

June 27, 2011

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:30 p.m., Monday, June 27, 2011, preceded by two closed sessions beginning at 5:30 p.m. at the District offices, 500 Davidson Street, Novato.

At 5:30 p.m. President Long announced the Board would meet in closed session to discuss the following matters on the Closed Session Agenda:

CLOSED SESSION CONFERENCE WITH LABOR NEGOTIATORS, SESSION 1.

Government Code Section 54957.6. Confer with District's labor negotiators, Austris Rungis, Beverly James, and Sandeep Karkal.

Employee Organization: Teamsters Local 315.

BOARD MEMBERS PRESENT: President William C. Long, Members Michael Di Giorgio, Jean Mariani, George C. Quesada and Dennis Welsh.

STAFF PRESENT: Manager-Engineer-Secretary Beverly B. James, Deputy Manager-Engineer Sandeep Karkal and District Labor Negotiator Austris Rungis.

CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION, SESSION 2.

Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9: one potential case.

BOARD MEMBERS PRESENT: President William C. Long, Members Michael Di Giorgio, Jean Mariani, George C. Quesada and Dennis Welsh.

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

The closed Sessions ended at 6:38 p.m.

Open session began at 6:47 p.m.

BOARD MEMBERS PRESENT: President William C. Long, Members Michael Di Giorgio, Jean Mariani, George C. Quesada and Dennis Welsh.

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

ALSO PRESENT: Tom Gaffney, Bartle Wells Associates
Brant Miller, Novato resident
Suzanne Crow, Novato resident
John Bailey, Project Manager, Veolia Water

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL:

REPORT FROM CLOSED SESSION, SESSION 1:

District Counsel Kent Alm stated that there was no reportable action.

REPORT FROM CLOSED SESSION, SESSION 2:

District Counsel Kent Alm stated that further instruction was given to counsel and no further report was necessary on this matter.

PUBLIC COMMENT: None.

REVIEW OF MINUTES:

Consider approval of minutes of the June 13th, 2011 meeting.

President Long requested that an addition be made to the minutes as follows: Page 6, third paragraph: *...he spoke with Ralph O'Rears, The Buck Center, who is concerned about Novato Disposal's construction and debris collection service **with regards to the Center's goal of LEED Certification.***

On motion of Member Di Giorgio, seconded by Member Welsh and carried unanimously, the minutes of the June 13th, 2011 meeting was approved as amended.

CONSENT CALENDAR:

On motion of Member Quesada, seconded by Member Mariani, and carried unanimously, the following Consent Calendar item was approved:

- a. Approval of regular disbursements in the amount of \$492,421.45, project account disbursements in the amount of \$28,670.44 and payroll and payroll related disbursements in the amount of \$236,581.76.*

WASTEWATER TREATMENT PLANT UPGRADE PROJECT B-NOVATO
TREATMENT PLANT IMPROVEMENTS; PROJECT NO. 72609:

Consider granting Final Acceptance of the Project to Monterey Mechanical and authorize staff to file the Notice of Completion. The Manager introduced Steve Wrightson, Project Manager, The Covello Group. Mr. Wrightson gave an overview of the treatment plant upgrade and highlighted the project's successes. He complimented the staff at Monterey Mechanical, the Novato Sanitary District and The Covello Group. He thanked the District's Operators and Board members, noting that they were very supportive of the project.

Member Quesada agreed with Mr. Wrightson's comments.

Member Di Giorgio asked for clarification of the acceptance procedure and inquired if Veolia's final acceptance was part of the process as well. The Manager stated that the requested acceptance is showing final agreement with Monterey Mechanical that the project is complete and that the District is formally accepting the project. She noted that Veolia's acceptance was separate and was agreed upon when Veolia entered the Service Contract with the District.

The Manager commended The Covello Group's construction management team for their excellent work.

President Long asked if the Final Acceptance would trigger the State Revolving Fund (SRF) loan payback. The Manager stated that the SRF loan payback would begin one year following substantial completion, which took place on January 30, 2011, so the District is obligated to make their first payment on January 30, 2012.

President Long complimented The Covello Group and the Board for their dedication to the project.

On motion of Member Di Giorgio, seconded by Member Quesada and carried unanimously, the Board granted Final Acceptance of the Wastewater Facility Upgrade Project Contract B – Novato Treatment Plant Improvements; Project No. 72609 and authorized staff to file the Notice of Completion.

