

**NORTH MARIN WATER DISTRICT  
MINUTES OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
May 3, 2011**

**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 Jack Baker, Rick Fraites, Steve Petterle, and Dennis Rodoni. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

Ann DuBay and David Manning of Sonoma County Water Agency, Steve Wrightson of The Covello Group and District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent) and Pablo Ramudo (Water Quality Supervisor) were in the audience.

**MINUTES**

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

**GENERAL MANAGER'S REPORT**

**Novato Watershed Policy Advisory**

Mr. DeGabriele reported that he attended the Novato Watershed Policy Advisory group with Director Baker and Director Fraites on Thursday, April 28. He said that the County of Marin is proceeding with a hydrologic analysis of the lower Novato Creek for flood control purposes and the County has hired a hydrologic engineer to assist. He said that the County has obtained the Department of Fish and Game Novato Creek Habitat Assessment conducted in 2009 and will be layering that information into the GIS system for Novato Creek Watershed.

**SMART Real Estate Committee**

Mr. DeGabriele stated that the Real Estate Committee of the SMART Board is meeting tomorrow (May 4); and on May 18, the SMART Board will consider a revised policy on at-grade crossings. He said that the SMART Board will consider consolidating at-grade crossings and minimizing them. He noted that within the immediate area of the District, there are three at-grade crossings: Rush Creek, Golden Gate Place and Olive Avenue. Golden Gate Bridge District and the District hold license agreements for the private crossing at Golden Gate Place. He said that he

recently learned of this issue and that he will address the SMART Board and request that they provide the District with a longer notification period of their Board's proposed plans.

#### League of Women Voters

Mr. DeGabriele advised that he will participate in the League of Women Voters video program on water resources of Marin and was interviewed for two hours today. He said that the video will be edited and aired on public access TV.

#### **OPEN TIME**

President Schoonover asked if anyone in the audience wished to bring up an item not on the agenda and there was no response.

#### **STAFF/DIRECTORS REPORTS**

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

#### San Marin Drive 18-Inch Valve Replacement

Doug Moore, Construction Superintendent, reported that water on San Marin Drive will be shut down on Wednesday, May 4<sup>th</sup>, while crews replace the 18-inch valve at the San Marin/San Carlos intersection.

#### MMWD Rate Increase Workshop

David Bentley reported that he attended Marin Municipal Water District's rate increase workshop wherein six members of the public attended. He said they are experiencing the same challenges as North Marin – reduced water sales volume and a 4% water rate increase and that the criticism expressed from the public present focused on Board compensation for additional board meetings, health insurance and travel. He said that Marin Municipal's reserve goal is six months or 50% of operating expenses compared to North Marin's reserve goal of 90% of operating expenses.

#### Point Reyes HOA

Mr. Bentley advised that he attended the Point Reyes Homeowners Association meeting to convince the association to reduce the \$119 monthly fee. He said that the association has accumulated \$125,000 over the last five years with plans on spending it over a 20-year period.

#### Aqueduct Energy Efficiency Project Draft EIR

Director Fraites requested a copy of the Draft Environmental Impact Report on the Aqueduct Energy Efficiency Project to give to someone concerned about tree loss at the project site.

## **PRESENTATION**

The General Manager introduced David Manning, Principal Environmental Specialist and Ann DuBay, Public Information Officer for the Sonoma County Water Agency and stated that Mr. Manning will give the Board a presentation on the Biological Opinion findings and requirements and Russian River fisheries. Mr. Manning stated that the Biological Opinion requirements include six miles of habitat enhancement in Dry Creek and after completion of the first three miles, its effectiveness will be evaluated before proceeding with the second three miles. He stated that if the effort is deemed not effective, a pipeline to convey water supply around Dry Creek to the main stem of the Russian River will be required. He advised that total costs for the Biological Opinion compliance are expected to be \$157M with the federal government share at \$60M. Mr. Manning stated that the coho salmon brood stock program has been successful in increasing the number of coho salmon in Dry Creek and tributaries and explained the different habitat requirements of the three protected fish species (coho and Chinook salmon and steelhead trout).

Mr. Manning answered questions from the Board and then he and Ms. DuBay left the meeting.

## **CONSENT CALENDAR**

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

### **RESOLUTION OF APPRECIATION TO RETIRING EMPLOYEE – JAMES DIGGS**

James Diggs, District Cross Connection Control technician, retired on April 30 after nearly 25 years of service to the District. The Board approved Resolution No. 11-09 entitled, "North Marin Water District Resolution of Appreciation to James D. Diggs."

### **TEXT FOR WATERLINE, VOLUME 12, ISSUE 25**

The Board authorized the General Manager to approve the final text and design of the Spring 2011 *WaterLine*, Volume 12, Issue 25. This year, staff has reduced cost of production by downsizing the publication to two pages and by directing customers to the District website to see a graph of their water use rather than print individual graphs.

