

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 6, 2006**

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, 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.

District employees Robert Clark (Facilities Maintenance Superintendent), Carmela Chandrasekera (Assistant Engineer), Dianne Landeros (Accounting/HR Supervisor), Ed Nute and Gary Robards of Nute Engineering, Mary Grace Pawson of Winzler & Kelly, James Wilson, Khosrow H. Fallah and Lisa Sutton were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

Main Break

The General Manager reported that a major water main break occurred this afternoon on the 12" main on South Novato Boulevard near Rowland Avenue and that approximately 700,000 gallons of water have been lost. He said that District crews responded and valved off the area within 45 minutes and that water service to four surrounding businesses had been interrupted, but that no residential properties were out of water.

H2O How2 Fair

Mr. DeGabriele reported that the H2O How2 Fair held at the Marin Civic Center on Saturday was well attended.

Meeting with Don Neubacher

Mr. DeGabriele said that he met with Don Neubacher of the Pt. Reyes National Seashore and discussed the need for Federal monies for West Marin projects and recycled water and that a meeting with congressional officials will be arranged in the future. He stated that Director Rodoni will be part of that meeting.

Las Gallinas Valley Recycled Water Facility

The Manager stated that he and Mr. McIntyre toured the Las Gallinas Recycled Water Facility, and he announced that the City of Petaluma's Wastewater facility tour is on Saturday.

OPEN TIME

Water Bottles

Renee Roberts distributed the NMWD water bottles to the Board and reported that customers are very happy to receive them.

H2O How2 Fair

Director Fraites stated that he dropped by the H2O How2 Fair and was impressed with the turnout.

CONSENT CALENDAR

Chief Engineer Drew McIntyre requested that Item 4, Water Agreement - Cherry Hill Pipeline Extension and Item 5, Water Agreement – Davidson Street Land Division – Fallah be removed from the Consent Calendar for further discussion.

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

AMENDED AGREEMENT FOR RECYCLED WATER SERVICE TO BLACK POINT GOLF LINKS

The original Agreement for Recycled Water was approved by the Board on October 4, 2005 and at that time the Board was informed that the Estimated Costs in the agreement would need to be amended to reflect escalated construction cost price increases. At the April 18, 2006 meeting the Board authorized the General Manager to execute an agreement with Maggiora & Ghilotti for the construction of the project and the Board was provided with the updated cost estimate showing an increase of approximately 14% over the August 2005 initial estimated costs.

The Board approved Resolution No. 06-21 entitled, "Authorization of Execution of Amendment No. 1 to Recycled Water Service Facilities Construction Agreement With Black Point Partnership, L.P."

REVISED POLICIES NO. 11 AND 12

The Board adopted revisions to Policy Number 11 – Liability Contingency Fund Application and Policy Number 12 – Attorney's Attendance at West Marin Meetings.

REVISED POLICY STATEMENT - SERVICE FROM NORTH MARIN AQUEDUCT AND REVISED RESOLUTION 1230 – COOPERATIVE PLANNING FOR NOVATO-PETALUMA CORRIDOR

The Board approved the revised Policy Statement – Service from North Marin Aqueduct reflecting the General Manager's recommendation that request for water service would only be considered for lands outside the Novato Service Territory within the South Petaluma Blvd. Specific Plan or along the Highway 101 corridor which have received land use approval from the County of Sonoma and/or City of Petaluma and currently receive water service from the District, provided, however, that no expansion of water service will be allowed beyond the limited historical entitlement as solely determined by the District.

The Board also approved revision to Resolution 1230 entitled, "Resolution of the Board of Directors of North Marin Water District Indicating Support of Cooperative Planning Effort for Novato-Petaluma Corridor and Intent to Communicate With All Affected Agencies Regarding Any Proposed New Water Service Connections in the Corridor."

DISBURSEMENTS

The Board approved and authorized for payment payroll and accounts payable vouchers totaling \$522,481.79 and estimated payroll for June of \$263,000.

