

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 6, 2008**

CALL TO ORDER

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

Paradise Ranch Estates resident Allen Bortel, Fairfax resident Frank Egger and Novato Advance Editor Tim Omarzu were present for a portion of the meeting. District employees Robert Clark (Facilities Maintenance Superintendent) and Doug Moore (Construction Superintendent) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Novato Clean and Green Day

Mr. DeGabriele acknowledged the good work of six District employees and two of their children who turned out for the Novato Clean and Green Day on April 26 to pick up trash along Redwood Boulevard.

Sonoma-Marin Saving Water Partnership MOU

Mr. DeGabriele reported that he spoke before the Santa Rosa City Council last week to advocate for their approval of the Sonoma-Marin Saving Water Partnership MOU.

City of Novato Sustainability Meeting

The General Manager advised that he attended the City of Novato Sustainability Meeting and that he has volunteered to consult with other city special districts to determine interest in coordinating the development of a local climate action plan to reduce the city's carbon footprint. Mr. DeGabriele said that Robert Clark will make future reports to the Board on this effort.

State Water Resources Control Board Meeting

Mr. DeGabriele reported that he attended the Sonoma County Water Agency presentation before the State Water Resources Control Board in Sacramento today and that it will be discussed further in tonight's agenda item on the Water Advisory Committee meeting.

Disaster Preparedness Drill

Mr. DeGabriele advised that tomorrow, May 7th, there will be an area-wide disaster preparedness training exercise at Stafford Lake and that the Stafford Treatment Plant will remain in operation during the drill.

SEIU De-Certification Election

He advised that the union de-certification election for represented employees is scheduled for May 14th and that the results should be known by the next Board meeting on May 20th.

General Manager Absence

Mr. DeGabriele said that he will be out of town on Thursday and Friday, May 8th and 9th and will return to Novato on Sunday, May 11th and that David Bentley will be acting General Manager in his absence.

OPEN TIME

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

Director Rodoni reported that he contacted John Watts of Senator Dianne Feinstein's office on April 17 to advocate for the North Bay Water Reuse project per Board direction.

President Fraitres suggested that Open Time for the public and for the Directors be two separate agenda items. The Board concurred.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley presented the third quarter financial statement and reported that the District has received 64% of its budgeted income and expended 53% of budgeted outlays. He said that the revenue was down due to a reduction in collecting connection fees and that budgeted State Revolving Fund loan money associated with projects was not yet received. He stated that through March, 25% of the Improvement Project budget was expended, and that the big expenditure item, the Palmer Dr. Tank is under contract but will not begin construction until later this fiscal year.

Mr. Bentley reviewed each district and reported that in Novato consumption is down 10% from a year ago and total revenue is down 4% helped in part by an increase in water rates for non-residential accounts and the Conservation Incentive Tier Rate that was implemented in January 2007. He said that with Stafford Treatment Plant in operation the amount of purchased water has been reduced resulting in a 3% reduction in expenditures from a year ago. He advised, however, that the cost to produce Stafford water is currently twice as much as purchased water from Sonoma County Water Agency. Mr. Bentley advised there is a year-to-date loss of \$1.3M compared to a budgeted net loss for the entire of year of \$2.9M and the Novato cash balance has decreased approximately \$900,000 for the first 9 months of the year.

Mr. Bentley reported that Novato Recycled Water Facility has delivered 41 million gallons of water to Stone Tree Golf Course and projected 65 million gallons delivered at the end of June. The cost of recycled water is approximately \$5,000 per million gallons and replaces potable water previously used for irrigation that is now available to Novato customers. He further reported that Recycled Water Fund, at the end of March, has a cash balance of \$450,000 and the District interest payment on the State Revolving Fund loan of \$273,000 is due in June. He said that will reduce the cash balance significantly and he advised that the District has not yet received an invoice, estimated to be \$86,000, from the Novato Sanitary District for producing the recycled water.

Mr. Bentley informed the Board that West Marin water consumption is down 17% from a year ago and that 5% of that is due to the Giacomini Dairy operation cessation. Mr. Bentley said that additional maintenance resulted in an increase in operating expenditures, up 6% from last year, and that 62% of the Improvement Project Budget was expended. He reported that debt owed to Novato from West Marin at the end of March is on par with the budget at \$540,000. Mr. Bentley reported that Oceana Marin added three customers, revenue is flat and 81% of the Improvements Projects Budget has been expended. He noted that Oceana Marin ended the third quarter with a cash balance of \$140,000.

CONSENT CALENDAR

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

NORTH BAY WATER REUSE AUTHORITY – PUBLIC RELATIONS UPDATE

The Board authorized one or both Board of Directors Recycled Water Sub-Committee members to attend the North Bay Water Reuse Authority Stakeholder meeting on May 7th where proposed recycled water projects will be presented.

