

NOVATO SANITARY DISTRICT

Board Meeting Minutes

Meeting Date: May 13, 2019

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 5:30 p.m., Monday, May 13, 2019, at the District Office, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Carole Dillon-Knutson, Directors William Long, Jean Mariani, Brant Miller, and Jerry Peters.

STAFF PRESENT: General Manager-Secretary Sandeep Karkal, District Counsel Robin Donoghue, and Administrative Secretary Julie Hoover.

ALSO PRESENT: Laura Creamer, Finance Officer, Novato Sanitary District
Erik Brown, Deputy General Manager, Novato Sanitary District
John O'Hare, Project Manager, Veolia
Jeff Andress, Collections System Superintendent, Novato Sanitary District
Dale Thrasher, Administrative Services Officer, Novato Sanitary District
Jeff Boheim, Field Services Manager, Novato Sanitary District
Ms. Lauren Quint, Meyers Nave
Mark Takemoto, Senior Technical Manager, Woodard & Curran
Dave Richardson, Senior Principal, Woodard & Curran

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

CEREMONIAL MATTERS:

- Adopt Resolution No. 3132 recognizing District General Counsel Ms. Robin Donoghue on her retirement. The General Manager announced, with regrets that District Counsel Robin Donoghue was retiring from her position with Meyers Nave. He commended Ms. Donoghue for her brief yet distinguished service with the District. The General Manager read Resolution No. 3132 in its entirety.

On motion of Director Miller, seconded by Director Peters, and carried unanimously, the Board adopted Resolution No. 3132: A Resolution Commending Ms. Robin Donoghue for Distinguished Service as District Counsel of the Novato Sanitary District.

President Dillon-Knutson stated that Ms. Donoghue had been instrumental in leading the District through the transition to electoral zone based elections, and thanked her for her hard work and guidance. Directors Mariani and Long thanked her and stated that it had been a pleasure working with her.

Ms. Donoghue thanked the Board, and stated that it was a pleasure serving as District Counsel and working with General Manager Sandeep Karkal.

- Introduction of Ms. Lauren Quint of the Meyers Nave law firm as District General Counsel upon retirement of Ms. Robin Donoghue. The General Manager introduced Ms. Loren Quint of Meyers Nave, and stated that she would become District Counsel as of May 28th, upon the retirement of Ms. Donoghue.

Ms. Quint introduced herself and provided an over-view of her career, noting that she is familiar with the wastewater industry, currently working as the General Counsel for the Oro Loma Sanitary District. She stated that she looks forward to getting to know everyone, and was excited for the opportunity. The Board warmly welcomed Ms. Quint.

Following Ms. Quint's introduction, Ms. Donoghue and Ms. Quint were excused from the remainder of the meeting by President Dillon-Knutson, and left the meeting at 5:40 p.m.

REVIEW OF MINUTES:

- Consider approval of minutes of the April 8, 2019 regular meeting.

On motion of Director Peters, seconded by Director Miller, and carried with the following vote, the April 8, 2019 Board meeting minutes were approved. Ayes: Dillon-Knutson, Mariani, Miller, Peters. Abstain: Bill Long abstained as he was absent from the meeting.

CONSENT CALENDAR:

President Dillon-Knutson called for a motion on the Consent Calendar items as follows:

- a. Approve Board member disbursements in the amount of \$2,804.45, capital project disbursements in the amount of \$247,272.78, and regular disbursements in the amount of \$314,730.01. Ratification of April 22nd capital project disbursements in the amount of \$110,092.21, and regular disbursements in the amount of \$105,349.49.
- b. Ratification of additional payroll and payroll related disbursements for April, 2019, in the amount of \$271,525.05.
- c. Receive deposit summary, April 2019.
- d. Receive 3rd Quarter Investment Report, Fiscal Year (FY) 2018-19
- e. Receive FY 18-19, 3rd Quarter Financial Report.
- f. Cancel regular meeting of July 8, 2019 (due to lack of quorum).
- g. Adopt updated District Statement of Investment Policy, Policy No. 3120- Investment of District Funds.

On motion of Director Peters, seconded by Director Long, and carried unanimously, the Board approved the above listed Consent Calendar items.

