

STEGE SANITARY DISTRICT
LONG-RANGE PLANNING WORKSHOP
SATURDAY, FEBRUARY 28, 2009

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*****MINUTES*****

- I. Call to Order:** President Merrill opened the meeting at 8:31 A.M.
- II. Roll Call:** Present: Brand, James, Miller, O’Keefe Merrill
Others Present: Michelle Murphy, Facilitator
Douglas Humphrey, District Manager

Agenda Items: Directors did not announce any conflicts of interest posed by items on the agenda.

- III. Public Comment** – There was no public comment.

IV. Long-Range Planning Workshop - 2009

The Board and Manager discussed the items on the agenda below. Details of proposed actions include an action plan that will be considered and approved by the Board at meetings in March and possibly April 2009.

1. Introduction, Schedule, Ground Rules, etc.

Humphrey introduced Michelle Murphy, the facilitator for the Board’s LRP for the 9th consecutive year. Murphy gave a brief summary of the ground rules and said that she would help monitor the timing of items and would give the group a five minute warning prior to the self-imposed time limits for items as presented on the agenda.

2. Discussion of Agenda

a. Brief Review of 2008/09 Action Plan, Purpose of Planning Effort, Requested Changes to Agenda

Humphrey reviewed last year’s action plan and the status of all items. There are no significant outstanding items, though there is still some follow-up needed for provision of salary data to the Board, as well as on-going work on alternatives for private lateral work issues. There were no requests to alter the agenda.

3. Future Operations

a. Overview of East Bay Municipal Utility District (EBMUD) Wet Weather Facilities (WWF) Permits & Stipulated Order (SO)

1. Flow Monitoring & Modeling
2. Satellite System Asset Management Template
3. System “Offer” to EBMUD
4. Private Lateral Ordinance & Incentive Program
5. EBMUD Interceptors – Condition Assessment & Repair

Humphrey provided a general summary of EBMUD’s stipulated order, NPDES Permit, and cease and desist order (CDO). These items and the upcoming Stege permit and order will be the driving force for Stege’s operations, capital program, and rates for the next few years, if not

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decades. The Board discussed many issues that are associated with the permits and orders, particularly how Stege should approach the near term events. There was agreement that Humphrey should follow up on the comments to the SO provided by the EBMUD satellite, via Humphrey's letter. It was agreed that Humphrey should discuss comments informally with EBMUD and transmit a letter to the Environmental Protection Agency (EPA) or Department of Justice (DOJ) if they did not respond to satellite comments. The Board also directed Humphrey to seek legal advice on the possibility of turning the Stege system over to EBMUD, and to prepare a Board workshop on the issue by July 2009. The Board also directed Humphrey to provide recommendations as to whether Stege should keep its lateral ordinance as restrictive as EBMUD's and whether Stege wants to retain administrative control of its lateral testing program. Humphrey was also directed to look into the options for cost sharing mechanisms among the satellite agencies, so professional services expenses may be shared in order to minimize costs for legal and engineering assistance that is likely to be needed.

4. Flow Monitoring & Modeling

- a. Stege Plan
- b. EBMUD SO
- c. Financial Impact/Rates

Humphrey briefly explained the flow monitoring and modeling issue. The work required in EBMUD's SO will result in the monitoring of system flows and the development of a flow model, with the end result a flow allocation system that will "limit" the flows from all satellite collection systems. Therefore, Stege needs to be involved with the background work and workshops on this issue. Humphrey said that the review of the model is an effort that very likely would require consultant assistance, or modeling experts hired by the satellite agencies to review EBMUD's developed model. Stege also needs to have its own meters, to check EBMUD figures in the future and to use as a diagnostic tool for prioritizing main and lateral replacement work. The Board agreed that this is an on-going concern and directed the staff to continue an annual examination of its five year capital program to identify how many flow meters to purchase, as well as their expense. The Board also directed Humphrey to stay involved with EBMUD's flow studies and modeling efforts.

Humphrey left the meeting at this time, about 11:30 A.M. for personal reasons. Item 7 was taken out of order at this of the meeting.

