

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
July 17, 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, and Chief Engineer Drew McIntyre. Auditor-Controller David Bentley was absent.

Novato resident Tilden Hansen, District employees Robert Clark (Facilities Maintenance Superintendent), Mike McMaster (Operations Superintendent), and Doug Moore (Construction Superintendent) were in the audience. Dianne Landeros (Accounting and Human Resources Supervisor) was present for a portion of the meeting.

President Petterle announced that at the Closed Session held during the Special Meeting of July 11, 2007, a personnel item was discussed and no action was taken.

MINUTES

On motion of Director Schoonover, seconded by Director Rodoni and carried by the following vote, the Board approved the minutes from the previous meeting as mailed:

Ayes: Directors Fraites, Petterle, Rodoni, Schoonover

Noes: None

Abstain: Director Baker

Absent: None

GENERAL MANAGER'S REPORT

WaMTEC

The General Manager advised that on Thursday, July 19, he will be attending the charter signing of the Water Management Technology and Education Center at College of Marin's Indian Valley campus and that the center is a partnership between the College of Marin, North Marin Water District, Marin Municipal Water District, County of Marin and the California Landscape Contractors Association.

Recycled Water Facility Open House

Mr. DeGabriele reminded the Board that Friday, July 27, the Recycled Water Facility Dedication and Open House will be held at Stone Tree Golf Course at 10 a.m., and he also reminded the Board of the District picnic at Stafford Lake Park on Saturday, July 28.

CREBS Application

Mr. DeGabriele advised that the application for the California Renewable Energy Bonds (CREBS) was filed last Friday, and that on the advice from the county, the funding request was reduced from \$3.4 million to \$1 million.

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 item was discussed:

Pool Covers

Novato resident Tilden Hansen addressed the Board on his opinion on the danger of pool covers in regard to drowning, and said he would research pool drownings attributed to pool covers and share his findings with the Board.

HEARING/APPROVE: NOVATO WATER OPERATIONS, EQUIPMENT, IMPROVEMENT PROJECTS AND RECYCLED WATER OPERATIONS BUDGETS

The General Manager, in the absence of the Auditor-Controller, presented the Novato Operations, Equipment, Improvement Projects and Recycled Water Operations Budgets for the Board's final review and adoption.

Operations Budget

Mr. DeGabriele stated that a Water Rate Hearing Notice was mailed to each individual non-residential customer 45 days in advance of tonight's public hearing in accordance with Proposition 218 and that the notice was also published in the Novato Advance. He said that individual letters were mailed to irrigation water customers and that no written or verbal comments were received from the public.

He said that this fiscal year's proposed budget projects a bottom line deficit of \$3.7M with a 20¢/1,000 gallon rate increase for non-residential customers that will add \$120,000 to budgeted revenue during the 2007/08 fiscal year. He added that a commensurate 7% increase for untreated water drawn directly from Stafford Lake is also proposed. Mr. DeGabriele advised that the proposed budget deficit will be funded from reserves as was done last year and that the deficit arises from the

improvement projects program. He further advised that the total budgeted expenditures is \$18M, up 4% from FY 06/07, yet expenditures net of improvement projects from last year's budget were reduced by 5% as requested by the Board. He said that in looking at simply the water sales less operating expenditures, a surplus of \$528,000 is projected. He reported that water sales is budgeted at 3.3 billion gallons, down 2.5% from the FY 07 estimated actual and that purchased water will decrease as more water is produced at the Stafford Treatment Plant and recycled water project. He noted that the Conservation Incentive Tier Rate is projected to reduce water demand by 28 million gallons annually and budgeted to generate \$300,000 in additional revenue. Mr. DeGabriele reported that additional revenue from connection fees is budgeted at \$1.76M based upon the District's development forecast and that the Whole Foods project comprises \$825,000 of the total.

Mr. DeGabriele said that total operating expenditures are projected to increase 2% over the FY 06/07 budget and decrease 4% from estimated actual and that the staff level will remain at 59.1 FTE. He noted that the Construction Department is overstaffed by one position in anticipation of an upcoming retirement. He also noted that the Cost of Living Adjustment is estimated at 4% and the CalPERS Board approved a group health insurance rate increase of 9.7%.

Equipment Budget

Mr. DeGabriele stated that there have been no changes to the Equipment Budget since the last review and that the proposed Equipment Budget totals \$295,300, down 8% from last fiscal year's budget.

