

NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 20, 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, and John Schoonover. Also present were General Manager Chris DeGabriele, District Secretary Katie Young, Auditor-Controller David Bentley, and Chief Engineer Drew McIntyre.

Novato Residents Stan and Anna Dennison, Kelli Juan, Robert Koch, and Larry Heon, StoneTree Golf Course Employee Lance Waraku, District employees Robert Clark (Operations/Maintenance Superintendent), Tony Arendell (Construction/Maintenance Superintendent) and Pablo Ramudo (Water Quality Supervisor), were in the audience.

MINUTES

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

PUBLIC HEARING

Consider Proposed Increase in Water Rates for Novato Service Area and Resulting Revisions to District Regulations 54, Water Rates

Mr. Bentley informed the Board that the proposed commodity rate increase of 6.5% will generate \$810K in FY15. He stated that in addition to the letter sent to each customer, a notice of the public hearing notice was published in the May 14th issue of the Novato Advance and there were 14 letters received from the public in response, 12 of them opposing the water rate increase, 1 supportive and 1 from Indian Valley Golf Course regarding the proposed drought surcharge. He noted that today staff received a letter from StoneTree Golf Course regarding the rates for Recycled Water users.

Mr. Bentley displayed the District's financial dashboard that helps plan and analyze the rate increases that are needed and incorporate the proposed budget revenues and expenditures. He reviewed the District's five-year financial plan and reminded the Board of the District's goal to attain a cash reserve balance of 90% of annual operating expense. He informed the Board that the annual cost of water for the median customer in Novato is \$656, which includes a \$30 bi-monthly service charge. He stated that staff is proposing a 6.5% commodity rate increase with no increase in the bi-monthly service charge, increasing the median customer's annual bill to \$686, an increase of \$2.50

per month or 5% annually. Mr. Bentley stated that the District will achieve the reserve balance goal and could potentially surpass it ending the fiscal year with \$13.7M. Mr. Bentley projects sale of 3BG of water this fiscal year but expects to see that number diminish next fiscal year with the request for voluntary water use reduction and late rains.

Mr. Bentley provided the Board and public with a slideshow about the rate increase structure. He reiterated that the proposed commodity rate increase is 6.5%, with no increase to the bi-monthly service charge.

President Rodoni opened the public hearing at 7:49 p.m.

Kelli Juan, a Novato resident, expressed her concern about living in a multi-family dwelling unit and her frustration with having to pay for other customers water use that she has no control over. She stated that she conserves water and complained that she is paying for water someone else is using.

Stan Dennison, a Novato resident, informed the Board that he has lived in Novato since before it became a city and said that he is very good at conserving and has taken all the appropriate measures to install new toilets, showerheads etc. He advised the Board that he is protesting the water rate increase and the drought surcharge and believes they are not necessary. He asked the Directors to look at the salary schedules and pensions of the employees and decrease those before asking for an increase in the water rates.

Bob Koch, a Novato resident, applauded the District for its efforts in keeping the District running. He stated that he believes that water is a precious commodity and with raising the rates maybe the water use abusers will finally take action and start to conserve. He asked the Board to assure him that he as a water conserver would not be penalized for not being able to conserve more.

Larry Heon, a Novato resident, expressed his concern about the end date of the proposed drought surcharge.

President Rodoni reminded the public that unless mandatory restrictions on water use are enacted pursuant to the Water Shortage Contingency Plan or the State forces mandatory cutbacks, there will be no drought surcharge enacted.

Mr. DeGabriele stated that whenever mandatory water use restrictions are removed the Board will be asked to remove the drought surcharge.

President Rodoni asked if any other members of the public would like to speak.

Mr. DeGabriele pointed out to the Board that staff received a letter from StoneTree Golf Club today and he advised the Board that he emailed Ann Mulroy and informed her that he would be happy to meet regarding the Recycled Water rates, and that recycled water customers do not pay the seasonal commodity rate applied to commercial/irrigation potable water users, and that StoneTree did not pay connection fees when they connected to the District.

Hearing no further public comment, President Rodoni closed the hearing at 8:10 p.m.

Director Baker stated that he was sympathetic to all of the public's concerns however the proposed rate increases were necessary due to increased cost of water from the Sonoma County Water Agency as well as increased operational costs by the District. He added that the District is not trying to make a profit on water sales but rather to cover its' costs.

Director Fraites stated that he believes that the District is frugal when it comes to purchasing equipment and capital improvements and that the District looks for ways to save money when they can. He stated that he doesn't like to raise the rates and as a Novato resident has to pay for water as well, but when the cost of water goes up, the rates go up. He informed the public that the District is trying to maintain good service, good water and a safe place to work and the District needs the rate increase to survive.

