

NOVATO SANITARY DISTRICT

Meeting Date: March 10, 2014

The Board of Directors of Novato Sanitary District will hold a regular meeting at 6:00 p.m., Monday, March 10, 2014, at the District Offices, 500 Davidson Street, Novato.

Materials related to items on this agenda are available for public inspection in the District Office, 500 Davidson Street, Novato, during normal business hours. They are also available on the District's website: www.novatosan.com.

AGENDA

1. **PLEDGE OF ALLEGIANCE:**
2. **AGENDA APPROVAL:**
3. **PUBLIC COMMENT (Please observe a three-minute time limit):**

This item is to allow anyone present to comment on any subject not on the agenda, or to request consideration to place an item on a future agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Board at this time as a result of any public comments made.

4. **REVIEW OF MINUTES:**
 - a. Consider approval of minutes of the February 10, 2014, and February 24, 2014 meetings.
5. **CONSENT CALENDAR:**

The Manager-Engineer has reviewed the following items. To her knowledge, there is no opposition to the action. The items can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person.

- a. Approve regular disbursements.
 - b. Review Accounts Receivable Report.
 - c. Approve meeting schedule: March 24th, April 14th, May 12th, Tuesday, May 27th (May 26th is Memorial Day), June 9th, and June 23rd. Cancel meeting of April 28th (due to CASA Sacramento Legislative & Public Policy Forum).
 - d. Receive auditor's memorandum of internal control and required communications.
6. **COMMITTEE REPORTS:**
 - a. Solid Waste Committee Report

7. ADMINISTRATION:

- a. Receive report from Adhoc Manager-Engineer Contract Negotiating Committee, and consider approval of Manager-Engineer employment agreement.
- b. Approve an Addendum to the Contract Services Agreement to provide temporary laboratory assistance and authorize the Manager-Engineer to execute it.

8. STAFF REPORTS:

- a. North Bay Water Reuse Authority (NBWRA) update.

9. BOARD MEMBER REPORTS:

- a. North Bay Watershed Association (NBWA) meeting.
- b. California Association of Sanitation Agencies (CASA) Washington DC conference.

10. MANAGER'S ANNOUNCEMENTS:

11. ADJOURN:

Next resolution no. 3068

Next regular meeting date: Monday, March 24, 2014, 6:00 PM at the Novato Sanitary District office, 500 Davidson Street, Novato, CA

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

February 10, 2014

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:00 p.m., Monday, February 10, 2014, at the District Office, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Michael Di Giorgio, Members William C. Long, Brant Miller and Jerry Peters. Member Jean Mariani arrived at 6:10 p.m.

STAFF PRESENT: Manager-Engineer-Secretary Beverly B. James, Deputy Manager-Engineer Sandeep Karkal, District Counsel Kent Alm and Administrative Secretary Julie Swoboda.

ALSO PRESENT: Brian Exberger, Assistant Project Manager, Veolia Water
John Bailey, Project Manager, Veolia Water
Shilen Patel, Veolia Water
Edith Cacciatore, Novato resident

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as written.

PUBLIC COMMENT: Edith Cacciatore, Novato resident, urged the District to reverse their politics and stand up for compassion. She requested the District not renew the contract with Veolia Water because they do business with Israel.

CONSENT CALENDAR:

On motion of Member Long, seconded by Member Peters and carried by those members present, the following Consent Calendar items were approved:

- a. Acceptance of the sewer main extension improvements for the Canyon Green Subdivision project.
- b. Approval of the sewer main extension plans for the Mt. Burdell Place subdivision project.
- c. Approval of regular disbursements in the amount of \$303,037.81, capital project disbursements in the amount of \$612,300.69 and Board member disbursements in the amount of \$4,150.23.

WASTEWATER OPERATIONS:

- Review the draft Amended and Restated Contract Service Agreement for Operation, Maintenance, and Management of Wastewater Treatment Facilities and give direction to staff. The Manager provided a draft copy of the Amended and Restated Contract Service Agreement to the Board and to the public present. She discussed the

consequential changes and noted that the copy had been reviewed by the Wastewater Operations Committee at their November, December and January meetings. District Counsel Kent Alm stated that he had reviewed and modified the Agreement.

After discussion, the Manager requested the Board review the draft Agreement and return any comments and changes to her by Monday, February 21st. She stated that she would seek final approval of the Agreement at the February 24th or March 10th regular Board meeting. Member Long stated he would not be at the February 24th meeting and Member Miller stated he would not be at the March 10th meeting. The Manager stated that she may schedule a Special Board meeting to address the Agreement.

ADMINISTRATION:

- Review current Board policies. The Manager stated that the California Special Districts Association recommends that the Board review their District policies on an annual basis as a matter of best practices. She noted that the policies provided are the District's currently adopted policies.

- Consider approval of an Agreement with the Central Marin Sanitation Agency for the Joint Safety Program. The Manager stated that the District has participated in a Joint Safety Program with Central Marin since the 1990's and stated that the program has been successful. She stated that the Safety Director currently spends two days a week at our District and three days a week at Central Marin. The Manager stated that the Safety Director will remain an employee of Central Marin Sanitation Agency but that each agency will provide the administrative support required for their own safety program.

