

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 1, 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 L. Bentley and Chief Engineer Drew McIntyre.

District employees Robert Clark (Facilities Maintenance Superintendent), Doug Moore (Construction Superintendent) and Field Service Representative Miguel Venegas and his spouse, Summer Venegas, were in the audience. Gail Meyers arrived at 7:50 p.m.

MINUTES

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

GENERAL MANAGER'S REPORT

Stafford Water Treatment Plant Production

Mr. DeGabriele informed the Board that Stafford Water Treatment Plant began production today.

North Bay Watershed Association Conference

The General Manager reminded the Board that the North Bay Watershed Association conference is Friday, April 4th.

Association of California Water Agencies Region 1 Tour

Mr. DeGabriele advised that the Association of California Water Agencies Region 1 tour of the Lake County Community Services District is April 10th and that he will attend to show support to this year's ACWA Vice-President, Paul Kelly, of the Sonoma County Water Agency.

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:

Novato Clean and Green Day

Director Rodoni stated that Saturday, April 26th is Novato Clean and Green Day and that he will coordinate the District's participation and looks forward to working with the volunteers.

CONSENT CALENDAR

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

WHOLE FOODS/RESIDENTIAL MIXED USE PROJECT

The Water Service Agreement for this project was approved by the Board at the December 18, 2007 meeting, however the Applicant did not execute the agreement within 30 days and is now requesting renewal of the agreement under the new corporation formed for the development of the project. The new name of the Applicant is Downtown Novato Investors, LLC, and it is the only change made to the agreement.

The Board approved Resolution No. 08-04 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Downtown Novato Investors, LLC."

QUITCLAIM – ACCESS EASEMENT TO PLUM TANK

Staff secured a new easement prior to execution of the Rudnick Estates Water Service Agreement to the existing Plum Tank that included language allowing installation of underground utilities. The old easement had no allowance for underground water utilities and this quitclaim is to remove the old easement encumbering the parcel.

The Board approved Resolution No. 08-05 entitled, "Authorization of Execution of Quitclaim Deed to Novato Development, LLC."

AGREEMENT FOR FUNDING AND ADMINISTRATION OF NMWD WATER CONSERVATION PROGRAMS FY 2007/2008

The subject agreement between Sonoma County Water Agency and North Marin Water District allows the District to reimburse the Agency for ongoing water conservation programs administered on behalf of the District for FY 2007/2008 and FY 2008/2009.

RECORDS RETENTION PROGRAM - DESTRUCTION OF RECORDS

At the request of Director Baker, Item 6, Records Retention Program – Destruction of Records, was pulled from the Consent Calendar for further discussion.

Director Baker inquired what the process is for record destruction, and Ms. Roberts responded that a document shredding company will come on-site on April 22 and shred those certain documents slated for destruction. She stated that the shredding is witnessed by her, and a Certificate of Destruction is provided by the shredding company. Mr. DeGabriele advised the Board that the District is charged \$8 per box to shred documents; and that this year, the District is offering employees the opportunity to have their personal documents shredded for the District's cost.

On motion of Director Baker and seconded by Director Rodoni, the Board unanimously approved Resolution No. 08-06 entitled, "Resolution of the Board of Directors of North Marin Water District to Approve Destruction of Certain Records."

ACTION CALENDAR

APPROVE: EMPLOYER ASSISTED HOUSING PRE-AUTHORIZATION LETTER

Mr. Bentley introduced Miguel and Summer Venegas and stated that Mr. Venegas is a Field Service Representative and has been employed by the District for 3 years. He said that they presently rent a home in Novato and are interested in purchasing a home utilizing up to \$100,000 of District funds under the Employer Assisted Housing Program (EAHP). He said that because the Venegases are considering homes that are bank repossessions, the buyer must have financing approved in advance and that the Venegases have a prequalification letter from a financial institution for \$280,000, plus personal savings, funds from relatives, and hopefully the EAHP, to purchase a home. Mr. Bentley advised that once an offer is accepted, he will come back to the Board for loan authorization. Mr. Bentley further advised the Board that there is \$9,000 remaining in the District fund and that the recent revision of the EAHP allowing loan repayment at the District's cost of funds has motivated the Chief Engineer to refinance his home in the future to repay his \$112,000 District loan.

Mr. Venegas addressed the Board and said he was born and raised in Marin and has been living in Novato since 1992. He stated that he has enough money for a down payment, and that the additional \$100,000 from the District will help make the monthly mortgage payment affordable. Mr. Venegas said that he would appreciate the Board's consideration and that he would pay back the loan as soon as possible.

On motion of Director Baker, seconded by Director Petterle and unanimously carried, the Board approved the pre-authorization letter to Miguel Venegas for a loan of up to \$100,000 under the District's Employer Assisted Housing Program.

