

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 17, 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. There were thirteen people in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Candidates for District Secretary Position

Mr. DeGabriele introduced the seven candidates for the District / Administrative Secretary position who had been invited to observe the Board meeting.

Oceana Marin Sewer Spill

Mr. DeGabriele discussed a sewer overflow in Oceana Marin on Kailua Drive that occurred on Saturday, May 14, 2005 due to a collection system blockage. He stated that Operations personnel calculate that 750 gallons of raw sewage leaked out of a manhole and flowed to a drainage swale and into the ocean. There were no reports of damage to private property. Mr. DeGabriele stated that the delay in responding to the incident was compounded because staff was unable to contact local sewer service companies to assist. He stated that ultimately Novato Sanitary District was able to respond to the scene and unclogged the sewer. Mr. DeGabriele stated that lessons learned from this incident would result in changes in District emergency procedures. He stated he would keep the Board apprised.

STRAW Project

Mr. DeGabriele provided the Board with a news article regarding a creek restoration project on the Stafford Lake watershed. He noted that the STRAW (Students and Teachers Restoring a Watershed) project is part of the Novato-based Bay Institute's environmental education program

and that PG&E has provided a \$25,000 grant to the Bay Institute for its Partnership for a Healthy Bay Campaign.

Marin County Special District Association Luncheon

Mr. DeGabriele stated that he would attend the General Managers' annual luncheon for the Marin County Special District Association on May 25, 2005.

OPEN TIME

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

DRAWING FOR WASHING MACHINE

Sonoma County Water Agency Water Conservation Specialist Ryan Grisso informed the Board that over 800 entries had been received for the General Electric front-loading washing machine giveaway, noting that the entry form had been included in the District's Fall 2004 *WaterLine* newsletter and that the General Electric Corporation, and Standards of Excellence (formerly McPhail's of San Rafael) generously donated the washing machine to the District for this giveaway. This was the District's fourth annual drawing for a washing machine.

President Baker drew the winning entry and announced that J. DeBuren of Novato was the winner of the water and energy efficient washing machine.

MONTHLY PROGRESS REPORT

Mr. DeGabriele reviewed the monthly progress report for April 2005.

Water – April was the lowest water production for the Novato system since 2003. He noted that the fiscal year to date amount is the lowest quantity since 1999. The West Marin system has experienced a normal spring.

Sewer – Oceana Marin sewer system storage and treatment ponds continue to gain freeboard.

Safety – the District staff has worked 225 days without a lost time accident.

Cash – Mr. Bentley stated the District's cash balance is less than last year primarily due to expenditures for the Stafford Treatment Plant Rehabilitation project.

CONSENT CALENDAR:

On the motion of Director Petterle, seconded by Director Schoonover and unanimously carried the following items were approved on the consent calendar (Item #7 re SB 840 was removed from the consent calendar for additional discussion):

WATER AGREEMENT

San Marin High School Fire Hydrants

The Novato Unified School District repaving project at the San Marin High School also includes installation of three new fire hydrants to fulfill Novato Fire Protection District requirements.

The Board approved Resolution 05-15 entitled "Authorization of Execution of High Pressure Water Service Facilities Construction Agreement with Novato Unified School District."

Letter of Support for SB 840, CA Health Insurance Reliability Act

This item was removed from the consent calendar for additional discussion.

Director Fraites requested that the letter supporting SB 840 include a record of the Directors' vote.

On motion of Director Rodoni, seconded by Director Petterle and unanimously carried the Board approved a letter of support for Senate Bill 840 (Kuehl), the California Health Insurance Reliability Act, which establishes a single comprehensive health plan for all California residents.

Set Special Meeting to Interview Applicants for District Secretary Position

Due to the planned retirement this fall of District Secretary Joyce Arnold, staff is actively recruiting to fill her position and allow ample time for training. The District officers have interviewed seven applicants for the position, and it is staff's recommendation that the Board set a special, meeting for Tuesday, May 24, 2005, at 7:00 p.m. to interview a short list of candidates.

The Board set Tuesday, May 24, 2005 at 7:00 p.m. at the District headquarters as the date and time for interviews of the District Secretary candidates. No action will be taken at that meeting.

