

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
February 5, 2008**

CALL TO ORDER

President Fraites 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, 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 Doug Moore (Construction Superintendent) and Pablo Ramudo (Water Quality Supervisor) were in the audience.

CLOSED SESSION

President Fraites immediately adjourned the Board into Closed Session for Conference with Real Property Negotiator (Chris DeGabriele) regarding terms of Intertie Agreement between North Marin Water District and Marin Municipal Water District (Government Code Section 54956.8).

OPEN SESSION

Upon returning to regular session at 7:51 p.m., President Fraites stated that during the Closed Session, the Board had discussed the issues and no action had been taken.

MINUTES

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

GENERAL MANAGER'S REPORT

Oceana Marin Homeowners Association

Mr. DeGabriele reported that he and Director Rodoni attended the Oceana Marin Homeowners Association meeting on January 19, 2008 wherein customers voiced their concerns about not being noticed on the generator enclosure project. He said that several customers also had concerns about the visual impacts of the generator enclosure. He said that this is something that will have to be addressed and asked the Maintenance and Engineering staff to come up with a plan to address those concerns.

Recent Storm Update

Mr. DeGabriele reported that the District did not suffer any damage during the latest round of winter storms and that Stafford Lake is full, and as of Saturday, was spilling.

OPEN TIME

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

Palmer Drive Tank Project

Mr. McIntyre stated that bids were opened for the Palmer Drive Tank project and that thirteen contractors submitted bids, the highest number of bidders in many years. He said that the bids are being evaluated and a recommendation will be brought back to the Board for award of the contract at the next meeting. He added that the overall cost is significantly below the engineer's estimate.

McKenzie Claim

Mr. Bentley advised that a tentative agreement has been reached with McKenzie and the District's insurance company, Arch Insurance, and that the settlement agreement is well within the parameters set by the Board. He said that the attorneys are in discussions over the settlement agreement language and the final settlement will be brought back to the Board at the next meeting for formal approval.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley reported on the first half of the fiscal year and said that overall operating revenue was down \$450,000 from what was budgeted due to low consumption of water during the first half of the fiscal year. He said that a \$3.9M loss was budgeted and that there is currently a \$500,000 surplus primarily because only 19% of the improvement project budget through December has been expended.

Novato Water: Mr. Bentley reported that Novato consumption is down 12% and revenue is down 8%. He said that total expenditures are down 5% due to purchasing less Russian River water because Stafford Treatment Plant operated into December. He noted that if purchased water was removed from the equation, it would show that expenses are up due to step increases for new employees, increase in staff time and increase in chemical costs. He reported that \$500,000 in connection fees have been collected and that fees in the amount of \$700,000 are expected to be collected for the Whole Foods development project.

Recycled Water: Mr. Bentley said that the plant has been shut down since mid-October and there is nothing to report.

West Marin: Mr. Bentley reported that water consumption is down 17% and that 5% of that is due to the Giacomini dairy operation being shutdown. He said that operating expenses are up

8% due to maintenance on valves, hydrants, and double check valves. He advised that West Marin suffered a loss of \$53,000 for the first six months and that \$72,000 in connection fees were collected.

Oceana Marin: Mr. Bentley stated that revenue is flat and connection fees were collected from two customers.

CONSENT CALENDAR

On motion of Director Rodoni, seconded by Director Schoonover and unanimously carried, the following item was approved on the Consent Calendar:

PROPOSED BUDGET REVIEW SCHEDULE

The proposed budget review schedule shows that initial review of the Novato Water Budgets will occur on April 15 (Equipment and Improvements Projects) and May 6 (Operations) with the hearing and approval scheduled for June 17. The West Marin Water and Oceana Marin Sewer budgets' initial review are scheduled for the June 17 meeting with the hearing and approval scheduled for the July 1 meeting in Point Reyes Station.

ACTION CALENDAR

APPROVE: BUDGET AUGMENTATION – ACWA CONFERENCE, WASHINGTON, DC REGISTRATION & TRAVEL EXPENSES (RODONI & DEGABRIELE)

President Fraites stated that he understood that the purpose for going to Washington, DC is to discuss the Biological Opinion and the Russian River Project with federal legislators and asked for clarification on how these discussions would be arranged and what the goal is.

Mr. DeGabriele stated that each year during the Association of California Water Agency (ACWA) conference in Washington, DC, a contingent from the Sonoma County region attends the conference. He said that this year, the contingent will have an opportunity to talk with representatives of the National Marine Fisheries Service, the Army Corps of Engineers and federal legislators to move the Biological Opinion forward. He advised that the document will be released in March or April and that this is the time to be in Washington to advocate for the release of the document for final authorization. He said it was his understanding that there is a series of meetings that are scheduled throughout the Washington, DC area where the contingent meets with the Under Secretary of the Interior, National Marine Fisheries Service, Army Corps of Engineers and other individuals that are involved in the Biological Opinion and the Russian River Project.

