

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 21, 2005**

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 Jack Baker, Rick Fraites, Steve Petterle, Dennis Rodoni and John Schoonover. Also, present were General Manager Chris DeGabriele, Secretary Joyce S. Arnold, Auditor-Controller David L. Bentley and Chief Engineer Drew McIntyre.

District employees Robert Clark (Facilities Maintenance Superintendent), Brent Collins (Construction Superintendent) and Mike McMaster (Operations Superintendent) were also present. Mr. Jon Mandell (MMWD), Mr. Mark Soldati (Winzler Kelly), Mr. Dietrich Stroeh, Ms. Alberta (Jone) Bondoc, Catarrina van den Toorn and Ms. Anna Young were in the audience.

MINUTES

On motion of Director Fraites, seconded by Director Schoonover and carried by the following vote the Board approved the minutes from the previous meeting as amended:

AYES: Directors Baker, Fraites, Rodoni and Schoonover

NOES: None

ABSTAIN: Director Petterle

ABSENT: None

GENERAL MANAGER'S REPORT

Marin Municipal Desalination Plant Dedication

Mr. DeGabriele stated that on Thursday, June 9, 2005 he had attended MMWD ribbon-cutting ceremony to officially open its desalination pilot plant located at the Marin Rod & Gun Club in San Rafael.

North San Pablo Bay Reuse Project

Mr. DeGabriele stated he attended the North San Pablo Bay Restoration and Reuse Project Workshop on June 13, 2005. He stated that it is a group of sanitary districts (Las Gallinas Valley Sanitary District, Novato Sanitary District, Sonoma Valley Sanitation District and Napa Sanitary District) that are reviewing the possibility of regional water recycling. He stated the group is on the verge of entering into memorandum of understanding to develop a feasibility study to review the ability to combine their highly treated effluents and deliver recycled water not only within their jurisdictions but also to agricultural users in southern Sonoma County on the way to the Napa Salt

Marsh. He stated that although the District will not participate in this project staff is interested in its development.

Meeting with Legal Counsels

Mr. DeGabriele stated he will be meeting with Carl Nelson (District counsel) and Chuck Bonham (Trout Unlimited counsel) on Wednesday, June 22, 2005 to seek assistance in resolving the Department of Fish and Game protest to NMWD Petition for Change in Place / Purpose of Use for Water Right License 4324B (Lagunitas Creek).

General Manager Absence

Mr. DeGabriele stated he will be out of the office the week of July 4-8, 2005 and the Auditor-Controller will be Acting General Manager in his absence.

OPEN TIME

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

AWWA Conference

Mr. McMaster stated that the AWWA Conference was held in San Francisco the previous week and noted that the venue included three speakers from North Marin Water District: Mike McMaster, David Bentley and Joyce Arnold.

Wild Horse Valley Tank No. 2

Mr. McIntyre stated that staff has been working with Marin County Open Space (MCOS) regarding the Wild Horse Valley Tank No. 2 (Zone 3) and have been unable to proceed forward until a license agreement was authorized by MCOS. He stated the license agreement for the pipeline has been approved by MCOS and that it will be on the next agenda for Board consideration.

Vandalism at San Marin High School

Director Fraites inquired if the perpetrator of the recent vandalism at San Marin High School is found guilty whether or not the District has recourse for restitution for the estimated million gallons of water that were lost due to the hydrant being turned on. Mr. DeGabriele stated that the police have been notified of the District's losses.

Review of District Policy

Director Rodoni stated he has asked repeatedly for staff to provide the rationale of crediting back the current cost of a removed meter in new development to the developer as the practice does not make good business sense to him. He asked that the issue be placed on a future agenda.

MONTHLY PROGRESS REPORT

The Board received the monthly progress report for May 2005.

Water Production

Mr. DeGabriele stated that Novato water production is under 9000 AF for the year and he predicts that this will be the lowest fiscal year water production since 1999. He noted that there was no production from Stafford Treatment Plant in May.

Mr. DeGabriele stated that water production and demand in West Marin is also down. He stated that problems with leaks earlier in the year have been resolved and the overall totals were back to normal this spring.

Safety Performance

Mr. DeGabriele stated that the District's Safety performance remains good with 256 days without a lost time accident or injury.

Website

Mr. DeGabriele noted a new section in the Progress Report that provides information on the activity on the District's website.

CONSENT CALENDAR:

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

Amendment to Water Service Agreement - Oleander Lane Land Division (Hanf)

The Oleander Lane Land Division (Hanf Pipeline Project), is located at the eastern end of Reservoir Drive, and consists of constructing water facilities for a 13.65-acre proposed development with four residential lots and one parcel for conservation area.