Director Petterle thanked the public for coming and invited everyone to come to more meetings to see some of the context and see how the District is operated throughout the year. He asked Mr. Bentley about the seven other agencies that have lower water rates than the District.

Mr. Bentley stated that in the rate increase letter mailed to all of the customers there was a copy of the annual water rate survey. He stated that the seven water agencies listed below the District in the survey are primarily city operated and do not focus on water as attentively as a special district.

Director Schoonover stated that he is a Novato resident and his lawn is brown and he also stated that he was extremely proud of all of the District's employees and believes they deserve every nickel they earn.

President Rodoni stated that there has not been much development in Novato and because of that the District has not collected connection fees to help offset the rates. He informed the public that the District has reduced costs in departments across the board and that the District needs the rate increase to maintain the good quality and service that the public deserves. President Rodoni thanked the public for attending the meeting.

On motion of Director Fraites, seconded by Director Baker, and unanimously carried, the Board approved Resolution 14-9 entitled: "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54- Water Rates" amending Regulation 54 pertaining to Water Rates and Charges to reflect an increase averaging 5% for the typical residential customer in the Novato Service Area effective June 1, 2014.

Consider Proposed Drought Surcharge in Water Rates for Novato Service Area and Resulting Revisions to District Regulations 54, Water Rates

Mr. Bentley informed the Board that staff is proposing a drought surcharge of \$1.00/1,000 gallons used when mandatory water use restrictions go into effect, with the exception that residential customers would pay the surcharge only on use over 300 gallons per day. He stated that it is not anticipated that the District will have mandatory water use restrictions this year. He informed the Board that the reason for adding the drought surcharge into Regulation 54 is because of two financial concerns: 1) the Sonoma County Water Agency's liquidated damages charge, and 2) the revenue loss from reduced water sales. Mr. Bentley explained that the liquidated damages charge from Sonoma County Water Agency would be charged to all water contractors that use in excess the allocation pursuant to terms in the Restructure Agreement for Water Supply. He explained that the net revenue loss would be due to the conservation of the water. Mr. Bentley showed the Board and public several charts regarding the loss scenarios and the reduction of water use. He stated that the liquidated damages charge and the loss in revenue would cost the District \$1.1M. He advised the Board that staff tried to make it fair to the residential customers who are already conserving so the surcharge applies only to water use exceeding 300 gallons per day. He noted that a surcharge of \$1.00/1,000 gallons is projected to generate \$1.1M.

Mr. Bentley stated that staff is requesting the Board to put the drought surcharge into Regulation 54 to be used in future years should the District be subject to mandatory water use restrictions. He reiterated that it is not likely that Novato will have mandatory restrictions in 2014.

President Rodoni opened the public hearing for the Drought Surcharge at 8:44 p.m.

Mr. Dennison stated that he has already cut back to 150 gallons a day and asked how he was supposed to conserve more.

President Rodoni stated that if customers use under 300 gallons per day, the customer will not have to pay the surcharge and the District will implement the drought surcharge if mandatory water use restrictions are required. Mr. Dennison stated that he protested the surcharge.

Mr. DeGabriele advised the Board and the public that the point of the drought surcharge is to send a signal to the larger water users and to reduce water use. He advised that the public is able to go to the District's website and see how much water they have used in the last two years and are able to use tools on the website to help determine how to reduce water consumption by 20%.

Ms. Juan again expressed her concern about paying a surcharge for something she is unable to control.

President Rodoni advised the public that the District does not expect to see the drought surcharge implemented this year.

President Rodoni seeing no further public comment closed the hearing at 8:52 p.m.

On motion of Director Schoonover, seconded by Director Petterle, and unanimously carried, the Board approved Resolution 14-10 entitled: "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54- Drought Surcharge" amending Regulation 54 pertaining to Water Rates and Charges to add a Drought Surcharge provision, applicable to the Novato Service Area.

President Rodoni thanked the customers for coming to the Board meeting tonight and the customers left the meeting.

GENERAL MANAGER'S REPORT

Local Coastal Commission Meeting

Mr. DeGabriele informed the Board that on Thursday he attended the Local Coastal Commission meeting in Inverness and missed the opportunity to speak but did have a chance to speak with staff regarding the District's desired amendments to the local coastal plan.

Native Plant Tour

Mr. DeGabriele attended the Sonoma Marin Saving Water Partnership Native Plant Tour on Saturday and said it was well attended and well done. He noted that the North Marin location had the largest attendance.

