

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 18, 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 employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent), Pablo Ramudo (Water Quality Supervisor) and Ryan Grisso (Water Conservation Coordinator) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Presentation to Marin County Board of Supervisors

Mr. DeGabriele advised that on Tuesday, May 11, he provided an update to the Marin County Board of Supervisors on water supply issues facing North Marin and information on the Novato Creek Watershed Program. He said that the Board of Supervisors declared the month of May as "Water Awareness Month" and his presentation was well received.

Eco-Garden Tour

Mr. DeGabriele reported that the District co-sponsored the Marin County Eco-Garden Tour and that seven gardens in Novato were included. He said that Ryan Grisso and his staff did a good job in organizing the Novato portion of the event. He also mentioned that next weekend Mr. Grisso will be at the Marin Home Show where the District will have a booth.

Meeting with SCWA

Mr. DeGabriele informed the Board that next Monday, May 24, he, Director Rodoni, Marin Municipal Water District General Manager Paul Helliker and MMWD Director Jack Gibson will meet with Paul Kelley and the Agency's General Manager to discuss water supply issues.

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 there was no response.

WASHING MACHINE GIVEAWAY

Mr. Grisso said that the Fall Issue of the *WaterLine* included a coupon for entry into a drawing for a front-loading water efficient washing machine. He noted that this was the seventh year for the drawing and that over 500 entries were received. President Baker drew the name of District customer, Clemmon Woodberry, as the winner of the washer.

MONTHLY PROGRESS REPORT AND BACTERIOLOGICAL QUALITY MONITORING

Mr. DeGabriele presented the Monthly Progress Report for April and stated that Novato production is down 27% compared to one year ago, likely due to 3.6" of rainfall in April and cooler average temperatures. He said similarly, in West Marin, production is down 33% from April 2009 and down 20% FY year-to-date. He said that Stafford Treatment Plant operated the entire month of April, and beginning May 1, increased production began and that the budgeted target of 750 million gallons is expected to be produced. He noted that 2003 was the last year that that production threshold was reached. Mr. DeGabriele stated that recycled water was not produced in April, but production has begun in May. Stafford Lake elevation ranged from 0.7' above spill to 0.1' below spillway enabling the treatment plant to capture principally spilled water during the month of April. Mr. DeGabriele reported that in Oceana Marin, freeboards are in good shape and there was discharge to the irrigation field. He noted that staff has worked 423 days without a lost time accident through April; rebates for high efficiency toilets and washing machines remain popular and complaints and services orders are down 21% for the months of April and down 22% for the fiscal year to date. Mr. DeGabriele advised that the Bacteriological Quality Monitoring Report shows that water quality met all drinking water standards during the last quarter.

Mr. Bentley provided the Monthly Report of Investments and advised that at the end of April, there was a cash balance of \$8.3M, the ratio of total cash to budgeted annual operating expenditures was 60%, and the weighted average portfolio rate was 1.45%.

Director Baker expressed concern that 77% of the District's portfolio is in the Local Agency Investment Fund (LAIF) and that the State may borrow these District funds. He inquired whether District investments should be more diversified.

Mr. Bentley stated that the State Controller's monthly report is looked at carefully and that the State recently reported that its revenue continues to exceed expectations. He said that the State Controller reported that the State is not seeing any cash-flow problems now and most likely won't until September or October. Mr. Bentley stated that 24% of District cash is invested in alternative investments such as corporate notes (30% is allowed). He advised that the way the District's portfolio is staged assumes interest rates will rise, and the plan is to hold District money in short-term investments such as LAIF until interest rates go up then funds will be invested in longer term instruments.

Director Baker asked that within the limitations imposed upon the District, is there something less risky than having funds in LAIF. Mr. DeGabriele stated that on two occasions District funds were transferred out of LAIF into a local bank account, and if or when the State Controller or Attorney General advises that something is amiss, District funds will be moved out of LAIF. Mr. Bentley advised that the cash in LAIF is a "demand deposit" and funds can be withdrawn immediately without penalty.

CONSENT CALENDAR

At the request of Director Fraites, Item 10, Rising Sun Energy Center Water Use Survey Agreement, was removed from the Consent Calendar for further discussion.

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

TEXT SPRING 2010 NOVATO WATERLINE

The Board authorized the General Manager to approve text and design of the Spring 2010 Novato *WaterLine*, Volume 11, Issue 23.

TEXT 2010 WEST MARIN WATERLINE

The Board authorized the General Manager to approve text and design of the West Marin *WaterLine*, Volume 8.

CONSUMER CONFIDENCE REPORT – NOVATO WATER

The Board approved the text for the 2009 Annual Water Quality Report for Novato Water.