ACTION CALENDAR

Water Agreement – Cherry Hill Pipeline

Mr. McIntyre reviewed the project and stated that this project will provide water supply to two new developments, Oleander Land Subdivision and Novato Gateway located east of Highway 101 at DeLong Avenue. He stated that the Phase 1 portion of the pipeline installation was completed in February 2005 and this new agreement encompasses a pipeline segment that connects to the end of the Phase 1 portion, runs cross-country and connects to the Cherry Hill Tank water main at Robin Hood Drive. Mr. McIntyre further advised the Board that this pipeline segment was initially planned for construction under the Board approved Rudnick Estates Project and that all financial requirements have been met including the submittal of performance and maintenance bonds. He said that District Legal Counsel has advised that the District obtain separate Performance and Maintenance Bonds from the current applicant for this additional work in accordance with standard District procedures and policies. Mr. McIntyre introduced James Wilson who requested to address the Board.

Mr. Wilson requested that the Board waive the necessary Performance Bond because he has invested \$800,000 in the pipeline that has previously been installed, and that he is fully committed to completion of the project. He stated that acquiring a performance bond would be a

financial hardship and requested that the existing maintenance bond be extended to cover the additional cost. He stated that he would be agreeable to posting a personal Certificate of Deposit payable to North Marin Water District if absolutely necessary to move the project forward.

Director Baker cautioned against setting a precedence in waiving a performance bond and Directors Rodoni and Petterle concurred.

On motion of Director Petterle and seconded by Director Baker, the Board unanimously approved Resolution 06-22 entitled, "Authorization of Execution of High Pressure Water Service Facilities construction Agreement with the DeLong Pipeline, Ltd."

WATER AGREEMENT – DAVIDSON STREET LAND DIVISION - FALLAH

Mr. McIntyre stated that the project is a two-lot land division, and involves killing the existing service to the property and installing two new services. He stated that the applicant, Khosrow Fallah, has been working with the City of Novato for some time going through the design review process and that during that time, the District has increased its connection fees from \$6,400 to \$8,600. Mr. McIntyre explained that the delay in bringing this agreement before the Board was due to Mr. Fallah's difficulty with the city during the approval process and that Mr. Fallah is requesting that the lower connection fees be assessed. He stated that Mr. Fallah was advised at the time that connection fee increases were proposed and that, although staff is sympathetic to Mr. Fallah's situation, there is concern with setting a precedent and recommended that Mr. Fallah be required to pay the current connection fee amount.

Mr. Fallah addressed the Board and explained his frustration with getting his project approved by the city and that now he is concerned with installing his water lateral before the city's four-year street paving moratorium goes into effect and requested that he be allowed to pay the lower connection fee.

Director Baker moved that the District and Mr. Fallah split the difference between the new and old rate and require Mr. Fallah to pay \$1100. The motion failed due to lack of a second.

On motion of Director Rodoni and seconded by Director Fraitess, the Board approved Resolution 06-23 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Khosrow H. Fallah" by the following vote:

AYES: Director Fraitess, Petterle, Rodoni, Schoonover
NOES: Director Baker
ABSTAIN: None
ABSENT: None

CONSIDER: ADDITIONAL BILL ADJUSTMENT – SUTTON

Mr. Bentley reviewed the events leading to the request for an additional bill adjustment by Ms. Lisa Sutton. He stated that the Suttons experienced an irrigation leak on a portion of their 8-acre property that went undetected and suffered a 1.4 million gallon water loss resulting in a bill of \$8,678. He stated that Ms. Sutton received a leak adjustment per District policy in the amount of \$4,367, but that Ms. Sutton is asking for further relief. Mr. Bentley stated that staff is sympathetic and presented four options for the Board's consideration: the Suttons pay \$4,367 per District Bill Adjustment Policy; reduce the bill amount to the District's cost of water from the Sonoma County Water Agency (\$1,919); waive the Conservation Rate Incentive surcharge, then split the difference (\$1,733); or use the prior Bill Adjustment Policy to determine the amount owed (\$934).

