

# AGENDA

## NOTICE OF REGULAR MEETING

**TIME:** 6 p.m.

**DATE:** Tuesday, November 19, 2024

**PLACE:** Regular Meeting Place  
7051 Dublin Boulevard, Dublin, CA  
[www.dsrsd.com](http://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
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 District 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. 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 November 5, 2024  
**Recommended Action:** Approve by Motion
  - 7.B. Accept Regular and Recurring Reports: Quarterly Financial Report, Capital Projects Created from Programs, and Capital Budget Adjustments Approved by the General Manager  
**Recommended Action:** Accept by Motion
8. BOARD BUSINESS
  - 8.A. Adopt Revised Financial Reserves Policy and Rescind Resolution No. 40-15  
**Recommended Action:** Adopt Policy by Resolution

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### Board of Directors

Division 1 ♦ Dinesh Govindarao | Division 2 ♦ Ann Marie Johnson | Division 3 ♦ Richard Halket  
Division 4 ♦ Georgean Vonheeder-Leopold | Division 5 ♦ Arun Goel

- 8.B. Receive Update on Drinking Water Regulations  
**Recommended Action:** Receive Presentation

9. REPORTS

9.A. Boardmember Items

- 9.A.1. Joint Powers Authority and Committee Reports
- 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. CLOSED SESSION

- 10.A. Conference with Legal Counsel – Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2): One Case
- 10.B. Public Employee Performance Evaluation Pursuant to Government Code Section 54957  
Title: General Manager

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 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**

**November 5, 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/Treasurer; Michelle Gallardo, Interim Administrative Services Director; Steve Delight, Engineering Services Director/District Engineer; Ken Spray, Finance Director; Dan Gill, Operations Director; Douglas E. Coty, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES – None

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:01 p.m. No public comments received.

6. AGENDA MANAGEMENT (CONSIDER ORDER OF ITEMS) – No changes 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 October 15, 2024 – Approved

7.B. Accept Regular and Recurring Report: Treasurer's Report – Approved

7.C. Replace Trustee/Custodian and Plan Administrator for the Dublin San Ramon Services District Deferred Compensation 457(b) Plan and Rescind Resolution No. 10-17 – Approved – Resolution No. 46-24

8. BOARD BUSINESS

8.A. Approve an Amendment to California Public Employees' Retirement System (CalPERS) Contract

Human Resources and Risk Manager Samantha Koehler reviewed the item for the Board and provided Exhibits A and B to the resolution (handed out to the Board and posted to the website as supplementary materials).

Director Govindarao MOVED to approve Resolution No. 47-24, Approving an Amendment to the Retirement Contract Between Dublin San Ramon Services District and the California Public Employees' Retirement System. Director Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

- 8.B. Approve Amendment to the Capital Improvement Program Ten-Year Plan and Two-Year Budget to Increase the East Ranch Water Main – Central Parkway to Savanna Court Project (CIP 24-W022) Budget and Authorize Execution of an Areawide Facility Agreement for Construction of Water Infrastructure Facilities between Arroyo Cap IV-3, LLC, TH East Ranch Dublin LLC, and Dublin San Ramon Services District

Engineering Services Director Delight reviewed the item for the Board. The Board and staff discussed certain aspects of the project regarding the collection of associated capacity reserve fees and factors contributing to an increase in the estimated pipeline installation cost and proposed budget amendment.

Vice President Goel MOVED to approve Resolution No. 48-24, Approving an Amendment to the Capital Improvement Program Ten-Year Plan for Fiscal Years 2024 Through 2033 and Two-Year Budget for Fiscal Years 2024 and 2025 to Increase the Budget for the East Ranch Water Main – Central Parkway to Savanna Court Project (CIP 24-W022), and to Authorize Execution of an Areawide Facility Agreement for Construction of Water Infrastructure Facilities between Arroyo Cap IV-3, LLC, TH East Ranch Dublin LLC, and Dublin San Ramon Services District. Director Govindarao SECONDED the MOTION, which CARRIED with FIVE AYES.

## 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 California Association of Sanitation Agencies Board of Directors meeting on October 16 while attending the California Association of Local Agency Commissions Annual Conference October 16–18 in Yosemite. She summarized the activities and discussions at the meetings.

Director Govindarao reported that he is looking forward to serving as a judge at the annual staff BBQ Cook Off and Veteran's Day celebration later this week.

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 that staff anticipates cancelling the December 3 Board meeting.

10. ADJOURNMENT

President Johnson adjourned the meeting at 6:16 p.m.

Submitted by,

Nicole Genzale, CMC  
Executive Services Supervisor/District Secretary



**TITLE:** Accept Regular and Recurring Reports: Quarterly Financial Report, Capital Projects Created from Programs, and Capital Budget Adjustments Approved by the General Manager

**RECOMMENDATION:**

Staff recommends the Board of Directors accept, by Motion, regular and recurring reports: Quarterly Financial Report, Capital Projects Created from Programs, and Capital Budget Adjustments Approved by the General Manager for the first quarter of fiscal year ending 2025 covering July 1, 2024, through September 30, 2024.

**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.

The following reports are presented this month for acceptance as part of Attachment 1:

Ref C: Quarterly Financial Report

The Quarterly Financial Report presents an unaudited budget-to-actual financial report of the operating and capital funds for the District’s three enterprises (Local Wastewater, Regional Wastewater, and Water), and the Administrative Cost Center, including revenues and expenses, transfers, beginning and ending working capital, and reserve levels for the period from July 1, 2024 through September 30, 2024. The beginning working capital for each fund is preliminary as final audited ending working capital for fiscal year ending (FYE) 2024 will be presented in the Annual Comprehensive Financial Report (ACFR).

For the unaudited first quarter financial report for FYE 2025, the District’s three enterprises have received 18% of budgeted operating revenues and expended 23% of budgeted operating expenses as of September 30, 2024. The projected working capital for the Local Wastewater and Regional Wastewater operating funds (Enterprise and Rate Stabilization) are above and at policy target levels, respectively. The projected working capital for the Water enterprise is below the target reserve level but above the minimum reserve level.

For the unaudited first quarter financial report for FYE 2025, across the three enterprises, Replacement capital funds are at 19% of budgeted revenues and 5% of budgeted expenses, and Expansion capital funds are at 19% of budgeted revenues and 17% of budgeted expenses. Working capital for all capital funds are above policy minimum target levels.

Ref H: Capital Projects Created from Programs

The Capital Improvement Program (CIP) consists of the Ten-Year Capital Improvement Plan and the Two-Year Capital Improvement Budget. The CIP includes funding for projects and programs. A CIP program sets aside money to fund projects that are anticipated but do not yet have definitive scope and budget. The amounts set aside are based on asset management replacement models. Per the District’s [Budget Accountability policy \(P400-24-2\)](#), the General Manager is authorized to create a project from a CIP program up to a maximum of \$175,000. Creation of new projects in excess of this amount are required to be approved by the Board. The District Engineer is responsible for ensuring projects created from programs meet the intention of the program. To maximize transparency, Capital Projects created from Programs under the General Manager’s authority will be reported quarterly to the Board as regular and recurring reports.

During this period (July 1, 2024 through September 30, 2024), the General Manager approved the creation of one project from program in the amount of \$60,000. There were no budgetary impacts as program funding is included in the Two-Year Capital Improvement Budget.

<b>Originating Department:</b> Finance	<b>Contact:</b> T. Lucero/K. Spray	<b>Legal Review:</b> Not Required
<b>Financial Review:</b> Yes	<b>Cost and Funding Source:</b> N/A	
<b>Attachments:</b> <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)	<b>Attachment 1 – Summary of Regular and Recurring Reports with:</b> Ref C – Quarterly Financial Report Ref H – Capital Projects Created from Programs Ref I – Capital Budget Adjustments Approved by the General Manager	

Ref I: Capital Budget Adjustments Approved by the General Manager

The District's [Budget Accountability policy \(P400-24-2\)](#) authorizes the General Manager to approve capital budget adjustments of up to \$175,000 per project, and requires that any project adjustments approved by the General Manager be reported to the Board as regular and recurring reports. During this period (July 1, 2024 through September 30, 2024), the General Manager approved one project budget adjustment increase for \$35,000.

## SUMMARY OF REGULAR AND RECURRING REPORTS

Ref	Description	Frequency	Authority	Last Acceptance	Acceptance at this Meeting?	Next Acceptance
A	Warrant List	Monthly	Board Direction	Posted monthly on website		Posted monthly on website
B	Treasurer's Report <sup>1</sup>	Quarterly	CA Government Code 53646	8/6/2024		February 2025
C	Quarterly Financial Report	Quarterly	Budget Accountability Policy	9/17/2024	Yes	February 2025
D	Outstanding Receivables Report	Annually – Fiscal Year	District Code 1.50.050	8/6/2024		August 2025
E	Employee and Director Reimbursements greater than \$100 <sup>2</sup>	Annually – Fiscal Year	CA Government Code 53065.5	8/6/2024		August 2025
F	Utility Billing Leak Adjustments <sup>3</sup>	Annually – Fiscal Year	Utility Billing Leak Adjustments Policy	8/6/2024		August 2025
G	Annual Rate Stabilization Fund Transfer Calculation	Annually – After Audit	Financial Reserves Policy	5/6/2024		March 2025
H	Capital Projects Created from Programs	Quarterly	Budget Accountability Policy	9/17/2024	Yes	February 2025
I	Capital Budget Adjustments Approved by the General Manager			9/17/2024	Yes	

<sup>1</sup> To meet the 45-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.

<sup>2</sup> Reimbursements also reported monthly in the Warrant List (Ref A).

<sup>3</sup> Per Utility Billing Leak Adjustments policy, a report will be presented to the Board if total credits in any fiscal year exceed \$25,000.