The Manager requested the Board approve the Joint Safety Program Agreement subject to revisions by District Counsel. The Board discussed the contract.

On motion of Member Peters, seconded by Member Mariani and carried unanimously, the Board approved the Joint Safety Director Program Agreement in concept, subject to corrections and modifications by District Counsel.

- Review Quarterly Investment Report. The Board reviewed the Quarterly Investment Report. There were no comments.

At 7:10 p.m., President Di Giorgio called for a 10 minute break.

At 7:17 p.m., President Di Giorgio reconvened the Board meeting.

Shilen Patel, Veolia Water, left the Board meeting during the break.

- Review Quarterly Revenue and Expenditure Report. The Manager provided an overview of the report, noting that total operating revenues and expenditures were at approximately 50% with 50% of the fiscal year remaining. The Board reviewed and discussed the report.

PUMP STATION REHABILITATION PROJECT #72403:

- Consider approval of a contract amendment with Nute Engineering for design services on a time and materials basis for an amount not to exceed \$60,000 and authorize the Manager-Engineer to execute the amendment. The Manager stated that the District had entered into an Agreement with Nute Engineering for design engineering services for District project's Unit 4 and Unit 5. Later in the billing cycle, Nute initiated a new invoicing system and inadvertently billed the District in excess of the previously authorized contract amount. The Manager stated that staff closely tracked Nute's subsequent efforts and has negotiated an amount of \$60,000 for the remainder of the needed design services.

Member Mariani suggested the District request design proposals from other engineering firms in addition to Nute Engineering when such services are needed.

On motion of Member Peters, seconded by Member Long and carried unanimously, the Board approved a contract amendment with Nute Engineering for design services on a time and materials basis for an amount not to exceed \$60,000 and authorized the Manager-Engineer to execute the amendment.

- Consider approval of a proposal from Nute Engineering for design engineering services during construction, and authorize the Manager-Engineer to execute an agreement with Nute Engineering on a time-and-materials basis, in the amount of \$40,000. The Manager stated that the District awarded the construction contract for the Unit 5 Pump Station to Valentine Corporation on January 27th and that the District seeks to enter into an agreement with Nute Engineering for design engineering services during construction. She stated that Nute had submitted a proposal in the amount of \$40,000 for the work and she recommended the Board authorize the agreement.

On motion of Member Long, seconded by Member Peters and carried unanimously, the Board approved a proposal from Nute Engineering for design engineering services during construction, and authorized the Manager-Engineer to execute an agreement with Nute Engineering on a time-and-materials basis in the amount of \$40,000.

NORTH BAY WATER REUSE AUTHORITY (NBWRA):

- Review the draft budget for the NBWRA for 2014-17 and give direction to staff. The Manager stated that the North Bay Water Reuse Authority (NBWRA) has requested the individual agencies review and approve their budget by March 2014. The Manager discussed the two projects the District would be most interested in pursuing: (1) a 248

acre storage wetland and (2) a recycled water treatment expansion from 1.7 mgd to 5 mgd. The Manager discussed budget impacts and cost benefits for the projects. The Board expressed their agreement with the two projects.

BOARD MEMBER REPORTS:

- North Bay Watershed Association. President Di Giorgio commented on his attendance at the meeting on February 7th. He discussed a presentation by Pam Jeane, "The drought is on. Turn the water off." Member Miller attended the meeting also and commented on the presentations.

MANAGER'S ANNOUNCEMENTS:

- The Manager announced her retirement, effective April 1, 2014 and provided a Letter of Resignation to President Di Giorgio with copies to the Board members. The Board expressed their congratulations and appreciation for her service to the District.

The Board discussed the process for filling the vacancy of Manager-Engineer with District Counsel.

- The Manager provided the 2013 Annual Report from the California Sanitation Risk Management Authority (CSRMA).

ADJOURNMENT: There being no further business to come before the Board, President Di Giorgio adjourned the meeting at 8:22 p.m.

Respectfully submitted,



Beverly B. James
Secretary

Julie Swoboda, Recording

February 24, 2014

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:00 p.m., Monday, February 24, 2014 at the District offices, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Michael Di Giorgio, Members Jean Mariani, Brant Miller and Jerry Peters. Member William C. Long was absent.

STAFF PRESENT: Manager-Engineer-Secretary Beverly James, Deputy Manager-Engineer Sandeep Karkal and Administrative Secretary Julie Swoboda.

ALSO PRESENT: John Bailey, Project Manager, Veolia Water Keene Simonds, Executive Officer, Marin Local Agency Formation Commission (LAFCO)

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: Approved as presented.

PUBLIC COMMENT: Keene Simonds introduced himself as the new LAFCO Executive Officer, replacing Peter Banning. He stated he looks forward to working with the District.

REVIEW OF MINUTES:

- Consider approval of minutes of the February 18, 2014 Board meeting.

On motion of Member Peters, seconded by Member Mariani and carried unanimously by those members present, the February 18, 2014 Board meeting minutes were approved.

CONSENT CALENDAR:

On motion of Member Peters, seconded by Member Mariani, and carried unanimously by those members present, the following Consent Calendar item was approved:

- a. Approval of regular disbursements in the amount of \$129,254.82, project account disbursements in the amount of \$20,109.04, and payroll and payroll related disbursements in the amount of \$278,388.53.

