



NORTH MARIN WATER DISTRICT
AGENDA - REGULAR MEETING
 July 16, 2013 – 7:30 p.m.
 District Headquarters
 999 Rush Creek Place
 Novato, California

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Est. Time	Item	Subject
7:30 p.m.		CALL TO ORDER
	1.	CLOSED SESSION (2) <ul style="list-style-type: none"> • Conference with Real Property Negotiators as allowed under Government Code 54956.8. Property: Interconnection Agreement between North Marin Water District and Marin Municipal Water District; District Negotiators: General Manager, Chief Engineer, and Counsel; Negotiating Party: Marin Municipal Water District; Under Negotiation: Price and Terms
	2.	APPROVE MINUTES FROM REGULAR MEETING , June 18, 2013
	3.	APPROVE MINUTES FROM REGULAR MEETING , June 25, 2013
	4.	GENERAL MANAGER'S REPORT
	5.	OPEN TIME: (Please observe a three-minute time limit) This section of the agenda is provided so that the public may express comments on any issues not listed on the agenda that are of interest to the public and within the jurisdiction of the North Marin Water District. When comments are made about matters not on the agenda, Board members can ask questions for clarification, respond to statements or questions from members of the public, refer a matter to staff, or direct staff to place a matter of business on a future agenda. The public may also express comments on agenda items at the time of Board consideration.
	6.	STAFF/DIRECTORS REPORTS
	7.	MONTHLY PROGRESS REPORT w/ Customer Service Questionnaire
		CONSENT CALENDAR The General Manager has reviewed the following items. To his knowledge, there is no opposition to the action. The items can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person.
	8.	Consent – Approve Group Life Insurance Renewal
	9.	Consent – Approve Update to County of Marin Re: Sewer Service to Individual Properties in Old Dillon Beach
	10.	Consent – Accept Report on Water Quality Relative to Public Health Goals
		ACTION CALENDAR
	11.	Accept: Updated Retiree Medical Actuarial Valuation (GASB 45)

All times are approximate and for reference only.
 The Board of Directors may consider an item at a different time than set forth herein.

(Continued)

Est. Time	Item	Subject
	12.	Approve: Response to Marin County Civil Grand Jury Report on Marin's Retirement Health Care Benefits
	13.	Approve: Determination of North Marin Aqueduct Wheeling Charge Resolution
	14.	Approve: Consulting Services Agreement with PES Environmental for Gallagher Well and Pipeline Project Hydrologic Design Plan
	15.	Approve: NMWD Letter supporting the County of Marin Local Coastal Program Amendment
9:00 p.m.		INFORMATION ITEMS
	16.	Board Review of District Policies- #13 – Board of Directors Compensation and Procedure
	17.	Auxiliary Dwelling Unit Connection Fees
	18.	Leveroni Creek Bank Monitoring Report
	19.	Residential Consumption & Tier-Rate Status Report
	20.	Technical Advisory Committee Meeting – July 1, 2013
	21.	MISCELLANEOUS Disbursements Statement of Auditing Standards No. 114 Letter Equipment Inventory Summary 2014 Medical Plan Cost Increase Self-Insured Workers' Compensation – 4 th Quarter Status Report <u>News Articles:</u> Late rains “impressive” Wonders of Water
9:30 p.m.	22.	ADJOURNMENT

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DRAFT
NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 18, 2013

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CALL TO ORDER

President Fraites called the regular meeting of the Board of Directors of North Marin Water District to order at 7:30 p.m. at the District headquarters and the agenda was accepted as presented. Present were Directors Jack Baker, Stephen Petterle, Dennis Rodoni and John Schoonover. Also present were General Manager Chris DeGabriele, Secretary Katie Young and Auditor-Controller David Bentley and Chief Engineer Drew McIntyre.

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Novato resident, Robert Koch, Harris & Associates employees, Craig Pyle and Brian Danley, West Marin resident Sam Brown, District employees Robert Clark (Operations/Maintenance Superintendent) and Doug Moore (Construction/Maintenance Superintendent) were in the audience.

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MINUTES

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On motion of Director Rodoni, seconded by Director Petterle and unanimously carried the Board approved the minutes from the previous meeting as presented.

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GENERAL MANAGER'S REPORT

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NFPD Badge Pinning

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Mr. DeGabriele informed the Board that he attended the Novato Fire Protection District's Chief Badge pinning ceremony tonight for Mark Heine. He stated that Mark Heine was promoted internally and has worked at NFPD for over 27 years.

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Interconnection Agreement

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Mr. DeGabriele informed the Board that he will be meeting with Marin Municipal and respective legal counsel on Monday, June 24th to begin legal review of the proposed Interconnection Agreement.

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Next Board Meeting

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Mr. DeGabriele reminded the Board that the next Board meeting is scheduled for Tuesday, June 25th in Point Reyes and there will only be one meeting in July on July 16th.

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Taxable Gifts

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Mr. DeGabriele informed the Board that the gift cards for employees approved by the Board for safe work practice recognition are taxable and the District was unaware of that when offering it to employees. He advised the Board that the District will be picking up the tax for the gift cards.

1 Santa Rosa Democrat

2 Mr. DeGabriele informed the Board that there was a letter printed in the Santa Rosa Press
3 Democrat yesterday regarding Marin County not paying for the privilege of using Russian River
4 Water and Warm Springs Dam. He informed the Board that he has drafted a letter in response since
5 the District has been Russian River water since 1961, pays it's fair share for the aqueduct and
6 dams, and supported the Warm Springs Dam project. He advised the Board that he would be
7 sending the letter out tomorrow.

8 **OPEN TIME**

9 President Fraites asked if anyone in the audience wished to bring up an item not on the
10 agenda and the following items were discussed:

11 Mr. Koch, a resident of Santolina Drive, stated that his cost per gallon has tripled since June
12 2009. He stated that he understands that the District has a fixed service charge but believes that he
13 is paying more for the service charge than he is for his water usage. He informed the Board that he
14 is very conservative with his water usage and thinks the District should reconsider the decision to
15 raise the service charge.

16 **STAFF / DIRECTORS' REPORTS**

17 President Fraites asked if staff or Directors wished to bring up an item not on the agenda
18 and there was no response.

19 **PUBLIC HEARING/ADOPTPROPOSED FY14 EQUIPMENT BUDGET**

20 David Bentley presented the proposed FY14 Capital Equipment Budget for final review,
21 public hearing and approval, and advised that there have been no changes since the last review.
22 He said that the proposed FY14 budgeted equipment expenditures is \$231,000.

23 President Fraites opened the public hearing and hearing no comment, closed the public
24 hearing.

25 On motion of Director Baker, seconded by Director Schoonover and unanimously carried,
26 the Board approved the FY14 Equipment Budget.

27 **FY14 & FY15 NOVATO CAPITAL IMPROVEMENT PROJECTS BUDGET**

28 Mr. Bentley presented the two-year Novato Capital Improvement Projects Budget for final
29 review, public hearing and approval and stated that there have been no changes since the last
30 review. He advised that the proposed FY14 budget is \$2.5M and is averaging \$3.4M over the next
31 two years with the \$1.7M Atherton Tank Recoating project and pipeline replacement work.

1 Director Rodoni asked about the money related to the Aqueduct Energy Efficiency Project.
2 Mr. Bentley informed him that the money on the table in his memo shows the money left to spend on
3 the project.

4 President Fraites opened the public hearing and hearing no comment, closed the public
5 hearing.

6 On motion of Director Schoonover, seconded by Director Baker and unanimously carried,
7 the Board approved the FY14 & FY15 Capital Improvement Projects Budget.

8 **FY14 PROPOSED NOVATO WATER OPERATIONS BUDGET**

9 Mr. Bentley presented the proposed FY14 Novato Water Operations Budget for the Board's
10 final review, public hearing and approval and advised the Board that there have been changes since
11 the last review. He briefly discussed the changes to the budget since the last review stating that the
12 Novato Operating Income increased by \$52,000, to \$2,302,000, due primarily to the resignation of a
13 Water Treatment Plant Operator which position will not be replaced. He noted that an additional
14 Laborer for the Construction/Maintenance crew has now been budgeted, leaving the total employee
15 count unchanged at 50.5 full-time equivalent. Mr. Bentley advised the Board that the projected cash
16 balance went up by \$884K, due to the District anticipation of repayment to Novato Water funds
17 loaned to the Recycled Water system.

18 Director Baker asked about the additional SRF loan funds. Mr. McIntyre stated that each
19 individual construction contract required that an SRF loan and that not all money originally
20 authorized was spent on some of the loans and the District was able to redistribute the money in
21 order to benefit the District.

22 Mr. Bentley stated with the 11% rate increase effective June 1, and the projected 2.7BG of
23 consumption, the rate increase will generate \$1.6M in additional revenue next fiscal year. He noted
24 that the District Connection Fee revenue is budgeted at \$860K, equivalent to 30 dwelling units. Mr.
25 Bentley advised the Board that the wheeling charge to Marin Municipal Water District is budgeted at
26 \$322K.

27 Mr. Bentley informed the Board that the Total Operating Expenditures are projected to
28 increase 3% due to increased labor costs, and increased expenditures for materials, services and
29 supplies. He noted that Water Conservation expense is budgeted to remain flat at \$400K and the
30 General Administration is budgeted to increase 6% from this year's budget. Mr. Bentley stated that
31 temporary staffing has been increased by 570 hours to 5,820 hours and a 3% cost-of-living salary
32 increase has been factored into the budget effective October 1, 2013, as well as a 1.6% salary

1 increase to offset the negotiated requirement that employees pay an additional 1.6% of salary
2 toward their retirement benefit.

3 President Fraites opened the public hearing and hearing no comment, closed the public
4 hearing.

5 On motion of Director Baker, seconded by Director Rodoni and unanimously carried, the
6 Board approved the FY13/14 Novato Operating Budget and authorized the General Manager to pay
7 demands arising from execution of the budgeted expenditure plan.

8 **FY14 PROPOSED RECYCLED WATER SYSTEMS BUDGET**

9 Mr. Bentley stated that the proposed Recycled Water Systems budget is \$5.6M and an
10 increase in SRF Loan entitlement will increase the cash balance to \$331K. He noted that the
11 FY13/14 Recycled Water System budget projects demand of 130MG, as 28 new accounts are
12 projected to begin drawing recycled water. Mr. Bentley informed the Board that with an 8%
13 commodity rate increase and a 20% fixed service charge increase effective June 1, 2013, it will add
14 \$53K to the annual revenue. Mr. Bentley advised the Board that purchase of 89MG of tertiary
15 treated water from Novato Sanitary District and 41MG from Las Gallinas Valley Sanitary District is
16 budgeted.

17 Director Rodoni asked what the interest rate was on the loans paid to Novato. Mr. Bentley
18 stated that the weighted average interest rate is 2.8% plus an additional \$50 per month for
19 processing.

20 President Fraites opened the public hearing and hearing no comment, closed the public
21 hearing.

22 On motion of Director Baker, seconded by Director Petterle, and unanimously carried, the
23 Board approved the FY13/14 Novato Recycled Water System Budget and authorized the General
24 Manager to pay demands arising from execution of the budgeted expenditure plan.

25 **MONTHLY PROGRESS REPORT**

26 Mr. DeGabriele provided the Board with the Monthly Progress Report for May 2013. He
27 stated that water production in Novato, West Marin, and for Recycled Water is very similar to 2009,
28 when a dry spring was also in effect. Mr. DeGabriele informed the Board that the Stafford
29 Treatment Plant continues with excellent production and should hit the projected forecast of 750MG
30 produced. He noted that Stafford Lake holds just over 1,000MG at the end of May. Mr. DeGabriele
31 stated that the Russian River storage at Lake Sonoma is good and Lake Mendocino storage has not
32 fallen into the critical storage stage which is attributed to reduced in stream flows. He apprised the

1 Board that District staff have now worked 504 consecutive days without a lost time accident, but did
2 inform the Board of an injury which occurred last week that did not require any lost days. Mr.
3 DeGabriele stated that there were four polybutylene and one copper service lines replaced and that
4 complaints for the year are up by 8%, principally due to high bill complaints, which have also
5 resulted in more bill adjustments pursuant to the Board policy.

6 David Bentley provided a summary of the Monthly Report of Investments and stated at the
7 end of May the District had a \$10.3M cash balance. He informed the Board that the weighted
8 portfolio was earning 0.42%.

9 **CONSENT CALENDAR**

10 On the motion of Director Petterle, seconded by Director Baker and unanimously carried, the
11 following item was approved on the consent calendar:

12 **ADOPT REVISED POLICY NUMBERS 41, 43, & 44**

13 The Board was given District policy numbers 41, 43, and 44 to review and revise at the prior
14 Board meeting on June 4, 2013.

15 The Board adopted the following revised District policies, Policy Number 41 – Vehicle
16 Replacements, Policy Number 43 – Wireless Communication Facilities Lease Policy, and Policy
17 Number 44 – Integrated/Multi-Benefit Water Resource Projects.

18 **ACTION CALENDAR**

19 **OCEANA MARIN SEWER SERVICE CHARGE INCREASE ORDINANCE – FIRST READING**

20 Mr. Bentley reminded the Board that pursuant to Health and Safety Code Section 5471 (a),
21 collecting the Oceana Marin Sewer Service Charge on the property tax roll requires action by
22 ordinance rather than resolution. He noted that the ordinance must be read at two consecutive
23 Board meetings, once tonight and the second reading at the next meeting on June 25th in Point
24 Reyes Station. Mr. Bentley stated that the monthly sewer service fee increase is \$7 to \$65 per
25 month (\$780/year) and proposed to be effective July 1, 2013.

26 President Fraites asked what the old charge was. Mr. Bentley stated \$58 per month, a 12%
27 increase.

28 Director Baker asked if the District was meeting the legal requirements for this increase. Mr.
29 Bentley stated that the District has complied with the requirements, having two consecutive
30 readings, publishing the ordinance in the paper two separate time and inviting customers by letter to

1 protest and to come voice their opinions at a public hearing scheduled for June 25th in Point Reyes
2 Station.

3 On motion of Director Rodoni, seconded by Director Baker and unanimously carried the
4 Board approved reading of proposed Ordinance No. 26 Electing to have Oceana Marin Sewer
5 Charge be collected on the tax roll of the County of Marin, State of California, Commencing Fiscal
6 Year 2013-14.

7 **ANNEXATION NO. 11 TO IMPROVEMENT DISTRICT OM-3**

8 Drew McIntyre reminded the Board they declared their intent to proceed with the annexation
9 for 33 Ocean View Avenue subject to Local Agency Formation Commission approval at the April 16th
10 meeting. He advised the Board that on May 9, 2013, LAFCO approved the annexation of 33 Ocean
11 View Avenue to the District service territory. Mr. McIntyre stated that Samuel Brown, resident at 33
12 Ocean View Ave, is requesting the Board approve Annexation 11. He noted that Mr. Brown has paid
13 all necessary fees and he will connect to the existing 6" sewer line on Ocean View Avenue with a
14 private lift station.

15 Director Baker asked how many structures were currently on the property and if it was a
16 merged parcel. Mr. McIntyre stated that there were three separate parcels that have been merged
17 and there is one primary residence and an accessory dwelling unit.

18 On motion of Director Baker, seconded by Director Schoonover and unanimously carried, the
19 Board approved Annexation No. 11 to Improvement DistrictOM-3.

20 **SUPPORTING PARTICIPATION IN THE WATER BOND COALITION**

21 Mr. DeGabriele reminded the Board that in 2002 the District participated in the Water Bond
22 Coalition. He stated that the purpose of the coalition was to achieve an equitable distribution of
23 statewide water bond dollars to projects across the state. He noted that the bonds have provided
24 funding for the District's Recycled Water projects. Mr. DeGabriele advised the Board that the
25 California Legislature had developed a new water bond for the 2010 ballot. He stated that there
26 were concerns regarding the economy and state financial restrictions causing the bond to be
27 delayed twice and it is now scheduled for the November 2014 General Election. Mr. DeGabriele
28 stated that the bond would provide for \$11.1B water related needs state wide but it is likely that the
29 amount would be pared down considerably by the legislature. He noted that the Water Bond
30 Coalition will provide a bigger voice for the District to advocate that some of the funding be made
31 available for smaller and coastal districts not affiliated with the state wide water problems.

1 President Fraites asked if the \$3B for water storage projects was going to be for dams. Mr.
2 DeGabriele responded yes.

3 Director Rodoni asked if the \$2.25B included pipes under the Delta. Mr. DeGabriele
4 responded that it does not include the proposed Delta conveyance.

5 On motion of Director Petterle, seconded by Director Baker the Board approved Resolution
6 13-09 entitled "Resolution of the North Marin Water District Agreeing to Participate in the Water
7 Bond Coalition, and Endorsing Efforts of the Coalition to Develop the Fair and Equitable Distribution
8 of State Water Bond Funds for Projects That will Benefit the North Marin Water District and Other
9 Entities Throughout Northern and Coastal California, and Designating the General Manager as the
10 Official Representative for the North Marin Water District to the Water Bond Coalition" by the
11 following vote:

12 AYES: Director Baker, Petterle, Rodoni, Schoonover

13 NOES: President Fraites

14 ABSTAIN: None

15 ABSENT: None

16 **INFORMATION ITEMS**

17 **ADDITIONAL REVIEW – FY14 WEST MARIN WATER AND OCEANA MARIN SEWER BUDGETS**

18 David Bentley provided the Board with the second review of the FY14 West Marin Water and
19 Oceana Marin Sewer budgets. He stated that there is a proposed rate increase of 8% including a
20 bimonthly service charge increase to \$30 in West Marin. He noted in Oceana Marin there is a 12%
21 proposed increase to the sewer rates, increasing the monthly charges to \$65. Mr. Bentley stated that
22 letters were mailed out to all West Marin Water and Oceana Marin Sewer customers on May 8,
23 2013 advising the customers of the rate increase and inviting them to attend the meeting on June
24 25th.

25 Mr. Bentley informed the Board that significant improvement projects in West Marin are
26 budgeted including \$200K for continued work on the Solids Handling Facility adjacent to the water
27 treatment plant and \$100K to upgrade the Olema Pump Station for flood protection and SCADA
28 upgrades. He stated for sewer projects there will be \$35K for installation of SCADA remote terminal
29 unit upgrade. Mr. Bentley advised the Board that future projects budgeted for the West Marin Water
30 System include \$500K for the PRE Tank 4A replacement in FY16, and \$1.6M for the Gallagher
31 pipeline project scheduled to commence in FY17.

1 Mr. Bentley informed the Board that the West Marin Water Operating Budget, is anticipated
2 to realize a deficit next fiscal year of \$95K. He stated that the deficit represents the planned
3 drawdown of the Bank of Marin loan funds borrowed to construct the Solids Handling Facility.

4 Mr. Bentley reminded the Board that the final review and approval of the budgets will be at
5 the next board meeting on June 25th.

6 Director Rodoni asked about the renewal contract and issues that have been occurring with
7 Phillips and Associates.

8 Robert Clark informed the Board that the communication with Phillips and Associates has
9 not been up to par and that District staff is going to review the contract and let Phillips know the
10 District's expectations, scope of work and to communicate better regarding work done by Phillips
11 and Associates.

12 Mr. DeGabriele alerted the Board that the District is struggling to get the permit for the Solids
13 Handling project in West Marin and that he and Drew McIntyre will be meeting with the county
14 supervisor and staff to determine the best way to move forward.

15 **RECYCLED WATER EXPANSION PROJECT – UPDATE ON COVELLO CONSTRUCTION**
16 **MANAGEMENT CONTRACT**

17 Mr. McIntyre provided the Board with an update on the Recycled Water Expansion Project
18 and the contract between the District and The Covello Group. He noted that the District received a
19 letter from The Covello Group stating that they have exceeded approximately 75% of the total
20 construction management budget. He stated that the Covello Group stated that the remaining
21 balance of \$74K appears to be sufficient budget to complete the work on the South Service Area
22 Phase 2 project.

23 Mr. McIntyre informed the Board that the most recent update with Disney Construction is that
24 they are requesting more funds than the District's offer to resolve outstanding change orders. He
25 advised the Board that the General Manager has responded to Disney's request with a letter stating
26 either they can accept the offer or take the next step of mediation. Mr. McIntyre stated that if Disney
27 Construction does not accept the District's offer then the District will continue with the dispute phase
28 and will use The Covello Group to provide background information for legal counsel. He informed
29 the Board that staff will come back to the Board with an amendment to cover the scope of services
30 and that staff has also requested that Covello provide a review of NMWD's front-end specifications
31 at a cost below \$15K that will be performed with remaining funds in Amendment No.1. He noted that
32 the review is in anticipation for NMWD's Aqueduct Energy Efficiency Project B3 project.

1 **MARIN SONOMA NARROWS B1 (AEEP REACH E) PROJECT – PROGRESS REPORT NO. 1**
2 **(HARRIS & ASSOCIATES)**

3 Harris & Associates employee, Craig Pyle provided an overview of the current Aqueduct
4 Energy Efficiency Project Pipeline installation, now ongoing in the HWY 101 corridor, between
5 Redwood Landfill and San Antonio Road.

6 **RUSSIAN RIVER COMPACT**

7 Mr. DeGabriele provided an article from the Press Democrat outlining the Russian River
8 Compact and identifying principles that the signatories will agree to adhere when working on
9 projects within the Russian River watershed. He noted that it is a positive step as both the
10 Mendocino and Sonoma County interests are signatory and will continue to communicate on
11 Russian River issues.

12 **MISCELLANEOUS**

13 The Board received the following miscellaneous information: Disbursements, Challenges of
14 Changing Banks, Water Supply Permit Amendment Letter (New Point Reyes Station Well), and
15 ACWA's Membership in National Water Resources Association.

16 The Board also received the following news articles: Dry Winter prompts call for
17 conservation, Healdsburg calls for voluntary water conservation, Meeting Slated to Discuss Dry
18 Creek Construction this Summer, and Supervisors tap veteran lawyer as Marin counsel.

19 **ADJOURNMENT**

20 President Fraites adjourned the meeting at 8:53 p.m.

21 Submitted by

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Katie Young
District Secretary

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DRAFT
NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
June 25, 2013

6 **CALL TO ORDER**

7 President Fraites called the regular meeting of the Board of Directors of North Marin Water
8 District to order at 7:30 p.m. at the Dance Palace, Point Reyes Station and the agenda was
9 accepted as presented. Present were Directors Jack Baker, Stephen Petterle, and Dennis Rodoni.
10 Also present were General Manager Chris DeGabriele, Secretary Katie Young and Auditor-
11 Controller David Bentley and Chief Engineer Drew McIntyre. Director Schoonover was absent.

12 Ken Drexler, West Marin resident, and District employee Robert Clark
13 (Operations/Maintenance Superintendent) were in the audience.

14 **GENERAL MANAGER'S REPORT**

15 **Interconnection Agreement**

16 Mr. DeGabriele informed the Board that he met with Marin Municipal Water District's General
17 Manager and respective legal counsel. He advised the Board that the meeting did not cover the
18 anticipated legal review or scheduling component, and that MMWD requested additional changes to
19 the agreement to improve their water supply reliability. He informed the Board that he requested a
20 proposal for the District's next Board meeting and has scheduled a closed session for the July 16th
21 meeting and requested District legal counsel, Bob Maddow, to attend.

22 Director Rodoni asked at what point does the District start charging the increased wheeling
23 charge.

24 Mr. DeGabriele stated that the August 2012 letter to Marin Municipal noticed them that the
25 wheeling charge would increase to \$50 per acre foot effective on September 25, 2012. He stated
26 that Marin Municipal has received invoices at that rate but has paid invoices since that time based
27 upon a \$10 per acre foot wheeling charge. David Bentley has sent a summary invoice for the
28 amount in arrears.

29 **Fluoridation Advisory Committee Meeting**

30 Mr. DeGabriele informed the Board that he attended the second Fluoridation Advisory
31 Committee Meeting and received a draft fluoridation preliminary engineering design report. He noted
32 that he will be meeting this Thursday with Marin County Health Officer, Dr. Willis and Sonoma
33 County Health Officer, Dr. Silver to discuss fluoridation.

1 **OPEN TIME**

2 President Fraites asked if anyone in the audience wished to bring up an item not on the
3 agenda and the following items were discussed:

4 Ken Drexler, West Marin resident, stated that he enjoys coming to a meeting once a year.

5 Director Rodoni stated that Mr. Drexler was an instrumental part of combining West Marin's
6 accounting into one District rather than the original three improvement District's and the District is
7 appreciative of his efforts in that regard.

8 **STAFF / DIRECTORS' REPORTS**

9 President Fraites asked if staff or Directors wished to bring up an item not on the agenda
10 and there was no response.

11 **PUBLIC HEARING/APPROVE: WEST MARIN WATER FY 2013/14 BUDGET**

12 Mr. Bentley provided the Board with the final review of the West Marin Water FY2013/14
13 Budget. He informed the Board that there is a proposed rate increase of 8%. He noted that the
14 District sent out letters to customers inviting them to come to the public hearing and/or send in a
15 letter of protest. He stated that the District received one protest letter from a customer in Olema and
16 a couple of phone calls.

17 Mr. Bentley stated that the rate increase is comprised of a 5% commodity rate increase and
18 a 20% service charge increase (\$30 bimonthly for the typical customer who has a 5/8" meter). He
19 noted that the proposed rate increase is expected to generate \$57K in additional revenue. He stated
20 that the main reason for this rate increase is to start putting money aside for the Gallagher Pipeline
21 Project.

22 Mr. Bentley stated that the Capital Improvements in West Marin include \$200K for continued
23 work on the Solids Handling Facility, \$100K to upgrade the Olema Pump Station for flood protection
24 and to upgrade its SCADA remote terminal unit. Mr. Bentley stated that in the future there will be
25 \$500K to replace the PRE Tank 4A in FY16 and \$1.6M in FY17 for the Gallagher Pipeline project.

26 Mr. Bentley informed the Board that the West Marin Water Operating Budget, is anticipated
27 to realize a deficit next fiscal year of \$95K. He stated that the deficit represents the planned
28 drawdown of the Bank of Marin loan funds borrowed to construct the Solids Handling Facility.

29 Mr. Bentley reminded the Board that the Annual Water Cost Comparison survey shows, even
30 with the 8% proposed increase that NMWD West Marin customers are at the bottom of the list
31 compared to seven other coastal agencies.

1 Ken Drexler asked if the bond for the Paradise Ranch Estates is paid off in 2020, will the
2 customer's bill will be less \$16. Mr. Bentley answered yes.

3 Director Rodoni stated that two or three customers talked to him regarding the concern that
4 the bi-monthly charge exceeds their water usage charge.

5 Director Baker asked if the usage was low because of weekend homes. Director Rodoni
6 stated that most customers have no gardens and low usage.

7 President Fraites opened the public hearing and hearing no comment, closed the public
8 hearing.

9 On motion of Director Baker, seconded by Director Rodoni the Board approved Resolution
10 13-10 entitled "Amending Regulation 54" effective July 1, 2013 to increase the West Marin Water
11 commodity rates by 5% and the service charge by 20%, adopted the FY14 West Marin Water
12 System Budget, and authorized the General Manager to pay demands arising from execution of the
13 budgeted FY14 West Marin Water expenditure plan by the following vote.

14 AYES: Directors Baker, Fraites, Petterle, Rodoni

15 NOES: None

16 ABSTAIN: None

17 ABSENT: Director Schoonover

18 **PUBLIC HEARING/APPROVE: OCEANA MARIN SEWER FY 2013/14 BUDGET**

19 Mr. Bentley provided the Board with the final review of the Oceana Marin Sewer Budget for
20 FY2013/14. He stated that there is a 12% sewer service charge increase proposed for FY14 that will
21 generate an additional \$19K per year in revenue. He noted that the monthly service charge will be
22 \$65 levied with the property tax bill (\$780/yr). Mr. Bentley stated that a letter was sent to all
23 customers on May 8th regarding the proposed increase and the District did not receive any
24 response.

25 Mr. Bentley stated that the proposed increase is for the SCADA remote terminal unit upgrade
26 at the Tahiti Way Lift station and for future projects including lining the settling and treatment ponds
27 in FY18 for \$400k. He stated that \$67K is projected in the budget for the Phillips & Associates
28 contract for operation and maintenance services.

29 President Fraites opened the public hearing and hearing no comment, closed the public
30 hearing.

1 On motion of Director Petterle, seconded by Director Baker the Board approved Ordinance
2 26 entitled "Ordinance of the Board of Directors of North Marin Water District Electing to Have
3 Oceana Marin Sewer Charges be Collected on the Tax Roll of the County of Marin, State of
4 California Commencing Fiscal Year 2013-14" amend Regulation 109, effective July 1, 2013, to
5 increase the Oceana Marin Sewer service charge by 12% to \$780 per equivalent unit per year, and
6 placing the proposed FY14 Oceana Marin sewer service charge on the tax roll of Marin, adopted the
7 FY14 Oceana Marin Sewer System Budget, and authorized the General Manager to pay demands
8 arising from execution of the budgeted FY14 Oceana Marin expenditure plan by the following vote:

9 AYES: Directors Baker, Fraites, Petterle, Rodoni

10 NOES: None

11 ABSTAIN: None

12 ABSENT: Director Schoonover

13 **CONSENT CALENDAR**

14 On motion of Director Petterle, seconded by Director Baker the following items were
15 approved on the consent calendar by the following vote:

16 AYES: Directors Baker, Fraites, Petterle, Rodoni

17 NOES: None

18 ABSTAIN: None

19 ABSENT: Director Schoonover

20 **POLICY FOR ON-CALL AND STAND-BY DUTY**

21 Revisions to Board Policy Number 26 – Policy for On-Call and Stand-By Duty were approved
22 at the May 7th meeting. Since that time, Field Service Representatives have requested that their on-
23 call duty not be classified as scheduled overtime and thus will no longer be eligible for compensatory
24 time off.

25 The Board approved the revised policy for On-Call and Stand-By Duty.

26 **CONTRACT FOR DRAFTING SERVICES FY13-14 – ABEREGG**

27 The Board authorized the General Manager to execute a new agreement for drafting
28 services between NMWD and Mr. Aberegg for miscellaneous drafting services with not-to-exceed
29 limit of \$20,000.

1 **SUPPORTING THE SUMMER 2013 20-GALLON CHALLENGE WATER CONSERVATION**
2 **PUBLIC AWARENESS PROGRAM**

3 The Board adopted Resolution 13-11 entitled "The North Marin Water District supporting the
4 Summer 2013 20-Gallon Challenge Water Conservation Public Awareness Program".

5 **ACTION CALENDAR**

6 **PHILLIPS & ASSOCIATES AGREEMENT EXTENSION**

7 Robert Clark informed the Board that he wants to extend the current agreement for contract
8 operation and maintenance services at Oceana Marin with Phillips and Associates for six months.
9 He advised the Board that in those six months staff will sit down with Phillips and Associates and
10 produce a better scope of work to be more time and cost efficient. He noted that he wanted Phillips
11 and Associates to have clear expectation of the District requirements to and look at the
12 specifications to make sure that there are no more issues with emergency situations. Robert Clark is
13 requesting that the Board extend the contract until December 31, 2013.

14 Director Baker asked if there was a way the District could get a better response time on
15 emergency calls. Robert Clark informed the Board that he will be having a discussion with Phillips &
16 Associates about their response time and setting up an on-call calendar with them, along with
17 consequences for not responding on time etc. Director Baker asked where the majority of the
18 Phillips & Associates emergency on-call employees are coming from. Robert Clark answered that
19 most come from Fairfield but need to drive to Petaluma to pick up a truck. He noted that during an
20 emergency someone must report within 2 hours.

21 On motion of Director Rodoni, seconded by Director Petterle the Board authorized the
22 General Manager to execute Amendment 1 to the Oceana Marin Wastewater Collection and
23 Treatment Systems Operation and Maintenance Contract Agreement with Phillips and Associates,
24 extending the contract term to December 31, 2013 by the following vote:

25 AYES: Directors Baker, Fraites, Petterle, Rodoni

26 NOES: None

27 ABSTAIN: None

28 ABSENT: Director Schoonover

1 **INFORMATION ITEMS**
2 **WEST MARIN CAPITAL IMPROVEMENTS PROJECTS – FY 12-13 PRELIMINARY YEAR-END**
3 **PROGRESS REPORT**

4 Mr. McIntyre provided the Board with a preliminary year-end status report on the District's
5 performance in completing budgeted FY12-13 Capital Improvement Projects (CIP's) in West Marin
6 (including Oceana Marin) service territories. He stated that a total of eight CIP's were originally
7 budgeted in FY12-13, during the year, two were added and two were carried over and one was
8 dropped. Mr. McIntyre informed the Board that the overall progress in completing West Marin CIP's
9 was 75%. He noted with the exception of PRE Well #3 Replacement, the FY12-13 remaining West
10 Marin completed projects were within the original budget.

11 Mr. McIntyre reminded the Board that during FY13 the Pt. Reyes Solids Handling Project
12 coastal permit approval from the Marin County Community Development Agency has been worked
13 on. He noted that the Coastal Development Permit application was submitted in October 2012 and
14 since that time the District has been working on responding to supplemental requests for information
15 including an expanded biological site assessment, wetlands delineation and Lagunitas Creek set
16 back mapping, all of which has been completed by the District and/or consultants. Mr. McIntyre
17 advised the Board that as a result of the work, it has been determined that the proposed project falls
18 within the Marin County's Local Coastal Plan (LCP) 100 foot wetlands buffer. He noted that the
19 permit may be authorized with future planned revisions to the LCP, a including 50 foot wetland
20 buffer. Mr. McIntyre informed the Board that he and the General Manager met with the County
21 planning staff and Supervisor Kinsey to discuss the situation and project and discussed other
22 options besides having to wait for the amended LCP. He stated that the District will continue to work
23 with the County to get the project started.

24 Mr. McIntyre advised the Board that the Point Reyes Well #3 costs increased from the
25 original budget of \$165k to \$182K. He noted that the updated cost includes not only construction of
26 the replacement well but also conversion of the existing Well #3 into a monitoring well. He stated
27 that all permits are now completed and the replacement well has been in operation for
28 approximately two weeks.

29 Mr. McIntyre informed the Board that the last West Marin Water System Master Plan was
30 prepared in 2001. He stated that staff has budgeted for completion of an update in FY13-14.

1 **CALIFORNIA PROPERTY TAX REPAYMENT TO WEST MARIN DISTRICTS**

2 Mr. Bentley reported to the Board that the State of California has received a refund with
3 interest of money borrowed by the State of California from the District's FY10 property tax revenue.
4 He stated that the full amount \$6,760 plus 2% interest per year was received last Thursday.

5 **BOARD REVIEW OF DISTRICT POLICIES - #13 – BOARD OF DIRECTORS COMPENSATION**
6 **AND PROCEDURE**

7 Mr. DeGabriele reminded the Board that at the April 16th meeting the Board reviewed Board
8 Policy #13 – Board of Directors Compensation and Procedure and suggested changes. He stated
9 that one change was that in the original policy the request for reimbursement of actual and
10 necessary travel was triggered when 100 miles from the District service area and the Board felt that
11 was too great of a distance. Mr. DeGabriele proposed a revision where the threshold for
12 reimbursement of travel expenses would occur when outside Marin or Sonoma counties.

13 Mr. DeGabriele stated that the second issue the Board was concerned with was in regards to
14 the Director's compensation. He noted that the Board has been compensated at \$100 per meeting
15 since 1982 and that the current Water Code enables a 5% increase per year. He stated that the
16 escalating \$100 by 5% every year since 1982, would equal \$432. Mr. DeGabriele informed the
17 Board that if the District used a CPI escalator annual increase the amount would equal \$242.

18 Mr. DeGabriele stated that he spoke with legal counsel regarding the increase and advise
19 that any increase must be adopted by an ordinance, following a public hearing. He noted that once
20 the ordinance is adopted the new compensation rate would go into effect 60 days later.

21 Director Rodoni suggested a change of wording for the travel reimbursement.

22 Director Petterle asked if the Board decides to move forward with a public hearing, can the
23 ordinance have a series of increases. Mr. DeGabriele stated that legal counsel advises that can be
24 incorporated.

25 Director Rodoni stated that it is healthy to have elections and that a raise in compensation
26 may be one more element for people to consider serving on the Board.

27 President Fraites and Director Petterle both stated that the Board and staff should keep the
28 discussion going on this item and come up with a recommendation.

1 **MISCELLANEOUS**

2 The Board received the following miscellaneous information: Disbursements, Outstanding
3 Invoice- Rossi, Emergency response in Oceana Marin – Sunday, May 26, 2013, and Marin County
4 Open Space Non-Conforming Use Thank You letter.

5 The Board also received the following news article: NMWD recognized for financial reporting.

6 Mr. DeGabriele informed the Board that precautionary letters were handed out to customers
7 in West Marin regarding a fire hydrant that was knocked over on Kyleswood. He stated that 40
8 customers were affected and that staff tested the water and the results came back normal.

9 **ADJOURNMENT**

10 President Fraites adjourned the meeting at 8:17 p.m.

11 Submitted by

12
13
14
15 Katie Young
16 District Secretary

4

5

6

7

NORTH MARIN WATER DISTRICT
MONTHLY PROGRESS REPORT FOR June 2013
 July 16, 2013

1.

Novato Potable Water Prod - RR & STP Combined - in Million Gallons - FYTD

Month	FY12/13	FY11/12	FY10/11	FY09/10	FY08/09	13 vs 12 %
July	389	371	379	360	419	5%
August	396	373	368	367	417	6%
September	346	347	358	335	393	0%
October	283	249	278	233	313	14%
November	166	183	164	176	173	-10%
December	146	156	141	149	143	-6%
January	151	178	146	140	107*	-15%
February	148	147	134	124	136	1%
March	211	156	151	152	150	35%
April	240	171	194	164	227	40%
May	346	311	291	228	303	11%
June	357	356	293	326	339	0%
FYTD Total	3,178	2,997	2,897	2,754	3,120	6%

*Jan 2009 Kastania Meter Malfunction - water production understated by est 56MG

West Marin Potable Water Production - in Million Gallons - FY to Date

Month	FY12/13	FY11/12	FY10/11	FY09/10	FY08/09	13 vs 12 %
July	9.8	9.2	9.9	10.0	11.8	6%
August	9.7	9.4	9.9	10.6	11.9	3%
September	8.3	8.7	9.2	9.6	10.2	-5%
October	7.4	6.5	7.8	6.9	9.8	14%
November	5.2	5.1	4.9	5.6	7.2	1%
December	4.5	4.9	4.8	4.5	6.9	-9%
January	5.0*	4.8	4.3	4.2	6.4	4%
February	4.4	4.5	3.9	3.9	5.5	-2%
March	5.4	4.4	5.6	5.7	5.6	23%
April	6.0	5.4	4.9	4.3	6.4	11%
May	8.5	7.1	6.9	5.9	7.5	21%
June	8.5	8.8	7.2	8.0	8.9	-4%
FYTD Total	82.7	78.9	79.4	79.0	98.1	5%

* Jan '13 PRE Tank #4 overflow & Olema Tank cleaning resulted in loss of 322,000 gal.

Stafford Treatment Plant Production - in Million Gallons - FY to Date

Month	FY12/13	FY11/12	FY10/11	FY09/10	FY08/09	13 vs 12 %
July	49	115	109	152	131	-58%
August	83	126	108	150	128	-34%
September	72	77	112	155	117	-6%
October	88	113	111	80	81	-22%
November	64	106	95	0	0	-40%
December	0	49	0	0	0	-
January	21	0	0	0	0	-
February	57	0	0	0	0	-
March	61	0	52	32	0	-
April	67	0	98	36	0	-
May	105	0	97	94	12	-
June	89	0	101	103	153	-
FYTD Total	755	586	884	800	623	29%

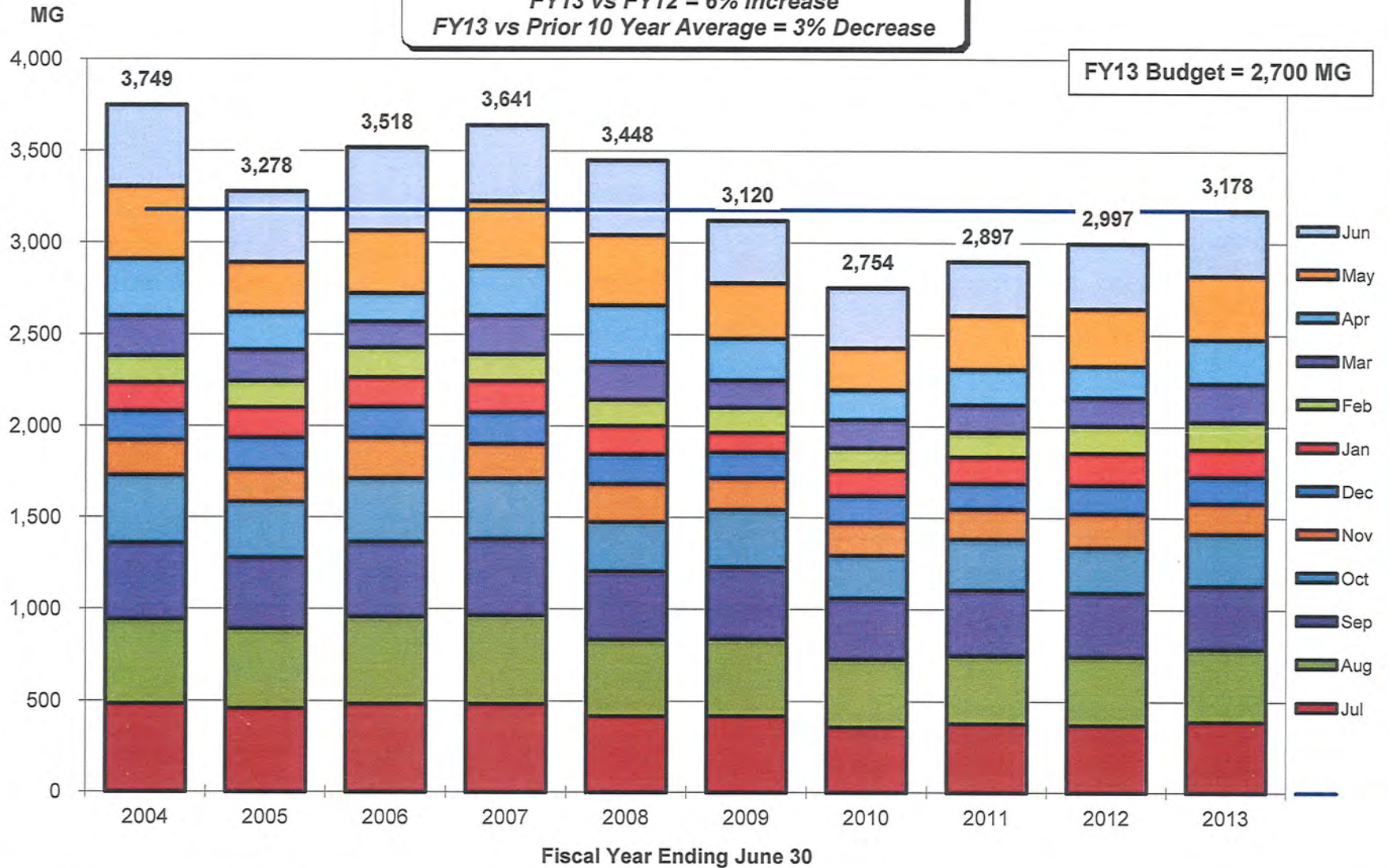
Recycled Water Production - in Million Gallons - FY to Date

Month	FY12/13	FY11/12	FY10/11	FY09/10	FY08/09	13 vs 12 %
July	11.2	11.0	11.9	12.0	13.6	2%
August	10.5	12.2	11.2	12.9	13.6	-14%
September	8.5	9.6	9.5	10.2	10.9	-11%
October	0.0	0.0	2.6	2.6	6.4	-
November	0.0	0.0	0.0	0.0	0.0	-
December	0.0	0.0	0.0	0.0	0.0	-
January	0.0	0.0	0.0	0.0	0.0	-
February	0.0	0.0	0.0	0.0	0.0	-
March	1.4	0.0	0.0	0.0	0.0	-
April	8.8	2.5	0.0	0.0	8.8	256%
May	17.3	10.8	11.2	6.0	9.5	60%
June	23.1	11.1	7.7	11.1	11.9	109%
FYTD Total	57.6	46.1	46.4	43.8	62.8	25%

Novato Water Production

FY13 vs FY12 = 6% Increase
FY13 vs Prior 10 Year Average = 3% Decrease

FY13 Budget = 2,700 MG



2. Stafford Lake Data

	June Average	June 2012	June 2013
Rainfall this month	0.20 Inches	0.01 Inches	0.12 Inches
Rainfall this FY to date	28.3 Inches	17.2 Inches	19.38 Inches
Lake elevation*	189.4 Feet	187.9 Feet	189.0 Feet
Lake storage**	943 MG	853 MG	922 MG

* Spillway elevation is 196.0 feet

** Lake storage less 390 MG = quantity available for delivery

Temperature (in degrees)

	Minimum	Maximum	Average
June 2012 (Novato)	51	106	70
June 2013 (Novato)	51	110	74

3. Number of Services

June 30	Novato Water			Recycled Water			West Marin Water			Oceana Marin Swi		
	FY13	FY12	Incr %	FY13	FY12	Incr %	FY13	FY12	Incr %	FY13	FY12	Incr %
Total meters	20,748	20,746	0.0%	23	2	1050%	819	820	-0.1%	-	-	-
Total meters active	20,492	20,490	0.0%	17	2	750%	776	777	-0.1%	-	-	-
Active dwelling units	23,940	23,942	0.0%	0	0	-	811	811	0.0%	227	227	0.0%

4. Oceana Marin Monthly Status Report (June)

Description	June 2012	June 2013
Effluent Flow Volume (MG)	0.463	0.492
Irrigation Field Discharge (MG)	0.294	0.016
Treatment Pond Freeboard (ft)	3.4	3.2
Storage Pond Freeboard (ft)	3.7	6.1

5. Developer Projects Status Report (June)

Job No.	Project	% Complete	% This month
2670	Canyon Green	50	25
2763	City Administration Office	5	5

District Projects Status Report - Const Dept (June)

Job No.	Project	% Complete	% This month
7138.00	Sunset Pkwy 12" C.I. Replacements	100	5
7139.00	PB Replacement- City Measure A, Group 5	70	0
1723.22	PB Replacement - H Lane	100	25
8737	FH Relocation Redwood/Olive	100	100

Employee Hours to Date, FY 12/13

As of Pay Period Ending June 30, 2013
Percent of Fiscal Year Passed = 100%

Developer Projects	Actual	Budget	% YTD Budget	District Projects	Actual	Budget	% YTD Budget
Construction	1,194	1,694	70	Construction	4,175	3,815	109
Engineering	631	1,393	45	Engineering	5,402	3,855	140

6. Safety/Liability

	Industrial Injury with Lost Time			Liability Claims Paid		
	Lost Days	OH Cost of Lost Days (\$)	No. of Emp. Involved	No. of Incidents	Incurred (FYTD)	Paid (FYTD) (\$)
FY through June 13	2	832	1	1	3	4,630
FY through June 12	17	7,208	1	1	3	5,044

Days without a lost time accident through June 30, 2013= 20 days

7. Energy Cost

FYE	Kwh	June		Fiscal Year-to-Date thru June		
		¢/Kwh	Cost/Day	Kwh	¢/Kwh	Cost/Day
2013 Stafford TP	75,287	17.0¢	\$427	634,715	17.4¢	\$299
Pumping	207,461	15.2¢	\$983	1,487,407	15.2¢	\$646
Other*	49,245	22.2¢	\$342	462,674	19.9¢	\$262
	331,992	16.6¢	\$1,780	2,584,796	16.6¢	\$1,217
2012 Stafford TP	11,423	22.5¢	\$92	666,881	16.2¢	\$321
Pumping	211,146	16.2¢	\$1,318	1,502,592	15.1¢	\$690
Other*	47,534	21.2¢	\$325	450,311	19.4¢	\$262
	270,103	17.4¢	\$1,738	2,619,784	16.1¢	\$1,246
2011 Stafford TP	90,929	16.7¢	\$475	895,163	15.7¢	\$384
Pumping	81,913	15.9¢	\$502	1,429,582	14.8¢	\$560
Other*	42,040	21.8¢	\$296	461,527	19.5¢	\$246
	214,882	17.4¢	\$1,497	2,786,272	15.8¢	\$1,200

*Other includes West Marin Facilities

8. Water Conservation Update

	Month of June 2013	Fiscal Year to Date	Program Total to Date
High Efficiency Toilet (HET) Rebate (\$100 each)	13	238	2624
Retrofit Certificates Filed	20	315	4,769
Cash for Grass Rebates Paid Out	2	33	522
Washing Machine Rebates	25	252	6,151
Water Smart Home Survey	20	177	1,417

9. Utility Performance Metric

CUSTOMER SERVICE INTERRUPTIONS	June No. of Customers Impacted
PLANNED	
Duration Between 0.5 and 4 hours	8
Duration Between 4 and 12 hours	
Duration Greater than 12 hours	
UNPLANNED	
Duration Between 0.5 and 4 hours	4
Duration Between 4 and 12 hours	
Duration Greater than 12 hours	
SERVICE LINES REPLACED	June
Polybutylene	8
Copper (Replaced or Repaired)	

NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Order June 2013

7/9/2013

<u>Type</u>	<u>Jun-13</u>	<u>Jun-12</u>	<u>Action Taken June 2013</u>
<u>Consumers' System Problems</u>			
Service Line Leaks	13	21	Notified Consumer
Meter Leak Consumer's Side	0	0	~
House Plumbing	0	0	~
Noisy Plumbing	0	0	~
Seepage or Other	0	0	~
House Valve / Meter Off	8	6	Turned Back On
Nothing Found	4	3	Notified Consumer
Low Pressure	2	3	Pressure is good @ 60 PSI.
High Pressure	0	1	Pressure is good @ 60 PSI.
Water Waster Complaints	0	0	~
Total	27	34	
<u>Service Repair Reports</u>			
Register Replacements	0	0	~
Meter Replacement	2	1	Replaced
Meter Box Alignment	0	0	~
Meter Noise	0	0	~
Dual Service Noise	0	0	~
Box and Lids	0	1	~
Water Off/On Due To Repairs	5	8	Notified Consumer
Misc. Field Investigation	4	2	Notified Consumer
Total	11	12	
<u>Leak NMWD Facilities</u>			
Main-Leak	0	0	~
Mains-Nothing Found	0	0	~
Mains-Damage	0	0	~
Service- Leak	12	13	Repaired
Services-Nothing Found	2	4	Notified Consumer
Service-Damaged	0	0	~
Fire Hydrant-Leak	3	1	Repaired
Fire Hydrants-Nothing Found	0	1	~
Fire Hydrants-Damaged	0	0	~
Meter Replacement	0	0	~
Meters-Leak	0	0	~
Meters-Nothing Found	0	0	~
Meters Damaged	0	0	~
Washer Leaks	7	13	Replaced
Total	24	32	
<u>High Bill Complaints</u>			
Consumer Leaks	4	5	Notified Consumer
Meter Testing	0	0	~
Meter Misread	0	0	~
Nothing Found	8	7	Notified Consumer
Projected Consumption	0	0	~
Excessive Irrigation	1	2	Notified Consumer
Total	13	14	

NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Order June 2013

7/9/2013

Type	Jun-13	Jun-12	Action Taken June 2013
<u>Low Bill Reports</u>			
Meter Misread	0	0	~
Stuck Meter	0	0	~
Nothing Found	0	0	~
Projected Consumption	0	0	~
Minimum Charge Only	0	0	~
Total	0	0	
<u>Water Quality Complaints</u>			
Taste and Odor	3	0	<p>Customer reported bad taste in water. (Bird Ct) Taste & odor due to algal bloom in Stafford lake. All test results are normal for Novato. Customer was notified.</p> <p>Customer reported sulfur smell in water. (Pico Vista) Sulfur odor in hot water, due to sulfur reducing bacteria in water heater. Test results & advice on how to clear bacteria were given to customer.</p> <p>Customer reported bad taste in water. (Boulevard Ter) All tests clean & quality normal for NMWD. Customer was notified.</p>
Color	1	0	<p>Customer reported brown water after plumbing work. (Carmel Dr) Brown water likely caused by dewatering & flushing of water line within apartment complex. All results were clean & normal. Customer was notified of results.</p>
Turbidity	0	0	~
Suspended Solids	1	0	<p>Customer reported black sand coming out of faucet. (Portsmouth Dr) NMWD found no sediment in water. All results were normal. Customer was notified of results.</p>
Other	0	0	~
Total	5	0	
TOTAL FOR MONTH:	80	92	-13%
<u>Fiscal YTD Summary</u>			
Consumer's System Problems	407	420	-3%
Service Repair Report	148	116	28%
Leak Complaints	280	302	-7%
High Bill Complaints	462	362	28%
Low Bills	4	8	-50%
Water Quality Complaints	37	49	-24%
Total	1,338	1,257	6%

Change Primarily Due To
 Decrease In Consumer Service Leak
 Increase In Meter Replacement
 Decrease In Mains Damage
 Increase In Nothing Found
 Decrease In Stuck Meter
 Decrease In Other

NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Order June 2013

7/9/2013

<u>Type</u>	<u>Jun-13</u>	<u>Jun-12</u>	<u>Action Taken June 2013</u>
<u>"In House" Generated and Completed Work Orders</u>			
<u>Check Meter:</u> possible consumer/District leak, high bill, flooded, need read, etc.	225	209	
<u>Change Meter:</u> leaks, hard to read	3	9	
<u>Possible Stuck Meter</u>	3	0	
<u>Repair Meter:</u> registers, shut offs	0	0	
<u>Replace Boxes/Lids</u>	3	0	
<u>Hydrant Leaks</u>	0	0	
<u>Trims</u>	23	95	
<u>Dig Outs</u>	58	66	
<u>Letters to Consumer:</u> meter obstruction, trims, bees, gate access, etc.	0	0	
<u>Misc:</u> locate meter, get meter number, cross connection follow ups, kill service, etc.	0	0	
	<u>315</u>	<u>379</u>	

Bill Adjustments Under Board Policy:

June 13 vs. June 12

Jun-13	6	\$3,141
Jun-12	22	\$6,016

Fiscal Year to Date vs. Prior FYTD

12/13 FYTD	329	\$119,561
11/12 FYTD	281	\$68,376

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Customer Service Questionnaire Quarterly Report
Quarter Ending 03/31/13



NMWD

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 6/30/2013

Water Quality	Response		
	Agree	Neutral	Disagree
Courteous & Helpful			
Accurate Information			
Prompt Service			
Satisfactorily Resolved			
Overall Experience			
	0	0	0

Leak	Response		
	Agree	Neutral	Disagree
Courteous & Helpful	8		
Accurate Information	8		
Prompt Service	8		
Satisfactorily Resolved	5	2	
Overall Experience	9		
	38	2	0

Billing	Response		
	Agree	Neutral	Disagree
Courteous & Helpful	3		
Accurate Information	3		
Prompt Service	3		
Satisfactorily Resolved	3		
Overall Experience	3		
	15	0	0

Pressure	Response		
	Agree	Neutral	Disagree
Courteous & Helpful	2		
Accurate Information	1	1	
Prompt Service	2		
Satisfactorily Resolved	2		
Overall Experience	2		
	9	1	0

Noisy Pipes	Response		
	Agree	Neutral	Disagree
Courteous & Helpful			
Accurate Information			
Prompt Service			
Satisfactorily Resolved			
Overall Experience			
	0	0	0

Other	Response		
	Agree	Neutral	Disagree
Courteous & Helpful			
Accurate Information			
Prompt Service			
Satisfactorily Resolved			
Overall Experience			
	0	0	0

Grand Total	Response		
	Agree	Neutral	Disagree
	62	3	0
	95%	5%	0%

Questionnaires Sent Out	108	100%
Questionnaires Returned	15	14%

Customer Service Questionnaire Quarterly Report
Quarter Ending 06/30/13

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Customer Comments	Staff Response to Negative Comments	Issues NMWD Should Address In The Future
<p>Water Quality</p> <p>Leaks Excellent Service. Thank You. I was very pleased with the quick response and the professional approach. Thank You. No leaks found. Thanks for your prompt and courteous service. He was great! Would be nice to be notified of high use.</p> <p>Billing Both office staff & service man were courteous and professional. Very kind and helpful.</p> <p>Other</p> <p>Pressure The man who fixed the pressure was excellent and knowledgeable. Thank You.</p>	<p>Customer use was within range, 99% of prior year same period</p>	

8

MEMORANDUM

To: Board of Directors
 From: David L. Bentley, Auditor-Controller
 Subj: Approve: Group Life Insurance Renewal
t:\ac\word\personnel\life ins\13 renewal.docx

July 12, 2013

RECOMMENDED ACTION: Approve**FINANCIAL IMPACT: \$8,364 Annually**

The District's benefit package includes a life insurance policy for regular employees with a benefit equal to their annual salary. The group life benefit also includes an accidental death and dismemberment policy (AD&D) that offers double indemnity in the event of accidental death and defined lump sum payments if there is loss of sight or appendage. The District's current provider is Unum, at \$2.04/\$1,000 of payroll, which policy expires July 31, 2013.

