

## Minutes of the Regular Board of Directors Meeting

### DELTA DIABLO

June 12, 2019

The meeting was called to order by Chair Wright on Wednesday, June 12, 2019 at 5:30 p.m., in the Board Room, located at 2500 Pittsburg-Antioch Highway, Antioch. Present were Chair Sean Wright, and Directors Juan Banales and Federal Glover. Also present were Mary Ann Mason, District Counsel; Vince De Lange, General Manager; Cecelia Nichols-Fritzler, 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; Amanda Roa, Environmental Programs Manager; Joaquin Gonzalez, Operations Manager; Darrell Cain, Laboratory Manager; Matt Gotshall, Computer Analyst/P&T Bargaining Unit Representative; Nick Steiner, Recycled Water Coordinator/P&T Bargaining Unit Representative; Steve Rodriguez, Operations Supervisor; and Holland White, City of Pittsburg Councilmember and Supervisor's Aide for Special Projects, Office of Supervisor Federal D. Glover.

#### PUBLIC COMMENTS

None.

#### PUBLIC HEARING

Conduct Public Hearing on Fiscal Year 2019/2020 through 2023/2024 Capital Improvement Program; Close Public Hearing and Consider Any Testimony Received; Adopt Resolution Approving the Program; and Authorize Filing of Notice of Exemption in Compliance with Public Resources Code Section 21152

Mr. Vo provided an overview of the CIP development process, goals, and associated Board review. He highlighted that planned capital improvements total \$108 million to support continued investment in critical wastewater collection, conveyance, and treatment system infrastructure. Mr. Vo highlighted additions and changes to the draft CIP presented in April 2019, including addition of the Tower Trickling Filter Rehabilitation Project (\$6 million), which will support both treatment process performance in the near term and the District's long-term nutrient management strategy, while noting that the upcoming master plan will confirm the project implementation approach. He noted minor changes to the timing of the Recycled Water Master Plan Update and a reduced cost estimate for the Recycled Water Distribution System Expansion.

Mr. Vo presented the proposed five-year CIP by fiscal year, noting that the majority (80%) of the estimated cost (\$27 million) for the East County Bioenergy Project (ECBP) is assumed to be rate neutral as tipping fees will offset initial capital costs. He presented a breakdown of planned capital expenditures by fiscal year, major infrastructure area (i.e., collection, conveyance, treatment, advanced treatment, recycled water, and ECBP), and project size.

Chair Wright opened the Public Hearing, noting that one speaker card was received. He called on Ms. Kathy Chang to speak.

Ms. Chang questioned the inclusion of \$6 million in the revised CIP for Advanced Treatment (AT), when the AT Reserve Fund began and whether it is dedicated, the Proposition 218 Notice reference to the AT Fund, and the timing for the District to meet future AT requirements. Mr. De Lange noted that the District's \$6 million investment in the Tower Trickling Filter Rehabilitation Project will help the District maintain the performance of this critical treatment process infrastructure element, while also serving as an intermediate step toward the District's long-term AT nutrient management strategy. Ms. Chang thanked the Board.

Chair Wright called for additional public comments before closing the Public Hearing. Hearing no other Public Comments, Chair Wright closed the Public Hearing and opened the item to the Board for deliberation.

Chair Wright thanked Mr. Vo for the presentation and reiterated the importance of the District investing to maintain its aging infrastructure, noting that as the system degrades, the risk of failure and associated regulatory fines increases. He recognized staff for their tremendous, "around the clock" efforts to meet all regulatory requirements, while ensuring all permit requirements are met.

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

Conduct Public Hearing on Sewer Service and Delinquency Charges and Collection System Charges and Surcharges; Determine No Majority Protests Exists; Adopt Ordinance Establishing Charges; Adopt Resolution Approving Final Engineer's Report and Directing Collection of Certain Sewer Service and Delinquent Charges on County Tax Roll

Ms. Margetich provided an overview of the budget and rates development process, guiding principles, and key assumptions for the FY19/20 sewer service charge (SSC) analysis. She highlighted the District's Wastewater Operations & Maintenance Fund reserve policy noted that no increase to the previously planned AT Fund rate component was included in FY19/20. Ms. Margetich presented the proposed SSC increases for Antioch and Pittsburg customers (4.5%) and Bay Point (3.5%) customers. She noted that there is no increase in the annual residential street sweeping charges. Director Glover asked for clarification on the street sweeping charge for Bay Point in comparison to Antioch and Pittsburg. Mr. Eckerson responded that the cost is higher in Pittsburg due to the higher frequency of street cleaning services.