RISING SUN ENERGY CENTER WATER USE SURVEY AGREEMENT

This item was removed from the Consent Calendar for further discussion at the request of Director Fraites.

Director Fraites asked how many households are surveyed and if the program is cost-effective. Mr. Grisso replied that the agreement maximum amount is \$3,500, and the actual amount expended will depend on the number of households that participate. He said that the cost covers the giveaways (sink aerators, shower heads, leak detection tabs). He said many apartment complexes and multi-family housing are visited and that other Bay Area water districts participate in the partnership.

On motion of Director Fraites and seconded by Director Petterle, the Board unanimously approved authorization of the General Manager to execute the agreement with Rising Sun Energy Center to fund the water portion of the California Youth Energy Services "Green House Call" program in Novato for 2010.

ACTION CALENDAR

APPROVE: EMPLOYER ASSISTED HOUSING PROGRAM LOAN

Mr. Bentley informed the Board that District Water Quality Supervisor Pablo Ramudo has made an offer on a home in Novato for the sale price of \$490,000, and that Mr. Ramudo is requesting a District loan up to \$245,000 under the District's Employer Assisted Housing Loan Program. He advised that Mr. Ramudo has put down the required 5% down-payment and the District will provide a loan up to 50% of the sale price. He further advised that if the Board approves the loan, the balance remaining in the fund will be \$58,000. Mr. Bentley said that Mr. Ramudo has been employed with the District for seven years and currently rents an apartment in Emeryville with his wife and two young sons.

On motion of Director Rodoni, seconded by Director Fraites, the Board unanimously approved a loan to Pablo Ramudo of up to \$245,000 under the District's Employer Assisted Housing Program and authorized the General Manager to sign the note at such time as the loan is required to close the purchase transaction.

APPROVE: CREST TANK NO. 2 CONSTRUCTION CONTRACT AWARD

Mr. McIntyre stated that eight prime contractors attended the required job walk and five bids ranging from \$656,000 to just under \$750,000, were received (much less than the \$1.3M engineer's estimate). He said that bids were low because of the competitive market and a drop in steel prices. He advised that during the bid review process, the District received a bid protest letter from the second low bidder, Paso Robles Tank, alleging that the low bidder, Pacific Tank, did not have

necessary experience with lead-based coating removal for Crest Tank No. 1 which is part of the project scope of work. He stated that Pacific Tank advised that their subcontractor, Specificoat, would perform the coating removal portion of the job. He said that upon further investigation, it was learned that there was omission in the Pacific Tank bid as to who would actually perform the lead-based coating removal. Mr. McIntyre stated that District legal counsel Carl Nelson confirmed that the Pacific Tank bid was non-responsive and that the Board has the right to reject their bid. He informed the Board that Paso Robles Tank has fully complied with the bidding requirements.

On motion of Director Schoonover and seconded by Director Petterle, the Board unanimously rejected Pacific Tank & Construction's bid as non-responsive, and authorized the General Manager to execute an agreement with Paso Robles Tank in the amount of \$680,000 with a contingency of \$34,000 for Crest Water Tank No. 2 Construction contract.

APPROVE: CONSULTING ENGINEERING SERVICES AGREEMENT (STAFFORD TREATMENT PLANT WASTE STREAM STUDY) – SPH ASSOCIATES

Mr. McIntyre presented a Consulting Engineering Services Agreement for SPH Associates to perform a study concentrating on waste stream handling at the Stafford Treatment Plant and the impacts that limitations for discharge to Novato Sanitary District have on District operations. He explained the purpose of the study is to determine how best to manage and dispose of solids that are removed from the lake water during the treatment process and described the two primary waste stream processes built into the treatment plant. Mr. McIntyre stated that the study will look at ways to reduce the overall quantity of solids that are pumped to the sanitary district. He said that because of the sanitary district's hydraulic limitations in the sewer, Stafford Treatment Plant operators are constrained in their ability to discharge the concentrated waste stream that is not suitable for returning back to the headworks of the water treatment plant. Mr. McIntyre advised that this waste stream discharge limitation also hampers the ability to operate the treatment plant at full capacity. He said that \$25,000 to \$30,000 is budgeted for the study and that SPH and Associates were solicited to submit a proposal for the study because that firm designed the Stafford Treatment Plant. He said that the study is estimated to last four months.

Director Baker asked if the study may lead to recommendations for changes in the hydraulic capacity of the sewer system in Center Road. Mr. McIntyre responded that the study will be focused on finding options the District has to further concentrate its waste streams so that the volume of water that has to be discharged to the sanitary sewer is reduced. He said that even if the sanitary district does not increase their hydraulic limits, there will be other options for the District to

deal with the waste stream rather than discharging close to the sanitary district's hydraulic limitations.

