

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 4, 2010**

CALL TO ORDER

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

District employee Robert Clark (Operations/Maintenance Superintendent) was in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

State Board Hearing on Instream Flow Policy

Mr. DeGabriele reported that today he attended the State Board adoption hearing for the Instream Flow Policy in Sacramento and informed the Board that he had spent all day Tuesday, April 27th in Sacramento and had addressed the Board. He stated that the State Board continued making changes to the policy as late as the night before the hearing. He said that he will provide a report at the next meeting.

Presentation to Marin County Board of Supervisors

The General Manager advised that he was asked by Marin County Supervisor Kinsey to make a short presentation to the Board of Supervisors on the status of water supply at next Tuesday's Board of Supervisors meeting. He said he will also apprise them of the District's projects, especially the NMWD Energy Efficiency (Aqueduct Relocation) Project, and that the other county water district will also make a presentation.

Lake Storage

Mr. DeGabriele provided information on lake storage and stated that Lake Mendocino currently has 104,000 acre feet, whereas last year, it held under 53,000 acre feet; Lake Sonoma now holds over 250,000 acre feet compared to last year's 226,000 acre feet.

OPEN TIME:

President Baker asked if anyone in the audience wished to bring up an item not on the agenda and there was no response.

STAFF/DIRECTORS REPORTS

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

GTE Mobilnet License Agreement

Mr. Clark advised that he was contacted by GTE Mobilnet who advised that they want to reassign the Little Mountain Wireless Telecommunication Antenna Site project to Tower Development Corporation which will require that the existing license agreement with the District be revised. He stated that he will bring more information back to the Board at a future meeting.

Financial Report Award

Mr. Bentley informed the Board that the District's Accounting Department has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the District's annual financial report, and the award will be formally presented to the District at a Board meeting in August.

Director Out-of-Town

Director Baker advised that he will be out-of-town in July and will miss the meeting on July 6th.

ACTION CALENDAR

APPROVE: RESOLUTION FOR RICHARD RUDOLPH

Mr. DeGabriele presented the Resolution of Appreciation for Richard M. Rudolph on the occasion of his retirement from the District after 46 years of service.

On motion of Director Petterle and seconded by Director Fraites, the Board unanimously approved Resolution No. 10-07 entitled, "Resolution of Appreciation to Richard M. Rudolph."

APPROVE: NOTICE OF PROPOSED BILLING CHANGE

Mr. Bentley presented the draft Notice of Proposed Billing Change that will be mailed to all Oceana Marin sewer customers advising them of the District's proposed plan to place the sewer service charge on their annual property tax bill rendered by the Marin County Assessor and of the public hearing scheduled for July 6th in Point Reyes Station. He noted that this will save the District from mailing twelve bills to customers annually.

On motion of Director Petterle and seconded by Director Rodoni, the Board unanimously approved the Notice of Proposed Billing Change.

CONSIDER: PROPOSITION - 16 TAXPAYERS RIGHT TO VOTE ACT

Mr. DeGabriele stated that at the last meeting, the Board discussed Proposition 16 - The Taxpayers Right to Vote Act and requested the item be placed on the agenda to consider taking a position. He noted that this proposition is proposed by PG&E.

Director Petterle stated that he requested that this issue be placed on this agenda so that the Board could hold further discussions and vote whether to take a position.

Director Fraites stated that every city in Marin County is in opposition as well as Marin Municipal Water District, and that he would like the District to take an oppose position.

Director Schoonover said that he was not concerned with what the other cities are doing. He stated that he did not think it was the District's place to take a position and that according to the "Guidelines for Public Agencies Regarding Ballot Measures", the District cannot advocate to its customers one way or the other and that by taking a position, the District would be doing that.

Director Rodoni stated that he wanted to connect the proposition to the District's mission; however, there is a concern that Proposition 16, if passed, could be modified in the future for other issues requiring a vote by ratepayers which could impact the District down the road. He stated that his concern is how PG&E will view the District in terms of possible negotiations concerning the Stafford Solar Energy project and how the Marin Energy Authority may view the District if there is no position taken. He said it is important to consider the impacts and to weigh the benefits of taking a position or not taking a position and remaining neutral.

Director Baker said that while it may be of interest to the District, he felt it was not of significant relevance to the District and he would like no position taken.

