

NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 17, 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, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

District employees Robert Clark (Operations/Maintenance Superintendent) and Tony Arendell (Construction/Maintenance Superintendent) were in the audience.

MINUTES

Director Baker provided the District Secretary with some minor corrections to the draft minutes from the June 3, 2014 meeting.

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

GENERAL MANAGER'S REPORT

City of Novato

Mr. DeGabriele informed the Board that he attended the City of Novato's planning commission meeting on Monday and the City Council meeting earlier in the evening, where a presentation of a white paper on Novato Water Supply was presented. He advised the Board that the white paper intended to inform the City of Novato General Plan Update and is included as an information item on the Board agenda tonight for further discussion.

Sonoma County Water Agency's Agreement with Marin Municipal

Mr. DeGabriele advised the Board that the Sonoma County Water Agency Board approved a one-year extension to MMWD's existing agreements with SCWA. He noted that the existing agreements were scheduled to expire at the end of this month and that the agencies have not concluded negotiations on the new agreements.

President Rodoni asked if the Water Advisory Committee needed to accept the new agreements. Mr. DeGabriele replied yes.

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 items were discussed:

Mr. McIntyre updated the Board on the SMART pipeline casing extensions that are occurring at Hanna Ranch and Roblar Road railroad crossings. He noted that the Hanna Ranch casing extension has taken longer than anticipated due to high groundwater, thick concrete and unstable soils. He informed the Board that District crews have been working hard on this project and are hoping to finish up Hanna Ranch in a couple of weeks and then continue on to the Roblar Road crossing.

Mrs. Young reminded the Board that the meeting next week would be held at Pt. Reyes Station at 7:30 p.m. and if a Board member would like a ride to contact Mr. McIntyre.

Director Baker informed the Board and staff that he attended the North Bay Water Association meeting and stated that it was a good meeting with knowledgeable speakers.

PUBLIC HEARING/ADOPT

A. ADOPT PROPOSED FY15 EQUIPMENT BUDGET

David Bentley provided the Board with the third and final review of the FY15 Equipment Budget. He stated that there have been no changes since the Board's last review and the proposed FY15 budgeted equipment expenditures is \$198,000.

President Rodoni opened the public hearing at 7:37 p.m. and hearing no comment, closed the public hearing.

On motion of Director Baker, seconded by Director Fraites and unanimously carried, the Board approved the FY15 Equipment Budget.

B. ADOPT FY15 & FY16 NOVATO CAPITAL IMPROVEMENT PROJECTS BUDGET

Mr. Bentley provided the Board with the third and final review of the FY15 &16 Capital Improvement Projects Budget. He informed the Board that the budget is \$17.5M, the largest capital budget ever undertaken by the District, but advised the Board that it is due to the Aqueduct Energy Efficiency Project (\$13M). He reminded the Board that two-thirds of that project is funded by CalTrans. Mr. Bentley stated that another significant project is the recoat and mixing system of the Atherton Tank (\$2.2M).

President Rodoni opened the public hearing at 7:40 p.m. and hearing no comment, closed the public hearing.

On motion of Director Schoonover, seconded by Director Fraites and unanimously carried, the Board approved the FY 15 & 16 Capital Improvement Projects Budget.

C. FY15 PROPOSED NOVATO WATER OPERATIONS BUDGET

Mr. Bentley provided the Board with the final review of the FY15 Novato Operations Budget. He stated that since the Board's last review the projected FY15 Novato Potable Water Expenditures decreased and the Operating Income increased by \$127,000, to \$2,296,000, due primarily to the payoff of the CalPERS Side-Fund which reduces the District's FY15 obligation to CalPERS by \$235,000. 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 stated that Connection Fee revenue is budgeted at \$1,281,000, based on 12 single-family dwellings planned for the Walnut Meadows Subdivision, 48 apartment units of senior housing going in at Hamilton, 11 single-family homes being constructed on 4th Street, and an expansion of the Shell Gas Station at Novato Square. He advised the Board that the wheeling charge to Marin Municipal Water District is budgeted at \$120,000 and MMWD will pay the annual fixed Aqueduct Energy Efficiency Project capital contribution of \$245,000 in accordance with the terms of the Interconnection Agreement signed in February. He noted that the combination of the two payments from MMWD is almost five times over the prior annual wheeling charge.

