

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
February 18, 2014**

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, Rick Fraites, Stephen Petterle, Dennis Rodoni and John Schoonover. Also present were General Manager Chris DeGabriele, District Secretary Katie Young and Auditor-Controller David Bentley. Chief Engineer Drew McIntyre was absent.

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

MINUTES

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

GENERAL MANAGER'S REPORT

Mr. DeGabriele informed the Board that the SMART rail work on Rush Creek Place and Golden Gate Place will begin early next month. He advised the Board that he will be meeting with the SMART train staff this Friday.

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 was discussed:

District Secretary, Katie Young, provided the Board and staff with some helpful tips in regards to the iAnnotate program that is being used on iPad's to view the board agenda packets.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Monthly Progress Report for January. He stated that in Novato and West Marin water consumption was significantly higher than the previous year. He noted that there was some Recycled Water production in the South Service area through the month of January. Mr. DeGabriele advised the Board that in Oceana Marin the treatment and storage ponds

were in good shape and the effluent flow volume was low. He informed the Board that staff has worked over 235 days without lost time and that the Summary of Complaints and Service Orders were up 44% for the month due to leaks and high bill complaints but were down 17% for the year.

Mr. Bentley provided the Monthly Report of Investments advising the Board that the cash balance is \$16.3M at the end of January and that the weighted portfolio interest earning rate was 0.35%.

CONSENT CALENDAR

On the motion of Director Petterle, seconded by Director Fraites and unanimously carried, the following item was approved on the consent calendar:

EMPLOYEE HANDBOOK FEBRUARY 2014 REVISION AND NEW SUPERVISOR HANDBOOK

The Board approved the revised Employee Handbook and a new Supervisor Handbook. The handbooks include provisions from the most recent Memorandum of Understanding with the NMWD Employee Association.

ACTION CALENDAR

AEEP REACHES A-D/MSN B3 PROJECT: AWARD CONSTRUCTION CONTRACT TO GHILOTTI CONSTRUCTION

Mr. DeGabriele reminded the Board that staff advertised for bids for the AEEP Reaches A-D/MSN B3 Project beginning on December 9, 2013. He stated that staff received four bids and the lowest bid was \$12.3M, over 19% below the engineer's cost estimate. He noted that the bids were reviewed by staff and CSW, and that Ghilotti Construction was determined to be the lowest responsive bid.

Director Baker commended Mr. McIntyre and CSW on the project bid results and was pleased to see that Ghilotti Construction was the contractor to be awarded the work.

On motion of Director Baker, seconded by Director Schoonover and unanimously carried the Board awarded the AEEP Reaches A-D/MSN B3 Project construction contract to Ghilotti Construction Company and authorized the General Manager to execute an agreement with Ghilotti Construction Company in the amount of \$12,275,517 plus a contingency of \$615,000.

UTILITY AGREEMENT BETWEEN THE STATE OF CALIFORNIA AND NORTH MARIN WATER DISTRICT FOR CALTRANS' MSN B3 AND NMWD'S AEEP REACH A-D PROJECTS

Mr. DeGabriele informed the Board that the Utility Agreement with the State of California CalTrans is to enable CalTrans to pay for the relocation of the North Marin Aqueduct. He noted that the District is paying for the new pipeline reaches and the upsizing of the existing pipeline but CalTrans will be paying for 90% of that relocation cost. Mr. DeGabriele advised the Board that legal counsel from the District and CalTrans have been involved and that the agreement defines the roles and responsibilities of both the District and CalTrans.

On motion of Director Schoonover, seconded by Director Baker and unanimously carried, the Board authorized the General Manager to execute Utility Agreement No. 1780.1.

INFORMATION ITEMS

PREPARING FOR DRY YEAR CONDITIONS

Mr. DeGabriele reviewed an update on preparing for dry year conditions. He informed the Board that rainfall from February 1st through February 10th in Novato totaled just over 4" but was higher in both Southern Marin County and in the Sonoma/Mendocino County regions, adding storage to reservoirs there.

