

NOVATO SANITARY DISTRICT

Board Meeting Minutes

Meeting Date: December 11, 2017

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 5:30 p.m., Monday, December 11, 2017, at the District Office, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Jerry Peters, Directors William Long, Jean Mariani, and Brant Miller. Director Carole Dillon-Knutson was absent (excused).

STAFF PRESENT: General Manager-Secretary Sandeep Karkal, and Administrative Secretary Julie Hoover.

ALSO PRESENT: John Bailey, Project Manager, Veolia Water
John O'Hare, Veolia Water
Erik Brown, Technical Services Manager, Novato Sanitary District
Dale Thrasher, Admin. Services/Safety Officer, Novato Sanitary District
Laura Creamer, Finance Officer, Novato Sanitary District
David Alvey, Audit Partner and Vice President, Maze and Associates
Andrew Brown, Director of Investments, HighMark Capital
Management
Mitch Barker, Executive Vice President, PARS
Rich Souza, CSW
Susan Stompe, Co-Chairman, 'Novato Clean and Green Day'

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

The General Manager stated that Director Dillon-Knutson would not be present at the meeting (excused absence).

REVIEW OF MINUTES:

Consider approval of minutes of the November 13, 2017 meeting.

Director Miller stated that after discussion with the Board recorder, he would like to revise the meeting minutes of November 13, 2017, page two, paragraph four as follows: "Director Miller stated that he would like the Board to know that the District is not insured against possible losses due to participation in Flood Control activities which this item enters the District into. He stated that he believed that the contract has been drafted in such a way that the contract provisions will protect the District, and he invited District Counsel to provide additional information if he deemed necessary."

On motion of Director Miller, seconded by Director Long, and carried unanimously by those Directors present, the November 13, 2017 Board meeting minutes were approved as amended.

SPECIAL ANNOUNCEMENT/RECOGNITION:

- Receive report – District receives two awards from the California Water Environment – Redwood Empire Section (CWEA-RES) for 2017 Collection System of the Year (Small), and Collection System Worker II PJ Siragusa as 2017 Collection System Person of the Year. The General Manager announced that the Novato Sanitary District had received two awards from CWEA. He congratulated the Collections System Department for their achievements and for a job well done, noting that the Department will now be in consideration for CWEA recognition at the State level. He noted that this was the third year in a row that Collections System personnel have received the Collection System Person of the year award.

CONSENT CALENDAR:

President Peters called for a motion on the Consent Calendar items as follows:

- a. Approve Board member disbursements in the amount of \$1,400.73, regular disbursements in the amount of \$74,810.02, and capital project disbursements in the amount of \$5,414,232.19. Ratify November's regular disbursements in the amount of \$368,350.07 and capital project disbursements in the amount of \$25,254.50.
- b. Ratify November's payroll and payroll related disbursements in the amount of \$233,775.10.
- c. Receive deposit summary, November 2017.
- d. Approve Director Long and the General Manager-Chief Engineer's attendance at the California Association of Sanitation Agencies (CASA) Annual Washington DC conference, February 26-28, 2018.
- e. Cancel the Board meetings of January 22nd and February 26th, 2018.
- f. Receive Fixed Asset Deletion Report for Fiscal Year (FY) 2016-17.
- g. Authorize the General Manager-Chief Engineer to approve Project Plans for Sewer Main Extension (SME); and adopt Resolution Nos. 3113 and 3114 authorizing acceptance of grant of sewer easements – Hamilton Parkway SME (Hamilton Cottages Subdivision).
- h. Authorize the General Manager-Chief Engineer to approve Project Plans for Sewer Main Extension (SME); and adopt Resolution Nos. 3115 and 3116 authorizing acceptance of grant of sewer easements – 571 McClay Road SME (Saratoga Fund II, LLC).

On motion of Director Miller, seconded by Director Long, and carried unanimously by those Directors present, the above listed Consent Calendar items were approved.

