NORTH MARIN WATER DISTRICT

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS March 3, 2009

CALL TO ORDER

President Rodoni 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, Steve Petterle, Rick Fraites and John Schoonover. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

Anna Francis, District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent), and Pablo Ramudo (Water Quality Supervisor) were in the audience.

CLOSED SESSION

President Rodoni immediately adjourned the Board into closed session for - Conference with Legal Counsel – Existing Litigation - Pursuant to Government Code subdivision (b) of Section 54956.9 (one case Electronic Innovations).

OPEN SESSION

Upon returning to regular session at 7:45 p.m., President Rodoni stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

MINUTES

On motion of Director Schoonover, seconded by Director Baker and unanimously carried the Board approved the minutes from the previous meeting as mailed.

GENERAL MANAGER'S REPORT

Water Project DEIR Public Hearing

Mr. DeGabriele reported that the Water Project Draft Environmental Impact Report public hearing was held February 18, 2009 in Petaluma. He said that Directors Rodoni and Baker served as hearing officers and the meeting was poorly attended.

Valley of the Moon Well Dedication

The General Manager reported that he attended the Valley of the Moon Water District Well Dedication on Wednesday, February 25. He said the Valley of the Moon used Local Supply,

Recycled Water and Tier 2 water conservation money to build a new well to help the local water system supply.

City of Novato/Special District's Cooperative Planning Meeting

Mr. DeGabriele informed the Board that he, Mr. Bentley and Mr. McIntyre participated in a city and special district cooperation planning effort to discuss ways in which the city and special districts can help save money. He stated that the city of Novato and the Novato Unified School District are in a dire financial situation. He reported that nothing conclusive came out of the discussion but there are a couple of areas the participant's will look at further.

County-Wide Infrastructure Summit

Mr. DeGabriele reported that he was approached by the Marin Association of Realtors (MAR) and Marin Municipal Water District to consider participating in a county-wide water infrastructure summit. Mr. DeGabriele distributed the outline of the summit that as of yet, does not have a date. He said that he is reluctant to be a sponsor because the MAR is opposed to the District's retro-fit on resale program and connection fee increase and has written letters to the Marin Independent Journal editor in opposition. He stated that Marin Municipal's general manager sees this as an opportunity to showcase infrastructure needs in the county. Mr. DeGabriele opined that it makes more sense for the North Bay Watershed Association be a sponsor since all agencies are members of the NBWA. He asked for the Board's feedback.

Water Supply Update

Mr. DeGabriele provided an update on water supply and said the Stafford Lake storage is approximately 3500 acre feet and that to date rainfall total is 17.56". He said that backfeeding has been discontinued as of today. He reported that Lake Sonoma is 80% of capacity, Lake Mendocino is approximately 50% and diversions out of the Eel River into the Russian River are beginning to increase as of today. He further reported that the fisheries are still in trouble and that very few fish returned this winter. Lake Mendocino is half the capacity of what was available last year when a 15% reduction in winter diversions were requested.

MALT

The Manager advised that the Marin Agricultural Land Trust is working with the Corda Ranch on the watershed to enter into an agriculture conservation easement and has asked him to write a letter to the State Coastal Conservancy in support of their search for funds.

OPEN TIME

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

Anna Francis of Point Reyes Station, spoke before the Board objecting to the amount of money she is required to pay to connect to the water system in Point Reyes for her new construction project.

STAFF/DIRECTORS REPORTS

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

Watershed Forum

Director Rodoni stated that he attended the Watershed Forum in West Marin and Ryan Grisso had provided him with water conservation materials and giveaways. He said it was attended by over 200 people and it was very successful event.

CONSENT CALENDAR

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

<u>BUDGETED FY 08/09 PONTI TANK RECOATING PROJECT – APPROVE THIRD PARTY</u> <u>COATING INSPECTION CONTRACT WITH WEST COAST COATING CONSULTANTS</u>

The Board authorized the General Manager to execute an agreement with West Coast Coating Consultants for coating inspection services on a time and expense basis with a not-to-exceed limit of \$16,000 for the Ponti Tank Recoating Project.

<u>AUTHORIZATION TO SUBMIT FINANCIAL ASSISTANCE APPLICATION FOR RECYCLED</u> WATER PROJECT EXTENSION TO VALLEY MEMORIAL PARK

Staff plans to apply for State Financial Assistance for the projects identified in the Recycled Water Implementation Plan and North Bay Water Reuse Authority's "North Bay Water Recycled Programs." The first application is for an 8-inch main extension of the recycled water pipeline to Valley Memorial Park with an anticipated project cost of \$3.7M. This project meets the requirements of the California Clean Water State Revolving Fund that will receive in excess of \$280M from the newly enacted federal American Recovery and Reinvestment Bill of 2009.