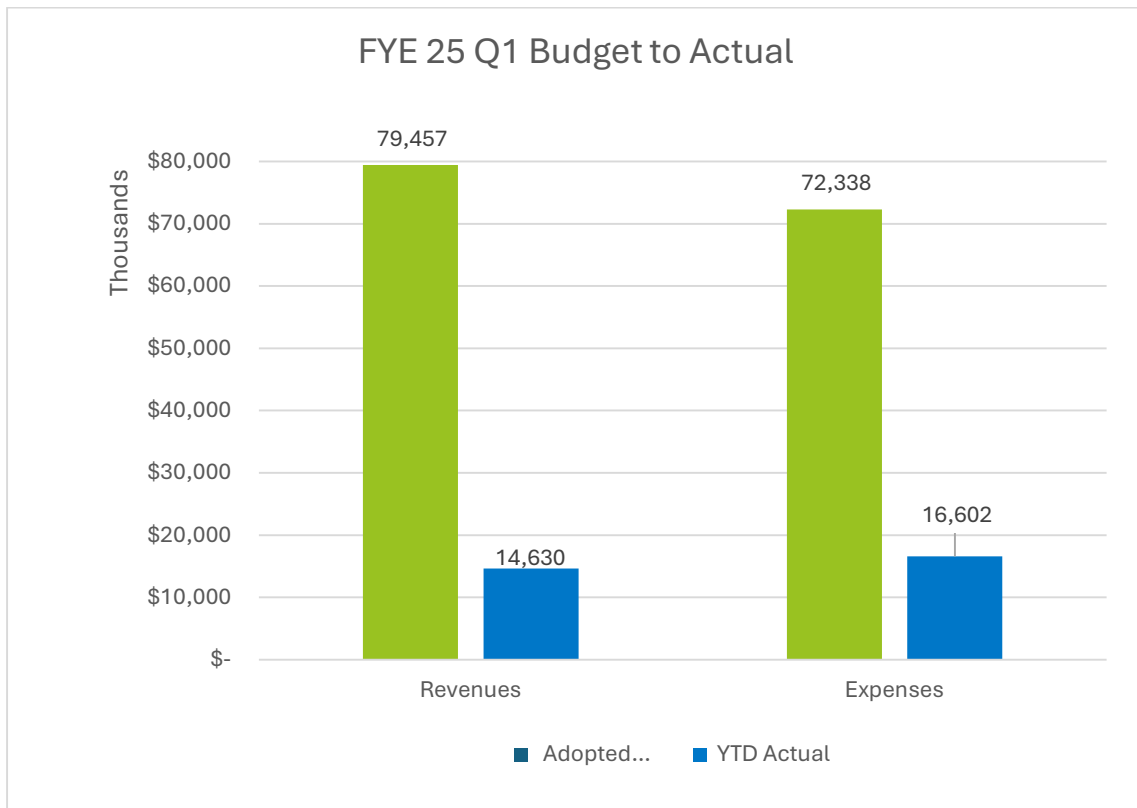


**Dublin San Ramon Services District**  
**Unaudited Quarterly Financial Report – First Quarter of Fiscal Year Ending 2025**  
**Period: 7/1/2024 to 6/30/2024 (25% Year Complete)**

This Quarterly Financial Report presents an unaudited budget-to-actual financial report of the operating and capital funds for the District’s three enterprises (Local Wastewater, Regional Wastewater, and Water), and the Administrative Cost Center, including revenues and expenses, transfers, beginning and ending working capital, and reserve levels for the period from July 1, 2024, through September 30, 2024 (25% year complete).

**OPERATING FUNDS:**

The District maintains two operating funds (Enterprise and Rate Stabilization) for each of its three enterprises (Local Wastewater, Regional Wastewater, and Water). For the unaudited first quarter financial report for fiscal year ending (FYE) 2025, the District’s three enterprises have received 18% of budgeted operating revenues and expended 23% of budgeted operating expenses as of September 30, 2024.



The FYE 2025 Adopted Budget reflects mid-cycle adjustments approved by the Board on July 16, 2024. Operating expenses for the Local Wastewater and Water enterprises are on track or below budget for first quarter. Operating expenses for Regional Wastewater enterprise are higher due to energy costs and the first LAVWMA JPA Contribution that was paid during the first quarter.

Working capital for the Local Wastewater and Regional Wastewater operating funds (Enterprise and Rate Stabilization) are above and at policy target levels (combined eight months working capital), respectively. The working capital for the Water enterprise is below target reserve levels but above the minimum reserve level (four months of combined working capital).

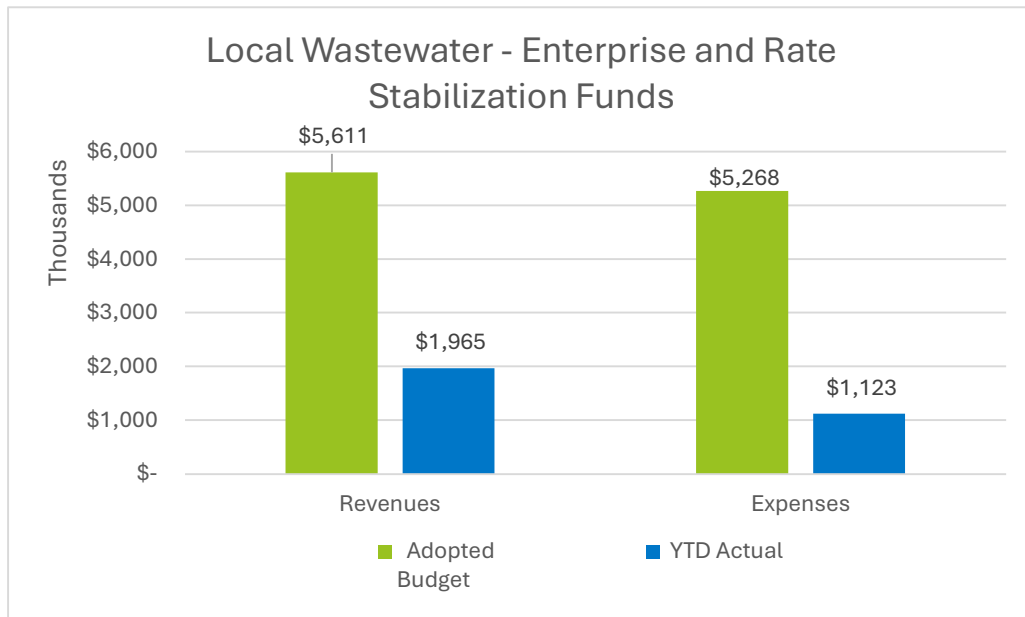
A breakdown of revenue, expenses, and working capital by enterprise is provided in the following sections.

**Local Wastewater Funds 200 and 205:**

The Local Wastewater enterprise provides sewer collection services in Dublin and southern San Ramon. The collection system consists of the sewer pipes that convey wastewater from residences and businesses to the Regional Wastewater Treatment Plant. For the unaudited first quarter financial report for FYE 2025, the District’s Local Wastewater enterprise is at 35% of budgeted operating revenues and 21% of budgeted operating expenses as of September 30, 2024.

Highlights Include:

- *Revenues* – Dublin and San Ramon residential wastewater charges are collected via the property tax roll and remitted to DSRSD twice a year in December and April. Local Wastewater service charges for Dublin and San Ramon shown in the first quarter financial report are accrued for property tax remittances expected in December. Inspections and Plan Check Fees are up due to higher development activity that occurred in the first quarter. Other Revenues, which include fees for services provided to developers, show a high percentage increase, but are a low dollar amount.
- *Expenses* – Salary and Benefits for Local Wastewater are on track at 22% for the first quarter. All other operating expenses are on track or below budget for first quarter.
- *Transfers* – Transfers include a quarterly transfer to Replacement Fund as scheduled.
- *Working Capital* – The estimated ending working capital exceeds the 8-month working capital target.



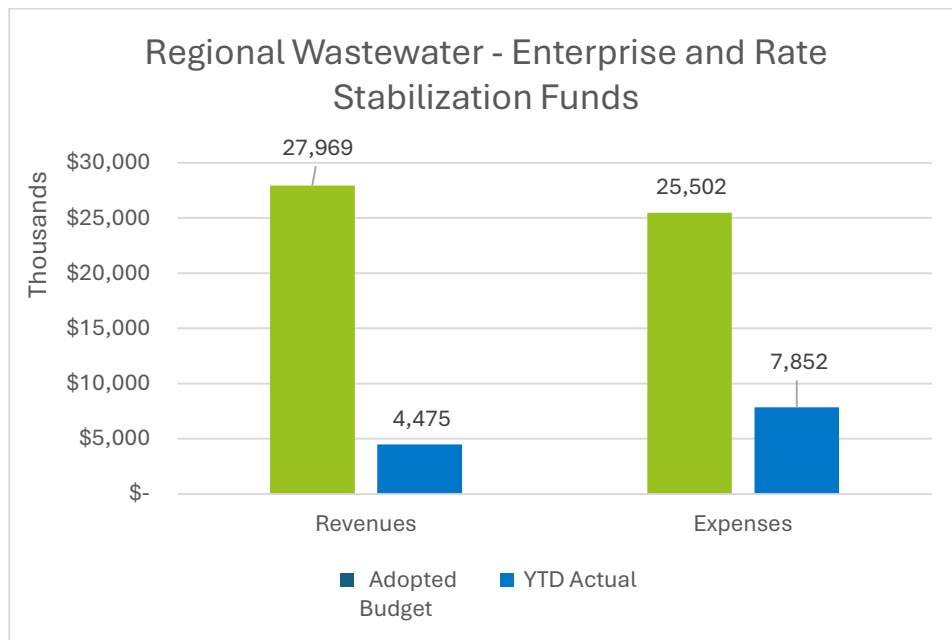
**Local Wastewater Funds**  
**Enterprise (Fund 200) and Rate Stabilization (Fund 205)**

	(a)	(b)	(a) - (b)	
	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Operating Revenues:</b>				
Service Charges - Dublin	\$4,208,644	\$1,244,676	\$2,963,969	29.6%
Service Charges - San Ramon	936,386	343,041	593,345	36.6%
Inspections & Plan Check Fees	385,500	305,167	80,333	79.2%
Other Revenues	500	3,828	(3,328)	765.5%
Investment Income	80,000	68,388	11,612	85.5%
<b>Total Revenues</b>	<b>\$5,611,030</b>	<b>\$1,965,098</b>	<b>\$3,645,932</b>	<b>35.0%</b>
<b>Operating Expenses:</b>				
Salaries & Benefits	\$3,521,846	\$777,725	\$2,744,121	22.1%
Staff Time Charged to CIP & JPAs	(168,235)	(20,972)	(147,263)	12.5%
Materials & Supplies	125,955	16,737	109,218	13.3%
Gas & Electric	20,878	2,117	18,762	10.1%
Contract Services	672,071	78,171	593,900	11.6%
Allocated Costs	1,071,298	265,515	805,783	24.8%
Other Expenses	23,740	3,345	20,395	14.1%
<b>Total Expenses</b>	<b>\$5,267,553</b>	<b>\$1,122,637</b>	<b>\$4,144,916</b>	<b>21.3%</b>
Transfers Out to Replacement and OPEB	(\$905,803)	(\$200,000)	(\$705,803)	22.1%
<b>Net Increase/(Decrease)</b>	<b>(\$562,326)</b>	<b>\$642,462</b>		
<b>Beginning Working Capital</b>	<b>4,182,379</b>	<b>4,182,379</b>		
<b>Ending Working Capital</b>	<b>\$3,620,053</b>	<b>\$4,824,840</b>		
Working Capital Minimum (4 mos)	\$1,755,851	\$1,755,851		
Working Capital Target (8 mos)	\$3,511,702	\$3,511,702		

**Regional Wastewater Funds 300 and 305:**

The Regional Wastewater enterprise provides wastewater treatment and disposal services in Dublin and southern San Ramon, and the City of Pleasanton (by contract). For the unaudited first quarter financial report for FYE 2025, the District’s Regional Wastewater enterprise received 16% of budgeted operating revenues and expended 31% of budgeted operating expenses. Highlights include:

