

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
October 16, 2007**

CALL TO ORDER

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

Danna McGrew of Bartlett, Pringle and Wolf and District employees Robert Clark (Facilities Maintenance Superintendent), Mike McMaster (Operations Superintendent), Doug Moore (Construction Superintendent), Pablo Ramudo (Water Quality Supervisor) and John Mello (District Inspector) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Mr. DeGabriele stated that since the agenda for this meeting was posted, information had been received regarding the schedule for and the efforts required for the District's defense of the lawsuit in the case of *McKenzie vs. NMWD*. He further stated that the District's legal counsel and he believe the new information requires the Board to take immediate action regarding the case that is scheduled for later this evening (proposed as Agenda Item 2.a.). Mr. DeGabriele advised that under Government Code Section 54954.2 (b), four affirmative votes are necessary for the Board to determine that immediate action is necessary and to add this matter to the agenda and that he recommends that a motion be made to make the necessary determination and to add the matter to the agenda.

Director Rodoni inquired if District legal counsel would be available by telephone and Mr. DeGabriele responded yes.

On motion of Director Schoonover and seconded by Director Baker, the Board unanimously agreed that immediate action is necessary and that this item is to be added on the agenda as Item 2.a for tonight's meeting.

EMERGENCY CLOSED SESSION

President Petterle adjourned into Closed Session at 7:34 p.m. for: Conference with Legal Counsel – Existing Litigation - pursuant to Government Code subdivision (b) of Section 54956.9 (one case re *McKenzie vs. NMWD*).

OPEN SESSION

Upon returning to regular session at 7:55 p.m., President Petterle stated that during the Closed Session, by motion of Director Schoonover and seconded by Director Fraites, the Board unanimously voted to take action and provided direction to staff.

OPEN TIME

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

Website Vendor Selection Committee

Ms. Roberts stated that at the September 18th meeting, Director Petterle and Director Rodoni stated that they would be interested in sitting on the ad hoc committee for the website redesign vendor selection and asked for confirmation that this is still the case. Directors Petterle and Rodoni confirmed that they will sit on the ad hoc committee.

Meeting with Assemblymember Huffman

Director Baker reported that he attended the Renewable Energy Workshop at the Civic Center on October 11th and a meeting of the North Bay Water Reuse members with Assemblymember Huffman on October 12th. He stated that there were concerns about Assemblymember Huffman's statement that he would not support federal legislation for the NBWRA unless local recycled water projects are the first and top priority and that only surplus recycled water would be exported after those projects are in place. He said that apparently there had been dialogue between Assemblymember Huffman and Novato Sanitary District Director Bill Long and that a compromise has been negotiated. He said that Mr. Huffman stated that he wants to work with the agencies that he represents and wants to see a final version of the proposal. Director Baker stated that the meeting ended on a positive note.

MONTHLY PROGRESS REPORT W/QUARTERLY CUSTOMER SERVICE QUESTIONNAIRE

Mr. DeGabriele reported on the Monthly Progress Report for September. He stated that water production is down 14% from one year ago and down 7% from 2004; and that reduction in Russian River deliveries is down 22% from 2004 which is below the level mandated by the State Water Resources Control Board. In West Marin water production is down 20% from one year ago

and at Stafford Treatment Plant, production is up considerably from one year ago and that 357 MG were produced through the first quarter of this fiscal year. Mr. DeGabriele noted that rainfall data recorded through September of this year is 0.06 inches and that in October, nearly two inches have fallen to date. He reported that the Oceana Marin ponds are in good shape, and that under Safety and Liability, the District has recorded 256 days without lost time or injury. He further reported that of the 150 customer service questionnaires sent out, 66 were returned and 95% of those returned said that the District is doing a good job.

Mr. Bentley advised that on the Financial Reserve Summary under section Reserves Designated by Board, there is a new line item, "RWF Replacement Fund." He explained that this line item was advised by Nute Engineering to set up a fund for replacing recycled water facilities as they wear out over time.

