

SANITARY DISTRICT NO. 1 OF MARIN COUNTY REGULAR BOARD MEETING MINUTES

Tuesday, February 5, 2008
6:45 p.m.

Board Meeting Room
1301 Andersen Drive
San Rafael, CA

Members Present: Sue Brown, President
Patty Burke, Secretary
Patrick Guasco
Marcia Johnson
Steven Vanni

Members Absent: None

Staff Present: Vivian Housen, Interim District Manager
Eric Stassevitch, District Engineer
Michelle Kenyon, District Counsel
Eva Waskell, Recording Secretary

Public Present: The names reflected are those who signed in on the attendance sheet: Rob Rogers; Vic Canby; Myles O'Dwyer; however, there were five (5) additional members of the public present.

Item #1-ORDER The meeting was called to order by President Brown at 6:45 p.m. President Brown led the Pledge of Allegiance. Roll call was taken and a quorum was present.

Item #2-APPROVAL OF AGENDA M/S Johnson/Burke to approve the Agenda as submitted. The motion carried unanimously.

Item #3-OPEN TIME FOR PUBLIC There were no public comments.

Item #4-APPROVE REGULAR MEETING REGULAR MINUTES OF JANUARY 7, 2008 Director Johnson noted that the name of the Director is missing in the third paragraph of page 16. Staff will review the tapes and include the name of the speaker.

M/S Guasco/Johnson to approve the Regular Meeting Minutes of January 7, 2008, as amended. The motion carried unanimously.

Item #5-CONSENT CALENDAR The Board reviewed the Consent Calendar:

- a) Approve District Treasurer's Financial Reports for September, October, November, and December 2007
- b) Approve Progress Payments for Capital Improvement Projects:
 - i) Site Grading and Improvement Project (CIP930), Ghilotti Construction, Inc., Progress Billing No. 5 in the amount of \$14,818.64

- ii) FY2007 Sewer Rehabilitation Project No. 1 (CIP 680), Ranger Pipelines, Inc., Progress Billing No. 7 in the amount of \$124,414.07
- c) Approve Contract Change Orders:
 - i) Change Order No. 9, in the Amount of \$20,157.00, for the FY 2007 Sewer Rehabilitation Project No 1. (CIP 680), Ranger Pipelines Inc.
 - ii) Change Order No. 11, in the Amount of \$1,000.33, for the Site Grading and Improvement Project (CIP 930), Ghilotti Construction, Inc.
- d) Approve Public Sewer Extension, 180 Toyon Drive, Fairfax
- e) Approve Execution of Letter Agreement Between Sanitary District No. 1 of Marin County and Campus St. James Larkspur, LLC

Director Johnson pulled Items 5a, 5d and 5e. M/S Guasco/Johnson to approve Items 5b and 5c of the Consent Calendar, as submitted. The motion carried unanimously.

Regarding Item 5a, Director Johnson stated that in the staff report, 2nd paragraph, it should be noted that there were conditions of the Board's adoption of the FY 2007/2008 budget and these should be reviewed by staff. She complimented staff on the new format of the income statements and balance sheets.

Director Johnson asked for information about the described contra accounts.

Business Manager Lang explained that a contra account offsets another account. A common example would be accumulated depreciation, an account that offsets fixed assets.

Director Johnson asked for further description on the contra for Board Designated Reserves.

Ms. Lang answered this contra account has historically been an auditor adjusting entry which records \$9.2 million in reserves that are spread across different funds.

Director Johnson asked whether the District has \$9M in reserves if the total current assets are shown as \$5M.

Ms. Lang responded that after the FY 2006-07 audit, this entry will be adjusted down.

Director Johnson asked how much the District has in reserves.

Ms. Lang responded that this information is provided under "cash on hand."

Director Johnson asked for a description of the capital assets contra, and noted that this money cannot be counted on in the budget sheet.

Ms. Lang replied that this entry was an auditing adjustment for FY05/06. The District has historically treated money paid to CMSA as an asset. This practice was resolved in FY05/06, and the contra records the value of the adjustment. She is currently discussing Marcia's concern with the District's auditor.

Director Johnson discussed deferred compensation, which is listed as a current asset and liability, and shown as \$891k on the September sheet.

Ms. Lang replied that this will also require an auditing adjustment. Investments are employees' deferrals to the 457 plan. She has asked the auditor why this is an asset and liability. The individuals don't control the investment, so this should not be considered an asset.

Director Johnson noted that the label on the bottom of the sheet should show year to date. Also, on the balance sheet for November 30, the top line of Accounts Payable went from \$1,357,697 in November to \$67,858 in December, while there is no commensurate jump in expenditures for December or increase in Fixed Assets.

Ms. Lang replied that the accounts payable decreased significantly in December because of two reasons. First, a stop payment exceeding \$814,000 for a progress payment to D'Arcy Harty for checks lost in the mail was recorded in November. This increased the AP account balance and did not affect expenses already recorded. The \$814,149.01 check was re-issued in December, decreasing AP and decreasing cash. Second, the remaining \$475,000 in accounts payable in November was to manage the District's cash position. Vendor payments were held in anticipation of Sewer Service Charge and Property Tax revenue receipts expected in mid-December. The vendor expense was recorded in the month of November but the payment was not made until late December.