On motion of Director Schoonover, seconded by Director Fraites and unanimously carried the Board authorized the General Manager to execute an agreement between SPH Associates and the District for Consulting Engineering Services on a time and expense basis with a not-to-exceed limit of \$25,000.

APPROVE: STAFFORD LAKE SURVEY SERVICES CONTRACT – CINQUINI & PASSARINO LAND SURVEYING INC.

Mr. McIntyre stated that at the April 20th Board meeting, the Board was informed that Cinquini & Passarino Land Surveying, Inc. were the highest ranked firm to bid on the Stafford Lake Sediment Survey. He said that the Board was also informed that once the scope of work and budget for the project was finalized, staff would return to the Board for authorization to execute a contract. He advised that Cinquini & Passarino have two key sub-consultants: Sea Surveyor, who will perform the bathymetric survey, depth measurements of the lake and a profile of the topography underneath the water; and Tetra Tech who will perform the aerial survey. He said the scope of work is structured so that the boat survey work will be performed in June; and after the water level drops later in the summer, the aerial survey will be performed to collect missing elevation data around the lake perimeter. Mr. McIntyre said that when the study is finalized, staff will have a good indicator of the condition of the lake and will be able to compare it with the survey work performed in 1984. He said that, additionally, this information will be another baseline data point that will be used for future monitoring.

Director Schoonover asked for confirmation that the sub-consultants will be under the direct supervision of Cinquini & Passarino. Mr. McIntyre replied yes; that Cinquini & Passarino is the licensed land surveyor and all work will be performed under their direction.

On motion of Director Fraites and seconded by Director Petterle, the Board unanimously authorized the General Manager to execute a survey contract with Cinquini & Passarino Land Surveying Inc. in the amount of \$32,000 and execute any necessary change orders not-to-exceed \$3,200 in total.

INFORMATION ITEMS

THIRD QUARTER WATER QUALITY REPORT

Mr. Ramudo provided the Third Quarter Water Quality Report and stated that algae from Stafford Lake were enumerated and as is usual with the winter months, the totals were low. He said that watershed monitoring resulted in four locations that had significant concentration of

contaminants: the two drainage areas for Grossi Dairy, the creek adjacent to the Stafford Lake Park residence and Vineyard Creek above the golf course in the area that drains below Willow Tree Stables. He said that the significant contributions from the creeks are due to the amount of rainfall this year. Mr. Ramudo stated that total organic carbon removal at Stafford Lake Water Treatment Plant was 60%, well above what is required; and the final TOC concentration was 2.8mg/L. He advised that with the start-up of the treatment plant, the sludge supernatant export lines were “pigged” to keep the line clear and at maximum capacity to the sanitary sewer.

Mr. Ramudo stated that in Point Reyes, water quality was good during the quarter with the exception that the sodium concentration remains to be a problem. West Marin customers continue to be notified. He pointed out that bromide peaked in September coincident with the peaking of sodium, and caused disinfection by-products to increase significantly. He said that bromide is a constituent of seawater and is another tell-tale sign that seawater is entering the aquifer. Mr. Ramudo said that disinfection by-products monitoring samples collected were high in the third quarter but does not constitute a violation nor is it required to notify customers.

RISK ASSESSMENT PROJECT SUMMARY

Mr. Clark reported that DB Claims Services Group performed a risk audit on major District facilities that included Stafford and Point Reyes Treatment Plants, Stafford Dam, large pump stations, tanks, the Stafford Park area and the District office buildings. He said that the report addressed risk hazards to the public including fall hazards from the top of tanks and the risk of being around the facilities at night due to lack of lighting. He stated that fencing with locked gates is installed around tank accesses. Mr. Clark advised that the audit recommended increased signage to provide a perimeter warning on the top of tanks and fencing at additional tank sites. He said a reflective caution tape will be laid on the top of the tanks within 5 feet from the edge with a sign indicating a “fall hazard”. He said the report included 275 specific recommendations; 222 have been addressed and are already incorporated into on-going maintenance projects, and 46 will be incorporated into future scheduled maintenance or improvement projects.

SECOND REVIEW – PROPOSED FY 10/11 EQUIPMENT BUDGET

Mr. Bentley presented the Proposed FY 10/11 Equipment Budget for the Board’s second review and advised that there were no changes since the initial review. Mr. Bentley said that the budget will be presented for adoption at the public hearing on June 15.

