



NORTH MARIN WATER DISTRICT
AGENDA - REGULAR MEETING
 December 4, 2018 – 6:00 p.m.
 District Headquarters
 999 Rush Creek Place
 Novato, California

Information about and copies of supporting materials on agenda items are available for public review at 999 Rush Creek Place, Novato, at the Reception Desk, or by calling the District Secretary at (415) 897-4133. A fee may be charged for copies. District facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the District Secretary as soon as possible, but at least two days prior to the meeting.

Est. Time	Item	Subject
6:00 p.m.		CALL TO ORDER
	1.	1. Oath of Office: Directors Fraites, Grossi and Joly
	2.	REORGANIZATION OF BOARD:
		1. Election of President
		2. Election of Vice President
		3. Establishment of Meeting Times and Place
		4. Establishes the Manner of Calling Special Meetings
		5. Appointment of District Officers
		6. Confirm Board Meeting Schedule for 2019
		7. Committee Appointments
	3.	APPROVE MINUTES FROM REGULAR MEETING , November 20, 2018
	4.	APPROVE MINUTES FROM SPECIAL MEETING , November 28, 2018
	5.	GENERAL MANAGER'S REPORT
	6.	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.
	7.	STAFF/DIRECTORS REPORTS
		ACTION CALENDAR
	8.	Accept: Outside Auditor's FY18 Report and Management Report
	9.	Approve: NEXGEN Asset Management - Consulting Engineering Services Agreement (Asset Management Software Procurement/Implementation)
		INFORMATION ITEMS
	10.	Draft FY18 Annual Report
	11.	Dillon Beach Village Community Meeting – November 13, 2018
	12.	NBWA Meeting – December 7, 2018
	13.	MISCELLANEOUS

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
		Disbursements – Dated November 21, 2018
		Disbursements – Dated November 29, 2018
		Legal Notice – Board of Supervisors Hearing –NMWD Appeal of Coastal Permit for PRE 4A Tank Replacement
		<u>News Articles:</u>
		Napa to join county, other cities to pay for new drought plan
		Housing for public workers vetted
		Novato pursues housing for its workforce
		Las Gallinas sanitary hires new executive General Manager
	14.	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.	15.	ADJOURNMENT

1

MEMORANDUM

November 30, 2018

To: Board of Directors

From: Terrie Kehoe, District Secretary



Subject: Oath of Office for Directors


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Recommended Action:

The District Secretary will administer the oath of office to Directors Fraites, Grossi and Joly.

2

MEMORANDUM

To: Board of Directors
From: Terrie Kehoe, District Secretary 
Subj: Reorganization of Board of Directors in an Election Year
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November 30, 2018

Following is an outline of procedures that may be followed at the December 4, 2018 meeting to meet the requirements of the County Water District Law and the California Election Code concerning organization of the Board of Directors after the election of Directors.

The current President calls the meeting to order. He may conduct the nominations or may instruct the Secretary to assume the Chair.

The Secretary states that the Oaths of Office have been administered to Directors Fraites, Grossi and Joly and will be filed with the Marin County Clerk in accordance with Section 30510 of the Water Code and Section 23556 of the Elections Code.

1. Election of President. Nominations are received for the office of President of the Board. Directors vote on nominated candidates for President. (Attachment 1)
2. Election of Vice President. The elected President assumes the Chair and presides over the election of Vice President. Nominations are received for the office of Vice President of the Board. Directors vote on the nominated candidates for Vice President.
3. Establishment of Meeting Times and Place. By motion, the Board establishes the time and place of holding its regular meetings: first and third Tuesdays of each month at 6:00 p.m. at District office, with one meeting to be held in West Marin at a place to be determined.
4. Establishing the Manner of Calling Special Meetings. By motion, the Board establishes the manner of calling special meetings (under provisions of Section 54956 of the Government Code).
5. Appointment of District Officers. By motion, the Board appoints a General Manager, Secretary, Auditor-Controller, and Chief Engineer and any other officers necessary and convenient to the District.
6. Confirmation of Board Meeting Schedule for 2019. By motion, the Board accepts the proposed meeting dates for the upcoming calendar year with the understanding that the calendar may be adjusted as needed. (Attachment 2)
7. Committee Appointments. Board review committee appointments recommended by the President. (Attachment 3)

NMWD BOARD OF DIRECTORS
OFFICER ROTATION

Year	President	Vice President
2019	Jack Baker	Michael Joly
2020	Michael Joly	Jim Grossi
2021	Jim Grossi	Steve Petterle
2022	Steve Petterle	Rick Fraites
2023	Rick Fraites	Jack Baker

2019 SCHEDULE
NORTH MARIN WATER DISTRICT
BOARD OF DIRECTORS MEETINGS

MONTH	DATE	TIME
January	15	6:00 p.m.
February	5	6:00 p.m.
	19	6:00 p.m.
March	5	6:00 p.m.
	19	6:00 p.m.
April	2	6:00 p.m.
	16	6:00 p.m.
May	7	6:00 p.m.
	21	6:00 p.m.
June	4	6:00 p.m.
	18	6:00 p.m.
	25 (Point Reyes)	6:00 p.m.
July	16	6:00 p.m.
August	6	6:00 p.m.
	20	6:00 p.m.
September	3	6:00 p.m.
	17	6:00 p.m.
October	1	6:00 p.m.
	15	6:00 p.m.
November	5	6:00 p.m.
	19	6:00 p.m.
December	3	6:00 p.m.
	17	6:00 p.m.

All Board meetings are typically held the first and third Tuesday of the month at the District's headquarters, 999 Rush Creek Place, Novato, except one meeting to be scheduled in West Marin (and any others on an 'as-needed' basis).

If you would like information regarding agenda items, please contact District Secretary Terrie Kehoe at (415) 761-8921.

DRAFT
NORTH MARIN WATER DISTRICT
BOARD OF DIRECTORS
COMMITTEES/ASSOCIATION ASSIGNMENTS
2019

Committee

NMWD Representative(s)/Alternate

North Bay Watershed Association

Rick Fraites/Jack Baker

1 meeting per month – Friday
9:30 a.m. – 11:30 a.m.
Petaluma / Novato

Public Policy Facilitating Committee

Steve Petterle/Jim Grossi

(Russian River Biological Assessment/Opinion)
1 meeting per quarter – Friday
9:00 a.m. – Noon
Santa Rosa/Ukiah

Water Advisory Committee

Jack Baker/Michael Joly

1 meeting per quarter – Monday
9:00 a.m. – Noon
Santa Rosa

North Bay Water Reuse Authority/NorthBay Water

Jack Baker/Jim Grossi

1 meeting per quarter – Monday
9:30 a.m.
Novato Sanitary District/Novato City Hall

Recycled Water Subcommittee

Jack Baker/Steve Petterle

As needed

Novato Watershed Policy Advisory Committee

Rick Fraites/Jack Baker

As needed

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DRAFT
NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
November 20, 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, and Stephen Petterle. Director Grossi was absent. 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), Pablo Ramudo Water Quality Supervisor), Jeff Corda and Marc Reischmann were in the audience.

Also present were Chris Boucher, Labor Negotiator and Tony Withington, Employee Association Representative.

MINUTES

On motion of Director Petterle, seconded by Director Baker the Board approved the minutes from the November 6, 2018 meeting as presented by the following vote:

AYES: Director Baker, Fraites, Joly and Petterle

NOES: None

ABSTAIN: None

ABSENT: Director Grossi

GENERAL MANAGER'S REPORT

Closed Session

Mr. McIntyre informed the Board that Director Grossi will be calling in for the closed session.

Eel Russian River Commission

Mr. McIntyre announced that he attended an Eel Russian River Commission meeting on Friday, November 9th in Santa Rosa. He stated that at the meeting, PG&E representatives commented that they have received a strong response to their initial Request for Offers to purchase their Potter Valley Hydroelectric facilities.

Dillon Beach Village Workshop

1 Mr. McIntyre stated that on November 13th he attended a workshop held by County of Marin
2 to address water related needs for the Dillon Beach Village. He added that a summary report will be
3 included in a future agenda.

4 WAC/TAC Meeting

5 Mr. McIntyre noted that the next Water Contractor TAC meeting will be on December 3rd. He
6 stated that a new TAC Vice Chair will need to be appointed since Ben Horenstein is leaving Santa
7 Rosa to become the new Marin Municipal Water District General Manager.

8 Stafford Lake Master Plan

9 Mr. McIntyre announced that he has a meeting with Marin County Parks Manager, Max
10 Korten on December 4th to review NMWD's comment letter in reference to the Park's Stafford Lake
11 Master Plan.

12 Director Joly asked how the staff was handling smoke from the Camp Fire. Mr. Clark
13 responded that staff were provided N95 masks and they were worn by most outside staff. Mr.
14 Arendell stated on really bad days, when the air quality was extremely unhealthy, we tried to keep
15 staff indoors or in the trucks as much as possible. Mr. Clark added that some staff had to stay home
16 with their children due to school closures.

17 **OPEN TIME**

18 President Fraites asked if anyone in the audience wished to bring up an item not on the
19 agenda. During Open Time, Jeff Corda (Sr. Water Dist. & TP Operator) addressed the Board as
20 Chair of the Employee Association. Mr. Corda first praised Supervisors for doing a great job
21 keeping people indoors to keep them safe from the unhealthy smoke that resulted from the Camp
22 fire. Mr. Corda then gave the Board an update on negotiations. He again stated reasons for the
23 Board to consider the Employee Association proposals and added that the negotiation process is
24 getting closer to an agreement. Mr. Corda also requested that the Board consider holding a special
25 meeting to keep this process moving forward as quickly as possible.

26 **STAFF/DIRECTORS REPORTS**

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

29 Ms. Kehoe announced the NMWD Holiday party will be on December 1st, 6:00 p.m. at the
30 Petaluma Elk's Lodge and that we currently have 88 attending.

1 Mr. Vogler reported on the PRE Tank 4A appeal process and upcoming hearing with the
2 Board of Supervisors on December 18th at 1:30 p.m.

3 Ms. Blue announced that the outside auditors were unable to make tonight's board meeting
4 and will be scheduled for December 4th. Director Joly requested a hard copy of the report to review.

5 Director Joly had some questions about the agency's Collector Wells that filter the Russian
6 River water and how they are monitored. Mr. Ramudo responded that Sonoma County Water
7 Agency routinely monitors the water quality and we get regular report on the results. Director Joly
8 also asked about ongoing maintenance of the Collector Wells and Mr. McIntyre responded that
9 maintenance costs are reviewed each year by the TAC Budget Subcommittee. Director Baker
10 suggested that Director Joly attend a future tour of Sonoma County Water Agency water supply
11 facilities along the Russian River as they are very informative.

12 **MONTHLY PROGRESS REPORT**

13 Mr. McIntyre provided the Board with the Monthly Progress Report for October. He reported
14 that water production in Novato was down 3% from October one year ago and down 3% fiscal year
15 to date. In West Marin, water production is up 7% from October one year ago and up 13% fiscal
16 year to date. He added that recycled water production is up 5% from one year ago and up 17%
17 fiscal year to date. With respect to surface water reservoir storage, he noted that Stafford Lake is at
18 26% capacity; Lake Mendocino is at 100% of its target water capacity and Lake Sonoma is at 77%
19 capacity. On the Summary of Complaints and Service Orders, Mr. McIntyre advised the Board that
20 the overall number of complaints/service orders increased by 27% compared to October last year.
21 He reiterated that this increasing trend is due to AMI implementation resulting in increased water
22 use awareness by our customers. Under the Oceana Marin Monthly Status Report Mr. McIntyre
23 noted that all work at the ponds is complete and the influent feed is back to Pond Number One. Mr.
24 McIntyre praised the crew for getting this project done before the wet weather sets in.

25 Julie Blue reported on the October 2018 Investments, where the District's portfolio holds
26 \$18.2 earning a 1.92% rate of return.

27 Director Baker asked if our customers are accepting the credibility of the AMI meters. Mr.
28 McIntyre responded that we had some concerns expressed on social media at one point, but all is
29 quiet at the moment. Mr. Clark added that customer complaints are addressed as soon as they are
30 received and most customers appreciate the additional water use information available from the new
31 AMI system.

32 **CONSENT CALENDAR**

1 On the motion of Director Petterle, and seconded by Director Baker the Board approved the
2 Renewal of Horizon CATV License Agreement in West Marin for another year by the following vote:

3 AYES: Director Baker, Fraites, Joly and Petterle

4 NOES: None

5 ABSTAIN: None

6 ABSENT: Director Grossi

7 **ACTION CALENDAR**

8 **ACCEPT: OUTSIDE AUDITOR'S FY18 FINANCIAL REPORT AND MANAGEMENT LETTER**

9 On the motion of Director Petterle, and seconded by Director Joly the Board moved to table
10 the Outside Auditor's FY18 Financial Report and Management Letter until the next Board Meeting
11 on December 4th by the following vote:

12 AYES: Director Baker, Fraites, Joly and Petterle

13 NOES: None

14 ABSTAIN: None

15 ABSENT: Director Grossi

16 **INFORMATION ITEMS**

17 **WAC/TAC MEETING – NOVEMBER 5, 2018**

18 Mr. McIntyre gave a WAC/TAC Meeting Update for the November 5th meeting. He
19 announced the 2019 WAC/TAC Meeting schedule had been approved. He noted that the WAC
20 approved formation of an Ad Hoc subcommittee including the WAC representative from North Marin
21 Water District to be able to better track developing Potter Valley Project activities in a timely manner.
22 He added that the WAC also approved development of a Common Interest Agreement between
23 SCWA and interested water agency contractors to share privileged information related to PVP
24 FERC proceedings.

25 **NBWRA MEETING – OCTOBER 22, 2018**

26 Mr. McIntyre stated that the Board Summary of the NBWRA Meeting was self-explanatory;
27 and there were no questions from the Board. Informational items on the NBWRA agenda included;
28 Status of Reconciliation and Closeout Activities, Status of Activities, Concluding Final Phase 2
29 Engineering/Feasibility Study and Program Development Tasks, Consider Approving Use of Existing
30 Budget to Prop 1 IRWM Application Process, Amendments to the Engineering Services Agreement,

1 No cost Amendment to the Program Development, Federal and State Advocacy Agreement and
2 Items for Future Discussion.

3 **FIRST QUARTER FY 2018/19 UPDATE – OPERATIONS AND MAINTENANCE**

4 Mr. Clark presented the First Quarter FY2018/19 Update for Operations and Maintenance.
5 Under Safety, there was one incident resulting in lost time related to a slip and fall event, hearing
6 tests were performed for 28 employees and confined space training at Stafford Treatment Plant was
7 completed. Under Maintenance, staff has stayed on schedule with routine maintenance and work
8 orders. The Electrical Mechanical Department has had a lot of training on pumps and motors, at the
9 Treatment Plant one operator obtained their T2, the other a T3 and Dan Garrett received his Grade
10 II Wastewater Certificate. Mr. Clark also mentioned that in Oceana Marin there is an increasing
11 issue with wet wipes being flushed down the drain. Under Water Quality, the District is on track to
12 complete all the required annual backflow testing.

13 **FIRST QUARTER FY 2018/19 – WATER QUALITY REPORT**

14 Mr. Ramudo presented the First Quarter FY 2018/19 Water Quality Report. Stafford Lake
15 water was used as a source of drinking water throughout the first quarter and the Stafford Treatment
16 Plant finished water TOC concentration levels were consistently below the District's goal of 2.0
17 mg/L. The distribution system for Novato had 246 samples collected and disinfection byproducts
18 were very low for the quarter. In Point Reyes, the Coast Guard Wells continue to have salinity
19 issues and Gallaher Well remains a good source of water. The Point Reyes Treatment Plant
20 performance was optimal throughout the quarter. The Point Reyes distribution system had 22
21 samples collected and all were in compliance. Disinfection byproducts continue to increase due to
22 increased concentrations of bromide in the source water from the Coast Guard Wells. The Deer
23 Island Recycled Water Facility produced water for 21 days in July and August, and all tests results
24 were within regulatory requirements. Director Baker inquired about the Deer Island Plant and
25 Novato Sanitary District's involvement. Mr. Clark stated that we took over operation from Novato
26 Sanitary so that we could better address our needs from a water production standpoint. Director
27 Baker also asked if the Las Gallinas Sanitary District recycled water treatment issues were all
28 resolved. Mr. McIntyre reported that Las Gallinas recycled water deliveries have been consistent of
29 late. He also noted that Las Gallinas will be undertaking a major rehabilitation project that includes
30 expansion of recycle water capacity to service MMWD demands.

31 **MISCELLANEOUS**

1 The Board received the following miscellaneous items: Disbursements – Dated - November
2 8, 2018 and November 15, 2018, and Press Release – Army Corps of Engineers approves request
3 to allow more winter storage in Lake Mendocino.

4 The Board received the following news articles; Bond rejected for water infrastructure –
5 PROPOSITION 3; Inverness Public Utility District general manager resigns, staff steps up; Appeal
6 shrinks Paradise Ranch water tank; and MMWD taps new general manager.

7 Director Joly asked if we are within budget for labor negotiation costs. Ms. Blue responded
8 that the process is taking longer than expected and we will expend more than what was budgeted.

9 **CLOSED SESSION**

10 President Fraites adjourned the meeting at 6:58 p.m. and the Board began the closed
11 session at 7:02 p.m. in accordance with Government Code Section 54957 Conference with Labor
12 Negotiators (Christopher Boucher, Drew McIntyre and Julie Blue) to Provide Direction. Director
13 Grossi participated in the Closed Session by telephone.

14 **OPEN SESSION**

15 Upon returning to regular session at 7:27 p.m., President Fraites stated that during the
16 closed session the Board discussed the issue and no final reportable action had been taken.

17 **ADJOURNMENT**

18 President Fraites adjourned the meeting at 7:28 p.m.

19 Submitted by

20
21
22 Theresa Kehoe

23 District Secretary
24

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**NORTH MARIN WATER DISTRICT
MINUTES OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS
November 28, 2018**

CALL TO ORDER

President Fraites called the special meeting of the Board of Directors of North Marin Water District to order at 6:00 p.m. at the District headquarters and the agenda was accepted as presented. Present were Directors Jack Baker, Rick Fraites, James Grossi, Michael Joly, and Stephen Petterle. Also present were General Manager Drew McIntyre, and Auditor-Controller Julie Blue. Labor negotiator, Christopher Boucher was also in attendance.

OPEN SESSION

President Fraites announced that since there was no one in the audience they would move directly to the Closed Session.

CLOSED SESSION

President Fraites adjourned the meeting at 6:01 p.m. and the Board began the closed session at 6:02 p.m. in accordance with Government Code Section 54957 Conference with Labor Negotiators (Christopher Boucher, Drew McIntyre and Julie Blue) to Provide Direction.

OPEN SESSION

Upon returning to regular session at 7:01 p.m., President Fraites stated that during the closed session the Board had discussed the issue and no reportable action had been taken.

ADJOURNMENT

President Fraites adjourned the meeting at 7:01 p.m.

Submitted by

Theresa Kehoe
District Secretary

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MEMORANDUM

To: Board of Directors

November 30, 2018

From: Julie Blue, Auditor/Controller *JB*

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

Board Presentation Draft

Board Presentation Draft



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December 4, 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.

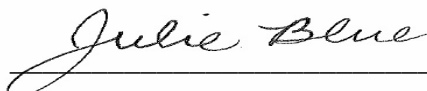
A Certificate of Achievement is valid for a period of one year. We believe that this CAFR meets the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for 2018.

