

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
October 20, 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 District headquarters and the agenda was accepted as presented. Present were Directors Jack Baker, Steve Petterle and John Schoonover. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre. Director Rick Fraites was absent.

Paul Kaymark of Charles Z. Fedak & Company, District employees Robert Clark (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance Superintendent) and Dianne Landeros (Accounting /HR Supervisor) were in the audience.

MINUTES

On motion of Director Baker, seconded by Director Schoonover, the Board approved the minutes from the previous meeting as presented by the following vote:

AYES: Directors Baker, Petterle, Rodoni, Schoonover

NOES: None

ABSENT: Director Fraites

ABSTAIN: None

GENERAL MANAGER'S REPORT

National Park Service Meeting

Mr. DeGabriele advised that he, Pablo Ramudo, Water Quality Supervisor, and Director Rodoni will meet with the National Park Service on Wednesday, October 21, 2009, to discuss Lagunitas Creek salinity intrusion and will advocate for funding for the Gallagher Wells and Pipeline project.

Status Report to Novato Sanitary District

Mr. DeGabriele reported that Novato Sanitary District requested that he provide a status report on the Sonoma County Water Agency Water Project Redirection and New Water Supply Strategies to their Board and that he will do so at their October 26th meeting during open time.

NBWRA Meeting

The Manager informed the Board that the North Bay Water Reuse Authority has requested a meeting with Assembly Member Jared Huffman and is tentatively scheduled for Wednesday, October 28. He asked that Director Baker or Director Schoonover attend.

PPFC Meeting

Mr. DeGabriele stated that the Public Policy Facilitating Committee (PPFC) will meet on Thursday, October 29, 2009 and that he will attend. He requested that Director Petterle, the District's representative to the PPFC, or Director Rodoni, the alternate representative, attend also.

OPEN TIME:

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

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:

North Bay Water Reuse Authority EIR

Mr. McIntyre informed the Board that the North Bay Water Reuse Authority Environmental Impact Report is in the hands of the Sonoma County Water Agency and that the EIR needs to be certified by the Agency before member agencies can move forward with their projects. He said that it is hoped that the Agency will take the document to their Board on December 1; and once the EIR is certified, member agencies can then take the report to their boards or councils for approval. Mr. McIntyre stated that a tentative meeting of the Recycled Water Sub-committee is scheduled for December 2, the day after the Agency is expected to certify the EIR. He stated that he anticipates that the report will be on the District's December 15th agenda for Board action.

Oceana Marin Sewer Spill

Mr. Clark reported that a spill in Oceana Marin was reported over the weekend due to a blockage in the pipe and excessive runoff from the recent rainstorm. He said that approximately 250 gallons of effluent spilled, and the spill was reported to the State Regional Water Quality Control Board. Mr. Clark will provide a full report at the next Board meeting.

Biomarin Connection Fees

Mr. Bentley advised that Biomarin decided not to accept the District offer to pay their connection fees over time and will pay the entire amount in cash.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley reported that all four service areas, Novato Water, West Marin Water, Recycled Water and Oceana Marin Sewer, were in the black on an accounting basis and had a net income for the quarter. He said that this is because only 9% of the Improvement Projects budget was expended during the first quarter and over half were on projects that were carried over from last fiscal year and other non-budgeted projects. He advised that the cash balance fell \$300,000 during the first quarter, and as is typical, expenditures increased in order to finish up the improvement projects with over \$1M in bills paid. Mr. Bentley reported that in Novato, water production was down 14% from the prior year, exceeding the budgeted projection of 12%; and revenue was up 12% in Novato due to the 20% water rate increase that was effective June 1. He further reported that operating expenses increased 2%. He said that Stafford Treatment Plant produced 23% more water during the first three months than the prior year and the production cost was not only less than the prior year, but less than the cost of Sonoma County Water Agency water. He said that this quarter, 43% of Novato water came from Stafford which helped in reducing the amount of draw from the Russian River. Mr. Bentley complemented Brad Stompe and his crew for doing a good job in producing water at Stafford Treatment Plant. Mr. Bentley reported that \$180,000 in connection fees was collected; the budgeted amount is \$3M for the fiscal year. He said that other than Biomarin's \$1.6M in connection fees, there are no large developer projects on the horizon.

Mr. Bentley stated that Recycled Water ended the first quarter with a net income, water sales revenue was up 15%, but lab and chemical costs were under budgeted resulting in a 54% increase in expenditures. He said the Recycled Water Facility is about to be shut down for the year and 35 MG of recycled water produced was sold to Stone Tree Golf Course, compared to 38 MG the prior year. He said the Recycled Water fund ended the quarter owing \$180,000 to Novato water, and the \$244,000 state grant is expected to arrive soon.

