

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
October 21, 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.

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

MINUTES

On motion of Director Rodoni, seconded by Director Schoonover, the Board approved the minutes from the previous meeting as mailed by the following vote:

AYES: Directors Fraites, Rodoni, Schoonover

NOES: None

ABSTAIN: Directors Baker, Petterle

ABSENT: None

GENERAL MANAGER'S REPORT

Meeting with Assembly Member Jared Huffman

Mr. DeGabriele reported that he met with Assembly Member Jared Huffman yesterday and asked him to again consider sponsoring the felony embezzlement in local agencies legislation that the District proposed in 2007. He said that Mr. Huffman stated he was not inclined to carry the bill as proposed as he does not think it will pass; however, he would carry a requirement that convicted felony embezzlers of local agencies make full restitution of funds stolen. Mr. DeGabriele said that this requirement is already in place. He stated that he also asked Assembly Member Huffman to consider carrying a proposed revision to Water Code Section 376 that requires full publication of revised water conservation regulations in newspapers. Mr. Huffman was interested in pursuing this and asked if something more from a water conservation implementation perspective could be

included in the legislation. He said Mr. Huffman would contact the California Urban Water Conservation Council and get back to him.

ACWA Legislative Committee

Mr. DeGabriele advised that he will be attending an ACWA Legislative Committee meeting on Friday, October 24. He said that ACWA had declined to sponsor the revision to Water Code Section 376, but if ACWA learned that Assembly Member Huffman expressed interest, they may lend their support. He said that ACWA's reasoning to not sponsor is the perception that this would create less transparency in local agency activities and that newspapers are having a tough time keeping revenue to stay afloat these days.

STRAW

Mr. DeGabriele informed the Board that today Students and Teachers Restoring a Watershed (STRAW) were planting trees and native plants on the Stafford Lake watershed.

OPEN TIME

President Fraites asked if anyone in the audience wished to bring up an item not on the agenda and there was no comment.

STAFF / DIRECTORS' REPORTS

Tomales Bay Watershed Council Foundation

Director Rodoni informed the Board that he was asked to serve on the Tomales Bay Watershed Council Foundation, a five-member board that oversees the fiscal and non-profit function of the Tomales Bay Watershed Council (TBWC). He said that, although the District is a member of the TBWC, this is an individual representation on the TBWC Foundation Board.

MONTHLY PROGRESS REPORT W/QUARTERLY CUSTOMER SERVICE QUESTIONNAIRE

Mr. DeGabriele presented the Monthly Progress Report for September, which concludes the first quarter of FY 08/09, and reported that water production in Novato and West Marin were up slightly from 2007, that Stafford Lake levels are very low at 180.1 feet and that Stafford Treatment Plant will cease production at the end of October after a very good summer production season. He noted that the number of active dwelling units has decreased, reflective of the current economy. He further noted that there were no lost time accidents or incidents during the first quarter. Mr. DeGabriele stated that 59 Water Smart Home Surveys were conducted in September and that Ryan Grisso will present a status report at the next meeting addressing the water conservation programs. The summary of complaints indicates that there were 20% less complaints registered this year primarily due to fewer water waster and excessive water complaints. He noted that 194 Customer

Service Questionnaires were mailed to customers, 70 were returned and of those returned, 95% agreed that the District is doing a good job.

Mr. Bentley presented the Financial Reserve Summary and Auditor-Controller's Monthly Report of Investments and reported that District cash reserves total \$10.2M with an interest rate of 3.2%. He informed the Board that \$2M was pulled out of the Local Agency Investment Fund (LAIF) account and deposited into two local banks due to concerns that the State Treasury may have a cash shortfall (even though the State was able to sell Cash Anticipation Bonds) and may want to tap into District funds. Mr. Bentley drew the Board's attention to a chart depicting the cash balance going back 10 years with over \$18M in 2000/2001 and the current balance of \$10.2M at the end of September.

