

**Minutes of the Regular Board of Directors Meeting**  
**DELTA DIABLO**  
**June 13, 2018**

The meeting was called to order by Chair Glover on Wednesday, June 13, 2018, at 4:31 p.m., in the Board Room, located at 2500 Pittsburg-Antioch Highway, Antioch. Present were Chair Federal Glover and Director Sean Wright. Director D. Pete Longmire was absent. Also present were Mary Ann Mason, District Counsel; Vince De Lange, General Manager; Denise Cappucini Jones, Office Manager/Secretary to the Board; Carol Margetich, Business Services Director; Dean Eckerson, Resource Recovery Services Director; Brian Thomas, Engineering Services Director/District Engineer; Thanh Vo, Senior Engineer; Darrell Cain, Laboratory Manager; Jayne Strommer, Government Affairs Manager; Joaquin Gonzalez, Operations Manager/Management Association Representative; Amanda Roa, Environmental Programs Manager; Cheryl Rhodes Alexander, Human Resources and Risk Manager; Steve Rodriguez, Operations Supervisor; Nick Steiner, Recycled Water Coordinator/P&T Bargaining Unit Representative; Matt Gotshall, Computer Analyst/P&T Bargaining Unit Representative; Irene O'Sullivan, Associate Engineer/P&T Bargaining Unit Representative; Kathy Chang, Finance Manager; and Holland White, Supervisor's Aide for Special Projects, Office of Supervisor Federal D. Glover.

**PUBLIC COMMENTS**

None

**PUBLIC HEARING**

Receive Report on Capital Improvement Program Implementation Status; Conduct Public Hearing on Fiscal Year 2018/2019 through 2022/2023 Capital Improvement Program; Adopt Resolution Approving the Program; and Authorize Filing of Notice of Exemption in Compliance with Public Resources Code Section 21152

Mr. Vo reported on Capital Improvement Program (CIP) implementation status and presented the proposed Fiscal Year 2018/2019 (FY18/19) through FY22/23 CIP, which was presented to the Board on April 3, 2018 and subsequently distributed to local planning agencies for comment. He reported that 16 of the 18 proposed capital projects from FY17/18, with a combined value of \$14 million, have been implemented and highlighted major projects in progress at the water resource recovery facility and in the conveyance system. The proposed FY18/19 – FY22/23 CIP includes \$108 million in projects with over \$22 million funded with State Revolving Fund (SRF) and IBank loans at an interest rate of 2.0 to 4.0%. Key CIP focus areas include addressing aging infrastructure, meeting future regulatory requirements, identifying improved energy management opportunities, and expanding recycled water services. Mr. Vo noted that Phase 1A of the Facility Condition Assessment project, which was required to meet requirements in the District's River Watch Settlement Agreement, was completed ahead of the June 2018 deadline. Based on the preliminary results, staff does not anticipate significant new or unplanned sewer rehabilitation work within the scope of the six miles of sewers

inspected; however, approximately, 100 to 120 manholes will need to be repaired or replaced. Phase 1B is underway with analysis of the wastewater conveyance system and results will be reported to the Board in the future. District Counsel asked if the East County Bioenergy project will result in energy savings to the District, and Mr. De Lange responded that the project would provide significant energy production benefits and enable the District to meet over 280% of its energy needs with excess electricity sold to the local power grid.

Chair Glover opened the public hearing at 4:45 p.m. Hearing no comments, Chair Glover closed the public hearing at 4:45 p.m.

Director Wright moved approval, seconded by Chair Glover and by unanimous voice vote (Ayes: *Wright and Glover*; Noes: *None*; Absent: *Longmire*), the Board received the status report, adopted the Resolution approving the Program, and authorized filing of the Notice of Exemption.