On motion of Director Petterle, seconded by Director Fraites, the Board approved an oppose position on Proposition 16 by the following vote:

AYES: Directors Fraites, Petterle, Rodoni

NOES: Directors Baker, Schoonover

ABSTAIN: None

ABSENT: None

INFORMATION ITEMS

INITIAL REVIEW – FY 10/11 PROPOSED NOVATO OPERATIONS BUDGET

Mr. Bentley stated that his presentation will include both the proposed FY10/11 Novato Operations Budget and the proposed Recycled Water Operations Budget and then he will talk about the water rate increase and link that to the budget and five-year financial plan.

Mr. Bentley said the proposed budget includes a \$19.1M expenditure plan that includes the Novato operations and non-operating items (connection fees, loan monies received as well as capital expenditures and debt service). He said the budget includes an \$821,000 deficit primarily due to a projected decrease in connection fee revenue and therefore, a decrease in cash balance, and that \$2.4M is included in the budget as a loan to finance the contemplated Stafford Treatment Plant Photovoltaic Project. He said the proposed 11% rate increase will add \$1.6M to revenue next year. He explained that if there is no rate increase, \$1.6M would be added to the \$821,000 deficit. Mr. Bentley said that the decrease in connection fees and slow economy make a big difference in the budget forecast. He advised that non-residential accounts would see a seasonal rate incorporating a 5% commodity rate increase that will be effective November 1 through May 31 and a 15% commodity rate increase from June 1 through October 31.

Mr. Bentley summarized the major assumptions including water sales budgeted at 3.1 billion gallons, which is an 8% decrease in the 10-year average of water sales volume. The Buck Center Lab Expansion Project is budgeted to bring in approximately \$500,000 in connection fees. He advised that total expenses are budgeted to increase 6% due to the 7% increase in cost of purchased water from Sonoma County Water Agency. Mr. Bentley stated that another assumption is a 2% cost of living salary increase effective October 1 in accordance with the change in the CPI per the agreement with the employee association. He advised that the cost of health insurance is budgeted for an 8% increase, and worker's compensation is budgeted at \$150,000; he noted the reduction of three FTE staff will result in a saving of \$310,000.

Mr. Bentley stated that this is the first of three reviews and the next review will be at the May 18th meeting.

INITIAL REVIEW – FY 10/11 NOVATO RECYCLED WATER OPERATIONS BUDGET

Mr. Bentley advised that there will be a rate increase of 5% for recycled water, but that recycled water will not be subject to the proposed seasonal rate. He said the operating expenses are budgeted to increase 17%, and the budget includes \$613,000 for the first phase of the North Bay Water Reuse Authority North Service Area Expansion Project. He stated that Mr. McIntyre has done a good job putting together funding with federal and state grants and a contribution from

Novato Sanitary District. He advised that the District will pay the balance with a State Revolving Fund loan that will be financed with developer connection fee monies. He said the recycled water budget for next year shows the facility breaking even.

Mr. Bentley informed the Board that StoneTree is cutting back on recycled water purchases because of their budget constraints; therefore, the District will not hit its budgeted production goal of 63mg of recycled water. He further informed the Board that the Recycled Water Operations Budget will be folded into the Novato Operations Budget next fiscal year.

Mr. Bentley made a presentation to the Board on the proposed rate 11% increase with the District's five-year financial plan. He asked the Board and staff to comment on his presentation so that the information is conveyed in an understandable and concise format at the upcoming public hearing. Comments are summarized below:

- Driver for the rate increase is to increase cash reserves – identify what reserves are used for – list past and future projects; show how and why reserves were spent down.
- Explain that reduced development in Novato (i.e. reduced connection fees) is a factor in decreased revenue and revenue must be generated from the ratepayer.
- The “Dashboard” graphic should be made as clear as possible with limited acronyms.
- Dashboard financial plan assumptions can be manipulated to show how different factors affect the bottom line – this was well received.
- Provide Novato service area map identifying projects' locations, costs, and other pertinent project information.
- Identify what improvements have been or are being made and why; i.e. Stafford Treatment Plant had to be built to comply with stricter water quality regulations.
- Emphasize that the District works on a regular basis to keep costs at a minimum and that projects have been downsized through the budget process to address overall financial impact.
- Point out that three recently vacated positions will not be filled.
- Customer comments have included questions about water supply - provide the chart “Novato Water Supply by Source”.

