

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 20, 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 Bentley and Chief Engineer Drew McIntyre.

District employees Robert Clark (Facilities Maintenance Superintendent), and Mike McMaster (Operations Superintendent), Doug Moore (Construction Superintendent), Ryan Grisso, SCWA Water Conservation Coordinator, Mark Soldati of Winzler & Kelly and eight Novato residents were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Sonoma County Water Agency

The Manager reported that he attended the Sonoma County Water Agency Board of Supervisors meeting wherein they approved the Restructured Agreement for Water Supply and the Impairment MOU.

Mr. DeGabriele reported that he was notified that the rubber dam on the Russian River had sprung a leak and that contractors are being asked to use more local supply. He stated that North Marin is unable to do so as the Stafford Lake Treatment Plant is not producing water and that Marin Municipal Water District will be noticed if deliveries are curtailed from SCWA.

Bay Area Integrated Regional Water Management Plan

Mr. DeGabriele stated that on Wednesday, June 21, he will attend the Marin County Board of Supervisors update on the Integrated Regional Water Management Plan.

Office Relocation

Mr. DeGabriele stated that he and David Bentley will meet tomorrow with Ron Gerber of the City of Novato Redevelopment Agency to discuss the possible relocation of District offices.

Meeting with National Park Service

Mr. DeGabriele said that he will meet with the National Park Service and aide to Congresswoman Woolsey next Wednesday and has asked Director Rodoni to attend.

OPEN TIME

President Schoonover asked if anyone in the audience or staff wished to bring up an item not on the agenda and Director Petterle stated that he observed a bald eagle at Stafford Lake on two separate occasions.

PUBLIC HEARING

NOVATO WATER EQUIPMENT BUDGET

Mr. Bentley stated that this is the fifth review of the Equipment Budget for the Novato Service Area by the Board. He stated that there were no changes since the last review, that expenditures originally proposed were reduced by 25%, and that three items had been added. He also reported that the public hearing was noticed in the Marin Independent Journal.

President Schoonover opened the public hearing on the Equipment Budget and hearing nothing from the audience, he closed the public hearing.

On motion of Director Fraites, seconded by Director Baker and unanimously carried, the Board approved the FY 06/07 Equipment Budget total of \$322,600 as presented.

NOVATO WATER IMPROVEMENT PROJECTS BUDGET

Mr. Bentley presented the proposed Improvement Projects Budget for the Novato Service Area for Fiscal Years 2006/07 (\$10,365,000) and FY 2007/08 (\$7,720,000). He stated that this is the fourth time that the Board has reviewed the proposed budget and stated that the public hearing had been noticed in the Marin Independent Journal.

Mr. Bentley stated that there have been five changes to the Improvement Projects Budget since the last review, including two additions: Energy Efficiency Study to develop a program to track greenhouse gas emissions, and Accounting Software Conversion. He said that after deducting SCWA water conservation reimbursements and SRF loan funds, the net District outlay is \$4.8 million for FY 07. Mr. Bentley stated that the proposed FY 07 Novato budget includes 43 projects which is three projects less than FY 06.

President Schoonover opened the public hearing and hearing nothing from the audience he closed the public hearing.

On motion of Director Fraithe, seconded by Director Petterle and unanimously carried the Board approved the Improvement Projects Budget as presented (\$10,365,000 for FY 06/07 and \$7,720,000 for FY 07/08).

NOVATO WATER OPERATIONS BUDGET

Mr. Bentley stated the proposed Novato Water Operations Budget for FY 06/07 is before the Board for the fourth time. He stated that a public hearing to consider the proposed water rate increase was published in the Marin Independent Journal and that individual letters were also mailed to irrigation water customers (Indian Valley Golf Club and Marin County Parks and Open Space).

Mr. Bentley stated that the Novato Water Operations Budget includes a rate increase effective July 1. He stated that a new tier rate will be discussed tonight and that a separate hearing to consider implementation is being recommended for a future meeting.

He stated that since the last review, there have been minor changes, including a \$70,000 reduction in worker's compensation costs, moving Operations staff time to the Improvement Projects budget and additional staff time required for West Marin projects totaling \$55,000. Mr. Bentley reviewed the proposed rate increase and stated that this is the first time the District has proposed separate rate increases for residential and non-residential water users. An across-the-board 5¢ commodity rate increase for residential users and a 15¢ increase for non-residential users is proposed. Mr. Bentley also provided a PowerPoint presentation showing a detailed breakdown of Novato customer water demand and an explanation of the additional tier rate being proposed. He noted the Board will take action on the across-the-board commodity rates and not the proposed tier rate tonight.