Mr. Bentley advised the Board that the Total Operating Expenditures are projected to increase by 4% due to the 3.4% increase of water purchased from Sonoma County Water Agency and 11% increase in water conservation expenses. He advised the Board that there are several consultant projects budgeted including \$30K for the Stafford Lake Taste and Odor consultant, \$50K for the hydromatic tank inspections, \$14K for the cyber liability audit and \$100K for Stafford Dam Emergency Action Plan update. Mr. Bentley informed the Board that the proposed budget adds one full time equivalent employee, bringing the authorized total to 51.5 full-time equivalent employees.

Mr. Bentley advised the Board that District legal counsel advised staff to request the Board approve the authorization of the General Manager to pay demands throughout the year.

President Rodoni opened the public hearing at 7:47 p.m. and hearing no comment, closed the public hearing.

On motion of Director Fraithe, seconded by Director Petterle and unanimously carried, the Board approved the FY15 Novato Operating Budget and authorized the General Manager to pay demands arising from execution of the budgeted expenditure plan.

D. FY15 PROPOSED RECYCLED WATER SYSTEM BUDGET

Mr. Bentley provided the Board with the final review for the FY15 Recycled Water Budget. He stated that the Recycled Water budget has increased since the last review by \$35,000 due to increase in the projected water sales volume in FY14. He stated that laboratory staff time devoted to the Deer Island facility has been reduced by half and a recycled water engineering report update required by the state is project to cost \$8,000. He noted that by adding the CalPERS Side – Fund payoff benefit, the changes combine to add \$36,000 to the Net Income, reducing the projected FY15 Net Loss to \$303,000. He informed the Board that consistent with the potable water rate increase, a 6.5% commodity rate increase became effective June 1, 2014 and will generate \$42,000 in additional revenue annually.

President Rodoni opened the public hearing at 7:50 p.m. and hearing no comment, closed the public hearing.

On motion of Director Petterle, seconded by Director Schoonover and unanimously carried the Board approved the FY15 Novato Recycled Water System Budget and authorized the General Manager to pay demands arising from execution of the budgeted expenditure plan.

Mr. DeGabriele thanked Mr. Bentley for all of his work and dedication in developing the budgets.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Board with the Monthly Progress Report for May. He stated that Novato water production is down 18% compared to last year and West Marin Water production is down 15% for May. He stated that the customers are doing what the District has asked and reducing water use. He informed the Board that Recycled Water sales are up 34% compared to last year. Mr. DeGabriele advised the Board that this year the rainfall to date is 12.75" and Stafford Lake is at 52% of capacity. He noted that Lake Mendocino is at 43% capacity and Lake Sonoma is at 73% of capacity. Mr. DeGabriele informed the Board that the District had one lost time accident. He advised the Board that a field service representative was assisting a consumer in locating a leak inside his home and he removed his boots and slipped on the carpet and broke part of his left hand. He stated that the employee was going above and beyond the call of duty and it was an unfortunate accident. Mr. DeGabriele stated that the Summary of Complaints and Service Orders was very similar to a year ago and FY to date.

Mr. Bentley provided the Board with the Monthly Report of Investments showing that the District holds \$17.1M in reserves and that in May the reserves were at 89% of budgeted operating expense. He stated that the portfolio is earning 0.36% in interest.

ACTION CALENDAR

OCEANA MARIN SEWER SERVICE CHARGE INCREASE ORDINANCE – FIRST READING

Mr. Bentley reminded the Board that pursuant to Health and Safety Code Section 5471 (a), collecting the Oceana Marin Sewer Service Charge on the property tax roll requires action by ordinance rather than resolution. He noted that the ordinance must be read at two consecutive Board meetings, once tonight and the second reading at the next meeting on June 24th in Point Reyes Station. Mr. Bentley stated that the monthly sewer service fee increase is \$68 per month (\$816/year) and proposed to be effective July 1, 2014.

On motion of Director Petterle, seconded by Director Fraites and unanimously carried the Board approved reading of proposed Ordinance No. 30 Electing to have Oceana Marin Sewer Charges be collected on the tax roll of the County of Marin, State of California, Commencing Fiscal Year 2014-15.

There has been a correction of the Ordinance Number, it was published and written as Ordinance No. 28, when in fact it is Ordinance 30.

