



NORTH MARIN WATER DISTRICT
AGENDA - REGULAR MEETING
 November 20, 2018 – 6:00 p.m.
 District Headquarters
 999 Rush Creek Place
 Novato, California

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Est. Time	Item	Subject
6:00 p.m.	CALL TO ORDER	
	1. APPROVE MINUTES FROM REGULAR MEETING , November 6, 2018	
	2. GENERAL MANAGER'S REPORT	
	3. 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.	
	4. STAFF/DIRECTORS REPORTS	
	5. MONTHLY PROGRESS REPORT	
	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.	
	6. Consent – Approve: Renewal of Horizon CATV License Agreement	
	ACTION CALENDAR	
	7. Accept: Outside Auditor's FY18 Report and Management Report	
	INFORMATION ITEMS	
	8. WAC/TAC Meeting – November 5, 2018	
	9. NBWRA Meeting – October 22, 2018	
	10. First Quarter FY 2018/19 Update – Operations and Maintenance	
	11. First Quarter FY 2018/19 – Water Quality Report	
	12. MISCELLANEOUS	
	Disbursements – Dated November 8, 2018	
	Disbursements – Dated November 15, 2018	

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
		Press Release – Army Corps of Engineers approves request to allow more winter storage in Lake Mendocino
		<u>News Articles:</u> Bond rejected for water infrastructure – PROPOSITION 3 Inverness Public Utility District general manager resigns, staff steps up Appeal shrinks Paradise Ranch water tank MMWD taps new general manager
	13.	CLOSED SESSION: Conference with Labor Negotiators (Joe Wiley, Christopher Boucher, Drew McIntyre and Julie Blue) to Provide Direction, California Government Code Section 54957).
8:00 p.m.	14.	ADJOURNMENT

1

DRAFT
NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
November 6, 2018

CALL TO ORDER

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

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

In the audience was Novato resident Tina McMillan and Chris Boucher, Labor Negotiator. Also in the audience were District employees: Jeff Corda, Marc Reischmann, Lia Solar, Sarah Baccei, Rich Roberto, Nancy Holton, Nancy Williamson, Stacie Goodpaster, Chris Rodriquez, Pablo Ramudo, Kyle Bergstrom, Kent LeBrun, Dan Garrett, and Corey Reed.

MINUTES

On motion of Director Joly, seconded by Director Petterle the Board approved the minutes from the October 16, 2018 meeting as presented by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: None

GENERAL MANAGER'S REPORT

WAC/TAC Meeting

Mr. McIntyre stated that he, Mr. Vogler and Director Baker attended the WAC/TAC meeting on November 5, 2018. Mr. McIntyre commented that FY18 Sonoma County Water Agency water sales exceeded budget by 11% and a complete report will be available at a future meeting.

Water Rate Study

Mr. McIntyre announced that he and Ms. Blue will be meeting with Mr. Bentley to start work on the District's Cost of Service Study update to review in advance of the FY19 budgeted Peer

1 review for Prop 2018 compliance.

2 Dillon Beach Village

3 Mr. McIntyre stated that he will be attending a Dillon Beach Village community meeting on
4 November 13th. The County of Marin will be discussing water supply, septic concerns, sea level rise
5 and other issues. Mr. McIntyre reviewed the Board's current policy with respect to expansion of
6 wastewater service in West Marin. Director Grossi commented that the Dillon Beach Resort recently
7 changed ownership and he has their contact information if needed.

8 SB 998

9 Director Joly inquired about SB 998 (Dodd), which will limit public agencies ability to
10 discontinue residential water service for nonpayment. Mr. McIntyre stated that the Board will be
11 receiving more information on this in 2019, and that the legislation does not take effect until
12 February 2020.

13 **OPEN TIME**

14 President Fraites asked if anyone in the audience wished to bring up an item not on the
15 agenda. Marc Reischmann and Jeff Corda addressed the Board as members of the Employee
16 Association supported by 12 other employees in the audience. Mr. Reischmann and Mr. Corda
17 again stated reasons for the Board to consider their proposals in the negotiations. Mr. Vogler, Mr.
18 Clark and Mr. Arendell also commented on recruitment and retention difficulties. Mr. McIntyre
19 expressed his appreciation to the employees for coming to the meeting, stating that it is always good
20 to have open dialog. Mr. Reed added to the conversation supporting the Employee Association's
21 proposal. Director Fraites thanked the employees for sharing their concerns, and stated that it helps
22 the Board in making their decision.

23 **STAFF/DIRECTORS REPORTS**

24 President Fraites asked if staff or Directors wished to bring up an item not on the agenda
25 and the following were discussed. Mr. Vogler commented that the County of Marin Multi-
26 jurisdictional Local Hazard Mitigation Plan was recently approved by Cal OES, and it is now ready to
27 submit to FEMA for review. He added that when approved, future NMWD Oceana Marin projects
28 will be eligible for grant funding. Ms. Blue discussed the current Employee Assisted Housing Loan
29 program and advised the Board that staff will be reviewing the program with legal counsel to make
30 sure the program benefits both the District and the employee. Director Joly inquired as to the
31 balance of funds available now. Ms. Blue stated there are currently four loans, with a total of
32 \$714,000 and we have about \$800,000 unallocated in the program.

1 **QUARTERLY FINANCIAL STATEMENT**

2 During the Quarterly Financial Statement, Ms. Blue noted that we are on target with our
3 revenue and operating expenses came in 7% over budget. Potable water consumption in Novato
4 was 1% more than the prior year and 1% less in West Marin. Recycled water consumption for the
5 first quarter was up 18% compared to last year. Director Joly complimented Ms. Blue that the report
6 was well presented and in great detail.

7 **CONSENT CALENDAR**

8 On the motion of Director Petterle, seconded by Director Joly the Board approved the
9 following items on the consent calendar by the following vote:

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

11 NOES: None

12 ABSTAIN: None

13 ABSENT: None

14 **CUSTOMER SERVICE QUESTIONNAIRE INCENTIVE**

15 The Board approved continuation of the Customer Service Questionnaire Incentive program
16 that provides a \$2 incentive as a credit on the customer's water bill when filling out a customer
17 survey.

18 **NOTICE OF COMPLETION FOR RECYCLED WATER EXPANSION CENTRAL SERVICE AREA –**
19 **ONSITE PRIVATE RETROFIT PROJECT (WILDCAT ENGINEERING)**

20 The Board approved the General Manager to execute and file a Notice of Completion for
21 Recycled Water Expansion for the Central Service Area – Onsite Private Retrofit Project.

22 **ACTION CALENDAR**

23 Director Petterle recused himself from the meeting for Agenda Item 8 and left the room.

24 **ITEM 8 - COMMENTS ON STAFFORD LAKE MASTER PLAN DRAFT INITIAL STUDY**

25 Mr. McIntyre provided the Board with an update on the Stafford Lake Master Plan Draft
26 Initial Study and stated that County Parks is providing the District with an opportunity to comment on
27 the subject Environmental Review. Mr. McIntyre noted that the Stafford Lake Master Plan, very
28 similar to the draft 2016 plan, proposes a new vehicular entry and exit with a new gate house, an
29 event meadow with pavilion stage and garden areas, enhancement of the existing picnic
30 playground, and a new back meadow including a swimming lagoon and picnic areas. There was a
31 general discussion regarding overnight camping. Mr. McIntyre stated that special event camping

1 has been done it in the past and there has not been a problem. Mr. Clark added that we have good
2 communication with Marin County Parks staff. Director Grossi commented that there should be
3 more county staff even for unscheduled events and also expressed concern regarding sanitation in
4 the park, especially when there are large crowds in attendance. Mr. McIntyre replied that the District
5 continues to advocate for a sewer connection to Novato Sanitary District and that we are against any
6 onsite wastewater disposal. Director Joly wanted to know how we keep an eye on park activities
7 and Mr. Clark replied that we drive by it all the time. Both Director Fraites and Baker had water
8 quality concerns with the proposed swimming lagoon.

9 On the motion of Director Joly, and seconded by Director Grossi the Board moved to
10 approve the comment letter as presented by the following vote:

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

12 NOES: None

13 ABSTAIN: Director Petterle

14 ABSENT: None

15 Director Petterle returned for the next item on the agenda.

16 **THIRD PARTY COATING INSPECTION FOR STP COAT CONCRETE CLEARWELLS PROJECT**
17 **- BRELJE AND RACE CONSULTING ENGINEERS**

18 Rocky Vogler advised the Board that the Stafford Treatment Plant Coat Concrete Clearwells
19 Project consists of coating two clearwells; the Acti-Floc Clearwell and the Finished Clearwell. He
20 stated that staff requested proposals for third party coating inspection from two coating inspectors;
21 Brelje and Race and D.B. Gaya for inspection of contractor coating work. He added that although
22 Gaya submitted a proposal, they later informed the District that they were unable to perform
23 inspection due to schedule conflicts, therefore staff recommends awarding the inspection contract to
24 Brelje and Race.

25 On the motion of Director Baker, and seconded by Director Joly, the Board approved an
26 agreement with Brelje and Race Consulting Engineers for coating inspection services for the
27 Stafford Treatment Plant Concrete Clearwells project by the following vote:

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

29 NOES: None

30 ABSTAIN: None

31 ABSENT: None

1 **INFORMATION ITEMS**

2 **AMI PROJECT UPDATE AND PUBLIC OUTREACH FOLLOW UP**

3 Mr. Clark presented an update on the AMI Project. He stated that we are in week 34 of the
4 full implementation phase with nine Ferguson employees performing approximately 500 installations
5 per week. To date, Ferguson staff has converted 65% or 13,000 services to the new AMI system.
6 Director Baker asked if there was a geographical pattern in the installations, and Mr. Clark stated
7 that it is based on the existing route reading schedule. Director Joly asked if we had 7,000 services
8 left to do since we have done 13,000 so far, and Mr. Clark confirmed. Mr. Clark also stated that at
9 this time we have spent 85% of the project's budget but that includes all materials. Director Baker
10 asked if there was a problem with the antenna transmitting information if a car or debris was on top
11 of the lid. Mr. Clark responded that this hasn't been an issue to-date. Director Joly asked how many
12 people opted out so far and Ms. Blue replied 43. Mr. Grisso then talked about his public outreach
13 efforts to customers regarding their water use and bills noting that staff found no mechanical
14 deficiencies out of the 27 inspected residences. He added that many of the high bills were
15 attributed to automatic irrigation controller problems and toilet leaks. Director Fraites praised Mr.
16 Grisso for a job well done.

17 **WATER CONSERVATION QUARTERLY UPDATE (JULY-SEPTEMBER 2018)**

18 Mr. Grisso presented the Water Conservation Quarterly Update for July through September
19 2018. He stated that participation numbers are down as we are still in a post drought period with the
20 exception of the Watersmart program due to the new AMI meter installation awareness. Mr. Grisso
21 said he will be coming back to the Board at a later date to propose changes to some of the existing
22 rebate programs. Mr. Grisso also mentioned the Fall Waterline will be going out on November 7th.
23 In addition he noted that staff will become more active on social media and other outreach events.

24 **FY18-19 QUARTERLY PROGRESS REPORT – ENGINEERING DEPARTMENT**

25 Mr. Vogler presented the FY18-19 Quarterly Progress Report for the Engineering
26 Department. He stated that CIP expenditures for the Novato Water, Novato Recycled Water and
27 West Marin service areas are forecasted to be approximately the same as the approved budget. A
28 total of 31 projects were originally budgeted and two new projects have been added, with two
29 projects being carried over, and none have been deleted or deferred. Mr. Vogler stated that the two
30 new projects include the Bel Marin Keys- Hwy 101 onramp pipeline repair and the West Marin
31 Lagunitas Creek Bridge Pipeline Relocation Project. Director Joly asked if with the two added
32 projects the total budget will be the same. Mr. Vogler responded yes, since some of the other
33 existing projects were less costly than anticipated.

1 **COASTAL PERMIT APPEAL – PRE TANK 4A REPLACEMENT**

2 Mr. Vogler announced that during the permitting/design phase of the project, staff submitted
3 a Coastal Permit application and met with County Planning staff to discuss the project and respond
4 to County comments. A public hearing was held and the Deputy Zoning Administrator adopted a
5 resolution approving the Coastal Permit. The owner of the two nearby parcels of land at 25 and 26
6 Buck Point Road appealed the project on the basis that the new tank would significantly degrade
7 their view and that the planned 20.8 foot tank elevation would violate Marin County Code Section
8 22.57.0861(2)(e) which refers height limits for to coastal residential single-family planned districts.
9 Marin County Planning Commission upheld the appeal and required that the water tank be no
10 greater than 18 feet in height above existing grade. Mr. Vogler noted that lowering the tank height
11 will decrease tank storage thereby compromising our ability to provide water supply for fire
12 protection and will be in conflict with Marin County Fire Department storage requirements and will
13 result in reduced service pressure to our customers. He added that NMWD staff filed an appeal with
14 the Marin County Board of Supervisors, and the hearing date has yet to be determined. Director
15 Baker stated he hoped that the Marin County Fire Marshall could assist us at the appeal. Director
16 Petterle stated that he would like to know when the hearing date is scheduled so he can attend.
17 Directors Baker, Fraites, Grossi and Joly expressed interest as well.

18 **MISCELLANEOUS**

19 The Board received the following miscellaneous items: Disbursements – Dated October 18,
20 2018, Disbursements – Dated October 25, 2018 and Disbursements – Dated November 1, 2018,
21 Self-Insured Workers' Comp – 1st Quarter Status Report, FY19 1st Quarter Labor Cost Report, and
22 Sonoma-Marín Saving Water Partnership Wins National Awards for it Training, Outreach and
23 Education Programs.

24 The Board received the following news articles; Major utilities shut off power amid fire risks;
25 Potter Valley project on Mendocino County board of supervisors' agenda Tuesday; Why This
26 Winter's El Nino Will not Bring More Rain to California; Housing plan gets boost by county; Why
27 tariffs threaten to raise the cost of drinking water; Special districts' costly obscurity; What's public
28 cost of boards' obscurity?; George Domingo Grossi Obituary; Inverness water under scrutiny after
29 tests show high lead levels; and Sanitary District names new administrators.

30 **CLOSED SESSION**

1 President Fraites adjourned the meeting at 7:35 p.m. and the Board began the closed
2 session at 7:47 p.m. in accordance with Government Code Section 54957 Conference with Labor
3 Negotiators (Christopher Boucher, Drew McIntyre and Julie Blue) to Provide Direction.

4 **OPEN SESSION**

5 Upon returning to regular session at 8:31p.m., President Fraites stated that during the
6 closed session the Board discussed the issue and no final reportable action had been taken.

7 **ADJOURNMENT**

8 President Fraites adjourned the meeting at 8:32 p.m.

9 Submitted by

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12 Theresa Kehoe
13 District Secretary
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NORTH MARIN WATER DISTRICT
MONTHLY PROGRESS REPORT FOR *October 2018*
November 20, 2018

Item #5

1.

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

Month	FY18/19	FY17/18	FY16/17	FY15/16	19 vs 18 %
July	341.1	331.0	310.3	227.2	3%
August	300.9	303.0	299.6	235.2	-1%
September	255.0	292.4	302.3	210.0	-13%
October	265.6	273.7	202.8	298.6	-3%
FYTD Total	1,162.6	1,200.1	1,114.9	971.1	-3%

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

Month	FY18/19	FY17/18	FY16/17	FY15/16	19 vs 18 %
July	10.4	9.5	7.9	6.6	10%
August	10.2	8.8	7.4	7.0	16%
September	9.7	8.4	6.4	6.4	17%
October	8.4	7.9	5.2	6.5	7%
FYTD Total	38.8	34.5	26.9	26.5	13%

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

Month	FY18/19	FY17/18	FY16/17	FY15/16	19 vs 18 %
July	78.6	112.6	69.9	107.6	-30%
August	79.3	81.5	90.4	79.4	-3%
September	60.5	122.7	96.9	38.3	-51%
October	74.5	102.3	93.9	49.5	9%
FYTD Total	292.9	419.1	351.1	274.8	-30%

Recycled Water Production* - in Million Gallons - FY to Date

Month	FY18/19	FY17/18	FY16/17	FY15/16	19 vs 18 %
July	30.0	27.7	27.1	21.3	8%
August	30.6	26.1	26.0	26.2	17%
September	33.5	25.0	23.5	15.7	34%
October	20.1	19.1	8.3	15.8	5%
FYTD Total*	114.2	97.9	85.0	79.1	17%

*Corrected July- September water delivery data to use SCWA billing meter records not process flow meter records.

**Excludes potable water input to the RW system: FY19=19.3 MG; FY18=15.35MG; FY17=1.4MG; FY16=7.4MG

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2. Stafford Lake Data

	October Average	October 2017	October 2018
Rainfall this month	1.40 Inches	0.29 Inches	1.16 Inches
Rainfall this FY to date	1.72 Inches	0.32 Inches	1.16 Inches
Lake elevation*	181.1 Feet	181.0 Feet	177.4 Feet
Lake storage**	509 MG	507 MG	372 MG

* Spillway elevation is 196.0 feet

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

Temperature (in degrees)

	Minimum	Maximum	Average
October 2017 (Novato)	47	86	70
October 2018 (Novato)	43	98	70

3. Number of Services

October 31	Novato Water			Recycled Water			West Marin Water			Oceana Marin Swr		
	FY19	FY18	Incr %	FY19	FY18	Incr %	FY19	FY18	Incr %	FY19	FY18	Incr %
Total meters installed	20,747	20,777	-0.1%	95	56	69.6%	790	789	0.1%	-	-	-
Total meters active	20,535	20,550	-0.1%	91	53	71.7%	782	781	0.1%	-	-	-
Active dwelling units	24,068	24,007	0.3%	0	0	-	832	831	0.1%	234	234	0.0%

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4. Oceana Marin Monthly Status Report (October)

Description	October 2017	October 2018
Effluent Flow Volume (MG)	0.415	0.399
Irrigation Field Discharge (MG)	0.540	1.024
Treatment Pond Freeboard (ft)	7.0	7.5
Storage Pond Freeboard (ft)	9.0	5.9

*Pond drained for sludge removal.

**Sludge removal in process.

5. Developer Projects Status Report (October)

Job No.	Project	% Complete	% This month
1.2784.00	Novato Village (801 State Access)	98	1
1.2817.01	College of Marin – Admin Bldg. 11	99	0
1.2817.02	College of Marin – Organic Farm	20	5

District Projects Status Report - Const. Dept. (October)

Job No.	Project	% Complete	% This month
1.193.19	8" ARV Relocation- Hwy 101	100	100
1.660.89	STP Clearwells Coating	5	5
1.6112.24	Lynwood Pump Station MCC	5	5

Employee Hours to Date, FY 18/19

As of Pay Period Ending October 31, 2018

Percent of Fiscal Year Passed = 33%

Developer Projects	Actual	Budget	% YTD Budget	District Projects	Actual	Budget	% YTD Budget
Construction	13	1,400	1%	Construction	1134	4,654	24%
Engineering	253	1,404	18%	Engineering	798	3,370	24%

6. Safety/Liability

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FY 19 through October

FY 18 through October

Days without a lost time accident through October, 2018

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) (\$)
6	\$2,160	1	1	3	\$5,223
51	\$24,336	2	1	0	\$0

31 Days

7. Energy Cost

FYE	kWh	October		Fiscal Year-to-Date thru October		
		¢/kWh	Cost/Day	kWh	¢/kWh	Cost/Day
2019 Stafford TP	78,764	20.0¢	\$526	293,308	19.9¢	\$475
Pumping	139,019	21.1¢	\$979	663,964	20.7¢	\$1,124
Other*	44,942	27.9¢	\$418	196,114	26.7¢	\$430
	262,725	22.0¢	\$1,923	1,153,385	21.5¢	\$2,033
2018 Stafford TP	58,314	19.7¢	\$371	275,547	19.4¢	\$435
Pumping	141,312	22.8¢	\$1,111	660,408	21.1¢	\$1,134
Other*	40,821	26.6¢	\$388	191,565	27.3¢	\$429
	240,447	22.7¢	\$1,881	1,127,520	21.8¢	\$2,011
2017 Stafford TP	51,666	18.6¢	\$310	245,065	18.3¢	\$364
Pumping	117,059	17.5¢	\$706	493,591	17.8¢	\$734
Other*	37,829	26.6¢	\$359	163,113	25.9¢	\$357
	206,554	19.4¢	\$1,384	901,769	19.4¢	\$1,458

*Other includes West Marin Facilities

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8. Water Conservation Update

	Month of October 2018	Fiscal Year to Date	Program Total to Date
High Efficiency Toilet (HET) Rebates	6	38	3920
Retrofit Certificates Filed	15	67	6137
Cash for Grass Rebates Paid Out	2	8	911
Washing Machine Rebates	1	5	6786
Water Smart Home Survey	37	140	3346

9. Utility Performance Metric

SERVICE DISRUPTIONS (No. of Customers Impacted)	October 2018	October 2017	Fiscal Year to Date 2018	Fiscal Year to Date 2017
PLANNED				
Duration Between 0.5 and 4 hours	6	35	58	34
Duration Between 4 and 12 hours			3	83
Duration Greater than 12 hours				
UNPLANNED				
Duration Between 0.5 and 4 hours		5	21	25
Duration Between 4 and 12 hours		6	6	
Duration Greater than 12 hours				
SERVICE LINES REPLACED				
Polybutylene	6	10	39	47
Copper (Replaced or Repaired)	0	1	1	5

NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Orders October 2018

11/13/2018

Type	Oct-18	Oct-17	Action Taken October 2018
<u>Consumers' System Problem</u>			
Service Line Leaks	54	21	Notified Consumer
House Valve / Meter Off	8	7	Notified Consumer
Nothing Found	26	12	Notified Consumer
Low Pressure	1	1	A 14 PSI drop. Failed PRV.
High Pressure	3	0	Pressure @ 90 PSI. Failed PRV.
			Pressure @ 105 PSI. Failed PRV.
			Pressure @ 85-90 PSI. Failed PRV.
Total	92	41	
<u>Service Repair Reports</u>			
Meter Replacement	3	2	Replaced
Box and Lids	1	0	Replaced
Water Off/On Due To Repairs	10	11	Notified Consumer
Misc. Field Investigation	3	0	Notified Consumer
Total	17	13	
<u>Leak NMWD Facilities</u>			
Service- Leak	8	6	Repaired
Services-Nothing Found	1	1	Notified Consumer
Fire Hydrant-Leak	2	1	Repaired
Washer Leaks	6	3	Repaired
Total	17	11	
<u>High Bill Complaints</u>			
Consumer Leaks	10	14	Notified Consumer
Meter Misread	2	1	Notified Consumer
Nothing Found	16	52	Notified Consumer
Excessive Irrigation	3	0	Notified Consumer
Total	31	67	
<u>Water Quality Complaints</u>			
Taste and Odor	3	1	<i>Customer reported distinct taste in filter water. (San Marin Dr.)</i> Measured chlorine and other parameters were normal for NMWD supply. Customer was notified of results.
			<i>Customer reported odor from water. (Rica Vis.)</i> Measured-sampled chlorine and was normal for NMWD supply. Customer was notified.
			<i>Customer reported strong odor from water. (Owen Dr.)</i> Measured sampled chlorine and was normal for NMWD supply. No odor detected. Customer was notified.
Color	0	1	
Turbidity	0	0	
Suspended Solids	0	0	
Other	0	1	
Total	3	3	
TOTAL FOR MONTH:	160	135	19%

NORTH MARIN WATER DISTRICT

Summary of Complaints & Service Orders October 2018

11/13/2018

Type	Oct-18	Oct-17	Action Taken October 2018	
<u>Fiscal YTD Summary</u>			<u>Change Primarily Due To</u>	
Consumer's System Problems	339	167	103%	Increase In Nothing Found
Service Repair Report	116	43	170%	Increase In Water On/Off for Repairs
Leak NMWD Facilities	103	83	24%	Increase In Service Leaks
High Bill Complaints	162	269	-40%	Decrease In Nothing Found
Low Bills	1	1	0%	~
Water Quality Complaints	11	12	-8%	Decrease In Other
Total	<u>732</u>	<u>575</u>	<u>27%</u>	

"In House" Generated and Completed Work Orders

<u>Check Meter:</u> possible consumer/District leak, high bill, flooded, need read, etc.	196	346
<u>Change Meter:</u> leaks, hard to read	10	9
<u>Possible Stuck Meter</u>	0	0
<u>Repair Meter:</u> registers, shut offs	0	0
<u>Replace Boxes/Lids</u>	2	0
<u>Hydrant Leaks</u>	0	0
<u>Trims</u>	8	7
<u>Dig Outs</u>	24	18
<u>Letters to Consumer:</u> meter obstruction, trims, bees, gate access, etc. get meter number, kill service, etc.	0	0
	<u>240</u>	<u>380</u>

Bill Adjustments Under Board Policy:

October 18 vs. October 17

Oct-18	47	\$11,281
Oct-17	78	\$29,586

Fiscal Year vs Prior FY

18/19 FY	143	\$40,055
17/18 FY	175	\$58,846

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MEMORANDUM

To: Board of Directors

November 16, 2018

From: Julie Blue, Auditor-Controller *JB*
Nancy Holton, Senior Accountant *NH*

Subj: Auditor-Controller's Monthly Report of Investments for October 2018
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RECOMMENDED ACTION: Information

FINANCIAL IMPACT: None

At month end the District's Investment Portfolio had an amortized cost value (i.e., cash balance) of \$18,257,622 and a market value of \$18,229,466. During October the cash balance increased by \$1,736,540. The market value of securities held decreased \$28,156 during the month. The ratio of total cash to budgeted annual operating expense stood at 104%, up 10% from the prior month.

At October 31, 2018, 39% of the District's Portfolio was invested in California's Local Agency Investment Fund (LAIF), 24% in Time Certificates of Deposit, 11% in Federal Agency Securities, 19% in US Treasury Notes, 5% in the Marin County Treasury, and 2% retained locally for operating purposes. The weighted average maturity of the portfolio was 167 days, compared to 203 days at the end of September. The LAIF interest rate for the month was 2.14%, compared to 2.06% the previous month. The weighted average Portfolio rate was 1.92%, compared to 1.86% the previous month.

NORTH MARIN WATER DISTRICT
AUDITOR-CONTROLLER'S MONTHLY REPORT OF INVESTMENTS
October 31, 2018

Type	Description	S&P Rating	Purchase Date	Maturity Date	Cost Basis ¹	10/31/2018 Market Value	Yield ²	% of Portfolio
LAIF	State of CA Treasury	AA-	Various	Open	\$7,065,972	\$7,050,656	2.14% ³	39%
Time Certificate of Deposit								
TCD	Everbank	n/a	11/17/16	11/15/18	248,000	248,000	1.20%	1%
TCD	Investors Bank	n/a	12/16/16	12/17/18	248,000	248,000	1.35%	1%
TCD	Morgan Stanley Private Bank	n/a	11/22/17	5/22/19	248,000	248,000	1.60%	1%
TCD	Capital One Bank	n/a	7/19/17	7/19/19	247,000	247,000	1.70%	1%
TCD	Capital One NA	n/a	8/9/17	8/9/19	247,000	247,000	1.70%	1%
TCD	American Express FSB	n/a	9/6/17	9/6/19	247,000	247,000	1.75%	1%
TCD	Goldman Sachs Bank USA	n/a	10/11/17	10/11/19	247,000	247,000	1.70%	1%
TCD	Morgan Stanley Bank	n/a	11/9/17	11/12/19	247,000	247,000	1.75%	1%
TCD	American Express Centurion	n/a	12/5/17	12/5/19	247,000	247,000	1.90%	1%
TCD	Sallie Mae Bank	n/a	1/10/18	1/10/20	247,000	247,000	2.20%	1%
TCD	Discover Bank	n/a	2/13/18	2/24/20	247,000	247,000	2.35%	1%
TCD	Wells Fargo Bank	n/a	3/28/18	3/30/20	248,000	248,000	2.55%	1%
TCD	Citibank	n/a	4/11/18	4/13/20	246,000	246,000	2.55%	1%
TCD	UBS Bank	n/a	5/30/18	6/1/20	249,000	249,000	2.70%	1%
TCD	Enerbank	n/a	6/18/18	5/18/20	249,000	249,000	2.75%	1%
TCD	BMW Bank	n/a	6/15/18	6/15/20	246,000	246,000	2.75%	1%
TCD	Bank of America	n/a	8/15/18	8/17/20	246,000	246,000	2.75%	1%
TCD	Ally Bank	n/a	9/28/18	9/28/20	246,000	246,000	2.80%	1%
					\$4,450,000	\$4,450,000	2.11%	24%
US Treasury Notes								
Treas	1.375%	n/a	11/17/16	12/31/18	\$1,000,542	\$998,571	1.05%	5%
Treas	1.500%	n/a	1/10/17	2/28/19	1,000,872	997,031	1.24%	5%
Treas	1.380%	n/a	1/10/18	7/31/19	498,157	495,430	1.87%	3%
Treas	2.250%	n/a	7/26/18	3/31/20	995,658	992,344	2.56%	5%
					\$3,495,228	\$3,483,376	1.65%	19%
Federal Agency Securities								
FHLB	1.625% MTN	n/a	11/21/17	6/14/19	999,782	999,450	1.70%	5%
FFCB	2.00 MTN%	n/a	4/12/18	5/8/19	999,386	998,730	2.24%	5%
					\$1,999,168	\$1,998,180	1.97%	11%
Other								
Agency	Marin Co Treasury	AAA	Various	Open	\$957,605	\$957,605	0.75%	5%
Other	Various	n/a	Various	Open	289,649	289,650	0.41%	2%
TOTAL IN PORTFOLIO					\$18,257,622	\$18,229,466	1.92%	100%
Weighted Average Maturity =					167 Days			

LAIF: State of California Local Agency Investment Fund.

TCD: Time Certificate of Deposit, Treas: US Treasury Notes with maturity of 5 years or less.

FHLB: Federal Home Loan Bank, FFCB: Federal Farm Credit Bank

Agency: STP State Revolving Fund Loan Reserve.

Other: Comprised of 4 accounts used for operating purposes. US Bank Operating Account, US Bank STP SRF Loan Account, Bank of Marin AEEP Checking Account & NMWD Petty Cash Fund.

¹ Original cost less repayment of principal and amortization of premium or discount.

² Yield defined to be annualized interest earnings to maturity as a percentage of invested funds.

³ Earnings are calculated daily - this represents the average yield for the month ending October 31, 2018.

Interest Bearing Loans	Loan Date	Maturity Date	Original Loan Amount	Principal Outstanding	Interest Rate
StoneTree Golf Loan	6/30/06	2/28/24	\$3,612,640	\$1,229,368	2.40%
Marin Country Club Loan	1/1/18	11/1/47	\$1,265,295	\$1,235,027	1.00%
Marin Country Club Loan	1/1/18	11/1/27	\$430,463	\$399,004	2.80%
Employee Housing Loans (4)	Various	Various	714,200	714,200	Contingent
TOTAL INTEREST BEARING LOANS			\$6,022,598	\$3,577,599	

The District has the ability to meet the next six months of cash flow requirements.


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6

MEMORANDUM

To: Board of Directors

November 16, 2018

From: Robert Clark Operations / Maintenance Superintendent 

Subj: Renewal of Horizon CATV License Agreement

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RECOMMENDED ACTION: Approve one year extension**FINANCIAL IMPACT:** \$5,150 annual income


The Horizon CATV license agreement with the District allowing use of PRE tank site #4 to place a 40' high antenna, 5' x 7' equipment shed and a propane tank and emergency generator expired on October 31. The antenna was first moved to this site in 1995 after the Mt. Vision fire. Horizon has requested to exercise its' current agreement option to extend the contract.

Horizon is a small company, with a current cable TV subscriber base in West Marin from Stinson Beach extending to Dillon Beach. Their customer base is in large part the same as North Marin Water District, although the number of Horizon customers has been shrinking due to competition with satellite TV dish companies. Historically the license fee paid to the District by Horizon had been 1% of Horizon's annual basic revenue generated from its total number of cable customers served by the antenna at the PRE 4 tank site. Basic revenue is the monthly minimum charge levied for the basic service package, and did not include premium charges for additional channels or features. This complicated annual adjustment to the agreement was revised last year to a \$5,000 annual fee with an annual increase of 3% moving forward.

The District requires that Horizon limit the extension term to one year so that the District can conclude the design impacts from the new PRE 4 water tank design. Staff, proposes the renewed license agreement be for one year from November 1, 2018 to October 31, 2019.

RECOMMENDATION

Board approval renewal of license agreement with Horizon CATV for a one year extension term.

Approved by GM Date 11.16.18

LICENSE AGREEMENT

THIS LICENSE AGREEMENT, by and between NORTH MARIN WATER DISTRICT, a local governmental agency of the State of California, herein called "District," and HORIZON CABLE TV Inc., a California corporation, herein called " Horizon," is effective as of November 1, 2018.

1. Grant of License

The District hereby grants to Horizon a revocable license to enter the District's Paradise Ranch Estates water tank site number four, adjacent to 420 Drakes View Drive ("the site"), for the purpose of operating, maintaining and replacing facilities for off-air television signal receiving. Said facilities shall consist of:

- a. one antenna tower approximately 40-feet tall on steel poles set in concrete;
- b. underground cables for electricity, telephone and television;
- c. one equipment shed approximately 7-feet in length by 5-feet in width; and
- d. propane tank and stand-by generator for emergency power.
- e. such other facilities as Horizon may deem necessary or advisable from time to time, provided that Horizon shall obtain the written consent of District before any additional facilities are installed.

The facilities shall be located on the site described on "Exhibit A" attached hereto, incorporated herein, in the respective locations depicted on "Exhibit B."

2. Term

The term of this license is one (1) years, beginning on November 1, 2018, and ending on October 31, 2019. The parties agree to discuss renewal of this agreement no later than August 31, 2019.

3. Option to Extend Term

The District will evaluate the option to extend the term of this license with the renewal of the agreement in September 2019.

4. Limitations on Use of License

- a. Horizon shall be responsible for acquiring and maintaining all necessary permits and approvals from the County of Marin for installation, operation and maintenance of facilities described in Section 1 hereof.
- b. Horizon's use of the site shall not hinder or interfere with the District's operation and maintenance of its Paradise Ranch Estates tanks. Accordingly all facilities installed by Horizon on the site shall be a minimum of five-feet from the District's water tanks.