The Board approved the Water Service Agreement for this project in August 2004 but the applicant failed to execute the agreement within thirty days and it must be renewed. Staff has revised the agreement to reflect changes in construction labor and material costs (an increase of 8.7%). Water for Oleander Lane Land Division will be supplied by the Cherry Hill Tanks (Zone 3) through the recently constructed Cherry Hill Pipeline Extension and the pending Rudnick Estates Subdivision project.

The Board authorized Resolution No. 05-21 entitled "Authorization of Execution Amendment to Water Service Facilities Construction Agreement with Hanf Properties."

Benesi Land Division

The Benesi Land Division is located at 611 Mc Clay Road in Novato. The proposed project

subdivides an existing 1.19-acre lot with one residence into two lots for single-family detached homes. The existing dwelling will be demolished. New water demand is one equivalent unit.

The Board authorized Resolution No. 05-22 entitled "Authorization of Execution of High Pressure Water Service Facilities Construction Agreement with Steve C. Benesi."

Renew Agreement with Risk Consultant

The District uses a risk consultant to review insurance contract language and when questions arise, to serve as an adjuster for claims when appropriate. DB Claims (formerly Insurance Consulting Associates) has served as the District's risk consultant since 1985 and the rates, terms and conditions of the agreement remain unchanged in the proposed three-year agreement.

The Board authorized the Auditor-Controller to renew the agreement with DB Claims Services Group for a three-year period commencing July 1, 2005.

Disbursements

The Board authorized payroll and accounts payable vouchers totaling \$1,215,506.65.

ACTION CALENDAR

HEARING/APPROVE: NOVATO WATER EQUIPMENT BUDGET

Mr. Bentley presented the proposed Equipment Budget for FY 05/06. He noted that it was the fourth review of the budget by the Board and that there were no changes since the last review. The proposed budget totals \$341,600, which is up 24% from the Equipment Budget adopted last year. He stated that the public hearing had been noticed in the Novato Advance.

The Board asked questions of staff for clarification of proposed purchases regarding items in the budget including emergency temporary pipe and trailer, the potential to use hybrid vehicles in the future, the additional scanning equipment and Boardroom furniture.

President Baker opened the public hearing on the Equipment Budget. Hearing nothing from the audience he then closed the public hearing.

On motion of Director Schoonover, seconded by Director Fraites and unanimously carried the Board approved the FY 05/06 Equipment Budget total of \$341,600 as presented.

There was a discussion about the bar charts that Mr. Bentley had provided the Board regarding the history of equipment purchases since 1996. It was noted there appears to be an increase in expenditures over the past few years. Mr. DeGabriele stated that a portion of that is attributable to some large vehicle purchases in those years. Director Rodoni stated his vote for approval of this budget was given reluctantly and he stated he believes the upward trend in expenditures needs to be monitored more closely by the Board.

HEARING/APPROVE: NOVATO WATER IMPROVEMENT PROJECTS BUDGET

Mr. Bentley presented the proposed Improvement Projects Budget for the Novato service area for Fiscal Years 2005/06 (\$10,321,000) and 2006/07 (\$6,829,000). He stated this is the fourth time that the Board has received the proposed budget and stated that the public hearing had been noticed in the Novato Advance. Mr. Bentley stated that the proposed FY 05/06 Novato budget includes 46 projects compared to 41 approved in FY 04/05, and 32 approved in FY 03/04.

Mr. Bentley stated that there had been four modifications to the proposed budget since the last review by the Board that cumulatively increases the FY 06 budget by \$345,000. He stated that money for three projects currently in progress will be carried forward into FY 06. No increase in the total cost of the carryover projects is budgeted; the adjustments are simply one of timing. An additional \$15,000 was added to the Watershed Erosion Control budget for the STRAW (Students and Teachers Restoring a Watershed) Project which had not been included in the previous draft budgets due to an oversight.

President Baker opened the public hearing and hearing nothing from the audience then closed the public hearing.

On motion of Director Schoonover, seconded by Director Petterle and unanimously carried the Board approved the FY 05/06 Improvement Projects Budget as presented (\$10,321,000 for FY 05/06 and \$6,829,000 for FY 06/07).

HEARING/APPROVE: NOVATO WATER OPERATIONS BUDGET

Mr. Bentley stated the proposed Novato Water Operations Budget for FY 05/06 is before the Board for the fourth time. He stated that a public hearing to consider the proposed water rate increase was published in the Novato Advance and individual letters were also mailed to irrigation water customers (Indian Valley Golf Club and Marin County Parks and Open Space). Mr. Bentley stated that since the Board's last review of the proposed budget, CalPERS has approved a 9% health insurance rate increase effective January 1, 2006. This is less than the 15% increase staff had previously projected (based on the average over the past five years) and will save \$12,000 in Novato operating expense next fiscal year. The bottom line budgeted deficit for Novato increased by \$233,000 due to the addition of \$345,000 to the Improvement Project Budget (\$100,000 of which is funded by SRF loan money).

