

**NORTH MARIN WATER DISTRICT  
MINUTES OF REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
October 18, 2011**

**CALL TO ORDER**

President Schoonover 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 and Dennis Rodoni. Also present were General Manager Chris DeGabriele, Secretary Renee Roberts and Auditor-Controller David Bentley. Chief Engineer Drew McIntyre was absent.

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

**MINUTES**

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

AYES: Directors Fraites, Petterle, Rodoni, Schoonover

NOES: None

ABSENT: None

ABSTAIN: Director Baker

**GENERAL MANAGER'S REPORT**

**SCWA Annual Allocation Model**

Mr. DeGabriele reported that the Sonoma County Water Agency hired Brown and Caldwell to update the annual allocation model for water deliveries, and that today the Agency Board authorized the contract. He stated that Brown and Caldwell will also develop a summer or peak allocation model. He stated that in 2009, the District was charged liquidated damages for Russian River deliveries that exceeded the allocation threshold as a result of an allocation model that didn't have any basis; the liquidated damages were eventually waived. He said that the TAC will work with SCWA and Brown and Caldwell in developing the model update and new summer allocation model.

**South Transmission System Project**

Mr. DeGabriele stated that TAC members receiving water from the Petaluma Aqueduct met to begin discussions on the South Transmission System Project. He said that there are differing viewpoints with Rohnert Park and Cotati having one, the District and Petaluma another and Marin Municipal Water District yet another. He said that he will be meeting with Petaluma first to determine what it is Petaluma and the District want to see come of the proposed South Transmission System Project and to develop a good strategy before talking further with the other contractors.

#### Interconnection Agreement Negotiations

Mr. DeGabriele advised that he, Mr. McIntyre and Mr. Bentley will meet with Marin Municipal Water District next Thursday to re-start negotiations on the Interconnection Agreement and that one of the elements of the agreement to update will be the wheeling charges to Marin Municipal.

Director Rodoni stated that he met Marin Municipal Water District Director Armando Quintero at the Tomales Bay Watershed Council meeting wherein they suggested that when the Interconnection Agreement is concluded, a joint meeting with MMWD and NMWD Boards of Directors be held.

#### Lagunitas Creek Water Rights

Mr. DeGabriele reported that he heard today from the State Water Resources Control Board staff about the District's Petition for Change on Lagunitas Creek Water Rights. He advised that the State Board requested assistance in determining the amount of water to be licensed under Permit 19725 and the amount to be dedicated to instream uses under Permit 19724. He said that the State Board staff received the District proposal on how to calculate what the annual quantity would be for License 4324B and Permit 19725 combined, and Permit 19724, and their staff believes it makes sense. Mr. DeGabriele stated that State Board staff will forward the proposal up the chain of command of the State Board, and that he is hopeful to hear back by the end of the week.

#### **OPEN TIME**

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

#### **STAFF / DIRECTORS' REPORTS**

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

Director Baker noted an interesting interview in the ACWA September 23 newsletter with Peter Detwiler, a California legislative expert, and his comments on the unintended consequences of Proposition 13.

Director Baker also advised the Board of the ceremony honoring Supervisor Hal Brown's many years of service to the County of Marin as he retires from the Board of Supervisors because of ill health. Director Fraites stated that he attended the ceremony and it was well attended and many of Supervisor Brown's friends and colleagues spoke.

#### **MONTHLY PROGRESS REPORT W/QUARTERLY CUSTOMER SERVICE QUESTIONNAIRE**

The General Manager provided the Monthly Progress Report for the month of September and reported that water production in Novato and West Marin is down slightly from one year ago. He further reported that Stafford Treatment Plant production is down principally due to an algae bloom in September necessitating the shutdown of the plant for a short time. He said recycled water production is the same as last year, Stafford Lake is at the same elevation and volume of storage as last year and there is ample Russian River supply.

Mr. DeGabriele said that in Oceana Marin, there is good freeboard in the treatment and storage ponds going into the winter months. He advised that there have been no lost time accidents or injuries, and the District has worked 204 days without any loss time. He said that there has been an uptick in Cash for Grass rebates and Water Smart Home Surveys and rebates for toilets and washing machines have fallen off a bit.

Mr. DeGabriele said the Summary of Complaints and Service Orders were down 30% versus last year principally due to a decrease in high bill complaints. He advised that 333 Customer Service Questionnaires were sent to customers and only 21% were returned; 95% of those questionnaires returned agreed that the District is doing a good job.