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,



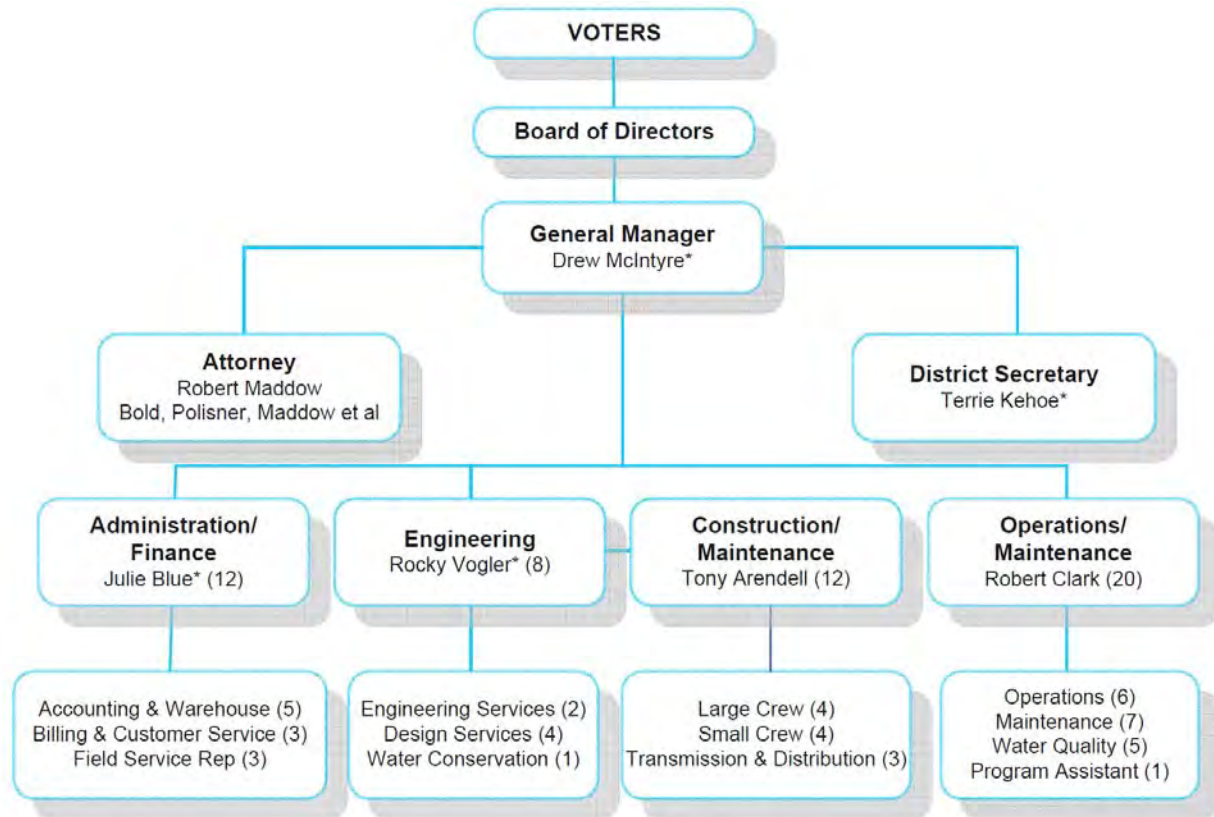
Drew McIntyre
General Manager



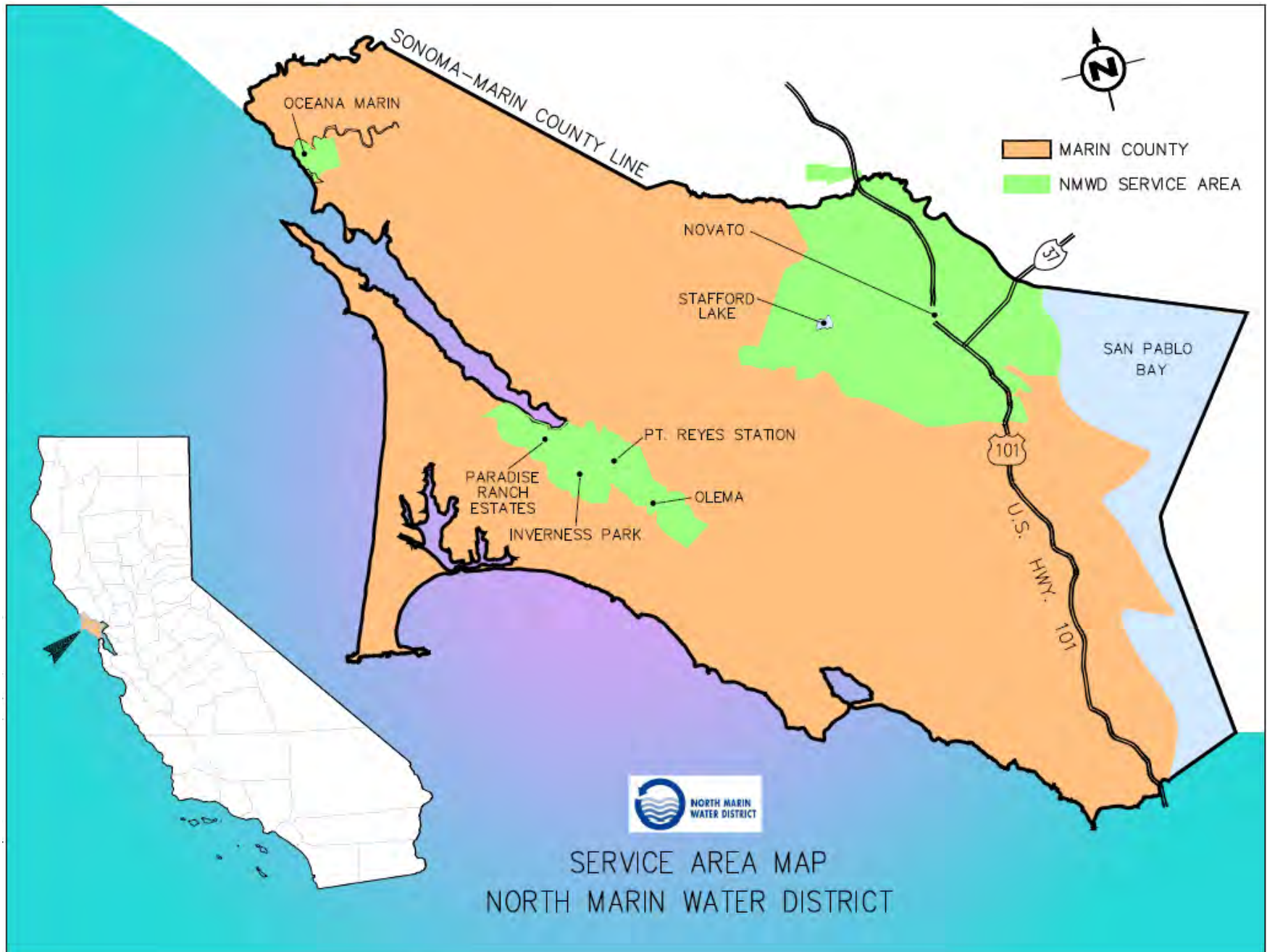
Julie Blue
Auditor-Controller

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. Morrell

Executive Director/CEO

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Financial Section

Board Presentation Draft

Board Presentation Draft

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 December 4, 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
December 4, 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	<u>3,434,069</u>	<u>3,416,411</u>	<u>17,658</u>
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	<u>9,035</u>	<u>18,849</u>	<u>(9,814)</u>
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

Board Presentation Draft

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)	1,858,716
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)	12,774,724
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)	727,627
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	2,246,981
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	6,125,559
Net position, beginning of year – as restated (note 13)	<u>100,697,886</u>
Net position, end of year	<u>\$ 106,823,445</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	\$ 2,198,995
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	72,272
Total adjustments	<u>6,084,597</u>
Net cash provided by operating activities	\$ <u>8,283,592</u>
Non-cash investing, capital and financing transactions:	
Change in fair value of investments	\$ 31,416
Change in capital contributions – grants	\$ <u>3,781,780</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	1,450,786
Total cash and cash equivalents	\$ 4,935,516
Restricted – investments	\$ 6,469,611
Restricted – investments non-current	3,701,301
Total restricted investments	\$ 10,170,912
Total cash and investments	\$ 15,106,428

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	13,999,800
Total cash and investments	\$ 15,106,428

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	<u>\$ 1,518,888</u>	<u>1,695,758</u>	<u>(253,189)</u>	<u>2,961,457</u>	<u>296,420</u>	<u>2,665,037</u>

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	<u>\$ 1,081,103</u>		

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	<u>\$ 1,583,933</u>		

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	<u>94,000</u>	<u>-</u>	<u>(22,000)</u>	<u>72,000</u>	<u>24,000</u>	<u>48,000</u>
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	<u>31,922,939</u>	<u>7,383,204</u>	<u>(1,792,680)</u>	<u>37,513,463</u>	<u>1,858,716</u>	<u>35,654,747</u>
Total long-term debt	<u>\$ 32,016,939</u>	<u>7,383,204</u>	<u>(1,814,680)</u>	<u>37,585,463</u>	<u>1,882,716</u>	<u>35,702,747</u>

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	<u>1,530,002</u>	<u>36,712</u>	<u>1,566,714</u>
Total	10,050,647	<u>1,563,428</u>	<u>11,614,075</u>
Less current portion	<u>(402,132)</u>		
Total non-current	\$ <u>9,648,515</u>		

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	<u>1,030,882</u>	<u>62,586</u>	<u>1,093,468</u>
Total	2,189,287	<u>271,016</u>	<u>2,460,303</u>
Less current portion	<u>(220,824)</u>		
Total non-current	\$ <u>1,968,463</u>		

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:

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

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

	Total OPEB Liability
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	(294,640)
Balance at June 30, 2018	\$ 4,123,565

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:

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

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 \$	<u>3,934,508</u>	<u>4,123,565</u>	<u>4,345,977</u>

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	\$ <u>(158,611)</u>	\$ <u>(158,611)</u>

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:

	Miscellaneous Plan 2018
Contributions – employer	\$ 1,017,325

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:

	Proportionate Share of Net Pension Liability 2018
Miscellaneous Plan	\$ 12,774,724

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:

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

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 July 1, 2017, 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 December 4, 2018, which is the date the financial statements were available to be issued.

Required Supplementary Information

Board Presentation Draft

Board Presentation Draft

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	(1,017,325)	(926,448)	(828,792)	(669,066)
Contribution deficiency (excess)	\$ 20,227	208	7,420	261,080
District's covered payroll	\$ 4,600,500	4,542,666	4,305,518	4,106,287
Contribution's as a percentage of covered-employee payroll	22.11%	20.39%	19.25%	16.29%

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

Board Presentation Draft

Board Presentation Draft

Combining Schedules

Board Presentation Draft

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

Board Presentation Draft

Board Presentation Draft

North Marin Water District Statistical Section

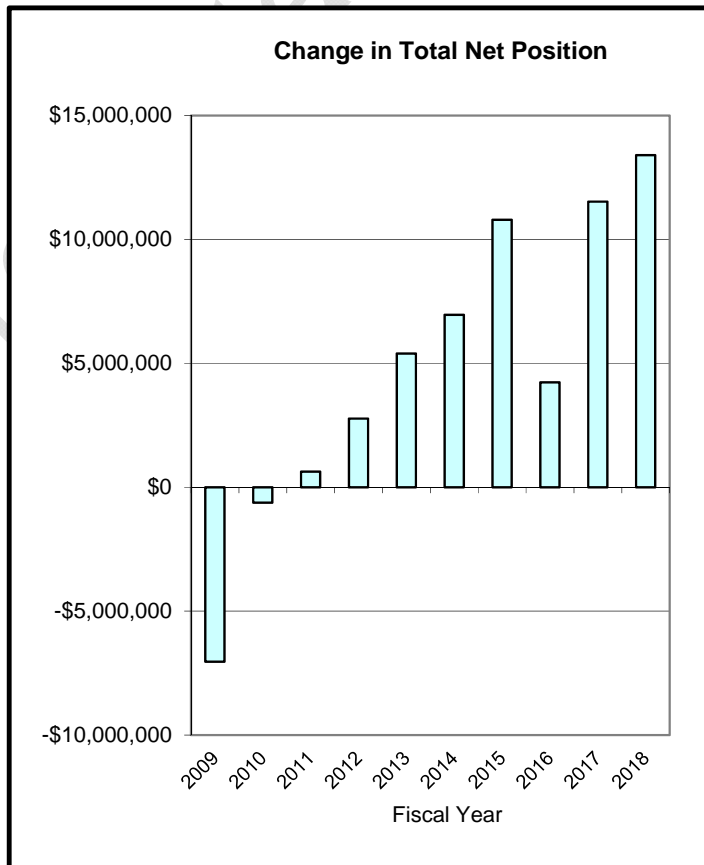
This part of the District's comprehensive annual financial report presents detailed information as context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial health.

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



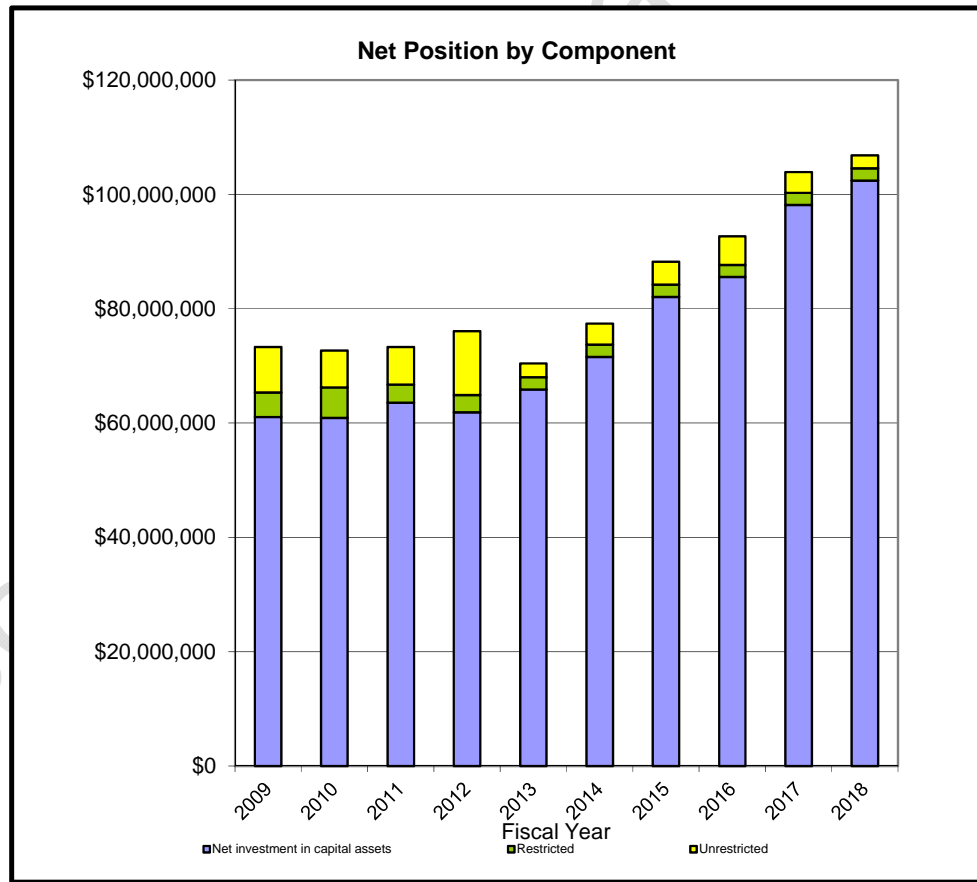
Source: North Marin Water District Audited Financial Statements

⁽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

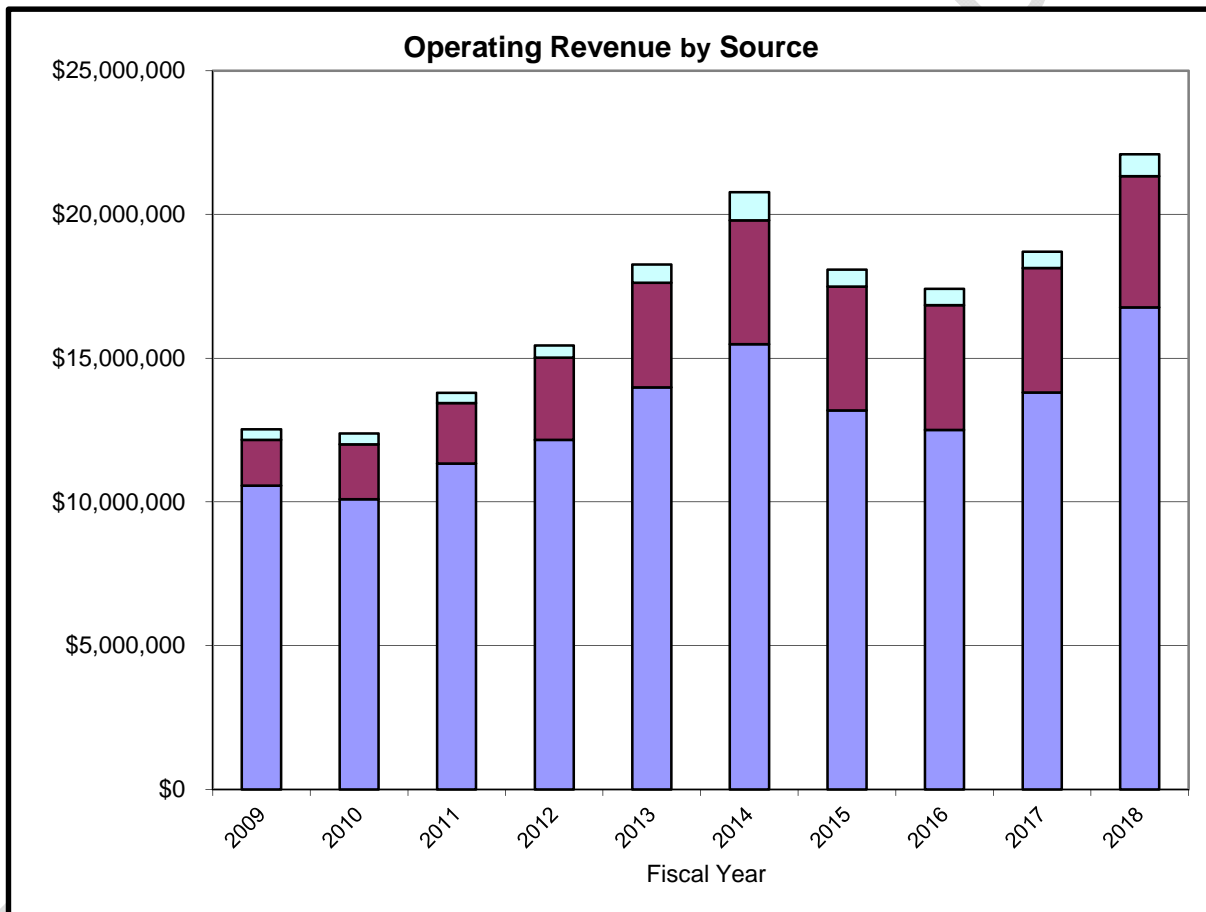
Fiscal Year						
2012	Restated 2013	Restated 2014	2015	2016	2017	2018
\$15,435,733	\$18,256,638	\$20,772,429	\$18,081,308	\$17,411,543	\$18,703,476	\$22,094,094
(12,610,862)	(13,140,845)	(13,309,833)	(13,328,124)	(13,704,737)	(15,099,687)	(16,461,030)
(2,726,598)	(2,793,360)	(3,128,302)	(3,183,725)	(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
<u>\$2,767,934</u>	<u>\$5,394,813</u>	<u>\$6,960,076</u>	<u>\$10,794,909</u>	<u>\$4,230,766</u>	<u>\$11,525,936</u>	<u>\$6,125,559</u>
\$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)	-
<u>\$76,061,390</u>	<u>\$70,430,561</u>	<u>\$77,390,637</u>	<u>\$88,185,546</u>	<u>\$92,672,784</u>	<u>\$100,697,876</u>	<u>\$106,823,445</u>



