

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

**Board of Directors Special Meeting Minutes  
Tuesday, December 5, 2006**

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

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1. CALL TO ORDER – Chair Halket called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 5:30 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Chair Rich Halket, Vice Chair John Coleman, and Director Dan Scannell. DERWA Staff present: James Bewley, Authority Manager; Richard Lou, Treasurer; Douglas Coty, General Counsel; and Nancy Gamble Hatfield, Authority Secretary.

4. CLOSED SESSION

At 5:31 p.m. the Board went into Closed Session. DERWA General Counsel Robert Maddow participated in the Closed Session by conference call.

A. Conference with Legal Counsel—Anticipated Litigation. Significant Exposure to Litigation Pursuant to Government Code Section 54956.9 (b). One case.

5. REPORT FROM CLOSED SESSION

At 5:40 p.m. the Board came out of Closed Session. Chair Halket announced there was no reportable action.

6. SPECIAL ANNOUNCEMENTS/ACTIVITIES – None.

7. PUBLIC COMMENT – 5:41 p.m. – None received.

8. APPROVE MINUTES – Regular Meeting of *September 25, 2006*.

Motion by Director Scannell, Second by V.C. Coleman to approve the minutes from the September 25, 2006 meeting. Motion carried (3-0) by the following vote:

AYES: Scannell, Coleman, Halket

NOES:

9. CONSENT CALENDAR

A. September 30, 2006 Treasurer's Report

B. October 31, 2006 Treasurer's Report

C. Quarterly Investment Report – September 30, 2006

Motion by Director Scannell, Second by V.C. Coleman to approve the Consent Calendar. Motion carried (3-0) by the following vote:

AYES: Scannell, Coleman, Halket  
NOES:

## 10. BOARD BUSINESS

### A. Approve and Authorize the Execution of an Agreement for Construction of Reservoir R200 Drainage Improvements (DERWA 06-01)

Authority Manager Bewley noted this is the first construction project contracted by DERWA, rather than by either of the Member Agencies. For this project DERWA developed standard construction specifications patterned after DSRSD's 2006 updated specifications.

DERWA went out to bid on this project that includes a drainage swale, two new drop inlets, and connections to the existing storm drain system on the access road to Reservoir R200. Two bids were received. General Counsel reviewed one bid containing an unclear bid price, and determined it to be non-responsive. The second bid was \$49,680, with the engineer's estimate at a little over \$40,000. If approved, the contractor would like to start work as soon as possible due to the upcoming rainy season.

Motion by V.C. Coleman, Second by Director Scannell to approve Resolution No. 06-12 to approve and authorize the execution of an agreement with James Freethy Backhoe Service for construction of Reservoir R200 Drainage Improvements (DERWA 06-01), direct return of security deposits, and direct filing of CEQA Notice of Exemption. Motion carried (3-0) by the following vote:

AYES: Coleman, Scannell, Halket  
NOES:

### B. Authorize Increase of Local Share Contribution for Pump Station R200A and Pipeline Segment IH Project

Mr. Bewley explained there is a tentative date to advertise for bids for the Pump Station R200A project involving the U.S. Army Corps of Engineers (USACE) in mid-January. Although Federal funding supposedly was in place, the most recent USACE update indicates there are some questions about the status of their funding under a continuing resolution adopted by Congress. If their full funding in the next continuing resolution is approved, the USACE can proceed. In June 2006, based on the project estimate and the Project Cooperation Agreement, the Board authorized an estimated \$975,000 local share to be paid by DERWA. Based on the most recent construction costs, and some increases in USACE costs, the local share cash contribution now requested is \$1.25 million. This figure takes into consideration DERWA's in-kind contributions to the project, such as property acquisition expenses.

In response to a question from Chair Halket, Mr. Bewley explained that the USACE must have sufficient funding appropriated to cover the construction contract prior to going out to bid. They can anticipate future funding approvals for their in-house work. Finances will be outlined in the Project Cooperation Agreement, but until the project is bid and built, DERWA may still be at risk for a number of unforeseen

expenses. Even though this program has seventy-five percent federal funding, the savings to DERWA are expected to be around fifty percent.

