

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
November 1, 2011**

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

District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent) and David Jackson (Associate Engineer) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Lagunitas Creek Water Rights

Mr. DeGabriele informed the Board that he heard from the State Water Resources Control Board about the District's Lagunitas Creek Water Rights Petitions for Change and reported that State Board staff has asked that the District incorporate its pre-1914 water right in the analysis and proposal. He stated that this is good news, because it has the highest priority in Lagunitas Creek but complicates the District's proposal. He said that District legal counsels Robert Maddow and Carl Nelson are reviewing his revised proposal. Mr. DeGabriele stated that should the State Board agree with his proposal, another 36 acre feet would be available for diversion each year.

Marin Conservation League

Mr. DeGabriele reported that on Thursday, October 27th he made a presentation to the Marin Conservation League Water Committee. He noted that Director Fraites was at the well-attended meeting. He said he was asked to speak on the North Bay Water Reuse Authority, and he focused his presentation on the Novato Recycled Water Expansion Project, Aqueduct Energy Efficiency Project and Russian River water supply.

North Bay Leadership Council

Mr. DeGabriele stated that he attended the North Bay Leadership Council Leaders of the North Bay Awards Luncheon on Friday, October 28th wherein Bill Long, Novato Sanitary District Board member and Chair of the North Bay Water Reuse Authority, received the Excellence in Environmental Stewardship award.

North Coast Rivers Alliance Challenge of Caltrans EIR

The Manager reported that he was advised by District legal counsel Carl Nelson that Sonoma County Judge Chouteau denied the North Coast Rivers Alliance challenge of the Caltrans EIR, including the District's North Marin Aqueduct relocation.

OPEN TIME

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

Paving of South Novato Boulevard

Doug Moore updated the Board on the South Novato Boulevard paving. He said that the District and the City of Novato have come to an agreement on the scope of the paving. He said that he received incomplete proposals from two contractors, and he is waiting for the omitted information from the contractors before authorizing the work and proceeding with the paving.

California-Nevada AWWA Conference

Mr. McIntyre stated that he attended the California- Nevada AWWA Conference wherein he had an opportunity to represent the District as it was honored by AWWA for its 50-year membership. He said that he was photographed with three or four other water districts' representatives who also were honored. Mr. McIntyre thanked the Board for its support of District staff to attend conferences and said that it is beneficial and gives staff an opportunity to network with their peers in the water industry.

Bid Opening for Segment 2 – Recycled Water Project North Service Area

Mr. McIntyre advised that on Tuesday, October 25th the District held a bid opening for the final segment for the Recycled Water Project North Service Area (Segment 2) that begins on Olive

Avenue, proceeds west to Redwood Boulevard, then north to Fireman's Fund. He said there was a lot of interest from contractors and eight bids were received. He said that the engineer's estimate was \$2 million and there appears to be a cluster of low bids to evaluate; he will provide a bid analysis at a future meeting.

Earthquake Emergency Drill

Robert Clark informed the Board that he and four District staff members participated with Sonoma County Water Agency, Marin Municipal Water District and two smaller agencies, in a group training that simulated an earthquake in the North Bay. He said that they practiced emergency operations drills with the agencies, and it was an opportunity to experience how each agency would react in an emergency. He said that he is waiting for the analysis of the session which can be used to improve communications and cooperation with other agencies in an emergency. He advised that the State Department of Public Health paid for a Department of Homeland Security contractor to provide the training.

Farhad Mansourian Retirement

Director Baker reported that he attended a retirement celebration for Farhad Mansourian who has retired from the County of Marin after 30 years. He said that Mr. Mansourian has taken the position of General Manager of SMART, and he opined that SMART may be more sympathetic to Marin municipalities with Mr. Mansourian as Manager of the agency.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley provided the highlights of the first quarter Financial Report for Fiscal Year 2011/12 and stated that the District sells most of its water during this quarter. He stated that this is a conservative budget with 2.7BG in water sales forecast for FY 11/12; and, water sales volume and operating revenue came in less than forecasted this quarter. He said that expenses are on target; the Capital Improvement Projects expenditures are \$1.5M (budgeted at \$3M); and the District's cash balance increased by \$500,000 for the first three months of the fiscal year.