VEHICLES TO AUCTION

The Board authorized the General Manager to enter into a contract with Nation Wide Auctions to dispose of 5 surplus vehicles and 2 trailers at auction.

ACTION CALENDAR

DENY: REQUEST FOR ADDITIONAL BILL ADJUSTMENT (BORTEL)

Mr. Bentley stated that Mr. Bortel suffered a leak at his home during construction that spanned two billing periods. He advised that Mr. Bortel has been granted a bill adjustment under District policy in the amount of \$563 and that Mr. Bortel is present tonight to ask for further adjustment on his bill.

Mr. Bortel addressed the Board and said that the leak occurred during construction of his home during the winter and that the contractor assumed that the wet conditions were due to runoff and not caused by a leak. He said it was not until he received his bill that it became obvious that a major leak had occurred. He appealed to the Board for further adjustment because it was a contractor's mistake and that it occurred during the wet season.

Mr. Bentley explained that besides the cost of water, the cost of pumping water to the highest elevation tank in Paradise Ranch Estates that serves Mr. Bortel's residence is also being borne by West Marin customers.

Director Baker said that, while being sympathetic to Mr. Bortel's situation, he has received an adjustment per District policy and that it would not be fair to West Marin customers to absorb further costs on Mr. Bortel's behalf.

Mr. Bortel stated that had he realized the high cost of pumping he would not have appealed for further adjustment. He thanked the Board for their time. He noted that since installing a new refrigerator with filtered water, the taste of the water improved. Director Rodoni requested that a sample of the filtered water be drawn and tested by District laboratory staff to compare taste.

APPROVE: ENGINEERING SERVICES DURING CONSTRUCTION – STAFFORD DAM OUTLET TOWER REHABILITATION

Mr. McIntyre stated that the Board approved the award of the contract to Syblon Reid for the construction of the Stafford Dam Outlet Tower and staff is requesting approval of a change order for Creegan + D'Angelo (C+D) for extended engineering services during construction and approval of a General Services Contract for DCV for electrical consulting during construction. He said that the change order request for C+D includes additional design costs for design changes required by the Department of Safety of Dams which delayed the project.

On motion of Director Baker, seconded by Director Petterle and unanimously carried, the Board authorized the General Manager to execute a change order to increase Creegan + D'Angelo's fees for a not to exceed amount of \$47,740 for additional design and engineering services during construction; and authorize the General Manager to execute a consulting services contract with DCV Consultants for a not to exceed amount of \$8,640 for engineering services during construction.

INFORMATION ITEMS

SONOMA MARIN HIGHWAY 101 WIDENING EFFECT ON NORTH MARIN AQUEDUCT

Mr. DeGabriele reminded the Board that in early December the District submitted comments to the Draft EIR on the proposed Marin-Sonoma Narrows Highway Widening Project and part of those comments reiterated the importance of the North Marin Aqueduct to Novato customers and to Marin Municipal Water District as all of the Russian River water is delivered through the aqueduct. He said that the Board urged staff to make it known to Caltrans that it believes Caltrans should not only address greenhouse gas reduction with this project and relocation of the aqueduct, but also address upsizing NMWD's requirements for future deliveries. He reported that the District commented that the aqueduct should be upsized to eliminate continued use of the Kastania pump station to reduce greenhouse gas emissions associated with electric pumping operations, and that pursuant to AB 32, the Global Warming Solutions Act of 2006, "All state agencies should consider and implement strategies to reduce their greenhouse gas emissions." He said that he reminded Caltrans that one of their own objectives was to plan projects to reduce greenhouse gases to meet the state's emissions reduction target.

Mr. DeGabriele recapped a meeting held with representatives from the Transportation Authority of Marin (TAM), Marin County Supervisors Steve Kinsey and Judy Arnold and Marin Municipal Water District General Manager, Paul Helliker. Mr. DeGabriele presented a map of the project area and identified the new route location of the highway widening project and the location of the North Marin Aqueduct and where there would be interference (from the Redwood Landfill overcrossing up to Kastania Road). He advised that earlier discussions with Caltrans in November 2007 addressed that 25,000 feet of aqueduct that would be impacted by the project and that the District believes that Caltrans is obligated to pay for the relocation of the aqueduct. He said that there are some locations that may not need relocation from a plan view as they appear to lie within the planned right-of-way for the project; however, grade changes are unknown at this time. He said that this entire identified section needs to be relocated. Mr. DeGabriele said that Caltrans agreed that it made sense to relocate the pipeline during the first phase of the project.