- c. Horizon shall not do any grading or excavation on the site and shall not erect any structure thereon except the facilities described in Section 1 hereof. Said work shall be done at Horizon's sole expense and in accordance with plans and specifications reviewed and approved in writing by the District and with permits issued by the County of Marin. Horizon will not permit any lien or encumbrance to be placed on the site.
- d. Horizon shall not permit the facilities or Horizon's use of the site to interfere with public reception or transmission of radio or television signals, nor with the District's radio communications or communications used by its SCADA system. If interference is traceable to Horizon's equipment or operations on the site, Horizon shall eliminate the interference without delay.
- e. Horizon will use the license and operate the facilities in accordance with all applicable city, county, state and federal regulations, ordinances and statutes now or hereafter in effect and shall, at its expense, maintain in effect throughout the term of this license all permits, licenses and authorizations required by law for its operations. Horizon shall submit to the District a copy of its Federal Communications Commission license and if applicable a copy of its Bay Area Air Quality Management District ABA 6 standby generator emission permit upon renewal of this agreement.
- f. Horizon shall maintain the facilities at all times in a safe, clean and orderly condition.
- g. The District may require Horizon to shut down its electrical equipment and microwave facility from time to time to permit construction and maintenance of water tank(s) or other facilities. Said shutdown will only be required for safety reasons as determined by the District at its sole discretion. Future projects contemplated on the site include construction of a new water storage tank, which may require Horizon to relocate its facilities, and installation of a 2-way radio transmitter on the antenna tower, which the District warrants will not interfere with Horizon's cable television reception signal. The District shall endeavor to give Horizon a 30-day minimum notice before any required shut down.
- h. To ensure the safety of District employees, Horizon shall provide the District with an EMF exposure report for the facility. This study shall show all EMF exposure levels at the site during normal operations. Any area where the EMF exposure level exceeds the safe exposure level as adopted by the FCC shall be clearly identified. At least 60 days before modifying the facilities or their operation in a manner that changes the exposure levels, Horizon will submit an updated EMF exposure report to the District for approval.

5. Payments by Horizon

- a. Horizon agrees to pay as consideration for the license the sum of Five Thousand one hundred and fifty Dollars (\$5,150.00) in a single annual payment. The annual payment shall be increased each year hereafter by three percent (3%) over the then existing rental rate. The payment for the term of the license shall be made simultaneously with the execution of this agreement.
- b. Horizon further agrees to provide at no charge to the District two extra fiber optic cables for use by the District in the fiber-optic telecommunications line installed

between Horizon's antenna facility at the site and its facilities in Point Reyes Station. In the event Horizon extends its underground telecommunication line further, Horizon agrees to install underground conduit purchased by the District alongside its telecommunications line. Said underground conduit shall be for the exclusive use of the District.

6. Termination

Horizon acknowledges that its rights under this license are subordinate to the prior and superior right of the District to use the site for the purpose of providing a public water supply. The District reserves to itself the right to terminate the license at any time it determines that it is reasonably necessary to carry out its said purpose. Except in an emergency the District shall give Horizon 90 day's prior written notice of termination. The annual payment shall be prorated to the date of such termination. In addition, the District may terminate this license if Horizon fails to perform any of its undertakings herein and fails to remedy such default within 30 days after written notice from the District to do so.

7. Removal of Personal Property and Structures

Upon the expiration of the term of the license or the sooner termination thereof, Horizon shall coordinate removal of its facilities with the District. In the event the District has installed a 2-way radio transmitter on the antenna, the antenna shall be left on the site. If the 2-way radio transmitter is not installed on the antenna, Horizon shall at its expense remove all the facilities and personal property, including piers and bases, which it has placed on the site, leaving it vacant and clean, and shall restore the site as nearly as possible to the condition it was in at the commencement of this license.

If Horizon fails to remove its facilities and/or to restore the site, the District may cause the work to be done and Horizon shall reimburse the District for its costs thereby incurred within 30 days of receipt of an invoice therefor.

In lieu of removal, the District may, at its option, elect to retain Horizon facilities remaining on the property 30 days from expiration or termination of this agreement in exchange for Horizon not being required to pay removal and/or clean-up costs

8. Insurance, Hold-Harmless and Indemnification Requirements

- a. Liability Insurance: Horizon shall hold the District harmless from and defend District against any claims, liability, loss, damage, including defense costs or expenses, in any way arising or occurring on account of injuries to persons or property sustained or alleged to have been sustained that arise out of or are connected with Horizon's use of this license. For the duration of this license, Horizon shall continuously maintain and pay for vehicle liability and general liability insurance written by insurer(s) licensed to do business in California and having Best's ratings of not less than A:VII. Said policies will provide coverage for the District and Horizon on an occurrence basis in amounts not less than one million dollars (\$1,000,000) per occurrence, combined single limit. Such insurance policy(s) shall be endorsed to (1) add the District as an "additional insured"; (2) provide that said coverage is primary and underlying insurance to any insurance carried by the District, which insurance shall not contribute with Horizon's insurance; (3) provide that any insurance carried by the District shall be excess to any insurance provided by Horizon to cover the District under this section; and (4) provide that said policy(s) shall not be canceled

nor shall there be any material reductions in coverage without 60 days' notice in writing to the District. Forthwith upon the execution of this agreement and before the license shall commence, Horizon shall deliver to the District a certified copy of such insurance policy including the endorsements described above. Horizon shall also deliver to the District a certificate by the insurance company(s) stating that the insurance has been issued and is in good standing.

- b. Workers Compensation: Horizon will provide evidence that it has in full force and effect Workers' Compensation Insurance as required by the Labor Code of the State of California and Employers Liability Insurance in amounts not less than one million dollars (\$1,000,000) per occurrence.
- c. Property Insurance: Horizon agrees that it will include within its property insurance policy(s) coverage for all facilities owned or leased by Horizon and that will at any time be on the site in amounts sufficient to replace all such facilities.

9. Non-assignability

This license shall not be assignable by Horizon or by operation of law without the prior written consent of District, which consent shall not be unreasonably withheld.

10. Notices

All notices herein provided to be given or made or which may be given or made by either party to the other, shall be deemed to have been duly given when made in writing and deposited in the United States mail postage prepaid and addressed as follows:

To District:

North Marin Water District
Attn: Operations/Maintenance
Superintendent
PO Box 146
Novato, CA 94948

To Horizon:

Horizon Cable TV Inc.
PO Box 937
Fairfax, CA 94978

The address to which notices may be given or made by either party may be changed by written notice given by such party to the other pursuant to this paragraph.

IN WITNESS THEREOF, the parties hereto have caused this license to be executed as of the day and year first above written.

ATTEST:

NORTH MARIN WATER DISTRICT

Terrie Kehoe,
District Secretary

Rick Fraites, President / Date

HORIZON CABLE TV INC.

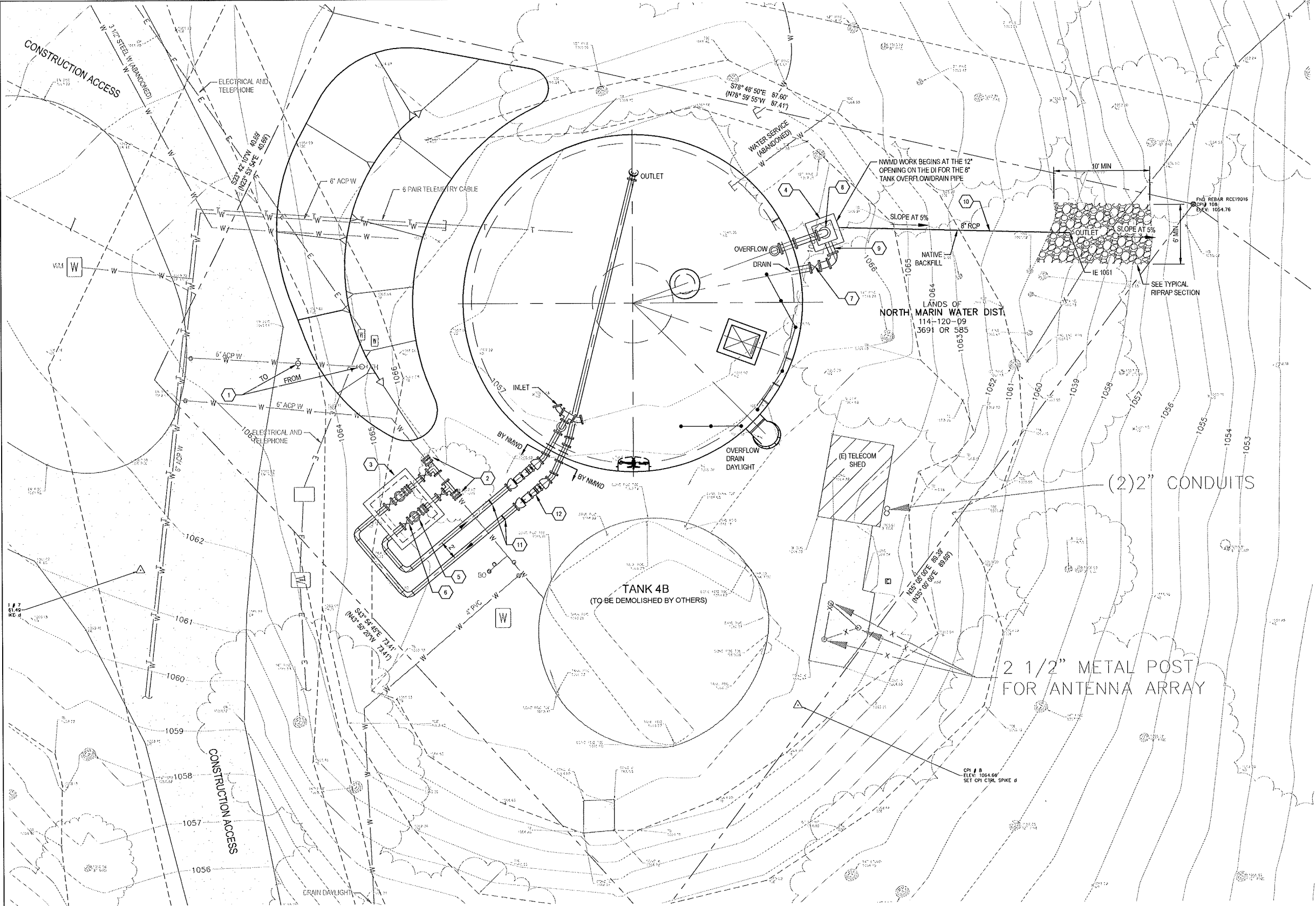
Kevin Daniels, President / Date

"Exhibit A"

Tank Site:

That certain real property in the County of Marin, State of California, bounded and described as follows:

Beginning at a point that bears South 54° 56' East 8.17 feet from the most northerly corner of Parcel Two as described in the deed from Marin County Abstract and Title Company, a corporation, to James J. Zydonis, et ux, recorded May 25, 1959, in Liber 1281, O.R., page 462 and running thence North 35° 00' East 144.71 feet to the true point of beginning, thence North 43° 50' 20" West 73.41 feet, thence North 23° 53' 54" East 40.69 feet, thence South 78° 59' East 87.41 feet, thence South 35° 00' West 89.69 feet to the true point of beginning.



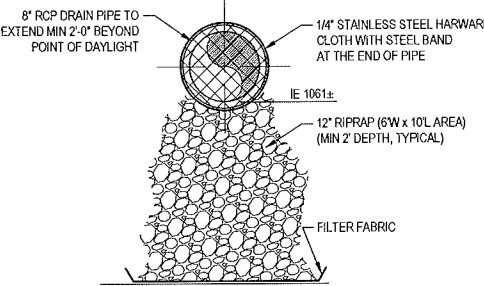
SITE PIPING PLAN

GENERAL NOTES

1. ALL MATERIALS AND APPURTENANCES IN CONTACT WITH POTABLE WATER SHALL BE NSF-61 CERTIFIED.
2. ALL BURIED STEEL PIPE SHALL HAVE A COAL TAR COATING IN ACCORDANCE WITH AWWA C203.

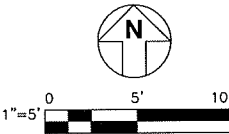
KEYNOTES

1. RELOCATE (E) FIRE HYDRANT. (BY NMWD)
2. CONNECT (N) INLET AND OUTLET PIPING TO (E) 6" ACP WATER MAIN. (BY NMWD)
3. PROVIDE (N) CONCRETE VAULT. SEE DETAIL (C-501) (BY NMWD)
4. PROVIDE (N) 24" x 24" OVERFLOW / DRAIN VAULT.
5. PROVIDE 6" TILTING DISC CHECK VALVE (TYP OF 2). SEE DETAIL (C-501) (BY NMWD)
6. PROVIDE 6" GATE VALVE (TYP OF 4). (BY NMWD)
7. PROVIDE 8" GATE VALVE.
8. 8" TANK OVERFLOW WITH AIR GAP. (C-501)
9. 8" TANK DRAIN. (C-501)
10. 8" TANK OVERFLOW / DRAIN PIPE.
11. PROVIDE CATHODIC PROTECTION ON WELDED STEEL PIPE BELOW GRADE PER NMWD STANDARD DRAWING NO. 12. SACRIFICIAL ANODE INSTALLATION. (BY NMWD)
12. FLEXIBLE EXPANSION JOINT (TYP OF 2).



TYPICAL RIPRAP SECTION

NTS



90% SUBMITTAL

				Bar is one inch on original size sheet 0 1"		 GHD Inc. 2235 Mercury Way Suite 150 Santa Rosa California 95407 USA T 1 707 523 1010 F 1 707 527 8679 W www.ghd.com	Drawn CB	Designer MK	Client Project Title Project No. 11136856 Original Size ANSI D Drawing No. C-104	
				Reuse of Documents This document and the ideas and designs incorporated herein, as an instrument of professional service, is the property of GHD and shall not be reused in whole or in part for any other project without GHD's written authorization. © 2018 GHD			Drafting Check MK	Design Check MK		
							Project Manager MK	Date 06/18/2018		
							This document shall not be used for construction unless signed and sealed for construction.			
No.	Issue	Drawn	Approved	Date			Scale NONE			Sheet 6 of 19

7

MEMORANDUM

To: Board of Directors

November 15, 2018

From: Julie Blue, Auditor/Controller 

Subject: Accept – Outside Auditor's FY18 Report and Management Report

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RECOMMENDED ACTION: Accept FY18 Financial Report and Management Letter

FINANCIAL IMPACT: None with this Review. Annual Audit Cost is \$17,638.

Chris Brown of Fedak & Brown LLP will attend the meeting to present the Comprehensive Annual Financial Report (CAFR) (Attachment 1) and the Management Report (Attachment 2).

The key statement in the Independent Auditor's Report found on page 8 is that: "In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the North Marin Water District as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America." This "unmodified opinion" is the best, or highest, opinion that an outside auditor can render on an entity's financial statements.

The Management Report (Attachment 2) states that the auditor did not identify any deficiencies in the District's internal control that might result in material misstatement of the District's financial position. For the ninth year running the independent auditor did not have any comments or recommendations regarding internal controls.

Accounting adjustments were made by staff after submitting the ledger to the outside auditor and are disclosed on the last nine pages of the Management Report. The following changes make up the majority of the adjusting entries:

- 1) A GASB 68 increase in pension expense of \$2,217,067 and an increase in the Pension Liability of \$1,733,935 to \$12,774,724.
- 2) Implementation of GASB 75 resulted in a change to the recording of the retiree medical liability and numerous adjusting entries. As of FY18 this liability will be fully recognized on the Statement of Net Position at \$4,123,565.

Staff has reviewed the audited financial report and finds it acceptable.

RECOMMENDATION

Accept the Outside Auditor's FY18 Financial Report and Management Letter.



NORTH MARIN WATER DISTRICT

Novato, California

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018





**NORTH MARIN
WATER DISTRICT**

Name	Title	Elected/ Appointed	Current Term
Rick Fraites	President	Elected	12/13 - 12/18
Jack Baker	Vice-President	Elected	12/15 - 12/20
James Grossi	Director	Appointed	08/17 - 12/18
Michael Joly	Director	Appointed	02/17 - 12/18
Stephen Petterle	Director	Elected	12/15 - 12/20

**Drew McIntyre, General Manager
North Marin Water District
999 Rush Creek Place
Novato, California 94945
(415) 897-4133 – www.nmwd.com**

North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

NORTH MARIN WATER DISTRICT

999 Rush Creek Place
Novato, California 94945

Prepared by:
Finance Department
Julie Blue, Auditor-Controller

**North Marin Water District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

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Introductory Section

Working Draft Subject to Review



NORTH MARIN WATER DISTRICT

999 Rush Creek Place
P.O. Box 146
Novato, CA 94948-0146

PHONE
415-897-4133

EMAIL
info@nmwd.com

WEB
www.nmwd.com

November 20, 2018

Board of Directors
North Marin Water District

It is our pleasure to submit the Annual Financial Report for the North Marin Water District (District) for the fiscal year ended June 30, 2018, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared the data incorporated in this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that the Governmental Accounting Standards Board believes necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found on page 10 of this report.

District Structure and Leadership

The District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District has been providing water service to its customers since 1948. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. As of June 30, 2018, the District employed 54 regular employees, plus temporary and seasonal employees as the workload dictates. There are currently 21 office positions and 32 field positions. The District's Board of Directors meets on the first and third Tuesday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

District Services

The District provides water service to the greater Novato area and to areas of West Marin (Point Reyes Station, Olema, Bear Valley, Inverness Park and Paradise Ranch Estates). The District provides sewer service to the Oceana Marin subdivision adjacent to Dillon Beach.

The District provides water service to approximately 61,000 residents in the greater Novato area through 20,543 potable water service connections and 66 recycled water connections. The District also provides water service to approximately 1,800 residents in the Point Reyes service area of West Marin County through 783 service connections and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County through 232 service connections.

District Services, continued

Residential customers comprise approximately 93% of the District's customer base and consume approximately 80% of the water produced annually by the District. The District purchases approximately 80% of its Novato water supply from the Sonoma County Water Agency (Agency) with the balance derived from the District's Stafford Lake Reservoir and some recycled water. The District purchased approximately 2.1 billion gallons of water in fiscal year 2018 and 1.7 billion gallons in 2017 from the Agency.

Economic Condition, Outlook and Major Initiatives

The District carries out its Mission with a highly-motivated and competent staff empowered to conduct the District's business by placing customer needs and welfare first. Each day, District employees strive to carry out their work mindful of these basic principles: Good Water, Good Service, Good Value, and A Safe Place to Work.

The Russian River water delivery system operated by the Agency typically provides 80% of Novato's water supply. Novato rainfall in fiscal year 2018 totaled 20.5" which was about 76% of the historical average annual rainfall. In fiscal year 2018 ample water was available in Lake Sonoma for fish, agriculture and urban use on the lower Russian River system and no restrictions on the Russian River water deliveries were imposed. North Marin's Stafford Lake water treatment plant produced 646 million gallons of water to augment Russian River supplies with local water supply during the fiscal year. Recycled water treatment facilities at Novato Sanitary District, Las Gallinas Valley Sanitary District and North Marin's Deer Island treatment facilities combined to provide 156 million gallons of highly-treated recycled wastewater to irrigate landscape within the District's service territory.

The Agency has deferred its plan to construct previously contemplated Russian River water production and delivery facilities (pumps and pipelines) to fulfill the Restructured Agreement contract requirements for increased Russian River water. The Agency is now focused on compliance with the Biological Opinion in the Russian River watershed issued by the National Marine Fisheries Service, laying out the requirements to preserve, protect and restore the fisheries and maintain the existing Russian River water supplies. Additionally, state legislation passed in November 2009 (SB7X-7) requires a 20% reduction in per capita water use by 2020. The District has already achieved the SB7X-7 goal, but continues to strive to achieve more water conservation and development of recycled water to further stretch its local source of supply in future years.

A 4.5% rate increase for customers in the Novato service area was authorized by the Board of Directors effective June 1, 2018. At \$718 per year, the cost of water service for a typical Novato detached single-family home using 86,600 gallons of water a year remains a good value for Novato customers.

In West Marin, normal year water supply conditions existed on Lagunitas Creek.

District Water Supply

Stafford Lake – Local Source Provides 20% of the District's Supply

Stafford Lake lies four miles west of downtown Novato and collects the runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 AF (acre-feet) (1,450 MG) of water. Water from Stafford Lake is fed into the 6 million gallons per day (mgd) treatment plant located just below the dam. In fiscal year 2018 and 2017, 1,982 AF (646 MG) and 2,320 AF (756 MG) respectively, was produced by the Stafford Lake Water Treatment Plant.

Russian River – Provides 80% of the District's Annual Supply

Russian River water originates from both the Eel River and the Russian River watersheds northeast of the City of Ukiah (Lake Mendocino) and west of Healdsburg (Lake Sonoma). Lake Mendocino's Coyote Dam impounds the Eel River diversions and winter runoff from the local watershed. Lake Sonoma's Warm Springs Dam impounds winter runoff from the Dry Creek and Warm Springs watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre feet to meet the regions' water supply needs, which totaled 46,100 acre feet in fiscal year 2018. Releases from the lakes flow to a point about 10 miles upstream of Guerneville where six deep Ranney Collector wells collect river water that has been filtered through 60 to 90 feet of natural sand and gravel to perforated pipes located at the bottom of each well. The thick layer of sand and gravel through which the water must pass before reaching the intake pipes provides a highly-efficient, natural filtration process which, with chlorination treatment, produces a clear, potable, bacteria-free water. This water is then fed directly into the Agency's aqueduct system.

During the fiscal years 2018 and 2017, the District received 6,104 AF (2,054 MG) and 5,158 AF (1,681 MG) respectively, of Russian River water. The District has an agreement in place with the Agency to provide sufficient supply to meet the District's current and future water supply needs. There continues to be competing interests for Russian River water, principally to protect steelhead and salmon listed as threatened species under the Endangered Species Act. The Biological Opinion for water supply in the Russian River watershed has been issued by the National Marine Fisheries Service laying out the requirements to preserve, protect and restore the fisheries and maintain the existing Russian River water supplies. The District continues to actively support the necessary development of the Russian River water supply and protection of the Russian River fisheries.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefit likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standard. The objective of the Investment Policy is safety, maturity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, corporate medium-term notes and time certificates of deposit.

Water Rates and District Revenues

Revenue from user charges generated from District customers supports District operations. Accordingly, water and sewer rates are reviewed annually. Water and sewer rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are comprised of a commodity (water use) charge and a bi-monthly service charge; whereas, sewer rates are comprised exclusively of a fixed charge.

Audit and Financial Reporting

State Law and Bond covenants require the District to obtain an annual audit of its financial statements by an independent Certified Public Accountant. The accounting firm of Fedak and Brown LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

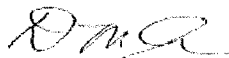
Awards and Acknowledgements

For the eighth consecutive year, the District was awarded the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting* for its 2017 and 2016 Consolidated Annual Financial Report (CAFR). To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

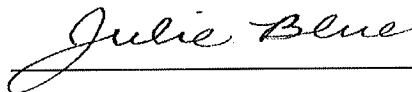
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for 2018.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the North Marin Water District's fiscal policies.

Respectfully submitted,



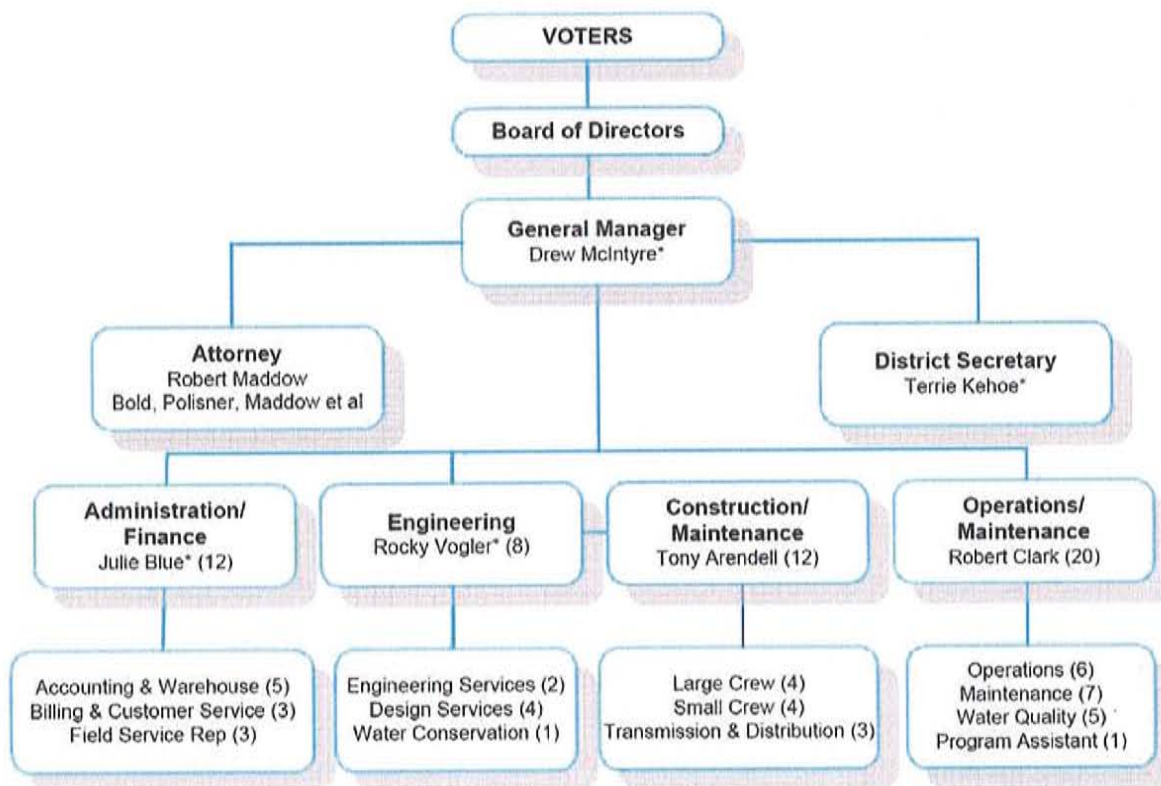
Drew McIntyre
General Manager



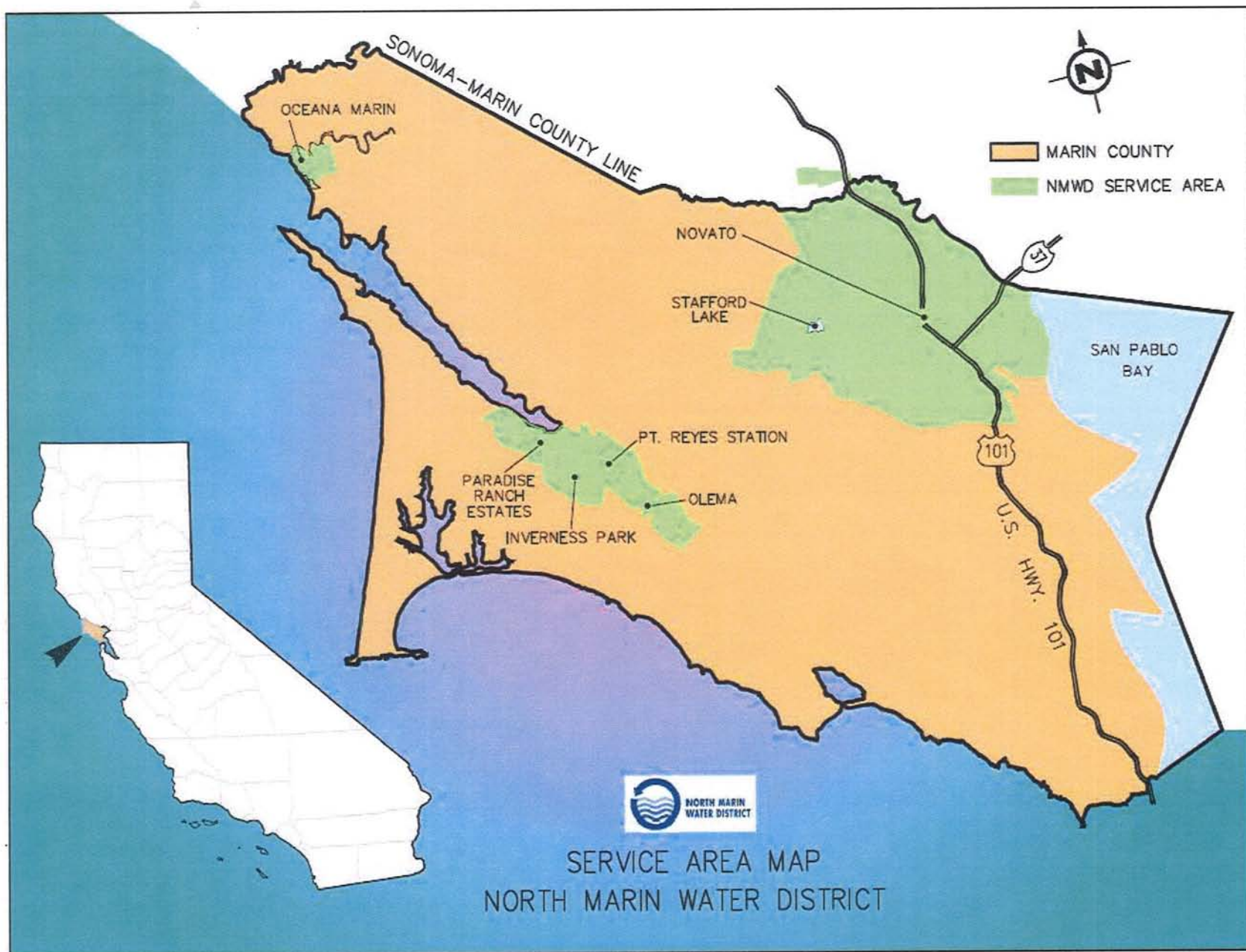
Julie Blue
Auditor-Controller

North Marin Water District Organizational Chart

As of
June 30, 2018



* Also serves as District Officer





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**North Marin Water District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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Financial Section

Working Draft Subject to Review

Independent Auditor's Report

Board of Directors
North Marin Water District
Novato, California

Report on the Financial Statements

We have audited the accompanying financial statements of the North Marin Water District (District), which comprises the statement of net position as of June 30, 2018, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Marin Water District as of June 30, 2018, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 10 through 15 and the required supplementary information on pages 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Independent Auditor's Report, continued

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As part of our audit of the June 30, 2018, financial statements, we audited the adjustments described in note 13. An adjustment was recognized for the District's total other post-employment benefits liability; and has reclassified its employer pension contributions from expense to deferred outflows of resources and recorded a prior period adjustment to restate net position as of June 30, 2017.

As discussed in Note 1.C to the financial statements, in June 30, 2018, the District adopted new accounting guidance *Governmental Accounting Standards Board Statement Nos. 75 and 74*. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 7, the supplementary information of combining schedules on pages 55 through 56, and the statistical section on pages 57 through 72 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information of combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 73 and 74.

Fedak & Brown LLP
Cypress, California
November 20, 2018

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the North Marin Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2018, the District's net position increased 2.8% or \$2,911,473 to \$106,823,445. The increase of \$2,911,473 was primarily due to increases of \$1,860,518 from ongoing operations and \$4,265,041 from capital contributions, which was offset by the effect of a \$3,214,086 restatement to net position related to the implementation of GASB 75. (See note 13 for further information).
- In fiscal year 2018, the District's operating revenues increased 18.1% or \$3,390,618 to \$22,094,094.
- In fiscal year 2018, the District's operating expenses before depreciation increased 9.0% or \$1,361,343 to \$16,461,030.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps the reader answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in it. One can think of the District's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, new or changed government legislation or accounting standards, as well as changes in Federal and State water quality standards.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 through 51.

Statements of Net Position

Condensed Statements of Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 19,686,189	16,343,722	3,342,467
Non-current assets	7,080,538	6,473,193	607,345
Capital assets, net	<u>136,589,808</u>	<u>128,580,395</u>	<u>8,009,413</u>
Total assets	<u>163,356,535</u>	<u>151,397,310</u>	<u>11,959,225</u>
Deferred outflows of resources	<u>3,538,325</u>	<u>2,931,861</u>	<u>606,464</u>
Liabilities:			
Current liabilities	6,218,548	6,429,846	(211,298)
Non-current liabilities	<u>52,966,629</u>	<u>43,331,998</u>	<u>9,634,631</u>
Total liabilities	<u>59,185,177</u>	<u>49,761,844</u>	<u>9,423,333</u>
Deferred inflows of resources	<u>886,238</u>	<u>655,355</u>	<u>230,883</u>
Net position:			
Net investment in capital assets	102,392,652	98,131,574	4,261,078
Restricted for capital projects and debt	2,183,812	2,140,681	43,131
Unrestricted	<u>2,246,981</u>	<u>3,639,717</u>	<u>(1,392,736)</u>
Total net position	<u>\$ 106,823,445</u>	<u>103,911,972</u>	<u>2,911,473</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of the District exceeded liabilities and deferred inflows by \$106,823,445 as of June 30, 2018.

By far the largest portion of the District's net position (96% as of June 30, 2018) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2018, the District showed a positive balance in its unrestricted net position of \$2,246,981. See note 12 for the amount of spendable net position that may be utilized in future years.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenue:			
Operating revenue	\$ 22,094,094	18,703,476	3,390,618
Non-operating revenue	503,856	505,230	(1,374)
Total revenue	<u>22,597,950</u>	<u>19,208,706</u>	<u>3,389,244</u>
Expense:			
Operating expense	16,461,030	15,099,687	1,361,343
Depreciation and amortization	3,434,069	3,416,411	17,658
Non-operating expense	842,333	810,060	32,273
Total expense	<u>20,737,432</u>	<u>19,326,158</u>	<u>1,411,274</u>
Net income(expense) before capital contributions	1,860,518	(117,452)	1,977,970
Capital contributions	<u>4,265,041</u>	<u>11,643,388</u>	<u>(7,378,347)</u>
Change in net position	<u>6,125,559</u>	<u>11,525,936</u>	<u>(5,400,377)</u>
Net position, beginning of year	103,911,972	92,386,036	11,525,936
Prior period adjustment	<u>(3,214,086)</u>	-	<u>(3,214,086)</u>
Net position, beginning of year – as restated	<u>100,697,886</u>	<u>92,386,036</u>	<u>8,311,850</u>
Net position, end of year	<u>\$ 106,823,445</u>	<u>103,911,972</u>	<u>2,911,473</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased 2.8% or \$2,911,473 to \$106,823,445 which was due to increases of \$1,860,518 from ongoing operations and \$4,265,041 from capital contributions, which was offset by the effect of a \$3,214,086 restatement to net position related to the implementation of GASB 75. (See note 13 for further information).

