

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
February 15, 2011**

CALL TO ORDER

Vice-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 and Rick Fraites. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre. President Schoonover arrived at 7:45 p.m. and Director Rodoni was absent.

Novato resident Barry Buckley, Brad Sherwood and Mike Gossman of Sonoma County Water Agency, District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent) and Ryan Grisso (Water Conservation Coordinator) were in the audience. Attorney Lisa Barnett Sween, of Lewis Brisbois Bisgaard & Smith, LLP arrived at 9:00 p.m.

MINUTES

On motion of Director Baker, seconded by Director Fraites the Board approved the minutes from the previous meeting as presented by the following vote:

AYES: Directors Baker, Fraites, Petterle

NOES: None

ABSTAIN: None

ABSENT: Directors Rodoni, Schoonover

GENERAL MANAGER'S REPORT

2010 Urban Water Management Plan

Mr. DeGabriele reported that staff is working on the 2010 Urban Water Management Plan (UWMP) with the Water Contractors and Sonoma County Water Agency. He said that the Department of Water Resources will be holding a workshop at SCWA Headquarters for all North Coast water suppliers to assist in the preparation of the 2010 UWMP pursuant to the DWR Guidebook. He said that there is a new provision that requires a public hearing be noticed sixty days in advance, and he will have an item on a future agenda in April to set the public hearing date. Mr. DeGabriele informed the Board that part of the UWMP this year requires agencies to provide evidence that SBx7-7 (20% per capita water use reduction by 2020) will be complied with. He stated

that there is a provision in the legislation that enables water suppliers to comply and report on a regional basis by forming a regional alliance. He said that the District, City of Sonoma, and Town of Windsor will not meet the target unless they are part of a regional alliance. Mr. DeGabriele stated that the three agencies will request the other Water Contractors concur to form a regional alliance. He advised that the deadline to adopt the UWMP is June 30 and he will provide a UWMP status update at the next meeting.

Groundwater Basin Monitoring - SBx7-6

Mr. DeGabriele advised that along with the comprehensive water bond (SBx7) adopted by the state legislature in 2009, there is another requirement to monitor groundwater elevations in designated basins (SBx7-6). He reported that the County of Marin submitted its intent to the Department of Water Resources to become the monitoring entity for groundwater basins in Marin County.

Response to Customer Complaint

Mr. DeGabriele stated that the Board received the General Manager's response to District customer Robert Marx's complaint about his delinquent bill and subsequent shut-off and that Mr. Marx subsequently paid a portion of what he owes the District. He further stated that a bankruptcy notice filed by Mr. Marx was received by the District. Mr. DeGabriele said that in response to his letter, Director Rodoni suggested that the Board review the Shut-off Policy and make any changes if necessary. Staff will provide the Board with a summary of shut off policy changes and how it has evolved to the current version.

OPEN TIME

Vice-President Petterle asked if anyone in the audience wished to bring up an item not on the agenda and the following items were discussed:

SMART Collaboration

Novato resident Barry Buckley addressed the Board on the subject of the Sonoma Marin Area Rapid Transit (SMART) project and stated that the project is entering the engineering design phase. He opined that there is an opportunity for collaboration between the North Marin Water District and SMART for putting underground infrastructure, specifically recycled water pipelines, under the proposed SMART bike path and urged the Board to consider such a collaboration.

STAFF/DIRECTORS REPORTS

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

Tour of Winged Foot Tank Site

Director Baker reported that Robert Clark took him to the Winged Foot tank site where Verizon is interested in installing a cellular phone antenna.

