

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
March 4, 2008**

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, Steve Petterle, Dennis Rodoni and John Schoonover. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

District employees Robert Clark (Facilities Maintenance Superintendent) and Doug Moore (Construction Superintendent) were in the audience. Tim Omarzu of the Novato Advance arrived at 8:00 p.m.

MINUTES

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

GENERAL MANAGER'S REPORT

Mr. DeGabriele reported that Novato City Manager Dan Keen will attend the next Board meeting on March 18 and make a presentation to the Board on the proposed redevelopment of the north Redwood Boulevard corridor. He said that Mr. Keen will describe the city's vision and its plan for public input on the project and will answer questions from the Board.

OPEN TIME

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

Stafford Lake Outlet Tower Project

Mr. McIntyre updated the Board on the Stafford Lake Outlet Tower project and advised that the original bid opening date was set for March 6 but that the bid opening has been postponed to March 18. He stated that contractors requested more time to respond to the minority business requirements in the contract documents. He advised that the funding source for all the Stafford Treatment Plant projects is from the State Revolving Fund which includes federal funds, and, therefore, compliance of the Minority Business Enterprise/Women Business Enterprise (MBE/WBE) is required.

PRE 4" Steel Water Line Replacement

Mr. McIntyre reported that construction has started on the Paradise Ranch Estates' project to replace the 4" steel water line (Elizabeth Place to Sunnyside Drive) and that during the project, the crew discovered another leak that required immediate repair.

CONSENT CALENDAR

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

CSW/STUBER-STROEH ENGINEERING SERVICES FY 07-08 CONTRACT – MISCELLANEOUS ENGINEERING SERVICES

The Board authorized the General Manager to execute an agreement for FY 07-08 Consulting Services between the District and CSW/Stuber-Stroeh for Miscellaneous Engineering Services to assist District staff with both District and developer workload demands with a not-to-exceed limit of \$20,000.

MADDAUS WATER MANAGEMENT PROFESSIONAL SERVICES AGREEMENT

At the request of Director Fraites, Item 4, Maddaus Water Management Professional Services Agreement, was removed from the Consent Calendar for further discussion.

Director Fraites expressed concern with the cost of the optional components of the consultant's scope of work and its impact on the amount requested for approval. He inquired if staff believes that these optional items will be necessary.

Mr. DeGabriele said that Ryan Grisso, District Water Conservation Coordinator, is anxious to get started on updating the Water Conservation Master Plan and enjoy the lesser billing rate of the Maddaus Water Management (MWM) employee before she leaves on maternity leave. He said that the Board can request the presentation to the Board by MWM, if desired, which is one of the optional items billed separately. Mr. DeGabriele agreed that MWM hourly rates are high but that the District had used MWM in the development of its Urban Water Management Plan four years ago and Mr. Maddaus has the expertise. He said that it is hoped that Mr. Grisso can be trained on the Maddaus Decision Support System (DSS) Water Conservation Model for future water savings and program analysis.

On motion of Director Schoonover, seconded by Director Baker, and unanimously carried, the Board authorized the General Manager to execute a General Consulting Services Agreement between NMWD and Maddaus Water Management with a not-to-exceed limit of \$29,500.

ACTION CALENDAR

APPROVE: EMPLOYER ASSISTED HOUSING PROGRAM – ADDITIONAL INTEREST CALCULATION OPTION

Mr. DeGabriele stated that at the Board workshop in January he had suggested that an alternative be considered to the current Employer Assisted Housing Program (EAHP) terms that require sharing the home value appreciation. He proposed that the employee be offered an opportunity to pay back the loan with interest equal to the District's foregone earnings. Mr. DeGabriele read the proposed revision to the EAHP as follows: "The interest owed on the note shall be the amount of interest revenue foregone by the District on the note amount over the period of the loan based on the District's investment portfolio yield as reported in the Auditor-Controller's Monthly Report of Investments. Said amount of interest revenue foregone shall be solely determined by the District." He said that this alternative may trigger an incentive for current recipients of the EAHP to refinance and repay the loan to the District, thereby providing funds for loan to other employees.

Director Rodoni expressed his concern that an employee who is in the EAHP may take advantage of the program by terminating his employment with the District, paying off the District, selling the house and getting the full appreciation and inquired if the General Manager foresees any problem with that scenario and if there is a need for the District to protect itself. Mr. DeGabriele stated that the District has encouraged employees to pay off the loan as soon as possible so they can accrue the appreciation themselves. Director Rodoni asked if accepting an employee into the EAHP is upon approval of the General Manager and Mr. DeGabriele responded that if the Board so desires the policy can be changed to "upon approval" by the General Manager or Board of Directors. There were further questions from the Board on the details of the loan policy which were answered by Mr. DeGabriele and Mr. Bentley.

