

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 17, 2007**

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, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

District employees Robert Clark (Facilities Maintenance Superintendent) Mike McMaster (Operations Superintendent), Doug Moore (Construction Superintendent), Ryan Grisso (Water Conservation Coordinator) and Novato resident Ed Grundstrom 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 mailed.

GENERAL MANAGER'S REPORT

Baker's Dozen Meeting

Mr. DeGabriele reported that he and Directors Fraites and Rodoni attended the Baker's Dozen water meeting hosted by Gary Giacomini. He stated that the Sonoma County Water Agency manager was in attendance where he stated that he expected the water contractors and local governments to do the "heavy lifting" regarding political maneuvering to secure federal funding for water supply. Mr. DeGabriele stated that the Agency's manager failed to present a clear call to action as to what is needed. Director Rodoni opined that it was the Agency's manager's and the Sonoma County Board of Supervisors' job to secure funding. Mr. DeGabriele stated that there will be another meeting in early June.

SCWA Workshop

Mr. DeGabriele said he attended the Sonoma County Water Agency workshop on the water project on Tuesday, April 10 but a huge audience was present for another subject and that the workshop was postponed due to lack of time.

Las Gallinas Valley Sanitary District

The General Manager advised that he made a presentation to the Las Gallinas Valley Sanitary District on the subject of delivery of recycled water from LGVSD to the Hamilton Field area and he reported that they are interested.

Marin Association of Realtors

Mr. DeGabriele further advised that that he made a presentation to the Government Affairs Committee of the Marin Association of Realtors last Friday.

ACWA Region 1 Tour

The Board was informed that the Association of California Water Agencies Region 1 group will be touring the Stafford Treatment Plant on Friday, April 20.

Treatment Plant Supervisor Resignation

Mr. DeGabriele announced that Treatment Plant Supervisor Ken Wacker has resigned and that the District will solicit applications for his replacement both internally and externally.

OPEN TIME

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

Ed Grundstrom

Mr. Grundstrom inquired how far along the revision of the agreement with Marin Municipal Water District has progressed so that MMWD can pay their "fair share" of the costs. He also inquired whether the Board is considering applying a tier rate to commercial and government water accounts.

Congressman Vislosky Event

Director Rodoni reported that he attended the Vislosky event. He said Congressman Vislosky sits on the Appropriation Committee for Water and Power and he had an opportunity to talk with him.

Compliments to Staff

Director Petterle stated that a friend recently moved to Novato and told him that of all the local agencies he dealt with, North Marin Water District was the most professional, friendly and helpful. Director Petterle requested that this be passed on to staff.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided a summary of the Monthly Progress Report for March and stated that water production for Novato is up through the end of March totaling 2.6 billion gallons and is very similar to the year-to-date total for FY 03/04 which was also a dry and warm spring. He reported that in West Marin water production is up with the total water production of 85 million gallons, and the Stafford Treatment Plant produced 56 million gallons of high quality water in March. Mr. DeGabriele noted that 0.13" of rainfall fell bringing the year-to-date total to 13.7". He reported that the Cherry Hill Pipeline project is going well and that the District has completed the Reservoir Hill Tank Rehab Study. He stated that only five lost days were recorded through the end of March which compares to 129 days last year. Mr. DeGabriele said that 156 Customer Service Questionnaires were sent out, 50% were returned and of those returned, 94% indicated the District is doing a good job.

QUARTERLY FINANCIAL REPORT

The Auditor-Controller presented the Third Quarter Financial Statement and reported on the District Performance Compared to Annual Budget noting that the big difference on the revenue side is due to unrealized connection fees. He stated that through March \$182,000 was collected in connection fees compared to a budgeted amount of \$2.4 million. He explained that commercial projects (i.e. Whole Foods) have not submitted applications for water service as anticipated. He reported that \$6M of the \$10.7M budgeted Improvement Projects expenditures has been spent. The budget anticipated that Stafford Treatment Plant would be completed and that interest and principal payments would have been paid on the State Revolving fund loan. However, because the plant was just recently completed, principle payments were avoided resulting in \$400,000 of the \$1.5M budgeted less expended.

