

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
August 5, 2008**

CALL TO ORDER

President Fraites 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 and Chief Engineer Drew McIntyre. Auditor-Controller David Bentley was absent.

Peter Hilliard, On-Air, LLC representing Verizon Wireless, District employees Robert Clark (Operations/ Maintenance Superintendent) and Pablo Ramudo (Water Quality Supervisor) were in the audience.

CLOSED SESSION

President Fraites immediately adjourned the Board into Closed Session at 7:30 p.m. in accordance with California Government Code Section 54957 for Public Employee Performance Evaluation (One), Title: General Manager.

OPEN SESSION

Upon returning to Regular Session at 8:10 p.m., President Fraites stated that during the Closed Session the Board had discussed the performance evaluation and no reportable action had been taken.

MINUTES

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

GENERAL MANAGER'S REPORT

Sustainability Committee Meeting

Mr. DeGabriele reported that last week he attended the City of Novato Sustainability Committee meeting. He further reported that he attended the Marin Clean Energy (MCE) Novato workshop last Wednesday and that he will attend the MCE presentation to the Novato City Council next Tuesday.

Recycled Water Sub-committee

Mr. DeGabriele stated that the District's Recycled Water Sub-committee representatives, Directors Schoonover and Baker, will attend a meeting with the Novato Sanitary District and Las

Gallinas Valley Sanitary District representatives to review the proposed MOU for Joint Participation for the North Bay Water Reuse Authority study funding. He said that the District currently has an MOU with the Novato Sanitary District and will consider expanding the MOU to include Las Gallinas Valley Sanitary District. Mr. DeGabriele stated that the general managers of the three districts have reviewed the MOU, the sub-committee will review it and the MOU will be brought back to the District's full Board for approval.

OPEN TIME

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

STAFF/ DIRECTORS' REPORT

NBWRA Scoping Meeting

Drew McIntyre stated that he attended the North Bay Water Reuse Authority Project Scoping Meeting tonight at the Margaret Todd Senior Center. He said that eleven people from the general public and seven representatives from various agencies attended. He said that an overview of the project was presented and that, generally, people were in support of the project.

Oceana Marin Homeowners Association

Mr. Clark reported that he attended the Oceana Marin Homeowners Association meeting on July 20th and provided the residents an update on the sewer discharge clean up, planned projects and introduced representatives from Phillips and Associates who will be taking over the day-to-day operations of the sewer system. He said there was concern expressed about expansion and whether the collection and treatment system could handle the flow if all current customers were full-time residents. Mr. McIntyre said that the project was designed with a planned build-out, that will most likely never occur and that there is sufficient capacity in the sewer system.

CONSENT CALENDAR

On the motion of Director Petterle, seconded by Director Rodoni and unanimously carried the following item was approved on the Consent Calendar:

SARGENT SINGLE FAMILY DWELLING

This project located at 12555 Sir Francis Drake Blvd, Inverness, provides residential water service and a new fire hydrant for a new home being constructed on an undeveloped lot. New water facilities include 630 feet of 6-inch PVC main, 10 feet of 1-inch copper, one residential fire hydrant and one 1-inch meter. This lot will receive high pressure water service from Inverness Park/PRE Tank No. 1 Zone and new water demand is one equivalent dwelling unit.

The Board approved Resolution 08-17, entitled "Authorization of Execution of Water Service Facilities Construction Agreement with Barbara Sargent."

ACTION CALENDAR

APPROVE: STAFFORD TREATMENT PLANT PRELIMINARY WIRELESS LICENSE AGREEMENT

Mr. Clark stated that at a previous Board meeting in December 2007, at which the Stafford Treatment Plant Preliminary Wireless License Agreement was discussed, the Board had several questions to be addressed. He said that the District process to authorize a wireless installation is in two phases and the Preliminary License Agreement considered tonight must be secured before the vendor can go to the county to obtain the permits necessary to construct the cell tower facility. He advised that after the county permits are approved, the Board will have another opportunity to review the final agreement before the project moves forward. He noted that the concerns expressed by the Board in December concerning termination of the agreement, comparison of payment structure with other agencies, the need to use a tree-style tower and a timeline for the permitting process have been addressed in the current preliminary agreement. He said the termination language now provides that either party can terminate the agreement after 18 months; the negotiated payment terms compares with other agencies' agreements; a tree tower is not recommended as the location is backed up against the treed hillside of Little Mountain; and that once the Preliminary Agreement is signed, Verizon Wireless will begin the permitting process with the County of Marin which should take six to nine months.

