

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
January 17, 2006**

CALL TO ORDER

President Schoonover called the regular meeting of the Board of Directors of North Marin Water District to order at 7:30 p.m. at the District headquarters and the agenda was accepted as presented. Present were Directors Jack Baker, Rick Fraites, Steve Petterle, Dennis Rodoni and John Schoonover. Also, present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David L. Bentley and Chief Engineer Drew McIntyre.

District employees Doug Moore (Construction Superintendent), Mike McMaster (Operations Superintendent), Robert Clark (Facilities Maintenance Superintendent), District Legal Counsel Robert Maddow, former District General Manager John Nelson and Jake MacKenzie, City of Rohnert Park council member and WAC representative were in the audience.

MINUTES

On motion of Director Baker, seconded by Director Petterle and carried by the following vote, the Board approved the minutes from the previous meeting as amended.

AYES: Directors Baker, Fraites, Petterle and Schoonover

NOES:

ABSTAIN: Director Rodoni

ABSENT:

GENERAL MANAGER'S REPORT

LAFCo Meeting

The General Manager reported that he attended the LAFCo meeting and presented information on the District's territories, water supply and distribution facilities and reviewed the cooperative agreements between North Marin and Marin Municipal Water District. He stated that he related to LAFCo the District's interest in de-annexing the service territory in the vicinity of Marshall.

Tomales Bay Watershed Council

Mr. DeGabriele reported that he and Mike McMaster attended the Tomales Bay Watershed Council meeting.

Inverness PUD and Bolinas PUD

Mr. DeGabriele said that he met with the managers of both the Inverness PUD and Bolinas PUD and that they discussed the Tomales Bay Watershed Council's Integrated Coastal Watershed Management Plan.

Oceana Marin Homeowners Association

Mr. DeGabriele stated that he will be attending the Oceana Marin Homeowners Association meeting on Saturday and will present an update of the sewer service in Oceana Marin.

Ethics Training

The Manager apprised the Board that next week, in response to the theft of funds, all District employees will attend an ethics training presented by a consultant contracted by the District for \$2,500. He noted that there would be two ninety minutes sessions, one for all staff and one for staff that handle money.

Board Workshop

Mr. DeGabriele reminded the Board of the workshop scheduled for Monday, January 30, 2006 at the Novato Fire Protection District. He stated that Robert Rauch of Rauch Communications would facilitate the workshop.

Extra Help in Maintenance Department

Mr. DeGabriele advised the Board that due to the extended sick leave of the District's Backflow Cross Connection Technician, the Maintenance Department is in need of extra help in the flushing program and recent retiree, Gerald Bundesen, has agreed to return on a contract basis to help out. He stated that the agreement for Mr. Bundesen would be brought before the Board at the next meeting.

OPEN TIME

President Schoonover asked if anyone in the audience or staff wished to bring up an item not on the agenda and the following item was discussed:

Agenda Posting on Website

Renee Roberts advised that the Board of Directors meeting agenda has now been posted on the District's website.

MONTHLY PROGRESS REPORT

Mr. DeGabriele reviewed the Monthly Progress Report for December noting that water production in Novato was up 9% from a year ago but that consumption is down 5% and that staff will meet this week to investigate the discrepancy. He stated water production in West Marin was right on target with the past couple years and is down 10%, however, if last year's system leak is omitted, there is a 4% difference from the prior fiscal year. He advised the Board that Stafford Treatment Plant is still not producing water and that the plan now is to complete the project prior to start-up. He also reviewed Stafford Lake data noting that the lake storage is 360 acre feet above maximum and in Oceana Marin, pond freeboards are at safe levels. In the Safety category, Mr. DeGabriele reported that there were no lost time injuries in December. He said that the Summary of Complaints show that complaints were up 39% over last December which is attributed to leaks and high bills, however, compared to the year-to-date total, complaints are down 17%. Mr. DeGabriele stated that 183 customer questionnaires were sent out in the past quarter, approximately half were returned and 94% of those returned were satisfied with the response by District staff. Finally, the Quarterly Water Quality Report shows that bacteriological and chemical tests were within all regulatory standards through the second quarter of this fiscal year.

