

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
July 7, 2009**

CALL TO ORDER

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

Susan Nelson of Point Reyes and District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent), and Katie Young (Administrative Assistant) were in the audience.

MINUTES

On motion of Director Schoonover seconded by Director Fraites the minutes were approved by the following vote:

Ayes: Directors Fraites, Schoonover, Petterle, Rodoni

Noes: None

Absent: None

Abstain: Baker

GENERAL MANAGER'S REPORT

Meeting with City of Santa Rosa Public Utilities

Mr. DeGabriele stated that he will attend a meeting on Friday, July 10th with the City of Santa Rosa Board of Public Utility members, and Krishna Kumar, Vice-Chair of the Technical Advisory Committee (TAC), to discuss the water supply issue and the working relationship between the Sonoma County Water Agency and the water contractors. He advised that he will report back to the Board the results of the meeting at the next meeting.

Indian Valley Homeowners' Association Meeting

Mr. DeGabriele reported that on June 20th he attended the Indian Valley Homeowners' Association meeting. He stated that it was well attended and he answered questions about water conservation and the mandatory water restrictions. He said that Supervisors Arnold and Kinsey were also present, and that he had an opportunity to speak with Supervisory Kinsey who

recommended that North Marin Water be represented at the Wine Country Water Summit on July 16th as it is important for the agricultural interests in Sonoma County to know that North Marin is interested in Russian River water supply. Mr. DeGabriele asked if any Board members wished to attend the July 16th meeting and Directors Fraithe and Pettele agreed to attend.

Director Baker asked Mr. DeGabriele if he received any negative comments because many of the most vocal people present at the rate increase public hearing were members of the Indian Valley Homeowners Association. Mr. DeGabriele said that he was the last to be introduced and was introduced into silence; but nonetheless, there were some good questions and he stayed around following the meeting to answer individual questions.

Oceana Marin Homeowners' Association Meeting

Mr. DeGabriele said that in two weeks, on July 18th, either he or Robert Clark will attend the Oceana Marin Homeowners Association meeting.

OPEN TIME

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

STAFF / DIRECTORS' REPORTS

President Rodoni asked if staff or Directors wished to bring up any other items not on the agenda and the following items were discussed:

Joe Kauwe

Drew McIntyre informed the Board that about two weeks ago, Joe Kauwe was found incoherent in his car in the District parking lot and that 911 was called. He said that Mr. Kauwe was taken to Kaiser, was in ICU for about a week and a half and that he is now recovering at home.

Public Hearing

Director Schoonover said that since the time of the public hearing was not noted on the agenda, the Board wait and see if there would be more attendees. Mr. Bentley stated that there were notices sent out to all West Marin and Oceana Marin customers, as well as advertisements in local papers, stating the time of the hearing would be 7:30 p.m.

HEARING/APPROVE: WEST MARIN WATER BUDGET

Mr. Bentley presented the proposed West Marin Water FY 09/10 Budget for the Board's final review and approval. He stated that staff is proposing a 9% commodity rate increase, a 25% increase in the minimum service charge, a new residential tier rate, a non-residential seasonal rate,

and that staff is also recommending an increase in the West Marin Water connection fee. He advised that the District mailed individual letters to all West Marin water customers notifying them of the proposed rate increase and hearing, letters advising of the proposed connection fee increase were sent to potential developers; and the public hearing and proposed rate increase was noticed in the Point Reyes Light. Mr. Bentley stated that he received a total of six calls in response to the letters. Mr. McIntyre added that the Engineering Department received additional calls regarding the connection fees and that interest is being generated in moving projects forward prior to the proposed August 1 connection fee increase effective date.

Mr. Bentley presented a PowerPoint presentation that detailed the proposed rate increases. Mr. Bentley said that a 9% increase to commodity rate and a 25% minimum service charge increase is proposed. He advised that an additional residential tier rate for consumption between 400 to 900 gallons per day is recommended and that the District is proposing a seasonal rate for all non-residential use between June 15 through October 31. Mr. Bentley said that the typical water customer will see a \$49 increase in their annual cost of water.

Mr. Bentley said that there was a debate on where to set the threshold for the additional tier for residential customers; staff had recommended 300 gallons per day. He said that Director Rodoni opined that that was too stringent and had suggested that 400 gallons per day was more reasonable, affecting about 34% of customers. He said once the tier rate goes into effect, customers will modify their consumption and water use will drop, and that the point of the imposing an additional tier is to encourage water conservation.

