

# NOVATO SANITARY DISTRICT

## Board Meeting Minutes

Meeting Date: August 10, 2020

A regular meeting of the Board of Directors of the Novato Sanitary District was held via Zoom® conferencing at 5:30 p.m., Monday, August 10, 2020.

BOARD MEMBERS PRESENT AS NOTED BY ROLL CALL\*: President Carole Dillon-Knutson, Directors Tim Fuelle, William Long, Jean Mariani, and Jerry Peters.

STAFF PRESENT AT 500 DAVIDSON STREET\*: General Manager-Secretary Sandeep Karkal, Finance Officer Laura Creamer, and Administrative Services Officer Dale Thrasher.

ALSO PRESENT\*: John O'Hare, Project Manager, Veolia  
Erik Brown, Deputy General Manager, Novato Sanitary District  
Jeff Boheim, Field Services Manager, Novato Sanitary District  
Rachel Hundley, District Counsel, Senior Associate w/ Meyers/Nave  
G. Craig Hill, Principal, NHA Advisors  
Mike Meyer, Vice Principal, NHA Advisors  
Jeff Land, Executive Director, Brandis-Tallman, a division of Oppenheimer  
Steven Gortler, Registered Municipal Advisor

*\*all via Zoom® conferencing*

### PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: No public comments were submitted via email prior to the meeting, and no public comments were brought forth during public comment.

### CEREMONIAL MATTERS:

- Welcome Ms. Rachel Hundley of the Meyers/Nave law firm as District General Counsel subsequent to the resignation of Ms. Lauren Quint from the Meyers/Nave firm. The General Manager introduced Ms. Rachel Hundley as District Legal Counsel, replacing Ms. Lauren Quint. Ms. Hundley stated that she was pleased to be working with the District and looked forward to meeting the Board in person at a future date. The Board warmly welcomed Ms. Hundley as District Legal Counsel. (Ms. Hundley left the meeting at 5:37 p.m.)

### REVIEW OF MINUTES:

- Consider approval of minutes of the June 8, 2020 regular meeting.

*On motion of Director Peters, seconded by Director Fuelle, and carried unanimously by roll call, the June 8, 2020 Regular Board meeting minutes were approved.*

### 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 \$1,948.30, capital project disbursements in the amount of \$9,180.55, and regular disbursements in the amount of \$299,801.81. Ratification of June 22 through July 27, 2020 capital project disbursements in the amount of \$1,582,870.48, and regular disbursements in the amount of \$1,272,049.88.
- b. Ratification of June payroll and payroll related disbursements in the amount of \$229,479.38, and ratification of July payroll and payroll related disbursements in the amount of \$292,420.87.
- c. Receive deposit summary, June and July 2020.
- d. Receive 4<sup>th</sup> Quarter Investment Report, Fiscal Year (FY) 19-20.
- e. Receive 4<sup>th</sup> Quarter Financial Report, FY 19-20.
- f. Receive Accounts Receivable (A/R) Summary Report as of June 30, 2020.
- g. Approve transfer of \$175,000 from unspent funds in the "Salaries and Benefits" categories of the FY 19-20 Operating Budget as of June 30, 2020, to the District's Public Agency Retirement Services (PARS) Trust account.
- h. Approve transfer of \$110,506 from the Capital Fund to the Operating Fund for staff time spent on Capital Fund projects in FY 19-20.
- i. Receive and accept Hamilton Parkway Sewer Main Extension (SME) – Hamilton Cottages Subdivision.
- j. Authorize General Manager-Chief Engineer to approve Project Plans for a Sewer Main Extension (SME) – Springbrook Homes, Vallejo Avenue.

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

#### LOW-INCOME SEWER RATE ASSISTANCE PROGRAM (LISRAP):

- Initiate a Low-Income Sewer Rate Assistance Program (LISRAP), and delegate its implementation and oversight to the General Manager-Chief Engineer (or designee). The General Manager stated that various Marin County water and wastewater agencies have historically had, or have recently implemented, Low Income Rate Assistance (LIRA) programs, with North Marin Water District being the latest to do so. He stated that staff suggests the Board consider a Low-Income Sewer Rate Assistance Program (LISRAP) to provide a flat ten percent (10%) rate discount to low-income single-family residential (SFR) ratepayer households of the District who are already enrolled in PG&E's California Alternate Rates for Energy (CARE) Program. He stated that the SFR ratepayer household applying for the program must be (or include) a District ratepayer of record. The General Manager also suggested that the Board delegate implementation and oversight of the LISRAP to the General Manager-Chief Engineer, or designee, so that staff can timely verify the eligibility of applicants.

