

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 18, 2013**

CALL TO ORDER

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

Novato resident, Robert Koch, Harris & Associates employees, Craig Pyle and Brian Danley, West Marin resident Sam Brown, District employees Robert Clark (Operations/Maintenance Superintendent) and Doug Moore (Construction/Maintenance Superintendent) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

NFPD Badge Pinning

Mr. DeGabriele informed the Board that he attended the Novato Fire Protection District's Chief Badge pinning ceremony tonight for Mark Heine. He stated that Mark Heine was promoted internally and has worked at NFPD for over 27 years.

Interconnection Agreement

Mr. DeGabriele informed the Board that he will be meeting with Marin Municipal and respective legal counsel on Monday, June 24th to begin legal review of the proposed Interconnection Agreement.

Next Board Meeting

Mr. DeGabriele reminded the Board that the next Board meeting is scheduled for Tuesday, June 25th in Point Reyes and there will only be one meeting in July on July 16th.

Taxable Gifts

Mr. DeGabriele informed the Board that the gift cards for employees approved by the Board for safe work practice recognition are taxable and the District was unaware of that when offering it to employees. He advised the Board that the District will be picking up the tax for the gift cards.

Santa Rosa Democrat

Mr. DeGabriele informed the Board that there was a letter printed in the Santa Rosa Press Democrat yesterday regarding Marin County not paying for the privilege of using Russian River Water and Warm Springs Dam. He informed the Board that he has drafted a letter in response since the District has been Russian River water since 1961, pays it's fair share for the aqueduct and dams, and supported the Warm Springs Dam project. He advised the Board that he would be sending the letter out tomorrow.

OPEN TIME

President Fraites asked if anyone in the audience wished to bring up an item not on the agenda and the following items were discussed:

Mr. Koch, a resident of Santolina Drive, stated that his cost per gallon has tripled since June 2009. He stated that he understands that the District has a fixed service charge but believes that he is paying more for the service charge than he is for his water usage. He informed the Board that he is very conservative with his water usage and thinks the District should reconsider the decision to raise the service charge.

STAFF / DIRECTORS' REPORTS

President Fraites asked if staff or Directors wished to bring up an item not on the agenda and there was no response.

PUBLIC HEARING/ADOPTPROPOSED FY14 EQUIPMENT BUDGET

David Bentley presented the proposed FY14 Capital Equipment Budget for final review, public hearing and approval, and advised that there have been no changes since the last review. He said that the proposed FY14 budgeted equipment expenditures is \$231,000.

President Fraites opened the public hearing and hearing no comment, closed the public hearing.

On motion of Director Baker, seconded by Director Schoonover and unanimously carried, the Board approved the FY14 Equipment Budget.

FY14 & FY15 NOVATO CAPITAL IMPROVEMENT PROJECTS BUDGET

Mr. Bentley presented the two-year Novato Capital Improvement Projects Budget for final review, public hearing and approval and stated that there have been no changes since the last review. He advised that the proposed FY14 budget is \$2.5M and is averaging \$3.4M over the next two years with the \$1.7M Atherton Tank Recoating project and pipeline replacement work.

Director Rodoni asked about the money related to the Aqueduct Energy Efficiency Project. Mr. Bentley informed him that the money on the table in his memo shows the money left to spend on the project.

President Fraites opened the public hearing and hearing no comment, closed the public hearing.

On motion of Director Schoonover, seconded by Director Baker and unanimously carried, the Board approved the FY14 & FY15 Capital Improvement Projects Budget.

FY14 PROPOSED NOVATO WATER OPERATIONS BUDGET

Mr. Bentley presented the proposed FY14 Novato Water Operations Budget for the Board's final review, public hearing and approval and advised the Board that there have been changes since the last review. He briefly discussed the changes to the budget since the last review stating that the Novato Operating Income increased by \$52,000, to \$2,302,000, due primarily to the resignation of a Water Treatment Plant Operator which position will not be replaced. He noted that an additional Laborer for the Construction/Maintenance crew has now been budgeted, leaving the total employee count unchanged at 50.5 full-time equivalent. Mr. Bentley advised the Board that the projected cash balance went up by \$884K, due to the District anticipation of repayment to Novato Water funds loaned to the Recycled Water system.

