

Corinne W. Wiley, President
Catharine Benediktsson, Vice President
Roy Fedotoff, Secretary

Claire McAuliffe, Director
William Teiser, Director

**Sanitary District No. 5 of Marin County
Minutes of a Regular Board Meeting
at Sanitary District No. 5 of Marin County Meeting Room
2001 Paradise Drive, Tiburon, California
Tuesday, May 17, 2011, 7:00 p.m.**

CALL TO ORDER by Pres. Wiley at 7:01 p.m.

ROLL CALL: Directors present:

Corinne W. Wiley, President
Catharine Benediktsson, Vice President
Roy Fedotoff, Secretary
Claire McAuliffe
William Teiser

Staff present:

Robert L. Lynch, District Manager
Samantha Miller, Office/Finance Manager
Tony Rubio, Wastewater Facilities Manager
Lynn Henriksen, Administrative Assistant

Others present:

Terry Krieg, CPA
Mark Pressman, Wulff, Hansen & Co.

PUBLIC OPEN TIME:

No public comments were made.

DIRECTORS' COMMENTS AND/OR AGENDA REQUESTS:

No comments or agenda requests were made by the Directors.

CONSENT CALENDAR:

1. Approval of April 19, 2011, Regular Board Meeting Minutes (Henriksen) (attached)
2. Approval of April 22, 2011, Special Board Meeting Minutes (Henriksen) (attached)
3. Approval of Warrants for April 2011, #4504 through 4548, in the amount of \$164,994.61 (Miller) (attached)
4. Receipt of Financial Reports for April 2011 (Miller) (attached)

Motion (McAuliffe/Benediktsson) to approve the Consent Calendar. Passed, all present.

MANAGEMENT REPORT:

5. Operations Report (Rubio) (attached)
 - a. Tiburon/Belvedere Compliance Report & Public Complaint Report March & April 2011

Mgr. Rubio reviewed the March Operations Report with the Board and reported that the bio-solids data was once again not available for the month immediately preceding the Board meeting. After a review of past months' data, he expects this data lag will persist; therefore, the Operations Report will continue to cover the period two months back.

NPDES permit testing showed the District was in compliance with all of the permit limits. In addition, the 96 hour flow through bioassay passed again this month. Four blending events took place during the month of March due to rainstorms on March 18, 19, 24, and 26. Accordingly, staff put in many hours of overtime. V.P. Benediktsson asked if these specific blending events would be eliminated after the Main Plant Rehabilitation project was completed. Mgr. Rubio said blending events due to rainstorms cannot be entirely eliminated. Mgr. Lynch agreed saying he estimated that there should be approximately a 50% reduction in overall blending events after the rehabilitation project is completed.

The District's participation in the Tiburon Salmon Institute's salmon release activities on April 31, 2011, at Blackie's Pasture was very successful again this year. Mgr. Rubio was spotted by Dir. McAuliffe as having a great time educating children on ways to keep our Bay clean.

6. District Manager's Summary Report of April 2011 (Lynch) (attached)

Mgr. Lynch reviewed the District Manager's Summary Report of April 2011 with the Board. Staff has now received a huge amount of information regarding the septic systems within the District's boundaries from Marin County Environmental Health Services Division (MCEHSD). Mgr. Lynch anticipates that staff will have a summary of this data completed by mid-July.

The Paradise Cove NPDES permit has now been renewed for another five years. Regarding the CCTV project, Mgr. Lynch was pleased to report that Roy's Sewer Service has completed cleaning and televising all of the sewer lines in both the Tiburon and Belvedere zones. Staff has begun the task of entering the videos and written information into the District's Computerized Maintenance and Collection System database, which is projected to be completed by mid-June.