Improvement Projects Budget

Mr. DeGabriele reported that the proposed Improvement Projects Budget totals \$7.2M and includes \$3M for the Palmer Drive tank and \$1.3M for improvements to the Stafford Lake Treatment Plant. He advised that the net District outlay, after deducting reimbursements from Sonoma County Water Agency and the State Revolving Fund, stands at \$5.9M for FY 07/08; and that the FY 08/09 proposed Improvement Projects Budget totals \$4.2M, with a net District outlay of \$3.8M.

Recycled Water Operations Budget

The General Manager stated that there have been no changes to the Recycled Water Operations Budget since the last review and that the commodity rate for recycled water is equal to the potable rate, is boosted by the proposed 20¢/1,000 increase and that projected demand is 70 million gallons. He stated that several improvement projects are scheduled for next year, notably

the extension of recycled water to the Novato Fire Protection District and improvements at the treatment facility.

President Petterle opened the public hearing for the Novato Operations, Equipment, Improvement Projects and Recycled Water Operations Budgets at 7:55 p.m., and hearing no comment, closed the public hearing.

On motion of Director Schoonover and seconded by Director Fraites and unanimously carried, the Board adopted the Novato Operations, Equipment, Improvement Projects and Recycled Water Operations Budgets.

On motion of Director Schoonover and seconded by Director Fraites and unanimously carried the Board approved Resolution 07-24 entitled, "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54 – Water Rates."

MONTHLY PROGRESS REPORT

Mr. DeGabriele stated the Monthly Progress report for June encapsulates the 2006/07 Fiscal Year. He reported that water production was up slightly for Fiscal Year 06/07 compared to a year ago, but in comparison with Fiscal Year 03/04, another dry year, water production was slightly less. He said that water production in West Marin is up 9%, but less than the previous dry year. He explained that the main leak in Olema that boosted water production in June was due to an auto accident. Mr. DeGabriele said that water production at Stafford Treatment Plant was higher than expected, and therefore, reduced Russian River water usage. He advised that freeboard levels are improved over one year ago in Oceana Marin. He further advised that the District managed 164 days without lost time or accident and noted that only five lost days were experienced this fiscal year compared to 133 the prior year. Mr. DeGabriele said that complaints are down 14% for the month of June, but for the fiscal year, up approximately 6%, most likely related to the Conservation Incentive Rate and Conservation Incentive Tier Rate. He said that 130 customer questionnaires were sent out and of the 65 returned, 96% said the District was doing a good job.

Director Rodoni requested a summary report on the Conservation Incentive Tier Rate including complaints, funds generated and reductions recorded.

CONSENT CALENDAR

Director Baker requested Item 6, the Hamilton Marketplace, and Director Petterle requested Item 8, Recycled Water Facility Dedication Budget, be removed from the Consent Calendar for further discussion.

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

4TH STREET SUBDIVISION

This project subdivides an existing 0.69 acre parcel into 10 lots for single-family homes. The existing single-family residence will be removed and the existing well will be abandoned as part of this project. New water facilities required include 320 feet of 6" PVC main, 120 feet of one-inch copper, one residential fire hydrant and ten one-inch meters and all lots will receive normal pressure Zone 1 water service.

The Board approved Resolution No. 07-26 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Christopher and Colleen Geiger."

NEXT GENERATION MARIN GREEN SCHOOLS PROGRAM

The Next Generation Marin Green Schools Program helps young people to learn about environmental issues and sustainable solutions and is expanding into the Novato area. San Marin High School has proposed to participate in this program and authorized a \$2,500 contribution from the District. It is the District's hope that this sponsorship could lead to a future partnership between the District and San Marin High School to perform environmental stewardship and other projects in the Stafford Lake watershed.

DISBURSEMENTS

The Board authorized and approved for payment payroll and accounts payable vouchers totaling \$1,194,558.52 for payment.

ACTION CALENDAR

HAMILTON MARKETPLACE, 5800 NAVE DRIVE

Director Baker inquired if the project had gone through the city process for approval and that he was concerned about the amount of parking that will be needed. Mr. McIntyre responded that the project has gone through the proper approval process and that a Safeway, gas station and other smaller retail businesses were planned for the site.

On motion of Director Baker and seconded by Director Schoonover, the Board unanimously approved Resolution No. 07-25 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Grosvenor USA, LTD."

RECYCLED WATER FACILITY DEDICATION BUDGET

Director Petterle inquired if the amount requested for the Recycled Water Facility Dedication was adequate, and Mr. DeGabriele responded that the cost is being shared by the Stone Tree Golf Club. He stated that typically, there is not a large turnout for this kind of event.

On motion of Director Rodoni and seconded by Director Baker, the Board unanimously approved the amount of \$1,000 for the Recycled Water Facility Dedication and Open House.

