

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 3, 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 Robert Clark (Facilities Maintenance Superintendent) and Marcia Davis (Water Quality Supervisor) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Agreement for Drafting Services

Mr. DeGabriele noted that it had been mentioned at the last Board meeting that the District's Engineering Technician II (Steve Dowden) has left the District's employment. He stated that the District routinely uses outside services to augment the District's drafting needs, and in addition to those firms, he has entered into a temporary agreement with Mr. Dowden for professional drafting services on an interim basis in an amount not-to-exceed \$3000. Mr. Dowden's work will continue to be supervised by the Chief Engineer.

General Manager Absence

Mr. DeGabriele stated that he would be out of state beginning Thursday, May 5, 2005 through a portion of the following week. He stated that Drew McIntyre will be Acting General Manager in his absence. He also noted that the Auditor-Controller would attend the upcoming Association of California Water Agencies conference in San Jose in his stead.

District Secretary Position

Mr. DeGabriele stated that the application period has closed for the District / Administrative Secretary position and forty-seven applications were received. He stated that the District officers would interview seven candidates. He stated that on the next agenda there would be an action item

to set a special meeting date for the Board to have the opportunity to meet the top candidates from those interviews.

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:

Stafford Lake Fencing

Mr. Clark stated that the Stafford Lake fencing near the Stafford Treatment Plant has suffered damage from people accessing the lake from that location and efforts will be made to curb the trespassing.

Stafford Treatment Plant Rehabilitation Project

Mr. McIntyre stated that testing of the new treatment plant is underway, and to date the initial testing has gone well. He stated that it is anticipated that the plant will be able to be in production next month.

Novato Clean and Green Day

Director Rodoni thanked those who had helped him on Novato Clean and Green Day on Saturday, April 29, 2005 (Drew McIntyre, David Bentley and Sue Kessler).

ACWA Conference

Director Fraites requested that staff, who may be attending the ACWA conference, request information regarding the catastrophic decline of the Delta smelt and what, if anything, is being done about it.

Director's Absence

Director Petterle noted that he will be out of town and unable to attend the June 7, 2005 Board meeting.

CONSENT CALENDAR:

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

Water Agreement - Badger Ct. Main Ext & Fire Hydrant (Ferro)

The project site is located at 5 Badger Court in Novato. The applicant is proposing to construct a new residence at the site and the existing service will be killed as part of the project. New water demand is one equivalent unit.

The Board authorized Resolution 05-13 entitled "Authorization of Execution of Water Service Facilities Construction Agreement with Julie Ferro."

Water Agreement - Building 503 Fire Service (City of Novato)

The Building 503 Fire Service project is located on the southwest corner of Hamilton Parkway and South Palm Drive within the Hamilton Reuse area. The City of Novato, Parks, Recreation and Community Services Department and the Shea Homes developer are the occupants of the building. Water demand for the proposed project is one equivalent unit.

The Board authorized Resolution 05-14 entitled "Authorization of Execution of Water Service Facilities Construction Agreement with City of Novato."

Disbursements

The Board authorized payroll and accounts payable vouchers totaling \$555,922.73 and estimated overheaded payroll for May of \$263,000.

ACTION CALENDAR

APPROVE: CHANGE IN OUTSIDE FINANCIAL AUDITOR

Mr. Bentley reviewed a memo regarding the request for change in the District's Outside Auditor. He noted that in May of 2003 the Board authorized the Auditor-Controller to enter into an agreement with Moss, Levy & Hartzheim to perform the annual financial audit of the District for a four-year period subject to annual review. Moss, Levy & Hartzheim performed the audit for fiscal years ending 2003 and 2004, and staff had been less than satisfied with their performance the first year, and while the second year was smoother with regard to the audit fieldwork, the draft audit report was again six weeks late, and again required an inordinate amount of District staff time.

In the past month the founding partner of the firm of Moss, Levy & Hartzheim, terminated the managing partner of the District's account and shutdown the Sacramento office but has stated that his firm will honor the remaining two years of the agreement with the District.

Mr. Bentley stated that in view of the past two years' experience with this CPA firm, staff prefers to terminate the agreement with Moss, Levy & Hartzheim and as it is too late in the year to solicit a new auditor, is recommending that the District enter into an agreement with Porter & Company who was the second lowest bidder in the 2003 bidding process. Staff had contacted Gary Porter, who said he is able to fit the District into his 2005 audit schedule and will honor his 2003 bid price of \$15,250 per year which includes the required Single Audit Act Compliance. It was noted that Porter and Company did a commendable job of auditing the District's financial records for the three-year period ending June 30, 2002. The additional cost of changing firms will be

\$2,800/year (\$5,600 total).

On motion of Director Schoonover, seconded by Director Fraites and unanimously carried the Board approved staff's recommendation to authorize the Auditor-Controller to enter into an agreement with Porter & Company to perform the annual financial audit of the District for a two-year period subject to annual review for an annual fee not-to-exceed \$15,250 for fiscal years ending 2005 and 2006.

