

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 1, 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, Steve Petterle, Dennis Rodoni and John Schoonover. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

Danna McGrew, representative from Bartlett, Pringle & Wolf, LLC and District employees Robert Clark (Facilities Maintenance Superintendent), Mike McMaster (Operations Superintendent), Doug Moore (Construction Superintendent), and Pablo Ramudo (Water Quality Supervisor) were in the audience.

CLOSED SESSION

President Petterle immediately adjourned the Board into Closed Session for: Closed Session in accordance with California Government Code Section 54957 for Public Employment (One) Title: Treatment Plant Supervisor.

OPEN SESSION

Upon returning to Regular Session at 7:45 p.m., President Petterle stated that during the Closed Session the Board had discussed the issues and unanimously approved the General Manager's recommendation to develop a Treatment Plant and Distribution Supervisor position and authorized the salary range.

MINUTES

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

GENERAL MANAGER'S REPORT

Water Project EIR

The General Manager reported that Drew McIntyre attended the Sonoma County Water Agency Board workshop wherein an update on the Water Project EIR status was provided. He stated that the Agency was given the authority to include the Dry Creek pipeline in the EIR and that the WAC presented a resolution urging SCWA Board to complete the draft EIR by June 2008 and include Dry Creek pipeline as an alternative and to stay on schedule.

ACWA Conference

Mr. DeGabriele apprised the Board that he will be attending the Association of California Water Agencies spring conference in Sacramento next week and that David Bentley will be acting general manager in his absence.

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:

Center Road Tank

Drew McIntyre stated that the Center Road tank was filled last week. After a five-day soak period, the water quality was tested and passed. He said that due to the tank's new interior coating, water taste was affected. He noted that this is not unusual and the tank will be drained and refilled to remove any objectionable coating residual tastes. It will then be re-tested before being put on-line.

Recycled Water Project

Mr. McIntyre provided an update on the Recycled Water Project and stated that the project is close to being substantially complete and that testing will begin this week. He advised that Novato Sanitary District will stop discharging to the bay within the next month and that different scenarios of production are being tested before tying in the Stone Tree Golf Course. Mr. DeGabriele added that there will be a ribbon-cutting ceremony at the golf course some time next month.

Novato Clean and Green Day

Director Rodoni reported that he and District employees Chris DeGabriele, Carmela Chandrasekera, Renee Roberts, Lauren Wayne, and Corey Reed participated in Novato Clean and Green Day, Saturday, April 21st.

CONSENT CALENDAR

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

RUDNICK ESTATES SUBDIVISION

The project consists of building 24 new single family homes on three undeveloped parcels that total 44.7 acres. Seven homes will be built on Zandra Place, twelve on Sherwood Place and five on Robinhood Drive. The original agreement and subsequent amended agreement both

expired as construction did not commence within the one-year deadlines. The property has been sold to a new developer and the agreement has been updated to reflect current connection fees and costs. The proposed water facilities include 1,640 feet of PVC pipe, 100 feet of welded steel pipe, 940 feet of PVC purple pipe (for recycled water), 1,040 feet of 1" copper pipe, 7 residential fire hydrants, 24-1" meters for residential service and 1-1" irrigation service. The total cost of the project is estimated at \$598,169.

The Board unanimously approved Resolution 07-14 entitled, "Authorization of Execution of Assignment of Normal and High Pressure Water Service Facilities Construction Agreement with Rudnick Estates Associates, LLC and Novato Development, LLC."

PALMER TANK SITE LOT LINE ADJUSTMENT GRANT DEEDS

The Palmer Drive Tank project property required a lot line adjustment in order to provide the best site for the tank and minimize excavation and visual impacts. This required a transfer of 1.38 acres from Lands of Belle Terre HOA to the North Marin Water District in exchange for a similar sized parcel from the District to the HOA. The Mitigated Negative Declaration and lot line adjustment was approved by the Board on November 17, 2006. A new grant deed has been received for the revised tank parcel configuration, and it is necessary to grant deed the remainder portion of the District's original parcel in exchange for the HOA's new parcel.

The Board unanimously approved Resolution 07-15 entitled, "Authorization of Execution of Palmer Tank Site Grant Deed (portion of) to Belle Terre of Novato Homeowners Association, a California Non-Profit Mutual Benefit Corporation."

WIRELESS COMMUNICATIONS FACILITY LICENSE POLICY

The new policy and draft agreement will provide the District with guidelines for potential use of District property by communication vendors. District legal counsel's comments were incorporated into the final draft policy. The License Agreement will be modified to meet circumstances and execute only after authorization by the Board of each specific proposed installation.