Staff asked McNeil Benefits Insurance Services in Novato, the broker for our group life policy since 1957, to survey the current market pricing for renewal. Nine insurers provided a response, and three declined to quote. Their proposals are below. Mutual of Omaha came in with the lowest cost at \$2.04/\$1,000, which is the same rate we had been paying Unum. Mutual of Omaha is one of the strongest companies in the industry, with a Best's Rating of A+15 (Superior financial strength with policyholder surplus over \$2 billion). Their proposal includes a two-year rate guarantee, and the annual cost is within the amount budgeted.

Carrier	Life & AD&D Rate (% of Base Payroll)	Annual Premium ¹
Mutual of Omaha	0.2040%	\$8,364
Lincoln Financial	0.2280%	\$9,348
MetLife	0.2352%	\$9,643
Guardian	0.2400%	\$9,840
Principal Life	0.2400%	\$9,840
Unum	0.2400%	\$9,840
Assurant	0.2640%	\$10,824
Standard	0.2460%	\$10,086
Prudential	0.3108%	\$12,743
Hartford Life	Declined to Quote	-
Reliance Standard	Declined to Quote	-
Sun Life	Declined to Quote	-

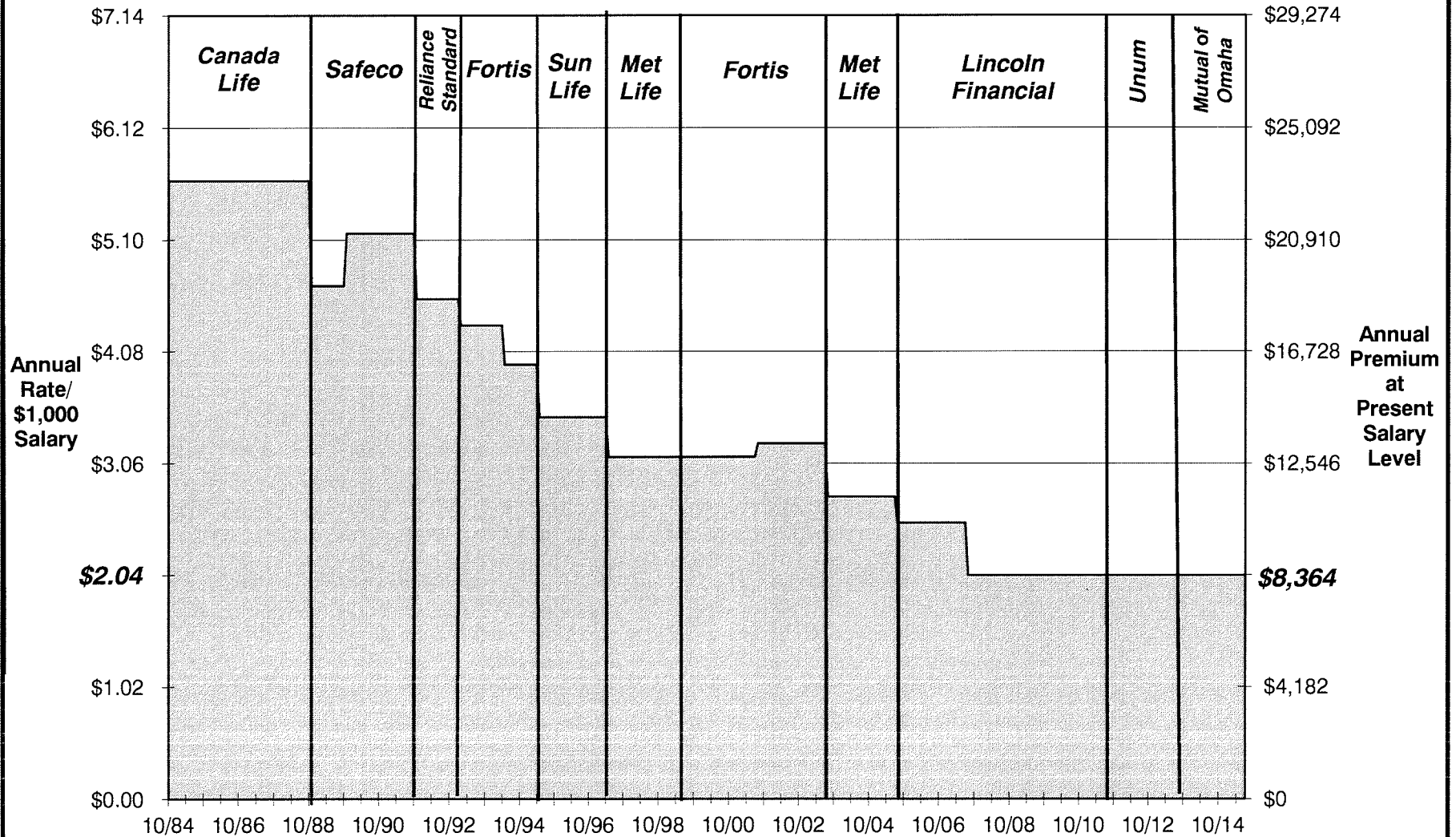
Recommendation: Authorize the Auditor-Controller to enter into a contract with Mutual of Omaha for the District's Group Life and Accidental Death and Dismemberment Insurance at a rate of \$2.04 per \$1,000 of payroll for a two-year period commencing August 1, 2013.

¹ based on the current annual base payroll of \$4,100,000

Approved by GM CD

Date 7/12/2013

NMWD Group Life & AD&D Insurance Premium History¹



¹ Based on current annual base salary of \$4,100,000

9

MEMORANDUM

To: Board of Directors
From: Chris DeGabriele, General Manager *CD*
Subject: Update to County of Marin Re: Sewer Service to Individual Properties in Old Dillon Beach
t:\gm\west marin\2013\dillon beach memo.doc

July 12, 2013

RECOMMENDED ACTION: Authorize Sending Updated Letter to County of Marin

FINANCIAL IMPACT: None

At the April 16, 2013 meeting, the Board considered annexation of a property at 33 Ocean View Avenue into the Oceana Marin Sewer Improvement District. At that time, the Board suggested the District update its 1995 letter to the County regarding sewer service to individual properties in Old Dillon Beach (Attachment 1), specifically to address the remaining properties to be served from the existing sewer main on Ocean View Avenue and how the District would respond to serving consolidated parcels which front both Ocean View Avenue and Park Avenue.

A draft letter update was reviewed by the Board at the June 4th meeting. The draft has been further modified to address Board comments received at that meeting (Attachment 2). The pertinent updates to the 1995 letter are found on page 2 of this draft wherein, six properties which now front the existing sewer main on Ocean View Avenue may be considered for annexation in the future and that other existing lots in Old Dillon Beach, including those on Park Avenue with existing dwellings, will not be considered for annexation and sewer service.

A map of the Oceana Marin Improvement District and the Old Dillon Beach Village will be available at the meeting.

RECOMMENDATION:

Board authorize sending the updated letter to the County of Marin.

Approved by GM *CD*

Date *7/12/2013*



NORTH MARIN WATER DISTRICT

599 RUSH CREEK PLACE • POST OFFICE BOX 148 • NOVATO, CALIFORNIA 94948 • (415) 897-4133 • FAX (415) 892-8043

September 20, 1995

Mr. Mark Riesenfeld, Director
Marin County Planning Department
Civic Center, Room 308
San Rafael, CA 94903

Re: Sewer Service to Individual Properties in Old Dillon Beach Village
NMWD File: Miscellaneous Old Dillon Beach File

Dear Mr. Riesenfeld:

Pursuant to our meeting on August 9, 1995, this letter is intended to improve the efficiency of our respective staffs in responding to requests for sewer service in the community of Old Dillon Beach Village (Village). North Marin's staff spends considerable time responding to requests for sewer service to lots in the Village which are outside of the District's sewer improvement district and territorial boundaries. These requests are often generated by your staff in response to Marin County Code, Section 1806, which requires that a lot within 400 feet of the public sewer must connect to the public sewer. Your staff has indicated they do not perceive there is a widespread problem with on-site sewer service in the Village and, as you are aware, the County cannot compel the District to provide sewer service to lots outside of the District's boundaries.

The District's Board has generally denied all requests for sewer service to lots outside the District's existing Oceana Marin Improvement district boundaries in Old Dillon Beach since the cost of providing public sewer service for the Village community on a piece-meal basis is very expensive and will result in an unreliable and expensive, difficult to operate mixture of private and public sewer facilities. Thus, to make efficient use of staff time, both at the District and County, and to provide improved customer service to property owners in the community, the District is hereby identifying those lots in the Village which have an existing District gravity sewer fronting the property and which may be considered for annexation by the District Board of Directors in the future in accordance with District regulations.

As shown on Attachment 1, there is an existing District gravity sewer main in Ocean View Avenue south of North Street. Eight properties fronting this sewer have previously been annexed into the District's sewer improvement district and are eligible to receive sewer service from the District using this public sewer. There are nine additional properties which front this existing gravity sewer main in Ocean View Avenue (also shown on Attachment 1). These additional properties are not now within the District's Oceana Marin Improvement district but no additional District sewage collection facility need be constructed to serve same and they may be considered for annexation by the District's Board of Directors in the future. Property owners whose parcels would require private pump systems to discharge into this existing gravity sewer main must comply with District regulations for said systems. The Assessor Parcel Numbers of these parcels are as follows:

- 100-133-10
- 100-133-12
- 100-152-01
- 100-152-04
- 100-152-05
- 100-152-06
- 100-152-07
- 100-152-08
- 100-152-09

ATTACHMENT 1

Mr. Mark Riesenfeld
September 20, 1995
page 2

Other existing lots in the Village will not be considered for annexation and sewer service by the District's Board of Directors until such time as there is support and funding available from the Village property owners for a community-wide public sewer system.

Sincerely,



Chris DeGabrielle
General Manager/Chief Engineer

CD:edw

Attachment

cc: Dawn Mittleman
Marin County LAFCO
Civic Center
San Rafael, CA 94903

Gary Giacomini
Supervisor
County of Marin
Civic Center
San Rafael, CA 94903

DRAFT

July 17, 2013

Mr. Brian Crawford, Director
Marin County Community Development Department
3501 Civic Center Drive, Room 308
San Rafael, CA 94903

Re: Sewer Service to Individual Properties in Old Dillon Beach Village

Dear Mr. Crawford:

As a result of recent interest from Old Dillon Beach property owners, the North Marin Water District Board of Directors has requested this update of the September 20, 1995 letter to the County of Marin regarding sewer service to individual properties in Old Dillon Beach Village.

North Marin Water District (NMWD) provides sewer service to properties in the Oceana Marin development adjacent to Old Dillon Beach in West Marin County. The NMWD Board has generally denied all requests for sewer service to lots outside the existing NMWD Oceana Marin Sewer Improvement District boundaries including those in Old Dillon Beach since the cost of providing public sewer service for the Old Dillon Beach community on a piece-meal basis is very expensive and will result in an unreliable, expensive and difficult to operate mixture of private and public sewer facilities. Thus, to make efficient use of staff time, both at NMWD and the County, and to provide improved customer service to property owners in the community, NMWD is hereby identifying those lots in Old Dillon Beach which have an existing NMWD gravity sewer pipeline fronting the property and which may be considered for annexation by the NMWD Board of Directors in the future in accordance with NMWD regulations.

As shown on Attachment 1, there is an existing NMWD gravity sewer main in Ocean View Avenue south of North Street. This existing NMWD gravity sewer main was constructed in 1990 and eleven properties fronting this sewer have previously been annexed into the NMWD Oceana Marin Sewer Improvement District and are eligible to receive sewer service from NMWD using this public sewer. There are six existing additional properties which front this gravity sewer main in Oceana View Avenue (also

ATTACHMENT 2

Mr. Brian Crawford
Marin County Community Development
July 17, 2013
Page 2

shown on Attachment 1). These additional properties are not now within the NMWD Oceana Marin Sewer Improvement District but no additional NMWD sewage collection facility need be constructed to service same and they may be considered for annexation by the NMWD Board of Directors in the future. (Property owners whose parcels would require private pump systems to discharge into this existing gravity sewer main must comply with NMWD regulations for said systems). The Assessor Parcel Numbers of these six existing additional properties are as follows:

- 100-133-10
- 100-133-12
- 100-152-01
- 100-152-04
- 100-152-06
- 100-152-27

Other existing lots in Old Dillon Beach, including those on Park Avenue with existing dwellings, and which potentially could be combined with an Ocean View Avenue lot noted above, will not be considered for annexation and sewer service by the NMWD Board of Directors.

Sincerely,

Chris DeGabriele
General Manager

Enclosure

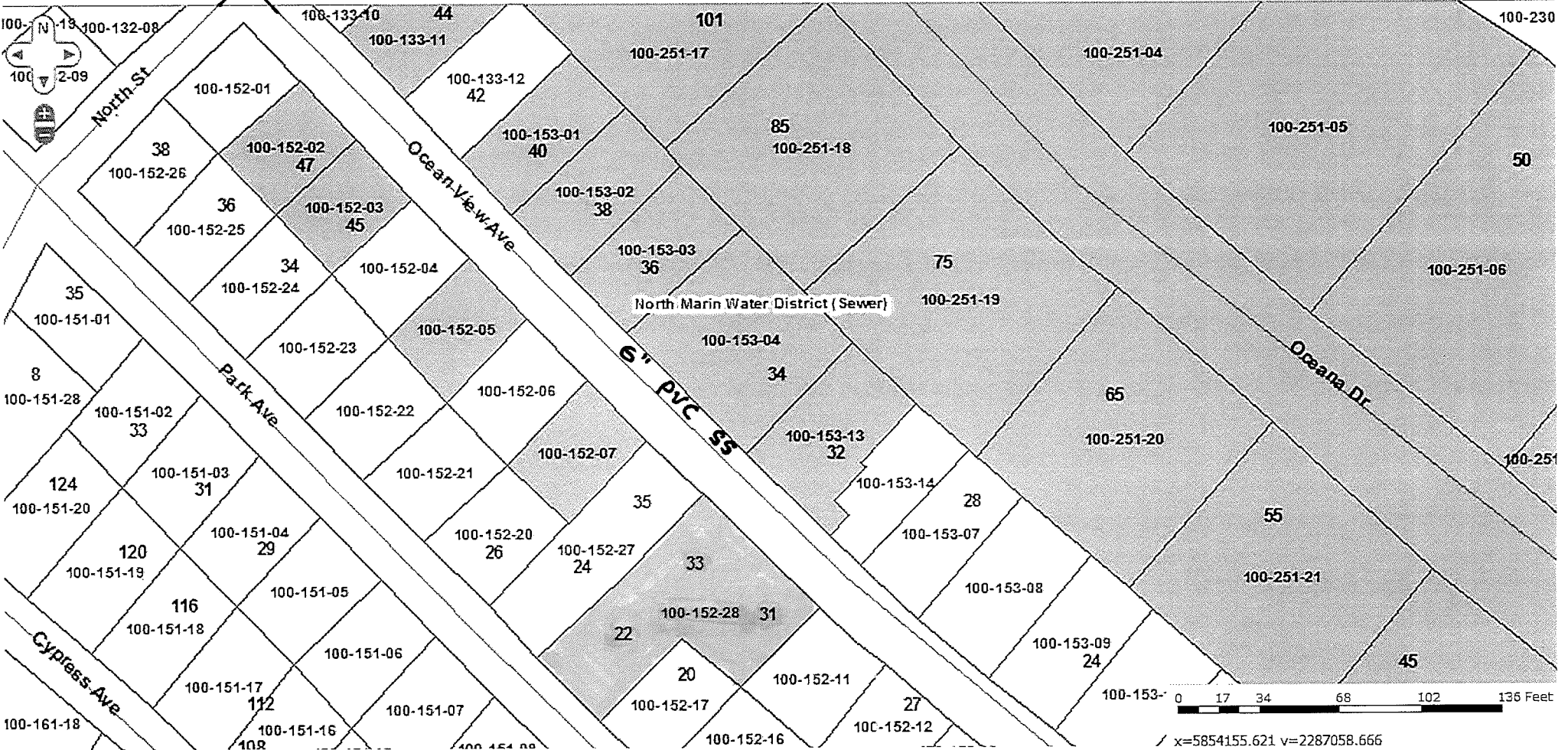
CC:
Peter Banning
Marin County LAFCO
555 Northgate Drive, Suite 230
San Rafael, CA 94903

Steve Kinsey
Supervisor, County of Marin
3501 Civic Center Drive, Room 329
San Rafael, CA 94903

CD/kly
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Pump Station

2" PVC FORCE MAIN



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10

MEMORANDUM

To: Board of Directors

July 12, 2013

From: Pablo Ramudo, Water Quality Supervisor *PR*

Subject: Report on Water Quality Relative to Public Health Goals
p:\lab\wq supv\2013\memo to board re phg report.doc

RECOMMENDED ACTION: Accept Report on Water Quality relative to Public Health Goals

FINANCIAL IMPACT: None

Attached for your review is the final draft of a report comparing NMWD's drinking water quality with public health goals (PHGs) adopted by California EPA's Office of Environmental Health Hazard Assessment (OEHHA) and with maximum contaminant level goals (MCLGs) adopted by the USEPA. PHGs and MCLGs are not enforceable standards and no action to meet them is mandated.

The California Health and Safety Code requires that a report is prepared every three years by July 1st. This report is intended to provide information to the public in addition to the Annual Water Quality Reports mailed to each customer.

Recommendation

Accept the Report on Water Quality relative to Public Health Goals.

Approved by GM *CD*
Date *7/12/2013*

NORTH MARIN WATER DISTRICT
REPORT ON WATER QUALITY
RELATIVE TO PUBLIC HEALTH GOALS
2010-2012

Background

Provisions of the California Health and Safety Code specify that larger (>10,000 service connections) water utilities prepare a special report by every three years (July 1, 2013) if their water quality measurements have exceeded any Public Health Goals (PHGs). PHGs are non-enforceable goals established by the Cal-EPA's Office of Environmental Health Hazard Assessment (OEHHA). The law also requires that where OEHHA has not adopted a PHG for a constituent, the water suppliers are to use the Maximum Contaminant Limit Goals (MCLG) adopted by United States Environmental Protection Agency (USEPA). Only constituents which have a California primary drinking water standard and for which either a PHG or MCLG has been set are to be addressed.

There are a few constituents that are routinely detected in water systems at levels usually well below the drinking water standards for which no PHG or MCLG has yet been adopted by OEHHA or USEPA. These will be addressed in a future required report after a PHG has been adopted.

If a constituent was detected in the NMWD water supply between 2010 and 2012 at a level exceeding an applicable PHG or MCLG, this report provides the information required for NMWD customers. Included is:

- The numerical public health risk associated with the Maximum Contaminant Level (MCL) and the PHG or MCLG.
- The category or type of risk to health that could be associated with each constituent.
- The best treatment technology available that could be used to reduce the constituent level.
- An estimate of the cost to install that treatment if it is appropriate and feasible.

Goals vs Standards

Public water supplies are strictly regulated for a host of contaminants. The most stringent standards are those set by the USEPA and the California Department of Public Health in their primary drinking water standards. These standards are called Maximum Contaminant Levels (MCL) and they are enforced by the California Department of Public Health. Tests for these contaminants are run on a required frequency using standard methodologies. Public drinking water systems must ensure compliance with these standards at all times.

Contrary to standards, there are also two sets of goals that may apply to various contaminants that may be found in drinking water supplies. The goals can be either state or federal goals. The goals are not enforceable, but they provide contaminant levels for which the water system operators should strive to meet.

Public Health Goals (PHGs) are set by the California Office of Environmental Health Hazard Assessment (OEHHA) which is part of Cal-EPA. The PHG's are not enforceable and are not required to be met by any public water system. They are set as goals based solely on public health risk considerations and they include a margin of safety

Maximum Contaminant Level Goals (MCLG) are the federal equivalent to PHGs. However, there is a difference in how levels for carcinogens are set at the Federal level. The Maximum Contaminant Level Goals for carcinogens are set at zero because the USEPA assumes there is no absolutely safe level of exposure to them. Conversely, PHG's are set at a level considered to pose no significant risk of cancer. This is usually defined as a one-in-a-million cancer risk for a lifetime of exposure. Determinations of health risk at these low levels are frequently theoretical and have not been quantified or proven through scientific experimentation.

Water Quality Data Considered

All of the water quality data collected by NMWD between 2010 and 2012 for purposes of determining compliance with drinking water standards was considered. This data was all summarized in the NMWD 2010, 2011, and 2012 Annual Water Quality Reports which were mailed to all Novato customers.

Best Available Treatment Technology and Cost Estimates

Both the USEPA and California Department of Public Health adopt what are known as Best Available Technologies. These technologies are the best known methods of reducing contaminant levels to the MCL. Costs can be estimated for such technologies. However, since many PHGs and all MCLGs are set much lower than the MCL, it is not always possible nor feasible to determine what treatment is needed to further reduce a constituent downward to or near the PHG or MCLG, many of which are set at zero. Estimating the costs to reduce a constituent to zero is difficult, if not impossible because it is not possible to verify by analytical means that the level has been lowered to zero. In some cases, installing treatment to try and further reduce very low levels of one constituent may have adverse effects on other aspects of water quality.

Constituents Detected That Exceed a PHG or a MCLG

The following is a discussion of constituents that were detected in one or more of the NMWD drinking water sources at levels above the PHG, or if no PHG, above the MCLG.

Chlorite

Chlorite is a disinfection byproduct of chlorine dioxide that is used for oxidation and removal of contaminants at Stafford Lake Treatment Plant (STP). Use of chlorine dioxide began in 2005 when it replaced larger doses of chlorine as the primary oxidant. This was done in order to reduce the concentration of two other types of regulated disinfection byproducts, trihalomethanes and haloacetic acids. The MCL for chlorite is 1.0 mg/l while the PHG for chlorite 0.05 mg/L.

Chlorite is regulated on a system-wide basis. A sample from each of four locations is collected monthly (at a minimum) and the average concentration of chlorite is calculated from the individual results. The locations are:

1. The finished treated water.
2. A location representing the first customer in the distribution system.
3. A location representing the average water age from the source.
4. A location representing the maximum water age from the source.

Additional system-wide samples are required if a daily chlorite reading from the treated water exceeds 1.0 mg/L. The concentration of chlorite at all locations was below the MCL at all times.

Chlorite levels measured in our water system are shown below:

<u>2010</u>		<u>2011</u>		<u>2012</u>	
March	0.13 mg/L	March	0.20 mg/L	July	0.11 mg/L
April	0.21 mg/L	April	0.38 mg/L	August	0.09 mg/L
May	0.07 mg/L	May	0.40 mg/L	Sept.	0.11 mg/L
June	0.04 mg/L	June	0.32 mg/L	Oct.	0.33 mg/L
July	0.05 mg/L	July	0.33 mg/L	Nov.	0.36 mg/L
August	0.17 mg/L	August	0.18 mg/L		
Sept.	0.40 mg/L	Sept.	0.24 mg/L		
Oct.	0.30 mg/L	Oct.	0.35 mg/L		
Nov.	0.34 mg/L	Nov.	0.47 mg/L		
		Dec	0.55 mg/L		

Several studies reveal that oral exposure to chlorite, at levels higher than the MCL, can result in significant hematological, endocrine, reproductive, and gastrointestinal effects as well as changes in neurobehavioral development. Based on testing results, it was determined that the Novato system meets the MCL for chlorite, but exceeds the PHG.

The best available technology to lower chlorite level below the MCL is control of the treatment process to reduce disinfectant (oxidant) demand and control of disinfectant (oxidant) treatment processes to reduce disinfectant (oxidant) levels. The chlorite concentration in all samples is already below the MCL. Treatment plant operators routinely monitor disinfectant and oxidation demand and make adjustments to doses of chlorine dioxide and sodium hypochlorite (used jointly) in order to reduce chlorite and other disinfection byproducts. There are alternative oxidants that could be used to reduce the concentration of chlorite in finished water but each of these alternatives also generates regulated byproducts. Changing plant processes for the use of these alternative oxidants is, therefore, not practical and is not recommended

Coliform Bacteria

Each month 74 to 95 samples are collected from the NMWD distribution system for coliform analysis, and over the three years there were a total of 2932 samples. In 2010, 2011, and 2012 all months had zero detectable coliform bacteria except for one. In November 2011 there was one sample out of the 87 collected that tested positive for coliform bacteria. This resulted in 1.1% of samples positive for coliform bacteria for that month.

The MCL for coliform bacteria requires that less than 5% of samples collected per month can be positive. The MCLG for total coliform bacteria is zero. Monitoring for total coliform bacteria is performed to minimize the possibility of the water containing pathogens (organisms that cause waterborne disease). Because total coliform is only a surrogate indicator of the potential presence of pathogens, it is not possible to state a specific numerical health risk. While USEPA normally sets MCLGs “at a level where no known or anticipated adverse effects on persons would occur”, they indicate that they cannot do so with coliforms.

Coliform bacteria are an indicator organism that are ubiquitous in nature and are not generally considered harmful. They are used because of the ease in monitoring and analysis. If a positive sample is found, it indicates a potential problem that needs to be investigated and follow up sampling and testing must be performed. It is not at all unusual for a system to have an occasional positive sample. It is difficult, if not impossible, to assure that a system will never get a positive sample.

Chlorine is added to water purchased from Sonoma County Water Agency and treated at Stafford Lake Treatment Plant to assure that the water served is microbiologically safe. The chlorine residual levels are carefully controlled to provide the best health protection without causing the water to have undesirable taste and odor or increasing the disinfection byproduct level. This careful balance of treatment processes is essential to continue supplying our customers with safe drinking water

Other equally important measures that we have implemented include:

- An effective cross-connection control program.
- Maintenance of a disinfectant residual throughout our system.
- An effective monitoring and surveillance program
- Maintenance of positive pressures in our distribution system.

11

MEMORANDUM

To: Board of Directors
 From: David L. Bentley, Auditor-Controller
 Subj: Updated Retiree Medical Actuarial Valuation
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July 12, 2013

RECOMMENDED ACTION: Accept Report

FINANCIAL IMPACT: None

The District requested and received an updated actuarial valuation of its retiree health care liability prepared by certified actuary Lou Filliger¹ in accordance with Standard 45 issued by the Governmental Accounting Standards Board. GASB 45 requires each government agency to calculate and disclose its retiree health care liability in its financial statement, and to update the calculation every three years. In summary, the updated actuarial report, compared to the valuations presented six years ago and three years ago, shows:

Retiree Medical Liability Actuarial Analysis				2012 v 2009
<u>Present Value of Future Benefits</u>	7/1/06	7/1/09	7/1/12	Increase
Active Employees	\$1,535,242	\$1,889,127	\$2,482,927	
Retirees	\$1,764,876	\$1,581,707	\$1,699,509	
Total <u>Actuarial</u> Liability ²	\$3,300,118	\$3,470,834	\$4,182,436	\$711,602
<u>Accrued Liability</u>				
Active Employees	\$872,698	\$1,019,849	\$1,431,119	
Retirees	\$1,764,876	\$1,581,707	\$1,699,509	
Total <u>Accrued</u> Liability ³	\$2,637,574	\$2,601,556	\$3,130,628	\$529,072
Retiree Medical Reserve Fund Balance	\$2,362,497	\$2,614,991	\$3,065,753	\$450,762
Cash Reserve as a % of Actuarial Liability	72%	75%	73%	
Cash Reserve as a % of Accrued Liability	90%	101%	98%	

The table above shows that over the past three year period the District's actuarial liability² increased \$711,602 to \$4.18 million. The accrued liability³ grew \$529,072 to \$3.13 million, while the District's Retiree Medical Reserve Fund grew by \$450,762.

The District's cash reserve that has been set-aside to fund the retiree medical liability fell from 101% of the accrued liability at 7/1/09 to 98% at 7/1/12. The growth in the accrued liability was primarily attributable a the reduction in the discount rate from 5%, used by the actuary in

¹ Lou Filliger of Dempsey, Filliger and Associates of Chatsworth, CA updated the valuation for a fee of \$4,000.

² Present value of health insurance benefits to be paid to current and future retirees. If this amount were placed in a fund earning 4% interest, the fund would have exactly enough to pay all expected benefits.

³ The present value of health insurance benefits earned to date.

previous calculations, to 4%, reflecting the decrease in long-term interest rates over the last three years. The reduction in the discount rate is in accordance with the actuarial standard now used for government agencies, such as the District, that have elected not to place their reserve funds that have been designated to amortize this liability into an irrevocable trust account. Absent the discount rate change, the District's accrued liability funding level would have been 109%.

The District merits credit when the Board designated funds in 2003 to be set-aside for this liability, and again in 2007 when the Board authorized setting aside an additional \$1,500 per employee (approximately \$75,000 annually) to accelerate amortization of the unfunded actuarial liability. The attached chart graphically displays the liability and reserve over time.

The policy question that arises each year as we review this liability is whether to deposit the \$3 million designated cash reserve into an irrevocable trust, outside of the District's control. Depositing the funds into an irrevocable trust is a GASB 45 prerequisite to showing the \$3M as an offset to the retiree medical liability on the District's financial statement. Failure to deposit the money into an irrevocable trust increases the District's required annual expense calculated under GASB 45 as if there were no money set-aside to pay the liability, and similarly the liability shown on the balance sheet is not reduced by the amount in the designated reserve. GASB's concern is that the District could elect to use the designated funds for another purpose, thereby potentially defrauding retirees. In addition, those who view the District's financial statement, such as the Marin County Civil Grand Jury, can come away with the mistaken impression that the District has done nothing to address this liability.

In 2007 CalPERS established a subsidiary to accept GASB 45 monies (which can be invested in equities) and many investment houses have sprung up that covet GASB 45 assets. Recall that public agencies who moved their money into an irrevocable trust in 2007 immediately lost 30% in the market downturn that occurred shortly thereafter.

Staff continues to believe that placing the money in an irrevocable trust is not in the best interest of the District at this time. The District has historically met its obligations to its retirees, and the loss of control of \$3 million in reserve funds could hamper the District's flexibility in dealing with financial events that may arise in the future. Our actuary estimates that only 20% of California public agencies have established an irrevocable trust to date. Maintaining the cash

reserve outside a dedicated irrevocable trust will mean that the District's audited financial statement will continue to indicate that the District's post-employment health care benefit is an unfunded liability.

Recommendation:

Accept the Updated Retiree Medical Liability GASB 45 Report.



REC'D 6/7/13 v.a. Email
June 7, 2013

Mr. David L. Bentley
Auditor-Controller
North Marin Water District
999 Rush Creek Place
Novato, CA 94948

Re: North Marin Water District ("District")
GASB 45 Valuation as of July 1, 2012

Dear Mr. Bentley:

This report sets forth the results of our GASB 45 actuarial valuation of the District's retiree health insurance program as of July 1, 2012.

In June, 2004 the Government Accounting Standards Board (GASB) issued its final accrual accounting standards for retiree healthcare benefits, GASB 43 and GASB 45. GASB 43/45 require public employers such as the District to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and the trust, if any, set aside to pre-fund these liabilities. The District must obtain actuarial valuations of its retiree health insurance program under GASB 43/45 not less frequently than once every three years.

To accomplish these objectives the District selected Demsey, Filliger and Associates (DF&A) to perform an actuarial valuation of the retiree health insurance program as of July 1, 2012. This report may be compared with the valuation performed by DF&A as of July 1, 2009, to see how the liabilities have changed since the last valuation. We are available to answer any questions the District may have concerning the report.

Financial Results

We have determined that the amount of actuarial liability for District-paid retiree benefits is \$4,182,436 as of July 1, 2012. This represents the present value of all benefits expected to be paid by the District for its current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 4.0% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits.

2010
INCL

2010
DECL

This includes benefits for 33 retirees as well as 53 active employees who may become eligible to retire and receive benefits in the future. It excludes employees hired after the valuation date.

When we apportion the \$4,182,436 into past service and future service components under the Projected Unit Credit Cost Method, the past service liability (or "Accrued Liability") component is \$3,130,628 as of July 1, 2012. This represents the present value of all benefits earned to date assuming that an employee earns retiree healthcare benefits ratably over his or her career. The \$3,130,628 is comprised of liabilities of \$1,431,119 for active employees and \$1,699,509 for retirees. Because the District has not established an irrevocable trust for the pre-funding of retiree healthcare benefits, the Unfunded Accrued Liability (called the UAL, equal to the AL less Assets) is also \$3,130,628.

We have determined that North Marin Water District's "Annual Required Contributions", or "ARC", for the fiscal year 2012-13, is \$286,640. The \$286,640 is comprised of the present value of benefits accruing in the current year, called the "Service Cost", and a 30-year amortization of the UAL. We estimate that the District will pay approximately \$167,174 for the 2012-13 fiscal year in healthcare costs for its retirees, so the difference between the accrual accounting expense (ARC) and pay-as-you-go is ~~an increase of~~ \$119,466.

There are two adjustments to the ARC that are required in order to determine the District's Annual OPEB Cost (AOC) for the 2012-13 fiscal year. We have calculated these adjustments based on a Net OPEB Obligation of \$474,733 as of June 30, 2012, resulting in an AOC for 2012-13 of \$278,175.

We show these numbers in the table on the next page and in Exhibit II. All amounts are net of expected future retiree contributions, if any.

North Marin Water District
Annual Liabilities and Expense under
GASB 45 Accrual Accounting Standard
Projected Unit Credit Cost Method

Item	Amounts for Fiscal 2012-13
Present Value of Future Benefits (PVFB)	
Active	\$2,482,927
Retired	<u>1,699,509</u>
Total: PVFB	\$4,182,436
Accrued Liability (AL)	
Actives	\$1,431,119
Retired	<u>1,699,509</u>
Total: AL	\$3,130,628
Assets	<u>(0)</u>
Total: Unfunded AL	\$3,130,628
Annual Required Contributions (ARC)	
Service Cost At Year-End	\$105,596
30-year Amortization of Unfunded AL	<u>181,044</u>
Total: ARC	\$286,640
Adjustments to ARC	
Interest on Net OPEB Obligation*	18,989
Adjustment to ARC*	<u>(27,454)</u>
Total: Annual OPEB Cost (AOC) for 2012-13	\$278,175

*Amounts based on June 30, 2012 Net OPEB Obligation of \$474,733.

The ARC of \$286,640, shown above, should be used for the 2012-13, 2013-14 and 2014-15 fiscal years, but the Annual OPEB Cost for all years must include an adjustment based on the Net OPEB Obligation as reported in the preceding year's financial statement, which is not known precisely in advance.

When the District begins preparation of the June 30, 2013 government-wide financial statements, DF&A will provide the District and its auditors with complimentary assistance in preparation of footnotes and required supplemental information for compliance with GASB 45 (and GASB 43, if applicable).

Differences from Prior Valuation

The most recent prior valuation was completed as of July 1, 2009 by DF&A. The AL (Accrued Liability) as of that date was \$2,601,556 (see page 3 of the prior report), compared to \$3,130,628 as of July 1, 2012. In this section, we provide a reconciliation between the two numbers so that it is possible to trace the AL from one actuarial report to the next.

Several factors have caused the AL to change since 2009. The passage of time increases the AL as the employees accrue more service and get closer to receiving benefits. There are actuarial gains/losses from one valuation to the next, and changes in actuarial assumptions and methodology for the current valuation. To summarize, the most important changes were as follows:

1. There was a gain of \$1,483 (a decrease in the AL) due to increases in healthcare premiums less than expected.
2. The PERS Health administration fee changed from 0.43% of premium to 0.25% of premium. This caused a decrease in the AL of \$1,957.
3. The District adopted a reduction in benefits for retirements after January 1, 2013. This caused a decrease in the AL of \$32,854.
4. We changed to more up-to-date mortality tables. This change increased the AL by \$75,734.
5. We increased the initial healthcare trend rate from 5% to 8% to better reflect our expectations of average premium increases over the next several years. This change increased the AL by \$51,968.
6. We lowered the discount rate from 5% to 4% to reflect the decrease in long-term interest rates over the last 3 years. This change increased the AL by \$312,612.
7. There was a net census gain (a decrease in the AL) of \$18,697.

The estimated changes to the AL from July 1, 2009 to July 1, 2012 may be summarized as follows:

Changes to AL	AL
AL as of 7/1/09	\$2,601,556
Passage of time	143,749
Premium increases < expected	(1,483)
Change in PERS Health admin. fee	(1,957)
Change in benefits for future retirees	(32,854)
Change in mortality tables	75,734
Change in trend rates	51,968
Change in discount rate	312,612
Census (gain)	<u>(18,697)</u>
AL as of 7/1/12	\$3,130,628

Funding Schedules

There are many ways to approach the pre-funding of retiree healthcare benefits. In the *Financial Results* section, we determined the annual expense for all District-paid benefits. The expense is an orderly methodology, developed by the GASB, to account for retiree healthcare benefits. However, the GASB 45 expense has no direct relation to amounts the District may set aside to pre-fund healthcare benefits.

The table on the next page provides the District with three alternative schedules for funding (as contrasted with expensing) retiree healthcare benefits. The schedules all assume that the retiree fund earns, or is otherwise credited with, 4.0% per annum on its investments, and that contributions and benefits are paid mid-year.

The schedules are:

1. A level contribution amount for the next 20 years.
2. A level percent of the Unfunded Accrued Liability.
3. An amount equal to \$1,500/year per active employee plus pay-as-you-go costs until fully funded.

We provide these funding schedules to give the District a sense of the various alternatives available to it to pre-fund its retiree healthcare obligation. The three funding schedules are simply three different examples of how the District may choose to spread its costs.

By comparing the schedules, you can see the effect that early pre-funding has on the total amount the District will eventually have to pay. Because of investment earnings on fund assets, the earlier contributions are made, the less the District will have to pay in the long run. Of course, the advantages of pre-funding will have to be weighed against other uses of the money.

The table on the following page shows the required annual outlay under the pay-as-you-go method and each of the above schedules. **The three funding schedules include the "pay-as-you-go" costs; therefore, the amount of pre-funding is the excess over the "pay-as-you-go" amount.**

These numbers are computed on a closed group basis, assuming no new entrants, and using unadjusted premiums.

North Marin Water District

Sample Funding Schedules (Closed Group)

Fiscal Year	Pay-as-you-go	Level Contribution for 20 years	Level % of Unfunded Liability	\$1,500/yr per employee + PAYG
2012	\$167,174	\$301,775	\$626,126	\$245,174
2013	165,804	301,775	538,291	245,304
2014	184,150	301,775	464,535	263,650
2015	199,325	301,775	403,475	278,825
2016	217,258	301,775	352,802	296,758
2017	228,432	301,775	310,859	307,932
2018	246,378	301,775	275,846	325,878
2019	251,247	301,775	246,844	330,747
2020	261,242	301,775	222,269	340,742
2021	287,181	301,775	201,560	366,681
2022	299,783	301,775	184,603	379,283
2023	311,640	301,775	170,195	391,140
2024	306,645	301,775	157,828	386,145
2025	273,147	301,775	146,569	352,647
2026	251,974	301,775	135,397	331,474
2027	207,255	301,775	124,792	286,755
2028	202,623	301,775	114,117	282,123
2029	195,002	301,775	104,597	274,502
2030	182,942	301,775	95,988	262,442
2031	185,035	301,775	88,069	74,400
2032	175,230	0	81,071	0
2033	180,218	0	74,600	0
2034	176,185	0	68,870	0
2035	185,380	0	63,585	0
2036	196,396	0	58,878	0
2037	164,261	0	54,628	0
2038	174,804	0	50,205	0
2039	186,405	0	46,206	0
2040	185,707	0	42,515	0
2041	168,673	0	38,935	0
2042	180,632	0	35,354	0
2043	166,293	0	31,956	0
2044	143,128	0	28,585	0
2045	123,630	0	25,287	0
2046	104,381	0	21,724	0
2047	83,758	0	18,165	0
2048	73,246	0	15,190	0
2049	71,528	0	12,701	0
2050	60,275	0	10,621	0
2055	27,713	0	4,343	0
2060	16,368	0	1,776	0
2065	9,142	0	727	0
2070	4,350	0	298	0

Actuarial Assumptions

In order to perform the valuation, the actuary must make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. Our assumptions are based on a standard set of assumptions we have used for similar valuations, modified as appropriate for the District. For example, turnover rates are taken from a standard actuarial table, T-5, increased by 25% at all ages. This matches the District's historic turnover patterns. Retirement rates were also based on recent District retirement patterns. Both assumptions should be reviewed in the next valuation to see if they are tracking well with experience.

The discount rate of 4.0% is based on our best estimate of expected long-term plan experience. It is in accordance with our understanding of the guidelines for selection of this rate under GASB 45 for unfunded plans such as the District's. The healthcare trend rates are based on our analysis of recent District experience and our knowledge of the general healthcare environment.

A complete description of the actuarial assumptions used in the valuation is set forth in the "Actuarial Assumptions" section.

Projected Annual Pay-as-you go Costs

As part of the valuation, we prepared a projection of the expected annual cost to the District to pay benefits on behalf of its retirees on a pay-as-you-go basis. These numbers are computed on a closed group basis, assuming no new entrants, and are net of retiree contributions. Projected pay-as-you-go costs for selected years are as follows:

FYB	Pay-as-you-go
2012	\$167,174
2013	165,804
2014	184,150
2015	199,325
2016	217,258
2017	228,432
2018	246,378
2019	251,247
2020	261,242
2025	273,147
2030	182,942
2035	185,380
2040	185,707
2045	123,630
2050	60,275
2055	27,713
2060	16,368
2065	9,142
2070	4,350

Breakdown by Employee/Retiree Group

Exhibit I, attached at the end of the report, shows a breakdown of the GASB 45 components (ARC, AL, Service Cost, and PVFB) by represented versus unrepresented employment, and separately by active employees (future retirees) and current retirees.

Net OPEB Obligation and Annual OPEB Cost (AOC)

Exhibit II, attached at the end of this report, shows a development of the District's Net OPEB Obligation as of June 30, 2007 through June 30, 2012, and the Annual OPEB Cost ("AOC") for the fiscal years ending June 30, 2008 through June 30, 2013.

Certification

The actuarial certification, including a caveat regarding limitations of scope, if any, is contained in the "Actuarial Certification" section at the end of the report.

We have enjoyed working with the District on this report, and are available to answer any questions you may have concerning any information contained herein.

Sincerely,
DEMSEY, FILLIGER AND ASSOCIATES

DRAFT

T. Louis Filliger, FSA, EA, MAAA
Partner & Actuary

Benefit Plan Provisions

This report analyzes the actuarially projected costs of the District's retiree health insurance program. Our findings and assumptions are based on census data as of April, 2013 and PERS Health premiums for 2012 and 2013, blended 50/50. The postretirement medical plans are basically continuations of the plans for active employees, so that the active employee plans will be described first.

Active Employee Coverage

The District sponsors the California PERS Health Plan, referred to here as "PEMHCA". The program provides comprehensive health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The above plans are provided by the District through a Section 125 Plan, with contributions made to PEMHCA at the employee's option, in addition to the flat \$319.22/month that the District has contributed directly to PEMHCA pursuant to a contractual agreement between the District and PEMHCA effective June 1, 2005. The \$319.22/mo will not increase unless the agreement is explicitly amended at the District's request.

