

**NORTH MARIN WATER DISTRICT  
MINUTES OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
June 15, 2010**

**CALL TO ORDER**

President Baker 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 Rick Fraites, 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 (Operations/Maintenance Superintendent) and Doug Moore (Construction/Maintenance Superintendent) were in the audience.

**MINUTES**

On motion of Director Schoonover, seconded by Director Rodoni and unanimously carried, the Board approved the minutes from the Special Meeting held on May 25, 2010 and the Regular Meeting held on June 1, 2010 as presented.

Director Baker thanked staff, especially Mr. DeGabriele and Mr. Bentley, for their work in preparing for the presentation on the proposed rate increases for the Public Hearing on May 25, 2010.

**GENERAL MANAGER'S REPORT**

Indian Valley Association Meeting

Mr. DeGabriele reported that he was invited to speak at the Indian Valley Association annual meeting last Saturday and received several questions about District Water Conservation Programs. He said there was also concern expressed about the City of Novato's planned rezoning for affordable housing.

Sonoma County Alliance

Mr. DeGabriele advised that he was invited to speak on June 24<sup>th</sup> at the Sonoma County Alliance on his perspective on Russian River water supply strategies. He said that he suggested that the SCWA General Manager speak first so that they would have the opportunity to hear the Agency's perspective on the issues.

## North Bay Water Reuse Authority Plenary Session

Mr. DeGabriele stated that on June 30<sup>th</sup>, the North Bay Water Reuse Authority is holding a Plenary Session to discuss the future of the NBWRA. He said that elected officials from Marin, Sonoma and Napa counties are invited and that he, Mr. McIntyre, and Directors Baker and Schoonover will attend.

## Board of Directors Meeting in Point Reyes – July 6, 2010

Mr. DeGabriele informed the Board that there will be an item on the July 6<sup>th</sup> Board of Directors meeting agenda to consider whether to stay in or opt out of Marin Clean Energy (MCE) for the West Marin service area. He said that staff recommendation will likely be to stay in MCE, but staff may also recommend opting out for the Stafford Treatment Plant solar project since PG&E may be part of the financial package for that project.

### ***OPEN TIME:***

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

#### Pipe Break in Bel Marin Keys

Mr. Bentley reported that an AC pipe broke at 4 a.m. on Sunday, June 13<sup>th</sup> flooding a residence. He said the Novato Fire District responded and turned the water off. He advised that there is no question that the District is responsible and the District will have to pay for damages incurred as a result of the flooding. He advised that staff is working with the homeowner to reduce the bill as much as possible. Mr. Bentley noted that there have been three prior pipe breaks in the Bel Marin Keys area recently.

### ***HEARING/APPROVE – NOVATO FY 10/11 BUDGET***

Mr. Bentley presented the Proposed FY 10/11 Budget for the Board's third and final review. He said the budget is divided into three components: Equipment Budget, Improvement Projects Budget and the Operations Budget which incorporates the first two budgets. He said the Recycled Water Budget is also being presented tonight for approval.

**PROPOSED FY 10/11 NOVATO EQUIPMENT BUDGET**

Mr. Bentley advised that since the last review on May 18<sup>th</sup>, the purchase of two three-quarter ton pickup trucks totaling \$62,000 was removed from the budget. He said the budget is now down 33% from the previous year's adopted budget and totals \$188,000. Mr. Bentley stated that staff will make do by using vehicles previously used by two recently retired employees.

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

On motion of Director Rodoni and seconded by Director Schoonover, the Board unanimously approved the FY 10/11 Novato Equipment Budget.

**PROPOSED FY 11 & 12 NOVATO WATER IMPROVEMENT PROJECTS BUDGET**

Mr. Bentley presented the Proposed Novato Water Improvement Projects Budget for FY 11 (\$5.5M) and FY 12 (\$10.3M). He said that there are three changes since the last review: reduce the amount for Crest Tank No. 2 by \$300,000 based on recent bids; move \$100,000 for architectural work associated with the office remodel to FY 12; and add \$100,000 to the Highway 101 Aqueduct Relocation CEQA costs resulting in a total Improvements Budget reduction of \$300,000. He said the total net Improvement Projects Budget of \$3,071,000 is down 4% from the current fiscal year's Improvement Projects Budget.