7. District of Distinction Program

The Board discussed the program and agreed that it should take the steps necessary to obtain the distinction certification. Brand said he thinks he has taken this class in the last two years and would not need to take it again for this certification. The other Directors agreed they would take the next class in

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Sacramento in mid-March, including Miller and Merrill since their attendance at the Governance Foundations class was about 4-5 years ago. The Board decided to direct Humphrey to check on the dates of Governance class attendance, register the Directors who need to re-qualify for the March class, and subsequently apply for the District of Distinction certification after the class is completed.

Item 8 was taken out of order at this time of the meeting.

8. Stege Treatment Plant at Pt. Isabel

The Board discussed the idea of purchasing the Point Isabel property from EBMUD and constructing and operating its own wastewater treatment plant. This action would require that EBMUD is willing to sell the property, so Humphrey will need to contact EBMUD to see if this is even a viable option. The Board also discussed the original sale from Stege to EBMUD and decided that Humphrey should review that contract to see if there were any stipulations on the use of the land at the time of sale.

6. Service Rates

- a. Rate "Study" or Plan
- b. Future Operational Needs
- c. Future Staffing Needs
- d. Assistance for Lateral Replacements ("Acceleration")
- e. Setting Future Rates

The Board discussed the impact that the EBMUD SO and Stege permits and orders may have on its operations, capital program, and the need to raise service rates. The Board agreed that the Stege permit would not be final until July 2009, so there was still uncertainty about the magnitude of what amount of increase in rates will be needed to fully comply with new permits and orders. The Board decided that, given this uncertainty and the current economic environment, it should not raise service rates for fiscal year 2009-10. Merrill disagreed, and prefers a modest, cost-of-living increase for next fiscal year. The Board discussed the need to inform the public and decided that the frequency of newsletters the next few months should be increased so Stege customers are informed about this potential, future rate increase.

5. Asset Management

- a. Key Elements – Routine Maintenance, Video, Smoke Testing, Lateral Program, Mains Replacement
- b. Stege – Present and Future (Operational)
- c. Stege – Present and Future (Capital)
- d. Financial Impact/Rates

Humphrey returned to the meeting at about 2:20 P.M.

Humphrey provided the Board with a summary of the key elements of asset management included in an earlier EBMUD study for their prior NPDES

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permit. He said that he believes these are likely to be the “model” for the satellite agencies that may be included as requirements in upcoming permits and orders. Humphrey explained that Stege is in a good position regarding most of these elements, in that Stege is already performing them and doing a good job with good results. The issue of most concern to Humphrey is main replacements; the current replacement rate of about 1.25% of the system annually is about half of what would be needed to replace 70% of the system in the next 30 years, as identified in these earlier EBMUD studies. The other issue of some concern is that of enforcement; identification of inflow and infiltration sources via smoke testing is relatively straightforward and easy, but correction of the defects discovered is another matter. It is very difficult for a District like Stege that has a relatively small staff to follow up on individual property owners and enforce its regulations.

The Board discussed several issues related to this topic and how Stege could address them. The priority of where replacements and inflow assessment should be done to reduce flow was discussed. Another important issue is whether or not lower laterals should be replaced at the time main lines are replaced, and Humphrey noted the earlier EBMUD studies actually assume this is done, although not all satellites (including Stege) currently do this. Additional code compliance staff was another possibility discussed by the Board, as was requesting EBMUD to provide code compliance assistance.

9. Wrap-Up

- a. Open Forum – Other Issues
- b. Review Action Items
- c. Next Steps – Action Plan

Murphy summarized the action items identified during the session and revised them with the input of the Board and Humphrey. The Board Directors and Humphrey expressed their opinions about how well the workshop had been conducted today. There was a general consensus that this was a very good workshop, there were positive comments, much was learned, the agenda worked well, and everyone worked very well together. Humphrey said he will draft an action plan and minutes from today’s workshop for the Board’s consideration at a March Board meeting.

V. Adjournment

The meeting was adjourned at approximately 4:23 P.M.

Douglas Humphrey
STEGE SANITARY DISTRICT
Secretary