Mgr. Lynch updated the Board on several ongoing items. Expected delivery of the new rodder truck has been extended to late June due to California smog emissions regulations, which required WECO Industries to build a customized truck bed to accommodate the smog devices. The final report on the Inflow and Infiltration study from Jeff Blum of E2

Engineering should arrive at the District by next week. All documentation, including the final balance owed by Mr. Ken Marks, regarding the Playa Verde/Paradise Cove Plant lot line adjustment has been entered. The District is expecting reimbursement of \$16,550 upon the signing of the escrow documents by Mr. Qin when he returns from a trip.

The Board discussed immediately sending another letter to the residents of Paradise Drive regarding the Final Notification to connect to the sewer as delineated in Resolution 2011-01, since the final date to do so is December 1, 2013. Mgr. Lynch said staff will have a draft put together by next week.

Mgr. Lynch stated that as soon as the budget has been completed he will meet with the Governance Committee regarding the work he has been doing with Alison Neufeld of Liebert Cassidy Whitmore on benefit and pension reform for the District. At that meeting, the Committee will review options about a number of strategies to reduce future liability for benefits and pensions and make recommendations to the Board of Directors.

NEW BUSINESS

7. Consideration of Approval of FY 2009-2010 District Audit and Management Letter – Presentation by Mr. Terry Krieg, CPA (Miller) – Action

Mr. Terry Krieg, CPA reviewed his FY 2009-2010 District Audit and Management Letter with the Board. He summarized the financial statements and the Management's Discussion and Analysis (MD&A), as well as his Communication with Those Charged with Governance letter to the Board.

Mr. Krieg commended the staff for their conscientious efforts over the past year and specifically Mgr. Miller for her outstanding budgetary and accounting work, managing the District's finances with the utmost accuracy and professionalism. He said all of the prior issues he brought to light in the FY 2008-2009 Audit have been resolved, and he found no issues to be resolved when he completed the FY 2009-2010 Audit. He was very pleased with the District's books and the audit process for the FY 2009-2010 audit.

Motion (Fedotoff/Teiser) to approve the FY 2009-2010 District Audit and Management Letter by Mr. Terry Krieg, CPA. Passed, all present.

8. Consideration of Appointment of Replacement for Dir. McAuliffe on Finance & Fiscal Oversight Committee (Wiley) – Action

Pres. Wiley appointed herself as the replacement for Dir. McAuliffe on the Finance & Fiscal Oversight Committee for the remainder of the 2011 term.

9. Consideration of Entering into Mutual Aid and Assistance Agreement between Marin County Wastewater Agencies (Lynch) – Action

Mgr. Lynch reviewed the Mutual Aid and Assistance Agreement between Marin County Wastewater Agencies with the Board. The agreement essentially formalizes cooperation among the sewerage agencies; however, it is not an obligation to assist other agencies with equipment or personnel. Mgr. Lynch noted that the cost to assist other agencies in time of emergency would be reimbursed to the supplying agency. Whether or not the District replies to any request for assistance in the case of an emergency with equipment and/or personnel is entirely at the discretion of the District Manager at each instance. Mgr. Lynch said it would not be difficult to calculate man hours and equipment usage charges in emergency situations. V.P. Benediktsson requested that the word “emergency” be added to the title of the agreement. Mgr. Lynch replied that it is not feasible to change the title since the agreement has already been signed by the other participating agencies, but the intent is that this agreement is designed for emergency response purposes.

Motion (Benediktsson/Fedotoff) to approve entering into the Mutual Aid and Assistance Agreement between Marin County Wastewater Agencies. Passed, all present.

10. Consideration of Allowing Tiburon Fire Protection District to Install a Siren Site at the Paradise Cove Treatment Facility, Contingent on a Written Agreement between Sanitary District No. 5 and the Tiburon Fire Protection District (Lynch) – Action

Mgr. Lynch explained to the Board that the Tiburon Fire Protection District (TFPD) wants to install an emergency siren at the Paradise Cove Plant. (They also want to install one at Richardson Bay Sanitary District.) TFPD will pay for any and all costs associated with the installation, continued maintenance, and ongoing liability. They will be given a key to the facility so that the District will not incur any expense whatsoever in conjunction with the emergency siren now or in the future. There is plenty of electric power at the Paradise Cove Plant, so power supply will not be a problem.