A closer examination of the sources of changes in net position:

In 2018, the District's total revenues increased by 17.6% or \$3,389,244 to \$22,597,950. The District's operating revenues increased by 18.1% or \$3,390,618 to \$22,094,094 due primarily to increase of \$2,962,703 in water consumption sales, \$229,466 in bi-monthly service charges, and \$155,846 in water sales to other agency.

In 2018, the District's non-operating revenues decreased by 0.3% or \$1,374 to \$503,856 due primarily to a decrease of \$88,285 in other non-operating revenues, offset by increases of \$52,822 in investment earnings and \$22,255 in rental revenue.

In 2018, the District's capital contributions decreased by 63.4% or \$7,378,347 to \$4,265,041 due primarily to decreases of \$6,556,345 in state and local capital grants and \$2,662,698 in federal capital grants, offset by increases of \$1,419,881 in developer contributions and \$420,815 in connection fees.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Statements of Revenues, Expenses and Changes in Net Position, continued

In 2018, the District's total expenses including depreciation increased by 7.3% or \$1,411,274 to \$20,737,432. The District's operating expenses increased 9.0% or \$1,361,343 to \$16,461,030 due primarily to increases of \$990,407 in source of supply, \$220,197 in water treatment, \$164,322 in transmission and distribution, \$142,358 in water facilities operations, \$75,014 in pumping expense, and \$65,975 in customer service expense, which were offset by a decrease of \$292,732 in general administrative expense.

In 2018, the District's depreciation and amortization increased by 0.5% or \$17,658 to \$3,434,069 due primarily to maturing of existing capital assets depreciation.

In 2018, the District's non-operating expenses increased by 4.0% or \$32,273 to \$842,333 due primarily to an increase of \$86,180 in debt issuance costs, offset by a decrease of interest expense on long-term debt.

Total District Revenues

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating revenues:			
Water consumption sales	\$ 16,764,567	13,801,864	2,962,703
Monthly meter service charge	4,564,228	4,334,762	229,466
Sewer service charges	239,890	215,989	23,901
Water sale to other agency	155,846	-	155,846
Other charges and services	369,563	350,861	18,702
Total operating revenues	<u>22,094,094</u>	<u>18,703,476</u>	<u>3,390,618</u>
Non-operating revenues:			
Property tax revenue	109,927	107,210	2,717
Investment earnings	182,169	129,347	52,822
Interest earnings from note – BPGL	48,536	39,419	9,117
Rental revenue	105,406	83,151	22,255
Other non-operating revenues	57,818	146,103	(88,285)
Total non-operating revenues	<u>503,856</u>	<u>505,230</u>	<u>(1,374)</u>
Total revenues	<u>\$ 22,597,950</u>	<u>19,208,706</u>	<u>3,389,244</u>

In 2018, total District revenues increased \$3,389,244.

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Total District Expenses

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating expenses including depreciation expense:			
Source of supply	\$ 5,569,766	4,579,359	990,407
Pumping	426,356	351,342	75,014
Water facilities operations	1,079,917	937,559	142,358
Water treatment	2,567,146	2,346,949	220,197
Transmission and distribution	3,387,559	3,223,237	164,322
Sewage collection and treatment	163,957	151,205	12,752
Customer service	742,164	676,189	65,975
General and administrative	2,169,660	2,462,392	(292,732)
Water conservation	354,505	371,455	(16,950)
Depreciation and amortization	3,434,069	3,416,411	17,658
Total operating expenses including depreciation expense	<u>19,895,099</u>	<u>18,516,098</u>	<u>1,379,001</u>
Non-operating expenses:			
Interest expense – long-term debt	747,118	791,211	(44,093)
Debt issuance costs	86,180	-	86,180
Other non-operating expenses	9,035	18,849	(9,814)
Total non-operating expenses	<u>842,333</u>	<u>810,060</u>	<u>32,273</u>
Total expenses	<u>\$ 20,737,432</u>	<u>19,326,158</u>	<u>1,411,274</u>

In 2018, total District expenses increased by \$1,411,274.

Capital Asset Administration

Changes in capital asset amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2018</u>
Capital assets:				
Non-depreciable assets	\$ 16,027,426	11,587,138	(1,649,966)	25,964,598
Depreciable assets	166,801,583	1,509,157	(177,830)	168,132,910
Accumulated depreciation	<u>(54,248,614)</u>	<u>(3,434,069)</u>	<u>174,983</u>	<u>(57,507,700)</u>
Total capital assets, net	<u>\$ 128,580,395</u>	<u>9,662,226</u>	<u>(1,652,813)</u>	<u>136,589,808</u>

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$136,589,808, (net of accumulated depreciation). This investment in capital assets includes: land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-progress, etc. (See note 6 for further information)

North Marin Water District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Debt Administration

Changes in long-term debt amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2018</u>
Long-term debt:				
Bonds payable	\$ 94,000	-	(22,000)	72,000
Loans payable	<u>31,922,939</u>	<u>7,383,204</u>	<u>(1,792,680)</u>	<u>37,513,463</u>
Total long-term debt	<u>\$ 32,016,939</u>	<u>7,383,204</u>	<u>(1,792,680)</u>	<u>37,585,463</u>

(See note 9 for further information)

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Auditor-Controller at 999 Rush Creek Place, Novato, California 94945, Telephone: (415) 897-4133.

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Basic Financial Statements

Working Draft Subject to Review

North Marin Water District
Statement of Net Position
June 30, 2018

	<u>2018</u>
Current assets:	
Cash and cash equivalents (note 2)	\$ 3,484,730
Restricted – cash and cash equivalents (note 2)	1,450,786
Restricted – investments (note 2)	6,469,611
Accrued interest receivable	84,055
Accounts receivable – water and sewer sales and services	4,513,370
Accounts receivable – governmental agencies	69,830
Accounts receivable – other	10,550
Capital grants and loan proceeds receivable	2,270,095
Notes receivable (note 3)	296,420
Notes receivable – employee housing assistance loans, net (note 4)	495,000
Materials and supplies inventory	471,314
Prepaid expenses and deposits	70,428
Total current assets	<u>19,686,189</u>
Non-current assets:	
Restricted – investments (note 2)	3,701,301
Notes receivable (note 3)	2,665,037
Notes receivable – employee housing assistance loans, net (note 4)	714,200
Capital assets, not being depreciated (note 6)	25,964,598
Depreciable capital assets, net (note 6)	<u>110,625,210</u>
Total non-current assets	<u>143,670,346</u>
Total assets	<u>163,356,535</u>
Deferred outflows of resources:	
Deferred pension outflows (note 11)	<u>3,538,325</u>
Total deferred outflows of resources	<u>\$ 3,538,325</u>

Continued on next page

See accompanying notes to the basic financial statements

North Marin Water District
Statement of Net Position, continued
June 30, 2018

	<u>2018</u>
Current liabilities:	
Accounts payable and accrued expenses	\$ 2,641,524
Accrued wages and related payables	272,429
Accrued claims payable (note 7)	97,581
Customer advances and deposits	1,066,100
Accrued interest payable – long-term debt	136,334
Long-term liabilities – due within one year:	
Compensated absences (note 8)	121,864
Bonds payable (note 9)	24,000
Loans payable (note 9)	<u>1,858,716</u>
Total current liabilities	<u>6,218,548</u>
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (note 8)	365,593
Bonds payable (note 9)	48,000
Loans payable (note 9)	35,654,747
Total other post-employment benefits liability (note 10)	4,123,565
Net pension liability (note 11)	<u>12,774,724</u>
Total non-current liabilities	<u>52,966,629</u>
Total liabilities	<u>59,185,177</u>
Deferred inflows of resources:	
Deferred other post-employment benefits inflows (note 10)	158,611
Deferred pension inflows (note 11)	<u>727,627</u>
Total deferred inflows of resources	<u>886,238</u>
Net position: (note 12, 13)	
Net investment in capital assets	102,392,652
Restricted for capital projects and debt service	2,183,812
Unrestricted	<u>2,246,981</u>
Total net position	<u>\$ 106,823,445</u>

See accompanying notes to the basic financial statements

North Marin Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	<u>2018</u>
Operating revenues:	
Water consumption sales	\$ 16,764,567
Bi-monthly meter service charge	4,564,228
Sewer service charges	239,890
Water sale to other agency	155,846
Other charges and services	<u>369,563</u>
Total operating revenues	<u>22,094,094</u>
Operating expenses:	
Source of supply	5,569,766
Pumping	426,356
Water facilities operations	1,079,917
Water treatment	2,567,146
Transmission and distribution	3,387,559
Sewage collection and treatment	163,957
Customer service	742,164
General and administrative	2,169,660
Water conservation	<u>354,505</u>
Total operating expenses	<u>16,461,030</u>
Operating income before depreciation	5,633,064
Depreciation expense – capital recovery	<u>(3,434,069)</u>
Operating income	<u>2,198,995</u>
Non-operating revenues(expenses):	
Property tax revenue	109,927
Investment earnings	182,169
Interest earnings from note receivable – BPGL	48,536
Rental revenue	105,406
Interest expense – long-term debt	(747,118)
Other non-operating revenues	57,818
Other non-operating expenses	(9,035)
Debt issuance costs	<u>(86,180)</u>
Total non-operating revenues, net	<u>(338,477)</u>
Net (expense) income before capital contributions	<u>1,860,518</u>
Capital contributions:	
Developers and others	2,216,734
Connection fees	1,455,400
Capital grants – federal	24,101
Capital grants – state and local	<u>568,806</u>
Capital contributions	<u>4,265,041</u>
Change in net position	<u>6,125,559</u>
Net position, beginning of year – as restated (note 13)	<u>100,697,886</u>
Net position, end of year	<u><u>\$ 106,823,445</u></u>

See accompanying notes to the basic financial statements

**North Marin Water District
Statement of Cash Flows
For the Year Ended June 30, 2018**

	<u>2018</u>
Cash flows from operating activities:	
Cash receipts from customers and others	\$ 21,254,606
Cash paid to employees for salaries and wages	(5,962,511)
Cash paid to vendors and suppliers for materials and services	<u>(7,008,503)</u>
Net cash provided by operating activities	<u>8,283,592</u>
Cash flows from non-capital financing activities:	
Property tax revenue	<u>109,927</u>
Net cash provided by non-capital financing activities	<u>109,927</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(11,008,171)
Proceeds from capital contributions and connection fees	4,265,041
Proceeds from principal issued on long-term debt	7,383,204
Costs paid on debt issuance	86,180
Principal paid on long-term debt	(1,814,680)
Interest paid on long-term debt	<u>(717,426)</u>
Net cash used in capital and related financing activities	<u>(1,805,852)</u>
Cash flows from investing activities:	
Proceeds from sale of investments	2,735,242
Purchases of investments	(5,956,352)
Principal received on notes receivable	253,189
Principal issued on notes receivable	(1,695,758)
Principal issued on employee housing assistance loans	(250,000)
Investment earnings	<u>143,440</u>
Net cash used in investing activities	<u>(4,770,239)</u>
Net increase in cash and cash equivalents	1,817,428
Cash and cash equivalents, beginning of year	<u>3,118,088</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,935,516</u></u>
Reconciliation of cash and cash equivalents to statement of financial position:	
Cash and cash equivalents	\$ 3,484,730
Restricted assets – cash and cash equivalents	<u>1,450,786</u>
Total cash and cash equivalents	<u><u>\$ 4,935,516</u></u>

Continued on next page

See accompanying notes to the basic financial statements

North Marin Water District
Statement of Cash Flows, continued
For the Year Ended June 30, 2018

	<u>2018</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>2,198,995</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense – capital recovery	3,434,069
Rental revenue	105,406
Other non-operating revenue	57,818
Other non-operating expenses	(9,035)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase)Decrease in assets:	
Accounts receivable – water and sewer sales and services	(989,514)
Accounts receivable – governmental agencies	(24,733)
Accounts receivable – other	11,535
Materials and supplies inventory	22,787
Prepaid expenses and other deposits	26,728
Increase in deferred outflows of resources	
Pension related	(606,464)
Increase(Decrease) in liabilities:	
Accounts payable and accrued expenses	(879,558)
Accrued wages and related payables	11,093
Accrued claims payable	(94,541)
Customer advances and deposits	297,216
Compensated absences	(162,474)
Other post-employment benefit liability	2,919,446
Net pension liability	1,733,935
Increase in deferred inflows of resources	
Other post-employment benefits related	158,611
Pension related	<u>72,272</u>
Total adjustments	<u>6,084,597</u>
Net cash provided by operating activities	\$ <u><u>8,283,592</u></u>
Non-cash investing, capital and financing transactions:	
Change in fair value of investments	\$ <u>31,416</u>
Change in capital contributions – grants	\$ <u><u>3,781,780</u></u>

See accompanying notes to the basic financial statements

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The North Marin Water District (District) is an independent special district formed in April 1948, which operates under the authority of Division 12 of the California Water Code. The District's service area includes the City of Novato, adjacent areas, plus annexed areas in West Marin County. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The District's operations are accounted for by the following service areas, some of which were originally established as Improvement Districts. Although the Improvement Districts are legally separate organizations, they are reported herein as if they were part of the primary government because the primary government controls the Improvement Districts and the Board of Directors serve as their governing board. The following service areas are reported as blended component units.

Novato Water System – The Novato Water System is the primary service division of the District and represents the basic primary component of the District.

West Marin Water System formally *Point Reyes Service Area*. – This service area began in 1970 as a separate voter-approved Improvement District. Point Reyes was consolidated with the Olema Improvement District in 1996 and the Paradise Ranch Estate Improvement District in 2002, forming the West Marin Water System.

Oceana Marin Sewer Service – By agreement with a private developer, this service area was formed to provide sewer service to area residents commencing in June 1973.

Novato Recycled Water System – This enterprise fund was formed by the District in 2007 to account for the operation of the District's recycled water treatment and distribution system.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the cost of providing water or wastewater disposal to its service area on a continuing basis be financed or recovered primarily through user charges (water sales and sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and sewer service charges, along with water purchases and wastewater disposal, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses. Non-operating revenues and expenses, such as grant funding, investment income and interest expense, result from non-exchange transactions, in which the District gives (receives) value without directly receiving (giving) value in exchange.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits - OPEB).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing the District's Auditor-Controller to deposit funds in financial institutions.

Changes in market value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in market value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

5. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

6. Property Taxes

The County of Marin Assessor's Office assesses all real and personal property within the County each year. The County of Marin Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Marin Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

7. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects or debt service. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

8. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for capitalizing equipment purchases at \$5,000. Donated assets are recorded at estimated cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Dam – 100 years
- Transmission and distribution systems – 50 to 150 years
- Treatment plant – 20 to 50 years
- Sewer mains and pumps – 10 to 40 years
- Buildings and storage facilities – 35 to 50 years
- Equipment and vehicles – 5 to 10 years

10. Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the total OPEB liability. This amount will be amortized-in-full against the total OPEB liability in the next fiscal year.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.
- Deferred outflow for the net change due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

11. Compensated Absences

The District's employees have a vested interest in accrued vacation time. All vacation hours will eventually be either used or paid-off by the District. Employees earn vacation time on a semi-monthly basis. Employees normally earn and use their current vacation time with a small portion being unused each year. As this occurs, the District incurs a future obligation to pay for these unused hours and accrues a liability for such accumulated and unpaid vacation time.

Full-time District employees earn sick leave at a rate of one day per month. District employees may elect to be paid for accumulated and unused sick leave in excess of 90 days, at a rate of one-half of the value of such accumulated amount. The District has accrued a liability for such excess amounts. Employees hired after 10/1/2000 may apply their unused sick leave credit to enhance CalPERS retirement benefits but are not eligible to receive any pay for accrued unused sick leave from the District.

12. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: July 1, 2017
- Measurement Date: June 30, 2018
- Measurement Period: July 1, 2017 to June 30, 2018

13. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

13. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

13. Deferred Inflows of Resources, continued

Pensions

- Deferred inflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

14. Water and Sewer Sales

Water sales are billed on a bi-monthly cyclical basis. Estimated unbilled water and sewer sales and service charges through June 30th have been accrued as of year-end.

15. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

16. Capital and Operating Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

17. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparison of actual revenue and expense with planned revenue and expense for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

18. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

19. Reclassification

The District has reclassified certain prior year information to conform to current year presentations.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	2018
Cash and cash equivalents	\$ 3,484,730
Restricted – cash and cash equivalents	<u>1,450,786</u>
Total cash and cash equivalents	\$ <u>4,935,516</u>
Restricted – investments	\$ 6,469,611
Restricted – investments non-current	<u>3,701,301</u>
Total restricted investments	\$ <u>10,170,912</u>
Total cash and investments	<u>\$ 15,106,428</u>

Cash and investments as of June 30 consist of the following:

	2018
Cash on hand	\$ 350
Deposits with financial institutions	148,673
Deposits with County of Marin Treasury	957,605
Investments	<u>13,999,800</u>
Total cash and investments	<u>\$ 15,106,428</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio *	Maximum Investment in One Issuer
State and Local Agency Bonds	5 years	100%	None
U.S. Treasury Obligations	5 years**	100%	None
U.S. Agency Securities	5 years**	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase agreements	30 days	100%	None
Money Market Mutual Funds	N/A	20%	10%
California Local Agency Investment Fund (LAIF)	N/A	100%	None
California Asset Management Program (CAMP)	N/A	100%	None

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code Section 53601

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit), and, the District's investment policy that requires no more than two-thirds of the District's deposits in a depository shall be collateralized by mortgage-backed securities, with the remainder to be secured by non-mortgage-backed securities. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District's bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance notice.
- LAIF Online will adhere to the same timelines as used for phone transactions.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(2) Cash and Investments, continued

Interest Rate Risk, continued

Investments at June 30, 2018, consisted of the following:

Investment Type	Amount	Remaining Maturity (in Months)	
		12 months or less	13 to 24 months
Local Agency Investment Fund	\$ 3,828,888	3,828,888	-
Certificates-of-deposit	4,703,000	1,489,000	3,214,000
U.S. Treasury note	2,478,199	1,990,898	487,301
U.S. Agency securities	2,989,713	2,989,713	-
Total	\$ 13,999,800	10,298,499	3,701,301

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings at June 30, 2018, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings AA+ to AA-
Local Agency Investment Fund	\$ 3,821,716	N/A	3,821,716	-
Certificates-of-deposit	4,703,000	N/A	4,703,000	-
U.S. Treasury note	2,485,371	AA+	-	2,485,371
U.S. Agency securities	2,989,713	AA+	-	2,989,713
Total	\$ 13,999,800		8,524,716	5,475,084

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investments at June 30, 2018:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates-of-deposit	\$ 4,703,000	-	4,703,000	-
U.S. Treasury note	2,485,371	2,485,371	-	-
U.S. Agency securities	2,989,713	2,989,713	-	-
Total investments measured at fair value	10,178,084	5,475,084	4,703,000	-
Investments measured at amortized cost:				
Local Agency Investment Fund (LAIF)	3,821,716			
Total	\$ 13,999,800			

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(3) Notes Receivable

Changes in notes receivable amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2018</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Notes receivable:						
Black Point Golf Links	\$ 1,518,888	-	(216,271)	1,302,617	221,514	1,081,103
Marin Country Club	-	1,695,758	(36,918)	1,658,840	74,906	1,583,934
Total notes receivable	\$ 1,518,888	1,695,758	(253,189)	2,961,457	296,420	2,665,037

Black Point Golf Links

The District has entered into a contractual agreement with Black Point Golf Links, which now goes by Stone Tree Golf Club, whereby the golf club agreed to reimburse the District for construction costs incurred for a new recycled water pipeline, in-lieu of connection fees. The reimbursement is collected in bi-monthly installments through February 2024, including interest at a rate of 2.40%.

As of June 30, the amount receivable under the contract is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 221,514	29,057	250,571
2020	226,884	23,688	250,572
2021	232,383	18,189	250,572
2022	238,017	12,555	250,572
2023	243,787	6,785	250,572
2024	140,032	1,249	141,281
Total	1,302,617	91,523	1,394,140
Less: current portion:	(221,514)		
Total Long-term \$	1,081,103		

Marin Country Club

On June 10, 2015, the District entered into a contractual agreement with the Marin Country Club, which whereby the Country Club agreed to reimburse the District for construction costs incurred for a new recycled water facility, in-lieu of connection fees. Marin Country Club is the primary customer of the Central Service Area pipeline of which this receivable contributes significantly to related District debt. (See note 11 for further information). The reimbursement is collected in bi-monthly installments through November 2047, including interest at a rate ranging from 1.00% to 2.80%.

As of June 30, the amount receivable under the contract is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 74,906	23,402	98,308
2020	76,360	21,948	98,308
2021	77,847	20,459	98,306
2022	79,372	18,935	98,307
2023	80,932	17,375	98,307
2024-2028	404,557	62,251	466,808
2029-2033	205,960	38,309	244,269
2034-2038	216,511	27,758	244,269
2039-2043	227,601	16,667	244,268
2044-2047	214,793	5,048	219,841
Total	1,658,839	252,152	1,910,991
Less: current portion:	(74,906)		
Total Long-term \$	1,583,933		

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(4) Notes Receivable – Employee Housing Assistance Loans

The District's Employer Assisted Housing Program (Program) allows up to \$300,000 to be loaned to an employee for a period of up to 15 years for the purchase of a home within the District's service area. This will allow the employee to respond rapidly to customer calls or emergencies affecting the operation of the District. Repayment is due upon sale of the employee's residence, termination of employment, or other events as described in the Program documents. Interest earned on the loan is contingent upon and directly proportional to the appreciation in value occurring on the purchased property. The balance of the outstanding loans may be offset by an allowance representing the impairment in value due to the decline in market value of the homes financed since the loan inception date.

The following is a listing of employee housing assistance loans and their corresponding origination dates as follows:

The balance at June 30 consists of the following:

<u>Origination</u>	<u>2018</u>
August 2004	\$ 250,000
Sept. 2004	39,200
Nov. 2007	150,000
June 2010	245,000
March 2015	250,000
June 2018	<u>275,000</u>
Total	1,209,200
Less: current portion:	<u>(495,000)</u>
Total Long-term	<u>\$ 714,200</u>

(5) Internal Balances

Due To/From Other Funds and Transfers

Internal balances consist of the following as of June 30, 2018, as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advance	Novato Recycled	Novato Water	\$ <u>543,218</u>

Transfers between funds as of June 30, 2018, was as follows:

<u>Purpose</u>	<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Contribution	Novato Water	Novato Recycled	\$ <u>5,481,925</u>

In 2018, the Novato Water system transferred \$5,481,925, in net position to the Novato Recycled system for the local share of the North/South Recycled Water Expansion, SRF loan payments and grant administration costs. (See the Supplementary Schedules on pages 55 through 56 for further information)

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(6) Capital Assets

Construction-In-Progress

The District has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-progress balances at June 30 are as follows:

The balance of construction-in-progress at June 30 consists of the following projects:

	2018
Developer construction – Novato Water	\$ 535,686
Other construction – Novato Water	7,753,464
Other construction – Novato Recycled	15,623,282
Other construction – West Marin Water	443,808
Other construction – Oceana Marin Sewer	135,267
Total construction-in-progress per year	<u>\$ 24,491,507</u>

Changes in capital assets for the year were as follows:

	Balance 2017	Additions/ Transfers	Deletions/ Transfers	Balance 2018
Non-depreciable assets:				
Land and land rights	\$ 1,473,091	-	-	1,473,091
Construction-in-progress	14,554,335	11,587,138	(1,649,966)	24,491,507
Total non-depreciable assets	16,027,426	11,587,138	(1,649,966)	25,964,598
Depreciable assets:				
Distribution system	83,757,326	820,384	-	84,577,710
Treatment plant	21,184,413	-	-	21,184,413
Storage facilities	20,903,086	96,508	-	20,999,594
Transmission system	28,896,399	509,228	-	29,405,627
Source facilities	5,596,066	-	-	5,596,066
Sewer facilities	1,193,077	9,953	-	1,203,030
Structures and improvements	1,902,893	-	-	1,902,893
Other plant and equipment	3,368,323	73,084	(177,830)	3,263,577
Total depreciable assets	166,801,583	1,509,157	(177,830)	168,132,910
Accumulated depreciation:				
Distribution system	(28,995,554)	(1,707,635)	-	(30,703,189)
Treatment plant	(8,281,847)	(695,172)	-	(8,977,019)
Storage facilities	(6,579,383)	(425,998)	-	(7,005,381)
Transmission system	(3,728,626)	(244,366)	-	(3,972,992)
Source facilities	(2,069,261)	(114,856)	-	(2,184,117)
Sewer facilities	(604,149)	(26,774)	-	(630,923)
Structures and improvements	(1,262,416)	(41,440)	-	(1,303,856)
Other plant and equipment	(2,727,378)	(177,828)	174,983	(2,730,223)
Total accumulated depreciation	(54,248,614)	(3,434,069)	174,983	(57,507,700)
Total depreciable assets, net	112,552,969	(1,924,912)	(2,847)	110,625,210
Total capital assets, net	\$ 128,580,395	9,662,226	(1,652,813)	136,589,808

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(7) Accrued Claims Payable

The District self-insures its workers' compensation obligation and established a risk financing internal service fund where assets are set aside for claim settlements associated with the risk of loss up to certain limits for workers' compensation claims.

Settled claims have not exceeded the accrued coverage amounts in any of the last three fiscal years. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The accrued claims payable balance includes an amount for claims that have been incurred but not paid.

The balance at June 30 consists of the following:

	<u>2018</u>
Accrued claims payable, beginning of year	\$ 192,122
Current year claims recognized	26,420
Current year claims paid	(14,509)
Prior year claims incurred	28,340
Prior year claims paid	<u>(134,792)</u>
Accrued claims payable, end of year	<u>\$ 97,581</u>

(8) Compensated Absences

Compensated absences comprise unpaid vacation and sick leave which is accrued as earned.

Changes to compensated absences for 2018 were as follows:

<u>Balance</u> <u>2017</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2018</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 649,931	936,608	(1,099,082)	487,457	121,864	365,593

(9) Long-term Debt

Changes in long-term debt amounts for 2018 were as follows:

	<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>2018</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Long-term debt:						
Bonds payable:						
1980 Revenue bonds – PRE-1	\$ 38,000	-	(12,000)	26,000	13,000	13,000
1981 Revenue bonds – PR-6	56,000	-	(10,000)	46,000	11,000	35,000
Total bonds payable	94,000	-	(22,000)	72,000	24,000	48,000
Loans payable:						
1977 U.S. EDA loan – Novato Water	17,679	-	(17,679)	-	-	-
1977 U.S. EDA loan – West Marin Water	1,963	-	(1,963)	-	-	-
2005 DWR loan – Novato Water	10,840,721	-	(790,074)	10,050,647	402,132	9,648,515
2005 SWRCB loan – Novato Recycled	2,404,935	-	(215,648)	2,189,287	220,824	1,968,463
2011-2012 SWRCB loans – Novato Recycled N & S	8,053,559	-	(422,954)	7,630,605	433,018	7,197,587
2011 B of M loan – Novato Water	5,455,915	-	(300,284)	5,155,631	310,707	4,844,924
2011 B of M loan – West Marin Water	800,868	-	(44,078)	756,790	45,608	711,182
2016 SWRCB Loan – Novato Recycled Central	4,347,299	2,783,204	-	7,130,503	206,427	6,924,076
2018 JP Morgan Chase Loan – Novato Water	-	4,600,000	-	4,600,000	240,000	4,360,000
Total loans payable	31,922,939	7,383,204	(1,792,680)	37,513,463	1,858,716	35,654,747
Total long-term debt	\$ 32,016,939	7,383,204	(1,814,680)	37,585,463	1,882,716	35,702,747

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(9) Long-term Debt, continued

Bonds Payable

1980 Revenue Bonds – Issue PRE-1

On August 22, 1980, the District issued revenue bonds totaling \$240,000 for the system rehabilitation of the Paradise Ranch Estates (PRE) water distribution system.

The bonds are scheduled to mature in 2020. Principal is payable annually on April 1st and interest is payable semi-annually on October 1st and April 1st at a rate of 5.000%. Future annual debt service requirements on the bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 13,000	1,300	14,300
2020	13,000	650	13,650
Total	26,000	1,950	27,950
Less current portion	(13,000)		
Total non-current	\$ 13,000		

1981 Revenue Bonds – Issue PR-6

On August 28, 1981, the District issued revenue bonds totaling \$217,800 to finance the further work needed to rehabilitate the Point Reyes and Inverness Park water systems including the addition of a 300,000 gallon tank in Point Reyes Station and a 100,000 gallon tank in Inverness Park.

The bonds are scheduled to mature in 2022. Principal is payable annually on July 1st and interest is payable semi-annually on July 1st and January 1st at a rate of 5.000%. Future annual debt service requirements on the bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 11,000	2,025	13,025
2020	11,000	1,475	12,475
2021	12,000	900	12,900
2022	12,000	300	12,300
Total	46,000	4,700	50,700
Less current portion	(11,000)		
Total non-current	\$ 35,000		

Loans Payable

1977 U.S. EDA Loan – Novato Water segment

In August 1977, the District secured a \$351,770 loan with the U.S. Economic Development Administration (EDA) to assist in the funding emergency Novato Water system projects in response to a severe drought.

The loan was scheduled to mature in 2018. Principal and interest are payable annually on July 1st at a rate of 5.000%. At June 30, 2018, the loan was paid in full.

1977 U.S. EDA Loan – West Marin Water segment

In August 1977, the District secured a \$46,000 loan with the U.S. Economic Development Administration (EDA) to assist in the funding emergency West Marin system projects, including temporary diversions from Bear Valley Creek and Lagunitas Creek, in response to a severe drought.

The loan was scheduled to mature in 2018. Principal and interest are payable annually on July 1st at a rate of 5.000%. At June 30, 2018, the loan was paid in full.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(9) Long-Term Debt, continued

Loans Payable, continued

2005 DWR Loan – Novato Water segment

In 2005, the District entered into an agreement with the California Department of Water Resources (DWR) for a loan in an amount not-to-exceed \$16,528,850 with an interest rate of 2.39% per annum for the reconstruction of the Stafford Water Treatment Plant. Principal and interest payments on the loan are due each year on January 1st and July 1st.

The loan is scheduled to mature in fiscal year 2030. The loan will be repaid semi-annually over a 20-year period based on the repayment schedule below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 402,132	244,959	647,091
2020	818,737	225,738	1,044,475
2021	838,422	206,052	1,044,474
2022	858,580	185,895	1,044,475
2023	879,223	165,251	1,044,474
2024-2028	4,723,551	498,821	5,222,372
2029-2030	1,530,002	36,712	1,566,714
Total	10,050,647	1,563,428	11,614,075
Less current portion	(402,132)		
Total non-current	\$ 9,648,515		

2005 SWRCB Loan – Novato Recycled Water segment

In 2005, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount of \$4,302,560 with an interest rate of 2.4% per annum for the construction of the Deer Island Recycled Water Facility.

As noted in note 3, the District entered into a contractual agreement with Black Point Golf Links whereby the golf course agreed to reimburse the District for construction costs incurred for the new recycled water facility, in-lieu of connection fees. Black Point Golf Links, as the major customer of the recycled water facility, contributes significantly to the repayment of this loan through the repayment of the note receivable to the District.

The loan is scheduled to mature in 2027. Principal and interest are payable annually on June 19th at a rate of 2.4%. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 220,824	52,543	273,367
2020	226,124	47,243	273,367
2021	231,551	41,816	273,367
2022	237,108	36,259	273,367
2023	242,798	30,569	273,367
2023-2027	1,030,882	62,586	1,093,468
Total	2,189,287	271,016	2,460,303
Less current portion	(220,824)		
Total non-current	\$ 1,968,463		

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(9) Long-Term Debt, continued

Loans Payable, continued

2011-2012 SWRCB Loans – Novato Recycled Water segment – North and South Service Areas

In fiscal year 2011, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$4,364,335 with an interest rate of 2.60% per annum for the construction of the Recycled Water Expansion project – North Service Area. As of June 30, 2013, eligible costs for reimbursement were \$4,364,335 plus \$11,270 in capitalized interest charges for a total loan of \$4,375,605. Principal and interest payments of \$281,892 are due and payable annually on the loan until fiscal year 2033.

In fiscal year 2012, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a loan in an amount not-to-exceed \$5,480,740 with an interest rate of 2.20% per annum for the construction of the Recycled Water Expansion project – South Service Area. As of June 30, 2014, eligible costs for reimbursement were \$5,357,887 plus \$4,065 in capitalized interest charges for a total loan of \$5,361,952. Principal and interest payments of \$332,407 are due and payable annually on the loan until fiscal year 2034. Future annual debt service payments on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 433,018	181,281	614,299
2020	443,323	170,976	614,299
2021	453,876	160,423	614,299
2022	464,681	149,618	614,299
2023	475,745	138,554	614,299
2024-2028	2,554,204	517,291	3,071,495
2029-2033	2,707,684	198,047	2,905,731
2034	98,074	2,157	100,231
Total	7,630,605	1,518,347	9,148,952
Less current portion	(433,018)		
Total non-current	\$ 7,197,587		

2011 Bank of Marin Loan – Novato Water and West Marin Water segments

In October 2013, the District entered into a loan agreement with the Bank of Marin for a 20-year \$8.0 million construction loan with an interest rate of 3.42% per annum for the North Marin Aqueduct Energy Efficiency Project and West Marin water improvements. The loan is scheduled to mature in September of fiscal year 2032. A principal and interest payment of \$46,067 is payable monthly on the 27th day of each month. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 356,315	196,485	552,800
2020	368,180	184,620	552,800
2021	381,461	171,339	552,800
2022	394,701	158,099	552,800
2023	408,400	144,400	552,800
2024-2028	2,264,139	499,861	2,764,000
2029-2032	1,739,225	103,443	1,842,668
Total	5,912,421	1,458,247	7,370,668
Less current portion	(356,315)		
Total non-current	\$ 5,556,106		

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(9) Long-Term Debt, continued

Loans Payable, continued

2016 SWRCB Loan – Novato Recycled Water segment – Central Service Area

In fiscal year 2016, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for financing the construction of the Recycled Water Expansion project – Central Service Area for an amount not-to-exceed \$10,450,708. Of this amount, \$7,130,503 is a 30-year loan at 1% interest and \$3,320,205 is grant funded. As of June 30, 2018, eligible costs for reimbursement were \$2,2783,204.