Cafeteria Plan Document

A component of the salary/benefit package negotiated with employees and ratified by the Board last month included implementation of a "cafeteria" benefit plan. The plan being proposed is not a full cafeteria plan such as is utilized at the County of Marin, but is limited in focus to health insurance. The District's dental, vision and life insurance benefits will remain outside the cafeteria plan at this time. The District has agreed to put money into the plan for each employee based upon family status (single, couple or family) and employees may then choose whether to purchase medical insurance, use the funds to pay for dental or vision expenses that exceed the District's self-insured plan limits, or simply take the money in cash. Those taking cash will retain the option to defer income tax by investing the funds in the District's deferred compensation plan. The Internal Revenue Code requires a formal resolution of the governing body adopting the Cafeteria Plan Document and Summary Plan Description.

The Board approved Resolution 05-16 entitled "Resolution of the Board of Directors of North Marin Water District to Establish a Cafeteria Plan Pursuant to Section 125 of the Internal Revenue Code."

Amendment to CalPERS Contract (2.5% @55)

At the April 19, 2005 meeting the Board approved a Resolution of Intention to amend the District's contract with CalPERS to provide the 2.5% at 55 retirement plan in accordance with the labor agreements recently negotiated with employees. The CalPERS actuaries calculate the cost of the contract amendment 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%).

The required 20-day minimum period has elapsed since the Resolution of Intention, and the Board may now resolve to amend the contract. Having the Resolution of Intention and the Amendment of Contract Resolution posted on the District's agendas satisfies the notice obligation for such an amendment and no additional public notice is required. The enhanced retirement plan benefit and increased District contribution will be effective June 1, 2005.

The Board approved Resolution 05-17 entitled "North Marin Water District Resolution Authorizing an Amendment to the Contract" effective June 1, 2005.

Disbursements

The Board authorized payroll and accounts payable vouchers totaling \$1,154,857.74.

ACTION CALENDAR

APPROVE: RESOLUTION OF APPRECIATION (LOU BUTTI, NMWD EMPLOYEE 1972 - 2005)

The Board reviewed a Resolution of Appreciation for Lou Butti who is retiring from the District after 32 years of service. Mr. Butti began his career in 1972 as a Construction Helper and is retiring as the Electrical Mechanical Foreman.

The Board extended to Mr. Butti sincere good wishes in his retirement noting that he has been a dedicated employee for many years and his contributions are appreciated.

On motion of Director Schoonover, seconded by Director Rodoni authorized Resolution 05-18 entitled "North Marin Water District Resolution of Appreciation to Louis E. Butti."

PUBLIC HEARING: WATER CONSERVATION REGULATIONS

Mr. DeGabriele introduced Mr. Grisso who would make the presentation regarding the proposed changes in the District's water conservation regulations.

Mr. Grisso stated that at the April 1, 2005 Board meeting the Board set the date for a public hearing on May 17, 2005, to consider revisions to Regulation 15 (Water Conservation – Novato Service Area) and Regulation 17 (Water Conservation – West Marin Service Area). Mr. Grisso stated that the proposed changes have been developed by staff, with assistance from Director Petterle, and were previously provided to the Board for information at the April 19, 2005 meeting. The public hearing for Regulation 15 was noticed in the Novato Advance on Wednesday, May 11, 2005 and the hearing for Regulation 17 was noticed in the Point Reyes Light on Thursday May 12, 2005.

Mr. Grisso stated that in addition to minor language changes to the regulation, important revisions 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) enabling a demand offset program for all new Commercial, Industrial, Institutional (CII) development.

Mr. Grisso noted that weather based irrigation controller installation incentives will commence with a pilot program in cooperation with the City of Novato and Novato Unified School District this summer. A grant sponsored replacement program for both commercial and residential accounts will be implemented in the fall, and staff will request a Board resolution at that time to determine the rebate/voucher amount for each controller or to authorize a direct install program.

Director Baker stated that he has concerns about the availability of parts for toilets that are being required in the proposed revised regulation.

Director Rodoni requested that the language in the rebate portion of the regulation indicate that a water-conserving toilet is defined as any toilet that is rated at 1.6 gallons per flush or less to operate (including 1.0 gallon per flush or dual flush models approved by the District).

President Baker opened the public hearing on the proposed amended water conservation regulation changes. Hearing nothing from the public, he then closed the public hearing.

Regulation 15 (Water Conservation – Novato Service Area)

On motion of Director Petterle, seconded by Director Rodoni and carried by the following vote the Board approved Resolution 05-19 entitled “Revision of North Marin Water District Regulation 15 – Water Conservation – Novato Service Area” as amended effective immediately.

AYES: Directors Fraites, Petterle, Rodoni and Schoonover

NOES: None

ABSTAIN: Director Baker

ABSENT: None

Director Baker stated that his reason for abstaining was because he feels the requirements for water conserving toilets in new construction are too far out in front of what is available to the public for parts and service and there is not enough history available to make a good choice. He stated he believes the Board is imposing equipment requirements that cannot reasonably be maintained.