Mr. Bentley reviewed the Auditor-Controller's Monthly Report of Investments and explained the District's Portfolio Rate of Return Chart which compares the District's portfolio yield with the Local Agency Investment Funds (LAIF) and showed that over the last twelve months the District earned \$11,000 less in interest because of not being 100% invested in LAIF, however, over the long term (seven years) the District generated on average an extra \$82,000 a year.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley summarized the Quarterly Financial Report of the first six months stating that the District budgeted an annual loss of \$2.5M, but that the actual loss was \$23,000 or 1%. He stated that the reason was due to only 22% of the Improvement Project budget has been expended; Stafford Treatment Plant has spent 25% of budget for the first half of the fiscal year and there has been no expenditures for the Recycled Water Project.

Mr. Bentley reported that Novato expenses have increased over \$1M from last year (22%) and has resulted in a significant loss of \$571,000 for the first six months of the fiscal year. He stated that the big factor continues to be that Stafford Treatment Plant is not operating, and that as a result, the District spent \$700,000 more on purchased water as a result; and that the increase in salary and benefits has also impacted Novato expenses.

Mr. Bentley stated that in West Marin revenue is up 4% due to a water rate increase of 6% and that expenses are down. In Oceana Marin, Mr. Bentley stated that revenue is up 4% due to additional customers, but that unscheduled expenses to repair pump stations resulted in a net income of only \$890 for this half of the fiscal year.

CONSENT CALENDAR

On motion of Director Petterle, seconded by Director Fraites and unanimously carried the following items were approved on the Consent Calendar:

Large Landscape Water Audit Agreement

The Board authorized the General Manager to enter into an agreement with AquaMetrics for continued implementation of the District's Large Landscape Water Audit Program with an amount not-to-exceed \$14,000, with any future amendments not-to-exceed \$5,000 without approval and authorization from the Board. AquaMetrics has completed 12 site audits over the past couple of years and this agreement extends the program to ten additional sites.

Rebate Resolution for ULFT HET Qualifying Toilets

Due to the availability of the dual flush and 1.0 gallon per flush High Efficiency Toilets (HET), staff requested adding rebate amounts to the existing Toilet Rebate Program setting rebates for said toilets at \$150 per toilet. Rebate amounts for the residential and commercial Ultra Low Flush Toilet (ULFT) remain at \$100 per toilet.

The Board authorized Resolution 06-01 entitled, "North Marin Water District Board of Directors Setting Water Conservation Rebate Amounts for Novato Service Area" and Resolution 06-02 entitled, "North Marin Water District Board of Directors Setting Water Conservation Rebate Amounts for West Marin Service Area."

Disbursements

The Board authorized payroll and accounts payable vouchers totaling \$716,860.17.

ACTION CALENDAR

PROPOSED CHANGES TO RESTRUCTURED AGREEMENT SECTION 2.4 POTTER VALLEY PROJECT

Mr. DeGabriele reviewed the chronology of discussions on the Restructured Agreement with the Board and stated that on September 20, 2005, the Board did not approve the Restructured Agreement because of their concern with the language in Section 2.4 that dealt with the potential acquisition of the Potter Valley Project by the Sonoma County Water Agency. He stated that at the December 6, 2005 meeting, he presented a proposed amendment to that language authored by Jake MacKenzie, Rohnert Park City Council member and representative to the Water Advisory

Committee (WAC). He stated that Mr. MacKenzie's efforts to broker a compromise had been coordinated with the Sonoma County Water Agency to move the Restructured Agreement approval forward.

Mr. DeGabriele reported that the proposed changes to the language provides that an evaluation will be made on the water supply and fisheries benefits provided by the Potter Valley Project within the Russian River watershed; the economic and operational feasibility of acquiring the Potter Valley Project, and whether alternative actions could reduce the need for the Agency to acquire the Potter Valley Project. Mr. DeGabriele noted that Mr. MacKenzie's proposed language also includes the requirement of an affirmative vote of at least six representatives of the water contractors on the WAC representing at least two-thirds of the total weighted vote to authorize any acquisition of the Potter Valley Project. Mr. DeGabriele stated that the members of the WAC have been asked to review the language proposed by Mr. MacKenzie and proposed language of the Friends of the Eel River (FOER) with their boards and report back to the WAC at the February 6, 2006 meeting on the acceptability of the proposed language.

