

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 5, 2007**

CALL TO ORDER

President Petterle called the regular meeting of the Board of Directors of North Marin Water District to order at 7:30 p.m. at the District headquarters and the agenda was accepted as presented. Present were Directors Jack Baker, Steve Petterle, Dennis Rodoni and John Schoonover. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre. Director Rick Fraites was absent.

Sig Hansen of SPH Associates and District employees Robert Clark (Facilities Maintenance Superintendent), Mike McMaster (Operations Superintendent), Doug Moore (Construction Superintendent) and Ryan Grisso (Water Conservation Coordinator) were in the audience.

MINUTES

On motion of Director Schoonover, seconded by Director Baker and unanimously carried by those Directors present, the Board approved the minutes from the regular meeting of May 15, 2007 as mailed. On motion of Director Rodoni and seconded by Director Baker and unanimously carried by those Directors present, the Board approved the minutes from the special meeting with Marin Municipal Water District of May 22, 2007 as mailed.

HOT TAP DEMONSTRATION

The Board convened to the patio wherein a hot tap demonstration was performed by Construction Supervisor Tony Arendell and Construction Laborer Luis Ortiz. After the demonstration, the Board reconvened to the Board room at 7:50 p.m.

GENERAL MANAGER'S REPORT

County Community Choice Aggregation

Mr. DeGabriele reported that he and Robert Clark attended the Marin County Community Choice Aggregation task force meeting on Thursday for discussion on establishing goals. He stated that goals identified were: 1) for the CCA to try to maximize renewable energy in its energy portfolio at existing the PG&E rate; 2) offer customers opportunity to pay more if they are willing and obtain more renewable energy; and 3) conduct a poll to determine the public's current level of knowledge and opinion of the CCA.

Recycled Water Project

Mr. DeGabriele advised that the Recycled Water Project dedication will be Friday, July 20 at Stone Tree Golf Course. He said that recycled water is expected to be delivered to the golf course in mid-June and that Novato Sanitary District is continuing to operate the facility in the start-up phase and everything is going well.

OPEN TIME

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

Center Road Tank

Mr. McIntyre reported that the Center Road Tank is now in service. He said that there is communication and controls work still to be completed but that there has been an immediate hydraulic benefit to the overall operation of the Trumbull Pump Station. He said that the project should be completed in the next six to eight weeks.

West Marin Rate Survey

Mr. Bentley presented the annual survey of West Marin and Coastal Water and Sewer Rates and noted that North Marin continues to provide water service at the lowest cost among coastal water agencies and that he will present this information at the July 3rd Board meeting in Point Reyes Station.

New Hire

Mike McMaster advised the Board that Jeff Corda, currently with the Maintenance Department, has been hired as the new Assistant Water Treatment Distribution Operator. He further advised that applications for the Treatment Plant and Distribution Supervisor are being reviewed and interviews will commence next week.

CONSENT CALENDAR

On the motion of Director Baker, seconded by Director Rodoni and unanimously carried by those Directors present, the following items were approved on the Consent Calendar as amended:

HAMILTON FIREHOUSE CONVERSION (CITY OF NOVATO)

The Hamilton Firehouse Conversion project converts approximately 4,200 sf of commercial space to a history museum located at 555 Hangar Avenue and is part of the Hamilton Master Plan. New facilities include a 5/8" meter for domestic use, 40' of pipe and a 6" fire service. The existing 1.5" water meter now serving domestic and irrigation will be used solely for irrigation. Normal

pressure water service will be provided via Zone 1 and Facilities Reserve Charge equivalent to 15 EDUs was paid by Hamilton Field Project Phase 1 Agreement in 1995.

The Board authorized resolution No. 07-21 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with City of Novato."

