

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
March 6, 2012**

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 Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

Leonard Charles of Leonard Charles and Associates and District employees Robert Clark (Operations/Maintenance Superintendent) and Doug Moore (Construction/Maintenance Superintendent) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Mr. DeGabriele informed the Board that he plans to attend the ACWA Legislative Symposium tomorrow in Sacramento, and that on Saturday he will be speaking at the Marin Conservation League's Environmental Forum on the subject of recycled water, its costs, obstacles and benefits.

OPEN TIME

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

Director Baker requested that tonight's meeting be adjourned in memory of John Sansing, former Superintendent of Point Reyes National Seashore. Director Petterle requested that tonight's meeting also be adjourned in the memory of former Marin County Supervisor Hal Brown. The Board concurred.

PUBLIC HEARING - PT. REYES WELL #3 REPLACEMENT PROJECT - CONSIDER ADOPTION OF MITIGATED NEGATIVE DECLARATION AND APPROVAL OF PROJECT

Drew McIntyre provided an overview of the project and said that the District needs three permits to construct the replacement of the Point Reyes Well #3. He said that a permit to construct the well is needed from the County of Marin; however, before the County permit is issued, the environmental review must be signed off by the U.S. Coast Guard and the California Coastal Commission (CCC). He said that he expects the U.S. Coast Guard approval that the environmental review conforms with the National Environmental Policy Act (NEPA) requirements this month. Mr. McIntyre stated that in advance of submitting an application to CCC for a Coastal Development Permit, the District was required to prepare a Mitigated Negative Declaration for their approval. He informed the Board that the 30-day public notification period has ended and comments were received from the CCC and Graton Rancheria. Mr. McIntyre advised that CCC commented that the replacement well is located in a wetlands area and has requested additional study; Graton Rancheria requested additional subsurface evaluation to determine if Indian remains are buried at the location. He stated that assuming the Board approves the Mitigated Negative Declaration tonight, the District is ready to submit its application to the CCC subject to additional wetlands study.

Mr. McIntyre introduced Leonard Charles of Leonard Charles Associates who prepared the Mitigated Negative Declaration.

Mr. Charles explained the wetlands issue with the CCC and stated that their definition is based strictly on the presence of wetland plant species at the well site; therefore, an additional study is necessary. He further stated that a CCC staff biologist suggested that the District can rebut CCC's determination that the project site is a wetland by performing additional soils tests. He said that recent soils tests revealed that the soil is the same from the top of the hill down to Lagunitas Creek, and there is no evidence of persistent or prolonged hydrology. Mr. Charles stated that if the CCC does not accept the District's rebuttal, then the District will have to provide a mitigation plan for the area.

Director Rodoni asked what the alternatives are if District claims that it is not a wetland are not accepted by the CCC.

Mr. Charles opined that mitigations through enhancements should satisfy the CCC; however, they could require the site to be mitigated through creating new wetlands.

Mr. Charles addressed the Graton Rancheria's comment and stated that there is no evidence of any cultural resources in the area, however the tribe may want subsurface investigation.

President Petterle opened the public hearing at 7:58 p.m. and hearing no comment, closed the public hearing.

On motion of Director Schoonover and seconded by Director Baker, the Board unanimously approved Resolution No. 12-04 entitled, "Resolution of the Board Of Directors of the North Marin Water District Authorizing the Adoption of a Mitigated Negative Declaration for the Pt. Reyes Well #3 Replacement Project, Making Findings Pursuant to the California Environmental Quality Act, and Directing the Filing of a Notice of Determination."

On motion of Director Schoonover, seconded by Director Fraites and unanimously carried, the Board approved the Point Reyes Well #3 Replacement Project including the Mitigation Monitoring and Reporting Program.

On motion of Director Baker, seconded by Director Rodoni and unanimously carried, the Board authorized staff to file the Notice of Determination with the Marin County Clerk.

INFORMATION ITEMS

UPDATE ON NOTICE TO PROCEED FOR DISNEY CONSTRUCTION (RECYCLED WATER SOUTH PHASE 1B)

Mr. McIntyre provided an update on the status of the State Revolving Fund Loan for the Recycled Water South Phase 1B project. He said that Disney Construction was awarded the contract at the last Board meeting; and at that time, staff indicated that the Notice to Proceed would not be issued until the final SRF loan approval is received. Mr. McIntyre said that on Monday, the General Manager received the Facilities Plan Approval for signature and the Preliminary Funding Agreement is expected within a couple of days. He noted that the project milestone schedule that was included with the staff report shows the project being substantially complete in July.

5-YEAR FINANCIAL PLAN REVIEW

Mr. Bentley stated that at the previous meeting, Director Rodoni requested staff to review and assess the impact the wholesale water rate (estimated at 7%, but is now projected to be 2.5%) will have on the the District's five-year financial plan and determine if the 11% water rate increase can be reduced. He presented the dashboard that summarizes the District's financial plan and identifies the variables and major assumptions. He pointed out that the last time the financial plan was reviewed in January, the projected cash balance was equal to 71% of operating expenses. Mr. Bentley advised that there will be little or no water produced out of Stafford this fiscal year. He further advised that while the lower water rate from the Agency will increase savings, those savings will be more than offset by the purchase of additional Russian River water (to compensate for the low water level at Stafford Lake) and a cash payment of approximately \$1M to the Agency in FY 13.