Mr. Bentley informed the Board that West Marin Water had a net income of \$13,000 for the quarter, water revenue was up 2%, and water sales volume was down 11%. He said it was assumed that the same water sales/consumption in West Marin would continue as prior years, but he is not confident that they can turnaround their water sales to meet budget by the end of the year. He said West Marin expenses have increased 39%; 2% of the Improvement Projects budget has been expended, \$21,000 in connection fees were collected, and the amount borrowed from Novato this quarter was \$8,000. He said that West Marin debt to Novato will continue to increase as the Improvement Projects begin.

Mr. Bentley reported that Oceana Marin revenue is up 1%, expenses were down 26% and there is a \$251,000 cash balance at the end of this quarter. There are currently 225 sewer customers.

Director Baker asked for an explanation for increased lab and chemical costs for the Recycled Water Facility. Mr. Bentley responded that this is the first year that the District has operated the Recycled Water Facility and while lab overtime for monitoring was budgeted, regular hours for the lab staff was omitted from the budget. Mr. Clark explained that when the District took over the recycled water from Novato Sanitary District (NSD), the NSD forgot to charge North Marin their cost of lab fees; and therefore, District staff did not include the regular hours for lab staff in the budget when the District took over operation of the plant. He said that testing is taking a lot more staff time than was anticipated.

Mr. Clark further explained that the increase in chemical expenditures was because the District has been administering higher dosages of chemicals to accommodate the fluctuations in the quality of the NSD effluent going into the plant. He said that once all operational information is received from NSD, these costs will stabilize. Mr. Bentley added that with the operation of the new wastewater treatment plant, the effluent will be of higher quality and will require less treatment.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Progress Report for September. He stated that Novato Water production is down 14% from this time last year and Stafford Treatment Plant production is up 22%. He said that the combination of Novato Water and Stafford Treatment Plant production is a 31% swing from Russin River supply during the first three months of the Fiscal Year. He stated that rainfall in September resulted in Stafford Lake being at the same level as last year and the plant will continue operating on a daily basis through October.

Mr. DeGabriele stated that in Oceana Marin, the wet weather prohibited discharge to the irrigation field and there is good freeboard in the storage and treatment ponds. He noted that staff worked 211 days without a lost time accident and the one injury on the report was a carryover from last fiscal year. Mr. DeGabriele reported that energy costs increased 10%; and 69 High Efficiency Toilets were rebated in September. He advised that the number of complaints were down for the month and for the first quarter. He said that 279 customer questionnaires were mailed to customers, 23% were returned and of those returned, 89% agreed staff is doing a good job, 8% were neutral and 3% were not satisfied and those comments were addressed by staff.

Mr. DeGabriele informed the Board that one water quality sample tested positive for coliform in the first quarter, but the repeat sample was clean and all chemical water quality

monitoring was within standards. He noted that the conductivity and total dissolved solids in West Marin are high but still below the secondary contaminant level.

Mr. Bentley reported on the monthly investments and stated that at the end of September there was \$7.2M in the bank; and during September, the cash balance increased about \$1,000. He said that the ratio of total cash to budgeted annual operating expense stands at 52% of our goal of \$12.2M; and the weighted average portfolio rate of return in September was 1.86%.

ACTION CALENDAR

APPROVE: STP BACKFLOW METER & CHECK VALVE PROJECT CONSTRUCTION INSPECTION SERVICES – CONTRACT AWARD (COVELLO GROUP)

Mr. McIntyre reminded the Board that the District received grant funding from the Department of Public Health for American Recovery and Reinvestment Act (ARRA) for the Stafford Treatment Plant Backflow Meter and Check Valve Project. He stated that although this is a small job, and will be performed by District crews, it is a funding requirement of the state that project inspection be performed by a third-party construction inspector. He said that five firms were solicited for proposals and three firms had submitted proposals. He said that staff selected Covello Group as the firm that was most cost-effective and had the highest proposal ranking after staff evaluation of all proposals received.

On motion of Director Baker, seconded by Director Petterle and unanimously carried by those Directors present, the Board authorized the General Manager to execute an agreement with the Covello Group for construction inspection services on a time and expense basis with a not-to-exceed limit of \$6,400 plus a \$1,400 contingency.

APPROVE: RESPONSE TO GRAND JURY REQUEST FOR INFORMATION

Mr. Bentley advised that the Marin County Civil Grand Jury requested information on the benefits provided to Board members. He said that since the Directors do not receive benefits from the District, staff response is short.

On motion of Director Petterle, seconded by Director Schoonover and unanimously carried by those Directors present, the Board approved staff's response.