PRESENTATION – SCWA 2011/12 WHOLESALe RATES

Mike Gossman, Budget and Accounting Manager of Sonoma County Water Agency, gave a PowerPoint presentation on the proposed SCWA FY 2011/12 Water Transmission Budget and corresponding rates with specific information for North Marin Water District. He stated that the SCWA water rate for the District for Fiscal Year 2011/12 is proposed to increase 5.4%. He explained that the rate is set in accordance with the formula stated in the Restructured Agreement for Water Supply, i.e. the annual cost of Operations and Maintenance divided by the amount of water sold equals the cost of water per acre foot. Mr. Gossman said that the denominator used is described in the Restructured Agreement as “the lesser of the average of the last three year’s annual water deliveries or the last twelve months of actual water deliveries.” He further explained that any increase or decrease in water deliveries has a direct correlation to the rates. He said that factors pushing up the rates are: a 4% reduction in water deliveries; a 3.25% impact of the cost of the Biological Opinion and the restoration being done on the Russian River; and a 0.75% increase as a result of a Minimum Prudent Reserve Charge pursuant to an agreement with the Water Advisory Committee which states that there will be three months of operations and maintenance expenditures in reserves. Mr. Gossman said that the reserve balance will fall below the target if the amount is not increased. Mr. Gossman said that there have been net reductions equaling 3% in other expenses (\$1M reduction in services and supplies) resulting in the 5.4% rate increase to North Marin.

Mr. Gossman stated that the Technical Advisory Committee unanimously recommended the budget on January 10, 2011; there is a vote to approve the budget by the Water Advisory Committee scheduled on March 7 and the Sonoma County Board of Supervisors is scheduled to consider the budget on April 19, 2011.

Mr. DeGabriele thanked Mr. Gossman and Mr. Sherwood for their presentation and thanked Krishna Kumar, General Manager of Valley of the Moon Water District and the TAC Budget Subcommittee, for their work in narrowing the rate increases to the District as much as possible. He provided an explanation of sub-charges that make up the Operations and Maintenance charges (UWMP, Watershed Planning & Restoration and Biological Opinion, Recycled Water and Local Supply, and the Regional Water Conservation Program). He further explained additional charges

the District pays the Agency that include its share of the financing for the Collector 6 and Wohler interconnection pipeline, Russian River Conservation Charge and Russian River Project Charge.

Director Petterle said that since it is known that Agency rates will be increasing 5.4%, future per capita water use will have to decrease to comply with SBx7-7, and the District needs to build up reserves, he suggested that there be an educational outreach to District customers so that they will be better informed and prepared for the future rate increases. He said that the only time people come to District meetings is during rate hearings and that it is important to convey this information to customers before that time.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Monthly Progress Report for January and stated that water production in Novato and West Marin is on par with a year ago. He stated that there was no production at Stafford Treatment Plant in January and recycled water production was down slightly year-to-date. He said that Stafford Lake is about two feet below spillway and the treatment plant will start up when the lake level reaches the spill mark. Mr. DeGabriele reported that the storage ponds in Oceana Marin are in good shape and that the safety performance continues to be excellent with 699 days without lost time accident.

Mr. Bentley reported on the Monthly Report of Investments and stated that the cash balance is \$6.7M, down \$400,000 from the previous month; the weighted average rate earned on the District portfolio was 1.25% on January 31; and on February 1, the last medium term corporate bond in the investment portfolio was sold. He said the bond was purchased in 2008, was earning 6.4% and that \$1M was transferred into the Local Agency Investment Fund earning 0.55% at the end of January.

CONSENT CALENDAR

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

NOVATO RECYCLED WATER PROGRAM MAILER

The Board authorized the General Manager to approve text, design and layout for the Novato Recycled Water Program with the understanding that the spelling of McInnis Park will be corrected.

OUT-OF-STATE TRAVEL FOR GFOA TRAINING CLASS

The Board approved out-of-state travel for Human Resources/Accounting Supervisor Dianne Landeros to attend a one-day class on Preparing a Comprehensive Annual Financial Report on March 22, 2011 in Reno, Nevada.