FINANCE:

Consider adoption of the Preliminary Budget for fiscal year 2011-12. The Manager outlined the budget, noting that this final Preliminary Budget was substantially the same as the draft version reviewed at the June 13th meeting. She discussed the comparison of the 2010-11 budget vs. the estimated actual revenues and expenditures. She discussed the comparison of the proposed 2011-12 revenues vs. the 2010-11 budget, noting that there was a total revenue decrease over the previous year's budget of \$317,613.00. The Manager discussed the operating budget expenditures for the 2011-12 budget, noting that the total budgeted expenditures are estimated to be \$8,806,593.

On motion of Member Di Giorgio, seconded by Member Quesada and carried unanimously, the Board adopted the Preliminary Budget for fiscal year 2011-12 as it was presented.

Consider approval of financing plan. The Manager introduced Tom Gaffney, Bartle Wells Associates. Mr. Gaffney stated that Bartle Wells has developed recommendations regarding the level of service charges to adequately fund operation and maintenance, replacements, capital and borrowing costs. He noted that the District currently relies on pay-as-you-go financing for ongoing capital improvement expenses. He stated, however, that because nearly \$25 million of projects are identified as necessary over the next three years, a Certificate of Participation (COP) bond issue of \$21.65 million is projected for next year.

Mr. Gaffney reviewed with the Board the District's projected capital cash flow for the next five years. He discussed the District's bond rating and suggested the Novato Sanitary District would be rated as an 'AA' agency. He pointed out a revision to Table 5, and the Board and public were presented with a revised copy of that table which showed fiscal years 2011-12 through 2015-16.

Mr. Gaffney discussed Certificate of Participation bond issues and explained the benefits of "pay-as-you-go" financing.

A member of the audience addressed the Board regarding the past and proposed sewer service charge rate increases indicating that funds from these increases should have been sufficient to cover the SRF loan repayment. She discussed the proposed Certificate of Participation bonds and noted that the effective interest rate would be 6.6%, not 4.5%. She discussed the upcoming interest payment for the State Revolving Fund (SRF) loan which will be due in January. She suggested the Board review the long term effects of borrowing funds.

The Manager responded that projected annual capital revenues are sufficient to cover the outstanding SRF loan payments; however the District is projecting substantial additional capital costs for the recycled water facility and Collection system upgrades. She noted that the past rate increase did not provide enough funding for these additional capital projects.

On motion of Member Mariani, seconded by Member Di Giorgio and carried with the following vote, the Board moved acceptance of the financing plan as prepared by Tom Gaffney, Bartle Wells Associates. Ayes: Di Giorgio, Long, Mariani, Quesada. Abstain: Welsh.

Member Welsh stated that he was not able to vote in the affirmative because he was not in concurrence with the capital improvement projects being proposed.

Authorize initiating the Certificate of Participation bond sale process. The Manager discussed the alternate methods of financing and briefly summarized the financing process. She outlined the previously selected Financing Team Members, the project costs and ways to structure the financing. She stated that Tom Gaffney recommends, and District staff concurs, that the best option for the District at this time is Certificate of Participation bonds.

District Counsel Kent Alm stated that this decision does not irrevocably commit the Board to the previously discussed financing methods.

Member Di Giorgio noted that there are continuing capital improvement projects important to the District.

On motion of Member Di Giorgio, seconded by Member Quesada and carried unanimously, the Board authorized Tom Gaffney, Bartle Wells Associates, to initiate the Certification of Participation bond sale process and directed staff to proceed.

Member Welsh admonished the Board for the spending that led the District to this financial need.

President Long stated that this funding is necessary for the continuation of programs and investments critical to the District.

At 8:37 p.m. President Long declared a 10 minute recess.

President Long resumed the meeting at 8:50 p.m.

BOARD OF DIRECTORS:

Election of officers for 2011-12.

Member Di Giorgio nominated President Long to serve as Board President for a second term. *All Board members recorded an 'Aye' vote.*

President Long nominated Member Di Giorgio to serve as President Pro-Tem for a second term. *All Board members recorded an 'Aye' vote.*

Member Quesada appointed Manager-Engineer Beverly James to serve as Secretary Treasurer and Administrative Secretary Julie Borda to serve as Secretary Treasurer Pro-Tem. *All Board members recorded an 'Aye' vote.*

Member Di Giorgio moved to appoint the following members to serve as District check signers: William C. Long, Jean Mariani, and Mike Di Giorgio.

