

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
April 19, 2011**

CALL TO ORDER

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

Pat Collins and Carrie Lukacic of Winzler & Kelly, Novato Resident Susan Stompe (Marin Conservation League), District employees Doug Moore (Construction/Maintenance Superintendent), Ryan Grisso (Water Conservation Coordinator) and Pablo Ramudo (Water Quality Supervisor) were in the audience.

MINUTES

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

AYES: Directors Baker, Fraites, Petterle, Schoonover

NOES: None

ABSTAIN: Director Rodoni

ABSENT: None

GENERAL MANAGER'S REPORT

Novato Watershed Program

Mr. DeGabriele stated that the technical work group of the Novato Watershed Program will meet Wednesday, April 20 wherein the report on the Department of Fish & Game 2009 Study on Salmonid Habitat on Novato Creek will be reviewed and that next week the Policy Advisory Committee will meet to give a status on the program and discuss a proposed technical study to evaluate flooding in the lower Novato Creek.

Records Destruction

Mr. DeGabriele advised that Friday, April 22, District documents scheduled for destruction will be shredded, and employees will participate in the District annual clean-up day.

District Employee Retirement Announced

Mr. DeGabriele reported that Jim Diggs, District Cross Connection Technician, has announced his retirement at the end of April after 24 years with the District. He advised that there are two employees who are qualified to take over Mr. Diggs' duties.

OPEN TIME:

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

Novato resident Susan Stompe, Marin Conservation League, requested that the Board of Directors meeting agendas that are posted on the District website include staff reports.

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:

Director Baker stated that he attended a public forum held by State Assembly Member Jared Huffman to discuss the state budget and collect comments with the help of Next 10, an independent, nonpartisan organization.

PUBLIC HEARING – CONSIDER APPROVAL OF ORDINANCE 24 REVISING REGULATION 18

Ryan Grisso provided an overview of Ordinance 24 revising Regulation 18. He stated that to be eligible for State Water Resources Control Board low interest loan, the District needs Market Assurances by spring 2011 to meet the funding qualifications and to keep the North Bay Recycled Water project on schedule. He said that the Board directed staff to draft an ordinance that would mandate the use of recycled water and authorized staff to hire a consultant to develop an outreach plan. He informed the Board that the plan included meeting with stakeholders, developed outreach materials (Project Summary, FAQs and maps), a direct mailer to customers and special mailer to 75 identified stakeholders. Mr. Grisso said that he received very few calls in response to the mailers. He said that a public workshop was held on March 22 and eight customers attended.

Mr. Grisso said the current Regulation 18 language did not meet all SWRCB requirements, and the revised regulation addresses recycled water pricing, penalties for noncompliance and exemption requests and other minor changes. He explained that Ordinance 24 references the

revisions to Regulation 18 and meets the requirement of the SWRCB and has received initial approval from SWRCB staff.

Drew McIntyre reviewed the Recycled Water Expansion projects; Novato North Project with Novato Sanitary District and Novato South Project with Las Gallinas Valley Sanitary District. He said the three agencies are part of the North Bay Water Reuse Authority (NBWRA) and are fortunate to secure \$7.3M in federal grant funding. He said that approximately \$4M of those funds are allocated for the two projects. He said that the SRF low interest loan will be for the remaining 75% of funds needed for the NMWD projects. Mr. McIntyre stated that the loan application for the Novato North project has been submitted and the SRF loan for the Novato South project will be submitted soon. He advised that the bid opening for the first segment of the Novato North project was held today and the low bid was \$425,000; the engineering estimate was \$600,000. He further advised that after the bid analysis, staff will return with its recommendation for award of the construction contract at a future Board meeting. Mr. McIntyre advised that staff is working on the detailed design of the North project and concurrently, Nute Engineering, is preparing design drawings for the South project transmission pipeline from Las Gallinas Sanitary District to Hamilton. He stated that because of the federal grant funding, the projects need to be completed by September 2012; and he expects state approval of the SRF loan in four to six weeks. Mr. McIntyre said that the District is in a good position to get a preliminary funding commitment from the state for the Novato North project, and that he is hoping to get the same funding commitment from the state for the Novato South project.

