

**DSRSD • EBMUD RECYCLED WATER AUTHORITY
(DERWA)
Board of Directors Regular Meeting Minutes
Monday, April 26, 2004**

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

1. CALL TO ORDER – Chair Scannell called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 7:03 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Chair Daniel Scannell, Vice Chair Frank Mellon, Director Jeffrey Hansen, and Director John Coleman. DERWA Staff present: Robert Baker, Authority Manager; Member Agency Staff Richard Lou, Treasurer; Robert Maddow, General Counsel; and Nancy Gamble Hatfield, Authority Secretary

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

5. PUBLIC COMMENT – 7:04 p.m. – None received.

6. APPROVE MINUTES – Regular Meeting of March 22, 2004
Motion by V.C. Mellon, Second by Director Hansen to approve minutes from the March 22, 2004 meeting. Motion carried (4-0) by the following vote:

AYES: Mellon, Hansen, Coleman, Scannell
NOES: None

7. CONSENT CALENDAR

A. Treasurer's Report – March 31, 2004

B. Quarterly Investment Report – March 31, 2004

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

AYES: Coleman, Hansen, Mellon, Scannell
NOES: None

8. BOARD BUSINESS

A. Approve Fiscal Year 2004 – 2005 Budget

Chair Scannell noted amended budget information had been distributed to the Board.

Authority Manager Baker reviewed challenges faced during development of the FY 04-05 budget. Past DERWA expenses were reconciled into the new budget system. Mr. Baker credited Ms. Queenie Chen from EBMUD and Ms. Natalie Russo from DSRSD for assisting in this complicated task. As a result of the reconciliation, project budgets have more clarity. Project managers have incorporated the new bid information into the budget. DERWA Treasurer Richard Lou developed the budget.

The total Capital Budget is \$80.2 million, down from \$85.8 million last year. Two reasons for the decrease included receipt of favorable bids on various portions of the project and the fact that contingency can be reduced at this time.

The DERWA Operations & Maintenance (O & M) budget has increased from \$449,000 last fiscal year to \$1.296 million for FY 04-05. The increase is due to DERWA's debt service for borrowed funds, and the State Water Resources Control Board's requirement that DERWA start a Capital Reserve Account. DERWA added \$95,000 to that account this year. Except for insurance, other DERWA O & M expenses are down from last year.

There is nothing in the FY 04-05 budget for DERWA system operation because the cost of operations is still unknown and the start date not set. A consultant is working on an operations cost estimate. The Operations Agreement with DSRSD is being negotiated. Therefore, with Board approval, expenditures for O & M will be capitalized in the first four months of the program until June 30, 2005. Start-up testing will be underway at that time. In FY 05-06 a formal O & M budget will be submitted for Board approval.

Recycled water may be delivered as early as March 2005. During the first four months of operation, water will be limited to a peak flow of 3 mgd because the Title 22 Treatment Plant will not be completed. DSRSD Ultraviolet/Microfiltration facilities will be utilized during that time.

Mr. Baker explained that the amended budget distributed to the Board is \$500,000 lower than the budget included in the April 26 Board packet. That sum was taken out of the Title 22 Treatment Plant budget. The DSRSD bid for the Wastewater Treatment Plant consisted of four parts: (1) the LAVWMA pump station, (2) the Title 22 Treatment Plant, (3) the pump station for the DERWA treatment plant, and (4) a small part of DERWA Pipeline AB. DSRSD bid the work together for efficiency and to avoid having two contractors working on the projects. Although the LAVWMA pump station was part of the bid, it was not a DERWA cost.

Mr. Baker requested an Engineer's Estimate broken into parts, separating out the LAVWMA Pump Station. The contractor submitted a Schedule of Values broken into the same parts. A comparison revealed a mistake in the allocation of the LAVWMA Pump Station cost. A correction was made which allowed the DERWA budget to be lowered by \$500,000.

Mr. Baker believes the budget will carry DERWA through Phase 1 of the program. There is a \$2 million contingency within the budget that requires Board authorization, and this could be used for the permanent supplemental water program if needed.

Director Hansen asked about the debt service on the Commercial Paper Program. He noted that previously estimated expenses were \$50,000 and the proposed expenses were \$500,000. Mr. Lou responded that the lower figure covered some general expenses, as current debt service was low at \$19 million. However, even with favorable interest rates, an estimated \$30 to \$40 million will be spent in FY05 resulting in approximately \$500,000 in expenses for the year.

In response to a question from Chair Scannell, Mr. Requa responded that DSRSD staff reviewed the DERWA budget carefully.

Motion by V.C. Mellon, Second by Director Hansen to approve the DERWA Fiscal Year 2004-2005 Budget. Motion carried (4-0) by the following vote:

AYES: Mellon, Hansen, Coleman, Scannell

NOES: None

9. MONTHLY WORKSHOP

A. Presentation of Permanent Supplemental Water Project Action Plan

Mr. Baker introduced Mr. Requa's presentation on the Permanent Supplemental Water supply and demand situation. Mr. Baker stated the Board had approved \$100,000 in the last budget for the Permanent Supplemental Water project and added another \$50,000 to the FY04-05 budget to cover some additional expenditures.