Ms. Lang explained that the Fixed Asset and Capital Improvement Projects are reclassified to the Balance Sheet at the end of the year as part of the year end close prior to the audit. She asked Director Johnson to refer to the December Income Statement "Vehicles and Equipment," "Capital Project Replacement," and "Capital Expansion." The intent of the income statement is to show the Board the current YTD Expenditures on these line items. At the end of the year, the capital improvements are reclassified to the Balance Sheet to properly account for fixed assets and depreciation.

Director Johnson stated that the balance sheet should be accrual based; she asked if the District was operating on a cash basis.

Ms. Lang replied that the reports reflect operation on an accrual basis.

Director Johnson noted that Adjusted Retained Earnings were adjusted in December, which is typically not done until year-end, and noticed the difference was the same change as to the Canyon Road Reserve Redemption and asked for an explanation.

Ms. Lang replied that it is correct that Retained Earnings are typically adjusted at the end of the year. This issue was addressed during the current audit in order to validate that the Canyon Road Bond is presented properly on the Balance Sheet. The difference of \$22,198.28, the reduction Director Johnson saw from November Retained Earnings to December Retained Earnings, is the same difference that can be seen attributable to Canyon Road Bond Proceeds received in December.

Director Johnson suggested that this posting be moved to the bottom of the report and kept separately from other information. She thanked staff for their work on these reports and requested a larger font in the budget column.

M/S Guasco/Johnson to approve Item 5a of the Consent Calendar. The motion carried unanimously.

Regarding Item 5d, Director Johnson asked how the extension of the public sewer line works and how it will benefit other parcels. District Engineer Stassevitch explained that the applicant had proposed to extend the public sewer line 60 LF in the public right of way to their property line; they will also need to install about 39 feet of new sewer pipe on their private property. The property owner will pay for the public sewer extension. Mr. Stassevitch clarified that the three parcels above the road are currently served by the public sewer. Two parcels above and below the property may benefit from this sewer if developed in the future. However, these parcels are steep and development is not currently anticipated. Staff has advised the applicant that in the future, there may be an opportunity to share costs.

Director Johnson asked for clarification on the pipe size, and on the 25-foot limitation from the property line for the lateral.

Mr. Stassevitch replied that the applicant was provided the unit costs for two sizes of pipe, and was allowed to choose the pipe size. The 25-foot limit allows the lateral to take the most direct route to the public sewer to minimize easement requirements and to avoid operational issues associated with long laterals.

Director Guasco asked whether the three properties north of the road share a common lateral. He asked whether CCTV work has been performed to confirm the number of tie-ins.

Mr. Stassevitch replied that this question was raised with the engineering firm preparing the application; staff has confirmed that the parcels are not on a common lateral.

M/S Johnson/Burke to approve Item 5d of the Consent Calendar. The motion carried unanimously.

Regarding Item 5e, Director Johnson recommended that the name of the Interim District Manager be added in the third paragraph of the Resolution. President Brown agreed to this change.

M/S Guasco/Johnson to approve Item 5e of the Consent Calendar, with the provision that Vivian Housen's name be added to the third paragraph of the Resolution. The motion carried unanimously.

Item #6-CONSIDERATION AND DISCUSSION OF CONSOLIDATION/REGIONALIZATION ISSUES President Brown reported that governance would be discussed at the March meeting. She asked Interim District Manager Housen about the draft response to the January 7, 2008 letter to CMSA from San Rafael Sanitation District (SRSD).

Ms. Housen reported that the draft response under consideration replies to a letter response from the Board to CMSA. The District's response addresses several statements in the SRSD letter that require clarification. She reviewed the items listed in the draft letter that are also included in the staff memo.

Director Johnson referenced the second paragraph of the draft response and stated that the January 8, 2008 CMSA Board meeting is referenced, and should be changed to the December 2007 meeting. At this meeting, she mentioned and showed to the Board the draft Proposition 218 notice related to the District's upcoming rate increase.

President Brown added that the Proposition 218 information was made available to CMSA Board members prior to the completion of the SRSD letter. She added that she appreciates the tone of the draft response and hopes it will initiate better communication with SRSD.

Director Johnson stated that she didn't understand why SRSD is on the attack, when they also seem to want the District to enter into a partnership with them. She did not appreciate the factual errors contained in the SRSD letter. She noted that SRSD sent copies of the letter to all of the CMSA Commissioners except for the Ross Valley Commissioners. She expressed support of information provided in the response letter.

Director Vanni noted that the District hasn't raised rates yet, and does not have much in reserves. He recommended that instead of engaging in a battle of ideas with SRSD, the District should tell SRSD that it's unfortunate that they have decided to pull out of consolidation discussions, but the District is still moving forward. The District is continuing the research needed, and welcomes SRSD's involvement. However, if SRSD does not wish to be involved, the District can still consolidate with CMSA. He recommended that the letter be more aggressive. He expressed dissatisfaction with the attitude of SRSD regarding trying to kick the District off the property. This doesn't make sense since the District is 46% of CMSA. He believed that the District should ask SRSD why they ended

consolidation discussions whereas the District is continuing to gather information and move forward. The only thing the District hasn't agreed to do is to sign a 1.4M deal.

