

March 13, 2019

APPROVE MINUTES OF REGULAR BOARD OF DIRECTORS MEETING, FEBRUARY 13, 2019RECOMMENDATION

Approve Minutes of the Regular Board of Directors Meeting of February 13, 2019.

DRAFT**Minutes of the Regular Board of Directors Meeting****DELTA DIABLO****February 13, 2019**

The meeting was called to order by Chair Wright on Wednesday, February 13, 2019 at 4:30 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; Cheryl Rhodes Alexander, Human Resources and Risk Manager; Joaquin Gonzalez, Operations Manager; Darrell Cain, Laboratory Manager; Jason Wong, Chemist II, Jayne Strommer, Government Affairs Manager; Thanh Vo, Senior Engineer; Matt Gotshall, Computer Analyst/P&T Bargaining Unit Representative; Nick Steiner, Recycled Water Coordinator/P&T Bargaining Unit Representative; and Holland White, City of Pittsburg Councilmember and Supervisor's Aide for Special Projects, Office of Supervisor Federal D. Glover.

PUBLIC COMMENTS

None.

RECOGNITION

Recognize and Congratulate Jason Wong, Chemist II, for Receiving California Water Environment Association San Francisco Bay Section 2018 Laboratory Person of the Year

Mr. Cain congratulated Mr. Wong for receiving the award, while highlighting his commitment to excellence, dedication to teaching students, and an inquisitive nature that helps drive change and improvement. Chair Wright and Director Glover congratulated Mr. Wong.

CONSENT CALENDAR

Director Glover moved approval, seconded by Director Banales. Director Banales abstained from Item E/1 (Approve Minutes of Regular Board of Directors Meeting, January 9, 2019) and recused himself from Item E/7 (Reject Claim of Dow Chemical and Authorize Staff to Forward a Notice of Rejection to the Claimant, Dow Chemical, 901 Loveridge Road, Pittsburg, California) 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, January 9, 2019; Approve Minutes of Special Board of Directors Meeting, February 5, 2019; Receive Meeting Notes of Finance Committee Meeting, February 5, 2019; Approve District Monthly Check Register, December 2018; Receive First-Half of Fiscal Year 2018/2019 Operating Budget Expenditure Report; Authorize General Manager to Execute Amendment No. 3 to Consulting Services Contract in an Amount Not to Exceed \$25,000, Regional Government Services, District Job Classification and Job Description Project,

RFP #51103117; Terminate Contract and Direct General Manager to Record Notice of Cessation, Greentech Industry, Inc., Antioch Pump Station Drywell Ventilation Improvements, Project No. 17128B. The following consent item was approved according to staff recommendations (Ayes: *Glover and Wright*; Noes: *None*; Absent: *None*; Abstain: *Banales*): Reject Claim of Dow Chemical and Authorize Staff to Forward a Notice of Rejection to the Claimant, Dow Chemical, 901 Loveridge Road, Pittsburg, California.

DELIBERATION ITEMS

None.

PRESENTATIONS AND REPORTS

Receive Report on National Pollutant Discharge Elimination System Permit Violation

Mr. Eckerson provided an overview of the regulatory non-compliance event on December 3, 2018, highlighting loss of both PG&E service and backup power and the associated loss of effluent diversion gate control and dechlorination chemical feed. He summarized communications with the Regional Water Quality Control Board (RWQCB) in accordance with permit requirements. RWQCB has determined this incident resulted in an “unanticipated bypass” and represents a minor permit violation that is not subject to mandatory minimum penalties. Mr. Eckerson noted the tremendous staff effort in achieving the District’s 14-year record, while noting that the District will apply for the National Association of Clean Water Agencies (NACWA) Silver Award for 2018.

Mr. Eckerson summarized the results of a root cause investigation and corresponding corrective actions. Root causes included: 1) two critical systems relying on backup power from a single source, 2) failure of a backup power system, and 3) failure to collect a process monitoring sample. Corrective actions include installation of new and replacement backup power sources with real-time monitoring capabilities and development of a new standard operating procedure.

Director Banales commended the team for its root cause investigation and corrective actions. He inquired if the effluent diversion gate could be placed in a fail-safe mode. Mr. Eckerson responded that power would still be required for the gate to fail closed due to its large size and that installation of a new dedicated backup power system should address this issue. Director Banales asked whether both backup power systems would include real-time monitoring, which was confirmed by Mr. Eckerson. Director Banales thanked Mr. Eckerson for the presentation.

Director Glover asked if the fail-safe mode included battery backup. Mr. Eckerson replied that the backup power system is a battery control system. Chair Wright acknowledged the timely staff response in limiting the impacts of the non-compliance event and thanked Mr. Eckerson for the update.

Receive Status Report on East County Bioenergy Project

Mr. Thomas provided an update on the East County Bioenergy Project. The project is a public-private partnership with Mt. Diablo Resource Recovery (MDRR) that supports landfill diversion goals (SB 1383) through anaerobic digestion of organics and renewable energy production. The project components include preprocessing slurry at MDRR and receiving, co-digestion, and energy production at the District. Anaergia has completed 30% of the design for preprocessing equipment at MDRR’s site. Anaergia also completed 30% design for required plant improvements at the District. Mr. Thomas provided an overview of the project financials, including estimated capital costs of \$15 million and \$34 million for MDRR and the District, respectively, as well as project revenues and costs.