Post-retirement Coverage

The District also offers PEMHCA to its retirees. The District contributes up to \$319.22 to PEMHCA on behalf of each retiree eligible for PEMHCA, pursuant to the unequal contribution method (which has evolved to the point where the same amount is now contributed on behalf of retirees and active employees). Furthermore, the District will make supplemental contributions towards certain retirees' PEMHCA premiums according to provisions of the District MOUs with its various represented and unrepresented employee and retiree groups, as described below.

A retiree is eligible for supplemental District contributions towards retiree health benefits if the retiree has attained age 55 and has completed at least 12 years of service with the District at the time of retirement. The District's contribution varies by group and retirement date, as follows:

(1) Retiring on or after January 1, 2013, all groups: Up to 85% of the Kaiser 2-party rate each year, offset by the District's basic contribution of \$319.22/month to PEMHCA. If there is no covered spouse, or once the spouse has attained age 65, this changes to 85% of the Kaiser 1-party rate. The supplement ends upon the retiree's attainment of age 65.¹

(1) Note that the District policy reads: Coverage terminates for the spouse when the spouse becomes eligible for Medicare, or for both the retiree and spouse when the retiree becomes eligible for Medicare.

**Benefit Plan Provisions
(Continued)**

Supplemental District contributions, continued:

(2) Retiring on or after June 1, 2005, but before January 1, 2013, all groups: Up to 90% of the Kaiser 2-party rate each year, offset by the District's basic contribution of \$319.22/month to PEMHCA. If there is no covered spouse, or once the spouse has attained age 65, this changes to 90% of the Kaiser 1-party rate. The supplement ends upon the retiree's attainment of age 65.¹

(3) Retiring before June 1, 2005:

Represented: Up to 100% of the Kaiser 2-party rate (or 1-party rate if single or if spouse has attained age 65) until retiree's age 65; after age 65, the dollar amount is capped at a flat \$409.91/month. All amounts are offset by the District's basic \$319.22/month to PEMHCA.

Unrepresented: Up to 90% of the Kaiser 2-party rate (or 1-party rate if single or if spouse has attained age 65) until retiree's age 65; after age 65, the dollar amount is capped at a flat \$364.87/month. All amounts are offset by the District's basic \$319.22/month to PEMHCA.

The following table shows January 1, 2012 monthly PERS Health (PEMHCA) premiums for retirees within the Bay Area:

	Blue Shield HMO	Kaiser HMO	PERS Choice PPO	PERS Care PPO
<u>Basic Plan</u>				
Retiree	\$711.10	\$610.44	\$574.15	\$1,029.23
Retiree + 1	1,422.20	1,220.88	1,148.30	2,058.46
Family	1,848.86	1,587.14	1,492.79	2,676.00
<u>Medicare Supplement</u>				
Retiree	\$337.99	\$277.81	\$383.44	\$432.43
Retiree + 1	675.98	555.62	766.88	864.86
Family	1,013.97	833.43	1,150.32	1,297.29

Dental Benefits

The District also offers a self-insured dental plan to its employees and retirees. Retirees may elect to be covered under the dental plan by self-paying a tiered premium. We reviewed these premiums in 2006 and found that the premiums appear to be approximately sufficient to pay expected benefits under the Plan's benefit schedule, and in our opinion do not constitute an implicit subsidy as discussed in GASB 45; therefore, retiree dental benefits have been excluded from the scope of this report.

(1) Note that the District policy reads: Coverage terminates for the spouse when the spouse becomes eligible for Medicare, or for both the retiree and spouse when the retiree becomes eligible for Medicare.

Valuation Data

Active and Retiree Census

Age distribution of retirees and surviving spouses included in the valuation

Age	Surviving		Total
	Retirees	Spouses	
Under 50	0	0	0
50-54	0	0	0
55-59	2	0	2
60-64	4	0	4
65-69	7	0	7
70-74	5	1	6
75-79	2	2	4
80-84	4	1	5
85-89	3	0	3
90+	<u>2</u>	<u>0</u>	<u>2</u>
All Ages	29	4	33
Average Age	72.97	77.25	73.48

Age/Years of service distribution of active employees included in the valuation

Years→	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
<u>Age</u>									
20-24	0								0
25-29	2	2							4
30-34	1	8	2						11
35-39	0	2	1	0					3
40-44	1	2	1	0	0				4
45-49	1	1	1	0	0	1			4
50-54	0	6	1	2	4	3	0		16
55-59	0	0	2	0	1	1	0	1	5
60-64	0	0	0	1	1	1	1	1	5
65+	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
All Ages	5	21	8	3	6	6	2	2	53

Average Age: 45.51
 Average Service: 13.85

Actuarial Assumptions

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Valuation Date:	July 1, 2012
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	30-year level dollar, open period
Discount Rate:	4.0% per annum
Return on Assets:	4.0% per annum
Pre-retirement Turnover:	According to Crocker-Sarason Table T-5 less mortality, increased by 25% at all ages. Sample rates are as follows:

Age	Turnover (%)
25	9.7%
30	9.1
35	7.8
40	6.5
45	5.0
50	3.2
55	1.1

Pre-retirement Mortality: RP-2000 Combined Mortality, static projection to 2012 by scale AA. Sample deaths per 1,000 employees are as follows:

Age	Males	Females
25	0.33	0.18
30	0.42	0.23
35	0.73	0.42
40	0.98	0.59
45	1.29	0.93
50	1.72	1.36
55	2.88	2.47
60	5.56	4.76

Post-retirement Mortality: RP-2000 Combined Mortality, static projection to 2012 by scale AA. Sample deaths per 1,000 retirees are as follows:

Age	Males	Females
60	5.56	4.76
65	10.75	9.14
70	18.52	15.77
75	31.95	25.52
80	57.06	42.17
85	101.80	72.05
90	174.80	127.02

Actuarial Assumptions (Continued)

Claim Cost per Retiree or Spouse:

Age	Medical/Rx
Under 65	\$8,865
65+	3,820

Retirement Rates:

Age	Percent Retiring*
50-54	3.0%
55	10.0
56-58	7.0
59	15.0
60	18.0
61	20.0
62	22.0
63	25.0
64	30.0
65	100.0

* Of those having met eligibility to receive supplemental retirement benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Trend Rates:

Healthcare costs were assumed to increase according to the following schedule:

FYB	Medical/Rx
2012	8.0%
2013	7.0
2014	6.0
2015+	5.0

Percent Waiving Coverage: 9% of future retirees.

Percent of Retirees with Spouses: Future Retirees: 60% of future retirees were assumed to have spouses at the time of retirement. Female spouses assumed three years younger than male spouses. Current Retirees: Based on actual spousal data.

Changes in dollar caps: Grandfathered caps assumed frozen for all future years.

Administrative Fees: District pays 0.25% of total premium to PEMHCA for all future years.

Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the North Marin Water District ("District") as of July 1, 2012.

The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by the District in April, 2013. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the District.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under GASB 43 and GASB 45, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits. We have assumed no post-valuation mortality improvements, consistent with our belief that there will be no further significant, sustained increases in life expectancy in the United States over the projection period covered by the valuation.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this valuation report to the clients' financial statements.

The undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:

DRAFT

T. Louis Filliger, FSA, EA, MAAA Date: _____
Partner & Actuary

North Marin Water District
GASB 45 Valuation Split by Represented and Unrepresented

Exhibit I

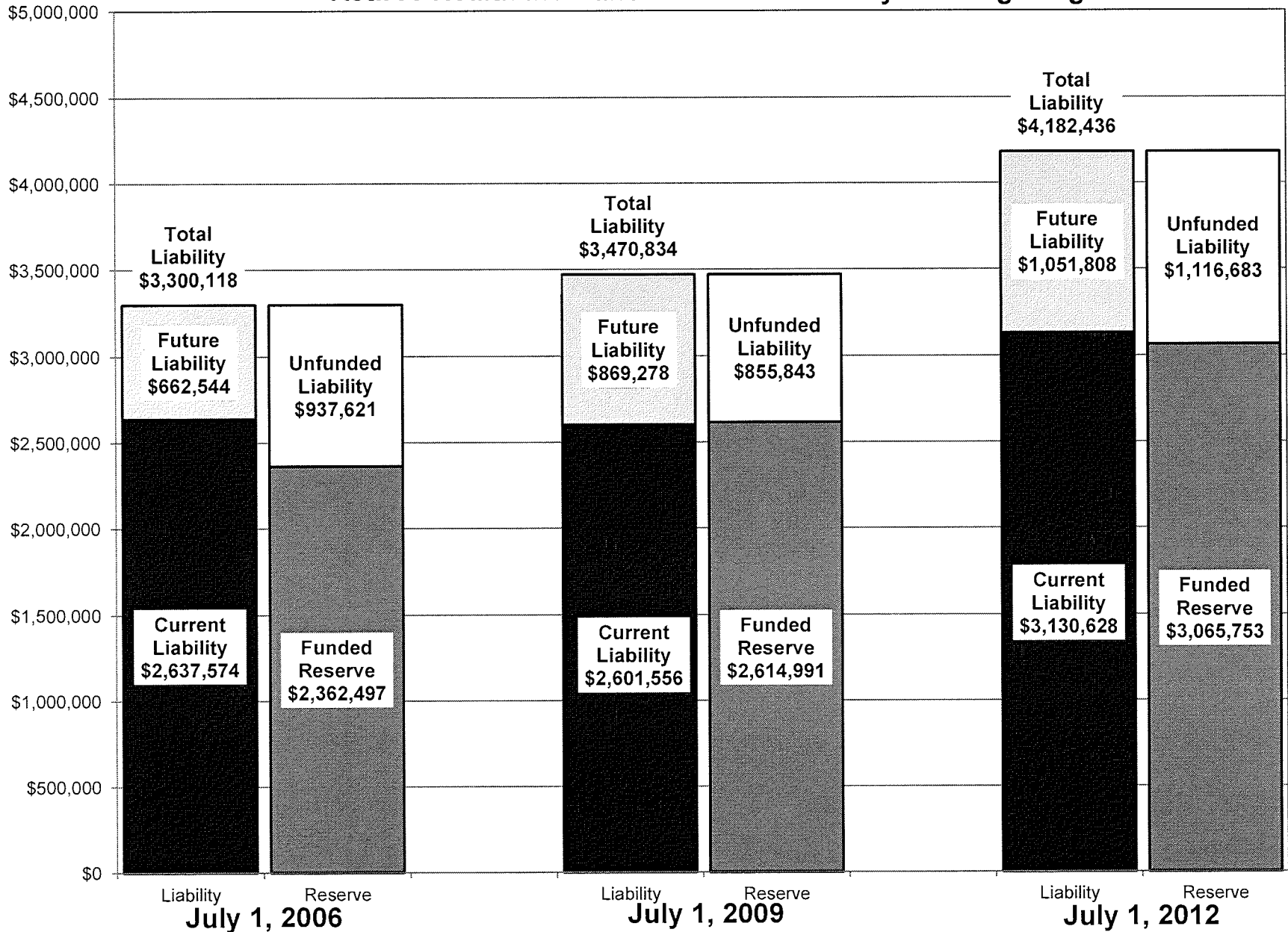
	7/1/2012	7/1/2012	7/1/2012
	Valuation Results	Valuation Results	Valuation Results
	<u>Represented</u>	<u>Unrepresented</u>	<u>Total</u>
Present Value of Benefits			
Actives	\$ 2,228,617	\$ 254,310	\$ 2,482,927
Retirees	<u>1,235,005</u>	<u>464,504</u>	<u>1,699,509</u>
Total Present Value of Benefits (PVB):	\$ 3,463,622	\$ 718,814	\$ 4,182,436
Accrued Liability:			
Actives	\$ 1,217,688	\$ 213,431	\$ 1,431,119
Retirees	<u>1,235,005</u>	<u>464,504</u>	<u>1,699,509</u>
Total Accrued Liability (AL):	\$ 2,452,693	\$ 677,935	\$ 3,130,628
Assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Accrued Liability ("UAL")	\$ 2,452,693	\$ 677,935	\$ 3,130,628
<u>GASB 45 ARC ("Annual Required Contributions")</u>			
Service Cost at Year-end	\$ 94,111	\$ 11,485	\$ 105,596
30-year amortization of UAL	<u>141,839</u>	<u>39,205</u>	<u>181,044</u>
Total ARC for 2012-13	\$ 235,950	\$ 50,690	\$ 286,640

North Marin Water District
Development of Annual OPEB Costs

Exhibit II

	Amount
Net OPEB Obligation 6/30/2007	-
ARC for 2007-8	272,806
Interest on Net OPEB Obligation	-
Amortization adjustment to ARC	<u>(615)</u>
Annual OPEB Cost 2007-8	272,191
Employer Contribution	<u>(182,003)</u>
Net OPEB Obligation 6/30/2008	90,188
ARC for 2008-9	272,806
Interest on Net OPEB Obligation	-
Amortization adjustment to ARC	<u>615</u>
Annual OPEB Cost 2008-9	273,421
Employer Contribution	<u>(182,220)</u>
Change in Net OPEB Obligation 2008-9	91,201
Net OPEB Obligation 6/30/2008	<u>90,188</u>
Net OPEB Obligation 6/30/2009	181,389
ARC for 2009-10	250,776
Interest on Net OPEB Obligation	9,069
Amortization adjustment to ARC	<u>(11,800)</u>
Annual OPEB Cost 2009-10	248,045
Employer Contribution	<u>(138,105)</u>
Change in Net OPEB Obligation 2009-10	109,940
Net OPEB Obligation 6/30/2009	<u>181,389</u>
Net OPEB Obligation 6/30/2010	291,329
ARC for 2010-11	250,776
Interest on Net OPEB Obligation	14,566
Amortization adjustment to ARC	<u>(18,951)</u>
Annual OPEB Cost 2010-11	246,391
Employer Contribution	<u>(147,084)</u>
Change in Net OPEB Obligation 2010-11	99,307
Net OPEB Obligation 6/30/2010	<u>291,329</u>
Net OPEB Obligation 6/30/2011	390,636
ARC for 2011-12	250,776
Interest on Net OPEB Obligation	19,532
Amortization adjustment to ARC	<u>(25,486)</u>
Annual OPEB Cost 2011-12	244,822
Employer Contribution	<u>(160,725)</u>
Change in Net OPEB Obligation 2011-12	84,097
Net OPEB Obligation 6/30/2011	<u>390,636</u>
Net OPEB Obligation 6/30/2012	474,733
ARC for 2012-13	286,640
Interest on Net OPEB Obligation	18,989
Amortization adjustment to ARC	<u>(27,454)</u>
Annual OPEB Cost 2012-13	278,175

Retiree Health Insurance Actuarial Liability Funding Progress




12

MEMORANDUM

To: Board of Directors

July 12, 2013

From: David L. Bentley, Auditor-Controller 

Subj: Response to Marin County Civil Grand Jury Report:

Marin's Retirement Health Care Benefits - The Money Isn't There

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RECOMMENDED ACTION: Approve Proposed Response

FINANCIAL IMPACT: None

The Marin County Civil Grand Jury's Report entitled: *Marin's Retirement Health Care Benefits - The Money Isn't There* (Attachment 1), requests a written response from the District by September 1 to the Civil Grand Jury's ten findings and six recommendations.

A one page summary of District responses to the Grand Jury Report summarizes which of the report findings the District agrees or disagrees with, and which recommendations the District has implemented, will implement, will study, or rejects.

Staff recommends the District disagree with all of the report findings, primarily because the findings are broad statements about all Marin County public agencies. While staff is crystal clear about the District's retiree health care benefit policies and funding levels, it has little knowledge or expertise regarding other Marin public agencies. It is therefore inappropriate for the District to opine on the findings about the appropriateness of other Marin agencies policies or funding levels.

Four of the six Civil Grand Jury recommendations have already been implemented by the District, one recommendation, to require employees to contribute toward the cost of their retiree health care benefit, can be proposed when the District next negotiates salaries and benefits with employees, and one recommendation, that a higher retirement age for the commencement of retiree health care benefits be negotiated, is rejected. Retirement age and retiree health care eligibility for CalPERS members is defined in the Government Code, and not subject to District revision through negotiation with its employees.

Following the one page summary is a letter to the Grand Jury Foreperson comprised of the District's proposed responses to each of the ten findings and six recommendations.

RECOMMENDATION:

Approve the proposed response to the Marin County Civil Grand Jury Report.

RESPONSE TO GRAND JURY REPORT FORM

Report Title: *Marin's Retirement Health Care Benefits: The Money Isn't There*

Report Date: May 22, 2013

Public Release Date: June 3, 2013

Response by: North Marin Water District

FINDINGS

- I (we) agree with the findings numbered: _____
- I (we) disagree wholly or partially with the findings numbered: 1-10

(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered 1, 2, 3, 6 have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered 5 have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered 4 will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: 7/17/13

Signed: _____

Number of pages attached 5

DRAFT

July 17, 2013

Richard Treadgold, Foreperson
Marin County Civil Grand Jury
3501 Civic Center Drive, Room 275
San Rafael, CA 94903

Re: Marin's Retirement Health Care Benefits: The Money Isn't There

Dear Mr. Treadgold:

The North Marin Water District commends the Marin County Civil Grand Jury for its time and effort in compiling, reviewing and summarizing the information presented on this important subject. Actuarial science is complex and technical, yet the Civil Grand Jury report has effectively distilled this complicated information into findings and recommendations that are clear and insightful.

Following are the District's responses to the ten findings and six recommendations in the referenced report that NMWD was invited to respond to.

F1. We find that many of Marin's local governments and special districts are failing to pre-fund future costs for retired employees by making investments to cover promised benefits for active employees. This jeopardizes the certainty that retiree health care benefits promised to current employees will be paid.

The North Marin Water District has not reviewed the financial position of other local government agencies or special districts in Marin and has no knowledge of the benefits that have been promised or funding levels achieved. The Civil Grand Jury Report is in error as regards NMWD. Exhibit 6 of said report shows NMWD's funded percent as zero. In fact, at June 30, 2013, NMWD's cash reserve, designated by its Board of Directors to fund its retiree health benefit liability, equaled 101% of its accrued liability, as calculated in its GASB 45 actuarial valuation dated June 7, 2013. The Civil Grand Jury Report apparently erroneously considers only funds deposited into an irrevocable trust as being available to pay for promised benefits. NMWD has not deposited its designated reserve into an irrevocable trust, and believes such an investment at this time is not in the best interests of its customers.

F2. The failure of the majority of entities studied in this investigation to begin an investment program to provide a portion of the needed funds to pay for retiree health care benefits leads to generation shifting of the payment responsibility. Thus it appears to be, at the least unethical, and even a breach of fiduciary responsibility.

The North Marin Water District has not reviewed the financial position of other local government agencies or special districts in Marin and has no knowledge of the benefits that have been promised or funding levels achieved.

- F3. The extreme 30-year amortization period used by most entities minimizes the annual cost of funding the liability gap and further defers to future generations the compensation owed to present employees who provide services to present taxpayers and customers. Shorter amortization periods should be required for reasons of equity and to ensure that the promised benefits will be provided.

The North Marin Water District has no expertise in actuarial science and therefore cannot comment on whether 30 years is an appropriate amortization period to fund retiree health care obligations. NMWD has fully funded its retiree health care accrued liability, and is on a path to fully fund its actuarial liability within the next 5-10 years, depending on the rate of return earned on the reserve funds designated to amortize this liability.

- F4. By capping retiree health care benefits, the City of San Rafael has reasonable certainty as to what those costs are. Other entities studied here that promise to pay for future retiree health care with uncertain and likely rapidly increasing costs are accepting an unknown and potentially very costly risk.

The North Marin Water District has not reviewed the financial position of other local government agencies or special districts in Marin and has no knowledge of the benefits that have been promised or funding levels achieved. NMWD has capped its retiree health care obligation for its Medicare eligible retirees.

- F5. Because a few Marin County cities and other entities studied provide very limited benefits yet still appear able to meet community service needs, and because providing such benefits is increasingly rare in the private sector, such benefits appear to be unnecessary for attracting and retaining employees. Accordingly, for active and newly hired employees, the benefits should be trimmed and costs should be shared between the employees and their employer.

The North Marin Water District has not reviewed the financial position of other local government agencies or special districts in Marin and has no knowledge of the benefits that have been promised or funding levels achieved. The cost of health insurance provided to NMWD retirees is capped, and any cost in excess of the cap is paid by the retiree.

- F6. Marin entities using "Pay-Go" funding are paying only the current year health care benefits of those already retired. This ignores the reasonably known rising costs to cover future retirees who are already heading for retirement. Some actuarial valuation reports the Grand Jury studied provide those future "Pay-Go" estimates year-by-year, so they should be readily available from the actuary's valuations. Estimates of those annual costs for each of the next 10 years should be provided to the public so that those who will incur the costs can know those costs.

The North Marin Water District has not reviewed the financial position of other local government agencies or special districts in Marin and has no knowledge of the benefits that have been promised or funding levels achieved. NMWD's GASB 45 actuarial valuation report does not include estimates of the annual cost of retiree health insurance for the next 10 years. It does include estimates for selected future years, primarily in 5-year increments, and is posted on the District's website.

- F7. Employers studied for this report should include an age-60, or even later, date for retiree health care benefits to commence in future negotiations with employees and their representatives.

The North Marin Water District has not reviewed the financial position of other local government agencies or special districts in Marin and has no knowledge of the benefits that have been promised or funding levels achieved. NMWD contracts with CalPERS for both retirement and group health care benefits. The California Government Code (Public Employees' Medical and Hospital Care Act) allows CalPERS members to retire as early as age 50, and entitles CalPERS annuitants to lifetime health care insurance coverage subsidized by the agency from which the annuitant retired.

- F8. The results of retiree health care actuarial cost analyses are summarized if at all only in obscure notes to annual financial statements. The public is entitled to more readily accessible explanation of these costs because the public will bear those costs.

The North Marin Water District has not reviewed the annual financial statements of other local government agencies or special districts in Marin and has no knowledge as to the obscurity of notes in their financial statements pertaining to their retiree health care actuarial cost analyses. NMWD's Comprehensive Annual Financial Report, which is posted on its website, includes over two full pages of notes pertaining to its Post Employment Benefits, presented in accordance with Generally Accepting Accounting Principles as promulgated by the Government Accounting Standards Board. In addition, NMWD's GASB 45 Actuarial Valuation is posted on its website.

- F9. There is a wide range of retiree health care benefits offered among the entities studied in this investigation. No clear explanation for the range from minimal to extremely generous is readily available. Those entities that are promising relatively generous benefits should provide clear justifications to their citizens and customers.

The North Marin Water District is not aware of the range of retiree health care benefits offered among the other local government agencies or special districts in Marin, nor to what extent entities promising relatively generous benefits have provided clear justifications to their citizens and customers. NMWD invites input from the public whenever its Board considers and votes on any compensation or benefit package items, and this is always done in open session at noticed publicly held meetings.

- F10. Most of the entities the Grand Jury investigated are using fairly reasonable discount rates of 4% - 5% per year to bring back to today in actuarial valuations the future annual costs of retiree health care benefits. However, some are using higher and highly questionable rate assumptions that are not justified by the investments (if any) that they have made to grow and fund the future benefits. The result is to understate the total funding needed today and in future years, to pay for those future benefits.

The North Marin Water District is not aware of the discount rate used by other local government agencies or special districts in Marin in calculating their retiree health care benefit liability, nor does NMWD hold any expertise in actuarial science. Therefore, the District is not able to determine what discount rate is appropriate. NMWD's GASB 45 actuarial valuation dated June 7, 2013, used a discount rate of 4%.

- R1. Begin setting aside in separate investment accounts, if it is not already doing so, each year's funds for amortizing its retiree health care benefits' UAAL, in addition to its "Pay-Go" funding of those benefits for present retirees.

The North Marin Water District set aside \$2.55 million in August of 2003 into a designated account to fund its retiree health care benefit liability. In 2010, the District began adding \$1,500 per employee annually into the fund. Consequently, the most recent GASB 45 calculated accrued liability is now 101% funded, and the most recent GASB 45 calculated actuarial liability is now 75% funded.

- R2. Begin a program to lower the amortization period for funding its retiree health care benefits UAAL from as much as 30 years presently, to approach (within 10 years), the commonly used 17-year amortization period for retiree pension funding.

The North Marin Water District's Retiree Health Care Actuarial Liability will be fully funded within the next 5 to 10 years, depending upon the rate of return earned on the funds designated to amortize this liability.

- R3. Negotiate caps on the amounts it commits to pay existing and new employees for retiree health care benefits.

The North Marin Water District's December 2012 labor agreement includes a provision increasing the retiree health care contribution rate for all existing and new employees. The District's Medicare eligible retirees pay the full amount of any health care insurance cost increases.

- R4. Negotiate a higher retirement age than the currently applicable age for the commencement of retiree health care benefits.

The North Marin Water District contracts with CalPERS for both retirement and group health care benefits. The California Government Code (Public Employees' Medical and Hospital Care Act) allows CalPERS members to retire as early as age 50, and entitles CalPERS annuitants to lifetime health care insurance coverage subsidized by the agency from which the annuitant retired.

- R5. Require active employees to make a contribution towards the cost of their retiree health care benefit.

The North Marin Water District can propose that active employees make a contribution toward the cost of their retiree health care benefit when compensation is next negotiated upon expiration of the current memorandum of understanding.

- R6. Place a link on its website to provide the latest actuarial valuation of its AAL, its UAAL, its consequent percent funded, its discount rate (annual percentage)

used to determine these values, and a projection of outlays ("Pay-Go") for retiree health care benefits for each of the current and subsequent 10 years.

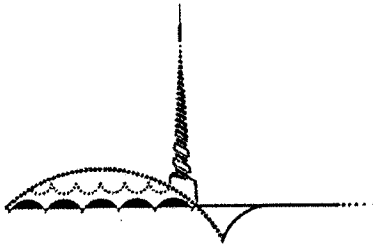
The North Marin Water District has posted its latest GASB 45 actuarial valuation on its website, which report includes the discount rate used to determine the liability, and includes a projection of its "pay-go" for selected future years, primarily in 5-year increments.

Sincerely,

Chris DeGabriele
General Manager

c: The Honorable Judge James Ritchie, Marin County Superior Court
Steve Kinsey, Supervisor, Marin County Board of Supervisors
Judy Arnold, Supervisor, Marin County Board of Supervisors

Marin County Civil Grand Jury



Date: May 28, 2013

Rick Fraites, President
North Marin Water District – Board of Directors
999 Rush Creek Place – P.O. Box 146
Novato, CA 94948-0146

RECEIVED
MAY 29 2013
North Marin Water District

Re: Grand Jury Report: *Marin's Retirement Health Care Benefits: The Money Isn't There*
Report Date May 22, 2013

Dear Mr. Fraites,

Enclosed please find an *advance copy* of the above report. Please note that Penal Code Section 933.05(f) specifically prohibits any disclosure of the contents of this report by a public agency or its officers or governing body prior to its release to the public, **which will occur on June 3, 2013.**

The Grand Jury requests that you respond in writing to the Findings and Recommendations contained in the report pursuant to Penal Code Section 933.05 (copy enclosed). The Penal Code is specific as to the format of responses. The enclosed *Response to Grand Jury Report Form* should be used.

Governing bodies should be aware that the comment or response from the governing body must be conducted in accordance with Penal Code section 933 (c) and subject to the notice, agenda, and open meeting requirements of the Ralph M. Brown Act. The Brown Act requires that any action of a public entity governing board occur only at a noticed and agendized meeting.

The Penal Code is also specific about the deadline for responses. You are required to submit your response to the Grand Jury within 90 days of the report date:

1 hard copy to: The Honorable Judge James Ritchie
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

1 hard copy to: Rich Treadgold, Foreperson
Marin County Grand Jury
3501 Civic Center Drive, Room #275
San Rafael, CA 94903

Responses are public records. The clerk of the public agency affected must maintain a copy of your response. Should you have any questions, please contact me at 415-286-6494 or at the above address.

Sincerely,

Handwritten signature of Rich Treadgold in cursive.

Rich Treadgold, Foreperson
2012/2013 Marin County Civil Grand Jury

Enclosures: Summary of Penal Code sec. 933.5; Penal Code Sec. 933.05; Response Form

RESPONSE TO GRAND JURY REPORT FORM

Report Title: *Marin's Retirement Health Care Benefits: The Money Isn't There*

Report Date: May 22, 2013

Public Release Date: June 3, 2013

Response by: _____

FINDINGS

- I (we) agree with the findings numbered: _____
- I (we) disagree wholly or partially with the findings numbered: _____

(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered _____ have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered _____ have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered _____ will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: _____ Signed: _____

Number of pages attached _____

RESPONSES TO GRAND JURY REPORTS SUMMARY OF PENAL CODE 933.05

Penal Code 933.05(F) states the grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two (2) working days prior to its public release and after the approval of the presiding judge.

Penal Code 933.05 also provides for only two (2) acceptable responses with which agencies and/or departments (respondents) may respond with respect to the **findings** of a Grand Jury report:

1. The respondent agrees with the finding.
2. The respondent disagrees wholly or partially with the findings, ***in which case the respondent shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.***

Penal Code 933.05 provides for only four (4) acceptable responses with which agencies and/or departments (respondents) may respond with in respect to the **recommendations** of the Grand Jury.

1. The recommendation has been implemented, with a summary regarding the implemented action.
2. The recommendation has not yet been implemented, but will be in the future with a timeframe for implementation.
3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis, with a timeframe for the matter to be prepared for discussion by the officer or head of the agency/department being investigated or reviewed, including the governing body of the public agency when applicable. ***This timeframe shall not exceed six (6) months from the date of publication of the Grand Jury Report.***
4. The recommendation will not be implemented because it is not warranted or is not reasonable, with a detailed explanation therefore.

However, if a finding and/or recommendation of the Grand Jury addresses **budgetary** or **personnel** matters of a county agency/department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency/department.

Penal Code 933 states that the **governing body of the public agency shall respond to the presiding judge within 90 days**, and that an elected county officer or agency head shall respond to the presiding judge within 60 days.

California Penal Code Sections

Penal Code 933

No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section 914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls.

Penal Code 933.05

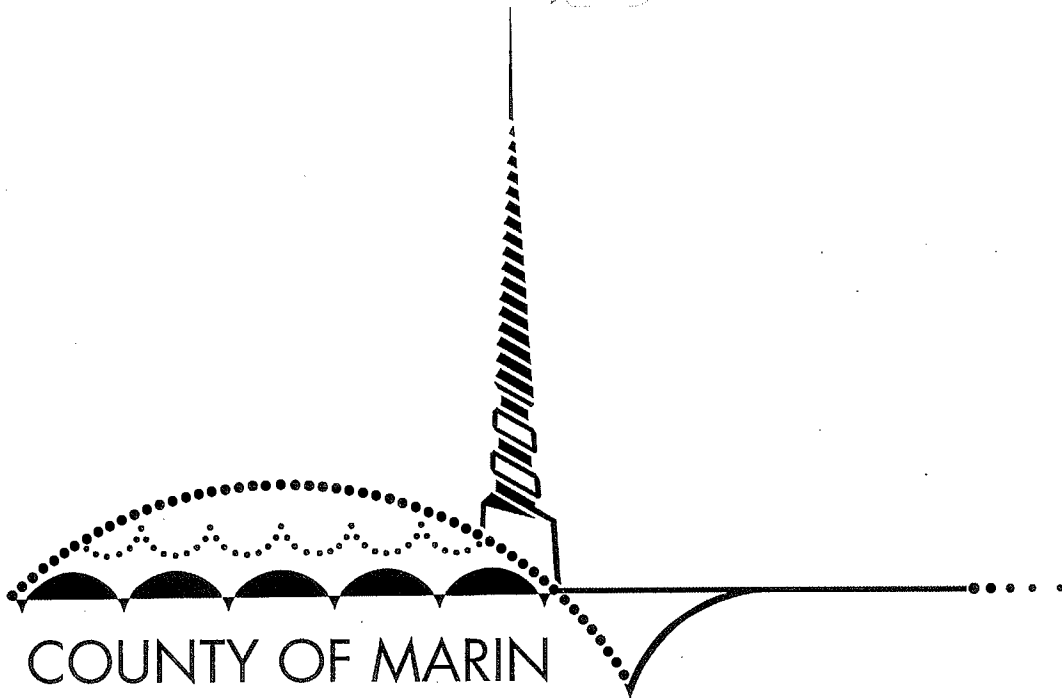
- (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:
- (1) The respondent agrees with the finding.
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.
- (b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:
- (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefore.
- (c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.
- (d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.
- (e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.
- (f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two (2) working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

2012/2013 MARIN COUNTY CIVIL GRAND JURY

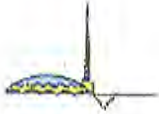
Marin's Retirement Health Care Benefits: The Money Isn't There

Report Date – May 21, 2013
Public Release Date – June 3, 2013

Publication



COUNTY OF MARIN



1
2 **MARIN'S RETIREE HEALTH CARE BENEFITS:**
3 **THE MONEY ISN'T THERE**
4
5

6 **SUMMARY**

7 Much has been written about government pensions but there is another retirement benefit,
8 retiree health care, which is large and mostly unfunded. Currently, most government
9 entities pay for both retired and current employees on a "pay-as-you-go" or "Pay-Go"
10 basis, meaning that the cost comes out of the current operating budget. Only the current
11 year's medical insurance costs for retirees are paid under this approach. As more
12 employees retire, this burden will eat into the funds needed to sustain the present level of
13 service.

14 This Grand Jury investigated government entities' provisions to meet growing retiree
15 medical health care costs for current employees and for those already retired. We
16 reviewed the most recent actuarial valuations and financial statements that we were
17 provided and found that with few (but important) exceptions, local Marin entities are
18 failing to recognize a looming financial burden. This burden upon future generations of
19 citizens (and customers, in the case of some special districts) will come about as a result
20 of not implementing reduced retiree health care benefits, or from not funding them earlier
21 (pre-funding), or both.

22 Our investigation discloses that the 40 government entities (the County, cities and towns,
23 special districts and school districts) we surveyed have a collective liability of about \$577
24 Million but have set aside only about \$55 Million. Taxpayers and customers thus face
25 future increased costs of \$522 Million or nearly 91% of the liability to pay for the
26 benefits that have been promised but have not yet been provided for.

27 If each service provider put aside a portion of the anticipated future retirement health care
28 costs, the money invested today will earn a return, thereby reducing payments that
29 taxpayers and customers would be required to make in the future when retirees receive
30 their promised health care benefits.

31 Of all the entities studied, the County has by far the largest unfunded liability for meeting
32 retiree health care benefits. At the end of its 2011 Fiscal Year, the County was short
33 about \$293 million (or about \$2,627 per county household).

34 Of the 40 entities the Grand Jury studied, only 12 have funded more than 5% of the
35 liability presently owed for future benefits. Twenty-six of the forty have made no funding
36 at all for those promised benefits.

37 This report includes information about the household liability for unfunded retiree health
38 care benefits for all 40 entities studied, so that interested people can tally the amounts of
39 their household's resultant liability.

40 Failure to invest now to cover retiree benefits that employees have already earned is
41 ethically questionable, and jeopardizes the likelihood that the promised benefits can or
42 even will be provided. If the benefits are to be provided by future large diversions of
43 funds away from other services, then the public is entitled to an explanation.

44 **Because the future payments will be so much larger than they are currently,**
45 **employers are being less than honest with: 1) existing employees about the**
46 **possibility of being unable to fund the benefits, and 2) taxpayers and Special District**
47 **customers who will experience higher taxes and service rates, reduced future**
48 **services, or both when the increasing annual payments must be made.**

49 **What this means in simple terms is that if the liability problem is not addressed**
50 **within the next few years, each Marin County household will be assessed significant**
51 **additional taxes or will see a dramatic reduction in services.**

52 The Grand Jury recommends that each Marin County local government, special district
53 and school district:

- 54 ▪ Negotiate caps on the amounts it commits to pay existing and new employees for
55 retiree health care benefits.
- 56 ▪ If not already doing so, initiate annual funding of this benefit over and above the
57 pay-as-you-go amount.
- 58 ▪ Negotiate a higher initial retirement age than the currently applicable age for the
59 commencement of retiree health care benefits.
- 60 ▪ Require active employees to make contributions towards the cost of their retiree
61 health care benefits.
- 62 ▪ Lower the amortization period for funding its retiree health care benefits liabilities
63 from as much as the present 30 years, to approach (within 10 years) the
64 commonly used 17-year amortization period for retiree pension funding.
- 65 ▪ Provide a link on its website to information listing the values of critical actuarial
66 assumptions that determine the liability for funding retiree health care benefits.
- 67 ▪ Include on its website the latest values for unfunded retiree health care liabilities,
68 and the percentage of total retiree health care liabilities that has been funded.

69 **BACKGROUND**

70 **Retiree Health Care Benefits Are Costly and the Costs are Rising**

71 Because of widespread public coverage of concerns about public sector pensions, this
72 Grand Jury determined to investigate the less prominently covered matter of other post-

73 employment benefits (OPEBs) offered in Marin to employees of local governments,
74 special districts and school districts.

75 OPEBs are primarily health care payments and other related benefits promised to
76 employees who meet specified periods of service and age at retirement. Although
77 generally not as costly as promised pensions, retiree health care benefits costs can be
78 substantial. They impose significant on-going government financial liabilities that, in
79 fairness to future generations of taxpayers and customers served by special districts,
80 should be paid for during today's employment, and not be left for payment during
81 retirement at a cost to future taxpayers, customers and ratepayers.

82 A major difference between pensions and retiree health care benefits is that pension
83 benefits have historically been paid from trust funds that receive periodic contributions
84 and have the ability to generate investment earnings.

85 In contrast, the Grand Jury found that most Marin local government and other entities we
86 studied manage their retiree health care plans by funding only current annual payments
87 for those already retired under "Pay-Go" funding. That is, the plans commonly provide
88 little or no contribution to fund the promised payments for present employees' benefits to
89 be paid when they reach retirement, nor do they provide funds for the future health care
90 benefits of those already retired. This failure to pre-fund places a burden on future
91 taxpayers to pay for rising costs at the expense of other reduced services.

92 Like many California local governments, Marin County, cities and towns, school districts
93 and many special districts promise employees retiree health care benefits. The Grand
94 Jury found, however, that only a shrinking minority of private sector entities offer such
95 retiree health care benefits. Those private-sector firms that do provide such retiree
96 benefits increasingly cap or otherwise limit the benefits they promise to provide.¹

97
98 Health care costs continue to increase faster than general inflation, and this trend is
99 forecast to continue. This is reflected in all of the actuarial valuation studies we reviewed.
100 Additionally, retirees and their covered dependents are living longer.²

¹ For example, about ten years ago, Chevron decided to provide no more than a fixed total dollar amount annually to fund all retirees' health care costs, increasing that fixed dollar amount by no more than 4%/Year. This places a "cap" on what Chevron might incur to provide the benefits to retirees. Bank of America now provides retirees a flat \$100 per month, and both Wells Fargo and AAA stopped providing retiree health care benefits to new employees several years ago. General Electric Corp reports in its recent 2012 Annual Report to Shareowners that it will close its post-age-65 retiree medical plans to salaried and retired salaried employees who are not enrolled in the plan as of January 1, 2015. Those plans currently apply to 205,000 retirees and dependents. GE is essentially terminating those benefits as of 1/1/2015 for employees born after 1/1/1950.

² The Society of Actuaries issued a report in September, 2012 ("Mortality Improvement Scale BB Report") which concludes that longer life-spans than previously used should be reflected in actuarial studies in the future. This will increase the cost for retiree health care plan benefits above that for previous valuations such as those studied for this Grand Jury report. Marin County's demographics and life-styles also tend to result in still greater length-of-life compared to broader geographical-averages.

101 Further adding to future costs is the fact that the numbers of local government employees
102 who will be entering retirement in the future are projected to exceed those now in
103 retirement.

104 Accordingly, costs for Marin local government retiree health care benefits will increase
105 substantially. Paying for these growing retiree health care costs will take increasing
106 portions of current operating budgets. The public that will ultimately bear the costs
107 generally does not readily understand this impact partly because of limited and somewhat
108 hard-to-find financial disclosure. Most local government entities have only recently
109 begun to disclose their retiree health care financial liabilities. The limited information
110 provided is usually found only in relatively obscure notes to financial statements.

111 **Information is Now Available that Wasn't Previously**

112 Two recent Marin County Civil Grand Juries issued reports³ that included some focus on
113 retiree health care benefits. The 2004-5 Grand Jury's report, "The Bloated Retirement
114 Plans of Marin County, Its Cities and Towns (Revised)," primarily focused on pensions.
115 It noted that criteria for estimating the future cost for retirees' health care benefits
116 provided by local governments had not been generally determined. Therefore, it
117 estimated that liability only for the County, and not for other Marin local governments or
118 public entities.

119 The 2004-5 Grand Jury's report noted that guidelines calling for such retiree health care
120 benefit calculations and for their public reporting had just been issued⁴ at the time of its
121 report. Moreover, the new standards promulgated by the Governmental Accounting
122 Standards Board (GASB) were not due to be implemented until Fiscal Years ending after
123 June 2009.

124 The 2006-7 Marin Civil Grand Jury's report: "Retiree Health Care Costs: I Think I'm
125 Gonna Be Sick," focused on whether retiree health care benefits were irrevocable legal
126 obligations of local government. Page 5 of the report asks whether they are "...a vested
127 right for active or retirement workers? Can they be taken away or changed?" Finding 12
128 of that Grand Jury's report concluded, among its other findings, that there is a potential
129 conflict of interest for public employees who manage the retiree health care benefits they
130 provide, because those public employees "...may be eligible to receive the health care
131 benefits they manage." That Grand Jury, like the 2004-5 Grand Jury, also lacked any
132 reported data about the extent of local-government-provided retiree health care costs and
133 the capability to pay them.

134 The agency that issues accounting and financial reporting guidelines for local
135 governments is the Governmental Accounting Standards Board (GASB). GASB issued
136 its retiree health care cost reporting requirements in 2004 (GASB Statement 45 or GASB

³ The Bloated Retirement Plans of Marin County, Its Cities and Towns (Revised), May 9, 2005; RETIREE HEALTH CARE COSTS: I THINK I'M GONNA BE SICK, March 19, 2007.

⁴ Governmental Accounting Standards Board Statement No. 45. Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. June 2004.

137 45 - See Glossary), with implementation for entities like those in Marin generally to
138 commence as of the 2009 Fiscal Year end. Thereafter, updated reports are required every
139 3 years for most Marin local governments and special districts and every 2 years for
140 larger-employee jurisdictions like the County.

141 Because GASB 45 financial reporting standards have now taken effect, and thus, some
142 data are now available for analysis, this Grand Jury decided to investigate Marin's
143 County, towns and cities, some special districts and the largest school districts. For the
144 entities studied, our investigation focused on understanding the:

- 145 ▪ Likely future obligations to provide retiree health care benefits
- 146 ▪ Likely funding approaches to pay for those benefits
- 147 ▪ Potential impact on budgets and services from paying those benefits
- 148 ▪ Efforts taken and planned to reduce the rising costs of those benefits

149 **APPROACH**

150 The Grand Jury reviewed the 2004-5 and the 2006-7 Grand Jury reports that concern
151 Marin retiree health care benefits. We also reviewed the responses to those reports.

152 A more recent June 22, 2011 report by the Marin County Council of Mayors and Council
153 Members, titled: "Marin County Local Government Reform of Pensions and Other Post-
154 Employment Benefits," provided useful information, including some data on cities and
155 towns' initial disclosure of financial liability for future retirees' health care benefits,
156 pursuant to GASB 45 requirements.

157 We reviewed the retiree health care benefit accounting and financial standards now called
158 for by the Governmental Accounting Standards Board. Specifically, we reviewed GASB
159 45, and various summaries and analyses of that Statement.

160 We researched and reviewed other California County Civil Grand Jury reports on retiree
161 health care benefits. Local newspaper reports on the subject also provided useful
162 perspective.

163 We reviewed various think-tank and academic research reports on the nation's retiree
164 health care benefits' looming unfunded liabilities, and similarly focused governmental
165 studies and reports. (See Bibliography for a partial listing.)

166 Our understanding also benefited from the recently released "Report for the State of
167 California," valuing the liabilities for the State's retiree health care benefits as
168 administered by the California Public Employees Retirement System (CalPERS) and the

169 California Department of Human Resources (CalHR).⁵ To understand the nomenclature
170 and importance of terms reported in local government financial reports, we reviewed

171 those reports that now present GASB 45 required funding status, and related GASB 45
172 compliance.

173 Grand Jury representatives monitored the County's October 2, 2012 workshop at which
174 County Administrative Office (CAO) personnel presented a proposal to pre-fund for the
175 first time a small portion of the County's large (\$383 Million as of 7/1/2012) completely
176 unfunded retiree health care liability.⁶ The proposal presented at the workshop was to
177 fund both pensions and retiree health care with \$23 Million each, from available "one-
178 time funds."
179

180 We also reviewed the subsequent CAO proposal to reduce that initially proposed retiree
181 health care benefit pre-funding and instead, to reallocate the reduction to increase the
182 pension-funding amount. Members of the Grand Jury monitored the Board of
183 Supervisors' February 5, 2013 meeting at which the County's retiree health care pre-
184 funding amount and mechanisms were authorized at \$14 Million rather than the original
185 \$23 Million.

186 We reviewed the actuarial firm's reports for the County's retiree health care benefits.⁷
187 We followed this with two interviews with a representative of that firm.

188 We also reviewed the most recent report of the County's pension benefit actuary.⁸ That
189 report covers all of the entities that are part of the Marin County Employees' Retirement
190 Association (MCERA). These include the County, the City of San Rafael, the Novato
191 Fire Protection District, and some other local government entities.

192 Grand Jury members attended MCERA's October 2012 annual Investment Committee
193 workshop. Our focus was to acquire further understanding of funding and actuarial
194 issues, which have common application to pension and retiree health care benefit matters.

195 With an understanding of the issues, relevant financial reporting, and the mathematics of
196 local government retiree health care benefit costs and funding matters, the Grand Jury
197 prepared a list of data needed to evaluate Marin entities' steps to provide for the cost of
198 those benefits. The resultant survey was sent to representatives of the County, its 11 cities

⁵ STATE OF CALIFORNIA RETIREE HEALTH BENEFITS PROGRAM, GASB NOS 43 AND 45 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2011. Gabriel Roeder Smith & Company, Consultants and Actuaries. February 21, 2013.

⁶ That workshop included discussion of a similar plan to further fund County Employee Pensions, which are funded at about the 75% level (or about 69% on a more complete basis that includes the County's Pension Obligation Bonds' outstanding principal of about \$108 Million).

⁷ County of Marin Retiree Healthcare Plan. Actuarial Valuation as of July 1, 2011. For Fiscal Years 2011/12 & 2012/13 GASB 45. January 2012. Bartel Associates, LLC.

⁸ Marin County Employees' Retirement Association. Actuarial Review and Analysis as of June 30, 2011. March 29, 2012. EFI Actuaries.

199 and towns and the now-separate Twin Cities Police Authority⁹, 14 county special
200 districts, and the College of Marin and the 12 largest county school districts.

201 The survey responses and further follow-up data gave the Grand Jury information about
202 how well local governments are prepared to fulfill the promised employees' health care
203 benefits upon retirement.

204 The responses also disclosed that in the future most of the public entities surveyed will
205 have a much higher number of retirees than those currently receiving retiree health care
206 benefits, and money has not been adequately set aside to grow with time to fund those
207 costs.

208 The data in the following exhibits are based on the latest GASB 45 actuarial valuations
209 and the latest financial statements that we were provided.

210 The significant potential impact of an expanding eligible retiree population is illustrated
211 in Exhibit 1. (The data for all of this report's exhibits have been provided by responses to
212 survey requests from all 40 entities studied, their financial statements, budget statements,
213 and responses to follow-up questions. The Grand Jury acknowledges and appreciates
214 their cooperation).

215 Exhibit 1 shows, for example, that San Rafael Elementary School District has about 72
216 retirees now receiving health care benefits. But there are currently 335 employees who
217 may eventually retire and become eligible for those benefits upon retirement. The future
218 costs of such benefits, after allowing for reasonable assumptions of employees not
219 continuing with the district to qualify for those benefits, will require substantial future
220 outlays by the school district to fund those benefits. Actuarial calculations determine how
221 much should be invested today in order to grow and pay for those future benefits. The
222 higher the multiples in Exhibit 1, the higher the likely future cost and consequent need to
223 invest today to pay for them.

224

⁹ Because other police departments are included in towns and cities, the spun-off Larkspur and Corte-Madera PDs were included with the towns, cities and county. Data were not available for the now 3-cities Central Marin Police Authority; San Anselmo's Police Department data were still included with the City of San Anselmo in the data used in our study.

