

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

**Board of Directors Special Meeting Minutes**

Monday, February 23, 2004  
Dublin San Ramon Services District  
7051 Dublin Boulevard, Dublin, California

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1. CALL TO ORDER – Vice Chair Scannell called the DSRSD • EBMUD Recycled Water Authority (DERWA) meeting to order at 6:37 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Vice Chair Daniel Scannell, Director Frank Mellon, Director Lesa McIntosh, and Director Jeffrey Hansen. DERWA Staff present: Robert Baker, Authority Manager; Gary Breau, Treasurer; Robert Maddow, General Counsel; and Nancy Gamble Hatfield, Authority Secretary

V.C. Scannell announced that he would like to move Item 8 – Public Comment to be heard directly after Item 4.

4. BOARD REORGANIZATION

A. Selection of Board Chair

Motion by Director Mellon, Second by Director Hansen to select Director Daniel Scannell as DERWA Chair for 2004. Motion carried 4-0 by the following vote:

AYES: Mellon, Hansen, McIntosh, Scannell

NOES:

B. Selection of Board Vice Chair

Motion by Director Hansen, Second by Director McIntosh to select Director Mellon as DERWA Vice Chair for 2004. Motion carried 4-0 by the following vote:

AYES: Hansen, McIntosh, Mellon, Scannell

NOES:

C. Selection of Secretary

Motion by Director Hansen, Second by V.C. Mellon to select Nancy Gamble Hatfield as the continuing DERWA Secretary for 2004. Motion carried 4-0 by the following vote:

AYES: Hansen, Mellon, McIntosh, Scannell

NOES:

D. Proclamations for Service for John A. Coleman as 2003 DERWA Chair and Katy Foulkes as DERWA Alternate

Motion by V.C. Mellon, Second by Director McIntosh to approve proclamations for John Coleman and Katy Foulkes. He noted that Director Foulkes served on DERWA since its inception in 1995 along with former EBMUD and now Contra Costa County Supervisor John Gioia. Motion carried 4-0 by the following vote:

AYES: Mellon, McIntosh, Hansen, Scannell

NOES:

8. PUBLIC COMMENT – 6:43 p.m.

Ms. Cynthia Jones, 9404 Cherry Hills Lane, San Ramon, addressed the Board. Ms. Jones complimented DERWA on the project underway in San Ramon. She encouraged EBMUD to put signage on both ends of the project so that citizens will be well informed about the project work.

5. CLOSED SESSION

At 6:46 p.m. the Board went into Closed Session.

- A. Conference with Real Property Negotiator – Pursuant to Government Code Section 54956.8  
Property: Property from Sunset Development Company for Pump Station 2A, City of San Ramon  
Authority Negotiator: Robert A. Baker, Authority Manager  
Negotiating Parties: Sunset Development Company  
Under Negotiation: Price and Terms
- B. Public Employee Performance Evaluation–Government Code Section 54957  
Pay for Performance  
Title: Authority Manager

6. REPORT FROM CLOSED SESSION

At 7:34 p.m. the Board returned from Closed Session. Chair Scannell announced there was no reportable action.

7. SPECIAL ANNOUNCEMENTS/ACTIVITIES

9. APPROVE MINUTES – Special Meeting of December 15, 2003

Motion by V.C. Mellon, Second by Director Hansen to approve the minutes from December 15, 2003.

Director McIntosh wanted to abstain from the vote because she was not present at the meeting. Director Hansen decided that he would be approving the minutes as an Alternate from 2003 who did not actually attend the meeting.

General Counsel Maddow explained that all Directors present could approve the minutes if they chose to; however, they also could be approved at a future meeting.

The motion and second were withdrawn and Directors agreed to present the minutes for approval at the next Board meeting.

10. CONSENT CALENDAR

A. Treasurer's Report – December 31, 2003

B. Treasurer's Report – January 31, 2004

C. Quarterly Investment Report– December 31, 2003

D. DERWA Investment Policy

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

AYES: McIntosh, Hansen, Mellon, Scannell

NOES:

## 11. BOARD BUSINESS

### A. Appointment of Treasurer

Authority Manager Baker thanked Mr. Gary Breaux for his services as Treasurer to DERWA and commended him for being extremely helpful in assisting him during his tenure at DERWA.

Treasurer Breaux commented that last year Director Mellon suggested he identify another staff member to serve in the role of DERWA Treasurer as this would be a good growth experience for a staff member. Mr. Richard Lou from EBMUD has worked diligently with Mr. Breaux during the past year in developing the budget and on several other matters. As a result, Mr. Breaux identified Mr. Lou as an excellent choice to assume the role of DERWA Treasurer.

Chair Scannell thanked Mr. Breaux for his efforts as Treasurer and then welcomed Mr. Lou.

