

July 20, 2009

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:30 p.m., Monday, July 20, 2009, at the Hill Community Room, Margaret Todd Senior Center, 1560 Hill Road, Novato.

BOARD MEMBERS PRESENT: President Michael Di Giorgio, Members James D. Fritz, William C. Long and George C. Quesada. Member Arthur T. Knutson arrived at 6:34 p.m.

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

ALSO PRESENT: Martin Rauch, Rauch Communications  
Paul Eisenhardt, The Eisenhardt Group  
Wayne Griffith, The Eisenhardt Group  
Bill Mitchell, The Eisenhardt Group  
Jim Bewley, The Eisenhardt Group  
Nat Bates, Novato resident  
Dennis Welsh, former NSD employee, Novato resident  
Pam Welsh, Novato resident  
Phil Tucker, CA Healthy Communities Network  
Jim Good, Veolia Water  
John Quinley, Novato resident  
Dean Heffelfinger, Novato resident  
Jim Lynch, NSD employee  
Alison  
Margaret Ballow  
Gary Ghiliotti  
Heidi Heffelfinger, Novato resident  
Eric Ruby, Novato resident  
Jo Heffelfinger, Novato resident  
Dean B. Heffelfinger, NSD employee, Novato resident  
Lisa Maldonado  
Brian McGrane, NSD employee  
Frank Egger, North Coast Rivers Alliance  
Steven Montoya, Novato resident  
Jeff Hendricks, Veolia Water employee  
Rudy Ouarsara, Veolia Water employee  
Corinne Kremlacek, Novato resident  
Brian Nagle, Novato resident  
Chris DeGabriele, North Marin Water District, Novato resident  
Tom Pierce, ACC of Novato, Novato resident  
Deanna Pierce  
Marie Scully, Novato resident  
Bill Scully, Novato resident  
Laura Levine, Novato resident

Clark Blasdell, Novato resident  
Art Ribbel, Novato resident  
Pat Ribbel, Novato resident  
Sarah Nagle, ACC of Novato, Novato resident  
Winter King, Shute Mihaly & Weinberger, representing ACC of Novato  
Norman Stone  
Lynn Wasley, Novato resident  
Peter Tiernin, Novato resident  
Scott Pariani, Novato Disposal Service  
Jesse Perez, Novato Disposal Service  
Steve McCaffrey, Novato Disposal Service  
Todd Smith, Novato resident  
LaMonte Bishop, on behalf of Senator Leno  
Barbara Mathis, Novato resident  
Don E. Garcia, Teamsters Local 315  
Jan Quinley, Novato resident  
Adam Scow, Food and Water Watch  
Dennis Fishwick, Novato resident  
Suzanne Brown Crow

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL:

*On motion of Member Quesada, seconded by Member Fritz, and carried by the following vote, the Agenda was approved as mailed. Ayes: Di Giorgio, Long, Fritz, Quesada. Noes: none. Absent: Knutson.*

PUBLIC COMMENT: None. (See item 3 below.)

WASTEWATER FACILITY UPGRADE PROJECT:

Review proposals received to operate and maintain the treatment facility.

Staff Report: Martin Rauch gave a brief overview of the meeting format and discussed the procedure to be used for the public question and answer period. He noted that this portion of the meeting was designed to give members of the public an opportunity to obtain answers to their questions and to address the Board of Directors on the proposals to operate and maintain the District's wastewater treatment facility. He requested all those who wished to speak to fill out a speaker's card and cards may be turned in until the end of the comment period. He stated each card would be read aloud and the author would then have an opportunity to comment verbally and/or ask questions. He noted the time limit for each speaker would be three minutes. In addition, he asked that all participants conduct themselves in a fair and civil manner, being respectful of others opinions and comments. He stated personal attacks, foul language or disparaging comments would not be allowed.