QUARTERLY FINANCIAL REPORT

Mr. Bentley presented the first quarter Financial Report and said that a deficit of \$5.2M has been budgeted this year including a net \$6.2M Improvement Projects budget. He said we typically do not spend the entire amount of the Improvement Projects budget; last year 48% was spent. He forecast that well over 50% of the Improvement Projects budget would be spent this year because of the large projects under construction or planned. Mr. Bentley stated that water consumption was up 2%, and operating revenue increased 5%. He said that 18% of the Improvements Projects budget was expended and our cash balance decreased by \$334,000 since July.

Novato Water System

Mr. Bentley reported that the Novato Water System lost \$71,000; production at Stafford Treatment Plant was good but operating expenses were higher than last year and the cost of treatment was up 32% from a year ago. He said the District collected \$40,000 in connection fees compared to \$507,000 during the same period last year.

Recycled Water

Mr. Bentley said that Recycled Water had a net income of \$30,000 after depreciation, an \$18,000 loss is budgeted for the year and that the plant will operate through October. Costs are up significantly due to start-up and SCADA communication upgrade costs. The Recycled Water cash balance is \$193,000. He said that a major expense this year is the District's \$138,000 contribution to the North Bay Water Reuse Authority EIR, and that an Integrated Regional Water Management grant is budgeted.

West Marin Water

Mr. Bentley stated that West Marin has a net income of \$49,000 compared to a budgeted annual loss of \$30,000. He said the amount borrowed from Novato decreased by \$118,000 because of an advance for construction of a single family dwelling and the debt owed to Novato is \$474,000 with a projected debt of \$607,000 by end of the fiscal year.

Director Baker inquired why there will be such a big jump in the debt owed to Novato by end of the fiscal year.

Mr. Bentley replied that in order to complete the budgeted improvement projects, money has to be borrowed from Novato. He said there has been a 9% rate increase for four years in a row, construction projects in the West Marin Long Range Improvements Projects Plan are being financed, and the debt will start to be paid back in FY10 when it is projected to cap at \$672,000.

Oceana Marin Sewer

Mr. Bentley said there are 224 customers, revenue is up 2% and operating expenses were 19% higher than last year due to a one-time payment of start up fees to outside operation and maintenance contractor Phillips and Associates. He reported that none of the improvement projects budget was expended and no connection fees have been collected this year. Oceana Marin ended September with a cash balance of \$188,037.

CONSENT CALENDAR

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

GRAZING AGREEMENT RENEWALS (GROSSI, LEVERONI, KRUGER)

The Board approved renewal of grazing agreements for George Grossi (two parcels totaling 119 acres), David and Paul Leveroni (one parcel totaling 27 acres), and Curtis and Monte Kruger (one parcel totaling 13 acres). All three leases are for a two-year period.

TEXT FOR WATERLINE

The Board authorized the General Manager to approve the text and design of the fall "*Water Line*", Volume 9, Issue 20.

ACTION CALENDAR

APPROVE: NEW CREW TRUCK PURCHASE

Mr. Clark reported that the District received bids for the purchase of the new crew truck chassis from four of the nine vendors solicited. He reviewed each vendor's proposal and noted

minimum specifications that were not met. He said that East Bay Ford was the low bid at \$55,563 but did not meet the minimum specifications including the use of Bio-fuel B20 mixtures; Golden Gate Truck (\$64,200) and Reliance Peterbuilt (\$56,477) proposals did not meet minimum specifications on a few minor items but both met the use of Bio-fuel B20 requirement. Bay Shore International's proposal was also missing minor specifications and could meet the Bio-fuel B20 requirement, but was the highest bid amount received (\$67,038). Mr. Clark advised that staff recommended the purchase contract for the new crew truck chassis be awarded to Reliance Peterbuilt for a total of \$56,477.

Director Baker inquired if staff knew if the use of bio-fuel has been successful. Mr. Clark stated that District trucks that have been converted to bio-fuel use have been operating without problems and that the use of bio-fuel helps to meet the District's greenhouse gas reductions.

On motion of Director Baker, seconded by Director Schoonover, and unanimously carried, the Board authorized staff to award the purchase contract for the new crew truck chassis to Reliance Peterbuilt for a total of \$56,477.

