

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 21, 2016**

CALL TO ORDER

President Schoonover called the regular meeting of the Board of Directors of North Marin Water District to order at 7:00 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.

Novato Resident, Mike Jolly, District employees Robert Clark, (Maintenance/Operations Superintendent) and Tony Arendell (Construction/Maintenance Superintendent) were in the audience.

MINUTES

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

AYES: Director Baker, Fraites, and Schoonover

NOES: None

ABSENT: None

ABSTAIN: Directors Petterle and Rodoni

GENERAL MANAGER'S REPORT

AMI Grant Program

Mr. DeGabriele advised the Board that he and Mr. Bentley met with Assemblyman Levine on May 10th to request his support for Advanced Meter Infrastructure (AMI) funding in the Department of Water Resources (DWR) Water Energy Grant Program. He stated that they attended with one of the prospective AMI vendors who is working with a lobbyist in Sacramento on the issue. He noted that staff will be following up with a letter to DWR and will share that with the Board when it's available.

SCWA Board Meeting

Mr. DeGabriele informed the Board that he attended the Sonoma County Water Agency Board meeting today where they held a hearing and adopted the SCWA 2015 Urban Water Management Plan.

OPEN TIME

President Schoonover 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 Schoonover asked if staff or Directors wished to bring up an item not on the agenda and the following item was discussed:

Katie Young reminded the Board that the next meeting will be next Tuesday, June 28th at the Dance Palace in Point Reyes Station. Drew McIntyre will transport Board members desiring a ride and will depart the NMWD Administration Building parking lot in Novato at 6:10 p.m. that evening.

PUBLIC HEARING PROPOSED FY17 EQUIPMENT BUDGET

Mr. Bentley provided the Board with the final review for the Proposed FY16/17 Equipment Budget. He noted that there were no changes since the previous review. He stated that the budget is set at \$245K for the upcoming year and that the more expensive items are a mini track loader, two replacement pickup trucks and replacement Lab Information System Software.

President Schoonover opened the public hearing at 7:04 p.m.

Director Baker inquired whether small pickup trucks are available for vehicle replacements. Mr. Clark responded that the Nissan Frontier is the only "small" pickup currently available in the marketplace and that NMWD did purchase one for a Field Service Representative in this current FY.

Hearing no further comment, President Schoonover closed the public hearing at 7:06 p.m.

On motion of Director Fraites, seconded by Director Petterle, the Board approved the FY17 Equipment budget as presented by the following vote:

AYES: Director Baker, Fraites, Petterle, Rodoni and Schoonover

NOES: None

FY17 & FY18 NOVATO CAPITAL IMPROVEMENT PROJECT BUDGET

Mr. Bentley provided the Board with the final review of the FY17 & FY18 Novato Capital Improvement Project Budget. He stated that there were no changes since the last review. He advised the Board that there are 4 major projects including \$4.9M for the Advanced Meter Information System, \$3M for the Office and Yard Building Refurbish, \$2M for the San Mateo Tank Recoat and \$1M for the San Mateo 24" Inlet/Outlet Pipeline Project.

President Schoonover opened the public hearing at 7:08 p.m.

Director Baker inquired about the San Mateo tank location and the extent of the San Mateo Tank 24" Inlet/Outlet Pipeline project. Mr. McIntyre responded that San Mateo tank is in the San Marin area above the Rolling Hills Club and directly east of San Domingo Way. He stated that the existing inlet/outlet pipeline to the tank is undersized and at one time the area around the tank was contemplated to be residential subdivisions wherein a 24" pipeline from Palmo Ct. to the tank would have been extended. He noted that the pipeline project is to extend the 24" line from Palmo Ct. to the tank across the Marin County Open Space Mt. Burdell Preserve.

Director Rodoni asked that staff provide the Board with some details about the rehabilitation of the District office building. Mr. DeGabriele stated staff has known for several years that the District offices need improvements and he desires to see two office facilities come together and that staff needs to find an architect to figure out the best course of action and do a cost analysis to see which direction to go.

Hearing no further comment, President Schoonover closed the public hearing at 7:12 p.m.

On motion of Director Fraites, seconded by Director Baker, the Board approved the FY17 & FY18 Capital Improvement Projects Budget as presented by the following vote:

AYES: Director Baker, Fraites, Petterle, Rodoni and Schoonover

NOES: None

FY17 PROPOSED NOVATO WATER OPERATIONS BUDGET

Mr. Bentley provided the Board with the final review for the FY17 Proposed Novato Water Operations Budget. He advised the Board that since the last review the following changes have been made: the Drought Revenue Recovery Surcharge has been removed and the volume of water sold increased to 2.5BG; the 48- unit Novato Village Senior Apartment Project in Hamilton was granted an extension until August to make financial arrangements, thus their \$679,000 connection fee payment was moved into FY17; the vacant Electrical/Mechanical Technician position was filled by the Auto/Equipment Mechanic and the Mechanic position will now be filled at a lower salary, saving \$38,000; and finally there were several other minor changes netted together to reduce expenses by \$7,000.

