

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
October 17, 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 Bentley and Chief Engineer Drew McIntyre.

District employee Mike McMaster (Operations Superintendent), Doug Moore (Construction Superintendent), Robert Clark (Facilities Maintenance Superintendent), Dianne Landeros (Accounting/Human Resources Supervisor), Dietrich Stroeh of CSW/Stuber-Stroeh and Gary Porter of Porter and Company (8:30) were in the audience.

CLOSED SESSION

President Schoonover immediately adjourned the Board into Closed Session for (two items): Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to Government Code subdivision (b) of Section 54956.9 (one case re Lagunitas Creek Water Right License 4324B); and Conference with Real Property Negotiator (Chris DeGabriele) regarding terms of Intertie Agreement between North Marin Water District and Marin Municipal Water District (Government Code Section 54956.8).

OPEN SESSION

Upon returning to regular session at 8:15 p.m., President Schoonover stated that during the Closed Sessions, the Board had discussed the issues and no reportable action had been taken on either item.

MINUTES

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

GENERAL MANAGER'S REPORT

Stafford Water Treatment Plant Open House

The General Manager reminded the Board that the Stafford Water Treatment Plant Open House and Dedication will be held on Saturday, November 4, 2006 from 10 a.m. to noon. He also showed the Board a rendering of a new sign that will be placed at the treatment plant entrance.

Labor Day at the Lake Report

Mr. DeGabriele reported that after this year's Labor Day at the Lake firework display, perchlorate, which is a chemical used in firework manufacturing, was detected in Stafford Lake. He said that the laboratory will resample and will come back to the Board with a recommendation on future firework events at the lake.

General Manager Vacation

Mr. DeGabriele announced that he will be taking a vacation at the end of October and that Drew McIntyre, Chief Engineer, will be acting General Manager in his absence.

OPEN TIME

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

Embezzlement Legislation

Mr. Bentley stated that last month he proposed promoting legislation on rescinding retirement benefits for public employees found guilty of embezzlement. He said that the proposed legislation was submitted too late for ACWA consideration this year; however, he said that District legal counsel, Bob Maddow, sent him legislation that was passed this year (AB 1044) prohibiting an elected official who is convicted of felony embezzlement from receiving retirement benefits. Mr. Bentley said that public employees could be added to the legislation in the future and that he will watch this closely.

QUARTERLY FINANCIAL STATEMENT

The Auditor-Controller presented the First Quarter Financial Statement and stated that this quarter includes the summer water sales and that increased water use coupled with the 2% rate increase saw a 20% increase in operating revenue relative to the first quarter of last fiscal year. He reported that expenses were 4% more than last year and that 19% of the District's Improvement Projects budget was spent compared to 7% the previous year. He said that the cash balance decreased \$2.3 million, however, \$2 million will be returned in the form of loans for the Recycled Water Project and Stafford Treatment Plant Rehabilitation Project.

Mr. Bentley stated that in West Marin revenue is up 25%, water sales volume increased 22% and that expenses stayed in line at 4%. He said that the amount borrowed from Novato decreased this quarter and that it is anticipated that the District will receive \$14,000 from the FEMA claim for storm damage at the Downey well site.

Mr. Bentley reported that revenue is up 4% in Oceana Marin due to an increase in number of houses and that expenditures increased 38% due to the cost of rebuilding pump number 2 at the Tahiti Way lift station. He said that none of the Improvement Projects Budget was expended during the first quarter and that the Parcel L annexation brought in an unanticipated \$15,000.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Monthly Progress Report for September and said that Novato water production was on par with last year and noted that the average temperatures are the same as last year. In West Marin, Mr. DeGabriele stated that water production was up slightly. Mr. DeGabriele said that in Oceana Marin the treatment and storage ponds continue to gain freeboard, but that discharge will continue through October to get the treatment pond down to eight feet of freeboard and empty the storage pond.

The General Manager reported that emphasis has been put on District construction projects such as replacing 2" pipeline on Topaz, Upsizing Clayton Court Main Replacement, Simmons Court Main Upsize and Sample Stations. He said that in the Safety and Liability category, 149 days were worked without a lost time accident or injury. He noted that high bill complaints were up slightly principally due to excessive irrigation in September and that of 189 customer service questionnaires mailed, half were returned and 91% of those returned indicated that the District is doing a good job.

Mr. Bentley provided the Auditor-Controller's Monthly Report of Investments and noted that the amount of funds in the State Treasury is 16% of the District portfolio and is not in accordance with the District's self-imposed 20% standard established in its Investment Policy. However, as of October 2, liquidity was back to 23% of the portfolio balance. He noted that the state is behind in its payment of the State Revolving Fund loan proceeds to the District for Stafford Treatment Plant project costs.

