

**DUBLIN SAN RAMON SERVICES DISTRICT
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS**

December 5, 2017

1. CALL TO ORDER

A regular meeting of the Board of Directors was called to order at 6 p.m. by President Richard Halket.

2. PLEDGE TO THE FLAG

3. ROLL CALL

Boardmembers present at start of meeting:

President Richard M. Halket, Vice President Georgean M. Vonheeder-Leopold, Director D.L. (Pat) Howard, Director Edward R. Duarte, and Director Madelyne A. (Maddi) Misheloff.

District staff present: Dan McIntyre, General Manager; Carol Atwood, Administrative Services Manager/Treasurer; Judy Zavadil, Engineering Services Manager; Jeff Carson, Operations Manager; Carl P.A. Nelson, General Counsel; and Nicole Genzale, Executive Services Supervisor/District Secretary. General Counsel Nelson entered the meeting at 6:11 p.m.

4. SPECIAL ANNOUNCEMENTS/ACTIVITIES – None

5. PUBLIC COMMENT (MEETING OPEN TO THE PUBLIC) – 6:01 p.m. No public comment was received.

6. REPORTS

A. Reports by General Manager and Staff

- Event Calendar – General Manager McIntyre reported on the following:
 - The December 19 Board meeting will likely be cancelled due to a lack of items.
 - Today is Operations Manager Jeff Carson's one year anniversary at the District.

Operations Manager Carson reported that a contractor drilled into a water main near Dougherty Road without first requesting underground service alert markings. Prior markings had washed away from rains. Staff quickly repaired the damage, causing little impact to traffic. The District will seek compensation for the repair effort.

- Correspondence to and from the Board on an Item not on the Agenda

Date	Format	From	To	Subject	Response
11/29/17	Card	EBMUD Director Frank Mellon	Board of Directors	Holiday Greetings	N/A

B. Joint Powers Authority and Committee Reports – None

C. Agenda Management (consider order of items) – No changes were made.

7. APPROVAL OF MINUTES – Regular Meeting of November 21, 2017

Director Misheloff MOVED for the approval of the November 21, 2017 minutes. Vice President Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

8. CONSENT CALENDAR

President Halket requested that Item 8.A be removed for discussion. Vice President Vonheeder-Leopold requested that Item 8.B be removed for discussion. The Board agreed to remove Items 8.A. and 8.B. for discussion. The Board took Consent Calendar Item 8.C and passed this Item first.

Director Howard MOVED for approval of Item 8.C on the Consent Calendar. Director Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

- A. REMOVED – Approve Increase to the Construction Change Order Contingency for the DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014) – Approved – Resolution No. 63-17

President Halket inquired if a CIP budget adjustment would be forthcoming to reallocate funding to increase this project's budget. Engineering Services Manager Zavadil confirmed that was correct. The Board and staff also discussed strategies to best leverage DSRSD's base contract for projects such as this.

Vice President Vonheeder-Leopold MOVED to adopt Resolution No. 63-17 to Approve an Increase to the Construction Change Order Contingency for the DERWA Recycled Water Treatment Facilities – Phase 2 Project (CIP 16-R014). Director Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

- B. REMOVED – Approve Planning Services Agreement with Shea Properties Management Company Inc. for the AT Dublin Project – Approved – Resolution No. 64-17

Vice President Vonheeder-Leopold inquired about this agreement being presented to the Board ahead of City of Dublin's approval of the project. Ms. Zavadil explained the City has asked the District to move forward with the services agreement in order to meet the 90-day turn-around time that will ensue upon project approval. She also explained the project name is "AT Dublin," AT is not an acronym.

Director Misheloff MOVED to adopt Resolution No. 64-17 to Approve a Planning Services Agreement with Shea Properties Management Company Inc. for the AT Dublin Project. Vice President Vonheeder-Leopold SECONDED the MOTION, which CARRIED with FIVE AYES.

- C. Approve Director Attendance and Reimbursements for 2018 Meetings, Conferences, and Travel Expenses – Approved

9. BOARD BUSINESS

- A. Approve Refinancing of the 2011 Water Revenue Refunding Bonds and Authorize Issuance of the 2017 Water Revenue Refunding Bonds

Administrative Services Manager Atwood reviewed the item for the Board, explaining the recommendation to refinance 2011 bonds and issue 2017 bonds as a transaction similar to refinancing a home mortgage. She introduced Mr. Robert Porr from Fieldman Rolapp & Associates, municipal financial advisor, Ms. Anna Van Degna from Stifel, Nicolaus & Company, Inc., underwriter, and Mr. Chris Lynch from Jones Hall, bond counsel. They collectively gave a presentation to further describe the proposed transaction and answered questions from the Board regarding aspects such as current market conditions and rates, expected savings (\$6 million plus due to the District's improved credit rating to AA+), escrow, sale, and issuance information, timelines, and processing, potential congressional impacts, and the related agreements and documents to execute upon approval. The Board thanked them for their presentation.

Vice President Vonheeder-Leopold MOVED to adopt Resolution No. 65-17, Approving the Refinancing of the District's 2011 Water Revenue Refunding Bonds, Authorizing Delivery and Sale of 2017 Water Revenue Refunding Bonds, Approving an Indenture of Trust, Official Statement and Other Related Documents, and Authorizing Other Related Actions. Director Misheloff SECONDED the MOTION, which CARRIED with FIVE AYES.