Director Rodoni said that this is a great deal for the District and that Mr. Venegas' loan should not be contingent on the Chief Engineer's refinance.

APPROVE: CITY OF NOVATO SUBORDINATION REQUEST - HAMILTON FIELD REDEVELOPMENT PROJECT AREA

Mr. DeGabriele informed the Board that the City of Novato Redevelopment Agency is requesting that the District acknowledge and approve the subordination of Statutory Pass-through Payments that the Redevelopment Agency is required to pay in connection with the Hamilton Field Redevelopment Project Area. He stated that this request is perfunctory because the District does not receive additional tax revenue from the Hamilton Area. He reminded the Board that the District received annual payments from the city to pay connection fees for the commercial portion of the Hamilton project and that those connection fees were fully paid in October 2004.

On motion of Director Schoonover and seconded by Director Petterle, the Board unanimously agreed to the subordination of Statutory Pass-through Payments that the Redevelopment Agency of the City of Novato is required to pay the North Marin Water District in connection with Hamilton Field Redevelopment Project Area and authorized the General Manager to acknowledge same.

CONSIDER: WATER RATE STRUCTURE DESIGN

Mr. Bentley said that since the West Marin public hearing last July when Director Rodoni asked for staff to develop a tier rate structure for non-residential customers, staff has been exploring several options and alternatives for the Board to consider. He said he has prepared two memos on this topic, the first memo outlines the alternative water rate structures and the second addresses determination of the number of equivalent dwelling units assigned to each West Marin non-residential account to establish a water use threshold for tier rate application (hereafter termed "entitlement").

Mr. Bentley said that staff considered basing entitlement on the first 10 years of water use, but that by going back to the 1970's, businesses may have changed several times and current water use could be quite different today and any increase based upon that method would be open to challenge by the affected non-residential customers. He said that staff then considered basing entitlement on the last 10 years of water use. Mr. Bentley informed the Board that after investigating non-residential entitlements, it was discovered that several businesses are now exceeding their entitlement, with one business in particular exceeding its entitlement by nearly 5 times. He drew the Board's attention to the table included with the second memo that identifies the 80 non-residential customers and what their entitlement was at the time of connection and what their water use is today. He advised that according to existing District regulations, customers would be assessed a significant rate increase in additional fees. Mr. Bentley said that the initial proposal was to establish a tier rate threshold based on a customer's original entitlement, and as this was studied by staff, it was determined that reconstructing entitlement was an administrative challenge and staff decided to move away from this concept. He stated that now that the information has been compiled on the 80 non-residential West Marin customers, the District proposes to contact those customers who are using in excess of their entitlement based upon their first 10 years of use and advise them that they owe more connection fees. Mr. Bentley advised that the connection fee is \$9,500 per equivalent dwelling unit in West Marin, and that the West Marin system is in debt to Novato and needs the revenue.

Mr. Bentley said that staff began thinking of a new way to establish entitlement for water use. He said staff proposes to back away from its current method of establishing tier rates based upon connection fees and base instead on the marginal cost of water (cost of purchased water from SCWA, Stafford Treatment Plant production, and recycled water).

Mr. Bentley summarized the other rate theories that were explained in the first memo that were considered: Equivalent Dwelling Unit approach, Meter Size approach, Peaking Factor approach, Peaking Factor Tier Rate approach and Seasonal Rate approach. Mr. Bentley said that it is important for customers to understand the system and the seasonal rate approach is understandable. He explained that it does not incorporate tier rates, and that during the months of April through October, a surcharge would be added to non-residential customers' water bill (\$1.30/1000 gallons, a 45% increase).

Mr. DeGabriele reminded the Board that these suggestions are only for non-residential customers and that the tier rates would continue for residential customers. He said the approach that staff is advocating for non-residential customers is the seasonal rate approach based on the marginal cost of water supply and that the message would be to conserve water because the rates will go up from April through October.

There was a lengthy discussion and numerous questions from the Board.

Mr. Bentley reiterated that this proposal is not being considered for this year, but in the future. Director Baker asked if this will be discussed at the July meeting in Point Reyes, and Mr. DeGabriele said that a status report would be presented at that time.

Director Rodoni stated that the staff did an excellent job in analyzing the various approaches and that the staff recommendation achieves the goal of capturing revenue from non-residential accounts and sends a water conservation message. He stated that he is concerned that the message to customers be clear and concise and that West Marin customers would be the test case for customer's response to the message.

Mr. Bentley advised the Board that staff is asking for direction on three areas: 1) the seasonal rate for non-residential customers; 2) collection of additional connection fees for those customers identified in the entitlement study that are exceeding their entitlement; and 3) establishing tier rates based upon the marginal cost of water.