Susan Stompe, Co-Chair of Novato Clean and Green Day, requested approval to address the Board (she was not present during Public Comment), and President Peters agreed. Ms. Stompe stated that she was representing the Novato Streetscape Committee, and thanked the Novato Sanitary District for the assistance provided for past Clean and Green Day events. She stated that, at this time, the posters used to announce the Clean and Green Day event are worn and she would like to replace them before the April 2018 event. She

requested the Board approve an expenditure for two new posters, approximately 4ft by 6ft, at a cost of \$2,259.54.

President Peters expressed his appreciation to the Novato Streetscape Committee for hosting Clean and Green Day, noting that it was an admirable event.

The General Manager stated that the request for funds was within his signing authority, and stated that, if the Board had no objections, he would move forward with the request to pay for two new posters. There were no objections from the Board members.

FINANCE COMMITTEE:

- Receive report from the District's independent external auditor, Maze and Associates.
The General Manager stated the District's annual financial audit for the year ended June 30, 2017, had been completed by the District's independent external auditors, Maze and Associates. He introduced David Alvey, from Maze and Associates, and noted that Mr. Alvey would review the Draft Comprehensive Annual Financial Report for fiscal years ended June 30, 2017 and June 30, 2016 with the Board.

Mr. Alvey stated he would review the District's Comprehensive Annual Financial Report (CAFR) and the "Memorandum on Internal Control and Required Communications for Year ended June 30, 2017". He began with the CAFR, noting that Maze and Associates had rendered an unmodified (clean) audit opinion, which is the highest rating given. He discussed changes that affected the current audit, and would subsequently appear on the FY2018 audit. Mr. Alvey then discussed the Memorandum on Internal Control and Required Communications. He stated that Maze and Associates found no significant deficiencies, no other matters, and no material weaknesses when internal controls were reviewed. Mr. Alvey stated that District Finance Officer Laura Creamer was very accommodating throughout the audit process.

- Receive Finance Committee report and recommendation, and accept the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2017 and 2016, including: Fiscal Year FY16-17 audit, and audited financial statements for the years ended June 30, 2017 and 2016. The General Manager stated that the Finance Committee (consisting of Directors Mariani and Long) held a meeting on December 4, 2017, and reviewed the CAFR and the Memorandum on Internal Control and Required Communications for Year ended June 30, 2017, with representatives from Maze and Associates. Director Long stated that the presentation to the Finance Committee was productive and that all questions were answered with clarity. Director Mariani thanked Maze and Associates for their efforts, noting that the audit process continues to improve every year.

- Receive and accept "Memorandum on Internal Control and Required Communications for Year ended June 30, 2017" from the District's independent outside auditor, Maze and Associates.

On motion of Director Mariani, seconded by Director Long, and carried unanimously by those Directors present, the Board accepted the Comprehensive Annual Financial Report (CAFR) for the Years Ended June 30, 2017 and 2016, including Audited Financial

Statements, and accepted the Memorandum on Internal Control and Required Communications for Year ended June 30, 2017

- Authorize staff to submit the District's CAFR to the Government Finance Officers Association (GFOA) for consideration of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

On motion of Director Mariani, seconded by Director Miller, and carried unanimously by those Directors present, the Board authorized staff to submit the District's CAFR to the Government Finance Officers Association (GFOA) for consideration of the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

ADMINISTRATION:

- Receive update on the District's combined Post-Employment Benefits Trust from Public Agency Retirement Services (PARS) representatives, and provide direction as needed.

The General Manager stated that at its November 14, 2016 meeting, the District Board approved implementing a combined Post-Employment Benefits Trust with Public Agency Retirement Services (PARS), to address the District's GASB 45 and 68 liabilities. He noted that the District has been investing money in the fund since inception and noted that it has done well, given the District's conservative stance within the portfolio. He noted that Mitch Barker of PARS and Andrew Brown of HighMark Capital Management were present and would review the District's Trust accounts and portfolio performance with the Board.

Mitch Barker, Executive Vice President of PARS, addressed the Board and provided an informational packet titled, "Novato Sanitary District: OPEB Prefunding Trust Program and Pension Rate Stabilization Program (PRSP) Client Review, December 11, 2017". Mr. Barker noted that the District's OPEB/Pension Program Team consisted of three partners: PARS, (Trust Administrator & Consultant), US Bank, (Trustee), and HighMark Capital Management, (Investment Manager). Mr. Barker then provided an overview of the District's OPEB & PSRP plans (accounts) within the Trust, including a summary of contribution amounts and earnings through October 31, 2017.

