

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
February 17, 2009**

CALL TO ORDER

President Rodoni 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, Rick Fraites and John Schoonover. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

Anna Francis, Michael Joly, Scott Alber (Marin County Fire Department), Al Aguirre, Stacey Pogorelski, Tim Omarzu (Novato Advance) and District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent), Ryan Grisso (Water Conservation Coordinator), Carmela Chandrasekera (Assistant Engineer) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Meeting with Marin County Supervisors

Mr. DeGabriele reported that he and Director Rodoni met with Marin Municipal Water District General Manager Paul Helliker and Marin County Supervisors Steve Kinsey and Judy Arnold on February 12 to discuss water supply conditions and how the Districts' will address the water shortage this spring and summer. He said the supervisors are interested in Sonoma County Water Agency's response to the drought and they asked for a presentation later in the spring.

North Bay Water Reuse Authority

The Manager informed the Board that he has been asked to join with the Novato Sanitary District when they meet with State Assembly Member Jared Huffman next Thursday to discuss the North Bay Water Reuse Authority.

Water Project DEIR Public Hearing

Mr. DeGabriele reminded the Board that tomorrow, February 18, the public hearing for the Water Project Draft EIR will be held in Petaluma and that Directors Rodoni and Baker will be acting as hearing officers.

OPEN TIME

President Rodoni 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 Rodoni asked if staff or Directors wished to bring up an item not on the agenda and there was no response.

PUBLIC HEARING – ADOPT EMERGENCY WATER CONSERVATION ORDINANCE

Mr. DeGabriele stated that at the February 3rd Board meeting, the Board was informed that Sonoma County Water Agency has determined that dry conditions exist on the Russian River and in Novato. He said that rainfall is below normal; the rain storms of the past week added an additional 6.19", and with runoff, Stafford Lake gained 500 acre feet. He advised that in the Russian River basin runoff was collected in Lake Mendocino and Lake Sonoma. Mr. DeGabriele handed out two charts to the Board illustrating storage in Lake Sonoma and Lake Mendocino during dry years 2002, 2004, 2007, 2008 and 2009. He reported that Lake Mendocino is most critical with 35,000 acre feet of storage (out of total volume of 122,000 acre feet) and the water supply would not be sufficient water for the Chinook salmon run next fall. Mr. DeGabriele explained that dry year conditions are governed by the inflow in Lake Pillsbury which currently has 15,000 acre feet out of a total capacity of 90,000 acre feet. He further explained that diversions out of the Eel River into the Russian River have been scaled back for protection of the Eel River fishery, and it is expected that the Agency will declare a critically dry year on March 1.

He stated that approximately 200 acre feet has been backfed at Stafford Lake since February 1 and that an agreement with Marin Municipal Water District to pay for those associated costs will be discussed later on in tonight's meeting. He said that the District's Water Shortage Contingency Plan has been reviewed and staff has prepared an Emergency Water Conservation Ordinance that declares a water shortage emergency in the Novato Service Area which will trigger a Stage 1 conservation level - a 15% reduction through reduction in water waste and non-essential water use provisions beginning March 1. He said that when or if the Agency declares a critically dry year, Stage 2 would become effective mandating a 25% reduction; and if the reductions fall short of the target, staff will ask the Board to consider further restrictions. He advised that staff is asking the Board to hold a public hearing and adopt the Emergency Water Conservation Ordinance enacting Stage 1 restrictions.

Director Rodoni asked for clarification if Stage 1 restrictions are voluntary or mandatory.

The General Manager responded that these are mandatory restrictions aimed at limiting water waste and non-essential water use.

Ryan Grisso, Water Conservation Coordinator, reviewed the water use restrictions for the Board and audience. Mr. Grisso said that Stage 1 restrictions are similar to those adopted in 2007 and will initially focus on water waste and non-essential water use including gutter flooding and failure to repair controllable leaks. He said that other restrictions beginning March 1 include no car washing without using a hose with shut-off, water served upon request only in restaurants and restrict lawn watering with sprinkler or sprinkler system between the hours of 10 p.m. and 6 a.m. provided application is attended, properly controlled and non-wasteful.