CONSENT CALENDAR

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

LAGUNITAS CREEK STREAMGAGING STATION COST SHARING

The District shares the cost of operating the streamgage at Lagunitas Creek, owned and operated by the U.S. Geological Survey, with Marin Municipal Water District and the National Park Service as all three benefit from the information obtained from this gage. The information obtained is used to make operational decisions and it serves as criteria for implementation of off-tide pumping from the Point Reyes wells. The District's share of the cost has increased \$330 this year.

The Board approved the funding request and NMWD share in the amount of \$6,865 and authorized the General Manager to enter into the agreement with the U.S. Geological Survey.

AGREEMENT FOR FALL 2007 AND SPRING 2008 "WATER LINE"

The Board authorized the General Manager to enter into an agreement with Strahm Communications for programming, design, printing, freight and postage of the Fall 2007 and Spring 2008 issues of the *Water Line* for an amount not-to-exceed \$20,000.

VOTE FOR NATIONAL WATER RESOURCES ASSOCIATION (NWRA) CALIFORNIA CAUCUS POSITIONS

The Board authorized the General Manager to submit the District vote for three representative positions and two alternates for the National Water Resources Association California Caucus Positions. They are: (1) David A. Breninger (Placer County Water Agency), (2) Lawrence M. Libeu (Rancho California Water District), (3) John Fraser (El Dorado Irrigation District), and (4)

Larry Russell (Marin Municipal Water District), and (5) Katy Foulkes (EBMUD). Membership in the NWRA is included in the District's membership in the Association of California Water Agencies.

DISBURSEMENTS

The Board approved and authorized for payment payroll and accounts payable vouchers totaling \$860,024.10.

ACTION CALENDAR

PURCHASE OF SOLAR BEE

Water Quality Supervisor Pablo Ramudo provided a summary of the positive results of the Solar Bees in controlling the growth of blue-green algae during the initial six-month rental period and during the first year after purchasing four units in 2006. He stated that shortly after the purchase, anoxic water in the bottom of the lake caused manganese levels to elevate such that the treatment plant could not effectively oxidize and remove the manganese. He said that in October 2006, the plant was forced to shut down to make repairs and modify operations and that during this time, Solar Bee was consulted about conditions in the lake and it was suggested adding one new hypolimnetic mixing unit as well as converting one of the existing units to hypolimnetic operation. Mr. Ramudo said that in February 2007, the Board authorized the additional unit through an eight-month rental contract which would apply 80% of the rental fees toward the potential purchase of the unit. Mr. Ramudo advised that the eight-month rental period is coming to an end and is recommending the District purchase the unit. He said that very positive results in regards to the control of algae have been realized and that there was an improvement in the dissolved oxygen concentrations at all levels of the lake which is important in keeping manganese levels low. He said that the current configuration of the Solar Bee units in the lake have proven capable of effective algae control and keeping concentrations of manganese and other metals in check and have proven to be a flexible tool that can be used as conditions in the lake change. He further stated that the units are solar powered thus reducing energy costs.

Mr. DeGabriele advised that last year's budget included an improvement project for solar powered circulators to the lake and that in February 2007 he indicated to the Board that it would be included in the FY 2007/08 budget. He said that staff was remiss in including the cost of the Solar Bee unit in the FY 2007/2008 budget, but that there is budget authority within Stafford Treatment Plant projects to cover this purchase.

On motion of Director Schoonover, seconded by Director Rodoni, the Board unanimously authorized the purchase of one Solar Bee mixing unit in the amount of \$14,100.

COMMENTS ON FINAL EIR FOR LAWSON'S LANDING MASTER PLAN

Mr. McIntyre stated that the Board was presented with a comment letter on the draft EIR two years ago and that the county has now finalized the EIR and that the District has drafted a response letter for Board review and approval. He stated that the document still has misidentified the District's service area in Oceana Marin and that it implied that the District's service territory encompassed Lawson's Landing. He said that the comments provided to the county include clarification of the District's service territory and reiterates the District's position made two years ago that the project comply with the Dillon Beach Community Plan which states that property be set aside to address a community-wide sewage system and that this should be incorporated into the EIR document. He stated that the county is silent on this recommendation and stated that the county responded that this was not a requirement of the EIR process.