224

Exhibit 1:

Many More Employees Will Move Into Retirement			
<u>Marin County Local Governments, Special Districts and School Districts</u>			
(Source: Retiree Health Care Actuarial Valuation Reports)			
	Actives	Retirees	Future Retirees Potential
	<u>Count</u>	<u>Count</u>	<u>Multiple</u>
Novato Sanitary District	20	24	0.83
Ross Valley Fire Department	28	29	0.97
Novato Fire Protection District	80	79	1.01
Town of Corte Madera	48	46	1.04
Southern Marin Fire Protection District	32	29	1.10
City of San Rafael	361	308	1.17
Kentfield Fire Protection District	13	11	1.18
Las Gallinas Valley Sanitary District	18	15	1.20
Central Marin Sanitary Agency	39	31	1.26
County of Marin	1813	1397	1.30
Twin Cities Police Department	42	32	1.31
City of Larkspur	54	39	1.38
Marin Municipal Water District	253	169	1.50
Tiburon Fire Protection District	24	15	1.60
North Marin Water District	53	32	1.66
City of Novato	209	124	1.69
Town of San Anselmo	53	30	1.77
City of Sausalito	82	37	2.22
San Rafael High School Dist	234	105	2.23
Marinwood Community Service District	22	9	2.44
Sanitary District #1 (Ross Valley)	23	9	2.56
Sewerage Agency of Southern Marin	13	5	2.60
Ross School District	45	17	2.65
Marin Sonoma Mosquito and Vector Control	35	13	2.69
Dixie School District	177	63	2.81
Ross Valley School District	205	65	3.15
City of Mill Valley	143	41	3.49
City of Belvedere	22	6	3.67
Town of Tiburon	35	9	3.89
Town of Fairfax	29	7	4.14
San Rafael Elementary School Dist	335	72	4.65
Larkspur-Corte Madera School District	33	7	4.71
Town of Ross	26	5	5.20
Reed School District	152	27	5.63
Mill Valley School District	287	41	7.00
Kentfield School District	99	10	9.90
Tamalpais Union High School District	406	34	11.94

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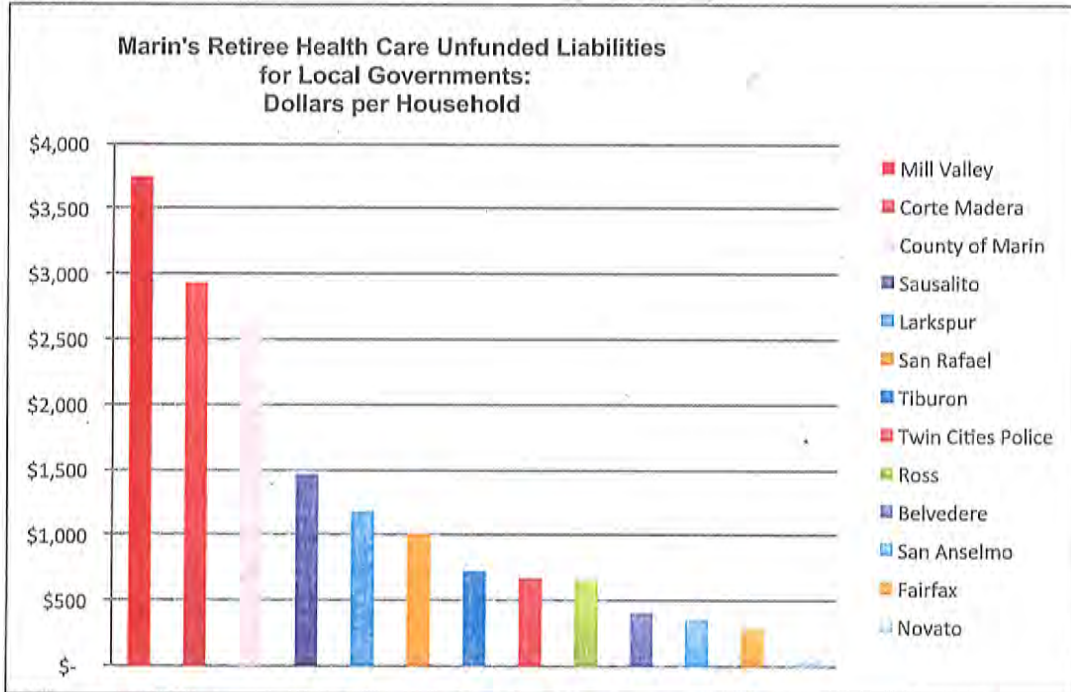
226 For a further perspective, the Grand Jury looked at the most recent general budget outlays
 227 for the government entities surveyed and compared the amount of unfunded retiree health
 228 care liabilities to those budgets.

229 To provide an understandable measure of the unfunded liabilities we found, we
 230 developed a metric to tie the liabilities to those who ultimately should bear them. That is,
 231 we related the county and local government unfunded liabilities to the households served.
 232 (Household data are from the U.S. Commerce Department's Census Bureau statistics).
 233 We related the special district unfunded liabilities to the customers (generally
 234 households) they serve. We also related the school district unfunded liabilities to the
 235 households in their respective communities.

236 We note that these debts are additive, in that the recipients of county and local
 237 government services are often also customers of water districts, sewage-treatment,
 238 sanitation, and fire protection districts, and are local school district taxpayers. When
 239 accumulated this way, the magnitude of these debts is significant.

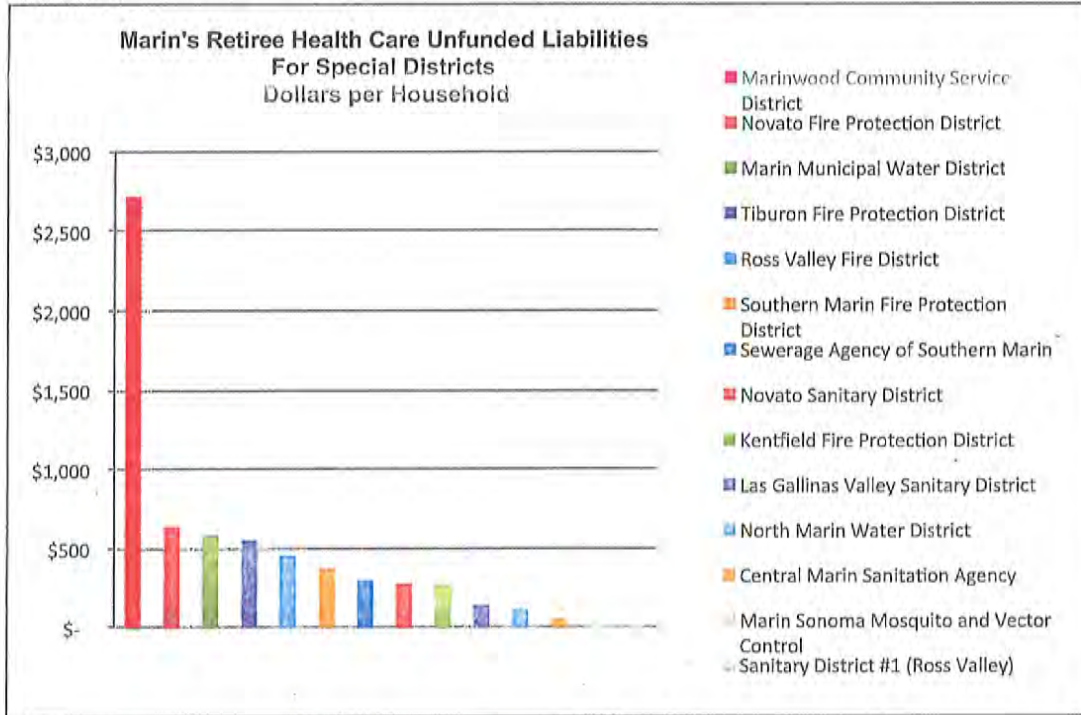
240 The per-household liabilities for each City/Town, Special District and School we
 241 surveyed are shown in Exhibits 2 – 4.

242 **Exhibit 2:**



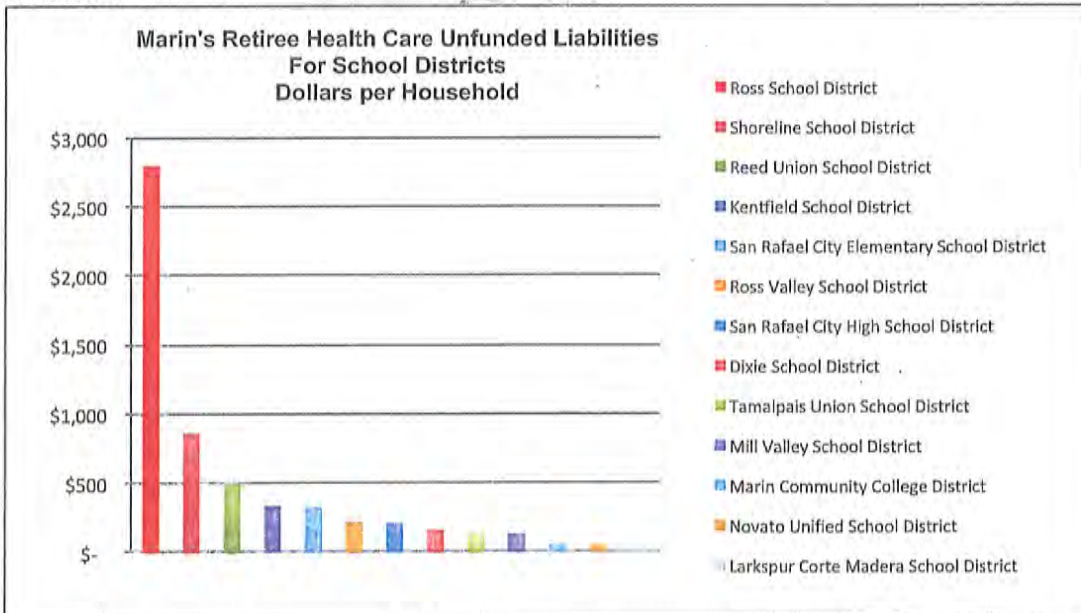
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249 **Exhibit 3**



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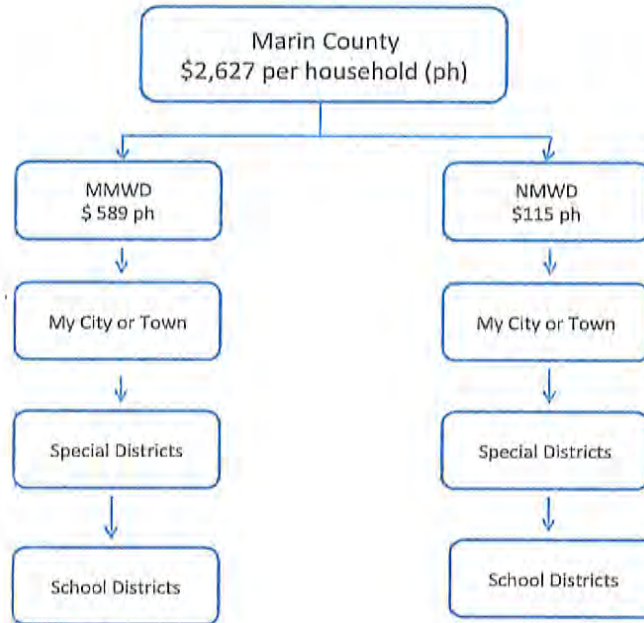
Exhibit 4



253
254
255

256 Exhibit 5 is an illustration of how these costs can be added up for a typical Marin
257 household:

258 **Exhibit 5:**



259

260 To illustrate more fully, Appendix A presents the separate per-household costs of each
 261 entity we surveyed. This information can be used to determine the full impact each
 262 household will bear either by increased taxes or decreased services if this situation is not
 263 addressed.

264 **DISCUSSION**

265 ***What Has Been Promised?***

266 The governments of Marin County, its 11 towns and cities, many of its Special Districts
 267 and its school districts all offer employees some form of retirement health care benefits.
 268 The benefits generally cover a portion, or even all of the cost of specified health care
 269 insurance, in some cases including spouses and dependents. They also often cover some
 270 of their dental care insurance. Such benefits are generally provided for the life of the
 271 retired employee and that of the spouse during that employee's retirement, and often for
 272 the surviving spouse.

273 When covered retirees reach Medicare-eligibility age, the benefit costs generally decrease
 274 to reflect resultant reduced health care insurance costs, but the benefits continue
 275 thereafter, at the lower post-Medicare levels. Because of increasing life expectancy,
 276 funding needs today are very significant.

277 The stated justification for offering this retirement benefit is the need to attract and retain
278 employees, and thus be competitive with other jurisdictions. Accordingly, it is
279 considered a portion of compensation.

280 The Grand Jury notes, however, that private sector retiree health care coverage is
281 increasingly rare, in contrast to the nearly 100% coverage provided by Marin's local
282 governments, school districts and special districts. According to the Kaiser Family
283 Foundation's Employer Health Benefits 2012 Annual Survey¹⁰, only 25% of U.S. firms
284 with more than 200 employees that provided health care benefits for active employees,
285 also offered retired employees health care benefits.

286 This most recent Kaiser finding of 25% coverage notes that the private sector continues
287 to eliminate employee health care benefits: Kaiser reports that the benefit offering has
288 declined to 25% from Kaiser's previous showing of 66% back in 1988, and 32% in 2005.
289 The Kaiser Survey also reports that at only 25% coverage, these 200+ employee firms are
290 "much more likely than small firms (3-199 workers) to offer retiree health care benefits."
291 In contrast with these low coverage offerings by the private sector, the Survey notes that
292 more than 77% of the more than 19 million employees of large U.S. state and local
293 governments were eligible for retiree health care benefits, and that the percentage is even
294 higher for smaller governments.

295 From the responses to our survey, we learned that there is a wide range of Marin local
296 government retiree health care benefit offerings. The County, towns and cities tend to
297 distinguish between eligibility and benefits for police and fire employees ("safety
298 employees") on the one hand, and other general or miscellaneous employees. Benefits for
299 the safety employees tend to be greater, and/or are earned earlier in employee careers and
300 at a more rapid pace than for other employees. We note that this distinction is similar to
301 that for local government retiree pension vesting and benefit amounts. Local governments
302 historically have provided more generous retirement benefits, including earlier vesting
303 for pensions, for safety employees than for non-safety employees.

304 We also learned that some Marin jurisdictions have modified their benefits depending
305 upon when the employee's service commenced, and some are offering (or are considering
306 to offer) greatly reduced or cost-shared benefits to more recently hired employees. We
307 also note that some jurisdictions have placed limits ("caps") on the amounts they will
308 pay, rather than agree to pay all or a fixed percentage of whatever the prevailing future
309 health care costs might be under specified eligible programs retirees may select.

310 The trend has been to reduce promises for future retiree health care benefits for active
311 employees, pursuant to collective bargaining negotiations where applicable, and
312 concurrently to seek reductions for unrepresented employees.

313
314
315

¹⁰ Employer Health Benefits 2012 Annual Survey, Section 11: Retiree Health Benefits

316 **Generous Benefits-City of Mill Valley**

317 The City of Mill Valley is an example of a local government that provides generous
318 retiree health care benefits. Pursuant to memoranda of understanding (MOUs) with
319 represented employee unions and other resolutions, the City provides that "Full time
320 employees of the Management, Technical, and Confidential group with 15 years of
321 service and a PERS [California Public Employee Retirement System] retirement from the
322 City shall be eligible for paid medical expense reimbursement for themselves and their
323 spouse after retirement." And the City states that "*The maximum City contribution will be*
324 *no more than the Kaiser employee + 1 rate.*" Moreover, the policy states "An employee
325 who meets the above criteria shall qualify for medical coverage for the remainder of
326 his/her life and that of his/her spouse."

327 For 2012, Mill Valley paid health care benefits of about \$1,168/month for a retiree and
328 spouse under Kaiser's relevant HMO plan. This is about \$14,000 per year. (We note that
329 when the retiree becomes eligible for Medicare, the City's payments decline, and for the
330 same 2012 Kaiser-plan coverage, costs borne by the City drop to about \$570/month, or
331 about \$7,000 per year, at 2012 rates.)

332 By contrast, Mill Valley School District teachers and staff recently agreed to cap their
333 retiree health care benefits, which reduced the school district's liability by about one-
334 third.

335 **Marinwood Community Services District**

336 The Marinwood Community Services District (MCSD) provides fire protection to
337 approximately 1,750 houses in Marinwood and portions of Lucas Valley. It also provides
338 and maintains the community's much-used swimming pool and related facilities. MCSD
339 provides health care benefits to employees (the majority of whom are fire protection
340 employees) and their spouses. The benefits are provided for those who retire at age 50
341 with only 5 years of service required for full eligibility. That relatively young eligibility
342 age of 50 for full lifetime benefits for all employees is unique among the entities the
343 Grand Jury studied. MCSD uses "Pay-Go" and thus only pays for retirees' health care
344 benefits as the costs are incurred in retirement, with no funding for active employees'
345 future post-employment health care benefits or for future years' benefits of those already
346 retired.

347 To its credit, however, MCSD is taking steps to address the situation. According to the
348 February 7, 2013 actuarial study of its retiree health care benefits, MCSD has lowered its
349 benefit payments starting in Fiscal Year (FY) 2013 to no more than 90% of the CalPERS
350 Bay Area "pre-age 65" Kaiser premium rates for all fire and non-fire employees. And
351 MCSD has set further step-downs (for fire-employees only) to 85% for FY 2014 and 80%
352 for FY 2015.¹¹ MCSD has also increased the years of service required for employees

¹¹ Marinwood Community Services District Actuarial Valuation: July 2012. Nicolay Consultants.

353 hired after July 1, 2012 to earn full retiree health care benefits to 20 years from the 5-
354 years for those hired before that date.

355 The impact of these changes will gradually reduce MCSD's very high liability from what
356 it would have been absent these changes. But even with these changes, the liability per
357 MCSD household (about \$2,750) is approximately 4 times that of any other Special
358 District the Grand Jury surveyed. It is among the four highest liabilities per household of
359 all entities the Grand Jury surveyed. And MCSD continues to fail to invest funds to pay
360 for the benefits it has promised to present employees.

361 **The Other End of the Range-City of Novato; Dixie School District**

362 Some other Marin local governments offer similar or nearly as generous retiree health
363 care benefits. But at the other end of the spectrum, retirees of the City of Novato received
364 a monthly retirement health care benefit of about \$112 per month (\$1,314 per year) for
365 2012. This payment amount is the minimum prescribed by the California Public
366 Employees System (CalPERS) pursuant to CalPERS' medical insurance through the
367 Public Employees' Medical and Hospital Care Act (PEMHCA).¹² The Dixie School
368 District also caps its qualified retirees' health care costs at approximately \$425/month for
369 a five year period and thereafter, provides retirees a mere \$7.50/month towards their
370 health care coverage costs.

371 **Significant Movement to Control Costs-City of San Rafael**

372 The Grand Jury noted a substantial favorable change in the City of San Rafael's reported
373 OPEB liability in its most recent actuarial study report compared to the previous report.
374 In follow-up discussions with the City, we learned that in 2009 the City negotiated caps
375 on the amounts of retiree health care benefits that it would provide to present employees.
376 The City also instituted programs that call for contributions by active employees, and
377 negotiated reduced annual increases in benefits when those employees retire.

378 These changes are very significant: The cumulative effect is a reduction of
379 approximately \$21 Million in the City's liability - a 37% reduction. This is equivalent to
380 approximately \$900 per San Rafael household. San Rafael, unlike most of the entities we
381 surveyed, funds its retiree health care liabilities and not just with a Pay-Go approach.
382 Even though it has negotiated reduced retiree health care benefits, the City's more
383 responsible approach to fund these costs will nonetheless burden its citizens. This is
384 because those retiree health care fundings come at the expense of a corresponding
385 reduction in other City services. The Grand Jury concludes that the City of San Rafael
386 has taken important steps to reduce its future costs of retiree health care benefits. We
387 also note that the City is among a small minority of Marin government entities that has
388 addressed the issue.

389 In summary, the Grand Jury learned that retirees and those who will retire from Marin's
390 local governments, special districts and school districts all receive or have been promised,

¹² PEMHCA is authorized by the California Government Code, commencing with Section 22751.

391 health care benefits from their pre-retirement employer. These are generally sizeable
 392 benefits. Their employers have not fully, or in most cases, not at all provided for their
 393 costs. We also learned that some employers offer substantially lower benefits, and yet are
 394 able to attract and retain employees.

395 **Exhibit 6:**

Future Retiree Health Care Costs: Funded Amounts and % Funded			
Marin County Local Governments, Special Districts and School Districts			
	Liability	Funded Amount	%
	Million \$	Million \$	Funded
A: Entities With Some Funding---From High to Low %			
City of San Rafael	\$ 35.16	\$ 10.86	30.9%
Tiburon Fire Protection District	\$ 3.10	\$ 0.83	26.7%
Town of Fairfax	\$ 1.28	\$ 0.25	19.8%
Marin Municipal Water District	\$ 44.77	\$ 8.67	19.4%
Tamalpais Union High School District	\$ 6.54	\$ 1.26	19.3%
Central Marin Sanitary Agency	\$ 3.55	\$ 0.68	19.1%
Kentfield Fire Protection District	\$ 2.39	\$ 0.39	16.2%
City of Mill Valley	\$ 28.10	\$ 3.62	12.9%
Las Gallinas Valley Sanitary District	\$ 2.15	\$ 0.27	12.5%
County of Marin	\$ 319.30	\$ 26.30	8.2%
Ross Valley Fire Department	\$ 5.12	\$ 0.31	6.1%
Novato Fire Protection District	\$ 17.71	\$ 0.95	5.4%
Southern Marin Fire Protection District	\$ 5.49	\$ 0.20	3.6%
Town of Corte Madera	\$ 11.83	\$ 0.04	0.3%
Totals	\$ 486.46	\$ 54.63	11.2%
B: Entities With Zero Funding---From High to Low Liabilities			
Marin Sonoma Mosquito and Vector Control	\$ 12.03	0.00	0.0%
City of Larkspur	\$ 7.49	0.00	0.0%
Twin Cities Police Authority	\$ 7.25	0.00	0.0%
City of Sausalito	\$ 6.63	0.00	0.0%
Novato Sanitary District	\$ 6.11	0.00	0.0%
Marin Community College District	\$ 5.69	0.00	0.0%
San Rafael Elementary School Dist	\$ 5.46	0.00	0.0%
San Rafael High School Dist	\$ 4.94	0.00	0.0%
Marinwood Community Service District	\$ 4.74	0.00	0.0%
Sewerage Agency of Southern Marin	\$ 4.11	0.00	0.0%
North Marin Water District	\$ 3.07	0.00	0.0%
Reed Union School District	\$ 3.04	0.00	0.0%
Town of Tiburon	\$ 2.90	0.00	0.0%
Mill Valley School District	\$ 2.16	0.00	0.0%
Ross School District	\$ 2.14	0.00	0.0%
Town of San Anselmo	\$ 1.94	0.00	0.0%
Ross Valley School District	\$ 1.84	0.00	0.0%
City of Novato	\$ 1.80	0.00	0.0%
Shoreline School District	\$ 1.80	0.00	0.0%
Kentfield School District	\$ 1.43	0.00	0.0%
Dixie School District	\$ 1.06	0.00	0.0%
Novato Unified School District	\$ 0.82	0.00	0.0%
Town of Ross	\$ 0.53	0.00	0.0%
City of Belvedere	\$ 0.37	0.00	0.0%
Sanitary District #1 (Ross Valley)	\$ 0.30	0.00	0.0%
Larkspur-Corte Madera School District	\$ 0.19	0.00	0.0%
Totals:	\$ 89.85	0.00	0.00
Totals---All 40 Entities Studied	\$ 576.31	\$ 54.63	9.5%

396

397 For further reference, Appendix B presents the Unfunded Actuarial Accrued Liability
398 (UAAL) for each of the 40 entities studied.

399 **What Do the Promises Cost?**

400 Exhibit 6 provides a glimpse of the retiree health care benefit costs that Marin local
401 governments and special districts bear. As stated above, the governments generally do not
402 pay for the benefits that their employees have earned. Rather, most of the government
403 entities the Grand Jury surveyed are paying only for the current year's health care
404 premiums of those employees who have already retired and are receiving the benefits
405 previously earned from their working days---Pay-Go funding.

406 By far the bigger retiree health care cost is that which governments have not paid;
407 namely, the cost of benefits that have already been earned by existing, and usually much
408 more numerous, active employees whose retirement is in the future. Governments using
409 Pay-Go funding are also not funding payments beyond the current year for those who
410 have already retired.

411 **What Information is Now Reported?**

412 These unpaid---yet already employee-earned---retiree health care benefits have recently
413 come under the scrutiny of GASB, the accounting standards entity that sets financial
414 reporting requirements for U.S. local governments. Probably better known by the
415 general public is its sister entity for private sector accounting and financial reporting
416 standards, the Financial Accounting Standards Board---FASB. Both issue what are
417 known as Generally Accepted Accounting Principles (GAAP) required to be followed for
418 financial reporting. Adherence to such common principles is essential for such purposes
419 as receiving auditor verification of financial statement adequacy ("clean audits"), and
420 rating agency evaluation of credit-worthiness vital for debt issuance and for determining
421 the costs of such debt.

422 Because GASB 45 is now implemented, this Grand Jury was able to scrutinize
423 conforming filings by Marin's governments for the first cycle. In some instances, we
424 also had access to second cycle GASB 45 reports: Fiscal Year ending 2011 for the
425 County and recent 2012 reports for some Cities, towns, schools and special districts.

426 In compliance with GASB 45, local governments must report in their financial
427 statements: 1) Retiree health care accrued liabilities (Actuarial Accrued Liabilities, or
428 AAL) for future benefits, 2) The amount of that AAL that has been funded by specifically
429 ear-marked investments or by other assets, 3) The resultant unfunded portion (the
430 unfunded AAL, or UAAL), 4) the interest rate used to calculate those values---analogous
431 to the annual earnings rate that is assumed to grow invested funds to pay for the future
432 benefits, and 5) The annual cost of currently paid benefits plus annual amortization of
433 that AAL. This is named the Annual Required Contribution (ARC).

434 The last element above, the ARC payment, while named Annual Required Contribution is
435 actually not required to be made, nor is it even enforced by any institution, regulatory

436 body, or accounting agency. *Understanding this is important!* The difference between
437 this ARC and the smaller payments under "Pay-Go" is accounted for as an obligation
438 (like debt) to be met in the future, but has generally not been funded with invested cash
439 by most of the entities studied by the Grand Jury. And there is a further nuance: this is
440 the liability calculated for obligations arising only since the implementation of GASB 45,
441 not the higher obligation that would be calculated going back to the time when the
442 employees started their employment and earning their future benefits.

443 With each passing year the time comes one year closer to when the retiree health care
444 benefits must be paid. Consequently, this debt rises annually absent adequate funding, or
445 absent any reductions in the promised benefit.

446 More details describing the mathematics of actuarial valuations and funding are shown in
447 Appendix C. It presents information regarding the critical assumptions of discount (or
448 funds earnings) rate and unfunded liability amortization periods.

449 ***Illustration: The County's Retiree Health Care Obligation***

450 The County is Marin's largest local government entity. It presently provides health care
451 benefits to about 1,400 retirees¹³ who average 71 years of age, and incurs an annual Pay-
452 Go cost of about \$12 Million to do so. This is about \$8,600 per year per retiree and is
453 capped at that amount for most employees, per negotiations with represented employee
454 unions. In 2008, the County capped retiree health care costs at \$3,000 for new employees.
455 The County has about 1,800 current employees that would be eligible for retiree health
456 care benefits upon retirement. According to its actuary's latest report, approximately
457 1,100 are within ten years of retirement eligibility and could soon add greatly to the
458 numbers in retirement. The County cited this looming issue in its April 2012 FY 2012-13
459 Budget Hearings, when it pointed out that:

460 The Department of Human Resources has identified that, over the
461 next 5 years, 42% of the total workforce will be eligible to retire, but
462 24% will likely retire given current work patterns.¹⁴

463 At its March 2013 Budget Workshops for the next fiscal year, 2013-14, the County
464 Administrator stated that the 42% retirement eligibility is now estimated to have
465 increased to 50%. Either statistic---42%-50% eligible or 24% or so likely---suggests
466 near-term swelling in retiree health care costs. This is because the ranks of those retired
467 will grow and receive healthcare benefits, and those costs will likely not be offset by an
468 equal reduction in health care costs for replacement active employees.

¹³ These Marin County retiree healthcare data were provided in the most recent biennial actuarial study by Bartel Associates, Inc: "County of Marin Retiree Healthcare Plan Actuarial Valuation as of July 1, 2011 For Fiscal Years 2011/12 & 2012/13 GASB 45." Dated January 2012.

¹⁴ According to the U.S. Census Bureau, the nation's over-65 year olds of about 40 million in 2010 is projected to grow to 54 million by 2010 and 70 million by 2030. Marin is likely to experience similar or even greater relative growth owing to life-style, present demographic and education factors.

469 The County's actuary, taking all of the probabilities and costs into account, estimated in
470 its most recent (June 30, 2012) report that the County's retiree health care AAL as of July
471 1, 2011 was \$383 Million. At the time of the actuary's valuation, the County had set
472 aside zero funds to defray any of those earned benefits. Accordingly, the County's UAAL
473 was that same \$383 Million. With a population of about 250,000, that county liability
474 alone is equivalent to about \$1,530 per county resident, or about \$3,430 per household.

475 Fortunately, the Board of Supervisors decided to begin funding for this liability. As a
476 result, the County funded \$26.5 million in 2013 at an estimated investment rate of return
477 of 5.5%, which was an increase over the prior estimate of 4.25%. When the County's
478 actuary recently re-calculated the liability at this new higher discount rate and took the
479 amount invested into account, the liability decreased to \$293 million, or a decrease of
480 24%.

481 For perspective, the County's \$293 Million retiree health care benefit UAAL is 79% of
482 its Fiscal Year 2012-13 general budget--\$371.7 Million. As a percent of the general
483 budget, the County's unfunded liability is among the highest for any of the county's 11
484 cities and towns¹⁵ and amounts to \$2,627 per household.

485 The County's retiree health care UAAL equals about 80% of the County's retiree pension
486 plan \$370 million UAAL. However the County's unfunded retiree health care liability is
487 far more alarming than the County's pension funding inadequacy. This is because the
488 County's retiree health care liability is 92% unfunded after the initial investment. In
489 contrast, its pension liability is about 25% unfunded.

490 To its credit, the County has recently recognized the dire straits of its retiree health care
491 UAAL, and has begun what hopefully will become annual funding. However, the UAAL
492 balance remains startlingly high. Funds spent to reduce the UAAL of retiree health care
493 benefits are funds that will not be available for the services that county citizens would
494 otherwise look to the county to provide. Absent reductions in the benefits already earned
495 by employees and existing retirees, the result will be increasing pressures on the County
496 to raise money from taxpayers.

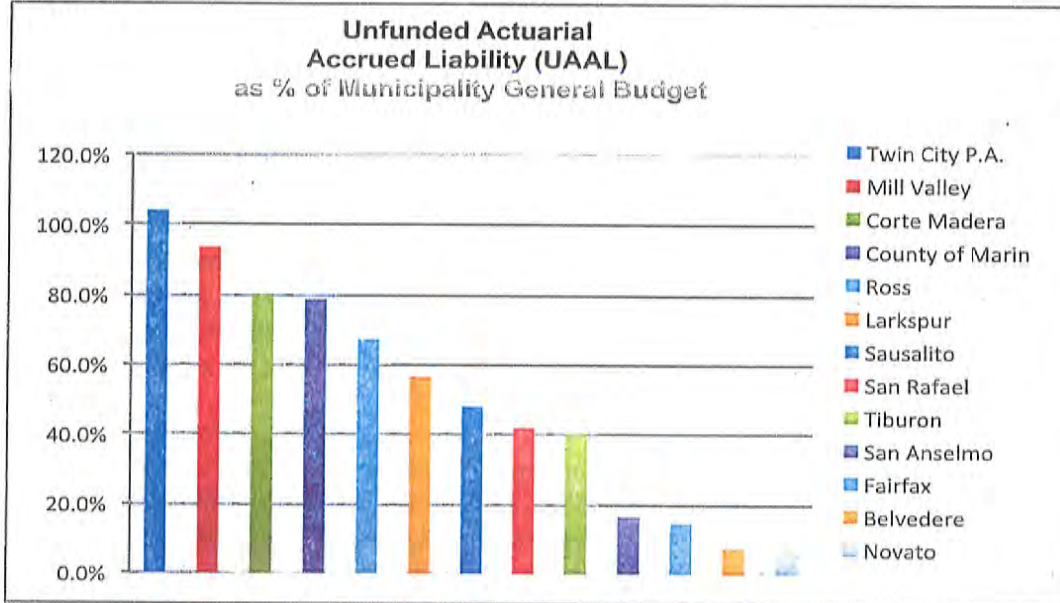
497 ***Potential Impact on General Budgets if the Obligations are Paid For***

498 Exhibits 2-4, and 6 above, show the deficiency in funding retiree health care benefits for
499 all 40 entities studied. The unfunded amounts are thus the debt that has been incurred by
500 taxpayers and special district customers for failure to fund those obligations.

501 For perspective, the Grand Jury compared the unpaid retiree health care liability of each
502 entity studied, to its most recent general budget. The following exhibits present that
503 information.

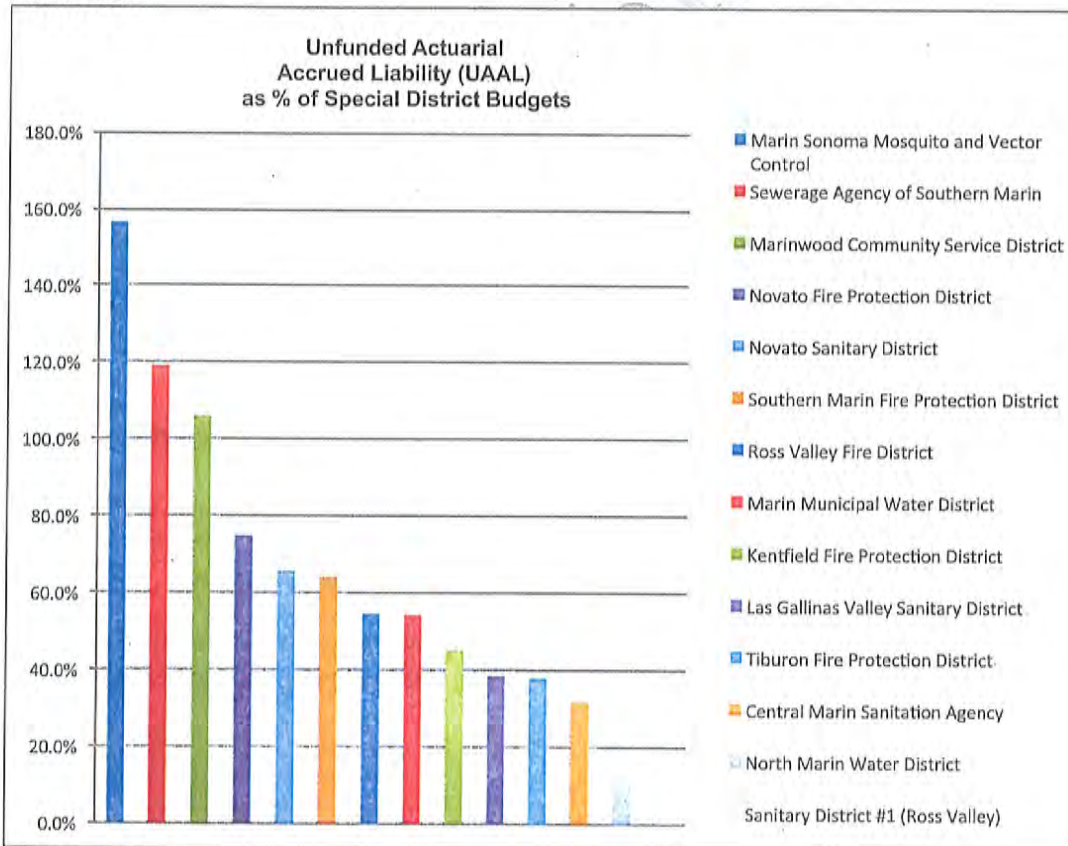
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504 **Exhibit 7:**



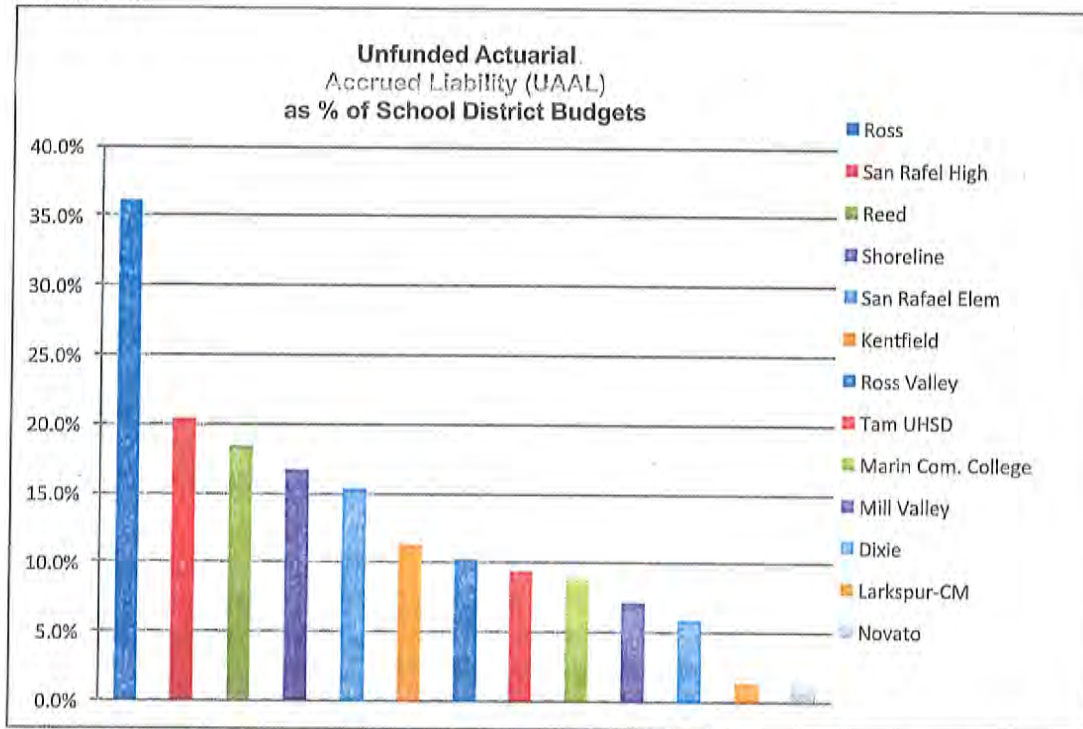
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506 **Exhibit 8:**



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508 **Exhibit 9:**



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510 As these Exhibits show, the unfunded retiree health care liabilities for many of Marin
 511 County's governments, Special Districts and school districts impose a significant impact
 512 on government services if and when funds are diverted to pay for what has been
 513 promised.

514 **Solutions**

515 Solutions will be painful, especially in the likely scenario of limited revenue growth,
 516 resistance to further taxation, and an economic outlook that appears to be less than robust.
 517 A combination of a reduction in promised retiree health care benefits, and accelerated
 518 funding to enhance monies available to pay those future benefits is necessary and
 519 prudent.

520 Timing is critical. Continuing with only Pay-Go funding will result in rising costs,
 521 primarily attributable to the influx of employees into retiree ranks. Necessary steps that
 522 should be taken by local governments are difficult. Among the painful actions needed are
 523 to greatly reduce (that is, cap) retiree healthcare benefits for newly hired employees and
 524 to require all employees to make contributions towards their retiree health care benefits.

525

525 **FINDINGS**

526

527 F1. We find that many of Marin's local governments and special districts are failing to
528 pre-fund future costs for retired employees by making investments to cover
529 promised benefits for active employees. This jeopardizes the certainty that retiree
530 health care benefits promised to current employees will be paid.

531 F2. The failure of the majority of entities studied in this investigation to begin an
532 investment program to provide a portion of the needed funds to pay for retiree
533 health care benefits leads to generation shifting of the payment responsibility. Thus
534 it appears to be, at the least unethical, and even a breach of fiduciary responsibility.

535 F3. The extreme 30-year amortization period used by most entities minimizes the
536 annual cost of funding the liability gap and further defers to future generations the
537 compensation owed to present employees who provide services to present taxpayers
538 and customers. Shorter amortization periods should be required for reasons of
539 equity and to ensure that the promised benefits will be provided.

540 F4. By capping retiree health care benefits, the City of San Rafael has reasonable
541 certainty as to what those costs are. Other entities studied here that promise to pay
542 for future retiree health care with uncertain and likely rapidly increasing costs are
543 accepting an unknown and potentially very costly risk.

544 F5. Because a few Marin County cities and other entities studied provide very limited
545 benefits yet still appear able to meet community service needs, and because
546 providing such benefits is increasingly rare in the private sector, such benefits
547 appear to be unnecessary for attracting and retaining employees. Accordingly, for
548 active and newly hired employees, the benefits should be trimmed and costs should
549 be shared between the employees and their employer.

550 F6. Marin entities using "Pay-Go" funding are paying only the current year health care
551 benefits of those already retired. This ignores the reasonably known rising costs to
552 cover future retirees who are already heading for retirement. Some actuarial
553 valuation reports the Grand Jury studied provide those future "Pay-Go" estimates
554 year-by-year, so they should be readily available from the actuary's valuations.
555 Estimates of those annual costs for each of the next 10 years should be provided to
556 the public so that those who will incur the costs can know those costs.

557 F7. Employers studied for this report should include an age-60, or even later, date for
558 retiree health care benefits to commence in future negotiations with employees and
559 their representatives.

560 F8. The results of retiree health care actuarial cost analyses are summarized if at all
561 only in obscure notes to annual financial statements. The public is entitled to more
562 readily accessible explanation of these costs because the public will bear those
563 costs.

564 F9. There is a wide range of retiree health care benefits offered among the entities
565 studied in this investigation. No clear explanation for the range from minimal to

566 extremely generous is readily available. Those entities that are promising relatively
567 generous benefits should provide clear justifications to their citizens and customers.
568 F10. Most of the entities the Grand Jury investigated are using fairly reasonable discount
569 rates of 4% - 5% per year to bring back to today in actuarial valuations the future
570 annual costs of retiree health care benefits. However, some are using higher and
571 highly questionable rate assumptions that are not justified by the investments (if
572 any) that they have made to grow and fund the future benefits. The result is to
573 understate the total funding needed today and in future years, to pay for those future
574 benefits.

575 **RECOMMENDATIONS**

576 The Grand Jury recommends that each Marin County local government, special district
577 and school district:

- 578 R1. Begin setting aside in separate investment accounts, if it is not already doing so,
579 each year's funds for amortizing its retiree health care benefits' UAAL, in addition
580 to its "Pay-Go" funding of those benefits for present retirees.
- 581 R2. Begin a program to lower the amortization period for funding its retiree health care
582 benefits UAAL from as much as 30 years presently, to approach (within 10 years),
583 the commonly used 17-year amortization period for retiree pension funding.
- 584 R3. Negotiate caps on the amounts it commits to pay existing and new employees for
585 retiree health care benefits.
- 586 R4. Negotiate a higher retirement age than the currently applicable age for the
587 commencement of retiree health care benefits.
- 588 R5. Require active employees to make a contribution towards the cost of their retiree
589 health care benefit.
- 590 R6. Place a link on its website to provide the latest actuarial valuation of its AAL, its
591 UAAL, its consequent percent funded, its discount rate (annual percentage) used to
592 determine these values, and a projection of outlays ("Pay-Go") for retiree health
593 care benefits for each of the current and subsequent 10 years.

594 **REQUEST FOR RESPONSES**

595 Pursuant to Penal code section 933.05, the Grand Jury requests responses as follows:

596 From the following individuals:

- 597 ■ Marin County Administrative Officer: **F3, F5, F7, F8, F9, R2 through R6.**

598 From the following governing bodies:

- 599 ■ County of Marin Board of Supervisors: **F3, F5, F7, F8, F9, R2 through R6.**

- 600 ■ Each of the 11 Marin City and Town Councils: City of Belvedere, Town of Corte
601 Madera, City of Larkspur, City of Mill Valley, Town of Fairfax, City of Novato,
602 Town of Ross, Town of San Anselmo, City of San Rafael, City of Sausalito,
603 Town of Tiburon: **All Findings F1 through F10 and all recommendations, R1
604 through R6.**
- 605 ■ The Police Council Chair, Central Marin Police Authority: **All Findings F1
606 through F10 and all recommendations, R1 through R6.**
- 607 ■ The School Board President for each of the 12 surveyed Marin School Districts:
608 Dixie School District, Kentfield School District, Larkspur School District, Mill
609 Valley School District, Novato Unified School District, Reed Union School
610 District, Ross School District, Ross Valley School District, San Rafael
611 Elementary School District, San Rafael City High School District, Shoreline
612 Unified School District, Tamalpais Union High School District: **All Findings F1
613 through F10 and all recommendations, R1 through R6.**
- 614 ■ President of the Marin Community College District Board of Trustees: **All
615 Findings F1 through F10 and all recommendations, R1 through R6.**
- 616 ■ The Chairman or equivalent of the Board of Directors for each of the 14 surveyed
617 special districts: Central Marin Sanitation Agency, Kentfield Fire Protection
618 District, Las Gallinas Valley Sanitary District, Marin Municipal Water District,
619 Marin-Sonoma Mosquito and Vector Control District, Marinwood Community
620 Services District, North Marin Water District, Novato Fire Protection District,
621 Novato Sanitary District, Ross Valley Fire Department, Sanitary District #1 (Ross
622 Valley), Sewerage Agency of Southern Marin, Southern Marin Fire Protection
623 District, Tiburon Fire Protection District : **All Findings F1 through F10 and all
624 recommendations, R1 through R6.**
- 625
- 626 The governing bodies indicated above should be aware that the comment or response of
627 the governing body must be conducted subject to the notice, agenda and open meeting
628 requirements of the Brown Act. (GJ Text)
- 629

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653

654 Reports issued by the Civil Grand Jury do not identify individuals interviewed. Penal Code Section 929
655 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of
656 any person who provides information to the Civil Grand Jury.

657

658 **GLOSSARY—**

659 **AAL--Actuarial Accrued Liability:** The Actuarial Present Value of future benefits
660 (such as retiree health care benefits) attributable to employees' (including retirees') past
661 service.

662 **Actuary:** A professional skilled in the mathematical and statistical analysis of future
663 probabilities for likely future event outcomes, and estimating the cost today of those
664 future outcomes. Usually is a member of a society that has standards of proficiency and
665 experience for certification of such expertise.

- 666 **Amortization:** The process of determining the payments to pay a loan or other
667 obligation over a series of years with (usually) equal annual payments of interest and
668 principal, such that at the end of the term the obligation has been fully repaid.
- 669 **ARC or Actuarially Required Contribution:** An employer's periodic required
670 contribution to a defined benefit plan such as retiree health care benefits. It is usually
671 determined annually. It includes payments actually made for existing retirees' benefits
672 plus the current year's portion of an amortization of future obligations.
- 673 **Discount Rate:** The interest rate used in actuarial calculations to bring the estimated
674 future costs of retiree health care benefits back to the present. It should be no more than
675 the anticipated annual earnings rate for funds invested to pay for those future benefits.
- 676 **GASB or Governmental Accounting Standards Board:** The organization that sets
677 standards of accounting and financial reporting for all U.S. local governments.
- 678 **GASB Statement 45 or GASB 45:** Issued in June 2004, this Statement established
679 accounting and reporting standards for other post-employment benefits (that is, those
680 post-employment benefits other than pensions) offered by state and local governments.
681 Retiree health care benefits are the major, if not exclusive, non-pension benefit affected
682 by this statement.
- 683 **General Budget:** The portion of the annual budget of local government entities that is of
684 an on-going repetitive nature; essentially all expenditures other than those for capital
685 projects and for debt service.
- 686 **Implicit Subsidy:** Actuarial valuations for some entities studied here calculate a separate
687 component of the AAL, which is the value for retirees of having lower insurance costs
688 because the retirees and active employees are combined for determining the cost of health
689 care benefits for them as a single group. The retirees thus benefit from being in a risk
690 pool that has more favorable medical care experience and thus, lower insurance rates than
691 if the retirees were in a retirees-only risk group. It is possible that such an implicit
692 subsidy may never have to be paid, but it is required to be included in the actuarial
693 liability calculations.
- 694 **Pay-Go or Pay-As-You-Go:** The name given to the funding of only currently-paid
695 benefits for retirees' health care, with no additional funding of earned but not yet payable
696 benefits for both retirees and active employees.
- 697 **Special District:** A government entity common in California, that provides services in a
698 territory that is not completely congruent with a government jurisdiction. Examples
699 include water districts that provide service to all or portions of several cities, sewage-
700 treatment plants that handle sewage from several local areas, incorporated or not, fire
701 protection districts, etc.
- 702 **UAAL or Unfunded Actuarial Accrued Liability:** That portion of an entity's AAL for
703 which no funding assets have been provided.

704 APPENDIX A

Dixie School District \$ 160 ph	+ School Districts Where I Live	Central Marin Sanitary District \$ 53 ph	+ Special Districts That Provide Services	Belvedere \$ 405 ph	+ My City or Town Where I Live	Marin County \$2,627 Per Household (ph)	HOW MUCH MIGHT I OWE CALCULATION TABLE
Kentfield School District \$ 332 ph		Kentfield Fire Protection District \$ 269 ph		Corte Madera \$ 2,928 ph			
Larkspur Corte Madera Schools District \$ 39 ph		Las Gallinas Valley Sanitary District \$ 141 ph		Fairfax \$ 286 ph			
Mill Valley School District \$ 128 ph		Marin Municipal Water District \$ 589 ph		Larkspur \$ 1,175 ph			
Marin Community College District \$ 51 ph		Marin Sonoma Mosq & Vector Control \$ 38 ph		Twin Cities Police Authority \$ 673 ph			
Novato Unified School District \$ 48 ph		Marinwood Community Service District \$ 2,720 ph		Mill Valley \$ 3,747 ph			
Reed Union School District \$ 494 ph		North Marin Water District \$ 115 ph		Novato \$ 85 ph			
Ross School District \$ 2,799 ph		Novato Fire Protection District \$ 278 ph		Ross \$ 660 ph			
Ross Valley School District \$ 218 ph		Novato Sanitary District \$ 278 ph		San Anselmo \$ 360			
San Rafael City Elementary School District \$ 324 ph		Ross Valley Fire District \$ 457 ph		San Rafael \$ 1,012 ph			
San Rafael City High School District \$ 206 ph		Sanitary District 1 (Ross Valley) \$ 15 ph		Sausalito \$ 1,461 ph			
Shoreline School District \$ 856 ph		Sewerage Agency of Southern Marin \$ 298 ph		Tiburon \$ 721 ph			
Tamalpais Union School District \$ 129 ph		Southern Marin Fire District \$ 375 ph					
		Tiburon Fire Protection District \$ 553 ph					

705

706

707

708 APPENDIX B

Total Unfunded Retiree Health Care		
	<u>Cities and Town</u>	<u>UAAL \$mil</u>
1	County of Marin	\$293.00
2	Mill Valley	\$24.48
3	San Rafael	\$24.30
	Corte	
4	Madera	\$11.79
5	Larkspur	\$7.49
6	Twin Cities Police Authority	\$7.25
7	Sausalito	\$6.63
8	Tiburon	\$2.90
9	San Anselmo	\$1.94
10	Novato	\$1.80
11	Fairfax	\$1.02
12	Ross	\$0.53
13	Belvedere	<u>\$0.37</u>
	Total	\$383.51
<u>Schools</u>		
1	Marin Community College District	\$5.69
2	San Rafael City Elementary School District	\$5.46
3	Tamalpais Union School District	\$5.28
4	San Rafael City High School District	\$4.94
5	Reed Union School District	\$3.04
6	Mill Valley School District	\$2.16
7	Ross School District	\$2.14
8	Ross Valley School District	\$1.84
9	Shoreline School District	\$1.80
10	Kentfield School District	\$1.43
11	Dixie School District	\$1.06
12	Novato Unified School District	\$0.82
13	Larkspur Corte Madera School District	\$0.19
	Total	\$35.85
<u>Special Districts</u>		
1	Marin Municipal Water District	\$36.10
2	Novato Fire Protection District	\$16.75
3	Marin Sonoma Mosquito and Vector Control	\$12.03
4	Novato Sanitary District	\$6.11
5	Southern Marin Fire Protection District	\$5.29
6	Ross Valley Fire District	\$4.80
7	Marinwood Community Service District	\$4.74
8	Sewerage Agency of Southern Marin	\$4.11
9	North Marin Water District	\$3.07
10	Central Marin Sanitation Agency	\$2.87
11	Tiburon Fire Protection District	\$2.27
12	Kentfield Fire Protection District	\$2.00
13	Las Gallinas Valley Sanitary District	\$1.88
14	Sanitary District #1 (Ross Valley)	<u>\$0.30</u>
	Total	\$102.33
40	Grand total	\$521.68

709 **APPENDIX C**

710 **How are OPEB Liabilities Calculated?**

711 Estimating the cost of employees' future retiree health care benefits that are earned today
712 is complicated and involves calculations by experts known as actuaries. These
713 calculations use estimates of the likelihood that existing employees will remain employed
714 and will retire from the local government and receive the promised future health care
715 benefit payments. How long such retirees will live in retirement and receive those
716 benefits, and how those benefit costs will rise in the future, are also estimated. If spouses
717 are covered, retiree spouse coverage, costs, and life span are also involved. Such
718 calculations are made feasible by using computer models, and the techniques that
719 actuaries use are fairly standardized in their application to entities subject to GASB
720 Statement 45.