President Schoonover opened the public hearing.

Ed Grundstrom, 2034 Hatch Road, stated that he does not buy the District's reasons for proposing a new tier rate as he bought and paid for water service availability thirty years ago and objects to the 5¢ increase and the new tier. He stated that he does not agree with back-to-back rate increases and suggested that the District "get a business plan" and that the District should stay within its budget.

John Ingram, 7 Brown Court, stated that he lives on a hillside lot and has done everything he can to lower his consumption, and feels that the new tier rate is unfair. He stated that he is trying to keep his yard looking nice and is concerned with landslides and fire danger if he has to let his landscape plants die and stated that he is being penalized for having a large landscaped lot. He

asked why do consumers have to conserve if there is water and why is it difficult to get the water that is needed. Mr. Angram stated that he felt that developers should be charged more for new connections.

Mr. DeGabriele briefly described the issues of availability and the District's efforts to encourage its customers to conserve water. He stated that there are stricter conservation requirements for new construction and that developers pay 100% of the cost for new water connections.

Rick Santa of 628 Rowland Boulevard stated that the new tier rate may convince more people to conserve which would mean less revenue for the District, requiring additional rate increases and asked how the District would offset less revenue.

Mr. DeGabriele responded that the District would have to make choices, e.g., purchase less water, reduce energy costs, reduce labor force, dip into reserves or raise rates.

Bill Thomas, 8-D Oliva Drive, stated that he was concerned that rate increases and the tier system are here to stay and that although only 25% of customers are high users, eventually rates for the average user, like himself, will increase.

Regina Thomas, 8-D Oliva Drive, stated that she is upset at another rate increase and stated that she felt that she is paying exorbitant rates for water. She stated she does not like the 5¢ increase this year and she does not understand the need to raise rates since there was so much rain this year.

Hearing nothing further, President Schoonover closed the public hearing.

Director Rodoni stated that tier rates are a reality for California and that in the future tier rates in the state will be required. He stated that the District reviews the budget every year and that determines District water rates and that the District tries to impact the customer the least amount. He stated that the District's mission is to supply clean safe drinking water to its customers. He is concerned that rates for the low-end water user remain as low as possible. He stated that when consumers use more than their allotted amount, they are benefiting at the expense of other customers who conserve and don't use much water.

Director Fraites stated that the District needs a clear explanation of why it needs to raise rates and impose additional conservation incentive rates.

Director Baker said that he was sorry for the perception of unfairness by those present and that in addition to the impairment, there are other water supply issues, i.e., fish issues and state regulations. He said that the District has to get people to conserve water.

Director Petterle stated that the District keeps the public interests first, that the District develops innovative programs to keep costs down such as self-insuring workers' compensation and purchasing used equipment. He stated that even with the rate increase, the cost is equal to about 1 cent per 4 gallons of water.

Director Schoonover thanked the audience for its interest and comments and reminded them that only 20% of the District's water comes from Stafford Lake and the other 80% comes from up north and the cost of purchased water increases every year.

On motion of Director Rodoni and seconded by Director Petterle, the Board unanimously approved Resolution No. 06-25 entitled, "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54 – Water Rates."

On motion of Director Rodoni, seconded by Director Petterle, and unanimously carried, the Board approved the FY 06/07 Novato Operations Budget as presented.

HEARING/APPROVE: WATER CONSERVATION REGULATIONS - REGULATION 15 (NOVATO)

Ryan Grisso, Sonoma County Water Agency Water Conservation Coordinator, reviewed for the Board the proposed changes to Regulation 15 – Water Conservation Novato Service Area. He stated that in addition to minor language changes, important revisions include: requiring additional water efficiency requirement for new development; eliminating rebates for Ultra Low Flush Toilets; Increasing the "Cash for Grass" rebate for lawn removal projects using native low water use plants for replacement landscapes; requiring retrofit on resale properties to use 2.0 gallons per minute showerheads and 1.5 gallons per minute sink aerators; and adding large landscape water efficiency rebates.

President Schoonover opened the public hearing and hearing nothing from the audience, closed the public hearing.

On motion of Director Petterle and seconded by Director Fraites, the Board unanimously approved Resolution No. 06-26 entitled, "Revision of North Marin Water District Regulation 15 – Water Conservation – Novato Service Area;" approved revised Resolution 06-01 entitled, "Revised Resolution 06-01 of the North Marin Water District Board of Directors Setting Water Conservation Rebate Amounts for Novato Service Area;" and rescinded Resolutions entitled, "Resolution 04-08 of the North Marin Water District Board of Directors Setting Water Conservation Rebate Amounts for

Novato Service Area” and “Resolution 04-21 of the North Marin Water District Board of Directors Setting Water Conservation Rebate Amounts for Novato Service Area.”