Mr. DeGabriele also reviewed changes that he proposed to address concerns of the North Marin Water District Board specifically to reliably operate the Russian River Project with reduced diversions through the Potter Valley Project. He stated that those changes were not acceptable to the Agency because that language would trigger further environmental evaluation prior to a determination about acquisition of the Potter Valley Project. He stated that the Agency did agree to modify the proposed language by stating that before acquiring the Potter Valley Project, the Agency shall conduct an environmental analysis pursuant to California Environmental Quality Act (CEQA) which may include an evaluation of alternative flow regimes from the Potter Valley Project into the Russian River and the Eel River. He stated that the FOER proposed language addressed this further environmental review, identifying that prior to any approval a specific project to acquire and/or operate all or part of the Potter Valley Project must be described and evaluated in an environmental impact report pursuant to the requirement of the CEQA.

Mr. DeGabriele said that another concern of the North Marin Board is the potential financial obligation of acquiring the Potter Valley Project and stated that the Auditor-Controller has updated the available financial data to develop a range of potential costs for acquiring the project and to determine how those costs would be translated to the water contractors. He summarized this analysis and stated that the valuation is based on revenue generation at approximately \$19M and book value at under \$25M.

He stated that information on annual maintenance costs and annual capital expenditures allowances have been taken from a report prepared by Bob Beach in 2000 and have been escalated to reflect today's dollars. He stated that the District's analysis indicates the maximum amount that would be obligated to the water contractors would be approximately \$29 per acre-foot and that the cost for a typical Novato customer would be \$12 per year.

Mr. DeGabriele stated that, in summary, changes proposed by Mr. MacKenzie and suggested modifications by the Agency, establishes a defined path forward to investigate and evaluate the need to acquire any or all Potter Valley Project and that acquisition would only occur with a super majority vote of at least 6 water contractors representing at least two-thirds of the total weighted votes.

There was a lengthy discussion by the Board and they had an opportunity to ask questions of staff and Mr. Nelson, Mr. MacKenzie and Mr. Maddow.

Director Rodoni stated that he appreciated the analysis of cost for the Potter Valley Project and inquired if there would be restoration costs involved for whoever owns the project on the Eel River watershed. Mr. DeGabriele responded that the allowances used in the analysis included costs for outlet work modifications to regulate temperature of water released for fisheries, costs for major replacements of the fish diversion screen and costs for relicensing or decommissioning of the project but do not include further fishery restoration expenses.

Director Rodoni opined that the water contractors would be liable for some costs related to the project because, as the Sonoma County Water Agency has said, the Potter Valley Project is beneficial to the Russian River fisheries restoration. Mr. DeGabriele said that there is no mechanism to make that charge or agreement to provide for that funding.

Director Rodoni stated that he would like to be assured that the other contractors would approve the changes to the agreement. He also stated that the WAC should consider resurrecting the Impairment MOU while the Restructured Agreement language is being discussed. Mr. DeGabriele said that he believed that other contractors will accept the proposed language. He also said that the MOU would not go into effect until June and that it would be best to focus now on the Restructured Agreement.

Director Schoonover inquired how expensive an environmental evaluation would be and how long it would take. Mr. DeGabriele stated that the cost is unknown and it would take some time to prepare a scope and budget and that the WAC would see what those costs are before proceeding.

Director Fraites asked when the evaluation would take effect and Mr. DeGabriele responded that the evaluation would take effect once the language is agreed upon and the Restructured Agreement executed.

Mr. MacKenzie summarized his efforts in drafting the proposed language of the Restructured Agreement.

Mr. Nelson spoke before the board stating that this new proposed language gives the WAC more control in the decision making process on the Potter Valley Project issue.

