

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
October 21, 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 Dennis Rodoni. Also present were General Manager Chris DeGabriele, District Secretary Katie Young and Auditor-Controller David Bentley. Director John Schoonover and Chief Engineer Drew McIntyre were absent.

Paul Kaymark, Senior Manager from Charles Z. Fedak & Company and District employee Dianne Landeros (HR/Accounting Supervisor) were in the audience.

MINUTES

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

AYES: Director Baker, Petterle, Rodoni

NOES: None

ABSTAIN: Director Fraites

ABSENT: Director Schoonover

GENERAL MANAGER'S REPORT

EPA WaterSense Award

Mr. DeGabriele displayed the WaterSense Partner of the Year Award that he accepted on behalf of the Sonoma Marin Saving Water Partnership at the WaterSmart Innovations 2014 Conference in Las Vegas on October 9th. He stated that the conference was well done and that he was able to give a two minute speech at the luncheon.

Sea Level Rise

Mr. DeGabriele advised the Board that he included in the agenda packet the advertisement for the Collaboration: Sea-level Marin Adaptation Response Team meetings scheduled next week. He stated CSMART has assembled good mapping regarding the different ranges of sea level rise projections and will keep the Board apprised as their efforts progress.

Stafford Lake Park Master Plan

Mr. DeGabriele informed the Board that he attended the Stafford Lake Park Master Plan Scoping meeting at the Margaret Todd Center and that the County is going to proceed with the process and that he has given the District's input.

Marin Country Club

Mr. DeGabriele advised the Board that he attended a meeting last week with Marin Country Club environmental consultant in order to advocate a multi-benefit project along with the extension of the Recycled Water to the Marin County Club. He noted that if there is a multi-benefit project, the golf course would be in a better position to receive grant money for Recycled Water.

Nave Family

Mr. DeGabriele informed the Board that he met with Rich and Bob Nave regarding equivalent dwelling units for their new tenant in the Nave Annex shopping center. He stated that the Nave's were not happy to learn that they would have to pay additional connection fees for the entitlement exceeded and expressed their displeasure with the District's policy. Mr. DeGabriele stated that the Nave's feel that they have done a lot of water conservation and feel they are being penalized for it. He reminded the Board that according to District regulations staff is required to go back and review dwelling units when new tenants move in. Mr. DeGabriele advised the Board that he will be bringing District regulations back to the Board for review.

Director Petterle asked what the amount was that the Nave's needed to pay. Mr. DeGabriele responded \$28,600.

President Rodoni asked about the current tenants. Mr. DeGabriele stated that instead of a small retailers in the shopping center there are now more restaurants that are using more water.

Fluoridation Advisory Committee

Mr. DeGabriele advised the Board that the Sonoma County Fluoridation Advisory Committee has reconvened and that there was a presentation on the effect assessment of fluoridated water on fish species and the conclusion was that there is no impact. He noted that there is a draft report now available for review that will go out to the TAC members today.

Novato Sanitary District Recycled Water Subcommittee

Mr. DeGabriele informed the Board that the Novato Sanitary District will reconvene its Recycled Water Subcommittee and that he will request to set up a joint meeting.

West Marin Water Quality

Mr. DeGabriele reminded the Board of the lead and copper letters that were distributed to West Marin customers regarding the lead exceedance in the water and stated that staff has only received two calls regarding additional testing.

Mr. DeGabriele informed the Board that the sodium level in the West Marin water supply rose this week from 60 mg/L to 77 mg/L today even with the MMWD release of additional water into Lagunitas creek.

Novato Heights

Director Fraites asked Mr. DeGabriele about the blowout that occurred at Novato Heights and asked if there will possibly be a replacement of the line to the tank.

Mr. DeGabriele reminded the other board members of the main break that occurred over Labor Day weekend on Ridge Road, Novato Heights, which is the line that runs from the Pump Station to Half Moon Tank. He stated that the break took place near the pump station and the District may need to replace some of the line but at this point there is not conclusive evidence it needs to be fully replaced. He noted that other work needs to be completed such as a soils report to give staff an idea of how much of the line needs to be replaced.