WASTEWATER OPERATIONS:

- Receive report on new Reclamation Pastures ("Ranch") lease agreement, and authorize the General Manager-Chief Engineer to execute it. The Deputy General Manager stated that at its April 8, 2019 meeting, the District Board held the required public hearing and authorized staff to negotiate a new Reclamation Pastures (Ranch) lease agreement for a

duration of up to ten (10) years. He stated that to assist with the selection of a potential lessee, staff issued a Request for Proposal incorporating the draft lease agreement, and that on May 3rd, two responses/proposals were received: (1) Auburn Ravine Ranch (ARR), and (2) John Oneto and Cheryl Clark (Oneto/Clark). The Deputy General Manager stated that staff sought guidance in reviewing the submitted proposals from Stephanie Larson PhD, County Director/Livestock & Range Management Advisor of the University of California Cooperative Extension in Santa Rosa. He continued, stating that after review, the ARR proposal was determined to be more favorable to the District, and stated that staff was working with ARR to finalize the Ranch lease agreement.

A brief review and comparison of the proposals from ARR and Oneto/Clark followed between the Board and staff. The Board thanked the Deputy General Manager and the Field Services Manager for their work on the agreement.

On motion of Director Peters, seconded by Director Long, and carried unanimously, the Board authorized the General Manager-Chief Engineer to execute a new Reclamation Pastures lease agreement with Auburn Ravine Ranch.

- Receive Wastewater Operations Reports, April 2019.

Collection System Report: Collection System Superintendent Jeff Andress provided the Collections System Report for April 2019. He stated that the Collection Department cleaned 75,273 lineal feet of sewer pipelines, and that 15,927 feet of sewer main were televised. He noted that CCTV (closed circuit TV) identified one new issue related to infrastructure in a vitrified clay pipe (VCP) in an easement in the San Marin area, and stated that this has been added to the current Minor Project list. He stated that staff completed 390 maintenance work orders, leaving zero (0) work orders outstanding. Further, he noted that staff conducted 190 lift station inspections and completed maintenance inspections on four (4) air relief/vacuum valves. He then provided an overview of the root foaming treatment that was performed in the San Marin area.

The Collection System Superintendent then outlined the training provided in April, stating that Collection Department staff attended five (5) safety tailgate meetings, and participated in six (6) specialized training events. He stated that there were no lost time accidents in the month, and concluded his presentation, noting that there were no sanitary sewer overflows (zero SSOs) in April.

Treatment Facilities Report: Veolia Project Manager John O'Hare provided the April 2019 Treatment Facilities Monthly Operations Report (MOR). He reviewed the treatment plant performance, stating that the average flow for April was 4.76 MGD (million gallons per day). He continued, stating that there were no discharge violations in the month, and that the Recycled Water Facility (RWF) produced 8.938 million gallons of recycled water. He stated that the Bay Area Air Quality Management District (BAAQMD) issued one violation notice for a biogas flare low temperature excursion.

The Project Manager stated that Veolia staff participated in weekly tailgates, and attended a Confined Space and Permit Spaces classroom training on April 24th. He reviewed the monthly routine inspections, maintenance activities, and key events for the Novato treatment facility, the Ignacio transfer pump station, and the recycled water facility.

The Project Manager discussed pretreatment and pollution prevention activities, and concluded his report, stating that no odor contacts were received in April.

Reclamation Facilities Report: Field Services Manager Jeff Boheim summarized the Reclamation Facilities report for April. He stated that drainage pump stations No. 3 and 7 pumped approximately 72.5 MG (million gallons) and 32.6 MG, respectively. He continued, stating that on April 24th, both pump stations No. 3 and 7 were removed for repairs. He stated that residual storm water was pumped out of the reclamation areas, and that standing water began to evaporate, making Sites 2 and 3 accessible again. The Field Services Manager stated that Fahy Tree Service began tree removal work at Site 2 on April 30th, noting that between 60 and 70 Eucalyptus trees had fallen onto roadways and into ditches.

Director Miller discussed the recent floods at Hwy 37, and questioned if the District's sludge holding lagoons were also flooded. Staff noted that during the heavy rains and closure of Hwy 37 due to flood waters, the District's DLD area (Dedicated Land Disposal) and sludge holding lagoons were not compromised or flooded, and the General Manager and Deputy General Manager referenced aerial video, captured from a drone, that was presented to the Board at the March 18, 2019 meeting. President Dillon-Knutson suggested Director Miller could be provided a copy of the video for reference.