Director Fraites inquired if the applicant is considering a septic system in the dune area. Mr. McIntyre responded that the project still proposes a surface disposal system, but as part of a mitigation measure, the disposal area is in a higher elevation away from the dunes. He also stated that the system is sized to address wastewater production in Lawson's Landing only; however, in the future, an additional area may be made available to expand the system. Mr. McIntyre explained that the District wanted to make that part of the project requirement.

On motion of Director Baker and seconded by Director Fraites, the Board unanimously approved the comments on the Final EIR for Lawson's Landing Master Plan as presented by staff.

INFORMATION ITEMS

OUTSIDE AUDITOR'S 2007 REPORT AND MANAGEMENT LETTER

Mr. Bentley introduced Danna McGrew of Bartlett, Pringle and Wolf who is in attendance to present the Outside Auditor's 2007 Report and Management Letter to the Board. Mr. Bentley and Ms. McGrew acknowledged the hard work and diligence of Laura Copple of Bartlett, Pringle and Wolf, District Accounting Supervisor Dianne Landeros and Accountants Nancy Holton and Nancy Williamson during the audit. Mr. Bentley said that if there are no changes after tonight's review, the Outside Auditor's Report will be brought back for Board approval at the next meeting.

Ms. McGrew reported that the audit went well, was very comprehensive and issued an "unqualified opinion," meaning no qualifications, and that there were no unresolved issues regarding accounting and auditing standards. She reviewed four recommended adjustments: 1) Capitalization of Stafford Treatment Plant (she said that generally accepted accounting principles require that that completed capital projects be moved from work in process to capital assets as soon as the asset is put in service to avoid understating depreciation expense); 2) Transfer the

initial Recycled Water Treatment Facility design jobs from Novato Water to Recycled Water District; 3) Write off the Sonoma County Water Agency entitlement asset (Ms. McGrew explained that under generally accepted accounting principles those entitlement costs are required to be amortized over the life of the contract or life of the underlying assets, whichever is shorter. She stated that previous outside auditors recommended that those entitlement rights not be amortized and placed on the books; however, industry standards typically amortize the entitlement rights or write off the costs); and 4) a correction to the equity account balance.

Ms. McGrew stated that there were five recommendations to mitigate internal control deficiencies and weaknesses as reported in the Management Letter and that the first three recommendations were repeats from the Internal Control Study conducted by her firm in May and that the District has issued a response to those three items. She stated that the fourth recommendation is to move completed capital projects from work in-process to capital assets as soon as the asset is put in-service as explained in the previous statement on auditor's adjustments regarding the Stafford Treatment Plant Rehabilitation Project. Ms. McGrew advised that the final recommendation is that the Accounting Supervisor reviews all journal entries before posting and that there be a separation of duties in the areas of payroll, accounts payable / receivable and billing.

Director Baker inquired that since the Accounting Department has a small staff, would the recommendations to separate duties in the billing, payroll and accounts payable and receivable functions create a staffing problem. Mr. Bentley replied that these recommendations were the result of the internal controls audit performed last fiscal year in the wake of the embezzlement and that the response to these recommendations have been put into place. He advised that there will also be accounting software changes to accommodate these recommendations and that next year's audit will see that these changes have been implemented.

Ms. McGrew advised that it is recommended that the General Manager or Directors periodically open the bank statements and review for unusual payees, etc. as a control method.

The Board thanked Ms. McGrew for the very comprehensive report and she left the meeting at 8:45 p.m.