### **TEXT FOR WEST MARIN'S WATERLINE, VOLUME 9**

The Board authorized the General Manager to approve the final text and design of the West Marin Spring 2011 *WaterLine*, Volume 9.

**2010 CONSUMER CONFIDENCE REPORT – NOVATO**

The Board approved the text of the 2010 Annual Water Quality Report for Novato which will be mailed with the Spring 2011 *WaterLine* to save approximately \$4,000 in postage.

**2010 CONSUMER CONFIDENCE REPORT - POINT REYES**

The Board approved the text of the 2010 Annual Water Quality Report for Point Reyes which will be mailed with the *WaterLine* newsletter to save postage.

**REVISION TO INTER AGENCY AGREEMENTS FOR RECYCLED WATER WITH LGVSD AND NSD**

The Board authorized Revision 1 to the Inter Agency Agreement between Las Gallinas Valley Sanitary District and NMWD and authorized the Third Revised Inter Agency Agreement between NSD and NMWD. The State Water Resources Control Board requested the revisions to include the minimum annual delivery quantity and a User Connection Schedule.

**RECYCLED WATER EXPANSION TO THE NORTH SERVICE AREA – PLUM STREET TANK REHABILITATION PROJECT – APPROVE BID ADVERTISEMENT**

The Board authorized bid advertisement of the Recycled Water Expansion North Service Area – Plum Street Recycled Water Tank Rehabilitation project. The 0.5MG tank which is currently out-of-service will be retrofit and used for recycled water storage.

**ACTION CALENDAR**

**RECYCLED WATER EXPANSION TO NORTH SERVICE AREA PROJECT - CONSTRUCTION MANAGEMENT SERVICES CONTRACT AWARD**

Mr. McIntyre advised that bids for construction of Segment 1 of the Recycled Water Expansion to North Service Area Project were opened and the bid evaluation process is ongoing. He reported that the apparent low bidder made a mistake in their bid and will withdraw it. He further reported that the second low bidder did not attend the mandatory pre-bid conference making their bid unresponsive; and staff is reviewing the third low bid. Mr. McIntyre said he will keep the Board apprised.

Mr. McIntyre said that it is important to move forward to hire a construction manager for Segments 1, 2 and 3 and for the Plum Street Tank rehabilitation. He summarized staff's process for selection of the construction management firm and stated that The Covello Group received the highest ranking. He noted that The Covello Group has performed work for both North Marin Water District and the Novato Sanitary District and has gained valuable experience with the city and county inspectors and has experience with working in the Olive Avenue corridor where the recycled water pipe will be installed. Mr. McIntyre said the scope of work and fee schedule includes soils

testing and labor compliance pursuant to the stimulus funding requirements. He stated that the contract will be on a time and expense basis not-to-exceed \$550,000 with a \$55,000 contingency.

Mr. McIntyre stated that Steve Wrightson of The Covello Group is in the audience to answer any questions the Board may have. Mr. Wrightson said that his firm is located in Walnut Creek and that he is currently working with the Novato Sanitary District on the recycled water plant.

On motion of Director Baker, seconded by Director Petterle, the Board unanimously authorized the General Manager to execute an agreement with The Covello Group for Construction Management Services on a time and expense basis with a not-to-exceed limit of \$549,533 plus a \$55,000 contingency.

Mr. Wrightson thanked the Board and left the meeting.

### **POINT REYES WELLS SALINITY INTRUSION NOTICE THRESHOLD**

Pablo Ramudo, Water Quality Supervisor, informed the Board that over the last few years, salinity intrusion has been present in the Point Reyes Wells more frequently and with greater concentration. He said the most recent threshold requirement for noticing the public is when sodium levels reach 50mg/l and that recently sodium levels of 50 mg/l or above have been present for the greater part of the year. He opined that the weekly notification in the Point Reyes Light does not serve the public well; it provides only the sodium level, and that staff is considering changing the way the public is notified with more permanent information on the District's website that would include information on dietary guidance and recommendations to talk with their doctor on sodium restrictions. Mr. Ramudo said that staff is considering raising the notification threshold level of sodium to 100 mg/l.

Director Rodoni asked why the District had changed its testing constituent from chloride to sodium. Mr. DeGabriele said that at the time, excess sodium was perceived to be a health issue; and that in 2003, the noticing constituent was changed to sodium as a result of a settlement agreement with environmental groups regarding the Change of Place/Purpose of Use for Water Right License 4324B. He said that staff felt it was more appropriate to alert customers of the possible health issue even though one would have to drink large volumes of water to be affected by excess sodium.

Director Rodoni opined that it was a good idea to add information to the website because it is costly to publish a weekly notice and suggested that there be a comparison on the website of the amount of sodium in the water with sodium levels found in common foods.