As noted in note 3, the District entered into a contractual agreement with the Marin Country Club whereby the Country Club agreed to reimburse the District for construction costs incurred for a new recycled water pipeline, in-lieu of connection fees. Marin Country Club is the primary customer of the Central Service Area pipeline of which this receivable contributes significantly to the District's repayment of this loan.

Principal and interest payments on the loan are due each year on December 31st maturing in fiscal year 2048. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 206,427	53,287	259,714
2020	207,292	68,931	276,223
2021	209,056	67,168	276,224
2022	211,147	65,077	276,224
2023	213,258	62,966	276,224
2024-2028	1,098,709	282,411	1,381,120
2029-2033	1,154,754	226,365	1,381,119
2034-2038	1,213,658	167,461	1,381,119
2039-2043	1,275,568	105,553	1,381,121
2044-2048	1,340,634	40,486	1,381,120
Total	7,130,503	1,139,705	8,270,208
Less current portion	(206,427)		
Total non-current	\$ 6,924,076		

2018 JP Morgan Chase Loan

In fiscal year 2018, the District entered into an agreement with JP Morgan Chase Bank for a loan in an amount of \$4,600,000 with an interest rate of 2.69% per annum for financing the acquisition and construction of the automated meter information system throughout the District's Novato service area. Principal and interest payments on the loan are due semi-annually on September 1st and March 1st maturing in fiscal year 2033. Future annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 240,000	116,522	356,522
2020	260,000	117,284	377,284
2021	270,000	110,290	380,290
2022	275,000	103,027	378,027
2023	280,000	95,630	375,630
2024-2028	1,530,000	360,191	1,890,191
2029-2033	1,745,000	143,242	1,888,242
Total	4,600,000	1,046,186	5,646,186
Less current portion	(240,000)		
Total non-current	\$ 4,360,000		

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(10) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District offers other post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits.

Benefits Provided

For retirees between the ages of 55 to 65 with a minimum of 12 years of service, who retired prior to January 1, 2013, the District's contribution toward the chosen medical plan will be 90% of the Kaiser Basic Medical Plan premium amount. For retirees between the ages of 55 to 65 with a minimum of 12 years of service, who retire on or after January 1, 2013, the District's contribution toward the chosen plan will be 85% of the Kaiser Basic Medical Plan premium amount. The District will make a monthly contribution toward the cost of health insurance coverage for all other retirees based on the contract effective at the time of their retirement.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	34
Inactive employees entitled to but not receiving benefit payments	4
Active employees	<u>53</u>
Total Plan membership	<u>91</u>

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the District's contributions were \$375,787 which included \$304,254 of pay-as-you-go contributions and \$71,533 in an implicit subsidy. At June 30, 2018, the contributions were reclassified from expense to reduce the total OPEB liability.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount rate	3.62 percent
Healthcare cost trend rates	6.00 percent for 2017, 5.00 percent for 2018, 5.00 percent for 2019, and 5.00 percent for 2020 and later years
Retirees' share of benefit-related costs	10 percent of projected health insurance premiums for retirees between ages 55 to 65 with a minimum 12 years of service who retired prior to January 1, 2013. 15 percent of projected health insurance premiums for retirees between ages 55 to 65 with a minimum 12 years of service who retired after January 1, 2013.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(10) Other Post-employment Benefits (OPEB) Plan, continued

Total OPEB Liability, continued

Actuarial Assumptions, continued

Notes:

The discount rate was based on the Municipal Bond 20-Year High Grade Rate Index.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 4,418,205
Changes for the year:	
Service cost	145,989
Interest	132,454
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	(197,296)
Benefit payments	(375,787)
Net changes	<u>(294,640)</u>
Balance at June 30, 2018	\$ <u>4,123,565</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	<u>Discount Rate - 1% (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>Discount Rate + 1% (4.62%)</u>
District's Total OPEB liability \$	<u>4,542,175</u>	<u>4,123,565</u>	<u>3,762,403</u>

**North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018**

(10) Other Post-employment Benefits (OPEB) Plan, continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
District's Total OPEB liability \$	3,934,508	4,123,565	4,345,977

For the year ended June 30, 2018, the District recognized OPEB expense of \$239,758.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	(158,611)
Total	\$ -	(158,611)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Actuarially Determined Deferred Outflows and (Inflows) -
OPEB Plan**

Fiscal Year Ending June 30:	Net, Differences between Expected and Actual Experience	Net, Deferred Outflows/(Inflows) of Resources
2019	\$ (38,685)	\$ (38,685)
2020	(38,685)	(38,685)
2021	(38,685)	(38,685)
2022	(38,685)	(38,685)
2023	(3,871)	(3,871)
Thereafter	-	-
Total	\$ (158,611)	\$ (158,611)

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

See page 52 for the Required Supplementary Schedule.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(11) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. For employees hired prior to January 1, 2013, who are current members of CalPERS or a reciprocal agency as of December 31, 2012 and have not been separated from service from such agency for more than six months, the retirement benefit is 2.5% @ 55 years of age; highest single year of compensation. All other employees hired on or after January 1, 2013, the retirement benefit is 2.0% @ 62 years of age; 3 year final compensation.

The Plans' provision and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.946%	6.250%
Required employer contribution rates	10.110%	6.533%

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(11) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2018 the contributions for the Plan were as follows:

	<u>Miscellaneous</u>
	<u>Plan</u>
	<u>2018</u>
Contributions – employer	\$ <u>1,017,325</u>

Net Pension Liability

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate</u>
	<u>Share of</u>
	<u>Net Pension</u>
	<u>Liability</u>
	<u>2018</u>
Miscellaneous Plan	\$ <u>12,774,724</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the pool. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The Districts' proportion of the net pension liability was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in the proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2017, was as follows:

	<u>Miscellaneous</u>
Proportion – June 30, 2016	0.12759%
Proportion – June 30, 2017	<u>0.12881%</u>
Change – Increase (Decrease)	<u>0.00122%</u>

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2018, the District recognized pension expense of \$2,217,067.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(11) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date at June 30, 2017	\$ 1,017,325	-
Net, differences between actual and expected experience	-	(210,531)
Net, changes in assumptions	1,810,636	-
Net differences between projected and actual earnings on plan investments	443,293	-
Net, differences between actual contribution and proportionate share of contribution	-	(517,096)
Net, change due to differences in proportion of net pension liability	267,071	-
Total	<u>\$ 3,538,325</u>	<u>(727,627)</u>

As of June 30 2018, employer pension contributions of \$1,017,325, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

At June 30, 2018, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense (income) as follows.

Actuarially Determined Deferred Outflows and (Inflows) - Miscellaneous Plan

<u>Fiscal Year Ending June 30:</u>	<u>Net, Differences between Expected and Actual Experience</u>	<u>Net, Changes in Assumptions</u>	<u>Net, Differences between Projected and Actual Earnings Pension Plan Investments</u>	<u>Net, Differences between Actual Contribution and Proportionate Share of Contribution</u>	<u>Net, Changes Due to Differences in Proportions</u>	<u>Net, Deferred Outflows/(Inflows) of Resources</u>
2019	\$ (68,002)	569,317	(27,007)	(278,697)	206,385	\$ 401,996
2020	(79,728)	687,387	518,497	(161,031)	59,668	1,024,793
2021	(62,801)	553,932	160,215	(77,368)	1,018	574,996
2022	-	-	(208,412)	-	-	(208,412)
2023	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Total	<u>\$ (210,531)</u>	<u>1,810,636</u>	<u>443,293</u>	<u>(517,096)</u>	<u>267,071</u>	<u>\$ 1,793,373</u>

**North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018**

(11) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation report was determined using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used above was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(11) Defined Benefit Pension Plan, continued

Discount Rate, continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The table below presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

At June 30, 2018, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
District's Net Pension Liability \$	19,235,760	12,774,724	7,423,578

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 53-54 for Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2018, the District reported no payables for the outstanding amount of contribution to the pension plan

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(12) Net Position

Calculation of net position per fund as of June 30, 2018, was as follows:

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Net investment in capital assets:					
Capital assets, not being depreciated	\$ 9,658,022	15,623,282	547,219	136,075	25,964,598
Depreciable capital assets, net	87,515,008	17,204,048	5,119,254	786,900	110,625,210
Capital project loan proceeds unused	35,534	2,904,879	447,894	-	3,388,307
Current:					
Bonds payable	-	-	(24,000)	-	(24,000)
Loans payable	(952,839)	(860,269)	(45,608)	-	(1,858,716)
Non-current:					
Bonds payable	-	-	(48,000)	-	(48,000)
Loans payable	(18,853,439)	(16,090,126)	(711,182)	-	(35,654,747)
Total net investment in capital assets	<u>77,402,286</u>	<u>18,781,814</u>	<u>5,285,577</u>	<u>922,975</u>	<u>102,392,652</u>
Restricted net position:					
Connection fee reserve	-	-	103,296	-	103,296
Wohler pipeline reserve	415,728	-	-	-	415,728
Collector No. 6 reserve	1,634,579	-	-	-	1,634,579
Cash reserve for debt service	-	-	30,534	-	30,534
Accrued interest for debt service	-	-	(325)	-	(325)
Total restricted net position	<u>2,050,307</u>	<u>-</u>	<u>133,505</u>	<u>-</u>	<u>2,183,812</u>
Unrestricted net position:					
Non-spendable net position:					
Current:					
Materials and supplies inventory	471,314	-	-	-	471,314
Prepaid expenses and deposits	54,324	-	12,150	3,954	70,428
Notes receivable – employee housing loans	495,000	-	-	-	495,000
Non-current:					
Notes receivable	-	2,665,037	-	-	2,665,037
Notes receivable – employee housing loans	714,200	-	-	-	714,200
Total non-spendable net position	<u>1,734,838</u>	<u>2,665,037</u>	<u>12,150</u>	<u>3,954</u>	<u>4,415,979</u>
Total spendable net position (deficit)*	<u>(6,976,369)</u>	<u>3,318,029</u>	<u>1,000,262</u>	<u>489,080</u>	<u>(2,168,998)</u>
Total unrestricted net position	<u>(5,241,531)</u>	<u>5,983,066</u>	<u>1,012,412</u>	<u>493,034</u>	<u>2,246,981</u>
Total net position	<u>\$ 74,211,062</u>	<u>24,764,880</u>	<u>6,431,494</u>	<u>1,416,009</u>	<u>106,823,445</u>

* Deficit is primarily due to recognition of GASBs 68 and 75.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(13) Adjustment to Net Position

Other Post-employment Benefits (OPEB) – GASB 75 Implementation

In fiscal year 2018, the District implemented GASB pronouncements 74 and 75 to recognize its total other post-employment benefits (OPEB) liability. As a result of the implementation, the District recognized the OPEB liability and recorded a prior period adjustment, a (decrease) to net position, of \$4,418,205 at July 1, 2017. The District recorded a prior period adjustment, an increase to net position, to reclassify from liabilities to net position, the prior year's OPEB liability, recognized in accordance with GASB 45, of \$1,204,119 at July 1, 2017.

The adjustment to net position is as follows:

Net position at July 1, 2017, as previously stated	\$ 103,911,972
Effect of adjustment to record total other post-employment benefits liability	(4,418,205)
Effect of adjustment to remove other post-employment benefits liability under GASB 45	1,204,119
Total adjustment to net position	<u>(3,214,086)</u>
Net position at June 30, 2018, as restated	<u>\$ 100,697,886</u>

(14) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of the plan assets held in trust at June 30, 2018, was \$6,500,484.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

(15) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance policies with a variety of coverage including a \$10.0 million excess general liability policy with a \$1.0 million self-insured retention limit, a \$60,275,000 property and equipment policy, a \$1.0 million public official's liability policy, a \$1.0 million cyber liability policy, a \$572,000 vehicle physical damage policy, and a \$500,000 employee fidelity bond policy.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2018, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 88

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

(16) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 89, continued

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

(17) Commitments and Contingencies

Wohler/Collector No. 6 Agreement

The District is party to an agreement with the Sonoma County Water Agency (SCWA) that provides, among other matters, that the District is obligated to pay for a prorated share of certain SCWA's costs to improve or expand the SCWA's water utility plant. The agreement expires on June 30, 2040 and is subject to renewal for 40-year terms. Under the agreement, the District is obligated to pay promptly all billings from the SCWA and may not withhold payment pending resolution of disputes, if any, which might exist between the District and SCWA. At June 30, 2018, the District's reserve balances for these obligations were \$416,369 (Wohler Pipeline) and \$1,637,095 (Collector #6).

**North Marin Water District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018**

(17) Commitments and Contingencies, continued

Novato Sanitary District

The District has entered into a contract with the Novato Sanitary District (NSD) which requires NSD to supply secondary treated effluent of sufficient quantity to the District for the recycled water treatment operation. The District pays NSD \$20 per year for an annual lease of the site for the Deer Island Recycled Water Treatment Facility which is owned and operated by the District.

Solar Power Services, Facilities and Site Agreement

In February 2012, the District entered into a Solar Power Services Agreement to purchase all the solar power generated from the Solar Power Generating Facility constructed near the District's Stafford Treatment Plant facilities at a Take-or-Pay price of \$0.1700 per kilowatt hour escalating 3.0% annually to \$0.2981 per kilowatt hour over a 20-year contract period. Also, in February 2013, the District executed a 20-year lease with the Solar Services company to construct the Solar Power Generating Facility on District land for a land lease of \$100 for the period (or \$5 per year).

Construction Contracts

The District has a variety of agreements with developers and private parties relating to the installation, improvement or modification of transmission facilities and distribution systems within its service area. The financing of such improvements is provided primarily from advances for construction. The District also improves and modifies its existing infrastructure and finances such improvements from its reserves. The District has committed to approximately \$200,585 in remaining costs of existing District capital projects as of June 30, 2018.

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(18) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of November 20, 2018, which is the date the financial statements were available to be issued.

Required Supplementary Information

Working Draft Subject to Review

North Marin Water District
Schedule of Changes in the District Total OPEB Liability and Related Ratios
As of June 30, 2018
Last Ten Years*

	<u>6/30/2018</u>
Total OPEB Liability	
Service cost	\$ 145,989
Interest	132,454
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(197,296)
Benefit payments	<u>(375,787)</u>
Net change in total OPEB liability	(294,640)
Total OPEB liability - beginning	<u>4,418,205</u>
Total OPEB liability - ending	\$ <u>4,123,565</u>
Covered employee payroll	\$ <u>5,635,521</u>
Total OPEB liability as a percentage of covered employee payroll	<u>73.17%</u>

Notes:

* Historical information presented above follows the measurement periods for which GASB 74 & 75 were applicable. The fiscal year ended June 30, 2018, (valuation date of June 30, 2017) was the first year of implementation required by GASB 74 & 75, therefore only one year is shown.

North Marin Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2018
Last Ten Years*

Description	Measurement Dates			
	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability	0.12881%	0.12759%	0.12558%	0.10769%
District's proportionate share of the net pension liability	\$ 12,774,724	11,040,789	8,619,837	6,701,264
District's covered-employee payroll	\$ 4,600,500	4,542,666	4,305,518	4,106,287
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	277.68%	243.05%	200.20%	163.20%
Plan's fiduciary net position as a percentage of the total pension liability	72.80%	73.98%	78.63%	83.47%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2017, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2017, the discount rate was reduced from 7.65% percent to 7.15% percent.

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71; therefore only four years are shown.

**North Marin Water District
Schedules of Pension Plan Contributions
As of June 30, 2018
Last Ten Years***

Description	Fiscal Year 6/30/2018	Fiscal Year 6/30/2017	Fiscal Year 6/30/2016	Fiscal Year 6/30/2015
Actuarially determined contribution	\$ 1,037,552	926,656	836,212	930,146
Contributions in relation to the actuarially determined contribution	<u>(1,017,325)</u>	<u>(926,448)</u>	<u>(828,792)</u>	<u>(669,066)</u>
Contribution deficiency (excess)	\$ <u>20,227</u>	<u>208</u>	<u>7,420</u>	<u>261,080</u>
District's covered payroll	\$ <u>4,600,500</u>	<u>4,542,666</u>	<u>4,305,518</u>	<u>4,106,287</u>
Contribution's as a percentage of covered-employee payroll	<u>22.11%</u>	<u>20.39%</u>	<u>19.25%</u>	<u>16.29%</u>

Notes:

* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, (valuation date of June 30, 2014) was the first year of implementation required by GASB 68 & 71; therefore only four years are shown.

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Supplemental Information

Working Draft Subject to Review

Combining Schedules

Working Draft Subject to Review

North Marin Water District
Combining Schedule of Net Position
For the Year Ended June 30, 2018

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Current assets:					
Cash and cash equivalents	\$ -	2,028,452	894,884	561,394	3,484,730
Restricted – cash and cash equivalents	-	869,672	581,104	10	1,450,786
Restricted – investments	6,469,611	-	-	-	6,469,611
Accrued interest receivable	84,055	-	-	-	84,055
Accounts receivable – water and sewer sales	3,935,703	391,744	182,875	3,048	4,513,370
Accounts receivable – governmental agencies	69,830	-	-	-	69,830
Accounts receivable – other	10,550	-	-	-	10,550
Capital grants and loan proceeds receivable	-	2,270,095	-	-	2,270,095
Notes receivable	-	296,420	-	-	296,420
Notes receivable – employee housing loans, net	495,000	-	-	-	495,000
Materials and supplies inventory	471,314	-	-	-	471,314
Prepaid expenses and deposits	54,324	-	12,150	3,954	70,428
Total current assets	11,590,387	5,856,383	1,671,013	568,406	19,686,189
Non-current assets:					
Restricted – investments	3,701,301	-	-	-	3,701,301
Internal balances (note 5)	(543,218)	543,218	-	-	-
Notes receivable	-	2,665,037	-	-	2,665,037
Notes receivable – employee housing loans, net	714,200	-	-	-	714,200
Capital assets, not being depreciated	9,658,022	15,623,282	547,219	136,075	25,964,598
Depreciable capital assets, net	87,515,008	17,204,048	5,119,254	786,900	110,625,210
Total non-current assets	101,045,313	36,035,585	5,666,473	922,975	143,670,346
Total assets	112,635,700	41,891,968	7,337,486	1,491,381	163,356,535
Deferred outflows of resources:					
Deferred pension outflows	3,538,325	-	-	-	3,538,325
Total deferred outflows of resources	3,538,325	-	-	-	3,538,325
Current liabilities:					
Accounts payable and accrued expenses	\$ 2,535,120	45,328	-	61,076	2,641,524
Accrued wages and related payables	212,372	20,301	30,451	9,305	272,429
Accrued claims payable	90,652	2,342	3,513	1,074	97,581
Customer advances and deposits	1,010,123	10,297	41,763	3,917	1,066,100
Accrued interest payable – long-term debt	36,434	98,425	1,475	-	136,334
Long-term liabilities – due within one year:					
Compensated absences	121,864	-	-	-	121,864
Bonds payable	-	-	24,000	-	24,000
Loans payable	952,839	860,269	45,608	-	1,858,716
Total current liabilities	4,959,404	1,036,962	146,810	75,372	6,218,548
Non-current liabilities:					
Long-term liabilities – due in more than one year:					
Compensated absences	365,593	-	-	-	365,593
Bonds payable	-	-	48,000	-	48,000
Loans payable	18,853,439	16,090,126	711,182	-	35,654,747
Other post-employment benefits liability	4,123,565	-	-	-	4,123,565
Net pension liability	12,774,724	-	-	-	12,774,724
Total non-current liabilities	36,117,321	16,090,126	759,182	-	52,966,629
Total liabilities	41,076,725	17,127,088	905,992	75,372	59,185,177
Deferred inflows of resources:					
Deferred other post-employment benefits inflows	158,611	-	-	-	158,611
Deferred pension inflows	727,627	-	-	-	727,627
Total deferred inflows of resources	886,238	-	-	-	886,238
Net position:					
Net investment in capital assets	77,402,286	18,781,814	5,285,577	922,975	102,392,652
Restricted for capital projects and debt service	2,050,307	-	133,505	-	2,183,812
Unrestricted	(5,241,531)	5,983,066	1,012,412	493,034	2,246,981
Total net position	\$ 74,211,062	24,764,880	6,431,494	1,416,009	106,823,445

See accompanying notes to the basic financial statements

North Marin Water District
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer	Total
Operating revenues:					
Water consumption sales	\$ 15,149,251	914,863	700,453	-	16,764,567
Bi-monthly meter service charge	4,353,168	33,850	177,210	-	4,564,228
Sewer service charges	-	-	-	239,890	239,890
Water sale to other agency	155,846	-	-	-	155,846
Other charges and services	361,539	26	7,398	600	369,563
Total operating revenues	20,019,804	948,739	885,061	240,490	22,094,094
Operating expenses:					
Source of supply	5,356,748	199,340	13,678	-	5,569,766
Pumping	372,601	2,781	50,974	-	426,356
Water facilities operations	923,736	103,387	52,794	-	1,079,917
Water treatment	2,377,531	19,838	169,777	-	2,567,146
Transmission and distribution	3,242,993	20,856	123,710	-	3,387,559
Sewage collection and treatment	-	-	-	163,957	163,957
Customer service	711,431	919	27,224	2,590	742,164
General and administrative	2,002,414	53,882	86,494	26,870	2,169,660
Water conservation projects	344,890	-	9,615	-	354,505
Total operating expenses	15,332,344	401,003	534,266	193,417	16,461,030
Operating income before depreciation	4,687,460	547,736	350,795	47,073	5,633,064
Depreciation	(2,730,867)	(473,970)	(191,950)	(37,282)	(3,434,069)
Operating income(loss)	1,956,593	73,766	158,845	9,791	2,198,995
Non-operating revenues(expenses):					
Property tax revenue	-	-	53,227	56,700	109,927
Investment earnings	127,724	25,609	21,753	7,083	182,169
Interest earnings(loss) from note receivable – BPGL	-	48,536	-	-	48,536
Rental revenue	99,906	-	5,000	500	105,406
Interest expense – long-term debt	(472,593)	(243,795)	(30,730)	-	(747,118)
Debt issuance costs	(86,180)	-	-	-	(86,180)
Other non-operating revenues	51,649	4,548	18	1,603	57,818
Other non-operating expenses	(7,460)	-	(763)	(812)	(9,035)
Total non-operating revenues, net	(286,954)	(165,102)	48,505	65,074	(338,477)
Net income(loss) before capital contributions	1,669,639	(91,336)	207,350	74,865	1,860,518
Capital contributions:					
Developers and others	533,970	1,682,520	-	244	2,216,734
Connection fees	1,387,000	-	68,400	-	1,455,400
Capital grants – federal	-	24,101	-	-	24,101
Capital grants – state and local	47,618	521,188	-	-	568,806
Capital contributions	1,968,588	2,227,809	68,400	244	4,265,041
Change in net position	3,638,227	2,136,473	275,750	75,109	6,125,559
Net position transfer (note 5)	(5,481,925)	5,481,925	-	-	-
Net position, beginning of year - as restated	76,054,760	17,146,482	6,155,744	1,340,900	100,697,886
Net position, end of year	\$ 74,211,062	24,764,880	6,431,494	1,416,009	106,823,445

See accompanying notes to the basic financial statements

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Statistical Information Section

Working Draft Subject to Review

North Marin Water District Statistical Section

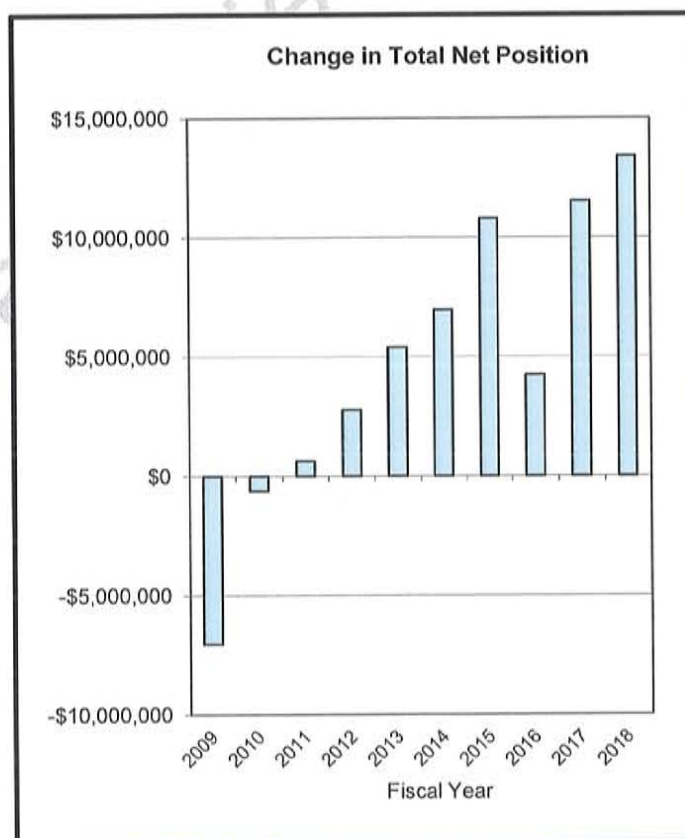
This part of the District's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

Table of Contents

	<u>Page No.</u>
Financial Trends These schedules contain information to help the reader understand how the District's financial performance and well-being have changed over time.	58-62
Revenue Capacity These schedules contain information to help the reader assess the District's most significant own-source revenue, water sales.	63-66
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	67-68
Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District's financial activities take place.	69-70
Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides.	71-72

North Marin Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years

	Fiscal Year		
	2009	2010	2011
Change in net assets:			
Operating revenues (see schedule 2)	\$12,526,294	\$12,381,493	\$13,797,012
Operating expenses (see schedule 3)	(13,257,125)	(13,083,372)	(11,878,612)
Depreciation and amortization	(10,091,139) ⁽¹⁾	(2,659,883)	(2,660,418)
Operating income(loss)	(\$10,821,970)	(\$3,361,762)	(\$742,018)
Net non-op revenue(expense) (see schedule 4)	8,954	(255,218)	(414,563)
Net income(loss) before capital contributions	(\$10,813,016)	(\$3,616,980)	(\$1,156,581)
Capital contributions	3,776,402	2,998,366	1,785,475
Change in net position	(\$7,036,614)	(\$618,614)	\$628,894
Net position by component:			
Net investment in capital assets	\$61,057,551	\$60,880,162	\$63,542,479
Restricted	4,304,331	5,321,639	3,171,305
Unrestricted	7,921,294	6,462,761	6,579,672
Prior period adjustment	-	-	-
Total net position	\$73,283,176	\$72,664,562	\$73,293,456



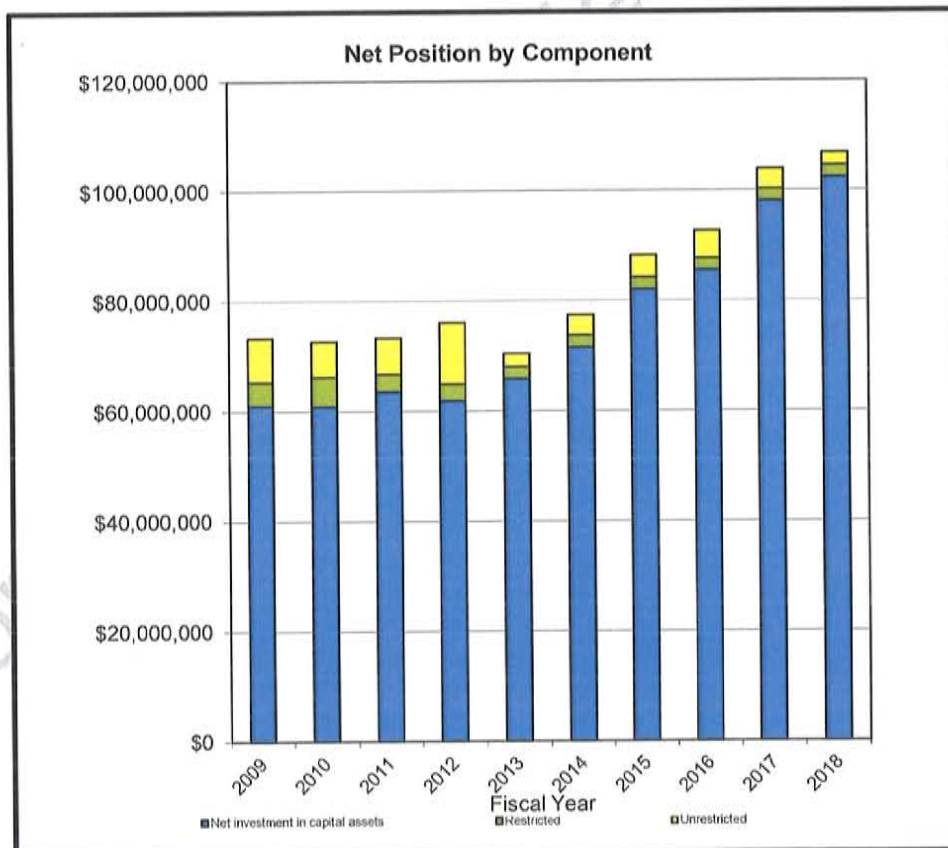
Source: North Marin Water District Audited Financial Statements

⁽¹⁾ Asset lives were adjusted in Fiscal Year 2009 which resulted in a large depreciation adjustment

**North Marin Water District
Changes in Net Position and Net Position by Component
Last Ten Fiscal Years, continued**

Schedule 1

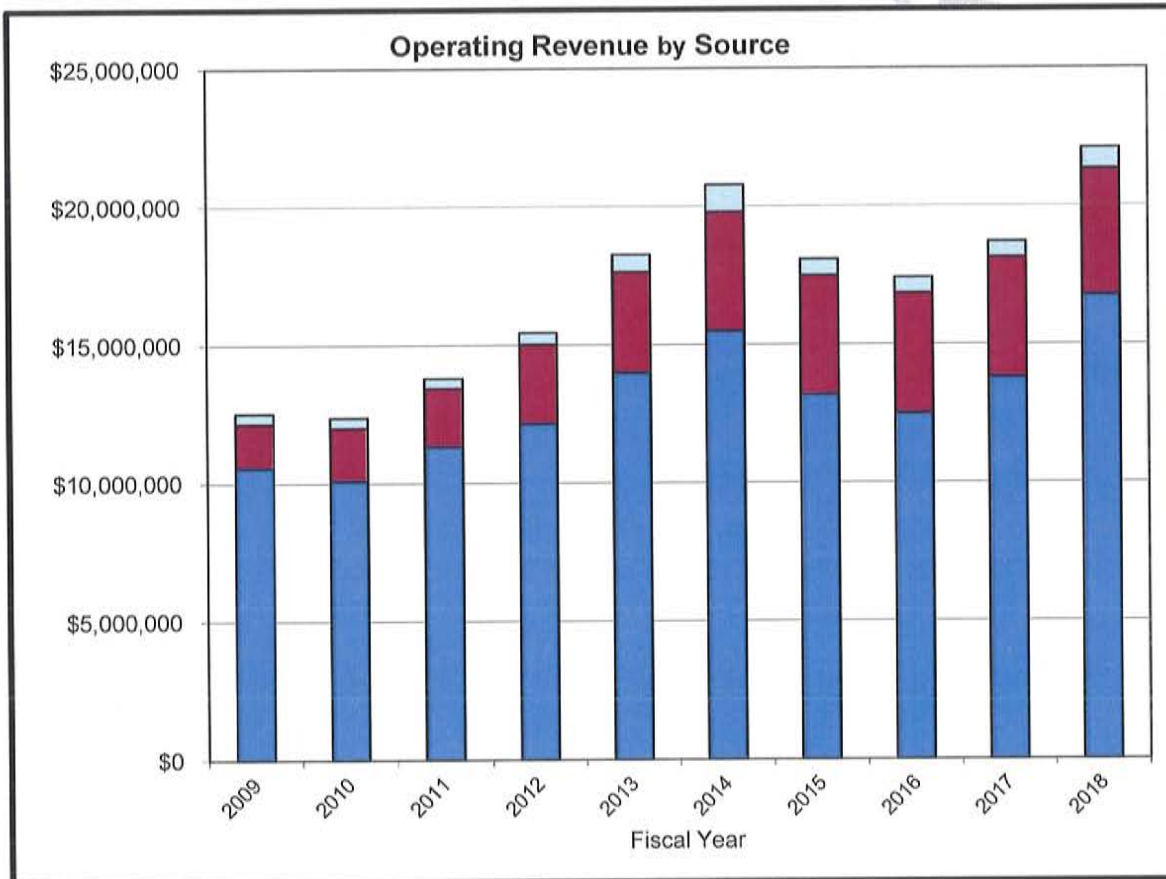
Fiscal Year						
2012	Restated 2013	Restated 2014	2015	2016	2017	2018
\$15,435,733	\$18,256,638	\$20,772,429	\$18,081,308	\$17,411,543	\$18,703,476	\$22,094,094
(12,610,862)	(13,140,845)	(13,309,833)	(13,328,124)	(13,704,737)	(15,099,687)	(16,461,030)
(2,726,598)	(2,793,360)	(3,128,302)	(3,183,725)	(3,286,353)	(3,416,411)	(3,434,069)
\$98,273	\$2,322,433	\$4,334,294	\$1,569,459	\$420,453	\$187,378	\$2,198,995
(531,318)	(285,490)	(518,474)	(488,661)	(328,734)	(304,830)	(338,477)
(\$433,045)	\$2,036,943	\$3,815,820	\$1,080,798	\$91,719	(\$117,452)	\$1,860,518
3,200,979	3,357,870	3,144,256	9,714,111	4,139,047	11,643,388	4,265,041
\$2,767,934	\$5,394,813	\$6,960,076	\$10,794,909	\$4,230,766	\$11,525,936	\$6,125,559
\$61,882,478	\$65,839,724	\$71,538,168	\$82,037,287	\$85,542,035	\$98,131,574	\$102,392,652
2,993,055	2,186,452	2,156,020	2,170,429	2,122,980	2,140,681	2,183,812
11,185,857	2,404,385	3,696,449	3,977,830	5,007,769	3,639,717	2,246,981
-	-	-	-	-	(3,214,096)	-
\$76,061,390	\$70,430,561	\$77,390,637	\$88,185,546	\$92,672,784	\$100,697,876	\$106,823,445



**North Marin Water District
Operating Revenue by Source
Last Ten Fiscal Years**

Schedule 2

Fiscal Year	Water Sales	Bi-Monthly Service Charges	Other Charges and Services	Total Operating Revenue
2009	10,573,368	1,581,407	371,519	12,526,294
2010	10,086,100	1,913,170	382,223	12,381,493
2011	11,334,728	2,109,255	353,029	13,797,012
2012	12,156,765	2,860,630	418,338	15,435,733
2013	13,987,034	3,630,425	639,178	18,256,638
2014	15,480,438	4,308,584	983,407	20,772,429
2015	13,180,015	4,312,108	589,188	18,081,311
2016	12,508,927	4,331,899	570,717	17,411,543
2017	13,801,864	4,334,762	566,850	18,703,476
2018	16,764,567	4,564,228	765,299	22,094,094