### **CONSENT CALENDAR**

Director Wright moved approval, seconded by Chair Glover and by unanimous voice vote (Ayes: *Wright and Glover*; Noes: *None*; Absent: *Longmire*), the Board approved the following Consent Calendar according to staff recommendations: Authorize General Manager to Execute Amendment No. 1 to Consulting Services Contract in the Amount of \$20,000, Yorke Engineering, Air Permit Acquisition Services; and Authorize General Manager to Execute Legal Services Agreement in the Amount of \$100,000, Hawkins Delafield & Woods LLP, East County Bioenergy, Project No. 16117; Approve District Monthly Check Register, April 2018; Receive Third Quarter Fiscal Year 2017/2018 District Investment Report; Receive Notes from Finance Committee Meeting, June 5, 2018; Authorize General Manager to Execute Amendment No. 3 to Professional Services Agreement, Stericycle Environmental Solutions, Inc., Contract Extension and 2.5% Increase in Unit Costs, Household Hazardous Waste Management Services; Adopt Resolution Commending and Congratulating Fred Ciapusci, Maintenance Supervisor, on his Retirement from the District; Accept and Authorize General Manager to File Notice of Completion, Alex Kushner General Contractor, Operations Equipment and Storage Facility Improvements, Project No. 10143; Authorize General Manager to Execute Amendment No. 1 to Consulting Services Contract in an Amount Not to Exceed \$68,300, Carollo Engineers, Inc., Engineering Services, Headworks Improvements, Project No. 17117; Authorize Issuance of the following Purchase Orders for Fiscal Year 2018/2019: in an Amount Not to Exceed \$688,700, Univar USA, Inc., Supply and Delivery of Sodium Hypochlorite and Sodium Bisulfite; in an Amount Not to Exceed \$205,800, California Water Technologies, Supply and Delivery of Ferrous Chloride; in an Amount Not to Exceed \$329,000, Chemtrade Chemicals US, LLC, Supply and Delivery of Liquid Aluminum Sulfate; and in an Amount Not to Exceed \$429,900, SNF Polydyne, Inc., Supply and Delivery of Dry Polymer and Liquid Polymer; Reject Incomplete, Non-Responsive Bid Submitted by Lowest Apparent Bidder; Award and Authorize General Manager to Execute Construction Services Contract In an Amount Not to Exceed \$1,849,796, Alcal Specialty Contracting, Inc.; Authorize General Manager or His Designee to Approve Contract Change Orders In an Amount Not To Exceed 10% of Contract Amount; and Authorize General Manager to Execute Amendment No. 1 to Consulting Services Contract in an Amount Not to Exceed \$165,000, Interactive Resources, Inc., District Office Building Roof Replacement, Project No. 18112; Authorize General Manager to Execute Amendment No. 1 to Professional Services Consulting Agreement in the Amount of \$8,500 and Extending Agreement Term, Regional Government Services, District Job Classification and Job Description Project; Adopt Resolution Establishing Fiscal Year 2018/2019 Appropriations (GANN) Limit for Expenditures that can be funded from Proceeds of Taxes; and Adopt Resolution Authorizing Filing of California Infrastructure and Economic Development (“IBank”) Financing Application and Incurring an Obligation Payable to IBank for Financing of and Approving Certain Other Matters in Connection Therewith, Headworks Improvements, Project No. 17117.

**DELIBERATION****Determine That There Was No Majority Protest to the Proposed Sewer Service Charges or to Collection of the Charges on the Tax Roll; Adopt Ordinance Establishing Sewer Service and Delinquency Charges and Collection System Charges and Surcharges; Adopt Resolution Approving Final Engineer's Report and Directing Collection of Certain Sewer Service and Delinquent Charges on County Tax Roll**

Ms. Margetich reported on the Sewer Service Charge (SSC) rate-setting philosophy, which includes utilizing a five-year comprehensive rate model, incorporating five-year CIP needs to address aging infrastructure and service reliability, dedicating funding to meet future regulatory requirements and avoid large rate spikes, and establishing rates based on cost of service that are near the average relative to comparable agencies. She outlined key assumptions, including annual growth, reserves, proposed CIP expenses, debt, and an updated target completion date for the Advanced Treatment (AT) Project. The proposed increases are 6.0% for Antioch and Pittsburg residents, and 5.0% for Bay Point residents. There is no increase proposed for street sweeping services. She showed a breakdown of the rate components, proposed FY18/19 expenses, and projected SSC increases through FY22/23. Ms. Margetich demonstrated that the District's SSCs are near or below the average relative to its peer agencies. She discussed the District's practice of balancing funds to meet needs each year, and how reserves are used to address unanticipated needs and reduce the need for spikes in rates. She highlighted that without the proposed rate increase, a sharp decline in the District's cash reserves would occur and reserves would be fully exhausted by FY21/22.

