

**DSRSD • EBMUD RECYCLED WATER AUTHORITY
(DERWA)
Board of Directors Regular Meeting Minutes
Monday, April 24, 2006**

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

1. CALL TO ORDER – Chair Halket called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 6:00 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, Director Dan Scannell, and Director Frank Mellon. DERWA Staff present: James Bewley, Authority Manager; Richard Lou, Treasurer; Robert Maddow, General Counsel; and Nancy Gamble Hatfield, Authority Secretary.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES

5. PUBLIC COMMENT – 6:01 p.m. – None received.

6. APPROVE MINUTES – Regular Meeting of *March 27, 2006*
Motion by Director Scannell, Second by Director Mellon to approve the minutes from the March 27, 2006 meeting. Motion carried (4-0) by the following vote:

AYES: Scannell, Mellon, Coleman, Halket

NOES:

7. CONSENT CALENDAR

A. March 31, 2006 Treasurer's Report

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

AYES: Mellon, Scannell, Coleman, Halket

NOES:

8. BOARD BUSINESS

A. Fiscal Year 2006-2007 Budget

Authority Manager James Bewley noted the DERWA FY 2006-2007 Budget reflects the transition of the San Ramon Valley Recycled Water Program (SRVRWP) from mostly capital activities into operations. He reviewed some of the significant changes in the proposed budget, and pointed out the Operations Budget is based on the recycled water production predicted by the two Member Agencies. On the revenue side, operations and maintenance expenses for producing water are offset by water sales.

In terms of debt service budgeting, the first payment for the state loan is not due until FY 2007-2008, so for FY 2005-2006 and 2006-2007 \$1.25 million was removed from the proposed budget. However, \$600,000 was added to cover interest on the

Commercial Paper. The Operating Budget for FY 2006-2007 is up about 10% overall primarily because DERWA is transitioning to an operating agency.

The Capital Budget project descriptions include capital elements that have been completed, showing zero expenses in FY 2006-2007. The Backbone Corrosion/Stray Voltage Project and Permanent Supplemental Water Supply Project required significant capital increases. Based on requests from DSRSD and EBMUD managers, \$25,000 for each agency was moved from the Capital Budget to the Program Manager's Budget to cover agency staff time supporting general project elements.

In response to a question from Director Mellon, Mr. Bewley discussed two alternative solutions identified by the Stray Voltage Project consultant, Safe Engineering Services (SES) to handle induced voltage from nearby PG&E transmission lines along the Iron Horse Trail (IHT). The induced voltage can cause a shock if someone touches the pipeline. Additionally, a ground fault on the transmission towers could cause a short-duration, high-voltage spike with the potential to be life threatening.

Mr. Bewley reported the FY 2006-2007 budget for the Stray Voltage Project is based on the most conservative and safest recommended solution to the stray voltage problem; DERWA is assuming PG&E will agree to ground their poles. Member Agencies will need to review the SES report once it is received, discuss risk and cost factors, and then come back with a recommendation to resolve the problem.

In the meantime, Mr. Bewley explained that DSRSD workers have been provided interim safety precautions when opening or closing valves or working on air releases on that portion of the pipeline. EBMUD workers do not touch the pipeline, and no contract work will be done until the situation is resolved. The problem seems to exist because of the type of pipe installed along the IHT which carries electricity but is not grounded. The total estimate for the project is \$2 million, of which \$1.4 million is included in the proposed budget so work can begin as soon as possible.

In regard to supplemental water, funding for the Well Water Project also represents a change in this year's proposed budget. Although precise recordkeeping during this first year of operation should lead to a more accurate estimate of supplemental water needs, based on a CDM study and current estimates of recycled water sales, it is expected that supplemental water will be needed in 2009. The test well probably will be dug in late FY 2006-2007, depending on updates to the flow projections based on the initial year actual use.

V.C. Coleman requested a monthly update on the status of Permanent Supplemental Water Supply discussions with Livermore and Pleasanton.

The major source of funding in the FY 2006-2007 Operations budget is water sales. A projection of \$1,161,000 covers direct operations and maintenance costs. Three million dollars is expected for the U.S. Army Corps of Engineers' (USACE) project, and EBMUD is working to obtain an additional \$5 million for the Phase 2 and 3 pump stations and pipelines.

Treasurer Lou responded to a question from Director Scannell regarding limitations on how the \$2 million Contingency Fund could be used. Mr. Lou indicated there were no

limitations on spending except that funds needed to be used for capital. The Board will be consulted when funds are transferred to a capital project.

Motion by V.C. Coleman, Second by Director Scannell to adopt Resolution No. 06-3 approving and adopting the Fiscal Year 2006-2007 Capital and Operating Expenditure Budget.

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

AYES: Coleman, Scannell, Mellon, Halket

NOES:

9. MONTHLY WORKSHOP

A. Presentation and Discussion: Public Information Quarterly Report (including Grand Opening Event Planning)

Ms. Ingrid Norgaard from Jones & Stokes indicated the Grand Opening Event will be held on Friday, June 2. A tentative commitment has been received from Congresswoman Ellen Tauscher to attend the event. The mailing list is being finalized and invitations should be sent out in early May.

Ms. Karen Molinari from Jones & Stokes reported on progress for the Table Top Exercise scheduled for Wednesday, May 3. Public Information, Field Operations, Maintenance and Management staff from both Member Agencies will go through a planned scenario so staff members can meet face to face and run through the protocols to be followed in the event of a real emergency situation.

10. MANAGER'S REPORT

- DERWA Startup – Based on additional studies of the hydraulics and lamp intensity at the Wastewater Treatment Plant, Department of Health Services (DHS) interim authorization beyond the previously approved 6 mgd is expected soon. There is no expiration date on DHS interim authorizations. The contractor, Overaa, is proceeding diligently to achieve the full 9.7 mgd authorization, rather than remaining in an incomplete status.

In response to a question from V.C. Coleman, General Counsel Maddow stated no particular legal action is being considered at this point, but a range of contract remedies would be available if necessary.

- Backbone Corrosion/Stray Voltage – This item was discussed earlier in the meeting. In the near future a recommendation for action will be presented to the Board for consideration.
- Phase 2 Pump Station and Pipeline Project Schedule – The September 30 deadline for the USACE to obtain a signed contract for SRVRWP Phase 2 construction may be extended. Chair Halket requested a report from the Authority Manager to the Boardmembers on this subject.
- Supplemental Water Supply – This item was covered during the budget discussion.

- Contracts Initiated Since the Board Meeting of March 27, 2006 – None.
- Confirm Next Meeting Date – Mr. Bewley will be out of the area for the next regularly scheduled Board meeting on May 22. A Special Board Meeting may be required if the USACE Project Cooperation Agreement covering construction is ready for approval. Following discussion, Boardmembers agreed to cancel the May 22 meeting.

11. BOARDMEMBER ITEMS

12. CLOSED SESSION

At 6:42 p.m. the Board went into Closed Session.

- A. Conference with Legal Counsel—Anticipated Litigation. Significant Exposure to Litigation Pursuant to Government Code Section 54956.9 (b). One case.
- B. Conference with Legal Counsel—Consider Initiation of Litigation Pursuant to Government Code Section 54956.9 (c). One case.

13. REPORTS FROM CLOSED SESSION

At 7:07 p.m. the Board came out of Closed Session. Chair Halket announced there was no reportable action.

14. ADJOURNMENT

Chair Halket adjourned the meeting at 7:08 p.m.

Submitted by,

Nancy Gamble Hatfield
Authority Secretary