Motion by Director Scannell, Second by V.C. Coleman to approve Resolution No. 06-13 to authorize an increase in the local share contribution for Pump Station R200A and Pipeline Segment IH. Motion carried (3-0) by the following vote:

AYES: Scannell, Coleman, Halket

NOES:

C. Approve and Authorize the Execution of a Professional Services Agreement for Design and Engineering Services During Construction for the Grounding System and Stray Current Mitigation Project

Mr. Bewley pointed out the project formerly called the Backbone Corrosion or Stray Voltage Project now will be called the Grounding System and Stray Current Mitigation Project. The project is to install a ground wire along a significant portion of the Iron Horse Trail (IHT) pipeline, bonded to the pipe at about 1,000-foot intervals. The system design will be based on modeling by Safe Engineering Services (SES).

The proposal by SES and JDH Corrosion Consultants, Inc. (JDH) that DERWA accepted in 2005 laid out the sequence of work for the project including the initial investigations, the modeling, and the pre-design concept decision. The proposed design consultant, JDH, is located in Walnut Creek. They are experienced in corrosion control projects and have done mitigation on stray current projects other than water pipelines. This project should have very little public impact on the IHT.

In response to a question from Director Halket about bonding the wire to the pipe, Mr. Bewley indicated an EBMUD procedure for welding will be used followed by the re-addition of a protective coating. Various alternatives exist in terms of making the connection to provide the grounding while also inhibiting corrosion. In terms of the project schedule, design should be completed in early spring with construction in early summer and completion around October 2007. SES's conservative cost estimate to do the work was \$1 million. Currently, one more model is being run because the grounding wire may not be required south of the PG&E substation. If not, then only about sixty percent of the wire indicated in the estimate will be needed.

DERWA could not prevail upon PG&E to make modifications to their system that would be beneficial for DERWA; however, discussion on this issue will continue. In the meantime, mitigation measures were designed to meet DERWA's objectives to provide a level of safety for all routine operations and maintenance on the pipeline appurtenances, from both the induced current and any serious ground fault that might occur, without requiring any special training or equipment. If the pipe ever needs to be dug up so that work can be done on it anywhere within about one hundred feet of a steel transmission tower, then additional grounding will need to be installed to protect that work area.

If PG&E eventually decides to bond its system together, at their expense, that would provide additional protection for workers and the general public. Currently there is an exposure to the general public if they are walking on the wet grass in that area during a ground fault. Eventually, the Public Utilities Commission might be contacted in this matter.

Director Scannell asked about typical percentages of design costs compared to total costs on a project such as the one under discussion. Mr. Bewley indicated that on a straightforward sanitary engineering/civil project, ten to fifteen percent would be typical for design costs. Construction management could be an additional ten percent of overall costs. Electrical or instrumentation work could result in design costs of up to fifty percent or higher of construction costs. The \$88,000 item for design services during construction includes participation in regular construction progress meetings, the submittal review and response to any questions that arise.

Motion by Vice Chair Coleman, Second by Director Scannell, to approve Resolution No. 06-14 to authorize and direct the Authority Manager to execute a Professional Services Agreement with JDH Corrosion Consultants, Inc. for professional design engineering services for the grounding system and stray current mitigation project, and direct filing of CEQA Notice of Exemption. Motion carried (3-0) by the following vote:

AYES: Coleman, Scannell, Halket

NOES:

D. Transmittal of the DERWA Independent Auditor's Report and Financial Statements for Years Ending June 30, 2006 and 2005

DERWA Treasurer Richard Lou explained the audit had been completed in the September-October time frame. This was the first DERWA audit to include operations that began in spring 2006. The audit covered some new ground that resulted in three findings from the auditor: Two findings, one involving loans and making sure the proper accruals for loan extensions showed up in the books, and one involving categorizing some operations expenses, were issues related to the draft document sent to the auditor. Those two findings were resolved before the financial statements were finalized. The third finding arose due to the transition of the project from capital to operations. During the capital program, contributions from Member Agencies were requested quarterly, based on the need to fund the capital program and general administrative costs, and were split 50/50 between the two agencies. When DERWA moved into operations, Member Agency funding had to go toward certain invoiced expenses, and as a result the auditors were concerned about the cost split percentages for each Member Agency.

According to the Sales Agreement, during operations the cost split has to be based on water sales. The first year of operations has been a period of transferring from a capital program to an operating program while making sure that Member Agencies are billed correctly based on water usage and actual treatment expenses. The auditor felt the need to go back and look at expenses and estimated water

sales based on the best information available for the time period. To complicate matters, the Sales Agreement states that expenses should be based on a water year that runs from April through March, which spans the audit period. The Sales Agreement also states that billing adjustments should be made after the audit. Based on the auditor's findings, DSRSD will owe an additional amount of approximately \$175,000 and EBMUD will receive a credit of \$32,000. Future invoices will be adjusted accordingly.