**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

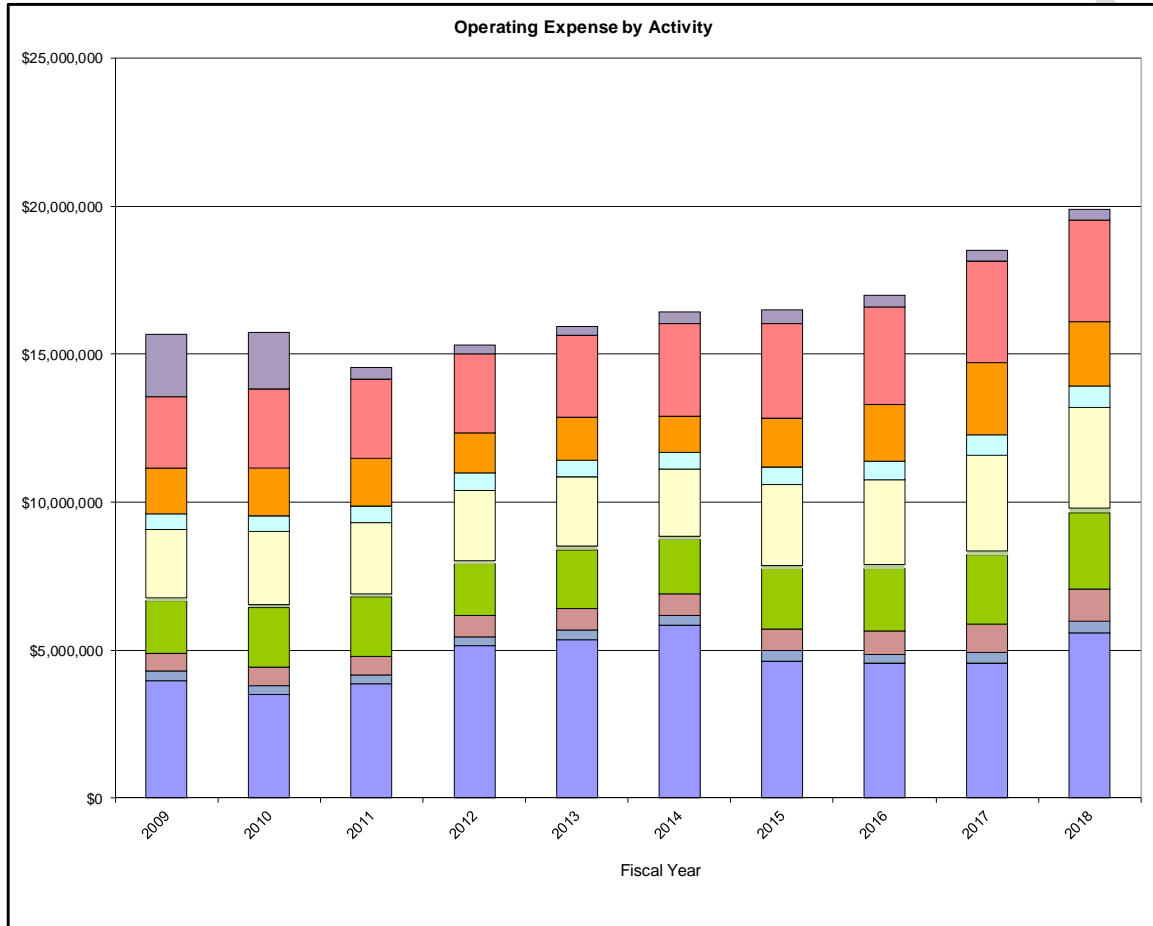


Source: North Marin Water District Audited Financial Statements

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	742,706	1,815,429	120,548	2,270,764	550,709	1,221,849	411,377	3,128,302	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

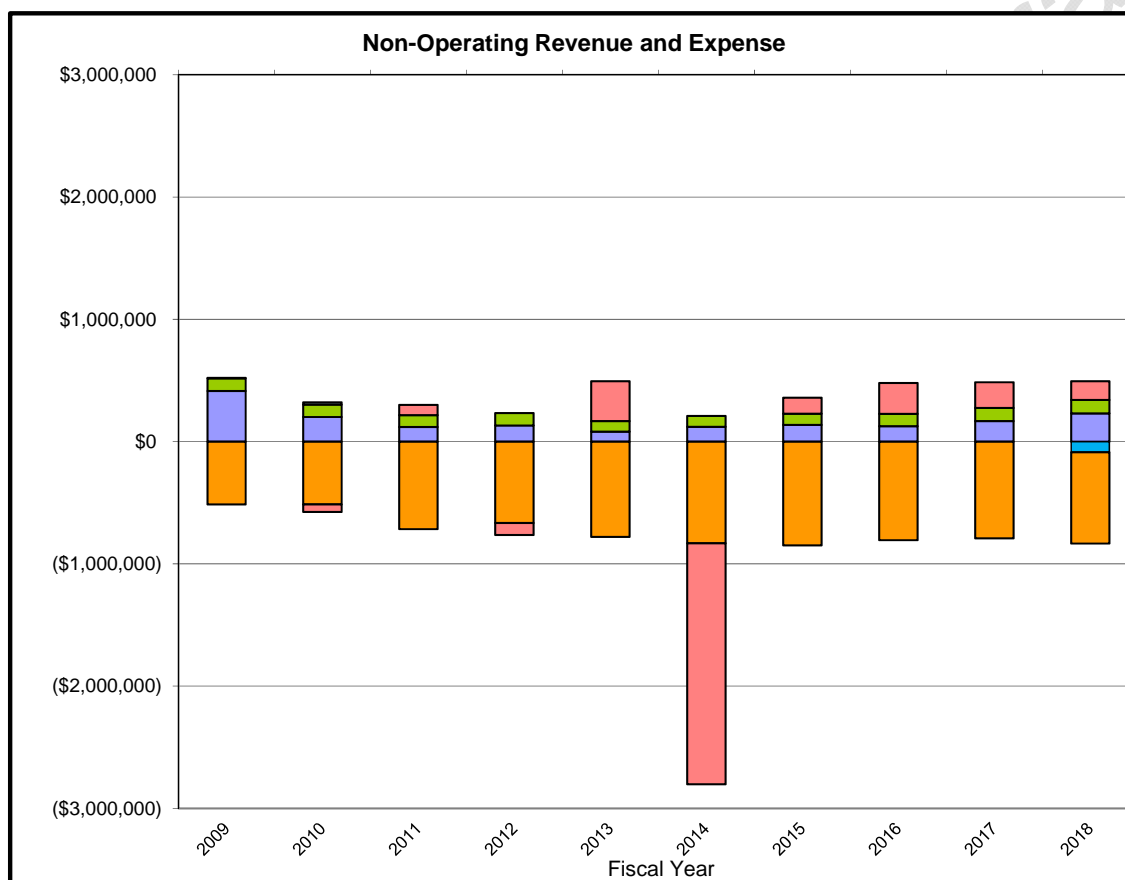
(1) FY09 Excludes \$7,691,033 depreciation due to change in asset lives

(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:

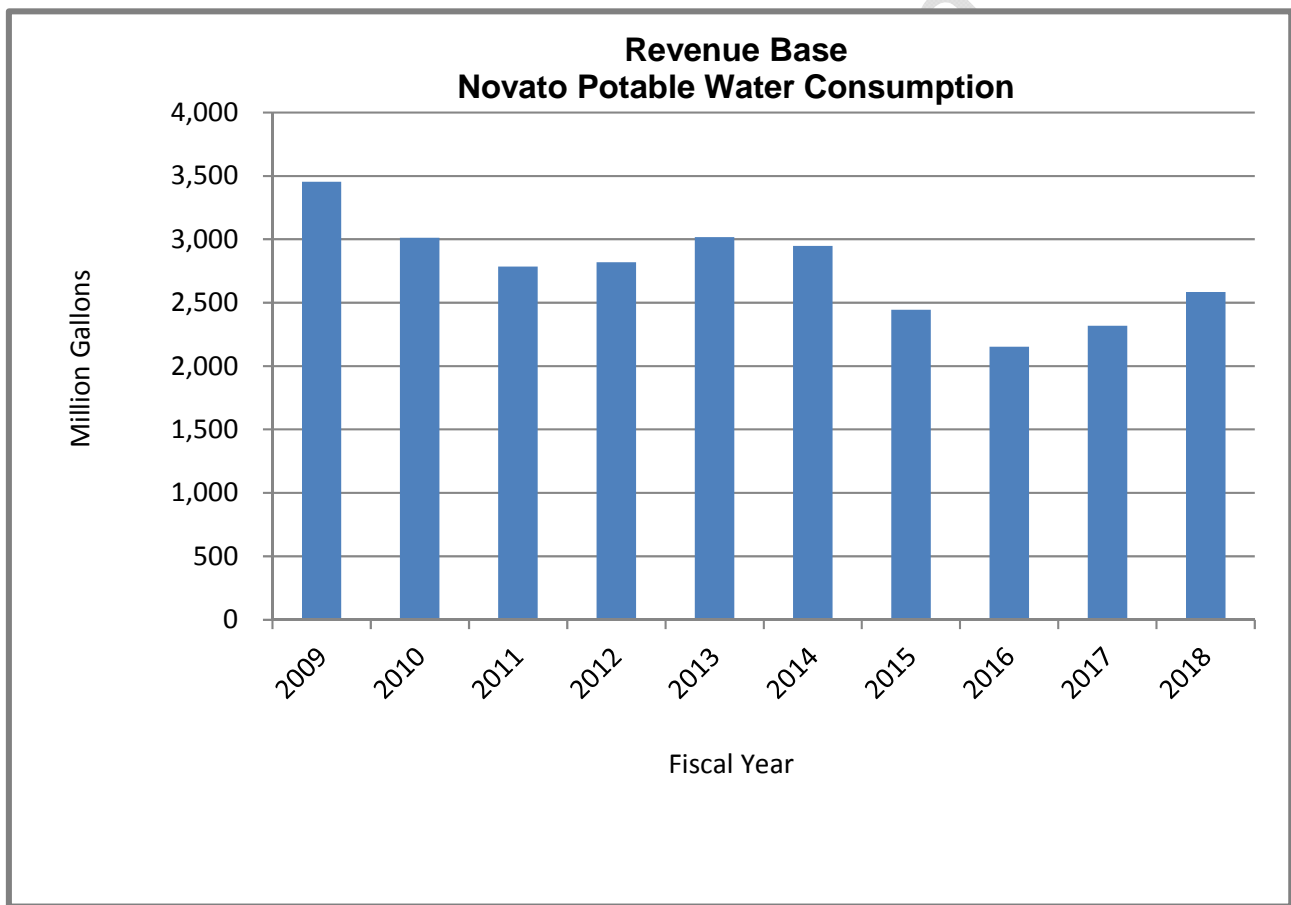
- (1) Includes interest income and realized and unrealized gains and losses on investments.
 (2) Includes CalPERS Side Fund Payoff (\$2,073,701).

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

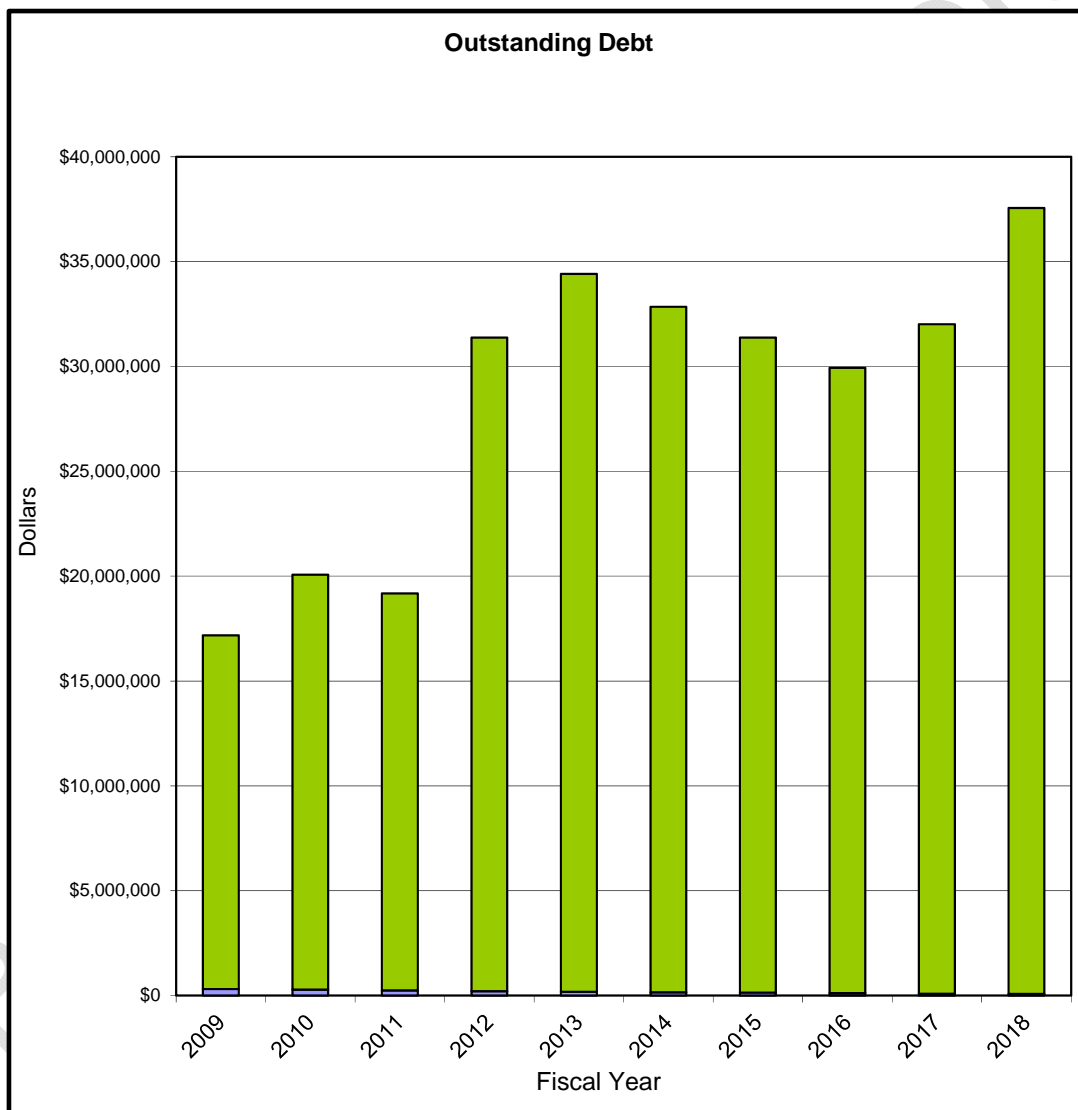
	FY 2017/18	% of Total	FY 2007/08	% of Total
1	City of Novato	2.9%	City Of Novato	1.9%
2	StoneTree Golf	2.1%	StoneTree Golf	1.8%
3	Novato Unified School District	2.1%	Coast Guard Spanish Housing	1.7%
4	BioMarin Pharmatutical	1.4%	Novato Unified School District	1.7%
5	Fireman's Fund	0.9%	Meadow Park Hamilton	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:\ac\excel\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
			Revenue	Principal	Interest	Ratio
2009	\$ 14,131,892	(13,257,125)	874,767	319,248	513,314	1.05
2010	14,635,090	(13,102,113)	1,532,977	690,462	694,044	1.11
2011	14,506,888	(11,905,026)	2,601,862	644,740	740,416	1.88
2012	16,789,744	(12,610,862)	4,178,882	1,116,410	654,484	2.36
2013	19,761,431	(13,284,705)	6,476,726	1,337,041	778,762	3.05
2014	21,364,965	(13,437,213)	7,927,752	1,618,138	830,830	3.24
2015	19,308,316	(13,424,517)	5,883,799	1,686,523	847,951	2.32
2016	18,191,410	(13,727,613)	4,463,797	1,721,904	807,034	1.77
2017	20,209,860	(15,118,535)	5,091,325	1,769,241	757,781	2.01
2018	24,062,837	(16,470,062)	7,592,775	1,368,254	833,197	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.

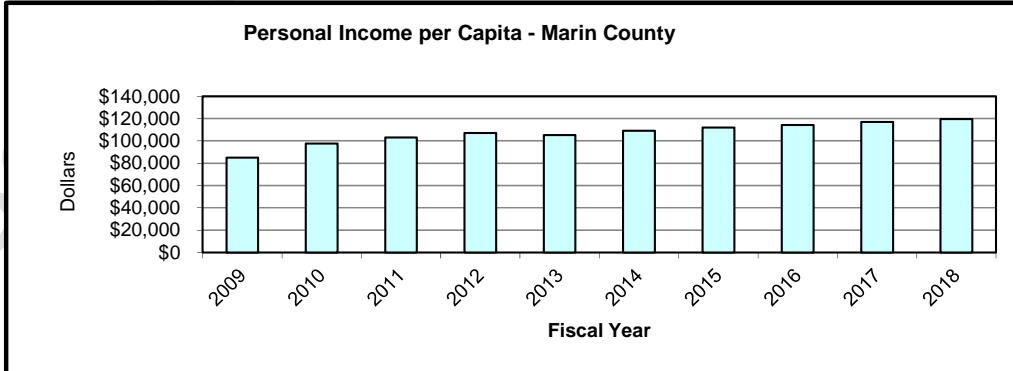
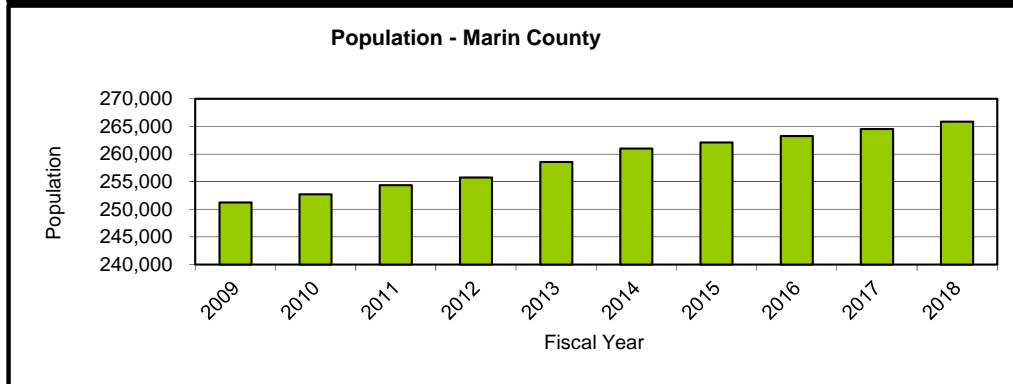
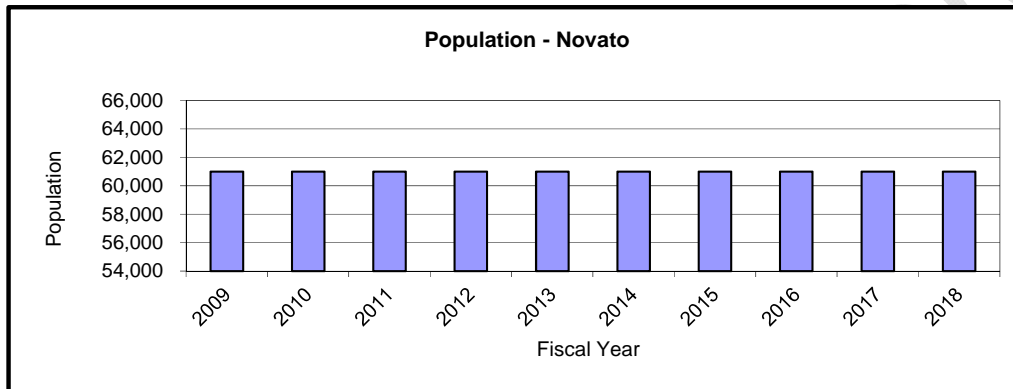
Source: North Marin Water District Audited Financial Statements

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/tp/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**

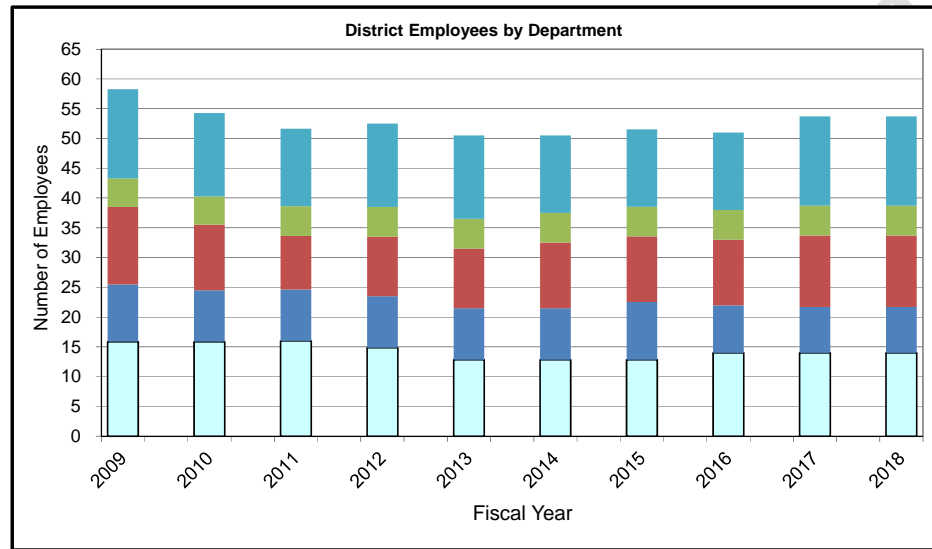
FY 2017/2018			FY 2007/2008		
Employer	Number of Employees	Percent of Total Employment	Employer	Number of Employees	Percent of Total Employment
1 BioMarin Pharmaceutical	979	3.31%	Novato Unified School District	1,284	5.28%
2 Novato Unified School District	837	2.83%	Fireman's Fund	1,078	4.44%
3 2K/Visual Concepts Entertainment	585	1.98%	BioMarin Pharmaceutical	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 Overhead 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

Board Presentation Draft

Board Presentation Draft

**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 December 4, 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
December 4, 2018

North Marin Water District

Management Report

June 30, 2018

North Marin Water District

Management Report

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Recommendations	
Appendix:	
Audit/Finance Committee Letter	1-4
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
December 4, 2018

APPENDIX

North Marin Water District

Audit/Finance Committee Letter

June 30, 2018

Board Presentation Draft

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 December 4, 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 December 4, 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
December 4, 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		781,336.00	781,336.00
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		49,020.46	49,020.46
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		1,076,672.00	1,076,672.00
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		60,290.40	60,290.40
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		161,875.54	161,875.54

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

9

MEMORANDUM

To: Board of Directors
From: Rocky Vogler, Chief Engineer *RV*
Subject: Approve NEXGEN Asset Management – Consulting Engineering Services Agreement (Asset Management Software Procurement/Implementation)
R:\Folders by Job No\7000 jobs\7178 Asset Mgmt Procure_Implement\NEXGEN BOD Memo Dec 2018.doc

Date: November 30, 2018

RECOMMENDED ACTION: That the Board authorize the General Manager to execute an agreement with NEXGEN Asset Management for asset management software procurement and implementation

FINANCIAL IMPACT: FY19: \$163,000, FY20 \$163,000 (No impact to the adopted FY19 budget)

Background

Over the past 20 years the District has managed the maintenance of facilities with a computerized maintenance management system (CMMS) utilizing the MaintScape program. Prior to implementing CMMS, the District relied primarily on a run-to-failure basis. While most vertical facilities (e.g., pump stations, storage tanks, treatment plants, etc.) have been included in MaintScape, much of the underground (aka horizontal) infrastructure and related routine tasks are not included. The current version of the program has now reached the end of its useful life, and has limited reporting capabilities and does not include viable asset management functionality, as defined in today's terms.