The General Manager stated that a LISRAP allowance of \$90,000 was provisioned under a newly created Account No. 69201 (Property Tax Allocation to LISRAP) of the final fiscal year (FY) 20-21 budget. He stated that this allowance was estimated upon reviewing the District's rate base; and is comparable to NMWD's FY 20-21 LIRA budget amount of \$80,000. He stated that this allowance will be adjusted in future budget years based on the District's ongoing experience, and that if the Board adopts the Final Budget as scheduled, staff can incorporate program implementation with the FY 20-21 SSC collection on the County Tax Rolls.

*On motion of Director Peters, seconded by Director Long, and carried unanimously by roll call, the Board initiated a Low-Income Sewer Rate Assistance Program (LISRAP) to provide a flat ten*

*percent (10%) rate discount to low-income single-family residential (SFR) ratepayer households of the District who are already enrolled in PG&E's California Alternate Rates for Energy (CARE) Program, and delegated Program implementation and oversight to the General Manager-Chief Engineer or designee.*

**ANNUAL BUDGET – FINAL FISCAL YEAR (FY) 20-21 BUDGET:**

**- Receive and adopt the Final FY 20-21 District Annual Budget, subject to minor edits.** The General Manager stated that the Final Budget for FY 20-21 and Preliminary Budget for FY 21-22 was being presented for Board adoption. He stated that this Final Budget was quite similar to the preliminary budget adopted in June, except for the following changes, which he reviewed with the Board:

- Sewer Service Charge (SSC) revenue allocation changed from 59% Operating and 41% Capital, to 55% Operating and 45% Capital.
- Property tax revenue allocation changed from 0% Operating and 100% Capital to 33% Operating and 67% Capital.
- FY 20-21 and FY 21-22 now included provisions of \$90,000 for a Low-Income Sewer Rate Assistance Program (LISRAP).
- Provisions were included for \$625,000 as a placeholder for COVID-19 related expenses for the FY 21-22 proposed budget. He noted that this expense may go up significantly in FY 21-22 if the ongoing COVID-19 related closures persist late into FY 20-21.

The General Manager continued, stating that there were also minor changes to the budget document, as presented in the Board packet. He reviewed these changes with the Board, stating that the Final Fiscal Year 20-21 Budget would include the following changes:

- Election expenses were budgeted at \$60,000 for FY 20-21, but he stated that it appears will not be needed, based on unopposed election results in FY 20-21. He stated therefore, with Board approval, staff will redistribute this allocation to other operating cost centers/accounts in the final published FY 20-21 budget.
- Account No. 51040 – Special Equalization Charges, currently shows FY 19-20 revenue of \$78,270. He stated that this is prior to a refund of approximately \$68,000 to the beneficiary of the Special Equalization Charge for Special Benefit Zone (SBZ-18). He stated that the revenue amount and refund will be trued up into the final published FY 20-21 budget document.

*On motion of Director Mariani, seconded by Director Peters, and carried unanimously by roll call, the Board received and adopted the Final FY 20-21 Budget and Preliminary Budget for FY 21-22, with inclusion of the changes listed above.*

**- Adopt Resolution No. 3144 establishing Appropriations Limit for FY 20-21.** The General Manager stated that under the Gann Spending-Limitation Initiative, the District is required to annually adopt a resolution setting an appropriations limit for the upcoming year. He stated that based on growth factors provided by the State Department of Finance, staff recommends the appropriations limit be set at \$7,057,724.

*On motion of Director Peters, seconded by Director Mariani, and carried unanimously by roll call, the Board adopted Resolution No. 3144: A Resolution of the Novato Sanitary District Correcting and Amending Prior Calculations and Making Determination and Establishing the 2020-21 Appropriation Limit.*

ADMINISTRATION/FINANCE:

