

**NORTH MARIN WATER DISTRICT  
MINUTES OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
June 17, 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.

Novato resident George Allen, Ed Mainland (Sustainable Novato), Tim Omarzu, (Novato Advance), Sierra Filucci (Marin Independent Journal), and District employees Robert Clark (Facilities Maintenance Superintendent), Doug Moore (Construction Superintendent), and Pablo Ramudo (Water Quality Supervisor) were in the audience.

**CLOSED SESSION**

President Fraites immediately adjourned the Board into closed session for: In accordance with California Government Code Section 54957 - Public employee(s) appointment, performance evaluation – General Manager.

**OPEN SESSION**

Upon returning to regular session at 7:52 p.m., President Fraites stated that during the closed session the Board had discussed the issues and no reportable action had been taken.

**MINUTES**

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

**GENERAL MANAGER'S REPORT**

Mr. DeGabriele reported that Draft EIR for the Water Supply, Transmission and Reliability Project (Water Project) has been scheduled to be released at the end of June, and that its release will be discussed at the Sonoma County Water Agency's Board of Directors meeting on June 24<sup>th</sup>. He said that he met with the Agency Assistant General Manager who advised that the Agency's Board may consider delaying its release because the Sonoma County General Plan has not been adopted by the Sonoma County Board of Supervisors. Mr. DeGabriele said that he has a call into several Sonoma County supervisors to discuss the delay in release of the Draft EIR and that he will keep the Board apprised.

## **OPEN TIME**

Ed Mainland, Sustainable Novato, addressed the Board on Marin Clean Energy (MCE), and asked that a representative of the District attend the Novato City Council meeting in July to show its support. He distributed the following to the Board: 19 Reasons Why Novato's City Council Should Back Marin Clean Energy, Marin County Board of Supervisors Study Session of June 3, and Marin County Supervisor Judy Arnold's Opinion Editorial published in the Marin Independent Journal on June 8, 2008.

## **STAFF / DIRECTORS' REPORTS**

### **Recycled Water Facility**

Mr. McIntyre reported that the start-up problems experienced at the Recycled Water Facility have been corrected and recycled water will be delivered to Stone Tree Golf Course throughout the season.

### **Water Smart Home Survey**

Director Rodoni stated that he met with a representative of the Sonoma County Water Agency for a Water Smart Home Survey conducted at his rental property in Novato and that he was very impressed with his thoroughness and likeable nature. He suggested that staff push this program to inform people of the free service and recommends that all directors and staff take part in the program.

## **MONTHLY PROGRESS REPORT**

Mr. DeGabriele presented the monthly progress report for May and said that Novato water production is up 8% from last May, and fiscal year-to-date totals are down 6%. He noted that water production for January through May in years 2004 and 2008 are almost identical due to very similar weather conditions. Mr. DeGabriele reported that West Marin production is up 3% and fiscal year to date total is down 13%. He further reported that 628 MG of water was produced at the Stafford Treatment Plant through May and that lake storage levels are good entering the summer and production will increase July 1. He noted that in Oceana Marin, there is discharge to the irrigation field and both the storage and treatment ponds have recovered good freeboard and are in good shape for the summer season. He advised that there was one lost time injury in May and the employee has returned to work. He stated that rebates on High Efficiency Toilets and front-loading washing machines continue to be popular. He announced that the new District website went live on May 31<sup>st</sup> and that a presentation to the Board of the new website will be conducted at the July 15<sup>th</sup> meeting. Mr. DeGabriele said that there was a significant decrease in the number of complaints and service orders in May (down 31%) and year to date totals are about the same as last year.

**HEARING/APPROVE:**

**NOVATO WATER PROPOSED FY 08/09 EQUIPMENT BUDGET**

Mr. Bentley stated that he will present the four budgets set for approval separately and presented the budgets with a PowerPoint presentation.

He stated that the proposed Equipment Budget totals \$306,400, up 4% from last year. He said that there have been no revisions to the proposed equipment budget since the last review.