Beginning in 2012, the District began a process to develop a Geographic Information System (GIS) mapping system to provide a comprehensive database of the District's horizontal assets (e.g. pipelines, valves, etc). The consulting firm Open Spatial was selected to create the GIS since they offered a product (MUNSYS) that would allow the District to directly convert its Computer-Aided Design (CAD) drawing files into GIS. Over time, Open Spatial has continued to work with the District to incorporate new data layers, refine the mapping, and provide training to District staff. The District now has a fully functioning GIS system, which is viewed through the Enlighten web viewer.

In 2017, the District contracted with Soft Resources, a firm that specializes in understanding the differences and similarities between various Enterprise Asset Management (EAM) software product offerings. Soft Resources worked with the District to analyze both how the District currently maintains its assets in terms of maintenance, document/information integrity, work order development/execution/closeout, and how the District envisions moving into the 21st century to refine these processes and make better use of the data at hand as well as future data collection. After developing a list of District key requirements for EAM software, the District conducted extensive all-day interviews with three short-listed software companies,

ultimately (and unanimously) deciding that NEXGEN Asset Management (NEXGEN) would provide the best fit and value for the District.

Analysis

The NEXGEN software includes all of the CMMS attributes like automation of the scheduling of inspections and maintenance, as well as incorporating condition assessment information, which can be used to reduce unscheduled maintenance and expensive repairs. Metrics such as cost of failure and risk of failure can be incorporated into decision making during budget development for capital improvement projects. In addition, the software will provide better control and access to the data the District has gathered on all assets, enabling the District to leverage this information to proactively evaluate and strategically target the need for asset replacement on a case by case basis.

By adopting an EAM program, the District will further transition from a run-to-failure mode with significant emergency repair costs to a more predictive and preventative maintenance program. With EAM, staff expects to see improved workflow and efficiency by allowing the District to schedule, assign, and close work orders quickly and easily. Using EAM software for maintenance and facilities management eliminates the need for paperwork and clipboards because the software can be set up to capture information automatically. In addition to incorporating vertical assets such as tanks, pump stations, and STP infrastructure, the NEXGEN software will also tie-in to the District's GIS system, so that each individual horizontal asset will have work order and condition assessment history tied to it. This protects the District by centralizing the knowledge base within the software, versus relying on paper record management and human memory, both which are compromised with retirement of senior staff members. Detailed queries and reports can be run to provide enhanced predictive maintenance and replacement requirements, in order to optimize the value of budgeted operational and capital project dollars.

NEXGEN software can be linked to mobile devices, enabling maintenance technicians to access real-time information, check inventory, and initiate work orders without returning to the office. This reduces travel time. The new software will also provide field staff with details about the procedures, parts, and tools necessary to perform a job, so they can work without delay or interruption.

Staff expects to achieve a reduction in downtime and repair costs. When focus is placed on planned and preventative maintenance, equipment downtime is minimized. Using the NEXGEN EAM system will provide the ability to refine schedules for regular maintenance of structures and assets, in order to optimize maintenance frequency against the cost of replacement to enhance overall value of the maintenance program. A well-defined EAM

program can cut overtime significantly by reducing the need for emergency maintenance and repairs.

EAM will enhance District understanding of assets and the organization by using the efficiency dashboard feature to monitor key performance indicators (KPIs), evaluate the big picture, and create reports for master planning. By using the EAM program to analyze historical data and trends, staff can identify problems areas like rising costs, low productivity, or constant repairs.

The District must comply with local, State and Federal regulatory standards and be prepared to face periodic audits or random inspections by regulatory agencies. The EAM program will allow the District to demonstrate regulatory compliance and reduce the amount of preparation and paperwork that's required for an audit. Staff can simply generate reports detailing the maintenance work performed on vital facilities. This makes compliance easily traceable and reduces the risk of noncompliance penalties.

Although difficult to quantify, staff believes a properly functioning EAM program will improve operations and maintenance efficiency by up to 10%. Although this does not translate directly into less O&M expense in terms of wages, it does imply that more work will be completed in the same amount of time. This is vital since staffing levels have remained fixed while new infrastructure is being added to the system, and existing infrastructure is aging and requires more attention.

Capital project planning relies on information developed through the Master Planning process, as well as anecdotal information provided by employees. However, work order history and condition assessment information are not actively incorporated into current capital planning. As such, the quality of the decisions regarding how to apply limited capital budgets is compromised since granular data is not available for the purpose of more accurately pinpointing which assets have the highest risk of failure and which assets have the highest cost of failure. The District's infrastructure is aging, and it will be critical to consolidate various sources of available data so that a truly predictive approach for allocating capital funding to those projects providing the highest overall value while reducing the most risk can be met.

Consulting Agreement

NEXGEN is recommended to provide asset management software and implementation services to overhaul the District's asset management program and automate work order flow and condition assessments, and tie this information directly to the assets so that future capital planning will become more robust. NEXGEN is an experienced asset management software firm based in Sacramento, with approximately 20 utility clients in California, including Central

Marin Sanitation Agency. They have a proven track record with over 25 years of experience in engineering, operations, maintenance, management and technology. Their scope includes:

- Task 1 – Project Management
- Task 2 – User Requirements and Map Business Processes
- Task 3 – Data Migration
- Task 4 – Configure System
- Task 5 – Integration
- Task 6 – Testing
- Task 7 – Training and Post-Support

The NEXGEN proposal including scope of work, fee estimate and schedule is provided in Attachment 1. NEXGEN's proposed scope of work contains all the tasks listed above to provide the District with a fully functioning asset management program including configuring the system to District specifications, training, testing and support (\$223,744). The proposed scope also contains the locally hosted option for software purchase (\$60,000) and the first year's annual maintenance/support (\$12,000). Payment for both the software purchase and first year's maintenance/support are not due until all the other work items are completed. The total consulting services cost estimate for FY19 and FY20 is \$295,744. Staff estimates a project duration of approximately 8-9 months, with project commencement occurring in January 2019. Staff training costs for the various departments including engineering, construction, operations, maintenance, general manager, and three finance personnel are estimated at \$30,000. Total project costs are projected to be evenly split between FY19 and FY20 (@ \$163,000 each year).

Financial Impact

The currently adopted FY19 and FY20 CIP budget includes \$75,000 for each year. For FY19, \$88,000 additional budget will be available as the \$150,000 Electronic Document Management System project that is being deferred. The FY20 CIP budget will be adjusted accordingly during the upcoming budgeting process to accommodate additional asset management project costs (estimated at \$90,000).

RECOMMENDATION

That the Board authorize the General Manager to execute an agreement with NEXGEN for asset management software procurement and implementation for a not to exceed fee of \$295,744 plus a contingency of \$15,000.

North Marin Water District NEXGEN Asset Management Software & Implementation

Objective

North Marin Water District (District) is interested in implementing NEXGEN Asset Management software to support its asset management program. The purposes of this document are to present the District with the implementation approach, cost for the software and implementation services.

Software Cost

The District is considering both the Software as a Service (SaaS) Cloud and the Locally Hosted options. The costs include every module on the desktop and mobile app. The annual maintenance and support fees include all the upgrades and technical support.

Cloud Cost

The software will be hosted by Amazon Web Services.

Tier	Concurrent Users	Storage Limit	Data Transfer Limit	Annual Cost(\$)
1. NEXGEN Cloud 220 (2TB/20GB)	10	2 TB	20 GB/Month	\$25,000

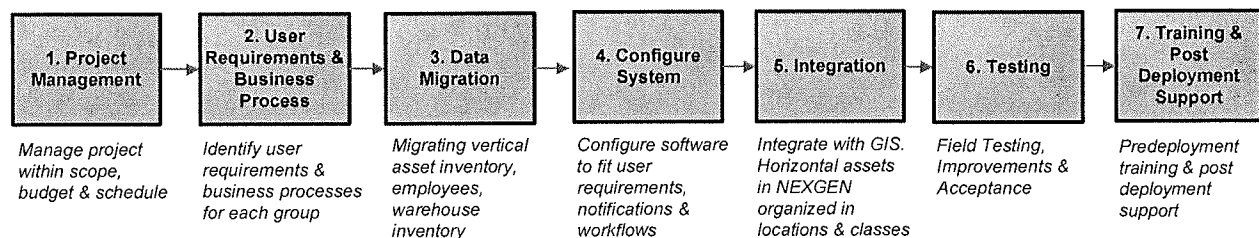
Note that the annual cost could increase no more than 5% a year

Locally Hosted Option Cost

Option	Concurrent Users	One Time Cost	Annual Maintenance Cost (\$)
Local 10	10	\$60,000	\$12,000

Note that the annual cost could increase no more than 5% a year

Implementation Scope of Work



Task 1. Project Management	
<i>Objectives</i>	The purpose of this task is to manage the project within schedule, budget and delivery.
<i>Activities</i>	<ol style="list-style-type: none"> 1. NEXGEN's project delivery approach will plan, schedule, and deliver a benchmark project on schedule and within budget. 2. Weekly communication with project team to track project delivery.
<i>Deliverables</i>	<input checked="" type="checkbox"/> Project delivered within budget and schedule. <input checked="" type="checkbox"/> Meeting agendas and minutes
Task 2. User Requirements & Map Business Processes	
<i>Objectives</i>	The purposes of this task are to assess District's AM user requirements and map business processes to be used for configurations.
<i>Activities</i>	<ol style="list-style-type: none"> 1. We will meet with users (specific to AM functionalities) to identify functional requirements of AM, based on their user needs. Desired functionalities of AM will drive the configurations. 2. Document the District's AM functional requirements & acquire validation from staff. 3. Work with District staff to identify the business processes that are required to support the functional requirements. 4. Review existing data and develop a data conversion plan.
<i>Deliverables</i>	<input checked="" type="checkbox"/> Technical memorandum summarizing the District's AM user requirements and mapped business processes.
Task 3. Data Migration	
<i>Objectives</i>	The purpose of this task is to migrate District's non GIS asset data into NEXGEN AM.
<i>Activities</i>	<ol style="list-style-type: none"> 1. Migrate all vertical asset inventory and horizontal assets not in the GIS into NEXGEN. District to provide asset inventory organized by asset classes with associated attributes. 2. Migrated District backflows (~3,000) into the system. District to provide backflows in a spreadsheet with backflow and customer information. 3. Migrate District warehouse inventory in the system. 4. DISTRICT to review and test data migrations. 5. NEXGEN to modify any necessary changes from testing results. 6. DISTRICT to sign off approving the completion of the data migrations.
<i>Deliverables</i>	<input checked="" type="checkbox"/> Populated data into NEXGEN AM.
Task 4. Configure System	
<i>Objectives</i>	The purposes of this task are to configure the NEXGEN AM to support District's user needs, functional requirements and asset management best practices.
<i>Activities</i>	<ol style="list-style-type: none"> 1. We will configure the NEXGEN AM to support the user requirements and business processes. 2. Configure resources such as employee, equipment, vendors, contractors, crews and training. 3. Configure all pull down menus such as Work Order Type, Tasks, Cause and Resolution. Configure cascade of service request types and work order tasks to departments and divisions. 4. Configure District Backflow test letters and business processes. Configure contractor

	<p>portal for backflow management program.</p> <p>5. Create up to 10 custom reports based on District's specifications.</p> <p>6. Setup notifications for District's work flows and business processes.</p>
Deliverables	<input checked="" type="checkbox"/> Optimized configurations.
Task 5. Integration	
Objectives	The purposes of this task are to integrate NEXGEN AM with District's GIS.
Activities	<input checked="" type="checkbox"/> We will integrate the District's Geographic Information System (GIS) with NEXGEN AM. We will work with the District on a process to update the GIS in NEXGEN AM. Assets from GIS will be migrated over with the proper location and class structures.
Deliverables	<input checked="" type="checkbox"/> NEXGEN AM integrated with District's GIS.
Task 6. Testing	
Objectives	The purposes of this task are to test the system, resolve issues and optimize configurations.
Activities	<ol style="list-style-type: none"> 1. Provide District staff a testing plan of the desktop and mobile software. Remote web training on the testing plan and process. 2. Concerted effort of the District staff field testing the system during a 2 week testing period. 3. Provide support to resolve any issues or questions during the 2 week testing period. 4. Modify any configurations necessary to optimize work flows. 5. District to sign off on the system testing upon acceptance.
Deliverables	<input checked="" type="checkbox"/> Populated data into NEXGEN AM.
Task 7. Training & Post Support	
Objectives	The purposes of this task are to provide pre deployment training and provide post deployment support.
Activities	<ol style="list-style-type: none"> 1. We will be training the trainer for core users, administrative users, management users and warehouse inventory users. 2. 3 days of training (24 hours) (2 trainers) on-site training. 3. 2 days of on-site support (16 hours) during the week of going live. 4. 8 (1 hour/each) weekly web conference call "office hours" after deployment to provide users opportunities to ask questions, acquire additional training and support. 5. 2 days of on-site post deployment training (16 hours) (1 trainer) after 2 months.
Deliverables	<input checked="" type="checkbox"/> 3 days of pre deployment training (24 hours) on-site training sessions with District staff. <input checked="" type="checkbox"/> 2 days of on-site support (16 hours) as the District goes live. <input checked="" type="checkbox"/> 8 (1 hour) of post deployment weekly office hour support for 2 months after deployment. <input checked="" type="checkbox"/> 2 days of on-site post deployment training after 2 months after deployment.

Implementation Services Costs

The implementation costs is \$223,744.

Task Name	PM	Sr. MT	MT2	MT1	(hr)	Labor (\$)	Expense	Total Cost
1. Project Management	40		80		120	\$ 25,600	\$ 4,560	\$ 30,160
2. User Requirements/Business Proces	24	24			48	\$ 11,040	\$ 1,104	\$ 12,144
3. Data Migration	4	20	40	40	104	\$ 20,560	\$ 2,056	\$ 22,616
4. Configuration	8	80	128	160	376	\$ 73,920	\$ 7,392	\$ 81,312
5. Integration	4	40			44	\$ 9,760	\$ 976	\$ 10,736
6. Testing	4	60	60		124	\$ 26,160	\$ 2,616	\$ 28,776
7. Training & Post Support	20	60	60		140	\$ 30,000	\$ 8,000	\$ 38,000
Total =	24	120	120	-	264	\$ 197,040	\$ 26,704	\$ 223,744

Implementation Schedule


Assuming the project begins in January 2019, we will be complete this project within 6 months by end of July 2019.

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MEMORANDUM

To: Board of Directors

November 30, 2018

From: Terrie Kehoe, District Secretary 

Subj: Draft Annual Report

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RECOMMENDED ACTION: Information Only

FINANCIAL IMPACT: None at this time

Attached is the Draft Annual Report for Fiscal Year 2017-2018 for your review. Please submit comments for incorporation into the annual report to me by Friday, December 14, 2018. After which comments will be incorporated and the finished product will be submitted for approval at the December 18, 2018 Board meeting.



NORTH MARIN WATER DISTRICT

ANNUAL REPORT

2017-2018

HISTORICAL HIGHLIGHTS

- 1948** The Novato community approves formation of North Marin Water District and purchase of the Novato Water Company.
- 1949** Novato voters impose a significant tax upon themselves (77¢/\$100 assessed value) to finance a \$2 million bond issue to purchase and upgrade the private water system and to construct a dam at Stafford Lake and build a water treatment plant.
- 1951** Contractor T.E. Connolly of San Francisco constructs Stafford Lake Dam, designed by Kennedy Engineers, to impound 560 million gallons (MG) of water.
- 1952** Stafford Water Treatment Plant, designed by Kennedy Engineers and built by C. Norman Peterson, goes into operation. It has a capacity of 3.75 million gallons per day (mgd).
- 1954** The spillway at Stafford Lake is raised to increase the reservoir capacity to 1.45 billion gallons, boosting the annual safe yield of Stafford Lake to 620MG.
- 1960** Voters approve a \$3.79 million bond issue to finance system improvements, Notably construction an aqueduct connecting Novato to the Russian River.
- 1961** The North Marin Aqueduct, a 9.4-mile, 30" pipeline from Petaluma to Novato is completed.
- 1963-66** Multiple water storage tanks are constructed, increasing storage from 2MG to 16MG.
- 1970s** Five small West Marin improvement districts are annexed into NMWD at the request of West Marin citizens: Oceana Marin Sewer in 1969; Point Reyes Station/Inverness Park Water in 1970; Olema Water in 1973; Tomales Sewer in 1975; and Paradise Ranch Estates Water in 1979.
- 1973-75** System storage capacity is increased to 26MG with construction of the Atherton (5MG welded steel) and Pacheco (5MG concrete) Tanks.
- 1974** Stafford Treatment Plant is modified to increase production capacity to 6.3 mgd.
- 1980s** North Marin assumes a leadership role in the water conservation field, pioneering programs such as connection fee discounts for installation of xeriscapes in new residential construction and "Cash-For-Grass" rebates for existing customers who replace irrigated turf with xerophytic plants.
- 1983** The US Army Corps of Engineers completes the construction of the Warm Springs Dam, creating a water supply pool in Lake Sonoma of 69 billion gallons.
- 1990s** Marin United Taxpayers twice touts NMWD as the Best Managed Public Agency in Marin County.
- 1998** The District celebrated 50 Golden Years of Quality, Excellent Service and Tradition.
- 2001** Marin Municipal Water District agrees to reorganize boundaries at Hamilton AFB to be coincident with Novato city limits, enabling NMWD to serve areas within Novato formerly served by MMWD.
- 2002** Amaroli Tank, a 4.5MG buried concrete tank adjacent to Highway 101 on Ammo Hill, is completed and increases total Novato area storage capacity to 33MG.
- 2005** A 180,000-gallon concrete storage tank is constructed in Point Reyes Station to replace a 36-year-old 100,000-gallon redwood tank serving the West Marin community.
- 2006** The Restructured Agreement for Water Supply with Sonoma County Water Agency (SCWA) is executed, authorizing SCWA to construct facilities to increase North Marin's water delivery entitlement to meet Novato's future needs consistent with the community general plan.
- 2006** The Stafford Water Treatment Plant \$16 million reconstruction project is completed enabling Stafford Lake water to meet anticipated future water quality standards.
- 2007** The 0.5 mgd Deer Island Recycled Water Facility, located adjacent to Highway 37 immediately south of Deer Island, commenced operation in June 2007 serving Stone Tree Golf Course.
- 2008** The 500,000-gallon Center Road Tank in west Novato is completed.
- 2009** Palmer Drive Tank is completed adding 3MG of first-zone storage in southern Novato, and increasing total Novato area storage capacity to 37MG.
- 2013** Expansion of the recycled water distribution system to north and south Novato is completed. Utilizing federal grant and loan funds and recycled water from both Novato & Las Gallinas Valley Sanitary Districts, the project will provide 130MG annually to large-landscape customers.
- 2015** The Gallagher Well Pipeline is completed principally with state grant financing, connecting the West Marin system to a new well located further upstream of Point Reyes Station in Lagunitas Creek, which is less susceptible to salt water intrusion.
- 2016** The \$22 million "Aqueduct Energy Efficiency Project" is completed, replacing the North Marin Aqueduct 30" diameter pipeline with a 42" pipeline from South Petaluma to Redwood Landfill, thereby eliminating the need for the Kastania Pump Station.
- 2017** To improve water use efficiency, accuracy and customer service, the District implemented an Advance Meter Information System (AMI) pilot project. The AMI project replaces the mechanical water meter register with an electronic register that transmits water use data securely to NMWD headquarters.