Regulation 17 (Water Conservation - West Marin Service Area)

The Board reviewed amended Regulation 17 for water conservation in West Marin, which contains the same changes proposed for Regulation 15 (Novato) and the same language changes approved in Regulation 15.

On motion of Director Rodoni, seconded by Director Fraites and unanimously carried the Board approved Resolution 05-20 entitled "Revision of North Marin Water District Regulation 17 – Water Conservation – West Marin Service Area" as amended effective immediately.

The revised water conservation regulations will be published in the Novato Advance (Regulation 15) and the Point Reyes Light (Regulation 17).

APPROVE: PATH FORWARD POTENTIAL DISTRICT RESIDENTIAL SITES

Mr. DeGabriele stated that the District has received the feasibility reports from Woodley, Wright & Lynn (WWL) on opportunities and constraints for developing employee housing on two District properties (Rush Creek Estates and Stafford Lake). He introduced Todd Wright from WWL who was in the audience to answer any questions the Board may have had.

Rush Creek Estates

Mr. Wright stated that the Rush Creek Estates site would require the text of the County of Marin's zoning code to be amended to allow a dwelling for a District employee on the site, and the County Planning Commission would need to approve a conditional use permit allowing a construction of a home on the site. The cost of a modest home on the site would be \$600,000 to \$700,000 to permit and build.

Director Petterle stated he could not justify giving approval for a public agency to build what is equivalent to one million dollar house for employee housing at the Rush Creek Estates site.

Director Fraites stated that he would philosophically not be in favor of asking for zoning changes in the Rush Creek Estates location.

Stafford Lake Site

Mr. Wright stated that at Stafford Lake, the District would need to obtain state regulatory approval to place a home at the base of Stafford Dam, and the County of Marin Planning Commission would need to approve the architecture of the home. Construction would cost \$290,000 to \$460,000 to permit and build depending on if manufactured or standard construction techniques were used.

Director Fraites stated that he believes it is justifiable to put a housing site at Stafford Lake, as it would add security for the area.

There was a discussion on the advisability and suitability of the two sites being considered. Director Rodoni noted that staff is not asking for any commitment at this point and is only looking for approval to move forward gathering information.

On motion of Director Petterle, seconded by Director Schoonover and unanimously carried the Board approved recommendation (2) to obtain regulatory approval from Division of Safety of Dams to place a home at the base of Stafford Dam and exploring alternative sites at Stafford for that home.

The Board requested staff to provide additional information on the possibility of the Rush Creek Estates location at a future meeting.

APPROVE: STONE TREE RECYCLED WATER FACILITY AND PIPELINE PROJECT BID ADVERTISEMENT

Mr. McIntyre stated that at the April 5, 2005 Board meeting, staff received Board comments to the draft Recycled Water Service Agreement with Black Point Partners (BPP) in advance of formal consideration by the Board at a future meeting. The Board was also apprised that the District was ready to move forward with advertisement of the Recycled Water Facility and Pipeline (RWF) project prepared by Raines, Melton & Carella (RMC).

Mr. McIntyre stated that on April 6, 2005, the Recycled Water Service Agreement was sent to BPP for review and comment and had held a subsequent meeting with BPP representatives on May 4, 2005. He stated that during the meeting, BPP reaffirmed their commitment to move forward with the project. However, they stated that they would need additional time to review the agreement and its financial obligations. Staff advised BPP personnel that the District has done everything possible to perfect an SRF loan, and it is now time to execute the agreement and move forward with

project construction. Staff verbally advised BPP representatives that an agreement must be executed within two months. An initial response from BPP to the agreement was expected by May 13, 2005, but to date, no response has been received. Once it is received, staff will review the response with legal counsel and will send a formal response with a re-affirmed execution agreement deadline date.

Mr. McIntyre stated that staff is concerned that the construction window for 2005 is rapidly closing, and although advertising a project in advance of an executed agreement is not typical, staff is recommending this approach due to the District's interests in constructing this project at the earliest possible date and maximizing fair weather construction during the 2005 calendar year. He stated there is no risk to the District of advertising the project absent a financial guarantee due to the fact that the District can reject any and all bids. He stated that it is still staff's expectation that some form of financial guarantee will be in place on (or soon thereafter) the bid opening date of June 30, 2005.

On motion of Director Rodoni, seconded by Director Fraites and unanimously carried the Board authorized the bid advertisement of the Stone Tree Recycled Water Facility and Pipeline project.