SAFETY INCENTIVE PROGRAM REVIEW

Mr. Clark presented a review of the District Safety Incentive Program and stated that the program was created in 2002 to promote and encourage District employees to follow and improve safe work practices. He said the incentive rewards are awarded to employees based on safety participation and performance and that the District expends approximately \$4,500 per year. He advised that Cal OSHA requires employers to track and make improvements when employee safety

incidents occur and that District employees are diligent about reporting incidents, investigating incidents and taking corrective actions. Mr. Clark reported that a revised safety incentive program has been designed by the Safety Committee with more emphasis placed on individual and departmental goals and that there is very specific goal for the department heads to participate by providing safety tips during safety meetings. He informed the Board that staff will create a job hazard analysis for their individual jobs to develop written documentation on how tasks should be performed correctly and safely.

STAFFORD DAM OUTLET TOWER REHABILITATION – C+D CONTRACT UPDATE

Mr. McIntyre advised that Creegan + DeAngelo (C+D) Engineering Services has expended its design fee contract amount and that the contract scope did not encompass the construction phase of the project and that the 100% plans and specs are expected this week. He further advised that the Division of Safety of Dams (DSOS) will have to approve and sign off on these plans and specs before the job can be advertised. He said that in a recent meeting in Sacramento, DSOD raised additional concerns about ways to address the seismic stability of the outlet tower and made its own recommendation. He said that DSOD's recommendation has been reviewed by C+D and that C+D's position is that their design as shown in the contract documents is appropriate and C+D does not believe that DSOD's alternative proposal is as good and has backed up this opinion with calculations. Mr. McIntyre said that the next step is to give the report to the state and allow time for DSOD to review the report and then request another meeting to explain that the District has put in a lot of time and that it is time to begin construction of this project. He related that the best case scenario is that DSOD reviews the report in a timely manner and then advertisement for bids could happen in December 2007 with construction completion in the fall of 2008. He advised the Board that because of the unanticipated delay due to concerns of the DSOD, staff expects C+D to request additional compensation and that he believes this would be legitimate. He further advised that he will keep the Board updated as the project moves forward.

Director Baker asked if there was much difference between C+D's design and DSOD's concept of the project and Mr. McIntyre stated that he has not had an opportunity to review C+D's report. Mr. McIntyre described the difference between the two designs as related to him by C+D.

EMERGENCY WATER CONSERVATION STATUS REPORT

Mr. DeGabriele provided the Emergency Water Conservation Status Report and stated that through September, the District's Russian River deliveries are 22% below the 2004 levels, and regionally, Russian River deliveries are 21% below 2004. He stated that this past month, 51 water waste notices were sent to customers, which is approximately half of what was received in July and

August. He said the number of customer calls was also cut in half and the cool weather may be the reason for fewer calls.

Director Rodoni commented that the message to conserve water has reached West Marin even though West Marin is not affected by the State's mandate. He noted that West Marin has reduced consumption by 20%.

NBWRA FEDERAL LEGISLATIVE STATUS

Mr. DeGabriele provided the Board with a status report on the North Bay Water Reuse Federal Legislation. He reported that after last Friday's meeting with Assemblymember Huffman, attended by Director Baker and reported earlier, the NBWRA agreed to consider the language that Assemblymember Huffman wanted and that the language modification will go back to NBWRA member agencies' board of directors for adoption in the MOU. Mr. DeGabriele stated that the new language as "goals and objectives related to expansion of beneficial uses of water in the North Bay region will give first and highest priority to local needs for recycled water and only export recycled water surplus to local needs" and that the last statement "...only export recycled water surplus to local needs" may be a concern to other agencies. Mr. DeGabriele stated that he suggested to NBWRA that with this modification of the MOU as requested by Assemblymember Huffman, that the NBWRA request him to support federal legislation – Bill HR 236 – Thompson.

MISCELLANEOUS

The Board received the following miscellaneous information: Incremental Recycled Water Program Update; Scrap Metal Fund; Marin Climate Leadership Workshop; California Approves Maximum Contaminant Limit for Perchlorate; Next Generation Green Schools Program Partner Update; Interagency Partnership for Water Reuse.

The Board also received the following news article: More Recycled Water is Needed (10/4).

ADJOURNMENT

President Petterle adjourned the meeting at 9:12 p.m.

Submitted by

Renee Roberts
District Secretary