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

On motion of Director Rodoni and seconded by Director Petterle, the Board unanimously approved the FY 11 and FY 12 Novato Improvement Projects Budget.

**FY 10/11 PROPOSED NOVATO WATER OPERATIONS BUDGET**

Mr. Bentley advised that the Operations Budget incorporates the Equipment and Improvement Projects Budgets. He said that the budget calls for an \$18.8M total expenditure plan for the Novato Water System. Mr. Bentley informed the Board that following the rate hearing on May 25<sup>th</sup> wherein the Board adopted a 9% rate increase (staff had recommended an 11% increase), staff reviewed the budget and presented the following recommendations to make up the \$290,000 difference:

- |   |           |
|---|-----------|
| 1. Reduce water purchases by increasing STP production to 800mg | \$100,000 |
| 2. Defer commencement of the office remodel design              | \$100,000 |
| 3. Defer purchase of two new pickups                            | \$ 62,000 |

4. Reduce meetings/training/conference purchases by 50% \$ 25,000
5. Retract 2% salary increases for District Officers (GM, AC, CE) \$ 12,000

Mr. Bentley stated that with these changes, there will be a net bottom line deficit next fiscal year of \$789,000 compared to a budgeted surplus of \$243,000 in the current fiscal year. He said that connection fee revenue is not being generated as anticipated. He said that a major assumption for next year's budget is 3.1 billion gallons in water sales, an 8% increase over the current year. Mr. Bentley said that staff believes that water sales will pick up as there is no water shortage declared this year. Mr. DeGabriele commented that the official word is that there will be no restrictions in Russian River diversions and that the only conservation mandate is to inform dedicated irrigation accounts that their budget will be based on a 60% evapotranspiration rate versus 70%.

Mr. Bentley continued and stated that operating expenses will increase 6%; 88% of that is increased water cost from Sonoma County Water Agency and that District staffing will be reduced 5% next year. He advised that a 2% cost-of-living increase has been incorporated into the budget and that the budget assumes an 8% increase in the PERS health rate and an 11% increase in worker's compensation insurance.

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

Director Schoonover made a motion to approve the FY 10/11 Novato Operations Budget and to authorize the General Manager to pay demands arising from execution of the budgeted expenditure plan.

Director Fraites stated that he does not agree with the retraction of the 2% salary increase for District officers and said that the officers have earned it and should receive the increase. Director Baker concurred. Director Petterle asked if there was an "uproar" in reference to the 2% salary increase. Mr. DeGabriele said no, that because 2% of the budget needed to be reduced, he felt it was appropriate to start at the top. He said the Equipment, Improvement Projects Budget and Operations Budget were all affected. Director Baker said that he appreciates the intent but he does not think retracting the 2% salary increase is necessary.

Director Fraites seconded the motion as amended to exclude the reduction in District officer salary from the budget proposal. Director Schoonover accepted the amended motion, and the Board unanimously voted to approve the FY 10/11 Novato Operations Budget; and to authorize the General Manager to pay demands arising from execution of the budgeted expenditure plan.

### **RECYCLED WATER OPERATIONS BUDGET**

Mr. Bentley presented the Recycled Water Operations Budget FY 11 expenditure plan totaling \$1,124,000. He said that over half of that amount (55%) is for the commencement of the expansion of recycled water to the North Service area. He said that since the last review, the \$55,000 balance due from the Integrated Regional Water Management Plan Grant (awarded in 2007) will not come in this month as anticipated; and, therefore, has been budgeted for FY 11. He said that consequently, the Recycled Water will be in debt to Novato Water at fiscal year end. He said that the budget for next year projects 55mg of recycled water sales - down 18% from the average over the past five years and that the Stone Tree Golf Course is projecting a reduction in recycled water use. Mr. Bentley advised that Stone Tree will see a 4% commodity increase that will add \$8,000 to annual revenue.

Mr. McIntyre opined that Stone Tree will take the same amount of recycled water as last summer and that the wet spring has already allowed them to achieve a reduction in their water costs for this year.

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

On motion of Director Fraites and seconded by Director Petterle, the Board unanimously approved the FY 10/11 Novato Recycled Water Facilities Budget as presented.

