

**DSRSD • EBMUD RECYCLED WATER AUTHORITY
(DERWA)**

**Board of Directors Regular Meeting Minutes
Monday, April 27, 2009**

Dublin San Ramon Services District
7051 Dublin Boulevard, Dublin, California

1. CALL TO ORDER – Chair Mellon called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 6:01 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Chair Frank Mellon, Vice Chair Jeffrey Hansen, and Director Daniel Scannell. DERWA Staff present: James Bewley, Authority Manager; Richard Lou, Treasurer; and Nancy Gamble Hatfield, Authority Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

Mr. Bewley reported that on April 14, 2009 DERWA hosted a tour of the Recycled Water Treatment Plant for Congressman McNerney and members of his staff. DSRSD Operations Supervisor Levi Fuller and Operations Manager Dan Gallagher gave an excellent tour and briefing. The Congressman asked a lot of well informed technical questions.

Chair Mellon reported that both he and V.C Hansen attended the tour, and noted the good balance of Board and staff representation. He was impressed by Congressman McNerney's depth of knowledge and felt a superior exchange of ideas occurred.

5. PUBLIC COMMENT – 6:03 p.m. – None received.

6. APPROVE MINUTES – Regular Meeting of *February 23, 2009*

Motion by Director Scannell, Second by V.C. Hansen to approve the minutes from the *February 23, 2009* regular meeting.

Motion carried (3-0) by the following vote:

AYES: Scannell, Hansen, Mellon

NOES:

7. CONSENT CALENDAR

A. Treasurer's Reports – January 31, 2009, February 28, 2009, March 31, 2009

B. Quarterly Investment Report – March 31, 2009

Motion by V.C. Hansen, Second by Director Scannell to approve the Consent Calendar.

Motion carried (3-0) by the following vote:

AYES: Hansen, Scannell, Mellon

NOES:

8. BOARD BUSINESS

A. Approve Fiscal Year 2009-10 Budget

Authority Manager Bewley discussed the proposed FY 2009-2010 Operating Budget, and described changes from the previous budget in the work elements of the Operating Budget, as shown on Table 5.

- The "Program Manager" work element proposed at \$177,050 is a reduction of \$45,750 from the current fiscal year, primarily due to a reduction in work effort.
- The increase under the "Treasurer" work element is mostly due to commercial paper fees and obtaining a new letter of credit. DERWA has begun discussions with the EBMUD Treasurer to find alternatives to commercial paper. The Treasurer expects an increase in commercial paper fees of \$80,000 to \$500,000 for the next year. Staff will be working further on this financing issue with EBMUD over the next few months.

Treasurer Lou explained that the fees to secure a letter of credit are Operations expenses. DERWA will have to update the letter of credit before it expires on January 2010 and the fees are anticipated to be much higher because of the current fiscal climate.

- Mr. Bewley then discussed the "Legal Counsel" work element stating that this figure has been reduced from \$15,000 to \$7,500 in the current budget. This reduction was achieved because DERWA relied more on experience gained over the past couple of years.
- The "Secretary" work element has been reduced from \$20,200 to \$15,500 because of the decreased frequency of Board meetings and the support work.
- The costs in the "Operations" work element have increased by about eight percent because of the projected increase of recycled water deliveries. As the production increases with the completion of the next EBMUD distribution system phases, the unit costs should decrease. This is because the fixed costs of primarily labor remain rather constant. Mr. Bewley stated that the cost for production and delivery of recycled water is projected at just under \$500 per acre foot.
- The "Debt Service" work element has been reduced to \$2,700,000, a \$35,000 decrease, but it may be difficult to accurately predict this expense. The commercial paper interest rate resets fairly frequently. Treasurer Lou reported that DERWA is currently paying about 0.5% interest on \$50 million. Two percent in interest was used as the budget figure last year and this year 3% was used.

Mr. Bewley then discussed the Capital Program, stating that the Stray Current Mitigation and the Microfiltration/UV Control System Upgrade projects will be completed in the current fiscal year. The Fine Screening project at the WWTP should be in service by June of this year and fully completed in FY 2009-10.