President Brown added that clarification of the misrepresentation of the District's financial stability is important because it should be made clear that the District went through a process with Bartle Wells Associates to establish the financing plan needed to fund improvements to the sewer system. The District has been moving the process forward for a year, and this work has included consideration of the timing of the required rate increase and the amount of funding required. She added that the District is ahead of some jurisdictions in Marin County as far as identifying and prioritizing capital improvement projects and the associated financing.

Director Vanni replied that the District will get a higher interest rate if its finances aren't sound. Also, he didn't see the significance of SRSD's comments regarding the District's financing situation, since financing and governance issues are now being reviewed independently of SRSD. He added that the District needs to tell SRSD that it's moving forward with regionalization, and that yes, the District is keeping an eye on its finances.

President Brown noted that Bartle Wells had informed the Board that it is in a very good position to obtain a loan.

Director Johnson stated that SRSD claimed that the District stopped the regionalization effort. However, Corte Madera and SRSD are the entities that have actually withdrawn. The District is the only major player left at the regionalization table. She asked that SRSD stop misrepresenting this information.

President Brown clarified that the Board is not deciding on the question of consolidation. President Brown requested postponement of award of the CMSA contracts for \$1.4M in order to provide more time for the District to get up to speed on the issues and information surrounding regionalization. The District wasn't deciding against consolidation, but was taking a step back to get as much as information as it needed to understand and continue with the dialogue on consolidation. She added that she would like to be very clear that the District is looking into all of the different aspects of regionalization and is not coming to a conclusion about regionalization.

Director Johnson stated that at the August 28 CMSA meeting, the two Ross Valley commissioners were asked to approve \$1.4M in expenditures on studies; this was not something that they were comfortable doing without first discussing these items with the other members of the Ross Valley Board, as well as the public and the ratepayers.

Director Vanni clarified that the payment for the \$1.4M in studies would have been shared by the CMSA members. He added that he agrees with the approach taken by the RV commissioners, but that this discussion never came back to the District Board. At the following District meeting, the Board should have had that contract in front of them and

discussed it. He added that this is what SRSD is likely trying to address in their discussions – it appeared that the District was back-pedaling, at a time when discussions had been moving forward quickly. He added that the District Board was not the one who decided to study governance, or to not review the contract – these decisions were made by others.

Director Johnson noted that contract is included in the RVSD consolidation binder.

Director Vanni emphasized that discussion of this contract should have been included on a Board agenda.

President Brown stated that at the District Board meeting following this CMSA Board meeting, regionalization was agendized, which allowed discussion of the contract. Every meeting since then has included regionalization on the agenda.

Director Vanni replied that the only discussion held by the Board on this topic was a suggestion by District Manager Causey said the Board could agree to complete only portions of the larger contract. After this mention, the discussion focused more on SRSD's actions. He didn't believe that he was the right person to bring this topic of conversation to the Board's attention; he felt that this action was the responsibility of a RVSD Commissioner on the CMSA Board.

Ms. Housen stated that in hearing this discussion, it seems that the topic of the \$1.4 million contract was not clearly brought by staff to the Board for discussion. Although this is being vetted in hindsight, it does not directly relate to the proposed SRSD response letter. She believed that she should include Director Johnson's early comments, and following Director Vanni's suggestions, make the letter more direct regarding the fact that the District did not withdraw from consolidation. Also, the letter should place emphasis on the financial health of the District and that the District is on track with its funding program.

Mr. Myles O'Dwyer asked how long the Board had been discussing consolidation and when this last round of discussion began.

President Brown replied that the Board started discussions in approximately January 2007 with a consolidation workshop.

M/S Johnson/Vanni to provide direction to staff and to authorize the Interim District Manager to finalize and transmit a response to San Rafael Sanitation District's letter dated January 7, 2008 with the points as discussed and the edits reviewed by Interim District Manager Housen. The motion carried unanimously.

The Board then took up Item 6b, an informational report providing an update on ongoing activities by staff related to consolidation. Interim District Manager Housen reported briefly on three activities: 1) The matrix of advantages/disadvantages of consolidation is

being reviewed to potentially include information from the three prior consolidation studies and the District's June 2007 letter to CMSA. Staff expects a draft document to be available for review in advance of the March 4 Board meeting; 2) Staff is reviewing the questions and concerns raised at the January 7 Board meeting related to the governance discussion, and continues to accept further requests from Board members, staff and the public; 3) The VTD financial analysis will begin after VTD is substantially complete with the Districts FY07 audit. A draft audit is expected in February 2008.

Director Johnson stated that she has reviewed some SSO data as it might relate to consolidation discussions, and asked staff to continue this review and report back to the Board at a future date. She is interested in getting a better idea of comparative I/I and system condition.

Ms. Housen replied that staff would review this information further and report back to the Board.

Director Johnson also stated that she would like to discuss the Larkspur Commissioner's representation as related to Ross Valley's goals and the terms of annexation.

President Brown replied that this topic would be more appropriate to discuss under Item 9.

Director Vanni revisited the earlier discussion, and stated that he would have preferred to have found a way to discuss governance and financial discussions in partnership with San Rafael. He believes that if consolidation moves forward, the members will have to repeat this work again as a team.

President Brown asked staff to update the Board on the scope of the planned governance discussion.