Mr. DeGabriele informed the Board that he attended a meeting today with agricultural folks, Supervisor Kinsey and the County agricultural advisor, along with staff from USDA who shared information about what has been done to date with the drought and what tools are available for ranchers. He noted that the biggest challenge is not having enough feed for the stock and ranchers risking organic certification for cattle and/or dairy products. Mr. DeGabriele advised the Board that he will be attending another meeting next week with Sonoma County and Marin County Board of Supervisors and MMWD General Manager, Krishna Kumar, to discuss the ranchers challenge. Mr. DeGabriele informed the Board that Mr. Kumar informed him that MMWD believes it will not need all of the water that is being back fed into Stafford Lake and that water could be a source to offer for hauling to agricultural uses. He noted that MMWD will pay for it and can work out the arrangement with the ranchers and/or County of Marin.

Mr. DeGabriele advised the Board that it appears that there is money available with drought declaration through the USDA to help reimburse for hauling. Mr. DeGabriele advised the Board that in West Marin there is one hauler working now, hauling water to Nicasio residents and ranchers. He stated that he is allowing the hauling to occur until April 1st when the voluntary restrictions are likely to be put into place.

Mr. DeGabriele stated that it has been mentioned to look at Recycled Water for stock watering but the Food and Agricultural code identifies that water must be free of pathogens from bacteria and Recycled Water is not free of pathogens. He noted that Assemblyman Levine has called a meeting of the assembly subcommittee on use of Recycled Water for stock watering in Petaluma next Thursday and he has been asked to attend.

Mr. DeGabriele stated that in West Marin, dry year conditions continue on Lagunitas Creek and the additional rainfall has aided Marin Municipal's water storage. He informed the Board that should dry year conditions continue, on April 1st the District will request voluntary restrictions with mandatory requirements likely on July 1st.

Mr. DeGabriele stated that 220AF of Russian River water has been back fed into Stafford Lake and that the lake now holds 1,838 AF of water, about 44% of capacity. He informed the Board that Lake Mendocino is at 28,000AF, Lake Sonoma is at 166,000AF, and Lake Pillsbury is at 18,000AF.

Mr. DeGabriele informed the Board that he will come back at the next meeting with some recommendations and/or a timeline for the District regarding a water shortage declaration. He stated that he would like to have more discussions with Sonoma County Water Agency before coming back to the Board with a recommendation. Mr. DeGabriele advised that he does not believe mandatory requirements will be needed but would like to have a plan in place to be ready.

Mr. DeGabriele informed the Board that on Wednesday he will be interviewed by KWMR, a West Marin radio station about drought planning and that on March 5th he will be speaking to the Marin Collation regarding the drought.

President Rodoni asked if Marin Municipal will have a mandatory restrictions and Mr. DeGabriele stated that he believes they will not and that they have a 25% voluntary reduction in place currently.

President Rodoni asked if the District has adopted the Resolution prepared by the Sonoma Marin Saving Water Partnership supporting the 20% voluntary reduction and Mr. DeGabriele said not yet. President Rodoni stated that it is important that the Board pass the resolution before the next WAC/TAC meeting.

President Rodoni asked if Marin Municipal will discontinue back feeding into Stafford Lake and how the District plans on explaining the back feeding operation to Novato customers. Mr. DeGabriele responded that the back feeding is not really impacting Novato customers because Marin Municipal will continue to pay for it and that no more than 500AF would be back fed.

RATE INCREASE CONSIDERATIONS

David Bentley reviewed possible rate increase considerations with the Board. He informed the Board that the District needs to begin formulating a rate increase letter to customers to be post-marked no later than April 5, 2014. He noted that with the uncertainty surrounding implications of the drought, staff recommends the letter include information about a proposed regular rate increase, as well as a worst case scenario that assumes mandatory rationing is required necessitating a drought surcharge.

Mr. Bentley stated that at the Board Workshop staff presented the Novato Potable Water System 5-year Financial Plan dashboard to assess the District's progress towards its goal of rebuilding reserves to 90% of annual operating expense. He informed the Board that the number one complaint to the billing department is the amount of the bi-monthly service charge. He recommended that the Board continue with the existing \$30 service charge for a typical residential meter and propose a 6.5% commodity rate increase, which would generate the 5% revenue increase the District is looking for.

