

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 15, 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 L. Bentley and Chief Engineer Drew McIntyre.

District employees Robert Clark (Facilities Maintenance Superintendent) and Doug Moore (Construction Superintendent) were in the audience.

MINUTES

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

GENERAL MANAGER'S REPORT

North Bay Watershed Association

Mr. DeGabriele reported that the North Bay Watershed Association (NBWA) Integrated Water Resources Technical Committee met two weeks ago and recommended projects for the committee's consideration. He said that he favors two proposed projects: 1) a water conservation program for the unincorporated areas of Marin, Sonoma and Napa Counties; and 2) a fact sheet about North Bay Watershed Association that includes member agencies, number of people and areas served. He mentioned that other projects discussed in the subcommittee included a real-time environmental management tool called Web H2O using satellite imagery; and a flood control and groundwater feasibility project in the Sonoma Valley. He said these projects will go before the NBWA Board during their budget discussions next month.

Mr. DeGabriele discussed the North Bay Watershed Association Conference that he and Director Fraites attended on April 4 and said that it was a very good conference with well-qualified speakers.

North Bay Water Reuse Authority

Mr. DeGabriele advised that a meeting of the North Bay Water Reuse Authority (NBWRA) is scheduled for Monday, April 21 and there will be a recommendation to hire a Program Manager to steer the project along to conclusion. He said he felt that an experienced individual has been found

and the NBWRA Board will be asked to authorize the sub-committee to negotiate a scope of work and cost of program management. He stated he hopes to bring back to the District Board an agreement with Novato Sanitary District and Las Gallinas Valley Sanitary District to help bring recycled water to the south Novato area. He further advised that Beverly James, General Manager of Novato Sanitary District, is requesting that one of the North Marin Water District Board members contact Senator Dianne Feinstein's staff to advocate for the North Bay Water Reuse Project and have it included in the Water Resources Subcommittee Omnibus bill that will be heard at the end of this month. Mr. DeGabriele asked for Board consensus to authorize outreach by a Board member and asked for President Fraites to assign the task to a director. Director Rodoni said that he would contact John Watts of Senator Feinstein's office since he had recently met with the senator's staff while in Washington, DC.

Union Decertification Petition

Mr. DeGabriele informed the Board that District represented employees have filed a petition to no longer be represented by SEIU and that the State Mediation and Conciliation Service will meet with employees, SEIU and the District on April 25 to determine rules for a decertification election.

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:

Embezzlement Legislation

Mr. Bentley advised that a state representative from the County of Riverside introduced a bill in the State legislature, identical to the one the District submitted last year, that would deny pension benefits to public employees convicted of embezzling funds from public agencies. He said he was able to listen to the hearing over the Internet and that there was opposition from union employees and the bill did not pass.

North Bay Watershed Association Conference

Director Fraites reported that the information provided at the NBWA Conference was extensive and overwhelming. He said that the speakers warned that climate change is real and planning for its effect on water in California will need to be reevaluated as climate change is moving faster than anticipated. He said that the rise of sea levels are estimated to be 3 to 5 meters which can have a catastrophic effect on cities near the coast and may affect District wells in West Marin.

Mr. Clark reminded the Board that climate change topics have been integrated into the District's five-year plan and that the District has an energy policy that addresses energy efficiency.

He said that at the end of April, he will have the years 1990 and 2000 greenhouse gas emissions tally for comparison to the 2006 emissions data. He anticipates a plan for greenhouse gas emission reduction to be brought to the Board within the next few months.

MONTHLY PROGRESS REPORT W/ CUSTOMER SERVICE QUESTIONNAIRE & QUARTERLY BACTERIOLOGICAL REPORT

Mr. DeGabriele reviewed the Monthly Progress report for March and informed the Board that in Novato water production was down 2% from one year ago and similar to 2004, another dry spring year. He reported that in West Marin, water production was down 18% (13% without Giacomini Ranch water demand) and is likely due to cooler temperatures and more fog. Mr. DeGabriele further reported that temperatures in Novato averaged 8 degrees lower this March than last year; that rainfall was 2" below normal and we are experiencing a dry spring for the second year in a row, but that Stafford Lake is full and the Stafford Treatment Plant is beginning to produce water. He said that in Oceana Marin, discharge is occurring and the treatment and storage ponds are gaining freeboard. He reported that safe work practices continue with only 1 incident in March and that 119 days have passed without a lost time accident or injury. He said that water conservation rebates for high-efficiency toilets and front-loading washing machines continue; and in the Summary of Complaints, there is an increase in complaints in all categories with the exception of water quality. He reported that all water quality samples met bacteriological and chemical standards. He reported that 123 customer services questionnaires were sent to customers, 46% were returned and of those returned, all responses were positive.

Director Rodoni inquired if there is a policy to waive fees if an otherwise good-paying customer missed a payment. Mr. Bentley responded that staff will work with good-paying customers and staff has waived fees, but that the customer has to call and talk to the consumer services' staff about their situation first.