Mr. Grisso reviewed the provisions of Stage 2 wherein a 25% reduction will be required if the Agency declares a critically dry year on March 1. Stage 2 prohibits watering of any lawn, garden or landscaped area except if a handheld hose equipped with an automatic shut-off nozzle or drip irrigation system and overhead sprinkler irrigation can be used if customer maintains an overall 25% reduction in water use compared to prior year's use in the same billing period.

Mr. Grisso informed the Board that staff will enforce restrictions on water waste and non-essential use. He said that field personnel will be looking for violations throughout the day and staff will also depend on reports from concerned citizens. He advised that customers who violate the ordinance will be notified with a door hanger and letter requesting the customer to comply with the ordinance within two weeks; if the customer is not responsive disconnection of service with a \$100 re-connection fee will be imposed. He further advised that a second violation will result in suspension of water service with a reconnection fee of \$200 and the installation of a flow restrictor.

Mr. Grisso said that the General Manager will have the authority to grant variances and those customers irrigating with private wells will be furnished with a District sign reading, "Irrigated with well water." He said that District staff will verify that well water is being used.

Mr. DeGabriele added that the intent is to not impose individual rationing; the proposed Stage 1 is for a 15% reduction and when or if the Agency declares a critically dry year, there will be a 25% reduction.

Director Rodoni expressed concern with the timeliness in the meter reading process and that there may not be sufficient water use information gathered in a timely manner for staff to determine if the customer is complying with the ordinance. Mr. DeGabriele stated that there are production meters that can determine if the target is being met or not. Mr. Grisso said that under Stage 2, if a customer is found to be irrigating their lawn, a read and calculation of water use can be

made immediately. Director Rodoni emphasized the importance of getting the word out to customers.

President Rodoni opened the Public Hearing at 8:00 p.m.

Mike Joly, Novato, asked for clarification of a declaration of a critically dry year in the Russian River Basin by the Agency on March 1. Mr. DeGabriele explained that Lake Pillsbury and Lake Mendocino do not have sufficient storage to meet instream flow requirements and that during a critically dry year conditions instream flow requirements will be reduced. He said that even with reduced instream flow requirements, the current projections show that Lake Mendocino will go dry by mid-July and this would have a devastating effect on local agriculture and the fisheries that depend on releases in the fall for survival. He said that all water contractors and communities who are urban water users of the Russian River will be called on to impose a mandatory 25% reduction if a critically dry year is declared.

Stacey Pogorelski, Novato, asked if 25% reduction is enough, will there be sufficient water supply because of the low lake levels and how does the District intend to outreach to its customers.

Mr. DeGabriele responded that the District believes there is ample water remaining in Lake Sonoma to meet next year's needs; Lakes Mendocino and Pillsbury could be devastated or near empty. He said that the District outreach will include individual letters mailed to customers advising them of the emergency declaration and restrictions; and the spring "WaterLine" edition will identify each customer's water use and provide individual targets for water use in the summer months.

Mr. DeGabriele informed the Board that he received a phone call from District customer Josh Thomas who said he was "delighted the Board made the decision to backfeed Stafford Lake with Russian River water"; he "supports mandatory water rationing," believes revenue will be impacted and that "rates should be increased to make up the revenue."

Hearing no further comment, President Rodoni closed the Public Hearing 8:05 p.m.

On motion of Director Schoonover, seconded by Director Fraites the Board unanimously adopted Ordinance 21 entitled, "Emergency Water Conservation Ordinance."