Mr. Bentley said that during the month of September, the District's cash balance fell approximately \$200,000 to \$4.9 Million. He said that a Time Certificate of Deposit was transferred from West America Bank to LAIF due to a lowered interest rate.

#### **CONSENT CALENDAR**

At the request of Director Baker, Item 7, Text for Water Line, was removed from the consent calendar for further discussion.

On the motion of Director Baker seconded by Director Fraites and unanimously carried the following item was approved on the consent calendar:

#### **AUDITOR-CONTROLLER'S STATEMENT OF INVESTMENT POLICY**

The Auditor-Controller's Annual Statement of Investment Policy is presented annually to the Board for review. There are no changes in this investment policy from that approved by the Board last year.

**TEXT FOR WATER LINE, VOLUME 12, ISSUE 26**

Director Baker requested that this item be removed from the consent calendar. He opined that the last sentence on page 1, "Remember that your wastewater charges are calculated from your winter water use..." begs more information for the customer and stated that many people do not know the connection between winter water use and sewer charges.

On motion of Director Baker and seconded by Director Fraites, and unanimously carried, the Board authorized the General Manager to approve the final text and design of the Fall 2011 Novato Water Line with the minor revision as suggested by Director Baker.

**ACTION CALENDAR**

**AEEP BANK OF MARIN LOAN**

Mr. Bentley stated that on August 2, 2011 the Board of Directors authorized the General Manager to enter into a loan agreement with Bank of Marin for \$8 Million for costs for the Aqueduct Energy Efficiency Project (AEEP). He said that the loan is expected to close next week and the Bank of Marin has requested that the Board adopt a resolution designating the \$8 Million loan as a qualified tax-exempt obligation.

On motion of Director Baker and seconded by Director Petterle and unanimously carried, the Board approved Resolution No. 11-30 entitled, "Resolution of the Board of Directors of North Marin Water District Confirming the General Manager's Authority to Execute Documents Necessary to Obtain Financing from Bank of Marin for and Designating the Business Loan as a Qualified Tax-Exempt Obligation Under Section 265 of the Internal Revenue Code."

**INFORMATION ITEMS**

**REVIEW – OUTSIDE AUDITOR'S 2011 REPORT, SINGLE-AUDIT REPORT AND MANAGEMENT REPORT**

Dianne Landeros informed the Board that the District has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for the Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2010. She stated that this is the second consecutive year that the District has received this recognition, and she acknowledged the contributions of Chris DeGabriele, David Bentley, Nancy Holton and Nancy Williamson.

Ms. Landeros summarized the Outside Auditor's Report and Management Letter and stated that the auditors did not find any material deficiencies and there were no auditor recommended adjustments for the third year in a row, which reflects on the efficiency of the District Accounting staff. She said that Paul Kaymark of Charles Z. Fedak & Company is present tonight and will review the report with the Board.

Mr. Kaymark distributed a summary of the 2011 Financial Audit and stated that he will describe the audit process and review the financial highlights. He encouraged the Board to ask questions during his presentation.

During his financial highlights presentation, Mr. Kaymark stated that the District is moving in the right direction. He stated that the Balance Sheet shows that the District's restricted reserves have decreased which means that the District is using restricted money for specific capital projects, and that spendable and non-spendable reserves have increased since the last audit. Mr. Kaymark said that the Unrestricted Net Assets page shows an increase of \$765,510 in the spendable reserves. He discussed the Statement of Revenue & Expenses; he stated that total FY 11 operating revenue was \$12.8M, total operating expenditures were \$11.2M, resulting in a positive \$1.6M compared to the previous fiscal year negative \$746,397 - a \$2.3M shift.

Director Baker asked Mr. Kaymark to explain why there is an increase in operating income when there were negative amounts in the prior three years. Mr. Kaymark responded that District management has reduced expenditures, increased revenue and implemented overall cost controls. He explained that reduced expenditures of \$1M in operations and increased revenue of \$1.4M equals the \$2.4M positive change.

Mr. Kaymark addressed Variable Revenue Coverage (commodity charge). He stated that the increase in water rates resulted in increased revenue totaling \$10.6M in sales even though it was a wet year last year. He said that the Variable Operating Expenses were reduced from the previous year (\$8.9M v \$9.7M), resulting in a net variable coverage of \$1.6M - a shift of \$2M in variable coverage. However, he said that the District continues to rely heavily on variable revenue (83%), and the fixed revenue is very low at 17%.