CONSENT CALENDAR

On motion of Director Petterle and seconded by Director Baker, the Board unanimously approved the following items on the Consent Calendar:

NOVATO GATEWAY PROJECT

This project proposes to construct a 9,920 s.f. two-story office building on a 3.8-acre parcel. New water facilities include 100 feet of new main, two steamer hydrants, one 8-inch fire service, four one-inch domestic water services and a 1-1/2-inch irrigation service. High pressure (regulated) Zone 3 water will be supplied from the Cherry Hill Tanks once construction of the Cherry Hill Pipeline (Phase 2) project is completed.

The Board approved Resolution 06-47 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with CGC Properties, LLC."

GROSSI AND LEVERONI GRAZING AGREEMENTS

The Board approved a two-year renewal of the Grazing Leases for George Grossi (2 parcels totaling 119 acres) and David and Robert Leveroni (1 parcel totaling 27 acres) on District property. Mr. Grossi requested that two parcels where he historically has grazed cattle be dropped from his lease agreement.

RENEW HORIZON CABLE TV SITE LICENSE AGREEMENT

The Board authorized extension of Horizon CATV License Agreement to October 31, 2008 for allowing use of the PRE tank site #4 for its 40' antenna and other equipment, including an emergency generator. Revisions to the agreement include a requirement that Horizon submit a copy of its FCC license to the District, and its BAAQMD permit should the emergency generator be installed. Horizon was noticed that the District may install a 2-way radio transmitter on the CATV tower.

CONSERVATION INCENTIVE TIER RATE PUBLIC HEARING NOTICE

The Board approved the Public Hearing Notice for the proposed Conservation Incentive Rate to be published in the Novato Advance on November 15, 2006.

DISBURSEMENTS

The Board authorized payroll and accounts payable vouchers totaling \$1,085,006.35.

ACTION CALENDAR

ADDITIONAL BILL ADJUSTMENT – SUSSMAN

Mr. Bentley advised the Board that Mr. Skip Sussman asked for a deferral of his request for consideration of an additional bill adjustment until the next Board meeting.

DISTRICT MEMBERSHIP TO INTERNATIONAL COUNCIL FOR LOCAL ENVIRONMENT INITIATIVES (ICLEI)

Mr. Clark stated that the Board approved a study to benchmark the District's greenhouse gas emissions and energy efficiency in the current Fiscal Year budget. He said that the International Council for Local Environmental Initiatives (ICLEI) is an organization that helps to develop a standard benchmark and outline of action plans for reporting and documenting greenhouse gas emission and that the County of Marin, several Marin cities and Marin Municipal Water District have joined ICLEI to enable development of a long-range plan to reduce emissions. Mr. Clark advised that by participating, the District will be able to communicate with other Marin

governmental officials with the same data and information packages and he recommended that the District join ICLEI at a cost of \$1,200.

Director Schoonover inquired if there are additional costs. Mr. Clark responded that staff time would be needed, but that the District has budgeted \$25,000 to collect data to benchmark greenhouse gas emissions and energy efficiency.

On motion of Director Fraites and seconded by Director Petterle, the Board unanimously approved to authorize staff to pay membership fee of \$1,200 to join ICLEI.

REVISION OF DISTRICT POLICY FOR ON-CALL AND STAND-BY DUTY

Mr. Clark stated that at the September 19th Board meeting, a proposed revision of the District Policy for On-Call and Stand-By Duty was presented but that the policy had lacked financial information. He stated that the policy is presented again with the financial information included. Mr. Clark said that staff is requesting Board approval to send this policy to SEIU to provide an opportunity to meet and confer regarding this policy. He stated that upon their review and within 30 days, the policy will be brought back to the Board for formal adoption.

On motion of Director Petterle and seconded by Director Fraites, the Board unanimously approved sending the District Policy for On-Call and Stand-By Duty to SEIU Local 949 for review.

AGREEMENT WITH FRONTIER CONTRACTING, INC. AND LIBERTY MUTUAL

Mr. DeGabriele presented the proposed settlement agreement between the District, Frontier Contracting Inc., and Liberty Mutual Insurance and stated that the Board had given him authorization, under closed session, to negotiate with the parties. He said that a settlement was reached within the boundaries directed by the Board on September 5 and that the mutual release and agreement language had been negotiated between District's legal counsel and Liberty Mutual. Mr. DeGabriele stated that there is \$848,925 remaining on the contract amount to be paid to Frontier that includes approved but unpaid change orders, contract work completed but not yet paid, and contract retention. He said that the contract retention totals \$623,342 and that \$433,876 would be paid to Frontier and Liberty Mutual and that the remainder of the contract retention, (\$189,466), would be paid to the District. He said that with the Board's approval of the settlement agreement this would conclude the District's financial obligation for Stafford Treatment Plant costs except for three areas: repayment of the State Revolving Fund loan, additional payment to SPH Associates for engineering costs pursuant to agreement related to construction change orders resulting from engineering errors and omissions, and future operator-related enhancements for treatment plant production.

