



AGENDA

NOTICE OF REGULAR MEETING

TIME: 6 p.m.
PLACE: Dublin San Ramon Services District
Boardroom
7051 Dublin Boulevard, Dublin, CA
www.derwa.org

DATE: Monday, December 11, 2023

Our mission is to maximize the amount of recycled water delivered while recovering its costs; in doing so it will provide a reliable and consistent supply of recycled water to DSRSD and EBMUD for service to each of the agencies' customers.

1. CALL TO ORDER
2. PLEDGE TO THE FLAG
3. ROLL CALL - Members: Coleman, Vonheeder-Leopold, Chan, and Johnson
Alternates: Goel and Young
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 Authority Secretary and should be completed and returned to the Authority Secretary prior to addressing the Board. The Chair 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 may be submitted to the Authority Secretary at genzale@dsrsd.com. Comments received by 3 p.m. on the day of the meeting will be provided to the Board.
6. CONSENT CALENDAR
Matters listed under this item are considered routine and will be enacted by one action 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.
 - A. Approve Minutes of Regular Board Meeting of September 25, 2023
Recommended Action: Approve by Motion
 - B. Approve Treasurer's Reports for August 31, and September 30, 2023
Recommended Action: Approve by Motion
 - C. Approve Quarterly Investment Report for September 30, 2023
Recommended Action: Approve by Motion

7. BOARD BUSINESS

- A. Accept Independent Auditors' Report for Fiscal Year Ended June 30, 2023
Recommended Action: Accept by Motion
- B. Discuss Proposed DERWA Cash Reserves Policy
Recommended Action: Discuss and Provide Direction
- C. Receive Presentation on Recycled Water Supply and Operations Plan Update
Recommended Action: Receive Presentation and Provide Direction
- D. Approve Appointment of Richard G. Sykes as Interim Authority Manager and Authorize Agreement for Services, and Discuss Authority Manager Recruitment
Recommended Action: Approve by Resolution and Provide Direction

8. STAFF REPORTS

- A. Authority Manager Update
- B. Confirm Next Board Meeting – February 5, 2024

9. BOARDMEMBER ITEMS

10. ADJOURNMENT

All materials made available or distributed in open session at Board meetings are public information and are available for inspection during business hours by calling the Authority 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 Authority Secretary as soon as possible, but at least two days prior to the meeting.

Item 6.A

**DSRSD•EBMUD RECYCLED WATER AUTHORITY
(DERWA)
Board of Directors Regular Meeting Minutes
Monday, September 25, 2023**

1. CALL TO ORDER – Chair Coleman called the DSRSD•EBMUD Recycled Water Authority (DERWA) meeting to order at 6 p.m.
2. PLEDGE TO THE FLAG
3. ROLL CALL – Directors present: Chair John Coleman, Vice Chair Georgean Vonheeder-Leopold, and Directors April Chan, and Ann Marie Johnson. DERWA Staff present: Jan Lee, Authority Manager; Jacqueline Lee, Treasurer; Austin Cho, General Counsel; and Nicole Genzale, Authority Secretary
4. SPECIAL ANNOUNCEMENTS/ACTIVITIES – None
5. PUBLIC COMMENT – 6:01 p.m.
6. CONSENT CALENDAR

Vice Chair Vonheeder-Leopold MOVED for approval of the items on the Consent Calendar. Director Chan SECONDED the MOTION, which CARRIED with FOUR AYES.

- A. Approve Minutes of Regular Board Meeting of April 24, 2023 – Approved
 - B. Approve Treasurer’s Reports for March 31, April 30, May 31, June 30, and July 31, 2023 – Approved
 - C. Approve Quarterly Investment Reports for March 31, and June 30, 2023 – Approved
 - D. Authorize Purchase and Replacement of Sand Filter Cascade Rings – Approved
7. BOARD BUSINESS

- A. Approve Resolution No. 23-3 Appointing the DERWA Treasurer

Authority Manager Lee reviewed the item for the Board.

Director Chan MOVED to Approve Resolution No. 23-3, Appointing the DERWA Treasurer. Vice Chair Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FOUR AYES.

The Board welcomed Ms. Jacqueline (Jackie) Lee as the new DERWA Treasurer.

- B. Approve Proclamation for Richard Lou’s Service to DERWA as Treasurer

Chair Coleman introduced the item and read aloud from the proclamation.

DRAFT

Vice Chair Vonheeder-Leopold MOVED to Approve the Proclamation for Richard Lou's Service to DERWA as Treasurer. Director Johnson SECONDED the MOTION, which CARRIED with FOUR AYES.

Chair Coleman presented the proclamation to Mr. Lou and the Board thanked him for his nearly 20 years of steady service to DERWA. Mr. Lou expressed his appreciation for his years with DERWA and acknowledged how far the organization has come.

C. Approve Resolution No. 23-4 Regarding Authority Manager Functions and Expenditures

General Counsel Cho reviewed the item for the Board. The Board and staff discussed certain aspects of the proposed resolution and inquired about communicating expenditures to the Board. Authority Manager Lee confirmed that expenditures and other activities will be regularly communicated to the Board via the Authority Manager Update included in each agenda packet. In addition, DERWA's independent audit report for fiscal year 2023 will be presented to the Board in December. Mr. Cho advised that if approved, the Board may wish to revisit the resolution should the next Authority Manager be appointed from EBMUD rather than DSRSD.

Director Chan MOVED to Approve Resolution No. 23-4, Regarding Authority Manager Functions and Expenditures. Vice Chair Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FOUR AYES.

D. Receive Presentation on Recycled Water Supply and Operations Plan Update

Authority Manager Lee introduced the item and the consultant project team from Brown and Caldwell. She also stated that Melody LaBella, Central Contra Costa Sanitary District (Central San) Resource Recovery Program Manager, was in the audience.

Ms. Lee, and Brown and Caldwell Project Manager, Katie Ruby, and Regional Bay Area 1Water Lead, Jenny Gain, gave a presentation (provided to the Board and added to the website as supplemental material) that addressed the following:

1. Background
2. Preliminary Results – Part I
 - Supply and Demand
 - Alternatives and Demand Management
 - Evaluation
 - Policy Discussion
3. Next Steps

The Board and staff reviewed and discussed various aspects of the presentation outlined above, including 4 policy concepts and 14 potential supply alternatives. Staff requested the Board's feedback on the above, as well as on staff's recommendation to move 7 of the 14 supply alternatives forward for further evaluation. The Board noted that while the EBDA (East Bay Dischargers Authority) option addresses DERWA's total projected supply shortage at buildout, it is also the most expensive. The Board and staff discussed a possible renegotiation of the temporary DERWA and Central San wastewater diversion agreement which will expire in January 2026.

Ms. LaBella described Central San's recycled water program and its objective to seek large projects with consistent year-round demands to leverage its investment in its recycled

treatment facility. Central San has an agreement with City of Concord to serve recycled water to the anticipated redevelopment of the Concord Naval Weapons Station, and executed a Memorandum of Understanding with EBMUD last year to study an array of potential recycled water projects (Ms. Lee confirmed that the study results will be presented to the DERWA Board at a future meeting). Ms. LaBella confirmed that to date, the Central San Board has not considered a possible future agreement with DERWA. Chair Coleman requested Authority Manager Lee arrange a meeting for DERWA and Central San Board representatives to discuss possible collaboration beyond the current agreement expiration.

The Board directed staff to carry forward all 7 supplemental supply options due to potential changing conditions such as climate, economics, agency interest, etc. The Board also requested that staff provide additional information on demand management and conservation measures at the December meeting.

8. STAFF REPORTS

A. Authority Manager Update

Authority Manager Lee introduced DSRSD Engineering Services Administrative Assistant Sara Tom who is providing support to DERWA.

B. Confirm Next Board Meeting – December 11, 2023

The Board acknowledged the December meeting date and did not request any changes.

9. BOARDMEMBER ITEMS – None

10. ADJOURNMENT

Chair Coleman adjourned the meeting at 7:35 p.m.

Submitted by,

Nicole M. Genzale, CMC
Authority Secretary

Item 6.B

DERWA Summary & Recommendation

Approve Treasurer's Reports for August 31, and September 30, 2023

Summary:

Attached is the Treasurer's Report for the month ending August 31, 2023, submitted by Interim Treasurer Sophia Skoda, and the Treasurer's Report for the month ending September 30, 2023, submitted by Treasurer Jacqueline Lee.

Recommendation:

The Treasurer recommends the DERWA Board of Directors approve, by Motion, the Treasurer's Reports for the months ending August 31, and September 30, 2023.

December 11, 2023

Attachments:

1. Treasurer's Report – August 31, 2023
2. Treasurer's Report – September 30, 2023

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT FOR AUGUST 31, 2023**

STAFF REPORT

Attached is the DERWA Treasurer's Report for the month ending August 31, 2023. A summary of transactions and recommendation follows.

Revenues/Funding: During the month, \$27,887 in agency reimbursements were received. Fiscal year-to-date revenue for FY24 totaled (\$101,359). No other miscellaneous payments were received this month.

Expenses: Current month disbursements were \$21,983. Fiscal year-to-date expenditures for FY24 total (\$302,373); of which (\$319,513) was for operating expenses. Expenditures do not reflect all staff and consultant costs incurred but not yet billed to DERWA in FY24.

Cash: The cash balance at August 31, 2023 was \$3,366,274.

Submitted by:


[Sophia Skoda \(Sep 21, 2023 17:12 PDT\)](#)

Sophia Skoda
Treasurer

Dated: September 19, 2023

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT
FOR THE PERIOD ENDED AUGUST 31, 2023**

CAPITAL - PROJECT	Program Budget @ FY 2024	Expenditures FY 23 and Prior (a)	Expenditures Current Month	Expenditures FY 24 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
Pipeline Reach 1	-	7,560,517	-	-	7,560,517	4,383,920	3,176,597
Pipeline Reach 2	-	4,558,120	-	-	4,558,120	3,882,264	675,856
Pipeline Reach 3	-	2,286,003	-	-	2,286,003	1,719,204	566,799
Pipeline Reach 4	-	1,614,959	-	-	1,614,959	363,685	1,251,274
Pipeline Reach 5	-	1,430,991	-	-	1,430,991	200,195	1,230,796
Pipeline Reach 6	-	6,759,869	-	-	6,759,869	430,784	6,329,085
Treatment Plant	-	15,732,794	-	-	15,732,794	8,948,843	6,783,951
Pump Stations	-	8,563,294	-	-	8,563,294	6,776,648	1,786,646
Water Tanks	-	12,393,483	-	-	12,393,483	7,221,552	5,171,931
Phase 2 Pipeline & Pump Station	-	3,462,938	-	-	3,462,938	-	3,462,938
Backbone Corrosion	-	1,109,004	-	-	1,109,004	122,302	986,702
SCADA	-	341,726	-	-	341,726	194,784	146,942
EBMUD Pipeline Phase 2, 3 & 4	-	602,193	-	-	602,193	-	602,193
Fine Screening	-	927,811	-	-	927,811	528,852	398,959
New/Replacement Capital <50K	200,000	347,683	-	-	347,683	146,037	201,646
MF/UV Control Programing Update	-	144,366	-	-	144,366	82,289	62,077
Program Planning & Air Relief	-	5,491,623	-	-	5,491,623	2,696,685	2,794,938
Planning Prior Years	-	3,665,330	-	-	3,665,330	1,796,012	1,869,318
Permanent Suppl. Supply	435,000	1,586,724	10,240	10,240	1,596,964	926,239	670,725
PSR-1 VFD Replacement	-	-	-	-	-	-	-
Air Relief Valve Rehabilitation/Replacement	135,000	-	-	-	-	-	-
SFUV and MF Operational Analysis	-	45,477	-	-	45,477	20,919	24,558
Chlorine Mixer Replacement	-	13,111	-	-	13,111	6,031	7,080
SFUV Cable Harness Replacement	23,000	149,784	-	-	149,784	68,901	80,883
UV Lamp Electrical Connector Replacement	17,000	126,635	-	-	126,635	58,252	68,383
HVAC Replacements	-	-	-	-	-	-	-
TIPS VFD Upgrades	150,000	-	-	-	-	-	-
Backwash Analysis	200,000	-	-	-	-	-	-
Gate Replacements	150,000	-	-	-	-	-	-
Pine Valley Transmission Cathodic Protection	230,000	-	-	-	-	-	-
Decommission Microfiltration Facility	50,000	-	-	-	-	-	-
MF Membrane Replace	-	698,833	-	-	698,833	335,440	363,393
LVMWA Connection	-	-	-	-	-	-	-
6th RWTP Sand Filter	-	255	-	-	255	27	228
DWR IRWM- Prop 84 Rd 3 Drought Project	-	16,432	-	-	16,432	8,216	8,216
PSR1 /Recy. Water Treatment Expansion	-	15,528,260	6,900	6,900	15,535,160	9,819,608	5,715,552
Pleasanton Capital Billing/Contingency	-	5,795,139	-	-	5,795,139	-	5,795,139
Capitalized Interest	-	1,960,872	-	-	1,960,872	960,827	1,000,045
Total Capital Impr. Proj. Element	1,590,000	102,914,226	17,140	17,140	102,931,366	51,698,516	51,232,850

OPERATING - ITEM	Program Budget @ FY 2024	Expenditures FY 23 and Prior (a)	Expenditures Current Month	Expenditures FY 24 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
DERWA Program Manager	245,000	4,063,634	1,124	1,487	4,065,121	2,915,898	1,149,223
Treasurer	101,000	3,045,547	-	-	3,045,547	2,284,160	761,387
Legal Counsel	25,000	567,517	3,719	-	567,517	425,638	141,879
Secretary	18,000	272,570	-	-	272,570	204,428	68,142
Other	135,000	1,972,030	-	-	1,972,030	1,479,023	493,007
Operation and Maintenance Detail	5,725,000	30,808,285	-	(321,000)	30,487,285	23,206,085	7,281,200
Debt Service	1,645,513	30,256,626	-	-	30,256,626	16,156,696	14,099,930
Total Operating Program Element	7,894,513	70,986,209	4,843	(319,513)	70,666,696	46,671,928	23,994,768