SET SPECIAL MEETING WITH MARIN MUNICIPAL WATER DISTRICT

The Board set Tuesday, May 22, 2007 at 7:30 p.m. as the date and time for the special meeting with Marin Municipal Water District and North Marin Water District Boards of Directors. The joint meeting will be held at Inn Marin.

COMPUTER USE POLICY

The Board approved the Computer Use Policy which was developed to document the rights and responsibilities of employees and the District in using computer equipment.

DISBURSEMENTS

The Board approved payroll and accounts payable vouchers totaling \$422,466.65.

ACTION CALENDAR

APPROVE SELECTION OF CPA FIRM TO PERFORM ANNUAL FINANCIAL AUDIT

Mr. Bentley reported that staff sent out Requests for Proposals for a four-year audit contract to thirty-seven CPA firms and only three firms responded. He said that the low cost firm was not recommended based on references of former clients and that Bartlett, Pringle & Wolf of Santa Barbara has been recommended. He noted that the references for Bartlett, Pringle & Wolf were excellent. He said that the auditors work for the Board of Directors to ensure the District's accounting staff's work is accurate, and he introduced Danna McGrew of Bartlett, Pringle & Wolf who was in attendance to answer any questions or concerns of the Board.

Ms. McGrew summarized the firm's expertise and stated that the firm has been in business for 50 years and is a member of the Association of California Water Agencies and the California Special Districts Association.

On motion of Director Baker and seconded by Director Fraites, the Board unanimously authorized the Auditor-Controller to enter into an agreement with Bartlett, Pringle & Wolf, LLP to perform the annual financial audit of the District for a four-year period subject to annual review for a fee not to exceed \$22,000 for 2007; \$22, 500 for 2008; \$23,000 for 2009; and \$23,500 for 2010.

CONSIDER ACCOUNTING FOR RETIREE HEALTH CARE EXPENSE

Mr. Bentley stated that, in accordance with Standard 45 issued by the Governmental Accounting Standards Board (GASB 45), the District's liability for retiree health care benefits were calculated to be \$3.3M and reminded the Board that in 2003, it approved \$2.3M of unrestricted cash to be designated as a reserve to fund these benefits. He reported that currently, \$2.2M remains in the designated reserve fund leaving a \$1.1M gap in unfunded liability and that the District must comply with GASB 45 in 2010. He advised that two significant policy questions need to be addressed: 1) how should the \$1.1M gap in liability be amortized; and 2) whether to establish an irrevocable trust in which to deposit the designated reserve funds.

Mr. Bentley stated that, on the first issue, staff recommends expensing \$1,500 per year for each employee as a payroll cost overhead which will allow some funding to be collected from developers in the form of staff time on developer projects. He said that under this approach, the \$1.1M gap is expected to be closed within five years and because the District must begin complying with GASB 45 in 3 years, he recommends moving forward now.

Mr. Bentley stated the second issue addresses concerns for safeguarding the money and that GASB 45 requires that designated funds be set aside in an irrevocable trust to ensure that the money will be spent only on retiree health benefits. He said staff is uncomfortable with that and stated that the District has always been true to its employees and recommends to “wait and see” what other larger public agencies do and how the health care situation plays out on a national level.

There was discussion among the Board and Mr. Bentley answered their questions.

On motion of Director Schoonover, seconded by Director Baker, the Board unanimously authorized staff to add \$1,500 per employee as a payroll cost overhead to be accrued into the designated District reserve established to pay for retiree health care benefits.

APPROVE RESPONSE TO CIVIL GRAND JURY REQUEST RE RETIREE HEALTH CARE COSTS

Mr. Bentley reported that the Marin County Civil Grand Jury investigated the cost of retiree health insurance among public agencies in Marin and issued their report March 19, 2007. He said that the Grand Jury requested a response within 90 days and he presented the District’s response for Board approval. Mr. Bentley advised that staff disagrees with the findings and recommendations. Mr. DeGabriele added that much of the findings and recommendations are overly generalized and he is confident that the District is fulfilling its obligation to its retirees and will continue to do so.

Director Rodoni suggested that it be noted in the District’s response that the Directors do not received any health or retiree benefits and Mr. DeGabriele stated that this would be included in the response to Finding No. 1 if the Board so approves.

On motion of Director Rodoni and seconded by Director Baker, the Board unanimously approved the responses to the Civil Grand Jury Findings and Recommendations pertaining to Retiree Health Care Costs as amended.