Mr. Bentley stated that the 5% rate increase effective June 1, 2016 will add \$880,000 to FY17 budgeted revenue. He advised the Board that the proposed budget includes a staffing level of 55.7 full-time equivalent employees, up 6% from the current year budget and a 5% spot adjustment is included for both the Auditor-Controller and the Water Quality Supervisor.

President Schoonover opened the public hearing at 7:20 p.m. and hearing no comment immediately closed the public hearing at 7:21 p.m.

On motion of Director Petterle, seconded by Director Rodoni, the Board approved the FY16/17 Novato Operating Budget as presented and authorized the General Manager to pay demands arising from execution of the budgeted expenditure plan by the following vote:

AYES: Director Baker, Fraites, Petterle, Rodoni and Schoonover

NOES: None

FY17 PROPOSED RECYCLED WATER SYSTEM BUDGET

Mr. Bentley provided the Board with the final review of the FY17 Proposed Recycled Water System Budget. He stated that recycled water demand for next year is projected at 140MG and the operating expenses are projected to decrease by 2%. He noted that the 7% commodity rate increase effective June 1st is projected to generate \$48K in additional revenue. He stated that operating expenses are budgeted to decrease 3% from the FY16 budget.

He reminded the Board of the Recycled Water Expansion Project in the Central Novato Service Area with \$7.5M to be expended next fiscal year and noted that the total cost of the project would be \$11.7M. He stated that grant funding along with state revolving fund loans will be used to pay for the project and that \$815K of Novato connection fee revenue is budgeted to be transferred to the Recycled Water System Budget.

Mr. Bentley advised the Board that 44 EDUs will be required each year to pay the Recycled Water System debt service and that the Novato Potable Water system is currently in arrears as not enough development has occurred to fully fund the Recycled Water System debt.

President Schoonover opened the public hearing at 7:23 p.m.

The Board questioned what alternatives would be available should development continued to be depressed and Mr. DeGabriele replied that increased connection fees for any new development or subsidy through potable water rate revenue are two viable alternatives.

Mr. McIntyre advised the Board that various current development plans within the Novato service territory are likely to occur and help pay the annual Recycled Water debt obligation. Mr. McIntyre also advised the Board that even though the Residential Recycled Water Fill Station is not planned to be operable this year residential customers who utilized the station last year and invested in 275 gallon totes will be authorized to use the truck fill station to obtain Recycled Water in the future.

Hearing no further comment, President Schoonover closed the public hearing at 7:30 p.m.

On motion of Director Fraites, seconded by Director Baker, the Board approved the FY17 Novato Recycled Water System Budget and authorized the General Manager to pay demands arising from execution of the budgeted expenditure plan by the following vote:

AYES: Director Baker, Fraites, Petterle, Rodoni and Schoonover

NOES: None

PUBLIC HEARING – 2015 URBAN WATER MANAGEMENT REPORT

Mr. McIntyre presented the Board with the District's 2015 Urban Water Management Plan. He reviewed the highlights of the plan which include a reduction in the total population now projected for Novato compared to the projection identified 5 years ago and a new requirement in the plan to use a standard method and calculate distribution system water losses. He stated that the 2015 calculated water loss was 238 acre feet or 3% of total supplied water. He noted that other features of the plan show that the District is in compliance with SBx7-7 requirement for a 20% reduction in gallons per capita per day by year 2020. Mr. McIntyre advised the Board that in 2015, the District's gallons per capita per day (gpcd) was 105. He stated that the District's projected water supply at year 2040 is 11,046 acre feet or 1,757 acre feet less than was projected in the 2010 plan at year 2035. Mr. McIntyre advised the Board that the reduction reflects additional water conservation, the SBx7-7 gpcd requirement, and a reduction in population and job projections. He stated that the plan identifies that in a single dry water year North Marin would require some mandatory water conservation to meet the available supply as Lake Sonoma is expected to fall below 100,000 acre feet storage before July 15th of that dry year (mimicking 1977), which will trigger a 30% reduction in deliveries by Sonoma County Water Agency. He noted that normal year supplies and multiple dry year supplies are satisfactory to meet the projected demands into the future.