721 With the estimated costs of a local government's future retiree health care benefits thus
722 determined, the actuary calculates the amount of money that would be required to be on
723 hand today, to grow at an assumed annual compounded earnings rate over time to fully
724 fund these future retiree benefits when they are to be paid. The assumed compound
725 annual earnings rate (or its counterpart---discount rate to bring each future year's future
726 costs back to the present) is a critical component of the actuary's calculations. Results,
727 which are the liability today to fund those future costs, can vary greatly depending on the
728 discount rate assumed.

729 Generally, the assumed earnings or discount rate should have some realistic relationship
730 to what the local government might earn on moneys it invests or better still, monies that it
731 has invested for that purpose. But we found that overly optimistic assumptions
732 (including unjustified high discount rates) are used by some entities in reporting their
733 provisions to pay for retiree health care. This understates the amount of funds calculated
734 as needed today to fund those future benefits.

735 The actuary's report determines the AAL by effectively discounting to the present each
736 future year's nominal cost of retiree health care benefits to be borne by the local
737 government entity. These annual future yearly costs, each discounted to the present, are
738 accumulated and the total is the AAL. Thus, the AAL value is highly dependent upon the
739 discount rate assumed.

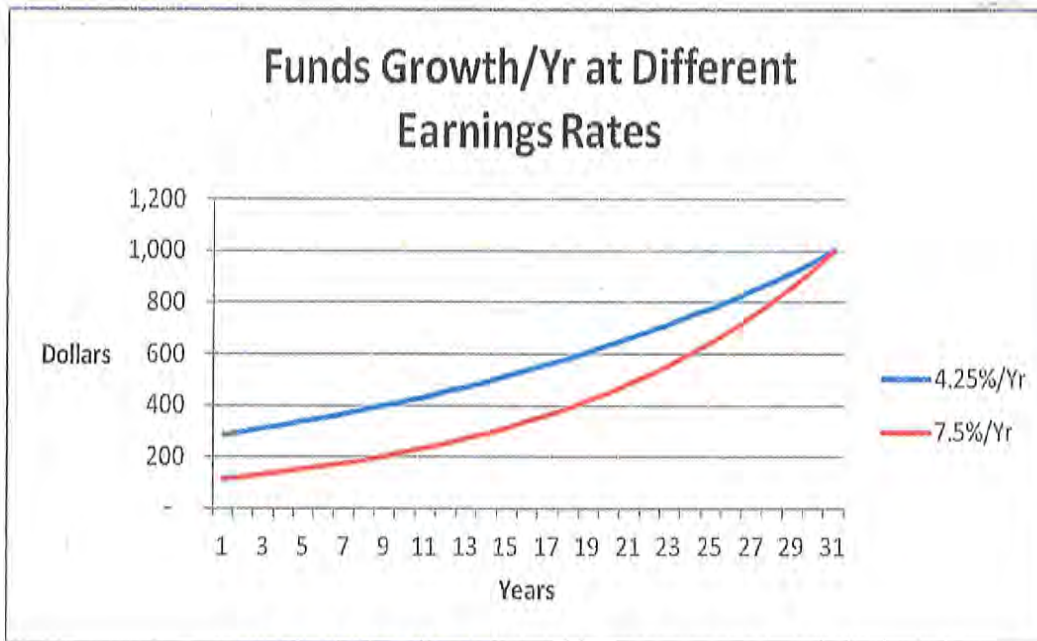
740 The standard for recognizing pension liabilities costs includes a 17-year period for
741 amortizing unpaid liabilities. In contrast, the standard for amortizing unpaid retiree health
742 care benefit costs is as high as 30 years. The use of such a longer period (30 years versus
743 17 years) is to shift costs to future generations, and also understates the UAAL annual
744 funding compared to a more reasonable and conservative funding period.

745

746

747 **Interest Rate (or Discount Rate) and Amortization Period are Critical**

748 For illustration, as the following chart shows, discounting \$1000 to be paid 30 years from
 749 now (an amortization period often used for retiree health care benefit liability cost
 750 calculations) at 4.25%, results in a value today of about \$287, but discounting it at a
 751 higher 7.5% results in a value today of only about \$114. Thus, if we assume that we need
 752 to accumulate \$1000 for payment 30 years from now, we would need to invest \$287
 753 today if it would earn 4.25% compounded annually, but only \$114 if it would earn 7.5%
 754 compounded annually.)



755

756 Also, the period of time assumed to accumulate \$1,000 greatly affects the amount of
 757 money that needs to be invested today, to grow and reach that \$1,000. The following
 758 table shows the results of these assumptions. Using a 30-year period to grow investments
 759 rather than only a 17-year period for example requires a much smaller investment today
 760 to grow to the same future amount.

761

762 The table below indicates that an investment today of only \$114 would be needed under
 763 the most optimistic assumptions, compared to \$493 in the most conservative case. This
 764 could lead to an overly optimistic conclusion that only 23% (\$114 divided by \$493) need
 765 be set-aside today to reach a future 30-years obligation compared to a more conservative
 766 amount to grow and reach that objective.

767

768 Even using the 4.25% assumed growth rate but still a high 30-year amortization results in
 769 setting-aside today only 58% (\$287/\$493) of what would be required to reach that
 770 objective in 17 years.

771

772 Our review discloses that the actuary calculations for the entities studied generally are
 773 using amortization periods closer to 30 years (and even the full 30-years for some
 774 entities) than 17 years, and interest rates in the 4% -to 5% range----but some entities are
 775 still using as high as 7.5%, with no such investments to justify rates higher than 4%.
 776

Effect of Interest Rate and Amortization Period on Investments to reach \$1000		Initial Investment
<u>30-Year Amortization</u>		
\$ Invested today to reach \$1000 in 30 Years		
At 4.25%/Year		\$287
At 7.5%/Year		\$114
<u>17-Year Amortization</u>		
\$ Invested today to reach \$1000 in 17 Years		
At 4.25%/Year		\$493
At 7.5%/Year		\$293
<u>4.25%/Year Interest Rate</u>		
\$ Invested today to reach \$1000		
In 17 Years		\$493
In 30 Years		\$287
<u>7.5%/Year Interest rate</u>		
\$ Invested today to reach \$1000		
In 17 Years		\$293
In 30 Years		\$114


777

13

MEMORANDUM

To: Board of Directors

July 12, 2013

From: Chris DeGabriele, General Manager 

Subject: Determination of North Marin Aqueduct Wheeling Charge

t:\gmbod misc 2013\wheeling charge memo.doc

RECOMMENDED ACTION: Adopt Resolution 13-XX Making Certain Findings and Setting the Wheeling Rate for Water Delivered Through the North Marin Water District's North Marin Aqueduct

FINANCIAL IMPACT: Up to \$260K in additional wheeling revenue income (estimated)

The attached letter to Marin Municipal (MMWD) dated August 24, 2012 (Attachment 1) describes the Intertie Agreement between North Marin Water District and MMWD and the ongoing negotiations between the two districts to renew the agreement (to be called the Interconnection Agreement). The substance of the letter was discussed with the Board during a closed session on August 21, 2012. The determination of a \$50 per acre foot wheeling charge was discussed with the Board during a closed session on January 3, 2013 and was based on the concept of MMWD renting capacity in the North Marin Aqueduct, which rental calculation (Attachment 2) was conveyed to MMWD on February 17, 2012. The subject rental charge plus cost of operations and maintenance for the North Marin Aqueduct was the basis for, and likely would exceed the \$50 per acre foot wheeling charge reflected in the August 24, 2012 letter.

District legal counsel recommends that the Board of Directors make certain findings concerning the setting of the wheeling rate for water delivered through the North Marin Aqueduct, and ratify all previous District actions to calculate, impose, bill, and collect the wheeling rate as fair compensation for MMWD's rental of unused capacity in the North Marin Aqueduct, all pursuant to the attached draft resolution.

RECOMMENDATION:

Board adopt the Resolution 13-XX, Making Certain Findings and Setting the Wheeling Rate for Water Delivered Through the North Marin Water District's North Marin Aqueduct.



**NORTH MARIN
WATER DISTRICT**

999 Rush Creek Place
P.O. Box 146
Novato, CA 94948

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415.897.4133

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415.892.8043

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info@nmwd.com

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August 24, 2012

Tom Cronin, Interim General Manager
Marin Municipal Water District
220 Nellen Avenue
Corte Madera, CA 94925

Re: Intertie Agreement Between North Marin Water District and Marin Municipal Water District (Agreement)

Dear Mr. Cronin:

The subject Agreement was executed on March 11, 1993. The basic objective of that agreement is to provide a mechanism whereby Marin Municipal Water District (MMWD) and North Marin Water District (North Marin) can each utilize their respective water systems, surplus water and surplus system capacity in a coordinated manner which, while respecting the requirement that each District must first meet the needs of its water users, permits optimum use of these resources for the benefit of the customers of both Districts.

In the ensuing twenty years, MMWD has received, on average, 47% of the water delivered through North Marin's Aqueduct and in the past 3 years has received 49%. MMWD has paid a \$10 per acre foot "wheeling charge" for those deliveries pursuant to the Agreement. As you are aware, the "wheeling charge" has not changed during this period. As you are further aware, a principal component of the subject Agreement, construction of the 8 mile long Sonoma Marin Aqueduct No. 2 by MMWD and the option for North Marin to purchase capacity in same, has not occurred and we understand that MMWD no longer plans to construct such a facility. North Marin, therefore, has no alternative but to conclude that MMWD has unilaterally determined that it will no longer be bound by one of the principal components of the Agreement, without any corresponding adjustment to any of the Agreement's other components.

Since the summer of 2007 the staff of North Marin and MMWD have periodically been involved in negotiations to renew the Agreement (to be called the "Interconnection Agreement"). The negotiations were suspended by mutual agreement of the two agencies while North Marin prepared the environmental review for its Aqueduct Energy Efficiency Project (AEEP). North Marin's 5 mile long AEEP will enlarge the North Marin Aqueduct from Kastania to Redwood Landfill in conjunction with the Caltrans Marin-Sonoma Narrows Highway 101 widening project. While certification of the AEEP environmental review in the fall of 2011 enabled NMWD to seek to resume Interconnection Agreement negotiations with MMWD, since January 2012, only one meeting concerning the Interconnection Agreement has been held between the Districts, and while cordial, said meeting was not substantive.

North Marin sent a copy of the proposed Interconnection Agreement to MMWD on January 23, 2012 followed by a calculation for rental of Aqueduct capacity.

Mr. Tom Cronin
Marin Municipal
August 24, 2012
Page 2

To date North Marin has received no comments from Marin Municipal on that draft or on the status of the Interconnection Agreement. More recently, North Marin became aware that MMWD may now be thinking about renewing its consideration of this subject upon our staff review of the proposed agenda for the August 15, 2012 MMWD Board meeting, and discovered Agenda Item 17 calling for consideration of a new Board Subcommittee to review MMWD's agreements with North Marin and the Sonoma County Water Agency.

Be advised that any water delivered to MMWD through the North Marin Aqueduct subsequent to September 25, 2012 will be subject to a "wheeling charge" reflecting "fair compensation" including capital, operation, maintenance and replacement cost at \$50/acre foot.

Sincerely,


Chris DeGabriele
General Manager

CD/rr

t:\gm\agreements\interconnection\rr to mmwd re Intertie agreement 2012.doc

Interconnection Agreement Rental Charge Calculation

by: date:

CD 2/17/2012

FYE	AF		NMWD
	MMWD	Total	
6/30/1996	6,149	14,485	8,336
6/30/1997	6,864	15,316	8,452
6/30/1998	7,157	14,030	6,873
6/30/1999	7,716	15,577	7,861
6/30/2000	7,919	16,691	8,772
6/30/2001	8,469	17,215	8,746
6/30/2002	8,640	17,679	9,039
6/30/2003	8,259	16,079	7,820
6/30/2004	7,792	17,290	9,499
6/30/2005	7,853	17,179	9,326
6/30/2006	7,129	17,925	10,796
6/30/2007	7,516	17,617	10,101
6/30/2008	7,660	16,038	8,378
6/30/2009	7,509	15,889	8,380
6/30/2010	6,718	12,715	5,997
6/30/2011	5,366	11,540	6,174
average	7,420	15,829	8,409
3 yr avg	6,531	13,381	6,850

Rental Charge Calculation

Average Monthly Delivery Capacity of Aqueduct Energy Efficiency Project (AEEP) =	18 MGD
Gravity Capacity above existing NM Aqueduct =	18MGD - 11.2 MGD = 6.8 MGD
Proposed Capacity Rental to MMWD =	3.5 MGD
Proportional Share of Gravity Capacity Rental = 3.5MGD/6.8MGD =	51.5%
NMWD Capital Cost of AEEP	\$8 Million
NMWD Annualized Payments for AEEP	\$552,800
Proportional Share of NMWD Annualized AEEP Payments for Gravity Capacity Rental =	\$284,529
Expected Deliveries to MMWD (average of last 3 years)	6,531 AF
MMWD Rental Charge per AF (\$284,529 / 6,531 AF) =	\$44 /AF

**DRAFT
RESOLUTION 13-
RESOLUTION OF THE BOARD OF DIRECTORS OF
NORTH MARIN WATER DISTRICT MAKING CERTAIN FINDINGS AND SETTING THE
WHEELING RATE FOR WATER DELIVERED TO MARIN MUNICIPAL WATER DISTRICT
THROUGH NORTH MARIN WATER DISTRICT'S NORTH MARIN AQUEDUCT**

WHEREAS, in 1961, North Marin Water District constructed the North Marin Aqueduct, to convey Russian River Water from Petaluma to Novato, and thereafter North Marin Water District has received Russian River Water delivered through the North Marin Aqueduct pursuant to a contract with Sonoma County Water Agency; and

WHEREAS, North Marin Aqueduct, together with the Kastania Pump Station, has average daily delivery capacity of up to 18 million gallons (MG) per day; and

WHEREAS, pursuant to an agreement with North Marin Water District dated July 20, 1971, Marin Municipal Water District began in 1971 to receive Russian River Water that is surplus to the needs of North Marin Water District, and that is delivered through unused capacity in the North Marin Aqueduct; and

WHEREAS, pursuant to a contract with Sonoma County Water Agency, Marin Municipal Water District was authorized to receive off-peak Russian River Water, delivered by North Marin Water District through unused capacity in the North Marin Aqueduct pursuant to the September 11, 1974 Intertie Agreement; and

WHEREAS, pursuant to a supplemental water supply agreement with Sonoma County Water Agency, Marin Municipal Water District was authorized to receive Russian River Water delivered by North Marin Water District through unused capacity in the North Marin Aqueduct pursuant to the March 11, 1993 Intertie Agreement, which also terminated the September 11, 1974 Intertie Agreement; and

WHEREAS, Marin Municipal Water District has not pursued the second aqueduct contemplated to be constructed by Marin Municipal Water District pursuant to the March 11, 1993 Intertie Agreement, but Marin Municipal Water District wishes to continue to receive Russian River water to be delivered by North Marin Water District through unused capacity in the North Marin Aqueduct; and

WHEREAS, North Marin Water District is currently constructing the Aqueduct Energy Efficiency Project (AEEP) enabling delivery of Russian River Water by gravity flow at a delivery capacity of up

to 18MG per day; and

WHEREAS, as provided in California Water Code sec. 1810 *et seq.*, North Marin Water District desires and is entitled to receive fair compensation for water delivered to Marin Municipal Water District through unused capacity in the North Marin Aqueduct, including the improvements being made pursuant to the AEEP; and

WHEREAS, in February 2012, North Marin Water District provided Marin Municipal Water District with the all of the information utilized to calculate fair compensation for unused capacity in the North Marin Aqueduct, and notified Marin Municipal Water District in a letter dated August 24, 2012 that as of September 25, 2012 the wheeling charge for all water delivered to Marin Municipal Water District by North Marin Water District through unused capacity in the North Marin Aqueduct would be subject to a wheeling charge of \$50 per acre-foot, and all of that information was duly and timely reviewed and considered by the Board of Directors of North Marin Water District and is on file in the office of the District Secretary.

NOW, THEREFORE, BE IT RESOLVED, The North Marin Water District Board of Directors does hereby find and determine, pursuant to the provisions of California Water Code sec. 1800 *et seq.*, that the fair compensation for all water wheeled to Marin Municipal Water District through the existing North Marin Aqueduct and any improvements resulting from the AEEP is and shall be \$50 per acre foot, and the Board of Directors further finds and determines that all actions taken to date by North Marin Water District to impose and collect said fair compensation for all water wheeled to Marin Municipal Water District through the North Marin Aqueduct commencing September 25, 2012 were taken in a manner that was duly authorized.

* * * * *

I hereby certify that the foregoing is a true and complete copy of a resolution duly and regularly adopted by the Board of Directors of NORTH MARIN WATER DISTRICT at a regular meeting of said Board held on the 16th of July 2013 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINED:

APPROVED:

PRESIDENT, NMWD

ATTEST:

SECRETARY

14

MEMORANDUM

To: Board of Directors

July 12, 2013

From: Chris DeGabriele, General Manager *CD*

Subject: Consulting Services Agreement with PES Environmental, Inc. for Gallagher Well and Pipeline Project Hydrologic Design Plan

t:\gm\bod misc 2013\pes environmental agreement memo.doc**RECOMMENDED ACTION:** Approve a Consulting Services Agreement with PES Environmental, Inc. for the Gallagher Well and Pipeline Project Hydrologic Design Plan**FINANCIAL IMPACT:** Up to \$46,000

In August 2012, the Board authorized staff to solicit requests for a consulting services agreement for the Gallagher Well and Pipeline Project Hydrologic Design Plan. The Mitigated Negative Declaration for the project requires NMWD to develop a final hydrologic design plan to be reviewed and approved by the California Department of Fish and Wildlife, identifying how NMWD will maintain flow levels downstream of the Gallagher Wells.

Proposals were solicited from Todd Engineers, PES Environmental, Pacific Geoscience, and Michael Malone Consulting Geologist. Todd Engineers and PES Environmental submitted proposal. PES Environmental was selected as the preferred consultant, based on its project approach pursuant to a review by myself and the Chief Engineer. In the intervening months, staff has coordinated with PES Environmental, Department of Fish and Wildlife, and USGS regarding the gauge location and PES Environmental has submitted the attached revised scope of work and cost estimate for the hydrologic design plan development.

The work will be performed on a time and materials basis currently estimated at \$43,810, with a not-to-exceed cost cap of \$46,000. Other activities moving forward with the project include installation of an auxiliary stream gauge, by USGS. The stream gauge is expected to be installed this August/September at an estimated cost of \$9,000. Additionally, the existing Gallagher Well will be cleaned and redeveloped at an estimated cost of \$3,200. Combined with development of a hydrologic design plan at a not-to-exceed cap of \$46,000 all associated work totals \$58,200, nearly 2x what is currently budgeted for the work in the FY2013/14 West Marin Capital Improvement Budget. Either a budget augmentation or shifting other FY2013/14 CIP work will be necessary to accommodate the Gallagher Well development and hydrologic design plan. Staff will apprise the Board at the mid-year budget review, whether a budget augmentation will be needed.

RECOMMENDATION:

Board authorize staff to enter into a Consulting Services Agreement with PES Environmental for the Gallagher Well and Pipeline Project Hydrologic Design Plan.



July 9, 2013

872.002.01.P01

Chris DeGabriele
General Manager
North Marin Water District
999 Rush Creek Place
Novato, California 94948

**Re: Revised Scope of Work and Cost Estimate
Gallagher Well and Pipeline Project Hydrologic Design Plan
Point Reyes Station, California**

Dear Mr. DeGabriele:

PES Environmental, Inc. (PES) appreciates the opportunity to present this revised scope of work and cost estimate on behalf of the North Marin Water District (NMWD) for services related to the preparation and implementation of a final hydrologic design plan to address Mitigation Measure BR-2 as described in the Mitigated Negative Declaration for the Gallagher Wells and Pipeline Project (GWPP), and for development and implementation of an aquifer testing program to facilitate optimization of the NMWD's planning and water supply operations at the Gallagher Wells site. This revised scope of work is provided as an amendment to PES' September 21, 2012 Proposal submitted in response to the NMWD's August 29, 2012 *Request for Consulting Services and Proposal – Gallagher Well and Pipeline Project Hydrologic Design Plan*. In accordance with your request, this revised scope of work and cost estimate is submitted to account for development and further understanding of the project as a result of the May 1, 2013 field meeting attended by representatives from the NMWD, California Department of Fish and Wildlife (CDFW), United States Geological Survey (USGS), PES, and O'Connor Environmental, Inc. (OEI). Notes from the May 1, 2013 field meeting are summarized in the NMWD's Meeting Report distributed May 7, 2013.

As noted in the Meeting Report, the location for the temporary "auxiliary stream gauge" was selected at the field meeting; the location is approximately 700 feet downstream from the existing USGS Point Reyes Station gage (#11460600). Moreover, it was discussed that the temporary gage would be maintained by USGS for a one month period to monitor stream flow for correlation to the existing Point Reyes Station gage, and the one month monitoring period is expected to occur during late Summer/Fall and under the scenarios of non-pumping and pumping conditions of the Gallagher Test Well. Representatives at the field meeting agreed that the aforementioned details should be sufficient to address criteria for selection of the "auxiliary stream gauge" location and subsequent monitoring program in response to the Mitigated Negative Declaration for the Gallagher Wells and Pipeline Project, Measure BR-2.

Mr. Chris DeGabriele
July 9, 2013
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As described in the following sections, PES' revised scope of work and cost estimate has been developed to account for this planning component of the project having been completed. Additionally, the revised scope of work and cost estimate has been updated to include the performance of a step-drawdown test for the Gallagher Test Well. As discussed with the NMWD, due to the age of the Gallagher Test Well, a variable-rate discharge test (step-drawdown test) should be performed as part of the aquifer test program (separately, and prior to the constant-rate discharge test) to assess the current pumping condition of the Gallagher Test Well.

REVISED SCOPE OF WORK

PES understands that NMWD's primary goal in addressing the requirements of Mitigation Measure BR-2 of the Mitigated Negative Declaration is to receive CDFW approval for the hydrologic design plan which describes how and where instream flows will be monitored and how NMWD will maintain flow levels downstream of the Gallagher Wells site in a manner that does not adversely affect fish and wildlife residing in Lagunitas Creek between the Gallagher Wells and Coast Guard Wells.

To satisfy the requirements of Mitigation Measure BR-2 and streamline the components of the hydrologic design plan for review by CDFW, PES has previously suggested in our Proposal that the "point of compliance" be based on maintaining existing instream flows established under existing SWRCB Order WR95-17 issued to MMWD, and that the point of compliance for NMWD be maintained at the auxiliary gage station downstream of the Gallagher Wells site. As such, components of the aquifer testing program described below (i.e., but not necessarily required under Mitigation Measure BR-2) could be performed separately from the hydrologic design plan and for the primary purpose of NMWD's planning of water supply operations at the Gallagher Wells site. In essence, the components of the hydrologic design plan to be submitted to the CDFW would be kept to the minimum requirements as discussed at the May 1, 2013 field meeting.

Development and Implementation of Hydrologic Design Plan

As described above, the location of the temporary auxiliary gage station has been established by the USGS in consultation with the CDFW, NMWD, PES and OEI. Location and operation of the auxiliary stream gauge downstream of the existing USGS Point Reyes Station gage (#11460600) is intended to provide data necessary to ensure compliance with the condition that the Gallagher Wells site will not adversely affect fish and wildlife residing between the Gallagher Wells and the Coast Guard Wells (Mitigation Measure BR-2). The hydrologic relationship (i.e., comparative analysis) between the auxiliary gauge and the existing Point Reyes Station gage will be analyzed. The hydrologic analysis will be an element of the final hydrologic design plan that will be reviewed for approval by CDFG.

Mr. Chris DeGabriele
July 9, 2013
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It is anticipated that gage data and stream flow measurements collected by USGS will be evaluated for an approximate one month period during late Summer/Fall and under the scenarios of non-pumping and pumping conditions of the Gallagher Test Well. Criteria for comparison of gage records will be detailed in the final hydrologic design plan. Comparative analysis of data from the two stations will be comprised of statistical analyses to test the hypothesis that there is no difference in stream flow at the two locations. While there may be a difference due to a number of variables; the objective will be to establish a reliable quantitative relationship between data from the two gage sites.

The final element of the hydrologic design plan is the assessment of tidal influence and potential backwater effects at the auxiliary gage site under conditions of predicted sea-level rise associated with global climate change. To evaluate this component, we propose to determine the likely future location of tide-water relative to the auxiliary gage based on readily available data. Sea-level rise has been predicted for 2030, 2050 and 2100 in a National Research Council study completed in 2012 (Sea-Level Rise for the Coasts of California, Oregon, and Washington: Past, Present, and Future); these predictions can be applied to Tomales Bay. Tidal fluctuations in Tomales Bay can be readily determined from available data. The height of sea level in the future will be combined with tidal fluctuations to estimate the likely elevation of tide-water. This elevation will then be cross-referenced with relatively accurate elevation data for the lower reach of Lagunitas Creek and its floodplain obtained from available LiDAR topographic data (digital elevation models available at low cost from USGS or the Golden Gate LiDAR Project at San Francisco State University). It is anticipated that tide-water will remain a substantial distance downstream of the auxiliary gage site, and that this level of analysis will likely be sufficient to demonstrate that backwater effects on the gage are unlikely to occur or be negligible.

Aquifer Testing Program

To address the “pumping scenario” component of the hydrologic design plan and assist the NMWD in planning related to future water supply operations at the Gallagher Wells site (including details for balancing/coordinating water releases on Lagunitas Creek with MMWD), an aquifer testing program is proposed to further characterize hydraulic properties of the unconfined alluvial aquifer and assess surface water/groundwater interaction. The design, performance and interpretation of the aquifer testing program would be performed by PES hydrogeologists and engineers having significant experience in conducting such tests within various hydrogeologic regimes throughout California and specifically the watersheds of Marin and Sonoma Counties. The aquifer testing program would be performed under the direct supervision of a PES California Professional Geologist or Certified Hydrogeologist with pump subcontractor services provided by a California licensed C-57 Water Well Contractor.

Mr. Chris DeGabriele
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To streamline the permitting process for the aquifer testing program, the test would be developed based upon data collection at the existing "Gallagher Test Well" and "Observation Well" (located 10 feet apart), and the auxiliary USGS gage station downstream of the Gallagher Wells site (or both the auxiliary gage and existing Point Reyes Station gage stations). As an option, the testing could also include the collection and interpretation of groundwater level data from the existing water supply well located at the Gallagher Ranch. The vertical datum for these data collection points will be corroborated prior to the commencement of data collection activities. While the program could be further expanded to also include the installation of minipiezometers within the streambed of Lagunitas Creek to further quantify potential surface water/groundwater interaction as a result of groundwater pumping, the installation of minipiezometers would likely necessitate further coordination with CDFW for the installation of such instrumentation. PES has successfully incorporated the use of minipiezometers (for temperature profiling and measuring vertical hydraulic gradients within streambeds) to assess the effects of surface water/groundwater interaction as a result of hydraulic stress imposed on aquifer systems due to groundwater pumping (i.e., induced infiltration) for a variety of studies, however, such additional quantification may not be of primary importance to the NMWD.

As noted in PES' September 21, 2012 Proposal, independent analysis of the October 19/20, 1993 "Test Pump Log" for the Gallagher Test Well indicates the calculated well efficiencies range from approximately 88% at 50 gallons per minute (gpm) to 68% at 170 gpm. Optimum pumping rates for a supply well are generally selected for well efficiencies greater than 65%. The data also suggest that the discharge rate of 170 gpm may not be sustainable over extended periods of time (i.e., as observed in the rate of water level drawdown during the final 10 hours of the constant rate test and cumulative drawdown of 27.5 feet) and that a future constant rate discharge test should be performed over a minimum period of 48 hours. Given the age and dormancy of the existing Gallagher Test Well and Observation Well, PES recommends that some level of well rehabilitation or redevelopment be performed by the NMWD (i.e., to remove well screen incrustation and solids that have likely accumulated in the bottoms of the wells) prior to commencement of the aquifer testing program.

While it is expected that the complete objectives of the aquifer testing program will be developed in consultation with the NMWD, PES anticipates the primary objectives to include:

- Characterization of the hydraulic properties (i.e., transmissivity, storativity and hydraulic conductivity) of the unconfined alluvial aquifer;
- Estimate the potential long term groundwater yield available from the existing Gallagher Test Well and/or similarly constructed additional water supply well at the Gallagher Wells site; and

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July 9, 2013
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- Assess potential surface water/groundwater interaction as a result of pumping the Gallagher Test Well (i.e., limiting such characterization by incorporating stream flow data available from either the auxiliary or existing Point Reyes Station gage locations).

Based on the above objectives and the 1993 data available for the existing Gallagher Test Well and Observation Well (Well Completion Report and Test Pump Log), the primary components of the aquifer testing program would include performance of pre-test baseline monitoring, a step-drawdown test and a constant-rate discharge test as described below.

Pre-Test Baseline Monitoring

The pre-test baseline monitoring should be performed for a minimum of 72-hours prior to commencement of the step-drawdown test to establish antecedent groundwater level trends and potential interferences that may need to be extrapolated or considered through the pumping and recovery periods. As discussed with the NMWD, there would be benefit in performing the pre-test monitoring for a longer period in the event that the NMWD elects to purchase beforehand the necessary pressure transducers for the electronic recording of groundwater level measurements. The Gallagher Test Well and Observation Well would be instrumented with submersible pressure transducers to allow for the continuous recording of groundwater level data. Ideally, the pressure transducers would be vented to allow for the automatic compensation of barometric pressure changes. Transducers would be calibrated during installation and readings checked during the aquifer testing program by collecting manual measurements with an electronic water-level sounder. The pressure transducers would be accurate to within 0.1-foot and programmed to record groundwater level data at a frequency of approximately every minute during the pre-test baseline monitoring and during the constant-rate discharge test. In addition, it is recommended that the 12-inch diameter Test Well be equipped with a sounding tube to minimize the interference of recording groundwater levels during pumping. Gage height and instream flows recorded at the USGS auxiliary and/or existing Point Reyes Station gage stations would be downloaded for the same period of the pre-test baseline monitoring.

Step-Drawdown Test

Due to the age of the Gallagher Test Well, a variable-rate discharge test (step-drawdown test) should be performed separately, and prior to the constant-rate discharge test (i.e., to assist in the selection of a suitable discharge rate for the constant-rate discharge test). Water levels in the Gallagher Test Well and Observation Well would be monitored during the step-drawdown test and subsequent recovery period. The step-drawdown test would be performed to identify the appropriate pumping rate for the constant-rate discharge test and to estimate well loss. The step-drawdown test would likely include the pumping at three incremental discharge rates for 60-minute intervals. A discharge rate of approximately 50 gpm would be selected for the first interval of the test. Discharge during each of the subsequent 60-minute intervals would be

Mr. Chris DeGabriele
July 9, 2013
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increased to the approximate rates of 100 and 150 gpm. The actual rate and duration of each subsequent increment of the step-drawdown test would be adjusted based on water-level changes observed in the test well and observation well. The discharge water from the step-drawdown test would be managed in a manner to avert obvious recharge to the Gallagher Test Well, Observation Well and Lagunitas Creek. A recovery test following the step-drawdown test would also be performed to estimate hydraulic characteristics of the aquifer.

Constant Rate-Discharge Test

The primary objectives of the constant-rate discharge and subsequent recovery tests are to better quantify the hydraulic parameters of transmissivity and storativity for the unconfined alluvial aquifer and to assist the NMWD in planning and future water supply operations at the Gallagher Wells site (including details for balancing/coordinating water releases on Lagunitas Creek with MMWD).

The constant-rate discharge test would be performed following the recovery of groundwater levels after the step-drawdown test. Groundwater levels would be monitored throughout the constant-rate test using the submersible pressure transducers placed in the Gallagher Test Well and Observation Well. Gage height and instream flows recorded at the USGS auxiliary and/or existing Point Reyes Station gage stations would be downloaded for the same period of the constant-rate discharge test and corresponding recovery test. The Gallagher Test Well would be equipped with a submersible test pump and pumped at a constant rate selected based upon analysis of the step-drawdown test. The rate of discharge would be controlled with an inline gate valve or equivalent and monitored with a pre-calibrated inline flowmeter. The rate of discharge should be held constant to within plus or minus 10% during the test and any fluctuations in the discharge rate should be recorded. The discharge water from the constant-rate test would be managed in a manner to avert obvious recharge to the Gallagher Test Well, Observation Well and Lagunitas Creek during the pumping and recovery periods.

The criteria for determining the duration of the constant rate aquifer test are as follows:

- The constant-rate discharge test is expected to be performed for a minimum period of 48 hours; and
- The constant-rate discharge test would be continued, if during real-time analysis of the test data (by a PES Hydrogeologist), it appears appropriate to further evaluate hydraulic responses related to groundwater and/or surface water conditions.

Groundwater samples will be collected from the wellhead of the Gallagher Test Well on an hourly basis during the aquifer testing program and analyzed for water quality parameters including pH, temperature, electrical conductivity and turbidity. In the event that NMWD

Mr. Chris DeGabriele
July 9, 2013
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desires to incorporate additional water-quality parameters or analyses into the sampling program, such arrangements would also be coordinated.

Following completion of the constant-rate test, the pump will be shut off and the recovery of groundwater levels monitored in the Gallagher Test Well and Observation Well. At a minimum, groundwater level and stream gage data would continue to be collected throughout the recovery period and/or to include post-test monitoring to further assess non-pumping surface water/groundwater conditions.

Data Analysis and Reporting

Results from the aquifer testing program will be analyzed to estimate hydraulic properties of the aquifer including transmissivity, hydraulic conductivity and storativity. Data from the Test Well will also be analyzed to estimate well efficiency. The analyses will be performed by experienced senior hydrogeologists using both traditional curve-matching skills and state-of-the-art computer software. The use of computer software will allow data to be directly downloaded from data loggers into electronic files for processing. The results of these analyses and data recorded at the USGS auxiliary and/or existing Point Reyes Station gage stations would be used to develop conclusions regarding hydraulic boundaries and yield characteristics of the aquifer system, and potential surface water/groundwater interaction as a result of pumping (e.g., induced streambed infiltration).

Following completion of the data analysis and consultation with the NMWD, PES anticipates to prepare a comprehensive report that presents the following components : (1) descriptions of all field activities; (2) procedures and methodologies for each task performed; (3) data collected in performing each task; (4) scaled maps presenting well locations and applicable data; (5) literature reviewed and the results and methods used for analysis of the aquifer testing program including data plots and calculation sheets; (6) conclusions regarding hydrogeologic conditions, general water quality parameters, aquifer hydraulic properties and potential surface water/groundwater interaction; and (7) conclusions and recommendations to facilitate NMWD's planning for water-supply operations at the Gallagher Wells site including details for balancing/coordinating water releases on Lagunitas Creek with MMWD. In addition, PES will make available to the NMWD electronic versions of databases, AutoCad maps, and aquifer test analyses developed for the project, so that they may be utilized in future studies.

ESTIMATED PLANNING COSTS

The detailed planning costs to provide the aforementioned revised scope of work on a time and materials are presented in Appendix A. The costs have been developed based on a 15% to 18% discount of PES' 2011 Schedule of Charges that is offered to the North Marin Water District and also presented in Appendix A. Additionally, the markup cost for all subcontractor

Mr. Chris DeGabriele
July 9, 2013
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services were reduced from our standard rate of 15%, to a discounted rate of 7%. As presented in Appendix A, the estimated planning costs for the scope of work proposed by PES and OEI total \$43,810 (i.e., of which \$13,920 represents subcontractor services to Weeks Drilling and Pump Co.). The project team estimates a not-to-exceed cost cap of \$46,000 based on the details and assumptions presented in the above revised scope of work.

PES appreciates the opportunity to assist the NMWD in the planning and evaluation of hydrologic and hydrogeologic conditions related to the Gallagher Well and Pipeline Project. Should you have questions regarding this information, please contact Nick Pogoncheff at (415) 899-1600.

Very truly yours,

PES ENVIRONMENTAL, INC.



Nicholas C. Pogoncheff, P.G.
Principal Hydrogeologist

Attachment: Appendix A - Schedule of Charges and Detailed Cost Estimates

ATTACHMENTS



PES Environmental, Inc.
Engineering & Environmental Services

1682 Novato Boulevard
 Suite 100
 Novato, California 94947
 (415) 899-1600
 (415) 899-1601 FAX

NORTH MARIN WATER DISTRICT
2011 DISCOUNTED SCHEDULE OF CHARGES

The following fee schedule applies to all Services provided by PES Environmental, Inc. (PES). This schedule is effective January 1, 2011. Titles are generic and no distinction is made between engineers, hydrogeologists, geologists, or other professions.

Professional Title

Principal Professionals	\$ 175 per hour
Associate Professionals	\$ 150 per hour
Senior Professionals	\$ 140 per hour
Project Professionals	\$ 120 per hour
Senior Staff Professionals	\$ 100 per hour
Staff Professionals	\$ 90 per hour
CADD Operators	\$ 80 per hour
Word Processing & Clerical Support	\$ 60 per hour
Technician	\$ 60 per hour

Fee schedules for field/safety equipment and fleet vehicles provided by PES are submitted or included with project or contract-specific cost estimates. Fees for expendable supplies, rented or leased equipment, and/or subcontractors retained by PES for a project or contract are billed at a rate of cost plus 7 percent (discounted). This charge includes insurance costs, business taxes, administrative fees, processing fees, and carrying costs. Travel time will be charged at regular hourly rates, not to exceed 8 hours per day. Rates for or associated with expert testimony will be increased by 50 percent.

Invoices are payable upon presentation and are past due 30 days from the submittal date.

(_____ / _____)
 initial date

**Estimated Planning Costs
Revised Scope of Work
Gallagher Well and Pipeline Project Hydrologic Design Plan
O'Connor Environmental, Inc. (OEI)
Development and Implementation of Hydrologic Design Plan**

Task	OEI Staff Hours			Expenses (travel)	Total (\$)
	Principal Hydrologist (\$150/hr)	Senior Hydrologist (\$125/hr)	Staff Hydrologist (\$100/hr)		
Hydrologic Design Work Plan for CDFW Review	12	2	2	\$80	2,330
Field-based Review of Existing and Auxiliary Sites	2	0	0	\$65	365
Comparison of USGS Gauge Data-Existing and Auxiliary Gauges	8	2	8		2,250
Assess Sea Level Rise, Tidal Flux, and Potential Gauge Site Backwater	6	2	10	\$250	2,400
Draft Final Hydrologic Design Plan for CDFW Review	12	1	4		2,325
TOTAL ESTIMATED PLANNING COST					\$9,670

**Estimated Planning Costs
Revised Scope of Work
Gallagher Well and Pipeline Project Hydrologic Design Plan
PES Environmental Inc. (PES) - Aquifer Testing Program and General Consulting Services**

Scope of Work			Pre-Test Monitoring Program		Step-Drawdown Test		Constant-Rate Discharge Test		Data Analysis and Reporting		General Consulting Services		Totals	
			Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost
PES LABOR														
Principal Hydrogeologist	hr	\$175	2	\$350	4	\$700	8	\$1,400	20	\$3,500	8	\$1,400	42	\$7,350
Associate Hydrogeologist	hr	\$150	4	\$600	2	\$300	12	\$1,800	24	\$3,600	0	\$0	42	\$6,300
Staff Hydrogeologist/Engineer	hr	\$90	12	\$1,080	10	\$900	24	\$2,160	4	\$360	0	\$0	50	\$4,500
CADD	hr	\$80	0	\$0	0	\$0	0	\$0	4	\$320	0	\$0	4	\$320
Word Processing & Clerical	hr	\$60	0	\$0	0	\$0	0	\$0	2	\$120	0	\$0	2	\$120
TOTAL PES LABOR COSTS				\$2,030		\$1,900		\$5,360		\$7,900		\$1,400		\$18,590
PES EQUIPMENT														
Vehicle/Fuel	dy	\$100	2	\$200	1	\$100	4	\$400	0	\$0	0	\$0	7	\$700
PES Equipment/Supplies	unit	\$100	2	\$200	2	\$200	4	\$400	0	\$0	0	\$0	8	\$800
Report Production/Distribution	ls	\$130	0	\$0	0	\$0	0	\$0	1	\$130	0	\$0	1	\$130
TOTAL PES EQUIPMENT COSTS				\$400		\$300		\$800		\$130		\$0		\$1,630
SUBCONTRACTOR SERVICES														
NMWD Provided Pressure Transducers (2) Weeks Drilling & Pump Co (200 ft discharge)	NA ls				1	\$2,500	1	\$10,500						\$13,000
TOTAL SUBCONTRACTOR COSTS (w/ 7% Markup)				\$0		\$2,680		\$11,240		\$0		\$0		\$13,920
TOTAL ESTIMATED PLANNING COSTS				\$2,430		\$4,880		\$17,400		\$8,030		\$1,400		\$34,140

For the purpose of preparing cost estimate, it is assumed that NMWD will provide 2 electronic pressure transducers (approximate cost of \$2,500)

15

MEMORANDUM

To: Board of Directors July 12, 2013
From: Chris DeGabriele, General Manager CD
Subject: NMWD Letter Supporting the County of Marin Local Coastal Program Amendment
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RECOMMENDED ACTION: Board authorize General Manager to send a letter supporting the County of Marin Local Coastal Program Amendment

FINANCIAL IMPACT: None at this time

NMWD staff has been providing information to the County of Marin since 2003 in support of revision/amendment to the Marin County Local Coastal Program. Most recently in August 2011, NMWD commented on the proposed amendment in regard to community sewer systems and desalination facilities. The NMWD comments were focused on the proposed requirement that new development within a village-limit boundary be connected to a public sewer system if the sewer system is within 400 lineal feet of the parcel. This was a concern in Old Dillon Beach. Additionally the originally proposed Local Coastal Policy prohibited desalination facilities, which would restrict one potential solution to the Pt. Reyes (Lagunitas Creek) salinity intrusion problem. The Board was subsequently apprised in October 2011, that the proposed policies in the Local Coastal Program Amendment were revised to address NMWD's concerns.

On July 30th the Marin County Board of Supervisors will hold a public hearing, and consider adopting a resolution submitting a set of amendments to the County's Local Coastal Program to the California Coastal Commission for their certification. NMWD staff supports the proposed amendments, yet desires further flexibility in establishing a wetland buffer, particularly in the case of the proposed NMWD Pt. Reyes Treatment Plant Solids Handling Facility, which is in upland topography on property already disturbed (the Old Railroad Right-of-Way) and will not have a material impact on the wetland as described in our letter.

RECOMMENDATION:

Board authorize staff to send a letter of support to the County of Marin on the Local Coastal Program Amendment, including a request for flexibility in establishing a wetland buffer.

DRAFT

July 17, 2013

Judy Arnold, President
Marin County Board of Supervisors
3501 Civic Center Drive Suite 329
San Rafael, CA 94903

Re: Marin Local Coastal Program Amendments

Dear Supervisor Arnold:

North Marin Water District (NMWD) has been providing information to County of Marin staff working on revision/amendment to the County's Local Coastal Program since 2003. Most recently, in 2011, NMWD updated our West Marin water supply information and further commented in two areas which were incorporated into the current draft LCP policy amendments. (1- regarding community sewer systems, specifically in the Old Dillon Beach Village area, and 2- desalination facilities, specifically in relation to salinity intrusion problems for the community drinking water supply derived from wells adjacent to Lagunitas Creek). Thank you for incorporating our comments.

NMWD is supportive of the draft Local Coastal Program amendment, yet has one further comment we request be incorporated. NMWD has a current project to construct a solids handling facility at the existing Pt. Reyes Water Treatment Plant Facility near the U.S. Coast Guard Housing Facility. The project would benefit the environment by capturing any solids from the water treatment process. The project, as shown schematically on the attached aerial photograph (Attachment 1), is in an upland area away from Lagunitas Creek located on the previously disturbed Old Railroad Right-of-Way. It does not infringe upon any riparian corridor or any wetland. The existing Local Coastal Plan however, requires a 100 ft. wetland buffer, in which, the proposed NMWD project would be located.

NMWD requests that the Local Coastal Plan Amendment include some

flexibility to reduce the wetland buffer to accommodate a project such as the proposed solids handling facility. The Proposed Local Coast Program Policy C-BIO-20, Wetland Buffer Adjustments and Exceptions (Attachment 2), would be satisfactory for NMWD to move forward with its proposed project.

Sincerely,

Chris DeGabriele
General Manager

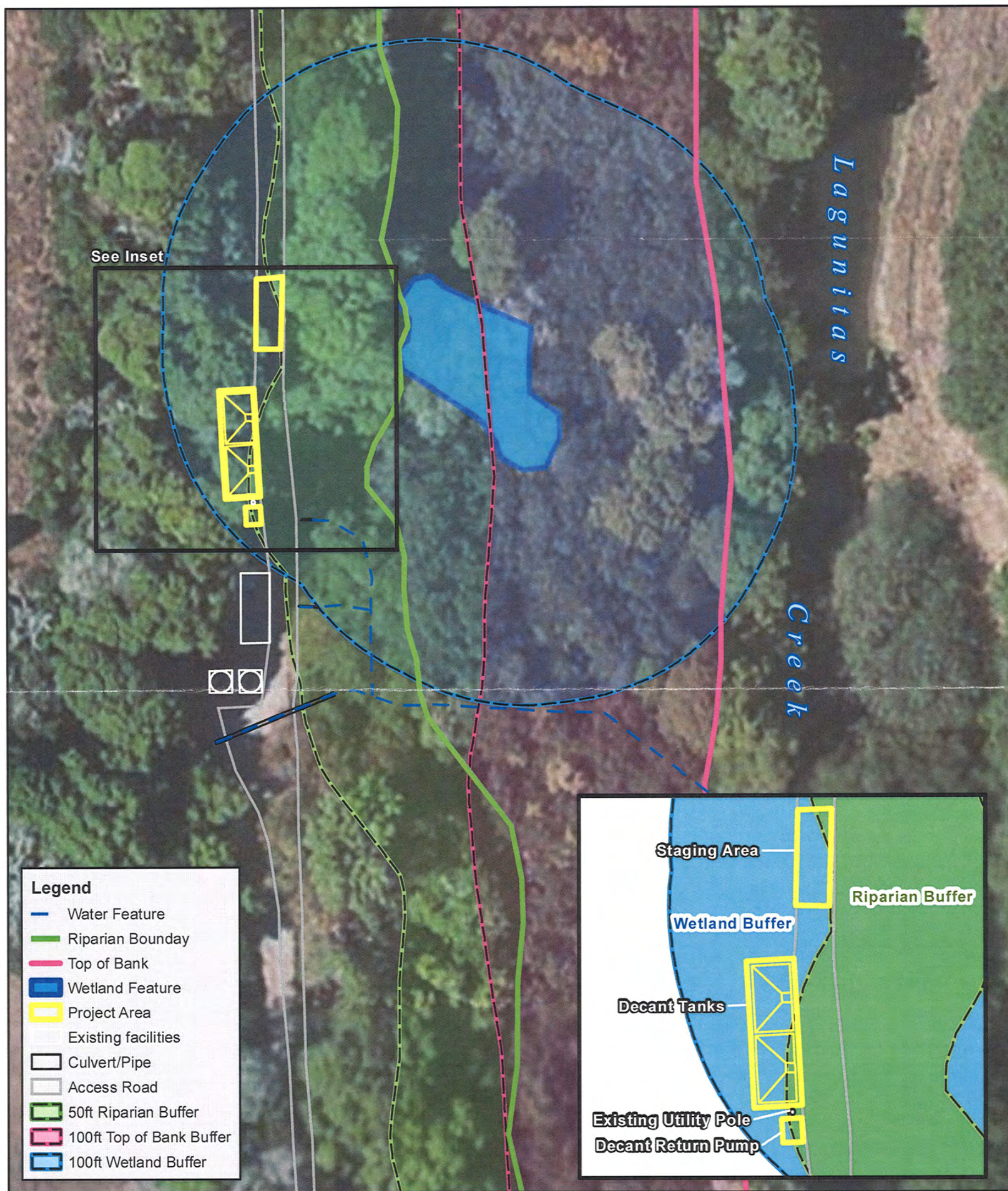
Enclosures as stated

CC:
Supervisor Steve Kinsey
3501 Civic Center Drive, Room 329
San Rafael, CA 94903

Thomas Lai
3501 Civic Center Drive, #308
San Rafael, CA 94903-4157

CD/kly

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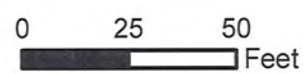
USGS 7.5' Quad:
Inverness (1976)

Legal Description:
T3N, R9W, Section 25



Point Reyes Water Plant Project Area in Relation to Wetland and Water Features
Marin County

Scale 1:700
1 Inch = 58 Feet



C-BIO-20 Wetland Buffer Adjustments and Exceptions. Buffer adjustments may be considered for coastal permits if the following criteria are met:

- a. It is proposed on a legal lot of record located entirely within the buffer; or
- b. It is demonstrated that permitted development cannot be feasibly accommodated entirely outside the required buffer; or
- c. It is demonstrated that the permitted development outside the buffer would have greater impact on the wetland and the continuance of its habitat than development within the buffer; or
- d. The wetland was constructed out of dry land for the treatment, conveyance or storage of water and does not affect natural wetlands.