Director Rodoni stated he was concerned with the staff memo on an item appearing later on the agenda regarding vehicle replacement purchase. He asked for an explanation of the statement in that memo that says, "There will not be any impact to the overall equipment budget as it is currently forecasted to be under spent by \$35,000." He said that it appears that there is \$35,000 in the proposed equipment budget that could have been trimmed.

Mr. Bentley responded that the District never spends the entire equipment budget and as a rule, has money left over. Director Rodoni asked for confirmation that staff is not asking for additional money for the purchase of the replacement vehicle. Mr. Bentley confirmed this.

President Fraites opened the Public Hearing and hearing no comment he closed the Public Hearing.

On motion of Director Schoonover and seconded by Director Baker and unanimously carried, the Board approved the FY 08/09 Equipment Budget as presented.

**NOVATO WATER PROPOSED FY 08/09 & 09/10 IMPROVEMENT PROJECTS BUDGET**

Mr. Bentley stated that the proposed FY 09 Improvement Projects Budget totals \$6.7M and includes \$2.8M for the construction of the Palmer Drive Tank and \$1.2M for the improvements to the Stafford Treatment Plant Outlet Tower Sluice Gates. He said the District anticipates that \$1M of the sluice gate repair will be funded by the State Revolving Fund monies and will reduce District expenditures by \$5.7M of out of pocket costs. He advised that traditionally at this time, the Board adopts the succeeding year's Improvement Projects budget and that FY 10 is also up for adoption tonight. Mr. Bentley presented a chart of NMWD Improvement Project Expenditures for FY 04 through FY 10. He said the budget for FY 10 totals \$5.8M with a net District outlay of \$3.9M and includes a proposal to put solar panels at Stafford Treatment Plant. He advised that there have been no changes to this budget since the last review by the Board.

Director Baker inquired if staff had received input from the county and city for their future projects that may impact the District's Improvement Projects Budget and Mr. McIntyre said that it had.

Director Rodoni requested Mr. Bentley to point out the changes that were requested by the Board and what projects were trimmed from the budget. Mr. Bentley said that this will be covered in the Operations Budget presentation concerning the proposed rate increase.

Director Fraites expressed disappointment that the Stafford Treatment Plant Solar Panels Project has been put off until FY 10. Mr. Bentley said that a full cost analysis needs to be done to insure that it is a cost-effective project and that he hopes for new legislation that will help make it so.

President Fraites opened the Public Hearing and hearing no comment, closed the Public Hearing.

On motion of Director Baker and seconded by Director Petterle, and unanimously carried, the Board approved the FY 08/09 and FY 09/10 Improvement Projects Budget as presented.

#### **PROPOSED FY 08/09 RECYCLED WATER BUDGET**

Mr. Bentley advised that the Recycled Water Facility has its own set of books and that Stone Tree Golf Course is its only customer at this time, but it is expected to bring recycled water to the Novato Fire Protection District fire station on Atherton Avenue for landscape irrigation. He said total FY 08/09 budget of \$659,000 includes planned improvement projects totaling \$278,000; the District's first debt service payment of \$273,000 is due June 19<sup>th</sup> to the State Revolving Fund; approximately \$85,000 is due to Novato Sanitary District; and that the District's \$37,000 contribution toward the North Bay Water Reuse Authority EIR has been added since the last review. He explained that although there is a current balance of \$450,000 in the recycled water account, payments to the State Revolving Fund and the Novato Sanitary the District will result in a cash balance of \$100,000. He said that in order to avoid exhausting the Recycled Water Fund cash balance, the \$100,000 Recycled Water Fund Replacement Fund Contribution in FY 09 will be foregone. Mr. Bentley recommends that the recycled water rates also increase 11%. He stated that the District applied for a Prop 50 grant in the amount of \$200,000 to balance the budget next year and that staff is confident that the District will receive the grant.

Director Rodoni asked if there is a mechanism in place to raise recycled water rates if a \$100,000 balance cannot be generated annually. Mr. Bentley said that the recycled water rate is a separate line item in Regulation 54 and that is tied to the potable water rate. Mr. DeGabriele stated that the District has an agreement with Stone Tree that the rate for recycled water will be the same as the potable rate for five years and then the rate would be reviewed.

