

BOARD OF DIRECTORS:
MARILYN M. TIERNAN
PRESIDENT

SCOTT R. PASTOR
VICE PRESIDENT

PAUL SEGER
JOE KOVALICK
JASON SHAW

GENERAL MANAGER:
DANIEL MUELNRATH

GENERAL COUNSEL:
WESLEY A. MILIBAND

BOARD SECRETARY:
KAIT KNIGHT

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
DIABLO WATER DISTRICT
HELD ON SEPTEMBER 25, 2024

The Regular Meeting of the Board of Directors of Diablo Water District was held on September 25, 2024 at 6:30 pm at the District's office, 87 Carol Lane, Oakley, California and via conference call / web as noticed in the posted agenda.

Due to technical difficulties, there is no video recording available for this meeting.

1. Call to Order and Roll Call and Pledge of Allegiance.

The regular meeting of the Board of Directors of Diablo Water District (District) was called to order by President Tiernan at 6:44 p.m. on September 25, 2024.

Directors Present: Tiernan, Pastor, Seger, Kovalick, Shaw
Staff Present: Dan Muelrath, Kait Knight, Jennifer McCoy, LaVonda Castor, Willow Ford, Wayne Weaver
General Counsel: Wes Miliband (Miliband Water Law)
Others Present: Bill Brick (CDM Smith), Angela Lowrey (Ironhouse), Members of the Public

2. Public Input.

Anyone present may address the Board of Directors on any subject within the jurisdiction of Diablo Water District. If the subject item is on this Agenda, please hold public comment until the appropriate item.

Lonnie Gordon, a District customer, expressed concern to the Board about the cost of water for customers. He also informed the Board of his plans to meet with legislators to advocate for more affordable water rates.

Resolution of Appreciation

3. LaVonda Castor Resolution.

LaVonda Castor was presented with a resolution of appreciation in honor of her 18 years of dedicated service to the District.

Action Items

4. Consent Calendar.

It is recommended by the General Manager that these items, which are expected to be routine in nature and without controversy, be received and acted upon by the Board without discussion. If any Board member or interested party requests that an item be removed from the Consent Calendar for discussion, it will be considered separately. *The consent calendar may be approved by a single motion to approve, followed by a second and then a call for vote.*

A. Minutes of the Regular Meeting of July 24, 2024.

Staff Recommendation: Approve.

B. Minutes of the Regular Meeting of August 28, 2024.

Staff Recommendation: Approve.

C. Purchase of Compact Excavator.

Staff Recommendation: Authorize the purchase of the budgeted John Deere 60 P-Tier Compact Excavator from Pape Machinery for an amount not to exceed \$127,574.21.

D. Authorization to Execute Facilities Installation Agreement with Meritage Homes of California, Inc. for Subdivision 9614 Sellers Improvements.

Staff Recommendation: Authorize the General Manager to Execute the Agreement.

E. Authorization to Execute Facilities Installation Agreement with Civic Summer Lake North for Subdivision 9619 Summer Lake North, Phase 1- Village 4 Improvements.

Staff Recommendation: Authorize the General Manager to Execute the Agreement.

F. Authorization to Execute Facilities Installation Agreement with Civic Summer Lake North for Subdivision 9622 Summer Lake North, Phase 1- Village 7 Improvements.

Staff Recommendation: Authorize the General Manager to Execute the Agreement.

President Tiernan pulled Item 4C for further discussion.

It was moved by Director Kovalick, seconded by Director Seger and approved by the following vote to approve Items 4A, B, D, E and F of the Consent Calendar.

AYES: Pastor, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSTAIN: None

President Tiernan inquired about the District's process for negotiating pricing. General Manager Muelrath explained that the District benefits from competitive pricing through participation in a joint purchasing agreement group. He also noted that all of the District's heavy equipment is compatible with renewable diesel.

Director Shaw asked if Staff has any additional equipment needs. General Manager Muelrath responded that the District is in year five of in-house repairs, and this purchase completes the initial list of identified needs. He added that additional equipment is necessary, and these needs are reviewed annually during the budget process.

It was moved by President Tiernan, seconded by Director Shaw and approved by the following vote to approve Item 4C of the Consent Calendar.

AYES: Pastor, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSTAIN: None

5. Financial Reports.

Staff Recommendation: Approve warrant register 2024-8, ACH wire transactions for August 2024, and receive the monthly financial statement for July 2024.

