

1 **NORTH MARIN WATER DISTRICT**
2 **MINUTES OF SPECIAL MEETING**
3 **OF THE BOARD OF DIRECTORS**
4 May 24, 2011

5 **CALL TO ORDER**

6 President Schoonover called the special meeting of the Board of Directors of North Marin
7 Water District to order at 7:30 p.m. at the District headquarters and the agenda was accepted as
8 presented. Present were Directors Jack Baker, Rick Fraites, Steve Petterle and Dennis Rodoni.
9 Also present were General Manager Chris DeGabriele, Secretary Renee Roberts, Auditor-
10 Controller David Bentley and Chief Engineer Drew McIntyre.

11 Approximately 22 people were in the in the audience.

12 **OPEN TIME**

13 President Schoonover asked if anyone in the audience wished to bring up an item not on
14 the agenda and there was no response.

15 **PUBLIC HEARING – Consider Proposed Increase in Water Rates for Novato Service Area**
16 **and Resulting Revisions to District Regulations 54, Water Rates**

17 President Schoonover introduced Mr. DeGabriele who made a presentation regarding the
18 proposed 11% increase in water rates. Mr. DeGabriele stated that over 20,000 individual letters had
19 been sent to the District's Novato customers noticing the proposed rate increase and the rate
20 hearing and directed customers to a Water Rate Increase Model on the District's website. He stated
21 that the District received approximately 281 letters protesting the rate increase, 3 emails, 10 phone
22 calls and one person came into the office and that the Board had received all of the
23 correspondence.

24 President Schoonover opened the public hearing at 7:50 p.m.

25 Bonnie Padrick stated that she lived in Marin County during the 1970's drought and is very
26 conservative with water use. She said the 65.5% water increase over a five year period is
27 intolerable and that many people are struggling to make ends meet. She opined that many people
28 have to leave Marin County and that "we all have to stick together."

29 Ed Mainland stated that he and his wife have lived in Novato for twelve years and has
30 always had wonderful water service in Novato. He said that he and his wife are being "grossly
31 undercharged" for water and said that for the amount of his water bill (\$29.17) he could buy two
32 large pizzas and the water rate increase would be "adding a couple of diet cokes." He further
33 stated that Novato water customers and the District should be praised for the reduction in water
34 consumption and that the District has done a good job promulgating water conservation ethics. Mr.

1 Mainland ended his comments by reading the Awahnee Principles for Water Supply from the
2 California Local Government Commission.

3 Dan Phillips addressed the Board and stated that he did not think the proposed rate
4 increase a small increase and it is not justified. He said that his bill has been as high as \$400 and
5 he has reduced the size of his garden and now he no longer has much turf. He said that because
6 of the lack of water sales, rates are being increased, and that since September 2008, water rates
7 have been increased a total of 75%. He opined that the answer is to make cuts in the budget and
8 focus on expenses. Mr. Phillips further opined that the District employee benefit plan is very
9 generous for a public entity and that employees should contribute to their pension plan and health
10 benefits. He asked if the District was making money on its Recycled Water and Stafford Treatment
11 Plants and suggested that the District close down the Treatment Plant and buy more water from the
12 Russian River if it's more cost-effective.

13 Thomas Tuerke stated that he was opposed to the increases as they are currently
14 structured. He said he is concerned that as the rate is structured now certain ratepayers will be
15 disproportionately impacted and there is a reverse incentive with the way the rate structure is set
16 up. He urged the Board to consider allocating costs on actual use and not on fixed costs. He said
17 that because of a home remodel he was required by the Novato Fire District to install a 1.5-inch
18 meter and with the proposed rate increase his service charge will double and his total increase will
19 be \$250 per year despite his usage being one quarter of the "typical" customer's water use.

20 Ed Grundstrom addressed the Board and stated that he is a 55-year resident of Novato. He
21 said that the North Marin aqueduct has plenty of capacity to service Novato and that Marin
22 Municipal Water District will be the direct beneficiary of the increased sizing and cost of the
23 Aqueduct Energy Efficiency Project. He asked why Novato customers are required to fund the
24 capital for an aqueduct project that does not benefit Novato residents. He stated that there is no
25 agreement with MMWD and asked where is MMWD's share of the project costs? Mr. Grundstrom
26 addressed the Recycled Water Expansion project and stated that the District is about to borrow a
27 great deal of money for the Recycled Water Project that will provide recycled water to the District's
28 biggest commercial water users. He asked why the aqueduct project is necessary if the biggest
29 water users will be using recycled waters. Mr. Grundstrom said that the increased bimonthly charge
30 will exceed the administrative costs and may be a tax increase without an election contrary to
31 Proposition 13. He asked why there are salary increases over and above the cost of living and why
32 the employees can receive loans for houses and computers.