Director Baker asked about the additional SRF loan funds. Mr. McIntyre stated that each individual construction contract required that an SRF loan and that not all money originally authorized was spent on some of the loans and the District was able to redistribute the money in order to benefit the District.

Mr. Bentley stated with the 11% rate increase effective June 1, and the projected 2.7BG of consumption, the rate increase will generate \$1.6M in additional revenue next fiscal year. He noted that the District Connection Fee revenue is budgeted at \$860K, equivalent to 30 dwelling units. Mr. Bentley advised the Board that the wheeling charge to Marin Municipal Water District is budgeted at \$322K.

Mr. Bentley informed the Board that the Total Operating Expenditures are projected to increase 3% due to increased labor costs, and increased expenditures for materials, services and supplies. He noted that Water Conservation expense is budgeted to remain flat at \$400K and the General Administration is budgeted to increase 6% from this year's budget. Mr. Bentley stated that temporary staffing has been increased by 570 hours to 5,820 hours and a 3% cost-of-living salary increase has been factored into the budget effective October 1, 2013, as well as a 1.6% salary

increase to offset the negotiated requirement that employees pay an additional 1.6% of salary toward their retirement benefit.

President Fraites opened the public hearing and hearing no comment, closed the public hearing.

On motion of Director Baker, seconded by Director Rodoni and unanimously carried, the Board approved the FY13/14 Novato Operating Budget and authorized the General Manager to pay demands arising from execution of the budgeted expenditure plan.

FY14 PROPOSED RECYCLED WATER SYSTEMS BUDGET

Mr. Bentley stated that the proposed Recycled Water Systems budget is \$5.6M and an increase in SRF Loan entitlement will increase the cash balance to \$331K. He noted that the FY13/14 Recycled Water System budget projects demand of 130MG, as 28 new accounts are projected to begin drawing recycled water. Mr. Bentley informed the Board that with an 8% commodity rate increase and a 20% fixed service charge increase effective June 1, 2013, it will add \$53K to the annual revenue. Mr. Bentley advised the Board that purchase of 89MG of tertiary treated water from Novato Sanitary District and 41MG from Las Gallinas Valley Sanitary District is budgeted.

Director Rodoni asked what the interest rate was on the loans paid to Novato. Mr. Bentley stated that the weighted average interest rate is 2.8% plus an additional \$50 per month for processing.

President Fraites opened the public hearing and hearing no comment, closed the public hearing.

On motion of Director Baker, seconded by Director Petterle, and unanimously carried, the Board approved the FY13/14 Novato Recycled Water System Budget and authorized the General Manager to pay demands arising from execution of the budgeted expenditure plan.

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Board with the Monthly Progress Report for May 2013. He stated that water production in Novato, West Marin, and for Recycled Water is very similar to 2009, when a dry spring was also in effect. Mr. DeGabriele informed the Board that the Stafford Treatment Plant continues with excellent production and should hit the projected forecast of 750MG produced. He noted that Stafford Lake holds just over 1,000MG at the end of May. Mr. DeGabriele stated that the Russian River storage at Lake Sonoma is good and Lake Mendocino storage has not fallen into the critical storage stage which is attributed to reduced in stream flows. He apprised the

Board that District staff have now worked 504 consecutive days without a lost time accident, but did inform the Board of an injury which occurred last week that did not require any lost days. Mr. DeGabriele stated that there were four polybutylene and one copper service lines replaced and that complaints for the year are up by 8%, principally due to high bill complaints, which have also resulted in more bill adjustments pursuant to the Board policy.

David Bentley provided a summary of the Monthly Report of Investments and stated at the end of May the District had a \$10.3M cash balance. He informed the Board that the weighted portfolio was earning 0.42%.

CONSENT CALENDAR

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

ADOPT REVISED POLICY NUMBERS 41, 43, & 44

The Board was given District policy numbers 41, 43, and 44 to review and revise at the prior Board meeting on June 4, 2013.