- Receive presentation from NHA Advisors (San Rafael, CA) and Brandis-Tallman (San Francisco, CA), on potentially reducing the District's Pension and Other Post-Employment Benefits (OPEB) Unfunded Accrued Liabilities (UALs) by restructuring them at lower interest rates, and provide direction, if any. The General Manager stated that while working with the California Special Districts Association (CSDA) on COVID-19 impacts to special district finances, staff reached out to the underwriting firm of Brandis-Tallman (Brandis). While Brandis was unable to identify attractive COVID-19 related funding options for the District, they introduced staff to NHA Advisors (NHA), a municipal advisory firm specializing in pension/OPEB cost management strategies in addition to traditional municipal bond financings. He stated that in discussions with both firms, staff was informed that with the recent decline in interest rates, the District could potentially restructure its current pension (and OPEB) UALs at lower interest rates and realize significant savings. The General Manager stated that as of June 30, 2020, the District's current CalPERS pension liability was estimated at \$6.5 million and its OPEB liability was estimated at about \$4.7 million, before offsets of \$1.77 million (pension) and \$1.61 million (OPEB) from balances in its PARS Section 115 Trust account.

The General Manager continued, stating that staff had requested and received a presentation from the NHA/Brandis team: "UAL Restructuring Strategies", presented as Attachment 1 to agenda item 9.a. He stated that Mike Meyer of NHA and Jeff Land of Brandis-Tallman would be providing the presentation to discuss the potential restructuring options.

Mr. Meyer began the presentation and stated that considering the current low interest rates, unfunded accrued liabilities (UAL) restructuring would be a favorable strategy for the District to address its rising pension costs. During his presentation, Mr. Meyer presented savings analysis information, and discussed UAL restructuring considerations. He summarized the key benefits versus the risks/considerations of a UAL restructuring, and at the conclusion of the presentation, discussion followed with Board members and the General Manager. The Board agreed that a UAL restructuring would be advantageous for the District at this time.

The General Manager suggested that the Board consider Option 1 of the Base Case scenario (slide nos. 6 and 7 of the presentation), with a 16-year maturity using the private placement sale method, with the ability to make modifications as the process moved forward.

*On motion of Director Peters, seconded by Director Mariani, and carried unanimously by roll call, the Board directed the General Manager-Chief Engineer to move forward with UAL restructuring, initially with a 16-year maturity, using the private placement sale method.*

The General Manager thanked the Board and noted that the Board will be asked at a subsequent Board meeting to approve a Resolution that will include authorizing the General Manager-Chief Engineer to execute engagement agreements with financing team members, and to execute Financing Documents for the UAL restructuring.

WASTEWATER OPERATIONS (INFORMATION ONLY):

- Receive Wastewater Operations Reports, June and July 2020. The General Manager stated that the June 2020 reports would be presented in their entirety first, then followed by the presentation of the July 2020 reports.

- Receive Wastewater Operations Reports, June 2020.

Collection System Report: Deputy General Manager Erik Brown provided the June 2020 Collections System Report. He noted that the Collection Department cleaned 93,157 lineal feet of sewer pipelines and televised 5,480 feet of sewer main. He noted that CCTV (closed circuit TV) identified one new structural issue, a broken lateral connection, and stated that it had been placed on the repair list. He stated that staff completed 496 maintenance work orders, leaving zero work orders outstanding. Further, he noted that staff conducted 187 lift station inspections and completed maintenance inspections on twelve (12) air relief/vacuum valves.

The Deputy General Manager then outlined the training provided in June, noting that Collection Department staff attended eleven (11) safety tailgate meetings. He stated that due to the COVID-19 social distancing guidelines, staff continues to work a modified split shift, and practices appropriate measures for COVID-19 prevention. He concluded the report, stating that there were no lost time accidents, and no sanitary sewer overflows in June.

Treatment Facilities Report: Veolia Project Manager John O'Hare provided the June 2020 Treatment Facilities Monthly Operations Report (MOR). He reviewed the treatment plant performance, stating that June's average flow remained low at 3.64 MGD (million gallons per day), and that treatment efficiency was very good with BOD and TSS removal at 99%. He stated that the demand for recycled water was very high and that the Recycled Water Facility (RWF) produced 34.612 million gallons in June.

The Project Manager then 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. He noted that significant maintenance activities and repairs were performed on the standby generators at the Novato wastewater treatment plant in anticipation of PG&E planned/unplanned power shutdowns. He stated that due to the continuing COVID-19 situation, Operations staff has remained working in two groups, with John Bailey supervising one group, and himself supervising the second group. He concluded his report, stating that no odor contacts were received in June.

Director Long commended Mr. O'Hare and Veolia Water for their current record of twelve (12) months with no odor contacts.

