

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 1, 2012**

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 and Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

Novato resident Ed Grundstrom, District employees Robert Clark (Operations/Maintenance Superintendent), and Doug Moore (Construction/Maintenance Superintendent) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Coho Salmon Broodstock Program Building Ribbon-Cutting

Chris DeGabriele advised that he will attend the Coho Salmon Broodstock Program Building ribbon-cutting tomorrow at Lake Sonoma. He said that this is a combined project of the Corps of Engineers, Department of Fish & Game and the Sonoma County Water Agency. He described the purpose of the broodstock program as preventing coho salmon from disappearing from the Russian River watershed by growing population of native coho salmon and later planting them into the Russian River system.

Tour of Novato

Mr. DeGabriele stated that on Saturday, May 5, the District will have a display table at School Fuel's fundraiser, Tour of Novato, and will be staffed by the District's Water Conservation Department.

Mountain Bike Race at Stafford Lake Park

Mr. DeGabriele informed the Board that on Sunday, May 6, there will be a high school mountain bike race at Stafford Lake Park. He said that the County Parks Department personnel coordinated with the District on sanitation facilities requirements and stated that the Stafford Treatment Plant is not operating at this time.

ACWA Spring Conference

The General Manager stated that next Tuesday and Wednesday, May 8 and 9, he will be attending the ACWA Spring Conference in Monterey and that Drew McIntyre will be Acting General Manager.

Water Supply Update

Mr. DeGabriele provided an update on the water supply situation and stated that 16.3 inches of rainfall were collected at Stafford Lake since October. He stated that Stafford Lake is at the low end of the historical average - 2900 acre feet or 68% full. He reported that on the Russian River both Lake Mendocino and Lake Sonoma are full and in good shape going into the summer.

OPEN TIME

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

California Coastal Commission Permit Status

Drew McIntyre informed the Board that the Senior Planner of the California Coastal Commission (CCC) advised that CCC staff will be recommending a de minimis waiver for the Point Reyes Well #3 Project Coastal Permit Application. He said that the CCC's expressed concern on the project's wetlands impact, but the District has provided three follow-up reports on additional investigations to answer the CCC's questions. He stated that he expects the project will be on the CCC's June 13 agenda as a consent item; no discussion is expected. Mr. McIntyre advised that the project is now out for bid; and by bid opening time, the Coastal Development Permit should be issued.

North Bay Water Reuse Authority Workshop

Mr. McIntyre stated that he and Director Schoonover attended the North Bay Water Reuse Authority workshop in Napa County wherein a two-hour presentation on the path forward for Phase 2 was given. He further stated that the workshop was structured around new members of the NBWRA - City of Petaluma, American Canyon and Marin Municipal Water District. He advised that although the District is not participating in Phase 2, it is still important to attend the meetings and keep abreast of the project.

Director Schoonover added that the workshop provided information on the progress of NBWRA's projects, future planning and funding.

Point Reyes Well #2

Robert Clark advised that during the last seven to ten days, air entrapment was noticed in Point Reyes Well #2. He stated that the volume of micro-bubbles makes the water look milky; however, there is no health issue, and the public will be notified. He said a full report will be presented at the next meeting.

Meeting with Supervisor Arnold

Director Baker reported that he and other participants in the North Bay Water Reuse Authority (NBWRA) trip to Washington, DC will meet on May 9th with Marin Supervisor Judy Arnold to report on the group's meetings with federal elected officials and their representatives to advocate for continued funding for the NBWRA program.

CONSENT CALENDAR

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

TEXT FOR WATER LINE, VOLUME 13, ISSUE 27

The Board authorized the General Manager to approve final text and design of the Spring 2012 Novato *Water Line*, Volume 13, Issue 27.

TEXT FOR WEST MARIN'S WATER LINE, VOLUME 10

The Board authorized the General Manager to approve text and design of the *Water Line*, Volume 10 for West Marin.

