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3 **NORTH MARIN WATER DISTRICT**
4 **MINUTES OF REGULAR MEETING**
5 **OF THE BOARD OF DIRECTORS**
6 **October 19, 2010**

7 **CALL TO ORDER**

8 President Baker called the regular meeting of the Board of Directors of North Marin Water
9 District to order at 7:30 p.m. at the District headquarters and the agenda was accepted as
10 presented. Present were Directors Rick Fraites, Steve Petterle, Dennis Rodoni and John
11 Schoonover (7:34 p.m.). Also present were General Manager Chris DeGabriele, Secretary Renee
12 Roberts, Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

13 Paul Kaymark of Charles Z. Fedak & Company, District employees Robert Clark
14 (Operations/Maintenance Superintendent), Doug Moore (Construction/Maintenance
15 Superintendent) and Dianne Landeros (Accounting/Human Resources Supervisor) were in the
16 audience.

17 **MINUTES**

18 On motion of Director Fraites, seconded by Director Baker and carried by the following vote
19 the Board approved the minutes from the previous meeting as presented:

20 AYES: Directors Baker, Fraites, Petterle, Rodoni

21 NOES: None

22 ABSENT: Schoonover

23 ABSTAIN: None

24 **GENERAL MANAGER'S REPORT**

25 **Russian River Watershed Association**

26 Mr. DeGabriele stated that on September 23rd he attended a Russian River Watershed
27 Association meeting wherein a round table discussion on the Potter Valley Project was held. He
28 said speakers included representatives from PG&E, National Marine Fisheries (who spoke on the
29 biological opinion they prepared for continued operation of the Potter Valley Project), Sonoma
30 County Water Agency, and the Friends of the Eel River (FOER) (who provided their perspective on
31 continued operation of the Project). He said it was a well- balanced overview on the controversial
32 issue and it was the first time he heard David Keller (FOER) state that the Eel River has not been
33 compensated for extraction of its water resources through the Potter Valley Project. He opined that
FOER is interested in monetary remuneration.

1 Novato Creek Watershed Tour

2 Mr. DeGabriele reported that he and Directors Baker and Fraites attended a Novato
3 Watershed tour sponsored by the county. He said Supervisor Arnold and county staff were also in
4 attendance, as well as Novato City Councilwoman Denise Athas, Director of Public Works Jason
5 Nutt, Novato Sanitary District Deputy Manager Sandeep Karkal and a representative from Marin
6 County Flood Control. He stated that the meeting was a kickoff for the watershed program and he
7 is hopeful that it will move along.

8 Washington, DC Trip

9 Mr. DeGabriele informed the Board that in early October, he and Director Rodoni
10 participated in a trip to Washington, DC with the Sonoma County contingent that included Paul
11 Kelley, Efren Carrillo (Sonoma County Supervisors), Grant Davis, Renee Weber and David
12 Manning (SCWA), Jake Mackenzie (City of Rohnert Park), Debra Fudge (Town of Windsor), Mark
13 Bramfitt (Valley of the Moon Water District) and Bob Anderson (United Winegrowers). He said they
14 participated in nine meetings over two days and met with staff from both the House and Senate
15 Appropriations Sub-Committee on Energy and Water, the Army Corps of Engineers, and staff from
16 Senators Boxer and Feinstein. He said they also met with staff from Congressman Thompson and
17 Congresswoman Woolsey as well as staff from the Executive Branch of the Office of Management
18 and Budget, and NOAA Fisheries. He advised that the purpose of these meetings was to advocate
19 for the Corps of Engineers' share of funding for the Biological Opinion improvements on the
20 Russian River. Mr. DeGabriele said that the representatives were generally supportive, however
21 with the election coming up they cannot be certain if money will be forthcoming. He stated that
22 Director Rodoni had an opportunity to pitch the District's Gallagher Well and Pipeline project to
23 elected officials.

24 Director Rodoni followed up by stating that Sonoma County colleagues were pleased to
25 have Marin County represented and that he received a very warm welcome from the staff of
26 Senator Feinstein. He said that it was good to meet some of the elected officials in Washington,
27 and hopefully, it will be of value in the future.