Director Rodoni stated that he attended a ACWA conference four years ago in Washington, DC, and cited two reasons for District representatives to go: to support the Sonoma County Water

Agency and their efforts; and, it gives Sonoma County Water Agency representatives the opportunity to “give our face” to legislators who control what the Agency does.

On motion of Director Petterle, seconded by Director Schoonover, the Board unanimously approved the budget augmentation request in the amount of \$3,890 for attendance at the conference and travel expenses for the General Manager and Director Rodoni.

APPROVE: DUTRA HAYSTACK LANDING ASPHALT PLANT DEIR – DRAFT COMMENT LETTER

Mr. McIntyre said that the Draft Environmental Impact Report for the Dutra Haystack Landing Asphalt Plant and Recycling Facility has been released and has been reviewed by District staff. He stated that pertinent excerpts of the document are addressed in the draft comment letter presented to the Board for their review and comments. He advised that a letter from Dutra confirms their willingness to sign an agreement with authorized future water use below historical levels. Mr. McIntyre said that the DEIR addresses that the project’s existing water meter has been used by the Fontes and Yee parcels without approval from the District, and that he will address the concerns about water service to these parcels, as well as other parcels in that the S. Petaluma Boulevard area, at a future meeting.

Mr. DeGabriele said that he will have District legal counsel review the letter before it is mailed.

On motion of Director Schoonover, seconded by Director Baker, and unanimously carried, the Board approved the comment letter to Dutra Haystack Landing Asphalt Plant and Recycling Facility Draft EIR upon review by District legal counsel.

APPROVE: CHANGE OF CPA FIRM TO PERFORM ANNUAL FINANCIAL AUDIT

Mr. Bentley stated that Bartlett, Pringle & Wolf, the outside auditor that was contracted to conduct the District financial audit for four years, has raised next years proposed fee from \$22,000 to \$43,000. He said that he reviewed the firms who responded to the original request for proposal and contacted the number two firm, Charles Z. Fedak & Company, and inquired if they would be interested in conducting the annual audit for the next four years. Mr. Bentley advised that the firm is very enthusiastic about working with the District, and upon checking the firm’s references, including the Inverness Public Utilities District, all references provided favorable comments about Fedak’s work. He further advised that Charles Z. Fedak submitted a revised proposal covering fiscal years 2008 through 2011.

On motion of Director Baker, seconded by Director Schoonover and unanimously carried, the Board authorized the Auditor-Controller to enter into agreement with Charles Z. Fedak &

company to perform the annual financial audit for a four-year period subject to annual review for an annual fee not-to-exceed \$30,000, \$31,100, \$27,000 and \$28,900.

INFORMATION ITEMS

TOMALES BAY INTEGRATED COASTAL WATERSHED MANAGEMENT PLAN PROP 50 FUNDING APPLICATION (GALLAGHER WELLS & PIPELINE)

Mr. McIntyre apprised the Board that the District submitted its portion of the Prop 50 Grant Application to the State Water Resources Control Board at the end of January. He said that during the application process, and with Board approval, the District entered into a contract with Leonard Charles to perform the environmental review and that staff has been conducting detailed analysis on specific design for the project. He advised that the original project included a 12" pipeline to extend the entire length from the Gallagher Wells to the Point Reyes Treatment Plant and was originally designed to convey the full equivalent of flow capacity of 700 gallons per minute to match the Point Reyes Treatment Plant capacity. He said after further review and study it became apparent that a 300 gallons per minute capacity is needed from the Gallagher site that will address the salinity issues as well as standby capacity and flooding. Mr. McIntyre stated that the reduced flow would enable the use of the existing 6" line from the Downey well to the Point Reyes Treatment Plant and will keep costs down. He said the new 12" pipeline would run from the Downey well site location to the Gallagher well site location.

Director Baker inquired about the possibility of flooding of the Gallagher Well site. Mr. McIntyre said that historical records have shown that water levels have risen to just below the Gallagher Bridge and that he cannot say that the Gallagher Well has never flooded.

Director Rodoni said that the Gallagher Bridge was built in the '60s or '70s because the original bridge built by Mr. Gallagher flooded and that the well is close to that elevation. Mr. DeGabriele advised that the District was required by the Department of Health Services to raise the well head so the vault is bermed to protect the well if flooding occurs.

SECOND QUARTER FY 07/08 WATER QUALITY REPORT

Mr. Ramudo reported that the algae in Stafford Lake were at its lowest level since 1995, that the water quality of the lake is very good and that the solar bees are performing well. He said that manganese and iron levels stayed relatively level throughout the quarter and were removed easily during treatment. He advised that the Total Organic Carbon (TOC) concentration levels were at their lowest in December and less TOC needed to be removed, resulting in less disinfection by-products.