The study of supplemental water began with a brainstorming session last November to review work to date on the subject. The possible alternatives are included as Item 9.A and not arranged by priority. Mr. Baker reported that some alternatives are receiving more attention than others due to the current perception of their viability. The complex alternatives will be presented in detail to the Board over the next few months in workshop sessions. Some alternatives include very subtle problems and others present large policy issues so the Authority Manager wants the Board to have adequate time to consider them. In the fall, a session will be scheduled to discuss the Pleasanton water alternative.

In response to a question from Director Hansen, Mr. Baker reviewed the alternatives based on discussions to date:

- Alternative A, Satellite Treatment, was not particularly promising, but will be reviewed at the May meeting.
- Alternative B, Central Contra Costa Sanitary District Recycled Water has been evaluated by Florence Wedington. She will give an update at the May meeting;
- Alternative C, Diversion of Central Contra Costa Sanitary District Sewage, Dodson Engineers has submitted a draft of their findings that will be presented at a future meeting.
- Alternative D, the Livermore Option, also is being analyzed by Dodson Engineers. The Authority Manager and DSRSD staff will discuss this alternative with Livermore this summer.
- Alternative E, the Pleasanton Option, is known to the Board.
- Alternative F, the Groundwater Option, is being reviewed by Luhdorff and Scalmanini. They will look for potential well sites as part of their \$12,000 scope of service, and give a report this summer.
- Alternative G, Storage (Cope Lake), includes a report by Dodson Engineers that will be presented to the Board.

Director Coleman had a question about Alternative F, the Groundwater Option. Mr. Baker responded that Alternative F covers pumping water out of the ground to augment the supply. DERWA would need to go through the permitting stage to determine whether or not any concern exists about pumping out water. The biggest user at this time is the Royal Vista Golf Course in San Ramon.

Chair Scannell asked about the Sunset Development site for a DERWA pump station. He wondered if a well might be placed on that site. Mr. Baker said that was a good idea and he would look into it.

Mr. Baker stated concern that demand shortages will occur more quickly than expected when considered from the point of view of "firm capacity."

B. Presentation of "Recycled Water Demand Projections and Supply Shortfall Analysis" Report

Mr. David Requa, Dublin San Ramon Services District, District Engineer gave a presentation on "Water Recycling Demand Projections and Supply Requirements". Mr. Requa stated that the supply issues would be one of the next large policy issues for the Board to address. He explained that he would discuss the projected demands, contracted supplies, comparison of contracted supplies to demands, and the alternatives for additional supply including wastewater, storage, and potable water.

The average annual projected demands for Dublin, Camp Parks, Dougherty Valley will be 3.3 mgd and for San Ramon and Danville 2.4 mgd for a total project of 5.7 mgd. The maximum day demand will total 16.5 mgd. EBMUD's demand projection curve shows steady growth and DSRSD's shows build out early and then a flattening out. The wastewater supply is mismatched with the demand because when the maximum day demand occurs, this will be at a time when the lowest wastewater flow is available. Wastewater supplies increase more slowly than water recycling demands. This is because the recycled water area is larger than the wastewater collection area.

Director Coleman asked if the sewage flows from Camp Parks were included in the estimates. Mr. Requa stated that the flow for Camp Parks is unknown but may only be part of a million gallons per day.

Chair Scannell asked if Pleasanton was prohibited from using recycled water over the main basin. Mr. Requa stated that the City could use recycled water once the Zone 7 Salt Management Plan is revised and implemented.

The City of Pleasanton has committed to 2.5 mgd through 2009 and has agreed to consider in good faith an extension of their supply. Without their supply past 2009, then shortfalls are anticipated in July and August 2010. With an extension of the Pleasanton supply, the maximum month shortfall starts in 2014 and the maximum day shortfall starts in 2011. Mr. Requa showed several charts reflecting possible supply scenarios and associated timeframes.

Mr. Requa discussed the progress of securing additional recycled water supply for DERWA presenting the following possible options: 1) Pleasanton/Livermore/LAVWMA; 2) storage to produce adequate recycled water yield; and, 3) intermittent potable use for peak demand periods.

Director Coleman asked Mr. Baker if staff has looked into legislation as a way to create water supply for DERWA. Director Coleman suggested that staff look into legislative proposals to enhance DERWA's Permanent Supplemental Water Supply.

Mr. Baker responded that staff had not yet focused on legislative remedies.

Chair Scannell urged caution about creating a piece of legislation specific to any particular governmental jurisdiction.

Director Coleman suggested that legislation could be written requiring California wastewater plants to provide their effluent for procurement and recycling thereby removing such an effort from politics of a specific region.