Mr. Bentley said that in Novato for the first nine months of the year, revenue is up 9% due to increased water sales and rate increases, operating expenses up are 4%, in most part due to additional purchased water costing about \$750,000. On the plus side, Mr. Bentley said that the settlement with FCI yielded \$627,000. He said the bottom line for Novato is a deficit of \$250,000 for the first 9 months of the year and it is hopeful that with Stafford Treatment Plant running and the dry spring water sales increase, Novato will break even for the fiscal year.

Mr. Bentley reported that in West Marin potable water revenue is up 20% from a year ago because of increased water sales coupled with the rate increase; total operating revenue up 16% and expenses are down 2%. He reported that total net income is approximately \$46,000 compared to a loss of \$14,871 for the same period one year ago. Mr. Bentley further reported that only 21% of

the Improvement Budget has been expended and the West Marin debt to Novato stands at \$400,000.

Mr. Bentley stated that in Oceana Marin three sewer customers were added over the past year (220 total) resulting in a revenue increase of 3%; 33% of the Improvement Project budget has been expended, and operating expenses are down 6% from a year ago. He reported that in March \$21,000 was collected in connection fees for four units to be constructed on Parcel L and Oceana Marin now has a cash balance of \$165,906.

CONSENT CALENDAR

Director Fraites requested that Item 7, Letter to Governor's Pension Reform Committee, be removed from the Consent Calendar for further discussion.

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

WEST MARIN WATER LINE TEXT

The Board authorized the General Manager to approve text and design of the *Water Line*, Volume 5, Issue 5 for West Marin. It is expected that the *Water Line* will be mailed in early May.

DISBURSEMENTS

The Board approved and authorized for payment payroll and accounts payable vouchers totaling \$1,152,372.92.

ACTION CALENDAR

LETTER TO GOVERNOR'S PENSION REFORM COMMITTEE

The District's effort to promote legislation mandating forfeiture of post-employment benefits for employees convicted of felony embezzlement collapsed when Assemblyman Huffman acquiesced to significant "push back" from labor unions. The letter to Governor Schwazenegger's newly formed Public Employee Post-Employment Benefits Commission, is written at the suggestion of Assemblyman Huffman and drafted by Bold and Polisner. The letter recommends the commission consider the issue advocated by the District.

Director Fraites stated that he was surprised that labor unions would object to this legislation and asked staff what labor unions object and why. Mr. DeGabriele responded that several labor unions actively lobbied the legislature including the state employee unions and teacher unions and that their arguments were social in nature, i.e. that families would be punished.

Director Fraites also suggested that the verbiage of the letter be changed to eliminate the statement that “Assemblyman Jared Huffman...has a continuing interest in this issue” and requested that Mr. Huffman’s letter to the commission be attached to the District’s letter.

On motion of Director Fraites and seconded by Director Baker, the Board voted unanimously and authorized President Petterle to sign the letter to the Public Employee Post-Employment Benefits Commission as amended.

NOVATO CONSUMER CONFIDENCE REPORT

Mr. DeGabriele advised that Water Quality Supervisor Pablo Ramudo could not be at tonight’s meeting and therefore, he presented the Novato Consumer Confidence Report for review and approval. He stated that most of the language contained in the report is required by law and that Mr. Ramudo did a good job putting the information into an understandable format.

On motion of Director Baker and seconded by Director Schoonover, the Board unanimously approved the Novato Consumer Confidence Report.

WEST MARIN CONSUMER CONFIDENCE REPORT

Mr. DeGabriele presented the West Marin Consumer Confidence Report and the Board had no comments.

On motion of Director Baker and seconded by Director Fraites, the Board unanimously approved the West Marin Consumer Confidence Report.