The Board approved Resolution 09-11 entitled, "Application/Authorization Resolution" authorizing the General Manager to sign and file a Financial Assistance Application for a financing

agreement from the State Water Resources Control Board for the planning, design and construction of Extension of Recycled Water to Valley Memorial Park project.

AUDIT COMMITTEE

The District's outside auditor, Charles Z. Fedak & Company, requested that the District form an Audit Committee comprised of two Directors, the General Manager, Auditor-Controller and Accounting Supervisor for the purpose of communicating certain matters related to the conduct of the audit to those responsible for the oversight of the financial reporting process and those charged with governance of the District.

The Board directed designated staff to attend the audit entrance and exit conferences, and that the outside auditor report on said meetings in October when they meet with the full Board.

ACTION CALENDAR

APPROVE: RATE INCREASE STRUCTURE

Mr. Bentley said that at the last meeting staff discussed a proposed rate increase by Sonoma County Water Agency of 32% beginning July 1 and that it has now been revised down to 25%. He said that there is still question as to how much water will be delivered, and that it is difficult to calculate the total cost if the amount of water delivered is unknown. He reported that at this point, a 25% District water rate increase is proposed generating \$2.3M per year and he explained the options for structuring the increase. Mr. Bentley informed the Board that the bi-monthly service charge and the base rate comprises 89% of the revenue and those two areas should be focused on. Mr. Bentley stated that the District assumes it will sell 20% less water next year which will cost \$1.9M in revenue. He reviewed five rate increase options and discussed how much revenue each option would generate. Mr. Bentley stated that staff believes that an across-the-board rate increase would be the easiest to implement.

He stated that there is value in fine-tuning the rate structure in that the total charge to certain classes of customers could be slightly increased or decreased; however, under Prop 218, fine-tuning the rate structure would require that an analysis for each customer be performed and they be advised on how the change would impact them.

Director Baker asked if notifying all customers of the impact that the rate change would have is for options 2 through 5, but not option 1. Mr. Bentley replied yes. Director Baker said that, although he is not happy about any of the options, he would favor option 1.

There was discussion on the proposed options and the requirements of Prop 218 and notifying customers.

Mr. DeGabriele stated that if a 25% across-the-board rate increase is noticed, the increase approved by the Board and implemented may be less than 25% but not more. He further stated that to accommodate any other option would require noticing individual customers on how the rate increase would affect them.

Director Rodoni stated that based on the analysis, the residential customers may be subsidizing non-residential customers and if it were adjusted it would push the increase over the 25% threshold. He also asked if the across-the-board adjustments include tier rates; and Mr. Bentley said that tier rates would increase but the tier threshold would stay the same. Director Rodoni stated that he was not in favor of increasing the bi-monthly charge because of fixed income customers who do not use much water, however, if the service charge was adjusted, the District would be short of revenue. He asked how much does the bi-monthly charge cost the District? Mr. Bentley said that the last analysis of the bi-monthly charge cost revealed that it cost the District \$12 and customers are charged \$11, and that a 25% increase would raise the charge to \$14. Director Rodoni suggested that Mr. Bentley have that information available at the public hearing.

On motion of Director Schoonover and seconded by Director Baker, the Board unanimously authorized staff to advertise that the District proposes a 25% across-the-board increase in water rates and charges and invite the public to comment accordingly.

APPROVE: DRAFT LETTER TO CUSTOMERS RE NOTICE OF 2009 WATER USE RESTRICTIONS AND RATE INCREASE

Mr. DeGabriele stated that in February the Board discussed the need to adopt an Emergency Water Conservation Ordinance which was adopted at the February 17, 2009 meeting. He said the draft letter before the Board tonight is to publicize the declaration of the water shortage emergency restrictions and at the same time, notice customers of a proposed rate increase. He explained that Prop 218 requires that customers be given a 45-day advance notice to any property related fee. He advised that the proposed letter to all customers will be mailed in an individual envelope for the cost of \$6,000 and that on the face of the envelope there will be printed "Notice of 2009 Water Use Restrictions and Rate Increase." Mr. DeGabriele stated that he is asking the Board to set time and date for a public hearing to consider the rate increase. He advised that the letter was written before the Water Advisory Committee (WAC) meeting of March 2 wherein the WAC did not concur with the total allocation of water that Sonoma County Water Agency indicates can be provided this summer and that the WAC did not concur with the proposed rates. He suggested that the date of the public hearing, originally proposed to be May 19, be postponed a week to May 26 which would satisfy the Prop 218 45-day notification obligations.