INFORMATION ITEMS

DRAFT OUTSIDE AUDITORS REPORT

Ms. Landeros provided a summary of the recommendations contained in the Draft Outside Auditor's Management Letter and the District's compliance with those recommendations. She said that the Management Letter was an assessment of the three recommendations made last year and ensured that the District complied with those recommendations. She advised that the first

recommendation was to change the equipment capitalization threshold from \$1,000 to \$5,000 and that staff implemented this change effective July 1, 2008. Ms. Landeros said that the second recommendation had to do with reviewing the depreciation lives of capital assets and that after surveying other agencies, the District established new depreciation lives resulting in a \$7.7M depreciation entry in FY 09 to reflect the “catch-up”. She stated that the third recommendation addressed establishing more effective monthly reconciliation policies and that with the Board-approved increase in staff time, the accounting staff was able to reconcile every account and satisfy that recommendation. She informed the Board that the outside auditor made no new recommendations for this year. Ms. Landeros pointed out changes to the report’s format and she acknowledged District staff, Arthur Cantiller, Connie Filippi, Dave Jackson, Nancy Holton, Nancy Williamson, David Bentley and Sue Kessler, for their contributions to the report.

Ms. Landeros introduced Paul Kaymark of Charles Z. Fedak & Company who addressed the Board.

Mr. Kaymark began his presentation by commending District staff and their desire to elevate the level of financial reporting to a Comprehensive Annual Financial Report (CAFR) and that he is submitting the CAFR to the Government Finance Officers Association of the United States and Canada for their Certificate of Achievement for Excellence in Financial Reporting award. He pointed out a new section in the report that provides a ten-year look-back of where the District was and where it is now in regards to assets, liabilities, revenues, expenditures, etc. Mr. Kaymark presented the highlights of the Comprehensive Annual Financial Report and was available to answer any questions from the Board and staff.

The Board thanked Mr. Kaymark for his presentation, and he and Ms. Landeros left the meeting at 8:25 p.m.

Mr. Bentley asked the Board to submit any changes to the report to staff by the end of this week and a final report will be on the next agenda for Board approval.

STAFFORD TREATMENT PLANT WIRELESS LICENSE AGREEMENT

Mr. Clark provided an update to the Board on the Wireless License Agreement for Verizon. He said that over a year ago the Preliminary License Agreement was approved by the Board; and since then, Verizon has been working with the County of Marin to secure the necessary permits to proceed with the cell phone tower project. He reported that on September 28, the County Planning Commission gave Verizon a Conditional Use Permit, but that Verizon will still need to submit an application for a building permit and to perfect their FCC license. He said that there have been two public notices regarding the project and no public comments were received. Mr. Clark stated that at

the last minute, the planning commission wanted the tower to be a “tree pole” rather than a mono-pole and Verizon refuted that and was successful in obtaining the permit for a mono-pole tower. He further stated that it is expected the agreement will be brought to the Board for approval at the December 1, 2009 meeting.

SEPTEMBER 12 LIGHTNING STORM DAMAGE UPDATE

Mr. Clark updated the Board on the effects the severe lightning storm of September 12 had on District facilities. He stated that even though tank and pump station facilities have protection against lightning strikes, several Novato tanks and pump stations lost SCADA communications when phone lines failed because of the intensity and number of lightning strikes. He further stated that all West Marin systems were running in manual mode due to power outages and/or phone line failures. He said that considerable staff time was expended resetting remote telemetry units at tanks, pump stations and in the operations center.

Mr. Clark stated that despite installing protection for the remote telemetry units, the Modicon remote telemetry units are susceptible to lightning strikes. He advised that Automation Direct offers a new level of technology for remote telemetry units that will be installed at the Trumbull Pump Station during the pump station rebuild project. He said that these units are more robust and less expensive than the Modicon product. He said that the District plans to change out the Modicon units over the next few years as older units fail.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, Press Release Re Summer Water Use Reduction, Letter from Customer Re Water Base Rate Increases, Novato Fire District Invitation, Horizon Customer Base for Cable Internet Access, Russian River Instream Flow & Restoration - Public Policy Facilitating Committee Meeting.

The Board also received the following news articles: Water plant privatization opponents gather 4,000 signatures, Novatans cut water use by 21 percent, Santa Rosa council studies water, sewer rate hikes, Petaluma Council Faces Sewer Rate Ballot Decision, Water agency’s perfect storm, Marin County 4-H Adult Honorees (Photo), City Rejects Water Moratorium, Salinity Notices.

CLOSED SESSION

President Rodoni adjourned the Board into closed session at 8:34 p.m. Conference with Legal Counsel - Anticipated Litigation – Initiation of Litigation Pursuant to Subdivision (c) of Government Code Section 54956.9 – One Potential Case.

OPEN SESSION

Upon returning to regular session at 9:07 p.m., President Rodoni stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

ADJOURNMENT

President Rodoni adjourned the meeting at 9:08 p.m.

Submitted by

Renee Roberts
District Secretary