WASTEWATER OPERATIONS:

- Wastewater Operations Committee Report. John Bailey, Project Manager, Veolia Water, reviewed the January Wastewater Operations Committee report from the February 12th meeting. He stated that there were no violations for the period and that

water quality performance was excellent with all parameters well within effluent standards. Mr. Bailey stated that the recycled water facility was off-line due to equipment modifications and did not produce any recycled water in January. He reviewed the maintenance activities and noted that, as of January 31st, Veolia employees had worked accident-free for a period of 1,338 days.

The Deputy Manager-Engineer reviewed the Collections System report and noted that the department cleaned a total of 64,518 feet of sewer pipelines in January. He reviewed the Reclamation Facilities report and noted that approximately 17.87 million gallons of recycled water were used in January for irrigation.

- Odor control, noise, and landscaping report. John Bailey reported that the low level noise concerns of some Lea Drive neighbors have abated with completion of the sound reducing enclosures for the fans at the main odor control biofilter. The Deputy Manager-Engineer stated that Mr. Dave McEwen of Brown and Caldwell met with two Lea Drive neighborhood residents in February. He stated that a report of the meeting and Mr. McEwen's summary findings will be presented in full at the March Wastewater Operations Committee meeting.

BOARD OF DIRECTORS:

- Presidential appointment of an Adhoc Manager-Engineer Contract Negotiating Committee. President Di Giorgio noted that the Adhoc Committee would review contract negotiations for the Manager-Engineer. He appointed himself and President Pro-tem Mariani to the committee. Member Mariani accepted the appointment.

CAPITAL PROJECTS:

- Consider approval of a contract with Nute Engineering for the design of a force main parallel to the Olive St. PS force main, including final design services, and authorize the Manager-Engineer to execute an agreement with Nute Engineering on a time and materials basis for an amount not-to-exceed \$40,000. The Manager stated that Nute had completed a study for a parallel pipeline to the existing Olive Street Pump Station Force Main and had submitted a proposal to complete final design documents for the project in the amount of \$40,000. She recommended the Board approve the contract with Nute Engineering.

On motion of Member Miller, seconded by Member Peters and carried unanimously by those members present, the Board approved a contract with Nute Engineering for the design of a force main parallel to the Olive St. PS force main, including final design services, and authorized the Manager-Engineer to execute an agreement with Nute Engineering on a time and materials basis for an amount not-to-exceed \$40,000.

RECYCLED WATER:

- Consider adoption of Resolution No. 3067 adopting the San Francisco Bay Area Integrated Regional Water Management Plan Update. The Manager stated that the District had entered into an agreement with Bay Area Clean Water Agencies (BACWA) in order to receive a Proposition 84 Grant. She noted that, in order to remain eligible to receive future State Grant Share funds, the District must adopt the Bay Area Integrated Regional Water Management Plan Update. She requested the Board adopt the Resolution.

On motion of Member Peters, seconded by Member Mariani and carried unanimously by those members present, the Board adopted Resolution No. 3067, Adopting the San Francisco Bay Area Integrated Regional Water Management Plan Update.

- North Marin Water District recycled water commitment. The Manager outlined the next phase of development of the recycled water project which is to serve the central service area of Novato. She noted that this phase is included in the North Bay Water Reuse Authority Phase 1 program and is anticipated to begin construction in 2015/16. She stated that North Marin Water District (NMWD) has chosen not to participate in the NBWRA Phase II project, but remains committed to the development and use of recycled water. She stated that NMWD has entered into an agreement with the Marin Country Club to study the feasibility of supplying recycled water to the Country Club.

MANAGER'S ANNOUNCEMENTS:

- The Manager gave an update of the Water Bond Coalition's activities. She noted that the District joined the Water Bond Coalition and she invited Board members to attend a meeting on Wednesday, February 26th at 8:30 a.m. at the State Capitol Building, Sacramento, Room 112.

ADJOURNMENT: There being no further business to come before the Board, President Di Giorgio adjourned the Board meeting at 6:59 p.m.

