

**DSRSD • EBMUD RECYCLED WATER AUTHORITY
(DERWA)
Board of Directors Special Meeting Minutes
Monday, May 2, 2011**

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

1. CALL TO ORDER – Vice Chair Coleman called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 6:03 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: V.C. John Coleman, Director Daniel Scannell, Director Dwight L. (Pat) Howard, and Director Katy Foulkes. DERWA Staff present: James Bewley, Authority Manager; Richard Lou, Treasurer; Robert Maddow, General Counsel; and Nancy Gamble Hatfield, Authority Secretary.

4. BOARD REOGANIZATION

A. Election of Board Chair

Motion by Director Foulkes, Second by Director Howard to elect V.C. Coleman as DERWA Board Chair for 2011.

Motion carried (4-0) by the following vote:

AYES: Foulkes, Howard, Coleman, Scannell
NOES:

B. Election of Board Vice Chair

Motion by Director Scannell, Second by Chair Coleman to elect Director Howard as DERWA Board Vice Chair for 2011.

Motion carried (4-0) by the following vote:

AYES: Scannell, Coleman, Foulkes, Howard
NOES:

C. Appointment of Secretary

Motion by Director Scannell, Second by Director Foulkes to appoint Nancy Gamble Hatfield as the continuing DERWA Secretary for 2011.

Motion carried (4-0) by the following vote:

AYES: Scannell, Foulkes, Howard, Coleman
NOES:

5. SPECIAL ANNOUNCEMENTS/ACTIVITIES – None.

6. PUBLIC COMMENT – 6:07 p.m. - None received.

7. APPROVE MINUTES – Special Meeting of September 20, 2010

Chair Coleman stated that the minutes were accurate and asked for a motion.

Motion by Director Scannell, Second by Director Foulkes to approve the minutes from the Special Meeting of September 20, 2010.

Motion carried (4-0) by the following vote:

AYES: Scannell, Foulkes, Howard, Coleman

NOES:

8. CONSENT CALENDAR

A. Treasurer's Reports for August 31, September 30, October 31, November 30, December 31, 2010 and January 31, February 28, March 31, 2011

B. Quarterly Investment Reports for September 30, December 31, 2010 and March 31, 2011

C. DERWA Investment Policy

D. Approve Task Order No. 8 for Fiscal Year 2011-12 for Public Information Services with ICF International (Formerly Jones & Stokes Associates)

Motion by Director Foulkes, Second by Director Scannell to approve the Consent Calendar. Motion carried (4-0) by the following vote:

AYES: Foulkes, Scannell, Howard, Coleman

NOES:

9. BOARD BUSINESS

A. Transmittal of the DERWA Independent Auditor's Report and Financial Statements for Years Ending June 30, 2010 and 2009

Treasurer Lou reported that the audit prepared by Maze and Associates went smoothly and did not discover any issues. Staff will be preparing for the upcoming audit in June, which should be completed by September, and then presented to the Board.

Motion by Director Foulkes, Second by Director Scannell to accept the DERWA Independent Auditor's Report and Financial Statements for Years Ending June 30, 2010 and 2009.

Motion carried (4-0) by the following vote:

AYES: Foulkes, Scannell, Howard, Coleman

NOES:

B. Approval of Fiscal Year 2011-12 Budget

Authority Manager Bewley introduced the agenda item related to the proposed operating and capital budget for Fiscal Year 2011-2012, reporting that the budget has decreased from last fiscal year by \$2.130 million, or 36.8%. This is primarily due to the

decrease of \$2.100 million in debt service from the retirement of the commercial paper debt.

Mr. Bewley discussed some budget highlights, noting the transition of the public information activities, which support the Public Affairs Committee, away from consultant ICF International (formerly known as Jones & Stokes) to member agency staffs who will now perform most of this work. DERWA has used ICF to handle their public communication since construction began in 2002. ICF will support DERWA in a diminished capacity this fiscal year, but will continue to arrange the annual Communication Roundtable Exercise and support the transition of management of the San Ramon Valley Recycled Water Program web site to DERWA. Mr. Bewley noted the importance of the roundtable exercise that brings together more than 20 operations staff from member agencies. Participants receive a response binder known as "Who You Gonna Call" that provides charts and information on responding to specific situations. Participants have the opportunity to brainstorm together to improve their response, to problem solve and to learn how to avoid problems in the future.

Mr. Bewley noted that there are no significant changes from the prior year's operations budget and discussed the capital programs.

The construction of Pump Station R200A and the Bollinger Canyon pipeline are essentially complete, although final contract acceptance will not occur until outstanding claims are resolved. The Army determined that both components of the project were substantially complete. DERWA has taken over beneficial occupancy to use the facilities and pipeline and assumed responsibility for operations and maintenance. Contract close-out of remaining minor activities is still underway.