Mr. McIntyre advised the Board that one comment from Marin LAFCo was received, questioning the population projection included in the document which can be clarified with a footnote and the issue of the population growth being more aggressive than that used by Marin LAFCo in their Countywide Water Study.

President Schoonover opened the public hearing at 7:48 p.m.

Director Rodoni questioned the 2015 UWMP Table 6-11 (Attachment 5 in the agenda) and why projected water supply can decrease over time. Mr. DeGabriele responded that what is not included in the agenda is a similar table showing water demand and that the water supply is balanced with water demand. He stated that as demand increases are tempered with increased

recycled water use and water conservation the plan attempts to rely more on Russian River supply and less Stafford Lake supply to perfect as much Russian River entitlement as possible.

Hearing no further comments, President Schoonover closed the public hearing at 7:53 p.m.

On motion of Director Petterle, seconded by Director Rodoni, the Board adopted the NMWD 2015 Urban Water Management Plan pursuant to Resolution 16-15 entitled: "Resolution of the Board of Directors of North Marin Water District Adopting the 2015 Urban Water Management Plan" by the following vote:

AYES: Director Baker, Fraites, Petterle, Rodoni and Schoonover

NOES: None

MONTHLY PROGRESS REPORT

Mr. DeGabriele provided the Board with the Monthly Progress Report for May 2016. He stated that water production in Novato is up significantly (51% compared to May last year) but is still down 19% compared to May 2013, the State Water Board's benchmark. He further stated that for the period of June 2015 through May 2016, water production is down 30%, well above the District's water conservation standard. Mr. DeGabriele advised the Board that in West Marin, similar performance occurred and during the period June 2015 through May 2016, water production is down 32% compared to the State Water Board benchmark. He informed the Board that through May 22.5" of rainfall has been received in Novato, approximately 84% of average. Mr. DeGabriele stated that 74 customers were out of water for a period of time on one day due to an unplanned outage resulting from a broken valve on McClay Road.

Mr. Bentley reviewed the Auditor-Controller's Monthly Report of Investments showing that the District portfolio holds just over \$13M, down approximately \$200K from one month ago and is earning 0.69% interest.

President Schoonover questioned why there are so many more consumer service line leaks in May 2016 (34) vs. May 2015 (17) and staff did not offer to venture a guess as the condition of consumer service lines is not known nor the District's responsibility.

ACTION CALENDAR

AGREEMENTS WITH SONOMA COUNTY WATER AGENCY FOR THE NORTH MARIN WATER DISTRICT WATER CONSERVATION PROGRAM

Mr. McIntyre provided the Board with two agreements with Sonoma County Water Agency for the North Marin Water District's Water Conservation Program. He stated that the District has a reimbursement agreement totaling \$210K for Agency assistance in Water Conservation Program

implementation over the next three years. He noted that this work primarily covers administration of the Water Smart Home Survey and public outreach. Mr. McIntyre informed the Board that the District also has a funding agreement with the Agency enabling \$94,200 of Bay Area Prop. 84 Integrated Regional Water Management Grant money to be used for District Cash For Grass, High Efficiency Toilet and High Efficiency Washer Rebate Programs.

On motion of Director Petterle, seconded by Director Fraites, the Board approved and authorized the General Manager to execute the Reimbursement Agreement and Funding Agreement with Sonoma County Water Agency for the North Marin District Water Use Efficiency Program by the following vote:

AYES: Director Baker, Fraites, Petterle, Rodoni and Schoonover

NOES: None

GRANULAR ACTIVATED CARBON REPLACEMENT PURCHASE

Mr. Clark advised the Board that staff completed a bid process for the replacement of the Stafford Water Treatment Plant granular activated carbon (GAC) for the finished water GAC filter beds. He noted that five companies were identified to have the ability to provide the required GAC to meet specified treatment needs but proposals were received from only two of the vendors. Mr. Clark stated that the total cost for the GAC will be \$165,192 which is included in the current fiscal year operations budget. He informed the Board that as a result of the recent Taste and Odor evaluation by SRT Consultants, staff reviewed the optimization work, examined Stafford Lake and various influences on water quality and with their recommendation to replace all the GAC during mid-treatment season in the June-July timeframe. He advised the Board that the low bidder was Calgon Carbon.

On motion of Director Fraites, seconded by Director Petterle, the Board approved staff recommendation to purchase replacement GAC from the Calgon Carbon Corporation by the following vote:

AYES: Director Baker, Fraites, Petterle, Rodoni and Schoonover

NOES: None

FY17 INSURANCE PURCHASE

Mr. Bentley informed the Board that the District requested proposals for insurance coverage for the coming fiscal year from three brokers. He informed the Board that the proposal he received was \$903 more than the same package last year. He stated that staff recommends keeping the \$1 million self-insured retention (SIR) for liability coverage with a \$100,000 deductible. He noted that a

benefit of the SIR, in addition to the lower premium, is that the District controls the claims handling process. Mr. Bentley advised the Board that one change in the package was in the Employment Practices Liability which increased the \$25,000 liability deductible from the current year policy to \$50,000.