MONTHLY PROGRESS REPORT

Mr. DeGabriele reviewed the Monthly Progress Report for May and reported that water production for Novato is up considerably since last year (6%) and that the average May temperature increased 10% which triggered the increased consumption. Mr. DeGabriele stated that production in West Marin is also up by 10% over last year; and that Stafford Treatment Plant did not produce water in May. He said that in Oceana Marin, irrigation field discharges continue and that freeboard is increasing in the ponds. He reported that the District has gone 150 days without a lost time injury or accident. He noted that website activity is increasing and that in the Summary of Complaints, leak complaints are up spurred by the rainy spring weather and that most meter leak complaints resulted in “nothing found.”

CONSENT CALENDAR

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

The Board approved and authorized for payment payroll and accounts payable vouchers totaling \$1,080,819.06.

ACTION CALENDAR

POLICY GRAND JURY REPORT RESPONSE

Renee Roberts reported that the District received the Marin County Civil Grand Jury Report entitled, “Agendizing Responses to Grand Jury Reports” which requires Board responses to Grand Jury reports be placed on its agendas to encourage public discussion. She stated that the report also recommended that the District adopt procedures that would require the responses to Grand Jury reports be placed on the action calendar of its agenda. Ms. Roberts presented a draft policy for responding to Grand Jury reports and also provided the summary of implemented actions as an attachment to the Response to Grand Jury Report Form. Director Rodoni suggested that the word “requests” be deleted from the policy.

On motion of Director Petterle and seconded by Director Fraites, the Board unanimously adopted Policy No. 39, entitled, “Grand Jury Report Response” as amended.

APPROVE: PURCHASE OF FY 07 INSURANCE

Mr. Bentley reported that proposals for renewal of six insurance policies for the coming fiscal year were received and stated that the District’s insurance broker has levied a new fee in lieu

of commission that has increased the cost of the package by \$19,244. He said that next year the District will survey other brokerages to compare costs.

On motion of Director Baker and seconded by Director Petterle, the Board unanimously approved purchase of FY 07 insurance package in the amount of \$162,381 from Marsh Risk and Insurance Services.

APPROVE: CENTER ROAD WATER TANK CONSTRUCTION CONTRACT AWARD

Mr. McIntyre stated that bids were opened on May 18 and that W.R. Forde was the low bidder of three submitted bids. He said that W.R. Forde is well known in the North Bay area and the District has inspected W. R. Forde's construction work on various projects in Novato over the years and that key employees of W.R. Forde's subcontractor, Crosno Construction, have over 20 years of experience in construction of welded steel storage tanks. He stated that bids came in higher than the estimate by approximately 58% and that this is occurring throughout the construction industry primarily due to significant increases in fuel and material costs. He stated that when bids come in with such a difference between estimated and actual costs, the project design is reviewed and rebid of the project is considered. He stated that the only way possible to lower costs is to significantly reduce the quality of the project. Mr. McIntyre stated that staff concurs with Winzler & Kelly assessment that the apparent low bid price is a reasonable and legitimate cost for this project.

Director Baker inquired if the job would be finished before the rainy season.

Mr. McIntyre replied that the construction schedule affords the civil work will be done before winter and that the tank will be erected during the winter months.

Director Rodoni asked if the project management will be conducted in-house and Mr. McIntyre responded that Associate Engineer, Dave Jackson, will manage the project and that there will be third-party inspections for the coating and that Miller-Pacific Engineering Group will perform soils testing.

Director Fraites stated that it is troubling that the engineering estimate is off by 58% percent from the lowest bid.

On motion of Director Baker and seconded by Director Fraites the Board unanimously approved to award the construction contract to W.R. Forde Construction in the amount of \$1,737,692 plus a contingency of \$85,000.

Mr. Soldati left the meeting.

APPROVE: REVISIONS TO REGULATION 1

Mr. DeGabriele stated that he, David Bentley and Drew McIntyre reviewed Regulation 1 and summarized the proposed changes in Regulation 1 – New Service Connections - as follows: require that application be submitted by the property owner, instead of the owner's agent; eliminate the fixed water meter charge except for single service agreements; enable single service applications for 1 ½" meter size due to fire district requirements for fire sprinkling; redefine townhouse and condominium as being 3 units or more; enable single service applicants to deposit funds for water conservation compliance as this will aid the District to return to the home for compliance inspection; and allow deferral of connection fee payment for affordable housing unit in developments from time of execution of agreement until meter is set and/or a period of 2 years, whichever is less.

