

May 10, 2010

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:30 p.m., Monday, May 10, 2010, preceded by a closed session beginning at 5:00 p.m. at the District offices, 500 Davidson Street, Novato.

At 5:03 p.m. President Di Giorgio announced the Board would meet in closed session to discuss the following matter on the Closed Session Agenda:

CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION – ONE CASE.

Existing litigation pursuant to Subsection (c) of Government Code Section 54956.9, (Case Number 1001855: Complaint for Refund of \$181,927.54 Plus Interest under Commercial Code §11204).

BOARD MEMBERS PRESENT FOR CLOSED SESSION: President Michael Di Giorgio, Members James D. Fritz, William C. Long, George C. Quesada and Dennis Welsh.

STAFF PRESENT: Manager-Engineer Beverly B. James.

ALSO PRESENT: Geoffrey Spellberg, Attorney, Meyers Nave.

The closed Session ended at 5:30 p.m.

Open session began at 6:30 p.m.

BOARD MEMBERS PRESENT: President Michael Di Giorgio, Members James D. Fritz, William C. Long, George C. Quesada and Dennis Welsh.

STAFF PRESENT: Manager-Engineer-Secretary Beverly James, Deputy Manager-Engineer Sandeep Karkal, Administrative Secretary Julie Borda, and Sky Woodruff, Attorney, Meyers Nave.

ALSO PRESENT: Patty Bennett, Novato resident  
Marie Hoch, Novato resident  
Brant Miller, Novato resident  
Tom Gaffney, Bartle Wells Associates, Inc.  
Steve Clary, RMC Water & Environment, Inc.  
Jim Henderson, Novato resident  
Phil Tucker, CA Healthy Communities Network

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL:

*On motion of Member Quesada, seconded by Member Fritz, and carried unanimously, the agenda was approved as mailed.*

REPORT FROM CLOSED SESSION:

There was no reportable action.

PUBLIC COMMENT:

Jim Henderson, Novato resident, commented on the District project that is taking place near his home and outlined the details that have resulted in delays of this project. Mr. Henderson commented on the proposed electrical savings of 40% due to the new treatment equipment and the possible sanitary sewer rate increase. He requested detailed information of the proposed savings of \$7.2 million if Veolia Water is allowed to operate the treatment facility.

The Manager responded with the details and timeline for the project near Mr. Henderson's residence. She reported on the engineering processes and the temporary construction easements that are necessary. The Manager discussed the proposed electrical savings.

President Di Giorgio discussed the County of Marin's deadlines for placing sewer service charge collection on the County property tax rolls.

Phil Tucker, CA Healthy Communities Network, referenced a letter as prepared by Shute, Mihaly & Weinberger in which they requested the District not enter into any contracts with Veolia Water West Operating Services. Mr. Tucker requested the Board rescind their earlier decision (April 26, 2010 meeting: Board approved an amendment to Agreement for Emergency Consulting Services) to avoid litigation.

Sky Woodruff, Attorney, Meyers Nave, reported that his firm did not believe the District was opening itself to any future litigation in regards to the aforementioned matter.

BOARD MEMBER REPORTS: None.

REVIEW OF MINUTES:

Consider approval of minutes of the March 1<sup>st</sup> and April 26<sup>th</sup>, 2010 Board meetings.

Member Quesada made a motion to approve the March 1<sup>st</sup> and April 26<sup>th</sup> Board meeting minutes and Member Long seconded the motion. Member Welsh requested the Board not approve the April 26<sup>th</sup> minutes and asked the Secretary to review the audio version of the minutes to record comments made by Member Long regarding payment of the Standard Operating Procedure Manuals as prepared by Veolia West Operating Systems.

*On motion of Member Welsh, seconded by Member Fritz and carried with the following vote, the Board approved the March 1, 2010 Board meeting minutes and requested the April 26, 2010 minutes be revised and presented for approval at the May 24<sup>th</sup> Board meeting. Ayes: Fritz, Long, Welsh. Noes: Di Giorgio, Quesada.*

#### SEWER SERVICE CHARGES:

Receive Service Charge Report. The Manager reported that the District had requested Bartle Wells Associates to review revenue and expense projections for the next fiscal year and to recommend the level of service charges to adequately fund operation and maintenance, replacements, capital and borrowing costs. She gave a PowerPoint presentation detailing the District's projected budget costs with Contract Operations and with Direct Operations.

Tom Gaffney, Bartle Wells Associates, discussed the District's cost for maintenance and the District's options for additional revenue using State Revolving Fund Loans and Municipal Bonds. He stated Bartle Wells final analysis was that if the District were to use contract operations for Operation Maintenance, no service charge rate increase would be necessary due to the financial savings inherent in the contract. He stated that if the District were to operate the treatment facility with their current employees and consultants, a \$40 service charge rate increase would be necessary.

