

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 19, 2005**

CALL TO ORDER

President Baker 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, Steve Petterle, Dennis Rodoni and John Schoonover. Also, present were General Manager Chris DeGabriele, Secretary Joyce S. Arnold, Auditor-Controller David L. Bentley and Chief Engineer Drew McIntyre.

District employees Mike McMaster (Operations Superintendent), and Robert Clark (Facilities Maintenance Superintendent) were in attendance. There were thirteen additional people in the audience for a portion of the meeting.

MINUTES

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

GENERAL MANAGER'S REPORT

Tomales Bay Watershed Council

The General Manager stated that on April 8, 2005 he had met with the Tomales Bay Watershed Council regarding the Integrated Regional Water Management Plan proposed Proposition 50 Planning Grant for the West Marin Service Area. He noted that the National Park Service has offered the use of their staff to prepare the grant application.

State Water Resources Control Board Workshop

Mr. DeGabriele stated he would be attending the State Water Resources Control Board (SWRCB) workshop scheduled for Thursday, April 21, 2005 regarding Sonoma County Water Agency's (SCWA) water conservation programs. He noted SCWA has authored a very comprehensive report to be presented to the SWRCB, noting that he has a copy of the report if any Director would like to review it.

North Bay Watershed Association Meeting

Mr. DeGabriele stated that the District is supporting North Bay Watershed Association in its preparation of an Integrated Regional Water Management Plan, noting that Camp Dresser McKee is the consultant for the project, and he is scheduled to attend a meeting on Thursday, April 21, 2005 at the Novato Sanitary District.

Tour of District Facilities with Marin County Supervisor Murray

Mr. DeGabriele stated that on Friday, April 22, 2005, he would meet with Marin County Supervisor Cynthia Murray to give her a briefing on the District's concerns regarding emerging water quality regulatory issues as well as touring the Stafford Treatment Plant Rehabilitation Project and watershed fencing that the District has helped to fund. Assemblyman Joe Nation was originally scheduled on the same date but he has a conflict on his calendar and will be unable to attend.

H₂O How 2 Fair

Mr. DeGabriele encouraged everyone to attend the H₂O How 2 Fair on Saturday, April 23, 2005 from 10 a.m. to 3:00 p.m. at the Marin Civic Center Exhibition Hall in San Rafael.

OPEN TIME

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

News Articles Regarding Inverness Public Utilities

Mr. Wade Holland (former General Manager of Inverness Public Utility) stated that he is in the audience to speak later in the meeting regarding health care issues. However, he stated that he would like to take the opportunity to clarify a misrepresentation in the Point Reyes Light in the obituary of Inverness Public Utility District Director Barbara Dewey that alluded incorrectly to a petition drive that had thwarted North Marin's attempt to take over the Inverness Public Utility. He stated it was factually incorrect as North Marin had never been open to merging the two districts. He stated that the error has been corrected in a current copy of the newspaper.

Redwood Landfill Project

Mr. McIntyre provided the Board with an update on the progress for the Redwood Landfill overpass project. He stated that progress is going well and the temporary bypass piping is in place. He stated that the aqueduct would be shut down on Wednesday of this week for a maximum of 48 hours. He stated that the District's tanks are full and no problems are anticipated during the shutdown period.

Novato Clean and Green

Director Rodoni reminded everyone that Novato's Tenth Annual Clean and Green Day is scheduled for Saturday, April 23, 2005 and invited anyone who wished to participate on behalf of the District to meet him at the District parking lot on Saturday morning by 9:00 a.m.

MONTHLY PROGRESS REPORT

Mr. DeGabriele presented the monthly progress report for March 2005:

Water –It was noted that the District is entering the period when water demand is most variable and Mr. DeGabriele noted that the last time Novato production was this low was in 1998. He stated that in West Marin water demand returned to normal after a leak was identified and repaired.

Sewer - In Oceana Marin freeboard at the treatment and storage ponds is moving steadily up and discharge irrigation started on April 1, 2005. Mr. Bentley noted that for the first time since 1989 the Oceana Marin Sewer Improvement District is completely debt free to the Novato Water District.

Safety - There have been 195 days without a lost time accident through March 31, 2005. Mr. DeGabriele noted that Mr. Robert Clark is now the Safety Director for the District.

