

March 9, 2009

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 4:30 p.m., Monday, March 9, 2009, at the District Office, 500 Davidson Street, 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 4:35 PM.

BOARD MEMBERS ABSENT: None.

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

ALSO PRESENT: Paul Eisenhardt, The Eisenhardt Group
Wayne Griffith, The Eisenhardt Group
Jack Kaplan, Novato Resident
Ron Hayden, Shingle Springs
Pam Welsh, Novato Resident
Dennis Welsh, Novato Resident, former NSD employee
Heidi Heffelfinger, Novato Resident
Sam Renati, Novato Resident, former Board Member
Dean Heffelfinger, Novato Resident
Natalie Lloyd, Food & Water Watch
Colleen Rose, Novato Resident
Richard Di Marco, Novato Resident, former NSD employee
L.M. Arndt, San Rafael
Patricia Silva, Novato Resident
Michael Silva, Novato Resident

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The Manager requested Agenda Items 7 and 8 be moved to immediately follow Public Comment.

On motion of Member Quesada, seconded by Member Fritz, and unanimously carried by those Members present, the agenda was approved as modified.

PUBLIC COMMENT: The Manager read an email she received from Michelle Rogers, Sergeant of Field Services, Marin Humane Society, addressed to Steve McCaffrey of Novato Disposal. "Please accept my sincerest thanks and appreciation to you and your company for donating a debris box for a needy household on Nova Lane in Novato. Because of your incredible generosity, this family will have a safer, cleaner environment to live in! With collaborative efforts from many different organizations such as yours, we can make a difference in the lives of those in need."

PUBLIC HEARING – CONSIDER PROPOSED LEASE AGREEMENT FOR RANCH AT RECLAMATION FACILITY:

President Di Giorgio opened the Public Hearing at 4:36 PM.

The Manager discussed the District's recommendations for the Ranch Property, pointing out that the property consists of an irrigated pasture site located on both sides of State Highway 37, between Novato Creek and Atherton Ave. and Black Point, in the City of Novato. She stated the lease term was for 10 (ten) years, commencing on April 1, 2009 and ending on March 31, 2019. She pointed out that the property will be leased only for the purpose of dry weather pasturing of beef cattle and/or non-milking dairy animals, and harvesting of pasture grass to be utilized for feeding animals.

District Counsel Kent Alm discussed the provisions of the Lease with the Board.

The Hearing was opened to Public Comment: Mr. Ron Hayden addressed the Board, stating that he has been leasing Site 7 since March 1, 1994. Mr. Hayden expressed his interest in continuing to lease the property from the District.

There being no further comment from anyone present, the Public Hearing was closed at 4:43 p.m.

Member Quesada stated he felt a 10 year lease was too long and would like a 5 year lease with a possible 5 year extension.

The Manager explained why a 10 year lease is preferred. She went on to explain that the lease would be awarded based on lessee qualifications, experience and financial concern for the District. Member Long pointed out that there are several provisions available to terminate the lease prior to its expiration if the District should wish to do so.

On motion of Member Long, seconded by Member Fritz, and carried unanimously, staff was authorized to negotiate a lease agreement for the Ranch Property.

WASTEWATER FACILITY UPGRADE PROJECT:

-Consider authorizing staff to issue a Request for Qualifications for operation and maintenance of the wastewater treatment facilities. The Manager noted that the District is constructing a significant upgrade to its Novato Treatment Plant (NTP). She stated that this upgrade will consolidate the functions of the District's Ignacio Treatment Plant (ITP) and the existing NTP into the upgraded Novato Treatment Plant. The new plant's state-of-the-art construction and complex operation and maintenance requirements call for an initial upsurge in managerial staff and technical experts during the transition. In addition, the District will need to maintain costly equipment warranties that demand new procedures, new skills, additional management oversight, and extensive staff training

for ongoing operation. She stated that the District has investigated two alternative approaches to operating the new treatment plant relative to a no-change approach.

She stated the District has worked with Paul Eisenhardt of The Eisenhardt Group to determine suitable options for the District.

