

**NORTH MARIN WATER DISTRICT  
MINUTES OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
January 18, 2011**

**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 and Dennis Rodoni. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

Novato resident Robert Abeling, David Kunhardt and Joe Parlett of Solar Power Partners, Dylan Dupre of SPG Solar, Emily Brown of CSW/Stuber-Stroeh, Martin Rauch of Rauch Communications and District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent) and Ryan Grisso (Water Conservation Coordinator) 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 presented:

AYES: Directors Baker, Petterle, Rodoni, Schoonover

NOES: None

ABSENT: None

ABSTAIN: Director Fraites

**GENERAL MANAGER'S REPORT**

**Oceana Marin Homeowners Association**

Mr. DeGabriele reported that he attended the Oceana Marin Homeowners Association meeting on Saturday, January 15, 2011 and provided information on the financial health of the Oceana Marin Improvement District for the first 6 months of the fiscal year and advised the audience that staff will most likely recommend a sewer service rate increase next fiscal year. He said that this would be the first sewer rate increase since 2004. He noted that this was the first year that the sewer charges were collected on the property tax bill and that he received no comments from customers. Mr. DeGabriele stated that he advised the group that the District joined Marin Energy Authority and chose the "Deep Green" category for the District's Oceana Marin electrical services. He stated that he advised that the design portion of the cross country sewer lines

replacement project will begin this fiscal year and construction is likely to be pushed out to next fiscal year.

#### Meeting with County of Sonoma

Mr. DeGabriele stated he will meet with a Sonoma County representative next week to discuss the District's perspective on Community Choice Aggregation and its experience with Marin Energy Authority. He said that Damien O'Bid, City of Cotati, has asked for the District's input.

#### North Bay Leadership Council

Mr. DeGabriele reported that he met with North Bay Leadership Council (NBLC) and Novato Unified School District along with representatives of the Buck Institute and Infineon Raceway to discuss participation in the NBLC Algebra Academy to encourage 7<sup>th</sup> and 8<sup>th</sup> graders to embrace math and science. He said that the school district would select the students, NBLC would provide funding and host businesses that have math and science as its focus will provide half day classes for five days this summer. He stated that there may be a cost to the District but that participation will provide educational outreach to the students. He will provide more information to the Board as it becomes available.

#### Stafford Park Proposed Bike Park Tour

The Manager advised that the Marin County Parks and Open Space District is holding a tour of the proposed bike park on Saturday and the District staff and Board are invited to attend.

#### **OPEN TIME**

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

Robert Abeling, 1625 Indian Valley Road, addressed the Board regarding Mike Baccei's heroic efforts in coming to the aid of Amy Silva during a dog attack on Indian Valley Road on December 15, 2010. He said that he attended the hearing where the dog owner appealed euthanizing the animals and was very impressed with Mr. Baccei's demeanor under questioning by the appellant's attorney and that he answered each question calmly and specifically refuting any insinuation that Ms. Silva may not have been in danger. Mr. Abeling said he was present to acknowledge and thank Mr. Baccei for perhaps saving Ms. Silva's life.

## **PUBLIC HEARING – STP SOLAR ENERGY PROJECT**

David Bentley informed the Board that, although it was anticipated that the Board would approve the Power Purchase Agreement (PPA) and the Site License Agreement for the Stafford Treatment Plant Solar Energy Project at tonight's meeting, more time is needed to finalize the agreements. He introduced David Kunhardt and Joe Parlett of Solar Power Partners (SPP) and Dylan Dupre of SPG Solar. He stated that to move the project forward, staff recommends that the Board approve the draft resolution which makes a finding that the cost of the proposed solar power project will be less than the anticipated cost of power purchased from PG&E. He advised that the public hearing notice was published in the Marin Independent Journal on January 3, 2011 and was noticed on the District's website.

Mr. Bentley stated that the Board authorized staff to request proposals for the solar energy project on March 2, 2010 and eight proposals were received with a wide range of costs. He said that the top four candidates were invited back to refine the project, and that during this process, the project scope was modified to realize a zero-cost PG&E bill rather than to fully offset Stafford Treatment Plant electricity demand as was previously planned. He advised that modifying the project scope allowed the facility to be downsized to a 357kW facility and with a drop in solar panel prices the estimated project costs have decreased from \$4M to \$2M. Mr. Bentley presented slides of the project location on the east side of the Indian Valley Golf Course access road with simulated solar panel placement from various viewpoints from the golf course.

