

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

**Board of Directors Special Meeting Minutes
Monday, October 18, 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 7:01 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; 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 *September 27, 2004*
Motion by Director Hansen, Second by V.C. Mellon, to approve the minutes from the September 27, 2004 meeting. Motion carried (4-0) by the following vote:

AYES: Hansen, Mellon, Coleman, Scannell

NOES: None

7. BOARD BUSINESS

A. Receive Ceremonial \$5 Million Check from State Water Resources Control Board Member Nancy Sutley for a Grant to the San Ramon Valley Recycled Water Program

On behalf of the State Water Resources Control Board (SWRCB) and the people of California who support recycled water projects, SWRCB Member, Nancy Sutley, presented a ceremonial check for \$5 million to the DERWA Board. She announced that almost \$1 billion in bond money has been approved in the past few years for clean water and recycled water projects and noted California will need to rely on recycled water in the future. Ms. Sutley congratulated the Board and staff for developing an excellent project for the San Ramon Valley communities and added that once DERWA's loan has been processed it will be the second largest reclaimed water project funded under Proposition 13 by SWRCB.

Director Coleman expressed appreciation to SWRCB from DERWA, EBMUD and DSRSD for their strong support of recycled water. He emphasized there is more than enough demand in this area for recycled water and thanked Ms. Sutley and all State Boardmembers.

V.C. Mellon also thanked DSRSD General Manager Michalczyk who initiated work on the DERWA project. Director Hansen, in his role as DSRSD Boardmember, also was recognized for his early influence on the project.

Director Hansen expressed his appreciation for the time Ms. Sutley spent on the SRVRWP project tour earlier in the afternoon and the information she shared about State financial limitations and the need for infrastructure improvement in California. The Program demonstrates how the State, voters, and local communities can form partnerships to complete much needed and environmentally safe projects.

Chair Scannell thanked SWRCB for demonstrating with a \$5 million check a real commitment to recycled water in California. The project protects against drought and allows the discounted sale of water to schools and cities.

Chair Scannell recessed the meeting at 7:14 p.m. Refreshments were served as part of the check signing ceremony. Directors, Ms. Sutley, and Authority Manager Baker gathered to take photographs.

Chair Scannell reconvened the meeting at 7:32 p.m.

8. MONTHLY WORKSHOP

A. Presentation and Discussion: Future State and Federal Grant Funding Opportunities

EBMUD Engineer Linda Hu presented future outside funding opportunities for the San Ramon Valley Recycled Water Program (SRVRWP). She began by reviewing existing State funds such as the \$5 million grant contract approved by the SWRCB for the DERWA Phase 1 Project and the SWRCB \$20.9 million low-interest loan contract. The allocation of SWRCB funding is 49% for DSRSD and 51% for EBMUD.

Existing Federal funding includes the 1999 Water Resources Development Act (WRDA) that could authorize up to \$15 million dollars for the SRVRWP. Every year Congress appropriates such funds to the budget of the U.S. Army Corps of Engineers. The initial appropriation of \$500,000 meant DERWA could make use of \$420,000 once the Corps' savings and slippage percentage was subtracted. DERWA must match the funds by 25%, or \$140,000. This funding arrangement will be applied to the design of the DERWA Phase 2 Project consisting of Pump Station 2A and the last segment of transmission line along Bollinger Canyon Road near the Iron Horse Trail. The allocation for the WRDA funding is 49% for DSRSD and 51% EBMUD.

Ms. Hu explained that the Water Sales Agreement dated July 28, 2003 established the fund sharing regardless of facilities funded. In the future the funding share will be 14% for DSRSD and 86% for EBMUD based on remaining distribution systems to be constructed in each Member Agency's area.

In Fiscal Year 2003-04, future WRDA funding opportunities include \$1.1 million or \$810,000 after the Corps' savings and slippage have been subtracted. Following a complex appropriation and funding process, DERWA must be ready to use the WRDA money during the allocated Federal fiscal year otherwise the Corps can use the funds for other projects. There is a potential \$13.4 million that could become available for the DERWA Phase 2 Project, but there is considerable competition for the Federal funds.

State Proposition 50, Chapter 7, has set aside \$42 million in grants for water recycling projects throughout California. Qualifications for funding may include restrictions such as a maximum cap of \$5 million or less per project, a preference for disadvantaged

communities, and an allocation of 60% of funds to Southern California; therefore, the chances of the SRVRWP getting these funds is low. The funding application process is anticipated to begin in early 2005 with fund disbursement in July.