- *Revenues* – Dublin and San Ramon residential wastewater charges are collected via the property tax roll and remitted to DSRSD twice a year in December and April. Regional Wastewater charges for Dublin and San Ramon are accrued for property tax remittances expected in December. Pleasanton wastewater charges are lower than budgeted due to the timing of billing and collections. Pleasanton collects DSRSD wastewater treatment charges on their combined bimonthly water/sewer bill and remits payments to DSRSD. Therefore, it is typical for there to be a delay in the timing between when services are billed and when payments are remitted to DSRSD. Pleasanton wastewater and Industrial waste charges for August and September should be received by the end of November. DERWA charges for August and September were billed after the first quarter ended.
- *Expenses* – Operating expenses for Regional Wastewater are higher for first quarter, primarily due to the LAVWMA JPA contribution and Gas & Electric charges. The District pays LAVWMA twice per year, with the first payment in July covering 60% of the total payment for the fiscal year. As mentioned in the July 16, 2024 mid-cycle budget staff report, energy costs continue to increase at a rate higher than budgeted. Staff will continue to monitor this expense and may request a budget adjustment later in FYE 2025. All other operating expenses are on track for first quarter.
- *Transfers* – Transfers include a quarterly transfer to Replacement Fund as scheduled.
- *Ending Working Capital* – The estimated ending working capital is at the 8-month working capital target



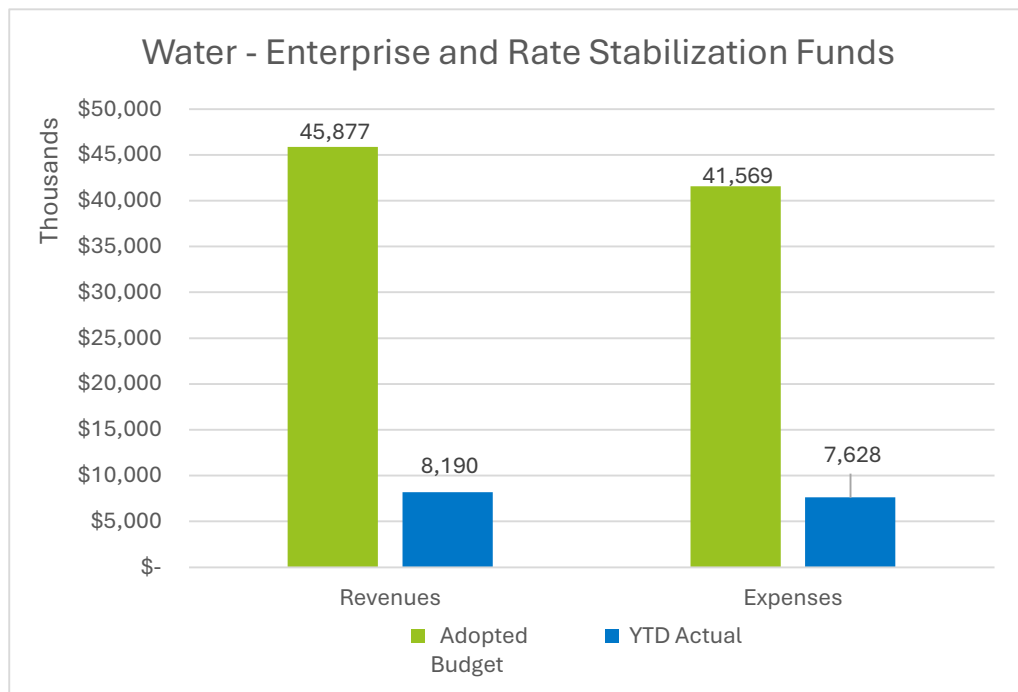
**Regional Wastewater Funds**  
**Enterprise (Fund 300) and Rate Stabilization (Fund 305)**

	(a)	(b)	(a) - (b)	
	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Operating Revenues</b>				
Wastewater Charges-Dublin	\$10,090,480	\$1,926,635	\$8,163,845	19.1%
Wastewater Charges-Pleasanton	12,345,294	926,160	11,419,134	7.5%
Wastewater Charges-San Ramon	2,349,549	854,937	1,494,612	36.4%
Industrial Waste-Dublin	80,000	21,446	58,554	26.8%
Industrial Waste-Pleasanton	85,000	5,958	79,042	7.0%
DERWA charges	2,620,000	449,112	2,170,888	17.1%
Other Revenues	50,000	18,793	31,207	37.6%
Investment Income	349,000	272,030	76,970	77.9%
<b>Total Revenues</b>	<b>\$27,969,323</b>	<b>\$4,475,071</b>	<b>\$23,494,252</b>	<b>16.0%</b>
<b>Operating Expenses</b>				
Salaries & Benefits	\$12,277,317	\$3,161,314	\$9,116,004	25.7%
Staff Time Charged to CIP & JPAs	(1,817,905)	(414,012)	(1,403,893)	22.8%
Materials & Supplies	3,109,485	573,619	2,535,866	18.4%
Gas & Electric	2,176,025	689,183	1,486,842	31.7%
Contractual Services	1,897,737	249,584	1,648,153	13.2%
Allocated costs	3,225,882	799,517	2,426,365	24.8%
LAVWMA JPA Contribution	4,602,583	2,786,812	1,815,771	60.5%
Other Expenses	31,120	5,806	25,314	18.7%
<b>Total Expenses</b>	<b>\$25,502,244</b>	<b>\$7,851,823</b>	<b>\$17,650,421</b>	<b>30.8%</b>
Transfer Out to Replacement	(\$3,068,843)	(675,000)	(\$2,393,843)	22.0%
Transfer Out to Water for 5th Supplement Agree	(400,000)	-	(400,000)	0.0%
<b>Net Increase/(Decrease)</b>	<b>(\$1,001,764)</b>	<b>(\$4,051,752)</b>		
<b>Beginning Working Capital</b>	21,170,576	21,170,576		
<b>Ending Working Capital</b>	<b>\$20,168,812</b>	<b>\$17,118,824</b>		
Working Capital Minimum (4 mos)	\$8,500,748	\$8,500,748		
Working Capital Target (8 mos)	\$17,001,496	\$17,001,496		

**Water Funds 600 and 605:**

The Water enterprise provides potable and recycled water to Dublin and the Dougherty Valley area of San Ramon. For the unaudited first quarter financial report for FYE 2025, the District’s Water enterprise is at 18% of budgeted operating revenues and 18% of budgeted operating expenses as of September 30, 2024.

- *Revenues* – Potable Water and Recycled Water charges are below budget for first quarter but comparable to last year. This trend continues to reflect that annual water sales have been relatively flat since the drought ended in the winter of 2022/2023 and DSRSD has not seen a post-drought recovery in demands which has occurred in the past.
- *Expenses* – Salary and Benefits are on track or below budgeted levels for first quarter. Materials, Supplies and Contractual expenses are on track or below budget for first quarter. DERWA JPA Contributions for August and September occurred after the end of the first quarter. Other expenses include the write-off of \$112,000 for 135 delinquent customer accounts.
- *Transfers* – Transfers include a quarterly transfer to Replacement Fund as scheduled.
- *Ending Working Capital* – The estimated ending working capital is at the 6-months versus the 8-month working capital target.



**Water Funds**  
**Enterprise (Fund 600) and Rate Stabilization (Fund 605)**

	(a)	(b)	(a) - (b)	
	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Operating Revenues</b>				
Potable Water Charges	\$36,015,000	\$6,000,392	\$30,014,608	16.7%
Recycled Water	5,880,000	1,001,959	4,878,041	17.0%
Power Charge	1,090,000	245,017	844,983	22.5%
Inspections & Plan Check Fees	1,071,500	232,396	839,104	21.7%
Other Revenues	1,210,000	318,040	891,960	26.3%
Investment Income	610,000	392,061	217,939	64.3%
<b>Total Revenues</b>	<b>\$45,876,500</b>	<b>\$8,189,866</b>	<b>\$37,686,634</b>	<b>17.9%</b>
<b>Operating Expenses</b>				
Salaries & Benefits	\$9,843,654	\$2,400,416	\$7,443,238	24.4%
Staff Time Charged to CIP & JPAs	(1,022,838)	(185,749)	(837,089)	18.2%
Water Purchases	20,257,000	3,673,822	16,583,178	18.1%
Gas & Electric	1,786,200	448,341	1,337,859	25.1%
Materials & Supplies	1,552,550	182,620	1,369,930	11.8%
Contract Services	2,512,863	261,784	2,251,079	10.4%
Allocated Costs	2,755,470	682,928	2,072,542	24.8%
DERWA JPA Contribution	3,653,100	14,928	3,638,172	0.4%
Other Expenses	230,690	148,785	81,905	64.5%
<b>Total Expenses</b>	<b>\$41,568,689</b>	<b>\$7,627,874</b>	<b>\$33,940,815</b>	<b>18.4%</b>
Transfer In from F300 for Recycled Water 5th Supplement	\$400,000	-	\$400,000	0.0%
Transfer Outs to Replacement and OPEB	(6,772,130)	(\$1,625,000)	(5,147,130)	24.0%
<b>Net Increase/(Decrease)</b>	<b>(\$2,064,319)</b>	<b>(\$1,063,008)</b>		
<b>Beginning Working Capital</b>	22,360,590	22,360,590		
<b>Ending Working Capital</b>	<b>\$20,296,271</b>	<b>\$21,297,582</b>		
Working Capital Minimum (4 mos)	\$13,856,230	\$13,856,230		
Working Capital Target (8 mos)	\$27,712,459	\$27,712,459		

**Administrative Cost Center Fund 900:**

The Administrative Cost Center captures costs not specifically identifiable to any one of the District’s operational activities. A majority of the cost for the Administrative Services Department and the Board of Directors/Office of the General Manager Department is included in this fund. Revenue is generated for general administrative services provided to the two joint powers authorities (DERWA and LAVWMA), the general overhead for capital project management, and miscellaneous services to customers and other local agencies. The Administrative Cost Center is at 22% of budgeted operating revenues and 20% of budgeted operating expenses as of September 30, 2024. All costs of the Administrative Cost Center have been allocated to the other funds as applicable. The Administrative Cost Center does not compute a working capital position.