2018 Expansion of the recycled distribution system to Central Novato is completed. Using federal and state grant and loan funds and recycled water from Novato Sanitary District the project will provide at least 65 MG annually to large-landscape customers, including Marin Country Club Golf Course.

For a narrative description of North Marin Water District history of formation and expansion in Novato and West Marin, please visit our website at www.nmwd.com and click on Service Area.

NORTH MARIN WATER DISTRICT

BOARD OF DIRECTORS

Jack Baker, served since 1983
Rick Fraites, served since 2003
James Grossi, served since 2017
Michael Joly, served since 2017
Steve Petterle, served since 2001

OFFICERS

Drew McIntyre, General Manager, appointed 1998
Terrie Kehoe, District Secretary, appointed 2018
Julie Blue, Auditor-Controller, appointed 2018
Rocky Vogler, Chief Engineer, appointed 2017

DEPARTMENT MANAGERS

Administration & Finance	Julie Blue
Construction/Maintenance	Tony Arendell
Engineering	Rocky Vogler
Operations/Maintenance	Robert Clark

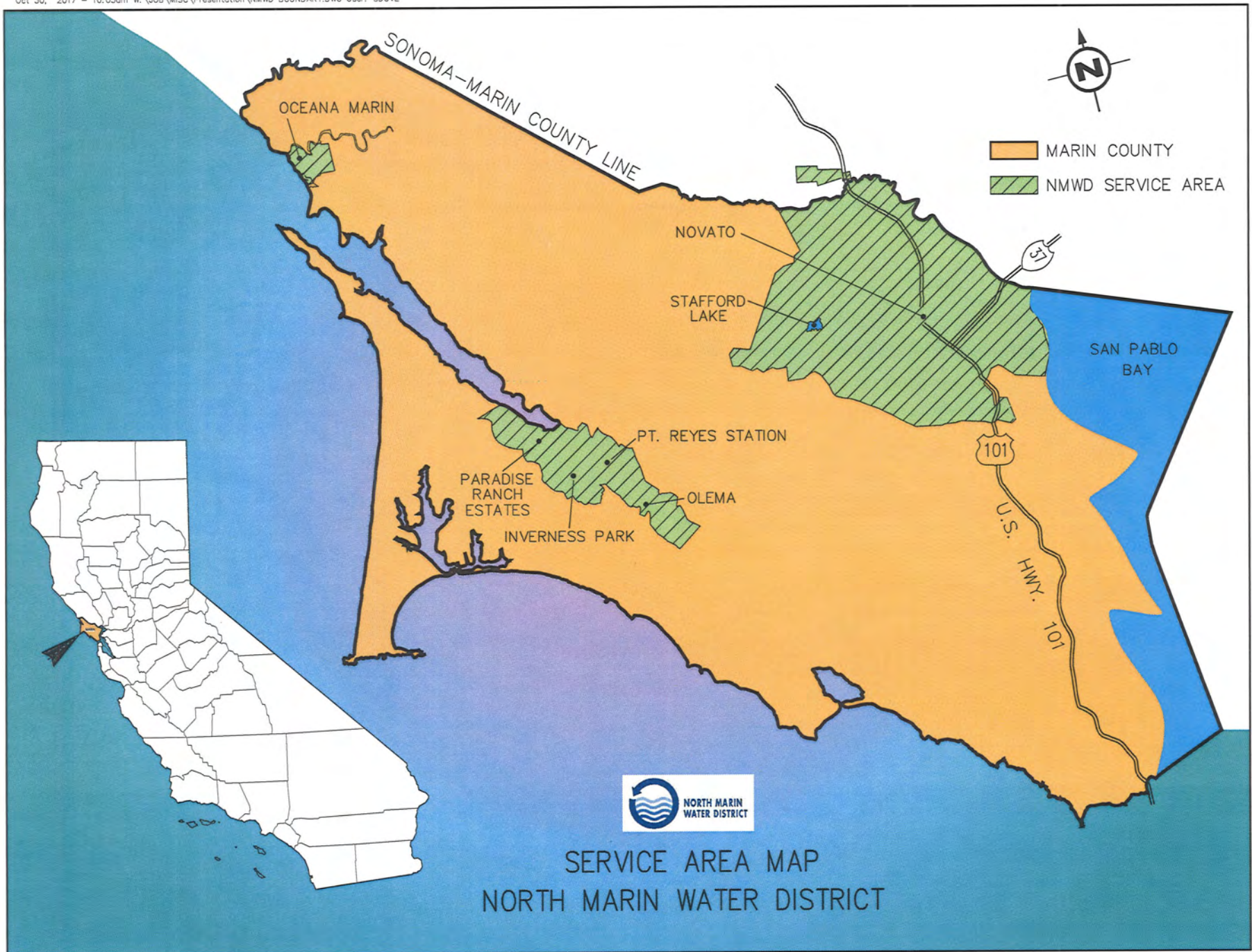
MISSION STATEMENT

Our mission is to meet the expectations of our customers in providing potable and recycled water and sewer services that are reliable, high-quality, environmentally responsible, and reasonably priced.

BOARD MEETINGS

Regular Board meetings are held on the first and third Tuesday of each month at 6:00 p.m. Meetings are normally held at North Marin Water District headquarters, 999 Rush Creek Place, Novato. For meeting agendas, contact the District Secretary at 415-761-8921 or visit the website at www.nmwd.com

(Front cover photo: AMI Crew –NMWD and Ferguson Waterworks)



MESSAGE FROM THE GENERAL MANAGER ... *Drew McIntyre*

The North Marin Water District (North Marin) carries out its Mission with a highly-motivated and competent staff empowered to meet the expectations of our customers in providing services that are reliable, high-quality, environmentally responsible and reasonable prices. 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. This annual report updates customers on North Marin accomplishments in Fiscal Year (FY) 2018 and provides a snapshot of our current efforts and financial performance.

This year local water supply from Stafford Lake provided up to 36% of peak summer demand on a monthly basis and 25% of annual demand. Rainfall in Novato totaled 20.5" which was 75% of average and Stafford Lake filled to 76% of its maximum storage capacity. The Russian River water delivery system from Sonoma County Water Agency (SCWA) typically provides 70-80% of Novato's annual water supply. SCWA continues focus on the 2008 Biological Opinion (BiOp) for water supply in the Russian River watershed issued by the National Marine Fisheries Service. The BiOp establishes requirements to preserve, protect and restore the fisheries and to maintain the existing Russian River water supply

On May 31, 2018, Governor Brown signed two bills, SB 606 (Hertzberg) and AB 1668 (Friedman) to make California more resilient to impacts of future droughts. This legislation creates new efficiency standards for indoor water use, outdoor irrigation use and water loss. By 2023, North Marin will have a new water use objective based on these efficiency standards. In the meantime, North Marin customers continue to be efficient in their water use. Fiscal year 2018 water production was down 18% compared to the State's benchmark of 2013. Ample water was available in the Russian River system for fish, agriculture and urban deliveries. North Marin's Stafford Lake Water Treatment Plant was utilized to augment Russian River supplies with local potable water supply. With regard to local recycled water supply, the Deer Island, Novato Sanitary and Las Gallinas Sanitary treatment facilities delivered highly-treated recycled water to StoneTree Golf Course and a growing customer base along North Marin's expanded recycled water distribution system in North and South Novato.

North Marin recently expanded the recycled water system into the Central Service Area of Novato. This expansion extends from Novato Sanitary District's treatment plant, serving

approximately 40 large landscape customers (including Vintage Oaks Shopping Center, Lynwood School and Marin Country Club) and three car washes along the way. Construction began in November, 2016 and was completed this summer.

To improve water use efficiency, accuracy and customer service, North Marin has also implemented an Advanced Meter Information (AMI) project. With the AMI system, the customer's mechanical water meter register is replaced with an electronic register allowing digital meter data to be transmitted securely to North Marin's headquarters via wireless communication.

In West Marin, normal year water supply conditions on Lagunitas Creek prevailed, however, some common-sense prohibitions against water waste and non-essential use remain in effect. With respect to capital improvement projects, design is underway for replacement of the Paradise Ranch Estates Tank 4A, and planning continues for a second upstream well on Lagunitas Creek that that is free from salinity intrusion.

In June 2018, a 4.5% water rate increase became effective. At \$718 per year, the cost of water service for a typical Novato single family home using 87,000 gallons of water a year is just above the median of Bay Area urban area water agencies (see chart page 19). Water remains a good value for Novato customers.

WATER SUPPLY

STAFFORD LAKE – Local Source Provides 25% of North Marin's Supply

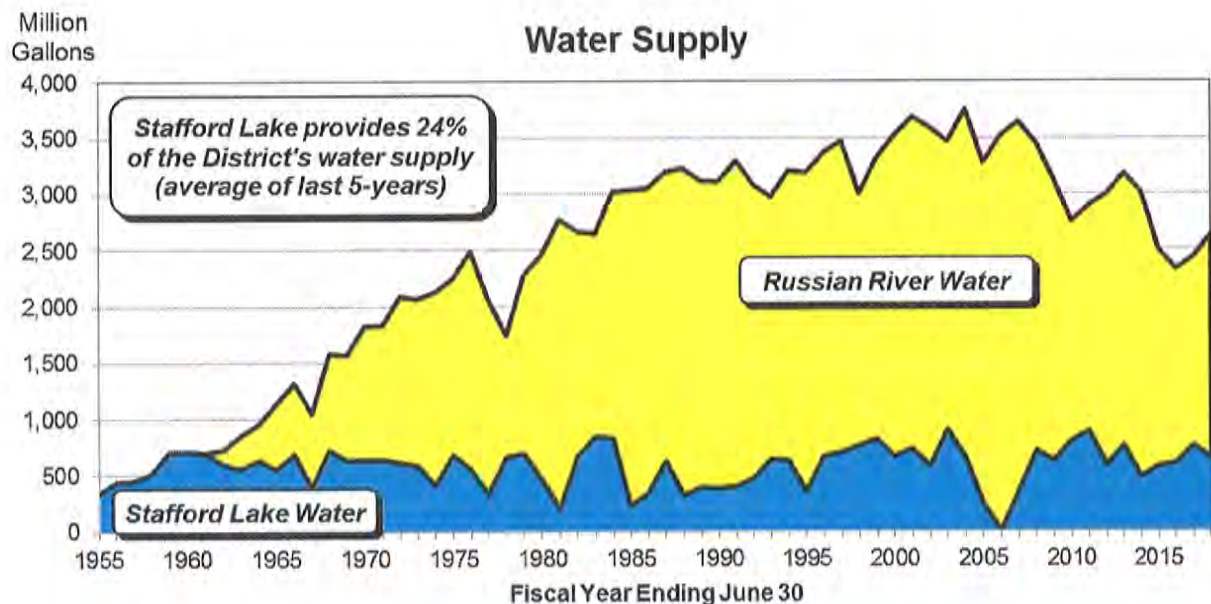
Stafford Lake lies four miles west of downtown Novato and collects the runoff from 8.3 square miles of watershed land adjacent to the upper reaches of Novato Creek. The lake has a surface area of 230 acres and holds 4,450 acre feet or 1,450 million gallons (MG) of water. Water from Stafford Lake is fed into the Stafford Lake Water Treatment Plant, (located just below the dam) at a maximum rate of 6 million gallons per day (MGD). In FY 2018, 1,983 acre feet (646 MG) of water was produced from the facility.

RUSSIAN RIVER – Provides 75% of North Marin'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). The Coyote Dam at Lake Mendocino impounds the Eel River diversions and winter runoff from the local watershed. Warm Springs Dam at Lake Sonoma impounds winter runoff

from the Dry Creek and Warm Springs local watersheds. Lakes Mendocino and Sonoma combined can store 367,500 acre feet to meet regional water supply needs, which totaled 46,134 acre feet in FY 2018. Releases from the lakes flow to a point about 10 miles upstream of Guerneville (see map on page 18 of this report), where six collector wells draw 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 SCWA aqueduct system.

In FY 2018, North Marin received 5,976 acre feet (1,947 MG) of Russian River water. North Marin has an agreement in place with SCWA to provide sufficient supply and meet Novato'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 or endangered species under the Endangered Species Act.



ADMINISTRATION

The Administration Department is comprised of the Administrative Services, Consumer Services, Finance, Human Resources and Information Systems.

CONSUMER SERVICES

Consumer Services is responsible for accurate and timely meter reading and billing, rendering and accounting for 139,000 bills annually. During the year, field staff responded to 1,412 customer calls for water service assistance and received a 93% positive response from customers pertaining to the service rendered.

- In March 2018 full project implementation of the Advanced Meter Information system began. This project is upgrading water meters and/or registers for customers throughout NMWD's Novato service territory. The AMI system transmits water use automatically and is being implemented to improve water use efficiency, as well as meter reading efficiency, accuracy and customer service. This technology also provides early leak detection and enables customers to view their individual water use online. The expected date of completion for the AMI project, which will upgrade over 20,000 meters, is January 2019.
- The Conservation Incentive Rate, enacted in Novato in June 2004 and focused on residential water use exceeding 1,845 gallons per day, continued to prove successful in reducing water demand. Residential consumption in the targeted tier was down 78% in FY 2018 compared to FY 2003. Only 1% of residential customers used in excess of 1,845 gallons per day sometime during the fiscal year.
- In January 2007 a Conservation Incentive Tier Rate (CITR) was implemented in Novato. The Conservation Incentive Tier Rate is applicable to residential water use between 615 and 1,845 gallons per day. About 18% of residential customers used in excess of 615 gallons per day sometime during the year (81% of residential customers never used more than 615 gallons per day). The CITR is designed to further encourage high-use residential customers to review and tighten-up their landscape irrigation practices. FY2018 water use within the CITR range had declined 48% compared to FY2006.

- In March, the District's 2018 Urban Area Water Cost Comparison (see chart on page 19) showed that North Marin's cost of water service ranked 8th out of the seventeen urban agencies serving the greater San Francisco Bay Area. The annual cost for water service to a typical single-family home in Novato was \$718/yr.

ACCOUNTING

The Accounting Department (pictured below) is responsible for general accounting and budgeting, payroll, purchasing, treasury management, risk management, materials inventory and human resources. The accounting staff renders a full financial statement monthly with extensive cost-accounting detail allowing District managers to closely monitor revenue and



expenditures relative to the adopted budget.

The Government Finance Officers Association (GFOA) has awarded the District a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for fiscal year ended June 30, 2017. This is the ninth consecutive year the District has

received this award. The GFOA states that this Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The following staff members made significant contributions to this CAFR: General Manager Drew McIntyre, Julie Blue, Nancy Holton, Nancy Williamson, and Dianne Landeros.

Fiscal Year 2018 financial highlights include:

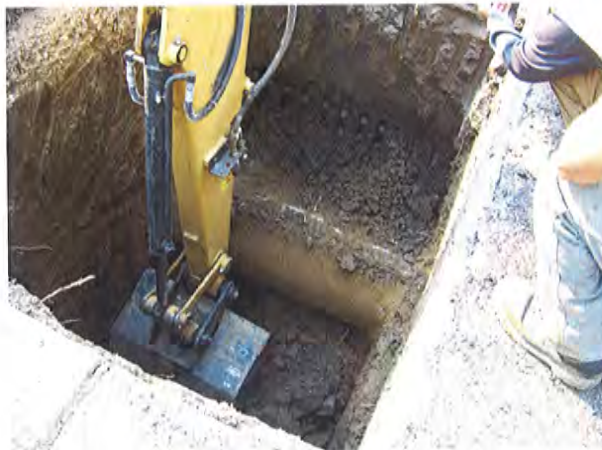
- The District, on a consolidated basis, received 112% of budgeted operating revenue and expended 104% of budgeted operating expenditures, resulting in a net income of \$1.9 million. \$11.3 million (63%) of the Capital Improvement Project Budget was expended. During the year the District received \$2 million in State Revolving Fund (SRF) loans and \$600 thousand in grant proceeds to finance its Recycled Water Expansion. Loan proceeds of \$4.4 million were also received to fund the AMI

project. The year ended with a cash balance of \$15.1 million, an increase of \$5 million from the prior year.

- Novato potable water consumption increased 9% from the prior year. Stafford Lake Water Treatment Plant produced 646 MG, down 14% from the prior year. The net income of \$1.7 million exceeded the \$522 thousand budgeted net income, and compares to a net income of \$87 thousand the prior year.
- The Novato Sanitary District and Las Gallinas Valley Sanitary District, along with the Deer Island Recycled Facility combined to produce 155 MG of Recycled Water, up 8% from the prior year. The fiscal year net loss of \$91 thousand was below the \$203 thousand budgeted loss.
- West Marin Water consumption was up 9% from the prior year. The \$207 thousand net income compares to a budgeted net income of \$138 thousand and to net income of \$79 thousand from the prior year. West Marin Water ended the fiscal year with a cash balance of \$1.5 million. A 4.5% increase applicable to West Marin water customers was approved effective July 1, 2018.
- Oceana Marin Sewer's net income of \$75 thousand compares to a budgeted net loss of \$11 thousand and to net income of \$54 thousand from the prior year. Oceana Marin ended the year with a \$561 thousand cash balance. A 5% increase applicable to Oceana Marin Sewer customers was approved effective July 1, 2018.

ENGINEERING

The Engineering Department consists of professional and technical staff that oversee the planning, permitting, design, construction and project management of water supply, treatment, transmission and distribution facilities necessary to serve North Marin's customers in Novato and West Marin. Engineering functions for wastewater-related facilities are also provided by the Department to support North Marin's wastewater collection, treatment and disposal system in Oceana Marin. Property owners or developers desiring new water or wastewater service or an upgrade to their existing service are assisted by the Engineering Department pursuant to North Marin regulations.