2007 MARIN COUNTY FAIR ECO-SPERIENCE PARTICIPATION

Marin Municipal Water District is hosting an "Eco-sperience" fair at the Marin County Fair which will focus on sustainable living in a healthy environment and will include interactive exhibits from community groups, public agencies, non-profit and commercial enterprises. North Marin has tentatively notified MMWD that the District will set up and staff an interactive booth on Saturday, June 30 and Sunday, July 1 at a cost not-to-exceed \$1,500.

DISBURSEMENTS

Mr. Bentley noted that there is a \$60 credit adjustment to Line 127 of the Disbursements resulting in a total disbursement of \$838,179.59. The Board authorized for payment payroll and accounts payable vouchers totaling \$838,179.59.

ACTION CALENDAR

CUWCC BMP 11 REVISION

Ryan Grisso informed the Board that the proposed revision to the California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP) 11 Conservation Pricing is to create a 70% performance target for revenue from volumetric sales. He explained that "volumetric sales" is defined as revenue from water sales and not from fixed charges. He stated that this is a hot topic among some water districts, but that it will not have a material effect on North Marin as the District exceeds this requirement with an estimated 90% of revenue from volumetric sales. Mr. Grisso said that opposition to this revision by some utilities is based on the belief that approval of the revision might lead to rate control by the state instead of the local utility.

On motion of Director Rodoni, seconded by Director Schoonover, and unanimously carried by those Directors present, the Board approved and authorized staff to vote for approval of the BMP 11 revisions at the next CUWCC meeting.

REQUEST FOR PROPOSAL - STAFFORD TREATMENT PLANT SECURITY SYSTEM INSTALLATION

Mr. Clark summarized the previous request for proposals for the Stafford Treatment Plant Security System Installation and noted that bids were rejected because they had exceeded the engineer's estimate. He said that the current scope of work has been revised which is expected to reduce the costs to a more affordable range while still maintaining the integrity of the security

system and keeping within the Department of Homeland Security guidelines. Mr. Clark also stated that staff has explored the construction of on-site employee residence and estimates run between \$300,000 to \$500,000 for a modular home to be built on-site.

Director Baker stated that the on-site residence is a good idea, noting the considerable District investment in the new plant and encouraged staff to continue developing that idea.

Director Rodoni suggested that a trailer would provide temporary housing and may be suitable for a single employee and provide a presence at the treatment plant site.

Mr. Clark advised that the housing project would require state approval due to the proximity of the dam to the housing site.

Director Petterle clarified that staff's request for approval to solicit the RFP does not include the construction of the residence.

On motion of Director Schoonover, seconded by Director Baker and unanimously approved by those Directors present, the Board authorized staff to solicit the Request for Proposal for Stafford Treatment Plant Security System Design and Build Installation.

REQUEST FOR PROPOSAL – CONTRACT OPERATIONS AND MAINTENANCE FOR OCEANA MARIN WASTEWATER SYSTEM

Mr. Clark said that in 2002 request for proposals were solicited to outsource the operations and maintenance for the Oceana Marin wastewater system; however, it proved to not be cost effective due to unknown outage response time constraints. He advised that since that time, improvements have been made to the system to increase reliability, including improvements to the lift station (rotary lobe pumps and new variable speed drives) and a new standby power generator. Mr. Clark said staff proposes to solicit O&M bids from three outside contractors for work to begin in September.

Director Rodoni suggested that RFPs be sent to other special districts, i.e. Stinson Beach Water and Bolinas Public Utilities District.

On motion of Director Baker, seconded by Director Schoonover and unanimously approved by those Directors present, the Board authorized staff to solicit the Request for Proposal for Contract Operation and Maintenance Service of the Oceana Marin Wastewater System.

MILLER PACIFIC ENGINEERING GROUP - CONSULTING SERVICES AGREEMENT

Drew McIntyre stated that for the past five years, Miller Pacific Engineering Group has provided geotechnical support to the District under a Consulting Service Agreement with a limit of \$20,000. He informed the Board that Miller Pacific's contract limit is nearly exhausted and that he is

requesting authorization to enter into another contract for a not-to-exceed amount of \$20,000. Mr. McIntyre stated that Miller Pacific's services have been of high quality and at reasonable costs. He said that most recently, Miller Pacific has provided engineering services on the Center Road Tank and will provide geotechnical services related to the Palmer Drive Tank project.