Mr. DeGabriele advised that the meetings with TAM didn't go well. He said that TAM recognizes that they don't have enough money for the project and are looking at design changes to reduce the cost. He reported that one of those design changes would be to eliminate the San Antonio Road interchange, and that may shorten the relocation. Mr. DeGabriele reported that in discussions with the supervisors and TAM, he learned that TAM intends to piecemeal the project and to reduce the cost and amount of relocation necessary for the aqueduct. He stated that that is unacceptable to the District because the aqueduct cannot be out of service for any length of time. Mr. DeGabriele advised that the pipeline is located in the District's easement on private property and that the District has the authority to determine ultimately where the aqueduct will be. He stated that provides a strong negotiating position for the District and he asked for the Board's support.

Director Fraites stated that he is concerned that TAM does not have the money to complete the project. Mr. DeGabriele responded that the TAM has enough funds to complete the EIR, finish the design and to construct the safety improvements at Redwood Landfill, the San Antonio curve and creek crossing to Kastania. He said that for the District that is the majority of the area requiring relocation of the aqueduct and those costs need to be included. Mr. DeGabriele stated that staff will, with the Board's support, continue to push to relocate the aqueduct into the planned service road and San Antonio Road and that there will be much discussion at the design level. He said that the District will also continue to push for the elimination of Kastania pump station.

Director Rodoni asked if Marin Municipal is supportive and Mr. DeGabriele stated that they are supportive but reluctant to join the discussion and that they understand that this is the District's facility. He said that the citizens of Novato paid for this facility and that the aqueduct would not be relocated absent the highway widening.

The Board gave its consensus to support District staff in further discussions with Caltrans and TAM.

INITIAL REVIEW – FY 2008/2009 PROPOSED NOVATO WATER OPERATIONS BUDGET

Mr. Bentley said this is the first of three reviews of the \$19.2M expenditure plan for next fiscal year. This budget projects a deficit of \$5.9M and that there is a \$7.8M Improvement project plan associated with this budget. The budget includes a proposed 15% rate increase to all customers which will add \$1.2M to revenue and under the proposed budget, the typical residential customer will see an increase in their annual water bill of \$57. He said that water sales are budgeted at 3.2 billion gallons, and predicted that water sales will flatten out. He advised that the Conservation Incentive Rate and the Conservation Incentive Tier Rate generated about \$335,000 a year into the revenue pool and has done a good job of reducing water demand. Mr. Bentley said that connection fees are projected at \$325,000 and that development has come to a stop in Novato. He said that additional State Revolving Fund monies for the Stafford Outlet Tower project will help next year. He said that the total operating expenditures will be up 5% mostly due to labor costs, 4% Cost of Living increase and he estimated that health insurance will increase 10%. He advised that a major expense is the cost of purification chemicals for the Stafford Treatment Plant. Mr. Bentley said that staffing will decline by .9 FTE and the final adoption of the budget will held at the public hearing at the June 17th meeting.

INITIAL REVIEW – FY08/09 NOVATO RECYCLED WATER OPERATIONS BUDGET

Mr. Bentley stated that 63 million gallons of recycled water is expected to be sold to Stone Tree Golf Course next fiscal year and that recycled water delivery to the Novato Fire Protection District is expected to come on line next fall. He advised that water use at Stone Tree continues to fall off. The recycled water fund has a cash balance of \$450,000 and as soon as the \$273,000 debt service is paid and the Novato Sanitary District invoice for this year's contract operations is paid, the balance will be less than \$100,000. Mr. Bentley advised that a \$200,000 Prop 50 Grant is budgeted to be received next fiscal year and will offset the cost of planned Improvement Projects and will prevent borrowing from Novato. He advised that the District has a long term plan for Recycled Water development but that it will be funded by new development. He further advised that a 15% across the board rate increase for recycled water is proposed.

REVIEW OF DISTRICT POLICY NO. 41 – VEHICLE REPLACEMENT

Mr. DeGabriele stated that this policy is for Board review and will be brought back on the Consent Calendar for the Board's approval at the next meeting. He said the policy addresses replacement of ¾-ton and under vehicles and provides for exceptional circumstances wherein a vehicle replacement can deviate from said policy.

Director Baker suggested that staff advise the Board what the exceptional circumstances are when they arise.

NORTH BAY WATERSHED ASSOCIATION – MAY 2, 2008

Mr. DeGabriele stated that the May 2nd North Bay Watershed Association meeting, there was not a quorum which prevented action on the agenda items. He said that all agenda items including consideration of the budget will be considered again at the June meeting.

WATER ADVISORY COMMITTEE MEETING – MAY 5, 2008

Mr. DeGabriele recapped the Water Advisory Committee (WAC) meeting of May 5th and said it was a very lengthy meeting and was very well attended. He thanked the Board for allowing Renee Roberts to fill in as WAC secretary for the last two months until the City of Santa Rosa's new hire comes on board.