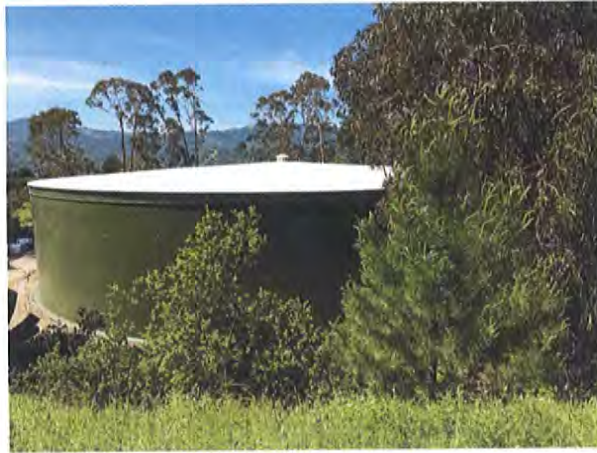


In the Novato service area, twenty-eight capital projects were originally budgeted. An additional eight projects were added, one project was carried over from the previous fiscal year, and five projects were deferred, resulting in an adjusted total of thirty-two projects. The Engineering Department oversaw twenty-two of the thirty-two projects, and sixteen of the total number of projects were completed within the fiscal year with total expenditures at \$10,897,055. Some of the significant projects included the Center Road 6" CIP (8"@1,200'), Grant Ave Bridge Main Replacement, construction completion of the Recycled Water Central Expansion Project, and San Mateo Tank Recoat.

. In the West Marin service area, including Oceana Marin, eight projects were originally budgeted, five projects were added and three were deferred, resulting in a total of ten projects. The Engineering Department oversaw three of the ten projects, and

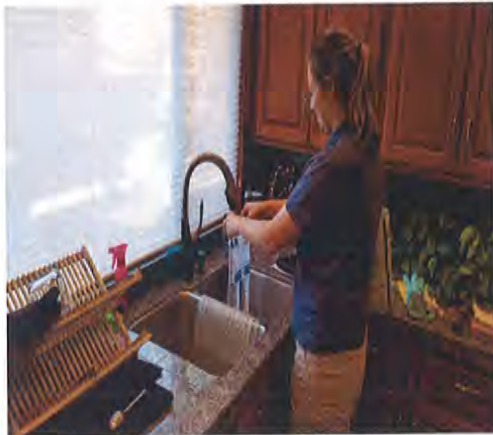


combined fiscal year expenditures totaled \$221,905. The most significant project in process in West Marin is the PRE Tank 4A Replacement project.



WATER CONSERVATION

North Marin Water District maintains a comprehensive and innovative Water Conservation Program aimed at both residential and non-residential customers (commercial and large landscape). Each program element is analyzed to assure that it will efficiently produce long-lasting water savings mutually worthwhile to the customer and the District.



Residential activities include residential water use surveys (301), high-efficiency washing machine (HEW) rebates (24 paid), high-efficiency toilet (HET) replacements (147 rebates paid), a Cash-for-Grass Program (18 rebates paid), flapper rebates, weather-based irrigation controller rebates, landscape efficiency rebates, a plumbing retrofit-on-resale program (toilets, showerheads, and bathroom sink faucets) and rainwater collection and gray water rebates. Hot Water Circulation

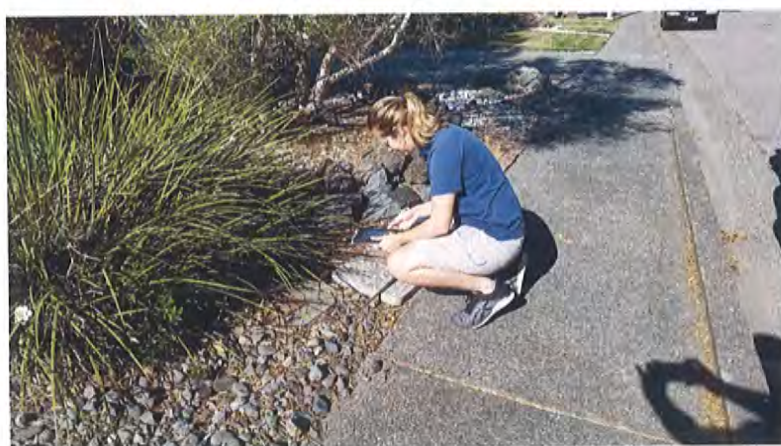
and Pool Cover rebates were added in recent years along with the "Lawn Be Gone" program aimed at promoting the sheet mulching technique of removing lawn. Water conservation programs for non-residential customers include HET rebates, high-efficiency washing machine rebates, and free water audits/surveys. Large landscape customers are provided landscape water budgets comparing actual use to calculated use based on local weather data and

landscape area. Large landscape audits and landscape efficiency upgrade rebates are also offered to mixed-use accounts and dedicated metered sites.



The public outreach program includes a School Education Program (in cooperation with SCWA), the “WaterLine” newsletter (sent in spring and fall), bill inserts and text, newspaper advertisements and articles, and a variety of other customer outreach events and campaigns (including participation in the Sonoma Marin Saving Water Partnership “Outreach” and “Take It From the Tap”

campaigns). The District maintains an interactive website where customers can look at everything from a graph of their water use history, to water use efficiency rebate information and can even pay their water bill. The District also maintains and regularly updates a Facebook page and has recently started using Nextdoor and Instagram to disseminate information. The outreach program is designed to increase customer participation in the various conservation programs offered by the District and to increase customer awareness and stewardship of the water resource.



Finally, the District requires new development to meet some of the most stringent water-use efficiency standards in the nation, including: installation of a high-efficiency washing machine, high-efficiency toilets, weather-based irrigation controllers, a maximum of 600 square feet of turf for new

residential development and no turf for new commercial development, soil amendment and mulching requirements, drip or other subsurface irrigation for all irrigated non-turf areas, and

other landscape irrigation efficiency measures consistent with the updated State Model Water Efficient Landscape Ordinance.

OPERATIONS AND MAINTENANCE DEPARTMENT

The Operations and Maintenance Department is comprised of three groups –Operations, Maintenance and Water Quality – which work together to provide Novato and West Marin customers with good water and good service at good value while continuing to provide a safe place to work. Along with these groups, the O&M Technical Assistant provides document control for the Cross Connection Control, Maintenance Management and Asset Management programs, as well as managing the District's Recycled Water Monitoring Program. Additional programs managed by the O&M staff include Safety, Environmental, Water Treatment and Distribution operational permits and compliance reporting.

OPERATIONS

The Operations Group is comprised of six Distribution and Treatment Operations staff who work closely with the Water Quality Group, sharing the responsibility of monitoring the Stafford Lake watershed and working cooperatively with landowners, the Indian Valley Golf Course and the Marin County Parks and Open Space District. The Group manages the potable water supply and distribution systems for Novato and West Marin communities and the waste water system in Ocean Marin as well as the Novato recycled water transmission and distribution system. Also in Novato, this department balances the tasks of treating and distributing water from Stafford Lake and imported Russian River water while maintaining appropriate water storage and pressure levels to reliably meet all water system demands and fire protection requirements.

This is a photo of the NMWD staff training with the Novato Fire Protection at the Stafford Lake Treatment Plant. For each confined space entry our staff performs, the NFPD is contacted for emergency rescue backup.



In Novato, the group manages storage of 28 million gallons (MG) of potable finished water in 35 tanks through four hydraulic pressure zones with 27 pump stations. There are 1.5

million gallons of recycled water storage and 17 miles of distribution mains providing 89 customer sites with recycled water from the Deer Island, Novato Sanitary District and the Las Gallinas Valley Sanitary District Recycled Water Treatment Facilities. This past fiscal year recycled water became 15% of the water supplied to our Novato customers.

In West Marin, the group operates the Lagunitas Creek wells, Point Reyes Treatment Plant, six pump stations and thirteen storage tanks in Point Reyes Station, Olema, Inverness Park, Paradise Ranch Estates, and Bear Valley. Additionally the department operates and maintains nine miles of sewer collection piping and a 90,000 gallon per day facultative waste water treatment pond with an eight acre leach field for the wastewater system in Oceana Marin.

Operations activities and accomplishments during 2017-18 included 8 improvement projects, 2 major maintenance tasks during the winter shutdown and over 700 routine maintenance tasks throughout the year.

Work performed to complete the Temporary tank for the San Mateo Tank rehabilitation, Stafford Lake back feed, Lynwood pump station repairs and chemical feed system upgrades at the Stafford Treatment Plant, Novato Recycled Water Expansion, green sand media replacement and filter optimization in Point Reyes key to the continued high quality water provided.

MAINTENANCE

The Maintenance Group is comprised of seven technicians including Electrical/Mechanical, Building/Grounds, Fleet, Distribution Cross Connection Control and a Technical Program Administrator and is responsible for all maintenance tasks throughout the Novato, West Marin and Oceana Marin service areas.

Maintenance works closely with Engineering and Construction on new projects for electrical and mechanical installations and with Operations to ensure proper operation of Treatment and Distribution facilities for continuous service to our customers. Throughout the service area the E/M team maintains the Supervisory Control and Data Accusation (SCADA), Advanced Meter Infrastructure (AMI) and computer network communication systems.



Onsite retrofit coordination at Inn Marin



Construction Inspection at Inn Marin

In Novato, this includes the Stafford Lake Water Treatment plant, Deer Island Recycled Water Treatment Facility, pump stations, tanks, pressure regulators and cross connection devices while also maintaining the Office and Corporation yard facilities.

In West Marin, the Maintenance group maintains the Lagunitas Creek wells, Point Reyes treatment plant, tanks and pump stations. Additionally, the group maintains the collection and wastewater treatment operations in Oceana Marin.

Maintenance accomplishments during 2017-18 included six facilities improvement projects and 475 routine maintenance tasks. Staff continued to execute the day-to-day activities while performing projects on San Mateo Tank Rehab controls, LED parking lot lights, AMI communication installation, Enterprise Asset Management evaluation, Central Novato Recycled Water Retrofit start-up, California Department of Water Resources water loss reporting and tank security enhancements.

WATER QUALITY

The Water Quality Group is comprised of five employees, chemists and lab technicians providing oversight to all aspects of North Marin operations to ensure that water quality is protected, using a multi-barrier approach. Surveillance and monitoring is performed at multiple points from source to tap. North Marin's laboratory performs thousands of water quality tests each year (as required under state and federal drinking water regulations) to support the work performed by other District departments. Annually, a water quality report is sent to all District customers in both Novato and West Marin. In addition, Water Quality staff responds to customer calls with specific information on water quality.

The primary goal of North Marin Water District is for water at every tap to be safe and taste good. The objectives toward meeting this goal, collaboratively established by the District's Board of Directors and staff, are to meet or exceed all regulatory standards, work to control or prevent all taste and odors and work with appropriate agencies to protect water quality.

North Marin Water District's Water Quality Division prides itself on providing exceptional customer service based on a commitment to public health and a safe water supply. The District's Water Quality laboratory is certified by the California Environmental Laboratory Accreditation Program to perform analyses for both regulated and unregulated contaminants. The laboratory staff provides testing services for other District divisions for quality control of the water supply as well as testing in response to customer concerns. Monitoring is from source to tap. Staff provides the Novato Sanitary District with sample collection, lab analysis and reporting.

Routine tests are performed on the bacterial, algal and chemical conditions of the source water in Stafford Lake and the Point Reyes wells. Tests are also conducted on the water purchased from Sonoma County Water Agency. High nutrient levels can increase algal growth, which can result in taste and odor problems. Source monitoring in the Point Reyes system focuses on a well quality. Salinity levels continue to rise above the notification level (chlorides – 100mg/L) despite the blending of the Gallagher well water with the Coast Guard wells. The laboratory staff supports the Operations staff with monitoring of Stafford Treatment plant to evaluate the effectiveness of the various treatment processes.

This is a photo of the Annual first rainfall watershed samples collected. They will be tested for Coliform, nitrates and cryptosporidium.



The quality of water in the Novato and Point Reyes distribution system met all regulatory requirements. Operational controls to maintain chlorine residuals were effective in maintaining an appropriate level of the disinfectant in the distribution system to keep bacteria from growing

while keeping associated aesthetics at an acceptable level. The distribution water quality programs including flushing and cross-connection control were performed. Storage tanks were inspected by the Maintenance staff, and Operations has slated collection of tank water for routine annual testing, which helps determine tank-cleaning priorities. During the year, Water Quality staff assisted the Department of Drinking Water on the West Marin system inspection and the Novato Sanitary District on the inspection of the Stafford Lake Treatment Plant discharge permit.

CONSTRUCTION/MAINTENANCE DEPARTMENT

The Construction/Maintenance Department installs repairs and replaces water main pipelines and their appurtenances (valves, hydrants, services and meters, etc.) in upgrading and maintaining our facilities. The Construction/Maintenance Department may be contracted by developers to install new water mains, services, fire hydrants and fire services. In addition, staff upgrades $\frac{3}{4}$ " service lines to 1" to comply with the Novato Fire Protection District's requirements for sprinklers in new building construction. Staff is on call at all times and may be the first to respond to emergencies such as service leaks, main breaks, or knocked-over hydrants. Construction/Maintenance staff work hand-in-hand with the public, City and developers to install high-quality and reliable facilities to serve North Marin customers.



During FY 2017/18, North Marin Water District's Construction crews has replaced 114 polybutylene water several and 15 copper water service laterals in because of leaks in Novato and West Marin service areas.

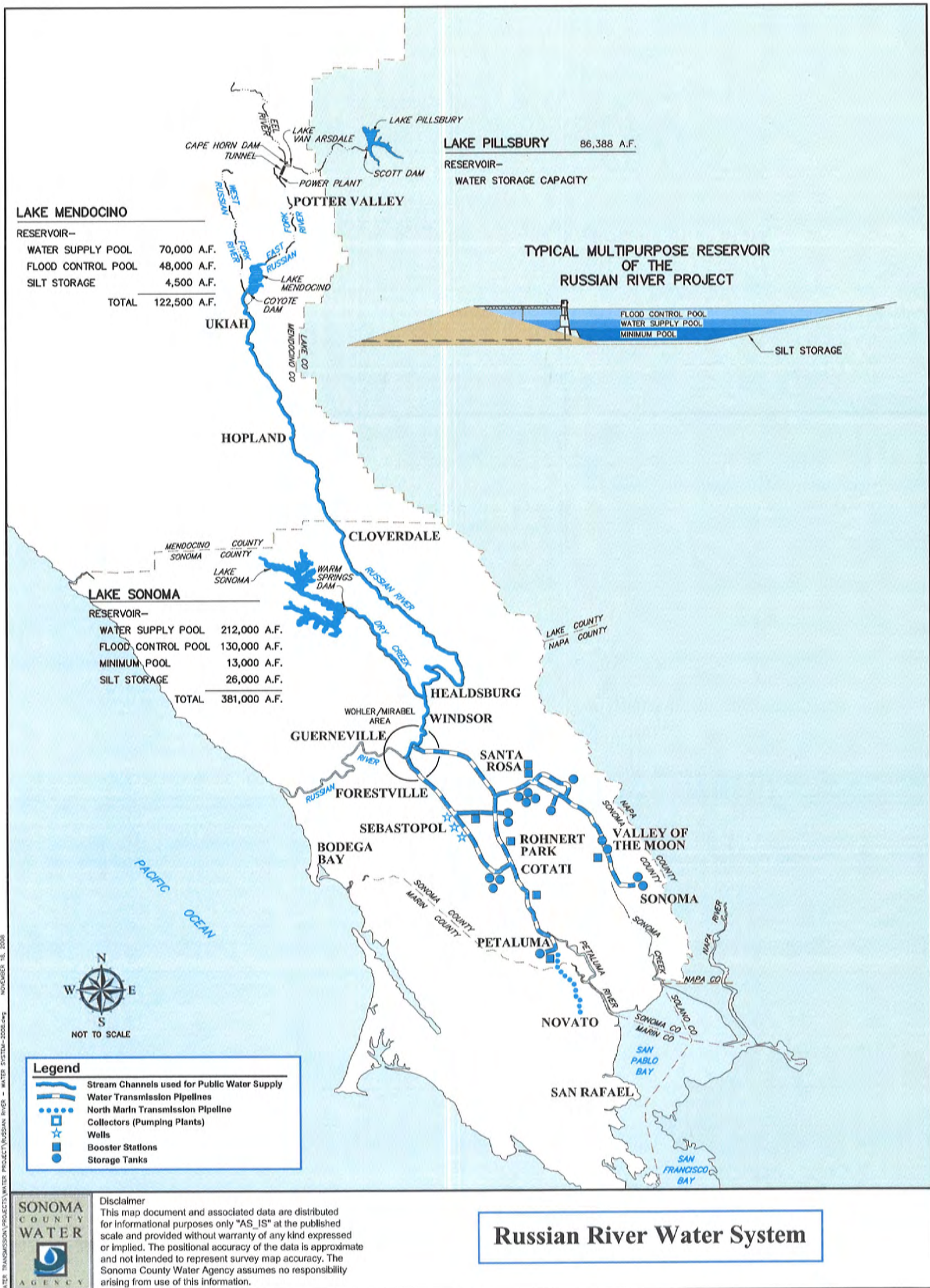
The Construction Crews work with developers on small jobs Novato Village, Chace Bank, and Petaluma Self Storage. The Crews upsized service laterals for residential fire service (20 services).

Crews worked on the following Capital Improvement Projects in the Novato system. The replacement of a segment of the 12' AC main that runs from Crest Rd to Summit Ln, 12" main on the Grant Ave Bridge, Center Road pipeline project, Ridge Road Pipeline Replacement, Lynwood Pump Station, DCA replacements, repairs to the STP Spillway, and PB Replacement ahead of City and County paving. Novato Recycled Water, Distract crews assisted contractors on the RW Central projects.

Crews working on the Center Road pipeline project installing one of the taps on the 16" concrete cylinder pipe.