A buffer adjustment may be granted only if supported by the findings of a site assessment which demonstrate that the adjusted buffer, in combination with incorporated siting, design or other mitigation measures, will prevent impacts that significantly degrade the wetland and will be compatible with the continuance of the wetland ESHA.


A Coastal Permit authorizing a buffer adjustment shall require measures that create a net environmental improvement over existing conditions, in addition to what is otherwise required by minimum applicable site development standards. Such measures shall be commensurate with the nature and scope of the project and shall be determined at the site level, supported by the findings of a site assessment or other technical document. Work required in accordance with this Policy shall be completed prior to occupancy. Appropriate measures may include but are not limited to:

- a. Retrofitting existing improvements or implementing new measures to reduce the rate or volume of stormwater run-off and improve the quality of stormwater run-off (e.g., permeable "hardscape" materials and landscape or site features designed to capture, absorb and filter stormwater);
- b. Elimination of on-site invasive species ;
- c. Increasing native vegetation cover (e.g., expand continuous vegetation cover, reduce turf areas, provide native groundcover, shrubs and trees);
- d. Reduction in water consumption for irrigation (e.g., drought-tolerant landscaping or high efficiency irrigation systems);
- e. Other measures that reduce overall similar site-related environmental impacts.

The buffer shall not be adjusted to a distance of less than 50 feet in width from the edge of the wetland.

16

MEMORANDUM

To: Board of Directors
From: Chris DeGabriele, General Manager 
Subject: Board Review of District Policies –
#13 Board of Directors Compensation and Procedure
t:\gm\bod misc 2013\board compensation memo.doc

July 12, 2013

RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: None at this time

At the June 25th Board of Directors meeting, the Board reviewed District policy #13 – Board of Directors Compensation and Procedure (Attachment 1). The attachment currently includes revisions pursuant to the conversation with the Board at that time. The Board of Directors also requested additional information surveyed from other public agencies in the Bay Area regarding Director Compensation and that information is attached. Once the Board is in agreement regarding an increase in compensation for attendance at meetings of the Board or each day service, staff will propose a further revision to the policy and recommend a public hearing to consider a ordinance enacting a revised policy.

NORTH MARIN WATER DISTRICT

POLICY: BOARD OF DIRECTORS COMPENSATION AND PROCEDURE

POLICY NUMBER: 13

Original Date: 2004

Revision Adopted: August 1, 2006

Each director shall receive compensation in a standard amount not to exceed one hundred dollars (\$100) per day for each day's attendance at meetings of the Board or for each day's service rendered as a director by prior approval of the Board. Said standard amount shall be escalated annually on July 1st based upon the change in the San Francisco Bay Area Consumers Price Index for the prior 12 month period. Such service shall include: attendance at special Board meetings or subcommittee meetings; attendance at workshops/seminars relevant to District activities; attendance at meetings with other public entities where District interests are subject to consideration. Furthermore, such compensation shall not exceed a total of six days in any calendar month and any Director shall have the option to decline compensation for attending any special meetings or other activities relevant to the District's interest.

When a Director is authorized by prior approval of the Board to attend a meeting out of the immediate area (beyond Marin or Sonoma Counties ~~a 100-mile radius from the NMWD service territory~~), the Director may request reimbursement of actual and necessary expenses for travel, meals, lodging and meeting registration, as applicable, along with ~~in lieu of~~ the standard \$100 amount per each days service ~~compensation~~ noted above.

Actual and necessary expenses shall remain within IRS Publication 463 guidelines, except that lodging for conferences or an organized educational activity shall not exceed the maximum group rate published by the conference or activity sponsor. Expenses shall be documented with receipts and attached to the submitted reimbursement voucher.

Procedure:

Compensation for meetings of the Board, including special meetings, will be presented on the first disbursement list of ~~the first meeting~~ of the month following the month of attendance, as is currently the practice.

Compensation for attendance at committee meetings or other meetings attended on behalf of the Board will only be authorized after that Board member has submitted a voucher with justification to the Auditor-Controller.

Voucher Format:

I attended the [describe meeting and purpose of attendance] on [date] and wish to be compensated as provided under the Board compensation policy.

/signature/ /date/

Vouchers must be submitted no later than ~~six~~eight calendar days prior to the ~~Board~~
~~meeting~~month end for inclusion in the disbursement package and may be submitted electronically
(email/facsimile).

Director Compensation Survey

2013 BOD Compensation Survey.xlsx

date: 7/3/2013

by: CD

	Agency	\$/Meeting	Meeting/Month	Population Served	Number of Employees	Medical/Dental Coverage (Note 2)
1	East Bay Municipal Utility District (Note 1)	\$ 1,120	3 (minimum)	1.35 million	1847	y
2	Santa Clara Valley Water District	\$ 286	10	1.8 million	734	Y
3	Ross Valley Sanitary District	\$ 258	1 (may attend 2-4 committee mtgs/mo)	50K	40	N
4	Las Gallinas Valley Sanitary District	\$ 253	2 (may attend up to 6/mo)	30K	19	Y
5	Novato Sanitary District	\$ 225	2	56K	22	Y
6	Central Contra Costa Sanitary District	\$ 221	6	462K	255	Y
7	Alameda County Water District	\$ 175	1 (compensated for up to 8/mo)	83K	229	Y
8	Ironhouse Sanitary District	\$ 170	6	30K	24	Y
9	Delta Diablo Sanitation District	\$ 170	6	100K	88	Y
10	Sausalito-Marin City Sanitary District	\$ 160	1 (may attend up to 6/mo)	10K	12	N
11	Dublin-San Ramon Services District	\$ 146	10	157K	109	Y
12	Marin Municipal Water District	\$ 145	2 (may attend add'l 3-6 committee mtgs)	185K	239	Y
13	North Marin Water District	\$ 100	2 (compensated for up to 6/mo)	63K	51	N
14	Contra Costa Water District	\$ 100	2 (compensated for up to 10/mo)	240K	330	Y
15	Valley of the Moon Water District	\$ 100	1 (compensated for up to 6/mo)	23K	10	N

Notes:

1. EBMUD Compensation is a monthly stipend established by special legislation.
2. Where indicated, Medical/Dental Coverage (and/or reimbursement) is highly variable.

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MEMORANDUM

To: Board of Directors
From: Chris DeGabriele, General Manager *LD*
Subject: Auxiliary Dwelling Unit Connection Fees
t:\gmbod misc 2013\auxiliary dwelling unit conn fee.doc

July 12, 2013

RECOMMENDED ACTION: Maintain Auxiliary Dwelling Unit Connection Fees at their Current Level

FINANCIAL IMPACT: None at this time

Background

On October 31, 2012, Bob Brown, the City of Novato Director for Community Development, met with me to request North Marin Water District reduce fees for auxiliary dwelling units (ADU or second units) to incentivize their development. Mr. Brown provided a table of typical fees for second dwelling units in Novato and a table with comparison of fees for second dwelling units by local utility public agencies (Attachment 1). Mr. Brown advised that California allows second units to be considered affordable housing if demonstrated by survey that the rental amount charged meets affordable housing requirements. Mr. Brown also informed me that the City of Novato would not deed restrict the rental amount charge, but would consider changing the zoning regulation to limit the size of second units. In Novato, the minimum second unit dwelling size is 150 gross square feet and the maximum 750 gross square feet depending on lot size up to 10,000 square feet. In reviewing the comparison of fees, I informed Mr. Brown that the \$5,000 he references for NMWD new meter installation is physical construction and should not be included in the fee comparison and that this cost may be avoided provided the Fire Department approves both that the single family residence and a second unit can be served by common meter and no fire sprinklers are required.

Analysis

I requested the Auditor-Controller, David Bentley to review the basis for the District's ADU connection fee. That analysis, Attachment 2, confirms that the NMWD fee charged is reasonable and appropriate and is consistent with the methodology to calculate other dwelling unit fees, which are based on water use in proportion to a single family residential unit. In Novato a single family residential dwelling unit pays a total initial charge of \$32,640 which includes a facilities reserve charge (FRC) of \$28,600, reimbursement fund charge of \$420, meter charge of \$120 and service line of \$3,500. In Novato, we have 13,425 single family homes, 197 of them are single family dwelling with an ADU served by one meter. Another eight have separately metered ADU's. Single family homes in Novato typically use 114,141 gallons

per year; and those with a second unit, use an additional 44,842 gallons. The second units metered separately, use 51,612 gallons per year. Initial charges for second units in Novato total \$11,200 (FRC only) when served by a common meter, and \$15,240 when served by a separate meter. The additional charges are for reimbursement fund (\$420), meter (\$120), and service line (\$3,500).

I further requested the Auditor-Controller to review the FRC for mobile homes currently set at \$10,000/dwelling unit and less than the FRC for an ADU. He concluded that the mobile home FRC charge is appropriate, but indicated that there are likely so few new ADU's that will come forward that the \$1,200 difference in FRC between mobile homes and ADU's will not have significant financial impact on NMWD.

I investigated Mr. Brown's comparison data for Marin Municipal Water District (MMWD) and found that MMWD has a Board policy which is very complex and addresses second units by both size and whether they are attached or detached. MMWD connection fees vary for second units less than 400 square feet at \$2,346 up to \$7,036 for a second unit over 750 square feet. It's also noted that water use is calculated variably among the different sized second units and whether they are attached or detached. By comparison, the MMWD single family residential connection fee varies from \$11,728 to \$14,367 in the Marinwood area all based on projected annual demand. The connection fee per acre foot of demand is \$29,320 (one acre foot equals 325,850 gallons). The MMWD charge for a new service line and meter totals \$4,420 as compared to North Marin's \$3,620. MMWD's Board policy enables connection fees to be reduced by 50% should the second unit be deed restricted as low income for ten years. When comparing the cost of water service to the end user, assuming a 750 square foot detached second unit, a North Marin customer would pay \$388 and a MMWD customer would be \$387¹.

I also looked at other agency charges for second units which are highly variable. In the City of Petaluma, no connection fees are charged for second units less than 640 square feet, just a \$150 meter charge. For units greater than 640 sq ft, the residence is considered a single family dwelling unit. In Santa Rosa, detached second units are charged a connection fee of \$2,582 and at Valley of the Moon Water District second units are charged a capacity charge of \$7,547 and a meter and service line charge of \$3,932.

In conclusion, it is my opinion that the North Marin fee is appropriate and consistent with the methodology used to calculate other dwelling unit fees (based on a proportionate ratio of water use compared to single family residential units). Other agency fees for second units are highly variable and much discounted. The MMWD fee structure is far too complex. The

difference in fees calculated for second units at MMWD is based on their connection fee for single family residential units which is much less than North Marin's.

RECOMMENDATION:

I don't recommend any change in the District's connection fee or initial charges at this time.

¹ NMWD: 51,612gal @ \$4.03/1,000 + \$30.00 bimonthly service charge x 6 = \$388
MMWD: 51,612gal @ \$5.00/1,000 + \$21.53 bimonthly service charge x 6 = \$387

Accessory Dwelling Units

Zoning Standards

Number Allowed: Only one accessory dwelling unit per single-family lot.

Maximum Size: 750 square feet maximum plus, on lots over 10,000 square feet, 50 square feet of additional floor area may be allowed for each 2,000 square feet of lot size over 10,000 square feet up to a maximum of 1,000 square feet of floor area.

Occupancy: The owner of a parcel proposed for accessory dwelling use shall occupy as a principal residence either the primary dwelling or the accessory dwelling.

Sale Prohibited: An accessory dwelling unit shall not be sold independently of the primary dwelling on the parcel.

Deed Restriction: A deed restriction, approved by the city attorney, shall be recorded with the county recorder's office, which shall include the pertinent restrictions and limitations of an accessory dwelling unit identified in this section. Said deed restriction shall run with the land, and shall be binding upon any future owners, heirs, or assigns. A copy of the recorded deed restriction shall be filed with the Department stating that:

1. The accessory dwelling unit shall not be sold separately from the primary dwelling unit;
2. The accessory dwelling unit is restricted to the maximum size allowed per the development standards in Section 19.34.030
3. The accessory dwelling unit shall be considered legal only so long as either the primary residence, or the accessory dwelling unit, is occupied by the owner of record of the property;
4. The restrictions shall be binding upon any successor in ownership of the property and lack of compliance with any provisions of Section 19.34.030, may result in legal action against the property owner, including revocation of any right to maintain an accessory dwelling unit on the property.

Projected Number of Accessory Dwelling Unit Approvals

There have been 9 accessory dwelling units approved by the City between 2007 and 2012 (about 0.75 per year). Of these approvals, only 6 have actually secured building permits (0.5 per year).

Our draft Housing Element projects the addition of 13 accessory dwelling units between 2014 and 2022 (about 1.6 per year).

Average Size of Accessory Dwelling Units Approved

The average size of accessory dwelling units approved from 2000 to 2012 is 765 square feet. Ninety percent (90%) of the approved units were one bedroom, one bath dwellings. About two-thirds of the approved units were detached from the main dwelling.

Fees for Accessory Dwelling Units*

<i>Current Fees</i>		<i>Proposed Fees</i>
Planning Permit Fees	\$1,494	\$747
Building Permit Fees	\$2,163	same
Development Impact Fees		
City:		
Rec/Cultural Facilities	\$ 6,293	
Civic Facilities	1,128	
General Government Systems	489	
Open Space	1,361	
Drainage	773	
Streets & Intersections	3,873	
Transit Facilities	134	
Corporation Yard	84	
TOTAL	\$14,135	\$7,067
Novato Fire Protection District	\$729	
Novato School District Developer Impact Fee	Units less than 500 sf: \$0 Units 500+ sf: \$1,975	
Sewer Service/Connection	\$8,990	
Water Connection/Meter	\$17,200	
TOTAL	\$44,294	

*Assumes a 750 sf detached second dwelling unit

COMPARISON OF FEES FOR SECOND DWELLING UNITS: UTILITIES

Water Service	<i>North Marin Water District</i>	<i>Marin Municipal Water District</i>
Connection fee:	\$11,200	<u>Attached unit:</u> Less than 750sf: \$2,341 750-1,000 sf: \$2,341-\$7,022 <u>Detached unit:</u> Less than 400sf: \$2,341 401-750 sf: \$2,341-\$5,267 751-1,000 sf: \$5,267-\$7,022
New meter installation:	\$5,000 (req'd if fire sprinklers req'd*)	<u>Attached unit:</u> not required <u>Detached unit or if fire sprinklers req'd*:</u> \$4,350-\$4,420

* Novato Fire District is agreeable to requiring fire sprinklers only for units \geq 600 square feet.

MEMORANDUM

To: Chris DeGabriele, General Manager
From: David L. Bentley, Auditor-Controller
Subj: Auxiliary Dwelling Unit Connection Fee
t:\aclword\frcladu fee.docx

June 14, 2013

You asked me to review the basis for the District's Facilities Reserve Charge (connection fee) for an auxiliary, or second, dwelling unit (ADU). Regulation 1 establishes the ADU FRC at \$11,200, equivalent to 39% of the \$28,600 FRC for a Novato detached single-family home.

The basis for the FRC is water demand. The billing records show that the District has 197 active single-family homes with an ADU served by a single meter, and 8 separately metered ADUs. A query of last fiscal year's (FY12) water use for single-family homes, single-family homes with an ADU served by a single meter, and separately metered ADUs, reveals the following:

FY12 Water Use

	Single-Family Home	Single-Family w/ADU	Separately Metered ADU
Mean Gallons	114,141	158,982	51,612
Count	13,425	197	8

The incremental water demand from the single-family home with an ADU over the single-family home was 44,842 gallons (158,982-114,141). This is 13% less than the 51,612 gallons observed on separately metered ADUs, however, the small number of separately metered ADUs makes that data less representative. The incremental water demand of single-family homes with an ADU (44,842 gallons) equates to 39% of the average single-family home demand, which is the same ratio as the ADU connection fee bears to the single-family home connection fee. The water demand of the separately metered ADUs equates to 45% of the average single-family home demand.

My conclusion is that the ADU connection fee charge, set at 39% of the single-family home fee, is reasonable and appropriate.

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MEMORANDUM

To: Board of Directors July 12, 2013

From: Drew McIntyre, Chief Engineer 
Carmela Chandrasekera, Associate Engineer 

Subject: Leveroni Creek Bank Stabilization Project – RWQCB Monitoring Report – Year 1
R:\Folders by Job No\6000 jobs\6600 STP jobs\6600.60\6600.60 Leveroni Creek Bank Repair Monitoring BOD memo 7-12-13.docx

RECOMMENDED ACTION: Information Only.

FINANCIAL IMPACT: \$3,800

The Leveroni Creek Bank repair project stabilizes an eroding 100 ft of the creek bank using a combination of willow sprigged rock and biotechnical treatments next to the fence and paved access road leading to the northern area of the Stafford Water Treatment Plant site (see Attachment 1, Vicinity Map). The bank repair was designed by Prunuske and Chatham Inc. (PCI) and construction completed in September 2012 by Engelke Construction. Planting of 35 additional plants was completed in December 2012 by the Boy Scouts of America. The Board was apprised of the project close out at the March 19, 2013 Board meeting.

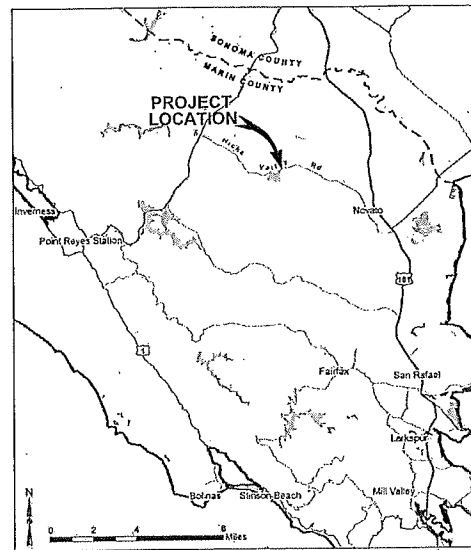
Per permit conditions, San Francisco Bay Regional Water Quality Control Board (RWQCB) and California Department of Fish and Wildlife (CDFW) require post construction annual monitoring reports for 3 and 5 years, respectively. The first of the monitoring reports was completed by PCI and submitted to the RWQCB on June 27, 2013 (see Attachment 2). PCI concluded in the report that all elements of the streambank repair and habitat improvement project are functioning per the design. PCI also expects that the planted vegetation will continue to mature and provide additional bank stability and riparian habitat.

The next report (to CDFW) is due on December 31, 2013. PCI has been authorized to prepare both 2013 reports (to RWQCB and CDFW) for a cost of \$3,800. Total payments to PCI for design, permitting, construction observation, and preparation of first year monitoring reports is \$32,158. PCI has provided a proposal for \$9,285 (\$13,085 - \$3,800) to prepare all future monitoring reports. No decision has been made regarding future report preparation yet.

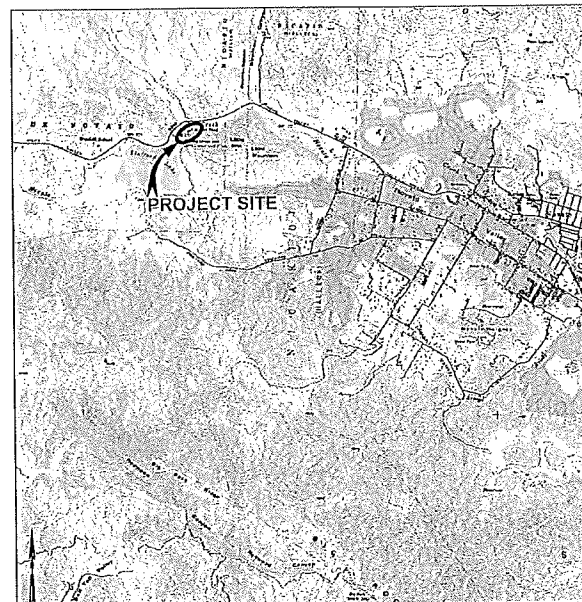
PROJECT COST SUMMARY

The total estimated project cost including preparation of future monitoring reports is \$175,000 (compared to the combined FY12 and FY13 CIP budget of \$185,000).

NORTH MARIN WATER DISTRICT LEVERONI CREEK BANK STABILIZATION



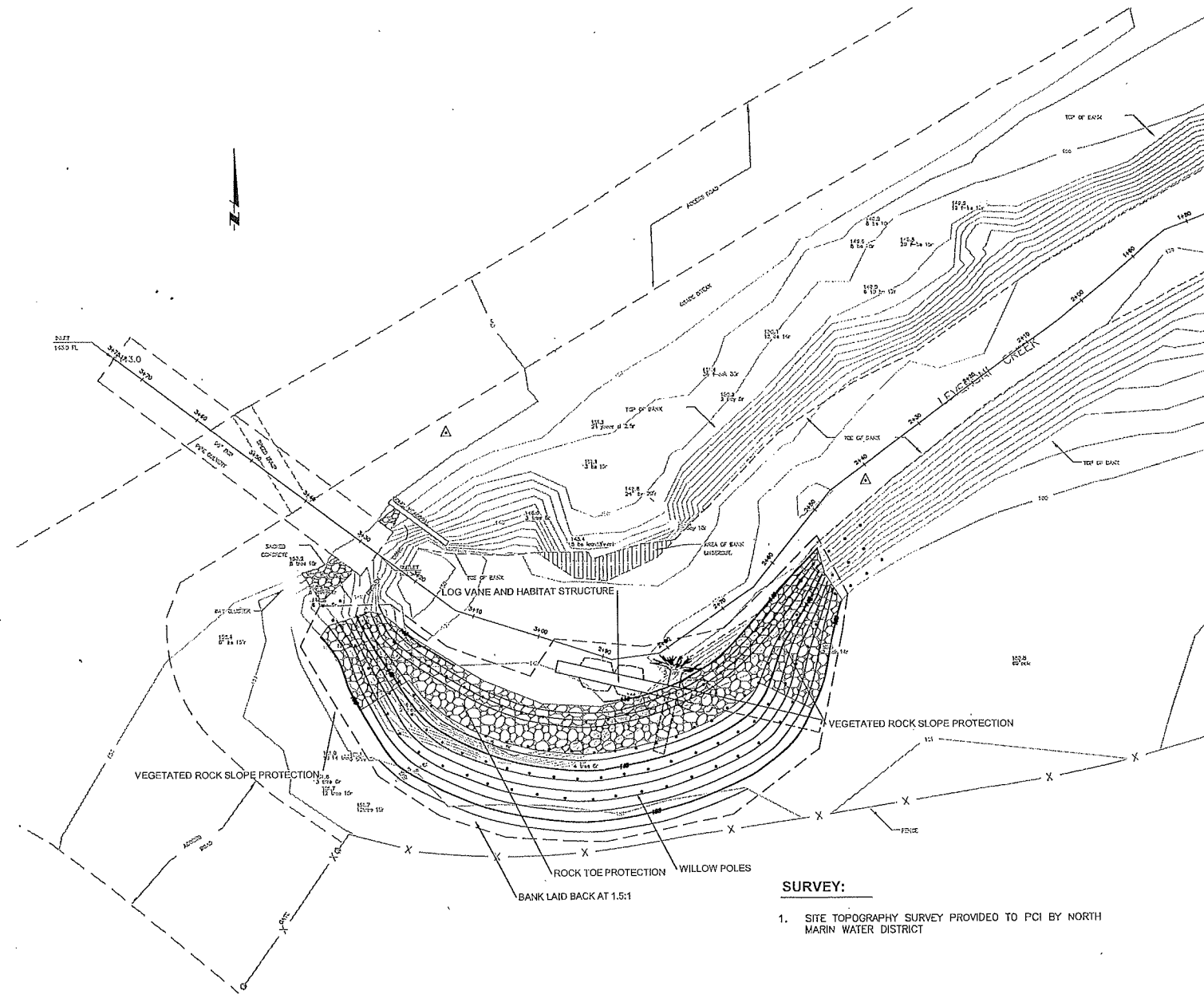
VICINITY MAP
SCALE: AS SHOWN



LOCATION MAP
1"=4000'

Directions to Site

From Highway 101 N take the Atherton Ave/San Marin Dr. Exit. Turn right onto San Marin Dr. Turn right onto Novato Blvd. Turn left into driveway before Stafford Lake spillway. Site is on left at culvert outlet.



PROJECT LAYOUT
1"=10'

SURVEY:

1. SITE TOPOGRAPHY SURVEY PROVIDED TO PCI BY NORTH MARIN WATER DISTRICT

SHEET INDEX

SHEET NO.	TITLE
1	TITLE SHEET
2	CONSTRUCTION NOTES
3	PLAN
4	CROSS SECTIONS
5	CONSTRUCTION DETAILS
6	REVEGETATION NOTES AND DETAILS

VERIFY SCALES
ONE INCH

LEGEND

GENERAL:	
WS WATER SURFACE	SECTION OR DETAIL DESIGNATION
TR TOP OF ROCK	SECTION WHERE SECTION OR DETAIL OCCURS
TL TOP OF LOG	
TOPOGRAPHIC:	
PROPOSED	EXISTING
---100---	---100---
	CONTOUR LINE
---	---
	FENCE
-----	-----
	BRUSH/CANOPY/VEGETATION LINE
	ROCK SLOPE PROTECTION
	EARTH FILL/COMPACTED SUBGRADE
	RIVER RUN GRAVEL
	TREE
	TREE TO BE REMOVED
	WILLOW POLE
	CONTROL POINT
	UTILITY POLE (P=POWER, T=TELEPHONE, P=JOINT POLE)
	OUT POLE

SUBMITTED: _____ APPROVED: _____
NAME NAME



PRUNUSKE CHATHAM, INC.
400 MORRIS STREET, SUITE G
SEBASTOPOL, CA 95472
(707) 824-4600



NO.	DATE	REVISION	BY	APP.

NORTH MARIN WATER DISTRICT
NOVATO, CALIFORNIA

LEVERONI CREEK
BANK STABILIZATION
TITLE SHEET

DES	DR	CH	SCALE	: AS SHOWN
JB	JB	JM	DATE	: 3/24/11
APPROVED: CHIEF ENGINEER			SHEET NO. : 1	OF 6 SHEETS
R.E. C40936		SERVICE AREA	JOB NO.	NO.

Mar 28, 2011 4:12pm G:\CAD Drawings\NMWD Leveroni.dwg Leveroni-SH1.dwg User: JPAWSON

LEVERONI CREEK BANK STABILIZATION MONITORING REPORT – YEAR 1



Prepared for
San Francisco Bay Regional Water Quality Control Board

on behalf of
North Marin Water District

by
Prunuske Chatham, Inc.

JUNE 2013



PRUNUSKE CHATHAM, INC.

Contents

Introduction	1
Project Description	2
Project Effectiveness Assessment Criteria.....	2
Monitoring Results.....	3

Introduction

In the summer of 2012, North Marin Water District (NMWD) installed bank stabilization to protect their water plant access road. The project took place on Leveroni Creek, a small, ephemeral tributary to Novato Creek, immediately upstream of the confluence with Novato Creek where it flows out of Stafford Lake (Figure 1). The bank stabilization was designed by Prunuske Chatham, Inc. (PCI) and required permits from the US Army Corps of Engineers (USACE), San Francisco Bay Regional Water Quality Control Board (SFRWQB), and the California Department of Fish and Game, which has since become the California Department of Fish and Wildlife (CDFW). SFRWQCB requires annual project effectiveness monitoring reports for 3 years.

This report summarizes the status of the bank stabilization one year after construction. The monitoring objective is to assess how well the project is performing related to its stated goals, especially in its function to reduce erosion. A combination of direct inspection and photo-monitoring was used to determine project performance. Direct inspection of project elements is conducted by the project designer or other qualified engineer/architect to evaluate changes that occurred over the previous rainy season. An evaluation of the stability of the installed rock and log structures, the survival and health of the willow sprigging and other vegetation, and any adjustments to channel form are described and discussed herein.



Figure 1. Location Map

Project Description

An eroding bank immediately downstream of the outlet of an 8-foot diameter culvert had gotten within 12 feet of the existing treatment-plant fence and access road. The erosion of concern was concentrated at the creek bend downstream of the culvert (Figure 2).



Figure 2. Pre-project bank erosion downstream of culvert. Photo on left looking across channel at erosion of concern, fence and road. Photo on right looking up channel at eroding bank.

The project stabilized the eroding bank using a combination of willow-sprigged rock and biotechnical treatments. A rock toe and lower bank rock stabilization structure, extending 3 feet above the channel bed, were installed along 70 feet of streambank using Caltrans-specification boulders sized for bankfull flows. Rock was placed to top-of-bank along the upstream 10-foot and downstream 20-foot sections to improve repair stability. The boulders were sprigged with willow stakes along the entire project length to improve long term site stability and habitat value.

Above the rock toe, the bank was laid back at a 1.5:1 angle. The slope was stabilized with erosion control blanket seeded with a native grass mix, and the upper slope areas were planted with 30 container plants evenly divided between native trees (live oak, alder, and buckeye) and understory shrubs (e.g., snowberry and California blackberry).

In addition to protecting the facility's infrastructure, the repair improved winter steelhead habitat. A 30-foot log vane and rootwad structure was installed to provide channel complexity, and the willows, once mature, will provide a low-velocity environment for high-flow refugia.

Project Effectiveness Assessment Criteria

Monitoring determines the stability and functionality of the project, and whether it met the project goals. The project included five major components:

- Large rock placed for bank stabilization,
- Grading and erosion control for upper bank stabilization,

- Large log for habitat complexity,
- Revegetation for long-term bank stability and riparian habitat, and
- Gravel for bed structure, complexity, and spawning habitat.

The bank treatments are expected to remain in place through high flows. The complexity of the channel is expected to increase with a new pool and gravel bar associated with the log vane. No, or very limited, erosion of the opposite bank is expected. Biotechnical treatments and vegetation is expected to survive and grow with limited, reasonable loss of individual plantings. The following areas were evaluated to determine whether the project is functioning as planned:

- The entire treated bank length, with a focus near culvert,
- The channel bed,
- The opposite bank at downstream end, and
- The top of bank and slopes where vegetation was established.

Monitoring Results

All the major project elements are functioning as planned. The bank repair appears stable (Figure 3 and 4). Visual assessments during high water did not indicate unusual turbulence or instability. This was confirmed during a thorough on-site evaluation by the project designer in June. All boulders have remained in place. The interstitial gravels are present except for along a 5-foot linear portion of the repair immediately downstream of the culvert. Turbulence created from the culvert outfall is believed to have caused the evacuation of the interstitial gravel. The loss of gravel in this section does not appear to have destabilized the repair.



Figure 3. Project site during high flow (left) and in summer dry conditions after the first year of high flows looking downstream from culvert. Note that the rock and biotechnical treatments have remained stable. Photos by NMWD (December 2012) and PCI (June 2013).



Figure 4. Culvert and downstream bank repair area during high flow (left) and after first year of high flows (right), looking upstream. Photos by NMWD (December 2012) and PCI (June 2013).

Changes to the channel bed and the bank opposite the repair are minimal. The log vane is functioning as planned, creating a scour pool downstream and trapping gravels immediately upstream (Figure 5). No additional significant changes along the bed are apparent. Exposed roots on the bank opposite the repair have not been further undercut, and the adjacent natural banks appear stable (Figure 6).



Figure 5. Log vane after winter flows showing scour and aggradation of channel to create channel complexity, looking downstream (PCI June 2013).



Figure 6. Bank opposite the repair before and after construction showing bank and channel bottom stability (PCI 2011 and 2013). The blue ovals show the same roots for reference.

The vegetated, graded slopes along the repair held up well during the winter, and the native grass is well established (Figure 7). The willow poles are growing well, though they are getting heavily browsed by deer. Approximately 95% of the willow poles survived the first winter. The native trees and understory shrubs planted on the upper bank have survived and are thriving.



Figure 7. Photos showing willow and grass survival along the streambank repair (PCI 2013)

All elements of the streambank repair and habitat improvement project are functioning per the design. It is expected that the planted vegetation will continue to mature and provide additional bank stability and riparian habitat.

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MEMORANDUM

To: Board of Directors
From: David L. Bentley, Auditor-Controller
Subj: Residential Consumption & Tier Rate Status Report
f:\aclword\memo\14\af fy14 residential consumption.docx

July 12, 2013

RECOMMENDED ACTION: Information

FINANCIAL IMPACT: Increased Water Sales Revenue and Purchased Water Cost

Median Residential Consumption

Novato median single-family detached home consumption rose last fiscal year (FY13) to 108,000 gallons, the first time an increase has occurred since FY07. Median consumption in FY11 and FY12 was at the lowest level since the District began accumulating consumption data in 1986. However, the spread between mean and median consumption remains narrower, down from 22,000 gallons in FY03 (the year before the first tier rate was enacted) to 15,000 gallons last fiscal year (Attachment A). The decrease between the mean and median reflects the success of the District's tier-rate structure and water conservation programs in reining-in high-demand residential customers. Even though higher in FY13, median single-family residential demand is still down 21% from its FY97 peak.

Staff uses the median consumption volume to calculate total annual water cost used in the annual Urban Area Water Cost Comparison. The volume is used for both North Marin and the comparison agencies. For smoothing purposes, the exponential moving average¹ of the past five years median consumption is used to calculate "typical" single-family residential consumption. For Novato, "typical" consumption is now 107,600 gallons, up 500 gallons from one year ago. This increase in water use effectively increases the annual water cost, as calculated in the Water Cost Comparison for the typical Novato customer, by \$2 per year (0.3%).

Conservation Incentive Rate

The Conservation Incentive Rate (CIR) is the surcharge applicable to residential water use that first appeared on bills rendered in June 2004. The surcharge adds \$7.14/1,000 gallons (177% to the Zone A base rate) to use exceeding 1,845 gallons per day (gpd). In FY04, 625 customers used more than 1,845 gpd in at least one billing period. In FY13 269 customers

¹ An exponential moving average is similar to a simple moving average, except that more weight is given to the latest data to reduce the lag. The exponential moving average is also known as "exponentially weighted moving average".

exceeded the CIR threshold – a 57% reduction. As shown graphically on Attachment B, total water use subject to the CIR fell from 60 MG in FY03 (the year before the CIR implementation) to 16 MG in FY13 – a 73% reduction.

To adjust for the reduction in overall water use, use above 1,845 gpd is measured as a percentage of total residential water demand. Attachment C shows that FY13 use subject to the CIR has fallen 70% (to 0.7%) since implementation. Clearly, the CIR has been an effective tool in reducing water demand among very high-use residential customers.

CITR

The Conservation Incentive Tier Rate (CITR) first appeared on water bills rendered in March 2007. The CIR adds \$2.39/1,000 gallons (59% to the Zone A base rate) for use between 615 and 1,845 gpd. Note that the CITR price signal (\$2.39) is one third of the CIR price signal (\$7.14), therefore we anticipate a lesser response, and that is what we see. In FY07, 6,693 customers (36% of residential customers) used water within the CITR range in at least one billing period. Last fiscal year (FY13), 4,685 customers (23% of residential customers) were subject to the CITR surcharge – a 30% reduction. Shown graphically on Attachment D, total water use subject to the CITR fell from 278 MG in FY06 (the year before implementation) to 195 MG in FY12 – also a 30% reduction.

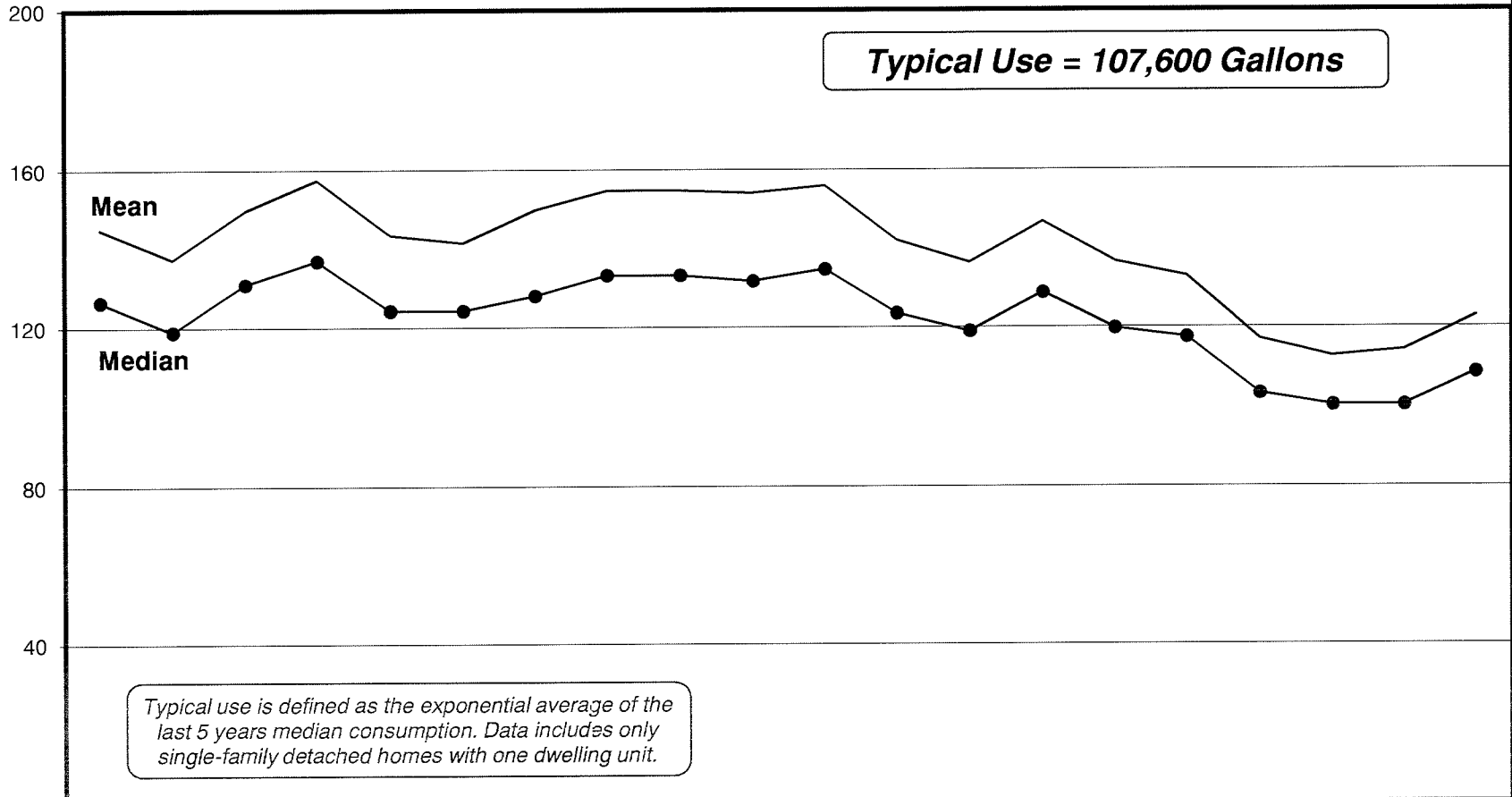
FY13 water use between 615 and 1,845 gpd as a percentage of total residential water demand has fallen 24% (to 8.6%) since implementation of the CITR (Attachment E). The CITR has also proven to be an effective tool in reducing water demand among high-use residential customers.

Demand Distribution

Finally, how has peak summer demand changed over the past decade? Attachment F shows that the District's conservation efforts have pushed the FY13 peak residential demand down appreciably. In FY03, 34% of customers peaked between 616 and 1845 gpd. In FY13, that number fell to 23%. Similarly, in FY03 3% of customers peaked at over 1,845 gpd. Today, that number is 1%. While some of recent consumption data is no doubt weather-related, the trend is certainly in the right direction.

Novato Residential Consumption Mean & Median Annual Water Use 20-Year History

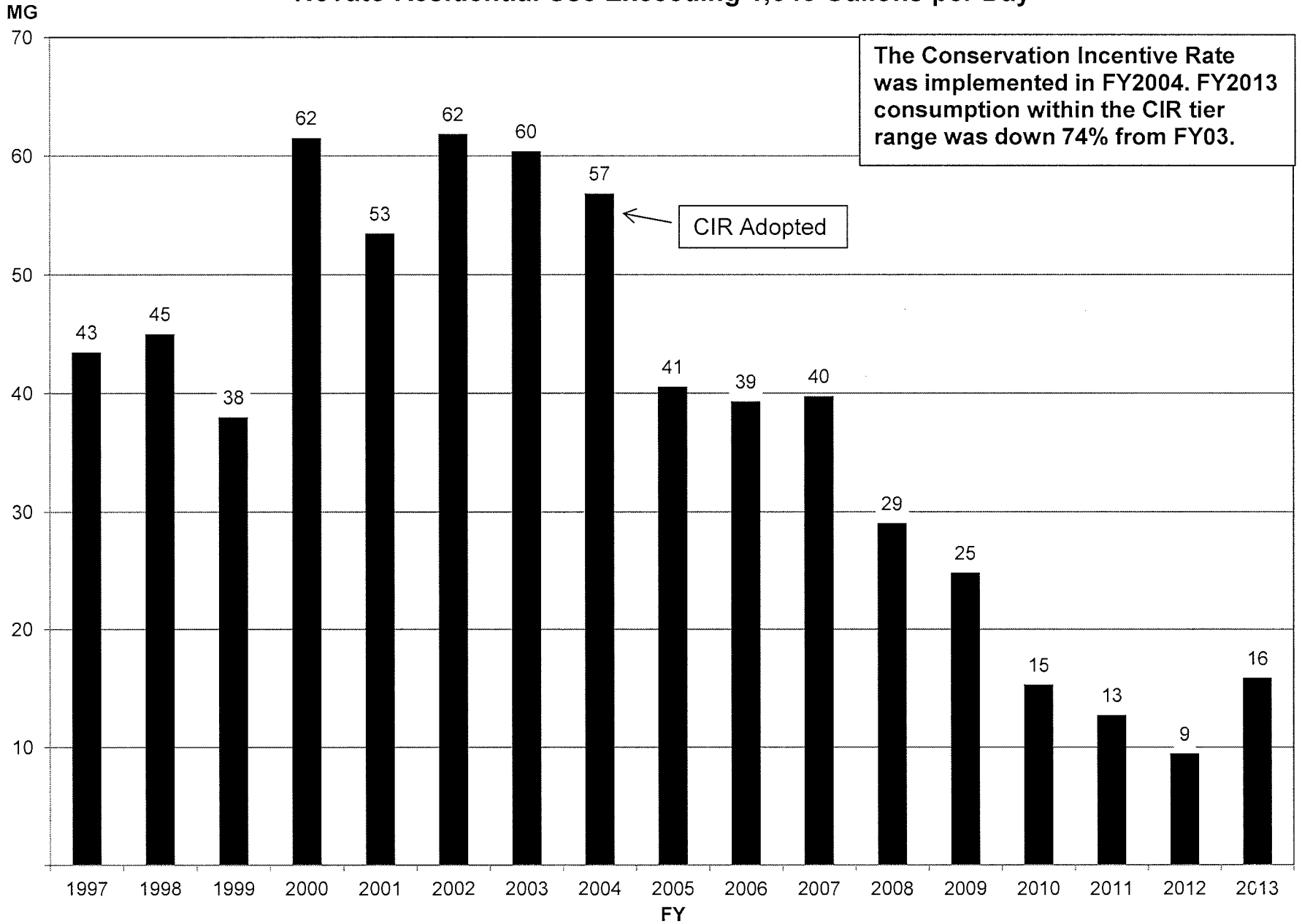
1,000
Gallons



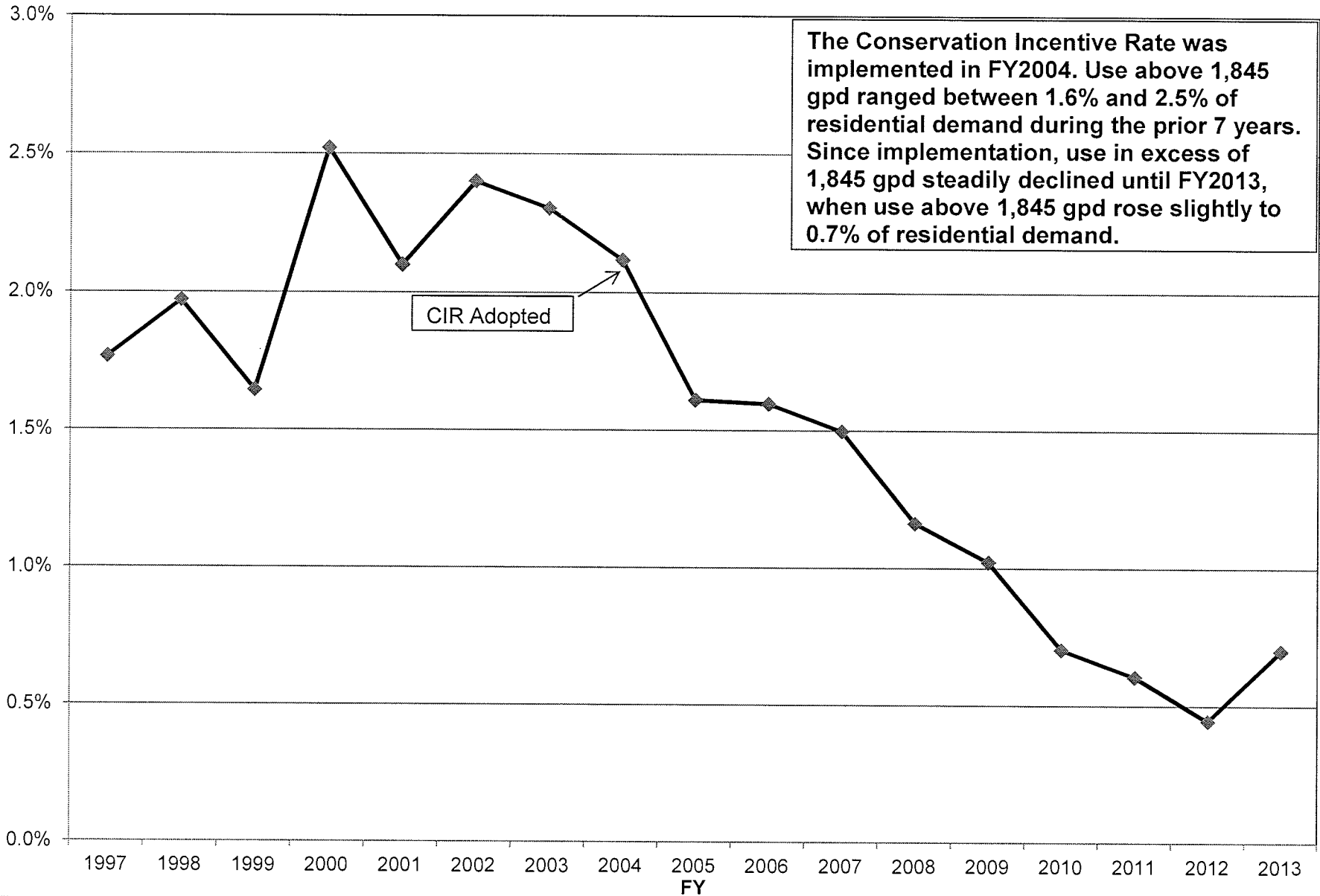
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
— Mean	145	137	150	157	143	141	150	155	155	154	156	142	136	147	137	133	117	113	114	123
● Median	126	119	131	137	124	124	128	133	133	132	135	123	119	129	120	117	103	100	100	108

Fiscal Year Ending

Novato Residential Use Exceeding 1,845 Gallons per Day



Novato Residential Use in Excess of 1,845 Gallons per Day as a Percentage of Total Residential Use

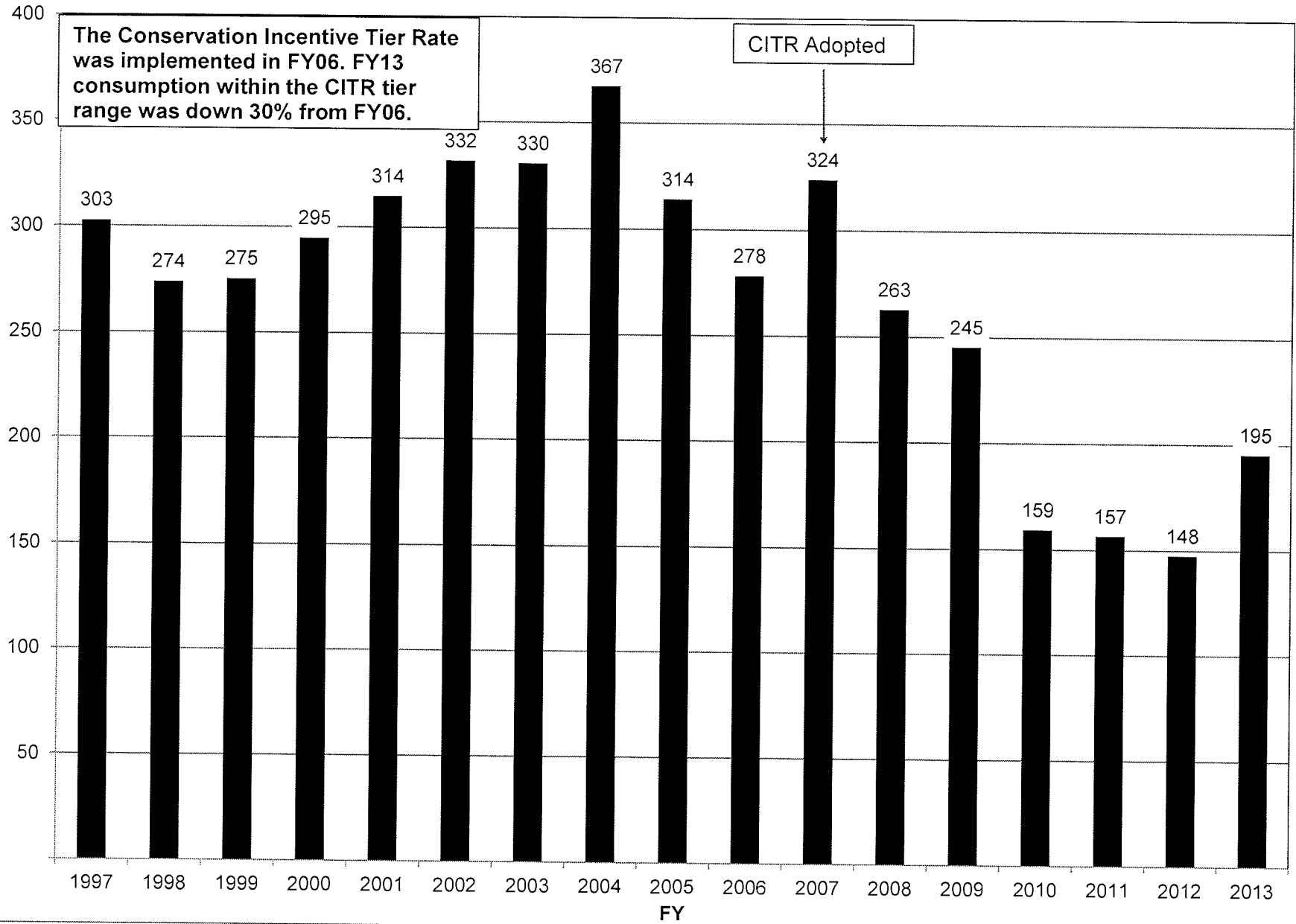


Novato Residential Use Between 615 and 1,845 Gallons per Day

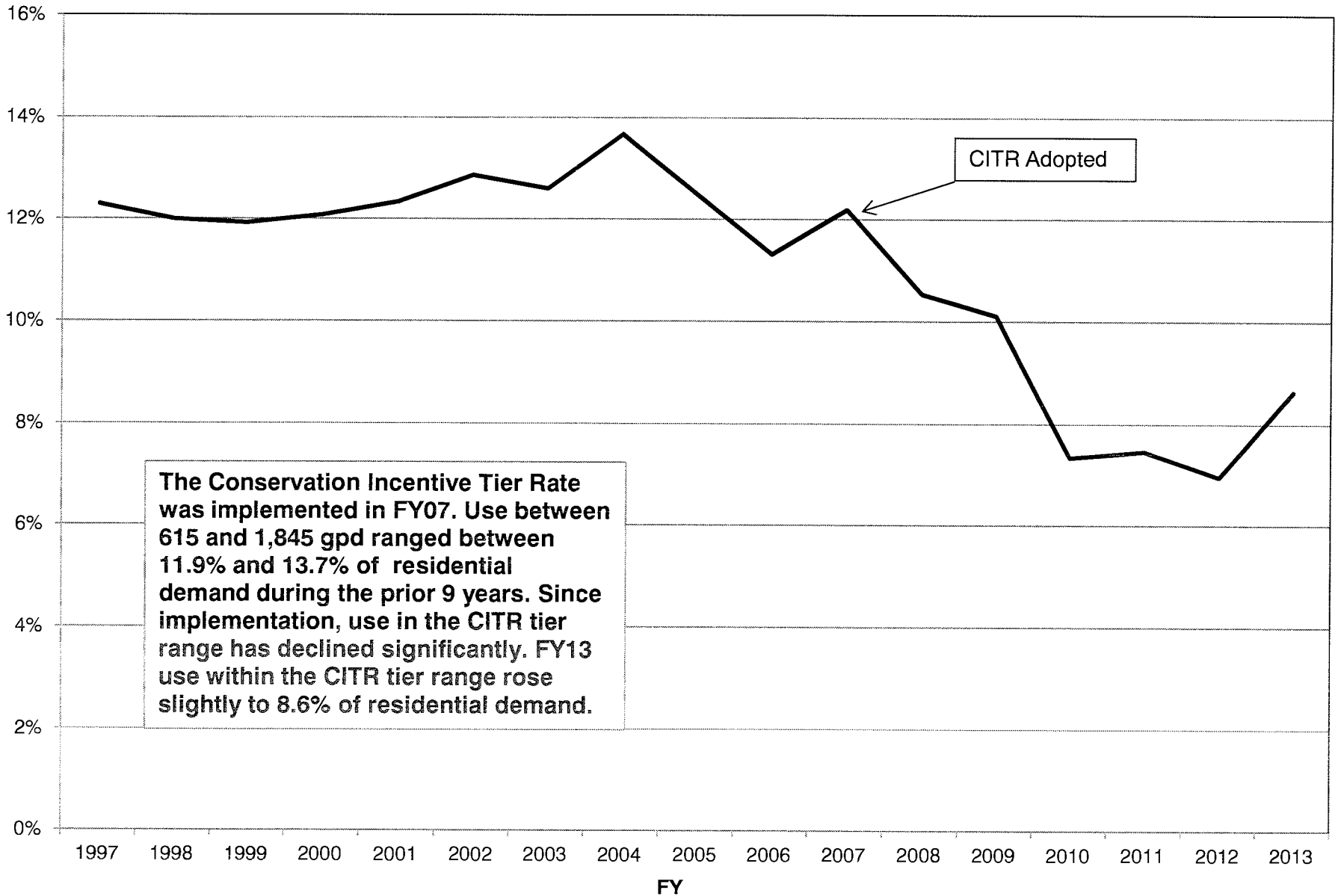
MG

The Conservation Incentive Tier Rate was implemented in FY06. FY13 consumption within the CITR tier range was down 30% from FY06.