Mr. Bentley said that financing options were explored and that a PPA whereby the project will be owned, operated and maintained by the financing company (Solar Power Partners of Mill Valley) and with a guaranteed rate for power paid by the District is recommended by staff. He said that the District is obligated to buy all the power that is produced at 17¢ per kilowatt hour, with a 3% annual escalator, for a 20-year period that will save the District \$400,000 (at a present value basis in today's dollars) over the next 20 years. Mr. Bentley stated that the key to savings has to do with PG&E's A-6 time of use rate schedule. He advised that it is assumed that the A-6 time of use rate will increase 4% per year although actual A-6 rates have increased 5% annually since 1997. He explained the project will generate power during peak time at \$0.45 per kilowatt hour and the treatment plant will use power during partial-peak and off-peak time at \$0.20 per kilowatt hour and \$0.12 per kilowatt hour respectively. He stated that currently the District pays PG&E \$124,000 per year for Stafford Treatment Plant power, and it is anticipated that the District will continue to pay PG&E \$5,000 a year. He further stated that the first-year payment to SPP is projected to be \$103,000 resulting in a \$16,000 savings in year one.

Mr. Bentley said that the Public Utilities Commission offers a California Solar Initiative (CSI) credit of 5¢ per kilowatt hour generated during the first five years of the solar project's production. He said that SPP will receive the credit because they are the project owner and the credit has been calculated into the 17¢ per kilowatt hour proposal. Mr. Bentley advised that it was recently learned that PG&E has suspended the credit in January; and until the CSI reservation for this project is accepted by PG&E, SPP will not be able to go forward with the project at the 17¢ per kilowatt hour rate. He further advised that the PPA allows either party the option to terminate the agreement if the CSI reservation is not accepted by PG&E by June 30, 2011.

Mr. Bentley explained Renewable Energy Credits (RECs) that accompany this project are certificates of proof that renewable energy has been generated; and that under AB32, RECs may become valuable in the future under California's Cap and Trade legislation. He said that SPP factored the RECs into their 17¢ per kilowatt hour rate and staff recommends that SPP keep the RECs as their future worth is unknown.

Mr. Bentley said that the contracts for the project are very complex and the District has contracted with the law firm of Best Best & Krieger of San Diego who specialize in PPAs. He stated that the attorney has reviewed the PPA and Site Lease Agreement and has suggested numerous changes.

Director Schoonover asked what would happen if all doesn't go as planned after the agreements are in place. Mr. Bentley responded that the District would still be obligated to purchase all power generated by the facility.

Director Petterle asked if the project is a smaller footprint than was originally anticipated. Mr. Clark stated that the current site (1.5 acres) is smaller than the original site but has not been further downsized since the CEQA document was approved.

Director Petterle inquired if there are conditions in the agreement for removal of the facility after 20 years. Mr. Bentley responded that it does and there would be no cost to the District.

Director Petterle asked if the agreement addresses improved technology that could generate greater power output. Mr. Bentley stated that that is not in the agreement.

Director Petterle stated that there are regulations concerning pesticide use for the park and golf course and pesticide use should be consistent for the solar facility. Mr. Bentley agreed and said that it is important to address pesticide use in the agreement since the facility is on the watershed.

Director Petterle asked for clarification on "other installations" in the agreement. Mr. Kunhardt responded that after installation of the facility, the only addition would be a communications device

sufficient to reach a phone line. He said the Site Lease Agreement is for access to the site for the purpose of cleaning, maintaining and repairing the facility. He said that language could be added to the Site Lease Agreement that would define “other installations” under the terms of the lease agreement. Mr. Kunhardt addressed Director Petterle’s other concerns and said that they do not use pesticides and will resort to physical removal of weeds if necessary. He said that in regards to improved technology, it is not cost-effective to offset more energy than will be used; and unless new demand is created, there would be no point to upsize the amount of energy generated.

Director Baker asked Mr. Kunhardt to tell the Board about his company.