On motion of Director Petterle, seconded by Director Baker, the Board approved the purchase of the FY17 Insurance in the amount of \$137,116 by the following vote:

AYES: Director Baker, Fraitess, Petterle, Rodoni and Schoonover

NOES: None

Mr. DeGabriele and the Board acknowledged Mr. Bentley's work on obtaining insurance protection for the District at a reasonable cost.

OCEANA MARIN SEWER SERVICE CHARGE INCREASE ORDINANCE – FIRST READING

Mr. Bentley provided the Board with the first reading of the Oceana Marin Sewer Service Charge Increase Ordinance to increase the Oceana Marin Sewer Service Charge to \$78 per month effective July 1st. He advised the Board that the reading of the ordinance must be done at two consecutive meetings. He noted that the next reading will be done at the Board meeting on June 28th at the Dance Palace in Point Reyes Station.

Mr. Bentley also informed the Board that Regulation 109 which establishes the Oceana Marin Sewer Service Charge also establishes the Oceana Marin Sewage Facilities Connection Fee which is proposed to increase to \$30,000 for each dwelling unit. He stated that the increase will also be considered at next week's public hearing. He noted that staff is proposing that applications for sewer service received by September 1st and which have already filed for a building permit with the County of Marin be eligible to pay the existing sewage facilities connection fee of \$15,200.

Mr. DeGabriele advised the Board that four customers have contacted the District advising that they are in the planning process at this time and desire to get in at the current connection fee rate.

On motion of Director Baker, seconded by Director Petterle, the Board held the first reading of the proposed Ordinance No. 34 entitled: "Ordinance of the Board of Directors of North Marin Water District Electing to Have Oceana Marin Sewer Charges be Collected on the Tax Roll of the County of Marin, State of California Commencing Fiscal Year 2016-17" by the following vote:

AYES: Director Baker, Fraitess, Petterle, Rodoni and Schoonover

NOES: None

INFORMATION ITEMS

SECOND REVIEW – FY17 WEST MARIN WATER AND OCEANA MARIN SEWER BUDGETS

Mr. Bentley provided the Board with its second review of the West Marin water and Oceana Marin sewer budgets. He informed the board that there were no significant changes. He reminded the Board that for West Marin water a 7% commodity rate increase is proposed and no increase in the bi-monthly fixed service charge. He noted that this amounts to \$2.67/month increase for the typical West Marin single family residential customer. Mr. Bentley stated that at Oceana Marin, a 10% increase is proposed (\$7 per month) raising the annual sewer service charge to \$936 per year.

Mr. DeGabriele informed the Board that on the suggestion of Director Baker, he and Mr. McIntyre did meet with the former Deputy Director of the North Coast Regional Water Board to discuss what financing maybe available for the projects in Oceana Marin. He stated that he received contacts and will follow up with the staff of the North Coast Regional Water Board to get on their radar.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements, AMI Detected Leak, ACWA Draft Itinerary for Region 1 Russian River Water Supply Tour, Marin/Sonoma Mosquito & Vector Control District PEIR, SB163 (Hertzberg): Recycled Water Mandate for Ocean and Bay Discharges – OPPOSE letter.

The Board also received the following news articles: Santa Rosa water restrictions end for city residents and North Bay Water Reuse Authority awarded over \$4.7M in federal funding to expand local water project.

The Board received the following miscellaneous item at the Board meeting: Marin LAFCO Comment Letter on Draft UWMP and the following news article: Marin Voice; Water Conservation is here to stay.

Mr. DeGabriele advised that SB163 (Hertzberg) was withdrawn by the author but will likely reappear in the next legislative session.

Mr. McIntyre mentioned the news article regarding \$4.7M in federal funding to expand local water projects would include the Recycled Water Central Expansion Project.

CLOSED SESSION

President Schoonover adjourned the Board into closed session at 8:19 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 8:46 p.m., President Schoonover stated that during the closed session the Board held discussion with the General Manager and no reportable action had been taken.

ADJOURNMENT

President Schoonover adjourned the meeting at 8:47 p.m.

Submitted by

A handwritten signature in black ink, appearing to read "Katie Young". The signature is written in a cursive style with a large, stylized "K" and "Y".

Katie Young
District Secretary