Reclamation Facilities Report: The Deputy General Manager summarized the Reclamation Facilities report for June 2020. He stated that the treatment plant was in reclamation discharge mode in June and that approximately 66.5 million gallons of treated water flowed to storage ponds 1 and 2. He continued, stating that 56 million gallons of reclaimed water was applied to Site 3 and Site 7 pastures; and that approximately 400 cows and calves grazed these sites. He concluded his report, stating that no biosolids activities occurred, and that drainage pump stations at Sites 3 and 7 did not pump any water during June.

- Receive Wastewater Operations Reports, July 2020.

Collection System Report: Deputy General Manager Erik Brown provided the Collections System Report for July 2020. He stated that the Collection Department cleaned 48,001 lineal feet of sewer pipelines and televised 28,731 feet of sewer main. He noted that CCTV (closed circuit TV) work did not identify any new structural damages or areas that would require a change in sewer line maintenance operations. He stated that staff completed 276 of the 279

maintenance work orders that were generated and noted that the remaining three (3) work orders were postponed due to the required wait time after root treatment. Further, he noted that staff conducted 150 lift station inspections and completed maintenance inspections on six (6) air relief/vacuum valves.

The Deputy General Manager then outlined the training provided in July, noting that the Collection Department staff attended ten (10) safety tailgate meetings. He stated that the new Vactor sewer cleaning truck delivery date was scheduled for August. He concluded the report, stating that there were no lost time accidents and no sanitary sewer overflows in July.

Treatment Facilities Report: Veolia Project Manager John O'Hare provided the July 2020 Treatment Facilities Monthly Operations Report (MOR). He reviewed the treatment plant performance, stating that July's average flow was 3.53 MGD (million gallons per day), and that the Recycled Water Facility (RWF) produced 37.591 million gallons of recycled water. He stated that there were no violations or excursions. He continued, stating that there were no lost time incidents in July, and that the monthly safety topic (on-line training) was Heat Stress. He reported that there were no power outages recorded in July.

The Project Manager then 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. He stated that the anaerobic digester #2 cleaning project was completed very efficiently, being initiated on July 27<sup>th</sup> and completed on July 31<sup>st</sup>. He outlined the environmental services activities, and pretreatment program reports which were submitted during the month. He concluded his report, stating that no odor contacts were received in July.

The General Manager commended Project Manager John O'Hare and Veolia staff on the proficiency of cleaning digester #2. He noted that the pictures the Project Manager provided in his report showed very little debris in the digester and speaks to a well-designed treatment facility.

Reclamation Facilities Report: The Deputy General Manager summarized the July 2020 Reclamation Facilities report. He stated that approximately 65.2 million gallons of treated water flowed to storage ponds 1 and 2. He stated that approximately 6.8 million gallons of reclaimed water was provided to the Bel Marin Keys V levee construction project, and that about 68 million gallons of reclaimed water was used for irrigation on the pastures in Site 3 and Site 7. He concluded his report, stating that no biosolids activities occurred in July.

RECLAMATION: SLUDGE DISPOSAL, ACCOUNT NO. 63115:

- Approve contract with Custom Tractor Services (CTS) for biosolids disposal and sludge lagoons cleaning in a not-to-exceed amount of \$222,000; and authorize the General Manager-Chief Engineer to execute it. The General Manager stated that for the past several years, the District has contracted with Custom Tractor Service (CTS) of Petaluma to perform biosolid disposal to the District's dedicated land disposal (DLD) site off Highway 37. He stated that staff requested and received a proposal from CTS to perform these services for 2020 for a lump sum amount of \$149,300. The General Manager stated that additionally, the District requested a proposal from CTS to excavate and spread accumulated biosolids from the bottom of the lagoons to the DLD using a manure spreader. He stated that CTS proposes to clean out the District's six lagoons for a lump sum amount of \$72,700. He stated that both work items will be funded from Account No. 63115 – Sludge Disposal.