INFORMATION ITEMS

WATER CONSERVATION - MID-YEAR UPDATE (JULY – DECEMBER 2010)

Ryan Grisso provided the Water Conservation Mid-Year Update and reported that the Water Smart Home Survey participation has increased and Cash for Grass rebates have declined; and high efficiency washing machines rebates have increased despite the reduction in rebate amount. He reported that High-Efficiency Toilet rebates are up from FY09 but down slightly from FY10, and a residential care facility has retrofitted commercial High-Efficiency Toilets. Mr. Grisso said participation in the Smart Irrigation Controllers program has been a tough sell, as well as the water smart landscape rebate program and he will outreach more to the community for both programs.

Mr. Grisso summarized the mid-year expenditures and noted that the drop in expenditures in FY 11 compared to FY10 is due to a decrease in Cash for Grass participation and the reduction of the clothes washer rebate value.

Mr. Grisso presented the Novato Recycled Water Program outreach materials that include a Recycled Water Program Summary Sheet, Frequently Asked Questions (FAQ) Sheet, photos of existing recycled water sites and maps of the proposed recycled water sites and pipeline routes. He said that changes to Regulation 18 and Ordinance 24 will be brought to the Board at the second meeting in March, a public workshop for community input will be scheduled, and the public hearing will be set for the first or second meeting in April.

MID-YEAR PROGRESS REPORT – ENGINEERING DEPARTMENT

Mr. McIntyre presented the Engineering Department Mid-Year Progress Report for the first six months of the fiscal year with an emphasis on budgeted versus actual expenditures. He stated that project expenditures are approximately \$2M below what was budgeted due to delays in the solar energy project and the change in how that project will be funded. He said that actual Improvement Project completion versus budget is on track in Novato; and in West Marin, one project was dropped and the seismic improvements for the Point Reyes Treatment Plant project has fallen behind schedule. Mr. McIntyre advised that 49 projects were budgeted this fiscal year, six projects were carried over from the previous year, five projects were added and three projects deferred for a new total of 57 projects. He reported that the budget for the Aqueduct Energy

Efficiency Project has been increased and the cost of North Bay Water Reuse Authority (NBWRA) is estimated to be \$120,000. He said additional NBWRA costs are due to the cost of administering stimulus grant monies through the American Recovery and Reinvestment Act (ARRA) grant award. Mr. McIntyre said that three projects were added including the South Novato Boulevard Main repair (at Rowland Boulevard) wherein a 600 foot section of pipe will be replaced to capture the area where there has been deterioration of the old cast iron pipe. He said that the Local Water Enhancement Study was deferred.

Mr. McIntyre stated that in West Marin all projects are projected to be completed within the original budget and that two new projects have been added, the Point Reyes Well #3 Rehab and Water Rights for the Gallagher Well Project. He added that two project have been deferred.

Mr. McIntyre summarized Engineering Department labor hours and stated that there has been a significant drop in developer projects and labor hours for district projects have been increased primarily due to the acceleration of projects associated with the recycled water projects.

Mr. McIntyre provided an overview of the Recycled Water Project Expansion and upcoming schedule for Board action. He said that the North Service Area Project will be split into three independent construction projects. He stated that staff will be advertising for construction management services for the North and South Service Area Projects and will come back to the Board with a recommendation for the award of the construction management contract. He further stated that staff will also come back to the Board with a recommendation for an environmental consulting contract award for the construction phase as required by the NBWRA Environmental Impact Report. He advised that it is important to have consultants to insure that environmental requirements (cultural resources, permitting, etc.) during the construction phase are complied with to maintain eligibility for 25% grant funding.

Mr. McIntyre explained that the pipeline extension from Las Gallinas Valley Sanitary District to the Hamilton area and Reservoir Hill tank will be constructed in two phases and that Nute Engineering is the design engineer for that portion of the project.

2011 URBAN AREA WATER COST COMPARISON

Mr. Bentley presented the annual Urban Area Water Cost Comparison that shows that the District has moved up to number 12 out of 17 surveyed agencies; last year, the District was number 15. He said that last year there was a 9% rate increase and the typical Novato residential customer now pays \$525 per year. He informed the Board that the median customer does not pay tier rates.

