWA conference. A special Board meeting will be held in its place on Monday, May 6, at 6 p.m.

10. CLOSED SESSION

At 7:14 p.m. the Board went into Closed Session.

10.A. Public Employee Performance Evaluation Pursuant to Government Code Section 54957
Title: General Manager11. REPORT FROM CLOSED SESSION

At 7:38 p.m. the Board came out of Closed Session. President Johnson announced that there was no reportable action.

12. ADJOURNMENT

President Johnson adjourned the meeting at 7:38 p.m.

Submitted by,

Nicole Genzale, CMC
Executive Services Supervisor/District Secretary



TITLE: Accept Regular and Recurring Report: Treasurer's Report

RECOMMENDATION:

Staff recommends the Board of Directors accept, by Motion, the regular and recurring report: Treasurer's Report.

DISCUSSION:

To maximize openness and transparency and to allow the Board to be informed about key aspects of District business, the Board directed that various regular and recurring reports be presented for Board acceptance at regular intervals (see Attachment 1).

The following report is presented this month for acceptance:

Ref Item B: Treasurer's Report

The Treasurer's Report as of March 31, 2024, is attached as required under Government Code §53646. The District portfolio has a market value of \$234,852,489, is in conformity with the District's Investment policy and provides sufficient cash flow liquidity to meet the next six months' expenses.

Government Code §53646 (b)(1) states, "The treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency. The quarterly report shall be so submitted within 45 days following the end of the quarter covered by the report."

Originating Department: Administrative Services	Contact: T. Lucero/J. Lee	Legal Review: Not Required
Financial Review: Yes	Cost and Funding Source: N/A	
Attachments: <input type="checkbox"/> None <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 – Summary of Regular and Recurring Reports	
		7 of 24

SUMMARY OF REGULAR AND RECURRING REPORTS

Ref	Description	Frequency	Authority	Last Acceptance	Acceptance at this Meeting?	Next Acceptance
A	Warrant List	Monthly	Board Direction	N/A	N/A – Posted monthly on website	N/A
B	Treasurer’s Report ¹	Quarterly	CA Government Code 53646	February 2024	Yes	August 2024
C	Quarterly Financial Report	Quarterly	Board Direction Budget Accountability Policy	September 2022 ²		Pending
D	Outstanding Receivables Report	Annually – Fiscal Year	District Code 1.50.050	August 2023		August 2024
E	Employee and Director Reimbursements greater than \$100 ³	Annually – Fiscal Year	CA Government Code 53065.5	August 2023		August 2024
F	Utility Billing Adjustments ⁴	Annually – Fiscal Year	Utility Billing Adjustment Policy	Total FYE 2023 credits below \$25,000		August 2024
G	Annual Rate Stabilization Fund Transfer Calculation	Annually – After Audit	Financial Reserves Policy	May 2023	Yes	March 2025
H	Capital Projects created from Programs	Quarterly	Board Direction Budget Accountability Policy	NA ⁵		Pending
I	Capital Budget Adjustments approved by the General Manager			NA ⁵		

¹ To meet the 30-day reporting requirement, the Quarterly Treasurer’s Report (Ref B) will be included in (1) the General Manager Report to Board and the next Board meeting agenda packet, or (2) the next Board meeting agenda packet only.

² Financial reporting for Fiscal Year Ending 2023 included in the 2023 Annual Comprehensive Financial Report, that was accepted by the Board in December 2023.

³ Reimbursements also reported monthly in the Warrant List (Ref A).

⁴ Per Utility Billing Adjustments policy, a report will be presented to the Board if total credits in any fiscal year exceed \$25,000.

⁵ Capital reporting will be consistent with the revisions to the Budget Accountability Policy adopted by the Board on May 16, 2023. 8 of 24

Dublin San Ramon Services District
Treasurer's Report - Portfolio Management Summary
As of: March 31, 2024

Description	Face Amount/ Par Value	Market Value	Book Value	% of Portfolio	Permitted by Policy	In Compliance	YTM @ Cost
CAMP	\$38,446,016	\$38,446,016	\$38,446,016	18.61%	100%	Yes	5.48%
Certificate of Deposit	3,500,000	3,384,434	3,500,000	1.69%	30%	Yes	2.31%
Corporate Bonds	28,500,000	26,722,625	28,500,000	13.80%	30%	Yes	1.30%
Federal Agency Callables	57,666,667	54,331,067	57,666,667	27.92%	100%	Yes	1.55%
LAIF - Operating	20,009,054	19,892,821	20,009,054	9.69%	100%	Yes	4.23%
Municipals	25,895,000	24,074,087	25,895,000	12.54%	100%	Yes	1.82%
US Treasuries	32,550,000	32,067,567	32,541,030	15.76%	100%	Yes	4.13%
Total Investments	\$206,566,736	\$198,918,616	\$206,557,766	100.00%			2.97%
Bank of America	35,933,873	35,933,873	35,933,873				
Total Cash & Investments	\$242,500,610	\$234,852,489	\$242,491,639				2.97%

I certify that this report reflects all Government Agency pooled investments and is in conformity with the Investment The investment program herein shown provides sufficient cash flow liquidity to meet the next six month's expenses.

Market values for investments other than CAMP and LAIF were provided by Wells Fargo Securities, LLC.

