

STEGE SANITARY DISTRICT
LONG-RANGE PLANNING WORKSHOP
SATURDAY, FEBRUARY 13, 2010

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*****MINUTES*****

- I. Call to Order:** President Brand opened the meeting at 8:31 A.M.
- II. Roll Call:** Present: James, Merrill, Miller, O'Keefe, Brand
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 (LRP) Workshop - 2010

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 2010.

1. Introduction, Schedule, Ground Rules, etc.

Humphrey introduced Michelle Murphy, the facilitator for the Board's LRP for the 10th 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 time checks, including 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 2008-2009 Action Plans

Humphrey reviewed last year's action plan and the status of all items. There are no significant outstanding items, though there is on-going work on lateral issues and cost sharing with East Bay Municipal Utility District (EBMUD) satellites for professional services.
 - b. Purpose of Planning Effort, Requested Changes to Agenda

There were no requests to change the agenda.
3. Stege Administrative Order (AO) and East Bay Municipal Utility District (EBMUD) Stipulated Order (SO)

AO

 - a. Overflow Response Procedures
 - b. Asset Management Program
 - c. Private Lateral Inspection and Replacement Program
 - d. Sub-basin Flow Monitoring
 - e. Inflow Identification and Elimination

Humphrey explained that he had included the AO language in the LRP packet for the Board's reference and did not plan to review it in detail. Humphrey referred the Board to the AO summary schedule he had prepared which was included in the LRP

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binder immediately following the AO. There was a thorough discussion about the deliverables required by the AO and their submission deadline dates. Humphrey provided his opinion that enforcement of correction of defects found in smoke testing is the most difficult issue to address in the AO requirements and that Stege is already performing most of the tasks detailed in the AO. The Board directed Humphrey to schedule an item at a Board meeting for the review of the lateral testing program and its enforcement, for the purpose of deciding if Stege should retain its program or let EBMUD implement and enforce their new ordinance. The Board also asked Humphrey to update the subbasin flowchart and suggest an optimum number of flow meters that should be purchased, installed, and operated by the Stege.

SO

- a. Flow Monitoring & Modeling
- b. Satellite System Asset Management Template
- c. System “Offer” to EBMUD
- d. Private Lateral Ordinance & Incentive Program
- e. EBMUD Interceptors – Condition Assessment & Repair
- f. Wet Weather Facilities Operations

Humphrey explained that he had included some of the SO language in the LRP packet for the Board’s reference and did not plan to review it in detail, similar to what was done for the AO. The comment letters on EBMUD workshops and available workshop presentation materials are also included as reference material. Humphrey referred the Board to the SO deliverables summary schedule included in the packet immediately after the SO language and led the Board through a discussion about the various requirements, workshops, and submittal deadlines. There was extensive discussion about flow monitoring in the Stege subbasins and how that might best be accomplished. There was also discussion about the EBMUD lateral ordinance and whether or not it would benefit Stege to let EBMUD implement their ordinance within Stege, rather than Stege staff continue to implement its current ordinance and program. The Board directed Humphrey to monitor what other satellites are doing and periodically update the Board regarding the EBMUD offer to take over the collection systems.

4. AO/SO Impact Analysis
 - a. Staff Time
 - b. Direct Expenses
 - c. Schedule
 - d. Total Costs: Short-Term and Recurring Long-Term
 - e. Service Rate Impacts
 - (i) AO/SO
 - (ii) Alternatives
 - (iii) Consultant

Humphrey led the Board in a discussion on his summary of impacts, “Stege AO/SO Impact” page included in the LRP packet. He said that the goal of preparing this summary was to identify the additional costs that would be expended by Stege as a

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result of the AO issued by the Environmental Protection Agency (EPA). He said the items are definite for the next three years, although some of the costs could vary somewhat. He said he is fairly confident the estimates are close to what the costs will be for the individual items. The total additional costs for the next three years are over \$1.8 million and the annual additional operating costs in the future are almost \$600,000 per year, in 2010 dollars.

There was a lengthy discussion about the mains replacement estimate. Humphrey again voiced his opinion that the District should increase the footage of main lines replaced each year, from 1.25% of its system to 2%, over the next three years. He passed out an additional graph prepared by Rex Delizo that indicates the average age of the Stege system will continue to get older unless 1.75% of the system is replaced each year. More importantly, EPA expects that the EBMUD satellites will suggest and implement a fairly aggressive plan in regards to their AO. Also, other satellites have replaced greater amounts of their main lines already since their Infiltration and Inflow (I/I) programs focused on this, and Stege's was centered on additional relief lines and replacement of only structurally-compromised lines since there was not a downstream capacity issue until the last EBMUD wet weather facilities discharge permits. Humphrey reinforced the need for replacement of main lines with a discussion of the "I/I Control Lines" map and table in the rate study and financial plan section of the LRP. He said this table and map indicate the main lines that need to be replaced, based on historical root intrusion (and subsequent chemical treatment), proximity to storm drain lines or creeks, and known structural and maintenance problems. He said that another category is easement lines, but James asked if all these easement lines really needed replacement. Humphrey said they didn't, but that still means there are almost 300,000 feet of lines that need replacing, and this would still take 20 years at a replacement rate of 2% of the system per year. The ultimate goal of the EPA AO is flow reduction, and significant reduction can be achieved only if these identified lines are replaced.