*On motion of Director Peters, seconded by Director Mariani, and carried unanimously by roll call, the Board approved a contract with Custom Tractor Services (CTS) for biosolids disposal and sludge lagoons cleaning in a not-to-exceed amount of \$222,000; and authorized the General Manager-Chief Engineer to execute it.*

CAPITAL PROJECTS:

- Collection System Improvements, Account No. 72706-Vineyard Creek Bank Stabilization Project: Receive update and make California Environmental Quality Act (CEQA) findings that the project is categorically exempt – Vineyard Creek Bank Stabilization; Project No. 72706-2019-08. The Deputy General Manager stated that the project is located in Vineyard Creek behind 9 Angelica Court and will address existing stream bank failure. He stated that the project will correct ongoing erosive conditions and will stabilize the existing sanitary sewer pipeline by installing a concrete jacket around the existing 8" sewer main. He stated that the project will also bolster the exposed area of the creek bank with riprap boulders and restore the section of the creek bank with native plant species where non-native species currently exist. The Deputy General Manager stated that the Engineer's Estimate for the work was \$115,000, and that ESA & Associates had completed the California Environmental Quality Act (CEQA) documentation and determined that the project is categorically exempt.

*On motion of Director Mariani, seconded by Director Peters, and carried unanimously by roll call, the Board approved CEQA findings for the Vineyard Creek Bank Stabilization Project; Account No. 72706.*

- Receive Capital Projects Update through July 2020 (information only). The Deputy General Manager provided an update of the Capital Improvement Program capital projects.

STAFF REPORTS: (INFORMATION ONLY):

- Receive report on CalPERS Health Plan Premium Rates for 2021. The General Manager stated that this item was for information only. He stated that the CalPERS Health Plan rates for calendar year 2021 will increase by 5.87% for regular health coverage and that the Medicare rates will decrease by 4.40%. He stated that the Final FY 20-21 budget has been revised to reflect the actual rates.

- Receive report on Fiscal Year (FY) 19-20 Capacity Charges, California Government Code (CGC) §66013. The General Manager stated that this report was prepared to comply with California Government Code 66013, detailing the amount of capacity charges received by the District in FY 19-20, and how those charges were used to fund wastewater facilities capital-related projects.

- Receive report on Uniform Public Construction Cost Accounting Act (UPCCAA) implementation for Fiscal Year (FY) 19-20. The General Manager stated that the District has historically utilized the relevant provisions of the Act to allow the District to complete projects with less administrative effort while maintaining work quality. He stated that the total amount of work performed under the Act provisions in FY 19-20 was \$467,830. The General Manager commended District staff for their efforts in completing the multitude of projects cost-effectively and efficiently. Board member Mariani also commended staff on their efforts and commented on the high level of attention and effort required to execute these smaller but equally important projects as compared to the larger capital improvement projects

BOARD MEMBER REPORTS AND REQUESTS:

- North Bay Watershed Association (NBWA), special meeting, July 29, 2020. Director Mariani stated that there was a Closed Session of the NBWA Board to discuss the selection of a new Executive Director, due to Judy Kelly's retirement in September. She stated that the selection of a new Executive Director would be announced at the September 10<sup>th</sup> NBWA meeting.

GENERAL MANAGER'S REPORT AND ANNOUNCEMENTS:

- Reports:

- The District has begun participation in a project through the Berkeley Water Center that analyzes wastewater to detect the presence of the COVID-19 virus. He stated that the Berkeley Water Center invited a number of agencies from around the Bay Area to participate in their study, and that the District was designated as one of the North Bay representative agencies, along with the Central Marin Sanitation Agency. He stated that the District has begun sampling wastewater as per the Project's protocols, and all funding for the additional testing is currently being provided by the Berkeley Water Center Project.
- COVID-19 update:
  - The District's Safety Officer and senior staff continue to maintain situational awareness on this issue. The District Safety Officer and the joint CMSA/NSD Safety Program Manager are in communication with the County Health Department and will continue to stay current on the situation. The General Manager stated that other than switching the Team A/Team B schedules in July there have been no major changes in the District's protocols.
  - Administratively, the General Manager will continue to review and modify District operations as needed, based on best available information, as the COVID-19 situation continues to evolve.

- Announcements:

- The CASA Conference is being held virtually August 11<sup>th</sup> and 12<sup>th</sup>, 2020.
- The next regular Board meeting is currently scheduled for Monday, September 14<sup>th</sup>, at 5:30 p.m. Current events will dictate if the meeting will be conducted by remote conference calling.

ADJOURNMENT: There being no further business to come before the Board, President Dillon-Knutson adjourned the meeting at 7:59 p.m.

Respectfully submitted,

---

Sandeep Karkal  
Secretary

Julie Hoover, Recording