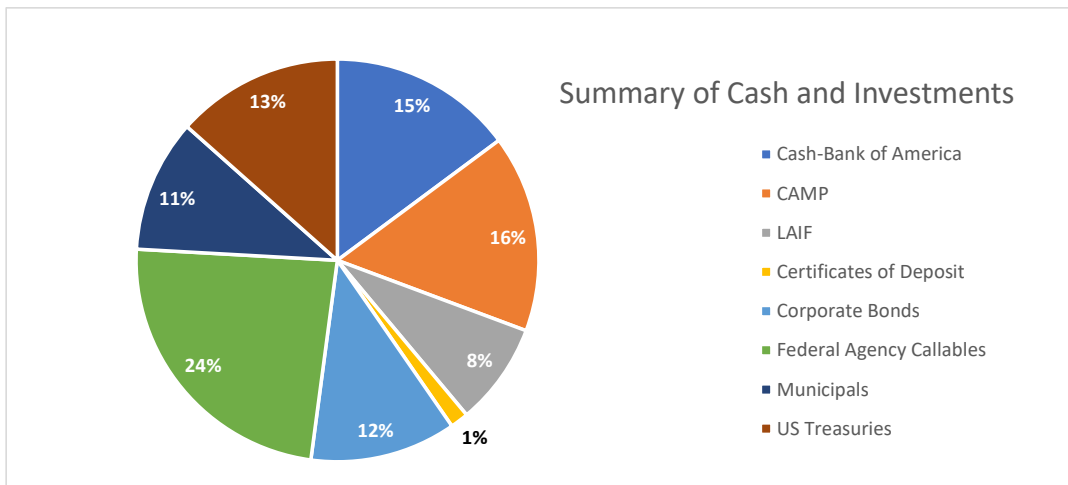
Jan Lee, Treasurer

For comparison - prior quarter ending summary as 12/31/2023

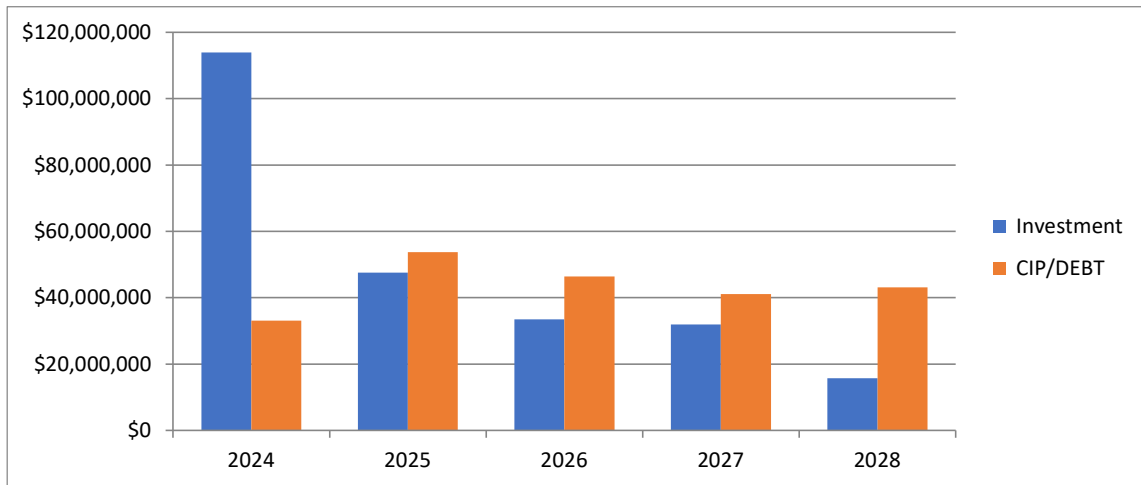
Description	Face Amount/ Par Value	Market Value	Book Value	% of Portfolio	Permitted by Policy	In Compliance	YTM @ Cost
CAMP	\$37,924,475	\$37,924,475	\$37,924,475	17.99%	100%	Yes	5.56%
Certificate of Deposit	3,500,000	3,366,148	3,500,000	1.66%	30%	Yes	2.31%
Corporate Bonds	28,500,000	26,725,322	28,500,000	13.52%	30%	Yes	1.28%
Federal Agency Callables	62,666,667	59,294,575	62,666,667	29.72%	100%	Yes	1.48%
LAIF - Operating	19,810,039	19,680,369	19,810,039	9.40%	100%	Yes	4.00%
Municipals	25,895,000	24,038,327	25,895,000	12.28%	100%	Yes	1.82%
US Treasuries	32,550,000	31,789,851	32,510,796	15.44%	100%	Yes	3.73%
Total Investments	\$210,846,180	\$202,819,066	\$210,806,976	100.00%			2.88%
Bank of America	34,375,284	34,375,284	34,375,284				
Total Cash & Investments	\$245,221,464	\$237,194,350	\$245,182,260				2.88%

Investment Review for : March 31, 2024
Summary of Current Cash & Investments

	Face Amount	% of Portfolio	Avg Maturity (in Years)	Avg Yield
Cash-Bank of America	\$35,933,873	14.82%		
CAMP	38,446,016	15.85%		5.48%
LAIF	20,009,054	8.25%		4.23%
Certificates of Deposit	3,500,000	1.44%	1.1	2.31%
Corporate Bonds	28,500,000	11.75%	2.0	1.30%
Federal Agency Callables	57,666,667	23.78%	1.8	1.55%
Municipals	25,895,000	10.68%	2.5	1.82%
US Treasuries	32,550,000	13.42%	0.4	4.13%
Total / Average	\$242,500,610	100.00%	1.5	2.97%



Investment / Cash needs next 5 years



	Investment	CIP/DEBT
2024	\$113,888,943	\$33,020,547
2025	47,550,000	53,691,599
2026	33,500,000	46,376,434
2027	31,895,000	41,115,199
2028	15,666,667	43,109,715
Total	\$242,500,610	\$217,313,494

