

**DSRSD • EBMUD RECYCLED WATER AUTHORITY
(DERWA)
Board of Directors Special Meeting Minutes
Monday, November 26, 2018**

**Shannon Community Center, Ambrose Hall
11600 Shannon Avenue, Dublin CA 94568**

1. CALL TO ORDER – Chair Dwight (Pat) Howard called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 6:01 p.m. at the Shannon Community Center, Ambrose Hall.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Chair Dwight (Pat) Howard, Vice Chair John Coleman, and Director Georgean Vonheeder-Leopold. Director Frank Mellon had an excused absence. Alternate Director Doug Linney was absent. DERWA Staff present: Mike Tognolini, Authority Manager; Richard Lou, Treasurer; Doug Coty, General Counsel; and Nicole Genzale, Authority Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES – None

5. PUBLIC COMMENT – 6:02 p.m. – None

6. CONSENT CALENDAR

A. Approve Minutes of Regular Board Meeting of July 23, 2018

Motion by Vice Chair Coleman, Second by Director Vonheeder-Leopold, to approve Consent Calendar item 6.A. Motion carried (3-0-1) by the following vote:

AYES: Coleman, Vonheeder-Leopold, Howard

NOES:

ABSENT: Linney

B. Treasurer's Reports for June 30, July 31, August 31, September 30 and October 31, 2018

C. Quarterly Investment Report – September 30, 2018

Motion by Vice Chair Coleman, Second by Director Vonheeder-Leopold, to approve Consent Calendar items 6.B. and 6.C. Motion carried (3-0-1) by the following vote:

AYES: Coleman, Vonheeder-Leopold, Howard

NOES:

ABSENT: Linney

7. BOARD BUSINESS

A. Transmittal of the DERWA Independent Auditor's Report and Financial Statements for Years Ending June 30, 2018 and 2017

Authority Manager Tognolini reported copies of the DERWA Independent Auditor's Report and Financial Statements for Years Ending June 30, 2018 and 2017 are available in the agenda packet

and at the Authority Secretary's desk this evening. He reported DERWA received a clean opinion. Motion by Director Vonheeder-Leopold, Second by Vice Chair Coleman, to accept the Independent Auditor's Report and Financial Statement for Years Ending June 30, 2018 and 2017. Motion carried (3-0-1) by the following vote:

AYES: Vonheeder-Leopold, Coleman, Howard
NOES:
ABSENT: Linney

B. Discussion and Direction on Supplemental Supply Alternatives and Water Demand Projections

Authority Manager Tognolini gave a Supplemental Supply and Demand Management Update to the Board addressing the topics listed below. He handed out copies of the slide presentation to the Board.

- DERWA Peak Summer Supply and Demand Projections
Mr. Tognolini reviewed a chart comparing current and anticipated peak demand and supply over the next 10 years. Current supply is 10.5 - 11.5 mgd (million gallons per day) with a projected increase of 0.1 mgd increase each year. He explained the various supplemental supply sources that could help to make up the anticipated shortfall and the mgd they could contribute. These sources include a temporary wastewater diversion from Central Contra Costa Sanitary District (Central San), Fringe Basin groundwater, potable water/demand management, and additional ground or wastewater sources. DERWA sells recycled water 365 days a year, with a decrease during the winter and the peak demand occurring mid-April to mid-October.
- Central San Diversion Project
This project would provide approximately 1 - 1.5 mgd wastewater supply to DERWA for three years with opportunity for two one-year extensions. Diversions would start in summer 2019. The agreement would provide "off-ramps" should either party wish to terminate due to operational or other concerns. The agreement will be presented to Central San's Board in December and should be ready for approval by the DERWA Board at its February 4 meeting. The construction for the project is minimal and would be easily completed ahead of the summer season. Central San will host a community meeting in San Ramon on December 12 to address community concerns related to the project stemming from a sewage overflow that occurred nearly twenty years ago. The proposed project would improve the existing facility by providing redundancy with a second overflow.
- Fringe Basin Groundwater Update
A pilot is currently in development to use an existing well at Devil Mountain Wholesale Nursery (in San Ramon) in peak months to provide an estimated yield of 0.2 mgd. The water would be pumped into Dublin San Ramon Service District's (DSRSD) wastewater for treatment to address slightly elevated boron levels. Staff is currently discussing site access and power service with PG&E, who owns the property. This supply could be available by summer 2020. Staff is investigating other well sites that could increase peak summer yield but would require drilling and testing, noting that could take some time. Mr. Tognolini reported that staff's research on existing wells in the area led them to Devil Mountain Wholesale Nursery. Some of the other well owners are not receptive to working with DERWA, and few wells have large enough capacity to be of assistance.