Mr. Bentley stated that factors considered in calculating the increase in the connection fees were the ongoing improvement projects, reduction in anticipated growth, project cost increases and the addition of the debt owed by West Marin Water to Novato Water incurred to construct the projects identified in the Long Range Improvement Project Plan. Mr. Bentley stated that 25% of Improvement Project costs are attributed to new development; and therefore, new development should pay 25% of the \$457,000 debt owed to Novato. He said that \$22,800 is the recommended connection fee, a 140% increase, to provide \$2.28M over the next 20 years for improvement projects. The proposed connection fee increase would be effective on August 1, 2009.

Director Baker asked if the assumption of five new connections per year is optimistic. Mr. Bentley said that the District looked at the past 10 years' connection history and felt that five new connections were realistic. Director Rodoni said that five new connections for the next year or two is realistic.

Mr. McIntyre summarized the West Marin Improvement Projects plan. He said that significant projects budgeted for the coming fiscal year are the two-inch galvanized steel pipe replacement in Paradise Ranch Estates; seismic upgrades of Point Reyes storage tanks, and the planning, design and land acquisition for construction of a solids handling tank near the Point Reyes Treatment Plant. He highlighted significant projects in the Five-Year Improvement Projects plan including ongoing water conservation programs, replacement of the 25,000 gallon tank in Paradise Ranch Estates, the Gallagher Well Pipeline Project, and Treatment Plant Modifications and noted that it is anticipated that the Gallagher Well Pipeline Project and Treatment Plant Modifications projects will be funded by loans and/or grants.

Mr. Bentley explained the five-year plan of paying off the debt that West Marin Water owes Novato Water and said that if all assumptions are realized, the debt will be paid off in 2013 and there will be no water rate increase in FY14. He stated that operating expenses are budgeted to increase 2% over last year. He said that the District's rate comparison with other coastal areas show that, even with the proposed increases, West Marin water cost remains at the lowest of the agencies surveyed.

President Rodoni opened the public hearing at 8:05 p.m.

Susan Nelson of Point Reyes stated that she has a combined residence and bed & breakfast on Highway 1. She said that she belongs to a group of 16 small lodging businesses. Ms. Nelson said that her group is concerned about how to educate their guests about saving water without curtailing their vacation experience. She said that they cannot police their guests' water use.

Director Fraitess suggested putting a notice on the bathroom counter informing guests of the water shortage and the importance of conserving water. Director Rodoni offered to have the District Water Conservation Coordinator, Ryan Grisso, provide information to them on how to educate their customers. Mr. DeGabriele said that Mr. Grisso will give her a call and work with her group to get them literature or cards and the District will do its best to help out.

President Rodoni closed the public hearing at 8:11 p.m.

Director Rodoni stated that the rate increases are as predicted to cover costs for the Long Range Improvement Plan and payback Novato Water. He said the tier rates were requested by the public to be consistent with Novato. He stated that he thinks the proposed connection fee increase is huge and he asked that the Board consider spreading out the increase over two years as was done in Novato; half in the first year and the balance in the second year. He further stated that the

second year would be subject to review. Director Rodoni said that people have contacted him asking why the increase is so large, and said that the District needs to increase rates in small increments every year to avoid such large increases at one time.

Director Petterle asked what the connection fee would be if divided between two years. Mr. Bentley responded that the fee would be \$16,150 on August 1, 2009 and \$22,800 on August 1, 2010.

On the motion of Director Schoonover and seconded by Director Fraites the Board unanimously approved Resolution 09-20 entitled, "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54 – Water Rates" to increase the Commodity Rate 9%, increase the West Marin Water Minimum Service Charge by 25%, institute a New Residential Tier Rate and a Non-Residential Seasonal Rate.

On the motion of Director Petterle and seconded by Director Schoonover the Board unanimously approved the connection fee increase to \$16,150 beginning August 1, 2009 and \$22,800 on August 1, 2010.

On the motion of Director Petterle and seconded by Director Baker the Board unanimously approved the proposed West Marin Water budget for FY10 as amended by spreading the connection fee increase over two years.

On the motion of Director Schoonover and seconded by Director Baker the Board unanimously approved the authorization for the General Manger to pay demands arising from execution of the budgeted West Marin Water expenditure plan.