Description	CUSIP/Ticker	Credit Rating (1)	Settlement Date	Face Amount/Shares	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Maturity	Maturity Date	Accrued Interest
Bank of America - Concentration											
Bank of America MM	MM0000	NA	4/30/2017	\$35,933,873	\$35,933,873	\$35,933,873		0.000	1		
Sub Total / Average Bank of America - Concentration				35,933,873	35,933,873	35,933,873			1		-
CAMP											
CAMP LGIP	LGIP6300	NA	6/30/2011	38,446,016	38,446,016	38,446,016	5.480	5.480	1		
Sub Total / Average CAMP				38,446,016	38,446,016	38,446,016			1		-
Certificate of Deposit											
AMEX NATIONAL BANK 2.85 5/28/2024	02589ACT7		5/25/2022	250,000	248,968	250,000	2.850	2.850	58	5/28/2024	\$2,479
BANK HAPOALIM 0.5 12/15/2025	06251A2Q2		12/14/2020	250,000	232,038	250,000	0.500	0.500	624	12/15/2025	370
BMW BANK OF NO AMERICA 0.5 11/20/2025	05580AXU3		11/20/2020	250,000	232,696	250,000	0.500	0.500	599	11/20/2025	452
BRIDGEWATER BANCSHARES0.45 11/28/2025	108622LL3		11/30/2020	250,000	232,158	250,000	0.450	0.450	607	11/28/2025	3
CELTIC BANK 1.4 4/17/2024	15118RUV7		4/17/2020	250,000	249,456	250,000	1.400	1.400	17	4/17/2024	134
CENTRAL BANK CD 0.45 1/27/2026	15258RAV9		1/27/2021	250,000	230,615	250,000	0.450	0.450	667	1/27/2026	12
DISCOVER BANK 3.1 5/27/2025	254673E69		5/24/2022	250,000	244,538	250,000	3.100	3.100	422	5/27/2025	2,718
GOLDMAN SACHS BANK USA 2.85 5/28/2024	38150VAT6		5/25/2022	250,000	248,968	250,000	2.850	2.850	58	5/28/2024	2,479
MEDALLION BANK CD 0.45 1/29/2026	58404JDN2		1/29/2021	250,000	230,599	250,000	0.450	0.450	669	1/29/2026	9
MERRICK BANK 5.4 4/4/2025	59013KXG6		10/4/2023	250,000	250,767	250,000	5.400	5.400	369	4/4/2025	999
MORGAN STANLEY BANK NA 5.515 4/11/2025	61690DFE3		10/11/2023	250,000	250,952	250,000	5.515	5.515	376	4/11/2025	6,497
MORGAN STANLEY BANK NA 5.515 4/4/2025	61768EZX5		10/4/2023	250,000	250,924	250,000	5.515	5.515	369	4/4/2025	6,762
STATE BANK OF INDIA 0.55 11/24/2025	856283R57		11/23/2020	250,000	232,803	250,000	0.550	0.550	603	11/24/2025	486
UBS BANK USA 2.85 5/28/2024	90348J3L2		5/25/2022	250,000	248,952	250,000	2.850	2.850	58	5/28/2024	117
Sub Total / Average Certificate of Deposit				3,500,000	3,384,434	3,500,000	2.313	2.313	393		23,517
Corporate Bonds											
ALPHABET INC 0.45 8/15/2025-25	02079KAH0	Aa2	9/16/2021	3,000,000	2,826,819	3,000,000	0.450	0.600	502	8/15/2025	1,725
BANK OF NY MELLON 1.6 4/24/2025-25	06406RAN7	A1	10/5/2020	5,000,000	4,809,305	5,000,000	1.600	0.618	389	4/24/2025	34,889
COSTCO COMPANIES 2.75 5/18/2024-20	22160KAL9	Aa3	5/17/2019	3,500,000	3,487,096	3,500,000	2.750	2.527	48	5/18/2024	35,559
PROCTER & GAMBLE 1.9 2/1/2027	742718FV6	Aa3	2/10/2022	5,000,000	4,651,340	5,000,000	1.900	1.910	1,037	2/1/2027	15,833
STANFORD UNIVERSITY 1.289 6/1/2027	85440KAC8	Aaa	12/10/2021	5,000,000	4,502,530	5,000,000	1.289	1.475	1,157	6/1/2027	21,483
TOYOTA MOTOR CREDIT CORP 0.8 1/9/2026-21	89236THW8	A1	3/4/2021	2,000,000	1,860,300	2,000,000	0.800	0.902	649	1/9/2026	3,644
WALMART INC 1.05 9/17/2026-26	931142ER0	Aa2	9/17/2021	5,000,000	4,585,235	5,000,000	1.050	0.942	900	9/17/2026	2,042
Sub Total / Average Corporate Bonds				28,500,000	26,722,625	28,500,000	1.466	1.304	715		115,176
Federal Agency											
FFCB 0.8 3/9/2026-23	3133EMSU7	Aaa	3/9/2021	5,000,000	4,628,660	5,000,000	0.800	0.800	708	3/9/2026	2,444
FFCB 0.9 8/19/2027-21	3133ELD03	Aaa	8/19/2020	4,500,000	3,980,372	4,500,000	0.900	0.900	1,236	8/19/2027	4,725
FFCB 1.5 12/14/2026-22	3133ENHA1	Aaa	12/14/2021	5,000,000	4,584,730	5,000,000	1.500	1.500	988	12/14/2026	22,292
FHLB 0.5 1/28/2026-22	3130AKN69	Aaa	1/28/2021	5,000,000	4,623,790	5,000,000	0.500	0.500	668	1/28/2026	4,375
FHLB 1.25 11/10/2026-22	3130APLR4	Aaa	11/10/2021	5,000,000	4,595,825	5,000,000	1.250	1.250	954	11/10/2026	24,479
FHLB 1.5 3/30/2028-21	3130ALNS9	WR	3/30/2021	4,166,667	3,711,483	4,166,667	1.500	1.500	1,460	3/30/2028	-
FHLB 1.55 8/28/2024-23	3130AQX32	Aaa	2/28/2022	5,000,000	4,925,375	5,000,000	1.550	1.550	150	8/28/2024	7,104
FHLB 3.05 4/28/2025-23	3130ARU82	Aaa	4/29/2022	4,000,000	3,920,032	4,000,000	3.050	3.050	393	4/28/2025	51,850
FHLB 3.57 6/28/2024-23	3130ASH77	Aaa	6/28/2022	5,000,000	4,979,435	5,000,000	3.570	3.570	89	6/28/2024	46,113
FHLMC 0.5 9/30/2025-22	3134GWUE4	Aaa	10/2/2020	2,000,000	1,874,290	2,000,000	0.500	0.510	548	9/30/2025	-
FHLMC 0.55 9/30/2025-21	3134GWWT9	Aaa	10/2/2020	3,000,000	2,813,580	3,000,000	0.550	0.558	548	9/30/2025	-
FHLMC 3.15 3/27/2025-22	3134GXVP6	Aaa	6/27/2022	5,000,000	4,895,830	5,000,000	3.150	3.150	361	3/27/2025	1,750
FNMA 0.5 2/18/2025-22	3135GA4W8	Aaa	11/18/2020	5,000,000	4,797,665	5,000,000	0.500	0.500	324	2/18/2025	2,986
Sub Total / Average Federal Agency				57,666,667	54,331,067	57,666,667	1.548	1.548	645		168,118
LAIF - Operating											
LAIF LGIP	LGIP1001	NA	6/30/2011	20,009,054	19,892,821	20,009,054	4.232	4.232			
Sub Total / Average LAIF - Operating				20,009,054	19,892,821	20,009,054					
Municipals											
CA DWR CENTRAL VLY PROJ 1.051 12/1/2026-21	13067WSW3	Aa1	5/2/2022	5,000,000	4,568,950	5,000,000	1.051	3.175	975	12/1/2026	17,517
CITY OF OAKLAND 1.83 1/15/2027	672240VV6	Aa1	3/18/2020	1,895,000	1,761,433	1,895,000	1.830	1.820	1,020	1/15/2027	7,321
ORANGE UNIFIED SD2.35 5/1/2026	684133LE9	Aa2	12/19/2019	2,000,000	1,904,048	2,000,000	2.350	2.240	761	5/1/2026	19,583
STATE OF CALIFORNIA 3.5 4/1/2028	13063DGC6	Aa2	5/27/2021	2,000,000	1,934,772	2,000,000	3.500	1.425	1,462	4/1/2028	35,000
STATE OF HAWAII 0.852 10/1/2025-20	419792ZL3	Aa2	10/20/2021	5,000,000	4,705,915	5,000,000	0.852	0.975	549	10/1/2025	21,300
STATE OF MINNESOTA 0.86 8/1/2027	60412AVW0	Aaa	8/25/2020	5,000,000	4,443,240	5,000,000	0.860	0.873	1,218	8/1/2027	7,167
State of Ohio 2.15 5/1/2026	677522T61	Aaa	11/20/2019	5,000,000	4,755,730	5,000,000	2.150	2.220	761	5/1/2026	44,792
Sub Total / Average Municipals				25,895,000	24,074,088	25,895,000	1.534	1.815	923		152,679
Treasury											
T-Bill 0 8/8/2024	912797GK7	Fitch F1+	9/6/2023	12,550,000	12,319,582	12,550,000	0.000	5.430	130	8/8/2024	-
T-Bond 0.25 6/15/2024	91282CCG4	Aaa	5/27/2022	5,000,000	4,947,560	5,000,000	0.250	2.441	76	6/15/2024	3,654
T-Bond 1 12/15/2024	91282CDN8	Aaa	5/27/2022	5,000,000	4,856,105	5,000,000	1.000	2.550	259	12/15/2024	14,617
T-Note 2 4/20/2024	912828X70	Aaa	10/26/2022	5,000,000	4,986,505	4,991,030	2.000	4.571	20	4/20/2024	44,318
T-Note 3.25 8/31/2024	91282CFG1	Aaa	9/16/2022	5,000,000	4,957,815	5,000,000	3.250	3.674	153	8/31/2024	14,286
Sub Total / Average Treasury				32,550,000	32,067,567	32,541,030	0.998	4.127	128		76,876
Total / Average				\$242,500,610	\$234,852,490	\$242,491,639			359		\$536,366

(1) FDIC- Insured brokered CDs are not included in Credit Rating provided by custodian bank.
Moody's Rating if not specified, WR: Withdrawal Rating