### **MONTHLY PROGRESS REPORT**

Mr. DeGabriele presented the Monthly Progress report for May. He said that water production in both Novato and West Marin is down significantly and that these levels of production have not been seen since 1983. He said that Stafford Treatment Plant has stepped up production in May and hopes to achieve 800mg production out of the plant in the coming fiscal year. Mr. DeGabriele reported that recycled water production this spring is down from the past year. He further reported that Stafford Lake elevation is 195 feet and that 1300mg remain in the lake at the end of May. He noted that the average temperature in May is down 5 degrees from last year. He said that there is continuing discharge to the irrigation fields in Oceana Marin and pond freeboards are in good shape. The Manager advised that staff has worked over 450 days without a lost time injury; water conservation programs (high-efficiency toilet and washing machine rebates and the Water Smart Home Survey) remain popular. He stated that complaints are down for the month and for the fiscal year-to-date as well.

Mr. Bentley reported that there is \$7.7M in reserve and that the cash balance decreased in May by \$555,854; the weighted average Portfolio rate was 1.49% compared to 1.45% the previous

month. He advised that on June 3 the District purchased a \$1M Time Certificate of Deposit from Bank of Marin and thereby moved 13% of the District's treasury out of LAIF.

**CONSENT CALENDAR**

At the request of Director Fraites, Item 8, Atherton Avenue Land Division Renewal of Letter Agreement with the Novato Fire Protection District, was removed from the Consent Calendar for further discussion.

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

**WATER SERVICE AGREEMENT- NOVATO UNIFIED SCHOOL DISTRICT - C STREET WATER MAIN EXTENSION**

This project consists of changes needed to extend existing Zone A water facilities along C Street in Hamilton from State Access Road to Main Gate Road to serve the NUSD's newly acquired 2.95 acre parcel and will provide water service and fire protection to two new modular buildings. The District is requiring a 16-inch diameter main for conveyance of Zone A water to certain Zone B Hamilton customers in event of an emergency. New facilities include approximately 1800 feet of pipe, two commercial hydrants and 1½-inch domestic water service.

The Board approved Resolution 10-10 entitled, "Authorization of Execution of Water Service Facilities Construction Agreement with Novato Unified School District."

**REVISION TO REGULATION 6 - CROSS-CONNECTION AND BACKFLOW PROTECTION FOR POTABLE WATER SERVICE**

As part of this year's revision of Regulation 54 pertaining to Water Rates and Charges, the bimonthly backflow protection service charges were removed from Regulation 6 and added to Regulation 54.

The Board approved Resolution 10-11 entitled, "Resolution of the Board of Directors of North Marin Water District Amending Regulation 6 – Cross-Connection and Backflow Protection for Potable Water Service."

**ATHERTON AVENUE LAND DIVISION RENEWAL OF LETTER AGREEMENT WITH THE NOVATO FIRE PROTECTION**

This item was removed from the Consent Calendar at the request of Director Fraites.

Director Fraites asked where the subject property was located. Mr. McIntyre stated that the property is located adjacent to the Novato Fire Protection District Station No. 2 on Atherton Avenue.

On motion of Director Fraites, seconded by Director Petterle, the Board unanimously authorized renewal of the letter agreement financial guarantee for another forty-eight months.

***ACTION CALENDAR***

**APPROVE: PURCHASE OF FY11 INSURANCE**

Mr. Bentley stated that SST Fenner Insurance in Novato has, once again, won the District's business to solicit proposals from insurance companies. He said that of the four companies solicited, Travelers Insurance package met District requirements, including worker's compensation coverage, and the umbrella liability coverage will be provided by Insurance Co of Pennsylvania. He stated that total coverage is \$10M and that \$234,000 is budgeted for the FY11 insurance package, an increase of 7% from last year. Mr. Bentley advised that for the first time, the District's insurance package includes protection against cybercrime.

On motion of Director Schoonover, seconded by Director Fraites, the Board unanimously approved the purchase of FY11 insurance.