Mr. Bentley also provided the Board with a status report regarding the District's Conservation Incentive Rate (CIR) that is an additional \$3.00 per one hundred cubic feet (Ccf) charge over and above the regular commodity rate that went into effect on bills rendered commencing June 1, 2004. The CIR is applicable to all use in excess of 150 Ccf in any billing period and applies only to single-family residential dwellings.

Mr. Bentley stated that in FY 02, the District saw 98,000 Ccf (225 acre-feet) of demand from single-family residential customers above the 150 Ccf threshold. The FY 05 budget forecast that the CIR would cut this demand in half (48,000 Ccf). After one full year of billing, the District has rendered billings subject to the CIR of 47,871 Ccf (net of bill adjustments). Mr. Bentley stated that the numbers indicate that implementation of the CIR cut demand exactly in half. Mr. Bentley stated that the first year of the program has seen high-use consumption cut by 50%, or about 110 acre-feet which he finds to be remarkable, and even though no change in the CIR is proposed, staff believes that this summer will see an even greater reduction as the high-use customer base that is now keenly aware of the new rate structure and has taken steps to modify their consumption patterns.

President Baker opened the public hearing.

Ms. Anna Young, 652 McClay Road, Novato, stated she and her two sisters (Ms. Van den Toorn, 504 Canyon Road, Novato and Ms. Bondoc, 509 Canyon Road, Novato) are the "Young sisters" and are in attendance to voice their concern about the CIR program. She stated that their properties are being billed as single-family residences and that is not entirely true since they have acreage and have livestock to water. She stated that she believes that there should be a rate class other than single-family for situations similar to theirs. She stated that she spoken with staff and has not been able to get a variance but she believes the CIR to be unfair and believes there should be other designations available for unique situations.

Ms. van den Toorn and Ms. Bondoc voiced their agreement with Ms. Young and noted that they raise horses that require 30 gallons of water per day per horse. They stated that if Novato is to remain a rural community (as it likes to claim it is) something needs to be done to encourage acreage such as theirs rather than penalize them for having such a large plot of land. They noted that properties in question are not commercial endeavors. It was noted that the pipes on the property are buried very deep and it is difficult to detect leaks in the pipes if that is what is contributing to the amount of water being billed.

Director Baker stated that there were hearings on the CIR before it was implemented and it was unfortunate the Young sisters did not attend those hearings to voice their concerns at that time. He stated that he understands that the CIR is difficult for some residents but is doing what it was intended to do and that is it to make customers aware of their water use and encourage conservation.

Mr. DeGabriele noted that when the CIR program was being considered staff had reviewed possibilities on how to address the size of the parcel and it was determined it would be too onerous to evaluate each individual lot size for billing purposes. He stated that the parcels in question are

using the water being billed and there are contributing problems such as onsite plumbing is old and in need of repair. He stated the District has performed water audits on the parcels and offered suggestions on cutting water use. He stated that while the CIR program may not be perfect it has accomplished its goal and that was to save water.

Director Rodoni stated that while he is sympathetic to the plight of the Young sisters, it needs to be noted that when the property was hooked up to District water it was based on a single-family dwelling entitlement and currently the water use for the property is being subsidized by other water customers as the water use is well beyond the single family use and it is now time that the property owners pay their fair share. He encouraged the Young sisters to consider replacing the antiquated pipes, as it would seem that it would be an investment that will pay off in the long run.

Mr. Diet Stroeh, 2590 Vineyard Road, Novato, stated that while he likes the water conservation concept of the CIR and noted it has made him revise his own watering habits in order to control his water bill, he believed it was discretionary on his part while the Young sisters have livestock that have set requirements. He stated that perhaps individuals with larger parcels with animals should be classified separately.

Director Schoonover stated that revising the CIR is not being considered at this meeting but he would be open to exploring other options in the future for large parcels.

Director Petterle stated that he would like to review the CIR again the future, as the Young sisters' parcel is not a typical landscape issue. He stated that he does not believe it to be equitable that commercial customers are exempt from the CIR and single family parcels are not. The General Manager noted that commercial accounts pay a connection fee based upon the number of equivalent dwelling units for their usage when they enter into a water service agreement with the District and single-family residential property owners pay for only one equivalent dwelling unit charge.