Mr. Bentley reported on the individual districts. He said that in Novato, water consumption was down 6% from a year ago, and compared to budget, is down 2%. He pointed out that the cost of water produced at Stafford Treatment Plant was \$1,813 per million gallons which is less than the cost of Russian River water. He advised that the salary and benefit costs are 3% more than a year ago primarily due to higher contribution rates through CalPERS and higher workers comp rates. Mr. Bentley stated that \$769,000 in connection fees were collected for the Warner Creek Senior

Housing project, which is more than was budgeted for the entire fiscal year; the Novato cash balance is \$4.5M.

Mr. Bentley advised that Recycled Water sales came in at 34MG approximately the same as the prior year. He said the revenue is up due to the rate increase and expenses were down; and the net income this quarter is \$22,000 versus a \$2,000 loss for the prior year during the same period. He advised that approximately \$2M has been spent on the Recycled Water Expansion Project; \$1.75M was borrowed from Novato water pending receipt of grant funds and State Revolving Fund (SRF) loan funds. He further advised that when the grant and loan funds are received, Novato Water will be repaid and Novato connection fee revenue will pay for debt service on the SRF loans.

Mr. Bentley stated that revenue and expenses are up in West Marin compared to last fiscal year and its net income this year is \$62,000 versus \$48,000 one year ago. He advised that West Marin capital improvements projects total \$400,000 for FY 11/12. He further advised that West Marin has repaid Novato Water \$83,000 in the first quarter.

Mr. Bentley reported that Oceana Marin Sewer revenue is up 5% due to the 6% rate increase. He said there is not much growth in Oceana Marin, expenses are down and its cash balance is \$294,000 at the end of the first quarter.

CONSENT CALENDAR

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

CHIPOTLE MEXICAN GRILL #1643 – 880 DELONG AVENUE

The Chipotle Mexican Grill project will renovate the existing building at 880 DeLong Avenue. New Zone 1 water facilities required include ten feet of four-inch PVC, one four-inch fire service assembly and a 1-1/2 inch domestic water service with 1-1/2 inch back flow preventer. The existing 5/8 inch meter installed in 1971 will be killed and the existing on-site fire hydrant will remain unchanged. The total water demand for the project is four equivalent dwelling units and the new water demand is two EDUs. The Applicant is credited two EDUs for the existing service, based on historical water use during the first ten years of service per Regulation 1.c.

The Board approved Resolution No. 11-31 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Novato Realty Partners, LLC."

Director Rodoni commented that the Applicant received \$57,000 credit for the 1971 services; and opined that with the financial difficulties of the District, the Board should revisit the policy of giving credit for very old services. There was Board consensus.

OUTSIDE AUDITOR'S 2011 REPORT AND MANAGEMENT LETTER

The Board accepted the Outside Auditor's FY 10/11 Financial Report and Management Letter as presented as a draft at the October 18, 2011 meeting.

ACTION CALENDAR

REQUEST FOR ADDITIONAL BILL ADJUSTMENT – WEDEL

There was no discussion on this item. The customer was not in attendance.

On motion of Director Baker, seconded by Director Fraites and unanimously carried, the Board denied the request for an additional bill adjustment for Mr. Wedel.

STP SOLAR POWER PROJECT OPTION

Mr. Bentley stated that staff has been working many months on the financing for Stafford Treatment Plant Solar Energy Project. He said that the State Legislature has authorized additional funds for the California Solar Initiatives (CSI) credit which will enable the solar power project to commence; however the District recently received an offer from Sonoma County Water Agency to sell the District electrical power through the Power and Water Resources Pooling Authority (PWRPA) at less cost than Solar Power Partners cost. He said that he and Robert Clark met with SCWA to discuss the details and discovered that SCWA is not ready to commit to pricing or to execute a contract in writing at this time. Mr. Bentley advised the Board that the deadline to pay PG&E the \$10,000 CSI application fee to retain the option to construct the STP Solar Power Project is Saturday, November 5, 2011. He said that it is staff's recommendation to keep options open and pay the \$10,000 and continue to work with SCWA to develop a power purchase agreement for PWRPA power.