Director Kovalick pointed out that the majority of District expenses were from Contra Costa Water District (CCWD), PG&E, CDM Smith engineering services, and ACWA JPIA insurance. He also asked if all the pumps had been repaired.

General Manager Muelrath informed the Board that all well pumps have been repaired and are back in service.

President Tiernan noted that the CCWD bill for water purchases in June totaled \$680,000.

It was moved by Director Seger, seconded by Director Shaw and approved by the following vote to approve warrant register 2024-8, ACH wire transactions for August 2024, and receive the monthly financial statement for July 2024.

AYES: Pastor, Seger, Kovalick, Shaw, Tiernan
NOES: None
ABSTAIN: None

6. Award of Contract for Water Rate Consulting Services.

Staff Recommendation: Authorize the General Manager to execute a professional services agreement for water rate consulting services with the consultant selected by the Ad Hoc.

General Manager Muelrath informed the Board that the contract for water rate consulting services is being awarded to Raftelis for \$99,825, chosen for their communication and outreach components. He also mentioned that Lonnie would be participating in the citizen's committee for the rate study and development.

Director Seger noted that both firms interviewed were reputable, but Rafetelis stood out for their long-term approach to rate setting.

Director Shaw added that Raftelis' multi-pronged strategy made them the best fit for the District's needs.

Director Kovalick inquired about the rate of the other firm. Finance & Accounting Manager McCoy explained that the other firm's proposal was for half the number of hours at \$34,000. She also emphasized that Raftelis would provide the District with a strong rate model. General Manager Muelrath added that the firms were asked to define rate equity, and Raftelis provided the best response.

Director Kovalick asked if the District would be able to use the provided rate model to adjust future rates. Finance & Accounting Manager McCoy confirmed that the model would serve as a tool for the District to use going forward.

General Manager Muelrath read the staff recommendation.

It was moved by Director Kovalick, seconded by President Tiernan and approved by the following vote to authorize the General Manager to execute a professional services agreement for water rate consulting services with Raftelis in an amount not to exceed \$99,825, plus a 10% contingency

AYES: Pastor, Seger, Kovalick, Shaw, Tiernan

NOES: None

ABSTAIN: None

7. Award of Contract for Grant Writing Consulting Services.

Staff Recommendation: Authorize the General Manager to execute a professional services agreement for grant writing consulting services with EKI Environment & Water Inc. in an amount not to exceed \$70,000, plus a 10% contingency.

Strategic Initiatives Project Manager Smith informed the Board that nine applications were received, with three firms selected for interviews. EKI was chosen as the best fit based on their experience and technical expertise.

President Tiernan asked about the range of bids. Strategic Initiatives Project Manager Smith explained that EKI's bid was \$70,000, which was right in the middle of all the bids.

General Manager Muelrath added that EKI uses an internal grant tracking system, which the District will also have access to.

Lonnie Gordon asked how the funds would be used. Staff and the Board explained that the money would support obtaining grant funding for CIP projects such as alternative water supply, seismic upgrades, and solar initiatives. Board Secretary Knight noted that the purchase of customer AMI meters, which provide hourly reads, was supported through grant funding.

It was moved by Director Kovalick, seconded by Director Shaw and approved by the following vote to authorize the General Manager to execute a professional services agreement for grant writing consulting services with EKI Environment & Water Inc. in an amount not to exceed \$70,000, plus a 10% contingency.

AYES: Pastor, Seger, Kovalick, Shaw, Tiernan

NOES: None

ABSTAIN: None

Discussion Items

8. FRC Update.

Bill Brick from CDM Smith provided the Board with an update on the status of the FRC development and review.

Director Kovalick reported out on the recent ad hoc meeting, explaining that the the fee development considers how many future connections are expected, the water usage of those connections, and what facilities will need to be constructed to support that usage. He emphasized that developers need to cover the full cost of connecting to the District's water system. He added that while he is not opposed to growth, it must be financially supported.

Lonnie Gordon asked whether the District currently has the capacity to supply water for the existing population, both now and in five years. Director Kovalick responded that the District could meet demands for the next five years, but not for the next 20. Lonnie also expressed that while customers expect higher water rates during droughts, it is hard to understand why rates remain high during periods of ample rainfall.

President Tiernan reiterated that the goal is for developers to pay their fair share, ensuring that these costs are not passed on to ratepayers.

General Manager Muelrath explained that the FRC study impacts the ongoing rate study, which is why both studies are being conducted simultaneously. He also offered to meet with Lonnie Gordon's neighbors to provide further education if desired.