On motion of Director Fraites, seconded by Director Baker the Board voted unanimously to authorize staff to meet with environmental groups party to the 2003 settlement agreement and pursue changing the Salinity Intrusion Notice Threshold.

### **WEST MARIN RATE INCREASE NOTIFICATION**

Mr. Bentley said that it is necessary to notify West Marin water and Oceana Marin sewer customers of the proposed rate increases no later than May 21, 2011 to comply with Proposition 218. He advised that staff is recommending that commodity water rates be increased 9% in West Marin and that the increase be structured consistent with that proposed in Novato.

Mr. Bentley informed the Board that rates in Oceana Marin have not been raised since 2004 and that a 5% sewer rate increase is proposed. He advised that the replacement of several thousand feet of six-inch asbestos-cement pipe with PCV in Oceana Marin is a large project and will drawdown Oceana Marin's reserve balance.

On motion of Director Fraites and seconded by Director Baker, the Board unanimously voted to authorize staff to prepare notification letters for West Marin Water and Oceana Marin Sewer customers for Board consideration at the May 17, 2011 meeting.

### **INFORMATION ITEMS**

#### **THIRD QUARTER PROGRESS REPORT – ENGINEERING DEPARTMENT**

Mr. McIntyre provided highlights of the third quarter progress for Novato and West Marin projects. He said that expenditures in Novato are below budget primarily associated with the delay and financing of the Solar Energy Project and that two projects were added – PB Replacement (in synch with the city paving projects) and the Stafford Treatment Plant training program development. He stated that West Marin project expenditures are projected to be approximately 53% of the approved budget primarily due to the Oceana Marin cross country sewer line replacement project delay, the West Marin Master Plan being deferred and the tank seismic upgrade construction delay until next fiscal year. Mr. McIntyre noted that the graph of labor hours expended by the Engineering Department illustrates that developer work is well below historical levels; however, District projects are 160% of budgeted forecast.

#### **WATER CONSERVATION QUARTERLY UPDATE (JULY-MARCH 2010/2011)**

Mr. McIntyre provided a summary of the Water Conservation activities and stated that overall participation has been down slightly; however, there has been an increase in the Water Smart Home Surveys and washing machine rebate participation. He said that there has been a big decline in the Cash for Grass rebates and that Water Conservation expenditures are less than budget.

## **PRESENTATION - FIVE-YEAR FINANCIAL PLAN REVIEW**

Mr. Bentley provided a review of the five-year financial plan. He reminded the Board that two years ago there was a plan to increase the District reserve balance to 90% of operating expense by FY 14; currently, it is 44% and two years from now it is projected to be 48%. He pointed out that, pursuant to the plan, the cost to the typical customer is budgeted to rise from \$525 per year to \$870 by FY16. He stated that the cash balance for Novato is projected to drop \$4.8M at the end of this fiscal year, but as the rate increases go into effect, the cash balance will rise beginning in FY 14. Mr. Bentley advised that water sales volume has dropped off and will budget 2.7BG per year into the future. He further advised that the debt service is currently \$1.7M and will rise as the Recycled Water Project and Aqueduct Energy Efficiency Project begin.

Mr. Bentley said that the District budget includes the proposed 11% rate increase and he reminded the Board that it is staff's recommendation to adopt the next three years' rate increases at the public hearing on May 24<sup>th</sup>. He reviewed the labor cost assumptions and water purchased cost increases. Mr. Bentley stated that the capital improvements projects budget has been reduced from \$2.7 to \$2M annually and the budget for next two fiscal years has approximately \$1.9M and \$1.8M in proposed capital improvements. He said the connection fee revenue projections have been reduced; twenty equivalent dwelling units (EDU) have been projected for next fiscal year, sixty EDUs are projected for the subsequent two years, and ninety EDUs in FY14. He noted that this fiscal year six EDUs have been collected. Mr. Bentley advised that the office renovation and automated meter reads projects have been removed from the five-year plan, four positions are budgeted to remain unfilled, resulting in a total decrease in staffing of 11% since FY08, and the water conservation budget has been cut by \$100,000. He said the proposed equipment budget is \$243,000 for next fiscal year.

Director Fraites expressed his concern about staff's projections of the amount of connection fees to be collected. Mr. Bentley stated that historically, the assumption has been over 100 EDUs and that the District depends upon connection fees for funding improvement projects.

Director Petterle opined that twenty or thirty EDUs would be more conservative and it would be better to have a more conservative assumption.

There was a discussion about the level of reserves needed.

The General Manager stated that at the last meeting, staff heard the Board's concern about reducing the equipment and improvement projects budgets and heard suggestions for removing items not needed. He said that staff can oblige the Board's request but reminded the Board that budgets presented fall within the five-year financial plan that the Board has reviewed previously.