Director Rodoni said that the message should be clear to the customers that the reasons for the water restrictions is that 80% of Novato's water comes from the Russian River and Novato water supply is impacted by the conditions on the Russian River system.

Director Petterle suggested that the letter include bullet points to make it easier to read.

The Board tabled approval of the letter pending its revision by staff.

On motion of Director Schoonover and seconded by Director Petterle, the Board set a Special Meeting on May 26, 2009 at 7:30 p.m. as the date and time for a public hearing to consider a rate increase.

APPROVE: PROPOSED DISTRICT FINANCIAL RESERVE POLICY

Mr. Bentley presented the proposed District Financial Reserve Policy wherein he recommends a reserve cash balance of 90% of operating expense level be maintained.

On motion of director Fraites and seconded by Director Petterle, the Board unanimously approved the Financial Reserve Policy and directed staff to set a target in the District's financial plan to build and maintain a cash reserve equal to 90% of annual operating expense.

INFORMATION ITEMS

SECOND QUARTER FY 08/09 REPORT - OPERATIONS/MAINTENANCE

Mr. Clark presented the Operations/Maintenance Second Quarter FY 08/09 report and stated that the objectives this quarter were the completion of the treatment season, shut down of projects and maintenance tasks at the treatment plant, and maintain the critical water quality reports to regulatory agencies.

Treatment / Distribution Operations

Mr. Clark reported that 250 acre feet were produced out of Stafford Lake through the end of October and the lake level is 177.5 feet of elevation. Total water produced for the calendar year was 2300 acre feet. He stated that as part of the annual maintenance, the filters were dewatered and the media was washed with an acid solution to remove biological build-up over the past two years of operations. He said this may be a process to be performed during high algae season. Mr. Clark said filters were replenished with anthracite and sand; and at the end of the quarter, 40% of the shut-down projects were completed.

West Marin System

Mr. Clark reported that water production in Point Reyes was the same as last year, indicating there is static demand. He said that filters showed improved performance after media was changed, and the total backwash water used is 40% less than the previous year.

Mr. Clark said that Phillips and Associates is continuing to do a good job performing operations and maintenance tasks in Oceana Marin and the maximum flow going to the storage and treatment ponds during this quarter was 491,000 gallons, a decrease of 5.7% from last year. He said monthly inspections are being performed and the system is in good shape.

Maintenance

Mr. Clark reported that the maintenance staff focused on the asset management program with the development of an evaluation matrix modeled after the Federal Department of Agriculture and that the matrix was used during the annual Oceana Marin infiltration and intrusion inspection planning. He further reported that the electrical/mechanical staff completed cathodic protection rectifier replacements and performed annual service to the emergency generator and electrical system for the Crest radio system. He said that the agreement with other agencies that use the radio tower was never finalized and he will attempt to get reimbursement from those agencies. Mr. Clark stated that the buildings and grounds crew has planted shrubs and trees at Atherton and Winged Foot tanks and removed a large oak tree on District property adjacent Spinosa Way. He informed the Board that mechanic, Kent LeBrun, is doing a fine job maintaining the vehicle fleet and the District has enjoyed a 15% overall savings in vehicle maintenance costs. He advised that the mechanic's role has been expanded to include inspections, inventory of hazardous materials, certification of pressure vessels and emergency generator maintenance.

SECOND QUARTER FY 08/09 REPORT – WATER QUALITY

Mr. Ramudo provided the second quarter water quality report for Novato and Point Reyes water systems and stated that both systems met federal and state primary water quality standards. Mr. Ramudo reported that Stafford Lake was used as a source of drinking water throughout the quarter until October 31 when production ceased. Water quality was monitored for chemical components and algae numbers were down from the summer months, and the raw water total organic carbon (TOC) rose slightly in October to its highest point for the year 6.7 mg/L. He said that the fine tuning of Stafford Treatment Plant reduced the treated water TOC number to below the goal of 3 mg/L and resulted in low disinfection by-products in the distribution system. Mr. Ramudo stated that the lab staff completed a monitoring study for the Initial Distribution System Evaluation for the disinfection by-product rule stage 2. He said this is a regulation that will begin in 2012 that will require water utilities to meet a lower level of disinfection by-products in the distribution system.

He said the study was completed for compliance three years ahead of schedule and said that the Stafford Treatment Plant operation is the reason this could be achieved.