On motion of Director Baker and seconded by Director Petterle, the Board unanimously approved the mutual release and settlement agreement and authorized the General Manager to execute same and execute the Joint Escrow Instructions for release of contract retention.

Director Baker congratulated the General Manager for a job well done and Mr. DeGabriele complimented the Chief Engineer and staff.

FALL 2006 WATERLINE NEWSLETTER

Mr. DeGabriele reported that the Fall *WaterLine* focuses on the proposed conservation incentive tier rate and will include an explanation of why the tier rate is being proposed; how much water each residential customer uses and how the rate will affect them; how to reduce water consumption; and a comparison of North Marin rates to other Bay Area water districts. He said that the newsletter will also include information on the public hearing and that the newsletter will be mailed after November 4.

Mr. DeGabriele handed out samples of graphs illustrating what the *WaterLine* graphs will look like in the following different situations: customers who do not have a full year's water usage history or those that live in a multi-master metered building and would likely not trigger the tier rate; customers whose water usage falls within the average Novato customer water usage and who will not be affected by the Conservation Incentive Tier Rate; and customers who use excessive water that falls well above the threshold wherein the proposed tier rate would apply.

The Board offered their comments on the *WaterLine* newsletter.

Director Fraites stated that he was pleased that the newsletter emphasizes that a high percentage of water usage is irrigation. Director Rodoni asked for clarification on the pie chart's faucet percentage stating that the number seems high if it excludes showers. He requested that the District be more diligent in curtailing water waste of commercial customers as he has noticed water flowing in gutters at Fireman's Fund on meeting nights. Director Schoonover said he hoped that the newsletter does not contain too much text and that customers will read the entire newsletter. Director Petterle suggested sending the newsletter to the Sonoma County Board of Supervisors.

On motion of Director Petterle and seconded by Director Fraites, the Board authorized the General Manager to approve text and design of the *WaterLine*, Volume 7, Issue 15.

INFORMATION ITEMS

DIETRICH STROEH PRESENTATION – "THE MAN WHO MADE IT RAIN"

Former Marin Municipal Water District General Manager Dietrich Stroeh made a presentation on his recently published book, The Man Who Made It Rain. He said that the book is a

history of the drought of 1976-77 that affected the northern California area and twenty-four western states and contains scientific facts, quotations, a fictional story and historical information on the drought's effect on Marin County, specifically Marin Municipal Water District. He stated that the point of the book is that history will repeat itself and that California must be prepared for another drought. He complimented NMWD for taking the necessary steps to be prepared for another dry period by encouraging water conservation and proposing the Conservation Incentive Tier Rate.

DRAFT AUDIT REPORT

Dianne Landeros, Accounting Supervisor, reviewed the Outside Auditor's Annual Audit Report and Management Letter for the Board. She said that there were two auditor's adjustments this year and that the Management Letter recommended two improvements of the District's internal financial controls pertaining to inventory. Ms. Landeros stated that the Management Letter addressed the embezzlement and that the letter opined that a lack of separation of duties enabled the employee to embezzle District funds, however, she noted that the previous year's documentation of internal controls did not disclose a lack of segregation of those duties.

Ms. Landeros introduced Gary Porter of Porter and Company who addressed the Board. Mr. Porter said that the District documentation was very thorough this year and that no irregularities came to their attention. Mr. Porter then thanked the Board and left the meeting at 8:45 p.m.

Mr. Bentley stated that the final audit will be presented for Board acceptance at the next meeting and requested the Board to forward any comments to him.

CUSTOMER OUTREACH PLAN

Mr. DeGabriele presented the draft Public Outreach Recommendations prepared by Ogilvy Public Relations and requested the Board to review the draft and forward any comments to him. He said the final plan will be on the agenda for Board approval at the next meeting.

BOARD REVIEW OF DISTRICT POLICY - POLICY NO. 27, PUBLIC ACCESS TO STAFFORD LAKE SHORELINE

Mr. DeGabriele reviewed the District Policy 27, Public Access to Stafford Lake Shoreline which clarifies the lease agreement with Indian Valley Golf Course regarding public access to the Stafford Lake shoreline. He said that the policy will be presented for adoption at the next meeting.

MISCELLANEOUS

The Board received the following miscellaneous items: NBWA Watershed Council Meeting Notice, An Inconvenient Future?, FEMA Winter Storm Damage Funds Received.

The Board also received the following news articles: Flushing Water and Money Down the Drain (10/12), Dams Could Be Removed from Klamath River, Saving Salmon (10/5), Amnesty Proposed for Illegal Mother-In-Law Units (10/5), City Hires Emergency Director (10/4).

ADJOURNMENT

President Schoonover adjourned the meeting at 8:50 p.m. in memory of former District employee, Joe Simas who passed away on October 9, 2006.

Submitted by

Renee Roberts
District Secretary