APPROVE: REQUEST TO SOLICIT CONSULTANT RE DEPARTMENT ORGANIZATIONAL STRUCTURE

Mr. DeGabriele stated that he and department heads have been meeting to evaluate the performance of the current District organization structure. He stated the functional responsibilities of each of the District's five departments: Administrative/Finance, Engineering, Construction, Maintenance and Operations have been reviewed. He noted that as there are several impending retirements during the remainder of 2005 and possible future retirements, it is a good opportunity to evaluate the organization and determine if changes are warranted. He noted that overlap responsibilities were identified between the Construction and Maintenance divisions and to a lesser extent between the Operation and Maintenance divisions.

Director Rodoni stated he would like to encourage staff to have the consultant not be too focused on any particular department within the District but to do an overview of the entire organization structure in order to gain insight and perspective.

On motion of Director Fraites and seconded by Director Petterle and unanimously carried the Board authorized the General Manager to work with an organizational consultant and explore options to the current organizational structure in an amount not to exceed \$5,000.

INFORMATION ITEMS:

ADDITIONAL REVIEW: NOVATO WATER EQUIPMENT BUDGET

Mr. Bentley provided the Board with the third of four reviews of the Proposed FY 05/06 Equipment Budget. He noted that one deletion has occurred since the Board last reviewed this budget, and that was the Operations Division's Portable Chlorine Monitor and Recorder (\$2,900) as further investigation revealed that it does not have the computer interface capabilities we had previously assumed. The proposed equipment budget now stands at \$341,600.

The Board reviewed a memo from the Superintendent of Construction with additional information about the proposed purchase of emergency pipe and cost analysis concerning the possible purchase of hybrid vehicles to replace meter reader pickups. Mr. Collins noted that staff believes that it may be premature to purchase hybrid vehicles for the meter readers as they need to have tools and equipment with them on their routes. Directors Fraites and Rodoni encouraged staff to research the possibility of hybrid pickups in the future and move in that direction when appropriate.

Director Baker inquired about the need for the Laboratory Information Management System, and Mr. Pablo Ramudo (who will become the Water Quality Supervisor this fall) explained the need for getting away from paper-based files and having electronic information compiled in a way that will generate necessary reports.

Mr. Bentley noted that a public hearing is scheduled for the proposed FY 05/06 Equipment Budget on June 21, 2005.

ADDITIONAL REVIEW: NOVATO WATER IMPROVEMENT PROJECTS BUDGET

Mr. Bentley presented the proposed Novato Water Improvement Projects Budget for FY 06/07 for the Board's third review.

Mr. Bentley stated that since the Board's last review, one project had been deferred to FY 2007, two will be completed this fiscal year and will be deleted from the FY 05/06 budget and three have been consolidated thereby reducing the FY 05/06 budget by \$102,000 and increasing the FY 06/07 budget by \$55,000.

Mr. Bentley stated that the FY 05/06 proposed budget now totals \$10.0 million, and includes \$5.0 million in Stafford Treatment Plant reconstruction projects. 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 \$2.8 million for FY 05/06 compared with \$2.3 million approved in FY 04/05.

Mr. Bentley noted that a public hearing on all Novato Water budgets is scheduled for June 21, 2005 Board meeting.

ADDITIONAL REVIEW: NOVATO OPERATIONS BUDGET

Mr. Bentley presented the second review of the FY 2005/2006 proposed Novato Operations Budget noting there had been minor changes since the last review which included (1) CalPERS completed its actuarial calculation and set the District's FY 05/06 Employer Contribution rate at 13.041%; (2) the cost for the annual financial audit was increased from \$12,000 to \$15,000; (3) the cost of the self-insured dental plan was increased by 0.7%; (4) temporary labor for the Construction Division was reduced by 2,500 hours; and (5) 1,000 hours of temporary labor was added to the Water Conservation Program.

The Board was provided a draft of the Water Rate Hearing Notice for the June 21, 2005 public hearing on the budget and requested any comments on the proposed ad to be submitted to staff. Mr. Bentley noted that based on the proposed budget the typical Novato customer would experience a \$30 per year increase in their water bills. Mr. Bentley stated that the Board had requested staff analyze two alternatives for consideration (whether the proposed increase should be on the commodity rate or on the service charge) and that information was also included.

QUARTERLY PROGRESS REPORT – OPERATIONS DEPARTMENT

Operations Superintendent Mike McMaster presented the third quarter report for the Operations Department. He noted that as in the last quarterly report, the Stafford Water Treatment Plant was officially shutdown in October for the last time in its present configuration. Since that time staff has been actively involved working with the contractor and the project manager on details for the new Stafford Treatment Plant.