On motion of Director Baker, seconded by Director Petterle and unanimously carried, the Board approved the Employer Housing Assistance Program as proposed.

APPROVE: CHANGE ORDER NO. 2 - WINZLER & KELLY AGREEMENT FOR PALMER DRIVE TANK

Mr. McIntyre stated that the Board approved a construction contract to ProVen Construction for the Palmer Drive Water Tank, the contractor has been given the Notice to Proceed and that it is now appropriate to authorize a change order to Winzler and Kelly to provide engineering services during construction. He said that the original contract did not include this phase of services.

On motion of Director Schoonover, seconded by Director Baker and unanimously carried, the Board authorized the General Manager to execute Change Order No. 2 to Winzler and Kelly

Engineering Services during Construction on a time and expense basis with a not-to-exceed limit of \$32,210 plus a 10% contingency.

INFORMATION ITEMS

REPORT TO REGIONAL WATER QUALITY CONTROL BOARD RE OCEANA MARIN SEWAGE SPILL

Mr. DeGabriele provided information to the Board on the final actions taken in regards to the Oceana Marin sewage spill that occurred on February 18, 2008. He advised that Mr. Clark sent a letter to the Regional Water Quality Control Board describing the incident and the steps taken by the District to clean up the spill and repair the pipeline. He said that the pipeline was inspected by video camera and that the pipeline was clear except for the area where the leak occurred. He said the Mr. Clark will follow-up with another letter to the Regional Board to advise them of the results of the internal video inspection and confirm final repair of the sewer pipeline. Mr. DeGabriele reported that to date, costs incurred by the District included \$16,000 in staff time; \$6,000 in contractor work; and a purchase order of \$12,000 for clean up by Safety Kleen. He said that the total costs may approach \$50,000 to \$60,000. He thanked the Board for their support of staff and noted that staff took all appropriate actions. He said that the District recognizes how vulnerable the sewer system is in Oceana Marin because of its proximity to the ocean.

DRAFT ANNUAL REPORT

Mr. Bentley provided the draft Annual Report for FY 2006/2007 and asked for Board comments to be forwarded to him by next week. He said that it will be on the next agenda for Board approval.

Director Baker advised that he will forward his comments to Mr. Bentley.

NOVATO WATER FIVE-YEAR FINANCIAL PLAN & POTENTIAL RATE ADJUSTMENT

Mr. Bentley presented the five-year financial plan and said that the plan points to a need for a rate increase of 15% and/ or cost reductions primarily due to a decrease in water sales as a result of customers' conservation of water and the tier rate structure. He stated that significant changes from the previous five-year financial plan include decrease in water sales volume; a decrease in the Improvement Project's budget of \$3.3M over the next five years; a reduction in connection fee revenue; a \$5M increase in SCWA projection of the District's share of the South Transmission System Project; and elimination of the water conservation reimbursement from SCWA.

Mr. Bentley provided seven possible measures to increase revenue and suggested that revenue could be increased by implementing one or a combination of the following measures: increase the bimonthly service charge; increase non-residential commodity rate; increase in

residential customer base commodity rate; increase in residential customer Tier II and Tier III commodity rates; increase in zone rate differentials applicable to upper elevation zone use; increase in temporary customer commodity rate; and increase in irrigation water commodity rate.

He said an option to the 15% across-the-board rate increase is a “rate design” increase wherein rates in different components are increased, i.e. base rates, tier rates and minimum service charge. He noted, however, that that method would require individual notices be sent to each customer detailing the rate increase and that postage costs would amount to approximately \$8,000. Mr. Bentley said that he recommends the rate design method and that there is time for the Board and staff to decide what rates to increase and the amount of increase. Mr. Bentley presented a PowerPoint presentation of charts documenting many of the auditor’s assumptions and stated that 15% annual increases are necessary to keep the total cash reserve level at \$10M by FY13.

Mr. Bentley advised that State Proposition 218 requires the District notify customers 45 days prior to a public hearing and that it takes two months to go through the billing cycle, or 105 days prior to the public hearing now scheduled for June 17, 2008. He said that staff is requesting that the Board approve the Notice of Public Hearing on customers’ bills.

There was a lengthy discussion. Director Petterle asked if staff is considering applying a tier rate to commercial customers. He said he would hate to see residential customers bear the brunt of the rate increase through the tier rate structure. Mr. Bentley said that staff is looking at how to fairly determine the entitlement for non-residential customers.