Mr. Ramudo reported that in Point Reyes, water quality parameters were affected by salt water intrusion and sodium level rose. He advised that both systems had coliform-positive samples but that none triggered violations and subsequent samples were free of coliforms.

NORTH BAY WATERSHED ASSOCIATION MEETING – FEBRUARY 1, 2008

Mr. DeGabriele provided information on the North Bay Watershed Association meeting. He said that Barbara Salzman of the Marin Audubon Society gave an interesting report on wetland preservation and restoration; Royce Cunningham, City Engineer from Dixon, gave information on Prop 218, and the initiative in Dixon to roll back sewer rates. He reminded the Board that the North Bay Watershed Association Conference is April 4, 2008 at the Petaluma Sheraton, the District is a sponsor and Director Fraites and he are attending.

TAC MEETING – FEBRUARY 4, 2008

Mr. McIntyre reported on the Technical Advisory Committee meeting held on February 4, 2008 and advised that due to the illness of Mr. DeGabriele, Krishna Kumar chaired the meeting. He said that Spencer Bader, Sonoma County Water Agency Finance Director, gave a presentation on the preliminary SCWA FY 08/09 budget which shows that there will be an increase in the cost of water to the District of approximately 6%. He said that the budget is expected to go to the WAC for consideration at the March WAC meeting. Mr. McIntyre reported that with respect to the Water Conservation Sub-Committee, discussion continues on the MOU of the Sonoma-Marin Saving Water Partnership. He said that the city of Petaluma has raised questions on the water conservation funding mechanism and the city of Rohnert Park suggested a two-tier rate structure depending on whether water conservation is funded by the water contractor or by the Agency. He stated that the MOU is still evolving. Mr. McIntyre stated that the Agency reported that there will be some public outreach by the Agency on the Biological Opinion in March and that the Water Project Draft Environmental Impact Report is due to be released in June.

NMWD WATER SUPPLY FORECAST

Mr. DeGabriele presented the Board with a series of graphs illustrating the District's water supply forecast. He said that Graph 1 depicts annual demand with conservation versus supply from Stafford Lake, Sonoma County Water Agency, recycled water, that more conservation will reduce the demand even further and that the District is in good shape. He explained that Graph 2 illustrates the treatment and pipeline delivery capacity from Stafford Treatment Plant, Sonoma County Water Agency and recycled water compared to the average day of peak month demand delivery requirements. Mr. DeGabriele noted that Stafford Lake is full and that Graph 3 depicts that Lake Mendocino, at the end of January, had 52,000 acre feet, and as of February 4, Lake

Mendocino had 81,000 acre feet. He said these levels are similar to levels in 2002 and 2004 which were dry years. He noted that the water supply pool in Lake Mendocino is about 68,000 acre feet so water will be released from now to April 1 for flood control protection and that only inflow after April 1 will raise the level above 68,000 acre feet. Graph 4 illustrated levels in Lake Sonoma and Mr. DeGabriele advised that at the end of January there was 227,000 acre feet, and as of February 4, there was 260,000 acre feet; and in comparison with 2002 and 2004, the region is in good shape. He said that the water supply pool is 245,000 acre feet and water will be released out of Lake Sonoma so that there is room available to capture runoff should flooding occur. Mr. DeGabriele shared a chart comparing rainfall at Stafford Lake, Lake Sonoma and Lake Mendocino and shows how rainfall across the region impacts storage.

Mr. DeGabriele said that Graph 5 shows the Warm Springs releases during the Temporary Emergency Change Order of last summer. He stated that a 90 cubic feet per second flow threshold will likely be the maximum allowed in Dry Creek under the Biological Opinion, and if flows in Dry Creek are required to go below 90 cubic feet per second to protect the fisheries, then it is likely reduced diversions from the Russian River and emergency water conservation will be required. Mr. DeGabriele opined that the District will likely find itself in a situation similar to last year.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements (1/16, 1/23 and 1/30), Distribution of Excess ERAF Funds – Redux, Letter from State Senator Don Perata Re State Board Appointments, Hydrant Damage @ Redwood Blvd & Rush Creek Place, Next Generation Green Schools Program – Monthly Update. The Board also received the following news articles: Day of Birding Scheduled Feb 10 at Stafford Lake (1/25), Lake Mendocino Levels No Longer Dire (1/22), Groups Offer Plan for Removing Klamath Dams (1/16).

ADJOURNMENT

President Fraites adjourned the meeting at 8: 55 p.m.

Submitted by

Renee Roberts
District Secretary