Director Rodoni said that he would support items 1 and 3 and he stated that he would like further discussions on item 2. He emphasized the need to be cautious and sensitive on how to approach customers on the subject of paying additional connection fees. Director Schoonover said

that how to send the message will be very important. Director Rodoni suggested that notification of an increase in connection fees in the future may be triggered by a customer obtaining a use permit. Director Petterle said the District can let people know what their base line is for determining entitlement that will help to explain additional connection fees, and that he did not support going back 30 years to establish a base line. Director Baker stated he would like further discussion before making a decision on item 2 of staff's proposal.

Mr. DeGabriele reminded the Board that the tier rate was implemented in Novato in January to provide time for outreach to customers and that a similar program to start implementing the program in off-peak months may be beneficial in West Marin.

There was consensus among the Board to accept staff's proposed items 1 and 3 (seasonal rate structure applicable to non-residential customers and establish tier rates based upon the marginal cost of water); but item 2 (collect additional connection fees from non-residential customers consuming in excess of their entitlement) will be held for further discussion.

APPROVE: NOTICE RE WEST MARIN RATE INCREASE

Director Rodoni said that the timing of the notice is crucial and asked would it be appropriate to include in the notice that in April there may be a change in the rate structure.

Mr. DeGabriele stated that the reason for the notice on the water bill was to avoid the cost of mailing individual notices to each customer. He opined that it may be worthwhile to spend that and to provide outreach to the 80 affected non-residential West Marin customers.

On motion of Director Petterle, seconded by Director Baker and unanimously carried, the Board authorized staff to place the public hearing notice to meet Prop 218 notification requirements on the West Marin water and sewer bills advising customers of a rate increase in the water rates.

INFORMATION ITEMS

NOVATO ANNUAL WATER QUALITY REPORT

Mr. DeGabriele presented the draft Novato Annual Water Quality Report for the Board's information. He said that the report is very comprehensive and that it states that water delivered to Novato customers met all state and federal drinking water standards in 2007.

LETTER IN SUPPORT OF DON NEUBACHER

Mr. DeGabriele presented a letter he has written to Jonathan Jarvis of the National Park Service to offer support for Don Neubacher, Point Reyes National Seashore Superintendent at the request of Director Rodoni and with the concurrence of President Frites. He said he received a response from Mr. Jarvis saying that he was appreciative of the letter.

Director Rodoni explained that there is controversy surrounding Mr. Neubacher's vision for agriculture in the Point Reyes National Seashore. He commented that it was a well-written letter outlining Mr. Neubacher's cooperation with the District to serve the West Marin communities.

TAC MEETING – APRIL 7, 2008

Mr. DeGabriele advised that at the Technical Advisory Committee meeting on April 7th, the Sonoma County Water Agency's status report to the State Water Resources Control Board will be discussed; and he noted that the date of the appearance before the Board is April 15th not the 19th. He stated that the letter from the State Board has requested the Agency to appear and provide a status report on their projects; and additionally, the State Board has asked the Agency to explain how it would react to the governor's goal of 20% reduction in per capita water use by the year 2020. He said that he intends to encourage the Agency to advise the State Board that the Agency and the water contractors have developed the Sonoma-Marin Saving Water Partnership with a long-term target for water conservation. He stated that the governor's goal is directly related to the Delta issues and that anything that is done on the Russian River will have no impact on the Delta water supply. He said that he is concerned about the State Board's method of calculating the per capita water use.

Mr. DeGabriele further advised the Board that since 2001, the City of Santa Rosa has provided secretarial support to the WAC and TAC and that currently there is a change in staffing at the City of Santa Rosa. He stated that, with the Board's concurrence, Ms. Roberts will provide secretarial support while Santa Rosa undergoes its transition. The Board concurred.

BOARD PLANNING WORKSHOP NOTES

Mr. DeGabriele provided the notes for the Board Planning Workshop, facilitated by Bob Rauch, conducted on January 28, 2008 for information. There were no comments.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements (3/19 and 3/26), Letter from Robert Hemphill Re Rate Increase, NBWA Conference Flyer, Novato Leaders Roundtable Agenda, Hamilton Wetland Restoration and Oakland Harbor Deepening Program, WaterSmart Innovations Conference Accepts NMWD Abstract Proposal.

The Board also received the following news articles: Advisory vote is needed for green power (3/23), Helping grapes, fish share water (3/20), Water Agency to explore energy independence (3/20), Santa Rosa's Dean named to water board (3/19), Civil Engineer appointed to Regional Water Board (3/17).

ADJOURNMENT

President Fraites adjourned the meeting at 8:45 p.m.

Submitted by

Renee Roberts
District Secretary