District Counsel Kenyon replied that the issues that have been requested for discussion to date relate to a much more limited scope of governance than what was envisioned in the contract that was being considered in August 2007 by CMSA. She added that this study is not intended to be performed in lieu of the additional studies or reports that may be completed by CMSA. The discussions will be more focused and directed toward issues specifically related to the District.

President Brown stated that the intent of the discussion is to bring RVSD up to speed on governance issues.

Director Johnson stated that Ross Valley has to consider issues that are different from those considered by the other members. These issues need to be understood, along with their impact on the District.

Item #7-AUTHORIZATION FOR INTERIM DISTRICT MANAGER TO BEGIN RESEARCH ON AVAILABLE PROPERTY LOCATIONS FOR TEMPORARY AND PERMANENT FACILITIES

Interim District Manager Housen reported that in the January 16, 2008 letter to the District from CMSA, CMSA states that RVSD must move off of CMSA property by January 15, 2009. Ms. Housen recalled that during the CMSA meeting when this decision was finalized, Mr. Sinnott emphasized that he did not want to cause RVSD any hardship and acknowledged that it would likely be difficult to move within one year. There was an indication at the CMSA Board meeting that RVSD does have the option through the Property Use Agreement to renew the lease again, and the San Rafael permit extends into 2010. However, this discussion is not reflected in the letter. Therefore, it would be prudent to be proactive in response to this request and to start looking for alternative locations.

Director Johnson stated that the Property Use Agreement clearly gives the District the right to request further agreement extensions. She referenced the last two sentences in the CMSA letter that incorrectly state that the RVSD relocation was predicated on regionalization. She has researched old reports, minutes, and documents that confirm that discussions related to the move began in July 2006, months before any discussions began on regionalization in January 2007. The documents clearly show that the initial request was made in response to the need to move due to the property sale, and not to precipitate regionalization. The remaining CMSA Board has agreed that they recall that the reason why the relocation occurred was to move consolidation forward; however, this recollection is not substantiated by past records. Director Johnson noted that she had tried three times during and after the January CMSA Board meeting to submit these documents for the record, but the CMSA General Manager and Board would not accept them. She found this frustrating and believes that the District should respond to this statement with a response that it disagrees with this recollection, which is not supported by fact. Also, the response shouldn't refer to the CMSA request as if they are kicking the District off their property. The issue under discussion is the recent extension of the agreement to January 2009, which can be extended on a year-to-year basis. She concluded by stating that recent statements made by CMSA on this matter likely reflect the CMSA Board's frustration on other issues.

President Brown stated that she had also tried to submit this documentation to the other CMSA members and was not sure if this documentation had been put into the public record. She added that she would provide CMSA with the video DVD of the meeting to confirm this discussion. The discussion can also be viewed at www.blip.tv.

Director Johnson added that there were other options for regionalization discussed at the CMSA meeting involving various combinations of the member agencies.

Director Vanni recalled that District relocated in anticipation of consolidating with CMSA in the future. He made the request for the District's move to be included on the agenda when the previous Board was in place, in early 2006. When the Board changed in July

2006, these discussions stopped, and then re-started again in January. He added that that reason why consolidation discussions were tabled in 2005 was because of the unknowns related to the CMSA Wet Weather Improvement Project. One month after the final draft of the Wet Weather Improvement Project was released by CMSA, the District reviewed the plans and concluded that there was room to relocate to the site. Members of the public were in attendance at the meeting in order to discuss the associated CMSA rate increase. During this meeting, one of the constituents stated that it made sense to move to CMSA. He recalled that he agreed with this resident and asked to have this discussion included on the following agenda. The Board discussed the matter at the following agenda, and decided to relocate to CMSA in anticipation of moving towards consolidation.

Director Johnson stated that the election was held in June 2006 and the new Board was seated in July 2006. She has reviewed minutes from the meetings in 2006 and has not found information related to the discussion described by Director Vanni. Only in January 2007 did the consolidation discussion restart formally. The first workshop was held in February or March, and the next one in April or May.

Director Vanni recommended that the Board members review the March 2006 minutes, and in particular the discussion regarding relocation to CMSA. The videotape taken by the public of this meeting may still be available. He advised staff to review these minutes before submitting a letter to CMSA that does not correctly reflect past discussions.

Regarding the staff request to begin researching property options, Director Vanni stated that the RVSD Commissioners should speak up to the CMSA Board regarding the fact that the requirement to leave CMSA property does not make sense. The District has spent as much as a million dollars to relocate to CMSA – it should not spend more money to move again. If the District starts activities needed to move back to the District's Larkspur site, Larkspur will likely advise CMSA Chair Sinnott to retract this statement - Larkspur does not want RVSD to relocate back to the Larkspur Landing site. He stated that Ross Valley pays for a majority of CMSA costs and should be clear to the CMSA Board that this request is not appreciated or warranted.

Director Johnson replied that the RVSD Commissioners did try to make this point to the CMSA Board. However, the remaining CMSA members are focused on other discussions and are not addressing this matter logically.

President Brown stated that the CMSA letter must be taken seriously – the District must be prepared to move. This effort would not interfere with regionalization discussions, but would take place on a parallel track to ensure that the District does have a place to go, should the CMSA Board continue to push this issue forward. CMSA has four other votes that are apparently determining the future of the District.