TITLE: Accept Fiscal Year Ending 2023 Annual Report on Rate Stabilization Fund Reserves and (1) Approve Transfers from the Local and Regional Wastewater Operations Funds (Funds 200 and 300) to the Local and Regional Wastewater Rate Stabilization Funds (Funds 205 and 305), (2) Approve Transfers from the Local and Regional Wastewater Rate Stabilization Funds (Funds 205 and 305) to the Local and Regional Wastewater Replacement Funds (Funds 210 and 310), and (3) Approve a Transfer from the Water Rate Stabilization Fund (Fund 605) to the Water Operations Fund (Fund 600)

RECOMMENDATION:

Staff recommends the Board of Directors accept, by Motion, the annual report on Rate Stabilization Fund reserves for fiscal year ending 2023 and approve the following fund transfers:

1. \$3,139,017 from Local Wastewater Operations Fund (Fund 200) to Local Wastewater Rate Stabilization Fund (Fund 205) and \$4,102,165 from the Regional Wastewater Operations Fund (Fund 300) to Regional Wastewater Rate Stabilization Fund (Fund 305)
2. \$2,059,412 from Local Wastewater Rate Stabilization Fund (Fund 205) to Local Wastewater Replacement Fund (Fund 210) and \$3,378,211 from Regional Wastewater Rate Stabilization Fund (Fund 305) to Regional Wastewater Replacement Fund (Fund 310)
3. \$2,789,616 from the Water Rate Stabilization Fund (Fund 605) to Water Operations Fund (Fund 600)

SUMMARY:

On December 19, 2023, the Board accepted the District’s Annual Comprehensive Financial Report (ACFR) prepared by the District’s independent auditor, Maze and Associates. The annual report on Rate Stabilization Fund (RSF) reserves is developed based on the ending working capital from the financial statements. The fiscal year ending (FYE) 2023 working capital for the Local and Regional Wastewater Operations Funds is above the District’s Financial Reserves policy maximum of six months. Therefore, staff recommends a \$3,139,017 transfer from the Local Wastewater Operations Fund to the Local Wastewater RSF and a \$4,102,165 transfer from the Regional Wastewater Operations Fund to the Regional Wastewater RSF. The FYE 2023 combined Operations Fund and RSF working capital for the Local and Regional Wastewater enterprises also exceeds the Financial Reserve policy maximum of twelve months. Therefore, staff recommends a \$2,059,412 transfer from the Local Wastewater RSF to the Local Wastewater Replacement Fund and a \$3,378,211 transfer from the Regional Wastewater Operations Fund to the Regional Wastewater Replacement Fund. The FYE 2023 ending working capital for the Water Operations Fund of \$8,853,141 is below the policy target of four months. In accordance with the Financial Reserves policy, staff recommends a transfer for the shortfall below four months of \$2,789,616 from the Water RSF to the Water Operations Fund.

BACKGROUND:

The District maintains four funds (Operations, Rate Stabilization, Replacement, and Expansion) for each of its three enterprises (Local Wastewater Collection, Regional Wastewater Treatment, and Water). In 2011, the Board of Directors adopted a Financial Reserves policy (P400-15-1), which provides fund reserve guidance for all enterprises. This policy (Attachment 1) was last reviewed by the Board in 2015, and the next review is scheduled for fall 2024.

The purpose of Operations Fund reserves is to ensure adequate cash is available when needed to pay the District’s normal and recurring operating costs. For each Operations Fund, a “minimum reserve,” a “target reserve,” and a “maximum reserve” are established. The various reserve amounts are calculated based on the adopted operating expense budget for each respective Operations Fund. The reserve levels are determined as follows:

Originating Department: Administrative Services	Contact: C. Chen/J. Lee	Legal Review: Not Required
Financial Review: Yes	Cost and Funding Source: N/A	
Attachments: <input type="checkbox"/> None <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 – Financial Reserves Policy (P400-15-1)	
		12 of 24

- Minimum Operations Fund reserve: Working capital is equal to two months of budgeted operating expenses
- Target Operations Fund reserve: Working capital is equal to four months of budgeted operating expenses
- Maximum Operations Fund reserve: Working capital is equal to six months of budgeted operating expenses

The purpose of the Rate Stabilization Fund (RSF) reserves is to manage public funds to assure financial stability, including stability of revenues and the rates and charges related to each enterprise. For each RSF, a “minimum reserve,” a “target reserve,” and a “maximum reserve” are established. The various reserve amounts are calculated based on the adopted operating expense budget for each respective Operations Fund. The reserve levels are determined as follows:

- Minimum RSF reserve: Working capital is equal to two months of budgeted operating expenses
- Target RSF reserve: Working capital is equal to four months of budgeted operating expenses
- Maximum RSF reserve: The combined working capital for the Operations Fund and the RSF is equal to twelve months of budgeted operating expenses

The Financial Reserves policy further notes that the General Manager shall report annually to the Board of Directors on the status of each of these funds in meeting reserve targets. The Financial Reserves policy authorizes the General Manager to make certain transfers to meet various criteria. If the combined working capital of the Operations and Rate Stabilization Funds is greater than the policy maximum, the General Manager will make a recommendation to the Board of Directors as to how the funds should be used.

This annual report is made after the completion of the financial statements for the previous fiscal year, based on the audited fund balances as of the end of the prior fiscal year.

DISCUSSION:

Based on the RSF analysis, staff recommends the following transfers:

1. **Transfer \$3,139,017 from the Local Wastewater Operations Fund (Fund 200) to the Local Wastewater RSF (Fund 205) and transfer \$4,102,165 from the Regional Wastewater Operations Fund (Fund 300) to the Regional Wastewater RSF (Fund 305):** Both enterprise Operations Funds ended the fiscal year above the policy maximum of six months. In accordance with the Financial Reserves policy, staff is recommending a transfer of the excess above six months to the enterprise RSF.
2. **Transfer \$2,059,412 from the Local Wastewater RSF (Fund 205) to the Local Wastewater Replacement Fund (Fund 210) and transfer \$3,378,211 from the Regional Wastewater RSF (Fund 305) to the Regional Wastewater Replacement Fund (Fund 310):** The Financial Reserves policy states that if the combined working capital for the Operations Fund and the RSF is greater than the policy maximum, the General Manager will make a recommendation to the Board of Directors as to how the funds should be used. The combined working capital for the Local Wastewater Operating Fund and the Local Wastewater RSF (\$5,632,286) is above the policy maximum of twelve months, and the combined working capital for the Regional Wastewater Operations Fund and the Regional Wastewater RSF (\$24,415,323) is above the policy maximum of twelve months. Therefore, the General Manager recommends a transfer of the excess above twelve months to the enterprise Replacement Funds.

At the October 17, 2023 Board meeting, the Board received a presentation on the California Public Employees Retirement System (CalPERS) Annual Valuation Report and provided direction to staff on the strategy for managing the District’s Unfunded Accrued Liability (UAL). This direction included (1) establishing a minimum funded ratio UAL threshold of 80 percent and a target funded ratio of 90 percent; (2) prioritizing RSF transfers towards UAL liabilities when the combined Operations and RSF working capital exceeds the policy maximum of 12 months; and (3) allocating additional discretionary payments equal to 15 percent of annual UAL obligations. Based on the FYE 2022 CalPERS Annual Valuation report, the District’s UAL currently remains above the minimum of 80 percent. As described below, the combined working capital for the Water Operations Fund and RSF is currently below the policy maximum. Therefore, the General Manager is not recommending the use of RSF to make an additional payment towards the District’s UAL obligations at this time.