Mr. Kunhardt stated that his company is headquartered in Mill Valley with approximately 30 employees; have 47 systems completed in various states, and they have financed close to 60 systems all with Power Purchase and Site Lease Agreements.

Director Baker asked about the local resources available to respond in a timely manner to maintenance and repair of the facility.

Mr. Kunhardt stated that O & M costs are included in their proposal. He said his company uses U.S. manufactured supplies and California-based replacement part suppliers to diminish down time should something go wrong.

Dillon Dupre of SPG Solar stated that his company, based in Novato, is under contract with SPP and will construct the project and perform operation and maintenance of the system. Mr. Bentley stated that it is written in the agreement that SPG Solar will be responsible for the maintenance of the facility.

Director Fraites commented that it is important to publicize that the project will also reduce the District’s greenhouse gas emissions and will help comply with the AB32.

President Schoonover opened the public hearing and hearing no comment, closed the public hearing.

On motion of Director Rodoni and seconded by Director Fraites, and unanimously carried, the Board adopted Resolution 11-01 entitled, “ A Resolution of the Board of Directors of the North Marin Water District Making Findings Required for Energy Service Contracting.”

Messrs. Kunhardt, Parlett and Dupre left the meeting.

## **STAFF / DIRECTORS' REPORTS**

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

### **Point Reyes Homeowners Association Meeting**

Mr. Bentley said that he will attend the Point Reyes Homeowners Association meeting in February to get information about how the association funds are expended.

## **QUARTERLY FINANCIAL STATEMENT**

Mr. Bentley provided the financial statement for the first half of the fiscal year and reported that operating revenue is at 51% and should be at 57% of budget; expenditures are lagging by 3%; 26% of the Improvement Project budget has been completed and total cash balance is up \$678,000. He said the first quarter is always the best and typically declines during the second and third quarters with a recovery beginning in the fourth quarter. He advised that the connection fee revenue budget will not be met and as a consequence, there will be a higher deficit than budgeted.

Mr. Bentley said in Novato consumption is 5% below budgeted demand through December; and if the trend continues, there will be a \$278,000 revenue shortfall. He reported that Novato revenue is up due to the 9% rate increase. He noted that salary and benefit costs are down 5% from a year ago because there are four less people on staff, and the Novato cash balance has increased \$400,000 since last July. Water production at Stafford Treatment Plant was the same as last year.

Mr. Bentley advised that Recycled Water operating revenue was down and the \$100,000 cost expended for the Recycled Water for the Novato South Service Area was not budgeted for this year. He said that Recycled Water repaid Novato Water at the end of last fiscal year and now has a cash balance of \$223,000.

Mr. Bentley reported that West Marin water sales are the same as last year; operating revenue has increased due to the rate increase and seasonal charge. He said operating expenditures have increased in West Marin and repaid Novato Water \$105,000. He reported that Oceana Marin Sewer now has two new customers and the cash balance is up \$308,000. He said that the monthly sewer service charge is now collected through the Marin County property tax.

## **MONTHLY PROGRESS REPORT W/QUARTERLY CUSTOMER SERVICE**

Mr. DeGabriele summarized the Monthly Progress Report for December and reported that water production in Novato was up 4% and down 1% in West Marin compared to one year ago. He said that Stafford Treatment Plant production is the same as the previous period last year and

Recycled Water production is down slightly. He said that approximately thirteen inches of rainfall has been recorded this fiscal year and Stafford Lake is approximately six feet from the spillway elevation. Mr. DeGabriele reported that there is enough freeboard in the ponds at Oceana Marin; the construction crew completed the concrete apron repair at Stafford Dam; excellent safety performance continues with 668 days without a lost time accident or incident and he praised Robert Clark and Doug Moore for their excellent safety record. Mr. DeGabriele said that Water Conservation program rebates continue, Complaints and Service Orders are down for the month and positive responses on the Customer Questionnaires continue however, the number of responses is down with only 25% returned in December. Mr. DeGabriele said he will return to the Board with incentive options to offer customers to increase the number of responses.

Mr. Bentley said he addressed the financial report earlier in the meeting and had nothing further to add.

### **CONSENT CALENDAR**

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

### **PROPOSED BUDGET REVIEW SCHEDULE**

The Board approved the Proposed Budget Review Schedule for Fiscal Year 2011-12.