Water Conservation - It is anticipated that there will be an increase in participation in the District's water conservation programs due to the recent *WaterLine* being published.

Customer Service Questionnaires - It was noted that of the 318 questionnaires sent out, 44% were returned and of those 91% were pleased with the District's performance.

Water Quality - In reviewing the quarterly water quality report, there were no positive coliforms in Novato or West Marin for the reporting period.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley reviewed the quarterly financial statement dated March 2005, noting that the statement has been impacted by the District's purchase of a home in Pt Reyes Station for \$650,000.

Novato Water - Mr. Bentley stated that in general the financial statement indicates the District's water consumption is down from last year and revenue is up due to an increase in water rates by 20% beginning last July.

West Marin - Mr. Bentley stated the Pt Reyes water system has been plagued with unusual maintenance cost of more than \$15,000 this fiscal year. He noted that Oceana Marin revenue is up due to the rate increase of \$5/month enacted in August 2004. He again noted that the Oceana Marin Sewer Improvement District now shows a net income \$4,700 and has fully repaid Novato Water District.

CONSENT CALENDAR:

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

Drafting Services Contract Amendment for Michael Aberegg

At the July 14, 2004 meeting, the Board authorized a one-year Consulting Services Contract to Michael Aberegg in the amount of \$10,000 to provide miscellaneous drafting assistance to help the Engineering staff meet short-term workload demands. Since authorization of the FY 05 contract, Mr. Aberegg has been assisting staff on various developer and District drafting projects. As the District's Engineering Tech II has given notice of resignation, the District will rely heavily on outsourcing drafting needs until the position is filled.

The Board authorized the General Manager to amend the Michael Aberegg Consulting Services Contract to increase the not-to-exceed limit from \$10,000 to \$20,000.

Resolution of Intention to Amend CalPERS Contract

At the last meeting the Board approved amending the District's contract with CalPERS to provide a 2.5% at 55-retirement plan (from 2% at 55). The enhanced retirement plan benefit and increased District contribution is scheduled to become effective June 1, 2005. The CalPERS actuaries calculate the cost of the contract amendments as: (1) change in the Present Value of Benefits - \$1,556,598; (2) change in the Accrued Liability - \$1,131,158; and (3) change in the Total Employer Rate - 4.602%.

In order to perfect that amended plan, there is a requirement that the Board ratify a Resolution of Intention at a public meeting and then wait a minimum of twenty days to amend the contract. It is anticipated that action will take place at the May 17, 2005 regularly scheduled Board meeting.

The Board approved Resolution 05-12 entitled "Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration California Public Employees' Retirement System and the Board of Directors North Marin Water District."

Disbursements

The Board authorized payroll and accounts payable vouchers totaling \$1,291,967.89 for disbursement.

PRESENTATION: California Health Care Coverage (Assemblyman Joe Nation (AB 1670) and Wade Holland and Esther Wanning (SB 840))

Mr. Wade Holland and Ms. Esther Wanning discussed California Senate Bill (SB) 840 (Kuehl) "Single Insurer" health care reform bill (a program similar to the Canadian health care program) which they believe would provide fiscally sound, affordable health insurance coverage for

all Californians and which provides every Californian the right to choose his or her own physician and control health care cost inflation. The proposed program would involve no new spending on health care but would be paid for by federal, state and county monies already being spent on health care and by affordable insurance premiums that replace all premiums. They stated the proposal they are endorsing does not have the \$5,000 deductible that Assemblyman Nation's bill requires.

Assemblyman Joe Nation stated that he would like to discuss Assembly Bill (AB) 1670 which is bipartisan legislation and the cornerstone of a six bill legislative package designed to achieve universal healthcare coverage and improve the quality of treatment while also dramatically reducing costs. He stated that the program proposed in AB 1670 would be funded in part by using the money now earmarked for retrofitting hospitals (\$41 billion). He stated that his research indicates that 71% of Canadians are not happy with their health care system that the Kuehl legislation is mirroring.

Director Rodoni stated that he believes that it is appropriate that the health care issue be brought to a future agenda for North Marin Water District Board action in order to take a stand on one or both of the bills discussed. Director Baker stated that he is less sure that it would be appropriate for the NMWD Board to have the item on the agenda.