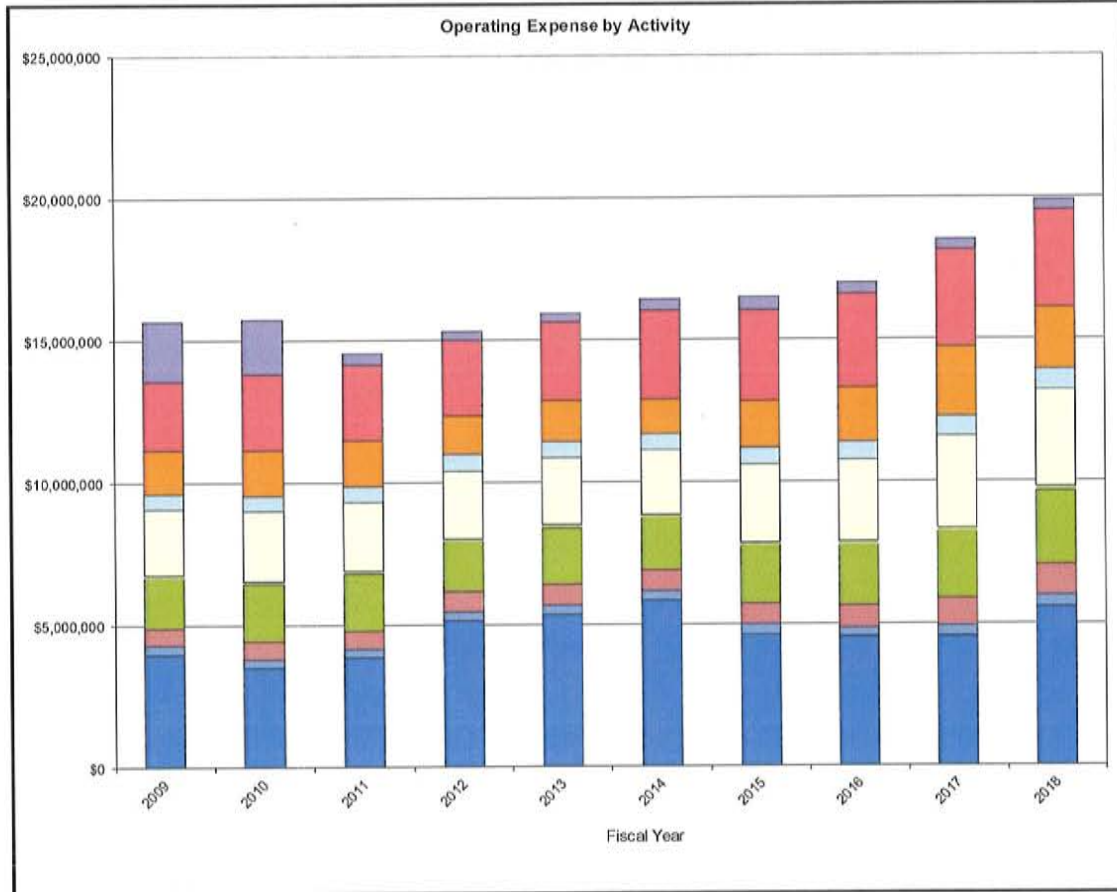


Source: North Marin Water District Audited Financial Statements

North Marin Water District Operating Expenses by Activity Last Ten Fiscal Years

Schedule 3

Fiscal Year	Source of Supply	Pumping	Operations	Water Treatment	Sewage Coll. & Treat.	Transmission & Distrib.	Customer Service	General & Admin (2)	Other Op Expense	Deprec and Amortization (1)	Total Op Expense
2009	3,960,788	339,236	578,868	1,781,516	98,715	2,335,067	505,218	1,561,044	2,096,673	2,400,106	15,657,231
2010	3,497,565	298,583	633,259	2,027,052	95,116	2,450,765	535,401	1,616,317	1,929,314	2,659,883	15,743,255
2011	3,856,027	299,462	648,743	2,012,125	103,054	2,400,638	564,940	1,605,455	388,168	2,660,418	14,539,030
2012	5,150,183	304,075	708,570	1,747,166	112,801	2,373,132	580,534	1,358,682	275,719	2,690,535	15,301,397
2013	5,342,988	351,816	716,780	1,986,904	127,903	2,340,330	552,202	1,449,793	272,107	2,784,670	15,925,493
2014	5,834,854	341,597	742,705	1,815,429	120,548	2,270,764	550,709	1,221,849	411,377	3,126,302	16,438,135
2015	4,624,655	352,007	751,940	2,020,865	108,928	2,727,168	588,579	1,673,156	478,360	3,183,725	16,509,383
2016	4,565,833	281,255	797,806	2,099,887	134,193	2,871,290	628,981	1,934,011	391,481	3,286,353	16,991,090
2017	4,579,359	351,342	937,559	2,346,949	151,205	3,223,237	676,189	2,462,392	371,455	3,416,411	18,516,098
2018	5,569,766	426,356	1,079,917	2,567,146	163,957	3,387,559	742,164	2,169,660	354,505	3,434,069	19,895,099



Source: North Marin Water District Audited Financial Statements

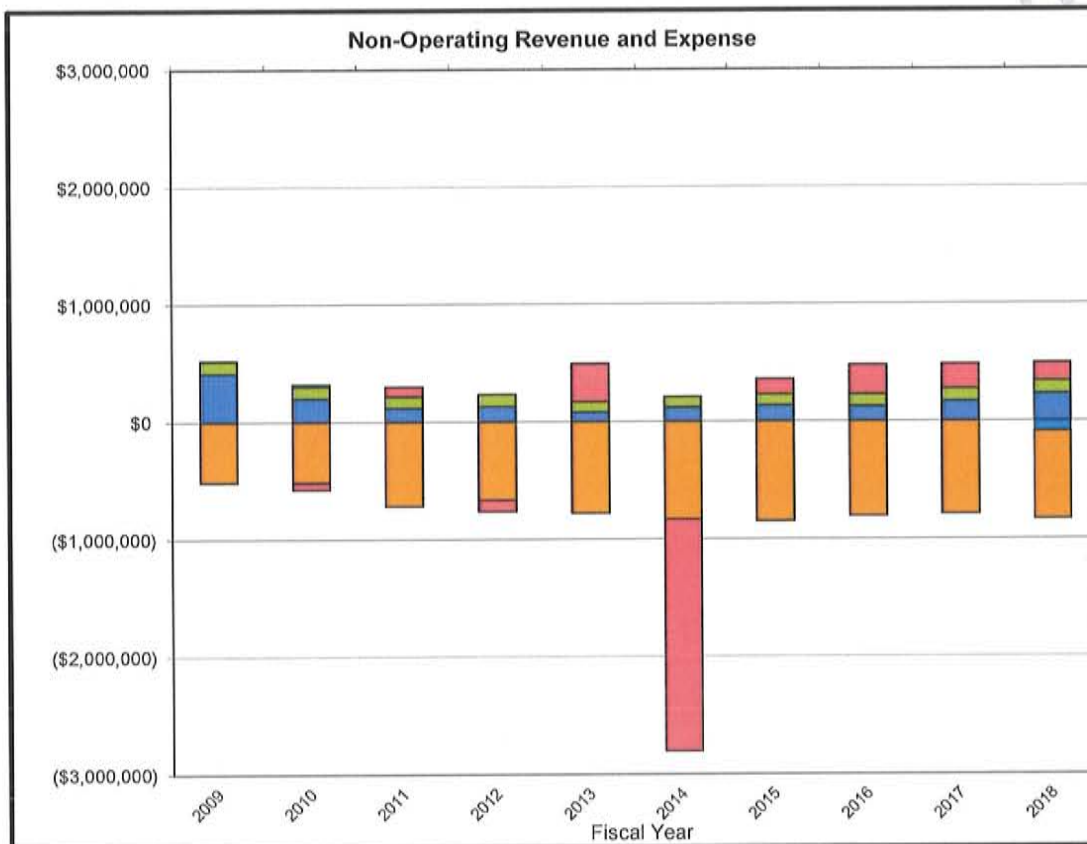
(1) FY09 Excludes \$7,691,033 depreciation due to change in asset lives

(2) Reduced by overhead absorption

**North Marin Water District
Non-operating Revenues and Expenses
Last Ten Fiscal Years**

Schedule 4

Fiscal Year	Investment Income ⁽¹⁾	Property Taxes	Gain/(Loss) on Asset Sales	Debt Issuance Costs	Interest Expense	Other Inc & Exp, net	Net Non-Op Rev/(Exp)
2009	413,681	103,630	-	-	(513,314)	4,957	8,954
2010	202,459	100,220	17,796	-	(513,763)	(61,930)	(255,218)
2011	118,410	96,768	-	-	(715,491)	85,750	(414,563)
2012	130,974	101,559	-	-	(665,713)	(98,138)	(531,318)
2013	80,713	88,088	-	-	(778,762)	324,471	(285,490)
2014	120,671	90,071	-	-	(830,830)	(1,972,027) ⁽²⁾	(2,592,115)
2015	135,307	94,391	-	-	(847,950)	129,591	(488,661)
2016	125,078	102,259	-	-	(807,035)	250,969	(328,729)
2017	168,766	107,210	-	-	(791,211)	210,405	(304,830)
2018	230,705	109,927	-	(86,180)	(747,118)	154,189	(338,477)



Notes:

(1) Includes interest income and realized and unrealized gains and losses on investments.

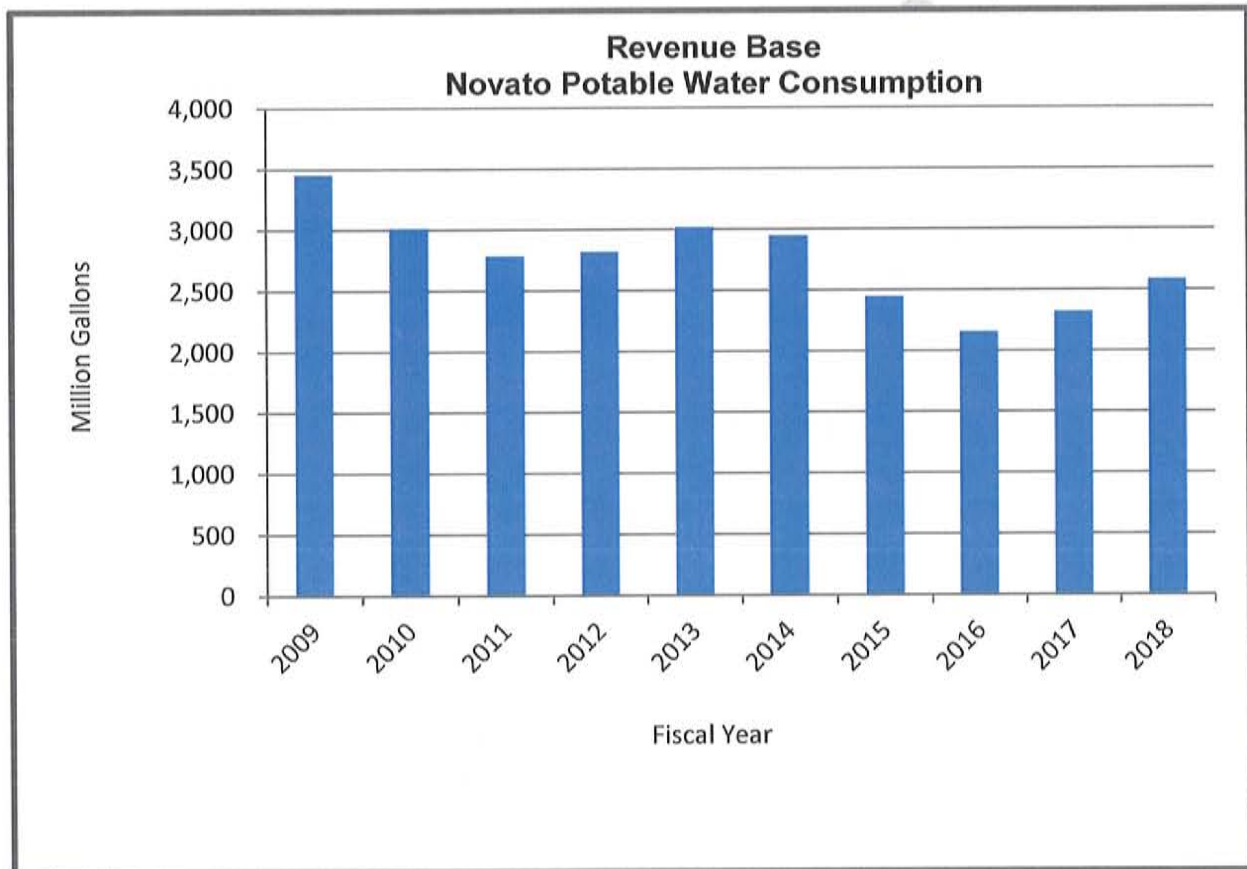
(2) Includes CalPERS Side Fund Payoff (\$2,073,701).

Source: North Marin Water District Audited Financial Statements

**North Marin Water District
Revenue Base
Last Ten Fiscal Years**

Schedule 5

Fiscal Year	Novato Potable Water Consumption (Million Gallons)
2009	3,454
2010	3,011
2011	2,786
2012	2,820
2013	3,018
2014	2,948
2015	2,444
2016	2,152
2017	2,317
2018	2,584



Note: See Schedule 2 "Revenue by Source" for information regarding water sales.

Source: Novato Water District Billing System

**North Marin Water District
Customers by Type
Last Ten Fiscal Years**

Schedule 6

Fiscal Year	Customer Type						West Marin Water	Oceana Marin Sewer	Total
	Novato Potable & Recycled								
	Single-Family Residential	Multi-Family Residential	Commerical/ Business	Government	Recycled				
2009	18,197	720	1,280	219	-	760	225	21,401	
2010	18,208	730	1,280	220	3	769	225	21,435	
2011	18,239	715	1,280	230	3	770	227	21,464	
2012	18,298	720	1,246	226	2	777	227	21,496	
2013	18,350	687	1,222	233	17	776	227	21,512	
2014	18,491	699	1,222	231	44	776	229	21,692	
2015	18,541	698	1,226	230	44	778	229	21,746	
2016	18,561	704	1,239	232	44	780	230	21,790	
2017	18,631	700	1,254	229	47	780	231	21,872	
2018	18,449	699	1,217	220	53	785	232	21,655	

Source: North Marin Water District - Finance Department

**North Marin Water District
Novato Water Revenue Rates
Last Ten Fiscal Years**

Schedule 7

Bimonthly Service Charge										
Meter Size	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18
5/8" & 3/4"	\$ 13.20	\$ 14.40	\$ 20.00	\$ 25.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 31.50	\$ 33.00
1"	26.40	28.80	40.00	50.00	60.00	60.00	60.00	60.00	63.00	66.00
1 1/2"	32.40	35.30	49.00	61.00	73.00	73.00	73.00	73.00	77.00	80.50
2"	50.40	54.95	76.00	95.00	114.00	114.00	114.00	114.00	120.00	125.50
3"	99.60	108.55	151.00	189.00	227.00	227.00	227.00	227.00	238.00	248.50
4"	159.60	173.95	242.00	303.00	364.00	364.00	364.00	364.00	382.00	399.00
6"	334.80	364.95	507.00	634.00	761.00	761.00	761.00	761.00	799.00	835.00
8"	499.20	544.15	756.00	945.00	1,134.00	1,134.00	1,134.00	1,134.00	1,191.00	1,244.50

Water Use Rate (per 1,000 Gallons)										
User Type	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14	6/30/15	6/30/16	6/30/17	6/30/18
<u>Residential Zone A</u>										
Base Rate ⁽¹⁾	\$ 3.02	\$ 3.29	\$ 3.49	\$ 3.73	\$ 4.03	\$ 4.29	\$ 4.46	\$ 4.77	\$ 5.01	\$ 5.24
Tier 1: 616-1845 gpd	4.81	5.24	5.55	5.94	6.42	6.84	7.11	7.61	7.99	8.35
Tier 2: >1845 gpd	8.36	9.11	9.66	10.34	11.17	11.90	12.38	13.25	13.91	14.54
<u>Non-Residential Zone A</u>										
Base Rate ⁽¹⁾	3.48	3.62	3.84	4.11	4.44	4.73	4.92	5.26	5.52	5.77
Seasonal Rate	-	3.90	4.13	4.42	4.77	5.08	5.28	5.65	5.93	6.20

Notes:

(1) Rates shown exclude additional elevation rate applicable to customers in upper elevation zones

N/A - Rate class was not established during the period

Source: North Marin Water approved rates

**North Marin Water District
Ten Largest Water Customers by Revenue
Current Fiscal Year and Ten Years Ago**

Schedule 8

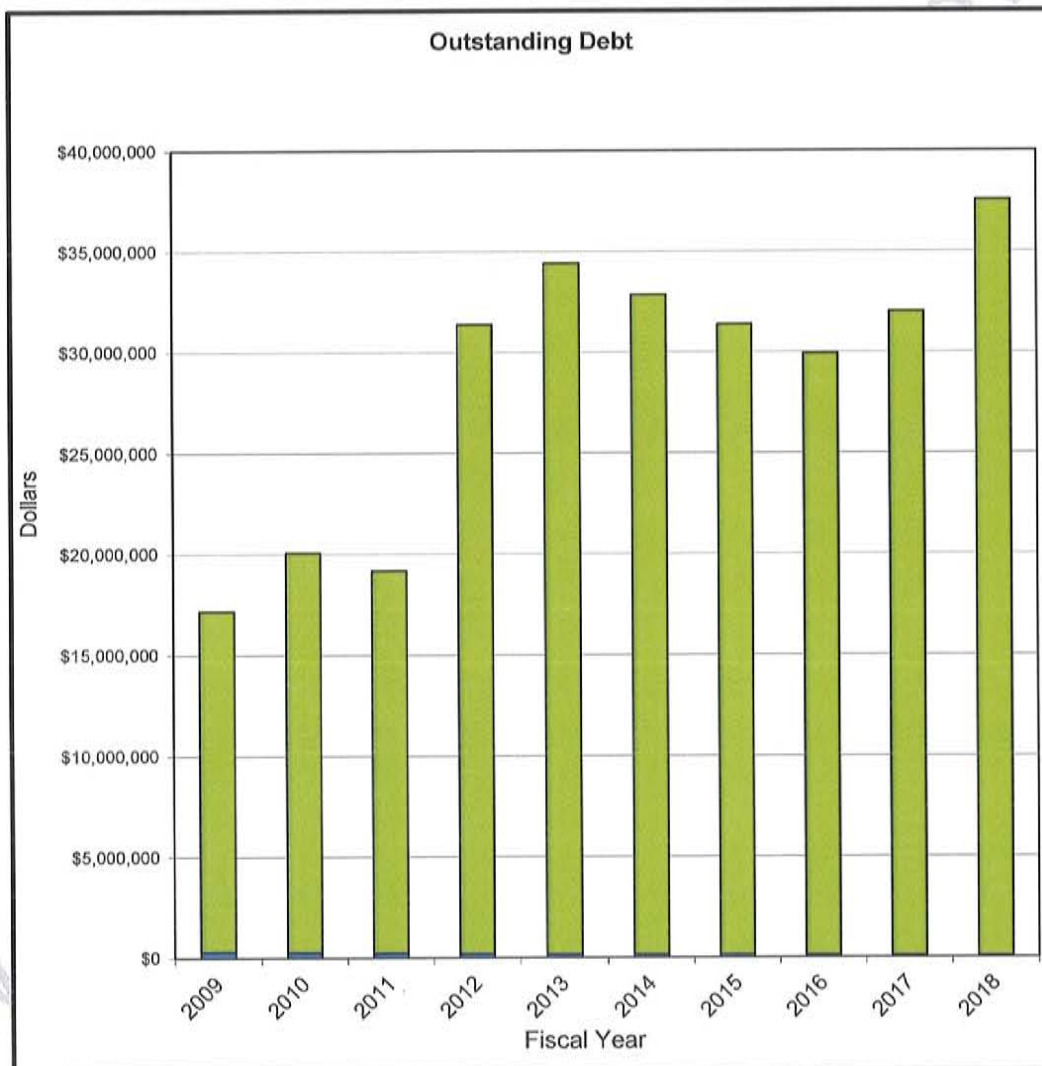
	FY 2017/18	% of Total	FY 2007/08	% of Total
1	City of Novato	2.9%	City Of Novato	1.9%
2	StoneTree Golf	2.1%	StoneTree Golf	1.8%
3	Novato Unified School District	2.1%	Coast Guard Spanish Housing	1.7%
4	BioMarin Pharmatutical	1.4%	Novato Unified School District	1.7%
5	Fireman's Fund	0.9%	Meadow Park Hamilton	0.7%
6	Meadow Park Hamilton	0.9%	Fireman's Fund	0.7%
7	Indian Valley Golf	0.8%	Indian Valley Golf	0.6%
8	Coast Guard Spanish Housing	0.6%	Bay Vista Apartments	0.5%
9	Marion Park Apartments	0.6%	Marin Valley Mobile Country Club	0.4%
10	Bay Vista Apartments	0.6%	Western Oaks Village Hoa	0.4%
		<u>12.8%</u>		<u>10.5%</u>
	Total Water Service Revenue	\$22,094,094		\$11,779,157

Source: NMWD CORE billing system (t:\acexcel\wtr use\top revenue 2007_2017.xlsx)top 10.

**North Marin Water District
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Schedule 9

Fiscal Year	Bonds Payable	Loans Payable	Total		
			Debt	Per Capita	As a Share of Personal Income ⁽¹⁾
2009	\$ 312,878	16,856,896	17,169,774	\$ 281.47	0.33%
2010	282,809	19,790,955	20,073,764	329.08	0.34%
2011	250,587	18,924,944	19,175,531	314.35	0.30%
2012	209,203	31,173,317	31,382,520	514.47	0.48%
2013	181,652	34,241,715	34,423,367	564.32	0.54%
2014	159,916	32,687,391	32,847,307	538.48	0.49%
2015	136,000	31,237,390	31,373,390	514.32	0.46%
2016	116,000	29,823,693	29,939,693	490.81	0.43%
2017	94,000	31,922,939	32,016,939	524.87	0.45%
2018	72,000	37,493,365	37,565,365	615.83	0.51%



Source: North Marin Water District Audited Financial Statements

⁽¹⁾ Per Capita/Personal Income per Capita (See Schedule 11)

**North Marin Water District
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Schedule 10

Fiscal Year	Revenue ⁽¹⁾	Expense ⁽²⁾	Net Available	Debt Service		Coverage Ratio
			Revenue	Principal	Interest	
2009	\$ 14,131,892	(13,257,125)	874,767	319,248	513,314	\$ 832,562 1.05
2010	14,635,090	(13,102,113)	1,532,977	690,462	694,044	1,384,506 1.11
2011	14,506,888	(11,905,026)	2,601,862	644,740	740,416	1,385,156 1.88
2012	16,789,744	(12,610,862)	4,178,882	1,116,410	654,484	1,770,894 2.36
2013	19,761,431	(13,284,705)	6,476,726	1,337,041	778,762	2,115,803 3.05
2014	21,364,965	(13,437,213)	7,927,752	1,618,138	830,830	2,448,968 3.24
2015	19,308,316	(13,424,517)	5,883,799	1,686,523	847,951	2,534,474 2.32
2016	18,191,410	(13,727,613)	4,463,797	1,721,904	807,034	2,528,938 1.77
2017	20,209,860	(15,118,535)	5,091,325	1,769,241	757,781	2,527,022 2.01
2018	24,062,837	(16,470,062)	7,592,775	1,368,254	833,197	2,201,451 3.45

Notes:

(1) Revenues includes Connection Fee Revenue, Interest Revenue,
Rent & Lease Revenue, other non-operating revenue

(2) Expense excludes depreciation and interest expense.

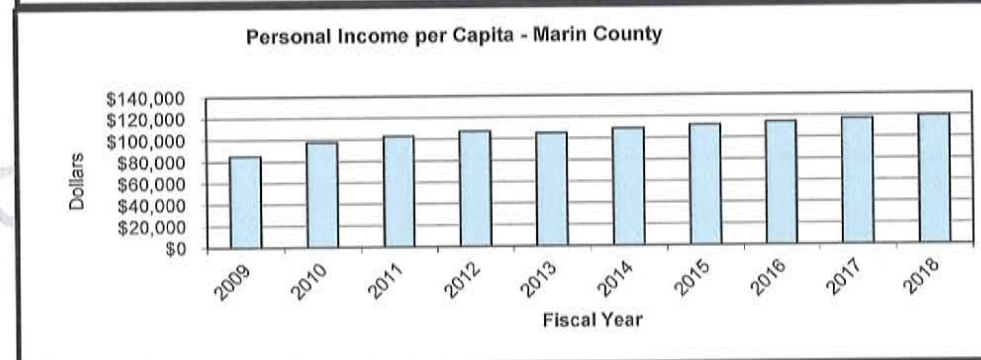
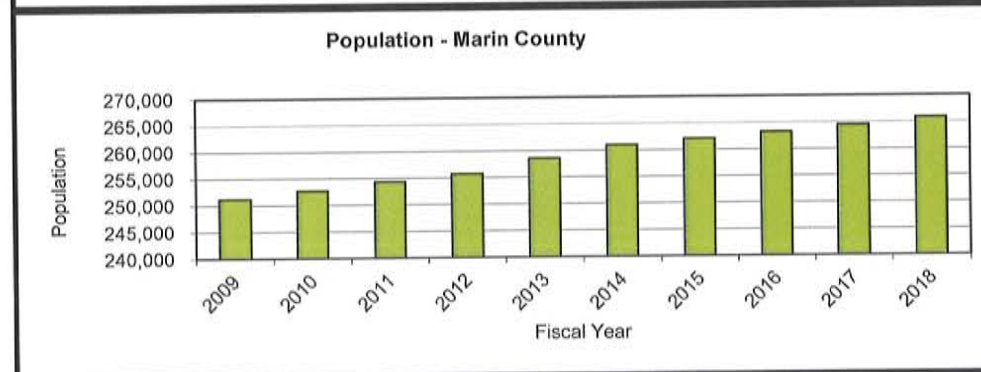
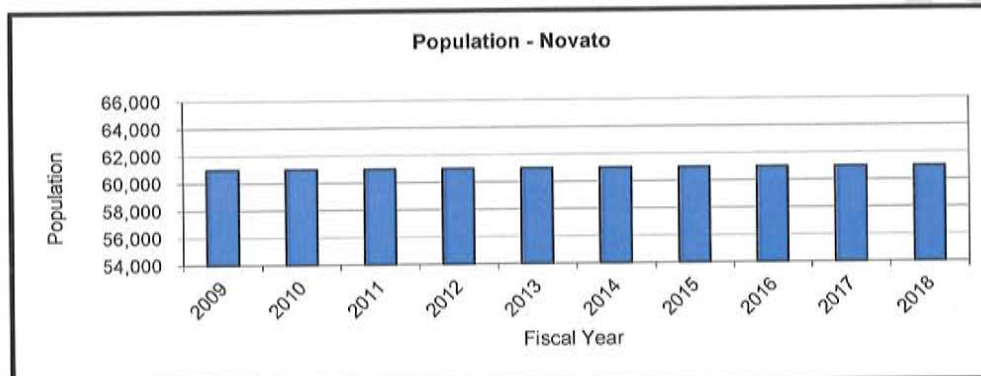
Source: North Marin Water District Audited Financial Statements

t:\ac\debt\src\debt coverage ratio ii ten year history.xls

North Marin Water District Demographics and Economics Statistics Last Ten Fiscal Years

Schedule 11

Year	Novato Service Area ⁽¹⁾		County of Marin		
	Estimated Population	Unemployment Rate	Population	Personal Income (thousands of dollars)	Personal Income per Capita
2009	61,000	9.6%	251,230	\$21,376,407	\$85,087
2010	61,000	7.7%	252,708	\$24,653,687	\$97,558
2011	61,000	7.4%	254,389	\$26,250,147	\$103,189
2012	61,000	6.5%	255,765	\$27,360,972	\$106,977
2013	61,000	5.3%	258,569	\$27,220,334	\$105,273
2014	61,000	4.1%	261,033	\$28,455,468	\$109,011
2015	61,000	3.5%	262,105	\$29,332,433	\$111,911
2016	61,000	3.5%	263,257	\$30,059,737	\$114,184
2017	61,000	3.1%	264,535	\$30,945,833	\$116,982
2018	61,000	2.6%	265,891	\$31,803,488	\$119,611



Sources: NMWD Annual Report population estimate, County of Marin Economic Forecast at <http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tableName=Labforce>
http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2017/Marin.pdf

Notes:

(1) District estimates (t:\ac\excel\annual report\population est.xls)

North Marin Water District
Demographics and Economics Statistics – Ten Largest Employers
Current Year **Schedule 12**

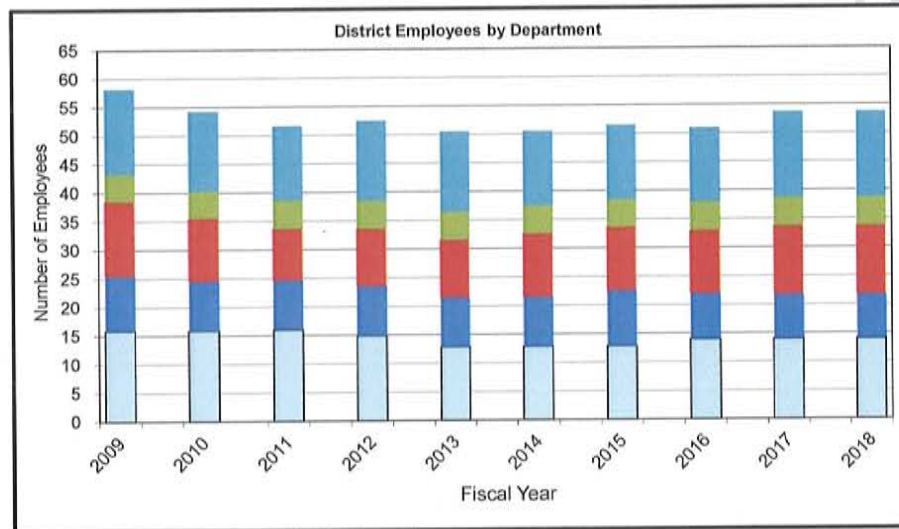
FY 2017/2018			FY 2007/2008		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 BioMarin Pharamaceutical	979	3.31%	Novato Unified School District	1,284	5.28%
2 Novato Unified School District	837	2.83%	Fireman's Fund	1,078	4.44%
3 2K/Visual Concepts Entertainment	585	1.98%	BioMarin Pharamaceutical	465	1.91%
4 Bradley Electric	336	1.14%	City of Novato	222	0.91%
5 Novato Community Hospital	312	1.05%	Novato Community Hospital	360	1.48%
6 Novato Healthcare Center	308	1.04%	Brayton Purcell, LLP	320	1.32%
7 Costco Wholesale	300	1.01%	Target Store	300	1.23%
8 City of Novato	287	0.97%	Bradley Electric	280	1.15%
9 Ultragenix	281	0.95%	Costco Wholesale	257	1.06%
10 Safeway Stores	275	0.93%	Safeway Stores	240	0.99%
	4,500	15.73%		4,806	19.78%

Source: City of Novato and <http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tableName=Labforce>

**North Marin Water District
Operating and Capacity Indicators – Total Employees
Last Ten Fiscal Years**

Schedule 13

Department	Fiscal Year End									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administrative Services	16	16	16	15	13	13	13	14	14	14
Engineering Services	10	9	9	9	9	9	10	8	8	8
Construction /Maintenance	13	11	9	10	10	11	11	11	12	12
Water Quality	5	5	5	5	5	5	5	5	5	5
Operations / Maintenance	15	14	13	14	14	13	13	13	15	15
	<u>58</u>	<u>54</u>	<u>52</u>	<u>53</u>	<u>51</u>	<u>51</u>	<u>52</u>	<u>51</u>	<u>54</u>	<u>54</u>



Source: North Marin Water District Overheaded Payroll Worksheets for Pay Periods Ending June 30
Note: Excludes temporary employees

**North Marin Water District
Other Operating and Capacity Indicators
Last Ten Fiscal Years**

Schedule 14

Other Operating and Capacity Indicators				
Fiscal Year	District Area (Square Miles)	Miles of Pipeline	Number of Fire Hydrants	System Storage Capacity (MG)
2009	100	343	2,762	38
2010	100	345	2,773	38
2011	100	346	2,785	38
2012	100	348	2,785	38
2013	100	356	2,797	39
2014	100	356	2,805	39
2015	100	357	2,808	39
2016	100	358	2,814	39
2017	100	364	2,824	39
2018	100	364	2,842	40

Source: North Marin Water District - Engineering Department

Report on Internal Controls and Compliance

Working Draft Subject to Review

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Directors
North Marin Water District
Novato, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Marin Water District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fedak & Brown LLP
Cypress, California
November 20, 2018

North Marin Water District

Management Report

June 30, 2018

North Marin Water District

Management Report

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Recommendations	
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Schedule of Audit Adjusting Journal Entries	5-14

Board of Directors
North Marin Water District
Novato, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of North Marin Water District (District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and may not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Our observations, comments and recommendations, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Current Year Observations, Comments and Recommendations

Employer Assistance Housing Loan Policy

The District is a local government agency which is in the business of providing water, sewer, and recycled water utility services to its customers. Based on the demographics and market conditions living near the District can make it difficult to attract, hire and retain qualified employees. As a result the District provides the Employer Assistance Housing Loan ("EAHL") program.

During our prior year June 30, 2017 engagement, we inquired about the status of the EAHL receivables outstanding balance. We were notified that a management employee (the "borrower") loan would be coming due upon his retirement near June 30, 2018. During our June 30, 2018 engagement we requested that the District confirm the total amount due which included principal of \$250,000 and calculated interest (using the District's portfolio rate of interest) due from the borrower at an amount of \$70,040. In response to the District's confirmation, the borrower notified the District that only the principal of \$250,000 would be repaid as the borrower used offsetting borrowing costs to reduce any interest under the shared appreciation method per agreement.