On motion of Director Baker, seconded by Director Rodoni, and unanimously approved by those Directors present, the Board authorized the General Manager to execute an agreement for FY07-08 consulting engineering services with Miller Pacific Engineering Group for a not-to-exceed limit of \$20,000.

SPH ASSOCIATES - DESIGN ENGINEERING SERVICES – CHANGE ORDER NO. 13

Mr. McIntyre stated that in August 2003, the Board discussed SPH Associates requested additional reimbursement of up to \$74,795 to cover extra engineering costs incurred during the design phase of the project. He reminded the Board of the compromise agreement that the Board approved at that time to share the risk of construction change orders between the District and SPH and that the Board did not authorize payment until construction was completed and change orders tabulated. He explained that SPH would receive 100% of the requested extra engineering cost if change orders did not exceed \$100,000 and SPH would receive 0% of extra engineering costs if change orders exceeded \$500,000. Mr. McIntyre further explained that SPH Associates would receive a prorated payment in direct proportion to the amount of the extra work for change orders that fall between \$100,000 and \$500,000. He said that during the evolution of the project, change orders were tracked and he presented a tabulation of change orders identifying the amounts and reasons for the change orders. He said that Errors and Omissions change orders totaled \$103,606, and based upon the recommended performance-based payment schedule, change orders results show SPH receiving close to 100% of their request. He said the actual amount is \$74,121.

Mr. McIntyre noted that SPH Associates offered to the District a start-up phase contract to have additional consulting services during that phase of the project, but the District elected to not do that. He acknowledged that Mr. Hansen, nonetheless, has been very involved in the start-up phase of the project and has put in approximately 65 hours including site visits without any contractual obligation or cost to the District.

Director Rodoni stated that he recognizes that Mr. Hansen has put in many extra hours and the overall change orders are minor considering the size of the project. He said, however, that he had two questions for Mr. Hansen and Mr. McIntyre: are any of the problems related to the start up of the plant considered to be E&O issues, and if they are, are related costs included in the change orders?

Director Petterle reiterated Director Rodoni's concerns and said he recalled a meeting in February where concerns were expressed around the use of chlorine dioxide and air quality inside the plant.

Mr. McIntyre responded that the reason for the request at this time is because it was preferred to have a longer start-up period to ensure that any problems encountered were not a result of an improper design. He said the plant is being operated at or close to the design rate, and problems with the air quality has not posed a health risk, and other problems are normal during start-up and are not a reflection of the design. He said he feels comfortable that the majority of start-up issues were indicative of what to expect of any plant of this size.

Mr. McMaster addressed the issue of the chlorine dioxide and said that a consultant was hired to assist with resolving the problems and that no major modifications to the plant were made and the chlorine dioxide process is working well. He advised that the water quality is excellent and acknowledged the teamwork of the water treatment staff and praised their hard work and commitment.

Mr. Sig Hansen addressed the Board and said that this was a long process and the most difficult project he has worked on in forty years and that the project had taken a toll on his firm. He said that he did not have the ability to continue working with District staff during the start-up phase because of running out of resources due to the one year delay in completion of the project and that he provided some of the services on a pro bono basis. He thanked the Board and staff for their patience and support and stated that it turned out to be a good project with a good product.

Director Rodoni asked for confirmation that all problems have been addressed, especially the HVAC system, and that the HVAC system problems were not a result of a design problem.

Mr. McIntyre responded by stating that a partition wall was constructed and a few changes to the HVAC as a proactive measure were made, but that for the most part, the chemical regime is set up and the operating conditions have been fine tuned and that there are no longer the problems experienced during start-up.