CITR Adopted

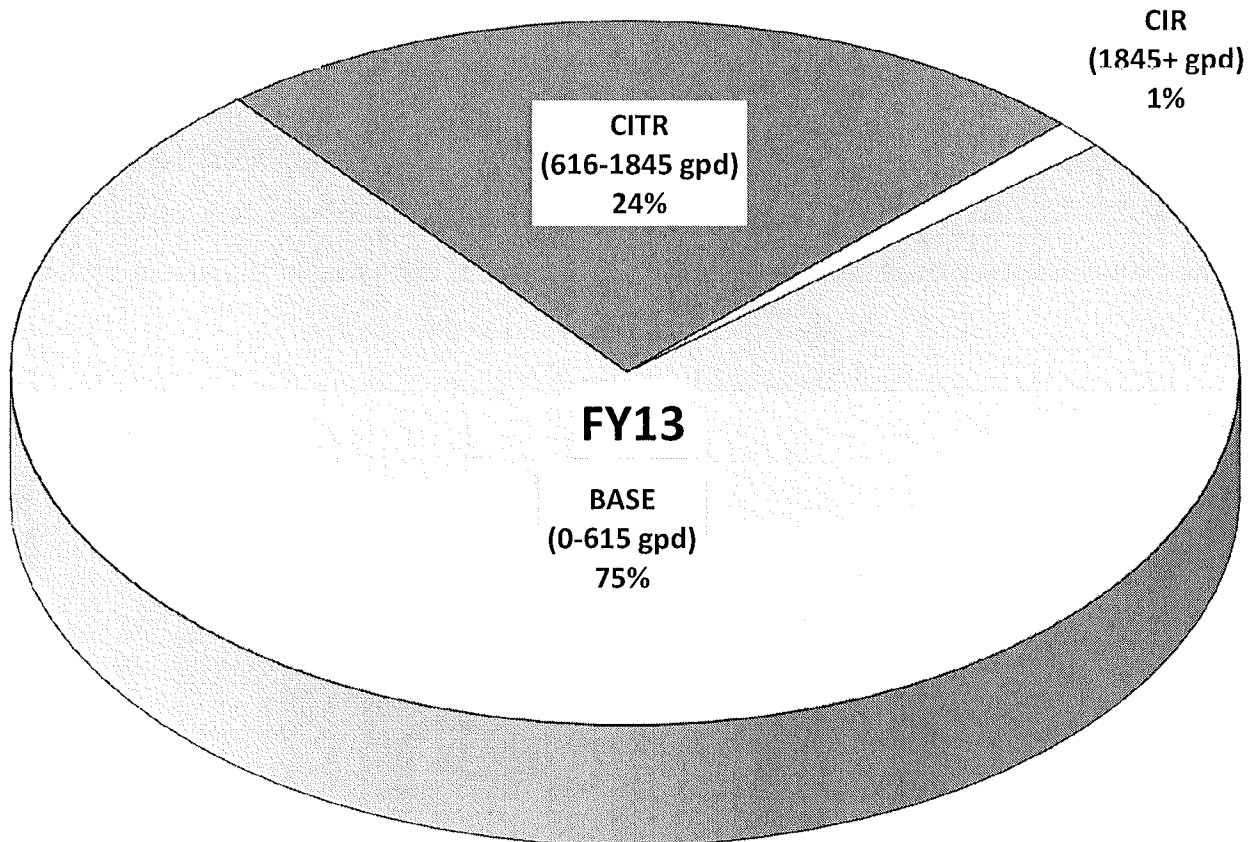
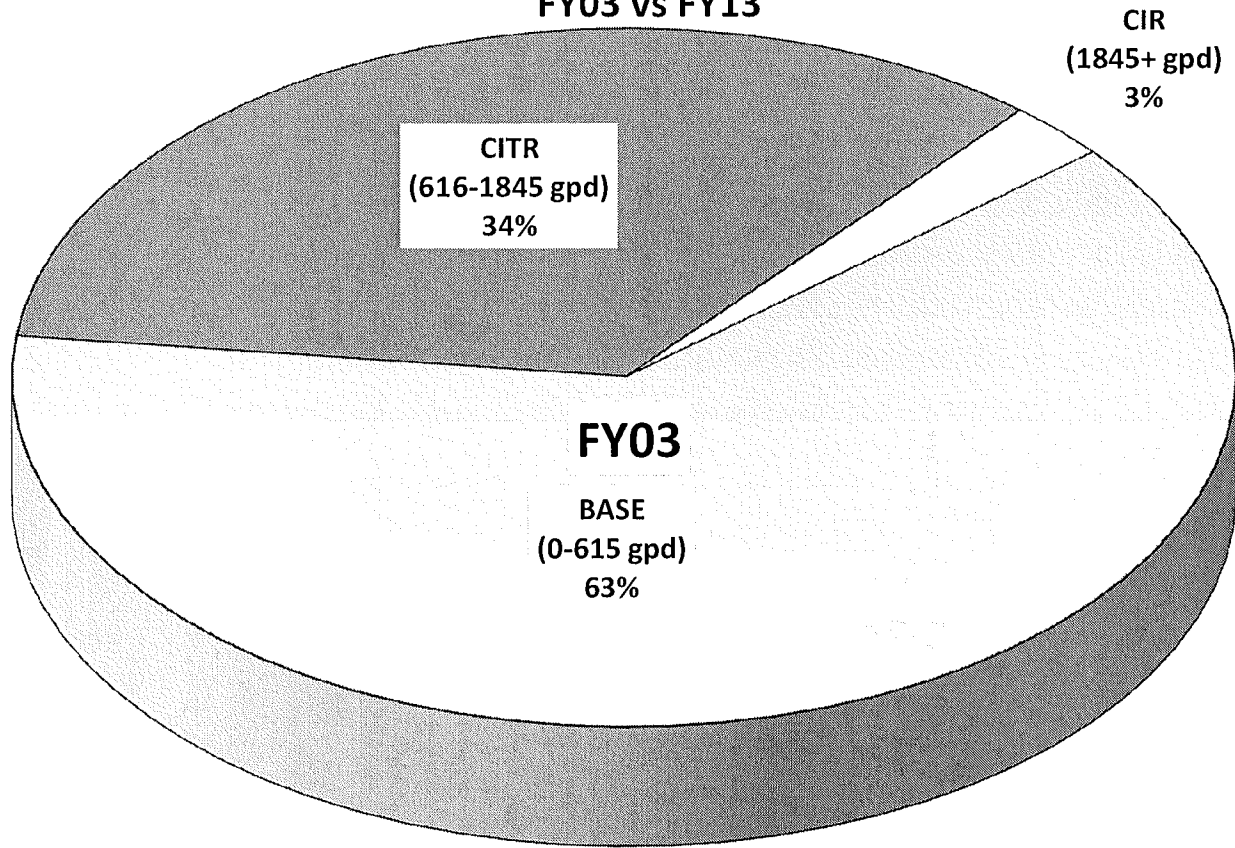


Novato Residential Use Between 615 and 1,845 Gallons per Day as a Percentage of Total Residential Use



% of Residential Customers' Peak Demand by Tier

FY03 vs FY13



20

MEMORANDUM

To: Board of Directors
From: Chris DeGabriele, General Manager *CD*
Subject: Technical Advisory Committee Meeting – July 1, 2013
l:\gm\scwa\tac minutes and agenda\2013\tac cd notes 7-1-13.doc

July 12, 2013

RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: None

Agenda attached.

2. Public Comment

During public comment, Brenda Adelman from the Russian River Watershed Protection Committee, expressed concerns about lower flows in the lower Russian River and the negative effect on water quality. She urged the contractors to consider mandatory water conservation requirements.

2A. Approve minutes from June 3, 2013 TAC Meeting

This item was erroneously left off the distributed agenda. A vote was taken and passed unanimously to bring the item to the agenda and the minutes as mailed were adopted unanimously.

3. Water Supply Conditions and Summer Water Conservation

Pam Jeanne from Sonoma County Water Agency advised that the storage in Lake Mendocino is well above the critical storage curve (by nearly 4,000AF). She advised that demands are up on the upper Russian River due to the heat, and SCWA diversions are up to meet water contractor demands, nevertheless, the flows at the Hacienda gauge on the lower Russian River are maintained above the minimum stream flows required under the Temporary Urgency Change Order adopted by the State Water Resources Control Board and it is not foreseen that the Hacienda flows would fall to 50cfs.

Carrie Pollard described the 20-Gallon challenge, being coordinated by the Water Agency under the umbrella of the Sonoma-Marin Saving Water Partnership. I distributed the Summer 2013 North Marin WaterLine which also alerts customers to the 20-Gallon challenge. Carrie Pollard advised that over this past weekend, a "Beat the Heat" alert was issued. It was pointed out that most if not all of the diversions for the water contractors

originate from water stored and then released in Lake Sonoma and that Urban Water Conservation will not have an impact on Lake Mendocino storage which dedicates flows in the lower Russian River.

4. Potential Projects for Further Evaluation

I distributed the attached spreadsheet to the TAC. The spreadsheet is a collaborative effort from my conversations with the TAC members identifying future Recycled Water, future aquifer storage and recovery, future local groundwater production, and Windsor water rights that may come online in five year increments out to fiscal year 2045. The spreadsheet estimates the total cost, whether the possible project is included in the current 2010 Urban Water Management Plan, current status of the project, and any reference documentation. The TAC consensus was to bring the draft spreadsheet to the WAC in August. I assured the TAC that it's my intent to keep the document as a draft and that once the water contractors begin working on the 2015 Urban Water Management Plan additional information on water conservation and agency supply, both groundwater and surface water, can be added to the spreadsheet.

5. Water Bond Coalition Update

The contractors went around the table and identified that Rohnert Park, Santa Rosa, Windsor, Valley of the Moon, Cotati and North Marin have all adopted a Resolution supporting the Water Bond Coalition. Marin Municipal has the Resolution of support scheduled on their July 2nd meeting. Thus only Petaluma and the Town of Sonoma remain to support the Water Bond Coalition.

6. Take it from the Tap

The contractors were reminded that on July 19th, an ACWA Region 1 program "Take it from the Tap," promoting drink local campaigns, will be a focus of an ACWA workshop at the City of Santa Rosa's utility field operations training center. It was suggested that the WAC consider support of the program through the Sonoma-Marin Saving Water Partnership with purchase of portable drinking water bottles this year for outreach events, such as the Sonoma County Fair, and that next year budget and develop a complete and comprehensive outreach program to roll out the full campaign within the Sonoma-Marin Saving Water Partnership area. The contractors suggested to also look for grants through the Waste Management Authorities as this program will save plastic water bottles from the landfill, to include Spanish messaging on the bottles, and to focus on the quality of water

delivered by the water agency and water contractors.

7. Biological Opinion Status Update

Pam Jeanne recapped the July 2013 Russian River Biological Opinion Update memo.

8. Items for next agenda

The agency will make a presentation on raising the summer dam. Continued discussion of water supply conditions and summer water conservation will be included. The potential projects for further evaluation will be shared with the WAC and an update on the Biological Opinion will be included.

9. Check Out

During check out, Jay Jasperse advised that on July 11th a workshop will be held at the Finley Center in Santa Rosa to review the recently completed groundwater study by U.S. Geological Survey in the Santa Rosa Plain Watershed.



**TECHNICAL ADVISORY COMMITTEE
MONDAY: JULY 1, 2013**

Utilities Field Operations Training Center
35 Stony Point Road, Santa Rosa, CA

9:00 a.m. (Note Location)

1. Check In
2. Public Comment
 - a. Approve Minutes from June 3, 2013 TAC Meeting
3. Water Supply Conditions and Summer Water Conservation
4. Potential Projects for Further Evaluation
5. Water Bond Coalition Update
6. Take it from the Tap
 - a. July 19th ACWA Region 1 Program
 - b. TAC Support via Sonoma Marin Saving Water Partnership
7. Biological Opinion Status Update
8. Items for next agenda
9. Check Out

Draft Minutes of Technical Advisory Committee
35 Stony Point Road, Santa Rosa, California
June 3, 2013

Attendees: Glen Wright, City of Santa Rosa
David Guhin, City of Santa Rosa
Linda Reed, City of Santa Rosa
Kimberly Zunino, City of Santa Rosa
Linda Hall, City of Santa Rosa
Toni Bertolero, Town of Windsor
Dan Takasugi, City of Sonoma
Steve Simmons, City of Petaluma
Dan Muelrath, Valley of the Moon Water District
Damien O'Bid, City of Cotati
Jake Mackenzie, City of Rohnert Park
Chris DeGabriele, North Marin Water District
Drew McIntyre, North Marin Water District
Mike Ban, Marin Municipal Water District
Pam Jeane, SCWA
Carrie Pollard, SCWA
Ann DuBay, SCWA
Mike Thompson, SCWA
Lynne Roselli, SCWA
Brad Sherwood, SCWA
Renee Webber, SCWA

Public Attendees: Lynn Silver Chalfin, MD, County of Sonoma
Kim Caldewey, County of Sonoma
Brenda Adelman, RRWPC
David Keller, FOER
Colleen Fernald
Dietrich Stroeh
Dawna Gallagher Stroeh
Tom Yarish, Friends of the Esteros
Stella Kureanski
William Sorensen
Howard Pollick
Marjorie Stocks
Arthur Deicke
Craig Lichty, Kennedy/Jenks
Rachel Bockover
Bob Rawson
Amy Lemmer
Kristen Barquist
Merisha S. Lemmer
Stephanie Danaher
Carolyn Thompson
Carol Goodwin Blick
Rina Quinn
Kathy Cia White
Jan Landman

1. Check-in
Chair Chris DeGabriele called the meeting to order at 9:04a.m.
2. Public Comment

Dawna Gallagher Stroeh requested item 6 be moved up on the agenda.
Colleen Fernald spoke about incentives to produce food crops and hear recent comments to the Sonoma County Planning Commission.

3. Report on Fluoridation from Sonoma County Health Department

Chris introduced Dr. Silver Chalfin, Sonoma County Health Officer, who requested to give an overview of fluoridation to the TAC. She introduced Marjorie Stocks from the California Dental Foundation who gave a report on the current status of water fluoridation in the State of California. The use of fluoride in California water supplies is increasing. 62% of California residents now receive fluoridated water. Questions followed from members. Dr. Silver Chalfin focused on the health aspects of fluoridation. She advised that in Sonoma County there is a large problem with dental health. Children have untreated tooth decay. Urgent dental problems exist and cause issues with school attendance. The aging population in Sonoma County has extensive issues also. Damien O'Bid asked if the affordable care act could provide funding. Dr. Silver responded it will provide for children, but not adults. David Guhin asked where supplemental funds will come from. Dr. Silver indicated those sources have not been fully identified; work is progressing to identify funding sources. More commercial foods are now being produced in fluoridated water and the FDA has a website that defines the levels in the US food supply. Toni Bertolero asked what level of fluoride is appropriate for all the population. Dr. Silver indicated it depends on the size of the individual. Chris DeGabriele asked how much funding was received in grants and what the effectiveness of other dental health initiatives has been. She replied that \$5.1 million has been provided in grant funding and that the other programs are just beginning, for instance the countywide dental education program will begin later in 2013.

Public questions - Dawna Gallagher Stroeh asked how ingested fluoride works. Dr. Silver explained that the American Cancer Society supports water supply fluoridation as no studies have proven the incidence of cancer or detrimental health impacts. Ms. Gallagher asked if the fluoride level remains after wastewater treatment and was informed it does at levels similar to the introduced potable water levels and that major assessments have been made as to the safety of fluoride in drinking water. She also asked if there are any studies of concentration of fluoride in recycled water. Dr. Silver responded there is no evidence of any problems with fluoride in recycled water used for crops. On the question of where does the fluoride come from, Dr. Silver replied that fluoride is a natural mineral and factories crush the rock and extract the fluoride and it must meet quality requirements for use in water supplies. Brenda Adelman expressed concerns about the level of ingestion of fluoride if it is introduced into our water. David Keller, FOER, expressed concerns about the levels in food products beyond what will be added to the water supply. Colleen Fernald asked if 100% of constituents had agreed to fluoride addition to their water supply. Rachel Bockover asked when this will come before the Board of Supervisors. Dr. Silver indicated that March 2014 is the time frame the Board of Supervisors will consider a proposal to fluoridate the water supply. Ms. Bockover also asked if there are any other medications that should be added to the drinking water and what is the effect of fluoride on hyperthyroidism? Dr. Silver advised no substantial studies have shown ill effects.
Dr. Silver thanked the committee for the opportunity to speak on fluoridation.

4. Water Supply Conditions and Summer Water Conservation Plans

Brad Sherwood reported on this summer "20 Gallon Challenge" asking consumers to reduce their water use by 20 gallons per day, per person. The program was developed in conjunction with other agencies throughout the State and is being promoted to address dry spring water supply conditions. Monitoring the statistics for water use is continuing. A "Beat the Heat" forecasting model will be introduced at a workshop later

this summer to meet the goal of complying with the Temporary Urgency Change Order to maintain all uses in this drought period.

Brenda Adelman commented about the lack of attention people pay to water use. She called for mandatory water conservation of water.

David Keller stated it would be helpful to see a graph of ongoing water usage.

5. Water Bond Coalition Update

A coalition is being re-formed to make sure smaller entities have a voice in proposed new water bond legislation. Water contractors are again asked to participate to influence the decisions in Sacramento. Jake Mackenzie asked if it is clear what the funding will be. Chris responded it is likely the original \$11.2B water bond proposed in 2010 will be pared down considerably and that participation in the coalition can only help to see some amount of funding coming to coastal agencies.

6. ACWA Region 1 Program: Take it from the Tap

July 19 there will be an ACWA regional meeting in the Utilities Field Operations building.

7. Biological Opinion Status Update

Mike Thompson, SCWA, reviewed the June 2013 Biological Opinion Status Update which was emailed to the committee. He indicated that the rubber dam at Mirabel has not been fully inflated to date to aid fish out migration.

8. Items for Next Agenda

July TAC

Take it from the Tap

Water Conditions and Water Conservation plans

Biological Opinion Status Update

Potential Projects for Further Evaluation update

9. Check Out

Next TAC meeting is July 1

Next WAC/TAC meeting is August 5

Meeting adjourned at 11:11a.m.



NORTH MARIN
WATER DISTRICT

THE WATER LINE

NOVATO'S WATER CONSERVATION NEWSLETTER • VOLUME 14 ISSUE 29 SPRING 2013

Water Supply Update: Novato's Water - Use it Wisely

Current Water Supply: This year rainfall in Novato has been well below average and water stored in Lake Mendocino is projected to fall to very low levels. That water is needed to meet in-stream flow needs for the endangered salmon populations on the Russian River as well as the needs for agriculture and urban users.

Locally, Stafford Lake is at 77% capacity. Production at the Stafford Lake Treatment Plant began in January. Recycled water facilities at both Novato Sanitary District and Las Gallinas are operating and delivering highly treated recycled water to StoneTree Golf Course and other irrigation users. NMWD will continue to utilize our local supplies to the fullest extent possible. While there are currently no mandatory water use restrictions in the Novato service area this summer, the situation on the Upper Russian River is more serious than 2009 when Russian River diversions were curtailed by 25%. Do your part and sign up for the **20 Gallon Challenge** this summer.

Future Water Supply: Construction will continue this summer to enhance fish habitat on one mile of Dry Creek downstream of Lake Sonoma, tributary to the Russian River, at a cost of \$7 Million.

Expanded Recycled Water is Here!

NMWD is working with the Novato Sanitary District (NSD) and Las Gallinas Valley Sanitary District (LGVSD) to expand the use of recycled water in Novato. This past year you have likely observed recycled water pipeline construction work in both North and South Novato. The Novato North Area pipeline construction is complete and to date, eight sites are now receiving recycled water from NSD, with another five to be connected this summer. Recycled water pipeline construction in the South Novato (Hamilton) is complete and NMWD is serving recycled water from LGVSD to six sites with another twenty seven sites to be connected this summer.

For more information on the Recycled Water Expansion Project, please visit www.nmwd.com.

An additional 2 to 5 miles of habitat enhancement will be needed over the next ten years. NMWD and other retailers receiving Russian River supplies are obligated to pay for necessary fishery enhancements on the Russian River system to protect coho and Chinook salmon and steelhead trout.

Reliance on our existing available supplies from the Russian River and Stafford Lake, expanded use of recycled water to offset potable supplies now used for outside irrigation and continued emphasis on water use efficiency are vitally important this summer.

The cost of stretching our existing supplies along with the costs to meet fisheries obligations noted in this message means

that water rates are increasing. The current cost of water service for a typical Novato customer will remain a good value when compared to other urban area retail water agencies (see NMWD website).

Water Use Efficiency: To see a graph of your historical water use or determine the rate increase impact on your water bill, visit <http://www.nmwd.com/accountbalance.php> (follow the directions to log on). If you need assistance in becoming more water efficient, NMWD can help with a Water Smart Home Survey or a variety of other water efficiency programs (see page 2). Act now to replace your toilet, washing machine, and turf lawn areas.

It's a dry year, together we can make a difference



20 GALLON CHALLENGE

Take the 20-Gallon Challenge and help **SAVE OUR WATER** during the **HOT** summer months. Reduce water use by 20 gallons per person per **DAY**.

Simple changes make a big difference. Visit our website for a full menu of water saving tips.

www.20gallons.org



From: Brad Sherwood [Brad.Sherwood@scwa.ca.gov]
Sent: Thursday, June 27, 2013 11:25 AM
Subject: Beat the Heat Alert Issued: Sonoma County Water Agency Press Release



Sonoma County Water Agency PRESS RELEASE

For Immediate Release
June 27, 2013

CONTACT:

Brad Sherwood
707.547.1927 (Office)
707.322.8192 (Cell)
sherwood@scwa.ca.gov

Beat the Heat Alert Issued, Water Users Encouraged to Use Water Wisely

(Santa Rosa, CA) Today the Sonoma County Water Agency and the Sonoma-Marin Saving Water Partnership (a coalition of nine cities and water agencies serving 600,000 residents in portions of Sonoma and Marin counties) issued a Beat the Heat Alert for outdoor water use.

High temperatures are forecast for today, Thursday, June 27 through Tuesday, July 2. High temperatures and low winds are expected to cause outdoor water use to increase within the Sonoma County Water Agency's services area. Water users are encouraged to follow the below tips to help beat the heat:

- Irrigate outdoor landscapes between midnight and 6:00 a.m. to reduce water loss from evaporation and wind.
- Water your landscape in 2 short cycles rather than one long one.
- Cover pools and hot-tubs to reduce evaporation
- Prevent and report water waste at www.20gallons.org.

Beat the Heat Alerts are issued when high temperatures are forecast that may result in increased water use and higher water demands from the Russian River water supply system. After a historic dry spring and winter, the Water Agency and Partnership are working together to reduce overall water use this summer, especially peak water demand use when heat waves impact the region. The 20-Gallon Challenge is a new public awareness effort sponsored by the Partnership to reduce water use this summer. Saving 20 gallons a day, per person will benefit local reservoir water storage levels. More information on the Challenge can be found at www.20gallons.org.

###

The Sonoma County Water Agency is working to secure our future by investing in our water resources, community and environment. The Water Agency provides water supply, flood protection and sanitation services for portions of Sonoma and Marin counties. Visit us on the Web at www.sonomacountywater.org.

Thank you,
Brad Sherwood
Principal Program Specialist
Community & Governmental Affairs
Sonoma County Water Agency
Phone: 707.547.1927
Mobile: 707-322-8192
Fax: 707.528.2080
404 Aviation Blvd.
Santa Rosa, CA 95403

Working to secure our future by investing in our water resources, environment and community

It's been a DRY year...
take the challenge with me!



DRAFT
 POTENTIAL PROJECTS FOR FURTHER EVALUATION

By: CD
 Date: 6/27/2013
 Admin/GM/SCWA/PPFE/PPFE Schedule

	Acre Feet of Additional Water Supply								Estimated Cost	Included In 2010 UWMP	Current Status	Reference
	FY15	FY20	FY25	FY30	FY35	FY40	FY45	Total				
Future Recycled Water												
NMWD												
RW North	150							150	\$6.75M	Y	Completed	
RW South	150							150	\$7.57M	Y	Completed	
RW Central		225						225	\$7.125M	Y	EIR/EIS Completed	
RW West								150	\$10.0M	N	Conceptual	
RW Other			15					15	\$0.5M	Y	In Fill Expansion	
Sub Total	300	225	15	0	0	0	150	690				
Santa Rosa												
Phase 1 West			750					750	\$38M	Y	EIR/EIS Completed	SR Urban Reuse Master Plan, Oct 2007, Awaiting WRDA
Petaluma												
General		500						500	TBD	Y	Conceptual	NBWRA Phase 2
Prince,Wiseman,Airport	101							101	\$180K	Y	95% Completed, Waiting on DPH	
Casa Grande HS	60							60	\$330K	Y	Scheduled 2013/14	
Southgate	8							8	\$170K	Y	Scheduled 2014/15	
Sub Total	169	500	0	0	0	0	0	669				
Rohnert Park												
		300						300		Y		
VOMWD												
						25		25	\$2.0M	Y	Conceptual	Sonoma Valley Recycled Water Feasibility Study, Jan, 2005
Sonoma												
						50		50	\$5.0M	Y	Conceptual	Sonoma Valley Recycled Water Feasibility Study, Jan, 2005
Cotati												
		13	19					32	\$1.5M	Y	Conceptual	RW Feasibility Study, March 2007 (Need ordinance & project design)
Windsor												
Developer Infill		28						28	Developer	Y	Conceptual	
Airport		27						27	\$1.2M	Y	Conceptual	Sonoma County Airport Area RW Project Planning Update, 2011
			102					102	\$2.1M	N	Conceptual	Windsor Urban RW Facilities Plan, 2013
				535				535	\$9.2M	N	Conceptual	Windsor Urban RW Facilities Plan, 2013
Sub Total	0	55	102	535	0	0	0	692				
MMWD												
RW Total	469	1327	886	535	75	0	150	3442	\$7M	Y	Conceptual	NBWRA Phase 2
Future Aquifer Storage and Recovery												
Rohnert Park												
		100						100	\$1M	N	Pilot Study w/SCWA	Draft Santa Rosa Plain/Sonoma Valley Groundwater Banking Feasibility Study, Summer 2013
VOMWD												
		50						50	\$0.5M	N	Pilot Study w/SCWA	
Sonoma												
		50						50	\$0.5M	N	Pilot Study w/SCWA	
Cotati												
		50						50	\$0.5M	N	Pilot Study w/SCWA	
Windsor												
		100						100	\$1M	N	Pilot Study w/SCWA	
ASR Total		350	0	0	0	0	0	350				
Future Local Groundwater Production												
Sonoma Well 8												
			100					100	?	Y	Dan T.	
Cotati (max sustainable yield)												
			412					412	\$1M	Y	Conceptual	Water Supply Assessment, Luhdorff & Scalamini, 2008
Windsor												
Esposti Park Well			200					200	\$3.9M	Y	Pre-design	
North Windsor Well				200				200	\$4.6M	Y	Conceptual	
Local Wells Total		0	712	200	0	0	0	912				
Windsor Water Rights												
			4725					4725	\$0.5M	N	Permit Filed	SWRCB discussions started
Total	469	1677	6323	735	75	0	150	9429				



**Santa Rosa
Utilities Field Office**
35 Stony Point Road
Santa Rosa, CA 95401



This event is underwritten by
ACWA Region 1



Sponsored by
WEST YOST

ASSOCIATES
Consulting Engineers

In Cooperation With

 **City of
Santa Rosa**
Utilities Department

For more information? Contact ACWA
Regional Affairs Representative
Dahl at (916) 441-4545 or
dahl@acwa.com.

ACWA Region 1 Program
Take it From the Tap:
Promoting Drink Local Campaigns

July 19, 2013 | 10 a.m. – 2:30 p.m.

PRELIMINARY PROGRAM AGENDA

- 9:30 a.m. Onsite Registration & Check-in
- 10:00 a.m. Welcome
Tim Quinn, Executive Director, ACWA
Aldaron Laird, Chair, ACWA Region 1
Director, Humboldt Bay Municipal Water District
- 10:15 a.m. *Take it From the Tap* – Program Update
Elise Howard, Research and Program Coordinator,
City of Santa Rosa Utilities Project Development
- 10:35 a.m. *Drink Local Campaigns*
 - Sonoma County Public Awareness Campaign - **Brad Sherwood**, Principal Program Specialist, Sonoma County Water Agency, Community & Government Affairs
 - Sonoma & Marin's Water Saving Partnership – **Chris DeGabriele**, General Manager, North Marin Water District & **Carrie Pollard**, Principal Programs Specialist, Sonoma County Water District
- 11:35 a.m. Lunch
- 12:00 p.m. Lunch Presentation: *Take it From the Tap's Regional Campaign*
- 12:30 p.m. *Hydration Stations*
 - Hydration Station Options – **Aldaron Laird**
 - Product Presentation – **Michael Davis**, President, US Pure Water
 - Hydration Stations in San Francisco – **Laura Page**, Arts & Education Initiatives Analyst, San Francisco Public Utilities Commission
- 1:30 p.m. *Take it to the Schools*
 - Regional Study of Fountains in the Schools – **Jennifer McClendon**, Project Director, Network for a Healthy California & **Tricia Goldberg**, Outreach Specialist, Network for a Healthy California
 - Sonoma County Water Education Program – **Brad Sherwood**
 - Hydration Stations at Humboldt State University – **Aldaron Laird**
- 2:30 p.m. Program Concludes



Russian River Biological Opinion Update – July 2013

The Sonoma County Water Agency is continually planning and implementing the Russian River Biological Opinion requirements. The following project updates provide a brief synopsis of current work. For more detailed information about these activities, please visit www.sonomacountywater.org.

Dry Creek Habitat Enhancement and Demonstration Project

- Construction of the remainder of the one-mile demonstration project is underway. Hanford Applied Restoration & Conservation, out of Sonoma, is constructing the project. This summer's work focuses on habitat downstream of Lambert Bridge. Features include riffles, bank stabilization, a backwater with constructed log jams and boulder clusters.
- Site identification and outreach to landowners is underway for the second and third miles of habitat enhancement. Two firms, Interfluve and ESA PWA, have been selected to design the second and third miles of habitat enhancement.
- The Water Agency, National Marine Fisheries Service, Department of Fish & Wildlife and the U.S. Army Corps of Engineers are working with consultants, ESSA, to develop clear success measures for habitat enhancement. The plan should be completed in 2013.

Tributary Fish Passage and Habitat Enhancement Projects

- The 2013 monitoring season is underway, with fish traps located in Dry Creek, Austin Creek, Dutch Bill Creek, Mark West Creek and in the Russian River at Mirabel.

Mirabel Screen and Fish Ladder Replacement

- The 90% design is ongoing; the Water Agency Board has adopted the Initial Study and Mitigated Negative Declaration; and major construction is estimated to begin in June 2014.

Russian River Estuary Management Project

- The 2013 Lagoon Management Period began May 15. Biological and water quality monitoring is underway. An adaptive management plan, largely the same as the 2012 plan, has been finalized.
- The mouth of the river has closed twice since May 15. The first closure, in mid-May, lasted for nearly two weeks until the estuary breached on its own. The second closure began on June 7 and with water levels rising very slowly, was still closed as of 6/27. The Water Agency is preparing to implement the outlet channel adaptive management plan upon receipt of all permits.
- A study of the jetty is underway. The purpose of the study is to determine if and how the jetty impacts the formation of the barrier beach and lagoon water surface elevation. While

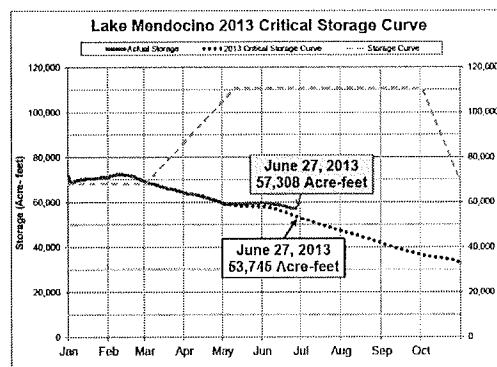
the historic assessment component of the study was completed at the end of 2012, field investigations have been postponed until all appropriate permits have been acquired.

Fish Flow Project

Work is occurring internally on the preparation of the draft Environmental Impact Report for the Fish Habitat Flows and Water Rights Project. The EIR is being prepared by Water Agency staff, with assistance from consultants on some areas of impact analysis. A draft EIR is anticipated to be released in 2013.

Interim Flow Changes

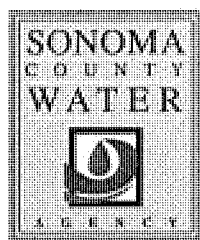
- The State Water Resources Control Board issued the 2013 Temporary Urgency Change order in late April and flows were reduced beginning on May 1. The minimum flows requirements in the upper river were based on the rapid decline in Lake Mendocino levels and differ from the minimum flows required in the Biological Opinion. Minimum flows requirements in the order are 75 cfs in the upper river and 85 cfs in the lower river. Beginning July 1, minimum flows requirements could go down if storage in Lake Mendocino dips below a critical storage curve for three days. As of June 27, the actual storage in the lake was 3,563 acf above the critical storage curve.



- A joint marketing campaign on reducing flows, the 20 Gallon Challenge, kicked off on May 28. Paid advertisements in radio, print and on websites will feature the 20 Gallon Challenge, which is part of the Sonoma Marin Saving Water Partnership. A monthly drawing will be held for people taking the 20-Gallon Challenge pledge.

Public Outreach, Reporting & Legislation

- Sweetwater Springs Water District Board of Directors discussed the TUC order at its June 6 meeting. Water Agency staff gave presentations on the order and answered questions.
- A community meeting was held on June 27 at the Lake Sonoma Visitors Center to discuss the Dry Creek Demonstration Project, this summer's construction and miles 2 & 3.
- Senator Boxer's Water Resources Development Act (WRDA) legislation contains language that would authorize the U.S. Army Corps of Engineers to conduct work on Dry Creek.



Sonoma County Water Agency PRESS RELEASE

For Immediate Release
June 25, 2013

CONTACT:
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Workshop Scheduled on Santa Rosa Plain Groundwater Study

Santa Rosa, CA – A public workshop will be held on July 11th to discuss a significant groundwater study completed by the US Geological Survey, (USGS). The study's purpose is to characterize the surface water and groundwater resources of the Santa Rosa Plain Watershed and develop tools to better understand and manage the groundwater system. The workshop will take place at 6:00 pm at the Santa Rosa Finley Center (details below).

The Santa Rosa Plain Watershed is home to approximately half of the population of Sonoma County. The groundwater system beneath the Santa Rosa Plain provides numerous benefits to the region, including rural residential and municipal water supplies, irrigation water for agriculture, and water that supplies creeks, streams and the ecosystem.

“The study will provide a solid technical foundation to move forward with proactive groundwater management,” said Sonoma County Supervisor and Water Agency Director Shirlee Zane. “Our best informed decisions depend on high quality data and the USGS has consistently demonstrated a strict commitment to scientific principals we can hang our hats on.”

The seven-year study was conducted by, and received significant federal funding from, the USGS in cooperation with the Sonoma County Water Agency as part of an overall program to study the major groundwater basins of Sonoma County. Additional funding and support for the study was provided by the cities of Cotati, Rohnert Park, Santa Rosa, Sebastopol, Town of Windsor, Cal-American Water Company, and County of Sonoma.

The completion of the study by USGS scientists brings state-of-the-art tools and a rigorous scientific approach to understanding the large and geologically complex Santa Rosa Plain groundwater basin. The workshop will include a presentation on the conceptual model and current status of groundwater levels and water quality within the Santa Rosa Plain Watershed.

“All of us who helped fund this study are excited to gauge the true state of our critical groundwater resources. This study will provide essential information as we plan for our county's future,” said Rohnert Park City Council Member Jake Mackenzie. “This is a great opportunity to ask questions about our groundwater resources and learn how we can manage them effectively.”

A second phase of the USGS study is also nearing completion. It includes the development of a coupled surface water and groundwater flow model, with a comprehensive summary of the water budget for the Santa Rosa Plain Watershed. The model will be used by local stakeholders to assist in management and decision making for the region's groundwater resources in the future.

The July 11 workshop will begin at 6:00 pm with an open house format. At 6:30 pm there will be opening remarks and an update on related Groundwater Management Planning activities, followed by a presentation by USGS scientists on the groundwater study. Members of the Santa Rosa Plain Groundwater Basin Advisory Panel – comprised of representatives from cities, agriculture and environmental organizations that are working on developing a non-regulatory Groundwater Management Plan for the Santa Rosa Plain - will also be present to answer questions on how results of the study will help inform planning and management decisions.

Workshop Details:

Thursday, July 11

6:00 pm – 8:30 pm

Santa Rosa Finley Community Center
2060 W College Ave, Santa Rosa, CA

The study is expected to be released before July 11th. When the study is available a link will be posted at www.scwa.ca.gov/srgw-studies. For more information contact Marcus Trotta, (707) 547-1978 or mtrotta@scwa.ca.gov.

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The Sonoma County Water Agency is working to secure our future by investing in our water resources, community and environment. The Water Agency provides water supply, flood protection and sanitation services for portions of Sonoma and Marin counties. Visit us on the Web at www.sonomacountywater.org.

U.S. Geological Survey Santa Rosa Plain Groundwater Study

Phase 1 - Hydrogeologic and Geochemical Characterization, July 2013

Background

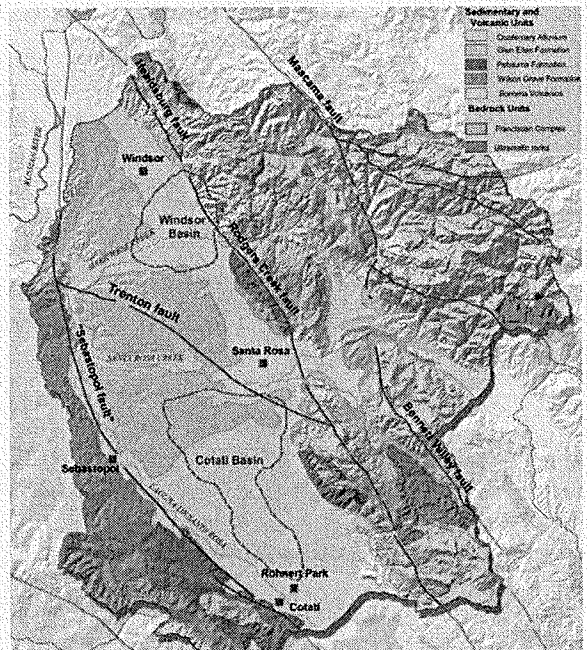
A significant study has been completed to characterize the surface water and groundwater resources of the Santa Rosa Plain Watershed. Groundwater in the Santa Rosa Plain is a critical resource for its residents, agriculture, businesses and ecosystems. The study provides a wealth of information and valuable tools for local stakeholders to use in protecting and managing the region's groundwater resources.

The seven-year study was conducted by U.S. Geological Survey (USGS) scientists as part of a cooperative program with the Sonoma County Water Agency to study the major groundwater basins of Sonoma County. Additional funding for the study was provided by the cities of Cotati, Rohnert Park, Santa Rosa, Sebastopol, town of Windsor, Cal-American Water Company, and County of Sonoma. The completion of the study by USGS scientists brings state-of-the-art tools and a rigorous scientific approach.

Santa Rosa Plain Setting and Geology

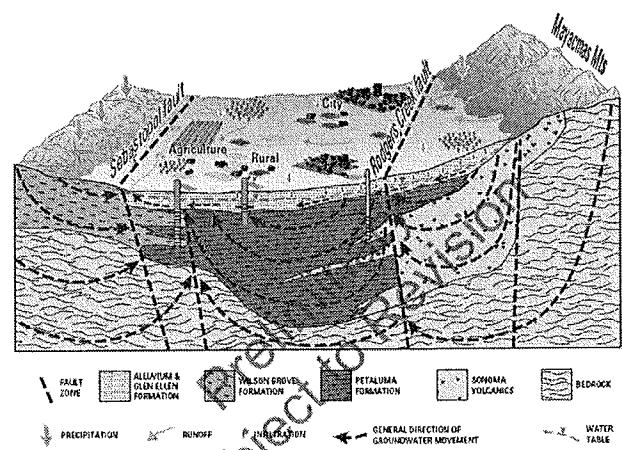
The Santa Rosa Plain Watershed study area covers about 167,000 acres, and is home to around half of the population of Sonoma County. The groundwater system beneath the Santa Rosa Plain provides water to residents and municipal systems, irrigation water for agriculture, and baseflow to streams, surface water bodies and associated ecosystems.

The Study reveals a large geologically complex groundwater basin, with multiple aquifers that exhibit wide variations in well yields and groundwater quality. In addition, the groundwater system is subdivided into several compartments that are separated by fault zones, including the Rodgers Creek Fault, the Sebastopol Fault, and the Trenton Fault. Groundwater flows through and is stored in sedimentary and volcanic formations, which include recent Alluvium/Glen Ellen, Wilson Grove, Petaluma, and the Sonoma Volcanics.



Santa Rosa Plain Groundwater Movement

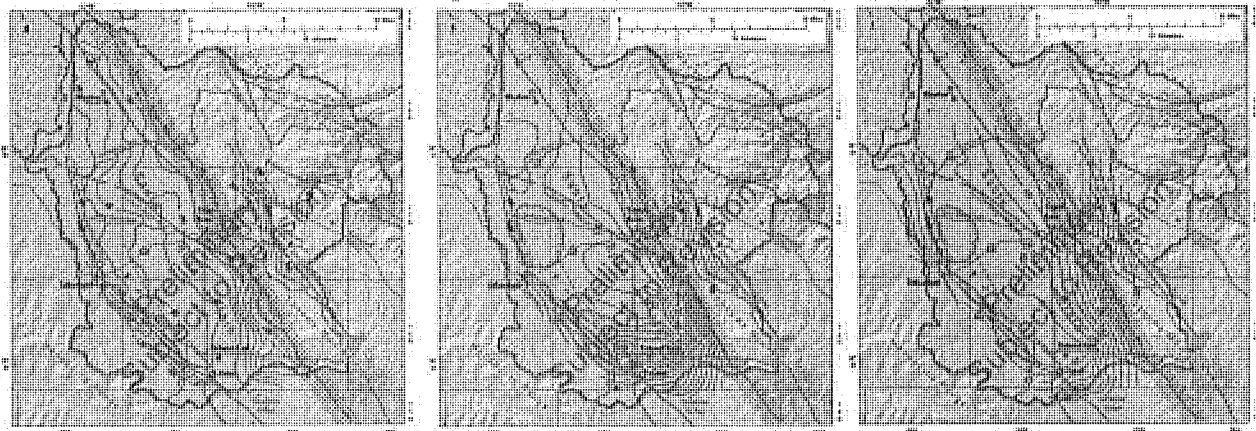
Groundwater is primarily recharged through the infiltration of precipitation and through seepage from streambeds. Groundwater leaves the basin through wells, springs, evapotranspiration from plants, and as both subsurface outflow and seasonal groundwater contribution to streamflows in some areas of the basin. Pumping is the largest cause of discharge from the basin, with the most significant proportion being agricultural and residential pumpage. Public supply pumpage represents around 15% of the total.



Santa Rosa Plain Groundwater Level Trends

In general, groundwater levels in shallow aquifers fluctuate seasonally with rainfall and are largely stable over time. The water in these aquifers is relatively young, often less than 50 years old. In contrast, groundwater within deeper aquifers commonly exceeds 4,000 years in age, with the oldest dated groundwater exceeding 30,000 years in age. Some deeper wells show overall stability, others show overall declining trends and still others show historical declining trends followed by recent increases in groundwater levels. Declining groundwater level trends within the deeper zone wells is likely related to large agricultural irrigation and public supply wells, as well as the greater amount of time these deeper zones require to recharge. A historical groundwater pumping depression that formed in the southern Santa Rosa Plain in the 1980's and 1990's has nearly fully recovered as imported surface water from the Russian River replaced groundwater use in this area over the past decade.