HEARING/APPROVE: OCEANA MARIN SEWER BUDGET

Mr. Bentley presented the proposed FY10 Oceana Marin Sewer budget for the Board's final review and approval. He stated that there is no increase in the monthly sewer charge proposed; however, staff has recommended a connection fee increase of 69% to \$15,200 per equivalent dwelling unit. He stated that the District mailed letters to potential developers and received no calls; and the public hearing and proposed fee increase was noticed in the Point Reyes Light.

Mr. Bentley stated that the primary factor for the proposed connection fee increase is the replacement of 4,000 feet of six-inch diameter ductile iron pipeline that runs cross-country and on-going improvement projects. He further stated that the District is anticipating three new connections each fiscal year.

Mr. McIntyre summarized the proposed Improvements Projects for Oceana Marin. He said that the District is continuing with the \$15,000/year for the collection system infiltration repairs; the

Tahiti Way Lift Pump Station rebuild in FY12 and FY 13, and there are miscellaneous remote alarms improvements within the next year. Mr. McIntyre said that in FY11 the District will replace the siphon dosage tank and conduct a disposal capacity study.

Director Baker asked if \$17,000 was adequate for the rebuilding of the Tahiti Way Lift Pump Station. Mr. DeGabriele stated that 10 years ago the pumps were replaced with the rotary pump, and said that the District has been counseled to replace them frequently. Robert Clark said that the District expects an increase in costs, but the plan is to rebuild the rotary pump only.

Addressing the Oceana Marin Sewer budget, Mr. Bentley said that revenue is flat; and of interest are contract operations (Phillips & Associates) at \$60,000 for this year. He said that total operating expenditures will increase to \$122,000, a 3% increase from the current year budget.

Mr. Bentley advised that, \$48,000 of Oceana Marin tax allocation is at risk to be “borrowed” by the State of California. He said that the proposed connection fee increase next year will generate \$46,000. He stated that the five-year plan assumes a total cash balance for Oceana Marin next fiscal year of \$317,000 but will drop to \$140,000 in fiscal year 11 as the District pays for half of the cost of the cross-country sewer line replacements.

Mr. Bentley presented the chart showing Oceana Marin having the highest annual sewer service cost compared to other agencies in the coastal area.

President Rodoni opened the public hearing at 8:28 p.m. and hearing no comment closed the public hearing at 8:28 p.m.

Director Petterle asked if it would make sense to gradually increase the connection fee as was done in Novato and now Point Reyes. Mr. Bentley recommended against phasing the increase because the proposed rate increase is only half the magnitude of Point Reyes.

On the motion of Director Baker and seconded by Director Schoonover, the Board unanimously approved Resolution No. 09-22 entitled, “Revision of North Marin Water District Regulation 109 – Oceana Marin Sewer Service – Rates and Charges”, adopted the FY10 Oceana Marin Sewer System Budget as presented and authorized the General Manager to pay demands arising from execution of the budgeted Oceana Marin expenditure plan.

INFORMATION ITEMS – WEST MARIN

WEST MARIN IMPROVEMENTS PROJECTS - FISCAL YEAR PROGRESS REPORT (PRELIMINARY)

Mr. McIntyre stated that this was a preliminary re-cap of the West Marin projects. He said that there were a total of 12 Improvement Projects budgeted in FY 08-09 in West Marin and Oceana

Marin. He said that the District added one additional project and of the 13 projects, 11 were completed at or below budget except for the Inverness Park Tank Replacement Project which was over-budget by \$35,000. He stated that the Inverness tank cost overrun was primarily due to the materials cost estimate being under-budgeted by \$15,000 and labor cost was higher than planned because the use of regular employee laborers (instead of temporary) was required. He said that there was \$16,000 overrun in West Marin Projects and Oceana Marin completed projects were \$30,000 under-budget.

Director Rodoni asked for a status of the Long Range Improvement Projects and Mr. McIntyre responded that the District has completed the projects except for the Paradise Ranch Estates Tank No.4 project.

CONSENT CALENDAR

On the motion of Director Petterle and seconded by Director Fraites, the Board unanimously approved the following items on the consent calendar:

ADOPT REIMBURSEMENT RESOLUTION – APPLICATION FOR RECYCLED WATER PROJECT EXTENSION TO VALLEY MEMORIAL PARK

As part of the State Revolving Fund Loan application process for a recycled water project extension to Valley Memorial Park, the District has to submit a resolution adopted by the Board declaring the official intent of the District to reimburse certain planning, design and construction expenditures from the proceeds of indebtedness.