ACTION CALENDAR

APPROVE: 2011 CONSUMER CONFIDENCE REPORT - NOVATO

Mr. DeGabriele advised that the Consumer Confidence Report for Novato had not been returned from the printer in time to be included in the agenda packet and has now been made available to the Directors. He said that the report states that water provided to Novato customers met or surpassed all state and federal requirements. He requested that the Board direct their comments or questions to him by Monday, May 7; the report will be mailed with the *WaterLine* to save on postage.

On motion of Director Rodoni, seconded by Director Baker and unanimously carried, the Board authorized the General Manager to approve final text and design for the 2011 Consumer Confidence Report for Novato subject to comments received from the Board of Directors.

APPROVE: 2011 CONSUMER CONFIDENCE REPORT - POINT REYES

Mr. DeGabriele stated that the Point Reyes Consumer Confidence Report was not available until this evening and requested Directors' comments be submitted to him no later than Monday, May 7, 2012 and that the report will be mailed with the West Marin *WaterLine* to save on postage.

On motion of Director Fraitess, seconded by Director Baker and unanimously carried, the Board authorized the General Manager to approve final text and design for the 2011 Consumer Confidence Report for Point Reyes water subject to comments received from the Board of Directors.

APPROVE: SELECTION OF CPA FIRM TO PERFORM ANNUAL FINANCIAL AUDIT

David Bentley reported that there were six responses to the District's request for proposals sent to twenty CPA firms. He advised that Charles Z. Fedak & Company came in at the lowest rate. He said that this company has been performing the District's audit for the past four years and that their proposed cost of \$85,000 is reduced from their previous four-year contract of \$118,000. He said that the reason for the reduction is that this firm will also be performing audits for Novato Sanitary District and the Inverness Public Utilities District, therefore, lowering their travel expenses. Mr. Bentley stated that traditionally, the District has always changed auditors every four years, and it is the Board's prerogative to do so; however, Paul Kaymark of Charles Z. Fedak has done a good job for the District, and the Accounting staff have a good working relationship with him. He further stated that the Board will have an opportunity to review the firm's performance annually.

On motion of Director Schoonover and seconded by Director Fraitess, the Board authorized the Auditor-Controller to enter into an agreement with Charles Z. Fedak & Company to perform the annual financial audit of the District for a four-year period subject to annual review for a fee not-to-exceed \$20,600 for 2012, \$21,050 for 2013, \$21,500 for 2014 and \$21,950 for 2015.

APPROVE: RECYCLED WATER NORTH SERVICE AREA - ON-SITE RETROFIT CONSTRUCTION PROJECT (GROUP 1) - APPROVE BID ADVERTISEMENT

Drew McIntyre stated that the on-site retrofit construction project is related to the Recycled Water Expansion Project for the North Service Area. He said that seven customers will have their current potable water for irrigation converted to recycled water with on-site retrofits designed by Hydrosience Engineers per state regulations and NMWD standards. He advised that the cost is approximately \$200,000 and is included in the proposed Recycled Water budget for FY 12-13. Mr. McIntyre reviewed the tentative schedule including the bid advertisement which, if approved by the Board, will be May 11, 2012 and shows construction completion in September 2012 which is aligned with American Recovery and Reinvestment Act (ARRA) requirements. Group 1 includes Valley Memorial Park Cemetery, Green Point Nursery, Tranquility Home Owner Association, Novato

Unified School District on Olive Avenue, Redwood Crossroads Offices, Wood Hollow Office Building and Fireman's Fund.

On motion of Director Fraites and seconded by Director Schoonover and unanimously carried, the Board authorized the bid advertisement of the Recycled Water North Service Area On-Site Retrofit Construction Project (Group 1).

