

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
August 4, 2009**

CALL TO ORDER

President Rodoni called the regular meeting of the Board of Directors of North Marin Water District to order at 7:32 p.m. at the District headquarters 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.

District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent) and Pablo Ramudo (Water Quality Supervisor) were in the audience.

CLOSED SESSION

President Rodoni stated that the Closed Session will be moved to the end of the agenda.

MINUTES

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

GENERAL MANAGER'S REPORT

District Picnic

Mr. DeGabriele reported that the District picnic, held on Saturday at Stafford Lake Park, was well-attended by staff and their families, retirees, and Directors Fraites and Schoonover, and expressed his thanks to the volunteers who did a great job.

Russian River Water Supply System Tour

Mr. DeGabriele reminded the Board that if they are interested in the Russian River Water Supply System Tour, Friday, August 27, to register by the end of this week.

Meeting with Marin County Supervisors

Mr. DeGabriele stated that District staff will meet with Marin County Supervisors Arnold and Kinsey and Marin Municipal Water District sometime in late August to discuss water supply issues. Directors Baker and Rodoni will also attend and he will advise the Board of the date once confirmed.

Sonoma-Marin Narrows Project - Marin Aqueduct Relocation

The Manager advised that he and Drew McIntyre will meet with District legal counsel to discuss the Marin Aqueduct Relocation and Environmental Impact Review for potential upsizing of the aqueduct.

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 an item not on the agenda and the following items were discussed:

Verizon Cell Tower

Mr. Clark informed the Board that the Marin County Zoning officials approved the Verizon cell tower project at Stafford Treatment Plant; however, the County requested that the cell tower be in the shape of a tree instead of the original mono-pole design. He said that if Verizon agrees with the County's request, the agreement between the District and Verizon will be brought to the Board for approval. He stated that there were no public comments received by the County on Verizon's plan.

PRELIMINARY FY09 FINANCIAL STATEMENT

Mr. Bentley presented the Preliminary FY09 Financial Statement and explained that once the outside audit is complete, the Board will receive the final FY09 Financial Statement.

Mr. Bentley advised that the District received 107% of budgeted income and explained that more revenue was received than budgeted because \$350,000 worth of Russian River water was backed into Stafford Lake and sold to Marin Municipal; the 20% water rate increase effective June 1, 2009 was not included in the budget and more connection fees were collected than anticipated. He said 102% of the operating budget was expended primarily due to deferring start-up of water production at Stafford Treatment Plant until May 31; and, consequently, more Russian River water was purchased than budgeted. Mr. Bentley stated that the Palmer Drive Tank came in \$1M under budget and the Stafford Lake Outlet Tower project came in \$200,000 under budget. He further stated that 79% of the improvement projects budget was expended and the District's total cash balance increased by \$3M over the fiscal year. Mr. Bentley reported that a \$5.2M deficit was budgeted, but the actual deficit was \$2.9M.

Novato

Mr. Bentley said water consumption was 4% less than the prior year and slightly exceeded budgeted amount of 3.2 billion gallons; revenue was up 6% due to the 11% and subsequent 20% rate increases. He advised that the Drought Contingency Reserve Policy states that during any fiscal year that water sales volume exceeds 3.2bg, the incremental revenue generated is deposited into the Drought Contingency Reserve and that \$50,000 was deposited into the reserve which now has a balance of approximately \$200,000. He said that with water use down this year, the \$200,000 balance in the reserve fund will most likely be exhausted this year. He said that Stafford water production, at 623mg, did not reach the budgeted amount (750mg); and, as a consequence, the cost for Stafford water was twice as much as purchased water from Sonoma County Water Agency. Mr. Bentley reported that staff time charged to Novato operations was up 3% over the prior year and the amount of employee salary and benefits was also up 3%. He said that the 4.2% cost of living increase effective October 1, 2008 was ameliorated by the deletion of the one department head position; and, on an accounting basis, there was a \$2.8M loss for the year.

Mr. Bentley spoke on the subject of depreciation and explained that a major adjustment was made on the District books last year as recommended by the District's outside auditors. He said the biggest adjustment was in the distribution system which comprises half of District assets. Mr. Bentley stated that asset life was changed from 75 years to 50 years, essentially cutting 1/3 off of the life of the assets and resulted in a \$7M adjustment for depreciation expense. He advised this is a one-time catch-up and 50 years is more reflective of actual asset life. Mr. Bentley stated that the District is not funding depreciation through its water rates.