Director Petterle stated that based on the agreement there are no defined costs or assurance to the contractors of what those costs may be. He stated that it is difficult to approve the authorization of the acquisition of the Potter Valley Project, for which the District will be required to pay, without knowing what the costs will be.

Mr. Nelson stated that the issue is that the WAC is better able to cope with that uncertainty under the proposed agreement than with the existing agreement.

Director Petterle inquired if a public agency board has the authority to enter into an agreement not knowing the financial obligation.

Mr. Maddow stated that by entering into this agreement the District is not bound to participate in the purchase the Potter Valley Project, and when that time comes, the District Board would have the precise data to make that decision. Mr. Maddow stated that public agency boards can enter into long-term contracts with uncertainties. He stated that he does not see a legal problem with the proposed language as discussed tonight.

The Board expressed their appreciation and thanked staff, Mr. Maddow, Mr. Nelson and Mr. MacKenzie for their efforts.

On motion by Director Rodoni and seconded by Director Baker and unanimously carried the Board approved the proposed changes to the Restructured Agreement Section 2.4, Potter Valley Project, and to agendaize reconsideration of the Restructured Agreement at a future meeting, and ask the District's WAC representative to report same at the February 6, 2006 WAC meeting.

Mr. MacKenzie, Mr. Maddow and Mr. Nelson thanked the Board and left the meeting at 9:15 p.m.

**CHANGE TO REGULATION 5C – CONSTRUCTION SERVICE THROUGH FIRE HYDRANTS –
INSTALLED BY THE APPLICANT**

At the request of Director Baker, this item was deferred to the February 7, 2006 Board meeting.

SOLICIT SEALED BIDS FOR PURCHASE OF USED FORKLIFT

Doug Moore presented staff's request to solicit sealed bids for the purchase of a 6000 lb. forklift for the purpose of lifting and moving heavy pipe and vaults as well as other items that are too heavy for the existing 34 year old forklift.

On motion of Director Petterle, seconded by Director Fraites, the Board unanimously approved staff soliciting sealed bids for the purchase of a used forklift not-to-exceed \$26,500.

FORWARD PROPOSED OUTSIDE EMPLOYMENT POLICY TO SEIU

David Bentley stated that several District employees have other jobs and that the District needs a policy to insure that North Marin Water District is their number one priority. He stated that legal counsel has recommended forwarding the proposed Outside Employment Policy to SEIU, the union representing 37 of the 60 District employees. He stated that once that process is completed, the policy will be brought before the Board for approval.

On motion of Director Fraites and seconded by Director Petterle, the Board unanimously authorized forwarding the proposed Outside Employment Policy to SEIU.

INFORMATION ITEMS

ACCOUNTING SUPERVISOR AND ADMINISTRATIVE ASSISTANT OFFICE MODIFICATIONS

Robert Clark apprised the Board that in order to provide privacy for the new Human Resources Supervisor, the District plans to enclose a 12-foot by 12-foot portion of the existing Accounting Department. He stated that bids have been received and a local contractor will perform the remodeling and includes modifying the air conditioning, lighting and wall outlets. Modifications in the Administrative Assistant office are also included in the budgeted amount totaling \$20,000.

DRAFT ANNUAL REPORT

David Bentley presented the Board the Draft Annual Report and requested that any comments that the Board may have be forwarded to him. He stated that the Final Annual Report will be on the agenda for the February 7, 2006 meeting.

MISCELLANEOUS:

The Board received the following miscellaneous information: Reimbursement Program 2005, Pacific Gas & Electric Service Cost Increase.

The Board also received the following news articles: Cloudy Water From Tap Said to be Safe to Drink (1/13), Larry H. Marks Memorial Notice (1/12), State Shines Light on Solar Energy (1/13), Novato Fire Chief Ready to Retire (1/10), Water Agency Assesses Flood Impacts on Infrastructure (1/5).

ADJOURNMENT

President Schoonover adjourned the meeting at 9:30 p.m.

Submitted by

Renee Roberts
District Secretary