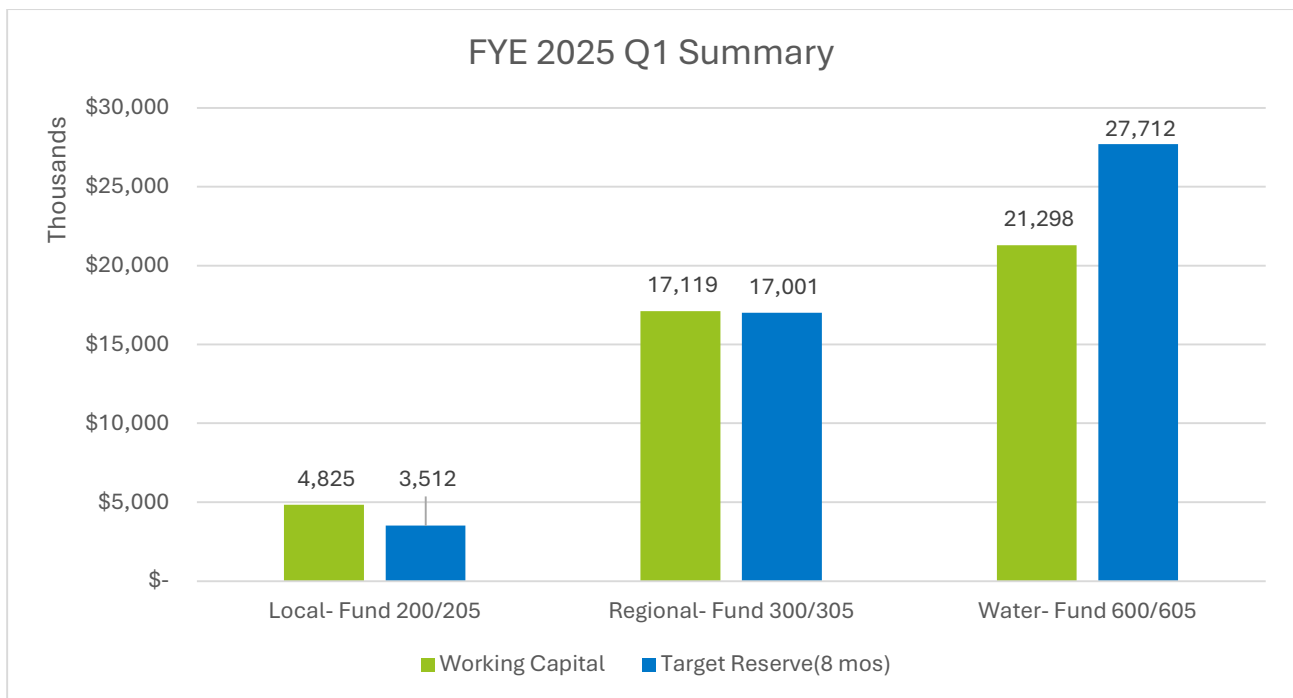
	(a)	(b)	(a) - (b)	
	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Operating Revenues</b>				
Customer Service Late Fees	\$200,000	\$9,817	\$190,183	4.9%
Administrative Fees	200,000	8,342	191,659	4.2%
LAVWMA	973,000	255,870	717,130	26.3%
DERWA	1,461,000	389,512	1,071,488	26.7%
CIP	862,000	148,297	713,703	17.2%
Misc Revenues	-	2,913	(2,913)	100.0%
<b>Total Revenues</b>	<b>\$3,696,000</b>	<b>\$814,750</b>	<b>\$2,881,250</b>	<b>22.0%</b>
<b>Operating Expenses</b>				
Salaries & Benefits	\$7,994,223	\$2,169,822	\$5,824,401	27.1%
Staff Time Charged to CIP & JPAs	(225,326)	(21,523)	(203,803)	9.6%
Materials & Supplies	414,090	69,742	344,348	16.8%
Contract Services	2,811,623	750,188	2,061,435	26.7%
Allocated Costs	(7,052,650)	(2,156,547)	(4,896,103)	30.6%
Miscellaneous	48,040	3,068	44,972	6.4%
<b>Total Expenses</b>	<b>\$3,990,000</b>	<b>\$814,750</b>	<b>\$3,175,251</b>	<b>20.4%</b>



**Operating Reserves:**

The District funds water and wastewater operations from its Enterprise and Rate Stabilization funds. Operating reserves, referred to as “working capital,” are defined as current assets minus current liabilities. Working capital is a measure of available resources to meet fluctuations in cash flow. The District’s Financial Reserves policy establishes working capital targets to define the appropriate amount of operating reserves available in each fund to cover ongoing costs. These targets are defined in terms of “months of working capital,” or the amount of cash needed to cover expenses for a set period. For all three enterprise funds, the target is four months of working capital for the Enterprise fund and four months of working capital for the Rate Stabilization fund, or a combined eight months of budgeted operating expenses.

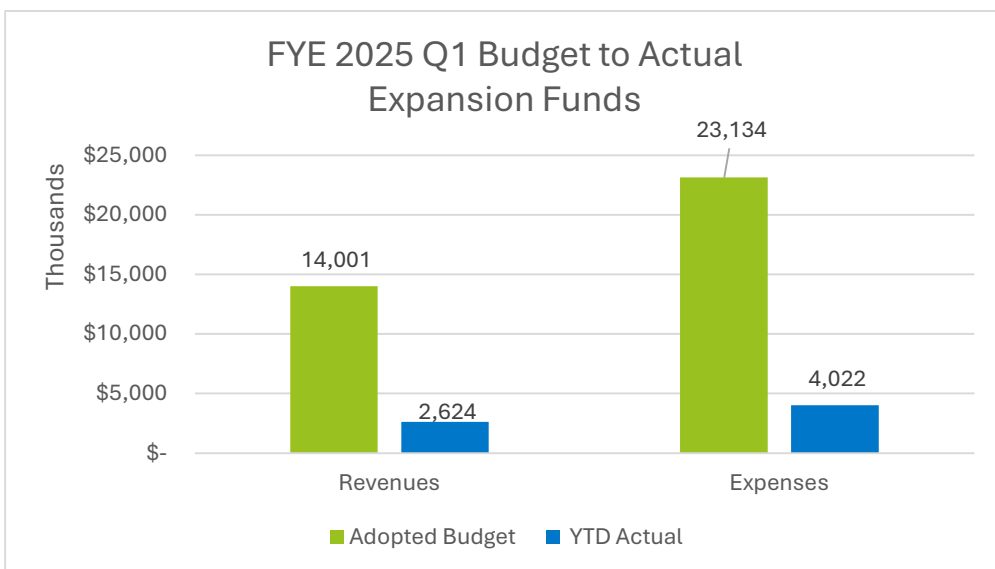
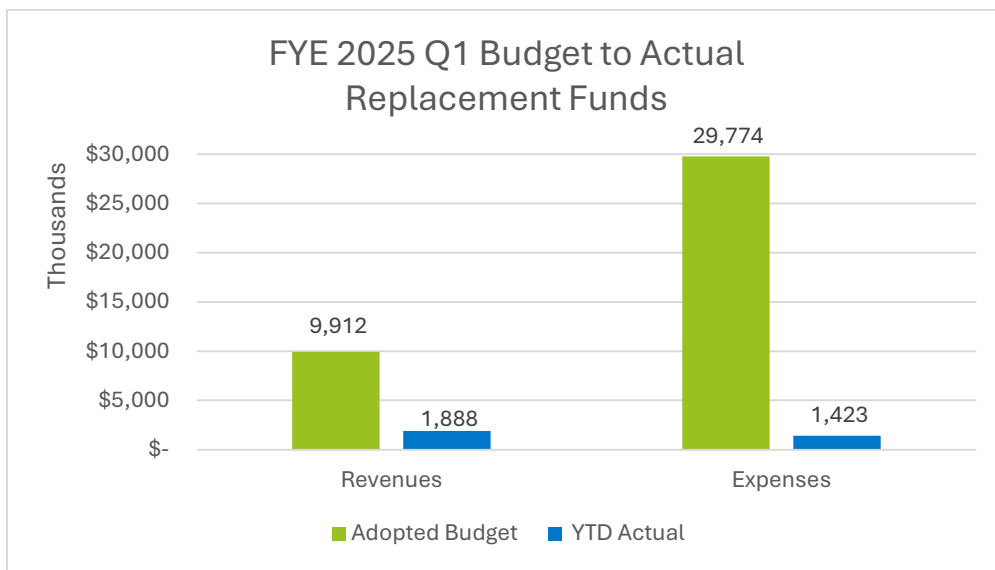
As shown in the following figure, working capital for the Local Wastewater operating funds (Enterprise and Rate Stabilization) are above policy target level through the first quarter of FYE 2025. The working capital for Regional Wastewater is at policy target level. The working capital for the Water enterprise is below target but above the minimum reserve level. The District’s recently adopted [Water Cost of Service Study \(HDR, 2024\)](#) and the rate adjustments through calendar year 2028 are projected to bring operating reserves back up to target levels by 2028.



**CAPITAL FUNDS:**

The District maintains a Replacement fund and an Expansion fund for each of its three enterprises (Local Wastewater, Regional Wastewater, and Water). Replacement funds receive non-operating revenue from developer capacity reserve fees (“buy-in” component) and replacement allocation transfers from enterprise funds. In addition to capital projects, replacement funds also fund the District’s capital asset (formerly called capital outlay) expenses. Expansion funds receive revenue from developer capacity reserve fees, to cover the cost of building expanded facilities for new development, including debt service, direct staff time and overhead.

For the unaudited first quarter financial report for FYE 2025, Replacement funds are at 19% of budgeted revenues and 5% of budgeted expenses, while Expansion funds received 19% of budgeted revenues and 17% of budgeted expenses.



A breakdown of revenue, expenses, and working capital for each capital fund is provided in the following tables.

**Local Wastewater Capital Funds 210 and 220:**

	(a)	(b)	(a) - (b)	
Local Wastewater Replacement (Fund 210)	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Revenues</b>				
WW Capacity Fee-Dublin	\$1,237,398	\$75,673	\$1,161,725	6.1%
Investment Income	82,000	174,856	(92,856)	213.2%
<b>Total Revenues</b>	<b>\$1,319,398</b>	<b>\$250,529</b>	<b>\$1,068,869</b>	<b>19.0%</b>
<b>Expenses</b>				
CIP - Projects	\$2,129,350	\$86,381	\$2,042,969	4.1%
<b>Total Expenses</b>	<b>\$2,129,350</b>	<b>\$86,381</b>	<b>\$2,042,969</b>	<b>4.1%</b>
Transfer In - Annual contribution	\$800,000	\$200,000	600,000	25.0%
<b>Net Increase/(Decrease)</b>	<b>(\$9,952)</b>	<b>\$364,148</b>		
<b>Beginning Working Capital</b>	9,643,116	9,643,116		
<b>Ending Working Capital</b>	<b>\$9,633,164</b>	<b>\$10,007,264</b>		
<b>Working Capital Minimum</b>	\$2,468,000	\$2,468,000		

	(a)	(b)	(a) - (b)	
Local Wastewater Expansion (Fund 220)	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Revenues</b>				
WW Capacity Fee-Dublin	\$38,007	\$2,308	\$35,699	6.1%
Investment Income	164,000	172,245	(8,245)	105.0%
<b>Total Revenues</b>	<b>\$202,007</b>	<b>\$174,553</b>	<b>\$27,454</b>	<b>86.4%</b>
<b>Expenses</b>				
CIP - Projects	\$171,250	\$635	\$170,615	0.4%
<b>Total Expenses</b>	<b>\$171,250</b>	<b>\$635</b>	<b>\$170,615</b>	<b>0.4%</b>
<b>Net Increase/(Decrease)</b>	<b>\$30,757</b>	<b>\$173,918</b>		
<b>Beginning Working Capital</b>	9,745,931	9,745,931		
<b>Ending Working Capital</b>	<b>\$9,776,688</b>	<b>\$9,919,849</b>		
<b>Working Capital Minimum</b>	\$1,149,000	\$1,149,000		