M/S Johnson/Burke to authorize the Interim District Manager to interview and select a commercial real estate firm and begin research on available property locations for temporary and permanent facilities. Vote: Ayes: Brown; Burke; Guasco; Johnson; Noes: Vanni. The motion carried.

Item #8- ACCEPT REPORT FROM INTERIM DISTRICT MANAGER REGARDING ANTICIPATED CHARGES RELATED TO COMMUNICATION PLAN FOR FATS, OILS, AND GREASE CONTROL PROGRAM

Interim District Manager Housen reviewed the staff report presenting expected costs of the District's FOG program, which is managed by CMSA. 80 Food Service Establishments (FSEs) have been located upstream of known hot spots, as compared to the anticipated number of 20. As reflected in the original proposal for the work, the anticipated costs, given 80 FSEs, are: startup \$10,000; implementation \$58,000; and annual maintenance \$24,000. Actual costs will be determined based on actual level of effort required.

Director Johnson asked if the SRSD FOG program has comparable costs.

District Engineer Stassevitch replied that the estimated unit costs are the same for SRSD.

Ms. Housen added that the RVSD overhead amount was adjusted down to 10%, which is the overhead rate being charged to SRSD.

Director Johnson asked why RVSD is paying compensation plus ten percent overhead when in fact the District pays for 46% of staff time as a member of CMSA. Is the District paying twice for this labor?

Ms. Housen replied that staff would review this issue and bring a response back to Director Johnson.

Director Vanni discussed information that he had learned at the recent CASA conference related to FOG programs. There are companies that collect fats, oils, and especially grease, and use these materials to generate energy. The collection cost is free, and at times the companies pay for the grease collected. He would like to see RVSD get involved in such a program.

Director Johnson added that there is a similar program in Novato that has been in place for about one and a half years.

Director Guasco stated that this program is beneficial because it teaches the FSEs about the importance of capturing FOG – the sooner you remove it from the stream, the easier it is to render.

Ms. Housen stated that staff would research this company and provide more information to the Board and to CMSA staff.

M/S Guasco/Johnson to accept the staff report and requested that the Interim District Manager Housen review the question related to whether it was appropriate for the District to pay full costs and overhead, in addition to the ongoing 46% commitment. The motion carried unanimously.

Item #9-ACCEPT REPORT FROM DISTRICT MANAGER AND BOARD PRESIDENT REGARDING ATTENDANCE AT JANUARY 30, 2008 SPECIAL COUNCIL MEETING FOR THE CITY OF LARKSPUR AND PROVIDE DIRECTION TO STAFF

Interim District Manager Housen summarized the discussions that took place prior to and during the January 30, 2008 Special Council Meeting held by the City of Larkspur. She, President Brown, and Director Johnson attended this meeting. Although District staff was not notified of the meeting, staff received an agenda on January 29. Ms. Housen expressed concern about communication between the City and the District; there had been no communication from City Manager Bonander or her staff in advance of the meeting, and the staff memo included information that was not accurate. Also, the memo included information that had not yet been discussed in a public meeting by the District. Ms. Housen developed a memo that included corrections to the City staff memo, provided this response to Ms. Bonander, and discussed these items with Ms. Bonander in advance of the meeting.

Ms. Housen reported that at the Larkspur meeting, CMSA General Manager Dow gave a presentation of the Wet Weather Improvement Project and spoke about regionalization. Ms. Housen distributed Mr. Dow's presentation to the District Board, and noted that Mr. Dow made a verbal correction on Page 5 - Fall 2007 should have been Fall 2006.

Ms. Housen referred to page 6, and noted that Mr. Dow listed \$700k as the cost for the District relocation to CMSA. This cost differed from the \$1.5M listed in the Larkspur staff memo. District staff has since reviewed relocation costs, which were approximately \$800k.

President Brown stated that she would like to create an atmosphere that improves communication between the District and Larkspur. She asked staff to identify opportunities in the Larkspur Annexation Agreement that could help improve this communication.

Director Johnson stated that on page 11 of Mr. Dow's presentation, the date when staff brought contracts and the engagement letter to begin evaluation work to the CMSA Board should be August 28 and not August 25.

Ms. Housen added that Mr. Dow's discussion didn't include an amount for these contracts, and Director Johnson clarified in her public comments to the Council that this amount was in the range of \$1.4 million.

Ms. Housen stated that at the beginning of the discussion, the Larkspur City Council decided to focus the discussion on the Wet Weather Improvement Project and limit any discussion of Ross Valley to Mr. Dow's presentation and specific information about the Larkspur Landing property. In particular relating to the Larkspur Landing, the Council asked when the developer expected to move forward with its development plans.

After the Council learned that Campus Properties could not provide an answer regarding the schedule, they closed the discussion to the public; this action was in violation of the Brown Act. A member of the public made a plea to open up the discussion and the Council did so. Subsequently, President Brown, Director Johnson, and Ms. Housen made statements to the Council that were positive and focused on the need for the two entities to work more productively together and to improve communications. Ms. Housen believed that the stage has been set to have a better working relationship with Larkspur in the future.

President Brown stated that based on the misinformation contained in the City Manager's report, it was evident that Larkspur was not receiving accurate information. It was her intention to create an atmosphere of improved communication. She believes there are terms in the Amended Annexation Agreement which outline procedures and obligations to ensure that accurate communication takes place between RVSD and the Larkspur City Council. President Brown reiterated her desire for staff to explore the Annexation Agreement to determine what these obligations are, and then develop a plan to improve communications between Larkspur and RVSD.