Mr. Clark advised that the proposed site has been determined by staff to be too small for expansion as a tank site and the District would benefit more with a cell tower. He said that staff has proposed that the wash-water tank removal be included in the project and has asked the vendor to investigate said removal. Director Baker asked if removal of the wash water-tank is part of the agreement package. Mr. Clark responded that because it is unknown if the tank contains lead-based paints, the removal of the tank could be very costly and the vendor does not want to commit to that project until after a lead analysis is completed. He stated that those details will be worked out and are not addressed in this preliminary agreement. Mr. McIntyre advised that a lead analysis takes approximately two weeks.

Director Rodoni asked if the cost of the tank removal reaches \$50,000 or more would the District decide not to remove it? Mr. Clark stated that that is unknown at this time.

Director Baker stated that he understood that the vendor would perform all site preparation as part of the agreement. Mr. Clark responded that previously the tank was to remain but staff

concluded that the tank would not be used in the future and the District has asked the vendor to remove the tank, but that the tank needs to be analyzed for lead-based paint and that this will be worked out in the design phase; and if the tank removal is certain, it will appear in the final agreement phase.

Peter Hilliard, representative for Verizon, said that once the preliminary agreement is signed, they will be on the fast track to obtain the required permits from the county and he stated that this should take six to nine months. He said that the possible tank removal has only been recently discussed and that Verizon will need to have more information before committing to that work.

Director Baker expressed his misgivings about committing this site for the Verizon project stating that the District may need it in the future. Mr. DeGabriele stated that the District is not committing the entire area. He advised that the tank is a liability to the District and will have to be removed at some point and there is now an opportunity for Verizon to remove it or pay a substantial portion of the removal costs and that is a benefit to the District.

Director Petterle asked if the permits include the California Environmental Quality Act (CEQA) and if the District can use other portions on the site as long as it does not interfere with the Verizon project? Mr. Hilliard responded yes to both questions.

On motion of Director Schoonover and seconded by Director Rodoni, the Board authorized the President of the Board to enter into the Preliminary License Agreement as recommended by staff, and authorized the General Manager to execute authorization forms for Verizon Wireless permitting process by the following vote:

AYES: Directors Fraites, Petterle, Rodoni, Schoonover

NOES: None

ABSTAIN: Director Baker

ABSENT: None

APPROVE: ANALYSIS OF CUSTOMER REQUEST TO EMPLOY DAILY WATER USE THRESHOLDS FOR CALCULATING TIER RATE SURCHARGES

Mr. DeGabriele stated that at the July 15th Board meeting, each Board member received a letter from District customer Deborah Bosch suggesting that the District method for calculating water bills could be unfair depending on the length of time between the meter reads. He advised that the Auditor-Controller performed an analysis that indicated that her suggestion is a fairer approach, that it can be accommodated with a program change in the billing system, and that it

could generate additional revenue with a more accurate billing methodology. He further advised that because this new methodology would increase some customer's bills, the District would have to notice all customers pursuant to Proposition 218 and hold a public hearing to effect this change. Mr. DeGabriele said that staff is asking the Board to approve the response letter to Ms. Bosch and to authorize staff to modify the billing software to accommodate the change; however, he requested the Board advise staff of the appropriate time to do that. He said that a rate hearing was just held in June and it is too early to have another, and he proposed to postpone the hearing until next year when rates are raised again or implement the change in January.

Director Schoonover stated he saw no reason to rush to change the methodology and Director Baker agreed. Director Petterle stated his preference would be to leave it the way it is as District water bills are confusing enough. Director Fraites said he was concerned that the District would be on the record that there is an anomaly to the water bills and may create problems for the District. Mr. DeGabriele said that there is not a problem with the bills, that it would be a change in the methodology in calculating the bills and believes there is no liability to the District. He said the purpose of the response letter is to make sure the customer understands that she was not overcharged.

Director Rodoni stated that he takes exception to the letter which sends the customer a dollar and that it would be better to credit her bill. He requested that at a future meeting, the Auditor-Controller explain in detail his methodology so that it is better understood, and then wait until next year to decide whether to implement it.

Director Petterle said he would like the tone of the letter to be friendlier.

Mr. DeGabriele said he would modify the second sentence of the second paragraph of the letter to read, "Our recalculation, using the daily use threshold you recommended, shows that you would have been over-billed by \$0.98 compared to the current District method." He further recommended that the second sentence in the last paragraph be deleted.

On motion of Director Rodoni and seconded by Director Baker and unanimously carried the Board approved sending the letter to Ms. Bosch as modified, and authorized staff to come back to the Board with recommendations to change the methodology of calculating water bills during next year's rate hearing time.