Director Baker asked if other water agencies are faced with the same financial challenges. Mr. Kaymark said that all water agencies are heavily reliant on the consumption charge. He said the District's biggest expenses are fixed, and having the guarantee of the fixed amount to add to reserves to pay down debt service is very important.

Mr. Kaymark addressed the Operating Reserves Ratio and said that the District's current ratio is 0.24:1 which shows an improvement over last year's ratio of 0.15:1.

Director Baker asked for an explanation of the operating reserves ratio. Mr. Kaymark explained that the ratio is the spendable net assets versus operating expenses before depreciation. He said that last year's ratio was 0.15:1, this year's ratio of 0.24:1 is improving, however, it will take some time to achieve one year's operating expenses in reserves.

Mr. Bentley said that the Board set the District's reserve goal as 0.9:1, or 90% of annual operation expenses in reserves, and that the District's five-year plan to achieve that was delayed due to reduction in water sales volume. He said that it is still the goal to achieve a 0.9:1 reserve ratio over the next five years. Mr. Kaymark added that the average of water districts that his company serves have a one-year reserve ratio.

Mr. DeGabriele stated that there is a reason why the GFOA awards are given to the District; the report provides a clear picture of the District's financial performance and the report is understandable.

Director Rodoni commented that a dilemma the Board has relating to keeping one year's assets in reserves is when to spend and when not to spend on capital projects. He said that the District could be sitting on one year's reserves if money was not spent on facilities improvements; there is a balance in having reserves and improving facilities. Director Rodoni opined that the District has financial issues now, but at the time, the Board made good choices in making capital improvements.

Mr. Kaymark complimented the District staff for their efficiency in preparation for the audit and said that the District has a "great team".

Mr. Bentley advised that this is the last year of the auditor's four-year contract with the District and new proposals will be solicited for next year's audit. He asked the Board to provide any comments to him by next Friday and that the report will be on the agenda for Board approval at the November 1<sup>st</sup> meeting.

Mr. Kaymark and Ms. Landeros left the meeting.

#### **LOCAL COASTAL PROGRAM AMENDMENT**

Mr. DeGabriele advised that the Marin County Planning Commission accepted the District's comments on the Local Coastal Program Amendment and made the proposed changes to the Plan policies.

## **SOLAR POWER PROJECT ALTERNATIVE**

Mr. Bentley advised that Sonoma County Water Agency has been purchasing power from the Power and Water Resources Pooling Authority (PWRPA) for the last six years at a discounted rate on electricity. He said that PWRPA has decided to expand; and the District, as an Agency Water Contractor, has been offered to purchase electricity at a proposed rate of 10.8¢ per kilowatt hour (kWh). He stated that the District had signed an agreement with Solar Power Partners for 17¢/kWh. Mr. Bentley said that he and Mr. Clark will be meeting with the Agency to discuss the offer. He said that one concern is that to change power from PWRPA, the District would have to install intervening facilities and the Agency has estimated \$100,000 per meter to install transformers, breakers, etc. He said it would only make sense to purchase power from PWRPA for the District's larger electrical load accounts, i.e. Stafford Treatment Plant and larger pump stations.

Mr. Bentley reminded the Board that it authorized President Schoonover to sign a letter recently to encourage additional authorization of funds for the California Solar Initiative (CSI) to enable the solar power project to commence. He said that the state legislature has authorized additional funds and the District has received an invoice for \$10,000 from PG&E due November 5, 2011 to retain CSI eligibility. He advised that at the November 1 Board of Directors meeting, the Board and staff will have a discussion on what will be the best option – the solar project (paying PG&E \$10,000 now), or go with PWRPA power or a combination of the two.

There was a short discussion. Director Petterle asked if there would be a problem with Solar Power Partners agreement. Mr. Bentley said that the agreement has not been executed because the CSI funds were unavailable. He said the District has two good options from which to choose.

## **MISCELLANEOUS**

The Board received the following miscellaneous information: Disbursements, Letter to President Schoonover Re Candidacy for Vice President of ACWA Board, Self-Insured Workers' Comp – Status Report, Russian River Biological Opinion Update – October 2011, State Controller's Local Government Compensation Report for 2010, GFOA Award.

The Board also received the following news articles: Lake Mendocino Water Releases Increased to Secure Flood Control Capacity, Winzler & Kelly merges with Australian firm, Salinity Notice, Gorin to run for Board of Supervisors.

## **ADJOURNMENT**

President Schoonover adjourned the meeting at 8:35 p.m.

Submitted by

Renee Roberts  
District Secretary