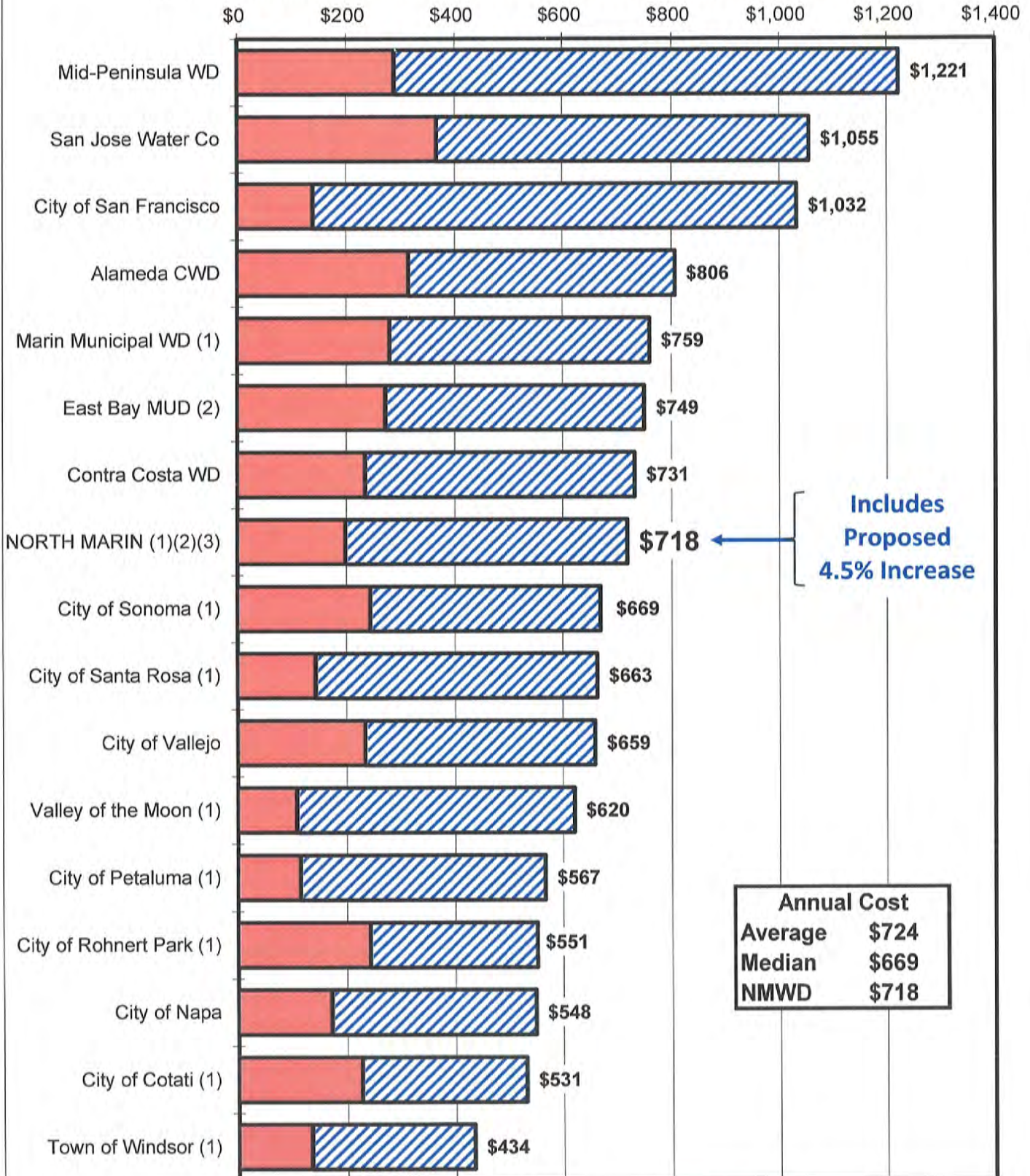






2018 URBAN AREA TOTAL ANNUAL WATER COST COMPARISON

Typical Detached Single-Family Home Annual Consumption = 86,600 Gallons

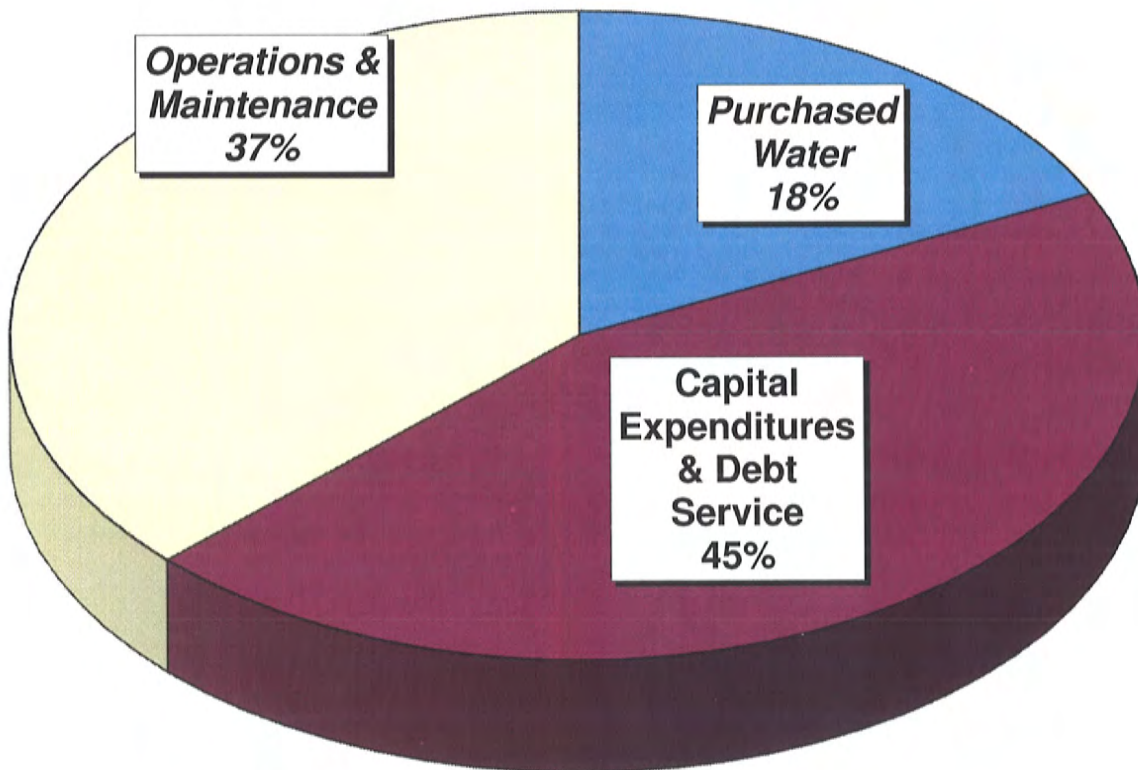
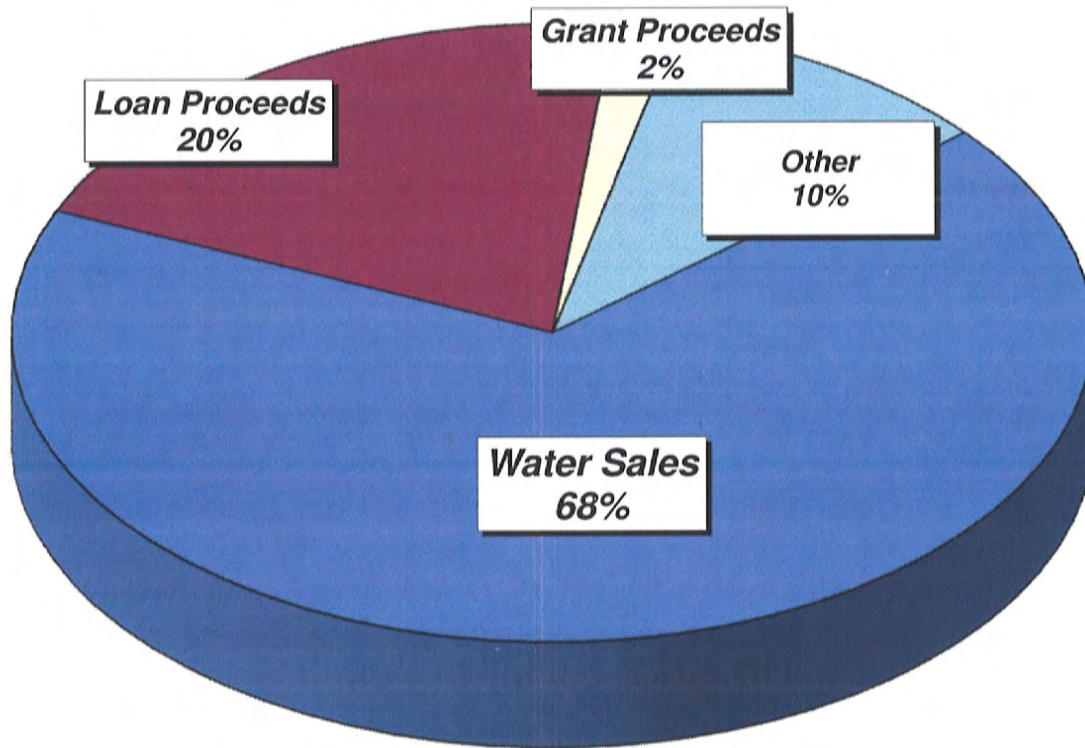


LEGEND
 Service
 Commodity

(1) Sonoma County Water Agency Prime Contractor.
 (2) Based on weighted average commodity charge - all zones.
 (3) Excludes West Marin rates and charges.

North Marin Water District - Fiscal Year 2017-18

Source of Funds: \$31.5 Million



Use of Funds: \$31.5 Million

CHARACTERISTICS OF SERVICE AREAS

Statistics (at June 30, 2018)	Water		Sewer	Total
	Novato Potable & RW	West Marin Service Area	Oceana Marin	
Service Area (Square Miles)	75	24	1	100
Active Connections	20,609	783	232	21,624
Dwelling Units	24,005	832	231	25,068
Estimated Population	61,000	1,800	500	63,300
Average Household Size (People)	2.6	2.1	1.9	2.5
FTE Employees	53.0	-	-	53.0
Fire Hydrants	2,674	168	-	2,842
Miles of Pipeline	333	26	5	364
Storage (million gallons)	39.0	1.0	-	40.0
Annual Water Volumes (MG) (FY2017-18)				
Russian River Water Purchases	1,989			1,989
Stafford Water Treatment Plant	646			646
Recycled Water	155			155
Point Reyes Water Treatment Plant		81		81
Oceana Marin Wastewater Treatment			8	8
Total Water Production	2,790	81	8	2,879
RR Water Wheeled to MMWD	1,683			1,683
Annual Budget - FY2018-19				
Operating Revenue	\$21,679,000	\$875,000	\$252,000	\$22,806,000
Connection Fees/Misc	1,450,000	96,000	95,000	1,641,000
Grant/Loan Proceeds	250,000	0	69,000	319,000
Contribution (To)/From Reserves	2,831,000	991,000	344,000	4,166,000
Total Sources	\$26,210,000	\$1,962,000	\$760,000	\$28,932,000
Operating Labor	\$6,611,000	\$249,000	\$82,000	\$6,942,000
Other Operating Expense (less Deprec)	10,313,000	290,000	113,000	10,716,000
Capital Expenditures	6,235,000	1,325,000	565,000	8,125,000
Debt Service & Other Expenditures	3,051,000	98,000	0	3,149,000
Total Outlays	\$26,210,000	\$1,962,000	\$760,000	\$28,932,000
Annual Water/Sewer Cost (FY2017-18)				
to Typical Single-Family Detached Residence				
Service Charge	\$31.50/2 mo.	\$31.50/2 mo.	\$86.00/mo.	
Annual Consumption (Typical)	86,600 gal	49,300 gal		
Wt'd Avg Water Rate / 1,000 gal ¹	\$5.40	\$10.40		
Typical Annual Cost:				
Service Charge	\$189	\$189	\$1,032	
Commodity Charge	\$468	\$513	\$0	
Allocated Tax ²	\$0	\$59	\$228	
Total Annual Cost	\$657	\$760	\$1,260	

Notes

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1 FY18 weighted average commodity rate. Rates vary by elevation zone to reflect different energy, pumping and storage costs. Novato rates ranged from \$5.01 to \$6.93 per 1,000 gallons, and in West Marin from \$8.55 to \$14.26. Average excludes tier rate charges as typical residential consumption is below tier threshold.

2 FY18 allocated share of Marin County 1% ad valorem tax per active connection. Tax is collected by the County and allocated by formula to the West Marin districts.

SUMMARY FINANCIAL INFORMATION

June 30, 2018

NET ASSETS

	Total	Novato Water	Novato Recycled	West Marin Water	Oceana Marin Sewer
Assets					
Cash & Investments	\$15,106,428	\$10,170,912	\$2,898,124	\$1,475,988	\$561,404
Receivables & Other Assets	14,655,408	8,830,084	5,623,296	195,025	7,003
Construction-in-Progress	24,491,508	8,289,150	15,623,282	443,809	135,267
Property, Plant & Equipment (net)	112,098,300	88,883,880	17,204,048	5,222,664	787,708
Total Assets	\$166,351,644	\$116,174,026	\$41,348,750	\$7,337,486	\$1,491,382
Liabilities					
Current Liabilities	\$6,927,160	\$6,211,235	\$493,744	\$146,810	\$75,371
Long-Term Debt	52,601,036	35,751,728	16,090,126	759,182	-
Total Liabilities	\$59,528,196	\$41,962,963	\$16,583,870	\$905,992	\$75,371
Net Assets					
Invested in Capital Assets	\$137,057,019	\$101,891,463	\$27,624,736	\$6,319,757	\$1,221,063
Restricted & Designated Reserves	3,881,915	(483,204)	3,572,585	769,164	23,370
Earned Surplus	(34,115,487)	(27,197,196)	(6,432,441)	(657,428)	171,578
Net Assets	\$106,823,447	\$74,211,063	\$24,764,880	\$6,431,493	\$1,416,011

REVENUE & EXPENSE

Operating Revenue	\$22,094,094	\$20,019,805	\$948,739	\$885,060	\$240,490
Operating Expense	19,895,100	18,063,210	874,973	726,217	230,699
Operating Income/(Loss)	\$2,198,995	\$1,956,595	\$73,766	\$158,843	\$9,791
Non-Operating Revenue/(Expense)	(338,475)	(286,953)	(165,104)	48,507	65,075
Net Income/(Loss)	\$1,860,520	\$1,669,642	(\$91,338)	\$207,350	\$74,866

CASH FLOW

Net Income/(Loss)	\$1,860,520	\$1,669,642	(\$91,338)	\$207,350	\$74,866
Add Back Depreciation	3,434,068	2,730,867	473,970	191,949	37,282
Cash Generated	\$5,294,588	\$4,400,509	\$382,632	\$399,299	\$112,148

Other Sources/(Uses)

Connection Fees	\$1,455,400	\$1,387,000	\$0	\$68,400	\$0
Loan Proceeds	6,393,836	4,360,000	2,033,836	-	-
Capital Asset Acquisition	(11,270,830)	(7,151,845)	(3,904,870)	(169,070)	(45,045)
Principal Paid on Debt	(1,368,255)	(868,037)	(432,176)	(68,042)	-
Grant Proceeds	592,907	47,618	545,289	-	-
Caltrans Capital Contributon	(585)	(585)	-	-	-
Interdistrict Loan	0	6,100,326	(6,100,326)	-	-
Connection Fee Transfer	0	(5,481,925)	5,481,925	-	-
Working Capital & Miscellaneous	3,914,515	(120,135)	4,022,142	(57,613)	70,121
Total Other Sources/(Uses)	(\$283,012)	(\$1,727,583)	\$1,645,820	(\$226,324)	\$25,075
Net Cash Generated/(Used)	\$5,011,576	\$2,672,928	\$2,028,449	\$172,974	\$137,225

HISTORICAL STATISTICS

Fiscal Year Ending June 30:		2018	2017	2016	2015	2014
Active Services	-Novato Water	20,543	20,544	20,535	20,498	20,505
	-Novato Recycled	66	47	44	44	44
	-West Marin Water	783	780	780	778	776
	-Oceana Marin Sewer	232	231	230	229	229
Total Active Services		21,624	21,602	21,589	21,549	21,554

Full-Time Equivalent (FTE) Employees	53.0	53.7	50.7	51.7	50.5
FTE Employees per 1,000 Active Services	2.5	2.5	2.3	2.4	2.3
Property, Plant and Equipment (millions)	\$194.1	\$182.8	\$165.1	\$158.9	\$143.3
FTE Employees per \$1M Capital Assets	0.27	0.29	0.31	0.33	0.35
Miles of Pipeline	364	364	358	357	356
Storage (MG)	40.0	39.4	39.4	39.4	39.4

Water Production (MG)

Point Reyes Treatment Plant	81	66	65	70	84
Stafford Treatment Plant	646	756	601	573	479
Recycled Water	155	144	139	148	157
Russian River Water Purchases	1,989	1,681	1,727	1,928	2,531
Total Water Production	2,871	2,647	2,532	2,719	3,251
Wheeled to Marin Municipal WD	1,670	1,670	1,725	2,333	2,543

Novato Service Area Average Day Potable Water Production (MG)

Annual	7.2	6.7	6.4	6.9	8.2
Peak Month	10.7	10.0	10.2	10.3	12.4
Peak Week	10.3	10.6	11.1	11.3	12.8
Peak Day	13.2	15.6	12.2	13.7	14.9

Financial History

Source of Funds

Water Sales	\$21,328,795	\$18,136,626	\$16,840,826	\$17,492,130	\$19,394,214
Investment Earnings	243,752	156,662	125,078	134,464	108,914
Tax Revenue	109,908	107,089	102,259	94,398	90,070
Grant Proceeds	592,907	5,061,105	532,248	1,259,624	479,903
Connection Fees	1,455,400	1,034,585	278,690	801,600	152,800
Loan Proceeds	6,393,836	1,899,538	0	0	3,375,378
Other Sources	1,413,583	5,981,896	3,944,898	11,761,694	5,335,566
Reserves	(5,011,576)	2,937,250	1,155,661	608,242	(4,769,954)
	<u>\$26,526,605</u>	<u>\$35,314,751</u>	<u>\$22,979,660</u>	<u>\$32,152,152</u>	<u>\$24,166,891</u>

Use of Funds

Purchased Water	\$5,350,855	\$4,469,632	\$4,189,723	\$4,545,345	\$6,123,015
Operation & Maintenance	11,110,175	10,630,056	9,228,266	8,780,314	8,045,840
Debt Service	2,201,451	2,527,022	2,528,938	2,534,473	2,448,776
Capital Expenditures	11,270,831	12,488,621	5,594,631	16,192,913	5,238,179
Other Uses	(3,406,707)	5,199,420	1,438,102	99,107	2,311,081
	<u>\$26,526,605</u>	<u>\$35,314,751</u>	<u>\$22,979,660</u>	<u>\$32,152,152</u>	<u>\$24,166,891</u>

Where We Stand

Assets	\$166,351,644	\$159,886,280	\$136,897,391	\$134,483,310	\$121,670,779
Liabilities	59,528,196	55,974,308	44,224,607	46,328,041	38,566,904
Net Assets	<u>\$106,823,448</u>	<u>\$103,911,972</u>	<u>\$92,672,784</u>	<u>\$88,155,269</u>	<u>\$83,103,875</u>

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11

MEMORANDUM

To: Board of Directors
From: Drew McIntyre, General Manager
Subject: Dillon Beach Village Community Meeting – November 13, 2018



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November 30, 2018

RECOMMENDED ACTION: Information

FINANCIAL IMPACT: None

On November 13, 2018 I attended a Dillon Beach Village community meeting hosted by Marin County Environmental Health Services (see flyer in Attachment 1). The purpose of the meeting was to obtain input from the community regarding issues primarily related to water supply and on-site septic treatment concerns. Funding for this program is from a Prop 1 Bay Area Integrated Regional Water Management Program (IRWMP) grant. The Environmental Justice Coalition for Water (EJCW) is the Bay Area Program Manager for a portion of the IRWMP grant and Marin County is one of 10 Bay Area partners participating in outreach services in support of disadvantaged and under-represented communities. As part of this effort, the County received a \$49,000 grant this summer to study water related issues in both Dillon Beach Village and Point Reyes Station. According to EJCW, over \$4M is available to be spent in the Bay Area for disadvantaged communities and these community outreach meeting are being used to help prioritize where said grant funds should be allocated. Marin County is planning of spending about three months focusing on the Village area before starting a similar process in Point Reyes Station.

Approximately 40 residents attended the meeting. Most were from the Village area but some Ocean Marin residents attended as well. After the County presentation, attendees were split into smaller working groups. Most of the comments received from the smaller working groups centered around drinking water supply, quality and cost. There were minimal comments from the Village residents regarding on-site septic issues. When these were expressed, the general theme was that on-site septic systems were not causing environmental problems and residents were concerned about costs associated with any regional wastewater treatment system. I had the opportunity to speak to the group to review the District's Board Policy 34 – Wastewater (Sewer) Service in West Marin (included as Attachment 2). I reminded the group that, per the Policy, NMWD will only consider expansion into the Village area if: (1) it is a community wide system supported by a super majority of the residents, (2) studies are shown that it is feasible and cost effective and (3) costs for any expansion study and implementation must be borne solely by customers receiving benefit from the expansion.

COUNTY OF MARIN
COMMUNITY DEVELOPMENT AGENCY
ENVIRONMENTAL HEALTH SERVICES

COMMUNITY MEETING

Dillon Beach Village

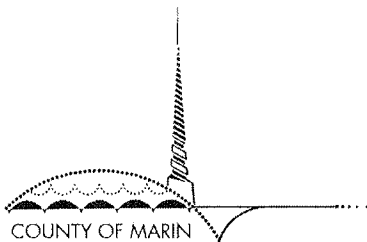
Creating a Community Water Story

Tuesday, November 13, 2018

**Dillon Beach Coastal Kitchen
1 Beach Avenue, Dillon Beach
6:00 pm**

Join us for a conversation about the water-related needs, assets, and priorities of Dillon Beach Village. Topics include water supply, septic concerns, sea level rise, water recycling, and other related issues. This unique opportunity is funded by a grant from the State Department of Water Resources to support small communities with water resource planning and decision-making.

For more information contact Lorene Jackson at
lajackson@marincounty.org or (415) 473-7146



The meeting room is accessible to persons with disabilities. Requests for accommodations may be made by calling (415) 473-6269 (Voice), (415) 473-2255 (TDD/TTY) or by e-mail at disabilityaccess@marincounty.org at least five business days in advance of the event. Copies of documents are available in alternative formats, upon request.