Director Glover inquired regarding the contingency included in the cost estimate and available grant funding opportunities. Mr. Thomas responded that the contingency will continue to be reduced as the design progresses and that the District continues to investigate potential funding opportunities through the Clean Water State Revolving Fund (CWSRF), IBank, CalRecycle and other programs. Director Glover asked for clarification regarding IBank. Ms. Strommer explained that IBank is the California Infrastructure Bank administered by the Governor's Office of Business and Economic Development and includes two programs that are applicable to local government. The interest rates are slightly below market rate and can be financed up to 30 years.

Mr. Thomas highlighted that BAAQMD is reviewing the District's air permit application and that the District received the System Impact Study results that identified \$217,000 in PG&E improvements needed to export power to the utility grid. This will also require 12 to 18 months for PG&E to construct the improvements after executing the Interconnection Agreement.

Mr. Thomas highlighted uncertainties associated with the E-Biomas program due to the recent bankruptcy filing by PG&E. The financial viability is heavily dependent on the E-Biomas program electricity rate which is \$0.127/kWh. Without the program, it reduces the project net present value by approximately \$8 million (\$0.08/kWh). The District is investigating alternative biogas uses, including renewable natural gas production, which has a significantly higher value than E-Biomas pricing and is heavily dependent on federal and state incentives. Project uncertainty also exists due to the implementation schedule for SB 1383, which is currently in the final rulemaking process. The deadline to starting tracking reduction in organics diversion is 2020 and it is expected regulations enforcement will begin in 2022. The deadline to reduce organics diversion to 75% below 2014 levels will begin in 2025. Director Glover commented that the regulations for SB 1383 are quickly approaching.

The next steps are to review the PG&E SIS results and the interconnection agreement terms, develop the overall project schedule, negotiate the feedstock agreement with MDRR, negotiation the design-build contract with Anaergia and WM Lyles and finalize the 30% GMP, update the financial model to determine viability, and continue to pursue funding opportunities.

Chair Wright questioned when a significant project decision will be brought before the Board. Mr. Thomas responded that it will be several months due to the uncertainty referenced in the presentation. Director Glover commented that while this project is complicated, he encouraged staff to continue their efforts. Chair Wright stated his support for the project, but recognized the financial challenges associated with implementation.

Approve Updated Administrative Handbook Policy No. 3020, Investment of District Funds

Ms. Margetich provided an annual review of the District Investment Policy. The information was also presented to the Finance Committee on February 5, 2019 and Chair Wright recommended the report be brought to the full Board. The current Investment Policy was adopted by the Board on February 14, 2018. The District utilizes PFM, a specialized consultant, to conduct an annual review to ensure compliance with legal requirements. Government Section 53646(a)(2) requires Board approval of any proposed policy revisions. The primary policy objectives of the Investment Policy are safety, liquidity, and return on investment. She noted that the policy governs \$46.7 million in investments, which includes \$41.6 million invested in Local Agency Investment Fund and \$5.1 million managed by PFM and highlighted the range of authorized instruments available for cash investments.

Ms. Margetich discussed the proposed recommendation to add “supranational” debt to further diversify investment options, consistent with the stated policy objectives. She also proposed changing the minimum rating for investment in corporate bonds from “AA” to “A” to reflect changes in the methodology used by rating agencies, which has reduced the number of “AAA” and “AA” ratings issued. She noted that this revision would allow optimal portfolio diversification and investment in broader market opportunities without adding undue risk. The next steps are to work with PFM to increase the District’s rate of return for longer term cash flows and to review banking services to optimize interest on short-term cash.

Director Wright commented he conducted research since the Finance Committee meeting and learned that the rules and laws governing investments require the District to invest conservatively. He thanked Ms. Margetich for the report.

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 updated Administrative Handbook Policy No. 3020, Investment of District Funds

MANAGER’S COMMENTS

Mr. De Lange referenced the regulatory non-compliance issue and recognized staff for the timely and effective response to the incident. He also noted as part of scope of work for the Resource Recovery Facility Master Plan, the District will look broadly at critical systems to identify other potential regulatory compliance vulnerabilities. He highlighted that he would be attending the CASA Washington DC Conference in late February, which will include advocacy for funding for the East County Bioenergy Project.

DIRECTORS’ COMMENTS

Director Glover commented that he has not yet confirmed his attendance for the CASA Washington, D.C., Conference. Ms. Mason informed the Board that she will not be at the March 13, 2019 meeting and will have another attorney attend in her place.

CORRESPONDENCE

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

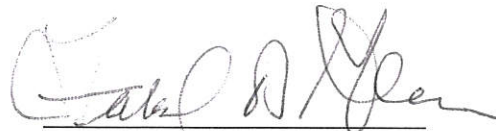
The Board received and filed the report.

CLOSED SESSION

None.

ADJOURNMENT

Chair Wright adjourned the meeting at 5:35 pm. The next regular monthly meeting will be Wednesday, March 13, 2019 at 4:30 p.m.



Federal Glover
Board Secretary

(Recording Secretary:

Cecelia Nichols-Fritzler)