THIRD QUARTER PROGRESS REPORT - ENGINEERING DEPARTMENT

Mr. McIntyre reported on the Engineering Department third quarter and said it is expected that expenditures will drop to less than \$1M over mid-year projections, primarily due to the fact that the Solar Energy Project has fallen behind schedule. He advised that proposals for the solar project are now being reviewed by staff but that the \$500,000 forecasted expenditure will not be realized. He further advised that bids for Crest Tank No. 2 show a savings of \$450,000, and he stated he hopes to bring the contract to the next meeting for Board approval. He said that those delays have heavily impacted this fiscal year's expenditures and the bulk of the expenses will be incurred next fiscal year. Mr. McIntyre reported that 50% of the improvement projects budget has been expended compared to 82% last year. He said one new project has been added in Novato – the Urban Water Management Plan.

Mr. McIntyre stated that West Marin is forecast to be 81% of the improvement projects budget versus the mid-year projection of 89%. He noted that developer hours have trailed off and consequently, the vacated junior engineer position will not be filled.

WATER CONSERVATION QUARTERLY UPDATE (JULY 2009 – MARCH 2010)

Mr. McIntyre provided an update on the Water Conservation third quarter activities and reported that the Water Smart Home Surveys continue to be popular and are up over the last two fiscal years. He said that the District is continuing its agreement with the California Youth Energy Services for the fourth year and explained that they perform energy audits and water conservation surveys primarily for multi-family residences. Mr. McIntyre advised that rebates for the high efficiency toilets are up, cash for grass rebates remain popular and the washing machine rebates are down compared to last year, likely due to the economy.

THIRD QUARTER 2009/10 UPDATE – OPERATIONS/MAINTENANCE

Mr. Clark provided a third quarter update on the Operations/Maintenance Department and noted that the wet weather has allowed the Stafford Treatment Plant to start up in March resulting in approximately 97 acre feet of water produced. He said that final revisions to the Stafford Treatment Plant Operations Plan were completed and submitted to the California Department of Public Health. He advised that the entire distribution system was flushed this year and completed this quarter. He said that last year, only zone 1 and parts of zone 2 were flushed, and it was noted that the areas not flushed last year were very clean this year. He said that staff is considering modifying the flushing program next year to save water and staff time while still maintaining high water quality in Novato.

Mr. Clark reported that flushing in West Marin was completed, and he noted that even though West Marin did not get flushed last year, the water quality has improved; therefore, West Marin will not be flushed next year. He said that in Oceana Marin, Phillips and Associates continue to do a good job. Mr. Clark said that peak flows continue to be influenced by infiltration throughout the collection system, and as part of further infiltration studies, smoke tests will be conducted next fiscal year to determine the source of infiltration.

Mr. Clark provided a summary of the maintenance section and stated that an audit of customer well use and update to the tracking database was conducted for the cross connection program; the electrical/mechanical staff completed projects at the treatment plant, tanks and pump stations and responded to winter storm outages. He said that the building/grounds crew has removed small trees and limbs that came down during storms and removed graffiti from Crest and Air Base tanks.

NBWA MEETING - MAY 7, 2010

Mr. DeGabriele advised that the North Bay Watershed Association meeting is May 7, 2010 and noted that the District has budgeted \$6,825 for its membership fees; Director Baker will attend the meeting.

WAC/TAC MEETING – MAY 3, 2010

Mr. DeGabriele provided a brief report of the WAC/TAC meeting held on May 3, 2010. He said that most of the discussion centered on the Draft Water Supply Strategy Action Plan and that the Agency will make a presentation to the District's Board at a future meeting.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements, Alternate/Flex Work Schedule Trial, Additional Bill Adjustment – Greenberg. The Board also received the following news articles: Lake Feasibility Study Plodding Along and Salinity Notices.

CLOSED SESSION

President Baker adjourned the Board into closed session at 9:24 p.m. for Conference with Legal Counsel – Existing Litigation Pursuant to Subdivision (a) of Government Code Section 54956.9 – Name of Case: North Coast Rivers Alliance v. California Department of Transportation (Named Real Party in Interest - North Marin Water District).

OPEN SESSION

Upon returning to regular session at 9:39 p.m., President Baker stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

ADJOURNMENT

President Baker adjourned the meeting at 9:40 p.m.

Submitted by

Renee Roberts
District Secretary