Rohnert Park Groundwater Management Plan Update

Mr. DeGabriele advised the Board that he is planning on attending the community forum in Rohnert Park regarding the Groundwater Management Plan.

Marin LAFCO

Mr. DeGabriele advised the Board that he will be attending the Marin Conservation League meeting on Marin LAFCO's study of water supply and demand. He stated that the Marin LAFCO municipal service review will look at the water supply as a whole in Marin County.

OPEN TIME

President Rodoni asked if anyone in the audience wished to bring up an item not on the agenda 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:

Director Baker informed the Board that he attended the Native Garden Tour as well and was very impressed how well attended the tour was especially in Novato.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Board with the April Monthly Progress Report. He stated that water production in Novato during April was down 26% compared to April 2013 and was down 17% in West Marin. He informed the Board that there has been 12.7" of rain through April and that at the end of April Stafford Lake was at 63% capacity. Mr. DeGabriele stated that on the Russian River, Lake Mendocino is at 46% capacity, while Lake Sonoma holds ample water supply at 75% capacity.

Mr. DeGabriele advised the Board that staff has worked over 324 days without a lost time accident or injury and that customer complaints were up significantly compared to last April, due to water quality complaints, consumer leaks and meter replacements.

Mr. Bentley provided the Board with the Monthly Report of Investments showing that the District holds \$17.5M in reserves and that in April the reserves hit the 90% of budgeted operating expense goal the District is trying to achieve. He stated that the portfolio is earning 0.35% in interest.

CONSENT CALENDAR

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

NOVATO THEATER PROJECT

The Novato Theater Non-Profit Organization has requested a Resolution of Support from the Water District for their continued efforts to rebuild the Novato Theater. This resolution is an indication of community support and comes with no financial cost to the District.

The Board adopted Resolution 14-11 entitled: "A Resolution of the Board of Directors of North Marin Water District Supporting Downtown Novato Project."

ACTION CALENDAR

NOTICE OF COMPLETION FOR THE AEEP/B3 TREE REMOVAL PROJECT – THE PROFESSIONAL TREE CARE COMPANY

Mr. McIntyre requested that the Board authorize the General Manager to file a Notice of Completion for the Aqueduct Energy Efficiency B3 Tree Removal Project with The Professional Tree Care Company. He stated that this project was done in advance of the major AEEP project work to cut down the trees before the bird nesting period began. Mr. McIntyre stated that with the original contract and change orders requested, the total amount for the project was approximately \$42K and that 95% of the cost will be reimbursed from Caltrans.

Director Fraites asked if staff was making sure the mitigation was occurring and Mr. McIntyre responded that Caltrans was responsible for the mitigation.

On motion of Director Petterle, seconded by Director Fraites and unanimously carried, the Board authorized the General Manager to execute and file a Notice of Completion for the AEEP/B3 Tree Removal Project.

INFORMATION ITEMS

THIRD QUARTER FY 13/14 – WATER QUALITY REPORT

Pablo Ramudo, Water Quality Supervisor, provided the Board with the Third Quarter Water Quality Progress Report. He informed the Board that Stafford Lake was not used as a source of drinking water but the water quality looks good and there were only two algae species detected in the quarter. He advised the Board that a contract has been executed with Michael McGuire to help develop a taste and odor control strategy and be able to treat the Stafford Lake water at any time. Mr. Ramudo advised the Board that Novato's Distribution System had no positive coliform samples this quarter and that the chlorine residual concentrations were good throughout the system. He informed the Board that in Point Reyes the raw water quality was good throughout the quarter and there were no salinity intrusions. He noted that the disinfection by-products have been kept lower because of the sprayers in the tanks. Mr. Ramudo advised the Board that there was no iron and manganese detected in the treated water from the Point Reyes Treatment Plant.

Director Baker asked about sprayer system for the tanks in Point Reyes. Mr. Ramudo stated that staff has put an aeration system in the tanks that takes water from the bottom of the tank to the top and the disinfection by-products are then volatilized into the air and vented through the top of the tank.

President Rodoni asked about the method of notifying customers about the salinity intrusion. Mr. Ramudo stated that the District publishes a notification in the Point Reyes Light when sodium concentrations in finished water exceed 50mg/l.

Mr. Ramudo stated that the Gallagher Well Project is expected to mitigate the salinity intrusion problem in West Marin.

Director Baker asked when the Gallagher Well Project will start. Mr. McIntyre stated that the District is in the submittal review stage and staff should have a schedule prepared in the next 3 weeks. He noted that the project is scheduled to be substantially completed in early October.

Mr. DeGabriele stated that there are still permits required to put the water into the system once the project has been completed.