Member Quesada requested the service charge rate increase be placed at \$45. Mr. Gaffney stated that an increase of an additional \$5 was not necessary based on his findings.

Member Welsh stated the savings analysis by Bartle Wells Associates was greatly overstated in order to justify contract operations. Director Welsh read a letter he prepared titled, "Statement on NSD Direct Operations Budget by Dennis Welsh, Director". Member Welsh discussed with the Board the cost areas he felt could be cut so the District could realize savings in the next fiscal year. Member Welsh stated he believes the costs are inflated and the budget should be lower.

The Manager explained in detail the need for the staffing requirements as outlined in Tables A-1, A-2, A-3 and A-4 of the Bartle Wells Service Charge Report.

Consider setting the maximum rate increase, setting Public Hearing date for July 12, 2010, and authorize mailed notice pursuant to Proposition 218. The Manager outlined the deadlines and requirements for Special Districts to submit sewer service charges to the County of Marin Department of Finance. She requested the Board set the date for the Public Hearing on Sewer Service Charges and authorize the mailing of the Proposition 218 Notice for a maximum rate increase of \$40 per equivalent dwelling unit.

President Di Giorgio opened this item for public comment.

Suzanne Crow, Novato resident, discussed numerous budget issues, commenting on the high garbage costs, the proposed need for two Grade V operators, the proposed need for 14 employees to run the new facility, the high software maintenance costs and the permit and fee costs.

The Manager pointed out that the budget item for Permits and Fees was included in both budgets (District direct operation and operation with a contract operator) and the calculation applies both to permits and past District fines.

Marie Hoke, Novato resident, suggested the software maintenance cost is adequate and the IT salary appears too low.

Phil Tucker, CA Healthy Communities Network, rebutted the statement of the previous speaker, stating the IT salary should be lower. He stated he felt it was blackmail for the District to report that a contract commitment with Veolia Water would produce lower sewer service charge rates.

Brant Miller, Novato resident, requested the Board present a user-friendly budget and have it available for public review on the District web site. He stated he did not want the District's new \$90 million treatment facility to be run poorly due to others' attempts to cut necessary costs.

President Di Giorgio closed public comment.

President Di Giorgio commented on the timing of the following three events: the Bartle Wells analysis, a proposed sewer service charge increase, and the reinstatement of the contract with Veolia Water West Operating Services. He stated the District needs to prudently plan and prepare for the operation of the treatment facility under both scenarios: operation by a private contractor or operation by District employees with consultants.

Member Welsh commented that the District should be able to operate one new facility with less money than it took to operate the two older facilities (Ignacio and Novato Main).

Member Quesada stated he would like to see the sewer service charge increase raised to \$45 instead of the proposed \$40.

*On motion of Member Fritz, seconded by Member Long and carried with the following vote, the Board set the date for the Public Hearing on Sewer Service Charges for July 12, 2010 and authorized the mailing of the Proposition 218 Notice for a maximum rate increase of \$40 per equivalent dwelling unit. Ayes: Di Giorgio, Fritz, Long, Quesada. Noes: Welsh.*

CONSENT CALENDAR:

Member Long requested clarification of the charge to the City of Novato, as listed on the disbursements, in the amount of \$11,771,59. The Manager explained that this charge was for reimbursement of the District's fuel (gasoline) charges and was for a period of six months.

*On motion of Member Fritz, seconded by Member Long and carried unanimously, the following consent calendar items were approved:*

- a. Accept quarterly investment report for period ending March 31, 2010.
- b. Approve regular disbursements in the amount of \$416,448.84, project account disbursements in the amount of \$1,086,517.63, Board member disbursements in the amount of \$2,429.97 and ratification of April payroll and payroll related expenses in the amount of \$284,132.90.

COLLECTION SYSTEMS IMPROVEMENT PROJECT 72706:

Consider making CEQA findings, approving plans and specifications, and authorizing advertising for bids for the Ignacio Blvd. Sewer Rehabilitation Project. The Manager discussed the project area noting that Nute Engineering has completed the plans and specifications for this project. She stated the project consists of replacing 163 feet of 8" sewer main and is a high priority repair. She noted that the Engineer's Estimate for the work is \$90,000.00 and recommends the Board make CEQA findings, approve plans and specification and authorize advertising for bids. She stated bids are expected to be received on June 8, 2010 and be presented to the Board at the June 14<sup>th</sup> meeting.