Mr. DeGabriele informed the Board that he will be going out to the site and attending the Novato Heights Homeowner's meeting on Saturday, November 1st to review onsite.

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 there was no response.

REVIEW OF OUTSIDE AUDITOR'S 2014 REPORT AND MANAGEMENT REPORT

Mr. Paul Kaymark distributed a summary of the 2014 Financial Audit Results and described the audit process and reviewed the financial highlights. He informed the Board, that the District's Comprehensive Annual Financial Report (CAFR) has again received an unmodified "clean" opinion.

Mr. Kaymark informed the Board that the Novato Water System Balance Sheet shows that fund has over \$92.2M in overall assets at the end of FY14; he said that there is \$24.9M in liabilities, net investment in capital assets of \$59.1M, and \$4.4M in spendable reserves.

Mr. Kaymark noted that the Unrestricted Net Assets page shows that the District's \$1.9M in non-spendable assets are comprised of materials and supplies inventory, prepaid expenses, and notes receivable for employee housing loans. He then discussed the Statement of Revenue & Expenses, stating that the total FY14 operating revenue was \$18.6M and total operating expenditures before depreciation totaled \$13.2M, resulting in a \$5.4M operating income before depreciation. He stated that the non-operating revenue expense decreased \$2.3M from the prior year because of the \$2M CalPERS side fund payoff, but that the payoff will reduce operating expense in the future. He stated that the operating income was adequate to cover depreciation expense, allowing the District to put the \$2.4M depreciation expense back into capital recovery.

Mr. Kaymark spent a significant amount of time reviewing the accounting for the District's CalPERS pension obligation and advised that next year the entire liability must appear on the books, not just the annual payment obligation

Mr. Bentley asked that any comments the Board may have on the draft CAFR be given to Mr. DeGabriele by Friday, October 24th, to allow presentation of the final report and for approval at the next Board meeting.

Mr. DeGabriele thanked Mr. Kaymark and District accounting staff including, David Bentley, Dianne Landeros, Nancy Holton and Nancy Williamson for their job well done. Mr. Kaymark left the meeting.

President Rodoni asked Mrs. Landeros about the amount of time spent on the audit now vs. 10 years ago. She stated that there is a lot more to report with the Management Discussion and Analysis section and a statistical section that takes a significant amount of time.

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley reviewed the first quarter financial statement. He stated that for the first quarter the District generated a net income of \$1.34M and saw a cash increase of \$438,000. He stated that in Novato the water consumption was down 18% from one year ago and that operating expenses were down 4%. He advised the Board that there has been \$3.4M spent on the Aqueduct Energy Efficiency Project during the quarter and Caltrans will be reimbursing the District \$2.6M.

Mr. Bentley advised that for Novato Recycled Water consumption was down 5% and operating expenses are up 17%. He stated that 4.5MG of potable water was put into the system because Novato Sanitary District continues to suffer operating hiccups. He stated that at the end of the first quarter the Recycled Water system had a cash balance of \$1.3M.

Mr. Bentley informed that Board that in West Marin water consumption was down 20% down, although water production was down only 8%. He noted that this is due to leaks in the District's system not going through customer's meters. He stated that operating revenue was down 11% and operating expenditures were up 15%. Mr. Bentley advised the Board that expenditures are up due to the additional cost for salinity intrusion monitoring. He stated that the West Marin Water cash balance will fall by \$400K in October due to the Gallagher Pipeline Project, where the grant funding is lagging 90 days from when the District bills the state for reimbursement.

Mr. Bentley stated that in Oceana Marin operating revenue is up 5% due to the July 1st 5% rate increase and the cash balance at the end of the first quarter is \$248K. .