1 Toni Shroyer spoke in opposition to the water rate increase. She stated that the average
2 Novato resident salary is \$62,000 per year and an 11% increase for the next three years, in addition
3 to the most recent increases, is exorbitant. She pointed out that Novato's sales tax is now 9.5%
4 and people are losing their jobs and barely holding onto their homes. Ms. Shroyer suggested a
5 lower rate increase and stated that senior citizens are finding it harder to live in Novato.

6 Joe Correa said he is opposed to the increase in water rates. He said the Board is elected
7 to represent the customers of Novato. He asked why are there two water districts in Marin and why
8 are they not consolidated.

9 Jeff Drust stated that the more the rates are raised, the less customers will be able to pay
10 and the more the District will have to charge. He questioned whether the District is "overachieving"
11 on the 20% reduction per capita mandate and said the District needs to get its costs in line so that
12 increases will not be necessary. He addressed the General Manager's letter of 2010 that said that
13 part of the increase was to build up the reserves, and asked why the reserves are down again. He
14 opined that the letter is not clear.

15 Mr. DeGabriele responded that last year, 2.9BG in sales of water were budgeted and 2.7BG
16 were sold so the budgeted sales were not realized. He stated that the District is striving to reduce
17 costs. He said that there will be negotiations with employees in September and all the things that
18 the public mentioned tonight will be on the table.

19 Hearing nothing further, President Schoonover closed the public hearing.

20 Director Rodoni addressed the employee salary and benefits issue and stated that the
21 District has an agreement with the employee group and negotiations will be coming up in
22 September. He said the District has chosen to not fill seven vacant positions as a cost-cutting
23 measure.

24 Director Rodoni said that many of the topics brought up by the public tonight have been
25 considered by the Board. He said that twice a month the Board looks at budgets and policies to
26 find ways to reduce costs. He explained that the increases are due to little or no rate increases in
27 the 1990's and 2000's when developers were paying fees that supported the District reserves.
28 Director Rodoni said the District is catching the brunt of that now. He said Board is committed to
29 continue doing the improvements and maintenance and whatever is needed to provide the best
30 quality of water possible. He agreed that the rate increase is high and the timing is poor, but the
31 District will be in poor shape if the reserves are not increased. He explained the need for the
32 Recycled Water Expansion Program as another source of supply and the Aqueduct Energy

1 Efficiency Project will provide the community with better water service with no power costs for the
2 future. He said that Marin Municipal will benefit from the project but they will pay their fair share;
3 the District does not give its water away.

4 He stated that he was initially resistant to the fixed rate increase but came to realize that the
5 increase in the portion of money you can count on that is a constant in the budget and is a benefit
6 to the District.

7 President Schoonover asked Mr. Bentley to explain the employee housing assistance
8 program and Mr. Bentley stated that the purpose of the program was to encourage employees to
9 live in Novato to provide better service during weekends and after hour emergencies.

10 Director Petterle thanked the public for coming and for making comments. He stated that he
11 wished that the public would attend meetings so that the public can hear the discussion on the
12 issues as they arise. He said that no one, other than Mr. Grundstrom, attends District Board
13 meetings. He said that the District cannot be run as a private business since the Board does not
14 have the latitude to take risks like a private business. Director Petterle stated that it is the District's
15 obligation to provide a safe reliable water supply to the community now and in the future.

16 Director Fraites stated that the District projects are investments that will pay off in the future.
17 He mentioned that the Aqueduct project and solar energy project will help reduce greenhouse gas
18 emissions. He stated that he understands the concern about taxes and rate increases but the
19 country's infrastructure is falling apart and sacrifice is needed to provide a reliable water system in
20 Novato for our children and grandchildren. The District is a "tight ship" and very frugal.

21 President Schoonover stated that the subsequent rate increases are not fixed and can be
22 changed or eliminated if necessary.

23 Director Fraites moved that the Board approve the water rate increase for fiscal years 2011,
24 2012 and 2013 by 11% for the Novato Service Area, and approve Resolution No. 11-11 entitled,
25 Resolution of the Board of Directors of North Marin Water District Amending Regulation 54-Water
26 Rates." Director Petterle provided the second. Director Rodoni requested a roll call vote and the
27 District Secretary called each Director's name. The following vote was recorded

28 Director Baker: Aye

29 Director Fraites: Aye

30 Director Petterle: Aye

31 Director Rodoni: Aye

1 Director Schoonover: Aye

2 **ADJOURNMENT**

3 President Schoonover adjourned the meeting at 8:50 p.m.

4 Submitted by

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Renee Roberts

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District Secretary