Hearing nothing further, President Baker closed the public hearing.

On motion of Director Petterle, seconded by Director Schoonover and carried by the following vote the Board approved Resolution 05-23 entitled "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54 – Water Rates" effective July 1, 2005:

AYES: Directors Baker, Petterle, Rodoni and Schoonover
NOES: None
ABSTAIN: Director Fraitess
ABSENT: None

Director Fraites advised that he abstained from voting because he lives in the near vicinity of the Young sisters' property and desires to exhibit no perception of conflict of interest on the CIR matter.

On motion of Director Petterle, seconded by Director Schoonover and unanimously carried the Board approved the FY 2005/2006 Novato Operations Budget in the amount of \$21,711,000.

The Young sisters left the meeting.

CONSIDER: MMWD REQUEST TO SCWA FOR EXTENSION OF DEADLINE TO EXERCISE OPTION FOR 5,000 ACRE FEET OF RUSSIAN RIVER WATER SUPPLY

Mr. DeGabriele stated that the Marin Municipal Water District (MMWD) is not a signatory to the Master Water Supply Agreement or amendments thereto. The two MMWD water supply agreements currently provide for water supply of up to a total of 9,300 Acre-Feet (AF) per year. The Sonoma County Water Agency's obligation to deliver this water is contingent upon the Transmission System capacity being available and in excess of that required to meet the entitlements of its regular customers. MMWD cannot insist that the Agency's Transmission System capacity be used to provide it with water when the Transmission System is needed to provide regular customers with their entitlements. By July 1, 2005, MMWD's Agreement for Sale provides the option of increasing the maximum amount of water available to it by 5,000 AF per year, increasing the combined authorized maximum to 14,300 AF per year. Mr. DeGabriele noted that adequate capacity to deliver this water to MMWD also depends on construction by MMWD of a second Marin aqueduct from Kastania Road to San Marin Drive in Novato.

Mr. DeGabriele stated that MMWD has requested SCWA extend the deadline to exercise the option by two years providing time for MMWD to complete its evaluation of desalination as an alternative water supply. He stated that MMWD has offered a good faith \$400,000 payment for the option extension. He stated that MMWD's General Manager was invited to attend the NMWD Board of Directors meeting to answer any questions the Board may have.

Mr. DeGabriele stated that the SCWA has asked all contractors to weigh in whether it is agreeable or not to allow the extension of time and a vote will be taken at the Monday, June 27, 2005 meeting.

Mr. DeGabriele introduced Mr. Jon Mandell, Engineering Manager of MMWD who was in the audience representing MMWD General Manager Paul Helliker. Mr. Mandell stated that the summary presented by Mr. DeGabriele was succinct and stated that MMWD would very much appreciate the District agreeing that MMWD should receive a two-year extension from SCWA in order to allow time for the desalination pilot program to be evaluated.

Director Petterle inquired of the General Manager on how the decision about the extension issue affects the District. Mr. DeGabriele stated that the payment by MMWD for the option would benefit the District. He stated the \$400,000 additional funding would be put into the Russian River Projects Fund. He stated that if MMWD chooses the desalination option in the future it could benefit the District if it was feasible, as it would open up additional capacity in the Russian River Transmission System for the District. He stated that while he believes that desalination is feasible it is very expensive and stated he does not believe that the two year extension being requested is sufficient time for MMWD to make an evaluation of reliability of the Russian River supply. Mr. Mandell stated it is hoped by MMWD that in two years the Environmental Impact Report on the project will be complete and that the engineering report from the pilot program will be available.

Director Fraites stated he is concerned about the \$77 million MMWD project that possibly will not be reviewed or voted on by the customers of MMWD. Mr. Mandell stated that the MMWD Board has yet to decide whether or not to authorize a vote on the project.

Director Rodoni stated that he would advocate a two-year extension on the terms MMWD is proposing because he cannot find where in that period of time there will be any impact on NMWD customers and he also believes it is important to have a good neighbor relationship with MMWD. He stated that there is the potential that a decision made in two years by MMWD could be a benefit to NMWD customers in the future if a pipeline is ultimately chosen. He stated that although it has taken ten years to get to this point, it is a difficult decision and in terms of water issues it is not really a long time. He stated that due to the fact that there is a new board and new staff at MMWD it is appropriate to grant the extension requested.

Director Baker stated he does not believe that if the extension is granted that a decision will be made at the end of two years. He stated that while he does not share Director Rodoni's optimism, he reluctantly agrees that granting the requested extension is the right thing to do.

Director Schoonover confirmed with staff that by granting the requested extension the vote is simply for the extension and accepting the good faith payment and does not in any way affect the terms of the Master Water Agreement.