**Regional Wastewater Capital Funds 310 and 320:**

	(a)	(b)	(a) - (b)	
Regional Wastewater Replacement (Fund 310)	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Revenues</b>				
WW Capacity Fee-Dublin	\$2,071,570	\$120,809	\$1,950,761	5.8%
WW Capacity Fee-Pleasanton	456,293	(1,672)	457,965	(0.4%)
WW Capacity Fee-Defer	3,618	455	3,163	12.6%
Investment Income	720,000	716,108	3,892	99.5%
<b>Total Revenues</b>	<b>\$3,251,481</b>	<b>\$835,700</b>	<b>\$2,415,781</b>	<b>25.7%</b>
<b>Expenses</b>				
LAVWMA JPA	\$279,600	\$139,800	\$139,800	50.0%
CIP - Projects	15,298,190	653,063	14,645,127	4.3%
<b>Total Expenses</b>	<b>\$15,577,790</b>	<b>\$792,863</b>	<b>\$14,784,927</b>	<b>5.1%</b>
Transfer In - Annual contribution	2,700,000	675,000	2,025,000	25.0%
<b>Net Increase/(Decrease)</b>	<b>(\$9,626,309)</b>	<b>\$717,838</b>		
<b>Beginning Working Capital</b>	40,370,196	40,370,196		
<b>Ending Working Capital</b>	<b>\$30,743,887</b>	<b>\$41,088,034</b>		
<b>Working Capital Minimum</b>	\$17,845,000	\$17,845,000		

	(a)	(b)	(a) - (b)	
Regional Wastewater Expansion (Fund 320)	Adopted Budget	Actual YTD	Over/ Under Budget	Percentage Collect/Use
<b>Revenues</b>				
WW Capacity Fee-Dublin	\$5,599,335	\$326,135	\$5,273,200	5.8%
WW Capacity Fee-Pleasanton	497,880	1,672	496,208	0.3%
WW Capacity Fee-Defer	10,156	1,139	9,017	11.2%
Investment Income	890,000	815,054	74,946	91.6%
<b>Total Revenues</b>	<b>\$6,997,371</b>	<b>\$1,143,999</b>	<b>\$5,853,372</b>	<b>16.3%</b>
<b>Expenses</b>				
LAVWMA JPA	\$3,581,322	\$3,143,982	\$437,340	87.8%
CIP - Projects	1,342,710	40,533	1,302,177	3.0%
<b>Total Expenses</b>	<b>\$4,924,032</b>	<b>\$3,184,514</b>	<b>\$1,739,518</b>	<b>64.7%</b>
<b>Net Increase/(Decrease)</b>	<b>\$2,073,339</b>	<b>(\$2,040,515)</b>		
<b>Beginning Working Capital</b>	47,381,678	47,381,678		
<b>Ending Working Capital</b>	<b>\$49,455,017</b>	<b>45,341,163</b>		
<b>Working Capital Minimum</b>	\$3,582,000	\$3,582,000		

**Water Capital Funds 610 and 620:**

	(a)	(b)	(a) - (b)	
<b>Water Replacement (Fund 610)</b>	<b>Adopted Budget</b>	<b>Actual YTD</b>	<b>Over/ Under Budget</b>	<b>Percentage Collect/Use</b>
<b>Revenues</b>				
Water Capacity Fee	\$4,760,700	\$165,480	\$4,595,220	3.5%
Investment Income	580,000	636,765	(56,765)	109.8%
Other Revenues	-	-	-	
<b>Total Revenues</b>	<b>\$5,340,700</b>	<b>\$802,245</b>	<b>\$4,538,455</b>	<b>15.02%</b>
<b>Expenses</b>				
DERWA JPA	\$242,000	-	\$242,000	0.0%
Capital Outlay	250	-	250	0.0%
CIP - Projects	11,825,000	\$544,088	11,280,912	4.6%
<b>Total Expenses</b>	<b>\$12,067,250</b>	<b>\$544,088</b>	<b>\$11,523,162</b>	<b>4.5%</b>
Transfer In - Annual contribution	6,500,000	1,625,000	4,875,000	25.0%
<b>Net Increase/(Decrease)</b>	<b>(\$226,550)</b>	<b>\$1,883,157</b>		
<b>Beginning Working Capital</b>	35,754,707	35,754,707		
<b>Ending Working Capital</b>	<b>\$35,528,157</b>	<b>37,637,864</b>		
<b>Working Capital Minimum</b>	\$24,638,000	\$24,638,000		

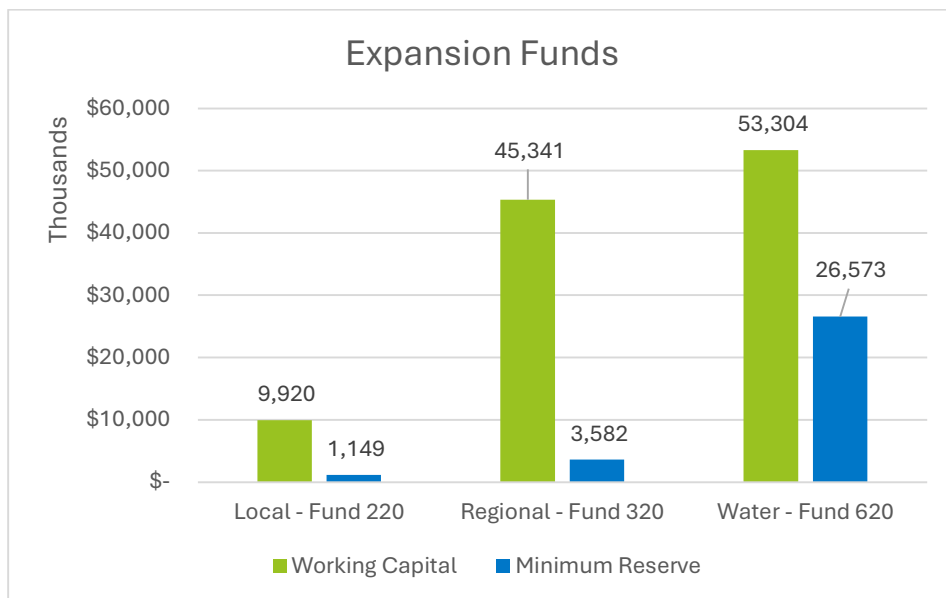
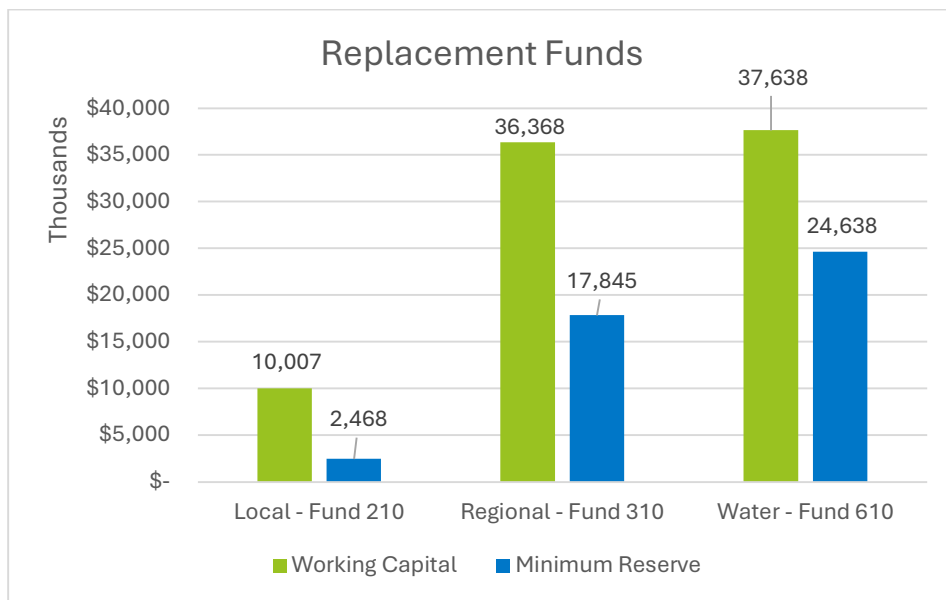
	(a)	(b)	(a) - (b)	
<b>Water Expansion (Fund 620)</b>	<b>Adopted Budget</b>	<b>Actual YTD</b>	<b>Over/ Under Budget</b>	<b>Percentage Collect/Use</b>
<b>Revenues</b>				
Water Capacity Fee	\$5,802,035	\$368,842	\$5,433,193	6.4%
Investment Income	1,000,000	936,137	63,863	93.6%
<b>Total Revenues</b>	<b>\$6,802,035</b>	<b>\$1,304,979</b>	<b>\$5,497,056</b>	<b>19.2%</b>
<b>Expenses</b>				
DERWA JPA	\$845,794	-	\$845,794	0.0%
CIP - Projects	15,315,256	\$154,302	15,160,954	1.0%
Debt Services	1,877,188	682,656	1,194,532	36.4%
<b>Total Expenses</b>	<b>\$18,038,238</b>	<b>\$836,958</b>	<b>\$17,201,280</b>	<b>4.6%</b>
<b>Net Increase/(Decrease)</b>	<b>(\$11,236,203)</b>	<b>\$468,021</b>		
<b>Beginning Working Capital</b>	52,836,462	52,836,462		
<b>Ending Working Capital</b>	<b>\$41,600,259</b>	<b>53,304,483</b>		
<b>Working Capital Minimum</b>	\$26,573,000	\$26,573,000		

**Capital Funds Reserves:**

Replacement Funds: The District’s Financial Reserves policy establishes working capital targets 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.

Expansion Funds: The District’s Financial Reserves policy establishes working capital targets 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.

As shown in the following figures, working capital for all Replacement and Expansion funds are above policy minimum target levels through the first quarter of FYE 2025.



Dublin San Ramon Services District  
 Capital Projects Created from Programs  
 7/1/2024- 9/30/2024

Reference H

Line	Date	Project No.	Project Name	Program Name	Fund 210 Local WW Replacement	Fund 310 Regional WW Replacement	Fund 610 Water Replacement	Total Project Budget
1	8/16/2024	25-A002	FY25 FLEET 1 - Ford F-150 (Field Operations Division)	Fleet Asset Program 00-A004	\$19,800	-	\$40,200	\$60,000
<b>Total</b>					<b>\$19,800</b>	<b>-</b>	<b>\$40,200</b>	<b>\$60,000</b>

Per the Budget Accountability Policy P400-24-2, the General Manager, or designee, is authorized to create a project from a CIP Program up to maximum \$175,000

**Dublin San Ramon Services District**  
**Capital Budget Adjustments approved by the General Manager**  
**7/1/2024- 9/30/2024**

Reference I

Effective Date	Project No.	Project Name	Adopted Budget	Adjusted Budget	Increase/ (Decrease)	Funding Source	Justification
7/22/2024	24-W012	Tassajara Road Gap Closure	\$85,000 (1)	\$120,000	\$35,000	Fund 610 100%	Design and relocate several existing fire hydrants
<b>Total</b>			<b>\$85,000</b>	<b>\$120,000</b>	<b>\$35,000</b>		

(1) CIP 24-W012 was adopted in the District Capital Improvement Program - Two-Year Budget for Fiscal Year Ending 2024 & 2025 with an initial budget of \$85,000.

Per the Budget Accountability Policy P400-24-2, if an individual project is expected to exceed its total budget, the General Manager is authorized to approve budget adjustments up to a maximum of \$175,000 per project.