Mr. McMaster noted that he and treatment plant staff have trained with experienced treatment operators in other jurisdictions gaining hands-on experience working with an operational Actifloc treatment system which is similar to one presently being installed at the new Stafford Treatment Plant, and all of the operators have now been through that program. He noted that additional inside staff training programs were also conducted during this period primarily on review of the new control screens for the new plant.

STAFFORD DAM OUTLET TOWER SLUICE GATE REPLACEMENT – ENGINEERING REPORT PREPARED BY C+D CONSULTING ENGINEERS

Mr. McIntyre stated an action item is anticipated on the June 7, 2005 agenda regarding the Stafford Dam Outlet Tower Sluice Gate Replacement. He stated the information is before the Board at this time to allow additional review time before action is requested at that meeting.

Mr. McIntyre stated that at the April 20, 2004 meeting, the Board authorized an agreement with Creegan and D'Angelo (C+D) Engineers to design repairs to the Stafford Dam outlet tower sluice gates. The objective of the project is to rehabilitate the existing sluice gates (including operators on the outlet tower). He stated that C+D teamed up with Underwater Resources (a diving subcontractor that had previously inspected the outlet tower) to perform the following three phases: Phase 1 – Inspection, survey, and as-built drawing preparations; Phase 2 – Preparation of engineering report to evaluate demolition and reconstruction alternatives, and Phase 3 - Preparation of contract documents for the selected alternative.

Mr. McIntyre stated that at the April 20, 2004 Board meeting, the Board authorized Phase 1 and Phase 2 services that have now been completed. Mr. McIntyre stated that C+D Engineers have identified two different construction alternatives in its Phase 2 report to move forward with Phase 3: (1) design/build, and (2) design/bid/construct. He stated that at the June 7, 2005, meeting staff would be bringing forward a recommendation for the Board to execute Phase 3 services with C+D Engineers based upon a design/bid/construct approach.

DISTRICT'S 2003 COMMENTS ON SANTA ROSA'S INCREMENTAL RECYCLED WATER PROGRAM (IRWP)

Mr. DeGabriele stated that at a previous meeting Director Fraites had requested a copy of the District's comments on the City of Santa Rosa's Incremental Recycled Water Program and those comments were included in the agenda packet. He stated that he would invite a representative from the City of Santa Rosa to address the Board regarding Santa Rosa's subregional recycled water program if the Board requested.

WATER ADVISORY COMMITTEE MEETING – MAY 2, 2005

Mr. DeGabriele reviewed the May 2, 2005 Water Advisory Committee (WAC) meeting. He stated that items of note at the meeting included the information that the Department of Water Resources has released its California Water Plan Update 2005 and public hearings are scheduled throughout the month of June (in Oakland on June 6, 2005). He also noted that WAC meetings were rescheduled for the remainder of the year to include only one meeting per month (the first Monday of each month) rather than the current two monthly meetings.

2004-05 MARIN COUNTY CIVIL GRAND JURY REPORT

The Board received the 2004-2005 Marin County Civil Grand Jury report entitled, "Water, Water Anywhere? A Review of Marin's Water Resources." Mr. DeGabriele stated that staff had been interviewed by the grand jury and also prepared a comprehensive report that included

extensive information on the District's water conservation programs. He noted the focus of the subject grand jury report was on Marin Municipal Water District rather than North Marin.

MISCELLANEOUS:

The Board received the following pieces of miscellaneous information: Letter from Lynn Woolsey re MTBE, Graphical History of NMWD PERS Contributions, Memo re ACWA Conference Summary – Spring 2005 (Bentley), and Letter Requesting CALFED User Fees Not Be Included in 2005-06 State Budget.

The Board also received the following news articles: Gravel Mining Ok'd for 1 Year (05/11/05), Is Bottled Water Better Than Tap? (05/09/05), Energy Agencies Face Consolidation (5/10/05), Marin County's Venture Into the Electricity Business (05/05/05) and New Rules May be Costly for County's Septic System Owners (05/03/05).

Director Fraites provided an article entitled "Water Districts Locking in Pacts for Useless Land." Mr. DeGabriele suggested inviting B J Miller or another expert to come and discuss with the Board about the delta issues.

Director Baker noted that he had received information that Mr. DeGabriele has passed the Special District Administrator Certification examination and is now certified as a Special District Administrator.

ADJOURNMENT

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

Submitted by

Joyce S. Arnold
District Secretary