

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 18, 2006**

CALL TO ORDER

President Schoonover 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 Rick Fraites, Steve Petterle, Dennis Rodoni and John Schoonover. Director Baker was absent. 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), Sig Hansen of SPH Associates, Gary Ghilotti of Maggiora and Ghilotti, Steve Cleveland and Paul Klassen of Coastland Civil Engineering and Bob Abeling of 1625 Indian Valley Road, were in the audience.

APPROVE MINUTES FROM REGULAR MEETING

On motion of Director Petterle, seconded by Director Fraites and carried by those Directors present, the Board approved the minutes from the previous meeting as mailed.

GENERAL MANAGER'S REPORT

North Bay Watershed Association Conference

The General Manager reported that he and Director Fraites attended the North Bay Watershed Association Conference on Friday, April 7. He said that the title of the conference was "Water and Regionalism" and that it was a very informative conference with topics on water bond initiatives, integrated regional water management planning, land use, habitat restoration, recycling, conservation and the conference ended with an interesting discussion on water and energy and climate change. He stated that he would encourage the District Board to attend future NBWA conferences as it is a good opportunity to meet with other agencies with similar concerns.

North Bay Water ReUse Authority

Mr. DeGabriele stated that he attended the North Bay Water Reuse Authority meeting with Las Gallinas Sanitary District, Novato Sanitary District, Napa Sanitary District, SCWA and Sonoma Valley Sanitary District. He reported that they are close to developing an EIR for the alternatives that are being studied on the regional recycled water projects and that they would like to expand

their roster and include North Marin's participation. He said that he has set up a meeting with the District's Ad Hoc Recycled Water Sub-Committee consisting of Directors Schoonover and Baker and members of the Novato Sanitary District on May 4 to listen to the Sanitary District's presentation to North Marin for its participation in the environmental review. Mr. DeGabriele stated that he wants Novato Sanitary to concur to allow Las Gallinas recycled water to come into the south Novato area and facilitate the District's development of recycled water in the Hamilton area.

Sonoma County Water Agency

Mr. DeGabriele reported that he attended the SCWA Board Meeting today wherein the Agency updated their Board on the progress being made on the Urban Water Management Plan (UWMP) and the Water Project EIR and stated that there has not been much progress. He stated that the Agency plans on having the demand analysis to support the UWMP, which was to be submitted by December 31, 2005, and EIR done by August. He said that a debate continues on how much water can be saved through conservation among the water contractors. Mr. DeGabriele stated that the Agency also updated their Board on the Draft EIR of the Water Project now due in June 2007 (a six-month delay) and will cover additional water conservation, increasing Russian River Water Supply rediversion limits, and the improvements to the transmission system, and that the Agency may want to wait until the general plans from the counties of Marin and Sonoma and cities of Petaluma and Santa Rosa are completed. He stated that the Agency unveiled their new strategy intended to maximize water conservation and recycled water in the region, which will be balanced with local supply and backstopped with additional Russian River supply and that he reiterated North Marin's concern with that strategy and concern with the schedule for completion of both documents. Mr. DeGabriele stated that he advised the Agency that North Marin is implementing most of the new water conservation measures now proposed and reminded the Agency that there is water available in the Russian River Project and that the challenge lies in navigating all regulatory requirements of the State Water Resources Control Board to increase rediversion amounts. He said that he also advocated for a study of a pipeline for delivery of water from Warm Springs to the collectors or to a treatment plant.

Pacific Institute

Mr. DeGabriele advised the Board that he, Ryan Grisso, SCWA Water Conservation Specialist and David Bentley will meet with Gary Wolf of the Pacific Institute to discuss ways the District can further its reduction of water use. He said the Pacific Institute has published a report stating that urban water use can be reduced by 30% statewide.

OPEN TIME

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

Tomales Bay Watershed Council

Mike McMaster reported that the Tomales Bay Watershed Council and other West Marin groups are sponsoring a Watershed Day and Recycle Circus on April 23 at the Dance Palace in Point Reyes.

Bob Abeling 1625 Indian Valley Road

Mr. Abeling apprised the Board on the events leading up to and following the collapse of a portion of Indian Valley Road during the heavy rains last week and was present at the meeting to praise District staff for its concern and quick response. He said that the District crews showed up about 20 minutes after they received the call. He stated that the County Department of Public Works' (DPW) response was slow and inadequate and it took the Highway Patrol to convince the DPW to cone off the road.

Mr. McIntyre said that if the rains continue and DPW does not take corrective action to repair the road, the District would tarp the road to protect the District's water main and that plans are being developed to keep customers in service and protect the pipe should the conditions worsen. Mr. DeGabriele noted that all on-call field personnel know how to safely shut down the line if necessary.

Mr. Abeling thanked the Board and left the meeting at 7:50 p.m.