Ms. Sutton addressed the Board and reviewed the series of events that led to the discovery of the leak. She stated that the leak occurred during the rainy season, the irrigation system was not on at the time, the leak was discovered in an underground pipe in a far corner of the property and that her husband, who periodically checks the system, was recuperating from heart surgery.

The Board discussed the four options presented. Director Rodoni stated that the CIR was not intended to be a penalty for a leak and stated he was in favor of the third option.

Director Baker stated that he sympathized with the situation but stated that ratepayers should not subsidize the leak and favored the second option.

Director Schoonover stated he agreed with Director Rodoni.

Director Petterle stated that in this case, the community can absorb this loss as it was not a flagrant abuse and moved that the Board approve the fourth option - use the prior bill calculation method in the Bill Adjustment Policy superseded January 3, 2006. There was no second.

Director Baker moved that the Board approve the second option, reduce the bill to the cost of the water the District paid to the Sonoma County Water Agency, seconded by Director Fraites but the motion did not pass by the following vote:

AYES: Directors Baker, Fraites
NOES: Directors Petterle, Rodoni, Schoonover
ABSTAIN: None
ABSENT: None

On motion of Director Rodoni and seconded by Director Petterle, the Board unanimously approved to waive the CIR surcharge on the original bill, then split the difference resulting in a bill of \$1,733.27.

APPROVE: NOVATO RECYCLED WATER IMPLEMENTATION PLAN

Mr. McIntyre introduced Ed Nute of Nute Engineering and Mary Grace Pawson of Winzler and Kelly who are at the meeting to present the Novato Recycled Water Implementation Plan.

Mr. Nute made a PowerPoint presentation that reviewed the Plan objectives, Project Identification Criteria, Potential Anchor Customers and information on three proposed project areas. He stated that the first recommended project expansion would be to extend recycled water to Valley Memorial Park Cemetery and Fireman's Fund from an expanded treatment facility now being constructed by Novato Sanitary District to serve StoneTree Golf Course. Mr. Nute said that the second expansion area would be the Hamilton Field area and recommends that the District cooperate with Las Gallinas Valley Sanitary District and/or MMWD to deliver recycled water from their treatment plant into that area and the third feasible area is the Central Novato area which can be served by recycled water once the Novato Sanitary District treatment plant is upgraded.

Mary Grace Pawson reviewed the implementation issues that include Interagency Agreements, CEQA, Recycled Water Regulations, Public Information and Outreach, Program Funding and Customer Hookups and Retrofits. She encouraged the District to secure partnerships with the Novato Sanitary District, Novato Unified School District and the City of Novato and to begin public information and outreach to potential customers, both commercial and residential.

The Board had many questions and there was a lengthy discussion of the project. The Board was advised that the cost of the project is approximately \$30 million and that the biggest challenge is to find funding to develop the recycled water expansion.

On motion of Director Fraites and seconded by Director Petterle, the Board unanimously adopted the Novato Recycled Water Implementation Plan.

APPROVE: ANNEXATION FOR PARCEL L – 55 OCEAN VIEW BLVD.

Mr. McIntyre described the area of the Oceana Marin service territory and the Oceana Marin Improvement District and pointed out that Parcel L is within the Oceana Marin service territory but not the improvement district. He stated that the property owner has requested that this parcel be annexed into the improvement district. Mr. McIntyre stated that a condition of annexation would be that the District would require the applicant to enter into an agreement and covenant with the District for all lots noticing of odors and aerosols from the sewage treatment ponds and stipulating that property owners will make no claims regarding these issues. He stated that this parcel has been identified in the Long-Range Master Plan for Oceana Marin Wastewater System.

On motion of Director Fraites, seconded by Director Petterle the Board unanimously agreed to declare intent to proceed with the annexation requested and provide service to the subject parcel pursuant to District regulations including payment of all charges for annexation and service.