Mr. Bentley explained the analysis to develop a drought surcharge. He stated that there are a couple of factors that need to be balanced, the need to manage the revenue loss, the liquidated damages cost for purchased water in excess of the Sonoma County Water Agency Allocation during shortages, the need to send a price signal of the scarcity of water, and protection of customers who already do an admirable job of conserving water.

Director Fraites asked what the rationale was for including liquidated damages. Mr. DeGabriele informed the Board that it is the restructured agreement establishes liquidated damages. He noted that when there is a water shortage declared and the agency limits the amount of water that can be diverted to the water contractors, it identifies the amount that each water contractor can take, any amount over that then must pay liquidated damages.

President Rodoni asked about the last time there were liquidated damages. Mr. DeGabriele stated that in 2009 liquidated damages were charged but there was not a fair allocation model and the liquidated damages were waived by the WAC.

Mr. Bentley stated that he built an interactive model to give the Board an idea of changing the threshold depending on customer use. He informed the Board that if there is a 20% mandatory reduction the District will need to recover \$1.1M through drought surcharges. He advised the Board if the drought surcharge would be equivalent to \$1.00/1,000 gallons of water used they would recover the cost, but only for water users above a minimum threshold. Mr. Bentley and the Board had discussion about where the threshold should be.

President Rodoni asked how long the surcharge would be in effect. Mr. DeGabriele stated he was unsure of the duration and that he doesn't believe there will be mandatory restrictions causing a drought surcharge but the District needs to be prepared.

President Rodoni asked if the drought surcharge had to go through the public hearing process. Mr. DeGabriele answered yes but that the District could rescind the surcharge when appropriate.

President Rodoni suggested that the District should let customers know that it is a short term surcharge and make it look more rewarding for those who are already conserving.

Director Fraites stated that he liked the process and it lets the customers know that the District is serious and that customers better start conserving and paying attention to their water use.

Director Petterle asked if the consumption curve included the voluntary or mandatory rationing. Mr. Bentley stated that it was based on the 2013 actual use.

Mr. DeGabriele stated that staff is not asking for a decision now but wanted to get a general consensus from the Board for the 6.5% rate increase and no increase to the fixed charge. He stated that the Board could come back at the next meeting and discuss the threshold for the drought surcharge.

President Rodoni stated that \$1.00/1,000gallons of water used is a good figure.

Mr. Bentley stated that for customers using 100,000 gallons a year the surcharge would be \$100 to the customers.

Director Baker asked if other water contractors were looking into options for surcharges as well. Mr. DeGabriele stated that he doesn't know of any other contractors from the Sonoma area looking into surcharges but stated that other agencies have different surcharges implemented.

President Rodoni stated that if the program does not work, that the District does have cash reserves.

Mr. DeGabriele stated that the District does not implement mandatory requirements and may have to use some reserve to back stop lost revenue from voluntary conservation. He believes the District will ask for a 20% voluntary reduction.

2014 URBAN WATER COST COMPARISON

Mr. Bentley provided the Board with the Urban Area Water Cost Comparison update. He stated that out of 17 agencies, the District is ranked #10. He noted that the District is 1% below the

median for typical single family residents. Mr. Bentley reminded the Board that Novato customers pay \$656 each year for 107,600 gallons used.

MID YEAR OPERATIONS/MAINTENANCE, 2013/14 UPDATE

Robert Clark provided the midyear Operations/Maintenance 2013/14 update to the Board. He stated that staff is currently working on improving safety and communication is key. He stated that the safety committee is looking to change the incentive program and will be discussing this with all employees. He advised the Board that staff members are working with Marin County and City of Novato for emergency disaster training.

Mr. Clark stated that Stafford Treatment Plant was ready to go to during aqueduct shut downs due to the Aqueduct Energy Efficiency Project and that employees did a great job getting the maintenance completed in time. He stated that the average annual production was almost reached in January.

Mr. Clark informed the Board that in the Maintenance Department the electrical/mechanical staff installed a set of two new air compressors for Stafford Treatment Plant and spent time working on the telemetering line repairs along the aqueduct. Mr. Clark advised the Board that staff put together a purchase order for the purchase of the new dump truck.