- B. Receive Report on the Dougherty Valley Assessment District Financial Position

Administrative Services Manager Atwood reviewed the item for the Board. She explained staff's concern regarding escalating assessment costs, and that a new approach to ensure future cost coverage be considered by the Board.

The Board and staff discussed the history and current status of the pass-through assessment DSRSD levies via property taxes on behalf of the Department of Water Resources (DWR) and Zone 7 Water Agency (Zone 7) to the Dougherty Valley (DV) customers in San Ramon. The cost has increased by 84% in the last five years, despite a credit from the State, and is expected to continue to escalate necessitating an increase in the assessment charged by DSRSD. This year, DSRSD assessed DV residents \$1.7 million but was charged \$2.2 million by Zone 7. They discussed possible vehicles to increase the assessment payable by DV residents such as the Proposition 218 process to increase the property tax charge, or to roll increases into the 2018 rate study as a surcharge. The increased cost was caused by two factors: DWR changed its accounting practice some years ago, causing escalation in annual charges billed to Zone 7 for transportation (\$300,000 increased to 2.2 million), and the inability to charge DV customers based on rising property values as is done for Alameda County customers. Historically, District staff forecasted for liberal increases, but the enormous escalations that took place were unforeseeable. Other factors such as the California WaterFix and Oroville spillway repairs could impact future DWR charges as well. Staff will present possible courses of action for the Board to consider at a future meeting, as well as provide the detailed DV Standby Assessment fund worksheet for reference. The Board

requested to look at different funding options over time, and thanked staff for the report. No action was taken by the Board.

C. Receive Report on the Water Rate Increases Effective January 2018

Administrative Services Manager Atwood reviewed the item for the Board. She explained this is the last year the District can implement automatic rates increases per the 2013 Water Rate study. A new water rate study will be done in 2018.

The Board and staff discussed facets of the upcoming rate study including possible impacts to the tiered rate structure as a result of the court decision against San Juan Capistrano that its tiered water rate structure violates state law. The Board also recalled that during the drought, the concept of implementing consistent tier one rates was suggested in an attempt to prevent penalizing ratepayers staying within tier one during a drought. The Board thanked staff for the report. No action was taken by the Board.

D. Adopt Pay Schedule in Accordance with California Code of Regulations, Title 2, Section 570.5, Requirement for a Publicly Available Pay Schedule and Rescind Resolution No. 58-17

President Halket made the following verbal report: The Legislature has added a provision to the Brown Act that requires that prior to taking final action on a salary schedule that includes a local agency executive, which as defined includes the District's three Senior Managers, "[t]he legislative body shall orally report a summary of [the] recommendation for ... final action on ... salary schedules ... of a local agency executive." The salary schedule that is before the Board in Item 9.D. includes the increases in the respective salaries of, and changes in the benefits for, the three Senior Managers as contained in their respective Personal Services Agreements, which the Board approved, following an oral report, on November 7, 2017.

Vice President Vonheeder-Leopold MOVED to adopt Resolution No. 66-17, Adopting a Pay Schedule in Accordance with California Code of Regulations, Title 2, Section 570.5, and Rescinding Resolution No. 58-17. Director Howard SECONDED the MOTION, which CARRIED with FIVE AYES.

E. Selection of President and Vice President of the Board of Directors for 2018

President Halket opened the floor for nominations for the 2018 Board of Directors President and Vice President.

Director Howard MOVED to NOMINATE and ELECT Vice President Vonheeder-Leopold as the 2018 Board President. Director Duarte SECONDED the MOTION, which CARRIED with FIVE AYES.

Director Halket MOVED to NOMINATE and ELECT Director Misheloff as the 2018 Board Vice President. Director Howard SECONDED the MOTION, which CARRIED with FIVE AYES.

Director Halket passed the gavel to President Vonheeder-Leopold who then presided over the remainder of the meeting.

President Vonheeder-Leopold commented that as President she will propose to keep the current Committee/JPA structure and assignments in place for 2018, as they have been working well, but invited Boardmembers to contact her if they wished to change assignments so she can prepare accordingly.

She then thanked outgoing President Halket, on behalf of the Board and staff, for his service and presented him with an engraved plaque of appreciation for his fortitude and unwavering service as the District's 2017 Board President.

10. BOARDMEMBER ITEMS – None

11. CLOSED SESSION

At 7:02 p.m. the Board went into Closed Session.

- A. Conference with Legal Counsel – Anticipated Litigation
Significant Exposure to Litigation Pursuant to Paragraph (2) of Subdivision (d) of Government Code Section 54956.9: One Potential Case
- B. Conference with Labor Negotiators – Pursuant to Government Code Section 54957.6
Agency Designated Representatives: Richard Halket, Board President
Carl P.A. Nelson, General Counsel
Unrepresented Employee: General Manager
Additional Attendee: Michelle Gallardo, Human Resources and Risk Supervisor

12. REPORT FROM CLOSED SESSION

At 7:37 p.m. the Board came out of Closed Session. President Vonheeder-Leopold announced that there was no reportable action.

13. ADJOURNMENT

President Vonheeder-Leopold adjourned the meeting at 7:38 p.m.

Submitted by,

Nicole Genzale, CMC
Executive Services Supervisor