**TITLE:** Adopt Revised Financial Reserves Policy and Rescind Resolution No. 40-15

**RECOMMENDATION:**

Staff recommends the Board of Directors adopt, by Resolution, a revised Financial Reserves Policy and rescind Resolution No. 40-15.

**SUMMARY:**

The District’s Financial Reserves policy (Policy) provides guidance for the accumulation and management of financial reserves. The Policy, which was last reviewed in 2015, establishes appropriate operating and capital reserve levels (e.g., target, minimum, and maximum) and defines how financial reserves may be used. Staff recommends the Board consider adopting a revised Policy to (a) incorporate prior Board direction related to the use of Rate Stabilization Fund reserves to manage the District’s long-term pension liability and (b) establish a revised minimum and target reserve level for Capital Replacement funds based on improvements to the District’s Asset Replacement Planning Model. Minor revisions to clarify language are also being proposed. If adopted, the Policy would become effective immediately.

**BACKGROUND:**

The Policy’s purpose is to provide guidance for the prudent accumulation and management of designated reserves. Last reviewed by the Board of Directors in 2015, the Policy designates financial reserves to protect investment in District assets, satisfy commitments under financial obligations, and stabilize long-term rates for customers. During the last review of the Policy, the Board also recognized the critical role the Policy has in developing a long-term funding plan for the replacement of the District’s assets and that information from the Asset Management Program would continue to improve over time.

**Current Policy Guidance:**

The District maintains four funds (Operating, Rate Stabilization, Replacement, and Expansion) for each of its three enterprises (Local Wastewater Collection, Regional Wastewater Treatment, and Water). The Policy documents Board direction on key elements related to managing each fund’s reserves, including purpose, use of fund reserves, designated reserve levels (e.g., target, minimum, and maximum), and reporting requirements.

**Operating** reserves (referred to also as “working capital”) ensure adequate cash is available when needed to pay the District’s normal and recurring operating costs. Therefore, Operating funds are used in order to meet the District’s operating obligations. The Policy sets the reserve levels by designating a specific number of months of budgeted operating expenses. The minimum, target, and maximum reserve levels for Operating funds are two, four, and six months, respectively. Working capital for Operating funds is reported as part of the District’s quarterly financial reports.

**Rate Stabilization Fund (RSF)** reserves support the Board’s strategic goal to manage public funds to ensure financial stability. This includes the stability of revenues and the rates and charges related to each enterprise. The Policy states that if reserves in any Operating fund is below the target reserve level, a transfer from RSF to the corresponding Operating fund shall be made in an effort to bring the Operating fund back to its target level. The transfer is limited to no more than one-quarter of the RSF balance. For each RSF, minimum, target, and maximum reserve levels are established based on working capital available to pay for two, four, and six months of budgeted operating expenses for each respective Operating Fund. RSF reserves are assessed annually at fiscal year-end and, based on a recommendation by the General Manager, the Board of Directors may approve and/or provide direction on the use of funds in the RSF reserves.

<b>Originating Department: Finance</b>	<b>Contact: C. Ferreyra/K. Spray</b>	<b>Legal Review: Not Required</b>
<b>Financial Review: Yes</b>	<b>Cost and Funding Source: N/A</b>	
<b>Attachments:</b> <input type="checkbox"/> None <input checked="" 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)	<b>Attachment 1 – Marked-up Financial Reserves Policy</b>	

**Capital Asset Replacement and Improvement (referred to as “Capital Replacement”)** reserves ensure adequate funds are available to fund replacement and improvements to existing capital assets. Capital Replacement reserves also fund the purchase of new capital assets which benefit current ratepayers, and funds are utilized in accordance with the Capital Improvement Program budget adopted by the Board of Directors. There is currently no target or maximum reserve level for Capital Replacement funds. The minimum Capital Replacement reserve level generally consists of the sum of the following:

1. Two-times the 15-year average annual expense in the District’s Capital Improvement Plan based on the District’s Asset Replacement Planning Model
2. A debt reserve of two-year’s average debt service

The Policy states the Board’s intention for the Capital Replacement reserves section to be a “bridge policy,” and identifies that “asset-management driven” revisions are anticipated as the condition assessment of District assets and strategies for managing those assets become better understood.

**Capital Expansion** reserves are intended to minimize the need for ratepayers to bear the cost of expansion, or development-related costs (including debt). The use of these funds is subject to applicable laws related to the use of capacity reserve fees and the Capital Improvement Program budget adopted by the Board of Directors. The target Capital Expansion reserve generally consists of the sum of the following:

1. Two years of average debt service charged to the Capital Expansion fund
2. Two years of expansion project spending as projected in the most current Capital Improvement budget

The minimum Capital Expansion reserve level consists of the greater of the reserve for debt service or the next two years of planned expansion projects. There is no maximum reserve level for the Capital Expansion fund.

**DISCUSSION:**

District policies are generally reviewed on a rotating four-year cycle to ensure that they remain current. The Policy was last reviewed in June 2015. Staff proposes two key revisions to the Policy to (a) incorporate prior Board direction related to the use of Rate Stabilization Fund reserves for additional discretionary California Public Employees Retirement System (CalPERS) Unfunded Accrued Liability (UAL) payments and (b) establish a revised minimum and target reserve level threshold for Capital Replacement funds based on improved information from the Asset Replacement Planning Model.

**RSF Reserves – Pension Funding Ratios and Unfunded Accrued Liability Payments:**

CalPERS prepares an Annual Valuation Report that determines DSRSD’s minimum required employer contributions for the defined benefit pension plan. The report is based on assumptions, namely presumed investment returns over many years. If the assumptions are accurate every year, over many years, then the pension fund will be fully funded (i.e., 100% pension funding ratio). However, if the pension fund deviates from assumptions and underperforms, there will be a shortfall, and an “unfunded accrued liability” is created. This liability, referred to as “UAL,” is amortized over a 20-year period. The District makes payments annually to reduce the UAL.

On October 17, 2023, the Board of Directors received a presentation on the CalPERS Annual Valuation Report and provided direction on the use of RSF reserves to manage the District’s UAL. Staff anticipates that the District’s UAL payments will increase from \$1.2 million in fiscal year ending 2024 to \$3.1 million in fiscal year ending 2030. Given the concern about the fiscal impacts of UAL payments, the Board provided strategic direction to manage the District’s UAL and increase the pension funded ratio over time. The direction consisted of the following concepts:

1. Establish a minimum funded ratio threshold of 80% and a target funded ratio of 90%
2. Prioritize RSF transfers toward UAL liabilities
3. Allocate additional discretionary payments equal to 15% of annual UAL obligations

Since the Policy is the vehicle that provides guidance on the use of RSF reserves, the Board directed staff to propose revisions to the Policy to incorporate the concepts above for the Board’s consideration.

Using RSF transfers to pre-fund UAL costs provides a mechanism to fund additional UAL payments with operational savings and leverages CalPERS investment returns versus the District's investment portfolio. Staff has included revised language in the Policy (Attachment 1) regarding the use of RSF reserves to maintain the CalPERS pension funded ratio between 80% and 90% and prioritize surplus RSF reserves for additional discretionary UAL payments in the event the funded ratio is below 80%. The proposed revisions incorporate Board direction on the first two concepts listed above.

It is estimated that making an additional discretionary payment equal to 15% of the annual UAL obligation would reduce the amortization schedule by five years, resulting in \$3 million interest cost savings. Staff proposes including additional discretionary payments as a budgeted expense in the District's operating budget, in support of achieving the target funded ratio of 90%. Budgeting the payments as an expense also maintains transparency about the cost to provide each service. The Board would have the opportunity to confirm the additional discretionary payment annually as part of the annual RSF report.

Lastly, revisions to this section reflect the District's current practice of transferring RSF reserves in excess of the maximum reserve level to the corresponding Capital Replacement fund. The Board retains the ability to use funds in the RSF reserves for other purposes as well and would continue to review RSF reserve balances annually before directing any use of the funds.

### **Capital Asset Replacement Reserves – Revise Minimum Reserve and Establish Target Reserve:**

On June 2, 2015, the Board adopted the current Policy via Resolution No. 40-15, and specifically recognized the need to develop "an adequate long-term funding plan for the replacement, improvement or addition of assets in the District." In doing so, the Board acknowledged that this "bridge policy" would be subject to "asset-management driven" revisions as the condition assessment of existing assets and strategies for managing those assets become better understood.

As infrastructure ages, asset replacement costs increase. Concurrently, development in the service area is approaching "build-out" and capacity reserve fee revenues will eventually diminish. Essentially, right as infrastructure begins to accelerate its depreciation, a major revenue source begins a significant decline. Setting Capital Replacement minimum reserve levels at twice the average annual expense of planned capital projects was intended to help mitigate the problem of increasing costs and decreasing capacity reserve fee revenue while the District's Asset Management Program was refined; and the Board was assured that all replacement costs, and timing of when those costs would be incurred, had been identified. The result of this policy decision is a highly conservative reserve level in the Capital Replacement funds. In order to maintain the minimum Capital Replacement reserve level, the amount transferred from rate revenue to Capital Replacement has increased from \$5.3 million in 2014 to \$9.6 million in 2024, across all three enterprises.

Over the last ten years, the District has completed a comprehensive inventory of assets. This effort was a significant undertaking due to the sheer volume of assets the District is responsible for and the need to properly categorize the data so that it may be used to make decisions about replacement strategies. Currently, assets are categorized by system (e.g., potable water distribution), then by process (e.g., pump station, reservoir, turnout), followed by equipment classification and type (e.g., pump, motor, generator). All pipelines, also known as "linear assets," which comprise the majority of the water system and nearly all of the local collection systems assets, are also inventoried. Data for each segment of pipeline includes installation date, length, and material. To date, the District's Asset Management data includes nearly 2,700 individual equipment assets and nearly 3.5 million linear feet of pipeline across all three business enterprises.

From this data, the District has developed a sophisticated Asset Replacement Planning Model that estimates the rehabilitation and replacement year and cost for each asset based on, at a minimum, the age and type of the asset. Some assets have added layers of analysis, including criticality (e.g., consequence of failure) and condition assessment data which may extend or accelerate replacement timelines. For example, as local collection system pipelines are inspected, the data from the video inspections is used to prioritize pipeline replacement in addition to maintenance activities such as root control or pipeline flushing. The renewal and replacement needs identified by the Asset Replacement Planning Model are reflected in individual capital projects and programs. Thus, the Capital Improvement Plan reflects not only intermediate-term capital projects but also longer-term estimates of asset replacement needs.

With a comprehensive Asset Replacement Planning Model, exposure to unanticipated replacement costs is greatly reduced, eliminating the need to maintain overly conservative reserve levels. Staff has evaluated the Capital Replacement fund minimum reserve level considering the strides made in the Asset Replacement Planning Modeling over the last ten years and recommends (a) changing the current minimum reserve (twice the average annual expense) to a target reserve and (b) revising the minimum reserve to the average annual expense in the District's Capital Improvement Plan. Suggested language has also been included to remove the reference to "bridge policy" and instead state that future changes to this section of the Policy will be based on the Asset Replacement Planning Model and associated condition assessments.