Motion (Fedotoff/Benediktsson) to authorize the District Manager to sign a written agreement, prepared by the District’s legal counsel, between Sanitary District No. 5 and the Tiburon Fire Protection District allowing Tiburon Fire Protection District to install a siren site at the Paradise Cove treatment facility. Passed, all present.

11. Consideration of Request from San Francisco Yacht Club Regarding Commercial Sewer Service Charge Calculations (Lynch) – Action

The Board reviewed the request from San Francisco Yacht Club regarding commercial sewer service charge calculations and the use of private water meters. Mgr. Lynch said he met with Mr. Ed Lynch at the San Francisco Yacht Club (SFYC) on March 15, 2011, to personally verify that the SFYC private water meter measures water that goes to the boat wash only and does not enter the District’s collection system. The Board discussed the reading of this private water meter by District staff on a monthly basis to ensure accuracy, rather than require SFYC to install a separate MMWD meter at considerable expense to them.

Motion (Benediktsson/Teiser) to allow use of private water meters for commercial facilities only to demonstrate the volume of discharge that does not enter into the District's collection system, with the caveat that the private water meter readings need to be checked by a Sanitary District No. 5 staff member to ensure accuracy and that the actual cost of said checking be paid by the user. Passed, all present.

12. Consideration of Determining the Debt Financing Source to be Used to Fund the Main Plant Rehabilitation Project (Miller) – Action

Pres. Wiley reiterated that the Board had narrowed the financing source options down to three proposers that were discussed in the Special Board Workshop this morning. The three final alternatives consist of a bank loan from Bank of Marin or bond issuance from either Wulff Hansen or Stone & Youngberg. Mgr. Miller discussed the answers she received from Bank of Marin to the questions the Board had posed regarding clarification as to the mechanics of a loan through the bank.

The Board discussed the pros and cons of the various options. Sec. Fedotoff said that his sole objective is to choose the best, most cost-effective financial option for the District's ratepayers. Dir. Teiser believes that a loan from Bank of Marin would be the most flexible option, and he proposed that the District make an application with Bank of Marin; if loan approval is not given by June 8th, then the District should immediately pursue bond issuance with Wulff Hansen. There was general consensus that interest rates are most likely going to go up in the near future, so positioning the District to receive an interest rate lock sooner rather than later is obligatory.

Significant discussion ensued as each Board member shared his or her opinion prior to a final vote. Mgr. Miller noted that there would be prepayment penalties built into the loan from Bank of Marin, and the Board discussed the ramifications of this. V.P. Benediktsson said the bank loan appears to be considerably more work up front and over the course of the loan for District staff, but the cost appears to be lower than that of bond issuance, and going with the bank loan would enable the District to more quickly get the interest rate locked. Dir. McAuliffe expressed concern that bond issuance looked to be more costly than the bank loan, but she feels apprehension toward perceived requirements and additional fees imposed by banking regulations that could crop up over the life of the loan. She likes the simplicity of the one-time transactional mechanics of bond issuance and the idea of the District going with a known entity such as bonds. Pres. Wiley found the ease of the bond transaction in addition to fewer annual reporting requirements and unpredictable bank fees appealing, as referenced by Mr. Mark Pressman. Mgr. Lynch suggested the Board may want to consider the time it would take to complete funding by each source.

Mr. Mark Pressman spoke up to say Wulff Hansen fees are fixed at 1% of bond amount; therefore, fees will change only if the District changes the amount borrowed. He also stated that his firm could get the bond issuance completed within 30-45 days. Mgr. Lynch asked how much work would be required of District staff for the bond issuance option, as opposed

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to the bank loan. Mr. Pressman replied that most of the burden would be put on Wulff Hansen and bond counsel in effort to minimize staff time and involvement.