President Fraites opened the Public Hearing and hearing no comment, closed the Public Hearing.

On motion of Director Petterle, seconded by Director Baker and unanimously carried, the Board approved the FY 08/09 Recycled Water Facility Budget as presented.

**NOVATO WATER PROPOSED FY 08/09 OPERATIONS BUDGET**

Mr. Bentley presented the proposed FY 08/09 Operations Budget for Novato and said that the budget includes \$10.3M in operating expenditures plus the Equipment and Improvement Projects budgets for a total expenditure plan of \$18.1M for the Novato Water System. He advised that a rate hearing notice was printed on every Novato customer's water bill in accordance with Prop 218 and that a detailed Public Hearing Notice was published in the Novato Advance. He further advised that letters were sent to Indian Valley Golf Course and Marin County Parks and Open Space advising them of an increase in the raw irrigation water rates. He said that the District received five responses and that Novato customer, George Allen, was present to read his letter into the record.

Mr. Allen said that he is representing his neighbors and proceeded to read the following letter into the record:

"Recent news articles have stated we are facing water shortages. Does that mean you are selling all you have? Is the Russian River and our Reservoirs drying up and if so why wasn't this emergency covered by the Media? I haven't heard of any price increase at the "Russian River Pump". The more I conserve the less money you have and to compensate, you simply raise our rates to fund the District's lucrative compensation packages.

I have been a conscientious citizen and reduced my water usage dramatically as you required. I have stressed my 1/4 acre of landscaping and what do I get for my efforts? Higher rates because you want more money. Try cutting Salaries, benefits, and pensions. You make higher wages, have better health care plans, and better retirement plans than most of your consumers. It's time for the water district to "tighten its belt" as the people have done.

The free ride is over, is the next step people carrying burning torches and riots in the streets? To adlib what a lady wrote to Congress, 'It isn't about water conservation, it's about RATES STUPID!.'

Mr. Bentley said that he will proceed with his presentation and would most likely answer Mr. Allen's questions. He said that the proposed 15% rate increase was reduced to 11% based on the five-year financial plan which includes the \$27M improvement projects program and that is what

drives the rates. He said that the Board asked staff to reduce the amount for the improvement projects and staff trimmed \$8.9M from the budget which allowed the rate increase to drop to 11% in order to maintain an adequate reserve balance over the next five years. Mr. Bentley advised that water volume sales are not expected to increase in the future as was seen historically. He stated that in addition to water sales, revenue is generated by connection fees and \$325,000 in connection fees is budgeted compared to past years where \$2M to \$3M in connection fees were budgeted.

Mr. Bentley continued by stating that on the expenditure side, total operating expenditures are projected to increase 5%, due in part to a wholesale water rate increase of 6%, water treatment expenses are up 13% from FY 08/09 and an estimated 4% Cost of Living increase has been budgeted. Mr. Bentley presented charts depicting the 10 year revenue and expenditure history and said that it shows that revenue has not changed significantly and the big variation is on the expenditure side.

Director Rodoni asked Mr. Bentley to point out where the District cut the budget to reduce it by \$8.9M. He wanted to make it clear that the Board does not “rubber stamp” its approval of the budget, but requested staff to cut the budget substantially and staff has complied. Mr. Bentley responded that \$1M expenditure for Sonoma County Water Agency EIR for the South Transmission System Project and acquisition of right-of-way was cut and the District elected to finance its portion because interest rates are currently low. He said the remainder of the \$8.9M resulted from pushing the projects beyond the five year plan or consider financing: Atherton Tank Recoat, Stafford Treatment Plant Solar Panels, Aqueduct Relocation, Office Renovation. He said that these projects which may be financed will come back to the Board on an individual basis for approval in the future. He advised that another factor is that historically the District does not spend all its improvement projects money and has reduced its expenditure assumption from 70% to 65%. Mr. Bentley said that these changes have resulted in a reduction in the proposed rate increase from 15% to 11%.