On motion of Director Rodoni, seconded by Director Petterle and unanimously carried the Board approved the District's representative voting in favor of the requested two-year extension with the good faith payment to the SCWA of \$400,000 as stated at the special WAC meeting scheduled for Monday, June 27, 2005.

Mr. Mandell and Mr. Stroeh left the meeting.

INFORMATION ITEMS:

ADDITIONAL REVIEW WEST MARIN FY 05/06 BUDGETS:

Mr. Bentley stated that this is the second review of the proposed West Marin budgets. Public hearings for the budgets are scheduled at the Dance Palace in Point Reyes Station at 7:30 p.m. on Tuesday, July 5, 2005.

West Marin Water Budget

A 6% increase (\$24 annually for the typical customer) is proposed for most West Marin Water System customers to generate \$33,000 per year to offset higher operating expenses. The rate increases would be: 23¢/Ccf for customers in Point Reyes Station, to \$2.75/Ccf; 23¢/Ccf for customers in Inverness Park, Bear Valley, and Silver Hills, to \$2.82/Ccf; 25¢/Ccf for customers in Olema, to \$3.02/Ccf; 38¢/Ccf for customers in the upper zone of Paradise Ranch Estates, to \$4.58/Ccf and 32¢/Ccf for customers outside the improvement district boundaries, to \$3.84/Ccf.

Mr. Bentley noted that a Conservation Incentive Rate of \$4.00/Ccf is proposed for “high-use” residential customers applicable to single-family detached residential water use exceeding 75 Ccf (56,100 gallons) in any bimonthly billing period. He stated that an individualized letter with 2004 water consumption information was mailed to sixty-one West Marin customers identified as having either exceeded 75 Ccf during a billing period or having exceeded 200 Ccf in total last year (and therefore deemed at risk of exceeding the 75 Ccf threshold prospectively) alerting them of the proposed Conservation Incentive Rate and inviting them to take advantage of the District’s water conservation programs, including a free water audit.

Oceana Marin Sewer Budget

There is no rate increase proposed for the Oceana Marin Sewer Improvement District for FY 05/06. The proposed budget is for \$151,000.

ADMINISTRATIVE DRAFT - ZONE 1 AND 2 OPTIMIZATION AND DISINFECTION STUDY

Mr. McIntyre introduced Mr. Mark Soldati from Winzler & Kelly Engineers. Mr. McIntyre stated that at the July 6, 2004 meeting the Board authorized staff to enter into an agreement with Winzler & Kelly to provide a Zones 1 and 2 Optimization and Disinfection Study for the Novato service area.

Mr. Soldati made a slide presentation and stated that initially the work was authorized to optimize District operation in the Zone 1 system recognizing a major change with the addition of the Amaroli Tank at Ammo Hill. During initial project development the scope of work was expanded to insure complete review of the water supply and delivery system not only throughout Zone 1 but also Zone 2. Ultimately the six major tasks of the study included: review existing materials and operational practices and procedures, review and evaluate current operational practices, review and evaluate current disinfection practices, develop operations action plan, develop disinfection procedures action plan and provide DHS coordination assistance.

Mr. Soldati's presentation included key recommendations that included: operational modifications, water quality capital improvements, and distribution system capital improvements for Zone 1, Zone 2 and Crest Zone.

Mr. Soldati stated that the Administrative Draft is being submitted for review and comment by the Board and after receipt of comments by the Board, staff will finalize the report.

WATER ADVISORY COMMITTEE MEETING (JUNE 27, 2005)

Mr. DeGabriele reviewed the agenda for the Water Advisory Committee meeting scheduled for Monday June 27, 2005. He stated that one of the items on the agenda is the final draft of the Restructured Water Supply Agreement. He stated that when the final draft is available he would advocate scheduling a special meeting with the Board for a workshop on the document.

Mr. DeGabriele stated that at the June 27, 2005 meeting the WAC representatives will report the actions of their respective boards regarding whether or not to accept the request from MMWD to SCWA for extension of deadline to exercise option for 5,000 acre feet of Russian River Water Supply.

MISCELLANEOUS:

The Board received the following pieces of miscellaneous information: Thank You Letter from MMWD re Participation in "H₂O How-2" Water Conservation Fair and Governor Thank You Letter re NMWD Letter re CALFED Bay-Delta Program.

The Board also received the following news articles: Utility Manager Finds New Home (6/12/05) and NMWD Sets New Water Rules (6/09/05), Tasting Dispel Desal's Bad Reputation (06/20/05).

ADJOURNMENT

President Baker adjourned the meeting at 10:15 p.m.

Submitted by

Joyce S. Arnold
District Secretary