**Next Steps:**

Staff recommends the Board of Directors adopt, by Resolution, a revised Policy and rescind Resolution No. 40-15. The Policy would become effective immediately and be scheduled for review in 2028. Staff would also include additional discretionary payments equal to 15% of the annual UAL normal cost in the proposed Fiscal Years Ending 2026 and 2027 Operating Budget.



# Policy

<b>Policy No.:</b> <del>P400-15-1</del>	<b>Type of Policy:</b> Finance
<b>Policy Title:</b> Financial Reserves	
<b>Policy Description:</b> Provides guidance for the prudent accumulation and management of designated reserves.	
<b>Approval Date:</b> <del>6/2/2015</del> <u>11/19/2024</u>	<b>Last Review Date:</b> <del>2015</del> <u>2024</u>
<b>Approval Resolution No.:</b> <del>40-15</del>	<b>Next Review Date:</b> <del>2019</del> <u>2028</u>
<b>Rescinded Resolution No.:</b> <del>73-1440-15</del>	<b>Rescinded Resolution Date:</b> <del>11/18/2014</del> <u>6/2/2015</u>

~~It is the~~ The purpose of this policy of the Board of Directors of Dublin San Ramon Services District:

~~is to~~ To designate financial reserves ~~in order~~ to protect ~~the District's~~ investment in ~~its various~~ District 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 ~~District the~~ discretion with certain restrictions where they apply. of the District. The Board can change ~~fund designations~~ designated reserve levels at any time. Designated reserves are different than restricted funds, which are restricted as to use ~~used strictly to meet requirements established~~ by creditors, grant agencies or law. Reserves held by a third-party ~~as bond reserves in an irrevocable trust or for pension obligations used to pay employee benefits~~ are examples of restricted reserves that may not be used for any purpose other than the purpose of the trust; 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~~ District Code.

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.

<b>Policy No.:</b> <del>P400-15-1</del>	<b>Policy Title:</b> Financial Reserves
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- Use of Funds:** Funds are utilized throughout the year in order to meet the District’s operating obligations.
- 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~~quarterly 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.

**Maintain Operating Fund Reserves at Target Level**

If the Reserves in any Operating Fund ~~has decreased~~at fiscal-year end are 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.

Policy No.: ~~P400-15-1~~

Policy Title: Financial Reserves

**Maintain CalPERS Pension Funded Ratio Between 80% and 90%**

If the CalPERS Pension funded ratio is below 80%, prioritize surplus Rate Stabilization Fund reserves to make additional discretionary Unfunded Accrued Liability (UAL) payments in an effort to bring the ratio above 80%.

~~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.~~

**Allocate Surplus Reserves to Capital Replacement Funds**

If the Reserves in any Rate Stabilization Fund at fiscal-year end are above the maximum reserve level, a transfer from the Rate Stabilization Fund to the corresponding Replacement Fund may be made.

- 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:** Six months of the related Enterprise Fund’s budgeted operating expenditures. 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.

**Reporting:** The General Manager shall report annually to the Board of Directors on the results of the assessment and make recommendations on the use of funds.

**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 a minimum of twone 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 Target:** The minimum target replacement reserve shall consist of the sum of the following components:

<b>Policy No.:</b> <del>P400-15-1</del>	<b>Policy Title:</b> Financial Reserves
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- 1) An amount based on the ~~15-year cost projections included in the~~ District’s Asset Replacement Planning Model and ~~the District’s 10-year Capital Improvement Plan~~ which is equal to two times the 15-year average annual expense in the Capital Improvement Plan; 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).

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

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

**Maximum:** There is no maximum reserve in this fund; Reserves may be accumulated and used for their intended purpose.

**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 Capital Asset and Replacement & Improvement Reserves section of this policy based on the Asset Replacement Planning Model, 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

- Minimum:** A minimum reserve consists of 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.

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT REVISING THE FINANCIAL RESERVES POLICY AND RESCINDING RESOLUTION NO. 40-15

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WHEREAS, the Board previously revised the Financial Reserves policy on November 4, 2014, by Resolution No. 73-14 and on June 2, 2015, by Resolution No. 40-15; and

WHEREAS, the Financial Reserves policy provides guidance for the accumulation and management of financial reserves to protect investment in District assets, satisfy commitments under financial obligations, and stabilize long-term rates for customers; and

WHEREAS, on October 17, 2023, the Board provided direction to staff to revise the Financial Reserves policy to prioritize surplus Rate Stabilization Fund reserves to maintain the California Public Employees' Retirement System (CalPERS) unfunded accrued liability (UAL) funded ratio between 80% and 90%; and

WHEREAS, staff has incorporated revisions to the Rate Stabilization Fund section of the Financial Reserves policy to incorporate the Board direction regarding management of the District's CalPERS UAL and pension funded ratio; and

WHEREAS, Resolution No. 73-14 recognized the Board's desire to continue to improve the long-term planning process of the District with future revisions to the Financial Reserves policy based on improved information from the Asset Management Program; and

WHEREAS, the Asset Replacement Planning Model has been refined over the last ten years to include the estimated rehabilitation and replacement year and cost for all major assets, which are incorporated into the District's Capital Improvement Program, significantly reducing the risk of unanticipated replacement costs and the need for overly conservative Capital Replacement reserve levels; and

WHEREAS, staff has incorporated revisions to the Capital Replacement Fund section of the Financial Reserves policy to establish new minimum and target reserve levels based on improvements made to the Asset Replacement Planning Model and Capital Improvement Program.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency located in the Counties of Alameda and Contra Costa, California, that the revised Financial Reserves policy, attached as Exhibit "A," is hereby adopted, and Resolution No. 40-15, attached as Exhibit "B," is hereby rescinded.

Res. No. \_\_\_\_\_

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, Counties of Alameda and Contra Costa, at its regular meeting held on the 19th day of November, 2024, and passed by the following vote:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
Ann Marie Johnson, President

ATTEST: \_\_\_\_\_  
Nicole Genzale, District Secretary



# Policy

<b>Policy No.:</b>	<b>Type of Policy:</b> Finance
<b>Policy Title:</b> Financial Reserves	
<b>Policy Description:</b> Provides guidance for the prudent accumulation and management of designated reserves.	
<b>Approval Date:</b> 11/19/2024	<b>Last Review Date:</b> 2024
<b>Approval Resolution No.:</b> TBD	<b>Next Review Date:</b> 2028
<b>Rescinded Resolution No.:</b> 40-15	<b>Rescinded Resolution Date:</b> 6/2/2015

The purpose of this policy of the Board of Directors of Dublin San Ramon Services District is to designate financial reserves to protect investment in District assets, satisfy commitments under numerous financial, regulatory and contractual obligations, and to stabilize long-term rates for 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 District discretion with certain restrictions where they apply. The Board can change designated reserve levels at any time. Designated reserves are different than restricted funds which are restricted as to use by creditors, grant agencies or law. Reserves held by a third-party in an irrevocable trust used to pay employee benefits are examples of restricted reserves that may not be used for any purpose other than the purpose of the trust

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 District Code.

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.

<b>Policy No.:</b>	<b>Policy Title:</b> Financial Reserves
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- 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 quarterly 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.

**Maintain Operating Fund Reserves at Target Level**

If the Reserves in any Operating Fund at fiscal-year end are 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.

**Maintain CalPERS Pension Funded Ratio Between 80% and 90%**

If the CalPERS Pension funded ratio is below 80%, prioritize surplus Rate Stabilization Fund reserves to make additional discretionary Unfunded Accrued Liability (UAL) payments in an effort to bring the ratio above 80%.

Policy No.:

Policy Title: Financial Reserves

**Allocate Surplus Reserves to Capital Replacement Funds**

If the Reserves in any Rate Stabilization Fund at fiscal-year end are above the maximum reserve level, a transfer from the Rate Stabilization Fund to the corresponding Replacement Fund may be made.

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:** Six months of the related Enterprise Fund’s budgeted operating expenditures. 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.

**Reporting:** The General Manager shall report annually to the Board of Directors on the results of the assessment and make recommendations on the use of funds.

**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 a minimum of one 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.

**Target:** The target replacement reserve shall consist of the sum of the following components:  
1) An amount based on the District’s Asset Replacement Planning Model and which is equal to two times the 15-year average annual expense in the Capital Improvement Plan; 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).

**Minimum:** The minimum replacement reserve shall consist of the sum of the following components:  
1) An amount based on the District’s Asset Replacement Planning Model and which is equal to the 15-year average annual expense in the Capital Improvement Plan; and  
2) A debt reserve of one year’s average debt service (or for any debt that has less than one year remaining, the entire remaining amount).

<b>Policy No.:</b>	<b>Policy Title:</b> Financial Reserves
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**Maximum:** There is no maximum reserve in this fund; Reserves may be accumulated and used for their intended purpose.

**Revisions:** It is the intent of the Board that asset-management driven changes be made to the Capital Asset and Replacement & Improvement Reserves section of this policy based on the Asset Replacement Planning Model, the condition assessment of District assets and strategies for managing those assets.

**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.

**Minimum:** A minimum reserve consists of the greater of the reserve for 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.

RESOLUTION NO. 40-15RESOLUTION OF THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT REVISING THE FINANCIAL RESERVES POLICY AND RESCINDING RESOLUTION NO. 73-14

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WHEREAS, on November 4, 2014 the current Financial Reserves policy was revised by Resolution No. 73-14; and

WHEREAS, the Board recognizes the critical nature of the Financial Reserves policy for developing an adequate long-term funding plan for the replacement, improvement or addition of assets in the District; and

WHEREAS, the Board recognizes changes to the spending and funding in the future will develop more rapidly; and

WHEREAS, the Board recognizes the District has improved information from the current 10-Year CIP and the Asset Management Program; and

WHEREAS, the Board wishes to adjust the existing Financial Reserves policy to reflect the improved information available from existing reports and plans; and

WHEREAS, the Board recognizes that this action is one of many to be taken over time to continually improve the long-term planning process of the District; and

WHEREAS, the Board desires to adopt this "bridge policy" to reflect the best information currently available.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DUBLIN SAN RAMON SERVICES DISTRICT, a public agency located in the counties of Alameda and Contra Costa, California, as follows:

1. The revised Financial Reserves policy, attached hereto as Exhibit "A" be adopted;
- and
2. Resolution No. 73-14 is hereby rescinded and attached as Exhibit "B."




Res. No. 40-15

ADOPTED by the Board of Directors of Dublin San Ramon Services District, a public agency in the State of California, counties of Alameda and Contra Costa, at its regular meeting held on the 2nd day of June 2015, and passed by the following vote:

AYES: 5 - Directors Richard M. Halket, D.L. (Pat) Howard, Georgean M. Vonheeder-Leopold, Dawn L. Benson, Edward R. Duarte

NOES: 0

ABSENT: 0

  
\_\_\_\_\_  
Edward R. Duarte, President

ATTEST:   
\_\_\_\_\_  
Nancy G. Hatfield, District Secretary



**TITLE:** Receive Update on Drinking Water Regulations

**RECOMMENDATION:**

Staff recommends the Board of Directors receive an update on drinking water regulations.