Assemblyman Nation, Mr. Holland and Ms. Wanning thanked the Board for their time and most of the audience left the meeting.

ACTION CALENDAR

APPROVE: WEST MARIN WATERLINE TEXT

Mr. DeGabriele noted that a draft Water Shortage Contingency Plan was included as part of the settlement agreement with Tomales Bay Association, Trout Unlimited and Sierra Club regarding their threatened lawsuit over the change in place and purpose of use of NMWD's 0.67 cfs of Lagunitas Creek stream flow. That draft Water Shortage Contingency Plan calls for a spring edition of the NMWD West Marin *WaterLine* promoting conservation measures if the April 1 water year classification is normal. To meet those requirements staff proposes to mail the West Marin edition of the *WaterLine*, promoting District water conservation programs and informing the West Marin customers of the efforts to change the place and purpose of use for the more senior water right. The *WaterLine* also informs customers that this will not be a dry year but encourages them to conserve water and participate in available water conservation programs.

The newsletter also acknowledges that during 2004, some West Marin customers (approximately 11%) were under-billed due to meter reading errors. Those customers received a "catch-up" bill in February. Other West Marin customers (3%) were over-billed and received a credit

on their February bill. The message included an apology for the errors and assured the West Marin customers that steps have been taken so that future water bills will be accurate.

On motion of Director Fraites, seconded by Director Petteerle and unanimously carried the Board approved the text, distribution and mailing of the West Marin edition of the North Marin *WaterLine* for an estimate of \$950.

WATER CONSERVATION PROGRAM SCHEDULE FOR 2005, AND SET PUBLIC HEARING FOR PROPOSED REVISION OF WATER CONSERVATION REGULATION 15 (NOVATO) AND REGULATION 17 (WEST MARIN SERVICE AREA)

Mr. Ryan Grisso, Sonoma County Water Conservation Specialist, reviewed a schedule for water conservation activities for the following programs in 2005: Public Outreach, Residential Program Schedule, Large Landscape Schedule, CCI (Commercial, Industrial, Institutional), Water Efficiency Regulatory, New Programs to Consider and Regional and Statewide Programs.

Mr. Grisso also discussed proposed changes to the District's Water Conservation Regulations 15 (Novato) and 17 (West Marin). He stated that some of the changes being considered include: 1) requiring District approved weather based irrigation controllers to be installed in all new development; 2) requiring High Efficiency Toilets (HET) in all new development; 3) changing the washing machine requirement in new development to require a front loading washing machine with a modified water factor of no more than 5.5 (10-15% more efficient than the standard front load models); 4) adding a weather based irrigation controller installation incentive program; and 5) requiring a demand offset for all new CII development.

Mr. Grisso requested that any comments to the proposed changes be submitted to him by April 29, 2005.

On motion Schoonover, seconded by Director Rodoni and unanimously carried the Board set a public hearing for 7:30 p.m. on May 17, 2005, at the District headquarters regarding proposed changes to Regulation 15 and 17.

Director Rodoni requested that staff place a reminder on customers' bills letting them know the Conservation Incentive Rate is in effect and the need to be prudent when watering.

INFORMATION ITEMS:

**HARRIS & ASSOCIATES RE STAFFORD TREATMENT PLANT REHABILITATION PROJECT
PROGRESS REPORT NO. 6**

Mr. McIntyre introduced Michelle Leonard, Construction Manager with Harris and Associates for the Stafford Treatment Plant Rehabilitation Project. Ms. Leonard made a PowerPoint presentation regarding current construction progress on the project.

The total project cost estimate remains at \$14,684,000 and the summary provided to the Board showed that current anticipated change orders total \$290,000 (which represents 3.2% of the approved construction contract). The bulk of the change orders are derived from changed site conditions and owner-initiated requests. The project summary tabulation showed that construction management costs by Harris & Associates are predicted to increase \$200,000 to a new ceiling of \$1.1 million. This increase is anticipated due to Frontier Contracting's construction activities falling behind schedule thus resulting in a higher level of activity in the last two or three months of the project than what had originally been anticipated. SPH and Associates' contract for design-engineering services during construction has also increased primarily due to the Board approved security enhancements. The estimated SPH fee of \$568,338 also includes a 13% contingency to cover additional funds that may be needed to address the higher-than-anticipated Frontier Contracting's requests for information, etc.