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

On the motion of Director Baker and seconded by Director Fraites, the Board unanimously approved Ordinance 24 Adopting Regulation 18 Revisions.

PUBLIC HEARING – AQUEDUCT ENERGY EFFICIENCY PROJECT DRAFT ENVIRONMENTAL IMPACT REPORT

Drew McIntyre stated that the public hearing tonight is for the purpose of the public to provide testimony on the Draft Environmental Impact Report (DEIR) for the Aqueduct Energy Efficiency (AEE) Project. He provided an overview of the project for the benefit of the public. He stated that the AEE Project area encompasses the segment of NMWD aqueduct from Redwood Landfill to Kastania Pump Station, and the purpose of the project is to eliminate energy use, greenhouse gas emissions and ongoing costs of operation and maintenance of the Kastania Pump Station and to improve water delivery reliability. He further stated that the project would be

implemented at the time of the Caltrans Marin-Sonoma Narrows project wherein a significant portion of the aqueduct will be relocated. Mr. McIntyre advised that the Board of Directors released the Draft EIR for public review on March 18, and a Notice of Availability was published in the Marin Independent Journal and filed with the County Clerk. He further advised that thirty notices were mailed to interested parties and property owners and the document was made available at the Novato and Petaluma Public Libraries. He stated that to date, no comments have been received. He said that after the public comment period has ended, all comments received and their responses will be included in the final EIR. He said that the EIR will come back to the Board for certification this summer and the next step will be approval of the actual project.

Pat Collins of Winzler & Kelly addressed the Board and reviewed the summary of the DEIR, project objectives and project alternatives and reiterated Mr. McIntyre's statement that the elimination of the Kastania Pump Station will eliminate greenhouse gas associated with its operation. She said that the AEE Project must happen at the same time as the Caltrans Marin-Sonoma Narrows Project to take advantage of the cost savings.

Director Rodoni asked for the status of the Caltrans EIR and if the District's EIR will be supplemental to the Caltrans' document. Mr. McIntyre responded that the Caltrans EIR is complete and that the District's EIR is a separate document. Director Rodoni asked about the status of two lawsuits that were brought against the Caltrans EIR. Mr. McIntyre stated that there are two lawsuits; Transportation Solutions, Defense & Education Fund (Transdef) declaring that the project will affect regional planning, growth, transportation, and air quality. He said that the second lawsuit brought by North Coast Rivers Alliance (NCRA) alleging that the expanded pipeline would enable increased water diversions from the Russian River and induce greater population growth and land use development within North Marin Water District service area. He said this is one reason why the District decided to produce its own full EIR. He advised that the two lawsuits have been combined and are being heard in Sonoma County.

Director Rodoni asked if it is likely the District's EIR will be challenged by NCRA and Mr. DeGabriele opined that NCRA would likely challenge the District's EIR.

Director Fraites asked for a timeline when phases will be constructed. Mr. McIntyre stated that Caltrans' segments B-1 and B-3 are estimated to be constructed in summer 2012.

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

QUARTERLY FINANCIAL STATEMENT

Mr. Bentley began his third quarter financial report by informing the Board that in conjunction with the Aqueduct Energy Efficiency Project, the District will be required to borrow \$8M to finance the project, and that financial advisors have recommended that the District change its accounting practice pertaining to expensing projects. He said that beginning with this current financial statement, the District will now be capitalizing costs eligible to be capitalized. He said that this practice will have no effect on the cash balance and will increase the District's FY 11 net income by \$1.4M. Mr. Bentley stated that this practice has the concurrence of the District's outside auditor, Paul Kaymark of Charles Z. Fedak & Company.

Mr. Bentley presented the Third Quarter Financial Statement and advised that after the first nine months of the year, there is a loss of \$1.8M compared to a budgeted loss of \$800,000 for the year. He explained that this is due to the decrease in connection fees and water sales; the cash balance decreased \$635,000 since July 1.