APPROVE VOLUNTARY WATER CONSERVATION CUSTOMER OUTREACH CAMPAIGN

Mr. DeGabriele stated that in light of the Sonoma County Water Agency’s request for 10-15% voluntary conservation due to low water storage in Lake Mendocino, staff has proposed ways to encourage customers to conserve water this spring and summer. He said this campaign will include the production of a summer “Water Line”, several newspaper advertorials, spots on Novato Public Access Television, expand District website to improve access to water conservation programs, and continue customer outreach at the Novato Farmer’s Market with new nalgene water bottle and bag giveaways.

Director Schoonover suggested that staff provide information to customers that the District is required to provide water service to new City approved development projects.

On motion of Director Schoonover and seconded by Director Fraites, the Board unanimously approved and authorized the General Manager to implement an expanded customer outreach campaign for Spring/Summer 2007 with costs not to exceed \$30,000.

INFORMATION ITEMS

SCWA REQUEST FOR TEMPORARY URGENCY CHANGE PETITION

Mr. DeGabriele stated that he attended the Sonoma County Water Agency Board of Directors meeting on Tuesday, April 24, where the Agency received authorization to file a petition for Temporary Urgency Change in the SCWA Water Rights Permits to request lower minimum flows in the Russian River. He said this action is being taken to ensure that there will be enough water in the Russian River to protect the Chinook salmon, and it is hoped that the State Board will grant the request within the next week. He said that low levels in Lake Mendocino are due to reduced diversions out of the Eel River as a result of a new FERC requirement. Mr. DeGabriele cautioned that without the temporary urgency change in minimum flows, Lake Mendocino storage level may drop to 10,000 cfs by the end of September, the lowest level ever. He further cautioned that the State Water Resources Control Board may request further water conservation from urban customers as an indication that all water users are maximizing their efforts to protect the fish.

UPDATE: PHARMACEUTICAL AND PERSONAL CARE PRODUCTS

Pablo Ramudo provided a summary on the pharmaceutical and personal care products (P & PCPs) study session he attended hosted by the City of Santa Rosa Board of Public Utilities. Mr. Ramudo stated that it is very common to find P & PCPs in wastewater treatment plant discharges at any urban wastewater treatment plant because everyone uses these products, they pass through our bodies, are flushed down toilets and end up in the discharge. He stated that although these chemicals have caused the feminization of male fish in streams where the percentage of P & PCPs is high, there is very little risk to human health.

Director Baker inquired if the wastewater treatment process breaks down chemicals and Mr. Ramudo responded that some chemicals do break down; however, there are chemicals that do not. He said that pharmaceuticals such as ibuprofen, Lipitor and anti-depressants have been detected in ultra low levels, and the conclusion is that the chemicals are at such low levels that the chemicals may not have a significant effect on the environment or people.

Mr. Ramudo said he would keep the Board updated on this issue.

QUARTERLY PROGRESS REPORT – ENGINEERING DEPARTMENT

Mr. McIntyre presented the third quarter progress report for the Engineering Department and stated that in the Novato system, 62% of projects are complete and it is still forecasted that the total expenditures will be \$8.3M versus a budget of \$10.2M. He stated that projects added since the mid-year report are the City of Novato Project Measure B, Group 5-6 that requires District valves be prepared before re-paving; the San Marin and Davidson Street storm drain improvements that required District lowering of services; and in addition to the curtain wall extension project at Stafford Treatment Plant office, an HVAC improvements project was added. Mr. McIntyre reported that the following projects were deferred: Website Re-design, and Telemetry System Improvements at Lynwood, San Marin Aqueduct and Kastania Pump Stations. He noted that the major variance in Novato improvements budget is the Stafford Lake Outlet Tower project which has been delayed due to lack of response from the Department of Safety of Dams. He advised that he received a verbal response from DSOD, but is still awaiting a written response before releasing plans and specs for the project. This project was budgeted at \$850,000 this year but it is anticipated that only \$200,000 will be expended this year.

Mr. McIntyre stated that in West Marin, 46% of the projects are complete due to delays in the Point Reyes Chemical Feed Line R&R project and in the Inverness Park Pump Station Upgrade Project. He said that both projects are now underway, but will not be completed by the end of the fiscal year.

Mr. McIntyre summarized project labor hours and said the developer hours are trailing below the estimate because anticipated commercial development projects have not been realized. He said that engineering staff is now working on the Costco Expansion and the Hamilton Market project. He said that District Projects labor hours are approximately 4% above the estimate.