INFORMATION ITEMS

PRECAUTIONARY WATER ALERT – WEST MARIN

Mr. DeGabriele apprised the Board of a broken fire hydrant caused by a motorist in West Marin that affected the water pressure in the upper areas of Laurel Street / Kyleswood on April 11. He stated that the Inverness Public Utilities District was able to effectively valve off the hydrant and that the District took the proactive approach of notifying customers with a Precautionary Water Alert. Mr. DeGabriele advised that after completing the water quality testing that showed no bacterial contamination and that water quality standards have been met, a Cancellation of Precautionary Water Quality Alert notice was distributed to customers on April 13.

CALIFORNIA DEPT. OF FISH AND GAME CONDITIONAL DISMISSAL OF PROTEST – NMWD PETITION FOR CHANGE IN PLACE/PURPOSE OF USE, WATER RIGHTS LICENSE 4324B, LAGUNITAS CREEK

The General Manager announced that a conditional dismissal of protest of North Marin’s Petition for Change in Place / Purpose of Use of Water Rights License 4324B from the California Department of Fish and Game was received and that the State Water Resources Control Board will

issue the final order prior to June 30, 2007. Mr. DeGabriele said that it has been 10 years in the making and is pleased that the District's West Marin customers will have a secure water supply in dry years.

CONSERVATION OUTREACH INFORMATION

Ryan Grisso informed the Board that the District staff contacted Sonoma County Water Agency two weeks ago concerning the water supply issue for the purpose of informing customers via the *Water Line* newsletter of a potential water shortage this spring. He said that the Agency advised the District to wait to inform customers as the Agency would be meeting with the State Board on April 18 at which time the State Board would make a determination about any shortage. He said that last week, on April 10th, the Agency released a media advisory stating that "Dangerously Low Water Supply Levels Projected" for Lake Mendocino and announced a news conference scheduled for April 12th. He stated that the District received the news release on April 11 and that local newspapers contacted the District for comment. Mr. Grisso stated that in response to the media coverage, the District produced a flyer that included text requesting the public to achieve 15% voluntary reduction in water, and that he began distributing the flyers at the Novato Farmer's Market earlier this evening. He mentioned that customers said they had seen the media coverage and that he received positive responses from customers on the District's outreach.

Mr. DeGabriele explained that water supply in Lake Mendocino is the lowest level since March 1977 for this period of this year due to low rainfall and because flow through the Potter Valley Project has been reduced considerably resulting in less water from the Eel River coming into Lake Mendocino. He stated that a "normal year" is determined by the amount of water going in and out of Lake Pillsbury from December to June and the data to calculate the type of year is not available at this time. He further explained that if it is a "normal year" the water agency, from May 1 through October 1, has to maintain flows of 150 cubic feet per second (cfs) from Lake Mendocino to Dry Creek and 125 cfs from Dry Creek to the Pacific Ocean. Mr. DeGabriele said that in "dry years" and "critical dry years" these flows are reduced significantly. He said that the Agency should go to the State Board and request lower minimum flows in the Russian River and Dry Creek or there will not be enough water in Lake Mendocino to be released to provide protection for the Chinook salmon in the fall of the year. He stated that conversely, the Coho salmon are in Dry Creek during summer months and can't withstand high flows. Mr. DeGabriele stated that he is hopeful that the SCWA will prevail with the State Board and get the relief from flow requirements for a "normal year". The water year is defined on June 1 and the State Board may require additional water conservation

above and beyond voluntary cutbacks at that time. He said the bottom line is there is enough water to meet urban water needs but that it is a fishery issue.

STAFFORD TREATMENT PLANT CHLORINE DIOXIDE INVESTIGATION

Mr. Clark provided an update on the investigation of employee complaints of chlorine dioxide affecting air quality at the Stafford Treatment Plant. He stated that employees began smelling various odors in and around the filters and that the District employed an industrial hygienist from Winzler and Kelly who performed a series of air sample tests to identify sulfides, volatile organic compounds (VOC) and chlorine dioxide. He reported that all tests were within EPA safe levels and that the chlorine dioxide specific tests did not find any chlorine dioxide in the air. He further stated that because treatment plant operators are still sensing various odors, the investigation will continue to identify the constituents that employees smell.