Director Schoonover asked if there is a downside to staff's recommendation.

Mr. Bentley responded that the District would lose \$10,000 if the District decides to wait and purchase power from SCWA through PWRPA when available.

Director Baker moved that the Board accept staff's recommendation to pay PG&E the \$10,000 CSI application fee and to continue working with SCWA to develop a power purchase agreement for PWRPA power.

Director Rodoni asked if there was a time limit to perform to keep the PG&E option open.

Mr. Bentley stated that the District would need to commence the project within 18 months.

Director Petterle seconded the motion.

Mr. Fraites asked if the power that would be purchased from Sonoma County Water Agency would be “green power”.

Mr. Bentley said yes, that 40% hydro-power would come from Warm Springs Dam, 40% power from the Sonoma County landfill and the remaining 20% would be hydro-power through PRWPA. Mr. Clark explained that hydro-power is “green power” because it does not create greenhouse gas emissions; however, hydro-power is not considered a renewable energy source such as wind and solar.

The Board unanimously voted to direct staff to pay the \$10,000 California Solar Initiative application fee to PG&E to maintain the financial viability of the proposed STP solar project, and to direct staff to continue working with SCWA to develop a power purchase agreement for PWRPA power.

NEW CREW TRUCK PURCHASE

Robert Clark stated that the Board authorized staff to solicit bids for a new dump truck at the September 6, 2011 meeting; and of the five bids received, one bid met the District’s minimum specifications. He informed the Board that the low bid was received by Peterson Truck who met the minimum specifications and who has provided the District with the majority of the large vehicles in its fleet. Mr. Clark advised that the budget of \$78,000 for the new dump truck was underestimated and the enhanced emissions systems used to lower greenhouse gas emissions are costing more than anticipated. He said that staff has decided to defer purchase of a new 3/4-ton pick-up, budgeted at \$25,000, and apply that amount to the purchase of the dump truck.

On motion of Director Baker, seconded by Director Fraites, and unanimously carried the Board authorized staff to award the purchase contract for the new dump truck to Peterson Trucks Inc. for a total of \$101,345.

RECYCLED WATER EXPANSION TO THE SOUTH SERVICE AREA – PHASE 1B CONSTRUCTION PROJECT – APPROVE BID ADVERTISEMENT

Drew McIntyre presented the first of three requests for bid advertisement for the Recycled Water Expansion Project South Service Area. He said that this first project is Phase 1b and the District is teaming up with Las Gallinas Valley Sanitary District. He described the project as including construction of 1.9 miles of recycled water pipeline and the rehabilitation of Reservoir Hill Water Storage Tank that includes a new roof and waterproofing of the tank. Mr. McIntyre stated that the District is using Reservoir Hill Tank under a license agreement with the City of Novato. He noted that the design engineer for the south service area project is Nute Engineering and that the District’s engineer is Dave Jackson. He informed the Board that the Phase 1b project does not

need as many permits as Phase 1a; the District already has an Encroachment Permit from the City and a Right-of-Entry permit is pending with SMART. He reviewed the Phase 1b project schedule that identifies construction completion in September 2012 and that the schedule conforms to the American Recovery and Reinvestment Act (ARRA) grant funding requirement.

Mr. McIntyre addressed the financing of the Recycled Water Expansion North and South projects and stated both projects' cost estimates are higher than developed originally because they were based on preliminary conceptual cost estimates. Mr. McIntyre advised that the cost estimate for the South Service Area is now \$1.5M more than the original \$6M estimate and that \$900,000 is for onsite retrofit work. He further advised that the District has been successful in receiving additional grant money; the WaterSMART grant of \$1M covered the deficit from the original ARRA grant and in the last month, the WaterSMART grant has been increased another \$375,000 for the higher project costs. He said that the project will receive \$195,000 in Prop 84 grant money. Mr. McIntyre said the District has not received the preliminary funding commitment for the South Service Area project for the SRF loan, and he is hopeful that the funding commitment will be received by time the project is awarded.

Director Fraites asked if SMART is repealed, can the District recover its costs for obtaining rights to cross the railroad tracks in the three crossing locations. Mr. McIntyre responded that whether SMART is repealed or not, an entity will own the tracks and will have its own rules and procedures in place for crossing their property.