Mr. Bewley reported that the budget does not include any new capital projects for FY 2009-10. The significant change in the proposed Capital Budget is the EBMUD Distribution Project listed and described on pages 15 and 16. The project is partially funded with a \$15 million Water Resources Development Act (WRDA) authorization. As for the EBMUD Distribution System projects, it was decided that it would be more efficient for EBMUD to do the design work. The design work is not eligible for the federal funding, so this approach leaves more federal funding available for construction. The FY 2008-09 budget includes

approximately \$3 million of local costs for this project. With the change to design by EBMUD, the local costs are estimated at approximately \$6 million for the Distribution System projects in the FY 2009-10 budget.

V.C. Hansen asked for confirmation that the \$231,200 increase in the Treasurer Operating Budget will be due to paying higher fees for the letter of credit in the last 6 months of FY 2009-10 because the letter of credit has to be renewed in January 2010.

Treasurer Lou responded that V.C. Hansen was correct. DERWA currently pays approximately \$40,000 in fees per year on the letter of credit. Staff estimates that upon its renewal, the annual fees could be as much as \$500,000.

Mr. Lou also discussed the alternative of not getting a letter of credit and instead, self-insuring, explaining that EBMUD had self-insured when they recently negotiated commercial paper renewals.

Mr. Bewley pointed out that even if the cost increased to \$500K, that would be only 1% on the \$50 million debt and the combination of fees and commercial paper interest may still be lower than long-term debt alternatives.

Chair Mellon noted that the jump in fees was significant: from \$40K to \$500K.

Directors agreed with Chair Mellon and suggested that maybe the time has come to start paying on the principal of the debt.

Mr. Bewley reminded the Board of the presentation that was given to them in October, 2008 about the several financing alternatives to consider. He suggested that possibly a mix of financing alternatives may be the way for DERWA to proceed. However, considering the overall financial situation, Mr. Bewley pointed out that both Member Agencies have asked DERWA not to initiate payments on the principal for the next year or two.

Motion by V.C. Hansen, Second by Director Scannell to adopt Resolution No. 09-2 approving and adopting the Fiscal Year 2009-10 Capital and Operating Expenditure Budget.

Motion carried (3-0) by the following vote:

AYES: Hansen, Scannell, Mellon

NOES:

9. MANAGER'S REPORT

- Contracts Initiated Since the Board Meeting of February 23, 2009 – None
- Pump Station R200A/Pipeline IH Project Update – Mr. Bewley reported work is now underway on both the pump station and the pipeline. He stated that this project continues to be very difficult, specifically communications with the contractor and their lack of reasonable planning. As a result, the work will not be completed within the one year contract period. Mr. Bewley reported that preliminary discussions have begun with the Corps of Engineers on how to deal with liquidated damages. He believes allowing for a few extra days for unforeseen conditions are reasonable, but three or four months are not. The Pipeline work should be completed in the next six to eight weeks. The contractor had work in four intersections and one connection to complete with a plan to finish one per week. However, in the past four weeks, the

contractor has managed to partially complete only two of the intersections. This portion of the pipeline work project requires work from 9:00 p.m. to 5:00 a.m., with an hour or so at each end spent setting up and taking down traffic controls, etc. A couple of weeks per intersection might have been a more realistic plan. The work on the pump station is proceeding slowly. The most difficult part of the pump station work, Mr. Bewley believes, was getting Chevron's approval of the shoring design, getting the shoring installed, and then finally getting the excavation completed without damaging the fiber optic lines. The shoring is installed and the excavation complete. Completion of the structure, backfilling the excavation, and removing the shoring is probably eight to ten weeks away.

- Confirmed Next Meeting Date – June 22, 2009

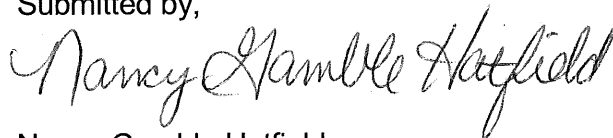
10. BOARDMEMBER ITEMS

Chair Mellon reported that he recently visited Ireland, where he got a chance to see the new Dublin Wastewater Treatment Plant. He elaborated on the interesting plant and his many observations.

11. ADJOURNMENT

Chair Mellon adjourned the meeting at 6:27 p.m.

Submitted by,



Nancy Gamble Hatfield
Authority Secretary