The Board approved Resolution 09-23 entitled, “A Resolution of the Board of Directors of the North Marin Water District to Approve and Authorize Dedication of a Revenue Source for the North Marin Water District Repayment of the State Revolving Fund Loan.”

REGIONAL WASHING MACHINE REBATE PROGRAM

As of July 1, 2009, the Sonoma County Water Agency ended its funding agreement and will no longer provide financial assistance to the water conservation program at the District. Attempts to negotiate an agreement directly with PGE for implementation of the clothes washer rebate for FY 09/10 were unsuccessful. District staff worked with other Sonoma County Water Agency retailers to develop a Sonoma-Marín High-Efficiency Clothes Washer Rebate program to be administered by in-house staff. The Board approved the Sonoma-Marín High-Efficiency Clothes Washer Rebate Program for FY 09/10.

ACTION CALENDAR

APPROVE: NOTICE OF COMPLETION FOR PONTI TANK RECOATING PROJECT – OLYMPUS & ASSOCIATES

Mr. McIntyre stated that this project was budgeted in FY 08-09 and was completed in June 2009, 28% below the budgeted amount; the tank serves the Pacheco Valle area. He stated that the District recoated the inside and outside of the tank and completed seismic upgrades. Mr. McIntyre said there were three change orders executed. He reported that the contractor has fulfilled their obligations under contract, all work has been inspected by District staff and third party coating consultant and all sub-contractors have been paid. He said that the Notice of Completion is standard practice and upon approval of the Board, will be filed with the County of Marin. Mr. McIntyre stated that final payment, in the amount of \$22,163 and subject to the absence of any claims filed during the 30-day notice period, will be disbursed on or after August 17, 2009.

On the motion of Director Schoonover and seconded by Director Petterle, the Board unanimously authorized the General Manager to execute and file a Notice of Completion for the Ponti Tank Recoating Project.

APPROVE: ZONE A EXTENSION TO IGNACIO – FILING OF NOTICE OF EXEMPTION

Mr. McIntyre stated that the Zone A Extension to Ignacio project was identified in the original Novato System Master Plan. He said the second pipeline would be on the west side of Highway 101 and it would provide a 2nd parallel Zone A water feed from Central Novato to Southern Novato. He stated that it was prudent to do the project in concert with the City of Novato Bike Path Project that is scheduled to be completed this year. Mr. McIntyre reported that the District would complete the expansion in two phases; the first phase during this fiscal year would coincide with the construction of the bike path project and the second year phase would be the work associated with the tie-in of the new pipeline to the south end of Entrada Boulevard and the south end of South Novato Boulevard. He stated that as part of the work, the District would need to address the California Environmental Quality Act (CEQA) and that this project has a statutory exemption from CEQA because the project consists of the installation of a pipeline in a public right of way less than one mile in length. He said that if the project was approved by the Board, a Notice of Exemption would be filed at the County of Marin for 30-day comment period.

Director Fraites asked if any trees would be removed during the pipeline installation. Mr. McIntyre said that any tree removal would be within the limits of the city's bike path project.

Director Baker asked if the pipe would be under the path or to the side of the path. Mr. McIntyre stated that the District is still working on the width of the pipeline route. He advised that the

pipeline would be installed by the city's contractor, and that a joint agreement with the city will be brought back to the Board for approval.

On the motion of Director Petterle and seconded by Director Fraites, the Board unanimously approved the Zone A Extension project and the filing of the Notice of Exemption with the County of Marin.

APPROVE: EMPLOYER-EMPLOYEE RELATIONS POLICY REVISION

Mr. DeGabriele reminded the Board that the revised Employer-Employee Relations Policy was reviewed at the June 16th Board meeting and that the Board deferred action at that time. He said that the revised policy, reviewed by legal counsel, now includes a third representation unit consisting of supervisory employees. Mr. DeGabriele advised that the supervisory employees petitioned to be represented, and he felt that they should not be in the same unit as those they supervise. He stated that an additional revision is to move the water treatment operator classifications from the hourly representation unit into the professional representation unit. Mr. DeGabriele advised that professional employees had not been represented previously. He further advised that the unrepresented employees are awarded an extra \$200 per year compensation now included in the unrepresented employees' cafeteria plan and that compensation would be due to the eight employees. He said that making changes would have a financial impact of up to \$1600 for transferring the five treatment plant employees into the professional group and the three foremen into the supervisory group; and he recommended that the \$1600 be held in abeyance until negotiations are completed.