Respectfully submitted,



Beverly B. James
Secretary

Novato Sanitary District Operating Check Register

For March 10, 2014

Date	Num	Name	Credit
Mar 10, 14			
3/10/2014	56733	Veolia Water North America, ...	319,872.31
3/10/2014	56707	DKF Solutions Group, LLC	21,942.00
3/10/2014	56714	Johnson, Dee	8,396.57
3/10/2014	56702	Control Systems West, Inc.	6,436.54
3/10/2014	56698	Caltest Analytical Lab Inc.	5,583.15
3/10/2014	56732	Veolia Water NA Recycled W...	5,282.56
3/10/2014	56716	Meyers, Nave, Riback, Silver ...	4,768.00
3/10/2014	56737	Willis Professional Land Surv...	4,712.00
3/10/2014	56708	E2 Consulting Engineers, Inc	3,880.00
3/10/2014	56727	Rauch Communication Cons...	3,564.00
3/10/2014	56720	North Marin Water District	3,199.13
3/10/2014	56706	Delta Dental	2,896.08
3/10/2014	56705	Dearborn National	2,822.48
3/10/2014	56734	Veolia Water North America, ...	2,035.30
3/10/2014	56717	Monterey Mechanical, Inc.	1,800.00
3/10/2014	56713	Johnson Controls, Inc.	1,780.00
3/10/2014	56711	Industrial Electrical Co.	1,714.18
3/10/2014	56701	Comet Building Maintenance,...	1,320.00
3/10/2014	56726	Pini Hardware	1,005.92
3/10/2014	56710	Frontier Analytical Laboratory...	850.00
3/10/2014	56736	VWR International Inc.	704.63
3/10/2014	56715	MarinScope Inc.	550.00
3/10/2014	56735	Vision Service Plan	488.18
3/10/2014	56695	BoundTree Medical, LLC	446.47
3/10/2014	56704	CWEAmembers	444.00
3/10/2014	56693	B.W.S. Distributors, Inc.	414.20
3/10/2014	56690	3T Equipment Company Inc.	403.28
3/10/2014	56697	California Diesel & Power	375.00
3/10/2014	56728	Staples Business Adv Inc.	369.67
3/10/2014	56723	Novato Disposal-	344.04
3/10/2014	56700	Claremont EAP, Inc.	295.00
3/10/2014	56699	Cantarutti Electric, Inc	282.50
3/10/2014	56692	AT&T Mobility	276.01
3/10/2014	56719	North Marin Auto Parts	239.90
3/10/2014	56724	Orkin Pest Control, Inc.	127.60
3/10/2014	56712	IOBP,LLC	117.00
3/10/2014	56718	North Bay Portables, Inc.	92.20
3/10/2014	56694	Barnett Medical LLC	90.00
3/10/2014	56725	Petty Cash	82.65
3/10/2014	56691	American Messaging	67.45
3/10/2014	56696	Buck's Saw Service, Inc.	57.41
3/10/2014	56729	Swoboda, Julie	56.00
3/10/2014	56703	CWEA-SFBS	50.00
3/10/2014	56722	Novato Car Wash	45.97
3/10/2014	56709	Federal Express	22.66
3/10/2014	56731	United Parcel Service	21.68
3/10/2014	56721	Novato Builders Supply	16.33
3/10/2014	56730	T-Mobile	13.91
Mar 10, 14			410,353.96

Novato Sanitary District Capital Projects Check Register

March 10, 2014

Date	Num	Name	Credit
Mar 10, 14			
3/10/2014	2665	R E Smith Contractor, Inc.	317,834.54
3/10/2014	2660	Covello Group, The	29,209.73
3/10/2014	2666	RMC Water & Environment, I...	21,032.08
3/10/2014	2664	Nute Engineering Inc.	20,256.42
3/10/2014	2662	Linscott Engineering Contrac...	18,098.40
3/10/2014	2661	Lateral-Bortis	1,500.00
3/10/2014	2663	Meyers, Nave, Riback, Silver ...	924.50
Mar 10, 14			<u>408,855.67</u>

**Novato Sanitary District
Board Check Register for February 2014**

March 7, 2014

Date	Num	Name	Credit
Mar 7, 14			
3/7/2014	3187	Di Giorgio, Michael	1,102.45
3/7/2014	3004	Long, William C	974.25
3/7/2014	3188	Miller, Brant	974.25
3/7/2014	3006	Peters, A. Gerald	935.94
3/7/2014	3005	Mariani, Jean M	600.61
Mar 7, 14			<u>4,587.50</u>

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Accounts Receivable Aging Summary	MEETING DATE: 3/10/14 AGENDA ITEM NO.: 5.b.
RECOMMENDED ACTION: Informational only.	
SUMMARY AND DISCUSSION: The attached Accounts Receivable Summary shows the following receivables: <u>1-45 days - \$254,080.22:</u> Current. <u>46-90 days - \$647.11:</u> Amount for one of our septic haulers, account expected to be paid within the month. <u>90+ days - \$2,912.81:</u> \$2,584.33 is for a septic tank hauler whose account continues to be severely delinquent. This hauler does not have privileges to use District dumping facilities until the obligation has been satisfied. We have sent letters and statements requesting payment, the last payment was in May of 2013. We will continue to pursue collection of this debt. The remainder of this balance I a refund due from the State for our fuel tax return filed in June of 2013, we will apply this balance to our upcoming fuel tax return.	
ALTERNATIVES: n/a – Informational only.	
BUDGET INFORMATION: n/a	
DEPT.MGR.:	MANAGER:

**Novato Sanitary District
A/R Aging Summary
As of March 7, 2014**

		<u>1 - 45</u>	<u>46 - 90</u>	<u>91 - 120</u>	<u>> 120</u>	<u>TOTAL</u>
AT & T	(1)	1,062.40	0.00	0.00	0.00	1,062.40
Borda, Hugo		42.27	0.00	0.00	0.00	42.27
City of Novato-	(1)	16,642.56	0.00	0.00	0.00	16,642.56
Golden Gate Bridge, Hwy & Trans -	(1)	1,113.60	0.00	0.00	0.00	1,113.60
Hayden, Ron		36,490.87	0.00	0.00	0.00	36,490.87
Joes Farmers Septic	(2)	0.00	0.00	0.00	2,584.33	2,584.33
Marin County Free Library	(1)	2,204.16	0.00	0.00	0.00	2,204.16
Marin County Housing Auth	(1)	10,240.00	0.00	0.00	0.00	10,240.00
North Marin Water District-	(1)	11,159.62	0.00	0.00	0.00	11,159.62
Novato Community Hospital	(1)	26,920.96	0.00	0.00	0.00	26,920.96
Novato Fire Protection	(1)	7,086.40	0.00	0.00	0.00	7,086.40
Novato Unified School District	(1)	99,284.99	0.00	0.00	0.00	99,284.99
P,G & E	(1)	1,477.12	0.00	0.00	0.00	1,477.12
Petaluma Septic		682.98	0.00	0.00	0.00	682.98
Quality Septic Systems		642.86	647.11	0.00	0.00	1,289.97
R.M. Harris Company		1,580.98	0.00	0.00	0.00	1,580.98
Roto Rooter		877.33	0.00	0.00	0.00	877.33
Roy's Sewer Service, Inc.-		2,113.03	0.00	0.00	0.00	2,113.03
State of California	(2)	0.00	0.00	0.00	328.48	328.48
Superior Septic Pumping Service		1,725.40	0.00	0.00	0.00	1,725.40
USCG		25,984.33	0.00	0.00	0.00	25,984.33
Veolia Water		4,372.68	0.00	0.00	0.00	4,372.68
Verizon California-	(1)	2,375.68	0.00	0.00	0.00	2,375.68
TOTAL		<u>254,080.22</u>	<u>647.11</u>	<u>0.00</u>	<u>2,912.81</u>	<u>257,640.14</u>

(1) Significant portion related to our non tax roll sewer service billings in the amount of \$170,121.

(2) For accounts past 90 days, statements will be sent.

Note: Remainder are current and include regular billings for: Septic Hauling, Ranch Lease, United States States Coast Guard sewer service charge billing and Veolia reimbursement billing.

**NOVATO SANITARY DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED
JUNE 30, 2013**

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**NOVATO SANITARY DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR YEAR ENDED JUNE 30, 2013**

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
the Novato Sanitary District
Novato, California

We have audited the basic financial statements of the Novato Sanitary District for the year ended June 30, 2013, and have issued our report thereon dated December 6, 2013. In planning and performing our audit of the basic financial statements of the Novato Sanitary District, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the District.

The District's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Maze & Associates'.

Pleasant Hill, California
December 6, 2013

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W mazeassociates.com

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTER

2013-01: *Other Post Employment Benefits*

As of June 30, 2013, the District has a Net OPEB obligation (liability) of \$919,311. This is due to the District not funding its annual required contributions. Please note that this liability has increased 23% from fiscal year 2011-2012 to 2012-2013 and 45% from 2010-2011 to 2012. If the District continues to operate on a pay-as-you-go basis, where only the current year retiree premiums are paid and no amounts are contributed to an irrevocable trust, the Net OPEB obligation will continue to grow and may become unsustainable.

Management, in conjunction with the Board, should look closely at the funding strategy of the Retiree Health Plan and consider establishing an irrevocable trust and funding more than the current annual premiums.

Management's Response:

Management takes the issue of sustainability very seriously; therefore, management has taken the following actions in regard to our OPEB liability. Management has limited the OPEB liability in two ways, 1) the District has limited the number of employees eligible for the OPEB plan by no longer offering this plan to new employees as of July 2008; and 2) the actuarial calculations are based on a very conservative 4% discount rate. In addition, District's management has begun to budget to pay current retiree premiums as well as the required annual contributions in this current fiscal year.

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REQUIRED COMMUNICATIONS

To the Board of Directors of
the Novato Sanitary District
Novato, California

We have audited the basic financial statements of the Novato Sanitary District for the year ended June 30, 2013. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Novato Sanitary District are described in Note 1 to the financial statements.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 60 - Accounting and Financial Reporting for Service Concession Arrangements

GASB 62 - Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements

The following pronouncements became effective, and required a format change in the Statement of Net Position and certain nomenclature revisions in the footnotes accompanying the financial statements:

GASB 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The District early implemented the following pronouncement which required a restatement of net position as discussed in Note 13 of the District's Basic Financial Statements:

GASB 65 - Items Previously Reported as Assets and Liabilities

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements is depreciation.

Management's estimate of the *depreciation* is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all/certain such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 6, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to the required supplementary information accompanying the financial statements, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Introductory and Statistical Sections included as part of the Comprehensive Annual Financial Report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we did not express an opinion nor provide any assurance on them.

This information is intended solely for the use of Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.



Pleasant Hill, California
December 6, 2013

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NOVATO SANITARY DISTRICT

MEMORANDUM

Date: March 7, 2014

To: BOARD OF DIRECTORS

From: Ad Hoc Manager-Engineer Contract Negotiating Committee - Michael Di Giorgio, President, and Jean Mariani, President Pro Tem

Subject: Committee Report

Background

At its February 18, 2014 special Board meeting, Board President Michael Di Giorgio announced that the District Board of Directors had made an employment offer for the Manager-Engineer position to Deputy Manager-Engineer Sandeep Karkal effective April 1, 2014, subject to approval of the employment contract.

At its regular February 24, 2014 Board meeting, President Di Giorgio appointed an Ad Hoc Manager-Engineer Contract Negotiating Committee (Committee) consisting of himself and President Pro Tem Jean Mariani to negotiate an employment contract with Mr. Karkal.