Upon review of the EAHL secured promissory note between the District and borrower, the District had expected to receive the principal of \$250,000 plus 27.5% of appreciation accruing from the date of purchase (August 13, 2004) until sale or refinancing the property upon the borrower's termination as a full-time employee of the District. According to the legal response provided by the District's attorney Bold, Polisner, Maddow, Nelson & Judson, under California Civil Code Section 1917.006, shared appreciation loans allow the borrower to offset appreciation with down payment, payments of mortgage principal, escrow fees, transfer taxes, recording fees, brokerage commissions and amounts paid for capital improvements, plus interest at the legal rate of interest, before the shared appreciation. This effectively brought any interest due to the District under the shared appreciation terms to zero.

Based on our review of the original EAHL secured promissory note, it is reasonable to determine that the District had expected some form of interest due from the borrower as a result in providing the \$250,000 loan fourteen years prior. Any arrangement to provide a benefit in the form of the loan should be an equitable arrangement not only for the borrower but for the District and its rate payers. A loan arrangement where interest can be eliminated; is in effect, an interest-free loan which the District should avoid providing in any situation as it constitutes a gift of public funds/resources. Therefore, as your external auditor we strongly recommend that the District consider revising its EAHL policy to define the interest due option at an identified rate and remove the shared appreciation option. In addition, we recommend that the EAHL policy be revised to include qualifications for the program based on the types of employee position and/or salary level who the District intends to assist.

Management's Response

We are in agreement with the auditor's recommendation to have a policy that is equitable for both the borrower and the District and are currently in the process of amending the Employer Assistance Housing Program policy.

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Summary of Current Year Observations, Comments and Recommendations, continued

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2018.

Summary of Prior Year Observations, Comments and Recommendations

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance at June 30, 2017.

This communication is intended solely for the information and use of management, the board of directors and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown, LLP
Cypress, California
November 20, 2018

APPENDIX

North Marin Water District

Audit/Finance Committee Letter

June 30, 2018

Board of Directors
North Marin Water District
Novato, California

We have audited the basic financial statements of the North Marin Water District (District) for the year ended June 30, 2018 and have issued our report thereon dated November 20, 2018. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated February 6, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to the board and management in our Communication to Those Charged with Governance through our Audit Engagement Letter dated February 6, 2018.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements.

We noted transactions entered into by the District during fiscal year 2018 for which there is a lack of authoritative guidance or consensus. Please see our Summary of Current Year Observations, Comments and Recommendations. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management's Judgments, Accounting Estimates and Financial Disclosures

Accounting estimates play an integral part in the preparation of basic financial statements by management and are based upon management's knowledge, experience and current judgment(s) about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the position in the basic financial statements are:

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other post-employment benefits plan; deferred outflows or resources, total OPEB liability, and deferred inflows of resources are based on an actuarial evaluation of this liability that was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate the annual required contribution for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the defined benefit pension plan; deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial evaluation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the District to determine that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the basic financial statements are neutral, consistent and clear. Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements are:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 6 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the District's other post-employment benefits plan in Note 10 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

The disclosure of the District's defined benefit pension plan in Note 11 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Corrected and Uncorrected Misstatements

Generally Accepted Auditing Standards require us to accumulate all known and likely misstatements identified during the audit, except those that are considered trivial, and communicate them to the appropriate level of management as follows:

There were twenty five (31) total audit adjustments to the original trial balance presented to us. Four (4) of the adjustments related to the fourth year implementation of GASB Pronouncement No. 68 which were proposed by both the auditor and the District. Four (4) of the adjustments related to the first year implementation of GASB Pronouncement No. 75 which were proposed by both the auditor and the District. Four (4) of the audit adjusting entries were proposed by the auditor. Nineteen (19) of the audit adjusting entries were proposed by the District. The audit adjustments are noted in the schedule of audit adjusting entries attached to the end of this report.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principal to the District's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit processes and testwork.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit of the District.

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated November 20, 2018.

Conclusion

We appreciate the cooperation extended us by Drew McIntyre, General Manager, Julie Blue, Auditor-Controller, Nancy Holton, Senior Accountant, Nancy Williamson, Senior Accountant, and the rest of the District staff in the performance of our audit testwork.

We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than the specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

Fedak & Brown, LLP
Cypress, California
November 20, 2018

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
CPE - JE-021793 - To correct investments MV for LAIF market value factor at June 30, 2018.			
15418.01	Market Value Of Investments	2,254.71	
49218.01	Gain/Loss On Market Value Of Investments		2,254.71
Total		2,254.71	2,254.71
Adjusting Journal Entries JE # 2			
AJE - To reclassify current portion of loan payable based on debt service agreement from SWRCB at June 30, 2018.			
21303.05	SRF Loan-RW Central Svc Area	64,191.06	
22303.05	SRF Loan Payable-Current-Central Svc Area		64,191.06
Total		64,191.06	64,191.06
Adjusting Journal Entries JE # 3			
CPE - AR-001688 - To adjust accrued water revenue for 8/16/18 billing register at June 30, 2018.			
13741.01	Accrued Water Revenue	18.00	
13741.05	Accrued Water Revenue	2,409.00	
41100.01	Water Sales		18.00
41100.05	Water Sales:NovRecycl:GM		2,409.00
Total		2,427.00	2,427.00
Adjusting Journal Entries JE # 4			
CPE - JE-021791 - To adjust capital assets for differences caused by GASB 68 contra accounts at June 30, 2018.			
11181.01	Distribution Lines	116.26	
49600.01	Miscellaneous Income		116.26
Total		116.26	116.26
Adjusting Journal Entries JE # 5			
CPE - JE-021792 - To adjust construction in progress for differences caused by GASB 68 contra accounts at June 30, 2018. Note: FB has revised this entry from the original posted entry to allocate misc income by fund - no cash balance req.			
11201.01	Work In Progress - Developer	246.69	
11202.01	Work In Progress - District	0.01	
11202.05	Work In Progress - District	1,072.63	
11202.08	Work In Progress - OM Sewer	169.27	
49600.01	Miscellaneous Income		246.70
49600.05	Miscellaneous Income		1,072.63
49600.08	Other Non-Operating Revenue		169.27
Total		1,488.60	1,488.60
Adjusting Journal Entries JE # 6			
CPE - AP-002162- To adjust accrual to equal actual expense at June 30, 2018.			
22200.05	Accounts Payable - Accrued	31,299.40	
51305.05	Purchased Water - NSD		31,299.40
Total		31,299.40	31,299.40
Adjusting Journal Entries JE # 7			
CPE - AP-002163 & AP-002164 - To adjust prepaids at June 30, 2018.			
13509.01	Unrestricted Cash	12,150.00	
14400.01	Prepaid Expense	1,800.00	
14400.02	Prepaid Expense	12,150.00	
13509.02	Unrestricted Cash:West Marin:GM		12,150.00
22201.01	Accounts Payable - Vouchers		12,150.00
56003.01	Auditing Fees:Novato:Cons Acct		1,800.00
Total		26,100.00	26,100.00
Adjusting Journal Entries JE # 8			
CPE - JE-021795 and JE-021796 - To adjust amount borrowed at June 30, 2018.			
12650.01	Restricted Cash - Maintenance Accrual Fund	37,902.13	
13509.01	Unrestricted Cash		37,902.13
Total		37,902.13	37,902.13

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 9			
CPE - JE-021796 021797 - To adjust Novato Cash WC per borrowing procedure should be fully funded if enough cash in funds above it in priority for borrowing at June 30, 2018.			
12628.01	Gain From Self-Insuring Workers' Compensation Exp	390,668.00	
13509.01	Unrestricted Cash	390,668.00	
12650.01	Restricted Cash - Maintenance Accrual Fund		390,668.00
13509.01	Unrestricted Cash		390,668.00
Total		<u>781,336.00</u>	<u>781,336.00</u>
Adjusting Journal Entries JE # 10			
CPE - AP-004767 - To adjust accounts payable for Novato Sanitary District invoice at June 30, 2018. Note: FB has revised this entry for the cash offset seen in JE-021794.			
13509.01	Unrestricted Cash	24,510.23	
51305.05	Purchased Water - NSD	24,510.23	
12627.05	Designated Cash - Operating Reserve		24,510.23
22201.01	Accounts Payable - Vouchers		24,510.23
Total		<u>49,020.46</u>	<u>49,020.46</u>
Adjusting Journal Entries JE # 11			
AJE - JE021798 & JE-021799 To adjust negative cash in Novato Water (Fd 1) from Novato Recycled (Fd 5) at June 30, 2018. Note FB revised this entry from initial support provided as negative cash balance increase post adjustment.			
12650.01	Restricted Cash - Maintenance Accrual Fund	538,336.00	
22400.05	Due To Other Funds - Current Operations	538,336.00	
12630.05	Restricted Cash - RWF Replacement Fund		538,336.00
14120.01	Due From Other Funds - Current Operations		538,336.00
Total		<u>1,076,672.00</u>	<u>1,076,672.00</u>
Adjusting Journal Entries JE # 12			
AJE - JC-000599 & JE-021801 - To adjust SRF Loan principal per updated debt service schedule provided from the SWRCB at June 30, 2018.			
11202.05	Work In Progress - District	20,096.80	
13509.05	Unrestricted Cash	20,096.80	
49308.01	FRC Transfer to Recycled Water	20,096.80	
12622.01	Restricted Cash - FRC Fund		20,096.80
21303.05	SRF Loan-RW Central Svc Area		20,096.80
49308.05	FRC Transfer from Novato		20,096.80
Total		<u>60,290.40</u>	<u>60,290.40</u>
Adjusting Journal Entries JE # 13			
AJE - JE-021802 - To reverse retiree benefits liability added to prior year OPEB liability account at June 30, 2018. Pre-implementation of GASB 75. Note: FB has revised this entry.			
13509.01	Unrestricted Cash	80,937.77	
21501.01	Retiree Health Benefits Payable - Long Term	80,937.77	
12653.01	Restricted Cash - Retiree Health Benefits		80,937.77
41162.01	Gain On Overhead Operations		80,937.77
Total		<u>161,875.54</u>	<u>161,875.54</u>

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 14			
CPE - To adjust capital asset categories for the unwinding of contra accounts created in prior years at June 30, 2018.			
11140.01	Source Facilities:Novato:Admin	26.98	
11160.08	Treatment Facilities:OM Sewer:Admin	44.73	
11170.01	Storage Facilities	339.00	
11170.01	Storage Facilities	2,555.99	
11170.02	Storage Facilities	1,899.78	
11170.02	Storage Facilities	4,723.06	
11180.01	Transmission Lines	77.34	
11180.01	Transmission Lines	6,955.78	
11180.01	Transmission Lines	4,778.47	
11180.01	Transmission Lines	62.85	
11180.01	Transmission Lines	695.30	
11181.01	Distribution Lines	34.57	
11181.01	Distribution Lines		15,464.73
11181.02	Distribution Lines: West Marin:Eng		6,622.84
11185.08	Sewer Laterals		44.73
49600.01	Miscellaneous Income		61.55
Total		22,193.85	22,193.85
Adjusting Journal Entries JE # 15			
GASB 68 Entry #1 - To reclassify 2017 contributions to NPL at June 30, 2018.			
21502.01	Net Pension Liability	926,447.00	
16100.01	Deferred Outflows - Pension		926,447.00
Total		926,447.00	926,447.00
Adjusting Journal Entries JE # 16			
GASB 68 Entry #2 - To reclassify 2018 District Share of Pension Contributions to Deferred Outflows of Resources at June 30, 2018.			
13509.02	Unrestricted Cash:West Marin:GM	33,665.17	
13509.05	Unrestricted Cash	9,991.17	
13509.08	Unrestricted Cash	11,311.08	
16100.01	Deferred Outflows - Pension	1,017,325.00	
13509.01	Unrestricted Cash		54,967.42
51400.01	GASB68 Adjustment - Source		7,443.50
51400.02	GASB68 Adjustment - Source		543.84
52309.01	GASB68 Adjustment - Pumping		6,075.23
52309.02	GASB68 Adjustment - Pumping		1,079.49
52309.05	GASB68 Adjustment - Pumping		7.73
52700.01	GASB68 Adjustment - Operations		93,939.98
52700.02	GASB68 Adjustment - Operations		5,122.33
52700.05	GASB68 Adjustment - Operations		6,902.55
53800.01	GASB68 Adjustment - Water Treatment		185,409.14
53800.02	GASB68 Adjustment - Water Treatment		11,540.38
53800.05	GASB68 Adjustment - Water Treatment		1,125.89
54598.01	GASB68 Adjustment - T&D		304,669.98
54598.02	GASB68 Adjustment - T&D		12,191.51
54598.05	GASB68 Adjustment - T&D		1,955.00
54601.08	Supervision & Engineering - Sewage Collection		6,161.18
54799.08	GASB68 Adjustment - Sewage Treatment		2,650.91
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin		2,498.99
55999.01	GASB68 Adjustment - Consumer Accounting		65,623.41
55999.02	GASB68 Adjustment - Consumer Accounting		1,319.67
57000.01	GASB68 Adjustment - G&A		267,643.74
58100.01	GASB68 Adjustment - Water Conservation		31,552.60
58100.02	GASB68 Adjustment - Water Conservation		1,867.95
Total		1,072,292.42	1,072,292.42

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 17			
GASB 68 Entry #3 - To record changes in pension liability during FY16/17 at June 30, 2018.			
13509.01	Unrestricted Cash	97,683.42	
16100.01	Deferred Outflows - Pension	2,631,177.00	
16100.01	Deferred Outflows - Pension	4,834.00	
21502.01	Net Pension Liability	0.01	
23100.01	Deferred Inflows - Pension	280,202.00	
23100.01	Deferred Inflows - Pension	22,831.00	
51400.01	GASB68 Adjustment - Source	13,227.96	
51400.02	GASB68 Adjustment - Source	966.46	
52309.01	GASB68 Adjustment - Pumping	10,796.37	
52309.02	GASB68 Adjustment - Pumping	1,918.37	
52309.05	GASB68 Adjustment - Pumping	13.75	
52700.01	GASB68 Adjustment - Operations	166,942.12	
52700.02	GASB68 Adjustment - Operations	9,102.97	
52700.05	GASB68 Adjustment - Operations	12,266.62	
53800.01	GASB68 Adjustment - Water Treatment	329,493.32	
53800.02	GASB68 Adjustment - Water Treatment	20,508.58	
53800.05	GASB68 Adjustment - Water Treatment	2,000.84	
54598.01	GASB68 Adjustment - T&D	541,435.22	
54598.02	GASB68 Adjustment - T&D	21,665.72	
54598.05	GASB68 Adjustment - T&D	3,474.26	
54699.08	GASB68 Adjustment - Sewage Collection	10,949.12	
54799.08	GASB68 Adjustment - Sewage Treatment	4,710.97	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	4,440.99	
55999.01	GASB68 Adjustment - Consumer Accounting	116,620.34	
55999.02	GASB68 Adjustment - Consumer Accounting	2,345.21	
57000.01	GASB68 Adjustment - G&A	0.62	
57000.01	GASB68 Adjustment - G&A	475,633.66	
58100.01	GASB68 Adjustment - Water Conservation	56,072.59	
58100.02	GASB68 Adjustment - Water Conservation	3,319.56	
13509.02	Unrestricted Cash:West Marin:GM		59,826.87
13509.05	Unrestricted Cash		17,755.47
13509.08	Unrestricted Cash		20,101.08
16100.01	Deferred Outflows - Pension		0.63
16100.01	Deferred Outflows - Pension		1,042,068.00
16100.01	Deferred Outflows - Pension		22,831.00
16100.01	Deferred Outflows - Pension		280,202.00
21502.01	Net Pension Liability		2,660,382.00
23100.01	Deferred Inflows - Pension		298,301.00
23100.01	Deferred Inflows - Pension		443,165.00
Total		<u>4,844,633.05</u>	<u>4,844,633.05</u>

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 18			
GASB 68 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) during FY17/18 at June 30, 2018.			
13509.01	Unrestricted Cash	22,107.55	
16100.01	Deferred Outflows - Pension	27,005.00	
23100.01	Deferred Inflows - Pension	64,939.00	
23100.01	Deferred Inflows - Pension	301,222.00	
51400.01	GASB68 Adjustment - Source	2,993.73	
51400.02	GASB68 Adjustment - Source	218.73	
52309.01	GASB68 Adjustment - Pumping	2,443.42	
52309.02	GASB68 Adjustment - Pumping	434.16	
52309.05	GASB68 Adjustment - Pumping	3.11	
52700.01	GASB68 Adjustment - Operations	37,782.06	
52700.02	GASB68 Adjustment - Operations	2,060.17	
52700.05	GASB68 Adjustment - Operations	2,776.16	
53800.01	GASB68 Adjustment - Water Treatment	74,570.37	
53800.02	GASB68 Adjustment - Water Treatment	4,641.47	
53800.05	GASB68 Adjustment - Water Treatment	452.83	
54598.01	GASB68 Adjustment - T&D	122,536.70	
54598.02	GASB68 Adjustment - T&D	4,903.35	
54598.05	GASB68 Adjustment - T&D	786.29	
54699.08	GASB68 Adjustment - Sewage Collection	2,477.99	
54799.08	GASB68 Adjustment - Sewage Treatment	1,066.18	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	1,005.07	
55999.01	GASB68 Adjustment - Consumer Accounting	26,393.32	
55999.02	GASB68 Adjustment - Consumer Accounting	530.76	
57000.01	GASB68 Adjustment - G&A	107,644.60	
58100.01	GASB68 Adjustment - Water Conservation	12,690.25	
58100.02	GASB68 Adjustment - Water Conservation	751.28	
13509.02	Unrestricted Cash:West Marin:GM		13,539.92
13509.05	Unrestricted Cash		4,018.39
13509.08	Unrestricted Cash		4,549.24
16100.01	Deferred Outflows - Pension		540,339.00
16100.01	Deferred Outflows - Pension		261,989.00
Total		824,435.55	824,435.55

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 19			
CPE - To restore District share of contribution previously capitalized with capital construction projects during FY17/18 at June 30, 2018.			
13509.02	Unrestricted Cash:West Marin:GM	1,058.38	
13509.05	Unrestricted Cash	19,814.96	
51400.01	GASB68 Adjustment - Source	753.12	
51400.02	GASB68 Adjustment - Source	55.02	
52309.01	GASB68 Adjustment - Pumping	614.68	
52309.02	GASB68 Adjustment - Pumping	109.22	
52309.05	GASB68 Adjustment - Pumping	0.78	
52700.01	GASB68 Adjustment - Operations	9,504.72	
52700.02	GASB68 Adjustment - Operations	518.27	
52700.05	GASB68 Adjustment - Operations	698.39	
53800.01	GASB68 Adjustment - Water Treatment	18,759.44	
53800.02	GASB68 Adjustment - Water Treatment	1,167.64	
53800.05	GASB68 Adjustment - Water Treatment	113.92	
54598.01	GASB68 Adjustment - T&D	30,826.19	
54598.02	GASB68 Adjustment - T&D	1,233.52	
54598.05	GASB68 Adjustment - T&D	197.80	
54699.08	GASB68 Adjustment - Sewage Collection	623.38	
54799.08	GASB68 Adjustment - Sewage Treatment	268.22	
54899.08	GASB68 Adjustment - Disposal-OMSewer-Admin	252.84	
55999.01	GASB68 Adjustment - Consumer Accounting	6,639.69	
55999.02	GASB68 Adjustment - Consumer Accounting	133.52	
57000.01	GASB68 Adjustment - G&A	27,079.83	
58100.01	GASB68 Adjustment - Water Conservation	3,192.45	
58100.02	GASB68 Adjustment - Water Conservation	189.00	
11180.01	Transmission Lines		88.64
11181.01	Distribution Lines		21,905.53
11181.02	Distribution Lines: West Marin:Eng		547.17
11185.08	Sewer Laterals		22.02
11201.01	Work In Progress - Developer		12,940.84
11202.01	Work In Progress - District		37,785.66
11202.01	Work In Progress - District		402.49
11202.01	Work In Progress - District		3,700.16
11202.02	Work In Progress - District		3,752.10
11202.02	Work In Progress - District		165.30
11202.05	Work In Progress - District		20,825.85
11202.08	Work In Progress - OM Sewer		795.88
13509.01	Unrestricted Cash		20,546.80
13509.08	Unrestricted Cash		326.54
11181.05	Distribution Lines		
Total		123,804.98	123,804.98

Adjusting Journal Entries JE # 20

CPE - JE-021823, 021824, 021825 - To reverse batch 89-WIP 6/18, WIP 6/18 (After GASB 68), Recognize District MSN/AEEP Caltrans Jobs expenditures and portion of advance that is now NMWD's at June 30, 2018.

13740.01	Accounts Receivable:Novato:Cons Acct	3,997.06	
22800.01	Advances For Construction	8,074.07	
22800.01	Advances For Construction	535,686.11	
22801.01	Advances For District Jobs-Novato	72,949.02	
22801.01	Advances For District Jobs-Novato	841.66	
49401.01	Capital Contributions	557,797.37	
49404.01	Caltrans Capital Contributions	74,848.37	
13740.01	Accounts Receivable:Novato:Cons Acct		841.66
13740.01	Accounts Receivable:Novato:Cons Acct		8,074.07
22800.01	Advances For Construction		3,997.06
22800.01	Advances For Construction		557,797.37
22801.01	Advances For District Jobs-Novato		74,848.37
49401.01	Capital Contributions		535,686.11
49404.01	Caltrans Capital Contributions		72,949.02
Total		1,254,193.66	1,254,193.66

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 21			
CPE - JE-021826 - To relieve FRC expenditures 6/18 (GASB 68#2) at June 30, 2018.			
12622.01	Restricted Cash - FRC Fund	20,825.84	
12622.01	Restricted Cash - FRC Fund	13,157.87	
12622.02	Restricted Cash - FRC Fund	979.34	
12640.01	Bank of Marin Loan Project Fund	166.97	
12641.01	AMI Project Fund	2,709.49	
30120.01	Facilities Reserve Fees	13,157.87	
30120.02	Facilities Reserve Fees	979.34	
49308.05	FRC Transfer from Novato	20,825.84	
59440.01	Transfer to Bank of Marin Loan Project Fund	166.97	
59448.01	Transfer to AMI Project Fund	2,709.49	
13509.01	Unrestricted Cash		2,709.49
13509.01	Unrestricted Cash		13,157.87
13509.01	Unrestricted Cash		166.97
13509.02	Unrestricted Cash:West Marin:GM		979.34
13509.05	Unrestricted Cash		20,825.84
25502.01	Reserve For Capital Improvements - FRC		13,157.87
25502.02	Reserve For Capital Improvements - FRC		979.34
25711.01	Bank of Marin Loan Project Reserve Fund		166.97
25715.01	AMI Project Reserve Fund		2,709.49
49308.01	FRC Transfer to Recycled Water		20,825.84
Total		75,679.02	75,679.02
Adjusting Journal Entries JE # 22			
GASB 75 Entry #1 - To record prior period adjustment for change in accounting principle of GASB 75 as of June 30, 2017.			
21501.01	Retiree Health Benefits Payable - Long Term	1,204,119.17	
31100.01	Earned Surplus	3,214,085.83	
21503.01	Total OPEB Liability		4,418,205.00
Total		4,418,205.00	4,418,205.00
Adjusting Journal Entries JE # 23			
GASB 75 Entry #2 - To reclassify 2018 contributions to Deferred Outflows of Resources at June 30, 2018.			
13509.02	Unrestricted Cash:West Marin:GM	12,435.00	
13509.05	Unrestricted Cash	3,691.00	
13509.08	Unrestricted Cash	4,178.00	
21503.01	Total OPEB Liability	375,787.00	
13509.01	Unrestricted Cash		20,304.00
51401.01	GASB75 Adjustment - Source of Supply		2,750.00
51401.02	GASB75 Adjustment - Source of Supply		201.00
52310.01	GASB75 Adjustment - Pumping		2,244.00
52310.02	GASB75 Adjustment - Pumping		399.00
52310.05	GASB75 Adjustment - Pumping		3.00
52701.01	GASB75 Adjustment - Operations		34,700.00
52701.02	GASB75 Adjustment - Operations		1,892.00
52701.05	GASB75 Adjustment - Operations		2,550.00
53801.01	GASB75 Adjustment - Water Treatment		68,488.00
53801.02	GASB75 Adjustment - Water Treatment		4,263.00
53801.05	GASB75 Adjustment - Water Treatment		416.00
54596.01	GASB75 Adjustment - T&D		112,541.00
54596.02	GASB75 Adjustment - T&D		4,503.00
54596.05	GASB75 Adjustment - T&D		722.00
54698.08	GASB75 Adjustment - Sewage Collection		2,276.00
54798.08	GASB75 Adjustment - Sewage Treatment		979.00
54898.08	GASB75 Adjustment - Sewage Disposal		923.00
55998.01	GASB75 Adjustment - Consumer Accounting		24,240.00
55998.02	GASB75 Adjustment - Consumer Accounting		487.00
57001.01	GASB75 Adjustment - G&A		98,865.00
58101.01	GASB75 Adjustment - Water Conservation		11,655.00
58101.02	GASB75 Adjustment - Water Conservation		690.00
Total		396,091.00	396,091.00

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 24			
GASB 75 Entry #3 - To record changes in OPEB liability during FY17/18 in the current year.			
13509.01	Unrestricted Cash	15,044.00	
51401.01	GASB75 Adjustment - Source of Supply	2,037.00	
51401.02	GASB75 Adjustment - Source of Supply	149.00	
52310.01	GASB75 Adjustment - Pumping	1,663.00	
52310.02	GASB75 Adjustment - Pumping	295.00	
52310.05	GASB75 Adjustment - Pumping	2.00	
52701.01	GASB75 Adjustment - Operations	25,711.00	
52701.02	GASB75 Adjustment - Operations	1,402.00	
52701.05	GASB75 Adjustment - Operations	1,889.00	
53801.01	GASB75 Adjustment - Water Treatment	50,747.00	
53801.02	GASB75 Adjustment - Water Treatment	3,159.00	
53801.05	GASB75 Adjustment - Water Treatment	308.00	
54596.01	GASB75 Adjustment - T&D	83,389.00	
54596.02	GASB75 Adjustment - T&D	3,337.00	
54596.05	GASB75 Adjustment - T&D	535.00	
54698.08	GASB75 Adjustment - Sewage Collection	1,686.00	
54798.08	GASB75 Adjustment - Sewage Treatment	726.00	
54898.08	GASB75 Adjustment - Sewage Disposal	684.00	
55998.01	GASB75 Adjustment - Consumer Accounting	17,961.00	
55998.02	GASB75 Adjustment - Consumer Accounting	361.00	
57000.01	GASB68 Adjustment - G&A	73,255.00	
58101.01	GASB75 Adjustment - Water Conservation	8,636.00	
58101.02	GASB75 Adjustment - Water Conservation	511.00	
13509.02	Unrestricted Cash:West Marin:GM		9,214.00
13509.05	Unrestricted Cash		2,734.00
13509.08	Unrestricted Cash		3,096.00
21503.01	Total OPEB Liability		81,147.00
23200.01	Deferred Inflows - OPEB		197,296.00
Total		293,487.00	293,487.00

Adjusting Journal Entries JE # 25

GASB 75 Entry #4 - To record changes in the deferred outflows and deferred inflows (amortization) at June 30, 2018.

13509.02	Unrestricted Cash:West Marin:GM	1,281.00	
13509.05	Unrestricted Cash	379.00	
13509.08	Unrestricted Cash	430.00	
23200.01	Deferred Inflows - OPEB	38,685.00	
13509.01	Unrestricted Cash		2,090.00
51401.01	GASB75 Adjustment - Source of Supply		283.00
51401.02	GASB75 Adjustment - Source of Supply		21.00
52310.01	GASB75 Adjustment - Pumping		231.00
52310.02	GASB75 Adjustment - Pumping		41.00
52701.01	GASB75 Adjustment - Operations		3,572.00
52701.02	GASB75 Adjustment - Operations		195.00
52701.05	GASB75 Adjustment - Operations		262.00
53801.01	GASB75 Adjustment - Water Treatment		7,050.00
53801.02	GASB75 Adjustment - Water Treatment		439.00
53801.05	GASB75 Adjustment - Water Treatment		43.00
54596.01	GASB75 Adjustment - T&D		11,586.00
54596.02	GASB75 Adjustment - T&D		464.00
54596.05	GASB75 Adjustment - T&D		74.00
54698.08	GASB75 Adjustment - Sewage Collection		234.00
54798.08	GASB75 Adjustment - Sewage Treatment		101.00
54898.08	GASB75 Adjustment - Sewage Disposal		95.00
55998.01	GASB75 Adjustment - Consumer Accounting		2,495.00
55998.02	GASB75 Adjustment - Consumer Accounting		50.00
57000.01	GASB68 Adjustment - G&A		10,178.00
58101.01	GASB75 Adjustment - Water Conservation		1,200.00
58101.02	GASB75 Adjustment - Water Conservation		71.00
Total		40,775.00	40,775.00
Total Adjusting Journal Entries		16,587,211.09	16,587,211.09
Total All Journal Entries		16,587,211.09	16,587,211.09

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 26			
CPE - JE-021806 (Batch 9136) - To adjust amount borrowed at June 30, 2018.			
12622.01	Restricted Cash - FRC Fund	20,096.80	
12650.01	Restricted Cash - Maintenance Accrual Fund	60,840.70	
13509.01	Unrestricted Cash		20,096.80
13509.01	Unrestricted Cash		60,840.70
Total		80,937.50	80,937.50
Adjusting Journal Entries JE # 27			
CPE - JE-021807 (Batch 9137) - To update due to/from at June 30, 2018.			
12650.01	Restricted Cash - Maintenance Accrual Fund	21,338.70	
22400.05	Due To Other Funds - Current Operations	21,338.70	
12630.05	Restricted Cash - RWF Replacement Fund		21,338.70
14120.01	Due From Other Funds - Current Operations		21,338.70
Total		42,677.40	42,677.40
Adjusting Journal Entries JE # 28			
CPE - JE-021810 (Batch 9141) - To accrued interest receivable - EHL for Pablo Ramudo's Housing Loan which			
13749.01	Interest Receivable - Employee Housing Loan	14,707.11	
49200.01	Interest Earned - General Funds		14,707.11
Total		14,707.11	14,707.11
Adjusting Journal Entries JE # 29			
CPE - JE-021817 (Batch 9145) - To record interest accrual #3 at June 30, 2018.			
13509.02	Unrestricted Cash-West Marin:GM	2,121.24	
13509.05	Unrestricted Cash	2,069.89	
13509.08	Unrestricted Cash	690.70	
49200.01	Interest Earned - General Funds	14,707.11	
13509.01	Unrestricted Cash		4,881.83
13750.01	Accrued Interest Receivable - General Funds		0.03
49200.02	Interest Earned - General Funds		1,200.46
49200.05	Interest Earned - BPGL Recycled Water Facility		5.52
49200.08	Interest Earned - General Funds		681.11
49205.02	Interest Earned - Facilities Reserve		173.92
49209.01	Interest Earned - Wohler Pipeline		640.88
49210.01	Interest Earned - Collector #6		2,516.50
49211.01	Interest Earned-Future Retiree Med Benefits Res		6,406.52
49213.01	Interest Earned - Workers' Compensation Fund		206.07
49213.02	Interest Earned - Workers' Compensation Fund		27.89
49213.08	Interest Earned - Workers' Compensation Fund		9.59
49224.05	Interest Earned-RWF Replacement Fund		2,064.37
49226.01	Interest Earned - AEEP Fund		55.28
49226.02	Interest Earned-Bank of Marin Project Fund		718.97
Total		19,588.94	19,588.94

North Marin Water District
Schedule of Audit Adjusting Journal Entries
June 30, 2018


Account	Description	Debit	Credit
Adjusting Journal Entries JE # 30			
CPE - JE-021827 (Batch 9150) - To adjust reserves at June 30, 2018.			
12624.01	Wohler Pipeline Financing Fund	640.88	
12625.01	Collector #6 Financing Fund	2,516.50	
12630.05	Restricted Cash - RWF Replacement Fund	2,064.37	
12640.02	Bank of Marin Loan Project Fund	718.97	
13509.01	Unrestricted Cash	111.69	
13509.01	Unrestricted Cash	6,406.52	
13509.02	Unrestricted Cash:West Marin: GM	805.42	
25504.02	Reserve For Capital Improvements - FRC Interest	805.42	
25702.01	Reserve For Retiree Health Benefits	6,406.52	
25711.01	Bank of Marin Loan Project Reserve Fund	111.69	
59411.05	Trfr to RWF Replacement Fund	2,064.37	
59416.01	Transfer To Reserve - Facility Reserve Charges	640.88	
59416.01	Transfer To Reserve - Facility Reserve Charges	2,516.50	
59440.02	Transfer to Bank of Marin Loan Project Fund	718.97	
12622.02	Restricted Cash - FRC Fund		805.42
12640.01	Bank of Marin Loan Project Fund		111.69
12653.01	Restricted Cash - Retiree Health Benefits		6,406.52
13509.01	Unrestricted Cash		3,157.38
13509.02	Unrestricted Cash:West Marin: GM		718.97
13509.05	Unrestricted Cash		2,064.37
25507.01	Reserve For Capital Improvements - Wohler Interest		640.88
25508.01	Reserve For Capital Improvements - Collector#6 Int		2,516.50
25509.05	RWF Replacement Fund		2,064.37
25711.02	Bank of Marin Loan Project Reserve Fund		718.97
59416.02	Transfer To Reserve - Facility Reserve Charges		805.42
59420.01	Trfr To Future Retiree Medical Ins. Reserve-Int		6,406.52
59440.01	Transfer to Bank of Marin Loan Project Fund		111.69
Total		26,528.70	26,528.70
Adjusting Journal Entries JE # 31			
CPE - JE-021829 (Batch 9152) - To adjust amount borrowed at June 30, 2018.			
12650.01	Restricted Cash - Maintenance Accrual Fund	58,175.13	
13509.01	Unrestricted Cash	33,983.71	
12622.01	Restricted Cash - FRC Fund		33,983.71
13509.01	Unrestricted Cash		58,175.13
Total		92,158.84	92,158.84
Total Adjusting Journal Entries		16,830,895.84	16,830,895.84
Total All Journal Entries		16,830,895.84	16,830,895.84

Legend:

AJE	Audit Adjusting Journal Entry
CPE	Client Prepared Audit Adjusting Journal Entry
GASB 68	GASB 68 Implementation Adjusting Journal Entry - Fourth Year
GASB 75	GASB 75 Implementation Adjusting Journal Entry - First Year

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MEMORANDUM

To: Board of Directors
From: Drew McIntyre, General Manager 
Subject: WAC/TAC Meeting – November 5, 2018
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November 16, 2018

RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: None

Supplemental information is provided as follows using item numbers referenced in the attached meeting agenda and draft minutes (Attachment A). A complete agenda packet is available via www.sonomawater.org/water-advisory-committee.