MONTHLY PROGRESS REPORT

The General Manager reported that Novato water production is once again down from one year ago. He noted that 8 inches of rain fell in the month of March with a year-to-date total of nearly 30 inches. Mr. DeGabriele also noted that there is about 20 degrees difference in average March temperatures between last year and the current year.

In Oceana Marin, it was necessary to release water to the irrigation fields in order to gain freeboard in the storage and treatment ponds.

Mr. DeGabriele reported that there has been no lost time due to accident or injury this calendar year.

Mr. DeGabriele stated that the quarterly Water Quality monitoring information shows that the District is in compliance for bacteriological and chemical constituents in both Novato and West Marin. He also noted that in the Summary of Complaints and Service Orders there was a decrease

in service leaks and high bills and that of the 110 Customer Service Questionnaires mailed, 58% were returned, of which there was a 93% favorable response.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley reported on the third quarter financial statement and noted that on a consolidated basis, the District shows a loss of \$700,000 compared to a budgeted deficit of \$2.7M. He stated that only 32% of the Improvements Projects have been completed by the third quarter of the budget year; Novato District water revenue is up 6% and consumption is down 3% and that the revenue increase was due to the 9% rate increase enacted last July. The total operation expenses have increased 22% over last year. Russian River water purchases were up over 27% from last year because of delay in starting up the Stafford Treatment Plant.

Mr. Bentley reported that in West Marin consumption is down 13% and water revenue is down 4% from last year despite a 6% rate increase. The net loss in West Marin is \$14,000 compared to a \$23,000 budgeted loss.

In Oceana Marin sewer service revenue was up 3% from last year due to growth, but that operating expenses have increased 34% over last year, noting that the big item was rebuilding the Tahiti Way lift station at an unbudgeted expenditure of \$16,000.

Mr. Bentley pointed out that that two new items appear on the Analysis of Reserve Funds. The Conservation Incentive Rate fund has a cash balance of \$185,000 to be expended on water conservation related items at the Board's discretion. He felt that the CIR has had a large effect on consumers' water consumption and is the reason why consumption is down in Novato and West Marin. He noted that the self-insured cash balance in the self-insured Workers' Compensation Fund is \$461,000 and that these funds will be shared with West Marin and Oceana Marin.

CONSENT CALENDAR

Director Rodoni requested that Item 8 Adopt Revised District Policies Number 3 and 4 be removed from the Consent Calendar for further discussion. On the motion of Director Petterle, seconded by Director Rodoni and carried by those Directors present, the following items were approved on the Consent Calendar:

WATER AGREEMENT SERVICE - 1129 FIRST ST. MIXED USE PROJECT

This proposed mixed use project consists of office space and two apartment units. The Novato Fire Protection District is requiring separate fire sprinkling for each unit and 3 1-inch meters will be installed. The vacant property is currently being served by a 5/8" meter which will be killed. Total water demand is now 2.2 EDUs.

The Board approved Resolution No. 06-15 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with George Kokalis."

ATHERTON AVE LAND DIVISION – RENEWAL OF LETTER AGREEMENT WITH NOVATO FIRE PROTECTION DISTRICT

The letter agreement, originally executed in February 1996 served as financial guarantee by the Novato Fire Protection District for all costs associated with construction of water distribution facilities to serve the project. The letter agreement expired in 1998 and a two-year extension was granted and a subsequent extension was granted that expired in 2004. This renewal request for another 4-year extension was authorized by the Board.

The 3-lot property, originally owned by the NFPD, exchanged owners throughout the years, where, in 1996, the Fire District once again acquired the property for the purpose of reverting it back to acreage for the construction of a new classroom/storage facility. Staff has updated the initial charges and construction costs resulting in a new agreement guarantee of \$80,986. The water agreement, including financial guarantee, must remain in effect as long as the three marketable lots exist. Should the Fire District secure approval from the County of Marin for a reversion to acreage, the agreement can be cancelled.

REVISED DISTRICT POLICIES NUMBER 3 AND 4

Director Rodoni requested that this item be removed from the Consent Calendar for further discussion. He stated that in Revised District Policy Number 3, Bill Adjustment re Storm Damage (Natural Disasters), it was the Board's intention to not state the amount of the adjustment but rather that the adjustment would be at the Board's discretion. He said that the policy should read as printed with the exception that the last sentence end with the words "...Bill Adjustment Policy."

On motion of Director Rodoni and seconded by Director Fraites and carried by those Directors present, the Board adopted the revised District Policies Number 3 and Number 4.