28 Arthur Knutson Memorial

29 Mr. DeGabriele advised that he attended former Board member, Arthur Knutson's memorial
30 service last Sunday and that it was well attended.

1 Marin County Parks and Open Space Meeting

2 The General Manager stated that Marin County Parks and Open Space is having a meeting
3 tomorrow regarding a bike park at Stafford Lake Park and Operations staff will attend and advocate
4 for water quality protection.

5 Novato Sanitary District Ribbon Cutting Ceremony

6 Mr. DeGabriele noted that invitations to the Novato Sanitary District Treatment Plant
7 Upgrade Ribbon Cutting Ceremony on October 26 have been received by Directors.

8 **OPEN TIME**

9 President Baker asked if anyone in the audience wished to bring up an item not on the
10 agenda and there was no response.

11 **STAFF / DIRECTORS' REPORTS**

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

14 Stafford Lake Sediment Survey

15 Drew McIntyre updated the Board on the Stafford Lake Sediment Survey and stated that the
16 aerial survey was conducted today and the data reconciliation will take approximately two to three
17 weeks.

18 Request for Proposals

19 Mr. McIntyre advised that Request for Proposals (RFP) have been mailed to consulting
20 engineering firms for the Reservoir Hill Rehab Project. This is to provide storage for the South
21 Service Area Recycled Water project. He further advised that RFPs for the Point Reyes Treatment
22 Plant Solids Handling Tank Project have been mailed and both are due at the end of this month.

23 Aqueduct Energy Efficiency Project Scoping Meeting

24 Mr. McIntyre reminded the Board that the Aqueduct Energy Efficiency Project Scoping
25 Meeting with Winzler & Kelly and District staff will be Tuesday, October 26, 7:30 p.m. at District
26 offices.

27 Environmental Review Consulting Service Agreement

28 Mr. McIntyre informed the Board that he will agendize a consulting service agreement with
29 Leonard Charles Associates for environmental review for the Paradise Ranch Estates Tank 4-A
30 project for Board approval at the next meeting.

1 Lauren Wayne Claim

2 David Bentley informed the Board that the District received a claim from an attorney
3 representing Lauren Wayne for wrongful discharge from the District. He stated that this item will be
4 on the next agenda with staff recommending the Board reject the claim.

5 SPG Solar

6 Mr. Bentley advised that he will have a meeting with SPG Solar and that they said they have
7 come up with financing for a power purchase agreement for the District's Stafford Treatment Plant
8 solar project.

9 **MONTHLY PROGRESS REPORT**

10 The General Manager provided the Monthly Progress report for September and stated that
11 Novato water production is up slightly from a year ago, but compared to prior years is down 10%-
12 20%. West Marin production is down about 4% from a year ago, and Stafford Treatment Plant
13 production is steadily producing 100MG per month. He said that staff is hopeful to continue
14 producing good quality water through October and November since there is more lake water than
15 this time last year. Recycled Water production is down slightly from a year ago and will likely tail off
16 due to rain and cooler temperatures.

17 Mr. DeGabriele pointed out that for the first three months of the fiscal year there have been
18 no incidents or loss days due to injuries; and overall, there is a total of 576 days worked without
19 loss time. He acknowledged Robert Clark, Safety Director, for his leadership and for boosting the
20 District's safety performance.

21 Mr. DeGabriele advised that the toilet rebates, washer rebates and Water Smart Home
22 Surveys continue to be the popular Water Conservation programs.

23 Director Baker asked about the absence of Energy Cost data on the report, and Mr.
24 DeGabriele explained that there is usually a one-month lag of data provided by PG&E. This is the
25 second consecutive month where information has not been provided by PG&E. Mr. Clark stated
26 that this is the first two months of the Marin Clean Energy/PG&E combination bills, and PG&E may
27 be having a difficult time reconciling all the changes that were requested. He said that the District
28 has 70 different services and about 30% were changed to Marin Clean Energy.