APPROVE - STAFFORD TREATMENT PLANT SECURITY PROJECT – CONSTRUCTION CONTRACT AWARD

Mr. Clark stated that Requests for Proposals were solicited June 8, 2007 and that four contractors received contract documents. He said that two contractors, Mike Brown Electric and Electronic Innovations, Inc., submitted proposals for the installation of the surveillance system, intrusion system, automatic gate and site lighting for Stafford Treatment Plant Security Project. He reported that Mike Brown Electric is the apparent low bidder and that all references for Mike Brown Electric reported a satisfactory rating. Mr. Clark reported that that the bid received exceeds the engineer's cost estimate because of higher than expected costs for materials and labor to install steel conduit and underground work. He advised that Electronic Innovations is protesting Mike Brown Electric's bid on the basis that the sub-contractor for Mike Brown, Sabah International, does not hold a valid Alarm Companies License. Mr. Clark explained that there is no basis for the protest as the license is for companies that install and monitor alarm systems and then contact the police department when security is breeched; but that in the treatment plant's system, the treatment plant operators would be monitoring the alarm system. He further advised that he is drafting a letter in response to the protest for review by District legal counsel.

Director Rodoni asked how the District will benefit from the system if the plant is not staffed 24 hours a day and Mr. Clark responded that this system is compatible with the District's existing SCADA system and the on-call person will be notified by way of the SCADA alarm. He explained that the on-call person will then log onto the system and will be able to view the video cameras to see what is the cause of the alarm. Director Rodoni stated that on-call personnel are not required to be at home with their computer. Mr. Clark acknowledged that details on handling the monitoring of the system needs to be worked out.

Director Petterle inquired if the District staff will develop a protocol on who and when to call police and will the police recognize the call as being from a Water District employee and not from an individual's home. Mr. Clark said that there will be different levels of urgency, that these levels need to be developed by staff and that law enforcement will be apprised so they can respond

accordingly. Mr. Clark noted that the Marin County Sheriff's Department is the law enforcement agency having jurisdiction for the Stafford Treatment Plant and that he will meet with them after the levels of alarm are developed.

On motion of Director Fraites and seconded by Director Schoonover, the Board authorized the General Manager to award the contract to Mike Brown Electric Co. pending outcome of legal counsel review of Electronic Innovations, Inc. protest.

CONSIDER – MMWD PARTICIPATION IN SONOMA-MARIN SAVING WATER PARTNERSHIP

Mr. DeGabriele stated that the Board has been supportive of efforts to form the Sonoma-Marín Saving Water Partnership, a partnership of all the water contractors and Marin Municipal Water District, for the purpose of achieving a collective water conservation saving school of 14,800 afa by implementing the California Urban Water Conservation Council Best Management Practices. He advised that since Marin Municipal Water District is no longer a party to the Restructured Agreement or the Impairment MOU and is not a regular customer of the Sonoma County Water Agency, their ability to receive funds for water conservation is limited. Mr. DeGabriele stated that it is important to have all recipients of Russian River water involved in the partnership and that now the Agency's legal counsel has added wording to the proposed Partnership Memorandum of Understanding to include MMWD's participation including the ability to obtain funding. He said that it is now a policy decision whether or not all contractors want MMWD to participate equally and have the ability to obtain funding from the Agency for water conservation programs. Mr. DeGabriele advised that the contractors have been asked to brief their Water Advisory Committee representative on the issue and be prepared to vote at the next WAC meeting scheduled for August 6th. He said that he recommends the District's representative vote in the affirmative to allow MMWD to become a full partner including the ability to obtain funding.

Director Baker questioned the reason why there is hesitation from some contractors to allow MMWD's participation in the partnership. Mr. DeGabriele responded that, in his perspective, there is history between MMWD and Sonoma County contractors stemming from MMWD's past position opposing Warm Springs Dam construction. He said that MMWD did not take advantage of the opportunity to become a prime contractor when it was offered, but that MMWD is paying into the O&M fund plus the water conservation fund. Mr. DeGabriele said that it makes sense for MMWD to be an equal partner in water conservation in the region.

On motion of Director Baker and seconded by Director Fraites, the Board voted unanimously to authorize the WAC representative to vote in favor of MMWD as a full partner in the Sonoma-Marín Saving Water Partnership including ability to obtain water conservation funding.

INFORMATION ITEMS

INTERNAL CONTROLS STUDY/RECOMMENDATION

Ms. Landeros said that after the embezzlement of District funds, the Accounting Department changed procedures in handling cash and cash receipts and that an additional study was conducted by District outside auditors, Bartlett, Pringle & Wolf, to determine if more improvements could be made. She said that the auditors made recommendations and pointed out that the District had done a good job in improving the control of the cash receipts, but that the disbursements and payroll areas needed attention. Ms. Landeros summarized the recommendations made by the auditors and stated that these procedures are now being implemented as noted.