Mr. DeGabriele said that there will be an election held and that negotiations will start after the policy is approved. He advised that the employees voted to decertify their previous representation with SEIU and have formed by-laws of a proposed North Marin Water District Employees Association.

Director Rodoni asked that the Board be informed who will be representing the group during negotiations; and Mr. DeGabriele informed the Board that the association has already elected officers and he will bring that information back at the next meeting.

On the motion of Director Schoonover and seconded by Director Petterle, the Board unanimously approved the revisions to the North Marin Water District Employer-Employee Relations Policy.

INFORMATION ITEMS - NOVATO

TAC MEETING – JULY 6, 2009

Mr. DeGabriele said that the meeting was not well-attended by Agency management but that all of the water contractor representatives and several Agency staff were present. He said the contractors are preparing to report on the summer 2009 water contractor statistics as was done the past two years. Mr. DeGabriele stated that he had informed the Board at the previous meeting that the Agency declared the transmission system temporarily impaired, and they need to come up with allocation for each contractor's deliveries during summer months. He stated that they have stayed within the threshold for the month of June and the TAC is working on an alternate allocation table to update the John Nelson allocation model for available water supply. He said he is suggesting to the TAC that the contractors go slow in developing the alternate allocation table and see how this plays out during the summer.

Mr. DeGabriele reported that the Agency turned off both the Ely Booster Station and Kastania Pump Station, turned it to manual operation limiting deliveries to gravity only. He remarked that if there is not enough revenue, why are they turning off the pumps and reducing the water for sale if it's under the threshold. He said that it appears the Agency is attempting to make it difficult for Marin Municipal to take water and force re-negotiation of Marin Municipal's contracts. He stated that Marin Municipal believes they have the right to enter Kastania Pump Station to put it back in automatic mode. He said that North Marin has the right to operate the pump station but do not have the right to trespass on Agency property. Mr. DeGabriele said that the relationship between the contractors and the Agency's General Manager are very poor.

Director Baker asked Mr. DeGabriele for background on the Kastania Pump Station.

Mr. DeGabriele said that Kastania Pump Station was constructed and owned by Marin Municipal Water District since the late 70's. North Marin has always reserved the right to control the system because it affected tank levels in Novato. He said that in the early 90's the District negotiated with Sonoma County Water Agency and Marin Municipal for the transfer of Kastania Pump Station and the north portion of the North Marin Aqueduct to Sonoma County Water Agency. He stated that the cost of operation transferred solely to Sonoma County Water Agency and the cost is shared with the other contractors. Mr. DeGabriele further stated that the District continued to operate it until June 2009 when the Agency turned the pumps off. He advised that the Agency owns the pump station and the property.

Mr. DeGabriele provided a summary of the remainder of agenda items of the TAC meeting including an update on the Sonoma-Marín Saving Water Partnership, SCWA Strategic Alternatives and Biological Opinion Status.

Director Rodoni stated that he noticed Agency governance issues are surfacing and asked if the District wanted that discussion. Mr. DeGabriele said that the District wants it at this point.

NORTH BAY WATERSHED ASSOCIATION – JULY 10, 2009

Director Fraites stated that we would be attending the meeting.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, Notice of Extension of Public Review Period – NBWRA, Letter to Congresswoman Woolsey Re: HR 2969 Support, Letter from NSD Re: wastewater treatment plant, 2010 Medical Plan Cost Increase and Audit Entrance Conference.

The Board received the following news articles: Private operator plan for sewage plant fought, Stafford Lake clean-up Saturday, Supervisors dual role questioned River low-flow order ignites Water Agency governance debate, Hope comes to the Eel River; new Executive Director wants action, Fish Out of Water?, Public power too risky for Larkspur – JB comments Despite heat, and North Bay reduces water use.

Director Baker made a comment about the article Public power too risky for Larkspur, stating that the author, Jean Bonander, made some very good points and is a highly respected person.

ADJOURNMENT

President Rodoni adjourned the meeting at 9:04 p.m.

Submitted by

Renee Roberts
District Secretary