Mr. Baker agreed to look into Director Coleman's suggestion.

Mr. Requa discussed the possibility of obtaining storage in gravel quarries such as Cope Lake. Zone 7 and DSRSD have recently entered into a cooperative agreement on several issues including Zone 7's commitment to help DSRSD find additional storage for recycled water. Zone 7 might have quarries that could become available in the next 5 to 8 years.

Chair Scannell asked what amount of loss to evaporation, etc., occurs when utilizing quarries as aboveground storage. Mr. Requa stated that a 22% loss is average and if evaporation is minimized the range would be between 12%-15%.

Mr. Requa further discussed the possibility of providing potable water as a potential backup source and for peaking situations and stated that he was aware this topic was controversial. He reported that DSRSD views potable water not as a supply option but for the purposes of meeting peak demand periods and for backup. Mr. Requa explained that each member agency has to decide whether to not hook up some customers knowing that potable makeup will be required to serve them a few days per year.

Director Coleman stated that he was opposed to meeting the peak recycled water demand by supplementing the supply with potable water. He commented that he would be interested to learn the long-term benefit from such an approach presented by Mr. Requa.

Authority Manager Baker reported that staff was not currently working on this alternative but could very well put it into the list of Permanent Supplemental Water Alternatives.

Chair Scannell agreed that Mr. Baker should add this as an alternative for review.

Mr. Baker explained that over the next several months he would present various supply alternatives to the Board and gather input during the process.

Director Hansen commented that he is not convinced Zone 7 is committed to the conjunctive use of recycled water use in the Valley. Zone 7 is agriculturally-based and they are not willing to pay to bring recycled water to customers.

Chair Scannell agreed that Zone 7 does not have the same urgency as DSRSD as it relates to the storage of recycled water.

Director Mellon asked what level of storage Cope Lake would provide. Mr. Requa answered that it would provide almost 1,300 AF.

C. Presentation and Discussion: Water Supply Policy Issues Over the Next Two Years

Mr. Baker summarized the policy issues he believed would have significant impact on securing additional supply for DERWA. He stated the three issues included securing a firm water supply, connection restraints, and the potable water makeup component and then briefly discussed the various details of each.

The need for the Board to consider the policy implications of a firm water supply will be necessary by 2006 because current estimates indicate there will be supply shortages in 2007 without the water from Pleasanton. As a result, service to new customers will be potentially interruptible. One of the major selling points for utilizing recycled water from DERWA is that it is drought resistant and this causes concern.

Directors asked questions and discussed further the information presented during the workshop.

There was a discussion on meeting with the City of Pleasanton and how to approach this process.

10. MANAGER'S REPORT

- DERWA Construction Update (Attachments) – Authority Manager Baker reported that the entire project, with the help of the early spring weather, is moving forward. Tanks 1 and 2 are under construction. The Iron Horse Trail work is starting south to north. The construction schedule is very complex, especially in light of working with several governmental jurisdictions and other parties. As an example of the complexity, Mr. Baker stated he had received a call from Shapell saying they want the pipe located between Tank 1 and Dougherty Road that is covered by a relocation agreement moved now because they are starting to build the park and want the pipe relocated before the park is built.
- Contracts Initiated Since the Board Meeting of March 22, 2004 – None.
- Construction Photo “Opportunity” – The Public Affairs Committee will invite the Press to see the construction work underway and people using the Iron Horse Trail. The theme of the story will be that the trail will remain open throughout construction.
- Grant and Loan Progress – Work with the State Water Resources Control Board (SWRCB) has been slow for the past two months because DSRSD is bidding the last piece of the project, Pipeline AB, and the Schedule of Values is a grant issue dealing with eligibility and non-eligibility. The SWRCB Grant Coordinator visited the project area recently and believed everything was in order to complete the final paperwork before the grant and loan go to the State Contracts Unit for final processing.
- Confirm Next Meeting Date – The next regular Board meeting is May 24, 2004. Director Coleman reported he will not be able to attend and that he will request Director McIntosh attend in his absence.

11. BOARDMEMBER ITEMS

V.C. Mellon reported that the new DERWA office trailer could be described as both spacious and sound.

Director Coleman reported that he and Director Foulkes received their DERWA Proclamations and that the CASA and ACWA conferences are coming up.

Chair Scannell ran on the Iron Horse Trail just off Amador Valley Road prior to this meeting. He could see purple pipe, a backhoe and an area with orange flags and stakes. However, he could see no kiosk notice. Mr. Baker responded that signs have been ordered and he will check on the schedule for installation. Neighbors have been notified by mail, but hikers and the public also need to be notified.

Chair Scannell also wants to inform the public in some way once DERWA receives a check from the SWRCB. A SWRCB representative will be asked to do a Check Presentation at a DERWA Board meeting.

12. ADJOURNMENT

Chair Scannell adjourned the meeting at 8:17 p.m.

Submitted by,

Nancy Gamble Hatfield
Authority Secretary