APPROVE: TEMPORARY WATER SERVICE REQUEST – MARIN COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – VINEYARD CREEK ENHANCEMENT PROJECT

Mr. McIntyre stated that the temporary water service request for Marin County Flood Control and Water Conservation District pertains to the installation of two meters related to the Vineyard Creek Enhancement Project. He said that the county installed new plantings along the riparian Vineyard Creek banks at the Center Road Bridge and McClay Road Bridge and that the temporary meters will be used to irrigate the new plantings for a period of three years. He advised that this is a standard Temporary Water Service Agreement and that per District Regulation 5, the Board must authorize said agreement because the terms of the agreement exceed one year.

On motion of Director Petterle and seconded by Director Baker, the Board unanimously approved Resolution No. 08-25 entitled, "Agreement for Temporary Irrigation Water Service to County of Marin – Vineyard Creek Enhancement Project at A) Center Road Bridge and B) McClay Road Bridge, Marin County, California – Assessor's Parcel Numbers 140-081-05 and 140-021-44.

APPROVE: CHANGE OF PUBLIC HEARING DATE FOR CONSIDERING STAFFORD TREATMENT PLANT SOLAR ENERGY PROJECT MITIGATED NEGATIVE DECLARATION

Mr. McIntyre said that at the October 7, 2008 meeting the Board authorized a public hearing on November 4, 2008 to consider a Mitigated Negative Declaration for the Stafford Treatment Plant Solar Energy Project. He informed the Board that since that time the District has received requests from customers to reschedule the date of the hearing as November 4th is the date of the general

election. Mr. McIntyre said that there are no longer time constraints for the California Renewable Energy Bond (CREB) bond program since the CREBs bond program has been extended through 2009, and staff believes it is in the District's best interest to reschedule the public hearing to November 18, 2008. He said that he recommends a workshop be held in advance of the public hearing with staff and Leonard Charles to convey the different elements of the project to the public before the public hearing.

On motion of Director Schoonover and seconded by Director Petterle, the Board unanimously authorized staff to reschedule the public hearing to consider the Stafford Treatment Plant Solar Energy Project Mitigated Negative Declaration to the November 18, 2008 meeting.

APPROVE: IMPLEMENTATION AGREEMENT – INTEGRATED RECYCLED WATER MANAGEMENT PLAN (IRWMP) STATE GRANT

Mr. McIntyre announced that the District has an opportunity to received \$240,000 as its share of the \$12.5M Bay Area Integrated Regional Water Management Plan (IRWMP) state grant (provided in part by Proposition 50). He said this grant was awarded by the Division of Water Resources to Bay Area Clean Water Agencies (BACWA), a Joint Powers Agency consisting of thirteen water and wastewater agencies in the San Francisco Bay Area. He explained that once all thirteen agencies have executed the agreement with BACWA, BACWA will execute its agreement with Department of Water Resources by end of this year. He stated that the District will then submit request for reimbursement for costs incurred to date for payment to the contractor on the Recycled Water Facility Pipeline project and start-up costs for the Recycled Water Facility. Mr. McIntyre further stated that a portion of the grant money will be used for the Novato Fire Protection District Station 2 retrofit and provision of a back-up potable water main to the Recycled Water Facility. He said he will bring back a resolution to the Board at a future meeting that formally adopts the IRWMP and that the resolution tonight is for evidencing approval of the agreement between NMWD and BACWA and authorizes the General Manager to sign the agreement.

On motion of Director Baker and seconded by Director Petterle and unanimously carried, the Board approved Resolution No. 08-26 entitled, “Resolution Accepting the Terms of the Implementation Agreement Between North Marin Water District and the Bay Area Clean Water Agencies, and the Grant Agreement Between the Department of Water Resources and the Bay Area Clean Water Agencies, for Proposition 50 Chapter 8 Grant Funding.”

Mr. McIntyre acknowledged District engineer, Carmela Chandrasekera for doing a good job “bird dogging” this project and she has been a tremendous help. Mr. DeGabriele also expressed his appreciation to Mr. McIntyre and his staff for persevering to obtain this funding and doing a great job.