Mr. Bentley reported on each district individually. He said that in Novato, water consumption is about the same as one year ago; and due to the cool spring, water sales have not picked up. He stated that revenue is up 6% because of the 9% increase in water rates effective June 1, 2010. Mr. Bentley said that Stafford Treatment Plant resumed its operation on March 4 and that Novato Sanitary District allowed the District a variance to produce up to 3.25 mgd through the end of April which will save the District \$65,000 in purchased Russian River water. He advised that salaries and benefits costs are down \$300,000 for the first nine months; the cash balance in Novato has decreased \$900,000 to \$5.3M.

Mr. Bentley reported that Recycled Water production has not started this year and there is a budgeted loss of \$99,000. He advised that there is \$250,000 in the bank but the annual SRF loan payment is due in June for \$272,000. He further advised that last year, \$40,000 was borrowed from Novato water to make the loan payment, and the debt has been re-paid.

The Auditor stated that water sales in West Marin are down, revenue is up 4% and he reminded the Board that there was a 9% rate increase effective August 1, 2010. He said net income is \$23,000 for the year; the amount budgeted was \$164,000. He said that West Marin water owed Novato Water \$372,000 at the end of this period.

Mr. Bentley stated that in Oceana Marin revenue is up 1%, and there is a net income of \$74,000 and the quarter ended with a cash balance of \$280,000. He said that two additional customers have signed up for sewer service, and the major project in Oceana Marin is replacing cross-country sewer line and that the project will carry over into next fiscal year.

Director Petterle asked what the payback time period is on the \$8M loan for the Aqueduct Energy Efficiency Project. Mr. DeGabriele said that he estimates about 40 years to recover the \$8M.

Director Rodoni asked for the annual payment amount for the \$8M loan. Mr. DeGabriele replied approximately \$700,000 in interest and principle.

MONTHLY PROGRESS REPORT W/CUSTOMER SERVICE QUESTIONNAIRE

Mr. DeGabriele provided the monthly progress report for March, and said that water production is on par with one year ago. He said that Stafford Treatment Plant has begun operating this month and the Recycled Water plant may be starting production soon. He said at Stafford there was significant amount of rainfall in March and the lake spilled through March. Mr. DeGabriele said that in Oceana Marin both ponds have sufficient freeboard and with better weather, more discharge can begin.

Mr. DeGabriele pointed out that there was a lost time injury in early March but that staff worked over two years without a lost time accident or injury. He said that in Water Conservation, the High Efficiency Toilet rebates are slowing down but that the washing machine rebates continue to be popular. He advised that the rebate amounts will be reduced next fiscal year but he expects the same participation. He said that with the Customer Service Questionnaire provides good feedback, but only 23% of the questionnaires are returned by customers.

Mr. Bentley said that as of March 31, all districts combined total cash is \$5.9M; 66% in the Local Agency Investment Fund and the remaining third in time certificates of deposits in local banks and the portfolio is earning approximately 0.7%.

CONSENT CALENDAR

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

WATER SERVICE AGREEMENT - CIRCLE BANK – 999 GRANT AVENUE

The Circle Bank Project proposes to construct a 19,200 square foot two-story retail/office/restaurant building; the existing 10,000 square foot building will be demolished. New Zone 1 water facilities required include 85 feet of pipe, one 6-inch fire service assembly, one commercial fire hydrant and three 1-inch domestic water services with 1.5 inch back flow preventers. The existing 1.5 inch meter will be killed. Total water demand for the project is eight equivalent dwelling units and the new water demand is six EDUs since the Applicant is credited for two EDUs for the existing service.

The Board approved Resolution No. 11-07 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Circle Bank Corporation."

CONSENT APPROVE – SET PUBLIC HEARING – 2010 URBAN WATER MANAGEMENT PLAN

A new state requirement prior to adopting the Urban Water Management Plan is to make the plan available for public inspection and to hold a public hearing.

The Board set the public hearing to consider comments on the 2010 Urban Water Management Plan for 7:30 p.m. on June 21st at the District Administrative Office and directed staff to notify the City and County and notice the public hearing once per week for two consecutive weeks in the Novato Advance.