V.P. Benediktsson would rather not go forward at this time with a 3-2 vote on such an important issue as this \$10 million funding for the Main Plant Rehabilitation project; she would prefer consensus.

Motion (McAuliffe/Wiley) to move forward with debt financing in the form of bond issuance from Wulff, Hansen & Co. to be used to fund the Main Plant Rehabilitation project. Ayes: Pres. Wiley, V.P. Benediktsson, and Dir. McAuliffe. Noes: Sec. Fedotoff and Dir. Teiser. Passed, 3-2-0.

Mgr. Lynch thanked the Board for making this difficult decision. The Board in turn offered praise to staff and to Mgr. Miller, in particular, for the enormous effort she put forth to enable the Board to make an informed decision to secure the best possible debt financing for the District's ratepayers.

The Board agreed to meet Friday, May 20, 2011, at 9:30 a.m. at 2001 Paradise Drive, Tiburon, California, for a Special Board Meeting regarding consideration of adoption of a Resolution of Intent to pursue revenue bonds for the debt financing of the Main Plant Rehabilitation project.

Mr. Pressman suggested the possibility of dividing the transaction to be partially funded by revenue bonds and partially financed by a Bank of Marin loan, in order to minimize the cost with a blended rate. The Board agreed that Mr. Pressman should pursue this option and see if this would be possible to do with Bank of Marin, as long as it does not slow the process down or require a considerable amount of time by District staff.

UNFINISHED BUSINESS: None

COMMITTEE REPORTS:

13. Capital Improvement Program Committee (Fedotoff /Wiley)
14. Governance Committee (Wiley/Teiser)
15. Main Plant Rehabilitation Oversight Committee (McAuliffe/Teiser) – Minutes of March 29, 2011, and April 12, 2011, Meetings (attached)
16. Finance & Fiscal Oversight Committee (Benediktsson/McAuliffe) – Minutes of March 29, 2011, April 11, 2011, and May 5, 2011, Meetings (attached)

The Capital Improvement Program (CIP) Committee reviewed the meeting of May 6, 2011, with emphasis on the Inflow & Infiltration Study.

The Governance Committee did not meet.

The Main Plant Rehabilitation Oversight (MPR) Committee reviewed the Action Item Log noting that items were being dealt with efficiently and effectively. Dir. Teiser referred to the tour of the main plant that Mgr. Lynch took him on recently. He said he was extremely impressed by Mgr. Lynch's experience and knowledge as Mgr. Lynch explained redundancy and reliability issues throughout the plant. Dir. Teiser asked that Carollo Engineers verify Mgr. Lynch's knowledge in their report. Sec. Fedotoff requested to receive a copy of Carollo Engineer's Pre-Design Report as soon as it is available.

The Finance & Fiscal Oversight Committee reviewed the minutes of the April 19 and May 10, 2011, meetings, which consisted solely of financing options for the Main Plant Rehabilitation project, and they reiterated how each funding alternative has received due diligence. In addition, they reviewed the minutes of the May 5, 2011, meeting regarding the FY 2009-2010 Draft Audit Report, making note of the absence of problems in financial reporting since Mgr. Miller has been the District's Finance Manager.

OTHER BUSINESS: None

ENVIRONMENTAL: None

CORRESPONDENCE: None

INFORMATIONAL ITEMS: None

ADJOURNMENT:

Motion (Teiser/Fedotoff) to adjourn at 9:20 p.m. to a Regular Board Meeting on June 21, 2011, at 7:00 p.m. at the Sanitary District No. 5 of Marin County Meeting Room at 2001 Paradise Drive, Tiburon, California. Passed, all present.

Approved:

Attest:

Corinne W. Wiley
President, Board of Directors

Roy Fedotoff
Secretary, Board of Directors