Ms. Margetich presented a breakdown of District expenses paid by SSCs with labor costs and capital improvements as the largest categories. She highlighted that the District's ratepayers pay among the lowest rates relative to peer agencies. In addition, she reviewed the five-year SSC rate projection and highlighted the significant reduction from last year's five-year annual rate increase projection, which was between 6.2%-6.4% for Antioch/Pittsburg customers and 5.2%-5.4% for Bay Point customers. Ms. Margetich provided an overview of the District's efforts to balance various fund balances each year. She presented a chart illustrating the severe impacts on the District's ability to maintain reserves at 40% of the Wastewater O&M Fund annual budget without the proposed SSC increases. Ms. Margetich closed her presentation by summarizing various inter-fund transfers and loans, and restating the recommended actions for Board consideration.

Chair Wright opened the Public Hearing, noting that six speaker cards were received.

Ms. Dorothy Miller inquired regarding the availability of financial support for fixed-income seniors, while noting that she does not expect the District to receive a majority protest to stop the proposed rate increase. Ms. Miller asked if revenue could be collected on a monthly versus two times per year basis.

Ms. Kathy Power expressed her concerns regarding the impacts of the proposed rate increases on fixed-income seniors, noting that she owns a home and several rental properties in Antioch. She acknowledged the staff efforts to communicate the need for the rate increase and cost reduction efforts. She expressed hope that growth in the service area will help distribute costs to new housing developments. She thanked the Board and encouraged them to keep up the good work.

Ms. Kathy Chang inquired regarding the AT Reserve Fund referenced in the Proposition 218 Notice, including the basis for the project cost estimate, the status of new regulations, and the anticipated project start date. She stated that the District began collecting funds in 2012, but that regulations have changed since then, and the project is not scheduled to begin until 2024. She questioned whether ratepayers are unfairly subsidizing AT costs. Ms. Chang also questioned whether AT funds were being collected from commercial customers based on potable water service as described in the Proposition 218 Notice. She noted the relative magnitude of the AT Fund rate component compared to capital funding.

Mr. Ben Zarzycki stated that he noticed a significant difference between SSCs for Bay Point customers versus Antioch/Pittsburg customers and whether Bay Point was being subsidized by Antioch/Pittsburg customers. Ms. Margetich explained the District includes a rate component for wastewater collection for Bay Point customers, while the cities provide this service directly for Antioch/Pittsburg customers. She stated that only Bay Point customers are charged for Bay Point capital improvements. Mr. Zarzycki thanked the Board.

Mr. David Frandsen thanked the Board and stated he appreciated the significant improvement in this year's Proposition 218 Notice. He discussed his methodology for comparing the increase in District SSCs to the inflation rate and the annual rent he charges for his rental property dating to 2003. Mr. Frandsen noted that the cumulative inflation rate was 36% and rent increased 37%, while the District SSCs increased by 119%.

Ms. Charlene Moore, a 13-year Antioch resident, stated that the proposed rate increase is difficult for fixed-income seniors and asked the Board if there are any financial assistance programs available. She expressed her appreciation for any assistance provided by the Board.

Chair Wright called for additional public comments before closing the Public Hearing. Hearing no other Public Comments, Chair Wright closed the Public Hearing and opened the item to the Board for deliberation.

Director Banales commended Mr. De Lange and staff for their efforts over the last year to reduce costs and the 5-year annual rate increase projection from 6.0-6.5% last year to 4.1-4.5% this

year. He underscored the importance of the District continuing to invest in its aging infrastructure, while continuing to provide a high level of service to its customers.

Director Glover acknowledged the public speakers and stated the Board appreciates having the public in attendance. He noted that the comments are important and are strongly considered by the Board. Director Glover stated that he believes the District is moving in the right direction with decreasing future rate projections. He complimented staff on the degree of clarity in the presentations and stated that quality of the presentations is the best he has seen over the last 18 years as a Board member. Director Glover stated that raising rates is never easy, but he understands the capital needs that are required to keep the District operational. Director Glover closed his comments by thanking staff for an outstanding job.

Chair Wright thanked staff and members of the public in attendance. He commented that the Board is always looking at a variety of options to lower rates. He also reflected on his early years with the Board and how much he appreciates the work that staff accomplishes at the District. He also referenced two major events that recently occurred at the District and highlighted the tremendous efforts from staff to resolve the problem. He further acknowledged the importance of the District's investment in its infrastructure, as it ensures the communities are safe and the Delta is not harmed. He explained that the District is making critical investments to address its aging infrastructure, while providing these services at a much lower rate than neighboring cities and peer agencies. Chair Wright thanked staff for their hard work and thanked Mr. De Lange for his leadership.

Director Glover moved approval, seconded by Director Banales and by unanimous voice vote (*Ayes: Banales, Glover, and Wright; Noes: None; Absent: None*), the Board determined that no majority protest exists within the meaning of Article XIII D, Section 6 of the California Constitution and Health and Safety Code Section 5473.2; adopted the Ordinance establishing SSCs and Surcharges to be effective in FY19/20; and adopted the Resolution approving the Final Engineer's Report and providing for the Collection of SSCs on the County Tax Roll.