APPROVE: NORTH BAY WATER REUSE AUTHORITY PARTICIPATION

Mr. DeGabriele stated that the District received an invitation from the Novato Sanitary District to share its membership in the North Bay Water Reuse Authority (NBWRA) and that the estimated cost would be \$56,000 in FY 06/07 and \$39,000 in FY07/08. He stated that the District would share costs with NSD for the preparation of an Environmental Impact Report which will encompass the District's Novato System Recycled Water Implementation Plan and that it makes sense to partner with Novato Sanitary District and participate in the NBWRA to reduce the District's cost to prepare an EIR alone. Mr. DeGabriele stated that an agreement with Novato Sanitary District will need to be drafted to define the terms of the shared membership.

On motion of Director Baker, seconded by Director Rodoni, the Board unanimously approved acceptance of Novato Sanitary District's invitation to share membership in the North Bay Water Reuse Authority and direct staff to develop a cooperative agreement/amendment to the Interagency Agreement with Novato Sanitary District and include funding for same in FY 06/07 and FY07/08 Improvement Project Budgets.

APPROVE: PURCHASE OF NEW ACCOUNTING SOFTWARE

Mr. Bentley stated that the District intended to purchase accounting software next fiscal year but because the Laboratory Information System could not be installed due to inadequate hardware, the Accounting Supervisor suggested to use that money to purchase accounting software this year. He stated numerous accounting software packages were reviewed and that Sage MAS fits the requirements of the District, has local support, and comes with very good recommendations from other businesses.

On motion of Director Baker and seconded by Director Fraites, the Board unanimously approved the purchase of new Sage MAS accounting software using \$44,000 from the FY06 budget for the Laboratory Information Management System and to add a FY 07 project for implementation, training and data file conversion for \$92,000.

APPROVE: MEMORANDUM OF UNDERSTANDING REGARDING WATER TRANSMISSION SYSTEM CAPACITY ALLOCATION DURING TEMPORARY IMPAIRMENT

Mr. DeGabriele presented the Memorandum Of Understanding Regarding Water Transmission System Capacity Allocation During Temporary Impairment and stated that the Board

approved the previous version that included Marin Municipal Water District in September 2005 and that this version excludes MMWD. He stated that everything else in the MOU is the same.

On motion of Director Fraites and seconded by Director Petterle, the Board unanimously adopted Resolution 06-24 entitled, "Resolution of the Board of Directors of North Marin Water District Authorizing the Execution of Memorandum of Understanding Regarding Water Transmission System Capacity Allocation During Temporary Impairment" and authorized the General Manager to file the Notice of Exemption with the County of Marin.

INFORMATION ITEMS

INITIAL REVIEW WEST MARIN BUDGETS

Mr. Bentley presented the West Marin Budgets for initial review and stated that a 6% increase is proposed for most West Marin Water System customers and that connection fee increases are proposed for both systems, however, no increase for monthly sewer service charge is proposed for Oceana Marin.

Water

Mr. Bentley stated that two major projects, design and construction of a new water treatment plant in Point Reyes (\$2.8 million) and construction of the Gallagher pipeline (\$1.6 million) places an unaffordable financial burden on the West Marin water system. He stated that staff will apply for federal funding for these projects and that, due to their size, their cost is not reflected in the five-year financial plan. The proposed commodity rate increase will generate \$33,000 per year.

Mr. Bentley stated that the Conservation Incentive Rate adopted last year has resulted in a decrease in the water use in the West Marin Service area and has generated less than \$2,000 over the first eight months of implementation (\$15,000 in revenue was projected for the entire year).

The Auditor stated that the new water treatment plant has been factored into the connection fee calculation resulting in an increase to \$9,500 per equivalent dwelling unit, a 129% increase. Mr. Bentley said that the Reimbursement Fund Charge is also recommended to be increased seven-fold to \$1,950.