Mr. McIntyre noted that any and all contract amendments with either Harris or SPH exceeding \$10,000 will continue to be brought to the Board for approval. The total project cost estimate is still \$14,684,000 leaving a 1.5% (or \$208,000) contingency reserve at the 70% project completion phase.

The Board thanked Ms. Leonard and she left the meeting.

FIVE-YEAR FINANCIAL PLAN AND POTENTIAL RATE ADJUSTMENT

Mr. Bentley provided an annual five-year financial plan review. He stated that the 5-year financial plan has been updated and, consistent with the projection presented to the Board in April 2004, a 15¢/Ccf commodity rate increase is proposed effective July 1, 2005. He stated that when coupled with the final year of the three-year phased elevation zone differential increase, the cost to the typical homeowner would increase 8.5%, or about \$30 per year (average bimonthly increase of \$5). He stated the increase is necessary to offset the additional debt service expense that will commence with completion of the Stafford Water Treatment Plant later this summer, and to begin building a rate structure capable of offsetting the anticipated decline in connection fee revenue that heretofore had carried a significant portion of the Improvement Project budget.

Mr. Bentley stated that significant factors in the financial plan include: debt service, personnel cost, Russian River Environmental Charge, the Conservation Incentive/Tiered Rates and Upper Zone Rate Differential. He stated that two additional factors should be noted as they impact the District's cash balance: Zone 1 water storage and Facilities Reserve Charge Revenue.

Mr. Bentley stated that consideration of a water commodity rate increase would be considered at the Budget Hearing scheduled for the Board meeting on June 21, 2005.

ADDITIONAL REVIEW: NOVATO WATER EQUIPMENT BUDGET

Mr. Bentley presented the proposed FY 05/06 Equipment Expenditures Budget for Novato Water (\$344,500). He stated there has been no changes from the draft budget reviewed by the Board at its previous meeting and noted that a revised Vehicle and Equipment Expenditure Plan prepared by the Construction Superintendent has been included with the draft budget.

Mr. Bentley noted that there will be an additional review of the proposed budget on May 17, 2005 and a public hearing and approval is scheduled for the June 21, 2005 Board meeting. Director Rodoni stated that he is pleased that the District is considering the use of hybrid vehicles and stated that he would have questions regarding the big-ticket items when the budget comes back for additional review.

ADDITIONAL REVIEW: NOVATO WATER IMPROVEMENT PROJECTS BUDGET

Mr. Bentley stated that the proposed Novato Water Improvement Projects FY 05/06 & FY 06/07 are unchanged from the draft reviewed by the Board at the previous meeting. The FY 05/06 proposed budget totals \$10.1 million, and includes \$5.0 million in Stafford Treatment Plant reconstruction projects. He stated the net District outlay, after deducting water conservation reimbursements from Sonoma County Water Agency, a State Revolving Fund loan for the STP project, and developer funding of the recycled water facilities, stands at \$2.9 million for FY 05/06, compared with \$2.3 million approved in FY 04/05. The proposed FY 05/06 Novato budget includes 51 projects compared to 41 approved in F Y04/05, and 32 approved in FY 03/04.

Mr. Bentley noted that there will be an additional review of the proposed budget on May 17, 2005 and a public hearing and approval is scheduled for the June 21, 2005 Board meeting.

Director Rodoni stated that there seems to be additional programs for water conservation each year but budget amounts remain the same and asked for clarification at a future meeting.