He demonstrated how reducing the water rate increase below 11% would affect the reserve balance and stated that the District would be "going in the wrong direction" in achieving its reserve balance goal of 71% of operating expenses in FY 17.

Mr. DeGabriele stated that staff does not intend to come back with additional discussion on the water rate; the water rate increase message has been placed on the bill advising customers the increase is scheduled for June 1.

SOLAR PROJECT UPDATE - PRELIMINARY CONSTRUCTION SCHEDULE

Mr. Bentley said that the Solar Project financing has been secured and construction is ready to move forward; and according to the construction schedule, the project will provide solar power to Stafford Treatment Plant beginning in July 2012. He noted that the District is obligated to construct an access road to the facility site for approximately \$20,000.

Mr. Bentley shared an email from Novato resident Ed Grundstrom with the Board and addressed the issues that Mr. Grundstrom raised. He said that currently the PG&E rate paid at Stafford Treatment Plan is about 16 ¢/kilowatt hour based upon a time-of-use basis. He surmised that the 12¢/kilowatt hour PG&E rate that Mr. Grundstrom refers to in his email is most likely the rate Mr. Grundstrom pays at his residence. He said that the District expects to pay 17¢/kilowatt hours using the solar power; however, power will be sold back to PG&E during their peak summer rate period at 40¢/kilowatt hour.

Referring to another comment in Mr. Grundstrom's email, Director Pettele asked the General Manager about the status of negotiations with Marin Municipal regarding the Interconnection Agreement. Mr. DeGabriele stated that there haven't been any discussions since Marin Municipal's General Manager resigned; however, he will contact the Interim General Manager soon.

SERVICE CONNECTION CREDIT

Mr. DeGabriele stated that in the past, the Board has received information on the District's practice for crediting existing service connections when new development requires an enlargement or expansion. He advised that he and Chief Engineer McIntyre have discussed the issue in detail and he believes that the practice of crediting the full current value of the meter and Reimbursement Fund Charge (RFC) may be changed. He explained that the value of the meter to be credited can be depreciated and the RFC will no longer be credited. He said that it does not help the District unless there is excess RFC fund dollars remaining in the account at the end of the year, but it does require any new development to pay full cost for that RFC and not get any credit for that. He explained that the reasoning is that the meters have been installed a long time ago, some may not

have any value, and it doesn't make sense to provide full credit; secondly, every developer must pay into the RFC charge and developments that are eligible for reimbursement share the pot in proration with their eligibility.

DeGabriele stated that he surveyed other agencies in the region on the connection fee credit and those responding stated that they fully credit the connection to either enlargement or expansion; the same practice as the District. He said that District legal counsel is reviewing Regulation 3 now and staff will bring the Regulation 3 change to the Board at the next meeting.

Director Rodoni asked what this revision to Regulation 3 will mean in real dollars? He asked the Auditor-Controller to bring an example to the next meeting to see if revising Regulation 3 would be cost-effective.

NBWA MEETING - MARCH 2, 2012

Director Fraites provided a summary of the North Bay Watershed Association meeting on March 2, 2012.

WAC/TAC MEETING - MARCH 5, 2012

Mr. DeGabriele reported that during the public comment period, there was much comment about fluoridation. Mr. DeGabriele stated that the Sonoma County Department of Health issued a report on Dental Health in Sonoma County and strongly urged that a fluoridation assessment be done and that the Sonoma County Water Agency participate. He said that the Sonoma County Board of Supervisors is very interested in seeing the regional water supply fluoridated. He said that a feasibility study will be conducted with both the health department and SCWA participating.

Mr. DeGabriele stated that the main topic of the WAC meeting was the consideration of the SCWA budget and the WAC unanimously recommended adoption of the draft budget. He said that the District's wholesale rate is up 2.5% to \$707 per acre foot, plus a cash payment of \$1.24M. He said that he is continuing talks with SCWA to understand how this amount was determined and attempt to have the cash payment reduced.

Mr. DeGabriele informed the Board that the Russian River has been declared "critically dry"; however, there is plenty of water in Lake Sonoma and Lake Mendocino. He said it is unknown what the State Water Resources Control Board will require as a consequence of the Agency's Temporary Urgency Change Petition that needs to be filed to fulfill Biological Opinion requirements.

MISCELLANEOUS

The Board received the following miscellaneous information: SCWA Press Release - Russian River Water Supply System Designated "Critical", Disbursements, Letter from NBWA Re

Sponsorship of NBWA Conference, Tomales Bay Watershed Council Foundation Donation Acknowledgement, Program from 89th Annual Meeting - Marin County Farm Bureau, ACWA's 2012-13 Outreach Task Force Appointed.

The Board also received the following news articles: Former Rohnert Park Councilman Smith to Challenge Zane for Supervisor Seat, Jacobi to Challenge Carrillo for West County Supervisor's Seat, PD Editorial: Fluoridate our water now, Water cutbacks on the horizon, West Marin Faces Possible Water Cuts, Russian River Science Panel Created.

President Petterle adjourned the meeting in memory of John Sansing and Hal Brown at 8:20 p.m.

Submitted by

A handwritten signature in cursive script, appearing to read "Renee Roberts".

Renee Roberts
District Secretary