Sewer

Mr. Bentley reported that Oceana Marin continues debt free. He reminded the Board of the ad valorem tax grab by the governor that occurred in FY 05 and 06 to offset the state budget shortfall and that the monthly sewer service charge was increased \$5 to offset the tax grab. He stated that the District planned to remove the \$5 sewer service charge when the money is returned

by the State in FY 06/07, but that the Manager felt that reducing the charge at this time is premature.

Mr. Bentley stated that the proposed \$9,000 Connection Fee incorporates the need for expansion of the irrigation field. He advised the Board that Oceana Marin's Parcel L has a potential development of four to five new connections and Parcel K has a potential sixteen new connections.

Mr. Bentley stated that a public hearing to consider the proposed water rate increases and water and sewer connection fee increases and to adopt the water and sewer budgets is scheduled for June 27, 2006 in Point Reyes.

ADDITIONAL REVIEW – PROPOSED FY06/07 EQUIPMENT BUDGET

Mr. Bentley stated that the Board had expressed concern about the upward trend in equipment expenditures and, therefore, is presenting an additional review of the proposed FY06/07 equipment budget. He said that approximately 25% of the amount of items previously proposed were cut but that two items were added: an additional \$20,000 for the Laboratory Information System and \$14,000 for a mini pick-up for the Water Conservation Coordinator, leaving a net reduction of \$61,300.

Director Rodoni expressed the Board's appreciation to staff for its additional review of the equipment budget.

OLD RANCH ROAD TANK OUTAGE – MAY 28, 2006

Mr. DeGabriele informed the Board that power service to the pumps feeding the Old Ranch Road Tank was interrupted due to a PG&E transformer failure on Friday May 26. He stated that on Sunday morning, residents called reporting that they were out of water and District Maintenance staff responded to aid in restoring power to the pump station and staff performed all required steps to insure the safety of the water delivered to affected District customers.

2006 ANNUAL FLUSHING PROGRAM REPORT

Mr. Clark provided the Board with information on the 2006 Annual Flushing Program and stated that this year's program was performed with less people and used less water and was met with great success. He acknowledged Dan Garrett who did an effective job running the program.

NORTH BAY WATERSHED ASSOCIATION MEETING – JUNE 2, 2006

Director Fraites recapped the highlights of the North Bay Watershed Association meeting held on June 2, 2006 and stated that there was an interesting presentation on Habitat Restoration on Lower Novato Creek.

WATER ADVISORY COMMITTEE MEETING – JUNE 5, 2006

Mr. DeGabriele recapped the Water Advisory Committee meeting held on June 5, 2006 and stated that the all contractors have approved the Restructured Agreement and that Sonoma County Water Agency has agendized its approval for June 20, 2006. He also stated that he advised the WAC that he will be restarting the Sonoma Marin Water Partnership, and that the next WAC meeting will be held in August with the reconfigured WAC that will be made up of an elected member of each contractor’s governing board. Mr. DeGabriele said that the District’s representative designated in December 2005 by President Schoonover is Director Baker and the alternate will be Director Schoonover. He said that the Restructured Agreement also creates a Technical Advisory Committee and he will serve as the District’s representative.

MISCELLANEOUS

The Board received the following Miscellaneous Information: Review of Scheduled Agenda Items, Zone 1 and 2 Optimization and Disinfection Evaluation, Outside Auditor Porter and Company Review of Cash Handling, Increase in Leak Complaints with “Nothing Found”, Hydrant Damage at Indian Valley College – Small Claims Filing.

The Board also received the following News Articles: Utility Embezzler Sentenced (5/24, Funds Earmarked for Wetlands (5/24), Ex-Utility Clerk Sentenced for Embezzlement (5/23), SR Owes Water-Saving Policies to One Woman (5/23).

ADJOURNMENT

President Schoonover adjourned the meeting at 10:02 p.m.

Submitted by

Renee Roberts
District Secretary