The Committee met with Mr. Karkal on March 3, 2014, and reached agreement with him on a proposed employment contract. A “redline” copy of this proposed employment contract is attached, along with supporting comparative salary and compensation information.

Committee Recommendation

The Committee recommends the Board approve the proposed Manager-Engineer employment contract.

AGREEMENT FOR EMPLOYMENT OF DISTRICT MANAGER-ENGINEER

This Agreement is made and entered into on ~~March-April 1, 2004~~2014, by and between the Novato Sanitary District (the "District") and ~~Beverly B. James-Sandeep Karkal~~ (hereinafter "~~JamesKarkal~~" or "Manager-Engineer"). ~~The Board of Directors of the District ("Board") has modified the terms of this Agreement by Board Action on May 14, 2007, July 28, 2008, and November __, 2009.~~ The parties agree as follows:

1. Appointment of District Manager-Engineer:

The DISTRICT hereby agrees to employ ~~JamesKarkal~~ as its Manager-Engineer effective ~~March-April 1, 2004~~2014, subject to the terms, conditions, and provisions of this Agreement. ~~JamesKarkal~~ hereby accepts such employment.

2. Term of Agreement:

The term of this Agreement shall be from ~~March-April 1, 2004-2014~~ until terminated by either party in accordance with the provisions of paragraph 4. ~~JamesKarkal~~ is an at will employee who shall serve at the pleasure of the DISTRICT's Board of Directors subject to the provisions in Section 4.

3. Duties and Responsibilities

a. The Manager-Engineer is responsible for the overall supervision and management of all DISTRICT operations, employees, and activities. The Manager-Engineer in the performance of ~~her~~his duties shall answer directly to the Board. The Manager-Engineer shall have the authority to hire, discipline or dismiss such employees as may be necessary to carry out the business of the DISTRICT, in accordance with the DISTRICT's personnel rules and regulations, except as provided or required by law. ~~JamesKarkal~~ shall also serve as the District Engineer and perform all duties required by statute and which are customary in carrying out the role of District Engineer, including retaining the appropriate certification of Professional Engineer.

b. ~~JamesKarkal~~ agrees to devote ~~her~~his productive time, ability, and attention to the DISTRICT's business during the term of this Agreement. ~~JamesKarkal~~ shall not hold secondary employment, and shall be employed exclusively by the DISTRICT. The DISTRICT recognizes that ~~JamesKarkal~~ is expected to devote necessary time outside normal ~~office-work~~ hours to business of the DISTRICT. ~~As~~ an exempt employee, ~~JamesKarkal~~ shall not receive overtime or extra compensation for work performed outside normal business hours.

4. Termination of Employment

~~(Modified November 2, 2009)~~

Nothing in this Agreement shall in any way prevent, limit, or otherwise interfere with the right of the Board to terminate the services of the Manager-Engineer. The Manager-Engineer at all times serves at the pleasure of the Board. Termination of the Manager-Engineer's services, however, is subject to the following provisions:

a. In the event that the Manager-Engineer is involuntarily terminated by the Board the DISTRICT shall pay to the Manager-Engineer at the time of receipt of ~~her~~his last pay check from the DISTRICT either: (1) a lump sum cash payment equal to ~~six three~~ (36) months aggregate salary based upon the Manager-Engineer's then earned monthly salary at the date of involuntary termination, including all accrued leave balances; or (2) a lump sum cash payment equal to all accrued leave balances and monthly checks for 36 pay periods equal to ~~six three~~ (63) months aggregate salary at the date of involuntary termination commencing with the pay period following the involuntary termination. It shall be the Manager-Engineer's decision as to what option she chooses between (1) and (2) above. In addition, the DISTRICT shall also continue to provide and pay for the Manager-Engineer's health, disability, and retirement benefits for a period of ~~six three~~ (63) months following involuntary termination.

b. In the event that the Manager-Engineer resigns ~~her~~his position following a request by the Board that she do so, the Manager-Engineer may, at ~~her~~his option, be deemed to have been involuntarily terminated and entitled to receive the above payment and benefits.

c. In the event that the Manager-Engineer is terminated for any of the following reasons, the DISTRICT shall have no obligation to pay any of the above termination benefits:

(1) the commission of illegal acts in relation to performance of ~~her~~his duties for the DISTRICT;

(2) violating applicable conflict of interest rules adopted by the DISTRICT;

(3) commission of material and intentional misrepresentation or fraud in connection with the performance of ~~her~~his duties for the DISTRICT;

(4) commission of acts of moral turpitude involving the DISTRICT;

(5) failure to retain any required licenses or professional certificates.

It shall be for the Board to determine, in the exercise of its reasonable discretion, whether such causes exist.

d. In the event Manager-Engineer voluntarily resigns ~~her~~his position with the DISTRICT, the Manager-Engineer agrees to provide 30 days written notice.

e. Regardless of if or how the Manager-Engineer's employment with the DISTRICT may be terminated, the DISTRICT shall be responsible to defend, indemnify, hold ~~her~~him harmless, and pay all costs and fees incurred by ~~her~~him (whether as a party, witness, or otherwise) in connection with any actual or potential suit, claim, demand, investigation, or similar event arising out of ~~her~~his employment by the DISTRICT.