- Other Possible Supplies
 - o Potable – DERWA is progressing with City of Pleasanton (Pleasanton) toward making the existing temporary potable supply arrangement more permanent. This would be an interruptible supply based on Pleasanton's needs, but could be a mutually beneficial arrangement. DSRSD is working on obtaining potable connections from the Tassajara Reservoir. East Bay Municipal Utility District (EBMUD) could potentially supply potable water, but the reservoir that would best connect to the system is currently offline due to low demand/high conservation in that area. Mr. Tognolini pointed out that having potable water available from both agencies would be advantageous for providing operational flexibility.
 - o Expanded Fringe Basin Groundwater – DERWA is looking at additional locations in and around Dublin area owned by DSRSD.
 - o Main Basin Groundwater – This is a longer proposition and would have to be discussed with Zone 7 Water Agency due to it being a source of potable water for the Tri-Valley. Mr. Tognolini also reported the wells that existed at DSRSD's District Office have been capped.
 - o Longer Term Agreement with Central San – At this time, Central San is only interested in engaging in a short-term agreement with DERWA as it has other projects it plans to pursue using its wastewater supply.
 - o Livermore – Staff from DSRSD and EBMUD met with the City Manager of City of Livermore (Livermore) last month. Livermore has no real interest in pursuing an agreement with DERWA, but was willing to listen to a proposal. Livermore wishes to control its wastewater supply for its own purposes and did not see enough of a benefit to enter into an agreement. A follow-up meeting has been scheduled with Livermore in January to answer additional questions and outline what a proposal with DERWA might look like. Mr. Tognolini introduced EBMUD General Manager Alex Coate who attended the meeting with Livermore. Mr. Coate further explained Livermore's concerns with providing its supply to DERWA long-term and not being able to get it back when needed. The Board and staff discussed how the project with Central San could serve as an example for a Livermore project, and how such an agreement could be crafted and communicated to alleviate Livermore's concerns. Livermore is not currently expanding its system until it decides on potable reuse projects. Mr. Tognolini also cautioned DERWA on growing its system and investing in more infrastructure given its speculative future supply.

- Potential Connection Moratorium in 2019

Mr. Tognolini discussed possible elements of a connection moratorium, including:

 - o No new DSRSD connections.
 - o EBMUD completes 0.9 mgd (peak demand) of connections currently in progress from its Bishop Ranch extension, then stops.
 - o Pleasanton connections continue up to its available wastewater.
 - o No additional connections until sufficient long-term supplies are available (20-year availability).

The Board directed staff to prepare a proposed moratorium item for the Board's consideration in February or March.

- DERWA Peak Summer Supplies and Demands under Moratorium

Mr. Tognolini reviewed DERWA's ten-year supply outlook under less optimistic conditions (only three-year agreement with Central San instead of five, Devil Mountain well is only groundwater source, rest of supply is potable) and reported DERWA's supply will be short in three years and must find additional supply sources.

The Board and staff agreed the less optimistic scenario seemed to be a more realistic outlook and further discussed approaches to working with Livermore in engaging in an agreement to acquire its wastewater supply until the city needs it.

The Board directed staff to craft a memo outlining Livermore's current costs associated with discharging its wastewater versus the cost savings it could see by allowing DERWA to temporarily use it, and share such memo with the DERWA Board and Livermore.

– Capital Investment Parity under a Connection Moratorium

Mr. Tognolini explained that this particular concept has not been previously brought to the Board before and outlined the following:

- Original capital investments by DSRSD and EBMUD assumed approximate 58% DSRSD share and 42% EBMUD share.
- DSRSD has brought customers on line faster because of new development versus EBMUD retrofits.
- Actual use of recycled water is approximately 75% DSRSD and 25% EBMUD.
- Per discussion of General Managers, DERWA may wish to consider capital investment realignment under a long-term connection moratorium.