Recycled Water

Mr. Bentley stated that 75mg of recycled water was produced last year compared to 63mg budgeted. He said the cost was \$7,300 per mg and it is anticipated that those costs will come down this year as the cost of operations stabilize. He reported that the recycled water operation suffered a loss of \$250,000 last fiscal year; and Recycled Water now owes Novato Water \$230,000; however, a grant for \$244,000 is expected from the state that will pay back Novato Water.

West Marin Water

Mr. Bentley reported that in West Marin water sales were the same two years in a row (84mg), revenue was up 9% due to the 9% rate increase. He further reported that operations expenditures were down and the fiscal year ended with a net income of \$24,000; whereas, a budget deficit of \$23,000 was anticipated. He said 107% of the Improvement Projects budget was

expended due in part to an overrun on the Inverness Tank project; and the amount borrowed from Novato decreased \$134,000 primarily due to receipt of a \$77,000 construction advance. Mr. Bentley stated that \$457,630 was owed Novato at the end of June compared to a budgeted projection for the end of FY 09 of \$607,000.

Oceana Marin Sewer

Mr. Bentley said that in Oceana Marin the net income for FY 2009 year was \$2,300; revenue and expenses came close to budget, and there are 225 customers. Oceana Marin ended the year with a cash balance of \$230,000.

CONSENT CALENDAR

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

25 ALPINE ROAD – WATER SERVICE UPGRADE

This project is to upgrade fire sprinkler service for an existing single-family house. New water facilities required include 20 feet of 2-inch copper and one 2-inch meter that is required to provide expanded residential fire sprinkler protection. The existing 1-inch meter will be killed.

The Board authorized Resolution 09-25 entitled, "Authorization of Execution of High Pressure Water Service Facilities Construction Agreement with Matthew and Jan Fleumer."

REDWOOD LANDFILL SCALE HOUSE

This project proposes construction of new scale facilities of the existing Redwood Landfill and will add a 4-inch fire service for the new building and relocation of an existing hydrant. The existing main will be abandoned as part of the project due to construction conflicts and the District is requiring installation of a new main extension for future looping. Water facilities required include 30 feet of 12-inch PVC main, one 4-inch fire service assembly and relocation of one fire hydrant.

The Board authorized Resolution 09-26 entitled, "Authorization of Execution of High Pressure Water Service Facilities Construction Agreement with Redwood Landfill, Inc."

INFORMATION ITEMS

FOURTH QUARTER FY 08/09 – MAINTENANCE/OPERATIONS

Mr. Clark said that two years ago, the General Manager proposed that the Operations workforce be trained to manage both water treatment and distribution facilities and that John Young and Jeff Corda were hired as Water Distribution and Treatment Plant Operators to fulfill that plan. He advised that John Young has recently completed Treatment Grade 3 and Distribution Grade 3

and is now a full-time Treatment Plant and Distribution System Operator; Jeff Corda completed Treatment Grade 2 and Distribution Grade 3; Marco Jennison completed Treatment Grade 4 and Distribution Grade 3 and Brad Stompe completed Treatment Grade 4. He further advised that Brad Stompe was awarded the Operator of the Year from CA-NV American Water Works Association.

Mr. Clark informed the Board that Stafford Treatment Plant production got off to a late start this year, but that since June 1, 5mgd is being produced, the highest continuous production rate the plant has achieved. He said that during the winter shutdown, all data input for the Maintenance Management Program was completed and the reoccurring maintenance work orders are being generated and closing on schedule.

Mr. Clark reported that Novato consumption is down 21% from a year ago and that customers have responded well to the call for conservation. He said that District staff took over the recycled water production from Novato Sanitary District and more recycled water is being produced than previously. Mr. Clark advised that the flushing program was cut back last year due to the water shortage and that water quality issues have surfaced. He said that the entire Novato system is planned to be flushed this winter.

Mr. Clark reported that West Marin consumption is down 20% with an average production of 258,000gpd. He said that at the request of the Coast Guard, the maintenance crew relocated a fence so that a nature path past the treatment plant can be accessible to walkers. He also reported that staff constructed a double containment vault for chemical feed systems at the Pt. Reyes Treatment Plant after a hazardous materials business plan update identified this need. He stated that in Oceana Marin, 20-feet of pipe was dug up after root intrusion was identified. Mr. Clark said that Phillips and Associates are doing a good job and submitting their reports on time.