APPROVE: LEVERONI CREEK BANK REPAIR PROJECT - APPROVE BID ADVERTISEMENT

Mr. McIntyre stated that this project was presented to the Board last spring with plans to perform the work during summer months when the Leveroni Creek bed was dry. He further stated that the wet conditions in spring 2011 prevented construction last summer. He said that staff feels confident that the current dry weather pattern will allow the project to move forward and it is appropriate to advertise the job now. Mr. McIntyre stated that the permits are in place and allows for a construction period between July 1 and October 15 when the creek bed is dry. He said it is important to bid the project now to lock in with contractors who will most likely be bidding other work during this time.

On motion of Director Fraites and seconded by Director Schoonover, the Board authorized bid advertisement of the Leveroni Creek Bank Repair Project by the following vote:

AYES: Directors Fraites, Petterle, Rodoni, Schoonover

NOES: None

ABSENT: None

ABSTAIN: Director Baker

INFORMATION ITEMS

INITIAL REVIEW – NOVATO WATER OPERATIONS BUDGET

Mr. Bentley reviewed the highlights of the FY 12/13 Novato Water Operations Budget and advised that this is the first of three reviews. He said that the budget projects a surplus for FY 12/13 of \$185,000 compared to the FY 11/12 budgeted deficit of \$583,000, and that the 11% water rate increase effective June 1 will add \$1.5M in revenue. He reported that 2.7BG in water sales are budgeted, slightly below 2.8BG anticipated for this fiscal year; and connection fees are budgeted at 30 EDUs in concert with the District's five-year financial plan. Mr. Bentley informed the Board that the wheeling charge rate to Marin Municipal Water District is budgeted to quadruple; and, although negotiations have not yet commenced, \$40 per acre foot has been incorporated into MMWD's FY 13 budget.

Mr. Bentley stated that a \$1.5M loan will be repaid to Novato Water from the Recycled Water operation as grant and loan money come in.

Mr. Bentley stated that expenditures are budgeted to increase 2% over the current year's budget most having to do with additional purchased water from Sonoma County Water Agency. He said that the amount of projected water produced at Stafford Treatment Plant has been reduced to 750MG for next year and will increase the amount of purchased water from SCWA; SCWA rates will increase 4%. He advised that staffing for FY 12/13 has been budgeted for 50.5 FTE versus the current 51.5 FTE due to two employees' planned retirement half way through the Fiscal Year 12/13.

Mr. Bentley said that the Board will have an opportunity to review this proposed budget on May 15.

INITIAL REVIEW – RECYCLED WATER SYSTEM BUDGET

Mr. Bentley said that Recycled Water System Budget for FY 12/13 is for \$7.8M the majority of which is for the continuing Recycled Water Expansion Project. He said the budget projects 62 MG of recycled water to be sold compared to 50 MG budgeted this year; fourteen new accounts are projected to come on-line by the end of FY 12/13 with seven sites coming on-line by September 28. He said that operating expenses are budgeted to increase 60% due to start-up costs and purchasing water from Novato Sanitary District and Las Gallinas Valley Sanitary District. Mr. Bentley stated that the Deer Island recycled water plant will be operated until late summer and then transition to purchased water in September; and although the prices have not yet been settled, \$1,500 per million gallons is being budgeted. He stressed how important it is to tie down the rates for the financial viability of the recycled water operation. He said that the major part of the budget is paying back \$5.7M for expansion of the north and south service areas and paying back \$1.5M to Novato for this year's expansion.

Director Baker commented that all the new recycled water customers are currently domestic water customers and that once they are connected to recycled water there will be less domestic revenue.

Mr. Bentley agreed and said that only approximately 12MG of potable water will be offset by recycled water which is not a significant percentage of water sales and that it will free up potable water use and increase supply.

Director Rodoni asked for confirmation that the recycled water commodity rate increase of 7% matches up with the potable water commodity rate increases; and also inquired if there was a fixed cost increase. Mr. Bentley confirmed the increase in both the commodity rate and fixed cost

and added that for large users of water, the fixed cost is a relatively minor part of the water bill - most will see an increase in the fixed cost of approximately 7%.