Mr. DeGabriele stated that Marin Municipal Water District is conducting a workshop on their rates and he distributed their rate comparison which shows the NMWD Zone D as the most expensive rate within the comparison agencies. He said he called Paul Helliker, General Manager of MMWD, to tell him that only 37 North Marin customers are in Zone D. He said that Mark Prado of the Marin Independent Journal called him for clarification on the MMWD comparison chart.

RATE INCREASE PLANNING SCHEDULE

David Bentley said that at the next meeting the Board will review the 5-Year Financial Plan and he will present options for rate increases. He provided background on the Board's actions during the past 3 years regarding rate increases, and said that he is recommending that there be three consecutive 11% rate increases beginning July 1, 2011. He said that because the District proposes to issue Certificates of Participation (bonds), the District will have to convince rating agencies that the District is credit worthy and financially sound; and the approved rate increases will show that the District will have the revenue to pay back the debt. Mr. Bentley said that the upcoming issuance of Certificates of Participation will necessitate the services of a bond consultant before meeting with the rating agencies and he recommends consulting with Orrick, Herrick and Sutcliffe with whom the District contracted with previously. He said that other areas for the Board to consider will be to significantly increase the bi-monthly service charge to raise more revenue, and to simplify the existing rate structure.

Mr. Bentley said that once the Board selects the option to go forward, customers will be noticed via their water bills of the public hearing. He advised that the proposed rate increase letter to customers will be reviewed and approved at the April 5th Board meeting and a special meeting to hold a public hearing on the proposed rate increase is recommended to be held on May 24th.

WAC/TAC MEETING – FEBRUARY 7, 2011

Mr. DeGabriele reported on the WAC/TAC Meeting held February 7, 2011. He said that Susan Gorin, City of Santa Rosa, was elected WAC Chair and Mark Bramfitt, Valley of the Moon Water District, was elected Vice-Chair. He said a special meeting has been scheduled for March 7 for budget consideration and that the water contractors will make a presentation to the WAC on the Urban Water Management Plan at the May 2 meeting.

NBWRA MEETING – FEBRUARY 14, 2011

Mr. McIntyre provided a summary of the new governance of the North Bay Water Reuse Authority. He said the new Board of Directors includes Director Schoonover and Napa County has been added to the member agencies; there are now seven agencies within NBWRA. He stated that Bill Long from Novato Sanitary District was elected Chair and Keith Caldwell from Napa is the Vice-

Chair. Mr. McIntyre said the Board established a Technical Advisory Committee and appointed various TAC members to committees; he will serve as the District's representative to the NBWRA TAC. He reported that the NBWRA Board approved a mid-year amendment to increase the federal funding by \$50,000 - \$25,000 of that is eligible for grant funding; and increase ESA's contract by \$65,000 related to environmental work. He advised that these increases get proportioned out to the different agencies and that the District's financial impact is an additional \$17,000.

Mr. McIntyre reported that the first TAC meeting was held wherein Beverly James was elected Chair and Tim Healy of Napa Sanitation was elected as Vice Chair; the committee received updates on the WaterSMART Grant application, Proposition 84 – Integrated Regional Water Management Program Update and the status of the Bureau of Reclamation Record of Decision, Section 106 cultural resources analysis.

MISCELLANEOUS

The Board received the following Miscellaneous items: Disbursements, Enlighten us, Novato youth, but make it quick, Fiscal Year 2012 Appropriations, Letter from SWRCB Re Petitions Fee Refund and Speak Up CA!

The Board received the following news articles: Firefighters' Median Pay: \$137,652, Cost of Water on the Rise in Sonoma County, Flowing Green and Marin Farm News.

CLOSED SESSION

President Schoonover adjourned the Board into closed session for: Conference with legal counsel – Existing Litigation – Pursuant to Government Code subdivision (b) of Section 54956.9 (one case – Lauren Wayne)

OPEN SESSION

Upon returning to regular session at 9:36 p.m., President Schoonover stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

ADJOURNMENT

President Schoonover adjourned the meeting at 9:37 p.m.

Submitted by

Renee Roberts
District Secretary