APPROVE: STAFFORD TREATMENT PLANT REHABILITATION CONSTRUCTION CONTRACT - FRONTIER CONTRACTING INC. CHANGE ORDER

Mr. McIntyre stated that staff is requesting Board approval to execute a change order to Frontier Contracting, Inc. to install bypass piping and avoid leakage problems in the existing clearwell which was constructed circa 1951 at the Stafford Treatment Plant. He noted that an updated overall construction phase project cost summary for the Stafford Treatment Plant Rehabilitation project was provided to the Board at the April 19, 2005 meeting, and at that time, the Board was apprised that staff would be bringing this change order back for approval by the Board at this meeting.

Mr. McIntyre stated that under the current design and bid documents, the existing underground clearwell was to be used to store water from the new granular activated carbon contactors before delivery to the new adjacent 217,000 gallon finished water clearwell. Prior to initiating design, District staff identified some leakage at the clearwell. However, as the treatment plant was shut down and actual construction commenced, District staff identified an increasing amount of leakage during a routine scheduled inspection. The leakage increase causes concern, as it would be possible for groundwater or surface water runoff to enter into the clearwell and pose a contamination threat. The District's design engineer (SPH Associates) had initially considered cleaning and coating the interior of the clearwell with an epoxy paint system to seal any leakage in the concrete. However, this approach would not address suspected leakage in the clearwell effluent pipe. Upon further review by SPH Associates, it was concluded that the only way to correct the leakage problem was to totally remove and replace the existing clearwell effluent pipe. Replacing the suspected pipe would require extensive shoring due to its close proximity to existing structures. Therefore, SPH has recommended bypassing the clearwell and effluent piping.

Mr. McIntyre noted that Frontier Contracting's change order was originally submitted at a cost of \$74,868, and after negotiations by the District's construction manager, Harris & Associates, the agreed upon change order price was reduced to \$69,488.

Director Baker inquired if this need for a change order could have been prevented in any way, and it was noted that it had been the intent from the beginning of the project to use as much of the old plant as possible which is why the original plan was developed. Director Petterle noted that he believes it is commendable that this has been the first substantial change order request for the project (other than design).

On motion of Director Fraites, seconded by Director Petterle and unanimously carried the Board approved staff recommendation to authorize the General Manager to execute the change order to Frontier Contracting, Inc., in the amount of \$69,488.

CONSIDER: DISTRICT CONTRIBUTION TO EMPLOYEES FOR DEFERRED COMPENSATION

Mr. Bentley reviewed the history the District's policy regarding matching contributions to employees' voluntary deferred compensation accounts. He stated that in April 2004 the Board agreed with staff's recommendation to continue the matching deferred compensation contribution to employees, even though the original fund for the match was depleted, until a new agreement with SEIU was negotiated.

Mr. Bentley noted that the recently adopted wage/benefit package discontinued the District's deferred compensation matching contribution to help fund the salary and benefit increases awarded. He stated that upon approval of the agreements with represented and unrepresented employees that was authorized at the April 5, 2005 Board meeting, staff discontinued the matching contribution effective with the payroll period ending April 15, 2005.

Mr. Bentley stated that last June, nine employees agreed to contribute a deferred compensation minimum of \$2,000 for FY 2004/05 and thus, pursuant to the Employee Handbook, received their full \$600 or \$800 match early in the fiscal year; however, the remaining thirty-five employees in the program now feel aggrieved that they did not receive the same matching amount. He stated that some of the employees affected have now filed a petition requesting that the matching program continue through June 30, 2005, based on fairness. He stated that should the Board agree with the employees' request the amount needed to match the thirty-five employees deferred compensation contributions would be \$5,170.

Director Rodoni stated that he was not willing to consider the request as the deferred compensation match was a negotiated issue and negotiations are now closed.

Director Petterle stated that he believes there is an inequity or at least a perceived inequity in this situation and made a motion to allow the \$5,170 in matching funds as requested. The motion failed due to the lack of a second.

On motion of Director Schoonover, seconded by Director Fraites and carried by the following vote the Board affirmed that staff had implemented the change upon approval of the labor agreements and no revision will be made:

AYES: Directors Baker, Fraites, Rodoni and Schoonover

NOES: Director Petterle

ABSTAIN: None

ABSENT: None

INFORMATION ITEMS:

INITIAL REVIEW: NOVATO OPERATIONS BUDGET

Mr. Bentley presented the proposed FY 05/06 budget that projects a net bottom line deficit of \$2,386,000. He noted that a general water rate increase of 15¢/Ccf (one hundred cubic feet) has been factored into the budget effective July 1, 2005 for bills rendered commencing September 1, 2005. In addition, the final stage of a three-year phased-increase for customers residing in upper elevation zones 2, 3 and 4 will be implemented to reflect the higher cost of serving these zones. These water rate increases cumulatively add \$620,000 to budgeted revenue. The typical single-family residential customer will see an annual water cost increase of \$30 (\$5 every two months). He noted that even with the proposed rate increase, North Marin's water cost would remain comfortably within the lower quartile of other water agencies with whom we compare.