Mr. Bewley described two ongoing EBMUD distribution system projects. One project is in the San Ramon area, on Canyon Lakes Drive, North Chantrella Drive, and Alcosta Blvd. This project is moving along successfully and should be finished in late summer. The other project, on Crow Canyon Road and into Danville, awarded in October 2010, has not yet started. There is considerable speculation as to whether the contractor will be able to proceed with that project or not and was given a few weeks to come back and explain why they are not performing to expectations. The contractor is attempting to subcontract a major portion of the work. Mr. Bewley stated that the Town of Danville is unhappy with the progress and requires that all of the work be completed by June 8, 2011 because of upcoming paving projects.

Chair Coleman expressed concern that the funds allocated to this project might be re-appropriated to other USACE projects and that DERWA might lose those funds.

Mr. Bewley responded that this is a real concern and is why the USACE has been trying very hard not to terminate the contract. The USACE would like the contractor to resolve the issues.

Mr. Bewley continued reporting on additional capital projects, stating that the Supplemental Water Supply project is needed as DERWA projections show a need for additional sources for recycled water. The primary capital project on the list is a well project somewhere along the Iron Horse Trail which has been dormant for a couple of

years, but which could be resurrected quickly. Initial communications on this project were with California High School.

Director Foulkes asked if untreated well water could be put into the pipes and used for recycled water purposes.

Mr. Bewley responded that this is correct. The water from wells located in that area is not suitable for potable water but could go straight into the pipeline as recycled water, primarily to be used during peak demand periods. Mr. Bewley commented that in the winter DERWA has a fairly constant demand of more than 100,000 gallons per day. At present, DERWA is using the DSRSD micro-filtration plant to provide that water; however, a well for the winter for such a small amount of water might be a more economical source.

Chair Coleman asked if the City of Pleasanton was willing to renegotiate the contract that expires in 2011. Mr. Bewley responded that he and agency management staff have met to outline a strategy for dealing with Pleasanton and have developed some ideas which they will present to the Board once they have a little more time to discuss them.

Mr. Bewley continued reporting that a new capital project is the Air Relief Valve (ARV) Improvements project on the Iron Horse Trail. Response to a leak in an ARV pipe last November found that there was a severely corroded pipe on an adjacent ARV. This project would include the investigation and possible replacement of approximately 20 or more air relief valves at an estimated cost of between \$4,000 and \$5,000 apiece. If the investigation shows that these pipes are mostly made of copper, the cost would be much less; however, if they are found to be mostly galvanized the corrosion would very likely be significant and require replacement.

Director Howard asked what material the existing pipe was is made of.

Mr. Bewley responded that the transmission pipeline is mortar-lined plastic coated welded steel, which was the EBMUD standard for that size pipe at that time and is still being used for a lot of their pipe. On a more recent job which was just completed on Bollinger Canyon, the specification allowed for the pipe to be either mortar-lined plastic coated steel pipe or fusible PVC. The contractor chose the PVC. The ARV pipe was specified to be galvanized, the EBMUD standard at the time the pipeline was constructed, but the leaking ARV pipe was found to be made of copper; the copper pipe itself was not corroded; however, a fitting had a defect and failed.

Chair Coleman asked who is responsible to pay for the elbow fitting that had the crack that led to the leak.

Mr. Bewley responded that DERWA would be responsible for the cost since this was apparently not the fault of the manufacturer and the repair cost was low.

Mr. Bewley continued, citing another capital project that needs to be reinitiated. This project would consider the alternatives regarding expansion of the Wastewater Treatment Plant because the flow projections show that design capacity will be reached fairly soon.

Chair Coleman asked why DERWA was already upgrading the pump station radio data system.

Mr. Bewley explained that the original system was put in place to match the DSRSD system, which was aging and now is in the process of being upgraded; therefore, the DERWA system needs to be upgraded as well.

Director Scannell referred to page 5 of the operating budget, noting that under Operations, the FY 2010-11 budget was \$1.6 million, but the estimated expenses are only \$1.2 million. This year, \$1.6 million is again budgeted. He asked why the budget is staying at the higher amount.

Mr. Bewley responded that the main reason for the higher estimate in FY 2010-11 was the estimated demand of 2800 AF; however, DERWA is delivering approximately 2200 AF, so the cost of producing water is down. The past summer was cooler than normal so there was less demand. As a result, DERWA also used less electricity chemicals during the year.

Director Scannell referred to page 6 of the operating budget, line item "Public Information." He noted that he understands staff will be performing more of the public information activities this year; however, he is unclear if the annual Roundtable Exercise work performed by ICF International will cost \$45,000.

Mr. Bewley responded that on the Consent Calendar approved this evening, the task order for ICF International is for \$25,000; the additional \$20,000 is to pay for agency staff who will now do a portion of the work previously done by ICF.