### **MARIN LAFCO SPECIAL DISTRICT ELECTION BALLOTS**

The Board approved the ballot for Marin LAFCO Special District Regular Member in the following ranking: Dennis Rodoni, Craig Murray, Bruce Abbot. The Board also approved the ballot for LAFCO Special District Alternate Member in the following ranking: Russ Greenfield, Pamela Meigs.

### **GENERAL ENGINEERING SERVICES AGREEMENT – NUTE ENGINEERING**

The Board approved a General Engineering Services Agreement with Nute Engineering for a not-to exceed limit of \$20,000 for design services related to the rehabilitation of approximately 1,000 feet of existing Oceana Marin cross-country sewer line. This project is included in the FY 10-11 approved Improvements Project Budget.

### **ACTION CALENDAR**

### **CONSULTING SERVICES CONTRACT TO RAUCH COMMUNICATIONS CONSULTANT: PUBLIC OUTREACH CONSULTING AGREEMENT FOR RECYCLED WATER**

Ryan Grisso stated that at the December 7, 2010 Board meeting, there was discussion on the steps needed to secure low interest loans for the two recycled water projects – North Service Area with Novato Sanitary District and the Novato South Service Area with Las Gallinas Valley

Sanitary District. He said that one of the funding qualifications is Market Assurances from end users of recycled water. Mr. Grisso said that at the December 7<sup>th</sup> meeting, the Board authorized staff to move forward with a Recycled Water Use Ordinance and procurement of a public outreach consultant to assist with the ordinance process. He advised that staff solicited Statement of Qualifications (SOQ) from five consulting firms and two firms responded. He further advised that the SOQs were reviewed by the General Manager, the Chief Engineer and him; and based upon that review, staff selected Rauch Communications Consulting. Mr. Grisso said that Martin Rauch is in the audience to answer any questions.

On motion of Director Petterle and seconded by Director Fraites, the Board unanimously voted to authorize the General Manager to negotiate a scope of work and execute a Consulting Services Contract with Rauch Communications Consultants for an amount not to exceed \$30,000.

Mr. Rauch thanked the Board and he and Mr. Grisso left the meeting.

**CSW/STUBER-STROEH ENGINEERING SERVICES CONTRACT – AQUEDUCT ENERGY EFFICIENCY PROJECT**

Mr. McIntyre provided an overview of the Caltrans Marin-Sonoma Narrows Widening Project (MSN) and the District's proposed Aqueduct Energy Efficiency Project (AEEP). He stated that the MSN project will impact about 80% of the District's existing 30-inch aqueduct requiring it to be relocated from Redwood Landfill Overpass to Kastania Pumps Station. He said that the District's AEEP is on a parallel track with the MSN project to take advantage of the pipeline relocation to upsize the existing 30-inch aqueduct to a 42-inch aqueduct so that pumping at Kastania Pump Station is no longer necessary.

Mr. McIntyre stated that the agreement with CSW/Stuber-Stroeh is for additional design engineering services to prepare a parallel set of drawings for the B-1 segment (Redwood Landfill Overpass to San Antonio Road) and the B-3 segment (San Antonio Road to the south end of Kastania Road) totaling 3.8 miles and includes the design of two connector segments (referred to as gap closures) located north of San Antonio Creek totaling 0.8 miles that are not part of the MSN project. He introduced Emily Brown of CSW/Stuber-Stroeh who is the project manager and lead designer for the project. He explained that Caltrans project is on a fast track schedule and the scope of work for CSW/Stuber-Stroeh must be performed concurrently with their Caltrans design work and in parallel with the District's CEQA process. He said that once the AEEP EIR is approved and the AEEP project is approved by the Board this summer, the design drawings for the AEEP will replace the Caltrans drawings for the B-1 and B-3 segments of the MSN project to show the upsize in the aqueduct.

Mr. McIntyre noted that there is significant cost savings to upsize the aqueduct as part of the MSN project and he reviewed project costs for the project. He reported that the benefits of the project will be to eliminate the energy use of Kastania Pump Station, improve water delivery reliability, eliminate green house gas emissions, eliminate operations and maintenance costs and capital replacement costs are eliminated.