Mr. Bentley stated that the total budgeted expenditures, at \$21.4 million, are almost identical to the \$21.6 million budgeted in FY 04/05. Budgeted expenditures net of improvement project outlays total \$11.4 million, up 16% over the FY 04/05 budget, and up 19% over the current year's estimated actual expenditures. He noted that a component of the budget includes staffing level of 56.95 full time equivalent employees, which is up 1.3 full time equivalent employees from the current year budget.

Director Baker stated it would be useful in the future to have staff submit charts that explain the proposed budget compared to previous budget years.

Mr. Bentley stated that there will be an opportunity for additional review of the proposed budget at the May 17, 2005 Board meeting and a hearing is scheduled for June 21, 2005. Mr. DeGabriele noted that it is his expectation to bring suggestions to an upcoming Board meeting for reorganization before the budget is approved.

QUARTERLY PROGRESS REPORT – MAINTENANCE DEPARTMENT

Mr. Clark presented the Board with a progress report on the Maintenance Department activities for the third quarter of FY 04-05. He noted statistics on routine maintenance and improvement projects undertaken by the department and plans for future activities.

Director Baker noted that having the handouts provided by Mr. Clark in color would be helpful as the charts are difficult to follow when printed in black and white only.

Director Rodoni requested information on the District's methods of weed control at District facilities particularly in West Marin where local groups are trying to be chemical and pesticide free.

QUARTERLY PROGRESS REPORT – WATER QUALITY DEPARTMENT

Ms. Davis stated that water served to both Novato and Point Reyes customers met all primary federal and state water quality standards during the third quarter of fiscal year 2004-05.

Ms. Davis shared with the Board items that have been recovered during the District's annual flushing program noting the items exemplify why such a program is necessary and important.

QUARTERLY PROGRESS REPORT – ENGINEERING DEPARTMENT

Mr. McIntyre made the third quarter status report regarding the District's performance in completing budgeted FY 04-05 Improvement Projects. He noted that the Novato System improvement projects are 63% complete at this time, and the West Marin improvement projects are 66% complete.

Mr. McIntyre provided the Board with pictures of the progress on the Redwood Landfill overpass project and the relocation of the District's 30-inch aqueduct pipeline which is going very well.

SCWA WATER CONSERVATION PRESENTATION TO THE STATE WATER RESOURCES CONTROL BOARD

Mr. DeGabriele provided the Board with information on the Sonoma County Water Agency's April 21, 2005 presentation to the State Water Resources Control Board (SWRCB) regarding its water conservation programs. He stated that the report was very comprehensive and well received by the SWRCB.

Director Fraites requested staff to provide him with a copy of the District's comment letter to Santa Rosa regarding Santa Rosa's Subregional Incremental Recycled Water Program and draft Environmental Impact Report.

NOVATO SANITARY DISTRICT WASTEWATER FACILITY PLAN PROJECT FINAL ENVIRONMENT IMPACT REPORT

Mr. DeGabriele reviewed the response to comments for the Novato Sanitary District's (NSD) Wastewater Facility Plan Project Final Environmental Impact Report (EIR). He noted that the draft EIR was circulated in January of this year, and the District's comments were mailed to NSD in March of 2005 after being review by the Board. He stated the response to District comments are included in the document and are acceptable.

A LOCAL OFFICIAL'S REFERENCE ON ETHICS LAWS

The Board received a copy of "A Local Official's Reference on Ethics Laws," published by the Institute for Local Self Government that is designed to guide local officials through the sometimes confusing territory of ethics laws. Mr. DeGabriele stated he finds the document well written and useful and noted that the District's Department Heads had received the information also.

NEW AGREEMENT NEGOTIATION MEETING – APRIL 25, 2005

Mr. DeGabriele reviewed the Water Advisory Committee (WAC) New Agreement Negotiation meeting held on April 25, 2005. He stated that the meeting included: (1) discussions of "New Development, Efficiency and Water Use" proposed by Pam Torliatt from the city of Petaluma; (2) discussions regarding Marin Municipal's 5,000 AF option continued with MMWD requesting that SCWA give assurance that they can supply water to MMWD should MMWD exercise the option, and that MMWD will continue to pursue to extend the deadline of June 30, 2005; and (3) John Nelson discussed the status of remaining items to be addressed in the New Agreement.

Mr. DeGabriele stated that it was also decided by the WAC that one monthly meeting is preferable to two per month and the regular WAC meeting and negotiation meetings will be combined.

MISCELLANEOUS:

The Board received the following pieces of miscellaneous information: Water Conservation Program Quarterly Status Report, Review of Scheduled Agenda Items, E-Mail re Leak on Denlyn Street, and Memo re Third Quarter Review of Workers' Compensation Self-Insurance.

The Board also received the following news articles: SR Weighs Wastewater Shift to River (4/21/05), Technological Advances Simplify Laying Water Pipe (4/20/05), and NMWD Never Tried to "Take Over" Inverness Public Utility District (4/14/05).

ADJOURNMENT

President Baker adjourned the meeting at 9:23 p.m.

Submitted by

Joyce S. Arnold
District Secretary