APPROVE: RE-ALLOCATION OF SELF-INSURED WORKERS COMPENSATION FUND

Mr. DeGabriele stated that during the four-year period the District was self-insured for its workers compensation benefits, the District accumulated \$704,000 in the workers compensation

fund. He said that \$29,000 has been transferred to West Marin water to pay down their loan to Novato resulting in \$675,000 remaining in the fund. He said that staff is requesting a reallocation of these funds as follows: 1) \$24,000 to close existing workers compensation claims; 2) transfer \$7,000 to the Oceana Marin Sewer general fund as its pro-rata share of savings accrued through self-insurance; 3) transfer \$500,000 to the Liability Contingency Fund to enable the Board to authorize Employer Assisted Housing Loans to employees; and 4) \$144,000 to establish a Drought Contingency Fund.

Director Baker inquired what would trigger the Drought Contingency Fund and Mr. DeGabriele explained that when District customers conserve water, the District experiences a revenue shortfall, necessitating raising rates and this fund would temper rate increases. He further explained that a proposed threshold of 3.2 billion gallons would be established as a benchmark to implement the Drought Contingency Fund. Director Rodoni requested that Mr. Bentley calculate a threshold target for the Drought Contingency Fund.

On motion of Director Petterle and seconded by Director Rodoni and unanimously carried the Board authorized staff to reallocate the \$675,000 Workers Compensation Insurance Fund as follows:

- 1) \$24,000 to close existing workers compensation claims;
- 2) Transfer \$7,000 to the Oceana Marin Sewer general fund as its pro-rata share of savings accrued through self-insurance;
- 3) Transfer \$500,000 to the Liability Contingency Fund to enable the Board to authorize Employer Assisted Housing Loans to employees;
- 4) \$144,000 to establish a Drought Contingency Fund.

APPROVE: CONNECTION FEE MAILER

Mr. DeGabriele presented a draft letter for Board approval that will be mailed to approximately 700 interested parties regarding the proposed increase in connection fees including the Facilities Reserve Charge (FRC), the Reimbursement Fund Charge (RFC), Service Line Charge and Meter Charge. He said that since the increase in FRC has been identified, it is appropriate to increase the other charges as well. He advised that September 2nd has been set as the date for a public hearing to consider the increase and that a draft of the revised Regulation 1 – New Service Connections that shows the proposed changes is included in the agenda packet.

Director Fraites asked how the huge increase is justified.

Mr. DeGabriele responded that a substantial increase in the cost of Sonoma County Water Agency expansion project facilities and the local share of recycled water development in Novato Service Area has necessitated the increase. He said that the Novato Water Master Plan that has just been updated identifies various Novato improvements that need to occur over the next 30 years and that it's appropriate for new development to pay for new water supply. He said that the Novato community has benefited from the District's reasonable rates and charges over the years, but it is now time for these increases to occur, and he said that the increase is proposed to be phased in over two years.

Director Petterle suggested that Mr. Bentley prepare a presentation to explain the reasons for the large increase.

Director Rodoni questioned why the District does not implement increases annually to "ease the pain" so that potential new customers are not faced with this huge increase in fees.

Director Baker asked if staff was aware of the need to increase fees a couple of years ago.

Mr. DeGabriele said that staff looks at the connection fee every other year and a rigorous analysis is done, but staff did not predict that the cost of SCWA projects would be so costly and that the last time connection fees were looked at, staff did not include the implementation of the Recycled Water Project. He said staff made assumptions that the District will get federal dollars to develop recycled water and assumes there will be partners in the development of recycled water.

Director Rodoni said it was important to tell the public that the District anticipates receiving grant money and that the District is trying to keep costs down.

On motion of Director Rodoni and seconded by Director Schoonover, the Board unanimously approved the draft letter and authorized staff to mail said letter to developers and other interested parties.

APPROVE: SET PUBLIC HEARING FOR REGULATION 18 – RECYCLED WATER SERVICE

Mr. DeGabriele reported the Board that part of the revisions to Regulation 1 includes a deletion of the section on recycled water and that a new Regulation 18 on Recycled Water Service incorporates those sections previously included in Regulation 1. He further advised that in addition the new regulation expands the requirements for both new and retrofit installations of recycled water service. He is recommending that September 2nd at 7:30 p.m. be set to hold a public hearing to consider adoption of Regulation 18 – Recycled Water Service.

Mr. DeGabriele advised that Rauch Communications is working with North Bay Water Reuse Authority and at a late hour last week Mr. Rauch proposed to send a letter to prospective

recycled water customers in the Novato service territory making them aware of a scoping meeting to be held tonight at the Margaret Todd Senior Center.