The Board adopted the following revised District policies, Policy Number 41 – Vehicle Replacements, Policy Number 43 – Wireless Communication Facilities Lease Policy, and Policy Number 44 – Integrated/Multi-Benefit Water Resource Projects.

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 25th in Point Reyes Station. Mr. Bentley stated that the monthly sewer service fee increase is \$7 to \$65 per month (\$780/year) and proposed to be effective July 1, 2013.

President Frites asked what the old charge was. Mr. Bentley stated \$58 per month, a 12% increase.

Director Baker asked if the District was meeting the legal requirements for this increase. Mr. Bentley stated that the District has complied with the requirements, having two consecutive readings, publishing the ordinance in the paper two separate time and inviting customers by letter to

protest and to come voice their opinions at a public hearing scheduled for June 25th in Point Reyes Station.

On motion of Director Rodoni, seconded by Director Baker and unanimously carried the Board approved reading of proposed Ordinance No. 26 Electing to have Oceana Marin Sewer Charge be collected on the tax roll of the County of Marin, State of California, Commencing Fiscal Year 2013-14.

ANNEXATION NO. 11 TO IMPROVEMENT DISTRICT OM-3

Drew McIntyre reminded the Board they declared their intent to proceed with the annexation for 33 Ocean View Avenue subject to Local Agency Formation Commission approval at the April 16th meeting. He advised the Board that on May 9, 2013, LAFCO approved the annexation of 33 Ocean View Avenue to the District service territory. Mr. McIntyre stated that Samuel Brown, resident at 33 Ocean View Ave, is requesting the Board approve Annexation 11. He noted that Mr. Brown has paid all necessary fees and he will connect to the existing 6" sewer line on Ocean View Avenue with a private lift station.

Director Baker asked how many structures were currently on the property and if it was a merged parcel. Mr. McIntyre stated that there were three separate parcels that have been merged and there is one primary residence and an accessory dwelling unit.

On motion of Director Baker, seconded by Director Schoonover and unanimously carried, the Board approved Annexation No. 11 to Improvement District OM-3.

SUPPORTING PARTICIPATION IN THE WATER BOND COALITION

Mr. DeGabriele reminded the Board that in 2002 the District participated in the Water Bond Coalition. He stated that the purpose of the coalition was to achieve an equitable distribution of statewide water bond dollars to projects across the state. He noted that the bonds have provided funding for the District's Recycled Water projects. Mr. DeGabriele advised the Board that the California Legislature had developed a new water bond for the 2010 ballot. He stated that there were concerns regarding the economy and state financial restrictions causing the bond to be delayed twice and it is now scheduled for the November 2014 General Election. Mr. DeGabriele stated that the bond would provide for \$11.1B water related needs state wide but it is likely that the amount would be pared down considerably by the legislature. He noted that the Water Bond Coalition will provide a bigger voice for the District to advocate that some of the funding be made available for smaller and coastal districts not affiliated with the state wide water problems.

President Fraites asked if the \$3B for water storage projects was going to be for dams. Mr. DeGabriele responded yes.

President Fraites asked if the \$2.25B included pipes under the Delta. Mr. DeGabriele responded that it does not include the proposed Delta conveyance.

On motion of Director Petterle, seconded by Director Baker the Board approved Resolution 13-09 entitled "Resolution of the North Marin Water District Agreeing to Participate in the Water Bond Coalition, and Endorsing Efforts of the Coalition to Develop the Fair and Equitable Distribution of State Water Bond Funds for Projects That will Benefit the North Marin Water District and Other Entities Throughout Northern and Coastal California, and Designating the General Manager as the Official Representative for the North Marin Water District to the Water Bond Coalition" by the following vote:

AYES: Director Baker, Petterle, Rodoni, Schoonover

NOES: President Fraites

ABSTAIN: None

ABSENT: None

INFORMATION ITEMS

ADDITIONAL REVIEW – FY14 WEST MARIN WATER AND OCEANA MARIN SEWER BUDGETS

David Bentley provided the Board with the second review of the FY14 West Marin Water and Oceana Marin Sewer budgets. He stated that there is a proposed rate increase of 8% including a bimonthly service charge increase to \$30 in West Marin. He noted in Oceana Marin there is a 12% proposed increase to the sewer rates, increasing the monthly charges to \$65. Mr. Bentley stated that letters were mailed out to all West Marin Water and Oceana Marin Sewer customers on May 8, 2013 advising the customers of the rate increase and inviting them to attend the meeting on June 25th.