*On motion of Member Fritz, seconded by Member Quesada and carried unanimously, the Board approved making CEQA findings, approving plans and specifications and authorized advertising for bids for the Collection System Improvements Project 72706, Phase E – Ignacio Boulevard Sewer Rehabilitation Project.*

WASTEWATER TREATMENT PLANT UPGRADE PROJECT 72609:

Consider approval of a proposal from RMC Water Environment to prepare pre-design and design documents for the re-use or demolition of the existing Novato Treatment Plant units. The Manager noted that the demolition of the existing facilities was not addressed in the original contract pending a final look at any re-use opportunities for the facilities. She stated RMC was asked for a proposal due to their previous work with the treatment facility and discussed the two components of the proposal presented from RMC. She noted the three tasks outlined in the contract and the costs: Project Management, \$44,300; Final Design of Digester #2 and Solids Conditioning Bldg. Improvements, \$299,000; Preliminary Design and Evaluation of Site Improvements, \$177,500. The Manager requested that the Board authorize her to negotiate and execute a contract with RMC for \$525,000 for the above noted tasks.

*On motion of Member Fritz, seconded by Member Quesada and carried unanimously, the Board authorized the Manager-Engineer to execute an agreement with RMC Water Environment in an amount not to exceed \$525,000 to provide consulting engineering services for the Wastewater Treatment Facilities Upgrade Project – Contract C: Improvements at Novato Treatment Plant – Phase 1.*

Member Long left the Board meeting at 8:00 p.m.

#### PERSONNEL:

Consider re-establishing the position of Operations Leadworker. The Manager outlined the events that led to the Operations Leadworker position being abolished and the subsequent events that led to the position's reinstatement. She noted that Teamsters Local 315 had pointed out to her that the District had not formally re-established the Leadworker position. She requested the Board re-establish the position for the current Operations Leadworker Dasse de longh.

Member Welsh asked legal counsel Sky Woodruff if it would be necessary for the District to seek outside employment candidates for the position. Mr. Woodruff stated he was unsure if this was a requirement and would need to review the District policies before being able to make a final consideration on the matter.

The Manager stated that the District Policy states the Manager-Engineer is responsible for filling positions which the Board creates.

*On motion of Member Quesada, seconded by Member Fritz and carried with the following vote, the District re-established the position of Operations Leadworker with a pay range of \$5,810 - \$7,062/month. Ayes: Di Giorgio, Fritz, Quesada. Noes: Welsh. Absent: Long.*

#### ADMINISTRATION:

Consider adopting a policy on "Fixed Asset Capitalization". The Manager stated that the purpose of this policy was to provide criteria for determining when assets and associated costs are to be capitalized and depreciated.

President Di Giorgio explained in further detail prior auditors recommendations and the current auditors requests for the District to adopt a policy of depreciation for the fixed assets. The Manager stated that the General Accounting Standards Board (GASB) adopted a policy titled GASB 35 to address this issue.

*On motion of Member Quesada, seconded by Member Fritz, and carried unanimously by those members present, the Board adopted Novato Sanitary District Policy Number 3032: Fixed-Asset Capitalization.*

## WASTEWATER OPERATIONS:

Report from the Wastewater Operations Committee. The Manager reported that the Wastewater Operations Committee met on April 29, 2010 noting that the report from the Committee was being provided as part of the Board packet materials. She discussed the Collection System Monthly Report for 2010 as provided by Collection Systems Superintendent Tim O'Connor.

President Di Giorgio commented on the Veolia Water Operations Report – March 2010, and highlighted the training and other services being provided by Veolia stating he was pleased with Veolia's performance.

Member Welsh commented that he felt the training outlined in the report was being provided by the vendors of the new equipment and would be provided regardless of who was operating the treatment facility.

John Bailey, Project Manager, Veolia Water, discussed the March report, noting that on April 12<sup>th</sup>, the old treatment facility was removed from operations and the new, upgraded equipment was put into service. He stated the new equipment has performed very well. He discussed the March violations and commented on the very high flows due to wet weather in the first week of the month which resulted in the noted violations.

## STAFF REPORTS:

North Bay Watershed Association meeting. The Manager attended the NBWA meeting on May 7<sup>th</sup>. She discussed the NBWA budget noting that the District supports this organization with a contribution of \$6,500 per year. She stated that the NBWA made a final decision to reduce their budget by 5%. She discussed the S.T.R.A.W. project (Student and Teachers Restoring A Watershed) which NBWA will be funding and suggested the District support this program through their public education program.

California Association of Sanitation Agencies meeting. The Deputy Manager-Engineer discussed his attendance at the California Association of Sanitation Agencies (CASA) Spring conference which was held in Newport Beach from April 28-30, 2010. He discussed the programs he participated in during the conference. Member Long attended the CASA conference as well.

Member Welsh left the meeting at 8:20 p.m.

## MANAGER'S ANNOUNCEMENTS:

The Manager noted that the Wastewater Operations Committee will meet on Monday, May 17<sup>th</sup> at 2 p.m. and the Wastewater Solids Committee will meet at 4:30 p.m., also on Monday, May 17<sup>th</sup>.

ADJOURNMENT: There being no further business to come before the Board, President Di Giorgio adjourned the meeting at 8:24 p.m.

Respectfully submitted,

Beverly B. James  
Secretary

Julie Borda, Recording