The Manager gave a Power Point presentation titled "How Best to Prepare for and Operate the New Treatment Plant, Keys to a successful Start Up and Operations Program". She gave an overview of the Novato treatment facility and the public sewer lines serviced by the District's Collections Department. She discussed the District's aging treatment facilities and why an upgraded facility was necessary to serve the residents of Novato. She pointed out the new facilities challenges and briefly discussed the two options for operating the new treatment facility: hiring of consultants to assist existing District staff or hiring of an outside contract operator. She noted the District objectives and the due diligence process the District Board and staff completed with regards to evaluating the best operating options. She summarized the proposal results and discussed the benefits of Veolia Water's proposal. She discussed the job guarantees and benefits the relocated District employees will have with the private contractor. She outlined the areas in which the District would maintain control and listed the functions that would still be under District charge. She discussed Veolia Water's proposal. The Manager recommended to the Board that they authorize her at the meeting on July 27<sup>th</sup> to negotiate an agreement with Veolia Water to operate and maintain the District's wastewater treatment facilities including the Novato Treatment Plant, the Ignacio Treatment Plant, the supernatant return, the Dechlorination Facility, and the Ignacio Transfer Pump Station and Equalization basins.

Paul Eisenhardt of the Eisenhardt Group, discussed the scope of work the Eisenhardt Group provides. He discussed his report "Novato Sanitary District, RFP for Contract Operations Proposal Evaluations" (RFP). He introduced the team he worked with in the determination process: Wayne Griffith, Bill Mitchell, and Jim Bewley. These three gentlemen discussed their background and the input they provided in completing the RFP report. Mr. Eisenhardt stated that proposals were received on June 26, 2009, in response to the District's RFP for provision of professional services for "District WWTP Operations, Maintenance, and Management Services" issued May 5, 2009 by the District. Three pre-qualified firms were invited to submit proposals. He noted that proposals were received from two firms: United Water and Veolia Water and he discussed the assessment tools that were used to rate them. He stated that after interviewing the two firms, the Evaluation Committee determined Veolia Water was the most appropriate choice.

Martin Rauch gave a brief overview of the rules that would be in place for the public comment portion of the Board meeting.

At 7:17 p.m., President Di Giorgio announced a short recess.

At 7:25 p.m., President Di Giorgio called the Meeting back to order.

Public question and answer:

Nat Bates, Council Member for the City of Richmond, stated that the City of Richmond's Wastewater treatment plant currently contracts with Veolia Water. He stated his experience with Veolia Water has been favorable and he discussed the decline in violations since Veolia contracted with the City of Richmond facility.

Dennis Welsh, Novato resident and former NSD employee, directed questions to the Board. He questioned what the response time was going to be for Veolia employees during emergency conditions, stating that the current NSD employee response time in emergencies is thirty minutes. The Manager referenced a chart which showed a substantial amount of Veolia employees within the required distance to the District. Member Fritz responded that the emergency response time would be one half hour. The Manager stated that it would be the same as always.

Pam Welsh, Novato resident and Chairperson for the ACC of Novato, discussed the FBI/EPA investigation and its impact on the District. She requested the Board postpone any decision regarding the contract operator option and if they did move forward, urged the Members to vote no.

Phil Tucker, Project Director of the CA Healthy Communities Network, discussed his concern of the bank fraud/theft and the pending FBI/EPA investigation. He stated this is the first Novato Sanitary District Board Meeting where the public has been allowed to speak extensively regarding the Board's pending decision. He questioned why the rush and requested more time before the Board makes a final decision. Regarding the bank fraud investigation, the Manager noted that Bank of Marin experienced similar fraudulent activities with at least two other clients at approximately the same time as the District. She noted that we have recovered all funds except approximately \$70,000 and she stated the fraudulent activity occurred through an external computer attack. In regards to the FBI/EPA investigation, she stated that the investigation appears to be concerned with events that took place in 2006 and 2007 and that the District is cooperating fully with the investigation.

John Bailey, proposed Veolia Project Manager, introduced himself and stated he has thirty-three years working in the public service sector and one and a half years working in the private service sector.