MONTHLY REPORT

Mr. DeGabriele provided the monthly report for January and said that Novato water production is down considerably from last year and all prior years. He said it is suspected that the metering information at Kastania is not correct for this year. He stated that West Marin water production is typical winter production and is consistent with prior years; there has been no water produced at Stafford Treatment Plant, nor at the recycled water facility. Mr. DeGabriele reported

that Stafford Lake held 379 million gallons and rainfall received as of January 31 was 6.63"; however, yesterday's total was 14.61" due to the recent storms, and Stafford Lake currently holds 694 million gallons. He advised that as of February 1, 200 acre feet of Russian River water have been backed into Stafford Lake. He noted that the average temperature in January was 60 degrees in Novato; and reported that there is good freeboard at the treatment and storage ponds in Oceana Marin. He said staff has worked 115 days without a lost time accident or injury and water conservation rebates and water smart home surveys continue to be popular. Total consumer complaints were up 6% primarily due to consumer leaks, meter leaks and water waster complaints, and total complaints for the year were down 16% from the prior year.

Mr. Bentley reported on the monthly investments and said that as of the end of January there was \$9 million in the bank and a 2.6% yield on the District investment portfolio. He advised that he has added a section to the report on Interest Bearing Loans and that he moved money out of the Local Agency Investment Fund to a local bank for the month of February while the State of California undergoes budget negotiations.

CONSENT CALENDAR

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

7 BEAR CREEK CT. LAND DIVISION

This project is a four-lot land division which creates a separate lot for each of the two existing houses and two lots for future single family house development. The existing 1" meter installed in 1957 to serve the parcel will be killed as part of this project.

New water facilities required include a residential fire hydrant, four 1-inch meters and 430 feet of pipe. This project is eligible for 2008 connection fees since all the necessary information was provided and all requirements were satisfied by the applicant by December 31, 2008.

The Board approved Resolution No. 09-09 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Caleb and Marilyn Whitbeck."

CONTRACT FOR ENGINEERING SERVICES FY 09-10- WHITE & PRESCOTT

The Board authorized the General Manager to execute a new agreement for engineering services with White and Prescott for miscellaneous engineering services with a not-to-exceed limit of \$10,000.

DIRECTOR'S ATTENDANCE AT WATER EDUCATION FOUNDATION ANNUAL EXECUTIVE BRIEFING – SACRAMENTO, MARCH 12, 2009

The Board approved Director Fraites' attendance at the Water Education Foundation Annual Executive Briefing on March 12 in Sacramento.

CIMIS LAND USE AGREEMENT

The District's involvement in the development of the Water Management Technology Education Center (in cooperation with the Marin Community College District) will be to establish a California Irrigation Management Information System (CIMIS) station to be located at the Indian Valley Campus. The Board authorized the General Manager to execute the land use agreement with the State of California, Department of Water Resources and the Marin Community college District for the installation and maintenance of a CIMIS station at the Marin Community College District's Indian Valley Campus and authorize the purchase of necessary equipment to install the CIMIS station.

ACTION CALENDAR

APPROVE: WATER AGREEMENT FRANCIS SINGLE FAMILY DWELLING

President Rodoni excused himself from this item as there may be a conflict of interest. Director Baker assumed the chair.

Mr. McIntyre stated that this project will provide low-pressure residential water service to a newly constructed home and two barns in Point Reyes Station. He stated that this is the first time the Board has seen an agreement that has taken into account the Marin County Fire Department ordinance that relates to areas around the Wildland Urban Interface where it might be cost prohibitive to make improvements to the municipal water system. The ordinance allows the applicant to put in an on-site system and make a contribution to the municipal system if there is benefit to the applicant. He informed the Board that the applicant, Anna Francis, is present to address the Board and the Marin County Fire Marshal, Scott Alber, is also present to answer any questions.

Referring to a map of the area, Mr. McIntyre pointed out the existing mains, hydrants and private lines in the area and provided background on the project. He said that the elevation of the proposed residence is too high to provide fire flow from District storage tanks to a fire hydrant located within 350 feet from the residence as required by the County. Mr. McIntyre stated that to get water mains and hydrant closer to project, 1,000 feet of 4-inch main on McDonald Lane can be upsized to 6-inch to improve fire flow; however staff believes it was not cost-effective for the applicant to pay over \$100,000 to make those improvements, and that the residence would be better served by an on-site private fire protection water supply in accordance with Marin County Fire

Department ordinance. He advised that per the ordinance requirements, the District is requiring that the applicant contribute 5% of the building permit valuation fee to the District for future planned water system improvements within this service zone. These improvements would be for seismic upgrades to the Point Reyes Station Tank No. 2.

