

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
March 19, 2019**

CALL TO ORDER

President Baker called the regular meeting of the Board of Directors of North Marin Water District to order at 6:00 p.m. at the District Headquarters and the agenda was accepted as presented. Present were Directors Jack Baker, Rick Fraites, Michael Joly, James Grossi, and Stephen Petterle. Also present were General Manager Drew McIntyre, District Secretary Terrie Kehoe, Auditor-Controller Julie Blue and Chief Engineer Rocky Vogler.

District employees, Tony Arendell (Construction/Maintenance Superintendent), and Robert Clark (Operations/Maintenance Superintendent) were also in attendance.

Also in the audience were Lynne Rosselli (Sonoma County Water Agency) and Novato residents Greg Larsen and Margarita Ajello.

MINUTES

Director Joly had a question on the minutes regarding missing comments he made related to recycled water. Mr. McIntyre responded that approval of the draft minutes for the March 5, 2019 meeting will be continued to the next agenda in order to allow staff time to review the tape and add comments made by him in reference to recycled water.

GENERAL MANAGER'S REPORT

ACWA

Mr. McIntyre reported that on Monday he met with the new ACWA Executive Director, Dave Eggerton. Mr. Eggerton began his new position at ACWA on November 1, 2018 and is the past General Manager for Calaveras County Water District. Mr. McIntyre also added that he volunteered to be part of the ACWA 2019 Region 1 Nominating Committee for the 2020-21 term.

Water Supply Coordination Council

Mr. McIntyre announced that he has a WSCC meeting in Santa Rosa on March 25th to prepare the April 8 WAC meeting agenda.

Point Reyes Station Community Water Topics

Mr. McIntyre stated that on the evening of March 25th, he will be attending the first County led Community Water Topics Workshop in Point Reyes Station. This meeting will be similar to county

led workshops that have been taking place in the Dillon Beach Village community. The topics discussed will include water supply, septic concerns and sea level rise.

PRESENTATION ON DRAFT FY 20 SCWA WATER TRANSMISSION SYSTEM BUDGET

Lynne Rosselli, from SCWA, provided a presentation on the draft FY20 SCWA Water Transmission Budget, in which the North Marin water rate will increase 4.8% to \$936.37 per acre foot. Ms. Rosselli noted that the rate increase was tempered by a 5% increase in projected water deliveries for FY20. She also pointed out that NMWD opted for the cash option instead of bonds. Director Baker asked what other agencies chose the cash option, and Ms. Rosselli replied only North Marin Water has the option per the Restructured Agreement. Director Joly asked what the other agencies will be paying, and she replied the average rate is slightly less at 4.6% and NMWD's rate is higher because NMWD also pays a "Russian River Conservation Charge" in lieu of property taxes paid by Sonoma county customers to pay costs associated with the Warm Spring Dams project. Director Joly then inquired as to how much Marin Municipal pays. Mr. McIntyre replied that they pay a higher rate than what we pay at \$1,130 per acre foot. Director Joly asked if they have increased the debt by keeping rates low. Ms. Rosselli replied that this year there will be an increase of \$13 million dollars in bonds, but NMWD does not pay into that because we are paying cash.

Director Petterle left the Board Room at 6:26 p.m.

Director Joly asked what the indebtedness will be with this new bond. Ms. Rosselli stated the total debt service is five million per year for the 2019 budget, and the debt service is 9% of the total budget which has increased to catch up with deferred maintenance and deferred capital improvement projects. Director Joly asked how many years they have deferred and how much is left. Ms. Rosselli stated she didn't have the numbers readily available but that they had to defer many projects during the drought and now SCWA is a good position to catch up. She also added the Dry Creek Habitat Enhancement Project is under a Biological Opinion order by the federal government so they are obligated to perform the work and the project is expensive. She noted that the Army Corp is supposed to cover 65% of these costs. Mr. McIntyre added that continued Corps funding is critical and encouraged Board members to attend the ribbon cutting ceremony on April 22nd in Dry Creek to celebrate the cooperative work between the Corps and SCWA to-date. Director Baker also inquired about the rubber inflatable dam replacement project at Mirabel commenting that they are very expensive and only a couple of vendors have them. Ms. Rosselli stated that they are in line to purchase and receive the new dam this year.

OPEN TIME

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

STAFF/DIRECTORS REPORTS

President Baker asked if staff or Directors wished to bring up an item not on the agenda and the following were discussed.

During the Staff/Director's Report, Mr. Clark discussed the West Marin disinfection byproduct issue and noted that with the last PRE water sample in February, the average was below the 0.080mg/L limit and we currently remain in compliance with regulations. He added that staff is working with West Yost Consultants to come up with an action plan to have an appropriate treatment system in place this summer for the PRE Zone. Mr. McIntyre added that being below the threshold buys us some time but we need to move quickly to address this issue. Mr. McIntyre thanked the Operations and Water Quality staff for making the necessary changes to date adding that more needs to be done. Director Joly asked when staff thought this will be a compliance issue again. Mr. Clark replied that the next samples will be in May and then August and that our goal is to have something installed before August. Director Joly asked if West Yost will be able to help us meet this date and Mr. Clark replied that we are working closely with West Yost to achieve this goal.

Mr. Clark also announced that staff is working on getting the Stafford Treatment Plant up and running this Wednesday. Director Joly asked what the startup date was for last year, and Mr. Clark replied April 9th.

Director Petterle returned to the Board Room at 6:33 p.m.

MONTHLY PROGRESS REPORT

Mr. McIntyre reviewed the Monthly Progress Report for February. He reported that February water production in Novato was down 18% from one year ago and down 4% fiscal year to date. In West Marin, water production is down 23% from February one year ago and up 10% fiscal year to date. He added that recycled water production is down 90% from one year ago and up 23% fiscal year to date. Mr. McIntyre added that it is interesting to note that our recycled water production was 44% of Stafford Treatment Plant production fiscal year to date. He noted that Stafford Lake holds 4900 AF and is spilling with a Lake elevation of 198.6 feet. Mr. McIntyre added that Lake Sonoma is at 100% capacity, Lake Mendocino is at 118% capacity and Stafford Lake is at 102% capacity.

Mr. McIntyre advised that Board that under Safety/Liability, we currently have 151 days without a lost time injury. On the Summary of Complaints and Service Orders, the Board was apprised that overall the number of complaints/service orders are up 24% fiscal year to date. Mr.

McIntyre reminded the Board that the primary reason for this increase is due to increased customer water awareness due to AMI implementation. Ms. Blue reported on the February 2019 Investments, where the District's portfolio holds \$17.9M earning a 2.11% rate of return. Ms. Blue noted the LAIF rate is 2.39%.

CONSENT CALENDAR

On the motion of Director Petterle, and seconded by Director Fraites the Board approved the following items on the consent calendar by the following vote:

AYES: Director Baker, Fraites, Grossi, Joly and Petterle

NOES: None

ABSTAIN: None

ABSENT: None

ATHERTON PLACE WATER FACILITIES APN: 125-600-51 & 52

The Board approved the Atherton Place Water Facilities water service agreement for 50 new townhome style condominiums and 1,340 square feet of commercial/community space located along Redwood Blvd between Pinheiro Circle and Ranch Drive

MARIN LAFCO SPECIAL DISTRICT MEMBER ELECTION BALLOT

The Board approved to cast their vote for Jack Baker on the 2019 Marin LAFCO Special District Member, Regular Seat, Election Ballot. Las Gallinas Valley Sanitary District and North Marin Water District nominated NMWD Director Jack Baker for this four-year term position.

SUPPORT LETTER FOR SB 669 (CABALLERO)

The Board approved continued support of ACWA's coalition letters to oppose any statewide water tax legislation in 2019 and authorized the General Manager to execute a support letter for SB 669 (Caballero), creating a Safe Drinking Water Trust Fund to help community water systems in disadvantaged communities provide access to safe drinking water. The Safe Drinking Water Trust Fund would be financed with General Fund dollars and is the preferable alternative to proposed statewide water tax legislation.

ACTION CALENDAR

AUTHORIZE AFFIRMATIVE VOTE FOR SCWA FY20 WATER TRANSMISSION SYSTEM BUDGET

Mr. McIntyre noted that the proposed budget sets NMWD water purchases for FY2019/20 at \$937.37 per acre-foot. He reminded the board that Auditor-Controller Julie Blue was a member of the Ad Hoc budget subcommittee formed in December, 2018 to help negotiate the budget with SCWA. Mr. McIntyre requested that the Board authorize Jack Baker, as our WAC Representative, to vote in favor of the SCWA FY2019/20 Water Transmission System Budget at the April 8, 2019 WAC meeting.

Director Joly stated we are looking for a water rate increase of around 5%, but asked if in the future will be looking at a 10% increase. Mr. McIntyre replied that the Ad Hoc budget subcommittee has continued to stress that future SCWA rate increases are kept around 4 to 6% per year. Director Joly requested to see future budgets over two meetings noting he would like to have more time to review the information since these are significant expenditures.

On the motion of Director Petterle and seconded by Director Fraites the Board approved authorizing Jack Baker to vote in favor of the SCWA FY2019/20 Water Transmission Budget by the following vote:

AYES: Director Baker, Fraites, Grossi, Joly and Petterle

NOES: None

ABSTAIN: None

ABSENT: None

AMI OPT-OUT OPTIONS – 26 ARONIA LANE

Mr. Clark explained that after ongoing investigations and testing of local radio wave frequency, the customer at 26 Aronia Lane still has concerns regarding the newly installed AMI meter. Therefore, Mr. Clark recommended the Board approve an AMI Opt-Out option for the customer.

Director Grossi asked if this one meter served six customers. Mr. Clark replied yes, there is one AMI meter for all six units and that the bill is in the name of the HOA and they would be the one looking at the consumption. Director Petterle asked if the fee was enough to cover the cost. Ms. Blue noted that the fee is consistent with the Opt-Out policy and we have not yet heard from the HOA. Mr. Larsen stated that they could pay the fee but that he doesn't think the HOA will have a problem paying it. Mr. Larsen stated he went to the HOA Board and briefed them, adding he will have them contact Ms. Blue directly. Director Baker added we would need something formal from the HOA. Director Petterle stated that we have to deal with the HOA because the service is in their

name. Director Joly also asked Ms. Ajello if she was feeling better, she stated that it can only get better.

On the motion of Director Petterle and seconded by Director Fraites the Board approved the AMI Opt-Out option for 26 Aronia Lane by the following vote:

AYES: Director Baker, Fraites, Grossi, Joly and Petterle

NOES: None

ABSTAIN: None

ABSENT: None

PROPOSAL FOR WATER RATE STUDY

Ms. Blue opened discussion on this agenda item by reminding the Board that the recent peer review concluded that a more complete study should be prepared in time for the FY21 budget cycle. She requested that the Board authorize the General Manager to execute an agreement with Hildebrand Consulting to conduct a 2019 Water Rate Study.

Director Fraites asked if this year's proposed 3.5% rate increase would change if the Board approved the Water Rate Study contract. Ms. Blue answered that the rate study will be used for future budget cycles. Director Joly asked if the rate study would be ready before we begin the FY2020-21 budget process. Ms. Blue replied that the rate study will be completed by December 2019 which will allow sufficient time to incorporate the results into the FY2020-21 budget process that begins early, 2020. Director Grossi asked how the consultant will evaluate what fair and equitable rates are, and will they look at the cost it takes to provide the service. Ms. Blue stated that the consultant will review all rates to ensure revenue collected from each customer is proportional to the cost to provide said service. Director Joly asked if we had reached out to our legal counsel. Mr. McIntyre replied that legal counsel has been actively involved on this issue and agrees that this rate study should be performed. Mr. McIntyre also added that he recommends that a Water Rate Study Ad Hoc Subcommittee be formed. Director Joly stated he would like to be involved in this process and Director Grossi added he would like to as well. Mr. McIntyre replied that, based on this input the Ad Hoc subcommittee will consist of Director's Joly and Grossi. Director Fraites asked if we have to do a new rate study every year. Ms. Blue replied that rate studies are typically updated every three to five years.

On the motion of Director Joly and seconded by Director Fraites the Board approved authorizing the General Manager to enter into an agreement with Hildebrand Consulting to conduct

a Water Rate Study and to form a Water Rate Study Ad Hoc Subcommittee by the following vote:

AYES: Director Baker, Fraites, Grossi, Joly and Petterle

NOES: None

ABSTAIN: None

ABSENT: None

RATE INCREASE LETTER TO NOVATO CUSTOMERS

Ms. Blue presented a draft Rate Increase Letter to Novato Customers which will be mailed on April 6th and proposes a 3.5% rate increase. Director Petterle asked if the letter presented was our standard letter. Mr. McIntyre replied that the format is similar to previous letters but more rate increase justification information was added regarding employee compensation and increased government regulations/permit fees. Ms. Blue also announced that we will be adding an excerpt on the customer water bills with a brief summary of the rate increase and a link to calculate how the rate will affect them individually. An example of this notice will be included in the next meeting agenda.

On the motion of Director Petterle and seconded by Director Fraites the Board approved the Rate Increase Letter to Novato customers by the following vote:

AYES: Director Baker, Fraites, Grossi, Joly and Petterle

NOES: None

ABSTAIN: None

ABSENT: None

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements – Dated March 7, 2019, Disbursements – Dated March 14, 2019, and Stafford Treatment Plant Production Cost.

The Board received the following news articles: Novato council approves disputed 87-room hotel; City moves to shore up pensions; Pension litigants deflated by ruling; Water rate, fee hike plan raises questions – MMWD; Chronic flooding prompts toll talk; Second units can help solve housing crisis and Novato council signals shift to district elections.

Director Joly requested that he would like to have something reported to the Board so it is reflected in the minutes that the AMI project is finished. Ms. Blue stated that the project is substantially complete but we still have some in-house work needed to complete the project. . Mr.

Clark added that Ferguson is finished with their work and there are some meters left but that it is less than 1% of the total. Director Baker also requested that a summary of the project be brought to a future agenda, noting that the project went well but took more time. Mr. Clark replied that he and Ms. Blue will put a summary together and present it to the Board.

ADJOURNMENT

President Baker adjourned the meeting at 7:25 p.m.

Submitted by

A handwritten signature in cursive script, reading "Theresa Kehoe".

Theresa Kehoe

District Secretary