**ACCEPT: UPDATED RETIREE MEDICAL ACTUARIAL VALUATION**

Mr. Bentley presented the updated actuarial valuation prepared by certified actuary Lou Fillinger. He said that it is a requirement of the Governmental Accounting Standards Board that government agencies calculate and disclose its retiree health care liability and to update the calculation every three years. He said that the actuarial report, when compared with the valuation presented three years ago, shows that the District's actuarial liability increased \$170,716 to \$3.47M; and the accrued liability remained unchanged at \$2.6M. He advised that this is good news as it means the District is closing the funding gap. Mr. Bentley provided background on the funded reserve and said the Board designated funds to be set aside for the liability in 2003; and in 2007 set aside an additional \$1,500 per employee to reduce the liability.

On motion of Director Fraites, seconded by Director Petterle, the Board unanimously accepted the Updated Retiree Medical Liability GASB 45 Report.

**APPROVE: COMMENTS ON SCWA WATER SUPPLY STRATEGY ACTION PLAN**

Mr. DeGabriele presented District comments to the SCWA Draft Water Supply Strategy Action Plan. He stated that one year ago, Agency staff gave a presentation to the Board on the 12 Strategies for Water Supply for meeting current and future water supply needs of the region. He further stated that on June 1<sup>st</sup>, the Board received another presentation by the Agency Chief Engineer on the Draft Water Supply Action Plan that was drafted in response to a request from the Water Advisory Committee. Mr. DeGabriele said that the Agency has requested comments on their action plan and that he had several comments but would only review the substantive items tonight.

Comment 1: Mr. DeGabriele stated that the action plan document compares the Agency goals with the Technical Advisory Committee priorities. He suggested that the Water Advisory Committee priorities be used for comparison, and that the WAC's first priority is protecting water quality.

Comment 2: Mr. DeGabriele stated the District believes that the Agency should seek federal funding to carry out the requirements of the Biological Opinion and that this should be added as a Top Priority Action.

Comment 4: The Manager said that this comment relates to the Dry Creek Bypass Pipeline. He said that the Biological Opinion, as stated now, requires a determination be made if three miles of habitat improvements are working before constructing the bypass pipeline. He opined that there is not enough time between completing three miles of habitat improvements and determining that they don't work and constructing a Dry Creek Bypass Pipeline by 2021. More time needs to be built into the schedule. He said once the feasibility study for the pipeline is completed, the Agency should do a cost effective analysis to determine on if the pipeline bypass be constructed or continue with habitat improvements.

Director Fraites commented that Mr. DeGabriele did not sound convinced that continuing to bring water down to Dry Creek will work.

Mr. DeGabriele replied that in the Biological Opinion, the pipeline bypass is a fall-back in case the habitat improvements in Dry Creek do not work. He said that the opinion of the National Marine Fisheries Service is make improvements to the habitat and the fish will come. He pointed out that Lagunitas Creek likely has the best habitat for coho and steelhead and yet those populations are also struggling. He reiterated that an evaluation on the pipeline should be done earlier rather than later.

Comment 13: Mr. DeGabriele stated that this proposed strategy is related to groundwater supply planning. He reported that the state legislature passed a bill requiring monitoring of all groundwater basins, and the Agency will be taking on that responsibility in Sonoma County. He said he is suggesting that the Agency also use their expertise to monitor groundwater basins in Marin County on a cost reimbursement basis.

Comment 14: Mr. DeGabriele stated that, pertaining to the transmission system reliability improvements, the Agency should consider adding the replacement of the rubber dam. He said that the last time the rubber dam was replaced was 15 years ago and the rubber dam was 21 years old

at that time. He further stated that the South Transmission System Project should be a reliability project since the Agency has stated that the Petaluma Aqueduct is vulnerable and is 50 years old.

Comment 18: Mr. DeGabriele said that the Agency's strategy to overcome organizational fragmentation is to study possible Agency governance structures. He advised that the Water Agency already has their board authorization to survey elected officials. He said there has been a big turnover in their board and he is suggesting getting the survey done now.

Comment 20: Mr. DeGabriele stated that two NMWD projects will be added to the Water Contractors' Actions – the Stafford Lake Solar Project and the NMWD Energy Efficiency Project.

It was the consensus of the Board that the comment letter be delivered under President Baker's signature.