Director Petterle asks for clarification that the Board is being asked to approve the bid advertisement only, and that there is no financial impact in tonight's Board action. Mr. McIntyre responded in the affirmative.

On motion of Director Baker, seconded by Director Petterle and unanimously carried, the Board authorized bid advertisement of the Recycled Water Expansion South Service Area Phase 1b construction project.

BOARD OF DIRECTORS PLANNING WORKSHOP

Mr. DeGabriele stated that it is time to schedule the Board planning workshop and he is proposing that the workshop be held at the regular Board of Directors meeting on January 3, 2012. He said that he is also asking the Board to authorize staff to conduct a self-assessment. He stated that after looking at several different tools for assessment that are available to water utilities, he found an assessment prepared by eight large/medium-sized water agencies, along with the EPA and Water Environment Foundation called "The Effective Utility Management Program". He said that he spoke with agencies that have used it and they reported it being a beneficial tool to involve

all staff in the organization, and it is available at no charge. Mr. DeGabriele conducted a brief presentation of the self-assessment to explain how the tool works. He said the results will identify the operational areas of the District that need improvement, and he advocates that all employees and Directors complete the assessment and the results would be discussed at the workshop.

Director Fraites said that he may not be in attendance at the January 3rd meeting.

Director Petterle stated that the self-assessment discussion may be a lot to accomplish and will consume the workshop.

Mr. DeGabriele stated that he did not think that there will not be a lot of categories that will need improvement, and therefore further discussion. He said that since it is important that all Directors be present, he will poll the Board to determine a day and time to hold the workshop.

On motion of Director Petterle, seconded by Director Baker and unanimously carried, the Board authorized staff to hold a special meeting on a date to be determined for the Planning Workshop and authorized staff to conduct the self-assessment.

Director Petterle left the meeting at 8:33 p.m.

INFORMATION ITEMS

FIRST QUARTER 2011/12 UPDATE – OPERATIONS/MAINTENANCE

Robert Clark provided the first quarter FY 2011/12 update for the Operations and Maintenance. He said that the reorganization efforts completed in April included the transfer of Dan Garrett from Maintenance to the Stafford Treatment Plant as an Assistant Distribution Treatment Plant Operator; and temporary employee Michael Connolly was hired as a regular full-time Assistant Distribution Treatment Plant Operator August 1.

Mr. Clark reported that Stafford Treatment Plant production has averaged 3.5 MGD this quarter and is operating very well with three treatment plant operators, one less than last year. He said there was a water quality issue due to high levels of turbidity in the finished water that resulted in the shut-down of the treatment plant for one week; but after staff made adjustments to the Solar Bees on the lake, production was back on-line. He stated that the STP staff participated in a safety system inspection conducted by Cal-OSHA; and during the second quarter, staff will train Novato Fire District and Marin County first responders on chlorine and other hazardous materials at Stafford Treatment Plant.

Mr. Clark advised that Novato system water production and recycled water production were similar to last year. He further advised that well #3 in Point Reyes suffered a dramatic decrease in production and that Winzler & Kelly will provide assistance in designing a replacement well. He

said that permits are required from the County and Coast Guard and he will keep the Board apprised. Mr. Clark stated that production in Point Reyes was down for a fourth year in a row which he attributes to the cooler temperatures and customer conservation efforts. He said that Phillips and Associates continues operating the Oceana Marin sewer system.

Mr. Clark provided a summary of the Maintenance group and said that returning summer staff has helped in the backflow program and routine maintenance tasks. He said the Electrical/Mechanical group installed quick connects at several pump stations to enable quick installation of a generator in emergency power outages.

Mr. Clark also provided information on the Cross Connection Control section, Building and Grounds and Fleet Operations.