WATER CONTRACTOR SHORTAGE ALLOCATION DURING SWCRB 15% MANDATORY REDUCTIONS IN RUSSIAN RIVER DIVERSIONS

Mr. DeGabriele stated that the Board is aware that the State Water Resources Control Board issued Water Right Order 2007-0022 requiring Sonoma County Water Agency to reduce its diversions from the Russian River to its service area by 15% and that the District declared an emergency and adopted the Emergency Water Conservation Ordinance. He said that initially, the Agency advocated that there be a 15% reduction across-the-board in deliveries to all contractors, but that the City of Santa Rosa strongly advised that they were not inclined to accept the 15% reduction stating that Section 3.5 of the Restructured Agreement has an allocation methodology in place and that demand hardening as a result of water conservation will be taken into account. He reported that subsequent to that, the Agency issued a letter stating that it would follow that section of the Restructured Agreement, but as of today, the Agency advised that they do not want to do that. He said that the District will go ahead with the 15% reduction, noting that Mike McMaster and staff have done a great job increasing production at Stafford Treatment Plant and that Drew McIntyre has done a great job getting the Recycled Water Project completed. He stated that the District has reduced its Russian River deliveries, compared to 2004, by 17-20%. Mr. DeGabriele advised that he and Ryan Grisso met with the City of Novato, Fireman's Fund, and Valley Memorial Cemetery to discuss ways these large irrigators can reduce their usage and that Mr. Grisso will meet with the Novato Unified School District. He said it is troublesome that the Agency chose not to declare an emergency and instead, has put pressure on the cities and towns to conserve.

Mr. DeGabriele acknowledged that the District is doing a good job in meeting the 15% reduction, and that as Chair of the Technical Advisory Committee, he will try to steer the contractors in the right direction but that the Agency should know which way it wants to go. He advised that he will be meeting with the Agency manager, Jake MacKenzie and Krishna Kumar for further

discussions. He further advised that overall, Sonoma County contractors are not doing as well as North Marin in reducing deliveries.

There was a discussion by the Board and Mr. DeGabriele stated that he will keep the Board apprised of the plan developed by the water contractors.

NBWRA STUDY – TRANSITION TO FEDERAL PRINCIPLES & GUIDELINES REQUIREMENTS

Mr. DeGabriele stated that the North Bay Water Reuse Authority (NBWRA) has studied whether it would be beneficial to transition from the current Bureau of Reclamation Title XVI process for development of the NBWRA study to Bureau of Reclamation Federal Procedures and Guidelines (P & G) Requirements to potentially achieve a greater federal funding share in the feasibility study and environmental review. He said that this would require significantly more work to be done in the study phase including a feasibility study report with 50% design and an engineering estimate at approximately 20% construction bid cost. He said that the NBWRA would be eligible for a 25% cost share and would be more likely to get funding under the P & G approach. He reported that the group is now prioritizing the projects to be considered and that the District's projects are in the top priority. Mr. DeGabriele explained the details and risks involved in transitioning to the Federal P & G Requirements and stated that local money will be needed to pursue the Recycled Water Implementation Plan. He said that Las Gallinas Valley Sanitary District (LGVSD) is very interested in the District's South Project that delivers recycled water into the Hamilton area and that LGVSD would like to share costs as the District does with Novato Sanitary District. He said that he indicated to them that he is willing to make that recommendation to the Board but that the District should not pay any more that it is paying now. He further advised that he has asked MMWD to participate with LGVSD in this cost sharing and has solicited Director Rodoni and Dietrich Stroeh to reach out to MMWD directors on this subject. Mr. DeGabriele said that it would benefit MMWD as it will free up potable water in the North Marin Aqueduct for MMWD use.

Mr. DeGabriele advised the Board that the NBWRA appears to be moving forward with small projects that benefit Napa, the District and LGVSD and that he has suggested they consider hiring a program manager.

MISCELLANEOUS

The Board received the following miscellaneous information: Reorganization of California Department of Health Services, Anonymous letter re "Recent Restrictions", Novato Residential Consumption 20 year history, West Marin Service Area Residential Consumption – 20 yr history. The Board also received the following news articles: Putting a Price on That Green Lawn (7/12), Drip, Drip (7/8), Well Water Will Be Last Resort This Summer (7/3), Swimming Upstream (6/28).

ADJOURNMENT

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

Submitted by

Renee Roberts
District Secretary