Mr. Ramudo said that the Point Reyes water system was challenged with significant salt water intrusion this year; that customers were notified in the Point Reyes Light from August 11 to December 15 that sodium levels were above 50 mg/L, the point at which the sodium becomes a dietary contribution and requiring those on sodium restricted diets be informed. This is part of the District's Standard Operating Procedures approved by the Department of Public Health.

Mr. Ramudo announced that Sarah Lucchesi was promoted to Chemist 2.

INDIAN VALLEY ROAD WATER OUTAGE

Mr. Clark provided details of the water outage on Indian Valley Road which occurred during the flushing program on January 28, 2009. He said that the outage impacted customers on several streets between Arthur and Slowdown Court and was caused by errors in the flushing procedures for that zone. He said the lab staff responded with Mr. Ramudo contacting the Department of Public Health and a Precautionary Water Quality Alert distributed in the area. Twelve samples were collected and tested for total and fecal coliform, E. coli and chlorine residual. He advised that the water quality alert was cancelled on January 29 for all streets with the exception of two streets. He said that after additional sample was tested on the remaining two streets, the alert was cancelled on January 31. Mr. Clark explained the flushing guidelines and the procedures followed by staff and how the error occurred. He said that a modified training program unique to the District's flushing program will be conducted along with a review of procedures and will better equip operators when flushing this area.

Mr. Ramudo stated that the District has a complicated distribution system that includes many elevation changes and discreet zones spanning several miles. He said the District has the highest designation the state gives a distribution system, D-5, it's harder to isolate an area, and a small error can have large consequences.

WAC TAC MEETING – MARCH 2, 2009

Mr. DeGabriele provided an update on the Water Advisory Committee and Technical Advisory Committee meeting held on March 2, 2009. He reported that Jake MacKenzie, Rohnert Park, was elected Chair and Susan Gorin, Santa Rosa, was elected Vice-Chair for the ensuing two years.

Mr. DeGabriele stated that he cautioned the committee that even though there was a lot of rain in February there was still low storage in Lake Mendocino and that he did not know, at the time,

if it would be a "dry" or "normal" year. He said that today the Agency announced that normal year conditions prevail. He said that he reminded the WAC that the Agency agreed to deliver 52,000 acre feet in fiscal year 09/10 and that he advocated strongly that the WAC approve that allocation. He said that the Water Agency had authorized the WAC to divide that amount among the WAC members. He said that the Agency general manager indicated that he will ask the State Water Resources Control Board for relief from in-stream flow requirements of Decision 1610 by this summer and that he would be willing to sell more water if it's available. Mr. DeGabriele stated that if contractors insist that more water be available, the Agency wants an agreement that assures payment for that amount. He said there was much discussion and concern about high rates and the political challenge to pass on higher rates to customers. He said that Director Rodoni moved to support the 52,000 acre foot annual allocation but the motion failed to pass and it was agreed that the WAC would meet on April 6 to consider the water year classification and allocation at that time and to consider the budget. He stated that the WAC asked the TAC Budget Sub-committee to work with the WAC on proposed budget revisions. Mr. DeGabriele stated that ten days ago, all of the TAC solidly supported the 52,000 acre foot, but that after a week of rain and storage levels going up, Santa Rosa broke ranks and the group effort fell apart. He opined that it was a bad idea to turn back on what was negotiated with the Agency.

Mr. DeGabriele summarized other agenda items of the WAC meeting as follows: the FY 2009/10 Agency budget was presented and it was agreed that the budget will be considered at the WAC meeting in April; the Water Project EIR public hearings have been poorly attended; and that a contingency of the Water Agency had met with legislators and Corps of Engineers and House and Senate Appropriations Committee staff in Washington, DC. advocating funding for the Biological Opinion obligations.

NORTH BAY WATERSHED ASSOCIATION MEETING - MARCH 6, 2009

Mr. DeGabriele advised that he was asked to make a brief presentation at the next North Bay Watershed Association meeting on the response to reductions in Russian River deliveries.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements (2/18/09 and 2/25/09), Reimbursement Program 2008, West Marin Water Improvement District Fact Sheet, NBWRA Newsletter, NBWRA Minutes, Novato's best, brightest meet the savviest, LN Graduates named to City Commissions and Status Report West Marin Radio Read Meter Installation.

The Board also received the following news articles: Recent Rainfall Increases Storage Levels, Rationing Still Likely, Public Meetings Scheduled, Santa Rosa Declares Water Shortage Voluntary 15% Use Reduction and Rain might lessen need for water limits in part of Marin.

ADJOURNMENT

President Rodoni adjourned the meeting at 9:11 p.m.

Submitted by

Renee Roberts
District Secretary