John Quinley asked where the nearest operating Veolia Water facility is located that is most similar to the Novato Sanitary District operations. Jim Good of Veolia Water noted that Veolia operates the wastewater treatment facilities in Burlingame, Richmond, Discovery Bay, and Rio Vista. Mr. Quinley asked what the penalty is for early termination of the Veolia contract. The Manager stated the penalties for early termination with Veolia Water are at \$500,000 for termination in the first year and is pro-rated for each subsequent year that the contract proceeds. Mr. Quinley asked if an experienced Operator would be designated on call during emergency situations, particularly the thirty minute emergency on-call condition that exists currently for District employees. The Manager stated that there will be a certified Operator on call responding within the thirty minutes. In addition, this Operator will have a laptop computer which will connect him to the District's SCADA system. Mr. Quinley stated that Veolia's bid appears to be very low. The Manager noted that the District is very familiar with the management of large contracts.

Dean L. Heffelfinger, Novato resident, discussed other districts that went from private operations back to public operation and the reasons for the change.

Jim Lynch, NSD employee and ACC of Novato member, discussed his past work experience with Veolia Water and Richard Luthy who was hired by the District as an independent investigator. District Counsel Kent Alm stated he hired Richard Luthy due to his past professional experience as well as his knowledge of the subject matter he was asked to review.

Alison Longman commented on the presentation and discussed the liability of fines. She questioned how Veolia Water was able to put a guaranteed cap on expenses. Paul Eisenhardt responded.

Margaret Ballow asked how the proposed \$7.2 million savings by Veolia Water would be materialized. The Manager stated that Veolia Water was able to share resources through purchasing and through personnel sharing over multiple plants. She referenced the graphs displayed on the wall of the meeting center. Ms. Ballow discussed employee training and asked how Veolia will achieve this training. Jim Good, Veolia Water, discussed the significant employee training that Veolia Water offers its employees.

Gary Ghilotti discussed his experience as a contractor who employees union workers. He discussed his experience with sewer agencies and commended the management at the Novato Sanitary District.

Eric Ruby, Novato resident, discussed the large discrepancy in operating costs between the contract operator option and the hiring of consultants to train District employees.

Heidi Heffelfinger, Novato resident and ACC of Novato member questioned why the District would need consultants for five years. She stated she considers these figures inflated. She urged the Board to vote no on the hiring of a private contract operator. The Manager responded to Ms. Heffelfinger's questions and noted that the estimate for consultants was based on a scope of work and they will likely complete this work in three years or less.

Jo Heffelfinger, Novato resident and ACC of Novato member discussed the newsletter publication that was sent out by the Novato Sanitary District. She disagreed with the statements and requested the Board vote no on the hiring of a private contract operator.

Dean B. Heffelfinger, NSD employee and Novato resident discussed previous storm events at the District and how the employees worked together to alleviate the problem and get the plant back to normal operating status. He commended his fellow employees for their dedication. District Counsel Kent Alm responded to Mr. Heffelfinger's comments.

Lisa Maldonado, North Bay Labor Council, expressed her concern over the disrespect the Board has shown during past Board meetings. She strongly opposed the contract

operator option. She asked who had paid for the public service television ads and the public service messages distributed by mail. The Manager briefly discussed the District's methods of public outreach. Ms. Maldonado questioned the Manager regarding the response time as stated in the RFP as being two hours. She noted however, that previously the Board stated the response time was thirty minutes. The Manager stated that the Board has made it clear that they wanted to preserve the thirty minute response time and she noted the on-call operator will be available within a thirty minute response time. She stated that contractually, in the event of a large emergency, such as an earthquake, the response time conceivably could be longer. In addition, the Manager stated that employee benefits for those transitioning to Veolia would be equivalent to benefits they currently have as District employees.

Brian McGrane, NSD employee, discussed a fallacy that was stated in a public outreach document and said the District has distorted the truth. He stated the District has stopped employee training on the new equipment.

Frank Egger, North Coast Rivers Alliance, discussed recycled water usage and urged the Board to reject contract operations.

Steve Montoya, Novato resident and subcontractor to Veolia Water, discussed his positive work experience with Veolia Water.

Jeff Hendricks discussed his experience as a Veolia employee, stating it has been a good and positive experience.

Rudy Ouarsara, Veolia employee, gave some background on his employment with Veolia, stating it has been a very positive experience.

Corinne Kremlacek, Novato resident, wrote a comment that stated, "I support the District's decision to bring in a company to teach the operation of the new plant."

Brian Nagle, Novato resident, felt the public should be involved in the decisions and feels there are on-going concerns. He requested all television advertisements and public outreach be discontinued.