PROJECT TOTALS	9,484,513	173,900,435	21,983	(302,373)	173,598,062	98,370,444	75,227,618
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REVENUES & FUNDING	Current Month	Fiscal Year
Agency Contribution	-	-
DSRSD	-	-
EBMUD	-	-
Pleasanton	-	-
Agency Reimbursements - DSRSD	-	(3,873)
Agency Reimbursements - EBMUD	-	(1,908)
Commercial Paper Issued	-	-
Pleasanton payments	27,887	(95,939)
Interest / Contracts	-	361
Misc Income	-	-
TOTAL REVENUES & FUNDING	27,887	(101,359)

CASH AVAILABLE	Current Month	Fiscal Year
Beginning Cash	3,360,370	1,393,498
Beg. Balance Adj (Prior Year Accruals)	-	1,771,762
Rounding	-	-
Total Revenues & Funding	27,887	(101,359)
Total Expenditures	(21,983)	302,373
Ending Cash	3,366,274	3,366,274

Prepared by Matt Houck Sep 21, 2023
Matt Houck (Sep 21, 2023 08:00 PDT)

Reviewed by Yenny Coburn Sep 21, 2023
Yenny Coburn (Sep 21, 2023 09:09 PDT)

Approved by Robert Hannay Sep 21, 2023

DERWA CASH REPORT

Cash Balance as of **07/31/23** **3,360,369.61** *Reconciled to DERWA TR*

Add member agency's contribution:

Agency Reimbursements - DSRSD	0.00
Agency Reimbursements - EBMUD	0.00
City of Pleasanton Payments	27,887.20
Interest Income	0.00
Other Reimbursements- Misc	0.00

Less invoice payments:

DOWNEY BRAND, LLP	8/15/2023	(3,718.62)
BARRETT BUSINESS SERVICES INC	8/4/2023	(462.01)
BARRETT BUSINESS SERVICES INC	8/4/2023	(264.00)
UNDERGROUND SERVICE ALERT OF NORTHERN	8/4/2023	(398.31)
DUBLIN SAN RAMON SERVICES DIST	8/15/2023	(7,509.33)
DUBLIN SAN RAMON SERVICES DIST	8/15/2023	(2,730.87)
DUBLIN SAN RAMON SERVICES DIST	8/15/2023	(6,899.67)

Cash Balance as of **08/31/23** **3,366,274.00**

Rounding -

Cash Balance 08/31/23 **3,366,274.00**

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT FOR SEPTEMBER 30, 2023**

STAFF REPORT

Attached is the DERWA Treasurer's Report for the month ending September 30, 2023. A summary of transactions and recommendation follows.

Revenues/Funding: During the month, \$95,939 in agency reimbursements were received. Fiscal year-to-date revenue for FY24 totaled (\$5,420). No other miscellaneous payments were received this month.

Expenses: Current month disbursements were \$575,104. Fiscal year-to-date expenditures for FY24 total \$272,731; of which \$196,224 was for operating expenses. Expenditures do not reflect all staff and consultant costs incurred but not yet billed to DERWA in FY24.

Cash: The cash balance at September 30, 2023 was \$2,887,109.

Submitted by:



Jacqueline Lee
Treasurer

Dated: October 19, 2023

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
TREASURER'S REPORT
FOR THE PERIOD ENDED SEPTEMBER 30, 2023**

CAPITAL - PROJECT	Program Budget @ FY 2024	Expenditures FY 23 and Prior (a)	Expenditures Current Month	Expenditures FY 24 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
Pipeline Reach 1	-	7,560,517	-	-	7,560,517	4,383,920	3,176,597
Pipeline Reach 2	-	4,558,120	-	-	4,558,120	3,882,264	675,856
Pipeline Reach 3	-	2,286,003	-	-	2,286,003	1,719,204	566,799
Pipeline Reach 4	-	1,614,959	-	-	1,614,959	363,685	1,251,274
Pipeline Reach 5	-	1,430,991	-	-	1,430,991	200,195	1,230,796
Pipeline Reach 6	-	6,759,869	-	-	6,759,869	430,784	6,329,085
Treatment Plant	-	15,732,794	-	-	15,732,794	8,948,843	6,783,951
Pump Stations	-	8,563,294	-	-	8,563,294	6,776,648	1,786,646
Water Tanks	-	12,393,483	-	-	12,393,483	7,221,552	5,171,931
Phase 2 Pipeline & Pump Station	-	3,462,938	-	-	3,462,938	-	3,462,938
Backbone Corrosion	-	1,109,004	-	-	1,109,004	122,302	986,702
SCADA	-	341,726	-	-	341,726	194,784	146,942
EBMUD Pipeline Phase 2, 3 & 4	-	602,193	-	-	602,193	-	602,193
Fine Screening	-	927,811	-	-	927,811	528,852	398,959
New/Replacement Capital <50K	200,000	347,683	20,027	20,027	367,710	154,449	213,261
MF/UV Control Programing Update	-	144,366	-	-	144,366	82,289	62,077
Program Planning & Air Relief	-	5,491,623	-	-	5,491,623	2,696,685	2,794,938
Planning Prior Years	-	3,665,330	-	-	3,665,330	1,796,012	1,869,318
Permanent Suppl. Supply	435,000	1,586,724	39,074	49,314	1,636,038	948,902	687,136
PSR-1 VFD Replacement	-	-	-	-	-	-	-
Air Relief Valve Rehabilitation/Replacement	135,000	-	-	-	-	-	-
SFUV and MF Operational Analysis	-	45,477	-	-	45,477	20,919	24,558
Chlorine Mixer Replacement	-	13,111	-	-	13,111	6,031	7,080
SFUV Cable Harness Replacement	23,000	149,784	-	-	149,784	68,901	80,883
UV Lamp Electrical Connector Replacement	17,000	126,635	-	-	126,635	58,252	68,383
HVAC Replacements	-	-	-	-	-	-	-
TIPS VFD Upgrades	150,000	-	-	-	-	-	-
Backwash Analysis	200,000	-	-	-	-	-	-
Gate Replacements	150,000	-	-	-	-	-	-
Pine Valley Transmission Cathodic Protection	230,000	-	-	-	-	-	-
Decommission Microfiltration Facility	50,000	-	-	-	-	-	-
MF Membrane Replace	-	698,833	-	-	698,833	335,440	363,393
LVMWA Connection	-	-	-	-	-	-	-
6th RWTP Sand Filter	-	255	-	-	255	27	228
DWR IRWM- Prop 84 Rd 3 Drought Project	-	16,432	-	-	16,432	8,216	8,216
PSR1 /Recy. Water Treatment Expansion	-	15,528,260	266	7,166	15,535,426	9,819,731	5,715,695
Pleasanton Capital Billing/Contingency	-	5,795,139	-	-	5,795,139	-	5,795,139
Capitalized Interest	-	1,960,872	-	-	1,960,872	960,827	1,000,045
Total Capital Impr. Proj. Element	1,590,000	102,914,226	59,367	76,507	102,990,733	51,729,714	51,261,019

OPERATING - ITEM	Program Budget @ FY 2024	Expenditures FY 23 and Prior (a)	Expenditures Current Month	Expenditures FY 24 YTD (b)	Expenditures Grand Total (a+b)	DSRSD EXP Grand Total	EBMUD EXP Grand Total
DERWA Program Manager	245,000	4,063,634	6,833	8,320	4,071,954	2,921,022	1,150,932
Treasurer	101,000	3,045,547	9,868	9,868	3,055,415	2,291,561	763,854
Legal Counsel	25,000	567,517	-	-	567,517	425,638	141,879
Secretary	18,000	272,570	291	291	272,861	204,646	68,215
Other	135,000	1,972,030	-	-	1,972,030	1,479,023	493,007
Operation and Maintenance Detail	5,725,000	30,808,285	498,745	177,745	30,986,030	23,580,144	7,405,886
Debt Service	1,645,513	30,256,626	-	-	30,256,626	16,156,696	14,099,930
Total Operating Program Element	7,894,513	70,986,209	515,737	196,224	71,182,433	47,058,730	24,123,703

PROJECT TOTALS	9,484,513	173,900,435	575,104	272,731	174,173,166	98,788,444	75,384,722
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REVENUES & FUNDING	Current Month	Fiscal Year
Agency Contribution	-	-
DSRSD	-	-
EBMUD	-	-
Pleasanton	-	-
Agency Reimbursements - DSRSD	-	(3,873)
Agency Reimbursements - EBUD	-	(1,908)
Commercial Paper Issued	-	-
Pleasanton payments	95,939	-
Interest / Contracts	-	361
Misc Income	-	-
TOTAL REVENUES & FUNDING	95,939	(5,420)

CASH AVAILABLE	Current Month	Fiscal Year
Beginning Cash	3,366,274	1,393,498
Beg. Balance Adj (Prior Year Accruals)	-	1,771,762
Rounding	-	-
Total Revenues & Funding	95,939	(5,420)
Total Expenditures	(575,104)	(272,731)
Ending Cash	2,887,109	2,887,109

Prepared by Matt Houck Date Oct 19, 2023
Reviewed by Yenny Coburn Date Oct 19, 2023
Approved by Robert Hannay Date Oct 31, 2023

**DSRSD/EBMUD RECYCLED WATER AUTHORITY
SUMMARY OF EXPENDITURES
FOR THE PERIOD ENDED
September 30, 2023**

Check Date	Check Number	Payee	Category	TOTAL Amount	DSRSD Amount	EBMUD Amount	Operating	Capital
09/01/23	200036268	LANCE SOLL & LUNGHARD LLP	Op- Trea- Audit (67/33)	4,907.00	3,287.69	1,619.31	O	4,907.00
09/01/23	200036192	BARRETT BUSINESS SERVICES INC	Op-Prg Manager-Staff (67/33)	825.01	552.76	272.25	O	825.01
09/01/23	200036192	BARRETT BUSINESS SERVICES INC	Op-Prg Manager-Staff (67/33)	396.01	265.33	130.68	O	396.01
09/01/23	200036197	BROWN & CALDWELL	Cap - Prm Suppl Wtr Sup (58/42)	35,263.00	20,452.54	14,810.46	C	0.00
09/01/23	200036226	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv RWTP (D-portion 46%)	122.42	122.42	-	C	0.00
09/01/23	200036226	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv RWTP (E-portion 27%)	71.85	-	71.85	C	0.00
09/01/23	200036226	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv RWTP (Pleasanton27%)	71.85	-	-	C	0.00
09/01/23	200036192	BARRETT BUSINESS SERVICES INC	Op-Prg Manager-Staff (67/33)	528.01	353.77	174.24	O	528.01
09/08/23	200036551	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv New/Replace <50k (D-portion 42%)	7,411.78	7,411.78	-	C	0.00
09/08/23	200036551	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv New/Replace <50k (E-portion 31%)	5,470.60	-	5,470.60	C	0.00
09/08/23	200036551	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv New/Replace <50k (Pleasanton27%)	4,764.72	-	-	C	0.00
09/08/23	200036496	BARRETT BUSINESS SERVICES INC	Op-Prg Manager-Staff (67/33)	297.00	198.99	98.01	O	297.00
09/08/23	200036554	EBMUD	Op- Trea- Cost Acct(67/33)	3,034.30	2,032.98	1,001.32	O	3,034.30
09/08/23	200036554	EBMUD	Op- Trea- Salary(67/33)	1,927.32	1,291.30	636.02	O	1,927.32
09/15/23	200037002	BARRETT BUSINESS SERVICES INC	Op-Prg Manager-Staff (67/33)	495.01	331.66	163.35	O	495.01
09/15/23	200037032	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv New/Replace <50k (D-portion 42%)	999.69	999.69	-	C	0.00
09/15/23	200037032	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv New/Replace <50k (E-portion 31%)	737.87	-	737.87	C	0.00
09/15/23	200037032	DUBLIN SAN RAMON SERVICES DIST	Cap-DSRSD Inv New/Replace <50k (Pleasanton27%)	642.66	-	-	C	0.00
09/27/23	200037653	DUBLIN SAN RAMON SERVICES DIST	Cap - Prm Suppl Wtr Sup (58/42)	3,809.85	2,209.71	1,600.14	C	0.00
09/27/23	200037653	DUBLIN SAN RAMON SERVICES DIST	Op-Prg Manager-Salary (67/33)	4,292.12	2,875.72	1,416.40	O	4,292.12
09/27/23	200037653	DUBLIN SAN RAMON SERVICES DIST	Op-Secretary (67/33)	291.16	195.08	96.08	O	291.16
09/27/23	200037653	DUBLIN SAN RAMON SERVICES DIST	Op-Operating (67/33)	498,744.99	334,159.14	164,585.85	O	498,744.99
								0.00
				575,104.22	376,740.56	192,884.43		515,737.93
								59,366.29

Certificates of Disb.	
Wk Ending	Amount
9/1/23	\$ 42,185.15
9/8/23	\$ 22,905.72
9/15/23	\$ 2,875.23
9/27/23	\$ 507,138.12
	\$ 575,104.22

Pleasanton- 5,479.23

OP 515,737.93

CAP 59,366.29

0.00 Reconciled

0.00 Reconciled

0.00 Reconciled

0.00 Reconciled

DERWA CASH REPORT

Cash Balance as of 08/31/23 3,366,274.00 *Reconciled to DERWA TR*

Add member agency's contribution:

Agency Reimbursements - DSRSD	0.00
Agency Reimbursements - EBMUD	0.00
City of Pleasanton Payments	95,938.67
Interest Income	0.00
Other Reimbursements- Misc	0.00

Less invoice payments:

LANCE SOLL & LUNGHARD LLP	9/1/2023	(4,907.00)
BARRETT BUSINESS SERVICES INC	9/1/2023	(825.01)
BARRETT BUSINESS SERVICES INC	9/1/2023	(396.01)
BROWN & CALDWELL	9/1/2023	(35,263.00)
DUBLIN SAN RAMON SERVICES DIST	9/1/2023	(266.12)
BARRETT BUSINESS SERVICES INC	9/1/2023	(528.01)
DUBLIN SAN RAMON SERVICES DIST	9/8/2023	(17,647.10)
BARRETT BUSINESS SERVICES INC	9/8/2023	(297.00)
EBMUD	9/8/2023	(4,961.62)
BARRETT BUSINESS SERVICES INC	9/15/2023	(495.01)
DUBLIN SAN RAMON SERVICES DIST	9/15/2023	(2,380.22)
DUBLIN SAN RAMON SERVICES DIST	9/27/2023	(3,809.85)
DUBLIN SAN RAMON SERVICES DIST	9/27/2023	(503,328.27)

Cash Balance as of	09/30/23	2,887,108.45
	Rounding	0.55
Cash Balance	09/30/23	2,887,109.00

Item 6.C

DERWA Summary & Recommendation

Approve Quarterly Investment Report for September 30, 2023

Summary:

Section 53646 of the Government Code allows the Treasurer of the Authority to submit to the Authority Manager, the Internal Auditor, and the Board of Directors a quarterly investment report. It also stipulates that the investment report must include the types of investments in which the Authority has invested its funds, the issuer, date of maturity, the value of the investment at maturity, and the dollar amount that is invested in the security.