Director Johnson stated that on page 4, Mr. Dow presented four general conclusions regarding consolidation. She noted that Mr. Dow stated in his presentations that these were his opinions only.

Director Johnson stated that the statement on the last line of page 12 that "CMSA needs corporate yard space if regionalization ends" has not been discussed with the District. She did not recall that Mr. Dow made this statement at the Larkspur meeting. However, he did discuss the cooperation that he has experienced between the agencies, the benefits of having the District on the CMSA site, and how the sharing of equipment and space is going well.

Director Johnson referenced a statement on the bottom of page 12 of Mr. Dow's presentation, "relocation was predicated on regionalization proceeding." Although Mr. Dow verbally said that the majority of the Board believes this statement, she emphasized as discussed previously that this is a matter of belief versus fact.

Director Johnson agreed that communication with the City of Larkspur must improve. She read from the Annexation Agreement that the Larkspur Commissioners are required to submit a written report semi-annually regarding the activities of CMSA and present this report to the Larkspur City Council and to the Board of Directors of the District. She

continued her review of the agreement, which also requires a periodic review of the performance of the Larkspur commissioner. She doesn't believe that this review has occurred since 1995 when the Amended Annexation Agreement was signed. She believed that the two entities should start abiding by the terms of the Annexation Agreement. She expressed her disappointment with the erroneous information that were included in the Larkspur staff memo.

Director Johnson asked Ms. Housen if the District should have been notified a certain number of hours in advance under the Brown Act that District activities were included on the Larkspur agenda for discussion.

Ms. Housen replied that the usual process is that staff from one public entity communicates with staff from the other agency in advance of such a discussion.

District Counsel Kenyon added that the agenda item under consideration did not deal with approvals or with a review of agreement terms. Therefore, the item was informational, and there is no legal requirement in place that requires the City to provide advance notice to the District.

Director Vanni provided background on the Larkspur commissioner appointment. Ms. Jean Mariani was the representative for the City of Larkspur and sat on the CMSA Board from 1995 to about 2002. Approximately five years ago, Director Vanni raised a question about whether Larkspur should sit on the CMSA Board when Ross Valley had annexed the City into its District. When the CMSA JPA was originally formed, Larkspur was its own entity, which is why they are identified as a separate decision maker on the CMSA Board. As the CMSA JPA is written, the only way that Larkspur can be removed from the CMSA Board is by a vote of the Larkspur City Council. Five years ago, this action seemed improbable. When Ms. Mariani retired, Mr. Sinnott took her place on the CMSA Board.

President Brown asked staff for clarification on the action needed.

Ms. Kenyon replied that she heard a requested from the Board for staff and District Counsel to review the original and Amended Annexation Agreements and bring back options to improve communications for the Board's consideration.

M/S Johnson/Burke to accept the staff report and direct staff to finalize the proposed letter. The motion carried unanimously.

ITEM #10-ADOPT CEQA CATEGORICAL EXEMPTION FOR WILLIAM-HOLCOMB-MEADOWOOD CAPACITY IMPROVEMENT PROJECT

Interim District Manager Housen reported that the proposed Categorical Exemption is for an approximately ten foot long pipeline crossing of Larkspur Creek for the William Holcomb Meadowood project. The pipeline would be installed using open trench methods. Categorical Exemption was identified as the most appropriate CEQA documentation for this project. The Categorical

Exemption requires adoption by the District and does not require a public comment period. The proposed Categorical Exemption was developed after a Fisheries and Wildlife Specialist reviewed the creek conditions, met with permitting agencies, and discussed potential impacts and mitigation measures. By adopting the Categorical Exemption, the District commits itself to using identified best management practices and mitigation measures during the design and construction of the creek crossing, including monitoring for and protecting wildlife.

The new pipeline will be lower than the existing pipe, which is an improvement. Currently the creek banks are protected with concrete-filled burlap pillows. This is not a natural environment and the design team is looking into ways to restore the creek to better than existing conditions as part of this program.

Director Vanni asked whether there is a conflict of interest having RMC Water and Environment prepare these documents.

Ms. Housen replied that RMC is not completing the project design, and the environmental work under discussion is often the type of technical support work that is completed by staff.

Director Johnson stated her belief that the RMC contract provides for this type of technical support. She asked if the Categorical Exemption would add cost to the project.

Ms. Housen replied that the crossing was envisioned in the original project description. The Categorical Exemption provides the environmental guidelines under which this work will be completed. There is no additional work envisioned as a result of the environmental findings.

Director Johnson asked whether the Board is required to approve this document.

General Counsel Kenyon replied that approval is a legal requirement under the California Environmental Quality Act.

Director Johnson noted that the District is doing a lot a capital improvement work in Larkspur. She asked whether the District was spending too much of its capital budget in Larkspur as compared to the other communities in the service area.

Ms. Housen replied that the replacement program focuses on the areas with the greatest capacity and maintenance issues, and was not developed based on location. It is critical that the District addresses these high need areas as quickly as possible.