Chris DeGabriele, North Marin Water District and Novato employee, discussed the similarities between the Water District's start up of the Stafford Lake Plant and the Novato Sanitary District new facility start up. He believes the District's decision to use a contract operator is sound, but also feels the employees should be protected. He understands that employee interests are key.

The Manager responded to an anonymous comment which asked how a private company would not put their bottom line profit margins above community needs. Jim Good, Veolia Water, explained the value system of Veolia and referred to the charts which showed safety records and environmental compliance. He gave an overview of Veolia's priorities.

Tom Pierce, ACC of Novato, discussed the Board's apparent lack of interest in full disclosure to the public. He questioned why the Board would go forward with a decision that has so much negative public outcry. The Manager pointed out that the Evaluation Report is available and outlines the cost estimates.

Marie Scully, Novato resident, spoke in support of the Board and the Manager-Engineer.

Laura Levine, Novato resident, stated she greatly appreciated the careful due diligence of staff in considering a range of important considerations. She stated she fully supports the staff's recommendations.

Clark Blasdell, Novato resident, stated his support of the staff recommendation and urges the Board to get all the facts as they move forward with a decision.

Art Ribbel, Novato resident, stated the Eisenhardt Report was not an unbiased report. He stated that even though the District knew that new equipment would be implemented, they did not send out the employees for training. He stated Veolia Water's compensation should include employee retirement and vesting as the District currently offers. Mr. Ribbel asked for clarification on how a private contractor could operate the District less expensively than the way the District is currently operated. The Manager explained that Veolia Water is able to share resources with their other facilities and thus achieve a greater savings. In addition, she addressed the validity of the Eisenhardt Report.

Sarah Nagle, Novato resident, discussed the City of Richmond's treatment facility and an overflow that was not responded to while Veolia Water was in charge. She stated the overflow severely flooded an elderly woman's home. The Manager responded to the Richmond overflow incident stating that Veolia Water will not be in charge of Novato Sanitary District's Collection System; thus the overflow response call would go to District employees.

Winter King, Law offices of Shute, Mihaly & Weinberger representing Alliance of Concerned Citizens of Novato, requested more time for the public to review the documents leading to the Board decision to hire a private contract operator. She urged the Board to wait thirty days for public review before making a final decision. She asked for clarification regarding the Board Agenda for July 27<sup>th</sup>. District Counsel Kent Alm stated that the July 27<sup>th</sup> meeting would provide an Addendum to the 2005 EIR along with a discussion. In addition, Mr. Alm stated the Board wanted to issue the Addendum prior to any final decision the Board would make regarding private contract operations.

Norman Stone discussed the current financial markets and questioned what is the District's plan if Veolia Water runs into financial problems and files for bankruptcy. He urged the Board to vote no. The Manager briefly discussed how the District would enforce the contract if Veolia Water became insolvent.

Lynn Wasley had a written comment which was read by Mr. Rauch: "No outsourcing."

Peter Tiernin, Novato resident, had a written comment which was read by Mr. Rauch: "Keep public service public."

Scott Pariani, employee of Novato Disposal, expressed his support of the District in their decision, stating that Novato Disposal and the Novato Sanitary District have been partners for many years.

Jesse Perez, employee of Novato Disposal, discussed the private contract between Novato Disposal and Novato Sanitary District. He said privatization does work.

Steve McCaffrey, Director of Governmental Affairs at Novato Disposal, discussed innovations Novato Sanitary District has implemented and stated public/private partnerships do work.

Todd Smith, Novato resident, had a written comment which was read by Mr. Rauch: "Cost analysis: how will privatization save the District \$1 million each year?"

LaMonte Bishop, representing Senator Mark Leno, read a statement on behalf of Senator Mark Leno. He urged Novato Sanitary District to continue to work closely with the Novato residents to ensure a solution with which the community can unite.

Barbara Mathis, resident of Novato, asked if the Veolia Water contract has been reviewed by independent legal counsel specializing in contracts. District Counsel Kent Alm stated that the actual, final contract has not been agreed to; however there have been many layers of review. He stated he would look at the contract very closely to ensure the rate payers achieve what they are expecting.