SECOND REVIEW – PROPOSED FY 10/11 & FY 11/12 NOVATO IMPROVEMENT PROJECTS BUDGET

Mr. Bentley presented the Proposed FY 10/11 and FY 11/12 Novato Improvement Projects budget. He said that since the Board's last review \$100,000 has been added; \$20,000 for FY 10/11 and \$80,000 for FY 11/12. He reviewed the major projects scheduled for the next two fiscal years that include the Administration Office/Lab/Yard Remodel Design; STP Solar Panels; Crest Tank #2 Construction, Lynwood Recoat/Seismic Upgrade, Water Conservation, Aqueduct Relocation and other projects.

Director Fraites stated that most toilets and washing machines now available are water-efficient and asked if the rebate programs should continue if the products that customers are being encouraged to purchase are now the norm.

Mr. DeGabriele said that this is a matter for the Board to deliberate; and that in late summer, staff will provide an update of the District's Water Conservation program. He said it is important to consider the conflicting message that will be given to customers if water conservation participation is encouraged yet rebate funding is decreased or eliminated.

Director Petterle asked if there are advantages to customers by deferring any improvement projects.

Mr. DeGabriele responded that staff can operate to the budget authority that the Board authorizes. He stated that the District has spent down its reserves on building projects that have benefited North Marin's water system and customers. He further stated that the proposed rate increase will enable planned projects to be paid for and will, at the same time, build reserves back up to the reserve policy target. He advised that some projects have already been delayed or deferred in order to operate within the \$3.2M per year proposed improvement projects budget.

SECOND REVIEW – FY 10/11 PROPOSED NOVATO OPERATIONS BUDGET

Mr. Bentley stated that the Operations Budget is for \$19.3M and includes improvement projects and equipment. He said \$200,000 has been added since the last review because the Crest Tank No. 2 project was delayed and project costs that were included in the FY10 budget have been moved to FY 11. He said a bottom line deficit is \$1.1M, a decrease in the cash balance even with the rate increase factored in. He said the 11% water rate increase is projected to add \$1.6M to revenue next year; consequently, if the water rate increase is not approved, the cash balance would decrease \$2.7M. Mr. Bentley reviewed the major assumptions for next year's budget and pointed out that because of the wet spring, the projected water sales will not be met. He advised that three full-time equivalent positions have been deleted which equals approximately 2% on the water rate

increase, and there is a 2% salary cost of living increase per the agreement with the employee association. He reported that the total budgeted operating expenditures have gone up \$762,000 over last year's budget, \$740,000 of which is for purchased water.

He reminded the Board that at next week's public hearing, the Board will be asked to adopt the revisions to Regulation 54, Water Rates and he reviewed those revisions.

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

Mr. Bentley presented the Recycled Water Operations budget for the additional review and stated that there is now a budgeted net income of \$4,000 due to a reduction in labor expense. He said lower demands are expected; Stone Tree Golf Course is cutting back on water use and will see a 5% commodity rate increase. He reported that the major budget item for Recycled Water next fiscal year is the expansion of the distribution system to the North Novato Service Area and that this project will be funded by federal and state grant funds, a contribution from Novato Sanitary District, an SRF loan and developer connection fees.

PRESENTATION RE PROPOSED NOVATO WATER RATE INCREASE

Mr. Bentley conducted a "dry run" of the presentation for the public hearing to be held on May 25th for the proposed Novato Water Rate Increase. He asked the Board and staff for their comments. During and after the presentation, the Board made suggestions on ways to streamline the presentation and to make it more understandable to the public.

NORTHERN CALIFORNIA COASTAL STREAMS INSTREAM FLOW POLICY

Mr. DeGabriele provided a brief update to the Board on the State Water Resources Control Board adoption of the Northern California Coastal Streams Instream Flow Policy. He said it is a very complex issue, and there was some success in getting minor changes to the Policy that may enable North Marin to navigate the water right process for change in point of diversion on Lagunitas Creek. He said he is uncertain if the Policy will help maintain or increase Novato creek diversions in the future.

SCWA NOTICE OF PREPARATION OF A DRAFT OF ENVIRONMENTAL IMPACT REPORT FOR RUSSIAN RIVER ESTUARY MANAGEMENT PROJECT

Mr. DeGabriele reported that the environmental review process is beginning to address the Biological Opinion provisions that would enable the Russian River estuary at Jenner to remain at a closed condition to benefit steelhead trout.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, Summary of Estimated Water Use in the United States in 2005.

The Board also received the following news articles: NMWD Commended for Financial Reports, Feds Fine Healdsburg Grape Grower for Salmon Kill, Part I: New Actions in Eel River Diversion controversy May Lead to Big Water Fight, Water Diversion Suit Rejected by State, Water Board Votes to Oppose Prop 16, and Salinity Notice.

ADJOURNMENT

President Baker adjourned the meeting at 9:53 p.m.

Submitted by

Renee Roberts
District Secretary