ACTION CALENDAR

STP SOLAR PROJECT

Mr. Bentley said that a public hearing was held in January 2011 for the Board to hear public comments on the Stafford Treatment Plant Solar Project, and the Board approved a resolution finding the cost of the proposed solar power project will be less than the anticipated cost of power purchased from PG&E. He said that at that meeting, a draft version of a Power Purchase Agreement and a Site Lease Agreement with the project owner, Solar Power Partners (SPP), were presented. He stated that concerns expressed by the Board and staff have been addressed in the final draft which is being presented to the Board for approval.

Mr. Bentley advised that the project may be held up due to the suspension by PG&E of the California Solar Initiative (CSI) based on their projection that funds have been exhausted. He explained that SPP has calculated the CSI credit of 5 cents per kWh generated during the first five years of the solar project's production into their 17 cents per kWh proposal. He informed the Board that State Senator Christine Kehoe has introduced a bill to restore CSI funding, and that unless the funding is restored, SPP will not be able to go forward with the project. Mr. Bentley said that the District will write a letter in support of Senator Kehoe's bill.

On motion of Director Fraites, seconded by Director Rodoni, the Board authorized the General Manager to execute the Power Purchase Agreement and Solar Site Lease Agreement with Solar Power Partners by the following vote:

AYES: Directors Baker, Fraites, Rodoni, Schoonover

NOES: None

ABSTAIN: Director Petterle

ABSENT: None

REVISED STATE REVOLVING FUND LOAN RESOLUTION – APPLICATION FOR RECYCLED WATER PHASE 2 NORTH SERVICE AREA PROJECT

Mr. McIntyre stated that the State Water Resources Control Board has requested that the Resolution No. 11-03, Revised Revenue Source Authorization, be further revised to clarify that repayment of the loan be on the same parity level as the Department of Water Resources SRF loan for Stafford Treatment Plant.

On motion of Director Petterle and seconded by Director Rodoni, the Board unanimously approved Resolution No. 11-08 entitled, “A Resolution of the Board of Directors of the North Marin Water District to Approve and Authorize Dedication of a Revenue Source for the North Marin Water District Repayment of State Revolving Fund Financing (CWSRF Project No. 5211-110).”

OPPOSE SB 34, CALIFORNIA WATER RESOURCES INVESTMENT ACT OF 2011

Mr. DeGabriele advised that Senator Joe Simitian (D-Palo Alto) has introduced Senate Bill 34 which is a public goods charge for all water delivered in California. He said that the bill included in the Board’s agenda packet has since been rewritten and the proposed amount per acre foot to be charged to urban water users is left blank in the most recent version, whereas the former version stated \$110 per acre foot. He said that half the funds would be deposited into a state water fund and used to pay for the costs associated with the Delta Stewardship Plan. Mr. DeGabriele said that it is worth taking an oppose position on this bill and he wanted the Board to vote to oppose the bill and authorize him to write an opposition letter to state legislators.

On motion of Director Fraithe and seconded by Director Petterle, the Board unanimously voted to oppose Senate Bill 34 and authorized the General Manager to write an opposition letter to state legislators.

LETTER AGREEMENT FOR ESTABLISHING A REGIONAL ALLIANCE TO COMPLY WITH SBX7-7

The General Manager requested that the Board authorize him to execute the Letter Agreement establishing a Regional Alliance with the other SCWA water contractors and Marin Municipal Water District to comply with SBx7-7 to achieve a 20% reduction in per capita water demand by the year 2020. He said that projections show that the District will not meet the 20% reduction in per capita water use by 2020 and that forming a regional alliance is the right way to go about complying with SBx7-7.

On motion of Director Baker, seconded by Director Rodoni, the Board unanimously authorized the General Manager to execute the Letter Agreement.