On motion of Director Baker, seconded by Director Schoonover and unanimously approved by those Directors present, the Board authorized the General Manager to execute Change Order No. 13 to SPH Associates' Design Engineering Services Contract in the amount of \$74,121.

INFORMATION ITEMS

HET SURVEY INFORMATION

Mr. Grisso provided a summary of the High Efficiency Toilet giveaway conducted March 10. He said that 100 toilets were given away to 53 Novato residents and each customer was given a survey to be completed and returned. He informed the Board that 29 questionnaires were returned with a very high approval rating for the toilets' performance and the distribution program. Mr. Grisso said that he is planning on another distribution of approximately 350 toilets in late August or early September on a first come first serve basis.

SECOND REVIEW – PROPOSED FY 07/08 NOVATO EQUIPMENT BUDGET

Mr. Bentley presented the second review of the proposed FY 07/08 Novato Equipment Budget and noted that there have been no changes since the last review and that the budget is less than the previous and current years' budgets.

SECOND REVIEW – PROPOSED FY 07/08 NOVATO IMPROVEMENT PROJECTS BUDGET

Mr. Bentley said that there have be two changes incorporated into the Improvement Projects Budget since the last review: the Recycled Water Improvements Budget is now included with the Recycled Water Operating Budget; and the Kendon Lane paving project was replaced with 2007 Pavement Rehab, Phase 2 with no change in the \$10,000 budget amount.

SECOND REVIEW – PROPOSED FY 07/08 NOVATO WATER OPERATIONS BUDGET

Mr. Bentley reported that at the recommendation of Director Rodoni there have been significant changes to the Operations Budget to reduce the proposed operating budget by \$350,000. He said that all department heads contributed to the reduced budget and that training, conferences and travel are being cut back. He noted that the 20¢ /1,000 gallon rate increase for non-residential customers that will go into effect August 1, 2007 has been factored in and that adds \$120,000 to the budgeted revenue during FY 08. A public hearing on the rate increase will be held on July 17, 2007.

Director Rodoni thanked staff for their efforts in reducing the operating budget and suggested that "non-residential accounts" be added to the "Effective Date" line on the public hearing notice.

SECOND REVIEW – FY 07/08 NOVATO RECYCLED WATER OPERATIONS BUDGET

Mr. Bentley noted that there have been three changes to the Recycled Water Operation Budget since the last review: the annual chemical expense was increased to \$15,000; in the Improvement Project schedule, Recycled Water Treatment Facility was reduced by \$40,000; and the RWF Expansion to NFPD Station #2 was increased by \$40,000. He stated that the facility is

projected to generate \$22,000 surplus in the first year and the first year's budget does not include re-payment of the principle of the SRF loan and adds \$190,000/year in expenses beginning in FY 09.

HYDRANT DAMAGE - HISTORY OF RECOVERY

Mr. Bentley said that Director Baker inquired how successful the District is in recovering damages for hydrant damage. He said that staff went back five years and determined that the average cost for repair is \$1,300 and that the District has recovered 75% of costs primarily through claims against the driver's auto insurance.

SANTA ROSA INCREMENTAL RECYCLED WATER PROGRAM – DISCHARGE COMPLIANCE PROJECT

Mr. DeGabriele reported that the District received a revised Notice of Preparation for Santa Rosa's Incremental Recycled Water Program – Discharge Compliance Project and reminded the Board that the District provided comments to the original Notice of Preparation in August 2006. Mr. DeGabriele said that since that time, Santa Rosa has released a draft Screening Report that the Board reviewed, and held a workshop on pharmaceuticals and endocrine disrupters. He stated that the revised Notice of Preparation has addressed North Marin's comments and now includes additional treatment to the recycled water prior to discharge with two alternatives. He further stated that although it was not known which alternative Santa Rosa will select, they are moving in the right direction. Mr. DeGabriele said that if the Board concurs, he prefers to wait until the Environmental Impact Report is released before making additional comments.