UPDATE TO COUNTY OF MARIN DEMONSTRATION PROJECT FOR POWER AGGREGATION

Mr. Robert Clark reviewed his memo with the Board regarding the possible formation of a Community Choice Aggregation (CCA) for Marin County. He noted that over the past several months staff from the County of Marin, North Marin Water District, Marin Municipal Water District

and various individuals from Marin and the Navigant Consulting Group have met to formulate the parameters for a Base Case Feasibility Study. He stated that the Phase I Feasibility Study Evaluation was presented to the Marin County Board of Supervisors

Mr. Clark stated that staff realizes that lowering energy costs are important to maintaining a low cost service to District water customers. However, staff is not convinced by the results of the Draft Base Case Feasibility Study Evaluation presented by the Navigant Consulting Group that the formation of a Marin County CCA will reduce the District's energy costs. The report suggests a three percent annual savings could be realized by forming a CCA, however the CCA would have to then pass that savings onto the customers. The CCA would be creating new renewable resources and that savings would most likely be used to pay for those efforts. At present the NMWD spends approximately \$300,000 a year for PG&E services, half of which are the electrical energy costs and the other half are transmission, billing and customer service costs. If the District received the potential three percent energy savings back from the CCA, it would represent a \$9,000 annual pay back.

Mr. Clark noted that as presented the formation of a CCA in Marin County would provide a method for the County of Marin to engage in the development of a greater amount of renewable resources at an initially higher cost to the customer base. He stated that through staff's current relationship with PG&E, the District can continue to benefit from time of use operation savings plans as well as explore solar production rebates and increase operational efficiency that would result in a savings equal to or greater than the proposed levels in the study. He stated that it is his recommendation that the District continue to track the County review process and their progress with educating the city managers. He noted that District staff has provided input to the Novato City Manager and Novato Sanitary District Manager to better educate them on what District staff has learned to this point. Staff will continue to work with the PG&E representative to develop a long-range plan to reduce energy costs and realize conservation opportunities.

Director Rodoni stated it would be his preference to stay involved because it is unknown what changes PG&E might bring into play in the future, and it is valuable to know what energy alternatives are available.

PROPOSED RESTRUCTURED WATER SUPPLY AGREEMENT

Mr. DeGabriele presented the Board with the most current draft of the proposed new Restructured Water Supply Agreement as well as a summary of the February 28, 2005 draft prepared by John Olaf Nelson.

Mr. DeGabriele stated that on February 18, 2005 he, along with Sonoma County Water Agency General Manager Randy Poole and Directors Baker and Rodoni had met with John Nelson

to review the draft agreement. He noted that significant issues that have been incorporated into the draft agreement include adding Windsor as a regular contractor and the methodology for allocating entitlements should there be water shortage. He stated that discussions with Valley of the Moon need to be held, as Valley of the Moon annual entitlement in the proposed agreement is not sufficient to meet their projected needs.

MISCELLANEOUS:

The Board received the following pieces of miscellaneous information: Local Government Commission: The Ahwahnee Water Principles for Resource Efficient Land Use, Third Quarter Overtime Report, Outstanding Invoices (3/31), Water District Agrees to Contract (04/13/05), State Water Official halts Logging Plan (4/7/05) and State Backs Marin Water Project (04/1/05).

CLOSED SESSION:

President Baker adjourned the meeting into closed session at 10:42 p.m. for conference with designated representative (Chris DeGabriele) regarding salaries, salary schedules and compensation paid in the form of fringe benefits for two positions: Auditor-Controller and Chief Engineer, per Government Code Section 54957.6.

The Board returned to open session at 11:00 p.m.

APPROVE: SALARY / BENEFIT INCREASES FOR AUDITOR-CONTROLLER AND CHIEF ENGINEER

On motion of Director Rodoni, seconded by Director Schoonover and unanimously carried the Board approved: (1) Auditor-Controller (David Bentley) receiving a +8% base salary increase retroactive to October 1, 2004; and (2) the Chief Engineer (Drew McIntyre) to receive a +10% base salary increase retroactive to October 1, 2004 plus \$338 per month auto allowance effective with pay period beginning May 1, 2005. The Chief Engineer shall use his personal vehicle for District business whenever possible and maintain insurance on said vehicle pursuant to the District policy. Reimbursement for private vehicle use shall be for work related actual miles driven at the District established mileage reimbursement rate.

Other benefits for the Auditor-Controller and Chief Engineer are to be consistent with recent changes approved by the Board for unrepresented employees (retirement plan and deferred compensation) as approved at the April 4, 2005 Board meeting.

ADJOURNMENT

President Baker adjourned the meeting at 11:02 p.m.

Submitted by

Joyce S. Arnold
District Secretary