Fire Marshall Alber stated that the purpose of the ordinance is to try to make improvements where appropriate. He acknowledged that it is a “balancing act” to provide adequate fire flow to rural parcels without putting an onerous requirement on the applicant.

Ms. Francis addressed the Board and provided a map of her parcel and existing water facilities in the surrounding area. She described the system she would need to acquire water to her planned residence and barns for adequate fire flow. She informed the Board that she is protesting the \$27,230 (5% of \$544,651); that she should not be required to contribute \$27,230 to the future upgrade of the Point Reyes water system and is requesting the Board reconsider because of the high cost of single water meter in addition to having to extend the water line up 1000 feet and install two pumps to get adequate fire flow. She said she is a single person who uses minimal water, has no landscaping and will be installing water conservation fixtures in the house.

Director Baker stated that he felt the District was trying to meet her half way and asked Mr. McIntyre to summarize the issue.

Mr. McIntyre said that staff considered how to get the water main and hydrant closer to the project to comply with the Marin County Fire Department ordinance. He said it did not seem fair to ask the applicant to pay \$100,000 to pay for upsizing the 1,000 feet of 4-inch line to 6-inch for the purpose of increasing the fire flow to 500 gpm that would be beneficial to the surrounding parcels. He said staff believes requiring the applicant for the \$27,230 contribution was more equitable and would benefit the Point Reyes water system.

There was a lengthy discussion regarding whether the contribution is a donation or a requirement as a condition to connecting to Point Reyes water system.

Mr. DeGabriele stated that he disagreed with the ordinance; that the applicant should be required to pay the full freight of improving the system to meet the requirements. He said that in this case this property is too high to be served with normal pressure service and the only way for this property to be served is with low pressure service and this is a compromise. Mr. DeGabriele said that collecting a contribution to improve the Point Reyes water system in one way to facilitate that compromise. He recommended that the Board approve the agreement and move forward.

On motion of Director Petterle and seconded by Director Fraites, the Board approved Resolution No. 09-10 entitled, "Authorization of Execution of Low Pressure Construction Agreement with Anna B. Francis" by the following vote:

Ayes: Directors Baker, Fraites, Petterle, Schoonover

Noes: None

Abstain: Director Rodoni

Absent: None

President Rodoni assumed the chair.

APPROVE: STAFFORD LAKE AGREEMENT

Mr. DeGabriele stated that at the last meeting, the Board authorized backfeeding of Stafford Lake and that the agreement before the Board has been developed by the staff of Marin Municipal Water District and North Marin. He stated that the terms are negotiated for the District to backfeed up to 1,000 acre feet by April 30th and that Marin Municipal will pay the full cost of backfeeding Russian River water delivered into Stafford Lake including energy costs and the cost of treating that water for delivery to Marin Municipal in the summer. He said that both parties can discontinue backfeeding at any time.

On motion of Director Schoonover and seconded by Director Fraites, the Board authorized the General Manager to enter into the Stafford Lake Agreement.

APPROVE: CONTRACT – BUDGETED FY 08/09 PONTI TANK RECOATING PROJECT

Mr. McIntyre advised that staff is ready to move forward with the Ponti Tank Recoating project. He stated that the project was advertised in January and 23 contractors received plans and specifications, 18 contractors attended the mandatory pre-bid meeting and that seven bids were received. There was a wide range of bids and Olympus & Associates was the apparent low bidder at \$217,853. Mr. McIntyre stated that staff reviewed the bids for conformity, checked references and found that Olympus is qualified to perform the work. He advised that there will be third-party coating inspection consultants and that proposals for that portion of the project are due on February 20 and will be brought to the Board for approval at the March 3rd meeting.