Humphrey also summarized his rate study sheet figures and the accompanying twenty year financial plan. He said the need for a three year rate increase is shown in both documents; the estimated expenses, based on current operating costs plus the incremental costs due to the AO, show a need to increase rates over the next three years from \$10.25 to \$16.25 per month. Merrill noted that, even with these increases, the reserve fund balance will be less than the current amount. The Board re-emphasized the need for Humphrey to include a review of the Board's target reserve policy as part of the budget process each year. The assumptions used to develop the targets should be reviewed again this year prior to completion of the budget.

5. Alternatives to EBMUD
 - a. West County Wastewater District (WCWD)
 - b. Richmond
 - c. Stege Waste Water Treatment Plant (WWTP)

d. Other (local storage)

Humphrey said there were several alternatives to Stege's discharge to EBMUD for treatment of its wastewater, including major options of discharge to West County's treatment plant, Richmond's plant, and/or peak shaving or temporary storage ("flow equalization") of wastewater locally within Stege. Humphrey indicated he did not have much background material to provide the Board for these options, but thought a discussion about their potential, technical, and financial issues would be a good start. One thought expressed by James and other Board members was that this not need be a "all or nothing" option and that perhaps a portion of peak flows could be sent to other treatment plants or storage in addition to discharge to EBMUD. The Board directed Humphrey to determine how much storage would be needed to solve the peak flow issue. Humphrey said he could work on this and more flow data will be available after EBMUD's flow monitoring. He cautioned the Board that until he knows the flow allocations from EPA and EBMUD, it is hard to answer this question definitively. The Board directed Humphrey to investigate and determine if there are already lines or pipes in the ground that may be available to send flow towards Richmond or West County. It was also suggested that some flow might be recycled locally, in what are called "scalping plants", and that Humphrey should look into this and see if there are any good white papers on the subject. Humphrey said he could do this, but this does not address the peak flow reduction issue, since recycled water is not needed when the wastewater flows are at a peak in wintertime.

6. Laterals/Other Post Employment Benefits (OPEB)/Other

- a. Inspection & Replacement Program – EBMUD or Stege?
- b. Lower Lateral Replacements – Stege or Property Owner?
- c. Assistance Programs
- d. Backflow Prevention Devices (BPD)
- e. OPEB – Trust?
- f. Other

Humphrey commented that the first item on the lateral inspection and replacement program had been already discussed in earlier agenda items. He talked about the lateral incentive program that EBMUD will fund and what transpired in the initial workshop on the subject. He said that Stege staff has identified one or two possible projects to maximize the replacement of laterals at the same time it replaces main lines in known high I/I areas, which is the SO requirement for EBMUD's funding of lateral work. Humphrey said it is somewhat likely that the lateral funding will be a grant from EBMUD, but many process details are not yet defined. The Board encouraged Humphrey to develop options and work to determine which approach is the most effective in order to obtain the lateral assistance funds from EBMUD. The Board also suggested that Humphrey have several alternatives ready to take advantage of whatever process is implemented. The Board felt that the EBMUD assistance program would be Stege's program through the term of the SO, then Stege can institute whatever program, if any, the Board decides to take on at that time. The Board also directed Humphrey to look into what other agencies are doing to provide

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assistance to property owners to remedy defects discovered by smoke testing and report this to the Board.

The backflow prevention device (BPD) issue was also discussed. The Board expressed its concern about the increasing cost of claims associated with backups into homes and directed Humphrey to determine the number of rate payers who need a BPD but don't have one. Humphrey said he could work with staff to characterize the BPD issue in Stege and detail BPD needs and potential assistance programs to owners.

Humphrey said he did not think the OPEB funding issue had been fully concluded yet, since this fiscal year is the first year Stege is required to implement GASB 45 regarding retiree health care funding. The Board had decided that it would not fund this OPEB in a trust yet, but Humphrey suggested this be discussed again later this year, subsequent to actuarial work that will be done soon. He said he included the Public Agency Retirement System (PARS) fund information since it is an alternative to PERS and, as he understands, provides a variety of different types of funds in which agencies can place OPEB investments. James said he was perhaps interested if funds were not placed into a PERS trust fund. The Board directed Humphrey to schedule a Board study session on this issue after the upcoming actuarial work is completed, including some options for trust funds.

7. Wrap-Up

a. Open Forum – Other Issues

No additional issues were raised for discussion.

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, time management was good and kept on track by Ms. Murphy, the Board stayed focused, the agenda worked well, and everyone worked very well together and was willing to share their opinions. Merrill expressed some concern that the issues were so broad that it was difficult to get into details on many of the subjects, and this was frustrating.

Humphrey said he will include tabs for dividers in next year's workbooks or binders, which related to an earlier comment during the workshop session. Humphrey said he will draft an action plan and minutes from today's workshop for the Board's consideration at the next Board meeting.

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V. Adjournment

The meeting was adjourned at approximately 4:22 P.M.

Douglas Humphrey
STEGE SANITARY DISTRICT
Secretary