On motion of Director Petterle and seconded by Director Rodoni, the Board unanimously approved the letter submitting comments on the May 2010 Draft SCWA Water Supply Strategy Action Plan.

### ***INFORMATION ITEMS***

#### **ADDITIONAL REVIEW FY 10/11 WEST MARIN BUDGETS**

Mr. Bentley said that there were no changes since the last review of the FY 10/11 West Marin Budgets. He reminded the Board that there is a 9% proposed rate increase for West Marin and no proposed increase for Oceana Marin Sewer and that a public hearing to adopt the proposed West Marin budgets will be held in Point Reyes on July 6, 2010.

Mr. Bentley directed the Board's attention to Regulation 54, Section d. Rates for Water Service from Hydrants or Other Temporary Services. He said that on occasion the District receives requests for temporary water service, most often for a hydrant meter. He advised that no connection fees are collected; however, customers are charged the highest water rate. He said that there are customers that have a temporary service that do not have a hydrant meter and that staff proposes to modify Regulation 54.d. to state that any temporary service be charged at the highest rate. He provided a brief background on Port Sonoma's temporary service as an example.

There was a discussion on Port Sonoma and their temporary service and water use.

Mr. Bentley continued his presentation and reviewed the water and sewer coastal rate survey included in the agenda item. He said that NMWD's West Marin bimonthly service charge is \$15 and appears at the bottom of the 2010 Coastal Area Water Cost comparison chart. He brought the Board's attention to the "Bimonthly Service Charge" column wherein the bimonthly service charges (not including NMWD) range from a low of \$30.73 (Bodega Bay PUD) to a high of \$135.83

(Bolin Community PUD). Mr. Bentley said that the commodity rate ranges from a low of \$1.34/1,000 gallons in Bolinas to a high of \$15.48 (California Water Service); NMWD's commodity rate is \$6.25. He stated that the District receives 85% of its revenue from water sales and this demonstrates how vulnerable the District is to changes in water use because of its rate structure. He said that if the District wants to be less dependent upon weather and lower water sales, the bimonthly charges would have to be raised.

Mr. Bentley stated that the 2010 Coastal Area Sewer Cost Comparison now includes the Marshall Community Wastewater System. He noted that the rates range from a high of \$1,119 (Marshall) to a low of \$424 (Bodega Bay PUD) and the District's rates fall in the middle of the rate comparison chart with a total annual charge, including the AB8 tax allocation from the county, of \$840.

### **OCEANA MARIN HISTORY OVERVIEW**

Mr. McIntyre provided an overview of the history of the Oceana Marin Sewer Service territory.

### **TECHNICAL ADVISORY COMMITTEE MEETING – JUNE 7, 2010**

Mr. DeGabriele provided information on the Technical Advisory Committee Meeting held on June 7, 2010. He said the Temporary Urgency Change Order and Draft Water Supply Strategy Action Plan were main discussion topics. He stated that contractors are working on the 2010 Urban Water Management Plan, and there will be an additional Budget Sub-Committee meeting after the TAC meeting on July 12.

### **MISCELLANEOUS**

The Board received the following miscellaneous item: Disbursements and the following news articles: Pages from the Past, Torliatt, Rabbitt to Face Off for 2<sup>nd</sup> District Supervisor Seat, McGuire Tops Fudge for North County Supervisor Seat, Russian River Rubber Dam to be Inflated June 14 and Salinity Notices.

### **CLOSED SESSION**

President Baker adjourned the Board into closed session at 9:04 p.m. for:

Conference with Legal Counsel – Existing Litigation Pursuant to Subdivision (a) of Government Code Section 54956.9 – Name of Case: North Coast Rivers Alliance v. California Department of Transportation (Named Real Party in Interest - North Marin Water District); and

Continual negotiation of acquisition terms with Real Property Negotiator (Chris DeGabriele, General Manager), and Union Pacific Railroad regarding West Marin Property APN 119-240-61 (Government Code Section 54954.5).

**OPEN SESSION**

Upon returning to regular session at 9:24 p.m., President Baker stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

**ADJOURNMENT**

President Baker adjourned the meeting at 9:25 p.m.

Submitted by

Renee Roberts  
District Secretary