Groundwater-Level Contour Maps of the Santa Rosa Plain Watershed



The map on the left is a representation of 1951, and shows groundwater movement from the highlands towards the Laguna de Santa Rosa. The middle map (1990) shows two depressions in areas of high pumping, and the map on the right (2007) shows a reduction of these depressions.

Groundwater Quality

Groundwater quality throughout the study area is highly variable, but generally acceptable for potable use. Local groundwater quality issues exist, including naturally occurring constituents of concern such as iron, manganese, boron, and arsenic. Increases in chloride and specific conductance have occurred for reasons that remain unclear (although possible sources include groundwater inflow of older, more mineral-rich water, wastewater inputs through septic systems, and/or historical irrigation return flow).

Next Phase of Study

A second phase of the USGS study includes the development of a coupled surface water and groundwater flow model, with a comprehensive summary of the water budget for the study area. The model will be used by local stakeholders to assist in management and decision making for the region's groundwater resources in the future.

For more information visit www.sonomacountywater.org/srgroundwater/ or contact Project Manager Marcus Trotta at 707.547.1978 mtrotta@scwa.ca.gov.

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DISBURSEMENTS - DATED JUNE 27, 2013**Item #21**

Date Prepared: 6/25/13

The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

Seq	Payable To	For	Amount
P/R*	Employees	Net Payroll PPE 6/15/13	\$117,062.56
EFT*	US Bank	Federal & FICA Taxes PPE 6/15/13	51,404.36
EFT*	State of California	State Tax & SDI PPE 6/15/13	9,190.51
EFT*	Novato Chamber of Commerce	Novato Leadership Program (Young) (9/13-5/14)	795.00
EFT*	Marin County Treasurer	Semi-Annual Bond Service-PR6 Revenue Bond	10,300.00
1	Agile Business & Technology	May Accounting Software Support	390.00
2	Alliance for Water Efficiency	Annual Membership Dues Renewal (Grisso) (7/8/13-7/7/14) (Budget \$220)	214.41
3	Alpha Analytical Labs	Lab Testing (Novato Area)	128.00
4	American Family Life Ins	May Employee Contribution for Accident, Disability & Cancer	4,000.20
5	American Water Works Assoc	Annual Dues (Chandrasekera) (8/1/13-7/31/2014) (Budget \$250)	238.00
6	Argonaut Constructors	Progress Payment #5: Recycled Water South Phs 2 Project (Bal Remaining on Contract \$39,659)	192,957.96
7	Athens Administrators	Replenish Workers' Comp Account (\$222) (Castellucci) & June Worker's Compensation Admin Fee (\$1,000)	1,221.85
8	Backflow Distributors	Adaptor Kit for Backflow Tester	180.76
9	Barrett Engineered Pumps	Recycled Water Booster Pump Assembly (Hamilton Elementary)	15,369.00
10	Bondanza, Ray	Novato "Toilet Rebate" Program	100.00
11	Brooks, Richard	Commercial "Toilet Rebate" Program	400.00

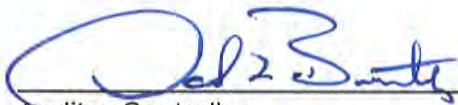
Seq	Payable To	For	Amount
12	Calif Public Health Services	Water Treatment Certif Renewal Fee (Grade T3) (Jeff Corda) (12/13-11/16) (Budget \$90)	90.00
13	Calif Dept of Wtr Resources	FY 13/14 Annual Dam Fee	7,757.00
14	Carpenter Rigging & Supply	Cable Used to Pull PB Services	430.00
15	Chase Card Services	ACWA Conf-Lodging (DeGabriele) (\$223), Parking, iPads (7) (\$3,065), iPad Covers (\$226) (3), Birthday Breakfasts (\$101) & Visa Gift Cards Safety Awards (\$2,830)	6,447.66
16	Covello Group	Change Order #3: RW South Service Area Construction (Balance Remaining on Contract \$73,055)	36,722.26
17	Cummings Trucking	Rock (\$2,864) (81 yds) & Sand (\$3,265) (64 yds)	6,149.39
18	Data Instincts	Public Outreach During RW South Phs 2	2,350.00
19	Davis, Martha	Novato "Washer Rebate" Program	50.00
20		Cafeteria Plan: Uninsured Medical Reimbursement	369.22
21	Denike, Karla	Novato "Washer Rebate" Program	50.00
22	Eden Housing	Release Maintenance Portion (25%) of Cash Bond Posted for the Warner Creek Housing Project	13,375.00
23	Equipco	Repair & Parts for Algae Probe (STP)	693.93
24	Environmental Science Assoc	Prog Pymt: Regulatory Coordination & Year 0 Baseline Monitoring for RW South Project (Balance Remaining on Contract \$30,635)	1,006.25
25	FedEx Freight West	Freight on STP Pump Suction Hose	61.40
26	Arthur J. Gallagher	FY14 Property & Liability Insurance (\$85,527) (\$13,650 to be Reimbursed by MCFWCWD) & Excess Workers' Comp Premium (\$49,276)	134,803.00
27	GHD	Engineering Services: Aqueduct Relocation (Bal Remaining on Contract \$16,326)	1,638.00

Seq	Payable To	For	Amount
28	Grainger	Batteries (AA & AAA) (96), Measuring Tapes (5) (\$41), Barricade Tape & Saw Blades (5)	107.43
29	Greendorfer, Jeff	Novato "Washer Rebate" Program	50.00
30	Hardy Diagnostics	Bacteria Growth Media (Lab)	41.15
31	Home Depot	PVC Primer (24-8oz cans) (\$130) & PVC Cement (12-8oz cans)	198.69
32	InfoSend	May Processing Fee for Water Bills (\$1,588) & Postage (\$3,953)	5,541.92
33	Janssen, Ralf	Novato "Toilet Rebate" Program (\$200) & Refund Alternative Compliance Reg 15 Deposit (\$630)	830.00
34	Jigalin, Jennifer	Novato "Washer Rebate" Program	50.00
35	Kartanata, Affandi	Refund Overpayment on Closed Account	61.27
36	Kelley, Diane	Refund Overpayment on Closed Account	336.59
37	Maltby Electric	Conduit Mandrels (\$253), Conduit & Elbows for Telemetry Line Alignment (\$517)	770.19
38	Marin Reprographics	Bond Paper (4) (36" x 150')	82.63
39	Maynard, Jack	Novato "Washer Rebate" Program	50.00
40	MCC Control Systems	Programming Modifications for STP PLC's	520.00
41		Cafeteria Plan: Uninsured Medical Reimbursement	1,000.00
42	McLellan, WK	Misc Paving (Novato Area)	3,414.75
43	McMaster-Carr Supply	Pressure Tank for Hamilton Charter School	55.58
44	MWH Constructors	Refund Security Deposit on Hydrant Meter Less Final Bill	850.00
45	North Bay Appraisals	Appraisal Fee for 42 Spinosa	500.00
46	Novato Disposal Service	May Trash Removal	413.20

Seq	Payable To	For	Amount
47	Pace Supply	4" Steel Pipe (40) (\$682), Leak Clamps (2), 6" Coupling (\$318), 8" x 4" Tee, Els (60) (\$274), Meter Adaptors (120) (\$1,218) & PVC Pipe (200) (\$2,126)	4,700.82
48	Paul, Philip	Novato "Washer Rebate" Program	50.00
49	PERS Retirement System	Pension Contribution PPE 6/15/13	46,077.86
50	NMWD Petty Cash	Petty Cash Reimbursement	68.60
51	PG&E	Power: Bldg/Yard (\$3,501), Rectifier/Controls (\$423), Pumping (\$30,078), Treatment (\$118) & Other (\$96)	34,216.56
52	Point Reyes Prop Mgmt Assn	June HOA Dues (25 Giacomini Rd)	75.05
53	Powell, James & Susan	Novato "Washer Rebate" Program	50.00
54	Ruiz, Ginette	Novato "Washer Rebate" Program	50.00
55	Sequoia Safety Supply	Faceshields (12) (Maintenance)	26.03
56	Siegel, Greta	Refund Overpayment on Closed Account	51.91
57	Simmonds, Susan	Novato "Washer Rebate" Program	50.00
58	Smith, Jason	Refund Overpayment on Closed Account	24.45
59	Soiland	Asphalt Recycling (6 tons)	20.00
60	Sonoma County Water Agency	May Contract Water	470,742.35
61	Soroptimist Int'l of Novato	FY14 Annual Dues (Young) (Budget \$180)	175.00
62	Spencer, Andrew	Refund Overpayment on Closed Account	44.53
63	Township Building Services	May Janitorial Services	1,754.84
64	Univar	Caustic Soda (25,562 lbs)	9,061.73
65	U S Department of Commerce	Annual Drought Loan Principal & Interest (Novato-\$18,424 & West Marin-\$2,703)	21,127.15
66	Walsh, Lisa	Refund Security Deposit on Hydrant Meter Less final Bill	693.27
67	Ward, Brian	Provide Structural Engineering Services on Pt. Reyes Tanks #2 & #3	700.00

Seq	Payable To	For	Amount
68	White & Prescott	Engineering Services: Hamilton School Easements (Balance Remaining on Contract \$15,725)	4,600.00
69	Wilson Bohannan	Brass Locks (36)	293.27
70	Workforce Boots & Clothing	Safety Boots (Renfort)	175.35
		TOTAL DISBURSEMENTS	<u>\$1,225,647.89</u>

The foregoing payroll and accounts payable vouchers totaling \$1,225,647.89 are hereby approved and authorized for payment.



Auditor-Controller

6/25/13

Date



General Manager

6/25/2013

Date

DISBURSEMENTS - DATED JULY 3, 2013

Date Prepared:7/2/13

The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:


Seq	Payable To	For	Amount
1	Allemand Electric Supply	Circuit Breakers for Lynwood P/S	\$435.00
2	AT&T	Telephone Charges: Leased Lines	63.42
3	AT&T	Telephone Charges: Leased Lines (\$275) & Voice (\$490)	764.23
4	Badger Meter	Charger/Communication Interface Cable (\$90), 5/8" Meters (336) (\$18,766) & 1" Meters (40) (\$5,804)	24,660.13
5	Baker, Jack	June Director's Fee	300.00
6	Ballestrazze, Roberta	Novato "Washer Rebate" Program	50.00
7	Bastogne	Refund Payment on Account	45.00
8	Brescia, Greg	Refund of Deposit/New Development Water Conservation Restriction Novato & Excess Advance for Const Over Actual Job Cost & Water Conservation Deposit-1 Lupine Cir Upgrade to 1" (\$1,215)	2,214.68
9	Business Card	Internet Payment (\$134), Craigslist Ad for Laborer Position (\$75) & iAnnotate App for iPad (\$10)	218.74
10	Calif Dept of Toxic Substance	Annual Fee for EPA Verification and Manifest Fees	150.00
11	California State Disbursement	Wage Assignment Order	1,143.00
12	Christofani, Allen	Novato "Toilet Rebate" Program	200.00
13	Cole-Parmer Instrument	Iodide & Turbidity Standard (STP)	51.24
14	Core Utilities	Consulting Services: May IT Support (\$5,000), Labor to Configure SCADA Screens (\$950), Assist Billing Dept with Removing Erroneous Meter Entry (\$50), Annual Water Cost Calculator (\$500), PLC & Operator Interface Programming for New RTU & PRTP (\$4,100)	10,600.00


Seq	Payable To	For	Amount
15	The Dance Palace	Donation for use of Dance Palace for 6/25/13 BOD Meeting	36.00
16	Demartini, Paul & Karen	Novato "Washer Rebate" Program	50.00
17	Demsey, Filliger & Associates	GASB 45 Retiree Health Benefit Actuarial Valuation	4,000.00
18	Fraites, Rick	June Director's Fee (\$300) & Attended North Bay Watershed Assoc Meeting on 6/7/13 (\$100)	400.00
19	Gempler's	Adaptor, 1" Heavy Duty Hose (100') (\$232) & Nozzle to Wet Material and Dust Control in Yard	391.99
20	Golden Gate Petroleum	Gasoline (\$3.76/gal) & Diesel (\$3.68/gal)	3,974.47
21	Grainger	Replacement Pump Used to Clean the Sludge Out of the Recovery Pond @ STP (\$3,544), US Flag (\$49), California State Flag (\$52) & Nut Driver Set	3,663.19
22	Groeniger	6" DCDA Fire Check Assembly (\$2,070), Vault (\$580), Bushings (9), Couplings (3), Nipples (6) & Tapping Sleeve (8" x 8") (\$1,074)	3,760.03
23	Hach	Reagents (STP)	481.43
24	Hardy Diagnostics	Remaining Balance on 5/31/13 Bacteria Growth Media Invoice	251.20
25	Harris and Associates	Pipeline Inspection & Testing Services for the MSNB1-Reach E Project (Balance Remaining on Contract \$279,389)	21,711.00
26	Irish & Son Welding	Weld 12" Spool (PR Well #3) (Bal Remaining on Contract \$1,830)	330.00
27	Jones, Laura	Final Payment-Engineering Support Services for Novato Water System Master Plan 2012 Update (Total Support Services Cost \$31,590)	6,532.50
28	Kaiser Foundation Health Plan	DMV/DOT Physical (Sjoblom)	70.00
29	Kelly, Milton	Novato "Toilet Rebate" Program	200.00
30	Lincoln Life	Deferred Compensation PPE 6/30/13	10,192.06
31		Vision Reimbursement	189.97
32	McAghon, Andrew	May STP Sludge Removal (110 yds)	3,080.00

Seq	Payable To	For	Amount
33	McLellan, WK	Misc Paving (Novato Area)	7,561.00
34	McMaster-Carr Supply	Driver Bit Set, Screw Driver Bits, Relief Valve (PRTP Booster Pump) (\$133), Water Pump & Tank (PRTP Control Valve) (\$368)	591.02
35	Medigovich, Bill & Kyla	Novato "Cash for Grass" Program	325.00
36		Wage Assignment Order	284.00
37	MSC Industrial Supply	PVC Elbows & Slips	194.13
38	Nationwide Retirement Solution	Deferred Compensation PPE 6/30/13	1,025.00
39	NTU Technologies	Anion Polymer Emulsion for Centrifuge (2,250 lbs)	3,622.50
40	O'Connell, John & Catherine	Novato "Washer Rebate" Program	50.00
41	Pace Supply	Hub Adaptors (3) (\$615), Couplings (5) (\$477), 1" Copper Tubing Adaptors (2) (\$90) & Cutter Head Assembly (7) (\$1,421)	2,603.20
42	ParcelQuest	Annual Update-Parcel Data Information-Sonoma & Marin Counties (7/1/13-6/30/14)	753.84
43	PERS Health Benefits	July Health Insurance Premium (Employees \$50,151, Retirees \$10,894 & Employee Contrib \$10,402)	71,447.06
44	Personnel Concepts	Subscription Renewal (Landeros) (7/13-6/14) (Budget \$220)	247.63
45	Petterle, Stephen	Director's Fee	300.00
46	Reyes, Joe & Melina	Novato "Washer Rebate" Program	50.00
47	Rodoni, Dennis	June Director's Fee	300.00
48	Safeguard	Deposit Slips (600)	93.74
49	Schoonover, John	Director's Fee Less Deferred	150.00
50	Shamrock Materials	Concrete (4 Cubic Yds) (Pt. Reyes Well #3)	759.04
51	Seth Shorett & Robin Lahargoue	Refund Excess Advance for Const Over Actual Job Cost-318 Grandview Ave-Upsize Hydrant	622.32
52		Vision Reimbursement	342.00

Seq	Payable To	For	Amount
53	Strahm Communications	Printing, Processing & Mailing of Spring 2013 Novato (\$6,472) & West Marin (\$2,556) Waterline	9,027.36
54	Streakwave Wireless	RTU Radio Communication Parts	948.85
55	Stublarec, Kerry	Novato "Toilet Rebate" Program	100.00
56	United Parcel Service	Delivery Service: Disbursement Request for RW South Phs 1B & GAC Sample for Regeneration	17.37
57	UNUM Life Insurance	June Group Life Ins Premium	695.13
58	USA BlueBook	Potassium Iodide (\$201) & Buffer (STP)	338.33
59	Verizon California	Telephone Charges: Leased Lines	607.78
60	Volvo Construction Equipment	Compressor Oil (\$74) & Filter	103.69
61	White Cap Construction	Filter (24) & Sand Bags (100) (\$86)	134.63
62	Wiebers, Barbara	Novato "Washer Rebate" Program	50.00
63	Wildcat Engineering	On-Site Retrofits for the RW North & South Projects (Bal Remaining on Contract \$106,118)	85,992.92
		TOTAL DISBURSEMENTS	<u>\$289,546.82</u>

The foregoing payroll and accounts payable vouchers totaling \$289,546.82 are hereby approved and authorized for payment.

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Auditor-Controller Date 7/2/13

 _____
General Manager Date 7/2/2013

DISBURSEMENTS - DATED JULY 11, 2013

Date Prepared: 7/9/13

The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

Seq	Payable To	For	Amount
P/R*	Employees	Net Payroll PPE 6/30/13	\$118,805.59
EFT*	US Bank	Federal & FICA Taxes PPE 6/30/13	51,016.56
EFT*	State of California	State Taxes & SDI PPE 6/30/13	9,124.80
1	Aberegg, Michael	Drafting Services: Leveroni Creek Bank Stabilization As-Builts	440.00
2	Able Tire & Brake	Tires (6) ('12 Intl Dump Truck-\$393, '05 Ford Ranger-\$516, '02 Intl Dump Truck-\$443) & Alignments (3) ('12 F250-\$146, '12 F250-\$81, '05 Ford Ranger-\$243)	1,821.67
3	Agile Business & Technology	Annual Maintenance Renewal for MAS 90 (\$4,370) & Fixed Assets (\$662) (Budget \$5,750)	5,032.80
4	AJ Printing & Graphics	Washing Machine Rebate Flyers (352)	213.20
5	Anand, Rajiv	Novato "Washing Machine" Rebate	50.00
6	ATT	June Internet Service @ PRTP	70.00
7	Backflow Distributors	Repair Parts for Backflow Tester	106.03
8	Bay Alarm	Quarterly Fire Alarm Monitoring Fee (STP)	306.75
9	Black Point Tree Service	Clean Brush Along Southside of Spillway	2,000.00
10	Bold & Polisner	May Legal Svcs: AEEP Caltrans Reimb B1, B3 (\$130), Brown Act (\$566), Construction Agreement (\$55), Gustafson Ct. Acquisition (\$425), Leveroni Looping (\$111), Misc (\$20), MMWD Intertie Agreement (\$254), Prop 218 Letter (\$185), RW South Ph 1B (\$1,573) & Village Marin Agreement (\$185)	3,504.00
11	Burke, Emiko	Novato "Washing Machine" Rebate	50.00
12	Cole-Parmer Instrument	Iodide (STP)	228.90
13	Corner, Glenn	Novato "Washing Machine" Rebate	50.00

Seq	Payable To	For	Amount
14	Crowe, Gigi	Novato "Washing Machine" Rebate	50.00
15	CSW/Stuber-Stroeh Engineering	Engineering Services: NMWD Aqueduct Energy Efficiency Project (Bal Remaining on Contract \$27,529)	31,814.50
16	DeGabriele, Chris	Exp Reimb: June Mileage	259.90
17	FedEx Freight West	Delivery Service: Lab Control Samples for Calibration	152.26
18		Vision Reimbursement	184.00
19	Fochetti, Diane	Novato "Cash for Grass" Program	225.00
20	Fremouw Environmental Svc	Recycle Floor Absorbent	357.23
21	Gardener's Guild	Picnic Table Area Irrigation Retrofit @ Fireman's Fund (Balance Remaining on Contract \$1,800)	29,016.00
22	Grainger	Cordless Saw Batteries (\$256), HVAC Filters (\$147), Light Bulbs (36), Ballasts (3) (\$136), Electrical Supplies (\$135), Compound Pressure Gauges & Pressure Tank Fittings (\$325)	1,068.51
23	International Dioxide	Parts for STP Chlorine Dioxide Generator	546.03
24	Irish & Son Welding	Weld Host Brackets ('02 Intl 5yd Dump Truck)	220.00
25	John's Plumbing & Sewer Serv	Replaced Gate Valve With Ball Valve @ 4 Cielo Lane	298.00
26	Journey Ford/Lincoln	Seat Belt Buckle, Repair Parts for Damaged Wheels & Suspension (\$1,112), Front Brake Pad, Rotors (\$250) & Seals ('05 Ford Ranger) (Insurance Claim in Progress)	1,491.21
27	Kelly-Moore Paint	Paint Additive & Floor Paint (2 gal) (\$86)	93.69
28	Komatsu Forklift	Hydraulic Ram Seal Kit	205.55
29	Kruger: Veolia Water	Hose Fitting (STP)	266.88
30	Luis, Monica	Novato "Toilet Rebate" Program	100.00
31	Maltby Electric	Freight Charge for Conduit Mandrels	11.19
32	Maselli & Sons	Bolts & Anchors	31.48

Seq	Payable To	For	Amount
33	McAghon, Andrew	June Sludge Removal	3,360.00
34	McLellan, WK	Paving on Sunset Pkway & Novato Blvd (1,923 S.F.) (\$19,995) & Misc Paving (Novato Area) (\$1,720)	21,715.80
35	National Safety Council	Membership Renewal (Clark) (8/1/13-7/31/14) (Budget \$380)	395.00
36	North Marin Auto Parts	Electric Brake Safety Switch, Air Filters (5) (\$116), Oil Filters (5) (\$23), Gear Oil (5 gal) (\$88), Motor Oil (21 qts) (\$92), Spray Paint (2 - 11oz cans), Power Steering Fluid (32 oz), Gasket Sealer & Wiper Blades,	380.09
37	North Bay Gas	June Cylinder Rental	104.50
38	Novato Builders Supply	Lumber, Screws, Materials to Repair Damaged Hydrant (\$103), Rebar, Stakes, Fence Materials (\$575), Washers, Concrete (\$585) (3yds) (San Marin HS Cafeteria) & PVC Pipe	1,459.53
39	Office Depot	6' Tables (4) (Construction Lunchroom)	221.53
40	Pace Supply	Pipe Wrap Tape (2" x 100')	400.57
41	PERS Retirement System	Pension Contribution PPE 6/30/13	46,041.03
42	Peterson Trucks	Replacement Differential for Rear Axle ('99 Intl 5-Yard Dump Truck)	1,604.02
43	NMWD Petty Cash	Petty Cash Reimbursement	70.61
44	PG&E	Power: Bldgs/Yard (\$4,044), Rectifier/Controls (\$539), Pumping (\$37,721), Treatment (\$125) & Other (\$109)	42,699.93
45	Pini Hardware	Flashlight, Hillman Hardware, Painting Supplies, Primer, Faucet (2) (\$152), Light Bulbs, Phone Jack, Paint Rollers (3), Cleaning Supplies, Plug Insert & GAC Drain Repair Parts (\$49)	323.68
46	Protection Engineering	Zinc Anodes (100)	4,116.93
47		Cafeteria Plan: Childcare Reimbursement	208.33
48	Sequoia Safety Supply	Earplugs (400), Leather Gloves (24) (\$133), Safety Vests, Sunscreen Toilettes (100) (\$61), Anti-Fog Lens Wipes, Rainjacket, Overalls & Retainer Cords for Safety Glasses (30) (\$72)	442.83

Seq	Payable To	For	Amount
49	Shirrell Consulting Services	June Dental Expense	3,483.70
50	Sonsray Machinery	Parts to Repair Front Drive Axle ('93 Case Loader)	1,016.50
51	Sproete, Vincent	Refund Deposit-New Development Water Conservation Restriction	1,000.00
52	Steel Structures Painting Council	Membership Renewal (McIntyre) (7/13-6/14) (Budget \$ 100)	95.00
53	Stonehenge Property	Refund Security Deposit on Hyd Meter Less Final Bill	387.70
54	Syar Industries Inc	Asphalt (6 tons)	759.63
55	United Parcel Service	Delivery Service: Sent Letter for RW South Phs 1B & Water Sample for Testing (STP)	14.03
56	Univar	Ferric Chloride (16,773 lbs)	6,380.66
57	Verizon Wireless	Cellular Charges: Data (\$101) & Airtime (\$136)	236.99
58	Verizon Wireless	May CIMIS Station Data Transfer Fee	25.30
59	Weiler, Nancy	Novato "Toilet Rebate" Program	300.00
60	Winzer	Machine, Sheet Metal Screws & Absorbent Pads (12) (\$113)	214.81
61	Workforce Boots & Clothing	Safety Boots (Hennessy)	194.84
62	Young, Jim & Jody	Novato "Washer Rebate" Program	50.00
		TOTAL DISBURSEMENTS	<u>\$396,915.27</u>

The foregoing payroll and accounts payable vouchers totaling \$396,915.27 are hereby approved and authorized for payment.



Auditor-Controller

7/9/13

Date



General Manager

7/9/2013

Date

MEMORANDUM

To: Board of Directors
From: Dianne Landeros, Accounting/HR Supervisor
Subj: Statement of Auditing Standards No. 114 Letter
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July 12, 2013

RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: None

The District's outside financial auditors, under the Statement of Auditing Standards No. 114, are required to communicate clearly with those charged with governance (Board and management) during the planning stage of the audit the responsibilities of the auditor in relation to the financial statement audit, and an overview of the scope and timing of the audit. The attached letter from Paul Kaymark, CPA with Charles Fedak & Company, fulfills that requirement.



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company
Certified Public Accountants
An Accountancy Corporation

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EMAIL czfco@czfcpa.com
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JUL 03 2013

North Marin Water District

June 30, 2013

To the Board of Directors of the North Marin Water District:

Under the Statement of Auditing Standards No. 114, we are required to communicate clearly with those charged with governance (Board and management) during the planning stage of the audit the responsibilities of the auditor in relation to the financial statement audit, and an overview of the scope and timing of the audit.

The Audit Engagement

We are engaged to audit the financial statements of the business-type activities of the District including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the year ended June 30, 2013.

Our Responsibilities under Generally Accepted Auditing Standards and Government Auditing Standards of the United States of America

As stated in our Audit Engagement Letter for the year ended June 30, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the Board of Directors oversight are fairly presented, in all material respects, in conformity with generally accepted accounting principles of the United States of America. Our audit of the financial statements does not relieve the Board of Directors or management of its financial accounting and reporting responsibilities for the District.

As part of our audit, we will consider the internal controls of the District. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests is not to provide an opinion on compliance with such provisions.

Our Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the District and its financial and operating environment. This includes evaluating the District's internal controls relevancy to assess the risks of material misstatement in the financial statements and to design the nature, timing, and extent of further audit procedures.

Material misstatements may result from: errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District.

Therefore, we will plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected. Our audit does not relieve the Board of Directors or management of their fiduciary responsibilities for the District.

We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have held several discussions and meetings with management to discuss the significant components of the 2013 audit. These discussions relate to the interim and final fieldwork testwork to be conducted over the significant audit areas. We have also begun our interim pre-audit work and expect to complete our final audit fieldwork in August and September and issue our audit report at the October 2013 Board Meeting.

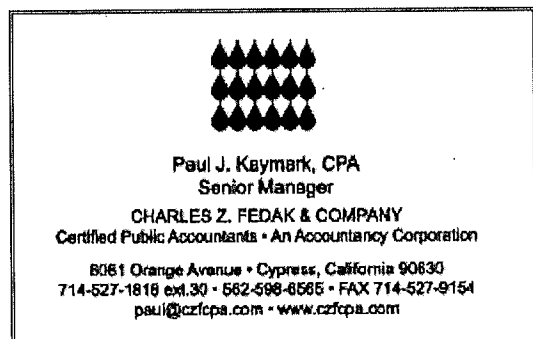
If you have any questions or concerns about the audit or audit process, please contact me directly at (714) 527-1818 or e-mail me at paul@czfcpa.com. I would appreciate the opportunity to discuss this information further with you since a two-way dialogue can provide valuable information for the audit process.

This information is intended solely for the use of the Board of Directors and management of District and is not intended to be, and should not be, used by anyone other than these specified parties.

Cordially,



Paul J. Kaymark, CPA
Charles Z. Fedak & Company, CPAs – An Accountancy Corporation



MEMORANDUM

To: Board of Directors

July 12, 2013

From: Nancy Williamson, Senior Accountant

Subj: Information – Equipment Inventory Summary

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RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: \$197,000 Reduction in Capital Equipment Assets
\$8,700 "Book Loss" on Disposition of Equipment

As part of the District's internal control, the accounting staff periodically conducts an inventory of the District's 346 pieces of capitalized equipment. The 2013 inventory of equipment is now complete.

The inventory revealed that 57 pieces of equipment had been disposed of since 2010. The purchase cost of the 57 items was \$165,000. This compares to \$113,000 in 2010 when the equipment inventory was last conducted. The \$165,000 amount is larger than normal due to the three year span since the equipment inventory was last conducted. The accounting demands of the Recycled Water Grant and Loan program have taken precedence over the annual equipment inventory count, but staff is now getting back on schedule.

Two equipment items that were not fully depreciated were disposed of last fiscal year: 1) Custom Inventory Bar Code Software that was used with the old SBT Accounting system, and 2) the 8-year-old Savin photocopier that was recently replaced. The remaining book value of the two assets was \$8,700 (book value is original cost less accumulated depreciation), which amount is recognized as a loss on disposition of assets in the FY13 financial statement.

In addition, the Auditor-Controller directed staff to clean up the Equipment Asset list by removing items with an original purchase cost below \$500. The minimum threshold for capitalizing assets is now \$5,000. This resulted in the removal of 132 items with a total gross value of \$31,675. All of the low cost items have been fully depreciated.

MEMORANDUM

To: Board of Directors

July 12, 2013

From: David L. Bentley, Auditor-Controller

Subj: Information - 2014 Medical Plan Cost Increase

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RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: \$69,000 (7.8%) Increase in 2014 Group Medical Insurance Contribution

CalPERS has released the 2014 medical insurance premiums negotiated with its providers. The Employee Association MOU provides for a District contribution of up to \$3,830 per year to the CalPERS Health Plan proportionate to the employee's full-time equivalent (FTE) status. In addition, the District contributes \$137 plus 85% of the Kaiser Basic Medical Plan premium amount, based upon each employee's family status (single, one, or two or more dependents), less \$3,830 proportionate to the employee's FTE status, into each employee's cafeteria plan account. Effective January 1, 2014, the Kaiser premium for employees will increase 11.1%. This increase compares to an average of 9.3% seen over the past 10 years.

Nine employees have alternative medical insurance coverage for their family and have thereby opted-out of the District's group medical plan, saving the District \$34,000 in foregone medical insurance contributions to CalPERS. These nine employees will see a 14% increase in the District's contribution to their cafeteria plan, which all have elected to receive as taxable income. The District's total 2014 obligation toward employee medical insurance will be \$794,000, an increase of \$82,000 (11.6%).¹ This increase exceeds the budgeted 10% increase.

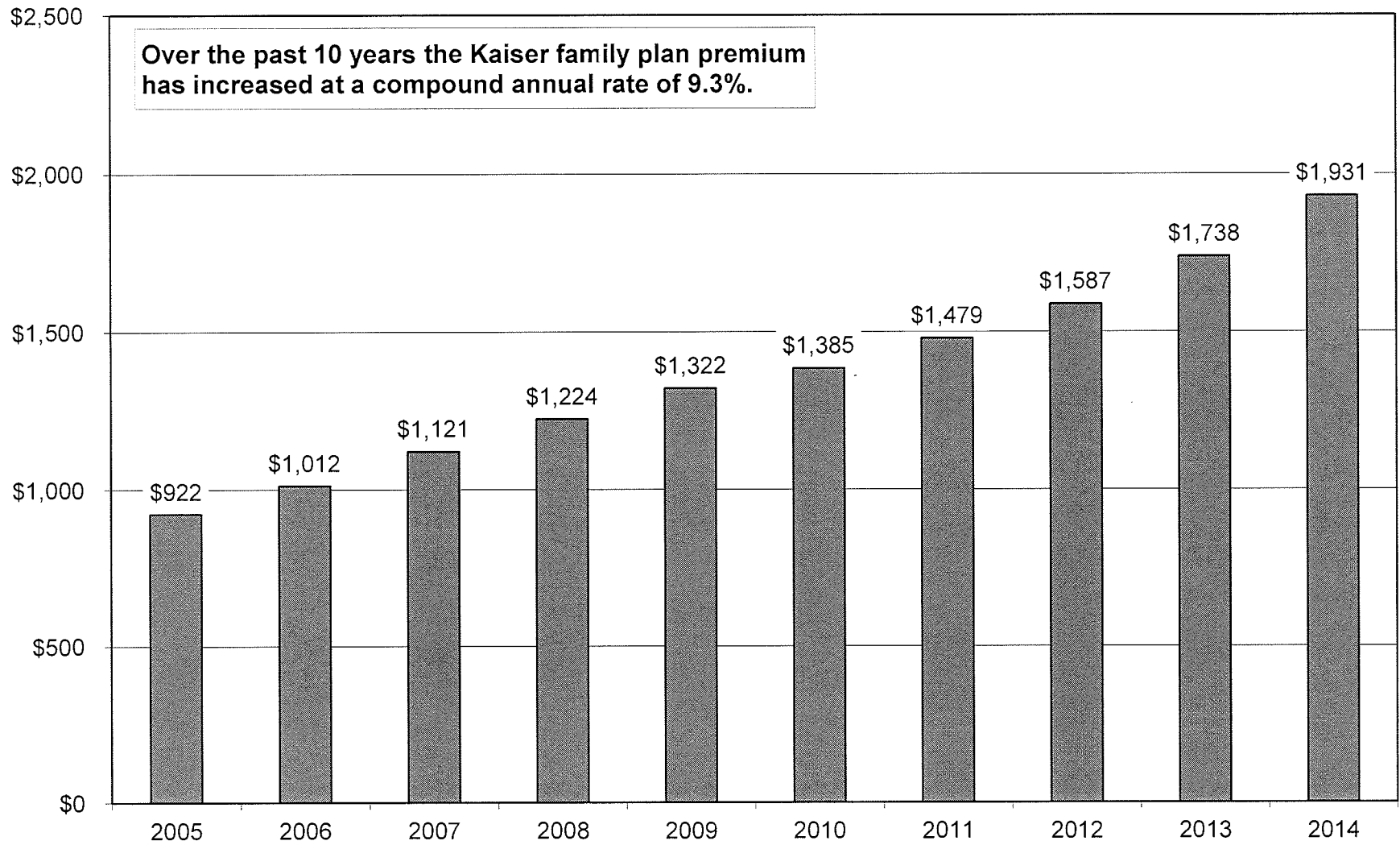
The District's labor agreement also provides for a contribution toward retiree medical insurance. Retirees between age 55 and 65 with more than twelve years of service receive up to 90% of the Kaiser 2-party premium amount². All other annuitants receive up to the amount contributed on behalf of employees (\$3,830). There are 35 annuitants participating in the District's group medical plan, up from 33 one year ago. Twenty-three of the annuitants retired prior to the 2005 labor agreement that enhanced the retirement plan to 2.5% at age 55 and capped the retiree medical benefit at \$3,830 per year. The District continues to honor the higher medical benefit amount promised to the twenty-three pre-2005 annuitants who do not benefit from the enhanced retirement plan. The District's 2014 cash outlay for retiree medical insurance will be \$159,000, a decrease of \$13,000 (7.3%).³

¹ Based on the current employee demographic


² Employees retiring subsequent to the 2012 MOU receive up to 85% of the Kaiser 2-party premium amount.

³ Based on the current retiree population

CalPERS Kaiser Health Plan Monthly Family Premium



MEMORANDUM

To: Board of Directors
From: David L. Bentley, Auditor-Controller 
Subj: Self-Insured Workers' Comp – 4th Quarter Status Report
l:\act\word\personnel\wclself ins status 0313.docx

July 12, 2013

RECOMMENDED ACTION: None

FINANCIAL IMPACT: Cumulative Cash Savings of \$201,652

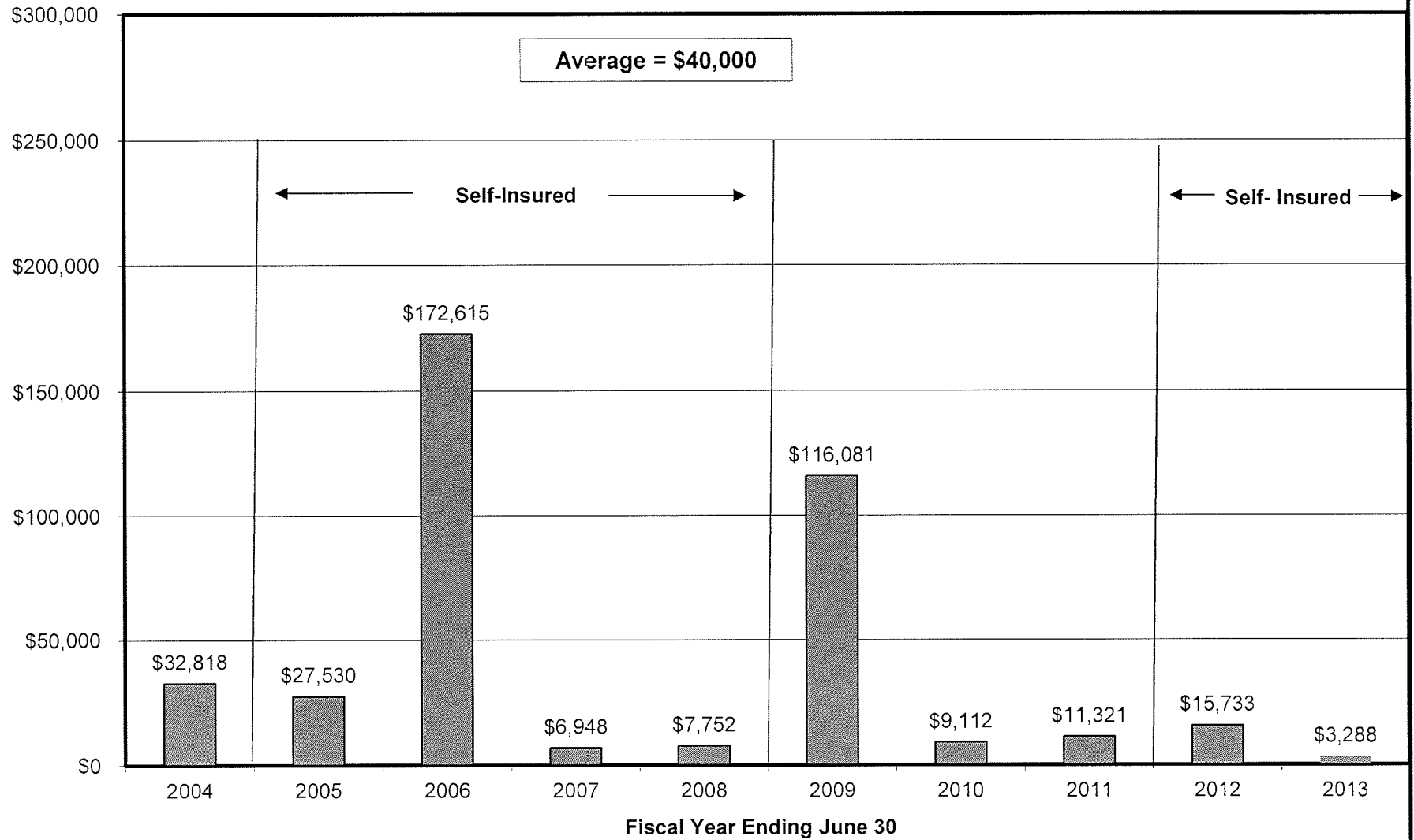
The District returned to self-insuring its workers compensation liability effective July 1, 2011, after the low-cost proposal for first-dollar workers' compensation coverage increased 20% over the prior year, to \$159,331. During FY12 two claims were incurred. Total medical and indemnity cost came to \$15,733, which amount includes a \$5,496 reserve for projected future medical expense. The cost to self-insure during FY12 was \$73,279, providing a savings of \$86,052 compared to purchasing standard coverage.

We were unable to obtain a quote for first-dollar workers' compensation insurance for FY13, however our broker advised that they are seeing premiums increase 6.5% on average, which would render an annual premium of \$170,574. During FY13 three claims were incurred, two of which have closed. Total medical cost, including a \$2,580 reserve for projected future medical expense, was \$3,288. Cumulative savings for the first two years of self-insurance total \$193,576. When the reserve (which is money not yet paid out) is added, the total cash savings to date is \$201,652. This money is set-aside in a reserve for future claims.

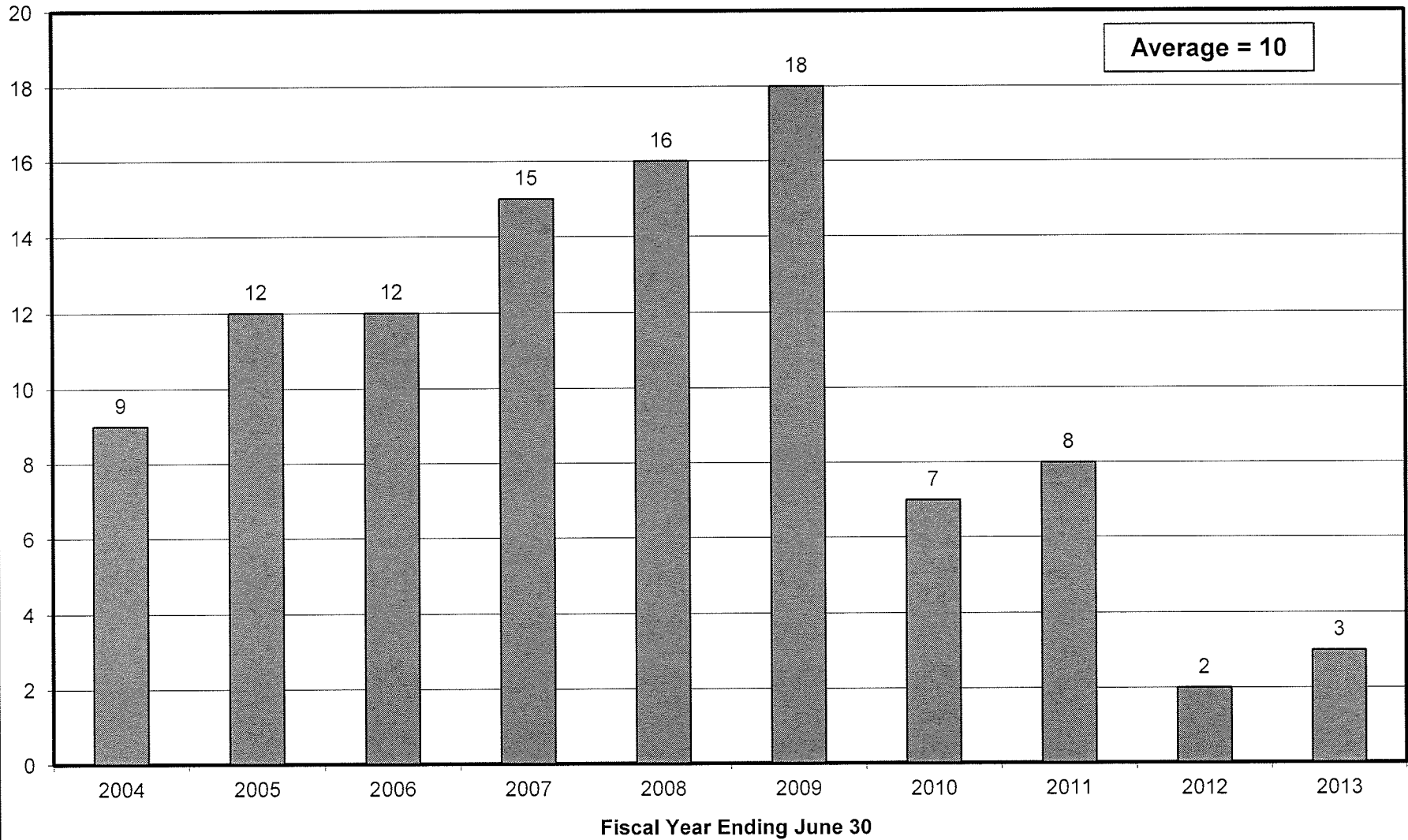
Attached are charts showing a 10-year history of annual claims cost (average \$40,000 per year) and 10-year history of claims frequency (average 10 claims per year).

	FY12	FY13	Cumulative
Premium Avoided	\$159,331	\$170,574	\$329,905
Self-Insured Costs			
Medical/Indemnity Claims	(15,733)	(3,288)	(19,021)
Third Party Administration	(12,000)	(12,000)	(24,000)
Excess Insurance Premium	(45,546)	(47,762)	(93,308)
Legal/Miscellaneous	0	0	0
Net Savings	\$86,052	\$107,524	\$193,576
Reserve for Future Medical	5,496	2,580	8,076
Cash Savings	\$91,548	\$110,104	\$201,652

Workers' Compensation Claim Cost by Year Injury Incurred 10 Year History



Workers' Compensation Claims Filed - Frequency 10 Year History



West Marin Citizen 6/27/13

properties; and our "sister agencies" that provided cost-share – NOAA Fisheries Education Center, San Francisco Regional Quality Control Board, State Water Resources Control Board, State Coastal Conservancy, Natural Resources Conservation Service; and the local NGOs that work for recreation and preservation principles and standards.

It is a pleasure to work with the many people who work conscientiously and tirelessly to care and protect Marin's natural environment. This environmental ethic is a focus of our work and the reason why it's a leader in the use of open space, environmental health, and quality of life that is so dependent on the availability of our native species.

With Appreciation,

Gail Seymour

Senior Environmental Scientist, Supervisor

CA Department of Fish and Wildlife



KWMP executive director Amanda Eichstaedt with the winning "Holy Moses" golf foursome: Moses Gittens, John Summerlin, Thomas Barnett, and Ron Saint Claire. Photo by Mike Varley

Late rains "impressive"

The Marin Municipal Water District called the rains this week "unusual and impressive." MMWD recorded 1.69 inches total at Lake Lagunitas over June 24 and June 25. Total rainfall for June is 1.72 inches, well above the monthly average of .43 inches. As of the same date, reservoir storage is 82 percent of capacity. The average for this date is 84 percent.

Despite the rainfall, both MMWD and North Marin Water District are asking consumers to reduce their water use. The Sonoma-Marín Saving Water Partnership, which includes all nine North Bay cities and water districts that purchase Russian River water from the Sonoma County Water Agency, has launched the "20 Gallon Challenge." The voluntary action is to reduce water use this summer by 20 gallons per day, per person. As an incentive there is a monthly prize drawing of water-saving appliances and professional services. More information is available at savingwaterpartnership.org. -Lynn Axelrod

Tony's
Seafood
Marshall, CA

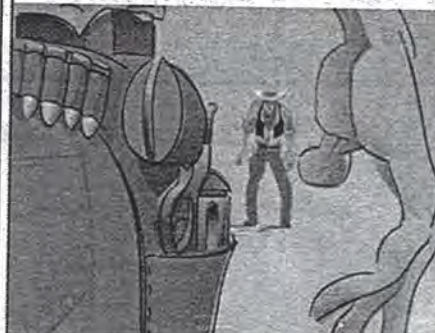


UPCOMING SPECIALS:

Friday June 28, Saute Scampi

Next week: July 4th & 5th. (we Will be Open) coming

**HORIZON
CABLE TV INC.**



12 STEP MEETINGS
Point Reyes Station/Inverness

Health and Human Services
(6th and A Street PRS) :

Mon. – Fri. 7 am

Wed. 7 pm

Thurs. 7 pm

Sat 8am



WONDERS OF WATER

by Tito Sasaki, President

“Whiskey is for drinking; water is for fighting over.” Mark Twain was right. When we talk about water, it is always against the background of who gets how much of it.

When we fight over something, may it be for a territory or a girlfriend, we often neglect to appreciate the beauty of the object we are fighting for. While we are poised for the State Water Board's counterattack on the court decision against the frost protection regulation, we might as well sip wine, or whiskey if you are a Twain devotee, and think of the unique physical beauty of water.

Water is unique in its density change to temperature. While other matters contract as temperature goes down, water does so only to a point: 4°C (39°F). Thereafter, it expands until it becomes ice. At that point it suddenly bulges, and the density drops by some 9%. Thus the water seeped into the fine fissures of rocks expands and contracts as temperature goes up and down, and eventually breaks rocks into soils. So, if your farm is blessed with fine soil, thank water for it.

More importantly, water being heaviest at 4°C, the bottom of a frozen lake always has 4°C water while colder water rises to form ice at the top. Without this abnormal trait of water, bodies of water would start freezing from the bottom up. Solar radiation won't thaw the ice because of the absence of natural convection in such water. Most water would eventually become ice, and the oceans would no longer moderate global climate.

Another unique attribute of water is that it is an excellent solvent. We all use water to wash ourselves of dirt and grime (often aided by soap, which emulsifies hydrophobic substances such as oil and grease). Water also dissolves minerals and organic matter in the soil, and carries them to plants as nutrients.

How the dissolved nutrients are delivered to every part of a plant is up to another trait of water: high surface tension. Because of the four intermolecular hydrogen bonds for each water molecule, there are unusually strong attractive forces among the molecules, making water exhibit strong surface tension. This, in turn, enables water to lift itself up as capillary action against gravity. This is how the treetop gets water and nutrients from the ground tens of feet below.

Water also has exceptionally high latent heat. Latent heat refers to the heat released or absorbed when a matter goes through a phase transition between liquid and solid or liquid and gas. Water absorbs heat as it evaporates. This is why the body sweats to keep it from overheating. Conversely, heat is released when water becomes ice. This is why we overhead water the vines for frost protection. When ice forms around the bud, it releases heat and protects the bud from frost damage. Once ice is formed, it prevents further cooling inside by its anomalously low thermal conductivity.

All these are just the tip of the iceberg of the unique properties of water. With other unusual attributes, water turns out to be the only basic medium that can support life. Water is worth fighting for, particularly when we consider the fact that we need some 800 gallons of it to produce just enough food for one person's daily dietary need.

Sonoma - Marin Farm News
July 2013