3. **Transfer \$2,789,616 from the Water RSF (Fund 605) to the Water Operations Fund (Fund 600):** The FYE 2023 ending working capital for the Water Operations Fund (\$8,853,141) is below the policy target of four months. In accordance with the Financial Reserves policy, staff recommends a transfer of the shortfall below four months (\$2,789,616) from the Water RSF Fund to the Water Operations Fund.

Rate Stabilization Fund Analysis

June 30, 2023

	Fund 200	Fund 300	Fund 600
Operations Funds	Local Wastewater	Regional Wastewater	Water
Operating Expense Budget (FYE 2022-23)	\$ 3,572,873	\$ 21,037,112	\$ 34,928,271
One Month Working Capital	297,739	1,753,093	2,910,689
Target (four months)	1,190,958	7,012,371	11,642,757
Target + Two Months (six months)	1,786,437	10,518,556	17,464,136
From Audited Financials (with PPA):			
Current Assets	\$ 5,073,479	\$ 18,995,860	\$ 16,766,891
Less: Current Liabilities	148,025	4,375,139	7,913,750
Working Capital	4,925,454	14,620,721	8,853,141
Months of Working Capital (if between 4-6, no action)	16.54	8.34	3.04

Surplus to Transfer (excess of target + two months)	\$ 3,139,017	\$ 4,102,165	\$ -
Funding Needed (if working capital is below 4)	None	None	2,789,616

	Fund 205	Fund 305	Fund 605
Rate Stabilization Funds	Local Wastewater	Regional Wastewater	Water
Current Balance in RSF	\$ 706,832	\$ 9,794,602	\$ 15,959,788
Amount to Add	3,139,017	4,102,165	-
Amount to Subtract	-	-	2,789,616
New Balance in RSF	\$ 3,845,849	\$ 13,896,767	\$ 13,170,172
Amount Over Six Months Working Capital	\$ 2,059,412	\$ 3,378,211	\$ 4,559,177
Total Between Operations and RSF	18.92	13.93	8.52

	Fund 200	Fund 300	Fund 600
Operations Funds	Local Wastewater	Regional Wastewater	Water
Working Capital (pre-RSF transfer)	\$ 4,925,454	\$ 14,620,721	\$ 8,853,141
RSF Transfer	(3,139,017)	(4,102,165)	2,789,616
Working Capital (post-RSF transfer)	\$ 1,786,437	\$ 10,518,556	\$ 11,642,757
Months of Working Capital	6.00	6.00	4.00

	Fund 205	Fund 305	Fund 605
Rate Stabilization Funds	Local Wastewater	Regional Wastewater	Water
New Balance in RSF	\$ 3,845,849	\$ 13,896,767	\$ 13,170,172
RSF Transfer to Replacement Fund	(2,059,412)	(3,378,211)	-
Working Capital (post-RSF transfer)	\$ 1,786,437	\$ 10,518,556	\$ 13,170,172
Months of Working Capital	6.00	6.00	4.52



Policy

Policy No.: P400-15-1	Type of Policy: Finance
Policy Title: Financial Reserves	
Policy Description: Provides guidance for the prudent accumulation and management of designated reserves.	
Approval Date: 6/2/2015	Last Review Date: 2015
Approval Resolution No.: 40-15	Next Review Date: 2019
Rescinded Resolution No.: 73-14	Rescinded Resolution Date: 11/18/2014

It is the policy of the Board of Directors of Dublin San Ramon Services District:

To designate financial reserves in order to protect the District's investment in its various assets, satisfy its commitments under its numerous financial, regulatory and contractual obligations and to stabilize long-term rates for its customers.

Designated reserves are earmarked by the Board of Directors for purposes such as funding new capital facilities, construction, repair, replacement or refurbishment of existing facilities, rate stabilization, emergency and operating reserves. These funds can be utilized at the discretion of the District. The Board can change fund designations at any time. Designated reserves are different than restricted funds, which are used strictly to meet requirements established by creditors, grant agencies or law. Reserves held by a third-party as bond reserves or for pension obligations are examples of restricted reserves; the District has no discretion as to the use of these funds.

If the District is contractually obligated to hold additional reserves, the more stringent requirement takes precedence. In addition, if there is a declared emergency, the General Manager may utilize any unrestricted funds in accordance with the emergency purchasing policy.

To accomplish these objectives, the District shall adhere to the following:

Operating Reserves

Purpose: The purpose of Operating reserves (referred to as working capital) is to ensure adequate cash is available when needed to pay the District's normal and recurring operating costs.

Use of Funds: Funds are utilized throughout the year in order to meet the District's operating obligations.

Policy No.: P400-15-1

Policy Title: Financial Reserves

Target: Working capital equal to four months of budgeted operating expenses in each Operating Fund.

Minimum: Two months of budgeted operating expenses in each operating Fund. If reserves fall below this level, the District’s Rate Policies and Guidelines outline additional steps that shall be followed.

Maximum: Six months of budgeted operating expenses in each Operating Fund. If reserves are above this level at fiscal year end, the excess funds shall be moved into the Enterprise’s Rate Stabilization Fund.

Reporting: Working capital for each of the Enterprise’s Operating Funds shall be reported in the District’s monthly financial reports.

Rate Stabilization Fund Reserves

Purpose: The purpose of Rate Stabilization Fund (RSF) Reserves is to support the Board’s strategic goal to manage public funds to assure financial stability, including stability of revenues and the rates and charges related to each Enterprise.

Over the course of time, the District will have years where there is a financial surplus above the working capital target for one or more of the District’s Enterprises, and years when unexpected events may cause reserves to decrease below the target. The Rate Stabilization Fund allows the District to manage these different sets of circumstances.

Use of Funds: Each Enterprise’s Rate Stabilization Reserves are assessed at fiscal year-end.

- If the Reserves in any Operating Fund has decreased below the working capital target, a transfer from the Rate Stabilization Fund to the corresponding Operating Fund of no more than one-quarter of the Rate Stabilization Fund’s balance shall be made in an effort to bring the Operating Fund back to its working capital target.
- If any Enterprise Fund has exceeded its working capital target by an amount equal to an additional two months of working capital, the General Manager shall direct the Treasurer to transfer the excess working capital from the Enterprise Fund to the Rate Stabilization Fund for that Enterprise.
- The Board may also budget use of these funds for other purposes.

Target: Four months of the related Enterprise Fund’s budgeted operating expenses.

Minimum: Two months of the related Enterprise Fund’s budgeted operating expenses.

Maximum: If the combined total of the Operating and the corresponding RSF exceeds 12 months working capital, the General Manager will make a recommendation to the Board of Directors as to how the funds should be used.

Policy No.: P400-15-1	Policy Title: Financial Reserves
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Reporting: The General Manager shall report annually to the Board of Directors on the results of the assessment.

Capital Asset Replacement & Improvement Reserves

Purpose: The purpose of Capital Asset Replacement & Improvement Reserves is to ensure that adequate funds are available to purchase new capital assets that benefit current ratepayers, to fund replacements, improvements and major refurbishments to existing capital assets and to provide two year’s debt service for debt which the Board has allocated to this fund.