He said that staff needs to know that the Board is comfortable with the parameters of the proposed budget.

Director Petterle stated that he is comfortable with the parameters but he is looking at this from the public's point of view and wants staff to be able to defend its budget recommendations.

Director Rodoni said that public perception is very important; for example, the purchase of the two dump trucks may fit into the budget but the public may perceive the purchase of two trucks at this time to be unnecessary. He stated that he is comfortable with a much lower projected EDU level and stretching the 90% in reserves goal over the years. He added that the cash balance is skewed when the projected numbers are not achieved.

Mr. DeGabriele said staff will address the Board concerns and will come back with a redraft of the budget. He stated that the District cannot keep postponing the rate increase and reverse the trend of the cash balance.

#### **INITIAL REVIEW – FY 11/12 PROPOSED NOVATO OPERATIONS BUDGET**

Mr. Bentley presented the first review of the FY 11/12 Proposed Novato Operations Budget and stated that the budget projects a net bottom line deficit of \$269,000 compared to the current fiscal year's budgeted deficit of \$700,000. He advised that actual deficit this fiscal year will be \$1.5M because many of the assumptions were not realized. He said that \$2.7M will be borrowed to fund next year's portion of the Aqueduct Energy Efficiency Project and he provided major highlights of the proposed operations budget including Stafford Treatment Plant production of 800MG, an additional \$100,000 in chemical cost, 20% cut in water conservation, \$60,000 budgeted for county election expense and staffing levels are down 2.8 FTE (5%) from the current year's budget. He added that a 2% cost of living increase is incorporated into the budget but that the actual increase will be negotiated with employees this summer. The Calpers retirement contribution will increase to 26.2%.

#### **INITIAL REVIEW – FY 11/12 NOVATO RECYCLED WATER SYSTEM BUDGET**

Mr. Bentley presented the initial review of the FY 11/12 Novato Recycled Water System Budget. He said that recycled water production is forecasted for 51MG, however, the recycled water sales volume continues to fall with 32MG produced so far this year. He said the StoneTree Golf Course will see a 6% increase in the cost of water next fiscal year under the rate increase proposal. He said the additional 6% will add approximately \$11,000 to annual revenue and operating expenses are budgeted to decrease 6% from the existing budget and recycled water is budgeted to break even next fiscal year. He advised that Novato FRC fees are transferred to the

recycled water fund to pay for the system expansion plus North Bay Water Reuse Authority administration and \$30,000 for City of Novato license costs to use the Reservoir Hill Tank.

**NORTH BAY WATER REUSE AUTHORITY UPDATE – SUMMARY OF PHASE 2 MEMBERSHIP OUTREACH WORKSHOP**

Mr. McIntyre provided a summary of the NBWRA workshop that he and Director Schoonover attended on February 14, 2011. He said the topic of the workshop was Phase 2 Membership Outreach wherein NBWRA consultants summarized initial membership outreach efforts to-date. He reminded the Board that the District will stay focused on Phase 1 implementation and will not participate in Phase 2.

**WAC MEETING – MAY 2, 2011**

Mr. DeGabriele gave a brief summary of the WAC meeting held on May 2, 2011. He advised that the WAC agreed to the regional alliance approach to comply with the SBx7-7, Water Conservation Act of 2009 and authorized sending a letter to the Department of Water Resources forming the regional alliance. Mr. DeGabriele also updated the Board on the Urban Water Management Plan and said that the 2005 Plan predicted 101,000 acre feet of Russian River water supply was needed and the current UWMP predicts less than 80,000 acre feet will be needed.

**NORTH BAY WATERSHED ASSOCIATION MEETING – MAY 6, 2011**

The North Bay Watershed Association agenda for the May 6, 2011 meeting was presented and Director Baker stated that he will attend.

**MISCELLANEOUS**

The Board received the following miscellaneous items: Disbursements, Audit Entrance Conference, 90% Draft Master Plan Design for Stafford Lake Bike Park – Final Public Meeting, Letter to Senator Simitian Re Oppose SB 34.

The Board received the following news articles: Another Step Forward for Fish Ladder and Salinity Notices.

**CLOSED SESSION**

President Schoonover adjourned the Board into closed session for: Conference with Legal Counsel – Existing Litigation Pursuant to Subdivision (a) of Government Code Section 54956.9 – Name of Case: North Coast Rivers Alliance v. California Department of Transportation (Named Real Party in Interest - North Marin Water District).

**OPEN SESSION**

Upon returning to regular session at 10:02 p.m., President Schoonover stated that during the closed sessions the Board had discussed the issues and no reportable action had been taken.

**ADJOURNMENT**

President Schoonover adjourned the meeting at 10:03 p.m.

Submitted by

Renee Roberts  
District Secretary