Mr. McIntyre apprised the Board that a wall extension has been constructed in the plant to create a barrier between the office and process area. He said that with the wall and addition of ferrous chloride in the water treatment process, the operators noticed significant improvement.

LESSONS LEARNED – STAFFORD WATER TREATMENT PLANT REHABILITATION PROJECT

Mr. DeGabriele summarized the feedback received from the Stafford Water Treatment Plant Rehabilitation Project design engineer, general contractor and construction manager on what the District could have done to complete the project on time. He said that although the project went over schedule, the District was fortunate to negotiate a financial settlement so that the estimated costs of the project were not exceeded. He further stated that the District's operating budget was impacted due to the necessity of purchasing additional water from Sonoma County Water Agency during the extended period. Mr. DeGabriele reported the District observed that the general contractor did not have sufficient field supervision and that the general contractor's organization structure did not support the ability to catch up or maintain the project schedule. He stated that SPH Associates suggested that the general contractor be pre-qualified, payment be withheld or contract terminated when delays occur and that SPH also advocated that additional consultant time during construction and during the first year of operations would avoid delays. He reported that Harris & Associates, notwithstanding problems with the contractor, identified the defective media supplied by the filter vendor impacted the schedule, and Frontier Contracting felt that phasing the project was not feasible and recommended that the engineer be invited to weekly meetings to avoid delays and that the operators thoroughly review the drawings during the design stage. Mr. DeGabriele said that the District identified the big issue as a lack of qualified field supervision and

inadequate staffing on the part of the general contractor and that pre-qualifying contractors for large jobs in the future should be considered.

2007 ANNUAL FLUSHING PROGRAM REPORT

Mr. Clark stated that this year's flushing program was successfully completed with only one incident reported involving the operation of a 16" valve located on Trumbull and Mill Roads. He stated that the flushing program was accomplished with less staff time and used less water and that the system is staying cleaner throughout the year. Mr. Clark reported that in West Marin the Pt. Reyes system was reported to be exceptionally clean and that this improvement can be attributed to decreased sediments resulting from improved operation of the Pt. Reyes Treatment Plant. He also reported that flooding was encountered at one location due to contractors dumping and washing concrete material down a storm drain, but that the City of Novato responded promptly and cleared the blockage the same day. Mr. Clark said that customer water quality complaints were few in number this year.

Director Petterle inquired if the flushing program can be curtailed in dry years and asked how to educate the public on the need for flushing, especially during this potentially dry year. Mr. Clark said that the District's priority is to make sure the water is of highest quality and that flushing is necessary. He said that recent years the water quality has increased resulting in less water needed to flush the system, but that there will always be a need to flush sediment out of the lines. He said that the flushing program occurs in the winter when there is typically available water in the lake but that there are times throughout the year when flushing is necessary to insure water quality.

NOVATO WATER FIVE-YEAR FINANCIAL PLAN & POTENTIAL RATE ADJUSTMENT

Mr. Bentley presented the Novato Water Five-Year Financial Plan and stated that staff is recommending an increase in the commodity rate for non-residential accounts by 20¢ per 1,000 gallons for FY 08. He stated that no increase is proposed for residential accounts as the Conservation Incentive Tier Rate has just gone into effect January 1, 2007. Mr. Bentley reviewed the Five Year Financial Plan and stated that there will be a need for significant rate increases and/or cost reductions over the next five years as the \$10 million reserve balance will fall to \$2.6 million over the next five years unless a 40¢/1,000 gallons annual across-the-board increase beginning FY09 through FY 12 is implemented. He offered the following reasons for this situation: 1) Only \$200,000 of the \$2.2 million budgeted Connection Fee revenue will materialize; and 2) delayed start-up of the STP resulted in \$750,000 expended on additional Russian River water. He said that the following will also impact the necessity for a commodity rate increase over the next five fiscal years: revisions in the factor used to translate commercial development square footage into equivalent dwelling units reduced the projected connection fee revenue; increases in the Improvements Projects five-year plan; additional staffing including a new payroll charge to close the

\$1.1 million retiree medical insurance liability funding gap; increases in vehicle, material, service and supply costs; and increased power demand to operate the treatment plant. Mr. Bentley stated he is not recommending a 40¢/1,000 gallons increase at this time as it is not clear how much revenue the CTR will generate; the cost of producing water at STP and operational cost of the recycled water facility are unknown, as is the pace of new development in Novato.