PROPOSED REVISION TO SAFETY BOOT POLICY

In 1986 the District adopted a Safety Boot Policy for certain classifications of employees for reimbursement of the purchase of safety boots and in 1993 the District adopted a policy to include the Meter Readers and Field Service Representatives reimbursement for the purchase of waterproof boots. The Board approved proposed revisions include adding two classifications to the Safety Boot Policy (Consumer Service Representative and Treatment Plant Operator), increase the reimbursement from \$124 to \$200 per year as needed; define "as needed;" and eliminate the Waterproof Boot Policy for Meter Readers.

SALE OF OLD FORKLIFT

The Board authorized the sale of the 1971 Philift PLD60 forklift to Forklifts Unlimited for \$2,500.

DISBURSEMENTS

The Board approved payroll and accounts payable vouchers totaling \$723,743.55.

ACTION CALENDAR

SPH ASSOCIATES DESIGN ENGINEERING SERVICES CHANGE ORDER RE STAFFORD TREATMENT PLANT REHABILITATION PROJECT

Mr. McIntyre stated that he and the General Manager reviewed the request from SPH Associates for additional compensation required to extend their design engineering services through the end of the project. He stated that staff believes that SPH Associates should be compensated for unanticipated efforts since the Change Order No. 11 approved in the fall of 2005 and have negotiated a 25% reduction in the requested amount to \$59,500. Additional expenses were incurred in the reviewing of additional shop drawings and the processing of Requests for Information (RFI) and field communication.

Mr. Hansen addressed the Board and stated that he thought the project would be finished by December 2005, that the completion of the project will be by the end of May and that start-up will begin next week. He stated that start-up time is the most important time for continuing to provide services and to insure project is built according to design.

On motion of Director Petterle and seconded by Director Fraites and approved by those Directors present, the Board authorized the General Manager to execute Change Order No. 12 to SPH Associates Design Engineering Services Contract in the amount of \$59,500.

Mr. McIntyre reminded the Board that the money being held in reserve for extra SPH engineering costs incurred during the design phase will be released based upon actual percentage of change orders that are related to errors and omissions on the part of the design engineer. He said that the change orders to date related to design errors and omissions are relatively low and that at this time, SPH would be eligible to receive 80% to 100% of their requested compensation. This will be further analyzed at the end of the project.

RECYCLED WATER FACILITY AND PIPELINE PROJECT - CONSTRUCTION CONTRACT AWARD (REBID)

Mr. McIntyre stated that he is pleased to recommend that the Board award the contract for the Recycled Water Facility and Pipeline Project to Maggiora and Ghilotti, Inc. He stated that five contractors submitted bids and that Maggiora and Ghilotti, Inc. was the low bid for \$3,585,000. He noted that the bid is 14% higher than Maggiora and Ghilotti's bid received last summer but that this

was expected due to construction cost increases. He reminded the Board that the majority of the project (\$4,104,370) will be funded by the Black Point Partnership and that the pipeline extension (to Novato Fire Protection District) portion of the project (\$729,400) will be a District funded Improvement Project.

Mr. Ghilotti addressed the Board and stated that it will be a pleasure to perform this work for the District.

On motion of Director Rodoni, seconded by Director Petterle and unanimously carried by those Directors present, the Board authorized the General Manager to execute an agreement with Maggiora and Ghilotti, Inc. in the amount of \$3,585,585 plus 7% contingency of \$250,000.

Mr. Ghilotti and Mr. Hansen left the meeting at 8:15.

RECYCLED WATER FACILITY AND PIPELINE CONSTRUCTION MANAGEMENT SERVICES – COASTLAND CIVIL ENGINEERING

Mr. McIntyre stated that construction management services will be required for the Recycled Water Facility and Pipeline Project on a part-time basis. He introduced Mr. Paul Kassen and Steve Cleveland of Coastland Engineering and stated that Mr. Cleveland will be providing the administration of the contract and construction management of the facilities constructed at Novato Sanitary District reclamation site. He said that most of the pipeline inspection work along Atherton Avenue and cross-country will be performed by District staff. Mr. McIntyre stated that five proposals were solicited and reviewed by the General Manager and himself. He noted that material testing is not included in this contract and that staff will be returning to the Board for a materials testing contract at a later time.

On motion of Director Petterle, seconded by Director Fraites and unanimously carried by those Directors present, the Board authorized the General Manager to execute an agreement with Coastland Civil Engineering for construction management services on a time-and-expense basis with a not-to-exceed limit of \$107,280, plus a \$10,000 contingency.

RECYCLED WATER PROJECT RESOLUTIONS

Mr. DeGabriele presented his request for adoption of three resolutions related to the Recycled Water Project and stated that in order for the State Water Resources Control Board to give financial assistance, two previously adopted resolutions need to be updated to reflect the change in the dollar amount to \$4.3M. He stated that the third resolution is dedicating a source of revenue to repay the State Revolving Fund loan which includes all appropriate funding sources that might be needed, identified as: bi-monthly principle and interest payments made by StoneTree Golf Course pursuant to the Recycled Water Agreement; bi-monthly commodity charges for recycled

water services to recycled water customers; potential grant proceeds requested pursuant to Proposition 50; and water sale revenue from the Novato Water Improvement District.