Mr. Clark stated that cross-training of the maintenance crew is continuing including training in cathodic protection, recycled water and pesticide/herbicide use. He said the Electrical/Mechanical crew have replaced the old electrical switchgear and modernized the controls at the Point Reyes Treatment Plant, and that the crew replaced rectifiers and cathodic protection in five tanks. Mr. Clark informed the Board that the Old Dillon Beach lift station controls, as part of the automation update, have been repaired.

Mr. Clark reported that the fence and gate along the parking lot of the District office building has been completed resulting in less intrusion in the yard. He advised that the fleet mechanic has taken over OSHA safety issues and all pressure vessels have been tested and certified with OSHA.

FOURTH QUARTER FY 08/09 – WATER QUALITY

Mr. Ramudo reported that Stafford Lake began as a drinking water source on May 26. He said that for the fourth quarter, low numbers of algae was observed and species diversity was high. He informed the Board that during the last couple of weeks, serious algae blooms occurred and produced a chemical called *giosmin* that is responsible for the earthy and musty taste and odor complaints from customers.

Mr. Ramudo reported that raw water from Point Reyes was good quality. He advised that salinity intrusion began to occur July 28 when salinity levels rose to 61 mg/L; it is expected to continue and complaints of salty water are anticipated. Mr. Ramudo said that the salinity notices are being published in the Point Reyes Light and will continue until sodium levels drop below 50 mg/L.

Mr. Ramudo reported that salt water intrusion at the Coast Guard wells results in high disinfection byproduct concentrations and provided an explanation of the chemical reactions of chlorine and bromine and the high sodium levels. He advised that off-tide pumping has been occurring since late June and pumping will stop three hours before and after high tides to avoid drawing in salt water into the wells. He said that the Giacomini Marsh restoration may have a negative impact on salinity of the District supply withdrawn from Lagunitas Creek.

Mr. Ramudo updated the Board on the situation at Stafford Treatment Plant and the Granular Activated Carbon (GAC) filters. He said that two cells were completely exhausted, resulting in obvious taste and odor complaints and that the GAC has been changed out in these filters and excellent water quality was restored. He advised that the treatment plant is once again experiencing break through of taste and odor in the two older cells caused by two factors: 1) a large algae bloom in the lake, and 2) the backwash water and supernatant from sludge dewatering. He said that both factors are negatively impacting the quality of the raw water and making it difficult to treat. Mr. Ramudo stated that the problem will be under control in a few days. Mr. Clark added that he and operations staff will be meeting to discuss alternatives to address the problem.

Mr. Ramudo reported that the laboratory assumed monitoring responsibility for the recycled water treatment plant and that daily total coliforms testing is required. He said that the plant is operating well.

CALIFORNIA BUDGET IMPACT ON NORTH MARIN WATER DISTRICT

Mr. Bentley reported that the state legislature voted to suspend Proposition 1A and will borrow \$2 billion in property tax revenue from cities, counties and special districts. He said that he was pleased to learn that only 8% of total local government property tax revenue will be shifted to a

Supplemental Revenue Augmentation Fund which impacts the West Marin Water System and Oceana Marin Sewer. He advised that approximately \$3,500 for each system will be shifted and it will not be necessary to raise rates.

WAC MEETING – AUGUST 3, 2009

Mr. DeGabriele stated that the table of SCWA Water Contractor Statistics was distributed comparing the water use of each contractor for the period of June through September 2004 with June through September 2009. He said that this year the period of concern is different (June 15 through October 2) than the previous years. He said that at the meeting there was concern over having the monthly data isolated and the WAC requested that in July there be a separate table which would enable comparison on a month-to-month basis.

He said the WAC requested the TAC to consider alternate allocation methodology from that which SCWA had recommended. He opined that the contractors should wait as long as possible to develop an allocation methodology and use the actual data of the June through September period. He suggested extending June and July information through the next two months and come up with reasonable allocation numbers. Mr. DeGabriele said a back-up to developing an alternate allocation methodology is to update the allocation model that was approved by the WAC and Agency back in 2006; or to use the Agency's numbers that they put forward along with the impairment resolution. He said that the contractors are trying to work collaboratively this summer, as in the previous two summers, to comply with requirements under the State Board Order. He advised that he is scheduling another TAC Water Project Sub-Committee meeting in August to go over the allocation methodology and then a proposal will be presented at the next WAC meeting scheduled for August 31 for consideration.