The investments held by the Authority in the State of California Local Agency Investment Fund on September 30 were \$1,025,490. The investment portfolio is in full compliance with the Board's adopted policy regarding the Authority's investments.

In compliance with Section 53646(b)3 of the Government Code, this report denotes that the Authority will be able to meet expenditure requirements for the next six months from revenues/reimbursements/contributions from member agencies.

Recommendation:

The Treasurer recommends the DERWA Board of Directors approve, by Motion, the Quarterly Investment Report for September 30, 2023.

December 11, 2023

Item 7.A

DERWA Summary & Recommendation

Accept Independent Auditors' Report for Fiscal Year Ended June 30, 2023

Summary:

The 1995 Dublin San Ramon Services District-East Bay Municipal Utility District Recycled Water Authority (DERWA) Joint Powers Agreement requires that the records and accounts of DERWA be audited annually by an independent certified accountant, and such reports be filed with the County Auditor, the State Controller, and each DERWA Member Agency within six months of the end of the fiscal year under examination.

Independent accounting firm LSL prepared and submitted the Independent Auditors' Report for Fiscal Year Ended 2023 consisting of the Basic Financial Statements for Fiscal Years Ended 2023 and 2022, and the Report on Internal Control over Financial Reporting and Compliance and Other Matters. The Audit did not find any issues, deficiencies, material weaknesses or findings with the DERWA accounting practices and internal controls for Fiscal Year Ended 2023.

Recommendation:

Staff recommends the DERWA Board of Directors accept, by Motion, the DERWA Independent Auditors' Report for the Fiscal Year Ended June 30, 2023, as prepared by LSL.

December 11, 2023

Attachments:

1. Fiscal Year Ended 2023 Auditor Communication Letter
2. Fiscal Years Ended June 2023, and 2022 Basic Financial Statements



October 10, 2023

To the Board of Directors
 Dublin San Ramon Services District/
 East Bay Municipal Utility District Recycled Water Authority
 Oakland, California

We have audited the financial statements of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the "Authority"), for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant estimates pertaining to the Authority during fiscal year 2022-2023.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report that no such misstatements were identified during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



To the Board of Directors
Dublin San Ramon Services District/
East Bay Municipal Utility District Recycled Water Authority
Oakland, California

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the board of directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lance, Solt & Loughard, LLP". The signature is written in black ink and is positioned above the firm's name.

Sacramento, California



To the Board of Directors
 Dublin San Ramon Services District/
 East Bay Municipal Utility District Recycled Water Authority
 Oakland, California

ATTACHMENT

Summary of Unadjusted Audit Differences

Name of Governmental Unit: Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority

Date of Combined Balance Sheet: June 30, 2023

Opinion Unit, Fund Type or Fund: Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority

Unadjusted Audit Differences	Cause	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
None	N/A	\$ -
Cumulative effect (before effect of prior year differences)		-
Effect of unadjusted audit difference - prior year		-
Cumulative effect (after effect of prior year differences)		\$ -



DUBLIN SAN RAMON SERVICES DISTRICT/ EAST BAY MUNICIPAL UTILITY DISTRICT RECYCLED WATER AUTHORITY

For the Years Ended June 30, 2023 and 2022

Basic Financial Statements

Focused
on YOU



DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY

Basic Financial Statements
Fiscal Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dublin San Ramon Services District/
East Bay Municipal Utility District Recycled Water Authority
Oakland, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023, and the changes in financial position, and, cash flows thereof, as listed in the table of contents, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing*



To the Board of Directors
Dublin San Ramon Services District/
East Bay Municipal Utility District Recycled Water Authority
Oakland, California

Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Summarized Comparative Information

We have previously audited the financial statements of the Authority for the year ended June 30, 2022, and expressed an unmodified audit opinion on those financial statements in our report dated November 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



To the Board of Directors
Dublin San Ramon Services District/
East Bay Municipal Utility District Recycled Water Authority
Oakland, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Sacramento, California
October 10, 2023

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Management's Discussion and Analysis
June 30, 2023 and 2022**

This section presents management's analysis of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the Authority) financial condition and activities as of and for the years ended June 30, 2023 and 2022. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Agency's basic financial statements. The MD&A represents management's examination and analysis of the Authority's financial condition and performance.

This information should be read in conjunction with the audited financial statements that follow this section. The information in the MD&A is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Request for Information

Organization and Business

The Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the Authority) is a public entity established pursuant to California Government Code Section 6500 et seq. The Authority was created in accordance with the terms of a Joint Exercise of Powers Agreement, dated June 28, 1995, between Dublin San Ramon Services District (DSRSD) and East Bay Municipal Utility District (EBMUD). The Authority was established to supply recycled water to DSRSD and EBMUD through the construction and operation of a water recycling facility with a planned capacity of a minimum of 5.7 million gallons per day. The water recycling facility started operation on February 1, 2006.

For additional information, please see the notes to the basic financial statements.

Overview of the Financial Statements

The basic financial statements include a *statement of net position*, a *statement of revenues, expenses, and changes in net position*, a *statement of cash flows*, and *notes to financial statements*. The report also contains other required supplementary information in addition to the basic financial statements.

The Authority's basic financial statements include:

The *statement of net position* presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. It provides information about the nature and amount of resources and obligations at year-end.

The *statement of revenues, expenses, and changes in net position* presents the results of the Authority's operations over the course of the fiscal year and information as to how the *net position* changed during the year.

The *statement of cash flows* presents changes in cash and cash equivalents resulting from operational, capital, and related financing, and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt.

The *notes to basic financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to basic financial statements can be found on pages 10 to 16 of this report.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Management's Discussion and Analysis
June 30, 2023 and 2022**

Financial Analysis:

Table 1 summarizes net position at June 30, 2023 and 2022, and Table 2 summarizes revenues, expenses and changes in net position for the years ended June 30, 2023 and 2022. Both tables also include changes from the prior year.

**Table 1
Summary of Net Position
June 30, 2023 and 2022**

	2023	2022	Variance
Assets:			
Current assets	\$ 3,779,843	\$ 3,388,712	\$ 391,131
Capital assets	69,338,994	71,433,055	(2,094,061)
Total assets	73,118,837	74,821,767	(1,702,930)
Liabilities:			
Current liabilities	2,165,750	2,263,846	(98,096)
Long-term liabilities	2,222,732	3,773,899	(1,551,167)
Total liabilities	4,388,482	6,037,745	(1,649,263)
Net position:			
Net investment in capital assets	65,565,095	66,145,823	(580,728)
Unrestricted	3,165,260	2,638,199	527,061
Total net position	\$68,730,355	\$68,784,022	\$ (53,667)

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Management's Discussion and Analysis
June 30, 2023 and 2022**

**Table 2
Summary of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Operating revenue:	\$ 5,949,220	\$ 6,340,102	\$ (390,882)
Operating expenses:			
Professional services	(5,345)	(5,240)	(105)
General and administrative	(429,648)	(319,233)	(110,415)
Operation and maintenance	(3,158,393)	(3,487,225)	328,832
Depreciation	(2,300,730)	(2,291,324)	(9,406)
Total operating expenses	<u>(5,894,116)</u>	<u>(6,103,022)</u>	208,906
Nonoperating income (expenses):			
Investment and other income	23,410	3,746	19,664
Reimbursement of Member Contributions	-	(2,146,488)	2,146,488
Interest on state loan	(132,181)	(169,091)	36,910
Total other income (expenses)	<u>(108,771)</u>	<u>(2,311,833)</u>	2,203,062
Change in net position	(53,667)	(2,074,753)	2,021,086
Total net position - beginning	<u>68,784,022</u>	<u>70,858,775</u>	<u>(2,074,753)</u>
Total net position - ending	<u><u>\$ 68,730,355</u></u>	<u><u>\$ 68,784,022</u></u>	<u><u>\$ (53,667)</u></u>

- Current assets of the Authority increased by \$.39 million due to an increase in cash and accounts receivable from the prior year.
- The net position of the Authority decreased by \$.05 million from the prior year. The reason for this decrease was a decrease in current and capital assets of \$1.7 million offset by a decrease in current and long-term liabilities of \$1.65 million.
- Capital assets as of June 30, 2023 decreased by \$2.09 million due to a higher depreciation amount over capital expenditures.
- Total liabilities as of June 30, 2023 decreased by \$1.65 million from the prior year. The principal reason for the decrease was a \$1.55 million decrease in the outstanding loan balance and a decrease of \$0.10 million in accounts payable and payables to members.
- The Authority borrowed a 20-year loan in the amount of \$24.7 million with a 2.5% fixed interest rate. After repayment of the seventeenth installment of \$1.65 million for fiscal year 2023, as of June 30, 2023, \$2.22 million was the long-term liability outstanding.

Request for Information

This financial report is designed to provide readers with a general overview of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority's finances and demonstrate the Authority's accountability for the assets and liabilities it manages. If you have any questions about this report or need additional information, please contact: DERWA Treasurer, Jacqueline Lee, MS #809, P.O. Box 24055, Oakland, California 94623.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY
Statements of Net Position
June 30, 2023 and June 30, 2022**

ASSETS	2023	2022
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 375,997	\$ 805,280
Investments (Note 2)	1,017,500	1,000,000
Receivables:		
East Bay Municipal Utility District	371,596	273,210
Dublin San Ramon Services District	1,808,842	995,205
City of Pleasanton	198,279	313,298
Interest receivable	7,629	1,719
Total current assets	3,779,843	3,388,712
Capital Assets (Note 3):		
Structures, buildings, and equipment	100,744,084	100,590,008
Less accumulated depreciation	(33,445,853)	(31,145,123)
Subtotal	67,298,231	69,444,885
Land and rights-of-way	1,890,978	1,890,978
Construction in progress	149,785	97,192
Total capital assets, net of accumulated depreciation	69,338,994	71,433,055
Total assets	73,118,837	74,821,767
LIABILITIES		
Current Liabilities:		
Current portion of State loan payable (Note 5)	1,551,167	1,513,333
Accounts payable	5,368	21,653
Payable to members:		
East Bay Municipal Utility District	4,461	16,312
Dublin San Ramon Services District	604,754	712,548
Total current liabilities	2,165,750	2,263,846
Long-term Liabilities:		
State loan payable (Note 5)	2,222,732	3,773,899
Total noncurrent liabilities	2,222,732	3,773,899
Total liabilities	4,388,482	6,037,745
NET POSITION (Note 1)		
Net Investment in capital assets	65,565,095	66,145,823
Unrestricted	3,165,260	2,638,199
Total net position	\$ 68,730,355	\$ 68,784,022

See accompanying notes to financial statements.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2023 and June 30, 2022

	2023	2022
Operating revenue:		
Contributions from members	\$ 5,335,684	\$ 5,557,739
Contributions from others	613,536	782,363
Total contributions	5,949,220	6,340,102
Operating (expenses):		
Professional services	(5,345)	(5,240)
General and administrative	(429,648)	(319,233)
Operation and maintenance	(3,158,393)	(3,487,225)
Depreciation (Note 3)	(2,300,730)	(2,291,324)
Total operating (expenses)	(5,894,116)	(6,103,022)
Net operating income	55,104	237,080
Nonoperating revenue (expense):		
Interest and other income	23,410	3,746
Reimbursement of Member Contributions	-	(2,146,488)
Interest on state loan	(132,181)	(169,091)
Total nonoperating revenue (expenses)	(108,771)	(2,311,833)
Changes in net position	(53,667)	(2,074,753)
Total net position - beginning	68,784,022	70,858,775
Total net position - ending	\$ 68,730,355	\$ 68,784,022

See accompanying notes to financial statements.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2023 and June 30, 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received for sales of water	\$ 5,152,216	\$ 7,273,928
Cash paid for supplies and services	<u>(3,729,316)</u>	<u>(3,326,283)</u>
Net cash provided by operating activities	<u>1,422,900</u>	<u>3,947,645</u>
Cash flows from capital and related financing activities:		
Cash paid to member agencies	-	(2,146,488)
Cash paid for interest	(132,181)	(169,091)
Cash paid on state loan	(1,513,333)	(1,476,423)
Cash paid for construction of capital assets	<u>(206,669)</u>	<u>(271,143)</u>
Net cash (used) in capital and related financing activities	<u>(1,852,183)</u>	<u>(4,063,145)</u>
Cash flows provided by investing activities:		
Interest and other income received	<u>17,500</u>	<u>2,789</u>
Net (decrease) in cash and equivalents, and investments	(411,783)	(112,711)
Cash and equivalents, and investments at beginning of period	<u>1,805,280</u>	<u>1,917,991</u>
Cash and equivalents, and investments at end of period	<u>\$ 1,393,497</u>	<u>\$ 1,805,280</u>
Reconciliation of cash and cash equivalents and investments to amounts reported on the statement of net position:		
Cash and cash equivalents	\$ 375,997	\$ 805,280
Investments	<u>1,017,500</u>	<u>1,000,000</u>
Cash and equivalents, and investments at end of period	<u>\$ 1,393,497</u>	<u>\$ 1,805,280</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 55,104	\$ 237,080
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,300,730	2,291,324
Changes in operating assets and liabilities:		
Accounts receivable	(797,004)	933,826
Accounts payable	<u>(135,930)</u>	<u>485,415</u>
Net cash provided by operating activities	<u>\$ 1,422,900</u>	<u>\$ 3,947,645</u>

See accompanying notes to financial statements.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

NOTE 1 –NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the Authority) is a public entity established pursuant to California Government Code Section 6500 et seq. The Authority was created in accordance with the terms of a Joint Exercise of Powers Agreement, dated June 28, 1995, between Dublin San Ramon Services District (DSRSD) and East Bay Municipal Utility District (EBMUD). The Authority was established to supply recycled water to DSRSD and EBMUD through the construction and operation of a water recycling facility with a planned capacity of a minimum of 5.7 million gallons per day. The water recycling facility is fully operational.