JUNE 1, 2007 - NORTH BAY WATERSHED ASSOCIATION MEETING

Mr. DeGabriele provided a report on the North Bay Watershed Association meeting held on June 1, 2007 and noted that there were two presentations: Amy Hutzler, State Coastal Conservancy, who gave a report on wetlands restoration, including the Napa Salt Marsh; and Sydney Temple, Questa Engineering, who presented information on Novato Creek erosion and guidance for property owners on repair methods, obtaining permits and how to evaluate changes to affect the natural stream course.

JUNE 4, 2007 - TECHNICAL ADVISORY COMMITTEE MEETING

Mr. DeGabriele reported that the Water Project Subcommittee discussed moving forward with the Temporary Impairment MOU and that the Water Conservation Subcommittee discussed the voluntary water conservation efforts, including compiling a "top ten list" of water conservation tips, that will be distributed to customers. He said that the water agency has developed a campaign featuring "Lola the Ladybug" and "Wilson the Worm" as characters to advertise these tips in print

ads in the region. He said ads will also run on television, the Internet, movie theatres, press releases, etc. Mr. DeGabriele said that North Marin has new nalgene "Bottle Your Own" water bottles that are being given to customers after customers sign a pledge to conserve water. He said that Mr. Grisso is distributing these bottles at the farmers market and are very popular with customers. Mr. DeGabriele further reported that he and Mr. Grisso advocated that the No.1 priority on the top ten list be a 20% reduction of irrigation; No. 2, to find and repair leaks. Additionally, Mr. DeGabriele said that the operations group met and developed a list of local and recycled water supply that will be available this summer. He said that the contractors and agency have put in a good faith effort to reduce diversions from the Russian River this summer.

Mr. DeGabriele reported that today, Krishna Kumar, Vice-Chair of the TAC, made a statement to the State Board in support of the Agency's request for temporary urgency change. And, finally, Mr. DeGabriele advised that the TAC discussed moving forward with the Sonoma Marin Saving Water Partnership and noted that the Restructured Agreement will not authorize payment of water conservation funds to Marin Municipal and he has been asked by the TAC to work with the SCWA attorney to find a resolution of that situation.

PRESENTATION: NBWA "TRIPLE A WATERSHED MANAGEMENT"

Mr. DeGabriele introduced the North Bay Watershed Association "Road Show" entitled, Triple A Watershed Management: Awareness, Adoption, Action." He said that the District contributed funds for the "Road Show" and that it is intended that NBWA members will make this presentation to public agencies and civic groups that have land use authority or interest to become more aware of their impacts on the watershed. Mr. DeGabriele proceeded with the Powerpoint presentation for the Board.

MISCELLANEOUS:

The Board received the following miscellaneous information: Review of Scheduled Agenda Items, ACWA Region 1 Tours Stafford Lake Treatment Plant and Letter of Thanks, Letter from Division of Safety of Dams Re Outlet Tower Repairs/Sluice Gate Replacement, Letter from Jared Huffman Re AB 1260, Survey of Director's Compensation.

The Board also received the following news articles: NMWD Consultant Assists Business to Implement Water Conservation Efforts (6/2007), NMWD Request 15% Voluntary Reduction in Water Usage (6/2007), Wastewater Plant Project to Start After Holiday (5/25), Study Sought for Lake Mendocino (5/24), Workers Find 'American Dream' (5/23), Tap Water Might Be Making a Comeback (5/22), Bill Would Turn Up Heat on Bottled Water (5/21), Quality tops Concerns for Wastewater Project (5/21), Boxer Gives California a Shot at Big Federal Bucks (5/17), Recycled

Sewage Water to Boost Lake Elsinore's Fluctuating Level (5/16), County to Study Low River Flows (5/16), Farmers, Vintners Cool to Prospect of Recycled Water for Irrigation (5/16), Redwood Valley Fears Critical Water Shortage (5/16).

ADJOURNMENT

President Petterle adjourned the meeting at 9:28 p.m.

Submitted by

Renee Roberts
District Secretary