The following vote was recorded: Ayes: Quesada, Di Giorgio.

Member Mariani moved to appoint the following members to serve as District check signers: William C. Long, Mike Di Giorgio, and Dennis Welsh.

The following vote was recorded: Ayes: Long, Mariani, Welsh.

President Long declared the new District check signers to be: William C. Long, Michael Di Giorgio, and Dennis Welsh.

WASTEWATER OPERATIONS:

Wastewater Operations Committee Report. The Manager noted that John Bailey, Plant Operator Veolia Water, was available for any questions. The Manager gave an overview of the Treatment Plant Operations for the month of May 2011 and noted that there were no permit exceedances, violations or excursions.

Member Di Giorgio noted that Veolia Water employees have gone one year without any "lost time" incidents.

Odor control staff report. The Manager noted that there have been no odor complaints since June 10th. John Bailey discussed the actions Veolia takes when odor complaints are received and the instruments utilized to monitor and identify the odor.

Member Di Giorgio noted that odor complaints have decreased dramatically in June.

UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT:

Receive annual Uniform Public Construction Cost Accounting Act Report. Deputy Manager-Engineer Sandeep Karkal noted that one of the provisions of the Uniform Public Construction Cost Accounting Act (UPCCA) requires a report be made to the Board at the end of each fiscal year. He stated that this Act allows the District to complete projects with less administrative effort while maintaining work quality.

He outlined the five projects completed under the UPCCA which totaled \$555,016 and noted that of these, four projects were over \$30,000.

Member Quesada requested clarification of the Act. The details of the Act were explained by the Deputy Manager-Engineer and District Counsel Kent Alm.

On motion of Member Di Giorgio, seconded by Member Mariani, and passed unanimously, the Uniform Public Construction Cost Accounting Act report was received as presented.

COLLECTION SYSTEM:

Consider approval of expenditure for mainline CCTV camera and tractor. The Deputy Manager-Engineer stated that the FY 2010-11 Capital Improvements Budget for Account No. 72803 included an allowance for the purchase of a new mainline CCTV camera and tractor in the amount of \$40,000. He stated that he had been working with Tim O'Connor, Collections System Supervisor, to solicit quotes and conduct onsite and field demonstrations to select the unit best suited to the District's operational needs. He noted that after thorough evaluation of the equipment demonstrated, staff recommended the purchase of the Cues camera/tractor unit from Weco Ind. for \$27,250.00. The Deputy Manager-Engineer recommended the Board authorize the issuance of a purchase order in the amount of \$30,000 to Weco Industries.

On motion of Member Quesada, seconded by Member Welsh and carried unanimously, the Board authorized the Manager-Engineer to issue a purchase order to Weco Industries in the amount of \$30,000 for the purchase of a new Cues mainline CCTV camera/tractor unit.

STAFF REPORTS:

North Bay Water Reuse Authority. The Manager gave an overview of the NBWRA meeting she attended on June 20th. She noted that the Water Smart Grant application for approximately \$1.3 million had been conditionally approved but did not impact the Novato Sanitary District. She stated that this grant will fund the completion of the Novato South project with the Las Gallinas Sanitary District and will benefit some Novato Sanitary District customers.

Bayside Subdivision Pizarro Avenue sewer repair. The Manager stated that the District has not accepted the Pizarro Avenue sewer system because differential settlement has caused the sewers to significantly deviate from District's standards for line and grade. She noted that Lennar Homes has recently proposed to correct the settlement problem in the easement by injecting grout under the manhole and sewer to bring it up to grade. She pointed out that this is a developer's project, not a District project. She stated that the District has not accepted the project.

BOARD MEMBER REPORTS:

Member Welsh asked the Deputy Manager-Engineer for a status update on the pump station rehabilitations on Western Oaks. The Deputy Manager-Engineer reported that he had not heard of any problems.

President Long complimented Martin Rauch for his production of the latest District newsletter.

MANAGER'S ANNOUNCEMENTS: None.

ADJOURNMENT:

There being no further business to come before the Board, President Long declared the meeting adjourned at 9:30 p.m.

Respectfully submitted,

Beverly B. James, Secretary

Julie Borda, recording