An additional member, or members, may be added to the Authority upon request evidenced by submission of a certified copy of a resolution adopted by the governing body of the public agency requesting membership in the Authority. Such request must be approved by the governing bodies of all the existing members. The Board may require a party seeking to become a member to meet any terms and conditions the Board deems appropriate.

The facilities became operational on February 1, 2006. Operation and maintenance expenses are allocated based on each member's actual usage. General and administrative expenses were allocated equally to DSRSD and EBMUD during the first year of operation ending on March 31, 2007; after the first operation year, the costs are allocated based on the member's actual water usage. Capital costs', including debt service, is allocated based on each member's proportional value of capital assets assigned to each member agency.

B. Basis of Accounting

The accompanying financial statements report the financial position of the Authority in accordance with accounting standards generally accepted in the United States of America. As the Authority is a governmental entity, the preparation of its financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (GASB).

The Authority, as a proprietary enterprise, is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Net Position – The statement of net position is designed to display the financial position of the Authority. The Authority's fund equity is reported as net position, which is the excess of all of the Authority's assets over all its liabilities. Net Position is divided into three captions under GASB Statement 34. As of June 30, 2023 the Authority reported the following classifications of net position:

- *Net investment in capital assets* describes the Authority's capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Unrestricted* describes the portion of Net Position which is not restricted to use.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

NOTE 1 –NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Capital Assets

The additions to capital assets are capitalized at historical cost. Cost includes material, direct labor and fringe benefits, transportation, and such indirect items as engineering, supervision, and interest on borrowed funds during construction, net of interest earned on unspent construction proceeds. Repairs, maintenance, and minor purchases of equipment are charged to expenses as incurred.

The purpose of depreciation is to spread the cost of capital assets equitably among all customers over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of depreciable capital assets.

Depreciation of all capital assets in service, excluding land, is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the capital assets.

Capital assets are depreciated using the straight-line method of depreciation, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the assets is fully depreciated. The Authority has assigned the useful lives listed below to capital assets:

Utility plant:	<u>Years</u>
Water Treatment	20-75
Pumping Plants	25-75
Reservoirs	25-100
Pipeline	25-75

E. Cash and Cash Equivalents

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

F. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

NOTE 1 –NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 2 – CASH AND INVESTMENTS

A. Composition

The Authority's cash and cash equivalents at June 30 consisted of the following deposits and investments held by EBMUD on the Authority's behalf:

	2023	2022
Demand deposits with banks	\$ 375,997	\$ 805,280
Local Agency Investment Fund	1,017,500	1,000,000
Total cash and cash equivalents	\$ 1,393,497	\$ 1,805,280

B. Collateralization of Cash and Cash Equivalents

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit or first trust deed mortgage notes with a value of 150% of the Authority's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the Authority's name and places the Authority ahead of general creditors of the institution pledging the collateral. The Authority has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

C. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2023 and 2022.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

D. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority generally manages its interest rate risk by purchasing a combination of short-term and long-term investments and holding investments to maturity. The Authority's only investment is in the California Local Agency Investment Fund which can be withdrawn at any time usually within a day.

F. Local Agency Investment Fund (LAIF)

The Authority is a participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code §16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. Authority's investments with LAIF at June 30, 2023 and 2022 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2023 and 2022, the Authority had investments of \$1,017,500 and \$1,000,000, respectively, invested in LAIF, which had invested 2.78% and 1.88% of the pooled investment funds in Structured Notes and Asset-Backed Securities.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

NOTE 3 – CAPITAL ASSETS

Capital assets as of June 30, 2023, consist of land, not being depreciated and capital assets being depreciated. The capital assets began depreciation effective February 2006. Construction of capital assets is funded through member contributions. Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance at June 30, 2022	Additions and Transfers, net	Retirements and Transfers, net	Balance at June 30, 2023
Capital assets not being depreciated:				
Land and rights-of-way	\$ 1,890,978	\$ -	\$ -	\$ 1,890,978
Construction in progress	97,192	206,669	(154,076)	149,785
Total capital assets not being depreciated	1,988,170	206,669	(154,076)	2,040,763
Capital assets, being depreciated:				
Water treatment	42,753,216	48,794	-	42,802,010
Pumping plants	13,792,192	-	-	13,792,192
Reservoirs	14,439,008	-	-	14,439,008
Pipelines	29,605,592	105,282	-	29,710,874
Total capital assets being depreciated	100,590,008	154,076	-	100,744,084
Less accumulated depreciation for:				
Water treatment	(12,025,673)	(1,069,418)	-	(13,095,091)
Pumping plants	(5,193,120)	(344,805)	-	(5,537,925)
Reservoirs	(4,707,651)	(288,780)	-	(4,996,431)
Pipelines	(9,218,678)	(597,727)	-	(9,816,405)
Total accumulated depreciation	(31,145,123)	(2,300,730)	-	(33,445,853)
Net capital assets being depreciated	69,444,885	(2,146,654)	-	67,298,231
Capital assets, net	\$ 71,433,055	\$ (1,939,985)	\$ (154,076)	\$ 69,338,994

NOTE 4 – COMMERCIAL PAPER NOTES PAYABLE

The Authority's Board of Directors authorized a short-term commercial paper borrowing program of up to \$50,000,000 on December 15, 2003. The proceeds from the issuance of commercial paper are used to finance the acquisition and construction of facilities for the treatment, transmission, distribution and storage of recycled water. Under the program, the Authority may issue commercial paper notes at the prevailing interest rate for periods not more than 270 days from the date of issuance. To provide liquidity support for the program, the Authority would maintain a liquidity support agreement (letter of credit) with a commercial bank. The commercial paper notes and any bank notes issued under the program are payable solely from revenues of the Authority after payment of specific operating and maintenance expenses. The Authority does not currently have a liquidity support agreement with a commercial bank and would have to secure an agreement before issuing new commercial paper. All then outstanding commercial paper notes under the program were retired in Fiscal Year 2011 and no new commercial paper notes have been issued since that time. As of June 30, 2023, there were no commercial paper notes outstanding under this program.

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

NOTE 5 – LONG TERM DEBT

A. Composition and Change

The Authority’s Board of Directors authorized a long-term borrowing program from the State Water Resource Control Board of up to \$24,764,850 on July 25, 2005. The Authority drew down \$22,993,368 as of the fiscal year ended June 30, 2006, the proceeds from which were used to finance the acquisition and construction of facilities for the treatment, transmission, distribution and storage of recycled water. As of June 30, 2008, the Authority drew down an additional amount of \$1,685,283. The loan has a 20-year term at a 2.5% fixed interest rate. The repayment of the loans and interest are made in annual installments commencing on July 1, 2007. The loan is collateralized solely by the revenues of the Authority, after payment of specific operating and maintenance expenses.

The following is the activity in the State Loan Program during the fiscal year ended June 30, 2023:

	<u>Balance June 30, 2022</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
2006 State Water Resource Loan			
2.5%, due 07/25/2025	\$ 5,287,232	\$ 1,513,333	\$ 3,773,899
Less amount due within one year	<u>1,513,333</u>	<u>-</u>	<u>1,551,167</u>
Noncurrent portion	<u>\$ 3,773,899</u>	<u>\$ 1,513,333</u>	<u>\$ 2,222,732</u>

B. Debt Service Requirements

Annual debt service requirements are shown below for the loan:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,551,167	\$ 94,347	\$ 1,645,514
2025	1,589,945	55,568	1,645,513
2026	632,787	15,820	648,607
Totals	<u>\$ 3,773,899</u>	<u>\$ 165,735</u>	<u>\$ 3,939,634</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

DSRSD is responsible for the operation of the facility. DSRSD and EBMUD both provide professional services that are capitalized as well as administrative services. In addition, as the Authority does not have any employees, EBMUD provides certain treasury management and accounting services including conducting all cash transactions and providing for the annual audit. The two members received the following total reimbursements for their services for the years ended June 30:

	<u>2023</u>	<u>2022</u>
DSRSD	\$ 3,405,287	\$ 4,122,916
EBMUD	<u>30,584</u>	<u>58,731</u>
	<u>\$ 3,435,871</u>	<u>\$ 4,181,647</u>

**DUBLIN SAN RAMON SERVICES DISTRICT/
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY**

**Notes to Basic Financial Statements
For the Years Ended June 30, 2023 and 2022**

NOTE 7 – RISK MANAGEMENT

The Authority's liability and property risks are insured by commercial insurance carriers. Selected insurance coverages include:

<u>Coverage</u>	<u>Policy limit</u>
Bodily injury	\$ 10,000,000
Property damage	10,000,000
Personal injury	10,000,000
Non-owned and hired automobile liability	10,000,000
Public officials errors and omissions	10,000,000
Fire damage liability	1,000,000
Employment practices liability	5,000,000

Any liability the Authority may have for uninsured claims is limited to general liability claims. However, the Authority has experienced no losses from such claims during the preceding three years and it therefore believes there is no liability for claims incurred but not reported.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Dublin San Ramon Services District/
East Bay Municipal Utility District Recycled Water Authority
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dublin San Ramon Services District/East Bay Municipal Utility District Recycled Water Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors
Dublin San Ramon Services District/
East Bay Municipal Utility District Recycled Water Authority
Oakland, California

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Loughard, LLP

Sacramento, California
October 10, 2023

**DERWA
Summary & Recommendation**

Discuss Proposed DERWA Cash Reserves Policy

Summary:

DERWA maintains a cash balance that is used as working capital to ensure timely payment of invoices for expenses. Revenues collected from the City of Pleasanton for recycled water sales are the primary source of DERWA’s cash balance. As the cash balance increases, staff is seeking formal Board direction on management of DERWA’s cash reserves.

The DERWA operating budget includes both operations and maintenance expenses and debt service for a 2005 loan from the State Water Resources Control Board. The State loan will be fully repaid in 2026. Staff is proposing a cash reserves target equal to four months of average operating costs, inclusive of debt service. The proposed cash reserves target is consistent with DSRSD’s operating reserves target and is approximately twice the minimum amount the State requires DERWA to maintain for operation and maintenance of State-funded facilities for the term of the loan.

Staff recommends the Board establish a Cash Reserves policy to maintain operating reserves at a level sufficient to meet working capital. Cash in excess of the proposed four-month target reserve amount would be disbursed to member agencies at fiscal year-end. An example of the proposed Cash Reserves policy calculation is provided in the table for illustration.

Example Cash Reserves Requirements	
FY 2024 Operating Budget:	\$7,895,000
FY 2024 Cash Reserves Target (four months):	\$2,632,000
Cash Balance as of 9/30/2023:	\$2,887,109
Estimated Year-End Disbursement to Member Agencies as of 9/30/2023:	\$255,109

Note: State Water Resources Control Board Loan Minimum = \$1,234,000

Based on input received from the Board, staff plans to bring the Cash Reserves policy to the February 5, 2024, Board meeting for consideration. If approved, staff would begin implementing the Cash Reserves policy at fiscal year-end 2024.

Recommendation:

The Treasurer recommends the DERWA Board of Directors discuss and provide direction on the proposed Cash Reserves policy.

December 11, 2023

Attachment:

- 1. Draft Cash Reserves Policy



DSRSD • EBMUD Recycled Water Authority
PARTNERS IN WATER RECYCLING

POLICY- CASH RESERVES

EFFECTIVE
[DATE]

IT IS THE POLICY OF DERWA TO:

Maintain cash reserves at a target of four (4) times monthly budgeted operating and maintenance expenses, inclusive of debt service.

Disburse funds in excess of the target reserve amount to the Member Agencies based on actual expenses paid at fiscal year-end.

Authority: Resolution 24-X, [Date]

DERWA Summary & Recommendation

Receive Presentation on Recycled Water Supply and Operations Plan Update

Summary:

On January 30, 2023, the Dublin San Ramon Services District-East Bay Municipal Utility District Recycled Water Authority (DERWA) Board approved an agreement with Brown and Caldwell to prepare a Recycled Water Supply and Operations Plan Update. The Recycled Water Supply and Operations Plan Update will summarize previous studies and incorporate new and refined information to create a roadmap for implementing strategies to meet future recycled water demands. Reduced wastewater flows due to improved water use efficiency by customers, along with the City of Pleasanton's use of recycled water, have decreased the recycled water supply available for the DERWA program. Without additional permanent supplemental supplies, the amount of wastewater available will be insufficient to meet the buildout demands for the DERWA program.

The preliminary results of the Recycled Water Supply and Operations Plan Update are being reviewed with the DERWA Board in two parts. Part I was presented on September 25, 2023, and included discussion of supply and demand projections, evaluation of demand management and supplemental supply alternatives, and key policy questions. Part II will be presented on December 11, 2023, and include a discussion of the proposed roadmap for lifting the recycled water connection moratorium. The proposed roadmap includes phasing, triggers, and decision points to guide DERWA and Member Agency efforts needed to support lifting the moratorium.

Based on Board discussion and direction received on December 11, the project team will prepare a final study report in early 2024. Resources needed to support near-term implementation of the proposed roadmap would be incorporated into the upcoming DERWA budget for Fiscal Year 2025, that will be considered by the DERWA Board in April 2024.

Recommendation:

The Authority Manager recommends the DERWA Board of Directors receive a presentation on the Recycled Water Supply and Operations Plan Update and provide direction to staff.

December 11, 2023

Attachment:

1. Recycled Water Supply and Operations Plan Update Presentation

DERWA (DSRSD-EBMUD Recycled Water Authority)
**Recycled Water Supply and Operations Plan
Update**

December 11, 2023

Brown AND Caldwell :



Agenda

1. Background & Objective
2. Demand Management Strategies
3. Future Demands – Quantity & Timing
4. Supply Alternatives
5. Proposed Roadmap
6. Next Steps

Background



Goals for Today

- Discuss demand management strategies.
- Review refined demand projections, including timing and phasing of new customers.
- Understand triggers and decision points for connecting new customers.
- Discuss roadmap for lifting the moratorium, including recommendations for pursuing various supply alternatives and near-term policy changes.