Ms. Margetich showed a revised timeline for the future AT Project, which assumes that nutrient removal requirements will be incorporated in the District's 2024 National Pollutant Discharge Elimination System (NPDES) Permit and must be achievable within 10 years. The District has been reserving funds for this anticipated \$125 million project since the Board approved the AT Fund in 2011.

The necessary inter-fund transfers and loans, including a \$1.2 million transfer from Capital Asset to Capital Asset Replacement in FY18/19 and FY19/20, and the repayment criteria for each were discussed.

If approved, the new SSCs would go into effect for FY18/19. Ms. Margetich outlined the required steps for considering and approving the rates and asked Chair Glover if he had the opportunity to review the materials associated with the proposed action. Chair Glover stated that although he was unable to attend the public hearing on May 9, 2018, he had reviewed the staff report on the SSC increases, the written protests, and the draft meeting minutes of the public hearing. The documentation gave him a thorough understanding of what was presented and the views expressed at the hearing. In addition, he stated that he reviewed this item and had voted to approve setting the public hearing and distribution of the Proposition 218 Notices at the March 14, 2018 Board meeting.

Director Wright moved approval, seconded by Chair Glover and by unanimous voice vote (*Ayes: Wright and Glover; Noes: None; Absent: Longmire*), the Board determined that there was no majority protest, adopted the Ordinance establishing SSCs and delinquency charges and collection system charges and surcharges, and adopted the Resolution approving the final Engineer's Report and directing collection of certain Sewer Service and delinquent charges on the County Tax Roll.

Approve Fiscal Year 2018/2019 Budget and Adopt Resolution Approving Fiscal Year 2018/2019 Budget Appropriations

Ms. Margetich reported on the proposed FY18/19 budget. To better align financial actions, the budget is being presented a month earlier and is a single-year budget, rather than a three-year budget as in the past. She outlined the budget drivers, including salaries and benefits, infrastructure renewal and rehabilitation needs, and ongoing budget reduction strategies.

The total combined budget is \$52.6 million, which includes an operating budget of \$29.3 million, a capital budget of \$21.9 million, and a debt service budget of \$1.4 million. Ms. Margetich discussed the projected FY18/19 inter-fund transfers and loans, including a \$1.2 million transfer from Capital Asset to Capital Asset Replacement in FY18/19 and FY19/20, and the repayment criteria for each. A table of estimated use of major wastewater funds and reserves in FY18/19 was presented.

Director Wright moved approval, seconded by Chair Glover and by unanimous voice vote (*Ayes: Wright and Glover; Noes: None; Absent: Longmire*), the Board approved the FY18/19 Budget and adopted the Resolution approving FY18/19 Budget Appropriations.

Review Proposed Recycled Water Service Charges and Set Public Hearing for July 11, 2018

Ms. Margetich reported on the proposed Recycled Water Service Charges (RWSC). She provided background on the customer agreements with Calpine, the cities of Pittsburg and Antioch, and Mt. Diablo Resource Recovery. There is no reserve policy for recycled water (RW), so staff has modified the model to mitigate the lost revenue risk and is proposing to shift to a predominately fixed rate structure rather than a variable rate structure. Staff examined historical trends and worked to reduce the operating budget by \$200,000. The proposed model and rates have been presented to each of the RW customers, and all expressed approval.

Based on Calpine consumption changes and closure of the Delta View Golf Course in Pittsburg, staff estimates a 20% decline in RW usage compared to the FY17/18 revised forecast. Ms. Margetich presented tables indicating the proposed RWSC increase of 15.5% or \$489.70, for irrigation customers, and an increase of 4.7% or \$512.49 for Calpine. She noted that the cost of RW remains extremely competitive at 65-68% of the cost of raw water, 26-27% of potable water, and 27-43% of peer RW agencies.