Andrew Brown, Senior Portfolio Manager and Director of Investments, HighMark Capital Management, provided an investment/allocation review of the District's current portfolio as of October 31, 2017. He noted that the District's investment objective has been conservative and provided details of portfolio performance since inception in January 2017. He suggested the District take additional risk due to the long-term nature of the District's goals, and recommended moving the District's PARS Trust funds from the current Conservative portfolio to the Moderately Conservative Portfolio. He outlined expectations for this Portfolio, noting its historic returns from 2008 through 2016, and encouraged the District to think in terms of long-term investment objectives.

The Board discussed the pros and cons of moving funds in the District's PARS Trust accounts from the Conservative portfolio to the Moderately Conservative Portfolio, with Mr. Brown offering further clarification. The General Manager noted that the District has received sound advice in the past from both Mitch Barker and Andrew Brown. He stated that he felt reasonably comfortable in recommending that the Board authorize the Plan Administrator to move the District's PARS Trust fund account from the Conservative

Portfolio to the Moderately Conservative Portfolio. Director Long stated that he preferred moving the OPEB account of the Trust fund to the Moderately Conservative Portfolio and retaining the PSRP (pension) account in the Conservative portfolio.

On motion of Director Long, seconded by Director Mariani, and carried unanimously by those Directors present, the Board authorized the General Manager-Chief Engineer to move the District's OPEB Prefunding Trust Program account with HighMark Capital Management, from the Conservative Portfolio to the Moderately Conservative Portfolio.

Mr. Barker suggested that he and Mr. Barker return in six months to provide an update to the Board on the accounts performance.

At 6:37 p.m., President Peters declared a ten-minute recess.

Mitch Barker, Andrew Brown, and David Alvey, left the meeting.

At 6:49 p.m., President Peters reconvened the meeting.

WASTEWATER OPERATIONS:

- Receive Wastewater Operations Reports, November 2017: Collection System; Treatment Facilities; Reclamation Facilities.

The Technical Services Manager provided the Collection Systems Report for November 2017. He stated that the Collections department cleaned 99,238 lineal feet of sewer pipelines and completed 363 maintenance work orders of the 382 that were generated. He stated that 490 feet of sewer main were televised, and that this work did not identify any areas that required spot repairs. He stated that CCTV work in connection with a sanitary sewer overflow that occurred in November, identified a grease accumulation in a portion of the line. Sewer cleaning frequency for that location was increased from every twelve months to every six months.

The Technical Services Manager outlined the specialized training staff attended in November. He stated that five Collections Department staff members along with the Collections System Superintendent and the Technical Services Manager attended the California Water Environment Association – Redwood Empire Section (CWEA-RES) Annual Awards Banquet. He stated that he was proud that the District's Collections Department received the CWEA-RES Collection System of the Year Award and also that CSW II Peter Siragusa received the CWEA-RES Collection System Worker of the Year Award. The General Manager noted that the awards reflected the hard work and high achievement efforts of the Collections Department and Mr. Siragusa.

The Technical Services Manager stated that there were no lost time accidents for 2,454 accident-free days. He stated that there was one (1) sanitary sewer overflow (SSOs) in November with an estimated loss of 4,200 gallons. He noted that grease accumulation was the probable cause of the overflow.

Veolia Project Manager John Bailey then provided an overview of the Treatment Facilities Monthly Operations Report for November. Mr. Bailey stated that page 152 in the report was

a duplicate of page 163, and he provided the Board with the correct page 152. He discussed the maintenance of the digester flare, and noted that the flare had brief malfunctions over the last year, resulting in excursions of the District's BAAQMD permit. He stated that he would provide a complete summary of details of these incidences in the 2017 Annual Operations and Maintenance report. He outlined the safety training that was completed in November, and stated that safety performance was excellent with a total of 2,746 accident-free days. He reviewed the period's key events, and monthly safety and training topics.