Demand Management

- Can help mitigate the need for rationing and/or addition of potable water in the near-term.
- Initially, considered shifting irrigation days— however, this would not reduce overall water use.
- Proposed strategies:
 - Improved water efficiency
 - City recycled water budgets
 - Rebates
 - Water loss control

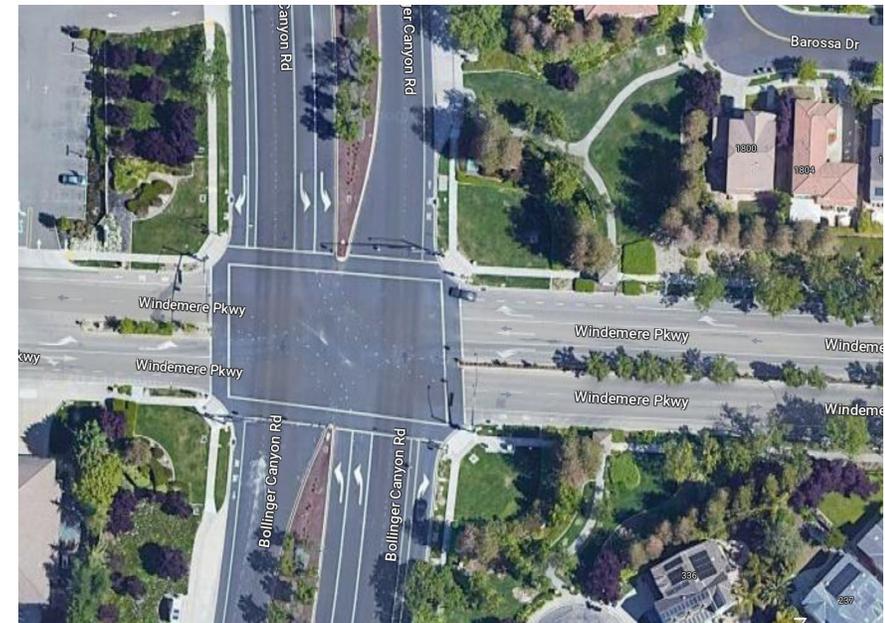


Improved Water Efficiency

- Existing efforts underway
 - AMI, leak alerts
 - Demand management working group
 - City of Dublin grant for irrigation controllers
- Challenges
 - Incentive
 - Enforcement

City Recycled Water Budgets

- Dublin and San Ramon represent 40% of DERWA member agency demand and have vocalized interest in adding new sites.
- Recycled water budget would provide incentive for water use efficiency.
 - Water savings could be reallocated to new sites.
 - Cities could reduce demand at existing sites by leveraging rebates, existing grant funds, and other best management practices.
- Details to be developed by member agencies (e.g., monitoring and enforcement).



Rebates

- Consider extending existing rebate programs (e.g., for turf replacement and irrigation controllers) to recycled water customers.
- Include education on drought-tolerant landscape maintenance.
- Would be funded and administered by DERWA member agencies.



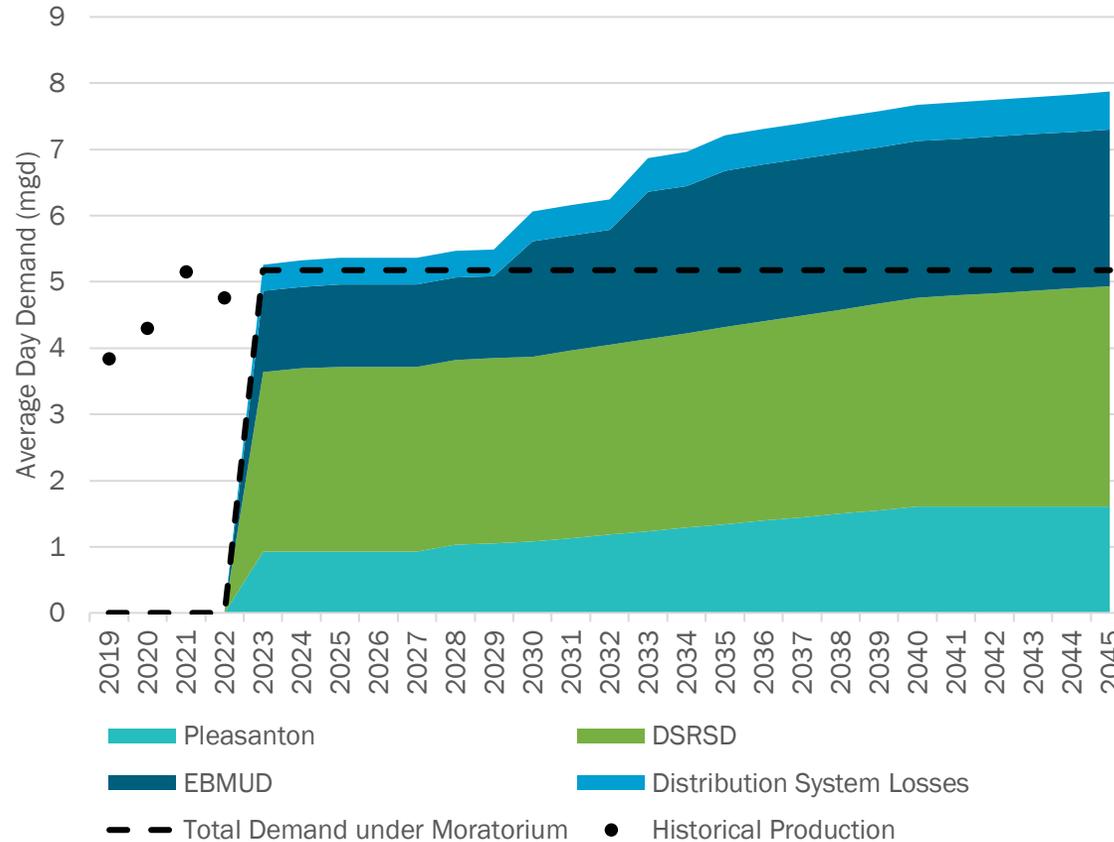


Water Loss Control

- DERWA has a notable amount of non-revenue water (~10%).
- Further investigation could determine the cause(s) and potential prevention methods.
 - Possible causes: metering error, leakage, theft.

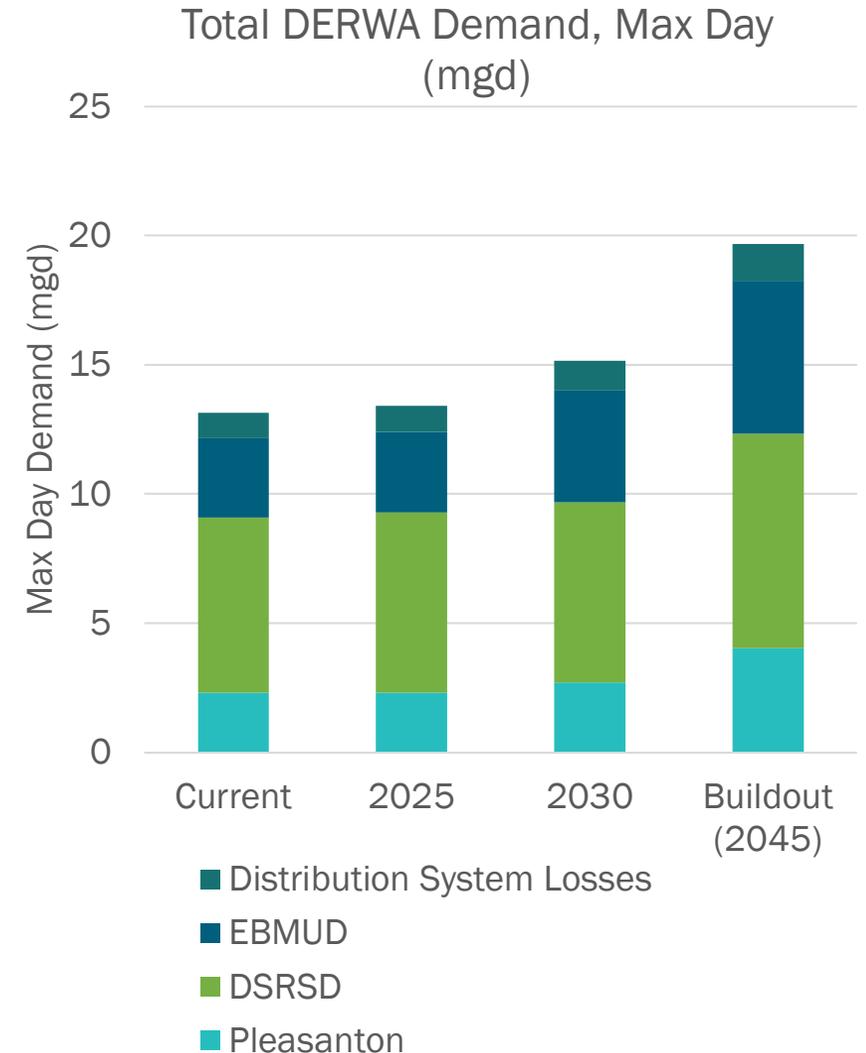
Total Demand Projection – Average Annual (AFY)

Without Moratorium



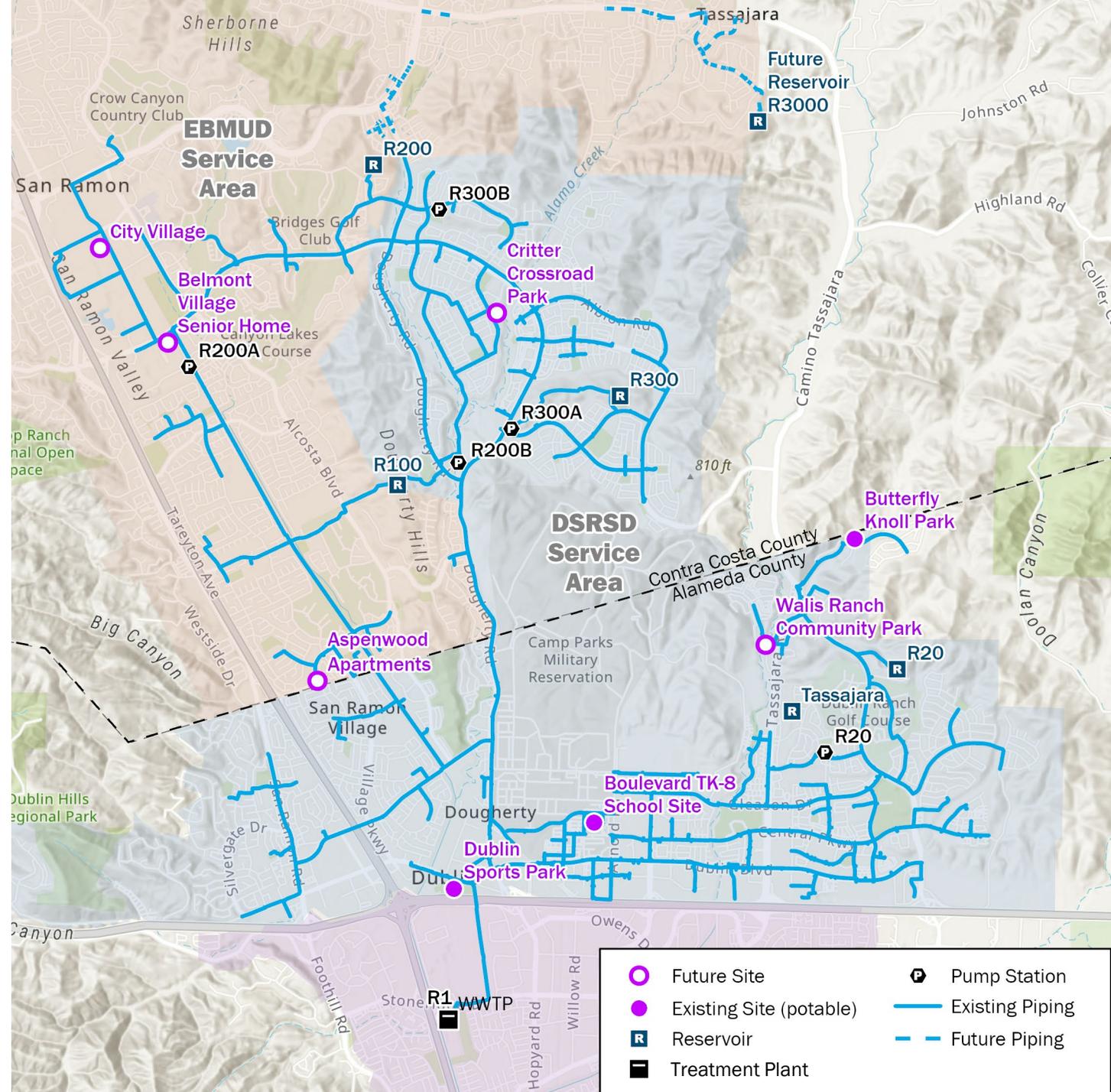
Demand Summary

- If the moratorium were lifted today, **~0.1 mgd of demand (~0.25 mgd max day) could be added by 2025** (infrastructure already in place).
 - Under worst case scenario, may need ~1 mgd of supplemental supply (or rationing) in peak season.
- Beyond this, new infrastructure is needed to connect new customers.
 - **By 2030:** additional ~0.7 mgd (~1.8 mgd max day).
 - Requires ~2 mgd of supplemental supply in peak season.
 - **Beyond 2030:** additional ~1.8 mgd (~4.5 mgd max day).
 - Requires up to ~6 mgd of supplemental supply in peak season.



“Ready to connect” customers

- Recycled water infrastructure is already in place.
- Mix of existing sites (currently using potable water) and new development (expected by 2025).