29 Mr. DeGabriele stated that Complaints and Service Orders are up 7% from last year due to
30 high bill complaints this month. He said that more water was consumed, plus the rate increase
31 contributed to a higher number of high bill complaints. Mr. DeGabriele noted that while the District

1 gets good feedback from customers, not many questionnaires are being returned; through
2 September only 24% of customers surveyed returned their questionnaire.

3 The Manager reported that no water samples tested positive for Coliforms in Novato or
4 Point Reyes.

5 Mr. Bentley provided a brief summary of the Auditor-Controller's Monthly Report of
6 Investments and stated that at the end of September the District had \$7.2M in the bank, an
7 increase of \$500,000 from the prior month. He said during September a \$1M note matured, paying
8 4.25% and a \$1M Certificate of Deposit at Westamerica Bank was purchased, keeping the funds
9 out of the state's Local Agency Investment Fund. He said that the state has adopted a budget, and
10 he will move funds from the local bank back into LAIF when the state sells revenue anticipation
11 notes.

12 **QUARTERLY FINANCIAL STATEMENT**

13 David Bentley provided the Quarterly Financial Report and said that most of the water sold
14 by the District in the fiscal year is during this quarter (July, August and September). He stated that
15 looking at income and expense compared to budget, there was a surplus of \$1.1M for all districts
16 combined. Operating revenue came in 33% of the annual budgeted amount, but he reminded the
17 Board that the District is a "seasonal business" so operating revenue should be at 37% of budget.
18 He advised that expenses are down 3%; less water is being sold, therefore less water is being
19 purchased from Sonoma County Water Agency than was budgeted.

20 Mr. Bentley reviewed each district individually. He said in Novato, consumption is up 3%
21 from prior year, but 6% below budgeted demand through September and revenue shortfall amounts
22 to \$123,000. He cautioned that if this level continues, the District will be down over \$300,000 by the
23 end of the year. He continued that operating revenue increased 11% from the prior year due to the
24 9% rate increase and newly adopted seasonal rates, but is still below budget. Mr. Bentley stated
25 that Stafford Treatment Plant has slowed down production this year; although, overall, the same
26 amount of water will be targeted for annual production. He advised that the Stafford Treatment
27 Plant is short-staffed this year due to the retirement of an operator and the District is spending less
28 on overtime. He stated salary and benefit charges to Novato are down 7% due to reduction of four
29 employees; fiscal year-to-date net income, on an accounting basis, is \$384,000, and a \$2M loss for
30 the year is budgeted. He further stated that the \$384,000 net income will dissipate over the next
31 quarter.

32 Mr. Bentley reported that 32MG budgeted for the fiscal year was sold to Stone Tree,
33 compared to last year's sale of 35MG, down 7%; 55MG. He further reported that \$53,000 in grant

1 funds from the Integrated Regional Water Management Plan (that was awarded to the District in
2 2007) has finally come in and has resulted in a net income of \$50,000. The quarter ended with a
3 \$116,000 cash balance in the Recycled Water fund.

4 Mr. Bentley stated that West Marin Water also ended the first quarter with a positive net
5 income; its water sales volume has continued to decline with the lowest water production since the
6 1980's. He stated that water revenue is up 18% due to the 9% rate increase and the additional tier
7 rate and 25% bimonthly charge increase adopted 8/1/09. Mr. Bentley advised that operating
8 expenditures were down 4% compared to the prior year. He said that there is no cash balance in
9 West Marin and the amount borrowed from Novato increased \$22,000 during the quarter, primarily
10 for the purchase of 1.3 acres of land next to the Point Reyes Treatment Plan for the Solids Handling
11 Tank Project.

12 Director Rodoni requested that the land purchase in Point Reyes and additional cost
13 information be presented to the Board at a subsequent meeting.

14 Mr. Bentley reported that Oceana Marin Sewer did not have a net income this quarter. He
15 advised that sewer rates have not been increased in several years and expenses were up \$4,000.
16 He said additional work on the alarm system was performed and a dissolved oxygen sensor
17 assembly was purchased. He advised that Oceana Marin Sewer has a cash balance of \$252,000.