Director Rodoni opined that the design rate increase is too complicated for this year and suggested implementing a 15% across-the-board increase and is in favor of keeping the monthly charge as low as possible. He further suggested that the Board and staff get an earlier start next year in figuring out what needs to be done and to consider adding another tier to capture more people using in excess of their entitlement. He agreed with Director Petterle that non-residential customers should be subject to a tier rate structure and hopes that West Marin non-residential customers will be the test case for that. He said he does not agree with spending \$8,000 on postage to notify customers of rate increases.

Mr. DeGabriele said that having tier rates is justifiable and that the challenge is deciding where to place the break point in the rate structure for each tier. He noted that although many water districts apply tier rates, North Marin’s threshold is much higher and that it is important for customers to pay their fair share but not more.

Director Schoonover stated that it would be important to place an extra tier where it won't hurt small families and customers that have low water usage.

Director Rodoni pointed out that the other side of the issue is expenditures and that the District needs to consider ways to cut costs.

WAC MEETING – MARCH 3, 2008

Mr. DeGabriele reported on the Water Advisory Committee meeting he attended with Director Rodoni on March 3. He stated that he was happy to report that the WAC voted unanimously on all action items including the SCWA budget for next fiscal year with resulting water rate increases (5.81% for the District); and approved a resolution to establish, maintain and use prudent reserves. He said that the WAC requested that the Technical Advisory Committee obtain a project time line for the South Transmission Project and report back to the WAC at the May meeting. Mr. DeGabriele was pleased to report that the WAC unanimously approved the Memorandum of Understanding for the Sonoma-Marin Saving Water Partnership and that each elected body of the WAC will have an opportunity to approve the Partnership MOU. He said, as a result, contractors will be working closer together on water conservation activities, especially on evaluating how much water saving is proposed and documenting how much has been saved and then reporting to the WAC and general public. He further reported that the WAC authorized the Chair to sign a letter to the State Board in support of the Salmon Coalition's watershed approach to address water availability and environmental impacts in the watershed's tributary to the Russian River. Mr. DeGabriele provided updates to the Board on the following topics: Report to State Water Resources Control Board Re: 2007 Temporary Urgency Change; the Biological Opinion release scheduled in late March; the Water Project EIR is due for release at the end of June 2008; SCWA Climate Protection Initiative; Regional Planning North Coast Integrated Regional Water Management Plan; the ACWA Washington DC trip; and the City of Santa Rosa/SCWA Biodiesel Joint Project.

Director Rodoni acknowledged that Mr. DeGabriele, as Chair of the TAC, worked very hard on all the items that were unanimously approved by the WAC, particularly the Sonoma-Marin Saving Water Partnership. He further acknowledged the hard work of Mr. Bentley on the SCWA budget and gave much credit to District staff as well. Director Rodoni noted that SCWA is taking a more global approach to many issues, i.e. climate change, biodiesel and partnership with City of Santa Rosa of which the District is sharing costs, and asked the question: what is in it for the District?

NORTH BAY WATERSHED ASSOCIATION MEETING

Mr. DeGabriele stated that he and Director Fraites will attend the North Bay Watershed Association meeting on Friday, March 7 and that the proposed budget is included in the agenda.

REPORT ON ACWA WASHINGTON, DC TRIP

Mr. DeGabriele reported that he and Director Rodoni did not have time to attend the ACWA Conference but instead spent time with the Sonoma County Water Agency contingent and met with professional and legislative staffs from the Senate, House of Representatives, US Corps of Engineers and National Marine Fisheries Services. He said the messages in the three days of meetings included increase funding for Pacific coastal salmon recovery; advocacy for the Biological Opinion on the Russian River; support for Corps of Engineers re-operation of Lake Mendocino and Lake Sonoma; support for the Water Resources Development Act; and advocacy for the SCWA's climate protection initiatives. He advised that there was opportunity to advocate for the Gallagher Well and Pipeline Project and as a result, the District was encouraged to submit an Appropriations Request to Senator Dianne Feinstein which was submitted upon their return from Washington.

Director Rodoni thanked the Board for the opportunity to go to Washington and recommends that other Board members go if given the opportunity.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements (2/20 & 2/27) and Employers Empowering Homeownership. The Board received the following news articles: North Marin Water District (2/27), Novato: Think globally, shop locally (2/27), Water saving worked too well (2/26).

ADJOURNMENT

President Fraites adjourned the meeting at 8:50 p.m.

Submitted by

Renee Roberts
District Secretary