Motion by V.C. Mellon, Second by Director Hansen to approve Resolution No. 04-1, rescinding the appointment of Gary Breaux as Treasurer and appointing Richard Lou as Treasurer. Motion carried 4-0 by the following vote:

AYES: Mellon, Hansen, McIntosh, Scannell

NOES:

### B. Task Orders 7 and 8 with Jones and Stokes for Construct Interface Program

Authority Manager Baker introduced three staff members in the audience from Jones and Stokes including John Cowdery, Karen Molinari, and Ingrid Norgaard. Jones and Stokes has provided services to implement the pre-construction phase of the outreach plan for the San Ramon Valley Recycled Water Program. Next, the construction phase will start and further outreach activities will commence. Since much of the construction will be on public streets, and near private residences and schools, it will be important for DERWA to manage the interface with the public. Mr. Baker requested the Board approve Task Order Nos. 7 and 8 with Jones and Stokes to perform Construction Interface and Community Liaison tasks. He referred to the Summary in the agenda packet for a detailed explanation of the several tasks to be performed.

Director Hansen asked what would indicate success in terms of the public outreach program and if the Board would receive updates.

V.C. Mellon noted that at a recent meeting of three San Ramon Councilmembers, he learned that they appreciated the amount of public information materials circulating about the DERWA project. Ms. Molinari explained some of the activities associated with public outreach and offered to update the Board on a regular basis about what DERWA is doing for outreach and what the community input has been.

Mr. Baker stated that he would ask Jones and Stokes to update the Board on a quarterly basis.

Motion by Director Hansen, Second by Director McIntosh to approve Task Order Nos. 7 and 8 with Jones and Stokes Associates, Inc., for construction interface consulting services, web site design and maintenance, and the retention of a 70% time staff person with revision of the scope of work to include the submittal of quarterly reports to the Board. Motion carried 4-0 by the following vote:

AYES: Hansen, McIntosh, Mellon, Scannell

NOES:

C. REMOVED - Authority Manager Pay for Performance Plan for Calendar Year 2004

Chair Scannell reported that this item was removed for discussion this evening and would be placed on the next meeting agenda.

D. Audit of Financial Statements for the Years Ended June 30, 2003 and 2002

Mr. Breaux reported DERWA received a clean opinion from the auditor. He believes the financial statements fairly present the financial position of DERWA as of June 30, 2003. Mr. Breaux stated that the auditor, Yano Accountancy Corporation, made no comments.

Motion by V.C. Mellon, Second by Director Hansen to accept the DERWA Independent Auditor's Report. Motion carried 4-0 by the following vote:

AYES: Mellon, Hansen, McIntosh, Scannell

NOES:

E. Dedicating a Source of Revenue for the Repayment of the Water Recycling Construction Program (WRCP) Loan in Accordance with the State Water Resources Control Board's Requirements

Mr. Breaux commented that staff is working with the State Water Resources Control Board (SWRCB) to finalize loan documents. DERWA secured \$5 million in grant money and \$19 million in a low interest loan. The SWRCB requires DERWA to pass a resolution to identify revenues that will be used to repay the loan. As a result, the resolution in the agenda packet sets forth that the recycled water user charges from DSRSD and EBMUD will be the source to repay the loan. The resolution also clarifies that to the extent those revenues are committed, they are equal to other loans DERWA may enter into. The resolution is necessary for the loan to be approved.

Mr. Baker stated that staff just learned that this resolution was necessary. Staff worked to get a resolution drafted with General Counsel assistance. There is potential that the SWRCB may want different language in the resolution. However, if this occurs, staff will return with modified wording to meet the SWRCB's specific requirements.

Motion by Director McIntosh, Second by Director Hansen to approve Resolution No. 04-2, dedicating a source of revenue for repayment of the Water Recycling Construction Program loan in accordance with the State Water Resources Control Board's requirements. Motion carried 4-0 by the following vote:

AYES: McIntosh, Hansen, Mellon, Scannell  
NOES:

F. Establishment of a Capital Reserve Account for Operation and Maintenance in Accordance with the State Water Resources Control Board's Requirements

Mr. Breaux reported that another requirement of the State Water Resources Control Board is to have a resolution that sets forth an established capital reserve account of .5% of the loan amount. The loan amount will be \$19 million so this means that DERWA must have \$950,000 built up over a 10-year period at \$95,000 per year. This capital reserve account would be used for any replacement or for future expansion to the system, and this money could be drawn down when needed for those types of expenses. Mr. Breaux recommended Board approval.

Motion by Director Hansen, Second by V.C. Mellon to approve Resolution No. 04-3, establishing a capital reserve account for operation and maintenance in accordance with the State Water Resources Control Board's requirements. Motion carried 4-0 by the following vote:

AYES: Hansen, Mellon, McIntosh, Scannell  
NOES:

G. Amendment to Accounting and Control Procedures

Mr. Breaux recommended the Board consider a revision to DERWA's Accounting and Control Procedures. With the recent issuance of the Commercial Paper Program, staff suggests the Board revise the procedures to ensure clarity of how interest will be allocated between DSRSD and EBMUD. Principal and interest charges will be allocated to each Agency based on its assigned portion of capital as reflected in the Treasurer's Monthly report for the period.