CAPITAL PROJECTS:

- Cogeneration/Alt Energy, Account No. 72708: Receive presentation on Cogeneration System implementation alternatives from the District's Consultant Woodward and Curran, and provide direction, if any. The General Manager stated that at its May 22, 2017 meeting, the Board received an update on progress toward implementing District cogeneration/alternative energy projects as part of the FY 17-18 Budget Workshop. He stated that staff had retained Woodard & Curran, Inc. (W&C), to update the Cogeneration Evaluation Technical Memorandum, originally drafted in 2006 by W&C as part of the Wastewater Treatment Plant Upgrade design. The General Manager stated that W&C representatives Dave Richardson and Mark Takemoto were present to update the Board on their cogeneration study findings.

Mr. Richardson greeted the Board and introduced his colleague Mark Takemoto. Mr. Richardson began a PowerPoint presentation, in which he provided the project background and cogeneration options evaluated by W&C. He compared the technological and permitting advantages and disadvantages of a reciprocating (conventional) engine vs. a microturbine, and the initial capital cost, lifecycle cost, and payback periods for these two options. He continued, discussing outside funding options available to the District, including investigating securing funding through the Small Generator Incentive Program (SGIP) and the State Revolving Fund's (SRF) Green Project Reserve (GPR) Program. He concluded his presentation, stating that the most feasible cogeneration project for the District would be the installation of two 65 kW microturbines, with two additional units to be added later. In terms of implementation, he noted that while there are several options, the preferred approach might be a conventional Design/Public Bid/Build based on the District's financial capability and willingness to do so, over other more unconventional (and potentially higher

cost) options such as turnkey private third-party Design-Build or Energy Service Company (ESCO)/Power Purchase Agreement.

Mr. Richardson and Mr. Takemoto responded to Board member questions. Director Miller asked if more design and implementation information would be brought forward to the Board if the project were to proceed. The General Manager noted that if the District were to utilize a conventional design/public bid/build approach, then the next step would be to retain W&C to undertake the next stage of the potential project, which would be to prepare a detailed basis-of-design report (BODR).

The General Manager discussed additional potential benefits from implementing a cogeneration project, noting that the District would be less impacted by PG&E power delivery interruptions and shutdowns, as well as potentially less impacted by increasing future power delivery costs from PG&E. He stated that, overall, the phased approach to cogeneration recommended by W&C would be a good initial step. Additionally, he stated that Veolia Water has informally expressed an interest in a financial (capital cost) commitment to a project of this nature if the District chooses to implement it, in consideration of operating the project and/or a contract extension. He discussed project implementation options as noted by W&C, and opined that a conventional Design/Public Bid/Build approach would be a workable option for the District, especially in light of Veolia's informal expression of interest in financial participation. The General Manager asked if the Board might be interested in providing any direction to staff to continue investigating a co-generation project at the District, utilizing microturbines to convert digester gas to electrical power, and follow-up with Veolia in terms of their financial participation in the project. Upon further discussion, the Board provided direction by adoption of the motion as below.

On motion of Director Mariani, seconded by Director Peters, and carried unanimously, the Board directed staff to continue investigation with Woodard and Curran, Inc. for a co-generation design-bid-build project at the District, utilizing microturbines to convert digester gas to electrical power, and follow-up with Veolia in terms of their financial participation in the project.

At 7:22 P.M., President Dillon-Knutson declared a short recess.

At 7:33 P.M., President Dillon-Knutson reconvened the meeting.

- Receive Capital Projects Update, April 2019. The Deputy General Manager provided an update of the current capital projects involved with the Capital Improvement Program (CIP) at the District, and he gave an overview of the four Collection System Improvement projects. Regarding the Lateral Replacement Grant Program, he stated that a total of twelve (12) grants had been distributed as of April 30, 2019. He discussed the Hamilton Wetlands/Outfall Integration project, noting that few changes have taken place, but that the State Coastal Conservancy anticipates beginning the project as early as Summer 2019. He provided an update of the Administration Building Upgrades/Maintenance Building, stating that the modular buildings were delivered in March, and that the units are awaiting water, electrical, and sewer utility hook-ups prior to occupancy by District staff. He concluded his report with a brief discussion of the vehicle replacements for fiscal year FY 18-19, stating that the District had received all of the vehicles that were in the current fiscal year budget.