On motion of Director Petterle, seconded by Director Rodoni and unanimously carried, the Board set September 2, 2008 at 7:30 p.m. as the date and time to hold a public hearing to consider adoption of Regulation 18 – Recycled Water Service.

APPROVE: ENGINEERING SERVICES CONTRACT – EDITH ROBBINS

Mr. McIntyre stated that the Engineering Department utilizes outside consultants to support miscellaneous engineering services. He said that he is requesting that a Consulting Services Contract with Edith Robbins, P.E. be approved for a not-to-exceed amount of \$20,000 to help staff meet short-term workload demands while Junior Engineer Laura Jones is out on maternity leave. He said that Ms. Robbins would be working on the Ponti Tank Recoat Project.

On motion of Director Schoonover, seconded by Director Petterle and unanimously carried, the Board authorized the General Manager to execute an Agreement with Edith Robbins for miscellaneous engineering services with a not-to-exceed limit of \$20,000.

INFORMATION ITEMS

WATER CONSERVATION DIRECT MAILER

Mr. DeGabriele advised the Board that a direct mailer is being sent this week to approximately 1000 District customers who are using more water than the typical Novato customer. He said this is a pilot program to gauge customer response to the District's call for continued water conservation and participation in the District's Water Smart Home Survey and Water Conservation programs. The direct mailer samples were included in the Directors' agenda packet.

Mr. DeGabriele reported that because of the mild summer, water demand is down, Stafford Lake water production is up, diversions from the Russian River are down from last summer and storage in Lake Mendocino is up 2500 acre feet from last year.

FY 08 PRELIMINARY FINANCIAL REPORT

Mr. DeGabriele presented the Preliminary Financial Report for the last fiscal year on a consolidated basis. He said that less revenue than expected was received and operating expenditures were more than budgeted. There was not as much developer work as was anticipated; therefore, more labor dollars were used on District activities that increased the operation costs.

QUARTERLY PROGRESS REPORT – OPERATIONS

Mr. Clark reported that water production began this quarter and several projects were completed. He said that the Stafford Treatment Plant operators achieved 24-hour run times on the filters through June, twice as long as last year, but run times have dropped recently with the increase of organic material and algae in the raw water. He said that even with low rainfall last year, the lake did spill and the water production began with a full reservoir and that 2,184 acre feet of water was produced in FY 2007-08.

He said that the operators continue to work on coagulation efficiency, and to optimize chemicals used for production efficiency and keeping energy use down. He reported that the peak day aqueduct flow to Novato was 18 MG due to a 9 MG flow to MMWD and extremely high temperatures for two days; and water production in West Marin reached approximately 500,000 gallons on the hottest day in the quarter. Mr. Clark stated that the Oceana Marin Sewer System continued to discharge to the disposal field and the ponds remained at good levels. He said the transition of the operations and maintenance of the Oceana Marin sewer system to Phillips and Associates was completed on July 1.

QUARTERLY PROGRESS REPORT – MAINTENANCE

Mr. Clark reported on the Maintenance Department and stated that the group experienced one lost day due to an employee's exposure to poison oak and that power interruptions at Stafford Treatment Plant resulted in various pump control outages. PG&E will replace a pole and repair the faulty connection that was the cause of the outages. He stated that the pole replacement project by PG&E provides an opportunity to test run an emergency generator at the plant. Mr. Clark said that the transition of operations and maintenance tasks has been completed with Phillips and Associates at Oceana Marin and that overall projects managed by the Maintenance Department were 85% complete. Mr. Clark provided a brief summary of the progress of all Maintenance Department sections.

Mr. Clark advised that with the reorganization of District departments, he will combine the Operations and Maintenance Quarterly Progress Reports.

QUARTERLY PROGRESS REPORT - WATER QUALITY

Mr. Ramudo said he will provide a brief summary of water quality events during the last quarter and will demonstrate the Laboratory Information Management System. He reported that for the first part of the year there has been excellent water quality in the lake and good control of algae, and in May/June there was a large bloom of algae that affected the filter runs at the Stafford

Treatment Plant. He advised that it was difficult to determine if the Solar Bees are working effectively and that it will take a full year to assess that. He said he will keep the Board apprised.

He reported that treatment coagulation improvements and the addition of the new cocoanut-sourced GAC have resulted in finished water TOC concentration below 2 milligrams per liter, the lowest possible.