Director Seger inquired about current water usage compared to what was projected in the 2020 Urban Water Management Plan (UWMP). He also noted that lower water use equals lower revenue and asked if the cost to deliver has increased. General Manager Muelrath stated that the plan helps project the future water demands/supply, and things can change quickly. He noted that there is typically an assumption of a bounce back in water usage after a drought, but this has not occurred. Over the past 20 years, long-term water demand has decreased by 40%, with an additional 30% decline anticipated over the next 20 years. He confirmed that the cost of delivering water has significantly increased due to inflationary costs.

Director Kovalick then asked what factors have led to the decrease in customer water demand over the years. General Manager Muelrath explained that water use trends are declining, with small impacts from plumbing codes that require reduced-flow showerheads and aerators. However, the most significant factor is the pressure from state conservation regulations, which are putting significant pressure on water suppliers to reduce usage.

9. General Manager's Report.

- Water Supply Charts

Director Kovalick shared that he expected reservoirs levels to be higher. Director Seger explained that there has been little rain since the last atmospheric river and noted that the water is also used for increased flow for wildlife.

10. District Engineer's Report.

Bill Brick, CDM Smith, reported on the status of construction projects.

11. District Counsel's Report.

General Counsel Miliband informed the Board that AB 460 was signed into law by the Governor yesterday. This bill will significantly increase fines for unlawful water diversions.

12. Directors' Reports.

- Representative verbal reports.
- Other items as needed.

President Tiernan reported on the City of Oakley meeting held last night, noting that the discussion included the widening of East Cypress Road, which will be completed in three phases. She also mentioned that the Laurel Road widening project is currently on hold due to delays from PG&E in relocating a power pole.

Vice President Pastor reported on the LAFCO meeting, sharing that the Alamo Cemetery District would not be dissolving. He also shared that the Rodeo/Hercules Fire District is seeking to merge with the Contra Costa Fire District. There is a

strong group of people who do not support the merger. He will report more as it develops.

Director Seger reported on the CCWD meeting, noting that the Los Vaqueros project is no longer happening. Contributing factors to this decision included concerns about rising costs and a lack of alignment among partners.

Director Kovalick provided updates on the Recycled Water ad hoc committee that met yesterday. Director Seger inquired whether the plan included landscaping a demonstration garden and Director Kovalick confirmed it was intended, although the committee is still finalizing the scope of the landscaping. The committee is scheduled to meet again in November.

Additionally, Director Kovalick reported on the WateReuse conference he recently attended, noting that there was a lot of discussion on improving technologies for the membranes used in the reverse osmosis (RO) process.

13. Future Agenda Items.

- Preliminary list of items for the next two months.
- Other items being tracked and awaiting a scheduled date.

General Manager Muelrath informed the Board that Staff will review the data utilized by the state for conservation regulations and will provide an update at the Special Board Meeting in November.

14. Next Meetings of the Board of Directors.

- October 23, 2024 Regular Meeting – 6:30 pm
- November 13, 2024 Special Meeting – 6:30 pm
- ~~November 27, 2024 Regular Meeting – 6:30 pm – Cancelled~~
- December 11, 2024 Special Meeting – 6:30 pm
- ~~December 25, 2024 Regular Meeting – 6:30 pm – Cancelled~~

Closed Session

15. Closed Session – Conference with Real Property Negotiations (Government Code § 54956.8)

Property Description: Jersey Island located in Contra Costa County
Negotiation: Diablo Water District General Manager Dan Muelrath and Ironhouse/Reclamation District 830 Representative TBD

Under Negotiation: Terms and Price

**Closed Session – Conference with Real Property Negotiations
(Government Code § 54956.8)**

Property Description: Delta Coves Reservoir and Pump Station located in Contra Costa County

Negotiation: Diablo Water District General Manager Dan Muelrath and DMB Development LLC EVP - Partner Nick Taratsas

Under Negotiation: Terms and Price

**Conference with Legal Counsel – Anticipated Litigation (Paragraph (4) of
subdivision (d) of Gov. Code § 54956.9)**

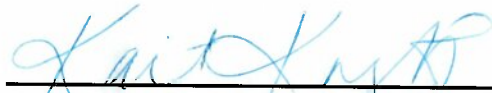
(One Potential Case)

No reportable action.

Open Session

16. Adjournment.

President Tiernan adjourned the meeting at 9:00 p.m.



Kait Knight, Board Secretary