Director Johnson suggested that staff communicate to Larkspur about the benefit of the District's improvements. On one hand, Larkspur is making negative statements about the

District's financial status, and on the other hand the District is completing many capital improvements in their City.

President Brown clarified that the statements about finances were made by SRSD commissioners and not Larkspur.

Director Johnson replied that Larkspur acquiesced to these statements.

Director Vanni stated that when the District annexed Larkspur, it had knowledge about the condition of Larkspur's pipes. The previous City manager, Ned Ongaro, knew the condition of the pipes, which is why Larkspur is paying a higher rate.

Director Johnson noted that the District is spending approximately \$430,000 in Larkspur in capital improvements. Between the William Holcomb Meadowood project and other capital projects, the City is getting a lot of value for their dollar. She hoped that Larkspur appreciates the District for this effort.

Director Guasco stated that the work the District is completing in Larkspur is commendable in terms of improving the public sewer system. Most of the City's 22 miles of pipe is in poor repair.

M/S Vanni/Johnson to adopt the Categorical Exemption for the Larkspur Creek crossing as related to the William/Holcomb/Meadowood Capacity Improvement Project. The motion carried unanimously.

Item #11-AUTHORIZATION TO ISSUE REQUEST FOR PROPOSALS - HIGHWAY 101 AND RIVIERA FORCE MAIN REPLACEMENT PROJECT Interim District Manager Housen reported that the proposed Request for Proposals is for design services for two priority projects involving fairly short, but critical pipes. The first project is the Highway 101 Force Main, about 400 feet of 4-inch diameter pressure pipe known to have leaked in the past that is located in a residential easement. The construction for this project will be very challenging due to the location. The second project is the Riviera Force Main replacement, about 450 feet of 6-inch diameter pressure pipe that crosses below Corte Madera Creek and is vulnerable to corrosion and at risk during dredging operations.

Director Johnson asked for clarification of the presented costs.

Ms. Housen replied that the costs shown are the total for both projects, which have been combined to improve cost efficiency. The design costs in the capital improvement program seem low in retrospect; as a result, total project cost will likely be higher than planned – this cost will be updated in the 2008-09 CIP.

Director Johnson stated that she has requested and would still like to see a summary of pipelines installed, with lengths installed and actual expenditures as compared to budget.

Ms. Housen replied that staff is working on this summary and she should have this information available for Board information by the March meeting.

District Engineer Stassevitch stated that only one of the projects included in this RFP is located in Larkspur. However, after a brief discussion involving Directors Johnson and Guasco, it was established that both of these projects are located in Larkspur.

M/S Guasco/Johnson to authorize the Interim District Manager to issue a Request for Proposal for Engineering Design Services for the Highway 101 and Riviera Circle Force Main Replacement Project. The motion carried unanimously.

Item #12-NOMINATE OR CHOOSE NOT TO NOMINATE A BOARD MEMBER TO SERVE AS AN ALTERNATE SPECIAL DISTRICT MEMBER OF THE MARIN LOCAL AGENCY FORMATION COMMISSION BOARD AND AUTHORIZE THE BOARD PRESIDENT AND BOARD SECRETARY TO EXECUTE THE REQUIRED NOMINATION FORM Interim District Manager Housen reviewed the staff report.

President Brown stated that if the Board nominates a candidate, that person would not necessarily be elected.

After a very brief discussion, there was Board consensus to not make a nomination.

Item #13- VERBAL REPORT BY INTERIM DISTRICT MANAGER Interim District Manager Housen reported on items that staff expected to be discussed by the Board at the March meeting. First, she explained the schedule for the planned Proposition 218 Notice. A draft notice will be presented to the Board for approval on March 4th, for distribution shortly thereafter. If the Notice is distributed on approximately March 5th, after the required 45-day or greater notification period, a hearing is required. Based on this schedule, the hearing could be held during the week of April 21 or later. If the rate increase passes, the increase will be implemented in July.

Director Johnson asked whether the increase needs to be discussed at two hearings.

Ms. Housen replied that the requirement is for a single hearing. However, the Board can hold more than one hearing if it desires.

President Brown asked whether the new RVSD website would be up and running, and if it could be utilized as a vehicle for communication about the notice, hearings, and comments. She emphasized the importance of making sure the ratepayers understand the background behind the rate increase.

Ms. Housen replied that staff has developed three templates for a website and she prefers template 1 or 2. Staff will decide upon a template and update the website. As much information as possible about the Proposition 218 notice will be put on the RVSD website.

Director Johnson asked staff to include a feature on the website where users can click on a link and obtain an email address to send their needed information or questions.

Ms. Housen then reported that the recruitment for a District Manager is ongoing. A RFP was issued to five recruiting firms and the District has received one response to date. The deadline for submitting proposals is February 7. Staff will bring an item to the Board on March 4 to discuss selection of a consultant and provide an opportunity to the Board for discussion with the selected consultant.

Ms. Housen also reported that VTD is completing the District audit, and that they requested additional information from staff as late as the previous week.

Mr. Stassevitch added that VTD is hopeful that the draft audit will be completed next week. After this effort is completed, VTD will start working on the consolidation study.

Regarding the GASB 45 work, Ms. Housen reported that the District received a presentation from Bartel Associates, who has completed the bulk of their scoped work. Bartel has stated that they will complete the preliminary draft report next week. The final draft will be provided to the Board for adoption at the March meeting. The requirements for GASB 45 state that the District does not need to implement the recommended program until FY2009-10.