Paul Eisenhardt addressed the Board and audience and discussed a report he prepared on behalf of the District titled "Staff and Operations Assessment for New Facility Startup, Transition and Operation, February 2009." He stated the reason for issuing the RFQ is to find out if there are qualified companies that would provide the expertise needed to manage the plant's start-up process while providing cost savings to the District's ratepayers. Mr. Eisenhardt noted three alternatives available for the District's new plant startup:

Option 1) Make no changes or augmentation to the District staff and continue to operate the new plant with the current employees.

Option 2) Employing consultants to augment staff. With this option, Mr. Eisenhardt explained, the mixing of current staff with temporary consultants raises concerns about blurred lines of responsibility, accountability, and managing multiple consulting teams, and would require extensive management time and attention. Providing the needed training would be more difficult to coordinate among multiple consultants. He stated this is the higher cost option.

Option 3) Contracting with a single firm to assume full responsibility for all operation and maintenance. Mr. Eisenhardt pointed out that this option has been successfully implemented with other treatment plants, including those which the Board Members and District personnel recently toured. He noted that under this option, the District would retain ownership of all facilities while contracting with a private firm for the operation & maintenance of the new facility. The NSD staff working in the wastewater treatment operations and maintenance area would be terminated as NSD employees but would be assured employment with the contract operating firm. Employees will be contractually assured of employment at similar wages and benefits with years of service and longevity recognized by the private sector firm. He stated this is the lower cost option.

Mr. Eisenhardt recommends Option 3 as the most cost effective and suitable alternative for the District.

President Di Giorgio confirmed that the District is not making a decision today as to how to proceed with new facility start-up procedures. He stated the Board is investigating all three options and a final decision has not been made.

Member Long questioned who would be responsible for fines if some area of operation failed. Mr. Eisenhardt stated that under options one and two, the District would be responsible, but under option three, the contract operating firm would be responsible.

He stated that the District's main concern is to operate the plant at a level where the facility is staying in compliance with the regulatory agencies. He also pointed out that the District may violate warranty issues on the new equipment if they are not operated properly.

District Counsel Kent Alm stated that the report Mr. Eisenhardt had prepared for the Board, "Staff and Operations Assessment for New Facility Startup, Transition and Operation, February 2009" is available through the District office. A nominal copying fee will be assessed.

Public Comment:

Dennis Welsh, former Novato Sanitary District employee of 23 years, stated he was shocked to learn of the District's intentions. He commended the NSD operators for their dedication and feels the decision to hire a private sector firm is "really wrong".

Natalie Lloyd of the nonprofit consumer organization Food and Water Watch handed out to the Board a publication titled "Money Down the Drain; How Private Control of Water Wastes Public Resources". In her address to the Board, she referenced cases where private sector firms have exceeded the financial estimates originally set by the District. She requested the Board postpone their decision to make a Request for Qualifications until the public has a chance to review more materials and reports.

Heidi Heffelfinger, a long-time Novato resident stated her concerns. She felt the District was underestimating the value of the current Novato Sanitary District employees who live within such close proximity to the District. She felt a private sector firm would not be able to provide employees who could so quickly respond to emergency situations as the current District employees. She also expressed her concern over who would be responsible for fines that may be incurred and stated she did not feel a long-term contract was necessary.

Richard Di Marco, former Novato Sanitary District employee, stated that management should have been better prepared for the introduction of the new equipment and systems coming on-line. He stated the District should have had a plan in place already to properly train the District's Operations & Maintenance Operators so they would have full knowledge of the new equipment's operating procedures.

There being no other individuals wishing to come before the Board, Public Comment was closed.

Member Long stated he believes the District should move forward with issuing the Request for Qualifications. He expressed his appreciation to the public for their comments.

On motion of Member Long, seconded by Member Fritz, and carried unanimously, the Board authorized staff to issue a Request for Qualifications (RFQ) for operation and maintenance of the wastewater treatment facilities.

President Di Giorgio stated that the District's Collection System, and pump stations will remain in the District's control as well as all policy and rate setting issues. The Laboratory Department will also remain with the District employees for quality control reasons.