Mr. DeGabriele stated that he met with Clark Blasdell, of North Bay Family Homes, who opined that this last change (connection fee deferral) is an attractive proposal because the developer could avoid construction loan financing on the initial charges. He stated that Mr. Blasdell also recommended that project developers guarantee payment of the deferred connection fees using any of the District's normal financial guarantees.

Director Baker stated he was concerned that the postponement of paying fees may not guarantee that the developer can obtain financing, thus satisfying the loan from the District.

Mr. DeGabriele responded that that is a possibility but that it may be easier to obtain financing because the property is ready for sale and the money paid to the developer at time of sale will be returned to the District. He stated that this proposal was crafted by staff to specifically address Director Rodoni's concern about trying to make affordable housing more affordable, and from the District's perspective, this would satisfy the recent legislative obligation to have prioritization for water service to affordable housing.

Director Rodoni stated that these were good compromises but that he would have wanted to go much further, and as an example of how it would benefit affordable housing projects, the Point Reyes Affordable Housing project would have saved approximately \$130,000 if this policy were in effect. He suggested reviewing this portion of the regulation in a year.

Director Fraites stated that the 2nd line of the regulation should read "...or his/her authorized agent" and requested that the District use gender neutral language in the future. He stated that he agreed with Director Rodoni and that the District can review the proposal to see if it is working.

Mr. DeGabriele queried if the Board wanted to charge interest for the deferred period. Mr. Bentley stated that there is approximately 3% forgone interest amounting to approximately \$10,000 and that it would be reasonable for the District to charge interest.

Mr. Bentley suggested added the following language to address the interest on the deferred payment: "Said deferred payment shall include interest calculated at the rate earned on the District investment portfolio over the deferral period as determined solely by the District."

On motion of Director Rodoni and seconded by Director Fraites the Board approved Resolution 06-27 entitled, "Resolution of the Board of Directors of North Marin Water District Amending Regulation 1 – New Service Connections" as amended by the following vote:

AYES: Directors Fraites, Petterle, Rodoni, Schoonover

NOES: Director Baker

ABSTAIN: None

ABSENT: None

INFORMATION ITEMS:

ADDITIONAL REVIEW: WEST MARIN WATER AND SEWER BUDGETS

Mr. Bentley stated that this is the second review of the West Marin water and sewer budgets. He stated that a 6% increase is proposed for most West Marin water customers and no increase in the monthly sewer service charge is proposed for Oceana Marin customers. He stated that connection fee increases are proposed in both systems and an increase of the Reimbursement Fund Charge is also proposed. He stated that a public hearing is set for the June 27, 2006 meeting in Point Reyes Station.

Director Rodoni stated that the connection fee increase is very high but that there have been many improvements to the West Marin system and that the increase in the Reimbursement Fund Charge is fair.

Mr. Bentley noted the short notice of hearing date, June 27 to effective date July 1, does not give applicants sufficient time to make application with the District.

Director Rodoni suggested giving an extra thirty days to applicants making the date effective August 1, 2006. The Board concurred.

MISCELLANEOUS

The Board received the following miscellaneous items: Invitation to Badge Pinning Ceremony for Novato Fire Protection District Fire Chief.

The Board also received the following news articles: County to Fund Salmon Recovery Study (6/14), Water Agency Offers \$400,000 more to Accelerate Salmon Restoration Plans (6/13), Leadership Role on Water Issues Recommended to Supervisors (6/11), Hummer vs. Prius Approach to Water (6/9), Daddy-Daughter Contest Gets Big Bites (6/9), Water Main Break Closes Novato Road (6/7), Water Main Bursts, Flooding Novato, Rowland Boulevards (6/7), Water Future (6/2), Judge Again Faults RP Water Study (6/1).

CLOSED SESSION

President Schoonover adjourned the Board into closed session for Conference with legal counsel - Anticipated Litigation. Significant exposure to litigation pursuant to Government Code subdivision (b) of Section 54956.9 (one case re Stafford Water Treatment Plant Rehabilitation Project).

Upon returning to regular session at 10:00 p.m., President Schoonover stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

ADJOURNMENT

President Schoonover adjourned the meeting at 10:02 p.m.

Submitted by

Renee Roberts
District Secretary