District Engineer Stassevitch reported that the District had seventeen SSOs totaling 172,000 gallons in the past month; fifteen of those were storm related. Crews responded to numerous emergency calls during normal hours as well as after hours. Two houses in San Anselmo were damaged during the flood and EV Link responded with property restoration. Power was lost on numerous occasions at the San Quentin pump station and a rental generator was brought in as back-up. All crew members have successfully completed harassment training.

Ms. Housen added that she has received a question regarding whether SSOs have been posted as public health hazards. She confirmed that in the past, when overflow events occurred during heavy storms, the areas were not posted. However, crews are now posting at all SSO locations.

Director Guasco noted that it was also important to put barricades over discharging manholes if flooding is so severe that signs cannot be posted.

Mr. Stassevitch continued his report by stating that CCTV inspection is underway; software bugs are being worked out and the District is starting to get some footage using the new condition assessment methodology.

In response to a question from Director Johnson, Mr. Stassevitch said that the reportable feet of inspection for 2007 was completed under other contracts. Ms. Housen added that the District met the CCTV footage requirement for 2007.

Keith Lester, 37 Broadview Road, San Rafael stated that posting was not performed during the flood of January 31, 2005.

Vic Canby, 22 Crescent Lane, San Anselmo stated that it was reported that manhole covers were bumping up and down in San Anselmo during the recent floods. Media attention is higher now related to SSOs than in the past.

Ms. Housen reported that the District received a letter of commendation from San Rafael Sanitation District for work completed by District maintenance employee Noel Sandoval. Mr. Sandoval used a District vacuum truck to dewater a SRSD manhole and prevent the SRSD system from overflowing.

Ms. Housen reported that the District has received a final invoice from the Friends of Corte Madera Creek Watershed regarding an agreement to fund \$58,000 for environmental projects. This agreement was developed in response to a penalty imposed by the RWQCB after the December 2005 overflows.

President Brown asked for an update on the Clean Waterways Testing program.

Ms. Housen reported that she had spoken with Friends of Corte Madera Creek earlier in the day, and learned that they had developed a creek testing plan that did not seem to be effective or cost efficient as far testing for caffeine. Friends is busy on other work, and hasn't had the time to revisit this plan and move it forward. She and Sandy Guldman of Friends discussed having the District look into a smaller, meaningful program that could be implemented within the District's agreed amount. Ms. Housen stated that staff would look into this matter further.

Mr. Canby asked whether Friends of Corte Madera Creek was proposing this study for educational or enforcement purposes.

Ms. Housen replied that the consent decree is clear that the evaluation is to study the overall health of the creek, which would be educational. It is not feasible to trace the presence of caffeine to the sewer system, because this indicator could also originate from private septic systems or laterals, or from humans.

Mr. Canby cautioned the Board and staff that this study could trigger the District to take action regarding creek cleanup that would otherwise be handled by other agencies with actual authority. He believed that this discussion should be agendized in the future.

Director Guasco asked whether the District is testing for caffeine or coliform.

Ms. Housen replied that coliform is not being targeted as an indicator because coliform could also come from animals, and the study is specifically intended to trace human indicators.

Director Guasco stated that the District should enforce the requirement for residents to install backflow preventers on sewer laterals with known wet weather SSOs. This could be a one-way in-line flapper valve system; the part costs about \$185.00.

President Brown asked staff to include this item on a future agenda for discussion.

Mr. Canby noted that there are complications with installing backflow preventers in downtown areas where space is limited in sidewalks, or in some residential areas with old installations. Any policy developed should account for these situations.

Director Vanni addressed Mr. Lester's comment about not posting signs in December 2005. During that storm, crews could not access the SSO locations due to the heavy flooding.

Mr. Lester replied that during that storm, signs were not carried in the District vehicles.

Item #14- OPEN TIME FOR BOARD MEMBERS Director Vanni thanked the Board for allowing him to attend the CASA conference. He provided information about a "smart cover" manhole cover that includes an alarm and tracking system that not only monitors flows, but also sends a signal to a designated device, such as a cell phone, when flows start to rise. He understands that these devices are expensive now, but should be more reasonably priced as more and more are used. He presented a DVD and binder to staff for further review.

President Brown asked if any jurisdictions were already using this cover, and if it is effective.

Director Vanni replied that the jurisdictions currently using these covers were listed in the presentation, and that the covers enabled maintenance staff to address problem areas before SSOs occurred.

Director Guasco agreed that this was a good product. It uses a battery as a power source, so the reporting will continue even in a power outage. He stated that the cover that he saw did not accurately assess flow. However, he liked the product and concept.

Director Vanni reported that at the CASA conference, he also attended the CSRMA Risk Management seminar. CSRMA made a presentation on a program that trains employees on how to approach a person after their house is flooded.

President Brown stated that it was important to integrate this kind of information into the ongoing response manual for staff.

Ms. Housen stated that staff will review the CSRMA document and compare it to the District's SSMP and Overflow Emergency Response Plan to make sure that CSRMA recommendations are addressed.

Item #15-ADJOURNMENT The Board adjourned at 9:44 p.m.

Patty Burke
Secretary of the Board