BUDGETED FY15 ATHERTON TANK REHABILITATION – APPROVE BID ADVERTISEMENT

Mr. McIntyre advised the Board that staff is ready to move forward with the bid advertisement of the Atherton Tank Rehabilitation project. He informed the Board that it is a two year project and includes interior/exterior re-coating, installation of a new mixing system, miscellaneous improvements such as a second access hatch and flexible inlet/outlet piping and structural repairs of corroded roof girders. He reminded the Board that the District hired KTA-Tator Inc. to prepare new NMWD standard tank coating template specifications that will be used for the Atherton tank and all future tank recoating projects. He noted that KTA-Tator did the inspection of the inside of the tank along with the roof and determined that the roof showed significant corrosion.

Director Baker asked how many access hatches there were existing on the tank. Mr. McIntyre stated that currently there is one man way access on the side of the tank but there will be two when the project is completed.

Mr. McIntyre advised the Board that the existing tank coating was tested for lead and the tank exterior contains lead based paint and that removal and disposal in accordance with regulations will be required. He informed the Board that the tentative construction completion date is spring of

2015. He stated that the engineer's estimate for the project is \$2.2M and staff will keep the Board apprised of the bids received.

Director Baker asked what staff will do with the water from the tank during rehabilitation. Mr. McIntyre stated that staff is drawing down the water as low as possible but will still have to perform minimal draining at the end of the draw down.

Mr. McIntyre advised the Board that the new specifications are more rigorous when it comes to lead based paint and testing and believes that the project cost could be impacted. He stated that staff will come back to the Board in the future for authorization of a third party inspection.

Director Baker asked how long Atherton Tank will be out of service. Mr. McIntyre responded approximately 9 months.

Director Baker asked about the adjustments staff is making for fire protection. Mr. McIntyre stated that staff has done testing with the tank out of service and that fire protection will not be affected and that there are temporary tanks installed for operational service.

Director Baker suggested combining other maintenance projects around the tank site during the project. Mr. McIntyre stated that at the end of the project staff plans to repave the perimeter of the tank and potentially will repave the access road as well. Robert Clark, Operations/Maintenance Supervisor stated that there are three dead pine trees that might be replaced near the tank site.

On motion of Director Schoonover, seconded by Director Petterle and unanimously carried, the Board authorized bid advertisement of the Atherton Tank Rehabilitation project.

INFORMATION ITEMS

SECOND REVIEW – FY15 WEST MARIN WATER AND OCEANA MARIN SEWER BUDGETS

Mr. Bentley provided the Board with the second review of the FY15 West Marin Water and Oceana Marin Sewer Budgets. He informed the Board that since the initial review the payoff of the CalPERS Side Fund Liability reduced the West Marin Water labor cost by \$10,000 and the Oceana Marin Sewer labor cost by \$4,000. He stated that consistent with the increase adopted for Novato customers, a 5% increase for the typical West Marin Water residential customer is recommended, comprised of a 7% commodity rate increase and no increase in the bimonthly service charge. He noted that the proposed West Marin Water increase would total \$31 annually, \$2.58 per month, for the typical residential customer. He stated that a 5% increase is proposed for the Oceana Marin Sewer Service Charge as well, which will generate \$8,000 per year.

Mr. Bentley advised the Board that in West Marin the biggest improvement projects are the Gallagher Well Pipeline (\$1.286M, fully funded by Prop 50 grant funding), \$100K for the modification

of the Olema Pump Station and \$120K to upsize pipelines in the Bear Valley Service area to improve water delivery and fire flow. Mr. Bentley said in Oceana Marin the major projects include \$40K to rebuild a disposal field fence that has been damaged by cattle and \$15K to relocate the pond power connection as requested by Estero Mutual to remove NMWD's power feed from their service box.

Mr. Bentley advised the Board that a public hearing to consider the proposed water rate increases and to adopt the water and sewer budgets is scheduled for June 24th in Point Reyes Station.

WEST MARIN WATER OUTSIDE DISTRICT WATER CONSUMPTION (2011-2013)

Mr. Bentley advised the Board that President Rodoni asked that the Board receive an update on water service provided to customer residing outside the West Marin Water Service and/or Improvement District boundaries. He stated that there are 13 customers residing outside District boundaries and they cumulatively comprise about 7.5% of the total West Marin potable water use. Mr. Bentley informed the Board that there are six customers who receive water via a private service line in State Route 1 connected to a District master meter. He noted that the outside customers are subject to a commodity rate that is 40% higher than the rate paid by customers residing within District boundaries. He advised the Board the reason for the additional charge is to compensate for the fact that outside boundary customer have not paid bond tax on property as do customers within the Improvement District boundaries.