ANNUAL BUDGET:

- Receive Preliminary Budget for Fiscal Year (FY) 19-20 and FY 20-21.

- Review FY 19-20 Preliminary Annual Operating and Capital budgets and budget elements.

The General Manager stated that the preliminary budget for Fiscal Year (FY) 19-20 and FY 20-21 was being presented for review, and he proceeded with a PowerPoint presentation.

He began with a summary review of FY 18-19 Revenues and Expenditures for the Operating and Capital budgets. He noted that the FY 19-20 budget was based on a Sewer Service Charge Increase from \$615/EDU in FY 18-19 to \$636/EDU in FY 19-20.

He proceeded to review the proposed Preliminary FY 19-21 Operating Budget by revenue source and department (pages 2 and 3 of the budget), and Capital Budget by revenue source and capital project (page 15 and 16 of the budget), including side-by-side comparisons with adopted budgets for two prior years FY 17-18 and FY 18-19.

The General Manager then presented a Year-Over-Year Budget comparison from FY18-19 to FY 19-20. He noted that FY 19-20 Operating Revenues are projected to increase by 2.75%, and Operating Expenditures are projected to increase by 6.71% over FY 18-19. He noted that while the year-over-year expenditures increase is slightly higher in percentage terms than in prior years, this is due to FY 19-20 operating expenditures being significantly impacted by two major costs that the District does not have in a typical year. Specifically: (1) An anticipated cost of about \$120,000 associated with the 5-year renewal of the District's Discharge Permit, and (2) An anticipated cost of about \$75,000 for election expenses associated with transitioning from at-large elections to by-district (division) elections. However, he noted that the good news is that the District's FY 19-21 operating budgets are still "balanced", with projected operating revenues exceeding operating expenditures.

He also noted a new operating cost center ("Non-Departmental") to more appropriately capture District-wide cost allocations, which the District has historically included within the Administration/Engineering budget cost center, but which do not demonstrate a direct nexus to administrative or engineering costs.

Reviewing the Year-Over-Year budget comparison from FY 18-19 to FY 19-20 Capital budget, the General Manager discussed the Capital Improvement Budget (CIP) summary of revenues and CIP expenditures. He noted an anticipated increase in total capital revenue of 3.86% for FY 19-20 and an approximately 12.5% decrease in projected capital expenditures budget, over FY 18-19, resulting primarily from significantly lower CIP expenditures.

The General Manager concluded the presentation by stating that the Preliminary FY 19-21 Budget would be agendized for Board adoption at the June 10th Board meeting, and requested that any comments be transmitted to him as soon as possible.

BOARD MEMBER REPORTS AND REQUESTS:

- North Bay Watershed Association (NBWA) meeting, May 3, 2019. Director Mariani discussed her attendance at the NBWA meeting held on May 3rd. She stated that NBWA

had produced a new brochure, and she provided a copy to the Board. She stated that an overview of Solano County Water Agency (SCWA) was provided by Roland Sanford, General Manager of SCWA. She stated that the NBWA 2020 Conference will take place on Friday, April 3, 2020 at the Petaluma Sheraton.

INFORMATIONAL ITEM:

The General Manager noted that the following item was included for informational purposes only:

- Marin Independent Journal article, May 7, 2019: "Marin warned to prepare for wildfire prevention power shutdowns".

GENERAL MANAGER'S REPORTS AND ANNOUNCEMENTS:

- Reports: Committee meetings for budget reviews as follows:
 - Solid Waste Budget review: Solid Waste Committee – 3:00pm, Monday, May 20, 2019 (Directors Mariani and Peters).
 - Operating Budget review: Wastewater Operations Committee – 3:00pm, Tuesday, May 28, 2019 (Directors Dillon-Knutson and Miller).
 - Capital Improvement Program (CIP) budget review: Capital Improvements Committee – 3:00pm, Monday, June 3, 2019 (Directors Dillon-Knutson and Long).
- Announcements:
 - The District has hired former (retired) District employee Steve Krautheim on a part-time basis as a Project Manager to implement Collection System projects.
 - The next Board meeting will be a Special meeting, to be held on Tuesday, May 28, 2019 at 5:30 p.m.

ADJOURNMENT: There being no further business to come before the Board, President Dillon-Knutson adjourned the meeting at 8:18 p.m.

Respectfully submitted,

Sandeep Karkal
Secretary

Julie Hoover, Recording