Mr. DeGabriele said that discussion items included the Technical Advisory Committee (TAC) reports on the SCWA Sustainability Program Update, Watershed Planning and Restoration Sub-Charge Projects and the South Transmission System Project Timeline. He said there was nothing new to report on the Potter Valley Project.

Mr. DeGabriele reported that the Dry Creek Agricultural Water Users Agreement was adopted by the Dry Creek Water Users, Inc. and the Sonoma County Water Agency Board. He stated that the Agency agreed to fund a study of underground storage for agriculture use when needed and explained that the water currently stored in Lake Sonoma water supply pool (212,000 AF) is not authorized for diversion for agriculture; however, it is being used for agriculture. He stated that this agreement identifies what the current estimated water use is for agriculture and that the Dry Creek water users will use no more than that amount (6,000 AF); and the agreement will avoid confrontation and the cost of fighting over the amount of water from Lake Sonoma now used for agricultural purposes. Mr. DeGabriele further advised that this agreement provides access over Dry Creek to conduct fishery protection studies and that it was a big accomplishment by the Agency to get landowner access.

Mr. DeGabriele reported on the presentations by advocates for AB 2153 and AB 2175. He stated that AB 2175 would mandate a 20% reduction in per capita water use by 2020 pursuant to the Governor's goal to protect the Delta and that the Agency is supportive of this bill. He said that the WAC made it clear that measures taken by the water contractors in the Sonoma-Marin region to reduce water use would not benefit the Delta, and that it was clear that the bill's proponents are concerned with reducing water use statewide, not just in the Delta region. He said that he pointed out that annual urban water use statewide is 9 million acre feet of water and that agriculture water use statewide is 34 million acre feet per year. He said that the target amount for agriculture conservation is 500,000 acre feet or 1.4% and that it is not an equitable share. Mr. DeGabriele said this discussion led into a recap of statistics of last summer's mandatory restrictions and he reported that the contractors' total reduction was 16%, the Agency reduced diversions out of the Russian River by 22%, and that in three years, from 2004 to 2007, recycled water use throughout the region increased 20%. He further reported that last summer local supplies were up 8%, and that 60% of

that amount was from Stafford Lake. He said that these points were reiterated at the State Board hearing today by WAC chair, Jake MacKenzie.

Mr. DeGabriele stated that the State Board advised that the Agency's presentation was for information only, was supportive of the Agency and that the State Board expects a petition to change Decision 1610 which would change instream flows and propose to use more Lake Sonoma water supply. He said that the State Board advised that they intend to meet the Governor's goal for water conservation, but that the contractors are likely already under the threshold for per capita water use. He said that the WAC requested that the TAC to recommend metrics to gauge the per capita water use. Mr. DeGabriele advised that he is not anticipating any mandatory water restrictions this year as there is more water in Lake Sonoma this year than last year.

Mr. DeGabriele reported that the Biological Opinion is at the National Marine Fisheries Service office in Long Beach for review by legal counsel and that it is expected to be released in August and that the Agency will be asking for resolutions of support from the contractors' elected boards. He further reported that the Water Project EIR is due to be released in June and will go before the Agency's Board on June 24th for authorization to release the EIR.

DRAFT POLICY FOR MAINTAINING INSTREAM FLOWS IN NORTHERN CALIFORNIA COASTAL STREAMS - (AB 2121)

Mr. DeGabriele stated that he sent a comment letter to the State Water Resources Control Board, Division of Water Rights regarding AB 2121 Draft Policy for Maintaining Instream Flows in Northern California Coastal Streams and how it will affect North Marin and recommended changes to the voluminous policy. He outlined the recommendations as follows: policy exemptions should extend to all streams where instream flows requirements have already been identified including Lagunitas Creek and Novato Creek; petitions for change to existing water rights for community water supply should be exempt for the Policy; and that the policy be instituted on a trial basis and make Policy adjustments thereafter. Mr. DeGabriele advised that Marin Municipal and North Marin worked closely together on their comment letters.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements (4/16, 4/23, 4/30), Scrap Metal Receipts, Postage Rate Increase, Seminar – Where's the New Water? Conservation, Recycling & California's Long-Term Water Supply, DWR and Reclamation Announce BDCP Scoping Meetings, 2007 Chinook salmon counts at the Mirabel Dam.

The Board also received the following news articles: Labor Day at Lake Nixed (4/30), Climate change may alter bay growth patterns (4/18), Where are the salmon? (4/17), Governor names new fish and game director (4/17).

ADJOURNMENT

President Fraites adjourned the meeting at 9:03 p.m.

Submitted by

Renee Roberts
District Secretary