Motion by Director McIntosh, Second by Director Hansen to approve Resolution No. 04-4, amending the Accounting and Control Procedures. Motion carried 4-0 by the following vote:

AYES: McIntosh, Hansen, Mellon, Scannell  
NOES:

H. Authorize Investment of DERWA Fund Monies in a Local Agency Investment Fund (LAIF) Account

Mr. Breaux reported that in the past a separate sub-account within the LAIF account had been maintained for DERWA. Now, with more activity and possibly larger balances, it made sense for DERWA to have its own account. A resolution was needed to establish the account.

Motion by V.C. Mellon, Second by Director Hansen to approve Resolution No. 04-5, authorizing investment of DERWA fund monies in a Local Agency Investment Fund Account. Motion carried 4-0 by the following vote:

AYES: Mellon, Hansen, McIntosh, Scannell  
NOES:

## 12. MONTHLY WORKSHOP

### A. Commercial Paper Program Update

Mr. Breaux reported \$15 million in commercial paper was issued at the end of January. Both Member Agencies were fully reimbursed for their contributions to date toward capital programs. The program is running as expected.

### B. Available Grants And Loans For Water Recycling Projects Update

The Board previously requested information about available grants and loans. Mr. Lou and Ms. Linda Hu from EBMUD assisted with the report. The availability of funds through Proposition 50 and the President's 2005 budget will be monitored.

Mr. Baker reported application forms have been filed; however, since DERWA just received some funding, he was not sure they would be at the top of the list for future funding recipients.

V.C. Mellon stated that Senator Barbara Boxer is supportive of recycled water projects.

## 13. MANAGER'S REPORT

- DERWA Project Status (Attachments) - The attached DSRSD and EBMUD design status reports will be changing to construction status reports. Mr. Baker reviewed the activities of the Tank 1 contractor, C.R. Fedrick, and indicated a meeting will be scheduled with nearby Pine Valley Court residents. Tank 2 work is scheduled to start in May. Regarding the transmission lines, McGuire and Hester is doing potholing work in the street at this time looking for utilities. Contractor Overaa has started work on Holding Basin 4 at the Treatment Plant and is getting its shoring plan approved. Pipeline AB will be awarded on March 2 at the DSRSD Board meeting. Contra Costa Line to D and Pump Station R-200B will go out to bid in March.
- Contracts Initiated Since the Last Board Meeting (Attachment) - Mr. Baker's report included new contracts initiated since the last Board meeting. Also, at the Board's request, and with DSRSD's Organizational Services Manager Mary Gordon's assistance, another quote on general liability insurance was received from CSRMA. The premium was reduced over \$20,000 from a previous quote. EBMUD reviewed the contract conditions and now DERWA is insured.
- DERWA Office Move - Due to limited space within the DSRSD main building, a 10' x 40' trailer will be set up for DERWA staff in the back parking lot of the main DSRSD building. It will be more effective to have DERWA staff consolidated. Some equipment will be purchased. The Authority Manager stated that the total cost of the trailer and equipment would be no more than the present cost of renting space from DSRSD.
- County Grading Permit (Attachment) - DERWA was required to get a Contra Costa County grading permit for the Tank 2 project. DERWA now is in a position to be statutorily exempt from that permit. Mr. Maddow wrote a letter to that effect. Mr. Baker has not heard back from the County and assumes that is a good sign.

- Confirm Next Meeting Date - The next Board meeting is scheduled for March 22, 2004 at 7:00 p.m.

14. BOARDMEMBER ITEMS

Director Hansen recommended that DERWA contact the neighbors who live behind the DSRSD building about the trailer. He also asked if DERWA used the Microsoft Project program to track the milestones and tasks that form the critical paths of the project. Mr. Baker will ask Directors about their needs and research these suggestions.

V.C. Mellon thanked Ingrid Norgaard from Jones and Stokes for arranging the briefing with the City of San Ramon. Ms. Lori Steere and Ms. Linda Hu from EBMUD also were very helpful. New Councilmembers Jim Livingstone and Scott Perkins are strong supporters of this project as is Councilmember Carol Rowley who provided some additional school district contacts. All three are very knowledgeable and would like to see the project on both sides of the freeway. They want to be kept up to date, as individuals and as a council, on project progress.

Director Hansen reported he is glad to be back on the DERWA Board. He commented that it will be a great year for the project.

15. ADJOURNMENT

Chair Scannell adjourned the meeting at 8:12 p.m.

Submitted by,

Nancy Gamble Hatfield  
Authority Secretary