Member Quesada stated that the issuing of the RFQ does not commit the District to hiring a private sector firm.

President Di Giorgio called for a five minute recess at 6:00 p.m.

President Di Giorgio reconvened the Board meeting at 6:10 p.m.

- Approve a consulting contract task order for Carollo Engineers to provide interim operational assistance and related services on a time-and-materials, as-needed basis, for an amount not to exceed \$184,000. The Manager explained that the Time-and-Material Contract with Carollo is to assist the District with past staffing shortages as well as anticipated personnel needs. Part of the staffing shortages are due to an employee who is out on extended medical leave. The Manager stated that the District has worked with this contractor before and feels confident they will perform to District's standards. The Manager discussed with the Board the costs, stating that the anticipated charges are within the parameters for this type of consulting work.

On motion of Member Fritz, seconded by Member Queasda, and carried unanimously, the Board approved a consulting contract task order with Carollo Engineers for an amount not to exceed \$184,000.

NORTH BAY WATERSHED ASSOCIATION: BUDGET

- Consider proposed 2009/10 North Bay Watershed Association budget: The Manager stated that the North Bay Watershed Association (NBWA) is seeking guidance from the participating agencies for the 2009/10 budget carryover of unspent funds from the 2008/09 fiscal year of \$92,000. The Manager stated the two alternatives: 1) Allocate the entire carryover to new projects. This alternative would keep the budget at its current level of \$178,300. or 2) Split the carryover between reducing the member agency 2009/10 contributions and new projects, which would result in a reduction in

membership costs of 25% or \$1,641 for Novato Sanitary District. The Manager noted that the NBWA recommends option 2.

On motion of Member Long, seconded by Member Fritz, and carried unanimously, the Board endorsed option 2 as noted above

PERSONNEL

- Abolish the two maintenance worker positions: District Counsel Kent Alm read an excerpt from the District's Personnel Rules and Regulations dated November 2005: "Policy 19.01.1: Whenever, in the sole judgment of the District Board, it becomes necessary to abolish any position due to a reorganization, lack of work or funds, or abandonment of activities, the employee holding said position may be laid off or demoted without the right of appeal. Whenever possible, employees will be given at least thirty (30) calendar days notice of any layoff or demotion."

The Manager explained to the Board that the two maintenance worker positions are being eliminated due to a lack of maintenance work at the treatment plants, pump stations and reclamation facility. She recommends these two positions be abolished due to insufficient work for them to perform.

In addition, the Manager stated that due to the loss of these two positions, the District will need to meet and confer with the Teamsters Local Union 315.

On motion of Member Fritz, seconded by Member Long, and carried unanimously, the District abolished the two Maintenance Worker Positions.

MANAGER'S ANNOUNCEMENTS:

- The Manager discussed a sewer spill that was reported to the District at 5:15 p.m. on Sunday, March 8th. The spill was located in an easement off Pinto Lane and she stated that the spill probably began on Thursday, March 5th. She complimented the Collection Systems crew for their quick response and thorough handling of the situation. She noted that the spill was classified as a Category 1 spill and that she issued a Press Release to the Marin Independent Journal newspaper. The overflow was caused by a blockage due to a build-up of rags and roots. She stated that the storm drain was cleaned and that creek samples were taken. The Deputy Manager estimated the total overflow to be between 2,500 and 4,500 gallons.

CLOSED SESSION CONFERENCE WITH LABOR NEGOTIATORS:

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At 6:40 p.m. President Di Giorgio announced the Board would meet in Closed Session to discuss the item on the Closed Session Agenda: Confer with District's labor negotiators regarding meet and confer with District's "General" bargaining unit, represented by Teamsters Local 315.

At 7:26 p.m. President Di Giorgio reconvened the board meeting.

There was no reportable action.

ADJOURNMENT: There being no further business to come before the Board, President Di Giorgio adjourned the meeting at 7:28 p.m.

Respectfully submitted,

Beverly B. James
Secretary

Julie Borda, Recording