Don E. Garcia, Official from Teamsters Local 315, asked how long the District has been considering the contract operator option. He stated that fair treatment of staff is the only way to operate a successful treatment facility.

Adam Scow, Food and Water Watch, stated he has researched Veolia Water's record and urges the public to determine if Veolia is a good fit for their District needs. He urges the District to take more time to make a decision. John Good, Veolia Water, addressed comments regarding Veolia Water's past records.

Dennis Fishwick, Novato resident, questioned whether the contract will be done by Resolution or Ordinance. He requested this decision be put on the November ballot so the public would have the opportunity to vote. District Counsel Kent Alm responded that the Contract may be adopted by Resolution or by Order of the Board.

Suzanne Brown Crow discussed the District's advertisements and outreach publications. She felt more time is needed to come to a final decision. She felt the Eisenhardt Report was goal oriented. She urged the Board to listen to public comment and if decision must

be made now, urges the Board to vote no. She asked for the number of Veolia Water employees that are retained after three years. Jim Good, Veolia Water, responded that the situation varies depending on circumstances and is possibly 80%. In addition, he outlined how Veolia Water can privately operate treatment facilities at a cost savings over treatment plants that are under public operation.

Martin Rauch expressed his appreciation for all those who commented.

President Di Giorgio closed Public Comment.

Additional individuals who did not speak in Public Comment but were present at the Board meeting:

Alice Dow  
Ron Viner, Novato resident  
Dee Johnson, NSD Household Hazardous Waste Coordinator  
Lee Hamovitz, Novato resident  
Oritta Hardy-Sayle, Novato resident  
Lee Harms, Novato resident  
John Bailey, Veolia Water  
Chris McAuliffe, Veolia Water  
John Gleason, former NSD employee, Novato resident  
Carl Sanchez  
Richard Farah, Novato resident  
Beth Garber  
Richard Riner, Novato resident  
Ron and Anne Thomas, Novato resident  
Jeffrey & Rebecca Baker  
Phil Yberrolaza  
Rosemary Yberrolaza  
Molly Farquist  
Mario Martinez  
John Bottali  
Tony Silva, Novato employee, Novato resident  
Amy Silva, Novato resident

Board Comments:

President Di Giorgio thanked all those who attended the meeting.

Member Long thanked the audience. He discussed the public outreach efforts the District had made and thanked Veolia Water for their competitive bid. He discussed the Board's decision noting that the District employees who are transitioning to Veolia Water are being offered comparable compensation.

Member Fritz discussed his visits to other wastewater treatment facilities. He noted that opinions he drew from these visits are completely different from the opinions of the attendees at the meeting.

Member Quesada gave a review of his Novato political history stating that in June, 1974, he was elected to the Novato Sanitary District Board of Directors. He stated he has not made a decision as to how he will vote.

Member Di Giorgio stated he has not yet made a decision as to how he will vote. He discussed the current financial situation and how it affects the District. He addressed several issues that residents brought before the Board.

Review Environmental Impact Report Addendum.

District Counsel Kent Alm gave a brief overview of the addendum to the 2005 Environmental Impact Report ("2005 EIR") for the Novato Sanitary District Wastewater Facility Plan Project ("Project") and reviewed the environmental effects if the District moves forward with a private contract operator. He noted that District staff had determined that the operation, maintenance and management for the Project Facilities by Contractor falls within the existing facilities exemption set forth in the California Environmental Quality Act (CEQA) Guidelines section 15301 because the Project has been finally approved based on the 2005 EIR. In addition, he stated, the operation, maintenance and management of the Project Facilities by Contractor involves no expansion of use beyond that considered in the 2005 EIR. Mr. Alm stated the addendum will be available for review and comment at the next Board meeting. He stated that there is no action required by the Board at this time.

Frank Egger, North Coast Rivers Alliance, discussed the appropriateness of the CEQA filing in regards to the upgraded facility being operated by a private contractor.

ADJOURNMENT: There being no further business to come before the Board, President Di Giorgio adjourned the meeting at 10:03 p.m.

Respectfully submitted,

Beverly B. James  
Secretary

Julie Borda, Recording