Mr. Bewley added that Member Agency cost percentages were based on the projected sales per year. Meter records from each Member Agency were summarized, and an estimate as of June 2006 indicated DSRSD's usage would be eighty-two percent and EBMUD's would be eighteen percent. Therefore, preliminary billings were based on those figures. Today, nearing the end of the irrigation season, the estimates look closer to ninety percent for DSRSD and ten percent for EBMUD; however even those figures are being refined. In the future, percentage adjustments will be made several times during a year.

In response to a question from Director Halket, Mr. Lou indicated billings to Member Agencies are done quarterly but meters are read bi-monthly for most customers, thereby creating a challenge in terms of matching production to sales. Production is continuously metered. Sales figures are based on a 30-day or 60-day billing cycle. Work is being done to develop an administrative policy to reconcile the two cycles.

In regard to the 'water year' timeframe outlined in the Sales Agreement, Mr. Bewley does not believe that timeframe will be an issue during the next audit. In 2006, due to construction decisions, the capital program was completed at the end of January and the operations program began the first of February. That situation will not reoccur.

Motion by Director Scannell, Second by Vice Chair Coleman to accept the DERWA Independent Auditor's Report and Financial Statements for Years Ending June 30, 2006 and 2005. Motion carried (3-0) by the following vote:

AYES: Scannell, Coleman, Halket

NOES:

#### 11. MANAGER'S REPORT

- Plastic Debris in Water Meters – In mid-October EBMUD was informed by the City of San Ramon that they were having problems with plugged strainers in irrigation water meters. It was determined the strainers were full of debris. EBMUD Engineer Florence Wedington, DSRSD staff and EBMUD's contractor, Valley Crest, researched the situation and confirmed that small pieces of plastic were getting through the Wastewater Treatment Plant effluent sand filters. DSRSD staff also found meters plugged with similar material, leading them to believe this was a system-wide problem.

Public notice went out to customers known to be affected stating that the treatment plant sand filter was turned off and a different system of screens should prevent further problems. Parsons Engineers and the treatment plant staff have been involved in resolving this problem, and in the process discovered other treatment plants such as Central Marin Sanitation Agency, City of Roseville and Victor Valley, have experienced similar problems that were resolved by the installation of various screening systems. Currently, staff is working to determine the types of screens that should be added, and where should they be placed. The plant staff also determined the flow going into the microfiltration plant has prescreening, so they operated the plant and collected what was caught in the screen, and found there was very little debris. In terms of parts per million or suspended solids, it was negligible.

In response to comments from V.C. Coleman regarding public confidence in recycled water, Mr. Bewley stated the sand filtration plant would not be run again until screens were in place. In the meantime, design evaluation will continue.

- Mosquitoes in Storage Reservoir – Contra Costa County Mosquito Abatement informed EBMUD in October that residents near Reservoir R200 were complaining about mosquitos. It was determined there was an infestation of mosquitos coming out of the ground near that reservoir and that mosquitos had entered through a bird screen and were breeding in the tank. Contra Costa County staff treated the area with a chemical that is safe for recycled water and swimming pools. DSRSD found mosquitos at one other recycled water reservoir and that area also was treated. Finer screens have been installed.
- Naming the Sand Filter/UV Treatment Facility the “Recycled Water Factory” – The DERWA Public Affairs Committee felt the need to develop a name for the recycled water treatment plant, and they agreed on the term “Recycled Water Factory.”
- Contracts Initiated Since the Board Meeting of September 25, 2006 (Attachment) – Since the last Board meeting, additional work was authorized for Safe Engineering Systems for the grounding wire project, and a Contra Costa County easement agreement for the Pump Station R200A pipeline connections was finalized.
- Confirm Next Meeting Date – The next regularly scheduled meeting of the DERWA Board is set for January 22, 2007. DSRSD and EBMUD may have new committee assignments before that meeting.

## 12. BOARDMEMBER ITEMS

Director Scannell mentioned possible changes in DSRSD committee assignments and stated he has enjoyed working with Jim and other DERWA personnel over the past several years.

V.C. Coleman thanked Jim for the excellent job on the agreement discussed earlier this evening.

Chair Halket mentioned he was flying to Taiwan to pick up a baby and bring him home. He stated that if he is not assigned to the DERWA Board next year, it has been a pleasure working with Jim and DERWA staff and wished everyone Happy Holidays.

13. ADJOURNMENT

Chair Halket adjourned the meeting at 6:28 p.m.

Submitted by,



Nancy Gamble Hatfield  
Authority Secretary