Use of Funds: Funds are utilized in accordance with the budget adopted by the Board of Directors.

Minimum: The minimum replacement reserve shall consist of the sum of the following components:

- 1) An amount based on the 15-year cost projections included in the District’s Replacement Planning Model and the District’s 10-year Capital Improvement Plan which is equal to two times the average annual expense; and
- 2) A debt reserve of two year’s average debt service (or for any debt that has less than two years remaining, the entire remaining amount).

Revisions: It is the intent of the Board that this the Capital Asset and Replacement & Improvement reserve section of this policy be a “bridge policy” and that asset-management driven changes be made to the policy as the condition assessment of District assets and strategies for managing those assets become better understood.

Reporting: The General Manager shall report annually to the Board of Directors on the results of the assessment.

Capital Expansion Reserves

Purpose: The purpose of Capital Expansion Reserves is to minimize the need for ratepayers to pay for expansion debt by having sufficient reserves on hand to pay annual debt service on District bonds or loans for a two-year period.

Use of Funds: Funds are utilized in accordance with the budget adopted by the Board of Directors and applicable laws related to use of Capacity Reserve Fees.

Target: Two years of average debt service (or for any debt that has less than two years remaining, the entire remaining amount) charged to the Expansion Fund, plus two years of expansion project spending as projected in the District’s most current two-year Capital Improvement budget.

Policy No.: P400-15-1	Policy Title: Financial Reserves
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Minimum: A minimum reserve consists the greater of the reserve for the debt service or the next two years of planned expansion projects.

Maximum: There is no maximum reserve in this fund; Capacity Reserve Fees may be accumulated and used for their intended purpose with no maximum reserve limitation.

Reporting: The General Manager shall report annually to the Board of Directors on the results of the assessment.



TITLE: Receive Presentation on Proposed Changes to the District Code Related to Administration of Wastewater Capacity Reserve Fees

RECOMMENDATION:

Staff recommends the Board of Directors receive a presentation on proposed changes to the District Code related to administration of Wastewater Capacity Reserve Fees, and provide direction.

SUMMARY:

In 2018, the District completed a Local and Regional Wastewater Capacity Reserve Fee Study to calculate the capacity reserve fee that new customers are required to pay to connect to the District’s wastewater treatment and collection systems. The District charges capacity fees to ensure that development pays its fair share of the costs associated with providing system capacity, both existing capacity and additional capacity built specifically for growth. As requested by the Board on March 19, 2024, staff will provide a presentation on May 6, 2024, that includes an overview of the District’s Wastewater Capacity Reserve Fees and Regional Wastewater Fee Installment Program, a review of sections of the District Code related to payment of wastewater capacity reserve fees, and potential changes to the District Code related to administration of the capacity reserve fees. Based on Board direction, staff could return to the Board at a future meeting with revisions to the applicable District Code sections for the Board’s consideration.

BACKGROUND:

Capacity Reserve Fees (CRFs) are required to ensure that new customers pay their share of the costs associated with providing system capacity, both existing and additional capacity built specifically for development. In service areas that incorporate new or expanding customers, the infrastructure developed by previous customers is generally extended towards the service of these new or expanding customers. Thus, existing customers’ investment in the current system capacity allows newly connecting customers to take advantage of available capacity in that infrastructure. New customers “buy in” to the existing and prefunded facilities through a payment for the portion of facilities that have already been constructed in advance of their connection to the system. This component of the CRF is referred to as the “buy-in” component. This methodology maintains economic equity among new and existing customers. In addition, current facilities may be expanded, or new facilities may be constructed to accommodate new or expanding customers. Costs to expand or construct new facilities to serve new customers are allocated directly to new development via the “expansion” component of the CRF.

Property owners are required to pay a CRF to acquire capacity rights in the District’s wastewater systems. Payment reserves treatment capacity at the wastewater treatment plant and conveyance capacity within the collection system for the development of the property. The amount of capacity required for a lot or parcel is based on the flow rate and waste content (the “loading”) of the wastewater to be generated from the property. Capacity to a parcel is assigned in the form of Dwelling Unit Equivalents (DUE). A single DUE is equal to 220 gallons per day of flow at average single-family residential loading. Non-residential property DUEs are calculated based on the proposed use, including its loading factor, and the square footage of the establishment to arrive at an equivalent DUE. Capacity rights are documented through a Certificate of Capacity Rights, which is granted after meeting all application requirements and paying the applicable CRF.

District Code Section 3.60.040 “Non-transferability of certificate of capacity rights” states that purchased capacity “runs with” the designated lot or parcel, meaning capacity rights are not transferable from one lot or parcel to another. Capacity rights may be reallocated within the designated lot or parcel to which they have been assigned after the filing

Originating Department: Engineering and Technical Services	Contact: J. Yee/S. Delight	Legal Review: Yes
Financial Review: Not Required	Cost and Funding Source: N/A	
Attachments: <input checked="" type="checkbox"/> None <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)	19 of 24	

for subdivision of that lot or parcel. When parcels change ownership, the capacity right remains attached to the designated lot or parcel. The land use for a property or the use of a space in a building, however, may change over time, triggering the requirement to reevaluate capacity requirements based on the updated land or building use and the associated wastewater characteristics. This reevaluation may result in additional capacity requirements, or a credit of capacity already purchased.

In November 2018, the District completed a Local and Regional Wastewater Capacity Reserve Fee Study to calculate the CRF that new customers are required to pay to connect to the District’s wastewater treatment (Regional) and collection (Local) systems. These fees went into effect on January 1, 2019, and all components of the Local and Regional CRFs are adjusted annually for inflation (other than the Livermore-Amador Valley Water Management Agency [LAVWMA] component which pays for debt service). CRF studies are typically performed concurrently or directly after completion of master facility plans. Staff currently anticipates updating the 2018 Local and Regional Wastewater Capacity Reserve Fee Study in 2025, concurrent with planned updates of the 2017 Wastewater Collection Systems Master Plan and 2017 Wastewater Treatment and Biosolids Facilities Master Plan.

The District’s CRFs are calculated separately for the Regional wastewater treatment system and the Local wastewater collection system. The District’s current combined Regional and Local Wastewater CRF for a single-family dwelling unit (one DUE) is shown in Table 1. The combined Regional and Local Wastewater CRF in effect for fiscal year 2024 is \$17,836. As shown in Table 1, the District’s total Wastewater CRF is on the higher end as compared to the neighboring wastewater agencies, largely due to the cost of the Regional Wastewater CRF.

Table 1. Comparison of Wastewater Agency Capacity Reserve Fees for a Single-Family Dwelling Unit
(Fees in effect as of 5/1/24)

Agency	Wastewater Capacity Reserve Fee (Treatment)	Wastewater Capacity Reserve Fee (Collection)	Wastewater Capacity Reserve Fee (Treatment + Collection)
<i>DSRSD</i>	<i>\$15,150</i>	<i>\$2,686</i>	<i>\$17,836</i>
Castro Valley Sanitary District	-	-	\$16,009
Central Contra Costa Sanitary District	-	-	\$8,182
City of Hayward	-	-	\$9,625
City of Livermore	-	-	\$7,966
City of Pleasanton	\$15,150	\$500	\$15,650
Union Sanitary District	-	-	\$10,755

Table 2 shows the breakdown of the costs which contribute to the Regional Wastewater CRF component. Approximately 40 percent of the District’s charge is attributable to the proportion of the LAVWMA debt that is primarily allocated to new development. The LAVWMA export pipeline, which delivers wastewater effluent from the District’s wastewater treatment plant for eventual discharge to San Francisco Bay via the East Bay Dischargers Authority system, was funded through the issuance of a revenue bond.