“Ready to connect” customers

EBMUD (Phase 2 New Development)

Name	Owner	Feasible Timing for Connection	Estimated Demand, Average (MGD)	Estimated Demand, Max Day (MGD)
Aspenwood Apartments	Private	2025	0.000	0.001
Belmont Village Senior Home	Private	2025	0.001	0.002
City Village	Private	2025	0.015	0.038
TOTAL			0.016	0.041

DSRSD

Name	Owner	Feasible Timing for Connection	Estimated Demand, Average (MGD)	Estimated Demand, Max Day (MGD)
Dublin Sports Park	City of Dublin	2024	0.043	0.11
Butterfly Knoll Park	City of Dublin	2024	0.004	0.01
Boulevard TK-8 School Site	Dublin Unified School District	2024	0.015	0.04
Wallis Ranch Community Park	City of Dublin	2025	0.008	0.02
Critter Crossroad Park	City of San Ramon	2025	0.013	0.03
TOTAL			0.082	0.21

Supply Alternatives: Recap

Alternatives

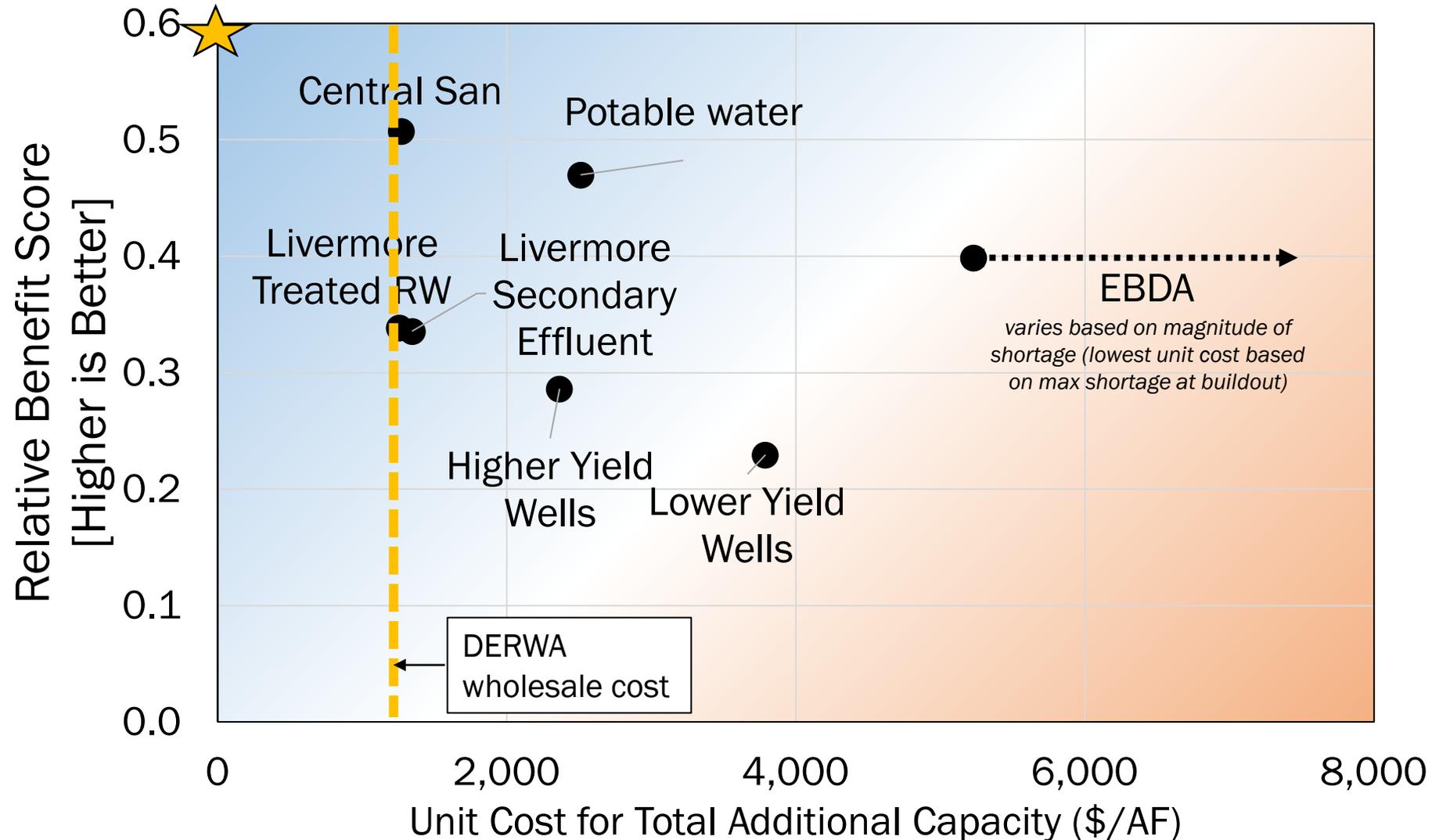
1. Raw wastewater from Central San
2. Secondary effluent – Livermore to DERWA
3. Secondary effluent from EBDA
4. Treated recycled water – Livermore to Pleasanton
5. Wells – Fringe Basin (Higher Yield)
6. Wells – Fringe Basin (Lower Yield)
7. Peak Season Potable Water Supplementation

Screened Out Alternatives*

- Raw wastewater from Ruby Hill
- Zone 7's Hopyard #7 Well
- New well(s) – Main Basin
- Zone 7's RO concentrate
- Stormwater capture
- Storage in Chain of Lakes
- Recycled water storage in aquifer

**Eliminated during pre-screening process
(not carried forward for further evaluation).*

Benefits and Costs of Supply Alternatives



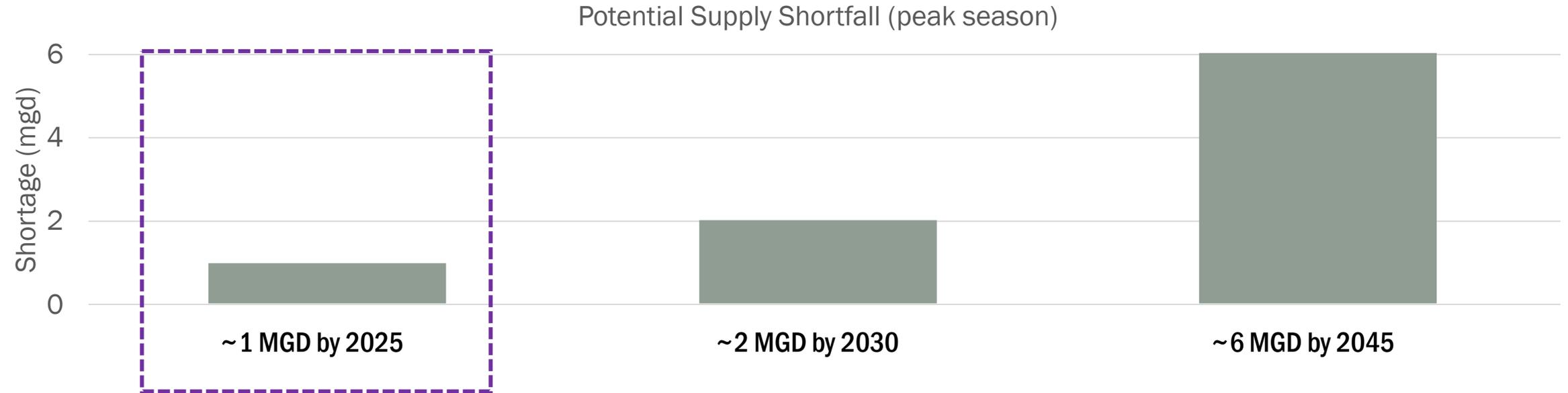
Takeaways from September Board Meeting

- A combination of demand management, wastewater from neighboring agencies, and potable water are the most feasible options.
 - Addition of potable water could serve as backstop (non-drought years).
- Long-term arrangement with neighboring agency is most preferred (high benefit, low cost).
 - Central San - potential for longer term arrangement; key to lifting the moratorium.
 - Livermore - likely interim solution.
- Groundwater remains an option.
 - Preference for higher yield wells, with lower yield wells as backup.

Takeaways from September Board Meeting

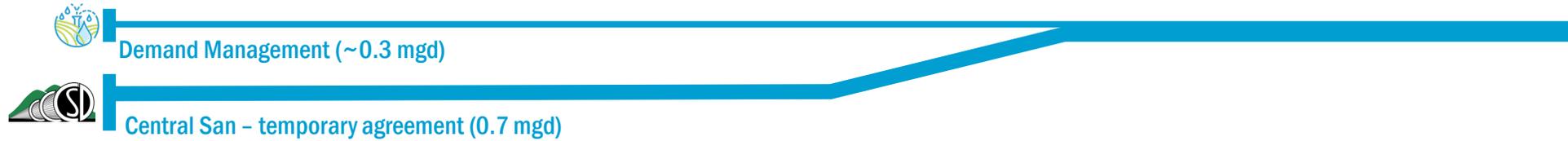
- While EBDA is the only alternative that could meet the full shortage at buildout, it is also most expensive.
 - EBDA is more expensive than most potable water supply projects that EBMUD and DSRSD are considering.
 - Can re-evaluate cost effectiveness only if/when other options are exhausted.

Roadmap for Expansion



Roadmap for Expansion: *1 mgd by 2025*

- ★ Trigger
- 📌 Decision point



Backstop:

- Rationing (drought years)
- Potable supplement (non-drought years)

- ★ 2024: Establish recycled water budgets for cities
- ★ 2024: Approve policies to enable rationing and potable supplement as backstop
- ★ 2024: Extend temporary agreement with Central San (through 2025)

📌 By 2025: Add “ready to connect” customers

Other planning activities:

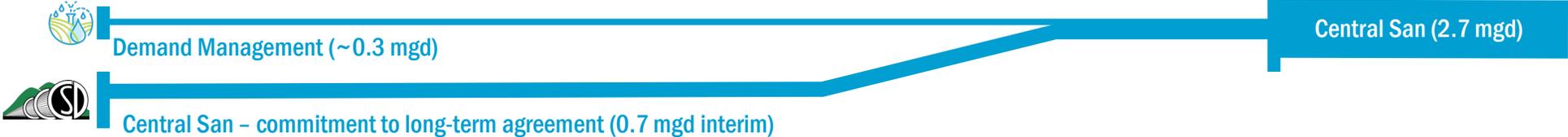
- Continue negotiations for long-term agreement with Central San
- Pilot Livermore recycled water to Pleasanton
- Explore test well with Zone 7

Roadmap for Expansion



Roadmap for Expansion: *2 mgd by 2030 – Preferred Path*

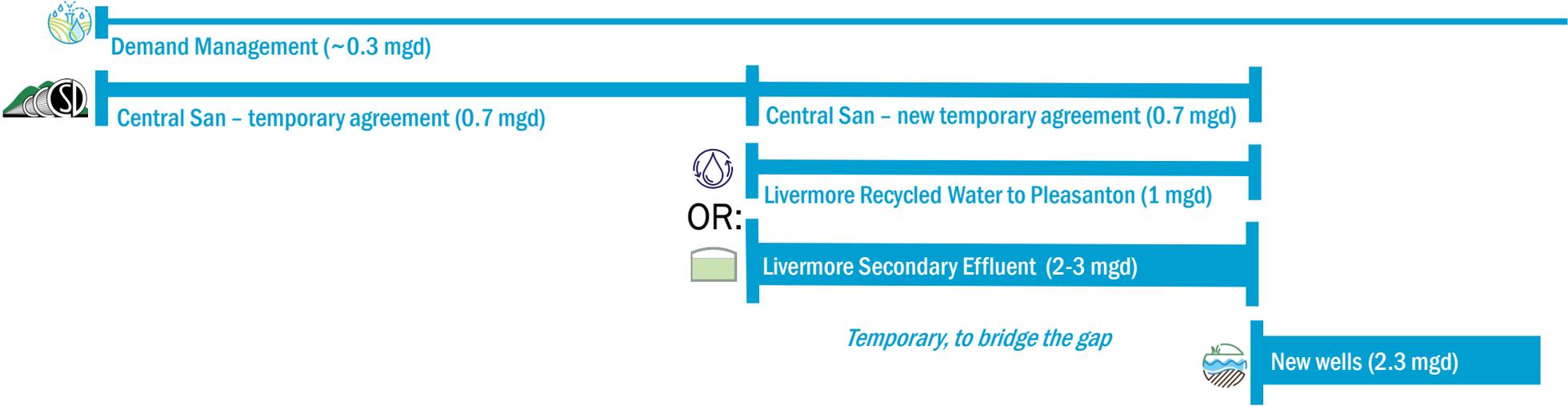
- ★ Trigger
- 📌 Decision point



- ★ By 2025: Long-term agreement with Central San (for 2.7 mgd when needed)
- 📌 2025: Initiate design of EBMUD Phase 3
- 📌 2027: Initiate construction of EBMUD Phase 3
- 📌 2030: Connect EBMUD Phase 3A/3C customers and non-peak season users

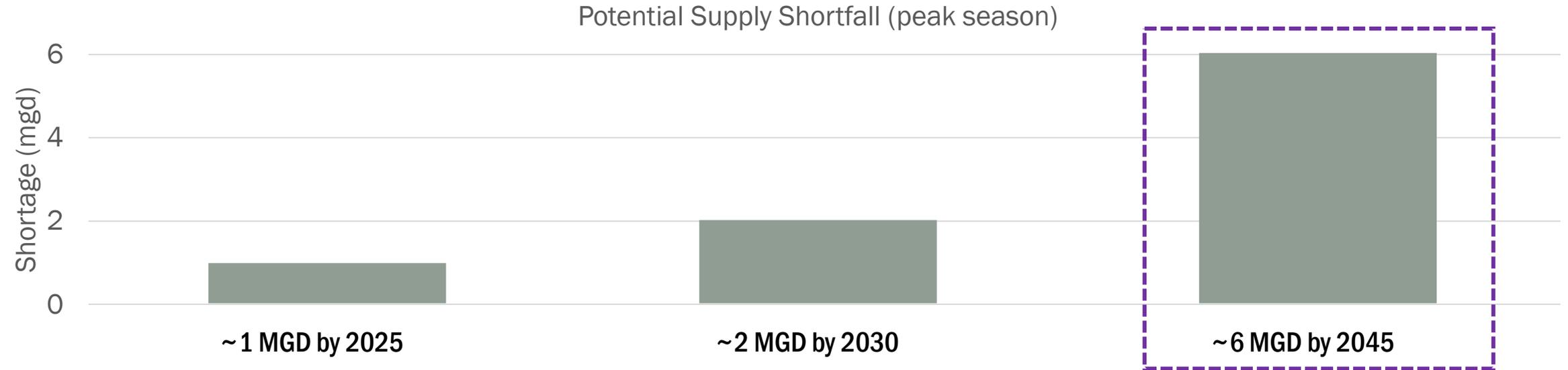
Roadmap for Expansion: *2 mgd by 2030 – Alternate Path*

- ★ Trigger
- 📌 Decision point



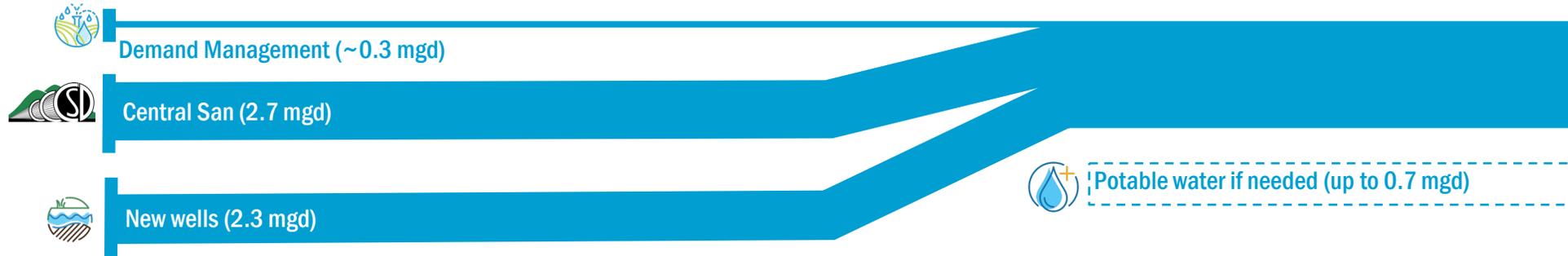
- ★ By 2025: Test well demonstrates adequate GW quality/quantity
- 📌 2025: Initiate design/construction of wells
- 📌 2025: Initiate design of EBMUD Phase 3
- 📌 2027: Initiate construction of EBMUD Phase 3
- 📌 2030: Bring wells online
- 📌 2030: Connect EBMUD Phase 3A/3C customers and non-peak season users

Roadmap for Expansion



Roadmap for Expansion: *6 mgd by 2045*

- ★ Trigger
- 📌 Decision point



★ Requires long-term agreement with Central San, new wells, and potable water (as backup)

OR:

📌 Re-evaluate cost-effectiveness of EBDA alternative.