Mr. DeGabriele reported that there was discussion about the letter signed by him on behalf of the TAC to the Agency's General Manager requesting an increase of Russian River water during peak demand periods and that the TAC agrees that if Agency storage gets to certain levels, contractors should take appropriate steps locally, e.g., turn on local sources, draw down tank storage, turn off large irrigation users, cease delivery to surplus customers, etc. to reduce impact on Agency's deliveries. He said the letter also stated that the TAC believes the Agency should do its part to increase diversions and asked the Agency General Manager to respond to the TAC by Friday, July 31, 2009. He said that the Agency has indicated that the transmission system is impaired due to financial constraints, but he argued that the Agency has agreed to a rate to deliver water and advised that that rate would be less to comply with the State Board Order and the Biological Opinion. Mr. DeGabriele stated the letter requested that the Agency provide a financial

analysis of the additional cost anticipated for exceeding 53mgd deliveries and asked for an estimate of additional revenue from water sales in excess of 53mgd. He further stated that approximately 2 cubic feet per second during hot spells is being requested in an attempt to keep Agency storage up to a manageable level and opined that the Agency's call for conservation and threatening to reduce deliveries to preserve storage during the hot spell was an attempt to create discord among the contractors. He said that there was a lot of input from the contractors on the letter.

Mr. DeGabriele said that in anticipation of the Agency Manager not responding to the TAC letter, he drafted a resolution requesting that the Sonoma County Water Agency respond to the TAC's request to increase water supply during peak demand periods. He commended Director Rodoni for his statement at the meeting wherein Director Rodoni said that the situation "bordered on the ridiculous" that the WAC has to pass a resolution to get the Agency's Manager to respond to the TAC's letter. Mr. DeGabriele reported that there were three supervisors from Sonoma County Board of Supervisors present at the meeting and he is concerned that they do not understand that there needs to be a collaborative effort to address the Russian River water supply issues; and that the contractors need the Agency to deliver water and the Agency needs the contractors for political support and revenue to carry out their initiatives. He further advised that the WAC supported the TAC and approved the resolution.

Mr. DeGabriele advised that the Santa Rosa Board of Public Utilities met with the Sonoma County Supervisors on water supply issues, but he did not have feed back yet.

Mr. DeGabriele summarized other WAC agenda items. He said that District legal counsel recommended that a new MOU be prepared for the Sonoma-Marin Saving Water Partnership; there was a good presentation on the Biological Opinion and discussion on the importance of the WAC having input in Decision 1610 application; and that individual contractor comments on the Strategic Alternatives is due by October 5.

NORTH BAY WATERSHED ASSOCIATION MEETING – JULY 10, 2009

Director Fraites provided a brief report on the North Bay Watershed Association Meeting discussion on ecosystem economics and a presentation on the Napa High School Pollution Prevention Pilot.

NORTH MARIN EMPLOYEES ASSOCIATION

Mr. DeGabriele advised that the North Marin Employees Association resubmitted their petition to conform with recent revisions to the District's Employer-Employee Relations Policy. He said that the District is in contact with the State Mediation and Conciliation Service to hold an

employee election certifying the employee association. Once certified the employee association will be authorized to meet and confer and negotiate with the District.

MISCELLANEOUS

The Board received the following Miscellaneous items: Disbursements, DWR Notification of Eligibility to Receive Grant or Loan Funds, Sonoma County Water Agency – Your Regional Leader in Water Resource Management, Desalination: A Drought Proof Supply? (Western Water), Residential Consumption 20-Year History.

The Board received the following news articles: District prepares for future water shortages, Hearing planned on NMWD wireless facility, Liquid Gold Frost, runoff, non-potables and other watery issues filled the day, Water district pulls plug on city Water Park, Recycling Petaluma's wastewater, Verizon cell tower to be erected near Stafford Lake, Salinity Notice, Ranchers push for development rights.

CLOSED SESSION

President Rodoni adjourned the Board into closed session at 8:56 p.m. for California Government Code Section 54957 for Public Employee Performance Evaluation (One), Title: General Manager.

OPEN SESSION

Upon returning to regular session at 9:14 p.m., President Rodoni stated that during the closed session the Board had discussed the issue and no reportable action had been taken.

ADJOURNMENT

President Rodoni adjourned the meeting at 9:15 p.m.

Submitted by

Renee Roberts
District Secretary