Mr. Bentley informed the Board that significant improvement projects in West Marin are budgeted including \$200K for continued work on the Solids Handling Facility adjacent to the water treatment plant and \$100K to upgrade the Olema Pump Station for flood protection and SCADA upgrades. He stated for sewer projects there will be \$35K for installation of SCADA remote terminal unit upgrade. Mr. Bentley advised the Board that future projects budgeted for the West Marin Water System include \$500K for the PRE Tank 4A replacement in FY16, and \$1.6M for the Gallagher pipeline project scheduled to commence in FY17.

Mr. Bentley informed the Board that the West Marin Water Operating Budget, is anticipated to realize a deficit next fiscal year of \$95K. He stated that the deficit represents the planned drawdown of the Bank of Marin loan funds borrowed to construct the Solids Handling Facility.

Mr. Bentley reminded the Board that the final review and approval of the budgets will be at the next board meeting on June 25th.

Director Rodoni asked about the renewal contract and issues that have been occurring with Phillips and Associates.

Robert Clark informed the Board that the communication with Phillips and Associates has not been up to par and that District staff is going to review the contract and let Phillips know the District's expectations, scope of work and to communicate better regarding work done by Phillips and Associates.

Mr. DeGabriele altered the Board that the District is struggling to get the permit for the Solids Handling project in West Marin and that he and Drew McIntyre will be meeting with the county supervisor and staff to determine the best way to move forward.

RECYCLED WATER EXPANSION PROJECT – UPDATE ON COVELLO CONSTRUCTION MANAGEMENT CONTRACT

Mr. McIntyre provided the Board with an update on the Recycled Water Expansion Project and the contract between the District and The Covello Group. He noted that the District received a letter from The Covello Group stating that they have exceeded approximately 75% of the total construction management budget. He stated that the Covello Group stated that the remaining balance of \$74K appears to be sufficient budget to complete the work on the South Service Area Phase 2 project.

Mr. McIntyre informed the Board that the most recent update with Disney Construction is that they are requesting more funds than the District's offer to resolve outstanding change orders. He advised the Board that the General Manager has responded to Disney's request with a letter stating either they can accept the offer or take the next step of mediation. Mr. McIntyre stated that if Disney Construction does not accept the District's offer then the District will continue with the dispute phase and will use The Covello Group to provide background information for legal counsel. He informed the Board that staff will come back to the Board with an amendment to cover the scope of services and that staff has also requested that Covello provide a review of NMWD's front-end specifications at a cost below \$15K that will be performed with remaining funds in Amendment No.1. He noted that the review is in anticipation for NMWD's Aqueduct Energy Efficiency Project B3 project.

MARIN SONOMA NARROWS B1 (AEEP REACH E) PROJECT – PROGRESS REPORT NO. 1
(HARRIS & ASSOCIATES)

Harris & Associates employee, Craig Pyle provided an overview of the current Aqueduct Energy Efficiency Project Pipeline installation, now ongoing in the HWY 101 corridor, between Redwood Landfill and San Antonio Road.

RUSSIAN RIVER COMPACT

Mr. DeGabriele provided an article from the Press Democrat outlining the Russian River Compact and identifying principles that the signatories will agree to adhere when working on projects within the Russian River watershed. He noted that it is a positive step as both the Mendocino and Sonoma County interests are signatory and will continue to communicate on Russian River issues.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, Challenges of Changing Banks, Water Supply Permit Amendment Letter (New Point Reyes Station Well), and ACWA's Membership in National Water Resources Association.

The Board also received the following news articles: Dry Winter prompts call for conservation, Healdsburg calls for voluntary water conservation, Meeting Slated to Discuss Dry Creek Construction this Summer, and Supervisors tap veteran lawyer as Marin counsel.

ADJOURNMENT

President Fraites adjourned the meeting at 8:53 p.m.

Submitted by



Katie Young
District Secretary