Before moving to the Consent Calendar, Chair Wright asked if there were other Public Comments. Ms. Lauren Wright addressed the Board regarding pest abatement needed at a water meter box in her neighborhood in Pittsburg near the intersection of Leland and Montevideo.

### **CONSENT CALENDAR**

Chair Wright noted that Items E1, Approve Minutes of Regular Board of Directors Meeting, May 8, 2019 and Item E7, Approve Project, Contract Documents, and Design; Waive Minor Irregularities in Bid Documents and Award and Authorize General Manager to Execute Construction Services Contract in an Amount Not to Exceed \$2,885,174, Ranger Pipelines, Inc.; Authorize General Manager or His Designee to Execute Change Orders Up to 25% of the Contract Amount; and Authorize General Manager to Execute Amendment No. 2 to Consulting Services Contract in an Amount Not to Exceed \$90,000, Design Services, Fraxia Engineering, Bay Point Sewer Repairs – Phase IV, Project No. 18119, were corrected and provided to the Board and made available to the public.

Chair Wright asked if the Board had any Consent Items to pull from the Agenda, hearing none, Chair Wright called for a motion. Director Glover moved approval of the Consent Calendar including the corrected Items, seconded by Vice Chair Banales, and by unanimous voice vote (Ayes: *Banales, Glover, and Wright*; Noes: *None*, Absent: *None*), the following consent items were approved according to staff recommendations: Approve Minutes of Regular Board of Directors Meeting, May 8, 2019; Receive Meeting Notes from Personnel Committee Meeting, May 29, 2019; Receive Meeting Notes from Finance Committee Meeting, June 5, 2019; Approve District Monthly Check Register, April 2019; Receive Third Quarter Fiscal Year 2018/2019 District Investment Report; Authorize Issuance of the following Purchase Orders for One Year Beginning July 1, 2019: in an Amount Not to Exceed \$228,000, Univar USA, Inc., Supply and Deliver Sodium Bisulfite; and in an Amount Not to Exceed \$210,000, Kemira, Inc., Supply and Deliver Ferrous Chloride, and in an Amount Not to Exceed; \$400,000, Chemtrade Chemicals-US, LLC Supply and Deliver of Aluminum Sulfate; and in an Amount Not to Exceed \$342,000, Univar USA, Inc., Supply and Deliver Sodium Hypochlorite; and in an Amount Not to Exceed \$300,000, Polydyne, Inc., Supply and Deliver Dry Polymer; and in an Amount Not to Exceed \$170,000, Polydyne, Inc. Supply and Deliver Liquid Polymer; Approve Project, Contract Documents, and Design; Waive Minor Irregularities in Bid Documents and Award and Authorize General Manager to Execute Construction Services Contract in an Amount Not to Exceed \$2,885,174, Ranger Pipelines, Inc.; Authorize General Manager or His Designee to Execute Change Orders Up to 25% of the Contract Amount; and Authorize General Manager to Execute Amendment No. 3 to Consulting Services Contract in an Amount Not to Exceed \$90,000, Design Services, Fraxia Engineering, Bay Point Sewer Repairs – Phase IV, Project No. 18119; Authorize General Manager or His Designee to Approve Contract Change Orders Up to 18% of Contract Amount, for a New Total Contract Authorization of \$3,206,060, W.M. Lyles, Primary Clarifier Area Improvements, Project No. 17140; Adopt Resolution Establishing Fiscal Year 2019/2020 Appropriations (GANN) Limit for Expenditures that can be funded from Proceeds of Taxes; Authorize General Manager to Execute Amendment No. 3 to Consulting Services Contract in an Amount Not to Exceed \$106,092, LEE&RO, Inc., Engineering Services, Treatment Plant Switchgear Replacement, Project No. 17120; Authorize General Manager to Execute Amendment No. 6 to Street Sweeping Services Agreement, Extending the Term for Three Years, July 1, 2019 through June 30, 2022, and Authorizing Payment in an Amount Not to Exceed \$315,000 Per Year, City of Pittsburg, Street Sweeping Services

### **DELIBERATION**

#### Adopt Resolution Approving Budget Appropriations for Fiscal Year 2019/2020

Chair Wright noted that Item F/1 was corrected and provided to the Board and made available to the public. Ms. Margetich provided an overview of the budget development process and key budget drivers, including salaries and benefits, infrastructure renewal and rehabilitation needs, and budget reduction strategies. She highlighted that staff has worked to reduce the FY19/20 operating budget by \$1.4 million (relative to last year's estimate). Ms. Margetich presented the operating budget breakdown by category including salaries and benefits (\$16.9 million), chemicals (\$1.9 million), office and operating expenses/overhead/contingency (\$3.3 million), outside services and repairs/maintenance (\$4.7 million), and utilities (\$1.9 million). She presented the FY19/20 Budget Appropriations Summary, which includes \$28.7 million and \$20.8 million for the operating and capital budgets, respectively. Ms. Margetich noted the budgeted revenue of \$41.1 million and loan proceeds of \$12 million. She reviewed planned inter-

fund transfers and loans, and summarized the estimated use of major funds and reserves. Ms. Margetich reviewed next steps for the Board's consideration.