MONTHLY PROGRESS REPORT

Mr. DeGabriele presented the September Monthly Progress Report. He advised the Board that in safety and liability there has been 123 days without a lost time accident or injury. He pointed out to the Board that the water conservation programs, specifically "Cash for Grass" has paid 15 customers for removal of lawn, the most ever in one month, and that there was 58 Water Smart Home Surveys completed. Mr. DeGabriele showed the Board the chart Mr. Bentley prepared regarding production which showed the District is well below prior years.

Mr. DeGabriele advised the Board that on the Summary of Complaints and Service Orders the bill adjustments were up this month along with the District service leaks. He noted that total complaints were up 17% from one year ago.

CONSENT CALENDAR

On motion of Director Petterle, seconded by Director Fraites and carried by the following vote, the Board approved the following items on the consent calendar:

AYES: Directors Baker, Fraites, Petterle, Rodoni

NOES: None

ABSTAIN: None

ABSENT: Director Schoonover

AUDITOR-CONTROLLER'S STATEMENT OF INVESTMENT POLICY

The Board approved the Auditor-Controller Statement of Investment Policy. The policy remains unchanged from one year ago. The criteria and priority for selecting investments are safety, liquidity and yield.

TEXT FOR WEST MARIN WATER LINE, VOLUME 13

The Board approved text for the West Marin *Water Line*, to be issued after November 1st. The *Water Line* will inform customers that normal flows have resumed in Lagunitas Creek (beginning 11/1 or 11/15) and water use restrictions are no longer in effect. Additionally, an update on the Gallagher Pipeline Project will be included, along with the advertisements for water conservation programs offered.

EXTENSION OF HORIZON CATV LICENSE AGREEMENT

The Board approved extending the Horizon Cable TV License Agreement for their use of District property at PRE Tank Site #4 in West Marin. Horizon pays just under \$4,000 a year for the privilege to use the property.

ACTION CALENDAR

CONTRACT: ARCHITECTURAL DESIGN OF LYNWOOD PUMP STATION MOTOR CONTROLS STRUCTURE

Mr. DeGabriele reminded the Board that in FY2008-09 staff budgeted for the purchase of four motor control center (MCC) replacements for the Point Reyes Treatment Plant, and the Trumbull, San Marin and Lynwood pump stations. He advised the Board that the Lynwood MMC has not been completed due to the buried pipelines that are too shallow to construct the necessary footings and carry the load of proposed concrete enclosure walls. Staff is requesting a contract with Daniel Macdonald for architectural design of the Lynwood Pump Station motor control center structure. Mr. DeGabriele showed the Board a preliminary drawing. He noted that the work is budgeted at \$18,000.

On motion of Director Petterle, seconded by Director Fraites and carried by the following vote, the Board approved

AYES: Directors Baker, Fraites, Petterle, Rodoni

NOES: None

ABSTAIN: None

ABSENT: Director Schoonover

CYBER LIABILITY CONSULTANT

Mr. Bentley advised the Board that staff has tried to get cyber liability insurance and has been turned down by some insurers because of the lack of security in our information technology system. Mr. Bentley stated that staff is requesting a consulting agreement with Net Diligence to conduct a Cyber Risk Assessment who will make recommendations pertaining to the District's

information technology system. He stated that the cost of the assessment is \$12,500 and is intended to look at security for our website, utility billing, and SCADA computer systems.

On motion of Director Petterle, seconded by Director Fraites and carried by the following vote, the Board approved

AYES: Directors Baker, Fraites, Petterle, Rodoni

NOES: None

ABSTAIN: None

ABSENT: Director Schoonover

RESOLUTION SUPPORTING FRESH WATER FLOWS IN THE SAN FRANCISCO BAY DELTA ESTUARY

Mr. DeGabriele advised the Board that he attended the Friends of the Estuary Conference on September 24th and stated that it was informative. He advised the Board members that Directors Fraites and Petterle crafted a resolution supporting fresh water flows in the San Francisco Bay Delta Estuary and he has made some suggested revisions. Mr. DeGabriele advised the Board that locally, Marin County and Sonoma have adopted resolutions and Marin Municipal Water District has supported the Marin County effort.