Table 2. DSRSD Regional Wastewater Capacity Reserve Fee for a Single Family Dwelling Unit
(Effective July 1, 2023 through June 30, 2024)

Component	\$/DUE	Percentage
Buy-in	\$4,363	28.8%
Expansion - DSRSD	\$4,760	31.4%
Expansion - LAVWMA Debt	\$6,027	39.8%
Total Regional (Treatment)	\$15,150	100%

Regional Wastewater Fee Installment Program:

In 1997, the DSRSD Board of Directors created the Regional Wastewater Fee Installment Program (Installment Program) to assist the cities in the District's service area with their efforts to attract new restaurants and businesses. Normally, new customers must pay the Regional Wastewater CRF in advance of connecting. The Installment Program spreads payment of this fee over a period of up to 10 years.

The Installment Program has undergone various revisions over the last 27 years. In 2004, the Board of Directors amended the District Code to allow schools and affordable housing projects to participate in the Installment Program, and to decrease the eligible minimum fee amount from \$75,000 to \$25,000 to accommodate the needs of smaller businesses. In 2006, the maximum eligible fee amount was capped at \$100,000 because the District joined the Statewide Community Infrastructure Program (SCIP). SCIP is a tax-exempt financing program offered through the California Statewide Communities Development Authority (CSCDA) which can be used by developers for nonresidential projects to finance public infrastructure and impact fees. By joining SCIP, applicants could use SCIP for CRF amounts, which shifts the burden for financing from the District to the State. The SCIP program has evolved since 2006, and financing is available for both nonresidential and residential projects with a minimum threshold of \$500,000.

Currently, new affordable residential, commercial, industrial, or institutional customers are eligible to participate in the Installment Program if the Regional portion of their Wastewater CRF is between \$25,000 and \$100,000. The program requires:

- Installation of an individual water meter on the portion of property so that interior water consumption may be measured
- Payment of 100 percent of DSRSD's Local Wastewater CRF, a 20 percent down payment of the Regional CRF, and up-front administrative fee of \$3,520
- Payment of the remaining balance in equal monthly installments plus 5 percent per annum interest for a term not exceeding 10 years
- Execution of a standard agreement with the District that will be recorded against the property record of the parcel where the business is to be located (The standard agreement must be signed by the fee title property owner.)

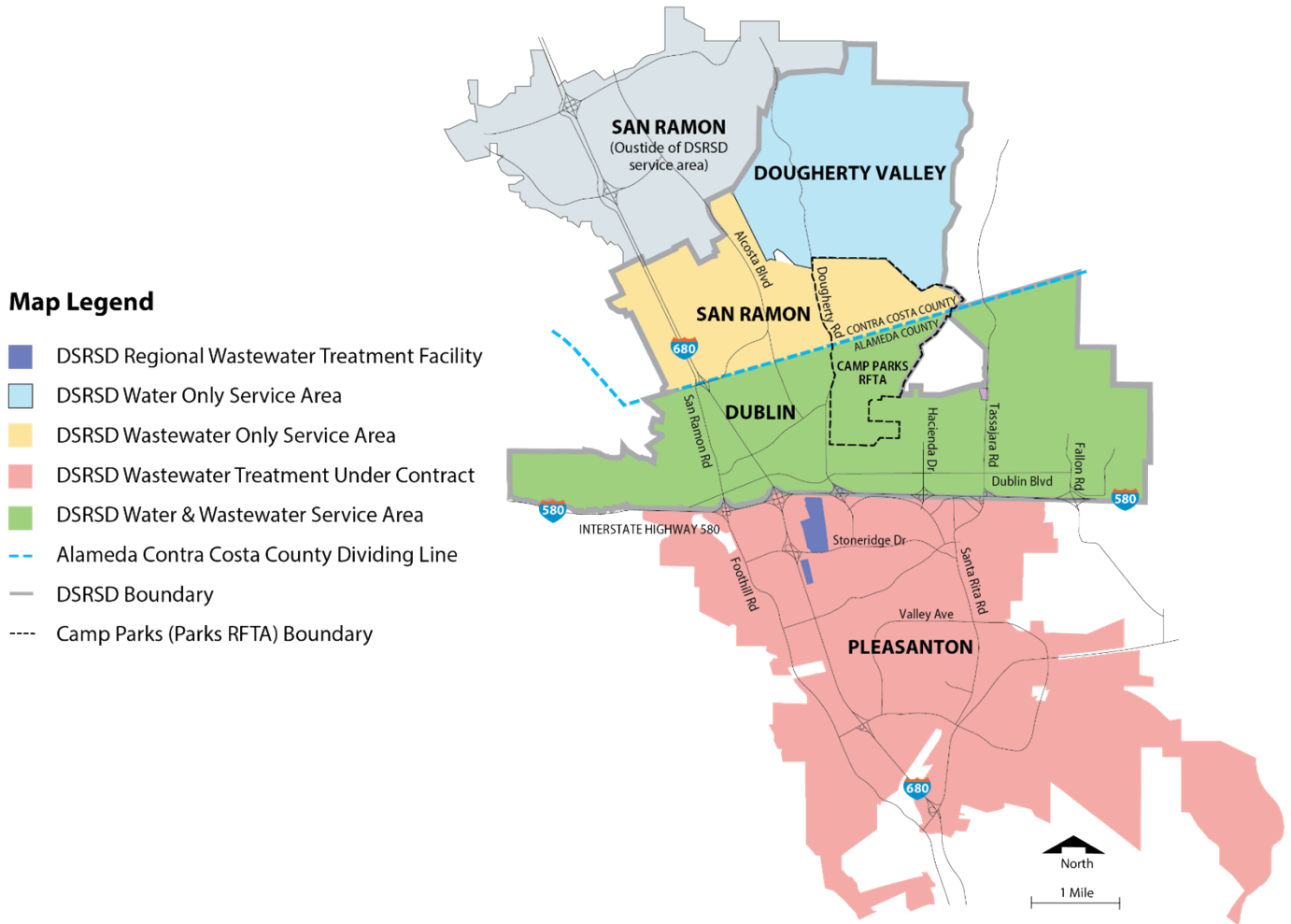
DISCUSSION:

Staff has reviewed Chapter 3, Section 70 of the District Code relating to Wastewater CRFs and the Installment Program and is proposing minor revisions to the District Code related to the administration of Wastewater CRFs as described in the following sections.

Time of Payment:

District Code 3.70.080 "Time of Payment" requires payment of CRFs within 30 calendar days (1) prior to installation of a new or larger water meter, (2) or where a water meter is not being installed, before a building permit is required by the City or County, (3) or where a water meter or building permit is not required, before application is submitted for wastewater service, (4) or when (1)-(3) does not apply, paid prior to the first use of additional capacity purchased due to expansion or intensification of an existing building or structure.