18 **CONSENT CALENDAR**

19 On the motion of Director Rodoni, seconded by Director Fraites and unanimously carried
20 the following items were approved on the consent calendar:

21 **APPROVE LAGUNITAS CREEK STREAMGAGING STATION COST SHARING**

22 The Board approved the funding request and District share (\$7,475) for the operation and
23 maintenance of the US Geological Survey Lagunitas Creek Streamgaging Station. The information
24 obtained from this gage is used to make operational decisions and serves as criteria for
25 implementation of off-tide pumping from the Point Reyes wells.

26 **APPROVE AGREEMENT FOR FALL 2010 WATER LINE**

27 The Board authorized the General Manager to enter into an agreement with Strahm
28 Communications for the production and disbursement of the Fall 2010 *Water Line* in the not-to
29 exceed amount of \$6,700. The Board also authorized the General Manager to approve the text,
30 design and layout of the publication.

1 **APPROVE RENEWAL OF GRAZING LEASES - LEVERONI, GROSSI & KRUGER**

2 The Board approved renewal of three grazing leases for the next two years for the Grossi,
3 Leveroni and Kruger parcels totaling 159 acres.

4 **ACTION CALENDAR**

5 **APPROVE: AUTHORIZATION TO RECOGNIZE MAINTENANCE TECH II FOR WORK IN A**
6 **HIGHER CLASS**

7 Mr. DeGabriele stated that he is asking the Board for authorization to provide additional
8 compensation for Sue Kessler who stepped up to assist the Administration Department when it was
9 short-handed in September. He explained that when the current Administrative Assistant was
10 unexpectedly ordered to bed rest by her doctor, Ms. Kessler, who previously worked as the
11 Administrative Assistant before transferring to the Operations Department, shared the duties of the
12 Administrative Assistant position with the District Secretary. He further explained that when the
13 District Secretary went on a planned three-week vacation to Italy, Ms. Kessler assumed those
14 duties as well during that period. Mr. DeGabriele said that the District's policy for Work in Higher
15 Class does not fit the circumstances, and is proposing an additional compensation per the policy
16 compensation differential (5% increase or lowest step of higher classification) and amounts to \$342.

17 Director Schoonover stated that he was in favor, but asked if this would set a precedent and
18 Mr. DeGabriele replied that the District's labor legal counsel was consulted and said it would not be
19 precedent-setting.

20 On motion of Director Schoonover and seconded by Director Fraites, the Board
21 unanimously authorized the General Manager to provide additional compensation to Sue Kessler
22 for her efforts during the absence of the Administrative Assistant and District Secretary.

23 **CONSIDER – NOMINATION OF SPECIAL DISTRICT REPRESENTATIVE TO THE MARIN**
24 **LOCAL AGENCY FORMATION COMMISSION**

25 Mr. DeGabriele informed the Board that Marin LAFCO has called for nominations for an
26 alternate Special District member due to the death of a current member. He said that Director
27 Rodoni is a regular member of the Marin LAFCO and invited the Directors to nominate another
28 Board member.

29 There was no nomination.

30 **INFORMATION ITEMS**

31 **OUTSIDE AUDITOR'S 2010 REPORT, AUDIT REPORT AND MANAGEMENT REPORT**

32 Mr. Bentley stated that Paul Kaymark of Charles Z. Fedak & Company was in attendance.
33 He said before Mr. Kaymark's presentation, he will review the Outside Auditor's Management

1 Letter. He highlighted the following points: 1) during fiscal year 10, the District was under a water
2 shortage emergency and water use was reduced by 21% June 1 through September 30; 2) in
3 September 2009, Sonoma County Water Agency unilaterally abandoned the South Transmission
4 System Project; 3) in November, the State Legislature passed SB7X7 requiring a 20% reduction in
5 water use by the year 2020; and 4) the District raised water rates 9% and adopted a seasonal rate
6 for non-residential customers. He said the Outside Auditor's 2010 Report is a draft report and
7 requested Board members to review the document and bring any concerns or comments to staff by
8 Friday, October 22. The document will be on the next agenda for Board approval.

9 Mr. Bentley pointed out that on the last page of the Management Report is the Certificate of
10 Achievement for Excellence in Financial Reporting awarded to the District by the Government
11 Finance Officers Association for the District's Financial Report for the 2009 Fiscal Year. He
12 credited Dianne Landeros, Nancy Holton and Nancy Williamson.