CONSENT CALENDAR

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

AMENDMENT - CHERRY HILL HOMES SUBDIVISION

The Board approved the Water Service Agreement for this project in November 2006 but the applicant failed to complete financial arrangements within the six month deadline. The agreement has been amended to include current construction labor/material costs which have increased 6%, from \$186,580 to \$197,910. There were no other changes to the Water Service Agreement.

The Board approved Resolution No. 08-07 entitled, "Authorization of Execution of Amendment to Water Service Facilities Construction Agreement with Rose Marie Grayson."

NOVATO UNIFIED SCHOOL DISTRICT - HAMILTON ELEMENTARY SCHOOL HYDRANTS 2008

The Novato Unified School District Fire Hydrants 2008 project provides new fire hydrants to fulfill the Novato Fire Protection District requirements. Water facilities include 740 feet of 8" PVC water main and two commercial fire hydrants.

The Board approved Resolution No. 08-09 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Novato Unified School District."

TEXT FOR WATER LINE, VOLUME 9, ISSUE 19

The Board approved the design and text for the Spring 2008 edition of the *Water Line*.

SUN LANE MAIN EXTENSION - BRAUN

At the request of Director Baker, this item was removed from the Consent Calendar for further discussion.

Director Baker inquired if staff knew the number of wells being used for domestic water use in the urban area of Novato. Mr. McIntyre said that he believed the number of wells for domestic water use was fewer than 50. Mr. Clark added that the District's backflow and cross-connection technician checks wells and the total number of wells is around 300, but that most are for irrigation. Director Baker asked if there are other areas in Novato where looping can improve water quality as is being done on Sun Lane with the Braun extension and Mr. McIntyre responded that there are several areas and that staff is always looking for ways to loop the system in a cost-effective manner.

On motion of Director Baker and seconded by Director Rodoni, the Board unanimously approved Resolution No. 08-08 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Eric Braun."

ACTION CALENDAR

INITIAL REVIEW NOVATO WATER EQUIPMENT BUDGET

Mr. Bentley presented the proposed FY 2008-09 Novato Water Equipment Budget to the Board for its initial review. He stated that the proposed budget totals \$306,400 and is 4% higher than the FY08 Equipment Budget adopted last year. Mr. Bentley said that the next review is scheduled for May 20; a public hearing and approval is scheduled for June 17, and he requested that the Board provide comments to him as soon as possible.

INITIAL REVIEW NOVATO WATER IMPROVEMENT PROJECTS BUDGET

Mr. Bentley presented the proposed Novato Water Improvement Projects budget and stated that this is the first of three reviews and that staff is seeking direction from the Board. He said that the proposed \$8.4M 2009 Improvement Projects budget is presented as a five-year plan and will be incorporated into the five-year financial plan wherein staff recommends a 15% across-the-board water rate increase for the next five years. Mr. Bentley said that the 15% rate increase will effectively double the cost of water for the District customers and is being driven by the following factors: reduction in projected water sales, reduction of projected connection fee revenue, cost of operating Stafford Water Treatment Plant, the cessation of the Sonoma County Water Agency water conservation reimbursement and doubling of the South Transmission System Project cost and of the District's portion.

Mr. Bentley reviewed three rate options for the Board's consideration: Option 1 is a 15% across-the-board increase which will raise \$27M over the next five years to fund the proposed Improvement Projects budget. He said that this option will continue the District's traditional pay-as-you-go funding with the exception of the District's \$10M share of Sonoma County Water Agency's debt issue to fund the South Transmission System Project.

Mr. Bentley explained that Option 2 would increase rates 10% and generate \$17M for the Improvement Projects plan but the District would incur \$10M in debt to make up for the shortfall in revenue. He said that the District could look for other funding sources to make up for the shortfall as necessary; and that, historically, the District expends approximately 70% of its Improvements Projects budget.

The Auditor reviewed the third option that includes a 10% across-the-board increase and a reduction of proposed improvement projects by \$11M. He said that projects funded would be at the direction of the Board.

Mr. Bentley stated that all three options would work but that staff recommends Option 2.

Director Schoonover asked for more information to justify the rate increase and the need to go into debt. Mr. DeGabriele responded that staff has wrestled with this issue because customers have conserved water and now they will face a rate increase. He said staff has tried to schedule the improvement projects in a sensible and efficient sequence and will spread the projects out equally during the next five years in an attempt to temper the rate impact on customers. He said that one way to lessen the impact on customers is to borrow money. He stated that the District does not normally do that; however, the District has taken on State Revolving Fund loans and participates in financing for projects with Sonoma County Water Agency and repays the District's

share of those projects over time. Mr. Bentley added that presently, interest rates are low and it may be a good time to issue debt.