Mr. Bentley closed his presentation with the Urban Water Cost Comparison Chart that identifies the District as the least cost provider of water in the Bay Area. He stated that in addition to asking the Board to approve the resolution revising Regulation 54 - Water Rates, and approve the Novato Operations Budget, he is also asking the Board to authorize the General Manager to pay demands arising from execution of the budgeted expenditure plan.

Mr. Allen commented that it seemed that as customers use less water, less revenue is generated for the District, and unless the water supply is “running dry” shouldn't the District want customers to increase their usage?

Mr. DeGabriele explained that the Russian River system is home to federally listed endangered species and that they take precedence over urban and agricultural water use. He said there is significant amount of water in Lake Sonoma to meet the region's needs in the future, but that the challenge is how to deliver the water to the customers without endangering the fish and that this is a very expensive proposition. He advised that there is a 6% rate increase in the cost of Russian River water with likely more increases in the future because of the necessary action to protect the fish. Mr. DeGabriele further advised that there is less water diverted from the Eel River feeding Lake Mendocino and releases in Lake Mendocino for the Chinook salmon late in the year is very important. He said that less water used is less revenue for the District; however, it is still a very good value for Novato customers. He said that the District went through a reorganization this spring to reduce staffing. He said the Board challenged staff this year to work within certain parameters and staff has done its best to accomplish that. He conveyed to Mr. Allen that if he has further questions that staff would be happy to answer them.

On motion of Director Baker, seconded by Director Petterle and unanimously carried the Board approved Resolution 08-12, entitled "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54 – Water Rates" to increase rates and charges applicable to the Novato Service Area by 11% effective July 1, 2008; approved the FY 08/09 Novato Operating Budget as presented; and authorized the General Manager to pay demands arising from execution of the budgeted expenditure plan.

Mr. Omarzu, Mr. Allen and Ms. Filucci left the meeting at 9:05 p.m.

#### **CONSENT CALENDAR**

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

#### **THIRD PARTY COATING INSPECTION FOR PALMER DRIVE WATER TANK PROJECT – WEST COAST COATING CONSULTANTS**

The District solicited proposals from four protective coating inspection consulting firms to provide inspection services for the Palmer Drive Water Tank which is under construction. The Board authorized the General Manager to execute an agreement with West Coast Coating Consultants for coating inspection services on a time and expense basis with a not-to-exceed limit of \$30,000 plus an approved contingency reserve of \$3,000.

#### **ACTION CALENDAR**

#### **APPROVE: PURCHASE OF FY 09 WORKER'S COMP INSURANCE PURCHASE**

Mr. Bentley said that in the past, Workers' Comp Insurance premiums were triple what they are today, and that the District began self-insuring its coverage in 2004 resulting in accumulated savings in excess of \$700,000. He said that recently, the insurance industry has cut prices and that the District received a proposal from Travelers Insurance to provide coverage for under \$100,000 and that he felt it makes sense to let Travelers assume the risk of a large loss. Mr. Bentley advised that if rates increase, the District can, once again, self-insure.

On motion of Director Schoonover, seconded by Director Baker and unanimously carried, the Board authorized the Auditor-Controller to purchase first-dollar workers' compensation coverage from Travelers Insurance for a premium of \$99,170 commencing July 1, 2008.

**APPROVE: PURCHASE OF FY 09 INSURANCE**

Mr. Bentley advised that of the two proposals solicited by the District, SST Fenner Insurance in Novato provided an attractive offer from Travelers Insurance for a package policy (except for umbrella liability) in the amount of \$98,000. He said that the umbrella liability insurance may be provided through Scottsdale Insurance, but that Marsh Risk and Insurance Services advised that they can provide umbrella liability through AIG and that it may be a better policy. He said that he is requesting the Board to authorize up to \$100,000 for the insurance policies and that the Auditor-Controller will examine the AIG policy, and if it is the better policy, the District will purchase the umbrella policy from AIG.

On motion of Director Petterle, seconded by Director Schoonover and unanimously carried, the Board authorized the Auditor-Controller to purchase the FY09 Insurance up to \$100,000 from SST Fenner Insurance including the umbrella policy from Scottsdale or AIG.