1. Check-in

NMWD Board was represented by Director Baker.

6. 2019 WAC/TAC Schedule

The approved 2019 WAC/TAC Meeting Schedule is included as Attachment B.

7. Formation of WAC Ad Hoc – Subcommittee and Common Interest Agreement

The WAC approved formation of an Ad Hoc subcommittee including the WAC representative from North Marin to track developing PVP activities in a timely manner. Also approved was development of a Common Interest Agreement between SCWA and interested water agency contractors to share privileged information related to PVP FERC proceedings. (See Attachment C).



**WATER ADVISORY COMMITTEE
AND
TECHNICAL ADVISORY COMMITTEE**

MONDAY: NOVEMBER 5, 2018

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

9:00 a.m. Note location

This is a combined WAC and TAC meeting

1. Check In
2. Public Comment
3. Recap from the August 6, 2018 WAC/TAC Meeting and Approval of Minutes
4. Recap from the October 1, 2018 TAC Meeting and Approval of Minutes
5. Water Supply Coordination Council – October 22, 2018
6. Approve – 2019 WAC/TAC Meeting Schedule
7. Approve – Formation of WAC Ad Hoc Subcommittee and Common Interest Agreement
8. Sonoma Marin Saving Water Partnership
 - a. EPA Sustained Excellence Award
 - b. Water Production Relative to 2013 Benchmark
 - c. 2018 Water Use Efficiency Legislation (SB606 & AB 1668) Update
9. FY 2017/18 SCWA Budget Year End Review
10. Water Supply Conditions
 - a. Forecast Informed Reservoir Operations (FIRO) Update
11. Biological Opinion Status Update
 - a. Fish Flow DEIR Milestone Schedule Update
 - b. Dry Creek Milestone Schedule Review
12. Post October 2017 Sonoma Fire Event Updates
13. Potter Valley Project Relicensing Update
14. Federal Outreach
15. Items for Next Agenda
16. Check Out

*DRAFT Minutes of Water Advisory Committee and Technical Advisory Committee
35 Stony Point Road, Santa Rosa, California
November 5, 2018

Attendees: Jennifer Burke, City of Santa Rosa
Tom Schwedhelm, City of Santa Rosa
Colin Close, City of Santa Rosa
Easter Ledesma, City of Santa Rosa
Dave King, City of Petaluma
Susan Harvey, City of Cotati
Mark Millan, Town of Windsor
Toni Bertolero, Town of Windsor
Paul Piazza, Town of Windsor
Vanessa Garrett, City of Rohnert Park
Jake McKenzie, City of Rohnert Park
Mary Grace Pawson, City of Rohnert Park
Colleen Ferguson, City of Sonoma
Drew McIntyre, North Marin Water District
Rocky Vogler, North Marin Water District
Jack Baker, North Marin Water District
Mike Ban, Marin Municipal Water District
Jack Gibson, Marin Municipal Water District
Dan Muelrath, Valley of the Moon Water District
Mark Heneveld, Valley of the Moon Water District
Jessica Martini Lamb, SCWA
Jay Jasperse, SCWA
Grant Davis, SCWA
Pam Jeane, SCWA
Barry Dugan, SCWA
David Manning, SCWA
Carrie Pollard, SCWA
Lynne Rosselli, SCWA
Brian Lee, SCWA

Public Attendees: David Keller, FOER
Brenda Adelman, RRWPC
Margaret DiGenova, California America Water
Jim Downey, Penngrove/Kenwood Water Distr.
Tony Lopes, GM Forestville Water District
Bob Anderson, United Winegrowers

1. Check-in
Mark Milan, WAC Chair, called the meeting to order at 9:06 a.m.
2. Public Comments
No public comments
3. Recap from August 6, 2018 WAC/TAC Meeting and Approval of Minutes
Moved by Susan Harvey, City of Cotati, seconded by Tom Schwedhelm, City of Santa Rosa to approve the minutes of the August 6, 2018 WAC/TAC meeting; unanimously approved.

4. Recap from October 1, 2018 TAC Meeting and Approval of Minutes
Moved by Mary Grace Pawson, City of Rohnert Park, seconded by Dan Muelrath, Valley of the Moon Water District to approve the minutes of the October 1, 2018 TAC meeting; unanimously approved.
5. Water Supply Coordination Council-October 22, 2018
WAC Chair Mark Millan reported that the group met to prepare the WAC/TAC November 5th agenda.
6. Approve- 2019 WAC/TAC Meeting Schedule
Moved by Susan Harvey City of Cotati, seconded by Jack Baker, North Marin Water District, unanimously approved.
7. Approve- Formation of WAC Ad Hoc Subcommittee and Common Interest Agreement
Refer to memo in packet. Comments/Concerns- Public comment: David Keller asked about Paragraph 2.4 cited in the Restructured Agreement regarding potential acquisition of the Potter Valley Project and necessary environmental reviews. Mark Millan- Intent of the Ad Hoc Subcommittee is to better track all developing PVP activities in a timely manner. Moved by Jake McKenzie, City of Rohnert Park, seconded by Jack Baker, North Marin Water District, unanimously approved.
8. Sonoma Marin Water Saving Partnership
 - a. EPA Sustained Excellence Award. Carrie Pollard, SCWA. Awarded Second Consecutive Sustained Excellence Award for continuing to improve its irrigation-professional training program by upgrading its curriculum and training materials. The Partnership was awarded two of the 21 WaterSense Awards that were awarded at the WaterSmart Innovations Conference in Las Vegas. This is the fifth year in a row that the Partnership has received awards for its water efficiency efforts. (see memo).
 - b. Water Production Relative to 2013 Benchmark
Drew McIntyre, North Marin Water District- the calendar year is coming to a close and water use by the Partnership is 16% below the 2013 State benchmark. (see chart).
 - c. 2018 Water Use Efficiency Legislation (SB606 & AB 1668) Update
Drew McIntyre- provided an update on the new legislation and reviewed the key milestone timeline over the next five years.
9. FY 2017/18 SCWA Budget Year End Review
Lynne Roselli, SCWA- Commented that the FY18 budget includes costs for Operations and Maintenance, Capital Projects, Biological Opinion compliance, Debt service and Aqueduct Capital Contributions. Water deliveries for FY18 were 11% above budget. Budget review timeline for FY 2019/2020- draft to the TAC subcommittee on January 15, draft budget to TAC on Monday Feb 4, TAC will vote for approval on March 4, Agency staff will be available to present to Water Contractor Boards/City Council's during March and WAC will vote to approve on Monday April 1. Once approved by the WAC, Agency staff will take the budget to their board for approval on April 30th. Lynne noted that a copy of this presentation is being posted on the Agency's website. Brenda Adelman and Jake McKenzie- asked questions about the amount of water used by Marin Municipal. Mike Ban, Marin Municipal Water District – responded that the vast majority of the total

deliveries shown on the Water Production table are from their local reservoirs, and a small percentage is imported from the Agency.

10. Water Supply Conditions

Pam Jeane SCWA- Lake Mendocino is at 100% of the target water storage curve and Lake Sonoma is 77% full. Russian River flows are in compliance with minimum streamflow requirements. Jay Jasperse- Lake Mendocino Forecast Informed Reservoir Operation (FIRO)- The goal is to bring in new technology and forecasting skills to better manage and operate reservoirs. This will provide the ability to look ahead and use the forecasting skill/technology to better inform reservoir operators on when to release water and when allow more storage. FIRO not only provides better water supply storage performance but also has the potential for improved flood management. FIRO can be duplicated at similar reservoirs such as Lake Sonoma.

11. Biological Opinion Status Update- Pam Jeane- Fish monitoring now year-round. Coho were found in 8 of 9 sections sampled in Dry Creek. The Russian River estuary is closed right now.

- a. Fish Flow DEIR Milestone Schedule Update- Jessica Martini Lamb, Environmental Resources Manager at Sonoma County Water Agency-since last update staff has met with a number of resource agencies on issues that were raised on the DEIR. Staff met with the State Water Resources Control Board to discuss comments from other resource agencies on how to add adaptive management components. They also met with other resources agencies and discussed their comments on the water quality model used for the draft DEIR. They continue to work on comments/issues raised from the public and expect to recirculate the draft DEIR in September 2019. The final DEIR is tentatively scheduled to be ready to submit to the Agency board of directors in Spring 2020. Updates will continue at WAC/TAC meetings. At this time, the Agency is not proposing any significant budget increase.
- b. Dry Creek Update- David Manning, Environmental Resource Manager Sonoma County Water Agency. Provided a review of the Dry Creek restoration projects and stated that 3.14 miles have been completed to-date at a total cost of approximately \$36 million. Funding for this work is from a combination of Army Corps and Water Agency led projects. Majority of the cost is in construction. Jennifer Burke, City of Santa Rosa-asked if the expended costs to-date include repair costs. David Manning responded that maintenance and repair costs are shared with the Army Corps for the first 10 years (after completion), beyond that maintenance costs will fall on the Agency.

12. Post October 2017 Sonoma Fire Event Updates

Referred to Map of changing burn areas ranging from 1993-2017. Jay Jasperse- Sonoma Water is funding 8 fire cameras to be installed. Five are in place and all 8 will be in place at the end of November 2018. Cameras are on towers and are infrared and can pick up fires as far as 80 kilometers away and have high definition. Cameras can assist in accurately locating a fire and determining evacuations. Cal Fire is using the cameras as well. PG&E is adding an additional 9 cameras: 3 in Marin County, 3 in Sonoma County, 3 in Napa county and plans to install more cameras in the upcoming years.

Jennifer Burke, City of Santa Rosa- Noted that on October 11, 2018, the City of Santa Rosa lifted the Water Quality Advisory and commented that the city has replaced a number of water facility components within the system.

13. Potter Valley Project Relicensing Update

Pam Jeane- PG&E relicensing is moving forward. Expecting results from the approved Study Plan in 2019 and results will be available to stakeholders. PG&E plans on having a draft license application completed in Fall 2019 and the final application is due Spring 2021. Congressman Huffman's Ad Hoc committee continues to meet and will work through early part of 2019. PG&E's Request for Offers process will continue for the next 18 months and most information regarding interested parties is private.

14. Federal Outreach

Grant Davis - Provided an update on federal outreach efforts and stated that the Agency will need to continue to make trips to Washington D.C. to advocate for the future funds necessary for the Corps to fulfill their obligations with respect to Dry Creek. Grant also provided an update on the Advanced Quantitative Precipitation Information (AQPI) program.

15. Items for Next Agenda



Jake McKenzie and Mary Grace Pawson commented on the demand for new housing and the potential water supply challenges it brings

16. Check out

Meeting adjourned at 11:01am

2019 TAC - WAC / TAC MEETING SCHEDULE (DRAFT)

35 Stony Point Road, Santa Rosa, California

Month	Day	Body	Time
JANUARY	7	 TAC	9:00a.m.
FEBRUARY	4	WAC / TAC	9:00a.m.
MARCH	4	 TAC	9:00a.m.
APRIL	1	SPECIAL WAC/TAC	9:00a.m.
MAY	6	WAC / TAC	9:00a.m.
JUNE	3	TAC	9:00a.m.
JULY	8	TAC (tentative)	9:00a.m.
AUGUST	5	WAC / TAC	9:00a.m.
SEPTEMBER	9	TAC (tentative)	9:00a.m.
OCTOBER	7	TAC	9:00a.m.
NOVEMBER	4	WAC / TAC	9:00a.m.
DECEMBER	2	TAC	9:00a.m.

MEMORANDUM

To: Water Advisory Committee October 31, 2018
From: Mark Millan, WAC Chair
Subj: Approve – 1. Formation of WAC Ad Hoc Subcommittee
2. Requesting SCWA to participate in a Common Interest Agreement

At the August 6, 2018 WAC/TAC meeting, Sonoma County Water Agency (SCWA) General Manager Grant Davis provided an update on FERC relicensing of PG&E's Potter Valley Project (PVP). During this update, Mr. Davis discussed PG&E's May, 2018 announcement to the Eel-Russian River Commissioners advising that PG&E had decided to put the Potter Valley Project up for auction this fall. In July, the Mendocino County Inland Water and Power Commission formed a negotiating team to investigate potential acquisition of PVP facilities and on September 5TH PG&E formally began the 18-24 month auction process by soliciting proposals from parties interested in purchasing the project. Subsequent to these actions, on September 11 the SCWA Board of Directors formed an Ad Hoc group consisting of two Directors to be able to track developing PVP activities in a timely manner.

Per Section 5.1 (b) of the 2006 Restructured Agreement for Water Supply, the Water Advisory Committee is charged with reviewing any proposals which "...involve a significant capital outlay for the Transmission System..." or which would "....significantly change the level of service or add significantly to the operations and maintenance expense....". Potential changes in PVP operations could have a significant impact to the level of service and/or rates that Water Contractors are charged related to Transmission System operation. As such, in light of PG&E's efforts to sell its PVP facilities and the speed at which events are changing related to this auction process, it is recommended that the WAC approve: (1) the formation of an Ad Hoc Subcommittee and (2) the development of a Common Interest Agreement. By taking these two actions WAC agencies will be better able to track developing PVP activities in a timely manner.

Ad Hoc Subcommittee

The WAC Ad Hoc subcommittee would consist of no more than three WAC members. It is my recommendation that the Ad Hoc subcommittee consist of the WAC Chair and WAC representatives from the City of Santa Rosa and North Marin Water District. Under this configuration, the Ad Hoc subcommittee would have representation from both Sonoma and Marin Counties and include the largest Sonoma Water retail customer (i.e, Santa Rosa).

Technical support to the WAC Ad Hoc subcommittee would be provided by the TAC Chair and Vice Chair.

Common Interest Agreement

Development of a Common Interest Agreement between SCWA and interested Water Agency Contractors would allow each signatory entity to share privileged information and counsel's work products related to the existing PVP FERC proceeding and related matters (including any other litigation concerning the PVP) in which the Contractors and SCWA have a common interest. The agreement would be open-ended to allow Contractors to join over time.

RECOMMENDED ACTION:

WAC approve:

1. Formation of an Ad Hoc subcommittee consisting of the WAC Chair and WAC representatives from the City of Santa Rosa and North Marin Water District.
2. Requesting SCWA to participate in a Common Interest Agreement with Water Agency Contractors.

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MEMORANDUM

To: Board of Directors

November 16, 2018

From: Drew McIntyre, General Manager



Subject: North Bay Water Reuse Authority Board Meeting – October 22, 2018

r:\folders by job no\7000 jobs\7127 nbwra\board memos\7127 nbrwa update 10_22_18.doc**RECOMMENDED ACTION:** Information Only**FINANCIAL IMPACT:** None

Supplemental information is provided as follows using item numbers referenced in the attached meeting agenda and draft minutes. A complete agenda packet is available via www.nbwra.org.

2. Roll Call

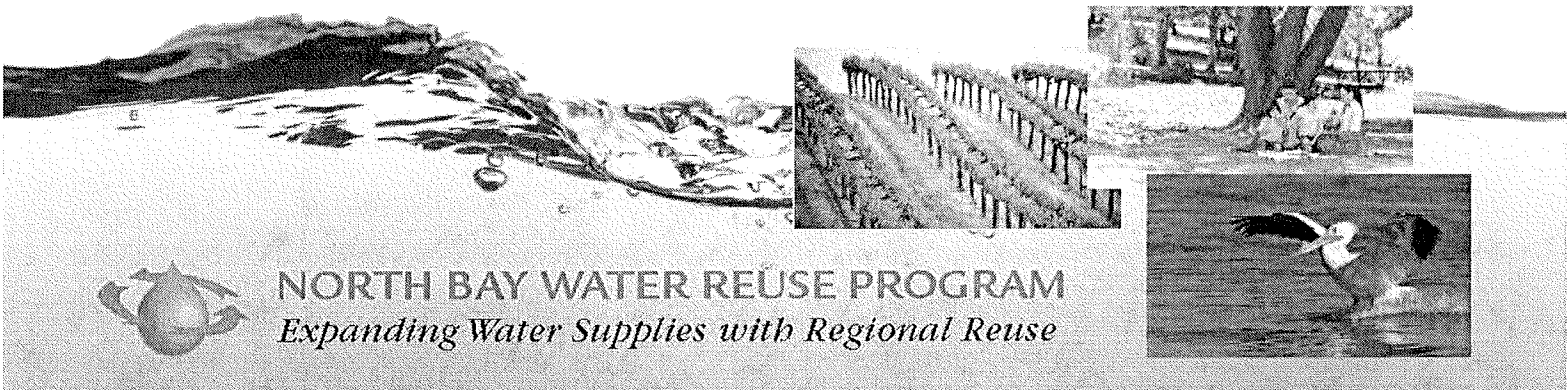
NMWD Board was represented by Director Baker.

7. Phase 1: Status of Reconciliation and Closeout Activities

SCWA is expected to issue a bill to NMWD for the additional Phase 1 “true-up” costs discussed as part of the August 17, 2018 NBWRA meeting update. We have been advised that the actual “true-up” costs will be less than what was previously reported. As stated earlier, even with these additional true-up costs, actual expenditures are still expected to be below approved budget.

13. Items for Future Discussion

More meetings are expected this winter between the various General Managers of potential North Bay Water agency members. The next NBWRA meeting is January 28, 2019



BOARD OF DIRECTORS MEETING

AGENDA

**Monday, October 22, 2018
9:30 AM**

**Novato City Hall Council Chambers
901 Sherman Avenue, Novato, CA 94945**

Members and Consultants unable to attend in person may call in: (Local dial in): +1 (602) 567-4030, Toll Free: +1 (888) 227-0011, Access Code: **1988**

<https://Conferencing2.brwncaid.com/conference/1988>

- 1. Call to Order (1 minute)**
- 2. Roll Call (1 minute)**
- 3. Public Comment (3 minutes)**
(Any member of the public may address the Board at the commencement of the meeting on any matter within the jurisdiction of the Board. This should not relate to any item on the agenda. It is the policy of the Authority that each person addressing the Board limit their presentation to three minutes. Non-English speakers using a translator will have a time limit of six minutes. Any member of the public desiring to provide comments to the Board on an agenda item should do so at the time the item is considered. It is the policy of the Authority that oral comments be limited to three minutes per individual or ten minutes for an organization. Speaker's cards will be available in the Boardroom and are to be completed prior to speaking.)
- 4. Introductions (2 minutes)**
- Action 5. Board Meeting Minutes of July 23, 2018 (2 minutes)**
(The Board will consider approving the minutes from the July 23, 2018 Board meeting.)
- Information and Discussion 6. Report from the Chair (10 minutes)**
(The Chair will report on the following items.)
 - 6.a Consultant Progress Reports**
 - 6.b Financial Reports**

**North Bay Water Reuse Authority • c/o Sonoma County Water Agency, 404 Aviation Boulevard, Santa Rosa, CA 95403
707-235-8965 • NBWRA.org**

County of Marin • Las Gallinas Valley Sanitary District • Novato Sanitary District • Marin Municipal Water District • North Marin Water District • Sonoma County Water Agency
City of Petaluma • Sonoma Valley County Sanitation District • County of Napa • Napa Sanitation District • City of American Canyon

- | | |
|--------------------|--|
| Information | <p>7. Phase 1: Status of Reconciliation and Closeout Activities (5 minutes)
(The Board will be updated on Phase 1 status of reconciliation and closeout activities.)</p> |
| Information | <p>8. Phase 2: Status of Activities (10 minutes)
(The Board will be updated on Phase 2 activities.)</p> |
| Information | <p>9. Concluding Final Phase 2 Engineering/Feasibility Study and Program Development Tasks (15 minutes)
(The Board will be provided with a report concluding final Phase 2 Engineering/Feasibility Study and Program Development Tasks.)</p> |
| Action | <p>10. Consider Approving Use of Existing Budget for Prop 1 IRWM Application Process
(The Board will consider use of Existing Budget for Prop 1 IRWM Application Process.)</p> |
| Action | <p>11. Amendments to the Engineering Services Agreement of \$75,000 to Conclude Phase 2 Environmental Tasks and to Water Agency Services of \$24,500 for Additional Administrative Tasks (15 minutes)
(The Board will consider an amendment to the Engineering Services Agreement of \$75,000 to conclude Phase 2 environmental tasks and to the Water Agency Services of \$24,500 for Additional Administrative Tasks.)</p> |
| Action | <p>12. No Cost Amendment to the Program Development, Federal, and State Advocacy Agreement for Six Months to Conclude Phase 2 Tasks. (10 minutes)
(The Board will consider a no cost amendment to the Program Development, Federal, and State Advocacy Agreement for six months to complete Phase 2 tasks.)</p> |
| Discussion | <p>13. Items for Future Discussion and Comments from Chair, Board, or Member Agencies (5 minutes)
(The Board will discuss items for future discussion and the Chair, Board, or Member Agencies may make brief announcements or reports on their own activities, pose questions for clarification, and/or request that items be placed on a future agenda. Except as authorized by law, no other discussion or action may be taken.)</p> |
| | <p>14. Adjournment (1 minute)</p> |

<p>Next Board Meeting Monday, January 28, 2019, 9:30 A. M., Novato City Hall</p>

(In compliance with the Americans with Disabilities Act of 1990, if you need special assistance to participate in a Board meeting, or you need a copy of the agenda, or the agenda packet, in an appropriate alternative format, please contact the Program Manager at (510) 410-5923. Notification of at least 48 hours prior to the meeting or time when services are needed will assist in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service. A copy of all the documents constituting the agenda packet is available for public inspection prior to the meeting at 404 Aviation Boulevard, Santa Rosa, CA 95403. Any person may request that a copy of the agenda or the agenda packet be mailed to them for a fee of \$.10 per page plus actual mailing costs. If you wish to request such a mailing, please contact Chuck Weir, Weir Technical Services, 3026 Ferndale Court, Pleasanton, CA 94588, 510-410-5923, chuckweir@sbcglobal.net. The agenda for each meeting is also available on-line at www.nbwra.org and will be available at the meeting.)

**North Bay Water Reuse Authority • c/o Sonoma County Water Agency, 404 Aviation Boulevard, Santa Rosa, CA 95403
707-235-8965 • NBWRA.org**

**North Bay Water Reuse Authority
Board of Directors Meeting
Minutes
October 22, 2018**

1. Call to Order

Chair Rabbitt called the meeting to order at 9:40 a.m. on Monday, October 22, 2018 at the Novato City Hall Council Chambers, 901 Sherman Avenue, Novato, CA. Members and Consultants unable to attend in person may call in: (Local dial in): +1 (602) 567-4030, Toll Free: +1 (888) 227-0011, Access Code: **1988** <https://Conferencing2.brwncaid.com/conference/1988>

2. Roll Call

PRESENT:	David Rabbitt, Chair	Sonoma County Water Agency
	Jill Techel, Vice Chair	Napa Sanitation District (by phone)
	Steve Hartwig	City of American Canyon
	Jack Baker	North Marin Water District
	Rabi Elias	Las Gallinas Valley Sanitary District
	Jack Gibson	Marin Municipal Water District
	David Glass	City of Petaluma
	Susan Gorin	Sonoma Valley County Sanitation District
	Bill Long	Novato Sanitary District
	Phil Miller	Napa County
	Dennis Rodoni	Marin County

ABSENT: None

OTHERS

PRESENT:	Chuck Weir, Program Manager	Weir Technical Services
	Phil Brun	City of Napa (by phone)
	Kevin Booker	Sonoma County Water Agency
	Ginger Bryant	Bryant & Associates
	Samantha Cohen	Brown & Caldwell
	Lorenzo Cordova	Marin County
	Anne Crealock	Sonoma County Water Agency
	Chris DeGabriele	Las Gallinas Valley Sanitary District
	Rene Guillen	Brown & Caldwell
	Sachi Itagaki	Kennedy Jenks
	Pam Jeane	Sonoma County Water Agency
	Sandeep Karkal	Novato Sanitary District
	Chris Landwehr	Data Instincts
	Drew McIntyre	North Marin Water District
	Mark Millan	Data Instincts
	Jim O'Toole	ESA
	Larry Russell	Marin Municipal Water District (by phone)
	Mike Savage	Brown and Caldwell (by phone)
	Paul Sellier	Marin Municipal Water District

Brad Sherwood
Jake Spaulding
Melanie Tan
Jeff Tucker
Leah Walker
Brad Wagenknecht

Sonoma County Water Agency
Sonoma County Water Agency
Kennedy Jenks (by phone)
Napa Sanitation District
City of Petaluma
Napa County

3. Public Comments

There were no comments from the public

4. Introductions

Introductions were not made.

5. Board Meeting Minutes of July 23, 2018.

On a motion by Director Long, seconded by Director Baker, the minutes of the July 23, 2018 meeting were unanimously approved by the Board.

6. Report from the Chair

a. Consultant Progress Reports

The Board reviewed the consultant progress reports for July, August, and September 2018.

b. Financial Reports

The Board reviewed the Final Financial Reports for Fiscal Year 2017/18 through June 30, 2018. All expenses were as expected through the end of Fiscal Year 2017/18. The Board also reviewed the Financial Reports for Fiscal Year 2018/19 through September 30, 2019. Through the first quarter of the year all expenses are tracking normally.

7. Phase 1: Status of Reconciliation and Closeout Activities

Jake Spaulding reviewed the status of Phase 1 and noted that the costs would be finalized on September 30, 2018. Total costs for closeout were less than previous estimates.

8. Phase 2: Status and Activities

Mike Savage provided a brief summary of engineering, environmental, and public outreach activities required to complete the EIR/EIS. A grant application was submitted on July 27, 2018. Melanie Tan provided a summary of the Financial Capability Analysis including how it compares to the analysis for Phase 1, key issues in the analysis, and the anticipated schedule for completion. Director Long asked if there have been any problems. There have been none. Director Gorin asked about the scope of incomes in the service area and how that relates to water service affordability. Ms. Tan indicated that the report would cover those issues as well as discuss the benefits of recycled water for the region.

Ginger Bryant discussed the Phase 2 construction grant application and that they are expecting an answer soon. The EIR/EIS approval process is behind schedule due to page limit issues and changing requirements under a new administration. They are seeking a waiver from USBR, which is dependent of the grant approval. Even if the grant is approved, money can't be spent until the EIR/EIS is fully completed. She also discussed legislative efforts from WateReuse, and

end of session issues. New language supports funding for joint powers agencies (JPA). She also discussed prospects for the Farm Bill and that they are waiting to see the bill language. She indicated that the new group that the member agency General Managers are working on could fit under the JPA issue.

Ginger Bryant gave the report on state advocacy. Topics discussed included bills of interest, election issues, policy revisions to the State Revolving Fund, proposed amendments to the Recycled Water Policy, water conservation laws, and ocean discharge issues.

Jim O'Toole gave an update on the EIR/EIS process, including progress to date with agency approvals of the EIR/EIS. The CEQA appeal time has passed for all agencies except American Canyon. There is currently a four month delay in the EIR/EIS approval with USBR and he discussed the reasons for the delay. He also noted that due to the scale of the program versus the original scope of work that a budget amendment \$75,000 would be needed to complete the EIR/EIS. This amendment is described as Plan A and would assist with NEPA public circulation, responding to comments, and carry through the Record of Decision from USBR. He also discussed Plan B, which has a cost of \$30,000, to avoid the USBR waiver process. It would require reworking the document to meet page limit requirements and could be completed by spring 2019.

The Board discussed Plan A and Plan B options. A third plan, Plan C, was also discussed and would be based on what is required by USBR if the grant is not approved. These issues were further discussed by the Board in Agenda Item No. 11.

Mark Millan updated the Board on public outreach activities, which are largely related to the EIR/EIS process.

9. Concluding Final Phase 2 Engineering/Feasibility Study and Program Development Tasks

Mike Savage gave a report on the engineering and environmental tasks that are left to conclude Phase 2 tasks through June 30, 2019. He noted how the program tasks and emphasis change over time. Engineering and environmental tasks will remain high through the end of the calendar year. Activities will be reduced in the second half of the fiscal year. Ginger Bryant discussed program development, federal, and state tasks through June 30, 2019.

10. Consider Approving Use of Existing Budget for Prop 1 IRWM Application Process

Mike Savage noted that the Bay Area IRWM is soliciting projects for the region's response for Prop 1 IRWM funding. Securing funds is a three step process: 1) General Interest Application, 2) formal project submittals, and 3) applying for individual project funds. He indicated that B&C could complete the first two steps using existing budget. The individual agencies would need to complete the third step. A motion by Director Gorin, seconded by Director Gibson to approve use of existing budget to complete the first two steps of the Prop 1 IRWM application process was unanimously approved.

11. Amendments to the Engineering Services Agreement of \$75,000 to Conclude Phase 2 Environmental Tasks and to Water Agency Services for \$24,500 for Additional Administrative Tasks

The Board continued the discussion regarding additional funding for environmental services for Plan A, Plan B, and Plan C. The Board supported the \$75,000 for completing the EIR/EIS, but was uncertain how best to manage the additional \$30,000 for Plan B or C. They agreed it would be contingent upon Board approval and noted that their next meeting would not be until January 28, 2019. The Program Manager suggested and Water Agency staff concurred that this item should be amended from \$75,000 to \$105,000, with initial approval of only \$15,000 of the additional \$30,000 to characterize what will be needed for Plan B or Plan C.

Jake Spaulding discussed the need for an additional \$24,500 for water agency legal and environmental review to complete the EIR/EIS process.

A motion by Director Glass, seconded by Director Long for amendments to the Engineering Services Agreement of \$105,000 and for Water Agency Services for \$24,500 for additional administrative tasks was unanimously approved. It was further agreed by the Board that the additional \$30,000 for the Engineering Services Agreement was subject to their approval as discussed.

The Board further approved invoicing the member agencies for the full \$105,000 and that any unexpended funds would be carried over to FY2018/19.

12. No Cost Amendment to the Program Development, Federal, and State Advocacy Agreement for Six Months to Conclude Phase 2 Tasks

Ginger Bryant noted that her current agreement expires December 31, 2018. Additional activities for program development, federal advocacy, and state advocacy have been identified to complete Phase 2 tasks. Funding for the six-month workplan is within the approved FY2018/19 Budget. A motion by Director Gorin, seconded by Director Gibson to approve a no cost amendment to the Program Development, Federal, and State Advocacy Agreement for Six Months was unanimously approved.

13. Comments from Chair and Board Members

Grant Davis noted that the member agency managers have been discussion possible future programs that could be jointly undertaken. Phil Brun discussed City of Napa's plans to take over as the fiscal agent for their Drought Contingency Plan.

14. Adjournment

Chair Rabbitt adjourned the meeting at 11:29 a.m. The next meeting will be Monday, January 28, 2019 at 9:30 a.m. at Novato City Hall.

Minutes approved by the Board _____.

Charles V. Weir
Program Manager

10

MEMORANDUM

To: Board of Directors
From: Robert Clark, Operations / Maintenance Superintendent
Subject: First Quarter FY 2018/19 Update - Operations and Maintenance
X:\MAINT SUP\2019\BOD\Q1 18-19 O&M Update.doc

November 16, 2018



RECOMMENDED ACTION: Information

FINANCIAL IMPACT: None

Safety Summary

There was a lost day incident related to a slip and fall event when an employee was climbing out of the bed of a pickup truck in the yard that resulted in six days away from work. Hearing tests were performed for 28 employees who are at times exposed to 80 decibels and above noise levels during their normal job duties, no OSHA recordable results were identified. The Field Staff members participated in confined space training at the Stafford Treatment Plant along with the Novato Fire Protection District.

Maintenance Summary

Staff stayed on schedule with routine maintenance tasks, completing 43 unplanned work orders out of 333 total work orders completed this period. Project work included: tank security installations at Norman (gate Lock, Camera), Airbase (gate lock and camera); Set up SCADA monitoring of Harbor Dr. pressure regulator. Building and Grounds Staff cutback high grass, small dead trees, woody debris and shrubs at various tanks sites. Maintenance staff responded to four OM lift station failure due to wet wipes stuck in check valves.

Operations Summary

The Stafford Treatment Plant (STP) began the period under typical late summer production conditions producing 218 MG of water. Novato received 1,004 MG in total water produced with a peak day of 16.1 MG. The Point Reyes Treatment plant produced 30.4 MG with a peak day of 421,400 gallons. The Deer Island recycled water plant was in operation during the period and produced 4.0 million gallons of water for the Stone Tree golf course.

Water Quality Summary

With the assistance of Operations' staff, Construction/Maintenance staff and additional contract vendors, the District is on track to complete all the required annual backflow testing by mid-December. Annual inspection of the waste discharge facilities at STP by the Novato Sanitary District (NSD) staff resulted in satisfactory findings. However, the Novato Sanitary District continues to have issue with respect to their ultra violet (UV) disinfection system and the iron oxidation build up and the current maintenance frequency.

11

MEMORANDUM

To: Board of Directors
From: Pablo Ramudo, Water Quality Supervisor *PR*
Subject: First Quarter FY 18/19— Water Quality Report
P:\LAB\WQ Supv\WQ Reports\2019\1st Qtr FY19 WQ Rpt.doc

November 16, 2018

RECOMMENDED ACTION: Information**FINANCIAL IMPACT:** \$0

The water served to the communities of Novato and Point Reyes met federal and state primary and secondary water quality standards during the first quarter of fiscal year 2018-2019.

Following is a review of the activities and water quality issues in regards to:

- Source Water
- Treatment Performance
- Distribution System Water Quality
- Novato Recycled Water

NOVATO SYSTEM**Source Water: Stafford Lake**

Stafford Lake water was used as a source of drinking water throughout the first quarter. Water quality was monitored on a weekly basis for chemical and mineral components as well as microbiological activity.

Total organic carbon ranged from 7.8—9.0mg/L, an increase of 40% over the same period last year.

Treatment Performance: Stafford Treatment Plant

Total organic carbon (TOC) removal remained above the 35-40% required by regulation. Despite the relatively high concentration of TOC in the raw water, finished water TOC concentrations were 1.4 – 1.9 mg/L, below the district's goal of 2.0 mg/L.

Distribution System: Novato

Of 246 samples collected for compliance with the Total Coliform Rule there was one sample positive for coliform bacteria. This sample was collected at the sample station representing the Novato Crossroads neighborhood in Zone 1. This sample had adequate chlorine to ensure disinfection and all follow up samples were negative for coliforms.