SECOND REVIEW – PROPOSED FY 2014/15 NOVATO WATER EQUIPMENT BUDGET

Mr. Bentley advised the Board since the April 15th review, that no dollar changes have been made to the proposed FY15 Equipment Budget, although an evaluation of appropriate replacement vehicles for the Honda Civic Hybrids is ongoing.

Mr. Bentley informed the Board that a public hearing and approval of the Equipment Budget is scheduled for June 17, 2014.

SECOND REVIEW – PROPOSED FY 15 & 16 NOVATO CAPITAL IMPROVEMENT PROJECTS BUDGET

Mr. Bentley informed the Board that there were minor changes to the FY 15 & 16 Novato Capital Improvement Projects Budget including: \$30,000 increase to the Stafford Treatment Plant Transmission Line Evaluation, \$45,000 reduction to the Shields Lane Cast Iron Replacement project as more of the project will be completed in FY14, \$15,000 increase in FY15 Crest Pump Station Design/Construction work.

Director Baker asked about the Dam Concrete Apron Repair. Mr. McIntyre stated that it is ongoing patch repairs in different areas where the concrete is cracked. He stated that staff is trying to do the repairs as an on-going maintenance program.

Director Baker asked how often the dam is inspected. Mr. McIntyre stated annually.

Mr. Bentley informed the Board that a public hearing and approval of the Capital Improvement Projects Budget is scheduled for June 17, 2014.

SECOND REVIEW – FY 2014/15 PROPOSED NOVATO OPERATIONS BUDGET

Mr. Bentley advised the Board that the Novato Operations Budget expenditures have increased by \$27,000 since the Board's initial review at the last meeting. He stated that this draft

includes promotions for three employees in the Operations/Maintenance Department, and the addition of 6 hours per week for two Senior Accountants, bringing them both to full-time status. Mr. Bentley stated that the budget projects a net “bottom line” cash deficit of \$5.1M, of which 80% will be covered by the Bank of Marin loan reserve for the Aqueduct Energy Efficiency Project.

Mr. Bentley informed the Board that a public hearing and approval of Novato Operations Budget is scheduled for June 17, 2014.

SECOND REVIEW – FY 2014/15 PROPOSED NOVATO RECYCLED WATER OPERATIONS BUDGET

Mr. Bentley informed the Board that there were minor changes made to the Novato Recycled Water Operations Budget of \$15,000, for labor charges, reduction in budgeted chemical expenses, reduction in Transmission and Distribution Materials and an increase in projected interest revenue.

Mr. Bentley informed the Board that a public hearing and approval of the Novato Recycled Water Operations Budget is scheduled for June 17, 2014.

GALLAGHER WELL AND PIPELINE PROJECT – STREAMBED ALTERATION NOTIFICATION

Mr. DeGabriele reminded the Board that at the last meeting he informed the Board he had requested PES Environmental Inc. to prepare a Streambed Alteration Notification to formally document the operational measures to monitor stream flow and Gallagher Well operation. He noted that the cost for the notification is \$4,750 and an additional \$5,000 will be needed to obtain the Streambed Alteration Agreement from the California Department of Fish and Wildlife.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements, NBWRA Agenda – May 19, 2014, Leadership Novato Class of 2014, 1964: Fluoridation election called off, and Baby Emmy’s Grandpa.

The Board received the following news articles: Close to Home: Avoiding a water nightmare, Mendocino County supervisors decline support of Millview water right, Mendocino Co. supervisors OK letter in support of PV diversion, and Novato Sanitary board taps new member.

The Board also received the following miscellaneous item at the Board meeting: Customer protest letters regarding the proposed rate increase.

Director Petterle stated that the article about President Rodoni was great. Director Schoonover congratulated Katie Young on her graduation from Leadership Novato.

CLOSED SESSION

President Rodoni adjourned the Board into closed session at 9:18p.m. in accordance with Government Code Section 54956.0 Paragraph (3) of Subdivision (d) Conference with Legal Counsel – Anticipated Litigation – Significant Exposure to Litigation – One Potential Case.

OPEN SESSION

Upon returning to regular session at 9:32 p.m., President Rodoni reported that the Board had considered entering into a Tolling Agreement with Disney Construction with respect to potential claims connected with the work performed by Disney on the District Recycled Water Expansion – South Service Area Phase 1B Project.

On motion of Director Petterle, seconded by Director Baker and unanimously carried, the Board authorized the General Manager to execute the Tolling Agreement.

ADJOURNMENT

President Rodoni adjourned the meeting at 9:34 p.m.

Submitted by

A handwritten signature in black ink, appearing to read 'Katie Young', written in a cursive style.

Katie Young
District Secretary