As shown in the following figure, the services provided by the District vary throughout the Cities of Dublin, San Ramon, and Pleasanton. DSRSD provides both water and wastewater service to the City of Dublin. However, DSRSD provides only wastewater service to the southern portion of the City of San Ramon and wastewater treatment service to the City of Pleasanton under contract. Per the District Code, this results in differences when CRFs are required to be paid between applicants within the City of Dublin (prior to installation of a water meter) and applicants within the Cities of San Ramon and Pleasanton (generally paid when the applicant pulls a building permit).



Historically, the difference in time of payment has not been an issue for customers applying for service from DSRSD. However, in May 2022, at the request of the City of San Ramon, the DSRSD Board approved an agreement with the City of San Ramon and Black Mountain Construction Development to allow a one-time variance to District Code 3.70.080 “Time of Payment” to defer the payment of Wastewater CRFs for the Aspen Wood Senior Housing Project until prior to occupancy. The developer had secured certain funding through the State of California which required that a building permit be issued by the City of San Ramon on or before June 1, 2022, and per District Code, payment of Wastewater CRFs to DSRSD would have been required before the building permit could be issued. The Aspen Wood Senior Housing Project claimed the State funding for affordable housing would not be available for CRFs until after the project had begun construction and would pay for the capacity prior to occupancy. This request did not fall under any of the options for District Code 3.70.080 “Time of Payment.”

In light of the State funding deadline, on May 17, 2022, the Board authorized the General Manager to sign an agreement with the City of San Ramon and Black Mountain Construction Development to postpone payment of Wastewater CRFs applicable to the Aspen Wood Senior Housing Project. The agreement requires the City of San Ramon to receive written confirmation from the District that all applicable Wastewater CRFs have been paid prior to issuing any occupancy permits for the Aspen Wood Senior Housing Project. Staff also agreed to review the District Code requirements on this subject and bring a future item to the Board regarding deferral of fees in relation to affordable housing.

The requirement to collect Wastewater CRFs from applicants within the Cities of San Ramon and Pleasanton at the time building permits are issued exists because these applicants do not receive water service from the District. For the City of Dublin, the District is able to collect Wastewater CRFs prior to installation of a water meter because there is no risk that the customer will begin receiving wastewater service without the installation of a water meter. Similar to the Aspen Wood Senior Housing Project, any postponement of collecting capacity reserve fees until time of occupancy for applicants would require the backing and commitment from the cities to ensure DSRSD receives payment since once a

building permit is issued, DSRSD has no involvement in the process for issuing occupancy permits. Based on review, staff believes that the Aspen Wood Senior Housing Project was a unique situation given the requirements and timing of the State funding for the development and is not recommending broader changes to the District Code at this time. However, staff does recommend minor revisions to the District Code to expressly allow for the General Manager to enter into an agreement to postpone payment for CRFs until building occupancy for affordable housing projects, subject to Board approval.

Proposed Change: Staff recommends minor revisions to District Code Section 3.70.080 “Time of Payment” to allow the General Manager to defer payment of CRFs for affordable housing projects until building occupancy, subject to Board approval.

Regional Wastewater Fee Installment Fee Program:

Since the inception of the Installment Program, 48 installment agreements have been executed. These installment agreements are comprised of various property types, including 43 commercial properties, 3 multifamily properties, and 2 private schools. The three multifamily properties, all of which were affordable housing projects, had installment agreements which totaled \$3.4 million. These multifamily requests occurred before the \$100,000 maximum fee amount was established in 2006.

As of January 2024, there is \$16,254 outstanding on the remaining five active installment agreements. The last installment agreement was issued in 2015.

As part of staff’s review of the Installment Program, staff surveyed other Bay Area agencies to see if they offer similar fee installment programs. The results are shown in Table 3. Of the seven agencies that responded, five have wastewater fee installment payment programs. The programs range in the terms and conditions to participate.

Table 3. General Comparison of Bay Area Wastewater Capacity Fee Installment Programs

Agency	Wastewater Capacity Fee Installment Program? (Yes or No)	Maximum Term	Minimum Amount	Maximum Amount
DSRSD	Yes	10 years	\$25,000	100,000
Castro Valley Sanitary District	Yes	4 years	NA	NA
Central Contra Costa Sanitary District (a)	Yes	15 years	No min	No max
City of Hayward	Yes	10 years	\$25,000	No max
City of Livermore	Yes	5 years	NA	NA
City of San Leandro	No	-	-	-
Delta Diablo Sanitation District	Yes	3 years	\$50,000	No max
Oro Loma Sanitary District	No	-	-	-
Union Sanitary District	No	-	-	-

(a) Central San installment payments collected on the property tax roll.

The Installment Program, which was last updated in 2006, has a fixed dollar minimum and maximum amount to participate in the program. Wastewater CRFs have increased since 2006, which has effectively reduced an applicant’s ability to participate in the program. For example, a typical restaurant uses between 5 and 10 DUEs. With the current maximum eligibility of \$100,000 and the Regional Wastewater CRF of \$15,150 per DUE, the eligible amount for an installment agreement is capped at 6.6 DUEs. Without a change in the maximum amount, the DUE eligibility will continue to decrease over time. One way to address this concern would be to tie the minimum and maximum eligibility for the program to the number of DUEs versus a fixed amount. This would ensure that program eligibility for similar types of properties and customers would remain the same even as CRFs adjust over time.

The District Code states that affordable housing is eligible for the Installment Program. This includes affordable units within residential development in the Cities of San Ramon, Dublin, and Pleasanton. In reviewing the Aspen Wood **Senior Housing** Project in May 2022, the Board requested that staff review the District Code regarding affordable housing and clarify whether eligibility for the Installment Program is on a project-wide basis, or a dwelling-unit basis. Historically, affordable housing projects that pay Wastewater CRFs have been large developments. The fees that accompany large developments are far greater than the maximum fee that is eligible for the Installment Program, and these developments qualify for SCIP. Therefore, developers with a large affordable housing project should be encouraged to use SCIP, which removes the District from bearing the financial burden of financing a large CRF.

Proposed Change: Staff recommends amending District Code Section 3.70.040 “Installment payment of regional wastewater capacity reserve fees” to base the eligibility range on DUEs versus fixed dollar amounts. The recommended DUE range is a minimum of 2 DUEs to a maximum of 10 DUEs, which equates to \$30,300 to \$151,500 based on the Regional Wastewater CRF currently in effect. Staff also recommends working with the cities to explore ways to promote SCIP as an option for financing larger affordable housing projects.

Next Steps:

On May 6, staff will provide the Board with a presentation on proposed changes to the District Code related to the administration of Wastewater CRFs. Based on Board direction, staff could return to the Board at a future meeting with revisions to the applicable District Code sections for the Board’s consideration. District Code changes are done by ordinance, which requires first and second readings of the ordinance, newspaper publications, and a noticed public hearing to adopt the revisions. If approved, any changes would go into effect 30 days after the public hearing and adoption.

Staff currently anticipates updating the 2018 Local and Regional Wastewater Capacity Reserve Fee Study in 2025, concurrent with planned updates of the 2017 Wastewater Collection Systems Master Plan and 2017 Wastewater Treatment and Biosolids Facilities Master Plan.