On motion of Director Schoonover and seconded by Director Fraites, the Board authorized the General Manager to execute an agreement with Olympus & Associates in the amount of \$217,853 with a contingency of \$20,000 in the event the interior waste material is classified as hazardous and/or differing site conditions.

INFORMATION ITEMS

2009 URBAN AREA WATER COST COMPARISON

Mr. Bentley advised that the District again ranks 16 out of 17 agencies reported on the 2009 Urban Area Water Cost Comparison chart and that all agencies surveyed with the exception of Cotati raised their rates during the past year.

PROPOSED DISTRICT FINANCIAL RESERVE POLICY

Mr. Bentley stated that in response to Director Rodoni's query at the previous meeting about the appropriate amount the District should have in reserves, he will present a proposed District Financial Reserve Policy for Board review. He said this proposed policy consolidates various District reserve fund policies into one document. He said the reserves are divided into two categories: Legally Restricted Reserves (e.g. Facility Reserve Charge) and Board Designated Reserves (e.g. Maintenance Accrual Fund). Mr. Bentley said that for Legally Restricted Reserves, the balance currently is \$7.6 million plus four months of operating reserves (as recommended by District financial advisors) and \$4.3 million in Board Designated Reserves for a total balance of \$11.9 million. He said that this amount, which equates to 90% of today's operating expense level, is an adequate and realistic goal to strive for.

PRESENTATION: DRAFT FIVE YEAR FINANCIAL PLAN

Mr. Bentley presented the Draft Five-Year Financial Plan for Board review and comment and summarized the projected rate increases and their effect on the District's projected cash balance. He reviewed the projected water production which shows a decrease in production for FY 10 due to increased conservation at 2.4 billion gallons per year and FY 11 through 14 projected water production is 3.2 billion gallons per year. Mr. Bentley discussed District costs and stated the two biggest costs are labor and water which is 70% of operating expense. He said a 2% labor cost increase is predicted for FY 10 and 3% for the subsequent four years. Water costs will increase 32% for FY 10, 9% for the subsequent four years and a water rate increase is necessary.

Mr. Bentley stated that the District rate hearing coincides with budget adoption in June and under Prop 218 customers must be notified 45 days in advance or by May 2. He said that the General Manager proposes that rates be raised earlier than June and incorporate the rate increase notice with the water use restrictions notice. Mr. Bentley said it needs to be decided how the rate increase would be structured and reminded the Board that last year's increase was across the board. He said that this year he would like to consider designing the rate structure that would best serve the customers and the District and proposed to prorate rates on customers' bills rather than wait until a full billing cycle is complete before imposing the new rate.

There was a discussion on the effects of the proposed rate increase from the SCWA for purchased Russian River on District rates and water supply.

STAFFORD TREATMENT PLANT SOLAR ENERGY PROJECT UPDATE

Mr. McIntyre provided an update on the solar energy project and the public workshop held on February 5th. He provided a map depicting the original site of the solar field and the four alternative sites. He said that Miller Pacific Engineering performed an expanded geological hazard report on the area. Mr. McIntyre informed the Board that staff walked the hillsides with two solar installation companies for their input and went to the site with an architect for the purpose of offering ways to mitigate visual impacts. He described the conditions of the four alternate sites including slide areas, drainage problems, proper orientation for the solar panels and elevation. Mr. McIntyre stated that with the information about the alternate sites gathered, staff determined that a hybrid of alternative sites 1 and 2 would be the best for the project. He said that during the workshop they received input from the public and without exception, all fifteen people who attended preferred the recommended alternative site over the original site. He advised the Board that story poles will be erected and photos (with tank placement simulation) will be taken from different vantage points. He stated that other options are still being considered; floating voltaic panels on Stafford Lake and a smaller project at the treatment plant.

Director Petterle thanked Mr. McIntyre and staff for their extra work.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, Water Bill Payment via Credit Card, Notice of Public Scoping Meeting Crest Tank #2 - Zone 2 Water Storage Tank.

ADJOURNMENT

President Rodoni adjourned the meeting at 10:03 p.m.

Submitted by

Renee Roberts
District Secretary