Disinfection byproducts were very low for the quarter and well within standards of the Stage 2 Disinfection By-Product Rule.

POINT REYES SYSTEM

Source Water: Coast Guard Wells

Raw water quality was generally good throughout the quarter. Water quality parameters affected by salt water increased during the quarter. The sodium concentration ranged from 57 – 120 mg/L, chloride ranged from 56 – 360 mg/L, and bromide ranged from 0.23 – 1.3 mg/L.

Source Water: Gallagher Well

Raw water quality was good throughout the quarter. Water quality parameters affected by saltwater are very low from this source and are not prone to intrusion from seawater. Sodium concentration ranged from 10 – 11 mg/L, chloride ranged from 12 – 14 mg/L, and bromide ranged from .056 – 0.080 mg/L.

Treatment Performance: Point Reyes Treatment Plant

Treatment was optimal throughout the quarter and finished water quality was good. Iron and manganese removal was excellent; neither of the metals were detected in the treated water.

Distribution System: Point Reyes

There were 22 samples collected for routine monitoring and compliance with the total coliform rule. None of the samples were positive for coliform bacteria. Chlorine residual concentrations throughout our distribution system were good.

Disinfection byproducts increased markedly from last quarter due to the increased concentration of bromide in the source water from the Coast Guard wells. The concentration of total trihalomethanes (THMs) in the sample representing maximum water age was 120 ug/L. Although this individual sample measured above the maximum contaminant limit for THMs of 80 ug/L, compliance is based on a running annual average at each sample point. The running annual average for THMs at this location including the most recent results is 70 ug/L- meaning the district remains in compliance with the Disinfection Byproduct Rule.

NOVATO RECYCLED WATER

Deer Island Recycled Water Facility

The Deer Island plant produced water for 21 days in July and August to provide recycled water to the North area of Novato. Recycled water quality from the Deer Island facility was good, with most samples having no detectable coliform bacteria. All test results were well within regulations and guidance.



North Marin Water District- 1st Quarter FY2018 / 2019

Bacteriological Quality Monitoring

Novato: 246 Samples Analyzed. 1 sample positive for coliform bacteria.
 Point Reyes: 22 Samples analyzed. No samples positive for coliform bacteria.

Chemical Quality Monitoring

Constituent	Units	Maximum Contaminant level	SCWA North Marin Aqueduct	Stafford Treatment Plant	Point Reyes Treatment Plant
Conductivity	umhos/cm	900 *	287	411	891
TDS	mg/L	500 *	170	249	469
Hardness	mg/L	-	113	118	243
Alkalinity	mg/L	-	131	81.1	111
Calcium	mg/L	-	22.4	22.5	35.1
Magnesium	mg/L	-	13.9	15.1	38.8
Copper	mg/L	1.0*	ND	ND	ND
Iron	mg/L	0.3*	ND	ND	ND
Manganese	mg/L	0.05 *	ND	ND	ND
Zinc	mg/L	5.0 *	ND	ND	ND
Sodium	mg/L	-	19.1	34.9	84.0
Chloride	mg/L	250 *	6.38	76.2	204
Sulfate	mg/L	250 *	12.2	7.53	19.7
Fluoride	mg/L	2.0 (1.4-2.4)	0.0922	0.113	0.0845
Nitrite as N	mg/L	1.0	ND	ND	ND
Nitrate as N	mg/L	10	0.133	0.0526	0.0773
pH	pH units	8.5 *	8.32	8.31	7.05
Turbidity	NTU	5	0.07	0.09	0.04
Color	PCU	15	<2.5	<2.5	<2.5
Free Chlorine	mg/L	4.0	1.01	1.25	1.37
Total Chlorine	mg/L	4.0	1.08	1.43	1.57
Temperature	° C	-	20.0	21.4	15.7
Odor	TON	3	<1	<1	<1

*Indicates secondary drinking water standard

ND = Not Detected
 NA = Not Analyzed

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DISBURSEMENTS - DATED NOVEMBER 8, 2018

Date Prepared 11/6/18

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
*MARI 01	Marin County Planning Division	Board of Supervisors Appeal-PRE Tank 4A	\$1,408.00
1	All-American Printing Services	Printing Services: Customer Service Questionnaires (600)	217.54
2	Alphagraphics Marin	Meter Letters for AMI Installation (1,275) & Mailing Services (\$559)	1,077.54
3	Athens Administrators	Replenishment for Check Written (10/1-10/31/18) (\$2,629) & November Workers' Comp Admin Fee	3,628.96
4	AT&T	Telephone (\$62), Fax (\$74), Data (\$270) & Leased Lines (\$189)	595.32
5	Bay Area Barricade Service	Spray Chalk (12)	48.29
6	Bearings & Hydraulics	4" Valve for Vac Excavator (\$193) & Hose Clamps	199.19
7	Brilliant Corners	Refund Excess Advance for Construction Over Actual Job Cost - 472 Alameda De La Loma- Upsize Lateral-Paving Moratorium	6,383.30
8	Bruce Enterprises Parking Area	Apply Sealcoat to Asphalt Surface @ 3 Farvue Road	950.00
9	Clark, Robert E.	Exp Reimb: Hotel (\$713) & Gas (\$90) for CA-NV AWWA Conference in Rancho Mirage (10/21-10/24)	803.39
10	DataTree	October Subscription to Parcel Data Information	100.00
11	Direct Line	October Telephone Answering Service	251.76
12	Emami, Shahnaz	Novato "Cash for Grass" Rebate Program	270.00
13	Environmental Resource Association	Yearly Performance Testing Study to Maintain Lab Certification	977.71
14	Evoqua Water Technologies	Service on Lab Deionization System	263.85
15	Fisher Scientific	Nitrogen Standard (Lab)	30.04

Seq	Payable To	For	Amount
16	Forde, W.R., Associates	Refund Overpayment on Closed Account	767.17
17	GMP Cars	Refund Excess Advance for Construction Over Actual Job Cost-86 Hamilton Dr Fire Service	1,058.42
18		Cafeteria Plan: Uninsured Medical Reimbursement	70.00
19	Grainger	Fuses for Auto Shop & Check Valve for Hayden P/S (\$311)	364.51
20	Holman, Mary L.	Novato "Cash for Grass" Rebate Program	400.00
21	Karkabi, Naaim	Refund Excess Advance for Const Over Actual Job Cost-747 Plaza Hermosa-Upsize to 1" Meter	261.91
22	Kehoe, Theresa	Exp Reimb: Hotel (\$369), Food & Mileage for District Secretary Conference In Lake Tahoe (10/22-10/24)	594.13
23	Lincoln Life	Deferred Compensation PPE 10/31/18	9,882.59
24	Madruga Iron Works	Spring Nuts for Fire Service Vault Lids (50)	254.05
25	Maltby Electric	Wire Connectors (3)	72.31
26	Marin County Recorder	Replenish Draw Down Account for Official Records	100.00
27	Micro Technology	Certification of Fume Hood (Lab)	493.01
28	Nationwide Retirement Solution	Deferred Compensation PPE 10/31/18	1,750.00
29	O'Reilly Auto Parts	Anti Fog Wipes for Vehicle Windows	13.00
30	Pace Supply	Angle Meter Stops (57) (\$2,606) & Butterfly Valve	3,264.34
31	Rempe, Zac	Novato "Washer" Rebate Program	50.00
32	Rist, Sharon	Novato "Pool Cover" Rebate Program	50.00
33		Cafeteria Plan: Uninsured Medical Reimbursement	57.63
34	Scott Technology Group	Quarterly Maintenance on Engineering Copier (7/16/18-10/15/18)	934.92

Seq	Payable To	For	Amount
35	Sonoma County Water Agency	Conservation Program Support (7/1/18-9/30/18)	7,466.83
36	Thatcher of California	Ferric Chloride (10 tons) (STP)	5,354.98
37	Thatcher Chemical	Chlorine (2,000 lbs) (STP)	2,169.00
38	United Site Services	Porta-Potty Rental (1 month) (O.M. Pond Storm Drainage Project)	172.82
39	US Postal Service	Meter Postage	1,000.00
40	VBS CAL	Bond Paper (36" x 500')	73.12
41	VWR International	Flask for Lab	129.70
42	Wildcat Engineering	Prog Pymt #7: Onsite Retrofit for RW Central Area (Balance Remaining on Contract \$0)	73,327.03
43	Wilson Bohannon	Brass Padlocks (60)	505.34
TOTAL DISBURSEMENTS			<u>\$127,841.70</u>

The foregoing payroll and accounts payable vouchers totaling \$127,841.70 are hereby approved and authorized for payment.


Auditor-Controller

11/5/18
Date


General Manager

11/5/18
Date



NORTH MARIN WATER DISTRICT
Director's Compensation Request
for Attendance at Meetings Other than District Board Meetings

BOARD MEMBER: JOHN BAKER

DATE 1 / 1 /
(TODAY'S DATE)

425 Corte Norte

Novato, CA 94949

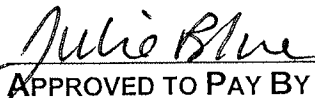
I attended the North Bay Water Reuse Program mtg. on 10/22/18
(NAME OF MEETING OR WORKSHOP) (DATE OF MEETING)

and wish to be compensated as provided under the Board Compensation Policy.



DIRECTOR SIGNATURE

FOR ACCOUNTING USE ONLY


APPROVED TO PAY BY

10/27/18

DATE

CHARGE TO: 56001-01-11

AMOUNT: \$ _____
(filled in by Accounting)

PAID PAY PERIOD ENDING / /

t:\forms\check request completed\check request for baker.doc
Rev. 0716

RECEIVED

OCT 24 2018

North Marin Water District



NORTH MARIN WATER DISTRICT
Director's Compensation Request
for Attendance at Meetings Other than District Board Meetings

BOARD MEMBER: RICK FRAITES

50 Forrest Road
Novato, CA 94947

DATE

10/15/18
(TODAY'S DATE)

I attended the

North Bay Watershed Association on 10/15/18
(NAME OF MEETING OR WORKSHOP) (DATE OF MEETING)

and wish to be compensated as provided under the Board Compensation Policy.

DIRECTOR SIGNATURE

FOR ACCOUNTING USE ONLY

APPROVED TO PAY BY

DATE

CHARGE TO: 56001-01-11

AMOUNT: \$ _____
(filled in by Accounting)

PAID PAY PERIOD ENDING ____/____/____

DISBURSEMENTS - DATED NOVEMBER 15, 2018

Date Prepared 11/13/18

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 10/31/18 & Final Payouts	\$144,188.98
EFT*	Internal Revenue Service	Federal & FICA Taxes PPE 10/31/18 & Final	54,937.67
EFT*	State of California	State Taxes & SDI PPE 10/31/18 & Final	11,480.86
EFT*	CalPERS	Pension Contribution PPE 10/31/18	34,634.05
*90121	US Bank Card	External Drive for STP SCADA System (\$113), Fastrak (\$80), Payroll Tax Filings (\$53), Costco- Lab & Admin Supplies (\$175), Part for Lab Equipment (\$182), PC Monitor (\$194) & Lunches for Negotiations (\$75)	871.34
EFT*	US Bank	August (\$1,104) & September (\$1,091) Bank Analysis Charge (Lockbox \$1,824 & Other \$715, Less Interest of \$344)	\$2,195.07
1	Able Tire & Brake	Tires (4) (\$828) & Alignment ('12 F250)	936.49
2	All Star Rents	Propane (24.7 gals)	80.13
3	A.S.T.I.	Annual Fire Service Testing (44)	4,560.00
4		Cafeteria Plan Reimbursement	416.66
5	Bank of Marin	Bank of Marin Loan Principal & Interest (Pynt 85 of 240)	46,066.67
6	Barlow, Angela	Refund Overpayment on Closed Account	33.30
7	Bay Area Barricade Service	66" Fiberglass Posts (20) (STP)	457.56
8	Biomarin Pharmaceutical	Refund Overpayment on Open Account	15,053.46
9	CDW-Government	Backup Batteries for Wildhorse P/S & Wing Foot P/S	222.06
10	Cilia, Joseph	Retiree Exp Reimb (November Health Ins)	343.66
11	Dagovitz, Melvin	Refund Overpayment on Closed Account	79.57

Seq	Payable To	For	Amount
12	DB Claims Services Group	September Professional Services (2 Claims)	656.00
13	DeGabriele, Chris	Retiree Exp Reimb (November Health Ins)	1,006.54
14	Diggs, James	Retiree Exp Reimb (November Health Ins)	342.23
15	Environmental Resource Center	Hazardous Waste Manifest Training Webcast (4 Employees)	1,077.30
16	Golden Gate Petroleum	Gasoline (\$3.33/gal), Diesel (\$3.59/gal) (\$3,517) & Diesel Fuel for Portable Generator	4,130.15
17		Cafeteria Plan: Uninsured Medical Reimbursement	70.00
18	Grainger	Lights for Container "C" (3) (\$212), Operation Supplies, Concrete Saw Blade (\$228) & Slip Hooks for Trailers (3)	683.83
19	Guthrie, Lenia	Novato "Toilet Rebate" Program	200.00
20	Hardy Diagnostics	Media for Microbiological Analysis (Lab)	295.25
21	Hart, Stephen	Novato "Toilet Rebate" Program	100.00
22	HERC Rentals	Ride-On Roller Rental	2,576.63
23		Vision Reimbursement	168.02
24	Industrial Scientific	Gas Monitor for Maintenance & STP	1,755.07
25	Jackson, David	District Contribution Toward Cost of Retirement Party per Board Policy #29	200.00
26	Ladd, David	Exp Reimb: NexGen Users Conference. Registrations (\$650), Hotel (\$458), Food (\$16) & Parking (\$63)	1,187.26
27	Latanyshyn, Roman	Retiree Exp Reimb (November Health Ins)	343.66
28	Lemos, Kerry	Retiree Exp Reimb (November Health Ins)	1,006.54
29	Marin Landscape Materials	Soil (2 yds)	82.46
30	Marin County Ford	Service Parts ('12 F250, '15 Ford Escape & '18 Transit Van)	896.37
31	McLellan Co, WK	Misc Paving (Balance Remaining on Contract \$203,396)	25,663.68

Seq	Payable To	For	Amount
32	Moore, Doug	Retiree Exp Reimb (November Health Ins)	1,006.54
33	North Marin Auto Parts	Service Parts ('01 Portable Generator, '13 Vac Excavator & Trailer, '12 F250, '02 Chevrolet Silverado, '17 Nissan Frontier) Gas Pump Filters (3) & Grease & Gun for Equipment	1,577.04
34	North Bay Gas	October Cylinder Rental	113.00
35	NMWD Employee Association	Association Dues (8/31/18-10/31/18)	1,215.00
36	Novato Builders Supply	Wheel Barrow (\$156), Drill Bits (5), Lumber, Concrete (4 yds) (\$777), Pad Lock, Parts for Metal Pedestal Box & Parts for San Antonio Tank Enclosure	1,178.09
37	Novato Sanitary District	Semi-Annual Billing for Yard/Office Sewer Service Charge (2018-2019)	2,619.90
38	Open Spatial	MYNSYS/GIS System Facility Map Updates	4,700.00
39	Pace Supply	Leak Repair Clamps (16) (\$387), Ells (2) (\$53), Cap, Adapter, Plug, Solvent Weld & Soil Probes (3) (\$208)	738.02
40	Pape Machinery	Parts & Labor to Repair Broken TPS Sensor & Repair Linkage on Backhoe	483.39
41	Petaluma Elks Lodge #901	Rental Cost Balance - Petaluma Elks Lodge for Holiday Party (Includes \$250 Security Deposit)	1,919.81
42	NMWD Petty Cash	Holiday Party Decorations (\$21), Safety Snacks (\$55) & Safety Bucks (6)	82.52
43	Pini Hardware	Painting Supplies, Hardware for Aquatic Invasive Species, Cleaning Supplies, Varnish for Signs, Cable Parts for Lab Hood, Outlet & Covers for Warehouse, Leaf Skimmer, Glue, Smoke Alarm for Warehouse, Spray Lube, Plumbing for STP Filters & Kitchen Supplies, Coupling, Clamps, Power Strips for Engineering Dept, Driver Bit Set, Door Sweep, Pruning Shears, Hardware for Solar Bee, Nylon Rope (50'), Hardware, Jig Saw Blade & Paint Roller	570.22
44		Cafeteria Plan: Uninsured Medical Reimbursement	60.00
45	Red Wing Shoe Store	Safety Boots (Arendell & Davenport)	400.00

Seq	Payable To	For	Amount
46	RM Harris	Refund Security Deposit on Hydrant Meter Less Final Bill	635.25
47	Rosenberg, Kenneth	Novato "Toilet Rebate" Program	100.00
48	Sebastopol Bearing & Hydraulic	Valve (\$193) & Hose Clamps	199.19
49	Sequoia Safety Supply	Brief Relief Urine Bags (100)	259.91
50	Stafford, Vernon	Retiree Exp Reimb (November Health Ins)	343.66
51	Synectic Technologies	Quarterly Phone System Maintenance	446.70
52	Township Building Services	Bath Tissue & Cleaning Supplies	155.33
53	Verizon Wireless	Cellular Charges: Data (\$521), Airtime (\$137) & Equipment Charges (\$191) (21)	849.13
54	Verizon Wireless	AMI Gateways, SCADA, Novato (\$643) & CIMIS Station	658.36
55	White Cap Construction	Turf Reinforcement Mats (16 - 7' x 56")	3,027.50
56	Wiley Price & Radulovich	September Legal Fees	13,347.00
57	Wilson Bohannon	Brass Padlocks (60)	505.41
		TOTAL DISBURSEMENTS	<u>\$396,189.49</u>

The foregoing payroll and accounts payable vouchers totaling \$396,189.49 are hereby approved and authorized for payment.

 Auditor-Controller	11/12/18 Date
 General Manager	11/12/18 Date

From: Barry Dugan [<mailto:Barry.Dugan@scwa.ca.gov>]

Sent: Wednesday, November 07, 2018 2:50 PM

Subject: Army Corps of Engineers approves request to allow more winter storage in Lake Mendocino



**Sonoma
Water**

PRESS RELEASE



**US Army Corps
of Engineers** *
San Francisco District

FOR IMMEDIATE RELEASE

November 7, 2018

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Army Corps of Engineers approves request to allow more winter storage in Lake Mendocino

Ukiah, CA – The U.S. Army Corps of Engineers (Corps) will allow additional water to be stored in Lake Mendocino during this winter's rainy season to improve water supply reliability and environmental conditions in the Russian River, while continuing to ensure flood management capacity of the reservoir. The decision would allow the Corps to use modern weather prediction technology to operate the reservoir with more flexibility to store more water when no major storms are forecasted.

A group of scientists and engineers from local, state and federal agencies, including representatives from the U.S. Army Corps of Engineers, has been developing a proof-of-concept demonstration project for Forecast Informed Reservoir Operations (FIRO) since 2014. Last year, the group, the Lake Mendocino FIRO Steering Committee, filed a request with the Corps to allow a deviation from its established flood control operating rules. The deviation request was supported by a Preliminary Viability Assessment, which contained detailed modeling, analysis and scientific research. The assessment demonstrated that FIRO can provide water managers the information they need, with adequate lead time, to selectively retain or release water from reservoirs. That request was approved earlier this month.

"The ability to leverage newer technology and knowledge base as it pertains to weather forecast enhances our ability to safely deliver the multiple missions at Lake Mendocino," said Nick Malasavage, chief of Operations and Readiness Division for the U.S. Army Corps of Engineers San Francisco District. "In particular, the steps we are now taking to further develop and incrementally implement the FIRO concept adds an additional tool to maintain our primary responsibilities for flood risk management."

Under the approved request, a maximum of 3.8 billion gallons (11,650 acre-feet) of additional water could be stored in the reservoir between November 1 and February 28, which is enough water to supply approximately 97,000 people for a year.

Lake Mendocino, located near the city of Ukiah, is operated jointly by the Corps and Sonoma Water. The Corps manages the flood control operations at the reservoir, or the water in what is referred to as the “flood pool.” Sonoma Water manages the water stored expressly for water supply, known as the “conservation pool” and is also responsible for maintaining minimum in-stream flows in the Russian River below Lake Mendocino.

Studies show that about 50 percent of the rainfall and 80 percent of the floods in the Russian River watershed are due to atmospheric rivers – long narrow bands of warm, moisture-laden air that carry huge amounts of water vapor propelled by high winds.

“We know that a majority of our rain each year comes from these atmospheric rivers,” said Sonoma Water Chief Engineer and co-chair of the steering committee Jay Jasperse. “Because we now have the technology to better predict the timing and intensity of these storms, it allows us the opportunity to manage our water supply more efficiently and maintain flood management capacity in Lake Mendocino.”

A dramatic illustration of the potential benefits of FIRO occurred in December of 2012 when a large atmospheric river storm filled the available water supply space in Lake Mendocino and filled about 25,000 acre feet of the flood pool that is normally kept empty to take the crest off of floods. Operating under the Corps procedures, which dictate that water in the flood pool be released as soon as possible to make room for the next storm, dam operators followed the operations rules and released the water from the flood pool, even though no storms or flooding was forecasted in the near future. But no additional storms occurred, and the next winter was the beginning of a severe and extended drought. If improved forecasts had been available and used in 2012 and atmospheric river storms were not predicted to occur, and operation rules were more flexible, the water that had been released could have been put to beneficial uses just as the region entered a drought.

As noted by F. Martin Ralph, Director of the Center for Western Weather and Water Extremes at UC San Diego’s Scripps Institution of Oceanography and co-chair of the FIRO Steering Committee, “The FIRO effort that has led to this approval by the Corps is the result of a highly collaborative effort between engineers, physical scientists, biologists and forecasters. Sonoma Water and the Corps are to be commended for their leadership and innovation on FIRO at Lake Mendocino, which is setting the stage for further exploration of this promising approach.”

“This collaboration will have far-reaching benefits for the resiliency and reliability of our water supply system in the face of a changing climate,” said James Gore, Chair of Sonoma Water’s Board of Directors. “Improved forecasting provides us with the ability to store more water and still maintain the flood protection benefits of our reservoirs. This is another great example of the benefits of a multi-agency partnership that addresses our most challenging issues.”

The Lake Mendocino FIRO Steering Committee consists of representatives from Sonoma Water (Sonoma County Water Agency), the Center for Western Weather and Water Extremes at Scripps Institution of Oceanography (Scripps), U.S. Army Corps of Engineers (Corps), National Oceanic and Atmospheric Administration (NOAA), U.S. Geologic Survey (USGS), U.S. Bureau of Reclamation and the California Department of Water Resources (DWR). The deviation request was submitted on behalf of steering committee members from Sonoma Water, Scripps, the Corps, NOAA and DWR.



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Bond rejected for water infrastructure

PROPOSITION 3

By Don Thompson

The Associated Press

California voters rejected borrowing nearly \$9 billion for water infrastructure improvement projects despite the state suffering from chronic water scarcity.

Proposition 3 lost Tuesday by a narrow margin of less than 3 percentage points.

The initiative called for devoting the money to storage and dam repairs, watershed and fisheries improvements, and habitat protection and restoration.

Much of the \$8.9 billion was earmarked for conservancies and state parks to restore and protect watersheds, and to nonprofits and local agencies for river parkways.

There also was money for improvements to meet safe drinking water standards.

The measure was backed by agricultural and water associations and groups devoted to conserving wetlands, fish and wildlife. Together, they had contributed more than \$5 million to the campaign by mid-October.

“Sadly, the voters rejected a measure which would have provided safe drinking water to disadvantaged communities and would have helped California get through the next drought,” said Jerry Meral, director of the California Water Program, the measure’s main proponent. “Perhaps the Legislature will revisit this issue in two years.”

Sierra Club California and the League of Women Voters of California were among opponents who said the measure benefited special interests while siphoning money from other programs. No significant money was spent by the opposition.

“Voters saw through the rhetoric and sent the message that those who use water need to pay for it,” said Helen Hutchison, president of the League of Women Voters of California. She agreed that more money for water projects is needed but supported working with state lawmakers.

“Particularly for bond measures, we are far more supportive of those that come out of the Legislature,” she said. “We end up with more transparency of how the money is spent and there’s legislative oversight for spending the money.”

It was the largest water bond proposal since California’s nonpartisan legislative analyst began keeping track in 1970.

Less than \$500 million was tagged for surface water storage and dam repairs, including \$200 million to help repair Oroville Dam in Butte County, where damaged spillways last year caused the precautionary evacuation of nearly 200,000 people living downstream.

With the payback cost estimated at \$430 million a year for 40 years, the legislative analyst put the total cost of the measure to state taxpayers at \$17.3 billion, or about double the underlying benefit.

Local governments were projected to save about \$200 million annually for water-related projects, with some matching funds required and preference given to disadvantaged communities.

Voters previously approved nearly \$35 billion in bonds since 1970 for water and environmental projects, including \$4 billion from a ballot measure passed in June. About a third of all funding remains unspent.

NORTH COASTER
New Issue

POINT REYES LIGHT

Inverness Public Utility District general manager resigns, staff steps up

By Anna Guth
11/07/2018

Change is afoot at the Inverness Public Utility District. Ken Eichstaedt, the district's general manager since May 2016, resigned last Wednesday for undisclosed reasons. "I enjoyed making positive changes to the infrastructure and administration at IPUD and wish the organization well," Mr. Eichstaedt, an Olema resident with more than 30 years of experience as a civil engineer, told the Light in an email. The board of directors formally accepted his resignation at a special meeting last Friday, and approved reconfigurations to the time and pay of existing and new staff to fill his role until a more permanent replacement is found. Wade Holland, who served as general manager at IPUD between 1985 and 2001, will help fill Mr. Eichstaedt's position in the short term as the district's administrator. He told the Light that the proximity of the resignation to an article in this newspaper about the possibility that elevated corrosivity in the district's water is leading to increased lead levels at the tap was merely "an unfortunate coincidence." Mr. Holland, who also volunteers as a proofreader for the Light, is increasing his time at IPUD from one day a week to three days. He will share primary managerial responsibilities with Jim Fox, the district's water system superintendent and fire chief. Mr. Fox, who has loose plans to retire and has been chipping away at hundreds of hours of stored vacation time, will also increase his hours. Kaaren Gann, another former general manager, will take over the financial duties, and her daughter, Shelley Redding, will cover the remainder of the tasks as an associate administrator. The change also means a financial hit for the district, which agreed to pay Mr. Eichstaedt his salary—about \$9,500 per month—until next February. Although Mr. Holland has encouraged the board to act quickly to find a replacement, at last week's special meeting, board members waffled over whether to hire a new general manager right away or look for someone who could simply fill the administrative duties—their most pressing need. Mr. Holland, who plans to draft a job description for the board to consider in December, commended Mr. Eichstaedt for his role in the projects the district undertook during his tenure. Those include the planning and engineering of the Tenney tanks and the replacement of both a water main on Camino del Mar and the Stockstill tanks—all key aspects of the district's infrastructure. As district employees work to pick up Mr. Eichstaedt's normal responsibilities, they are also pressing ahead to complete another round of tests for the California State Water Resources Control Board this month, required after three out of 20 homes tested in April showed lead levels that exceeded the federal limit. It

remains unclear whether the problem is isolated to a few homes with aging infrastructure or is more systemic, the result of an overall increased corrosivity of the water that passes through the district's nanofiltration system, which came online in 2015. In an effort to troubleshoot the problem, the district plans to replace the faucets at the three test homes before conducting more testing.

NORTH COASTER

New Issue

POINT REYES LIGHT

Appeal shrinks Paradise Ranch water tank

By Anna Guth
11/01/2018

In a win for a property owner at the top of Drakes View Drive concerned about his viewshed, the Planning Commission moved last week to reduce the size of a water tank that North Marin Water District plans to install—a replacement for an aging redwood tank and another taken by fire in 1995.

The team of lawyers and consultants for the appellant, musician Jesse Colin Young, whose family owns two neighboring properties atop the ridge, argued that the district had not provided adequate notification of the project, questioned its safety and compliance, and described that the distressing visual impacts were possibly avoidable with a redesign.

“I believe further consideration should be made to the design of this water tank so we do not turn our beautiful forest into a concrete jungle,” Ethan Turner, Mr. Young’s godson who has lived at the property for the majority of his life, told the Planning Commission on Thursday.

Ultimately, commissioners found a county ridgeline code brought forward by Mr. Young’s attorney, which states that the height of new structures should not exceed 18 feet above the existing grade, the most compelling argument. They granted his appeal in part, approving the water district’s application for a coastal permit on condition that it lower the structure from the proposed 20 feet 8 inches to 18 feet and provide additional landscaped screening.

Though a few feet might seem negligible, it will have an impact for the water district, according to the representative who spoke at Thursday’s hearing, engineer Rocky Vogler.

Mr. Vogler explained that the district had hoped to build a 125,000-gallon concrete tank to meet updated water storage requirements from the Marin County Fire Department, which mandate a 1,000-gallon per minute flow for a duration of two hours in that area. The new tank will replace one burned in the Mount Vision Fire, which could hold 25,000 gallons, and a current standing redwood tank, which has a 50,000-gallon capacity.

Theoretically, the district could widen the diameter of the tank to account for the Planning Commission’s directive, but Mr. Vogler said the proposed tank is already approaching the property lines, at just five feet from Mr. Young’s property on one side. Lowering the tank into the ground was also not a preferable option, Mr. Vogler argued, because doing so would lower the water pressure for nearby customers, many of whom already receive the lowest limit of serviceable water pressure.

Mr. Vogler also shot down the recommendation from Mr. Young’s architect to divide the tank into two—that would cost twice as much, he said.

The tank is the largest of several capital improvement projects North Marin is planning in West Marin, and though it was originally estimated to cost \$525,000, it is now projected to reach \$775,000. Furthermore, Mr. Vogler said, funding will come out of the pockets of West Marin customers only.

District Four Commissioner Chris Desser said she was in a “quandary.” “Personally, I wouldn’t want a looming tank five feet from my property line. I think two tanks would be preferable, but it’s a lot of money,” she said.

Overall, commissioners took no issue with Mr. Vogler’s confirmation that the project was well-planned from an engineering standpoint and that the district adequately noticed the appellant. It also provided extensive public notification, including in this newspaper, and erected story polls at the site in 2016.

Nevertheless, they remained sympathetic to Mr. Young’s view concerns.

Despite photographs shown by both sides, it remained unclear how impactful the water tank might be for the Youngs’ residence. (There was also disagreement over the location of the sunset in the winter and summer months and whether the tank would block it.)

Commissioners were most concerned about the Youngs’ adjacent property, whose borders come within five feet of the proposed tank. A house burned down in the Mount Vision Fire on that parcel, leaving the possibility of rebuilding.

Describing the water district’s efforts to minimize the visual impacts of the tank, Mr. Vogler said it planned to texture and paint the concrete so it better blended with the wooded habitat. A berm was planned for one side of the tank but, given the tight proximity to the Youngs’ property on the other side, the district decided against another to allow maintenance crews to have full access.

Planning commissioners included a condition in their approval of the permit that the district work with Mr. Young to come up with some landscaping for that side.

All commissioners but one voted in favor of the decision. Commissioner Margaret Curran expressed concern about the impact of lowering the tank, primarily in regard to adequate water supply in a fire-prone landscape.

MMWD taps new general manager

THE COUNTY

By Will Houston

whouston@marinij.com @Will_S_Houston on Twitter

The Marin Municipal Water District Board of Directors has selected Bennett Horenstein, a longtime Bay Area water and wastewater official, to become its new general manager.

Horenstein, who is now the director of the city water department in Santa Rosa, said Monday that after consulting with his family and based on the district's and its staff's reputation in the Bay Area and California, the opportunity was too good to pass up.

"It's a special opportunity to be entrusted with the

leadership of this organization," Horenstein said Monday. "And my role is to support the staff of the district in meeting the policy directions of the board, to meet our mission and the expectations of the community. And I really look forward in taking that on."

The board is expected to finalize Horenstein's contract, which will provide him an annual salary of \$255,000, on Tuesday. The contract designates Horenstein as an at-will employee.

The decision comes after the district general manager Krishna Kumar announced his retirement earlier this year after six years in the position. Horenstein will begin his position on



Horenstein

Dec. 3, with Kumar staying on in an advisory role until his last day on Dec. 28.

"We're really excited to have a seasoned water professional with 30 years of experience coming in," said Emma Detwiler, communications specialist for the district. "It seems like his experience and expertise is a perfect fit for our needs here at the district."

Horenstein has worked for the Santa Rosa department since March 2017. Prior to that, he was appointed in 2013 to direct the East Bay Municipal Utility District's Wastewater Department, where he had worked for 22 years in various capacities. Prior to that he worked as a process engineer for the city of Los Angeles' Bureau of Sanitation.

the district to communicate with its customers about the needs of the district in terms of repairs, replacement and improvement of infrastructure to provide high quality water. Horenstein said the cost-of-living and housing issues that employees face is a regional issue that natural partners like school districts, fire districts and other should be discussing together.

Along with his career positions, Horenstein also serves on the board of the National Association of Clean Water Agencies, is chairman of the California Association of Sanitation Agencies' Utility Leadership Committee, serves on the San Francisco Baykeeper advisory board and is a board member of the National Association of Clean Water Agencies. He is also a former Bay Area Clean Water Agencies board member. Ian

Having directed the Santa Rosa department during last year's fire siege and based on past experience, Horenstein said it may be the most important role he has coming into this new position to ensure the district is well prepared for any natural disaster emergency — be it seismic, fire or floods — through both response and building resiliency.

“From what I've seen, it does feel to me that the district has done some great work in terms of preparation and is on the right track,” he said. “It's a bit premature for me to identify specific areas of opportunities, but there are always some. These are very big, complex issues. I hope and I believe that the experience I went through — that was very tough, but very educational — will benefit the district and the community of Marin.”

Beginning his position about seven months out from another potential rate increase for district customers, Horenstein said it's important for

Wren, a staff scientist at San Francisco Baykeeper, said he worked with Horenstein for a nearly five-year period while Horenstein was at the East Bay Municipal Utility District.

“He has a unique capacity to work with diverse stakeholders and balance the needs of his rate payers with that of the environment,” Wren said, “and who is not afraid to do what's best for the environment and water quality and seeking next generation technologies and approaches to managing water resources.”

Despite the fact that San Francisco Baykeeper sued the East Bay Municipal Utility District while Horenstein served as the wastewater department director, Wren said Horenstein was critical to reaching a settlement and even came on to serve as an advisory board member for San Francisco Baykeeper after leaving the district.

Tuesday, 11/13/2018 Pag.A01

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