Director Fraites asked why certain areas of the lake have high concentration of nutrients. Mr. Ramudo responded that agricultural activity and the golf course using fertilizers are the primary causes, and that the nutrients enter the lake through creek tributaries. He said that these tributaries are monitored during the rainy season, and that he and Mr. Clark will explore ways to reduce nutrient loading into the lake and improving raw water.

Mr. Ramudo continued his report stating that disinfection by-products were very low throughout the quarter in comparison with past years due to minimal TOC concentrations in the finished water, proving that the District is providing excellent water to its customers.

Mr. Ramudo presented a demonstration of the Laboratory Information Management System used in the laboratory to generate reports such as the quarterly Biological and Chemical Quality Monitoring Reports that the Board receives.

FY IMPROVEMENTS PROJECT – YEAR END REPORT – ENGINEERING DEPARTMENT

Mr. McIntyre presented the Year End Report for the Improvements Projects (IP) with a PowerPoint presentation illustrating the District's performance in completing budgeted FY 07-08 IP. He stated that there were a total of 72 IP and that 49 were under the responsibility of the Engineering Department. He said that six projects were added in the mid-year and five more projects have been added since the mid-year report and sixteen projects were deferred during the year. Mr. McIntyre explained that actual IP expenditures were 41% of the approved FY 07/08 budget for Novato, versus a mid-year forecast of 55%. He explained that the reason for the shortfall is because of the slow start of the Palmer Drive Tank and Stafford Lake Outlet Tower Projects. With respect to West Marin (including Oceana Marin), Mr. McIntyre reported that IP expenditures were approximately 79% of the approved FY 07/08 budget, versus a mid-year forecast of 89%. He stated that 71% of the IP have been completed by all departments and 69% have been completed by the Engineering Department. Mr. McIntyre advised that the total labor hours for developer work was down from the previous year illustrating a marked decrease in developer projects in FY 07/08; and that labor hours for District projects were approximately 8% above the estimated budget which is directly related to the significant number of budgeted IP projects.

NEW FPPC REGULATION AND REPORTING INFORMATION

Mr. DeGabriele informed the Board of a new Fair Political Practices Commission Regulation that establishes specific criteria under which a payment or gift given to a public official may be considered as a gift to the official's agency instead. He stated that the Board should forward any gifts to the District to the District Secretary because gifts must be reported to the FPPC and posted on the District's website.

WAC MEETING – AUGUST 4, 2008

Mr. DeGabriele reported on the highlights of the Water Advisory Committee meeting he attended on August 4, 2008 along with Mr. McIntyre and Director Rodoni. He stated that the WAC approved a request that the Restructured Agreement be amended to reflect that the WAC Chair and Vice-Chair would serve in the calendar year term rather than fiscal year as stated in the Restructured Agreement. He reported that he has been requested to present the WAC letter on Instream Flow Policy to be read into the record at a State Board workshop tomorrow. Mr. DeGabriele reported that the Agency expects to receive a discussion draft of the Biological Opinion on August 4th and which is still expected to be released on October 1st, and that Pam Jeane reported that the Draft EIR for the Water Project is likely to be released sometime in November or December 2008. He said there was a healthy discussion on the potential change in SCWA governance and that Pam Torliatt, Petaluma, was appointed Chair of an ad hoc sub-committee to meet with the Agency manager to determine the genesis for investigation into a change of governance. There was an update on the Santa Rosa Plain Groundwater Study being conducted by the US Geological Survey and partly funded by the Water Agency and there was a discussion on the impact the proposed Indian casino in Rohnert Park would have on groundwater.

RESPONSE FROM MARIN CLEAN ENERGY TO NMWD'S QUESTIONS

Mr. DeGabriele said that he received a response from the County of Marin on the District questions asked about the Marin Clean Energy and that most questions were answered. He said he felt that the District could support the Novato City Council authorizing Marin Clean Energy to solicit proposals to acquire clean energy supplies and develop more accurate costs for clean energy for customers.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements (7/16, 7/23, 7/30), Quarterly Lab Bacteriological Quality Monitoring Report, California Water Service Company Emergency Notice, Hepatitis A/B Vaccination Series, Insurance Recovery – February 2008 Oceana Marin Spill, Garner Area Outage.

The Board received the following news articles: North Marin Water District (7/30), SR's Wastewater Turnabout (7/24), Farmers Worry Irrigation Supply May Run Dry (7/22), Conservation is Hoped to Shrink Water Deficit (7/21), Sanitary District Board Imposes Contract (7/16).

ADJOURNMENT

President Fraites adjourned the meeting at 10:21 p.m.

Submitted by

Renee Roberts
District Secretary