Director Rodoni inquired who, besides MMWD, benefits from the elimination of the pumps. Mr. DeGabriele replied that all contractors benefit because under the Restructured Agreement the pump station is classified as a common facility and all the water contractors pay for the pumping.

Director Rodoni further inquired why the B-1 and B-3 segment replacement is not a shared project with the water contractors. Mr. DeGabriele responded that although the Sonoma County Water Agency owns the Kastania facility, it is the District's pipeline and no other contractor has ownership of the pipeline.

On motion of Director Petterle, seconded by Director Baker the Board unanimously authorized the General Manager to execute an agreement with CSW/Stuber-Stroeh in the amount \$236,540 for design services related to the Aqueduct Energy Efficiency Project with a contingency of \$24,000.

### **INFORMATION ITEMS**

#### **DRAFT INTERAGENCY AGREEMENTS FOR RECYCLED WATER – NOVATO SANITARY DISTRICT AND LAS GALLINAS VALLEY SANITARY DISTRICT**

Mr. DeGabriele informed the Board that two draft Interagency Agreements for Recycled Water are being presented for their information. He said the agreement with Novato Sanitary which is already in place and in operation, adds a new treatment facility and expansion of pipelines in the Novato North Service Area. He said the agreement with Las Gallinas Valley Sanitary District is similar; however with different costs for the Novato South Service Area project. He advised that Novato Sanitary District Board is scheduled to consider the agreement on January 24<sup>th</sup> and Las Gallinas Valley Sanitary District will present the agreement to their Board on January 27<sup>th</sup>. He further advised that once the agreements are signed by the respective sanitary district boards, the agreement will be brought before the Board for approval.

#### **DRAFT LICENSE AGREEMENT BETWEEN CITY OF NOVATO AND NMWD FOR USE OF CITY'S PROPERTY AS FINISHED WATER STORAGE FACILITY SITES**

Mr. DeGabriele presented a proposed License Agreement between the City of Novato and the District for use of city facilities for recycled water storage at part of the Novato North Service Area recycled water project. He said that the District entered into the License Agreement with the

City of Novato ten years ago for use of Ammo Hill to construct the Amaroli Tank. He advised that the agreement stated that at the completion of nine years, the City would entertain whether it would grant the District an easement or deed for the property. Mr. DeGabriele stated that the City has declined to grant an easement for the Ammo Hill or Reservoir Hill because of their concern with the requirements and stipulations in the quitclaim deed which conveyed the property from the U.S. to the City. Mr. DeGabriele stated that, after many discussions with the City of Novato, it will agree to amend the agreement adding in Reservoir Hill provided compensation is received from the District. He commented that the agreement between the U.S. and the City states that if the City receives compensation, it has to be fair market value and the compensation must go to the federal government. He advised that the compensation offered to the City is to provide a new water service for irrigation of existing streetscape median landscaping. He said that the matter will go before the Novato City Council on February 8<sup>th</sup> and he will attend the meeting to update the Council on the recycled water expansion provisions.

#### **TAC MEETING – JANUARY 10, 2011**

Mr. DeGabriele stated that at the Technical Advisory Committee meeting, the TAC voted to bring the draft SCWA budget to the Water Advisory Committee. He reported that there will be a 5.4% rate increase to the District because less water is being sold, costs are fixed, the cap on the Watershed Restoration Surcharge sunset last year and the increase is necessary to fulfill the requirements of the Biological Opinion.

#### **MISCELLANEOUS**

The Board received the following miscellaneous information: Disbursements, Increase in Mileage Reimbursement Rate. Letter from Silva Re Baccei/Dog Attack, Renewal of Oceana Marin Liability Insurance, The U.S. Piper – The North Marin Story.

The Board received the following news articles: Local Officials Honored for Energy Program, Consultant to Draw Up Plans for Bike Park, Water Main Flushing Program to Begin, Annual Pipe Flush Underway, Kelley Not Seeking Water Agency's Top Job, Winter Rain Translates to Strong Water Supply for Season, NMWD Says.

#### **ADJOURNMENT**

President Schoonover adjourned the meeting at 9:16 p.m.

Submitted by

Renee Roberts  
District Secretary