QUARTERLY PROGRESS REPORT – MAINTENANCE DEPARTMENT

Mr. Clark reported that overall progress for the Maintenance Department has been as planned and scheduled. He said that PG&E's line fuse failed at Oceana Marin causing the pond pumps to shut down and that freezing temperatures in January damaged five water quality sample stations in Novato. He summarized the Maintenance Divisions progress as follows: Transmission & Distribution – flushing activities were completed ahead of schedule allowing crew to make repairs to hydrant blowoffs and valves that were identified during the flushing program; Electrical/Mechanical completed the projects at Stafford Treatment Plant and E/M staff attended off-site training on variable frequency drives; Building & Grounds crew got a jump on weed control at Stafford Treatment Plant, continued clean-up of graffiti found at tank sites and completed the

Administration lobby security enhancements; Cross Connection Control personnel spent majority of hours on the flushing program; and Vehicles & Equipment – a new mechanic was hired to replace Joe Kauth who recently retired after 27 years of service.

SAN MARIN / DAVIDSON NEIGHBORHOODS – CITY OF NOVATO IMPROVEMENT PROJECT

Mr. McIntyre informed the Board that the City of Novato storm drain improvement project required the District crew to relocate service laterals. He stated that the City agreed to repave the District's trenches that were within the City's specified pavement repair areas as part of the City's project, but that it was the responsibility of the District to patch any of its street cuts outside of the specified repair area. He reported that the District agreed to have the City's contractor perform the paving work at a cost of \$5,000.

INITIAL REVIEW NOVATO WATER OPERATIONS BUDGET INCLUDING INFORMATION ON DISTRICT MEMBERSHIPS

Mr. Bentley reported that the Novato water operations budget stands at \$18.3M, an increase of approximately \$1M, and projects a bottom line deficit of \$3.8M arising from the Improvement projects program. He advised that the deficit will be funded from reserves. He said that staff is recommending a commodity increase of 20¢/1,000 gallons for non-residential customers effective July 1 but that there would not be an increase for residential customers. He stated that operating expenses are up \$400,000, 75% of that is Novato operations labor charges and includes \$90,000 for retiree benefits. Mr. Bentley advised that the cost for medical coverage has not been received yet; and the West Marin Budget will be reviewed at the next meeting.

Director Rodoni said that the District is asking customers to cut back on water use by 15%, and the Conservation Incentive Tier Rate has been implemented to encourage water conservation and opined that it would be "good government" to cut expenses to equal revenue loss. He said that he realized that there will be hard choices to make and requested staff to consider trimming the operations budget to match the projected revenue decrease due to water conservation.

Director Petterle inquired if the large commercial water users are aware of the commodity increase and suggested that staff start getting the word out.

INITIAL REVIEW NOVATO WATER – RECYCLED WATER FACILITY OPERATIONS BUDGET

Mr. Bentley presented the inaugural Recycled Water Facility Operation Budget for review and stated that this is a separate fund and will track revenue and expenditures. He stated that there are expenditures totaling \$680,000 planned for the coming year and the budget projects 70M gallons based on historical use at a rate equal to the potable rate. He further stated that the cost for recycled water will be affected by the 20¢/1,000 gallons increase going into effect on July 1. He

reported that the operating expenditures are based on the 2000 projection by RMC and have been escalated based on the Consumer Price Index. Mr. Bentley stated that a surplus of \$50,000 expected the first year does not include annual principle repayment of \$250,000 due to terms of the SRF loan. He said that repayment on the principle will commence in FY 09.

MISCELLANEOUS

The Board received the following Miscellaneous items: Review of Scheduled Agenda Items (May, June, July), The Land Steward, Novato Sanitary District Newsletter, Russian River Bulletin, Perchlorate: Fireworks and Stafford Lake, Financial Impact of Water Conservation, Bacteriological Quality Monitoring Report, Built Environment Conference Summary Review, Notice of Public Hearing – Countywide Plan Draft EIR.

Mr. DeGabriele apprised the Board that the Labor Day at the Lake Committee voted for an alternate event and that a press release will be forthcoming advising the public that fireworks displays at Stafford Lake are prohibited.

The Board also received the following news articles: Water Conservation Avoided (4/19), Work to Launch Giant Wetlands Project in Marin (4/18).

ADJOURNMENT

President Petterle adjourned the meeting at 9:40 p.m.

Submitted by

Renee Roberts
District Secretary