Motion by Director Scannell, Second by Director Foulkes to approve Resolution No.11-1 approving and adopting the Fiscal Year 2011-2012 Capital and Operating Expenditure Budget.

Motion carried (4-0) by the following vote:

AYES: Scannell, Foulkes, Howard, Coleman

NOES:

C. Adoption of Addendum for Changes to the DSRSD Distribution System to the San Ramon Valley Recycled Water Project EIR

Authority Manager Bewley recalled that in 2009, DERWA approved an addendum to the 1996 EIR for the distribution systems in the EBMUD service area. That addendum was for the two ongoing EBMUD distribution system projects spoken of earlier. While they are EBMUD projects, DERWA prepared the environmental review and was the lead agency for the original EIR. Mr. Bewley introduced and invited DSRSD Assistant General Manager Dave Requa to further advise the Board on the EIR addendum.

Mr. Requa explained that there have been a number of infill projects in the DSRSD area and, to date, all of the District's development has been new development, so project specific issues have been covered with each individual project's EIR. The DERWA EIR has only been used by reference. As appropriate, under the terms of the EIR for each project, DSRSD has to be site specific and cover all the possible environmental concerns

regarding the pipes, etc. DSRSD applied for both federal and state money for the Central Dublin Recycled Water Distribution project. Federal money has not been forthcoming; however, DSRSD is still hopeful state money will be received. Mr. Requa requested the Board approve the addendum. Mr. Requa then went on to show some slides of the project locations and introduced Ms. Rhodora Biagtan, Project Manager for DSRSD, to assist him in answering any questions the Board might have.

Director Foulkes thanked Authority Secretary Hatfield for sending her a copy of the full EIR and commented that she found no surprises.

Motion by Director Foulkes, Second by Director Scannell to adopt Resolution No. 11-2 adopting Addendum to the San Ramon Valley Recycled Water Program Environmental Impact Report.

Motion carried (4-0) by the following vote:

AYES: Foulkes, Scannell, Howard, Coleman

NOES:

10. MANAGER'S REPORTS

- Contracts Initiated Since the Board Meeting of September 20, 2010 – None.
- PSR200A/Pipeline IH Project Update – Mr. Bewley stated that DERWA received Beneficial Occupancy on the pipeline in June, 2010 and the pump station in August, 2010. The milestone completion date for the pipeline was August, 2008 and the overall contract completion date was May, 2009.
- EBMUD Distribution System Phase 2 3 4 Projects Update – Mr. Bewley reported that these projects were discussed earlier in the meeting under the budget item.
- Recycled Water Flow Projections 2011 through 2030 – Mr. Bewley showed a PowerPoint presentation using the slides provided in the agenda packet materials. He concluded his remarks by emphasizing that by 2016 or 2017, DERWA will need more wastewater and/or well water to meet the projected demand. He noted there have been preliminary discussions with Livermore about using their excess wastewater and there will be more discussion with Pleasanton.

Mr. Bewley stated that even with all the Pleasanton water, DERWA would still not have enough water in a few more years. The 1996 San Ramon Valley Recycled Water Program EIR included seasonal storage as an alternative. This would involve saving the water that is being pumped over the hill to the Bay during the off season and then using it later when needed. The storage alternative covered in the EIR was to store recycled water in aquifers that are unsuitable for potable water. More recently, DSRSD has made an agreement with Zone 7 for above-ground water storage in the old quarries. DERWA is attempting to identify all possible alternatives to increase the supply during irrigation season. Mr. Bewley recommended that DERWA work with Pleasanton to secure a longer term agreement for water supply and to start discussions with Livermore. If DERWA agencies don't get funding for additional distribution expansions, projections show that DERWA will have enough water (including Pleasanton's water) until 2021. In the event that DERWA does get funding, projections show that DERWA will only have enough source water until 2017, and that is not far away. DERWA also needs to start thinking about alternatives for possible WWTP expansion requirements.

- Confirm Next Meeting Date – June 27, 2011 – Directors confirmed this date on their calendars.

11. BOARDMEMBER ITEMS

Director Scannell thanked Mr. Bewley for a great presentation and commented that the slides were very informative. He also welcomed Director Howard to DERWA.

Director Howard stated that he believes this assignment to DERWA will be fun.

Director Foulkes stated how nice it is to see everyone once in a while at a DERWA meeting.

Chair Coleman welcomed Director Howard to the DERWA Board. He mentioned that meetings are held about every quarter. Chair Coleman introduced Mr. Alex Coate, the new EBMUD General Manager, who was appointed by their Board in February 2011.

12. ADJOURNMENT

Chair Coleman adjourned the meeting at 6:54 p.m.

Submitted by,



Nancy Gamble Hatfield
Authority Secretary