The Board and staff agreed the right balance could be struck between the partner agencies, noting that DERWA has been so successful with no one wanting to “upset the apple cart” They also further discussed enacting the connection moratorium presented earlier this evening and the possible impacts and considerations for current customers.

C. Authorize the Authority Manager to Initiate Recruitment for a New Authority Manager

Authority Manager Tognolini reviewed the item for the Board. He reported he will complete his three-year commitment as Authority Manager in March 2019, allowing time for his successor to be appointed. Based on DERWA's upcoming program needs, he recommended DERWA retain a recruitment firm to recruit for the position. DSRSD and EBMUD will equally share the recruitment cost (not to exceed \$25,000). Final candidates will be recommended to the Board for interviews and selection. The Board agreed this was a reasonable approach.

Motion by Vice Chair Coleman, Second by Director Vonheeder-Leopold to Authorize the Authority Manager to Initiate Recruitment for a New Authority Manager. Motion carried (3-0-1) by the following vote:

AYES: Coleman, Vonheeder-Leopold, Howard
 NOES:
 ABSENT: Linney

D. Proclamation of Appreciation for Dwight “Pat” Howard’s Service on the DERWA Board of Directors

Chair Howard passed the gavel to Vice Chair Coleman to conduct this item. Vice Chair Coleman reviewed the item for the Board. The Board expressed its appreciation for Chair Howard's service to DERWA.

Motion by Director Vonheeder-Leopold, Second by Chair Howard, to Approve the Proclamation of Appreciation for Dwight “Pat” Howard's service on the DERWA Board of Directors. Motion carried (3-0-1) by the following vote:

AYES: Vonheeder-Leopold, Howard, Coleman
NOES:
ABSENT: Linney

Vice Chair Coleman passed the gavel back to Chair Howard to conduct the rest of the meeting.

Authority Manager Tognolini presented Chair Howard with a DERWA journal as thanks for his service as DERWA Chair in 2018. Chair Howard expressed how much he enjoyed serving on DERWA's Board and complimented DERWA on how well it is run and its great success. He stated he is confident the Board and staff will solve the current supply issues it is facing.

8. MANAGER'S REPORTS

- Capital Projects – Phase 2 Recycled Water Treatment Plant Expansion Project Update

Authority Manager Tognolini reported the project has gone very well and nearly all of the work has been completed, with the exception of two replacement Variable Frequency Drives that have yet to be installed due to a delay by the manufacturer. They are expected to arrive in January, so contract management and contractor time has been extended to finish this work. Due to some change orders along the way, total projects costs will come close to the total project budget. DERWA has accumulated enough expenses to submit a grant reimbursement request for \$2.5 million from the State Water Resources Control Board, but, to date, no news has been received regarding federal grant funding.

Additionally, Mr. Tognolini expressed his thanks to DSRSD staff and in particular, DERWA Administrative Assistant Sue Montague, for working so hard to pull this evening's meeting together in light of DSRSD's District Office and Boardroom being unavailable due to recent flooding. Chair Howard also thanked Ms. Montague for all of her support during his tenure on the Board.

- Confirm Next Board Meeting – February 4, 2019

The Board confirmed the next meeting will be held as scheduled on February 4, 2019.

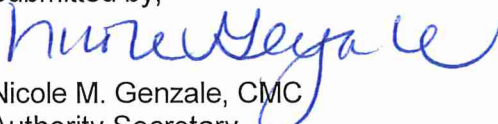
9. BOARDMEMBER ITEMS

Director Vonheeder-Leopold inquired as to when a wastewater diversion agreement with Central San would be presented to the Board. Authority Manager Tognolini reported an agreement will be scheduled for no later than the February 4 Board meeting. The diversion project's cost has not been defined yet, though it has been significantly reduced due to proposal of a shortened agreement with less components.

10. ADJOURNMENT

Chair Dwight (Pat) Howard adjourned the meeting at 7:04 p.m.

Submitted by,


Nicole M. Genzale, CMC
Authority Secretary