5. Performance Evaluations

~~(Modified November __, 2009)~~

a. The Manager-Engineer will timely cause to be placed on the Board's agenda each year a "closed session" for the purpose of ~~her~~his performance evaluation. During the evaluation, the Manager-Engineer will present an updated performance plan and the status of the prior year's goals and objectives. At this time, the Board and Manager-Engineer shall develop mutually acceptable goals and performance expectations for the Manager-Engineer, which shall be used as objective criteria against which to assess the Manager-Engineer's performance.

6. Compensation and Benefits

~~(Modified by Board actions on May 14, 2007 and July 28, 2008)~~

a. Effective ~~July~~April 1, 2007~~2014~~, the Manager-Engineer shall receive a monthly salary of \$~~13,577~~15,345/month. ~~Effective July 1, 2008 the Manager-Engineer shall receive a COLA adjustment of 3.2%.~~

b. The COLA adjustment for ~~subsequent each~~ years shall be ~~the same~~no greater than that authorizedas for the management and confidential staff.

c. ~~Beginning April 1, 2015, and E~~every three years thereafter, the DISTRICT shall conduct a compensation survey of mutually agreed upon comparable agencies to inform discussions of the Manager-Engineer's compensation.

d. The Manager-Engineer shall be entitled to receive identical benefits to those provided by the DISTRICT to its management employees subject to those specific exceptions as to certain benefits detailed in this Agreement.

e. The DISTRICT shall provide the Manager-Engineer with a vehicle for ~~her~~his personal use.

f. The DISTRICT agrees to budget and pay for professional dues, conferences, and subscriptions on behalf of the Manager-Engineer, which are reasonably necessary for ~~her~~his continuation and full participation in professional associations.

g. The DISTRICT shall contribute an amount equal to the 457 limit into a ~~410a-401a~~ deferred compensation account.

7. Notices

Notices pursuant to this Agreement shall be in writing given by deposit in the custody of the US Postal Service, first class postage prepaid, addressed as follows:

- a. To the DISTRICT
Board of Directors
Novato Sanitary District
500 Davidson Street
Novato, CA 94945
- b. To the Manager-Engineer
~~Beverly B. James~~Sandeep Karkal
~~614 Canon Drive~~14 Serra Court
~~Kensington~~Novato, CA ~~94708~~94949

Alternatively, notices required pursuant to this Agreement may be personally served in the same manner as is applicable in civil judicial process. Notice shall be deemed given as of the date of personal service or as of the date of deposit of such written notice, postage prepaid, with the US Postal Service.

8. Bonding

The DISTRICT shall bear the full cost of any fidelity or other bond required under any statute, ordinance, or resolution.

9. Miscellaneous

a. The text herein shall constitute the entire Agreement between the parties. This Agreement may not be modified, except by written agreement executed by both parties.

b. If any provision, or any portion thereof, contained in this Agreement is held unconstitutional, invalid or unenforceable, the remainder of this Agreement, or portion thereof, shall be deemed severable, shall not be affected and shall remain in full force and effect.

c. This Agreement shall be governed by the laws of the State of California.

d. The parties agree that any ambiguity in this Agreement shall not be construed or interpreted against, or in favor of, either party.

e. No waiver or modification of this Agreement or of any covenant, condition or limitation herein contained shall be valid unless in writing and fully executed by the parties hereto.