Mr. Bentley also discussed significant assumptions in the financial plan including Debt Service, deferral of the Implementation of the \$107/MG Russian River Environmental Charge to FY 09; Personnel Cost; and 4M gallon Palmer Drive water storage tank.

Director Fraites asked if the over-estimate on connection fee revenue was due to the Whole Foods project and Mr. Bentley said that although that was the largest project, more commercial projects were projected than were actually realized and that the District will be working more closely with the City of Novato on project projections.

Director Fraites inquired what the reason is for the increase power demand at the Stafford Treatment Plant. Mr. Bentley responded that the reasons are unknown at this time. Mr. McIntyre stated that the new treatment plant process has more pumping capacity than the old plant and that the higher power costs may be attributed to the air testing and ventilation while at the same time heating the facility during the winter.

Director Rodoni asked for clarification on the Stafford Treatment Plant production totals and Mr. Bentley responded that the total is 750M gallons annually.

President Petterle gave the audience an opportunity to comment and Mr. Grundstrom said that he requests staff propose a tier rate for the non-residential users so that they will conserve and make the rates more equitable for all water users. He stated he was concerned with labor and retiree benefits costs and how much Marin Municipal Water District is costing the District.

Directors Rodoni and Petterle stated they support a tier rate for commercial water users and Director Schoonover stated that he supported a 20¢ commodity rate increase.

INITIAL REVIEW - NOVATO WATER FY 07/08 PROPOSED EQUIPMENT EXPENDITURES

Mr. Bentley presented the Novato Water FY 07/08 Proposed Equipments for the first of three reviews by the Board and stated that the proposed budget totals approximately \$300,000. Mr. Bentley highlighted the three bigger items: CORE Utility Billing Software Upgrade for \$20,000 to upgrade the existing 1999 billing software; Warehouse Racking System for \$20,000 which will provide increased storage space, better security and a cleaner and more organized yard, and the

vehicle and rolling equipment expenditures which comprises approximately 50% of the Equipment Budget and includes several trucks and a portable biodiesel generator.

There was a brief discussion on the cost effectiveness and maintenance needs of using biodiesel generators.

INITIAL REVIEW – NOVATO WATER PROPOSED FY 07/08 & 08/09 IMPROVEMENT PROJECTS BUDGET

Mr. Bentley stated that the proposed FY 07/08 and 08/09 Improvement Projects budget totals \$7.6 million, including \$3 million for the construction of the Palmer Drive Tank and \$1.3 million for additional improvements to the Stafford Treatment Plant. He stated that the net District outlay after SCWA and SRF loan money stands at \$6 million and that there are fifty-three projects included in the Improvement Projects budget as compared to 44 approved in FY 06/07.

NORTH BAY WATERSHED ASSOCIATION MEETING – APRIL 6, 2007

Mr. DeGabriele reported on the North Bay Watershed Association meeting and said that the most interesting item was the “Triple A” Watershed Management Awareness, Adoption, Action presentation by Circle Point. He said it presented an overview of what the NBWA is about and will be presented to local elected officials, including the District.

MISCELLANEOUS

The Board received the following miscellaneous information: ACWA Scholarship Funding Request, Fleet to Convert to 100% Use of Bio-Diesel, Rethinking Waste: Alternatives to Redwood Landfill. The Board also received the following News Articles: In Dry Times, Desal Plant Pumps Out Good News (4/13), North Bay Hit Hard By Drought Concerns (4/11).

ADJOURNMENT

President Petterle adjourned the meeting at 9:27 p.m.

Submitted by

Renee Roberts
District Secretary