Director Glover moved approval, seconded by Director Banales and by unanimous voice vote (*Ayes: Banales, Glover, and Wright; Noes: None; Absent: None*), the Board approved the FY19/20 Budget and adopted the Resolution approving FY19/20 Budget Appropriations.

Approve Side Letter Agreement (SLA) with the Operations and Maintenance (O&M) Representation Unit/Public Employees Union Local One, Modifying Language in Memorandum of Understanding (MOU), Section II.2, Work Periods

Mr. Eckerson provided an overview of the current Work Periods as defined in the O&M Memorandum of Understanding (MOU). He explained that Section II.2 Work Periods of the MOU defines the start and end times for the different shifts that O&M personnel are assigned to work. He provided background regarding a pilot program that O&M and the District agreed to in September 2017. The pilot program evaluated the benefits and impacts associated with modifying work periods with earlier start times (i.e., 6:00 am versus current 7:00 am for certain wastewater operators). Based on feedback and evaluations at the three-month and conclusion of the pilot program periods, the change in work periods met established goals. Management met and conferred with O&M representatives on May 15, 2019 and recommends that the change be implemented via a Side Letter Agreement to Section II.2 Work Periods of the current MOU.

Director Banales moved approval, seconded by Chair Wright and by unanimous voice vote (*Ayes: Banales and Wright; Noes: None; Absent: Glover*), the Board approved the Side Letter Agreement with the Operations and Maintenance (O&M) Representation Unit/Public Employees Union Local One, Modifying Language in Memorandum of Understanding (MOU), Section II.2, Work Periods.

Chair Wright announced that Director Glover had another meeting to attend and was excused from the remainder of the meeting. Director Glover left the meeting at 6:49 pm

Review Proposed Recycled Water Service Charges and Set Public Hearing for July 10, 2019

Ms. Margetich provided background on the existing recycled water service agreements, existing surcharges, and the RWSC structure shift to rebalance fixed vs. variable RWSC cost recovery components. She presented usage estimates by customer, while noting District costs do not decline with reduced consumption. Ms. Margetich stated that the five-year average consumption has been utilized this year in developing the RWSCs to smooth rate development and year-to-year comparisons. She presented the planned FY19/20 RWSC increases for irrigation (City of Antioch, City of Pittsburg, Mt. Diablo Resource Recovery Park, Pittsburg Unified School District) and industrial customers (i.e., Calpine), which equaled 8.6% and 8.5%, respectively. She noted the major cost drivers, including chemical and utilities costs, labor, office and operating expenses, and capital investment needs. Ms. Margetich noted that the District's recycled water costs are 68-71% of raw water, 25-26% of potable water, and 29-47% of recycled water provided by peer agencies. She reviewed the five-year RWSC rate forecast for irrigation and industrial customers. Ms. Margetich closed the presentation by noting next steps in the consideration of RWSC adjustments by the Board.

Director Banales moved approval, seconded by Chair Wright and by unanimous voice vote (Ayes: *Banales and Wright*; Noes: *None*; Absent: *Glover*), the Board approved setting the Public Hearing for July 10, 2019.

#### **MANAGER'S COMMENTS**

Mr. De Lange thanked the Board for its leadership and guidance during the rate-setting, CIP, and budget development processes. He highlighted the tremendous behind-the-scenes effort by many different staff members and commented that staff would be focused on further reducing rate projections during the next year.

#### **DIRECTORS' COMMENTS**

None.

#### **CORRESPONDENCE**

Receive Monthly Lobbyist Report dated May 2019, Key Advocates, Inc., Western Recycled Water Coalition, Project No. 90024

The Board Received and Filed the Report

#### **CLOSED SESSION**

None.

#### **ADJOURNMENT**

Before adjourning the meeting, Chair Wright reiterated his recognition of staff efforts and his pride in serving as a District Board Member. Chair Wright adjourned the meeting at 7:03 p.m. The next regular meeting of the Board of Directors will be on July 10, 2019 at 4:30 p.m.



Federal Glover, Board Secretary

(Recording Secretary:  
Cecelia Nichols-Fritzler)