**SUMMARY:**

The District has a Strategic Plan goal to “Meet or exceed regulatory requirements while preparing for the future regulatory landscape” and a Strategic Plan action item to “Collaborate with partner agencies to monitor evolving regulatory requirements and explore potential compliance and mitigation strategies.” The District distributes drinking water purchased from Zone 7 Water Agency to approximately 100,000 people in the cities of Dublin and San Ramon. Drinking water, also referred to as “potable” water, is highly regulated by state and federal agencies in order to protect public health. On November 19, staff will provide the Board with a presentation on key drinking water regulations that have recently been adopted or gone into effect and discuss potential impacts, compliance strategies, and schedule.

**DISCUSSION:**

The District distributes drinking water purchased from Zone 7 Water Agency to approximately 100,000 people in the cities of Dublin and San Ramon. The District’s distribution system consists of 17 pump stations, 14 reservoirs, 9 pressure zones, approximately 343 miles of underground piping, and 27,000 customer connections. In 2023, the District distributed an average of 8 million gallons a day (MGD) of drinking water to customers.

Drinking water, also referred to as “potable” water, is highly regulated by state and federal agencies in order to protect public health. Recently, the following key drinking water regulations have been adopted or gone into effect:

1. Cross-Connection Control Plan
2. Lead and Copper Rule Improvements
3. Making Conservation a California Way of Life

Staff is currently reviewing potential compliance strategies and resources needed to comply with these new or updated drinking water regulations, which are described in the following sections.

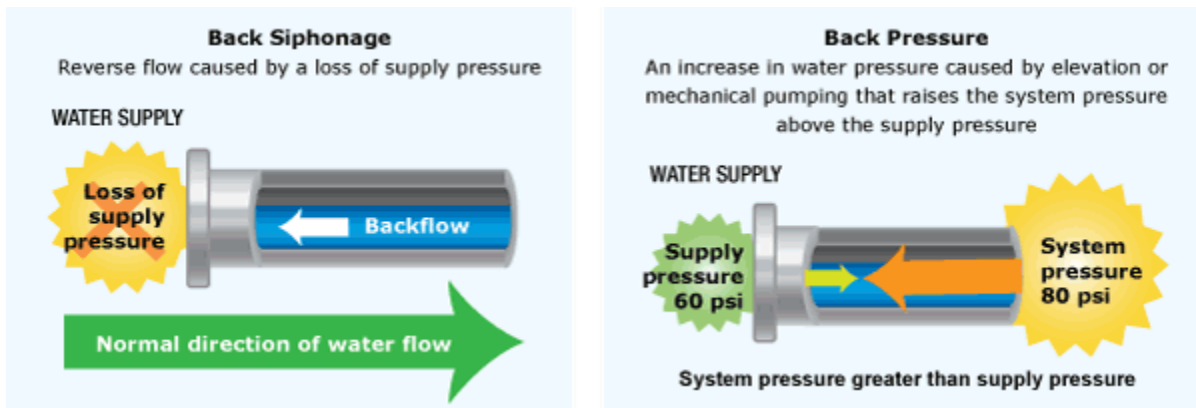
**Cross-Connection Control Plan:**

A "cross connection" is a physical connection between a drinking water supply and a non-potable source, like a pool or irrigation system, which could potentially allow contamination to enter the drinking water. "Backflow" is the actual reversal of water flow, where non-potable water flows back into the drinking water system, typically occurring when a cross connection exists and pressure conditions create reverse flow. Essentially, a cross connection is a potential contamination point, while backflow is the event where contamination actually enters the drinking water supply due to a cross connection.

The District administers a cross-connection and backflow prevention program (Program) in accordance with Title 17 of the California Code of Regulations, which requires water systems to be protected from contamination by identifying, controlling, and eliminating cross connections and backflow. The District’s Program includes annual backflow device testing and installation verification, customer communication, and inspections. It is important for public health to ensure proper installation and annual backflow device testing at residential, commercial, industrial, institutional, and fire services that are identified as having potential onsite hazards that could lead to back siphonage into the public water distribution system. The graphic below depicts two scenarios where backflow can occur. The District currently manages

<b>Originating Department: Operations</b>	<b>Contact: D. Gill</b>	<b>Legal Review: Not Required</b>
<b>Financial Review: Not Required</b>	<b>Cost and Funding Source: N/A</b>	
<b>Attachments:</b> <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)	42 of 45	

3,842 backflow preventers installed at commercial, industrial, and institutional sites, as well as residential sites with sewer injector pumps.



On December 19, 2023, the State Water Resources Control Board (State Water Board) adopted the Cross-Connection Control Policy Handbook (CCCPH), which went into effect on July 1, 2024. The primary objective of the CCCPH is the protection of public health through the establishment of standards intended to ensure a drinking water system will not be subject to contamination from backflow. The CCCPH has the same authority as a standard regulation but is intended to provide more technical details and explanatory language than the standard regulation. California public water systems must implement the CCCPH, develop or revise their Cross-Connection Control Plan (Plan), and submit the Plan to comply with the CCCPH no later than July 1, 2025. The CCCPH includes all elements from Title 17 of the California Code of Regulation with enhancements and four additional elements. Therefore, while public water systems work toward compliance with the CCCPH, they must ensure they continue to effectively operate their cross-connection control and backflow prevention programs.

Under these new regulations, the District must develop and submit a Cross-Connection Control Plan by July 1, 2025, that includes a schedule for completion of hazard assessments of the potable water system. A key change in the new regulation is a requirement for backflow protection on residential fire sprinkler systems, which could impact homes built in DSRSD's service area after 2009. Due to the number of homes potentially affected, significant resources may be needed to meet this new requirement. Other water agencies could similarly be impacted.

Staff is currently in the process of procuring a consultant specializing in cross-connection programs to evaluate compliance strategies and prepare the Plan. Staff also facilitated the creation of a technical workgroup to share information and approaches for complying with the CCCPH. The workgroup includes staff members of all water agencies in the Tri-Valley area (DSRSD, Cities of Pleasanton and Livermore, Zone 7 Water Agency, and Cal Water), East Bay Municipal Utility District, and Contra Costa Water District.

#### **Lead and Copper Rule Improvements (LCRI):**

On October 30, 2024, the United States Environmental Protection Agency (U.S. EPA) published the Lead and Copper Rule Improvements (LCRI). The LCRI improved upon the 2021 Lead and Copper Rule Revisions (LCRR) which was a major update since the promulgation of the 1991 Lead and Copper Rule. Key provisions of the LCRI are as follows:

- Requires water systems to replace lead service lines by December 2037.
- Supports ongoing efforts to locate existing lead pipes. Under existing requirements, water systems were required to complete initial inventories of their service lines by October 16, 2024. The LCRI requires water agencies to regularly update the service line inventory, validate inventory, and develop a replacement plan for any lead service lines that are detected.
- Strengthens drinking water sampling requirements.
- Lowers the action limit threshold for lead from 15 parts per billion to 10 parts per billion.
- Adds additional requirements to reduce exposure to lead in drinking water for those water systems with multiple exceedances of the lead action level.

- Requires more frequent and proactive communication about the health risks associated with lead and information on where consumers can find the water system’s lead service line inventory.
- Requires additional testing of lead in schools and childcare facilities.

DSRSD completed the initial lead service line inventory by the deadline of October 16, 2024. It was a significant project. To complete the inventory, staff reviewed construction records and determined that there were 5,061 service lines installed before 1986. Service lines installed after 1986 are unlikely to have lead. Based on review of District records and construction standards for the 5,061 service lines, it was determined that there is no lead in the District-owned portion of the service line, which extends from the water main to the customer water meter. However, District records do not indicate what material may have been installed on the customer side of the water meter.

District staff developed a plan to determine what material was used in the construction of the service line on the customer’s side of the water meter. This method involved developing a random sample of 384 sites that were visually inspected. These physical inspections required staff to visit each identified location, pull the meter box lid, dig and verify pipe material on both the customer and District side of the water meter. No lead services on the customer side of the water service were found. The data collected from historical records and from the physical survey were compiled into the initial service line inventory and submitted to the State for approval. The service inventory has been posted on the [District’s webpage](https://dsrsd-potable-water-service-inventory-dsrsd.hub.arcgis.com/) (https://dsrsd-potable-water-service-inventory-dsrsd.hub.arcgis.com/) and will be regularly updated and maintained.

Staff continues to review the LCRI and resources needed to meet the associated compliance deadlines. The additional work tasks required for compliance with the LCRI will include incorporating lead testing requirements for schools and childcare facilities, updating the service line inventory, revising and developing public outreach materials, and meeting updated notification requirements.

**Making Conservation a California Way of Life:**

On July 3, 2024, the State Water Board adopted the Making Conservation a California Way of Life regulation. This regulation stems from Senate Bill 606 and Assembly Bill 1668, which were passed in 2018 in response to the severe drought. These bills required the State to develop regulations to adopt efficiency standards and performance measures for commercial, industrial and institutional water use.

Making Conservation a California Way of Life requires water agencies to be held to an urban water use objective, which is the sum of efficiency budgets for (1) residential indoor use, (2) residential outdoor use, (3) commercial, industrial, and institutional landscapes with dedicated irrigation meters, and (4) water loss. The first three budgets are calculated using a statewide efficiency standard and local service area characteristics such as population, climate, and landscape area.



The Board was last briefed on the Making Conservation a California Way of Life regulation on May 21, 2024, as part of the update on long-term water resiliency efforts. Staff is currently working with a consultant to prepare a comprehensive Water Conservation Master Plan to review the District’s current conservation programs and additional measures that will be needed to achieve the District’s urban water use objective and comply with the new water regulations. A draft of the Water Conservation Master Plan is anticipated to be available in summer 2025.

The Making Conservation a California Way of Life regulation goes into effect in January 2025 and requires the District to comply with the new urban water use objective starting on January 1, 2027. This objective will become increasingly more stringent over time. By 2040, the State Water Board will start enforcement for non-compliance of the urban water use objective. Water agencies need to meet the overall urban water use efficiency target, not each individual budget. The one exception is the budget for water loss, which was established by separate regulation.

Water Code Section 10608.34, Subdivision (i), (Senate Bill 555, 2015) directs the State Water Board to “adopt rules requiring urban retail water suppliers to meet performance standards for the volume of water losses.” Pursuant to this law, urban retail water suppliers have been annually submitting water loss audits to the Department of Water Resources since October 2017. As discussed above, Making Water Conservation a California Way of Life requires water agencies to include water loss in the calculation for the urban water use objective.

Until recently, monitoring and mitigation of water loss have been limited to voluntary efforts by water suppliers. However, effective April 2023, retail water suppliers are now required to meet individual volumetric loss standards over a three-year period, beginning January 1, 2028. In order for the District to meet these new requirements, the District will be required to develop and implement (1) a comprehensive meter replacement program to address the fact that meter accuracy diminishes over time and (2) a leak survey program to reduce water loss.

**Next Steps:**

This update is informational and does not require Board action. Staff will continue to evaluate potential compliance strategies and resources needed to comply with these new or updated drinking water regulations. This information will be reflected in the proposed operating and capital budgets that will be reviewed with the Board in late spring 2025.