The proposed rate model and rate adjustments were discussed with the RW Technical Advisory Committee and individually with staff at the cities. Chair Glover asked if there are additional potential irrigation customers. Mr. De Lange replied that there are no requests at this time. Chair Glover asked if purple pipe is still being incorporated in new development, and Mr. Eckerson responded that purple pipe is possibly being installed at further out locations in the cities; however, the District would require a means of getting the RW to those locations. Chair Glover noted that the Northern Waterfront Economic Development may be interested in utilizing RW and that staff may wish to stay in contact with Amalia Cunningham at the County. Mr. De Lange added that he and Mr. Eckerson would be attending the East Bay Regional RW Roundtable next week.

Director Wright moved approval, seconded by Chair Glover and by unanimous voice vote (*Ayes: Wright and Glover; Noes: None; Absent: Longmire*), the Board approved setting the public hearing for July 11, 2018.

Approve Standard Form Employment Agreement for Executive Team Members and Authorize General Manager to Execute Such Agreement with Engineering Services Director/District Engineer; Authorize General Manager to Execute Such Agreements with Business Services Director and Resource Recovery Services Director Effective July 1, 2018; Approve and Authorize General Manager to Execute Revised Employment Agreement with Human Resources and Risk Manager Effective July 1, 2018

Ms. Rhodes Alexander reported that the District has updated its standard form employment agreement for executive team members for compliance with Senate Bill (SB) 1436, which was signed into law in August 2016 requiring an oral report in open session of any proposed salary and benefit changes for executives, and Government Code (GC) Section 53243, which requires all new or renewed employment agreements between a local agency and its executives to contain statutorily-required language.

The District's Executive Management Team is unrepresented and at-will through individual employment agreements. While the General Manager's employment agreement, executed in May 2017, is in full compliance, employment agreements for the Business Services Director and Resource Recovery Services Director require updating with the statutorily-required language required by GC Section 53243. In addition, the employment agreement with the newly-hired Engineering Services Director/District Engineer will be executed in full compliance with SB 1436 and GC Section 5343.

Ms. Rhodes Alexander reported that the District also has two non-executive management positions that are unrepresented: The Office Manager/Secretary to the Board and the Human Resources and Risk Manager. The terms of those agreements mirror those provided to the Management Association. Because the District is currently recruiting for the Office Manager/Secretary to the Board position, the agreement for the person hired will include the required language. A new Human Resources and Risk Manager employment agreement containing the required language will be executed by the incumbent effective July 1, 2018.

Director Wright moved approval, seconded by Chair Glover and by unanimous voice vote (*Ayes: Wright and Glover; Noes: None; Absent: Longmire*), the Board approved the standard employment agreement for the executive team members, authorized the General Manager to execute such agreement with the Engineering Services Director/District Engineer, and approved and authorized the General Manager to execute a revised employment agreement with the Human Resources and Risk Manager effective July 1, 2018.

### **PRESENTATIONS AND REPORT**

None

### **MANAGER'S COMMENTS**

Mr. De Lange shared that the District recently submitted an application to the National Association of Clean Water Agencies (NACWA) for recognition as a Utility of the Future. A response is expected in mid-July.

Mr. De Lange reported that Mt. Diablo Resource Recovery is expected to receive the \$4 million grant from CalRecycle in support of the East County Bioenergy Project, which will benefit the District.

### **DIRECTORS COMMENTS:**

Director Wright wished everyone a happy summer and reminded everyone to take time off.

**CORRESPONDENCE**

Receive Monthly Federal Report dated May 2018, Key Advocates, Inc., Western Recycled Water Coalition, Project No. 90024

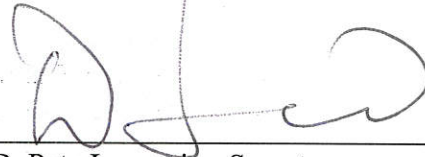
The Board received and filed the report.

**CLOSED SESSION**

None

**ADJOURNMENT**

Chair Glover adjourned the meeting at 5:29 p.m. The next regular meeting of the Board of Directors will be on Wednesday, July 11, 2018, at 4:30 p.m.



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D. Pete Longmire, Secretary

(Recording Secretary:

Denise Cappucini Jones)