President Rodoni thanked Mr. Bentley for the good information provided to the Board and asked if the numbers of outside customers were getting smaller.

President Rodoni asked how the District will deal with the mandatory restrictions for the outside boundary customers. He suggested talking to each customer directly and making outreach regarding the restrictions.

Mr. DeGabriele advised the Board that pursuant to the Water Shortage Contingency Plan it depends on whether or not the customer has an outside service agreement or not. He stated that in his perspective the District will require the outside customers to do what everyone else is required to do, conserving 25% and paying the drought surcharge.

President Rodoni stated that staff needs to be clear with the message regarding the surcharge and the mandatory restrictions.

Mr. DeGabriele stated that staff will make outreach to the customers and that the mandatory requirements apply for everyone.

CITY OF NOVATO GENERAL PLAN 2035 POLICY WHITE PAPER

Mr. DeGabriele reminded the Board that he had been working with a City of Novato's intern with a Stanford Master's degree in Public Policy who was doing a Coro fellowship in Civic Studies. He stated that the City of Novato hired him to prepare a white paper on the City of Novato's water supply for the General Plan update and present it to the city's Planning Commission and City Council. He noted that the city's general plan was last updated in 1997 and the new plan will go through 2035. Mr. DeGabriele stated that the intern did a great job and distilled a really complex topic into a brief white paper.

Mr. DeGabriele advised that at the City of Novato's Planning Commission meeting last night, the presentation of the white paper went well and there was a long discussion after the presentation. He stated that the Planning Commission had a lot of questions regarding the city's perspective from the white paper in regards to the climate change and water supply and asked questions regarding the District's water conservation program. Mr. DeGabriele informed the Board that he assured the Planning Commission that the District is trying to meet state requirements and that they could get stricter in the future.

Mr. DeGabriele advised the Board that there was a motion by the Planning Commission to pursue the option of requiring updated plumbing fixtures to current code requirements when customers are doing a major remodel. He noted that it did not pass and several members on the Planning Commission stated that it would be an expensive project for the homeowners to take on. He stated that the Planning Commission asked for examples of how much water is used by different types of developments, single family, apartment etc.

Mr. DeGabriele advised the Board that at the City Council meeting, they were more focused on the recycled water expansion and the fees and connections associated with recycled water. He noted that one council member was interested in dual plumbing and it was stated that the city is very happy with the cooperative arrangement between the city and the District pursuant to the expansion of recycled water.

Director Baker asked about the possibility of using recycled water for direct potable use. Mr. DeGabriele stated that it was brought up and there could potentially be a change in permit requirements in the future but it was suggested that it be held off until larger agencies begin that process first. Director Baker asked if any major water companies were contemplating direct potable reuse. Mr. DeGabriele stated that most agencies are supportive but are waiting on San Diego to make an investment in its waste water treatment plant and initiate the first large scale direct potable reuse program.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, Equipment Inventory Summary, and Thank You Note from Customer.

The Board received the following news articles: PD Editorial: A second chance for James Gore, Deb Fudge, City to study groundwater, Construction Starts on Russian River Fish Passage Improvement Project, North Marin water, restricted this summer, could see rate hike, Board of Supervisors Approves New LAFCO Executive Director, Costly Russian River project to ease fish migration, and Bill Pisenti, longtime conservative activist, dies at 96.

The Board also received the following miscellaneous items at the meeting: Sonoma County's cities reducing water use, but short of targets, Drought talking points from SCWA, and West Marin Outside Customer Usage Chart.

Director Baker complimented President Rodoni on his guest column in the Point Reyes Light regarding the District's history in West Marin and what is currently going on in the District.

CLOSED SESSION

President Rodoni adjourned the Board into closed session at 8:31 p.m. in accordance with Government Code Section 54957 for Public Employee Performance Evaluation (One), Title: General Manager.

OPEN SESSION

Upon returning to regular session at 8:58 p.m., President Rodoni stated that during the closed session the Board had discussed the issue and no reportable action had been taken.

ADJOURNMENT

President Rodoni adjourned the meeting at 8:59 p.m.

Submitted by



Katie Young
District Secretary