EBDA (up to 6 mgd)

Summary of triggers for lifting moratorium

Supply Goal	By 2025	By 2030
1 mgd by 2025	<ul style="list-style-type: none">• Establish recycled water budgets for cities.• Update policies for rationing and potable supplementation.• Extend temporary agreement with Central San.	

Summary of triggers for lifting moratorium

Supply Goal	By 2025	By 2030
1 mgd by 2025	<ul style="list-style-type: none">• Establish recycled water budgets for cities.• Update policies for rationing and potable supplementation.• Extend temporary agreement with Central San.	
2 mgd by 2030	<ul style="list-style-type: none">• Secure long-term agreement with Central San or commit to construction of new wells.• If new wells, need temporary agreement with Central San or Livermore to bridge the gap (2026-2030).	<ul style="list-style-type: none">• Divert 2.7 mgd from Central San <u>or</u>• Bring new wells online (2.3 mgd).

Summary of triggers for lifting moratorium

Supply Goal	By 2025	By 2030
1 mgd by 2025	<ul style="list-style-type: none"> Establish recycled water budgets for cities. Update policies for rationing and potable supplementation. Extend temporary agreement with Central San. 	
2 mgd by 2030	<ul style="list-style-type: none"> Secure long-term agreement with Central San or commit to construction of new wells. If new wells, need temporary agreement with Central San or Livermore to bridge the gap (2026-2030). 	<ul style="list-style-type: none"> Divert 2.7 mgd from Central San <u>or</u> Bring new wells online (2.3 mgd).
6 mgd by 2045		<ul style="list-style-type: none"> Re-evaluate supplies, demands, and cost-effective of remaining alternatives.

Next Steps

- Brown and Caldwell to finalize study.
- Member agencies to initiate proposed near-term actions.
 - Policy changes
 - Discussions with Central San & Livermore
 - Planning for test well
- Recommendations to be considered in preparing FY25 budget (to be brought to DERWA Board in April 2024).

Thank You.

Questions?

Brown AND **Caldwell** :



DERWA Summary & Recommendation

Approve Appointment of Richard G. Sykes as Interim Authority Manager and Authorize Agreement for Services, and Discuss Authority Manager Recruitment

Summary:

The current Authority Manager, Jan Lee, was appointed July 1, 2022. Recently, Ms. Lee was appointed the General Manager at Dublin San Ramon Services District (DSRSD), effective December 23, 2023, and plans to step down from her role as Authority Manager on December 31, 2023. East Bay Municipal Utilities District (EBMUD) and DSRSD management have indicated neither Member Agency will have the capacity to staff the DERWA Authority Manager position in the near-term. Therefore, the Authority Manager recommends that the DERWA Board of Directors (Board) appoint Richard G. Sykes, an independent consultant, to serve as Interim Authority Manager until an outside candidate can be recruited to fill the position of Authority Manager. A brief summary of Mr. Sykes' experience and qualifications is attached.

Subject to approval by the DERWA Board, Mr. Sykes would be available to temporarily serve as Authority Manager for a six-month period. During this interim period, Mr. Sykes is projected to bill 10 to 20 hours per month, with DSRSD and EBMUD staff augmenting the support provided by Mr. Sykes to manage the DERWA program.

Over the next three years, the priority DERWA objectives and Authority Manager responsibilities include: implementing near-term demand management strategies and securing supplemental supplies, holding DERWA Board meetings, facilitating coordination between Member Agency staff and with neighboring wastewater agencies, managing and coordinating DERWA service to the City of Pleasanton, preparing capital and operations and maintenance (O&M) budgets, overseeing DERWA operations contracted through DSRSD, project management of planning and capital design and construction projects, review of capital and O&M expenditures, year-end reconciliation of paid expenditures based on usage, and discussing and negotiating comprehensive updates to the Joint Powers Authority (JPA) agreements with the Member Agencies.

The time commitment for the DERWA Authority Manager is generally about 300 to 500 hours per year. This commitment could increase to approximately 1,000 hours per year when DERWA and the Member Agencies negotiate updates and revisions to the JPA agreements. Key attributes and experience desired for this position include: leadership, communication, institutional development/planning, program administration, interagency collaboration, and operations coordination.

On December 11, staff will brief the Board on the proposed approach and schedule for recruiting the next Authority Manager. Staff is recommending DERWA follow a process similar to the last time DERWA secured the services of an outside Authority Manager in 2019. DSRSD staff has agreed to begin the recruitment process for a new Authority Manager in coordination with EBMUD staff and the Interim DERWA Authority Manager. A short list of candidates for the Authority Manager position would be recommended to the DERWA Board for final interviews and selection.

Recommendation:

The Authority Manager recommends the DERWA Board of Directors appoint Richard G. Sykes to serve as Interim Authority Manager; and

The Authority Manager further recommends the DERWA Board of Directors authorize and direct, by Resolution, the Board Chair execute an agreement with Mr. Sykes for services to DERWA for a six-month period commencing January 1, 2024, and take additional actions as necessary to implement the agreement; and

The Authority Manager further recommends the DERWA Board of Directors discuss and provide direction to staff on the recruitment process for a new Authority Manager.

December 11, 2023

Attachments:

1. Resolution No. 23-5
2. Richard G. Sykes Resume
3. Agreement for Interim Authority Manager Services

DERWA
RESOLUTION NO. 23-5

RESOLUTION OF THE BOARD OF DIRECTORS OF THE DSRSD•EBMUD RECYCLED WATER AUTHORITY APPROVING AND AUTHORIZING EXECUTION OF AN AGREEMENT FOR THE SERVICES OF AN INTERIM AUTHORITY MANAGER BETWEEN THE DSRSD•EBMUD RECYCLED WATER AUTHORITY AND RICHARD G. SYKES

WHEREAS, the DSRSD•EBMUD Recycled Water Authority (“DERWA” or "Authority") requires the services of an Authority Manager who shall function as the chief executive officer of the Authority; and

WHEREAS, Jan Lee, the Assistant General Manager of DSRSD has served as the DERWA Authority Manager since July 1, 2022; and

WHEREAS, Ms. Lee notified the DERWA Board of Directors (Board) in November 2023 of her resignation from the position of DERWA Authority Manager, effective December 31, 2023; and

WHEREAS, DERWA’s Member Agencies, DSRSD and EBMUD, do not have adequate in-house resources to staff the position of Authority Manager at this time; and

WHEREAS, Richard G. Sykes has agreed to serve as the Interim Authority Manager while DERWA recruits for an outside candidate to fill the role of Authority Manager.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the DSRSD•EBMUD Recycled Water Authority, that Richard G. Sykes be appointed as the DERWA Interim Authority Manager commencing January 1, 2024, to serve at the pleasure of and to carry out the will of the DERWA Board and, in that role, to represent equally the interests of each DERWA Member Agency.

BE IT FURTHER RESOLVED that the Chair of this Board and the Authority Secretary are hereby authorized and directed to execute for and on behalf of the Authority, and to attest thereto, respectively, an agreement attached as Exhibit “A”, in a form approved by the Authority’s General Counsel for the services of Richard G. Sykes as Interim Authority Manager.

DERWA
Res. No. 23-5

ADOPTED by the Board of Directors of the DSRSD•EBMUD Recycled Water Authority, a Joint Powers Authority, located in the Counties of Alameda and Contra Costa, California, at its Regular Meeting held on the 11th day of December 2023, and passed by the following vote:

AYES:

NOES:

ABSENT:

John A. Coleman, DERWA Chair

ATTEST: _____
Nicole M. Genzale, Authority Secretary

Richard G. Sykes

Profile

Highly qualified engineer and manager with over 35 years of experience including 20 years at the senior leadership level at a major California public utility serving a population of 1.4 million. Proven effective leader with very broad management experience in engineering, operations, maintenance, construction, environmental compliance, fisheries and land management disciplines. Known for results-based team leadership and respecting and motivating staff. Builds effective relationships with agencies, public and private organizations, elected officials and regulators. Currently provides engineering and management services on a consulting contract basis. Serves as Executive Director for the Mattole Salmon Group, a community based non-profit organization with over 40 years work in fisheries monitoring and habitat restoration in the Mattole River Watershed. Serves as the Executive Officer for the Upper Mokelumne River Watershed Authority, a California Joint Powers Authority focused on water supply and watershed protection in Alpine, Amador and Calaveras Counties. Mr. Sykes is a civil engineer licensed in the state of California.

Management Experience

Executive Officer - Upper Mokelumne River Watershed Authority (UMRWA)

January 2019 to Current

Chief executive for a multi-county joint powers authority which plans and implements watershed protection measures in Alpine, Amador and Calaveras Counties. UMRWA also serves as the Integrated Regional Water Management entity for the Mokelumne/Amador/Calaveras Region. Oversees annual budget of approximately \$5 million focused on watershed and forest health, and water quality protection.

Executive Director Mattole Salmon Group

June 2018 to Current

Oversight of long-term program to monitor salmonid populations and implement habitat restoration projects in the Mattole River Watershed. Manage 15 staff and a budget of approximately \$1,000,000 annually.

Director, Water and Natural Resources Department- East Bay Municipal Utility District (EBMUD) 2008 to 2018

Guided planning and implementation of long-term water supply projects including water recycling, water transfers, groundwater banking, and new storage projects. Oversaw all EBMUD water rights matters. Manager for watershed lands totaling over 50,000 acres in five counties. Managed staff of 95 and an annual budget of over \$25 million.

Manager of Maintenance and Construction – EBMUD 2006-2008

Management of 600 staff in the maintenance and construction of the potable water distribution system, treatment facilities, and related buildings and equipment. Oversight of a budget of over \$60 million annually. Extensive role in Capital Improvement Program development and implementation.

Manager of Water System Operations – EBMUD 1999-2006

Management of the operations and maintenance of potable water system serving 1.4 million customers. Oversight of 300 staff and a budget of over \$30 million annually. Oversight of Water Quality Program and Hydropower Sales Program. Co-leader for EBMUD sponsorship of California’s “no-lead” plumbing bill including working with legislators and staff, water utilities, private industry, regulators and researchers. Extensive role in regulatory development at state and federal level – commented on over 300 regulatory actions.

Education

MS - Environmental Engineering	University of California at Berkeley
BS - Conservation and Resource Studies	University of California at Berkeley
BA - English	University of California at Berkeley

CONSULTING AGREEMENT
for
DSRSD-EBMUD RECYCLED WATER AUTHORITY (“DERWA”)
INTERIM AUTHORITY MANAGER SERVICES

This Consulting Agreement (“Agreement”) is made and entered into this ____ day of December 2023 (“Effective Date”), by and between DUBLIN SAN RAMON SERVICES DISTRICT– EAST BAY MUNICIPAL UTILITY DISTRICT (DSRSD-EBMUD) RECYCLED WATER AUTHORITY, a Joint Powers Authority (“DERWA” or “AUTHORITY”), and RICHARD G. SYKES, an individual (“CONSULTANT”) (together, the “Parties”).

RECITALS

WHEREAS, DERWA requires specialized consulting services relating to the role and functions of an Interim Authority Manager to administer and conduct the AUTHORITY’S business; and

WHEREAS, CONSULTANT represents that he has the experience, qualifications, and expertise to perform said services in a professional and competent manner; and

WHEREAS, DERWA wishes to retain CONSULTANT for his knowledge and experience in public agency administration and understanding of DERWA’S needs and interests.

AGREEMENT

NOW, THEREFORE, it is mutually agreed by DERWA and CONSULTANT that for the considerations hereinafter set forth, CONSULTANT shall provide said services to DERWA, as set forth in greater detail herein.

1. Services. CONSULTANT agrees to furnish services as set forth in the Scope of Services attached hereto as Exhibit “A” and incorporated herein.
2. Compensation. DERWA shall compensate CONSULTANT for all services performed by CONSULTANT pursuant to Section 1 above, including necessary onboarding prior to the January 1, 2024 commencement date. Total compensation is set forth in Exhibit “B.” CONSULTANT’S professional fees, exclusive of direct costs, shall be One Hundred Eighty Dollars (\$180.00) per hour, for a maximum total of 150 hours. DERWA will reimburse CONSULTANT for eligible direct costs, if any, as described in Exhibit “B.”
3. Commencement of Work and Term of Agreement. Upon execution, this Agreement shall become effective. CONSULTANT’S work as Interim Authority Manager shall commence on January 1, 2024, for a term of six (6) months. Unless terminated earlier pursuant to Article 5 herein, this Agreement shall expire when all tasks have been completed and final payment has been made by DERWA, or in any event, no later than June 30, 2024. This Agreement may be extended by up to six (6) months by mutual agreement of the Parties.