Director Petterle queried if Option 2 defers the impact of the rate increase on the customer, and Mr. Bentley answered that it spreads it out over time and that the bulk of projects are scheduled for the first two years of the five-year plan. Mr. McIntyre stated that the District has had significant projects, i.e. the Stafford Treatment Plant, Stafford Lake Outlet Tower, 3-Million Gallon Palmer Drive Tank, and that the District is not anticipating building additional storage of that volume for many years. He said that the District is not projecting to continue on at this rate and acknowledged that there has been a lot of improvement project work over the last five years.

Director Fraites said that his concern is that the public be as aware as possible as to why the District needs to increase rates and that conveying this message to the ratepayers is a priority. He said that customers have conserved and are now faced with a rate increase. He opined that the rates be increased 15% now and not borrow money that will have to be repaid.

Director Rodoni asked for clarification that the \$27M includes the \$10M for the Sonoma County Water Agency projects and Mr. Bentley replied, no. Mr. Bentley explained that the table included in the staff memo shows the major improvement projects which total \$17M and that there are miscellaneous projects that total \$10M that are not included in the table. Director Rodoni inquired how the \$10M for SCWA projects would be funded and Mr. Bentley answered that SCWA will finance the project including the District's share. Director Rodoni said that he was hesitant about venturing into indebting the District normal business and not pay-as-you-go and felt that the cost of doing business will continue to go up dramatically and by avoiding the cost now it may make matters worse in the future. He applauded the efforts of staff in not overestimating the number of improvements projects and said he liked a combination of Options 2 and 3 because all budgeted improvement projects are usually not completed. He said he is more willing to couple the 10% increase with a project reduction with the understanding that if a project needs to be constructed to consider Option 2 which would be to seek funding for a specific project. He said he liked the approach to reduce the 15% rate increase, reduce the District Improvement Projects budget and not incur debt.

Director Petterle asked if there were any projects that would immediately be cut under Option 3. Mr. DeGabriele said that would be a hard choice and a matter for serious debate.

Director Baker said he agrees with Director Rodoni and is not enthusiastic about borrowing unless absolutely necessary. He said that in looking at the proposed projects, he didn't see any

project that is so significant as to make the case to borrow money. He said he was in favor of the traditional pay-as-you-go method.

Mr. DeGabriele summarized the consensus of the Board as a combination of Options 2 and 3: to continue the pay-as-you-go basis and reduce the overall five year capital plan; to implement a series of rate increases; and to not incur additional debt unless necessary for a specific project.

Director Fraites said he favored Option 1, Director Baker said he like Option 3 and possibly Option 2. Director Petterle said he agreed with the way Mr. DeGabriele summarized the discussion.

APPROVE: STAFFORD DAM OUTLET TOWER - CONSTRUCTION CONTRACT AWARD (SYBLON REID)

Mr. McIntyre reported that bids were received and opened on March 18 for the Stafford Dam Outlet Tower project. He said that of the four bids received, Syblon Reid of Folsom was the apparent low bidder with a bid of \$953,600, 30% above the Engineer's estimate. He said that the contractor met all bid requirements and were highly recommended by their references. He said that bidders were required to demonstrate their construction experience in the type and similar in magnitude and character to that under this contract; and that Syblon Reid listed 3 projects with scope and character similar to the Outlet Tower Rehabilitation Project, including installation of hydraulically-operated lift gates, underwater construction and projects that included permitting by the California Division of Safety of Dams. He said the contractor will likely begin the project during the end of the summer season when lake levels are low. Mr. McIntyre stated that because of the higher than expected project costs, staff requested an increase in the ceiling on the State Revolving Fund loan and received word that the State has increased the amount to cover the additional cost under the low interest loan. He advised that the Department of Public Health is reviewing the contractors "Good Faith Efforts" to obtain participation by Minority and/or Women Owned Businesses (MBE/WBE).

On motion of Director Schoonover and seconded by Director Baker, the Board unanimously authorized award of the Stafford Dam Outlet Tower construction contract to Syblon Reid Co. in the amount of \$953,600 plus a contract contingency of \$50,000 subject to Department of Public Health approval to award.

INFORMATION ITEMS

WEST MARIN ANNUAL WATER QUALITY REPORT

Mr. DeGabriele advised the Board that the Point Reyes Water Quality Report is ready to be printed and is presented for their information.

MARIN COUNTY COMMUNITY CHOICE AGGREGATION

Mr. DeGabriele provided information on the Marin County Community Choice Aggregation (CCA) and said that the CCA will be holding community meetings and public workshops to educate the public on the program to achieve 100% renewable energy supply within the Marin communities and reduce greenhouse gas emissions. He said that since the District is a member of the CCA, Directors may be called on to provide outreach from time to time.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements (4/2 & 4/9); Email from satisfied customer; North Bay Water Reuse Authority Brochure; NBWA Conference Program; SCWA Public Notice - Russian River Rubber Dam to be inflated.

The Board also received the following news articles: Bigger H2O Bills for Businesses? (4/9), and Waste Not, Want Not (4/7).

ADJOURNMENT

President Fraites adjourned the meeting at 8:45 p.m.

Submitted by

Renee Roberts
District Secretary