**APPROVE: AUTHORIZE VEHICLE REPLACE PURCHASE**

Mr. Clark advised the Board that customer service truck #43 was involved in a traffic accident and was taken out of service and staff has rearranged vehicle assignments to accommodate the customer service truck replacement. He said it was decided to replace the vehicle with a more fuel efficient model and that the Maintenance Supervisor will be assigned the replacement truck, a new Chevrolet Colorado. He explained that staff intends to fund the purchase of the replacement vehicle by using \$7,500 left over in the FY 07/08 vehicle budget and an additional \$12,500 FY 07/08 from the remaining equipment budget. Mr. Clark said that this purchase will not require a budget augmentation as there is approximately \$35,000 remaining in the FY 07/08 equipment budget.

On motion of Director Schoonover, seconded by Director Petterle and unanimously carried, the Board approved the purchase of a 2008 Chevrolet Colorado vehicle.

**APPROVE: SET PUBLIC HEARING FOR REVISION OF WATER CONSERVATION REGULATIONS 15 AND 17**

Mr. DeGabriele stated that staff is requesting to set a public hearing on July 15 to consider approval of changes to Regulation 15 and Regulation 17 to reflect the recently approved Water Conservation Master Plan 2008 and approval of revisions to Resolutions 06-01 and 06-02 setting rebate amounts consistent with the Plan.

On motion of Director Schoonover and seconded by Director Petterle, the Board unanimously authorized staff to set a public hearing for 7:30 p.m. on July 15, 2008 to consider approval of proposed changes to Regulation 15 and 17, and proposed revisions to Resolutions 06-01 and 06-02.

**APPROVE: NMWD COMMENTS ON MARIN CLEAN ENERGY BUSINESS PLAN**

Mr. DeGabriele stated that Marin Clean Energy (MCE) will make a presentation to the Novato City Council on July 8 on the MCE Business Plan and that Robert Clark will attend to represent the District. He said he reviewed the plan in detail and compiled a list of questions and comments that he felt were critical in nature. He said the District wants to be supportive of MCE, yet it should be cautious because the District's energy costs amount to \$400,000 and with a 20% increase (which would be a full green tariff) would be \$480,000. Mr. DeGabriele said the answers to his questions will enable the District to make an informed decision on becoming a customer of Marin Clean Energy.

Mr. DeGabriele stated that as an alternative, the District is in discussion with Sonoma County Water Agency to explore purchasing power from the Power and Water Resources Pooling Authority, a Joint Powers Authority comprised of fifteen public water purveyors to collectively manage individual power assets and loads.

Director Rodoni stated that the City of Novato and special districts, including the District, should not deal with this on an individual basis, but as a community. He said that it would be very difficult to decide not to join if the city and other agencies in Novato do. He said that having discussions with the city and other districts makes sense and it is important to do so and suggested that the Novato community have an opportunity to offer its input.

Mr. DeGabriele said the District has had discussions with the City and has offered to get together and explore alternatives and that he has shared the list of District questions with the City and the Novato Sanitary District and they are very interested. He stated that the city council has formed a Sustainability Committee and that he has attended those meetings.

On motion of Director Schoonover, seconded by Director Petterle and unanimously carried, the Board approved NMWD comments on the Marin Clean Energy Business Plan.

**INFORMATION ITEMS**

**ADDITIONAL REVIEW – FY 09 WEST MARIN BUDGETS**

Mr. Bentley presented the FY 09 West Marin Budgets and said that a public hearing to consider the proposed water rate increases and to adopt the water and sewer budgets is scheduled for July 1, 2008 at the Dance Palace in Point Reyes Station. He said the public notice will be published in the Pt. Reyes Light.

**MISCELLANEOUS**

The Board received the following miscellaneous items: Disbursements (6/4/08 & 6/11/08), Internal Recruitment - Operations/Maintenance Technical Assistant I or II, Vehicle Replacements. The Board also received the following news article: Three Named to Statewide Farm Bureau Committees.

President Fraites adjourned the meeting at 9:31 p.m.

Submitted by

Renee Roberts  
District Secretary