INFORMATION ITEMS

OUTSIDE AUDITOR’S 2008 REPORT AND MANAGEMENT LETTER

Dianne Landeros acknowledged the stellar work performed by District accountants, Nancy Holton and Nancy Williamson, in reconciling all accounts in preparation for the audit conducted by Paul Kaymark of Charles Z. Fedak & Company. Ms. Landeros advised that this is a draft report and that any comments the Board may have should be brought to staff’s attention as soon as possible. She further advised that if there were no comments, the final Outside Auditor’s Report and Management Letter will be brought back to the Board at the November 4th meeting for approval. She introduced Mr. Kaymark who presented a lengthy and detailed Outside Auditor’s Annual Report

and Management Letter to the Board. Mr. Kaymark stated that the auditors suggested eight financial adjustments totaling a \$65,000 net decrease in District assets and also recommended four improvements to the District's financial reporting: 1) change the threshold for capitalizing equipment from \$1,000 to \$5,000; 2) review depreciation lives of capital assets to more closely match estimated actual life; 3) establish more effective monthly and/or quarterly review and reconciliation policies and procedures as a customary part of the accounting process; and 4) disclose the eight adjustments recommended by the auditors to the Board. Mr. Kaymark stated that although a few control deficiencies were identified, there were no significant deficiencies and/or material weaknesses identified. He acknowledged the cooperation of Mr. Bentley and Ms. Landeros during the audit.

CROSS-CONNECTION AND BACKFLOW PROTECTION PROGRAM REPORT

Mr. Clark presented the annual Cross-Connection and Backflow Protection Program Report and stated that the District is responsible for 1445 devices, a 2% increase from last year. He stated that typically the backflow test program begins in June and continues through August encompassing two fiscal years; however, this year's program began in July and continued through September. Mr. Clark said the delay was because of unexpected costs associated with a required new testing method that resulted in aging devices failing during last year's testing. He said that after the devices failed the second tests, a replacement program was begun which used up the funds. Two hundred devices were replaced last year and another 200 were to be replaced this fiscal year. Mr. Clark said that staff replaced the Febco double check valves (DCV) with Wilkins DCVs because the Wilkins devices were easier to maintain and required less time to test.

Mr. Clark advised that during the replacement program the District began getting calls from customers complaining of vibration noises in the pipes. He said that the distributor of the Wilkins device and the Wilkins district sales representative assisted staff in determining that the cause of the noisy pipes was due to a defective product and that 120 faulty devices will be replaced by the manufacturer. Wilkins Company will also reimburse the District for staff time and expenses incurred to correct the noise issue. Mr. Clark stated that the replacement program will resume in summer 2009 when summer temps are available.

Mr. Clark advised that the cost to replace the aging devices has caused the District to run a deficit in the program's overall cost and it may be necessary to increase service fees over the next few years to recuperate the cost of the replacements. He said he will consult with the Auditor-Controller and come back to the Board for approval of proposed fee adjustments at a future meeting.

DRAFT POLICY ON INTEGRATED/MULTI-BENEFIT RESOURCE PROJECTS

Mr. DeGabriele reported that at the last North Bay Watershed Association meeting, NBWA endorsed a policy to be adopted by member agencies encouraging an integrated / multi-benefit approach to water management projects. He said that he felt the policy was too lengthy and onerous to be effective and that District staff, working with Director Fraites, has developed a proposed policy whereby the District will plan and implement projects to have multiple benefits and coordinate projects with NBWA member agencies to achieve greater benefit in the North Bay watershed when possible. Mr. DeGabriele requested that Board members submit comments to him so that the final proposed policy can be brought back to the Board at the next meeting for adoption.

MISCELLANEOUS

The Board received the following miscellaneous information: Disbursements, DWR Water Conditions & Drought Preparedness Workshop – 10/9/08.

ADJOURNMENT

President Fraites adjourned the meeting at 9:29 p.m.

Submitted by

Renee Roberts
District Secretary