The Project Manager stated that he was pleased to announce two successful outreach efforts that took place in November. He noted that on November 2nd, Veolia employee Liz Falejczyk and District employee Julie Hoover attended the monthly Community Meeting at the Deer Park Retirement Community apartments. They provided demonstrations on 'What Not to Flush' and discussed other wastewater treatment topics. Further, he noted that on November 8th, the District and Veolia hosted 42 fourth graders from Olive Elementary School, with Liz Falejczyk facilitating the event. He stated that the students received an introduction to sewers, flushable vs. non-flushable wipes, as well as other educational topics. He commented that it was a very successful outreach event and commended Ms. Falejczyk for her skill and enthusiasm while working with the students. He stated that Veolia was interested in engaging in more outreach to the community.

The Technical Services Manager then summarized the Reclamation Facilities report for November 2017. He stated that the rancher was wrapping up operations for the season, moving all but about 35 head of cattle off site. He stated that District staff met with the rancher to discuss next year's operations and water availability for ranching operations. He noted that there were no irrigation or sludge handling activities in November.

CAPITAL PROJECTS:

- Collection System Improvements, Account No. 72706: Receive an update on the development of the District's Collection System Master Plan (CSMP) from District staff – Information only. The General Manager noted that this item was for informational purposes. Technical Services Manager Erik Brown stated that the District had contracted with RMC Water and Environment to provide the District with an up-to-date Collection System Master Plan. He then provided an overview of the CSMP, including the Plan's objectives, and the District's expectations of what the CSMP would provide to the District. He provided an update of RMC's progress to date, including a brief discussion of the data provided by the prior winter's flow monitoring study.

BOARD MEMBER REPORTS AND REQUESTS:

Director Miller discussed his attendance at the North Bay Watershed Association (NBWA) meeting, which met on December 1st, at the District office. He noted that most presentations focused on post-fire activities and those agencies involved in the fire events in Sonoma County. He stated that the meeting was very educational, and that no action was taken related to funding new programs.

Director Long discussed his attendance at the North Bay Water Reuse Authority (NBWRA) meeting, which met on December 4th at the District office. He commented on a presentation

that was provided by a Bureau of Reclamation representative, titled: "Reclamation, Managing Water in the West". Director Long stated that he would provide this presentation to the General Manager, and requested that he then forward it to all Board members.

INFORMATIONAL ITEMS:

- Novato Advance newspaper article (week of November 22, 1017) titled: "Sanitary District refinances, says it will save \$2.3 million".

The General Manager noted that the article appeared on the front page of the November 22, 2017 edition of the Novato Advance, and that the article reflected material presented in a press release prepared by Martin Rauch, the District's outreach consultant.

GENERAL MANAGER'S REPORTS AND ANNOUNCEMENTS:

- The General Manager stated that he has been nominated to the CA Sanitation Risk Management Authority (CSRMA) Executive Board of Directors. He stated that he has accepted the nomination, and said that a vote will take place at the California Association of Sanitary Agencies (CASA) Conference in Palm Springs in January 2018.
- The District had received an invitation from the Novato City Council for the Board President to make a presentation at their January 9th, 2018 Council meeting. President Peters stated that he had a scheduling conflict and requested that the General Manager seek to postpone the presentation for a later date.
- The California Association of Sanitary Agencies (CASA) Winter Conference is being held in Palm Springs, January 24-26, 2018. Directors were asked to confirm their attendance with the Administrative Secretary.
- The General Manager asked the Administrative Services Officer Dale Thrasher to provide information on upcoming training for the Board members. Mr. Thrasher stated that, due to a change in regulations, Harassment Prevention Training is now required for all Board members of public agencies. He stated that a CalChamber web-link would be provided to each Director via email, and requested that the training be completed by December 31, 2017.
- The next Regular Board meeting is scheduled for Monday, January 8, 2018 at 5:30 p.m.

ADJOURNMENT: There being no further business to come before the Board, President Peters adjourned the meeting at 7:34 p.m.

Respectfully submitted,

Sandeep Karkal
Secretary

Julie Hoover, Recording