INFORMATION ITEMS

INITIAL REVIEW PROPOSED FY11/12 EQUIPMENT BUDGET

Mr. Bentley presented the proposed FY 11/12 Equipment Budget for the Board's initial review. He stated that the proposed budget totals \$243,000 which follows the five-year financial plan. He advised that most of the budget (\$170,000) is for the purchase of two new dump trucks that are needed because the old trucks do not comply with diesel emission rules. Mr. Bentley said that other significant items in the budget include software licenses (\$25,000) and tapping system for Construction (\$36,000). He said this is the first of three reviews and asked that the Board express their budget concerns to staff as soon as possible.

Director Schoonover asked if the old trucks can be modified to comply with the diesel emission rules. Doug Moore stated that the two trucks being replaced are old with high mileage and it is not worth it to augment their diesel emission systems. Director Baker asked if there will be more trucks that will need to be converted to diesel. Mr. Moore responded that there are two vehicles in the fleet that have had the conversion kits installed and there will be more vehicles in the future that will need the conversion.

Mr. DeGabriele explained that public agencies are the first entities required to make the switch to clean air diesel engines.

Director Petterle stated that everything on the budget looks reasonable, but he reminded staff that there is a proposed 33% rate increase in water rates over the next three years and at the same time the equipment budget is increased 29%. He said that he hopes staff is cutting the equipment budget as much as possible so that the District can defend the proposed rate increase at the public hearing in May.

Director Rodoni asked Mr. Moore to come back and tell the Board what the impact would be on the Construction Department if the purchase of one truck was delayed a year. He said customers could argue that construction has slowed down, staff has been cut, and the purchase of the second truck may not be needed.

INITIAL REVIEW FY12 IMPROVEMENT PROJECTS BUDGET

Mr. Bentley presented the FY12 improvement projects budget and said that two years improvement projects budgets are presented at this time - \$10M for FY 12 and \$8.5M for FY13 and includes all districts. He said that the big projects, Aqueduct Energy Efficiency Project and the Recycled Water Expansion Project will be financed. The net project outlay is \$2.3M (FY12) and \$2.1M (FY13) and the combined Novato two-year total, which is subject to the proposed rate

increase, is \$3.6, a decrease from FY11/12 of \$1.8M. He advised that the proposed total outlay for Novato Water, West Marin Water and Oceana Marin is \$4.5M, down \$1.75M from one year ago.

Director Rodoni requested that Mr. Bentley provide a list of the actual FY11 and FY 12 expenditures.

Director Petterle said that his comments regarding the Equipment Budget applies to the Improvement Projects Budget – that staff be sure they can defend their recommendations on what is included in the Improvement Projects budget to District customers.

Mr. DeGabriele said that for the Aqueduct Energy Efficiency Project to be cost-effective, it must coincide with the Caltrans Marin-Sonoma Narrows Project and cannot be deferred.

Director Rodoni said that from his perspective, the projects that are subject to grant funding must be included in the proposed budget and that there is only \$2.3M in Improvement Projects that can be flexible.

There was a lengthy discussion on how to demonstrate to the public that cuts to the budget have already been made and that staff have a strong case for the essential projects on the proposed budget.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements, NBWRA TAC Revised 2011 Meeting Schedule and Salinity Notice. Mr. DeGabriele noted that salinity intrusion for the Point Reyes well supply is unusual this time of year, especially because there are high flows in Lagunitas Creek, and surmised that something else other than tidal influence is affecting the salinity levels. He said staff is considering changing the notification threshold may be necessary and stated that environmental groups have been contacted and he will keep the Board apprised.

The Board also received the following news articles: Water rate to increase by summer, Las Gallinas Valley Sanitary District wins statewide recognition, County shakes up Marin parks commission, Supervisors mull impact of SMART train cutbacks on Novato and Soroptimist Awards.

CLOSED SESSION

President Schoonover adjourned the Board into closed session at 9:12 p.m. for:

Conference with legal counsel – Existing Litigation – Pursuant to Government Code subdivision (b) of Section 54956.9 (one case – Lauren Wayne); and Public Employee Discipline/Dismissal/Release,

OPEN SESSION

Upon returning to regular session at 10:03 p.m., President Schoonover stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

ADJOURNMENT

President Schoonover adjourned the meeting at 10:04 p.m.

Submitted by

Renee Roberts
District Secretary