13 Ms. Landeros addressed the Board and said that the Management Report states that the
14 auditors did not identify any deficiencies in the District's internal control and there were no auditor-
15 recommended adjustments. She said there were four late entries by staff that netted \$18,000 in
16 additional net income; however, the goal is \$0. She introduced Paul Kaymark.

17 Mr. Kaymark said he was very pleased to work with the District and staff who presented the
18 requested information to him in accordance with General Accepted Accounting Principles and he
19 gave kudos to Ms. Landeros and her staff for the tremendous job they did in preparing for the audit.
20 He said that it's very important for the Board to know that the information provided on a
21 monthly/quarterly basis to them by the accounting staff is included in the audit; there have not been
22 any large adjustments to the information provided by staff. Mr. Kaymark said he is present tonight
23 to answer any questions the Board may have and to also provide an analysis of the information. He
24 said the District has a very solid internal controls and has excellent financial reporting.

25 Mr. Kaymark distributed an Analysis of 2010 Financial Statements to the Board that
26 identifies trends and addresses the District's financial state. He said this analysis addresses
27 Novato Water only. Mr. Kaymark stated that the balance sheet shows declining assets for the past
28 three years and liabilities remained steady. He explained the net assets breakdown and said the
29 true cash available at the end of the fiscal year 10 is \$1.9M compared with \$3.7M and \$5.9M for FY
30 09 and 08 respectively. Mr. Kaymark presented an analysis of the revenues, expenses and
31 changes in net assets that show that the District did not cover its operating expenses and had to dip
32 into the reserves. He explained that the Variable Revenue Coverage is based on water
33 consumption which has decreased, and even with rate increase, the District's revenue did not meet

1 its operating expenses. He further explained the Fixed Revenue Coverage (bimonthly service
2 charge) should cover fixed charges (overhead), but that again, the fixed operating expenses were
3 not covered. Mr. Kaymark closed his presentation with the explanation of the Operating Reserves
4 Ratio (spendable unrestricted net assets vs. operating expenses before depreciation) and that for
5 FY 2010, the District's ratio is 0.15:1 compared with 0.30:1 (FY 09) and 0.51:1 (FY 08). He said on
6 average, California water agencies have a year to a year-and-one-half of operating expenditures in
7 reserves. He said the District's reserve is very low and asked, "Are rates being increased enough?"

8 Director Fraites asked Mr. Kaymark what his suggestions are for increasing the ratio. Mr.
9 Kaymark said the District has already done aggressive cost-cutting and there is need to increase
10 the rates further. He said that from a cash perspective other California water agencies have
11 initiated a deposit on new customers which allowable under the Water Code. He said that another
12 measure allowable under the Water Code is "re-establishment of credit" meaning that customers
13 who default on their bill will have to pay a deposit to re-establish credit with the District. Mr. Bentley
14 pointed out that the District's annual bad debt expense is \$35,000.

15 Mr. Bentley asked if having a goal of 90% of operating expenditures in cash reserves is
16 unreasonable. Mr. Kaymark said it is not unreasonable, but how do you get there?

17 Director Rodoni stated that the reason the District is in the position it finds itself may be
18 because the District has chosen to spend its reserves rather than go into debt. Mr. Kaymark said
19 the District has spent its reserves on worthy capital projects; however, it's important to maintain the
20 cash reserves. He advised that the way to keep good rate stabilization is by having a decent
21 amount of reserves. He said that it's going to take some tough decisions to get to the point of
22 increasing the reserves to the 90% level.

23 Director Petterle commented that the Board and staff know the effect raising rates have on
24 water use, and as rates continue to increase, consumption continues to decline. He opined that it
25 becomes a never-ending chase. Mr. Kaymark responded that the District should not base the
26 entire rate methodology on consumption; fixed rates are another source of revenue.

27 Director Petterle said Mr. Kaymark had some good ideas and he would like to have further
28 discussion at a future meeting of ways to speed up increasing reserves without raising rates more
29 than is already planned.