On motion of Director Fraites, seconded by Director Rodoni and unanimously carried by those Directors present, the Board adopted the Revised Resolution No. 02-36 entitled, "Authorizing the Execution of Contracts and Purchase of Recycled Water Facilities, Equipment and Appurtenances and Declaring the Official Intent of the District to Reimburse Certain Design, Permitting and Capital Expenditures from the Proceeds of Indebtedness."

On motion of Director Petterle, seconded by Director Fraites and unanimously carried by those Directors present, the Board adopted the Revised Resolution 03-24 entitled, "Authorizing Application and Authorization of Representative."

On motion of Director Petterle, seconded by Director Fraites and unanimously carried by those Directors present, the Board adopted Resolution No. 06-16 entitled, "Dedicating a Source of Revenue for Repayment of the State Revolving Fund Loan Project No. C-06-4844-110."

INFORMATION ITEMS

BOARD REVIEW OF DISTRICT POLICIES

Mr. Bentley presented two policies for Board review: Policy No. 5 – Interdistrict Loan Policy, last reviewed by the Board in 2004; and Policy No. 6 – Late Charge and Shut-Off Policy, last reviewed in 2002. He stated that except for "wordsmithing," there are no substantial changes and that the policies will be finalized in the new format.

Director Rodoni asked if the turn-on charge covers the District costs and Mr. Bentley replied that the District is recouping its costs.

Mr. DeGabriele stated that these policies will be brought back at the next meeting for Board approval on the Consent Calendar.

NOVATO WATER FIVE-YEAR FINANCIAL PLAN & POTENTIAL RATE ADJUSTMENT

Mr. Bentley stated that the five-year financial plan has been updated and includes a commodity rate increase expected to generate \$680,000. He stated that instead of an across-the-board commodity rate increase, a new tier in the rate structure applicable to residential customers is proposed. He stated that the following commodity rate increases are proposed by staff: 15¢/Ccf for non-residential customers effective July 1, 2006; 5¢/Ccf for all residential customers effective July 1, 2006; and an additional \$1/Ccf for all residential customers who use between 50 and 150 Ccf in any bimonthly period effective January 1, 2007.

Director Petterle requested that the Auditor prepare an information sheet for the Directors' use that covers the District's rates, tiers, annual budget and other information that consumers may inquire about.

Director Rodoni asked for clarification on the additional \$3 for customers using more than 150 Ccf and Mr. Bentley stated that customers will be charged an additional \$1/Ccf for use between 50 and 150/Ccf and there is an additional \$2 for use over 150 Ccf for a total of \$3/Ccf.

Mr. Bentley summarized the significant factors in the financial plan including debt service, Russian River Environmental Charge, personnel cost and the Conservation Incentive Rate. He also reviewed a series of charts documenting many assumptions of the five-year financial plan.

SECOND REVIEW PROPOSED FY 06/07 EQUIPMENT BUDGET

Mr. Bentley reviewed the FY 06/07 Equipment Budget and stated that since the initial review, eight items totaling \$46,200 were removed from the proposed equipment budget and two items totaling \$4,500 were added, resulting in a net reduction of \$41,700. He stated that the proposed budget now totals \$385,900 which is a 10% increase from last fiscal year. He said that there will be one more review of the equipment budget on May 16, 2006 and a public hearing and approval is scheduled for June 20, 2006.

SECOND REVIEW PROPOSED FY 06/07 IMPROVEMENT PROJECTS BUDGET

The Auditor-Controller provided a second review of the proposed FY 06/07 Improvement Projects Budget and stated that \$300,000 was removed and one item totaling \$140,000 was added. He stated that the budgeted cost for three projects was increased by \$210,000, resulting in a net increase of \$50,000 and that the proposed FY 06/07 Improvement Projects budgeted now stands at \$10,420,000, an increase of 10% from the 05/06 budget. There will be one more review scheduled for May 16, 2006 and the public hearing and approval is scheduled for June 20, 2006.

Director Rodoni requested that a schedule be provided illustrating budget items assigned to staff vs. assigned to outside contractors.

GENERAL MANAGER PERFORMANCE REVIEW

Mr. DeGabriele provided the Board with a paper prepared by Robert Rauch describing a performance evaluation process for the General Manager Performance Review.

MISCELLANEOUS

The Board received the following miscellaneous information: Oceana Marin Misc. Income of \$1,302.31.

ADJOURNMENT

President Schoonover adjourned the meeting at 8:55 p.m.

Submitted by

Renee Roberts
District Secretary