4. Billing and Payment. CONSULTANT shall invoice DERWA in monthly installments. Compensation and reimbursement of expenses shall be payable by DERWA within thirty (30) days upon receipt of billing by CONSULTANT. The billing shall include an itemized statement briefly describing the services rendered and costs incurred and the authorized amount remaining.
5. Termination. This Agreement may be terminated by either party immediately for cause, or without cause upon 30 days' written notice. CONSULTANT shall be entitled to compensation for services satisfactorily performed up to the effective date of termination; provided, however, that DERWA may condition payment of such compensation upon CONSULTANT'S delivery to DERWA of any outstanding work products. Payment by DERWA for the services satisfactorily performed to the effective date of termination shall be the sole and exclusive remedy to which CONSULTANT is entitled in the event of termination and CONSULTANT shall be entitled to no other compensation or damages including, but not limited to, loss of anticipated profits, and CONSULTANT expressly waives the same.
6. Release of Information. CONSULTANT agrees to maintain in confidence and not disclose to any person or entity without DERWA'S prior written consent, any confidential information, knowledge or data, including but not limited to litigation or potential litigation matters, and DERWA's legal strategy, defense or theory of the matters. CONSULTANT further agrees to maintain in confidence and not to disclose to any person or entity any data, information, developed or obtained by CONSULTANT during the term of this Agreement. CONSULTANT further agrees and understands that all work performed by him as a DERWA liaison for or on behalf of the DERWA in any legal proceedings shall be performed by him at the direction of legal counsel for DERWA and is protected by the attorney-client communication privilege, and all such work will be kept in confidence. The covenants contained in this paragraph shall survive the termination of this Agreement for whatever cause.
7. Independent Contractor and Professional Responsibility of Consultant. CONSULTANT is retained to render professional services only, and all payments made are compensation solely for such services as he may render and recommendations he may make in carrying out the work. CONSULTANT is an independent contractor and not an employee of DERWA. CONSULTANT expressly warrants that he will not represent that he is an employee or servant of DERWA.
8. Diligence. CONSULTANT agrees to diligently perform the services to be provided under this Agreement in accordance with the schedule specified herein.

9. Notice. Any notice or communication given under this Agreement shall be effective when deposited postage prepaid with the United States Postal Service and addressed to the contracting parties as follows:

Richard G. Sykes
131 Nova Drive
Piedmont, CA
94610

DERWA General Counsel
Dublin San Ramon Services District-East Bay
Municipal Utility District Recycled Water Authority
7051 Dublin Boulevard
Dublin, CA 94568

Either party may change the address to which notice, or communication is sent by providing advance written notice to the other party.

10. Indemnity. CONSULTANT agrees to indemnify and hold harmless DERWA and DERWA'S agents and authorized representatives from any and all losses, liabilities, charges, damages, claims, liens, causes of action, awards, judgments, costs, and expenses (including, but not limited to, reasonable attorney's fees of DERWA General Counsel and any other counsel retained by DERWA) of whatever kind or nature (collectively "Claims"), that arise out of or are in any way connected with any willful misconduct or any negligent error, act or omission of CONSULTANT or CONSULTANT'S authorized representative, unless resulting from the sole negligence, active negligence, or willful misconduct of an indemnified party.
11. Insurance. CONSULTANT shall take out and maintain during the life of the Agreement automobile insurance, in the minimum amount of \$300,000/\$500,000, covering CONSULTANT'S operation of his motor vehicle. The automobile liability policy shall be endorsed to name DERWA as an additional insured, but only insofar as the operations under this Agreement are concerned. CONSULTANT shall furnish a certificate of insurance and policy endorsements satisfactory to DERWA General Counsel at 7051 Dublin Boulevard, Dublin CA 94568 as evidence that the insurance required above is being maintained.
12. Brown Act and Public Records Act. The Parties acknowledge that DERWA is subject to the Ralph M. Brown Act and the Public Records Act. The Parties also acknowledge that this Agreement, once effective, and the terms contained herein are not confidential information and are subject to public disclosure.
13. Retention of Records. Pursuant to Government Code section 8546.7, the performance of any work under this Agreement is subject to the examination and audit of the State Auditor at the request of DERWA or as part of any audit of DERWA for a period of three years after final payment under the Agreement. Each party hereto shall retain all records relating to the performance of work under this Agreement and the administration of the Agreement for three years after final payment hereunder.
14. No Assignment. This Agreement is to be binding on the successors and assigns of the Parties hereto. The services called for herein are deemed unique and except as provided

herein CONSULTANT shall not assign, transfer, subcontract, or otherwise substitute his interest in this Agreement or any of his obligations herein without the written consent of DERWA.

15. Waiver. The waiver by either party of a breach by the other of any provision of this Agreement shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or a different provision of this Agreement.
16. Severability. Should any part of this Agreement be declared by a final decision by a court or tribunal of competent jurisdiction to be unconstitutional, invalid, or beyond the authority of either party to enter into or carry out, such decision shall not affect the validity of the remainder of this Agreement, which shall continue in full force and effect, provided that the remainder of this Agreement, absent the unexercised portion, can be reasonably interpreted to give effect to the intentions of the Parties.
17. Time is of the Essence. CONSULTANT agrees to diligently provide the services requested under this Agreement and in accordance with any schedules specified by the DERWA. In the performance of this Agreement, time is of the essence.
18. No Discrimination. There shall be no discrimination against any person, or group of persons, on account of race, color, religion, creed, national origin, ancestry, gender, age, marital status, disability, or sexual orientation in the performance of this Agreement. CONSULTANT shall not establish or permit any such practice(s) of discrimination with reference to the Agreement or any part thereof. CONSULTANTS determined to be in violation of this section shall be deemed to be in material breach of this Agreement.
19. Conflict of Interest. CONSULTANT affirms that he does not have any financial interest or conflict of interest that would prevent CONSULTANT from providing unbiased, impartial service to DERWA under this Agreement.
20. Amendments. This Agreement may be amended or supplemented by the Parties by mutual written agreement, approved and executed in the same manner as this Agreement.
21. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.
22. Complete Agreement. This Agreement, together with Exhibits "A" and "B," is adopted by DERWA and CONSULTANT as a complete and exclusive statement of the terms of this Agreement between DERWA and CONSULTANT.
23. Dispute Resolution. The Parties agree to first submit any dispute arising out of or in connection with this Agreement to a mutually acceptable professional mediator and to negotiate in good faith toward an agreement with respect to the dispute. Either party within thirty (30) days of providing written notice may initiate mediation. Either party within sixty (60) days of having participated in the first mediation session may provide

notice of termination of mediation and thereafter proceed with other remedies it may choose in law or equity.

IN WITNESS WHEREOF, the Parties hereto each herewith subscribe the same in duplicate.

DUBLIN SAN RAMON SERVICES DISTRICT
EAST BAY MUNICIPAL UTILITY DISTRICT
RECYCLED WATER AUTHORITY

By: _____
John Coleman, Chair
DERWA Board of Directors

Attest:

Nicole M. Genzale, Authority Secretary

CONSULTANT

By: _____
Richard G. Sykes

EXHIBIT A

SCOPE OF SERVICES – INTERIM AUTHORITY MANAGER

Board Management

1. Coordinate with and provide guidance to DERWA and Member Agency staff to prepare DERWA Board meeting agendas and associated agenda item reports
2. Attend and facilitate DERWA Board meetings (up to three DERWA Board meetings)
3. Travel to Board meetings and other venues as necessary and appropriate to conduct the business of DERWA
4. Support recruitment of long-term DERWA Authority Manager
5. Direct administrative staff to maintain and update the DERWA website and post agenda packets
6. Review and edit DERWA Board meeting minutes
7. Follow-up and implement Board actions in coordination with Member Agency representatives
8. Perform other Authority-related tasks as may be directed by the Board

Program Administration

1. Communicate with Member Agency representatives in person, by telephone, email, or correspondence as necessary and appropriate
2. Directly or through Member Agency staff, negotiate consultant contracts and manage DERWA consultants
3. Directly or through Member Agency staff, oversee and monitor DERWA operations and capital projects
4. Coordinate with and provide guidance to DSRSD and DERWA Treasurer to prepare the annual DERWA capital and operating budget
5. Coordinate with DERWA Treasurer and administrative staff to track revenues and expenditures, review and approve invoices, and prepare Treasurer and Investment reports

EXHIBIT B
COMPENSATION

A. Hourly Rate - \$180.00 per hour

Maximum hourly billings will be limited to 150 hours for the term of this Agreement, unless further authorized in writing by the Chair of the DERWA Board of Directors. Based on the maximum anticipated hours, the maximum compensation for professional services (not including direct costs) would be \$27,000.

B. Direct Costs

Authority will reimburse direct costs incurred by CONSULTANT. Eligible direct costs include the following:

- Vehicle mileage between CONSULTANT'S office and necessary travel locations to conduct Authority business (at applicable IRS rate)
- Parking and tolls
- Extraordinary reproduction/copying, postage or overnight delivery charges

Meals, transportation, lodging, and other travel charges may be reimbursed on a case-by-case basis: pre-approval required by the Chair of the DERWA Board of Directors.

DATE: December 11, 2023
MEMO TO: Board of Directors
FROM: Jan Lee, Authority Manager
SUBJECT: Authority Manager Update

ADMINISTRATION

Future DERWA – Central San Meeting. At the September 25, 2023 meeting, the DERWA Board expressed interest in setting up a meeting between DERWA and Central Contra Costa Sanitary District (Central San) representatives to discuss potential collaborative efforts beyond the current agreement for the DERWA-Central San Temporary Diversion of Wastewater Project. DERWA and EBMUD are nearing completion on two studies: (1) the DERWA Recycled Water Supply and Operations Plan Update, and (2) the EBMUD-Central San Feasibility Evaluation of Recycled Water Project Concepts (led by EBMUD). These studies include evaluation of potential opportunities to partner with Central San to expand the beneficial use of recycled water within the region. A future meeting between DERWA and Central San representatives will be setup in 2024, after these studies have been completed and results shared with the DERWA Board.

Extension of Interim DERWA Supply Agreement. On March 29, 2022, DERWA, EBMUD, and DSRSD executed an *Interim Agreement Related to the Supply and Sale of Recycled Water* (Interim Agreement). The Interim Agreement provides a framework for DERWA and its member agencies to focus near-term efforts on evaluating strategies for DERWA to reliably meet current and future recycled water demands. The Interim Agreement requires the parties to resume negotiations to update and revise the DERWA agreements to reflect the actual working conditions of the DERWA Program and the issue of declining recycled water supplies by January 1, 2024. The Interim Agreement expires on December 31, 2024.

Based on the status of ongoing supplemental supply studies and changes in DERWA staffing, EBMUD and DSRSD management are proposing that the parties extend the term of the Interim Agreement by one year. An amendment to the Interim Agreement will be brought to the DERWA Board for consideration at the next DERWA Board meeting in February 2024.

OPERATIONS AND MAINTENANCE

2023 Recycled Water Production. The DERWA Recycled Water Treatment Facility produced 4,417 acre-feet (AF) of recycled water between January 2023 and October 2023, compared to 5,157 AF produced during the same period in 2022. Recycled water production for calendar year 2023 is currently on track to be at least 10-15% lower than 2022 and about 20% lower than 2021, even with the addition of the two golf courses that EBMUD has been working to fully connect to recycled water in 2022 and 2023. Like 2022, the DERWA-Central San Temporary Diversion of Wastewater Project was not operated in 2023 due to lower demands.

Preventative Maintenance of DERWA Equipment. With the start of the seasonal decline in demand, DSRSD staff are dedicating time to important preventative maintenance of the DERWA Recycled Water Treatment Facility's equipment and processes. This includes ongoing maintenance of the ultraviolet disinfection system, sand filter cleaning and maintenance, as well as the bi-annual maintenance of the DERWA transformer. These efforts will continue throughout the off-season.

Total Coliform Exceedances Update. On July 13 and 14, 2023, the recycled water sample results from the DERWA Recycled Water Treatment Facility exceeded the regulatory limits for total coliform. Total coliform limits were exceeded in Channel 2 of the sand filtration ultraviolet disinfection (SFUV) process. In response, Channel 2 was taken offline on July 15 for acid washing, leaving only Channel 1 to meet DERWA recycled water demands. On July 15, DSRSD staff also conducted an extremely thorough cleaning of the entire recycled water system. Results from July 16 showed coliform levels to be back within compliance limits for both channels. The Regional Water Board and member agencies were notified of the exceedances and the corrective actions taken to bring the system back into compliance. DSRSD continued to meet DERWA recycled water demands throughout the event.

To reduce the likelihood of non-compliance in the future, DSRSD staff performed a thorough investigation into the cause of the exceedances. The investigation ruled out the methods of sampling and analysis and as an additional precaution, DSRSD staff installed a temporary spray system to break up foam floating in SFUV Channel 2 on July 20. Staff also increased the frequency of cleanings and preventative maintenance of the system. Since the implementation of these changes, no additional violations have been reported and maintenance staff will make plans to convert the temporary spray system into one that is permanent.

CAPITAL PROJECTS

Pine Valley Road Transmission Cathodic Protection. DSRSD staff is working with JDH Corrosion to develop design drawings for cathodic protection improvements to DERWA's transmission main in Pine Valley Road in San Ramon. Once design is complete, the improvements will be implemented. The project is estimated to be completed in Spring 2024.

Backwash Analysis. In mid-2023, DSRSD retained the services of Carollo Engineers to analyze potential operational and infrastructure improvements to reduce filter backwash flow and/or strength, which would result in lower backwash treatment costs charged to DERWA. Preliminary results recommend several near-term operational changes for implementation in 2024, which include modifications to the current frequency and location of water quality sampling. Staff will continue to study potential infrastructure improvements in parallel with assessment of these operational changes. Potential long-term improvements would be reviewed by DERWA and the Member Agencies, before being considered by the DERWA Board as part of the proposed Fiscal Year 2025 budget.