30 There was further discussion regarding fixed rates, water conservation and separate cost
31 accounting for recycled water. Mr. Kaymark reported that most water agencies account for recycled
32 water in a separate fund.

1 Director Rodoni suggested that the fixed charge could include some water allotment to
2 protect low water users from high fixed rate charges.

3 Mr. Kaymark closed his presentation by again complimenting the District staff, in particular
4 the accounting staff. He said that the District has “great internal control and is a great organization”.
5 He thanked the Board and he and Ms. Landeros left the meeting.

6 **EXTENSION OF HORIZON CATV LICENSE AGREEMENT**

7 Robert Clark advised that the agreement with Horizon CATV for use of the PRE Tank #4
8 site for their antenna and facilities expires October 31, 2010 and that said agreement has a
9 provision to extend the agreement an additional two years. He stated that Horizon has requested to
10 extend the contract for another two years and that staff has granted the request. He further stated
11 that the agreement’s annual fee has been recalculated based upon the number of customers.

12 Director Rodoni asked if the lease fee is based upon the basic cable rate. Mr. Clark replied
13 yes. Director Rodoni suggested basing the lease fee on Horizon’s previous year’s revenue and Mr.
14 Clark said he would look into how other agencies calculate their fees for similar agreements and
15 report back to the Board.

16 **NORTH BAY WATER REUSE AUTHORITY FALL 2010 CONGRESSIONAL BRIEFING &**
17 **PRESENTATION OF RESOLUTION OF APPRECIATION**

18 Mr. McIntyre briefly summarized the status of the \$25M authorized by the federal
19 government to fund \$100M in NBWRA projects. He said that although receiving \$7M in economic
20 stimulus money was a big accomplishment, there is still \$18M that NBWRA is trying to get
21 appropriated from the federal government to continue funding the NBWRA projects. He said that
22 there is \$2M in earmarks in the FY11 Federal Appropriations Bill and that NBWRA lobbyists are
23 continuing to go after the funds by continuing to outreach to our elected officials. He said it is
24 important to thank the congressional representatives for their work in getting the ARRA funds, and
25 to also keep the NBWRA projects in the spotlight. He said that Monday, October 25, NBWRA has
26 scheduled a Congressional Briefing with Representatives Mike Thompson and Lynn Woolsey that
27 will culminate with the presentation of a Resolution of Appreciation to both. He said that he will be
28 attending and recommended that one or both of the District’s Recycled Water Subcommittee
29 members also attend. Directors Baker and Schoonover said they will attend.

30 **STATUS REPORT – DISTRICT RENTAL AT 25 GIACOMINI ROAD**

31 Mr. Bentley provided a status report for the District’s rental property at 25 Giacomini Road in
32 Point Reyes Station. He said that the District purchased the home in 2005 with cash reserves for
33 \$652,000 for the purpose of renting to a District employee and enhancing responsiveness to after-

1 hours emergencies. He advised that since that time, \$119,000 in rental income has been
2 generated and \$20,000 in expenses has been paid. He further advised that had that money stayed
3 in the bank, it would have earned \$115,000 in interest; therefore, the investment has cost the
4 District \$16,000. Mr. Bentley explained how the rent is calculated and that the tenant performs
5 District tasks on his own time in exchange for reduced rent. He said that staff feels it is important
6 for an employee to be present in West Marin to provide good service to District customers, and to
7 respond quickly to emergencies. Mr. DeGabriele added that the District employee is doing a good
8 job and the West Marin community likes him.

9 **MISCELLANEOUS**

10 The Board received the following miscellaneous information: Disbursements, SCWA
11 Prevails in UWMP Case, FY10 Scrap Metal Receipts and Email from customer.

12 The Board also received the following news articles: Dam Improvement Resolution
13 Adopted, Novato Sanitary Veteran Arthur Knutson dies at 84, MMWD Should Pay for Pipeline and
14 Desperately Seeking Salmon to Count.

15 **ADJOURNMENT**

16 President Baker adjourned the meeting at 9:15 p.m. in memory of Arthur Knutson.

17 Submitted by

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Renee Roberts
District Secretary