QUARTERLY PROGRESS REPORT – ENGINEERING DEPARTMENT

Mr. McIntyre provided the Engineering Department first quarter report. He said that in West Marin, Improvement Projects expenditures are forecasted to not exceed the FY 11-12 approved budget; however in the Novato system (which includes water and recycled water) Improvement Projects expenditures are expected to exceed the budget. He explained that this is because of the accelerated Recycled Water Expansion Project expenditures. Mr. McIntyre advised that he will present an update of the Recycled Water Financial Plan in January and will request a budget augmentation for the remainder of the fiscal year at that time. He stated that when potable water system expenditures are combined with recycled water, the actual expenditure is \$10.2M versus a budget of just under \$10M. He further stated that the expected savings in the potable water system is masking the additional cost of the Recycled Water Expansion Project. Mr. McIntyre informed the Board that in the Novato Water system budget there is \$2.7M budgeted for the Aqueduct Energy Efficiency Project and stated that project expenditures will not come close to that amount.

Mr. McIntyre stated that total Improvement Projects for Novato and West Marin is 39, two projects were added and two projects were deferred. He said that in Novato, two projects have overruns, the Recycled Water Expansion Project and the South Novato Boulevard Main Repair. He said the South Novato Boulevard project is now estimated at \$250,000 rather than the budgeted \$120,000 because scope of the project was underestimated. He said that there was a lot of exploration, potholing, conflicts with existing utilities coupled with the complexity of working in the difficult intersection requiring traffic control that increased costs. He said that there is now 500 feet of new pipeline in the area where the pipeline had failed twice in the last five years.

Mr. McIntyre reported that in West Marin, no projects are expected to exceed the original budget except the Point Reyes Well, Well #3 Project. He advised that more costs are anticipated

but the amount is unknown at this time. He said the other large capital improvement project is the Point Reyes Treatment Plant Solids Handling project. He said that this project can be slowed down if necessary to insure that there is enough money in the budget to cover any additional costs for the repair of Well #3.

Mr. McIntyre said that there very few labor hours associated with developer projects and District Improvement Projects show 38% of expenditures for the first quarter; normally it would be 25%. He said that most of staff time and effort has been with the accelerated Recycled Water Expansion Project.

COOPERATIVE AGREEMENT BETWEEN NMWD AND GHILOTTI BROS. – PARTIAL PAVING OF CORPORATION YARD

Mr. McIntyre stated that Ghilotti Bros. is the contractor working on the Caltrans Marin Sonoma Narrows Freeway Widening project in the area fronting District property. He reported that Ghilotti Bros. came to the District requesting use of the triangular portion of the District corporation yard to be used as a staging area for their equipment and crew. He said that Joe Kauwe successfully negotiated with Ghilotti Bros. that in exchange for using District property, Ghilotti Bros. will provide equipment and labor to repave areas in the District corporation yard. Mr. McIntyre stated that repaving of the corporation yard has been deferred for many years and is much needed. He advised that the District will pay for the asphalt materials and the savings to the District for labor and equipment is estimated at approximately \$16,000. He said that in addition, Ghilotti Bros. cleared out the spoils pile on the triangular portion of the corporation yard resulting in additional savings to the District of approximately \$4,500. He advised District cost for materials is \$14,000, and an additional \$11,000 allowance for miscellaneous District labor costs.

BANK OF MARIN AQUEDUCT ENERGY EFFICIENCY PROJECT LOAN

Mr. Bentley informed the Board that the District closed the loan for \$8 Million. He said that he was pleased to be able to do business with a local bank.

WAC/TAC MEETING – NOVEMBER 7, 2011

Mr. DeGabriele presented the Agenda for the WAC/TAC meeting being held on Monday, November 7, 2011.

NORTH BAY WATERSHED ASSOCIATION MEETING – NOVEMBER 4, 2011

Mr. DeGabriele noted the North Bay Watershed Association agenda for the Friday, November 4, 2011 meeting and said that Director Baker will attend.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, The revenge of water, Disposition of Credit Card Swipe Machines, Infrastructure Committee Reviews Plans to Enhance the Water Supply.

The Board also received the following news articles: Stafford Lake Bike Park Could Be Ready in Year, Chinook Salmon Returning to Russian River in Near-Record Numbers, Wine Grape Growers Sue Over Frost Protection Rules, Myths about Russian River Sandbar Plan, Coho Release Highlights 10-Year Willow Creek Restoration, Salinity Notice.

President Schoonover adjourned the meeting at 8:58 p.m.

Submitted by

Renee Roberts
District Secretary