Directors Petterle and Fraites stated that they supported the final resolution and Director Fraites stated that the Delta is under a lot of stress and the Central Valley agricultural water demands are going to have a great effect on the flow to the Bay.

Director Baker stated that he respected Director Fraites concerns but stated that he has reservations about it since the issue does not have to do with the County or Russian River.

On motion of Director Fraites, seconded by Director Petterle and carried by the following vote, the Board approved Resolution No. 14-23 entitled: "Resolution of the Board of Directors of North Marin Water District Regarding Ecosystem Health and the Need for Fresh Water for the San Francisco Bay-Delta Estuary."

AYES: Directors Fraites, Petterle, Rodoni

NOES: None

ABSTAIN: Director Baker

ABSENT: Director Schoonover

RESOLUTION SUPPORTING PROPOSITION 1 – THE WATER QUALITY, SUPPLY AND INFRASTRUCTURE IMPROVEMENT ACT OF 2014

Mr. DeGabriele advised the Board that Proposition 1 – The Water Quality, Supply and Infrastructure Improvement Act of 2014 is up for a vote before the California voters on the November 4th ballot. He stated that the bond measure includes money for water recycling, coastal salmon and fishery restoration, integrated regional water management programs and water conservation.

President Rodoni stated that he supported the resolution and is glad there is money on the ballot.

Director Fraites stated that he was not going to support this resolution since the bond also includes funding for additional storage and his concern that surface water storage will be an added impact on the Bay Delta and fisheries.

Director Petterle stated that he agrees with Director Fraites but would like to see more efforts towards recycled water and sustainability.

On motion of Director Baker, seconded by Director Petterle and carried by the following vote, the Board approved Resolution No. 14-24 entitled: “Resolution of the Board of Directors of the North Marin Water District Supporting Proposition 1 The Water Quality, Supply and Infrastructure Improvement Act of 2014 on the November 4, 2014 Ballot.”

AYES: Director Baker, Petterle, Rodoni

NOES: Director Fraites

ABSTAIN: None

ABSENT: Director Schoonover

INFORMATION ITEMS

DRAFT ANNUAL REPORT

Katie Young provided the Board with the Draft Annual Report for the Board’s review. She asked for corrections and comments on the report by Tuesday, October 28th. She advised the Board that the final report will return to the Board at the November 4th meeting for approval.

WEST MARIN DROUGHT SURCHARGE UPDATE

David Bentley provided the Board with a West Marin Drought Surcharge Update. He stated that the surcharge (effective July 1, 2014) has generated approximately \$27,000 in additional revenue through September 30th. He noted that the Drought Surcharge will terminate at the end of October and was implemented to offset both the revenue loss from the mandatory water use restrictions, and the cost of purchasing water from Marin Municipal for release into Lagunitas Creek.

WAC/TAC MEETING – NOVEMBER 3, 2014

The Board was provided the agenda for the November 3, 2014 Water Advisory/Technical Advisory Committee Meeting.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, Self Insured Workers Compensation Update, FY15 1st Quarter Labor Cost Report, and Salinity Notice (10/7).

The Board received the following news articles: Future of Stafford Lake Park to be discussed October 15th, Huffman faces GOP congressional challenger in heavily Democratic 2nd District, West Marin Citizen – Be Here Then, What could Marin Sea Level Rise mean to you?, Sonoma to consider hiking water rates, Sonoma County unveils proposed rules for new wells, 2014 EPA WaterSense Partners of the Year, California water use drops 11.5% in August, and First responders brace for November election.

The Board also received the following news articles at the meeting: Salinity Notice (10/14) and Marin Voice: Prop. 1 – One more shovel of dirt on the grave of our fisheries.

ADJOURNMENT

President Rodoni adjourned the meeting at 8:52p.m.

Submitted by



Katie Young
District Secretary