Mr. Clark advised the Board that Phillips & Associates continues to perform operations and maintenance tasks in Ocean Marin and he is currently speaking with legal counsel regarding cancelling the agreement with Phillips & Associates. Mr. Clark stated that staff has reviewed the operations and has decided that Phillips & Associates is no longer doing an efficient job maintaining the facilities nor responding to emergency call outs and that staff could perform the tasks that need to be done.

Director Baker asked that Mr. Clark provide a history for Phillips & Associates. President Rodoni asked if the District had the in house certification to handle the job. Mr. Clark stated that the District has two certified waste water treatment plant operators and will work with the State Regional Board to see how to get others certified.

SECOND QUARTER FY13/14 – WATER QUALITY REPORT

Pablo Ramudo provided the Board with the second quarter FY13/14 Water Quality Report. He stated that Stafford Lake was used intermittently in November and December due to the taste and odor in the lake from algae. He noted that the lake had seen a huge bloom of blue green algae and staff is speaking with consultants trying to figure out a way to control the algae.

Mr. Ramudo stated that that of the 252 samples collected for compliance there were no positive coliform samples. He stated that disinfection by-products were very low for the quarter.

Mr. Ramudo informed the Board that water quality parameters in West Marin affected by salt water intrusion rose during the quarter but were just below notification level. He noted that Bromide went up along with disinfection by-products. Mr. Ramudo informed the Board that the District has been on an increase monitoring schedule for 3 years and is now back down to the regular monitoring schedule for disinfection by-products. Mr. Ramudo advised the Board that the Deer Island Recycled Water Plant did not produce water during the quarter but staff did take samples looking at the hardness and the salt levels requested by customers.

Mr. Ramudo advised the Board that he will be attending the State Water Quality Control Board meeting in order to comment on the proposed permit for potable water discharges. He noted that he will be making comments during open time and will keep the Board informed of the outcome.

Director Fraites asked what the cause of the lake algae was. Mr. Ramudo stated that there are a lot of nutrients in the raw water and staff added an aeration system to take care of the oxygen levels in the lake, which started taking metals out of the system and caused discoloration of water and the combination of these factors fueled algae production. He noted that the District is not exactly clear but is making changes and speaking with consultants on how to treat the water. Mr. Ramudo stated that there has been discussion about working with the dairy to diminish nutrients into the lake and hopes that it removes some of the taste and odor issues.

President Rodoni stated that the District needs to look at the cost of having the dairy on the watershed.

SCWA UPDATED WATER SHORTAGE ALLOCATION MODEL

Mr. DeGabriele provided the Board with a presentation on the updated water shortage allocation model from the Sonoma County Water Agency. He stated that the Technical Advisory Committee has been working with SCWA and its consultants since September 2012 on the allocation model. He informed the Board that the model is divided into two components: 1) for annual shortage, and 2) for peak or monthly shortage.

Mr. DeGabriele advised the Board that the Water Advisory Committee will again consider accepting the model at its April 7th meeting and that he recommends the District's WAC representative to vote in favor of accepting the updated water shortage allocation methodology.

PROPOSED FY15 SCWA BUDGET

Mr. Bentley reviewed the Proposed FY15 SCWA budget with the Board which would increase the District's rate for purchased water by 3.4%.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, 2014 Flushing Program Update, Service Charge Analysis, Letter to Beverly James re: Recycled Water Commitment, and Press Release re: Gallagher Well Grant.

The Board also received the following news articles: Emphatically No!, Novato to store water for the rest of Marin to maximize supplies in dry year, Marin Voice: Time for Marin to reconsider desal? and Novato residents asked to cut water use by 20 percent.

Mr. DeGabriele advised the Board that the letter to Beverly James, General Manager at Novato Sanitary District, was to confirm the District's continued membership in the NBWRA beyond Phase 1, as an associate. He also informed the Board that Ms. James will be retiring on April 1st.

ADJOURNMENT

President Rodoni adjourned the meeting at 9:42 p.m.

Submitted by



Katie Young
District Secretary