DATED: ~~November~~ March _____, ~~2009~~ 2014

~~Beverly B. James~~ Sandeep S. Karkal

DATED: ~~November~~ March _____, ~~2009~~ 2014

Novato Sanitary District

By: Michael DiGiorgio
President of the Board of Directors

**Novato Sanitary District
Total Compensation Survey - Manager-Engineer
February 2014**

Surveyed Agency	Classification Title	Monthly Min.	Monthly Max.	Longevity Pay/ Bonus	Deferred Comp/ 401(a)	Retirement Pickup	Cafeteria Plan	Health (Maximum)	Dental (Maximum)	Vision (Maximum)	Life	LTD/ AD&D	ER Retirement	FICA/ Medicare	Monthly Total Comp.
Novato Sanitary District:	Manager-Engineer (BBJ)		\$15,832		\$1,917	\$554		\$1,931	\$166	\$37	\$21	\$280	\$1,707	\$230	\$22,674
(current)	Deputy Manager-Engineer (SSK)		\$13,950		\$1,116	\$488		\$1,931	\$166	\$37	\$21	\$247	\$1,504	\$202	\$19,662
(Proposed)	New Manager-Engineer (SSK)		\$15,345		\$1,458	\$537		\$1,931	\$166	\$37	\$21	\$272	\$1,654	\$223	\$21,643
Central Contra Costa Sanitary District ⁽¹⁾	General Manager (M-05)	\$19,048	\$23,153	\$579	\$1,435	\$810	\$375	\$2,197	\$227		\$46	\$857	\$4,422	\$336	\$34,438
Central Marin Sanitation Agency	General Manager		\$18,188		\$728	\$1,455		\$1,931	\$227	\$25	\$27	\$81	\$4,423	\$264	\$27,349
City of Novato	City Manager(4)		\$15,965	\$833	\$1,348	\$0		\$1,005	\$0	\$0	\$21	\$153	\$2,027	\$231	\$21,584
Delta Diablo Sanitation District	General Manager		\$22,391		\$4,702	\$224		\$2,175	\$220		\$44	\$34	\$3,863	\$1,713	\$35,365
Fairfield-Suisun Sewer District	General Manager		\$15,988		\$1,439	\$1,279		\$1,931	\$224	\$25	\$28	\$61	\$2,756	\$232	\$23,962
Las Gallinas Valley Sanitary District	General Manager		\$16,789		\$0	\$672		\$1,931	\$166	\$19	\$21	\$297	\$2,627	\$1,284	\$23,806
Napa Sanitation District	General Manager		\$15,527		\$150	\$1,087		\$1,931	\$167	\$21	\$32	\$41	\$1,914	\$225	\$21,096
North Marin Water District	General Manager		\$15,014		\$0	\$721		\$1,477	\$125	\$15	\$306		\$3,176	\$1,149	\$21,983
Oro Loma Sanitary District	General Manager		\$15,914	\$1,591	\$1,068	\$1,273		\$1,931	\$136	\$11	\$20	\$250	\$2,479	\$231	\$24,905
Ross Valley Sanitary District (SD #1)	General Manager		\$14,978		\$0	\$0		\$1,931	\$224	\$21	\$50	\$75	\$974	\$1,146	\$19,398
Sausalito-Marin City Sanitary District ⁽²⁾	General Manager		\$13,094		\$196	\$1,048		\$1,931	\$166	\$37	\$28	\$61	\$2,207	\$1,002	\$19,769
Sewerage Agency of Southern Marin	Wastewater Treatment Manager (Note: Salary effective 7/1/13)	\$8,472	\$11,356		\$50	\$0		\$1,740	\$164	\$0	\$12	\$32	\$761	\$165	\$14,280
Sonoma County Water Agency	Water Agency General Manager	\$14,659	\$17,817		\$0	\$0		\$1,931	\$107	\$37	\$43	\$71	\$1,832	\$1,363	\$23,201
Vallejo Sanitation and Flood Control District	District Manager		\$15,818			\$0		\$2,040	\$210	\$42	\$16	Self-funded (no claims)	\$2,640	\$229	\$20,995
West County Wastewater District ⁽³⁾	District Manager		\$16,583	\$1,658	\$958	\$292		\$1,500	\$196	\$24	\$32	\$294	\$4,660	\$240	\$26,438

Base Salary Median	\$15,965	
Base Salary Mean	\$16,572	
BBJ - Percent Above or Below Median	-0.84%	
BBJ - Percent Above or Below Mean	-4.67%	
SSK - Percent Above or Below Median	-4.04%	-14.44%
SSK - Percent Above or Below Mean	-7.99%	-18.79%

Base Salary Median	\$23,201	
Base Salary Mean	\$23,905	
BBJ - % Above or Below Median	-2.32%	
BBJ - % Above or Below Mean	-5.43%	
-18.00%	SSK - % Above or Below Median	-7.19%
-18.79%	SSK - % Above or Below Mean	-10.45%

- (1) 2.5% longevity pay after 5 years; additional 2.5% after 10 years. Used 2.5% in survey.
(2) Pays 8% EPMC. Reimbursed to District and reimbursement goes into health after retirement acct.
(3) Pays up to 10% annual performance bonus. 10% used in survey.
(4) Comp. does NOT include value of \$700,000 home loan on which he makes interest only payments at LAIF rate.

NOTE:
Retirement plans range from 2% @ 55 to 3% @ 60 formulas, with 2 positions at the new 2% @ 62 formula.
Employer contributions range from 6.5% to 28.102% of base salary.

SUMMARY:

Current salary as Deputy Manager-Engineer:	\$13,950/month
Proposed Salary as Manager-Engineer w/10%:	\$15,345/month
Proposed increase in salary:	10%
Proposed increase in Total Compensation:	10.08%
Proposed new salary: <ul style="list-style-type: none">• Percent below "comps" median:• Percent below "comps" mean:	(4.04%) (7.99%)
Proposed new Total Compensation: <ul style="list-style-type: none">• Percent below "comps" median:• Percent below "comps" mean:	(7.19%) (10.45%)

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Administration: Laboratory Assistance	MEETING DATE: March 10, 2014 AGENDA ITEM NO.: 7.b.
RECOMMENDED ACTION: Approve an Addendum to the Contract Services Agreement with Veolia Water West Operating Services, Inc. to provide temporary laboratory assistance for an amount not to exceed \$30,000, and authorize Manager-Engineer to execute it.	
SUMMARY AND DISCUSSION: <p>The Environmental Services Supervisor left the District to take another position at the end of 2013. Due to the need to act quickly, District staff arranged for an experienced retired Environmental Services Supervisor, Vicki Shidell, to fill in on a temporary basis under the signing authority of the Manager-Engineer. She is working under sub-contract to Veolia.</p> <p>The District continues to need these services pending the recruitment and hiring of a new Environmental Services Supervisor. The original contract amount of \$27,300 will be depleted by the end of March.</p> <p>The work will be done on a time and materials basis.</p>	
ALTERNATIVES: N/A.	
BUDGET INFORMATION: The work will be funded from the Laboratory Research and Monitoring Budget which currently has a balance of \$226,000.	
DEPT.MGR.:	MANAGER: