

**NORTH MARIN WATER DISTRICT
MINUTES OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS
February 11, 2020**

CALL TO ORDER

President Joly called the special 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, and Michael Joly. Director James Grossi arrived at 6:02 p.m. Director Stephen Petterle was absent. Also present were General Manager Drew McIntyre, District Secretary Terrie Kehoe, and Auditor-Controller Julie Blue.

In the audience were Mark Hildebrand from Hildebrand Consulting, Martin Rauch from Rauch Communications, District Legal Counsel Doug Coty and Morgan Biggerstaff and Gino Gerard Thomas from Novato Community Television. Also, in the audience were residents Chris DeGabriele, Judy Holland, Jeff McAndrew, Craig Hill, Brigid Flagerman and Jean Mariani.

OPEN TIME

President Joly asked if anyone in the audience wished to bring up an item not on the agenda and there was no response. Director Joly commented that it was wonderful to see those from the public take interest and attend this meeting.

NOVATO WATER RATE STUDY WORKSHOP NO. 1

Director Joly introduced the General Manager, Drew McIntyre to briefly summarize the process for the rate study. Mr. McIntyre reminded the Board that about a year ago the District entered into an agreement with Hildebrand Consulting to do a comprehensive Novato water rate study. He added Mr. Hildebrand has experience in this field and his clients include San Francisco Public Utilities, City of Santa Rosa, City of Healdsburg, and City of Davis to name a few. Mr. McIntyre noted that the Novato Water Rate Study is being done to ensure that our rate structure continues to generate revenue from each class of customer in proportion to the cost to serve each customer. He added Mr. Hildebrand will provide a presentation tonight and that a second workshop is tentatively scheduled on February 25th. Mr. McIntyre advised the Board that the completed study will again be presented as part of the March 3rd regular meeting at which time the Board will consider taking action to accept the draft study report and direct staff to prepare a Proposition 218 Notice of Public Hearing scheduled for June 16. Mr. McIntyre also stated that we are videotaping tonight's workshop and it will be posted on our website for those that cannot attend.

Mr. McIntyre introduced District Legal Counsel, Doug Coty and Morgan Biggerstaff and Martin Rauch our Public Relations Consultant. Mr. McIntyre also reviewed the public outreach to date and noted that there is a water cost calculator on our website that customers can use to calculate bill impacts associated with the proposed rate charges.

Mr. McIntyre stated that it is appropriate to mention what the District is doing to control costs. He noted that we have reduced staffing from 58 to 54 employees over the last decade. He added that this has occurred even though we have undergone a major recycled water expansion in cooperation with Novato and Las Gallinas Valley Sanitary Districts where NMWD has added 17 miles of new recycled water pipelines, 2 storage tanks, and have gone from 2 to 90 recycled water customers. He added that recycled water supply now represents close to one third of our Stafford Treatment Plant production capacity during summer month operation.

Mr. McIntyre stated that the District has upsized five miles, or 70% of our North Marin aqueduct with over 80% of the total project cost funded by Caltrans and Marin Municipal Water District. He added this upsizing project has eliminated the need to use the 400 HP Kastania Pump Station. Mr. McIntyre also noted that the District has been successful in receiving various Federal and State grants and low interest rate loans for various capital improvement projects. Mr. McIntyre also touched upon pension costs, stating that data from the 2017 Marin County Grand Jury report identified that NMWD's pension costs were 39% below the average of all public agencies and 20% below the average of utility districts.

Mr. McIntyre stated the rate study presentation will illustrate the drivers that are necessitating the reasons for the proposed revenue increase and rate structure changes. He then introduced Mark Hildebrand from Hildebrand Consulting to provide his presentation.

Mr. Hildebrand from Hildebrand Consulting gave a presentation on the draft 2020 Novato and Recycled Water Rate Study. The presentation led into a discussion that included the rate setting process, rate study framework, enterprise fund revenue/expenses, capital spending and reserves, financial forecast and rate structure design.

At the conclusion of the presentation President Joly asked if there were any questions from the Board, or members of the public.

Resident Jean Mariani stated that she is on the Novato Sanitary District Board and has also worked on tiered rates when she was at the East Bay Municipal Utility District. She commented that the District and consultant did an amazing job, she was happy with the presentation and felt the reasons for the rate increase are sound, and there was good data and analysis to substantiate the increase. Director Joly responded that all data will be available on our website, because we wish

to be as transparent as possible to our owners, the public. He stated that he used to be an investment banker and he would go through these complex studies and understands that we want to give people a lot of time and tools to understand the rates. He added that we provide a safe and reliable product for our customers and we want them to understand what we are doing and why we are doing what we are doing; that is the purpose of these meetings.

Resident Chris DeGabriele stated that Mr. McIntyre sent him a link to the study and added Mr. Hildebrand did a fine job. He added that he is the former General Manger of NMWD and noted that the methodology is clear and straight forward, but it is important to remember how the District established the current tier rate thresholds and that many of the customers that were previously only in Tier 1 will now be in a higher tier with the new rate structure. Mr. DeGabriele then provided more history behind development of the current tiered rates. He stated it is important for the Board to consider how we communicate to those customers who have the same landscaping as before, who were in tier one and will now be in tier two. He added that he is not suggesting Mr. Hildebrand is wrong, however you need to make sure you communicate this to the customers. Mr. DeGabriele also commented on the cost difference between SCWA wholesale water and local supply from the Stafford Treatment Plant. He stated that the SCWA wholesale cost is less expensive than STP water today, but he believes the costs will flip once STP debt service is paid off.

Director Joly announced, so that the public is aware, that we have many sources of water. He added that we have a high asset base, low pay go, debt creation, and since we are a public agency, we do not generate profit. Director Joly stated that Stafford Lake is around 25% of our total supply and that recycled water supply is around 7%. He asked what is the recycled water level contribution in the summer months and Mr. McIntyre replied about 12%. Director Joly also stated that we do provide fire protection as a service, and that water is all from us. He added that all the NMWD water Novato Fire Protection District uses to fight fires is at no cost to them. Director Joly noted there are many things this District does that is not readily seen and it is important to our owners, the public, to understand that. Director Fraites commented that it was a very good presentation and thanked Mr. Hildebrand.

President Joly again asked if anyone else from the public had any questions. He announced that another public workshop is tentatively scheduled for February 25th. Director Grossi asked if we received any written or electronic comments. Ms. Blue responded that we received a handful, mainly from emails and she can pull them together and share them at the next Board meeting. Director Joly stated that he would like to keep the February 25th special meeting to give the public another chance to be heard again and there was unanimous agreement from the Board.

Director Joly asked Doug Coty from legal counsel if he would like to say anything about Proposition 218. Mr. Coty replied that Mr. Hildebrand already did a good job explaining Proposition 218 during his presentation, but that basically Proposition 218 was part of the Right to Taxes Act. He added that not until 2006 did it affect water utilities, so now we need to look at the actual cost for each customer base, go through and do an analysis so that we properly allocate those costs. Director Joly asked if Mr. Rauch would like to add anything. Mr. Rauch stated the rate study is very complicated and has many moving parts, and is very mysterious to most, noting it is necessary to provide every opportunity for the public to ask questions. He applauded the District for their outreach. Director Joly reminded the audience to utilize the water cost calculator on our website to help them figure out how the new rates will affect their bill. Ms. Blue added they will need their account number and name on the account in order to show the rates today and the impact the proposed new rates will have. Mr. McIntyre reminded the Board that the video of today's workshop should be posted on our website by the end of the week for viewing by our customers.

President Joly thanked Mr. McIntyre, Ms. Blue and Mr. Hildebrand for a fine job on the rate study. He also announced that at the February 18th meeting there will be a presentation on the rehabilitation of the Administration building and discussion on the debt service for that project.

ADJOURNMENT

President Joly adjourned the meeting at 7:30 p.m.

Submitted by



Theresa Kehoe
District Secretary