The first cycle of Proposition 50, Chapter 8, sets aside \$160 million in grants for conservation, desalination, wetland enhancement, flood control, recycled water and other types of projects. There must be a 10% local match with a minimum of 40% of funds going to Southern California. Chapter 8 draft guidelines, which will be jointly administered by the SWRCB and Department of Water Resources (DWR), set a \$50 million cap per region. In the past DWR has used the term "region" to mean all nine Bay Area Counties, so only one application might be allowed from the entire Bay Area. Further, each project that applies for funding must be consistent with an Integrated Regional Water Management plan meaning DERWA could possibly apply through Bay Area Water Agencies Coalition (BAWAC). The DERWA Facilities Plan could be considered an integrated plan for the San Ramon Valley area. The funding application process is anticipated to begin in early to mid-2005.

Chair Scannell asked if Zone 7 planned to apply for any Proposition 50 funds. Mr. Michalczyk replied that Zone 7 and the retailers are talking about applying for Proposition 50 funds to cover some work on quarries. In response to another question, Ms. Hu answered that she believed a disadvantaged communities preference was included in Chapter 8 language.

In response to a question from Chair Scannell, Mr. Baker replied that EBMUD has taken the lead on these application processes since the cost sharing is fixed and they would receive the most financial benefit based on the Sales Agreement. EBMUD also has the resources to pursue Federal funding.

9. MANAGER'S REPORT

- DERWA Progress Update – Authority Manager Baker reported the Treatment Plant is currently on schedule but it is unlikely to make the July 15 completion target. His biggest concern is Tank 2. The steel supports around the circumference are being set up but the tank probably will not start to be buried until mid-November, which could be a problem if the rain comes early this year. The contractor may work on Saturdays in an attempt to bury the tank as quickly as possible. In any case, however, there will be time in Spring to complete the tank if necessary.
- Contracts Initiated Since the Board Meeting of September 27, 2004 – (None)
- Recycled Water Flow Projections – DSRSD submitted their Recycled Water Flow Projections from West Yost. Following a brief review, the conclusions seem to indicate the flow allotment of 2.5 mgd from Pleasanton will be exceeded sometime in 2006 and the Tertiary Treatment Plant capacity will be exceeded in 2007. The report will be reviewed and then Authority Manager Baker will convene a meeting of both Member Agency staffs to discuss the report, projections and potential action plans. Possible plans might include: begin negotiations to increase access to Pleasanton's or Livermore's effluents, start the Tertiary Treatment Plant design process, move ahead with the test well project, or institute a voluntary customer deferral program of recycled water. Livermore staff recently indicated a willingness to begin effluent access discussions.

- Central Contra Costa Sanitary District Joint Landscaping Project – The Central Contra Costa Sanitary District (CCCSD) joint landscaping project was presented to the Board about a year ago. The City of San Ramon is requiring DERWA and CCCSD to landscape 6,000 to 8,000 square feet at intersections along the Iron Horse Trail. The total estimated cost of the landscaping project is \$125,000 for four intersections. The original plan was to split the cost equally between the two agencies, but CCCSD now suggests DERWA pay for and install recycled water meters valued at \$45,000 to \$50,000 and CCCSD will pay the remainder of the cost. Once installed, an agency other than DERWA will own and maintain the landscaping and pay the water bills.
- Association of California Water Agencies (ACWA) Legislation – As an added item, Mr. Michalczyk reported the DSRSD Board asked ACWA to consider two pieces of legislation, one is a technical modification to the Local Agency Formation Commission (LAFCO) law and the other is to allow DERWA access to Pleasanton's unused effluent. ACWA asked many questions, particularly about the use of Pleasanton's effluent. ACWA will consider its support of the legislation later this month. Mr. Michalczyk believed awareness of these two pieces of legislation would be a good foundation for further consideration by ACWA.
- Confirm Next Meeting Date – The next meeting of the DERWA Board is scheduled for November 22, 2004. The December DERWA Board meeting may be canceled or moved to December 20 based on discussion at the November Board meeting.

10. BOARDMEMBER ITEMS – None.

11. ADJOURNMENT

Chair Scannell adjourned the meeting at 8:05 p.m.

Submitted by,

Nancy Gamble Hatfield
Authority Secretary