Director Rodoni stated that he is concerned that all customers will receive an equal increase. Mr. Bentley said that potable water customers would see the same increase and the percentage increase depends on the volume of water each customer uses.

Mr. DeGabriele said that there has to be some incentive to take recycled water and that incentive is that it costs no more than potable water and avoids the seasonal rate.

PRE TANK 2 RETAINING WALL REPLACEMENT

Doug Moore presented "before" and "after" photos and information on the PRE Tank 2 retaining wall replacement project.

QUARTERLY PROGRESS REPORT – OPERATIONS/MAINTENANCE

Robert Clark provided a third quarter progress report for the Operations/Maintenance Department and said that staff focused mostly on the maintenance of the Stafford Treatment Plant and distribution system including rebuilding the Centrysis unit. He said that staff also concentrated on the Cross Connection Control Program. He said that Eric Kurfist, Cross Connection Control Technician, has done a good job in recognizing changes in the industry and bringing District regulations up to speed. He said that Regulation 6, Cross Connection and Backflow Protection for Potable Water Service, will be revised and will be brought to the Board in a month or two for approval. Mr. Clark said that in West Marin, SCADA upgrades were finished and that this winter storm season there were no power outages in the West Marin area. He said that the annual infiltration and intrusion inspection for the Oceana Marin Sewer System was performed and concluded I&I of the entire system. He said that two large intrusions were found and their repair will be budgeted for next year. Mr. Clark reported that freeboard levels in the storage and treatment ponds are in good shape.

Director Rodoni asked if there are any issues with Phillips and Associates performance in Oceana Marin.

Mr. Clark responded that there are minor issues primarily with clean-up after their maintenance tasks. He said that he had contacted Phillips and Associates management to set up a meeting to talk about District expectations for system maintenance and clean up.

QUARTERLY PROGRESS REPORT - ENGINEERING

Drew McIntyre provided the third quarter highlights for the Engineering Department. He said that expenditures in the Novato Water System are below budget because actual expenses for the

Aqueduct Energy Efficiency Project (AEEP) were not as expected - \$2M will not be spent this year. He said the Cal Trans B1 project is being advertised this spring so more expenses on the AEEP are expected next year.

Mr. McIntyre said that the Recycled Water System expenses are higher than budgeted primarily because more work was completed this quarter than expected. He pointed out that the total project cost has not changed.

Mr. McIntyre said West Marin budget expenditures will not be met due to slowing down on the Point Reyes Solids Handling project and not moving forward with the Oceana Marin Sewer Line Rehab project.

The Chief Engineer said that there are three projects that will exceed budget and there are four new projects that have been added since the mid-year report: two PB replacements predicated by City of Novato paving projects, the Stafford Treatment Plant Solar Energy Project, and small expenditures for yard/office furniture improvements. He said that labor expenditures have been on track for District work and developer work is approximately 20% of budget.

QUARTERLY PROGRESS REPORT – WATER CONSERVATION

Mr. McIntyre stated that the total numbers are still lower than seen historically in all Water Conservation Program elements reflecting the slowdown in new development and the economy. He said that there will be Prop 84 grant funds that will allow a future increase in the rebate amounts. He advised that there will be more public outreach beginning this spring including the Tour of Novato, Bay Friendly Garden Tour and a drip irrigation seminar and workshop in partnership with Urban Farmer.

NORTH BAY WATERSHED ASSOCIATION - MAY 4, 2012

Mr. DeGabriele announced that the North Bay Watershed Association meeting is scheduled for Friday, May 4th.

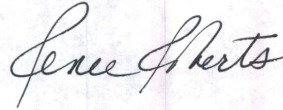
MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements and Program from MMWD 100 year Anniversary Celebration.

ADJOURNMENT

President Petterle adjourned the meeting at 8:28 p.m.

Submitted by

A handwritten signature in black ink, reading "Renee Roberts", is centered on a light blue rectangular background.

Renee Roberts
District Secretary