Environmental Health Services
3501 Civic Center Drive
Suite 308
San Rafael, CA 94903

415 473 6907T
415 473 7880 F
CRS Dial 711
marincounty.org/cda

NORTH MARIN WATER DISTRICT

POLICY: WASTEWATER (SEWER) SERVICE IN WEST MARIN BOARD POLICY NUMBER: 34

Original Date: May 2000
Last Revised: May 2000
Last Reviewed: 05/21/13

RESOLUTION 00-20

RESOLUTION OF THE NORTH MARIN WATER DISTRICT BOARD OF DIRECTORS DECLARING ITS POLICY WITH RESPECT TO EXPANSION OF WASTEWATER SERVICE IN WEST MARIN

WHEREAS, North Marin Water District owns and operates a community wastewater system serving the existing District service area of Oceana Marin and a community water system serving the existing District service areas of Point Reyes Station and Paradise Ranch Estates, all in the western part of Marin County;

WHEREAS, from time to time, inquiries are made of the District relating to the possibility of expanding said wastewater system to include additional areas, or to provide wastewater service (collection, treatment and disposal) in other areas of West Marin;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of North Marin Water District that the policy of this District with respect to expansion of District wastewater service in the western part of Marin County beyond the existing District wastewater service area is determined and declared as follows:

1. The North Marin Water District will continue to consider arrangements leading to consolidated¹ and expandable² community wastewater systems for West Marin planning areas when said consolidated community systems are consistent with the Marin County Plan and specific community plans.
2. The District will consider assuming the responsibility for providing wastewater service to additional areas of West Marin only when engineering studies for said service conclude that such service is feasible, that wastewater collection, treatment and disposal capacities are adequate and expandable for communitywide service, all as solely determined by the District, and when land use consistency and environmental review are completed.
3. The District will undertake environmental review and engineering studies related to wastewater services only when requested to so by clear and substantial majority (3/4³) of the property owners of the area or areas proposed to be served and upon completion of satisfactory arrangements for payment of the cost of such studies by the persons who may receive benefit therefrom. Such studies shall determine project technical feasibility and economic justification insofar as District provision of wastewater service is concerned.

1 Consolidated community systems means common collection, treatment and disposal facilities for the properties proposed for service.

2 Expandable means the consolidated community system can accommodate or be expanded to accommodate additional properties as solely determined by the District.

3 With less than 75% request, property owners may not later support the necessary 2/3 (67%) vote to tax themselves for the long term financing to fund necessary facilities.

4. The District will consider assuming the responsibility for providing wastewater collection, treatment and disposal service only if: (a) there is no adequate alternative existing community sewer service available, (b) the plan for District service as expandable meets the requirements of the appropriate regulatory agencies including the Regional Water Quality Control Board (c) the area to be served is annexed to the District pursuant to the policies and procedures of the Marin Local Agency Formation Commission, (d) compliance with all applicable District regulations, and (e) arrangements satisfactory to the District are made for all current and future costs in connection with the project and are borne exclusively by the area to be served. Costs shall include and be not limited to the following: property acquisition, capital facilities, operational, maintenance, administrative, energy, chemicals, staffing, insurance and establishing prudent ongoing reserves as determined by the District from time to time.
5. Where new development is proposed the District will consider wastewater service to said new development only where said new development is geographically adjacent to or within existing West Marin communities, and the District determines in its sole discretion, that it is feasible to serve both the proposed new development and other properties within the existing community.
6. The District will not consider the responsibility for providing wastewater service to new customers where said service may adversely impact existing customers or where such service is restricted to a single development or developer's interest.

* * * * *

I hereby certify that the foregoing is a true and complete copy of a resolution duly and regularly adopted by the Board of Directors of NORTH MARIN WATER DISTRICT at a regular meeting of said Board held on the 16th day of May 2000 by the following vote:

AYES:	Directors Amaroli, Baker, Brand Rodoni and Schoonover
NOES:	None
ABSENT:	None
ABSTAINED:	None

Joyce S. Arnold, Secretary
North Marin Water District

(SEAL)

12



North Bay Watershed Association

Board Meeting Notice

December 7, 2018

9:30 am– 11:30 pm
Novato Sanitary District
500 Davidson Street
Novato, CA 94954

Next Meeting

January 11th, 2019
9:30 am – 11:30 pm
Marin Municipal
Water District
220 Nellen Ave.
Corte Madera, CA
94925

Board Meeting Agenda

- | | |
|---|----------|
| 1. Call to Order | 9:30 am |
| <i>Jack Gibson, Chair</i> | |
| 2. Public Comment | |
| 3. Approval of Agenda | 1 min. |
| <i>Action: Approve</i> | |
| 4. Approval of Minutes | 1 min. |
| <i>Action: Approve</i> | |
| 5. Treasure's Report | 1 min. |
| <i>Action: Approve</i> | |
| 6. Outcomes of NBWA's Strategic Plan Process | 9:45 am |
| Introduction Of Draft Strategies | |
| <i>Lori Lewis, Sen. Consultant.</i> | |
| <i>Chaordic Balance</i> | |
| <i>Action: Board feedback & recommendations</i> | |
| 7. Possible New Stormwater Legislation | 10:30 am |
| <i>Mitch Avalon. Consultant</i> | |
| <i>Contra Costa County Public Works Department</i> | |
| <i>Action: Board feedback</i> | |
| 8. New Faces: Introductions | 11:00 am |
| <i>Meet Steven Moore, new GM for Ross Valley</i> | |
| <i>And Lucas Patzek new ED for Napa RCD</i> | |
| 9. Announcements, Next Month Items | 11:25 am |
| <i>Outreach efforts, Lon Peterson MMWD</i> | |
| <i>Implementing the Strategic Plan</i> | |

13

DISBURSEMENTS - DATED NOVEMBER 21, 2018

Date Prepared 11/20/18

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
1	Alpha Analytical Labs	Lab Testing	\$150.00
2	Alphagraphics Marin	Meter Letters for AMI Installation (1,686) & Mailing Services (\$698)	1,308.84
3	Antongiovanni, Roger	Novato "Smart Irrigation Controller" Program	249.54
4	Arrow Benefits Group	October Dental Expense	4,514.71
5	AWWA CA-NV SEC	Water Use Efficiency Practitioner Renewal (Grisso) (1/19-12/20) (Budget \$70)	50.00
6	Backflow Distributors	Repair Kit for Backflow	283.73
7	Bastogne	Can't Locate Account	94.54
8	Bernstein, Debbie	Novato "Toilet Rebate" & "Washer Rebate" Programs	250.00
9	Buck's Saw Service	Chainsaw Fuel (8) & Chains (2)	110.58
10	Clipper Direct	Commuter Benefit Program (3)	464.00
11	Comcast	November Internet Connection	153.29
12	Cummings Trucking	Rock (\$716) (16 yds) & Sand (\$2,050) (32 yds)	2,765.82
13	DLT Solutions	AutoCAD Subscription Renewal (12/18-12/19) (Budget \$3,100)	2,907.34
14	Energy Systems	Replace Main Control Panel on O.M. Emergency Generator	2,403.00
15	Environmental Express	Double Weigh Filters (100) (Lab)	187.50
16	Fedak & Brown	Progress Billing on Single Audit Work for NMWD for Year End 6/30/18	3,000.00
17	Ferguson Waterworks	AMI Fiberlyte Lids w/Probe Holes (373) (\$14,164) & Meter Installations (3,796) (\$79,743)	93,907.92

Seq	Payable To	For	Amount
18	Frontier Communications	Leased Lines	1,431.36
19	Genterra Consultants	Prog Pymt #15: Dam Safety Consulting Services for Stafford Dam (Balance Remaining on Contract \$10,750)	916.25
20	GHD	Prog Pymt#8: Crest Pump Station (\$302) & Lynwood P/S (\$96) (Balance Remaining on Contract \$49,296) & Prog Pymt#13: PRE Tank 4A Project (Balance Remaining on Contract \$36,038)	6,874.50
21	Golden Gate Petroleum	Gasoline (\$3.06/gal) & Diesel (\$3.55/gal)	3,518.65
22	Grainger	Hand Sanitizer (20), Pipe Sealant (10), Ear Muffs (4) (\$214) (STP), Wrenches (2), Screwdrivers (3), Tools for Backflow Repairs & Sump Pump for Valve Vault #1 @ STP	1,907.75
23	HERC Rentals	Boom Man Lift to Work on Air Relief Valve on Hwy 101	989.53
24	Irrigation Association	Certification Renewal Fee (1/19-12/19) (Grisso)	100.00
25	Keyes, Pamela	Novato "Toilet Rebate" Program	100.00
26	KP Promotions	Semi-Annual Uniform Order	323.71
27	McPhail Fuel	Propane Tank Lease (25 Giacomini Rd)	64.95
28	Microtech Scientific	Tryptic Soy Broth (Lab)	71.05
29	Miranda, Silas	Exp Reimb: D2 & D3 Exam Fees	165.00
30	Neopost	December Postal Meter Rental	124.43
31	Novato Chamber of Commerce	Membership Dues (11/18-10/19) (J. Blue (Budget \$1,000)	875.00
32	NSI Solutions	Turbidity Samples (Lab)	218.00
33	Office Depot	Quarterly Office Supply Order: Toner (\$385), Annual Calendars & Planners (\$421), Office Chair (\$130), Pens (180) (\$196), Leather Binder, Self Inking Stamps (2) (\$64), Standing Rack, Footrest, Deposit Bags & Memo Books (2)	2,035.16
34	Pebbles, Lawrence	Novato "Toilet Rebate" Program	100.00

Seq	Payable To	For	Amount
35	PG&E	Power: Bldgs/Yard: (\$4,397), Rect/Controls (\$899), Pumping (\$38,637), Treatment (\$4,386) & Other (\$153)	48,472.28
36	Point Reyes Prop Mgmt Assn	November HOA Fees (25 Giacomini Road)	75.05
37	Recology Sonoma Marin	20 Yd Debris Box	507.10
38		Cafeteria Plan Reimbursement	208.33
39	Rising Sun Energy Center	Data & Water Surveys for 2018 CYES Program	3,366.00
40	Sequoia Safety Supply	Ibuprofen (800)	64.41
41	Shoemaker Structural	Welding Services	910.00
42	Soiland	Asphalt Recycling (17 tons)	197.90
43		Cafeteria Plan: Uninsured Medical Reimbursement	211.00
44	Solenis	Polymer (STP)	3,300.00
45	State Water Resources Control	D3 Certification Application (Foster)	90.00
46	State Water Resources Control	Clean Water SRF Loan Principal & Interest-RW North Plum Storage (Pymt #7 of 20)	29,413.76
47	Stericycle Transportation Svcs	Hazardous Waste Disposal for WQ Lab	88.00
48	TPx Communications	October Telephone Charges	520.38
49	USA BlueBook	Valve Repair Kit	151.34
50	VWR International	Membranes (1,000) (\$212) & Endo Broth Media (Lab)	362.76
51	Waste Management	Debris Disposal for O.M. Ponds	198.95

Seq	Payable To	For	Amount
52	White Cap Construction	Erosion Control Matting & Pins (1,000)	1,767.85
		TOTAL DISBURSEMENTS	<u>\$222,521.26</u>

The foregoing payroll and accounts payable vouchers totaling \$222,521.26 are hereby approved and authorized for payment.

	11-19-18
Auditor-Controller	Date
	11.19.18
General Manager	Date

DISBURSEMENTS - DATED NOVEMBER 29, 2018

Date Prepared 11/27/18

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 11/15/18 & Final Payout	\$136,295.95
EFT*	US Bank	Federal & FICA Taxes PPE 11/15/18 & Final Payout	51,327.29
EFT*	State of California	State Taxes & SDI PPE 11/15/18 & Final Payout	11,074.99
EFT*	CalPERS	Pension Contribution PPE 11/15/18	33,266.07
EFT*	US Bank	October Bank Analysis Charge (Lockbox \$912 & Other \$359, Less Interest of \$154)	\$1,116.84
1	All Star Rents	Propane for Forklift (17 gal)	59.97
2	Alpha Analytical Labs	Lab Testing	155.00
3	American Family Life Ins	November AFLAC Employee Paid Benefit	2,820.13
4	American Water Works Assoc	Membership Renewal (McIntyre, Stompe, Clark, Ramudo, Chandrasekera & Vogler) (Budget \$4,250) (1/19-12/19)	4,141.00
5	Arrow Benefits Group	November Dental Admin Fee	276.85
6	A.S.T.I.	Annual Fire Service Testing (22)	2,320.00
7	AT&T	Leased Lines	66.06
8	Automation Direct	New Analog Input Card & Breakers for Kastania PLC	102.00
9	Bernstein, Debbie	Novato "Hot Water Recirculation System" Rebate Program	75.00
10	Blue, Eileen	Refund-Employee Benefit Deductions (Includes Interest)	50.00
11	Bold & Polisner	October Legal Fees	4,263.00
12	California Water Service	Water Service (0 Ccf) (OM) (8/31/18-/10/29/18)	51.21
13	Caltest Analytical Laboratory	Lab Testing	70.30

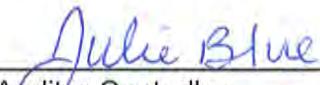
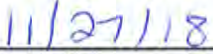


Seq	Payable To	For	Amount
14	Core Utilities	Consulting Services: October IT Support (\$6,000), Website & SCADA Issues (\$475), AMI, CORE Billing & Website Maintenance (\$1,625)	8,100.00
15	De Martini, Gaylyn	Novato "Toilet Rebate" Program	300.00
16	Dixon, Martha	Novato "Toilet Rebate" Program	100.00
17	Environmental Express	Bleach (18-2 Liter Jugs) (Lab)	61.07
18	Filippi, Connie	Refund-Employee Benefit Deductions (Includes Interest)	50.00
19	Fisher Scientific	Tip Rack (Lab)	68.47
20	Forde, W.R., Associates	Final Payout-Release of Retention-Ridge Road Pipeline Replacement Project	23,225.00
21	Gattuccio, Linda	Refund Overpayment on Closed Account	212.90
22	Genterra Consultants	Prog Pymt #16: Dam Safety Consulting Services for Stafford Dam (Balance Remaining on Contract \$10,035)	715.00
23	Government Finance Officers Association	Certificate of Achievement for Excellence in Financial Reporting Program Application Fee FY18	435.00
24	Ghilotti Construction	Refund Security Deposit on Hyd Meter Less Final Bill	729.89
25	Grainger	Pressure Transducer (\$394), Light Covers for Front Office, Hydrant Wrench (4) (\$143), First Aid Kit, Electronic Ballast Lights (12), Reciprocating Saw Blades (115) (\$469), Socket Adaptor & Vacuum Filter (\$378), Carbon Monoxide Calibration Gas (STP), Wire for P/S & Tank Controls (\$463), UR Connectors for Telemetry Line & Disposable Respirator Masks (\$135)	2,293.02
26	Hach	Sodium Thiosulfate Standard (STP)	66.12
27	Handford ARC	Refund Security Deposit on Hyd Meter Less Final Bill	843.86
28	HERC Rentals	Excavator Rental (4 weeks) (O.M. Pond Storm Damage Project)	4,810.63

Seq	Payable To	For	Amount
29	Holton, Nancy	Refund-Employee Benefit Deductions (Includes Interest)	50.00
30	House of Daniels	Liability Claim: Pavement Repair to Customer's Property	750.00
31	InfoSend	October Processing Fee for Water Bills (\$1,677), Postage (\$4,657) & October Monthly Support Fee	7,203.40
32	Kauwe, Joseph	Refund-Employee Benefit Deductions (Includes Interest)	50.00
33	Kehoe, Chris	Exp Reimb: Cell Phone Case & Chargers	92.30
34	Leighton Stone	Solenoid Valve for Ammo Hill Alt Valve	113.41
35	Lincoln Life Employer Serv	Deferred Compensation 11/15/18	8,881.20
36	Lombardi's Deli & BBQ	Catering Services for 2018 Holiday Party	4,530.68
37	Manzoni, Alicia	Refund-Employee Benefit Deductions (Includes Interest)	50.00
38	Marin, County of	Additional Coastal Permit Fees Required per Letter from County of Marin for PRE Tank 4A Replacement Project	1,208.00
39	McLellan, WK	Misc Paving	16,403.88
40		Cafeteria Plan: Uninsured Medical & Vision Reimbursement	913.00
41	Nationwide Retirement Solution	Deferred Compensation PPE 11/15/18	1,750.00
42		Cafeteria Plan: Uninsured Medical Reimbursement	140.46
43	Novato Horse & Pet Supply	Straw for Erosion Control (O.M. Pond Storm Damage Project)	123.67
44	Pace Supply	Swing Check, Head Bolt & Nuts (36), 16" Dual Wedge PVC (3) (\$558), 16" Elbows (2) (\$769), 1" Plugs (6), Meter Boxes (4), Hydrant Extensions (2), Nipples (52), Reducers (15), Corp Stops (10) (\$298), Union & 1.5" Ball Valve (\$175)	2,728.08
45	Pecunia, Jennifer	Refund-Employee Benefit Deductions (Includes Interest)	50.00

Seq	Payable To	For	Amount
46	Protection Engineering	Zinc Anodes (100)	6,564.25
47	R & B Company	Traffic Lids for AMI Projects (82) (\$7,918), Gaskets (10), Nipples (2) & Valves (10)	8,052.76
48	Red Wing Shoe Store	Safety Boots (Stompe)	166.19
49	Schmieder, Larry	Novato "Cash for Grass" Rebate Program	362.00
50	Silverado Construction	Refund Security Deposit on Hyd Meter Less Final Bill	346.81
51	Sonoma County Water Agency	October Contract Water	524,188.04
52	State Water Resources Control	D1 Certification Exam Fees (Pearce, Gibbs & Rodriquez)	170.00
53	Tamagno Green Products	Sludge Removal @ STP (108 yds)	3,240.00
54	Thatcher of California	Ferric Chloride (9 tons) (STP)	5,070.46
55	Township Building Services	October Janitorial Services (\$1,878) & Supplies	2,183.67
56	Toyota Material Handling	New STP Equipment Cart	14,908.76
57	US Bank	October Safekeeping Treasury Securities	90.50
58	VWR International	Flask Filters (2) (\$79), Zinc Standard, Ethyl Alcohol, Petri Dishes, Iron & Digital Sterilizer (\$13,864) (Lab)	14,141.70
59	White Cap Construction	Pins for Erosion Control Matting (500)	264.91
60	White & Prescott	Prog Pymt #2: Crest Pump Station Site Plan (\$400), Prog Pymt#3: AEEP Easement Support B2 Reach A & Prog Pymt#4: Water Line Easement from City of Novato (\$280) (Balance Remaining on Contract \$26,290)	3,600.00

Seq	Payable To	For	Amount
61	Williamson, Nancy	Refund-Employee Benefit Deductions (Includes Interest)	50.00
		TOTAL DISBURSEMENTS	<u>\$917,980.75</u>

The foregoing payroll and accounts payable vouchers totaling \$917,980.75 are hereby approved and authorized for payment.

	
Auditor-Controller	Date
	
General Manager	Date

Legal Notice**Legal Notice****NOTICE OF MARIN COUNTY
BOARD OF SUPERVISORS HEARING
North Marin Water District Appeal of the
North Marin Water District Coastal Permit
Project ID P2159**

NOTICE IS HEREBY GIVEN that the Marin County Board of Supervisors will consider issuing a decision on the North Marin Water District appeal of a resolution of the Marin County Planning Commission partially denying and partially approving the Young Appeal and approving the North Marin Water District Coastal Permit with project modifications during a public hearing scheduled on Tuesday, December 18, 2018. The applicant for the project is the North Marin Water District, and the property is located along Drakes View Drive, Inverness, further identified as Assessor's Parcel 114-120-09.

The project is a proposal to replace an existing fire damaged water tank and an additional existing water tank with a new 125,000-gallon water tank on a 5,500 square-foot lot in Inverness.

For more information about the application, please visit the Planning Division's project webpage at: https://www.marincounty.org/depts/cd/divisions/planning/projects/west-marin/north-marin-water-district_cp_p1927 in. Project plans and other documents related to the application are available on the project's webpage, where you can subscribe to receive email notifications and updates. Hard copies of all of the application materials, including project plans and any technical reports, are available at the Planning Division's public service counter, which is normally open from 8 AM until 4 PM, Mondays through Thursdays. For more information about the Board of Supervisors hearing, please visit the Board of Supervisors hearings webpage at: <http://www.marincounty.org/depts/bs/meeting-archive>.

The Board of Supervisors hearing on the project will be held in the Marin County Hearing Chambers (Rooms 328/330, Administration Building), Civic Center, San Rafael, California, where anyone interested in this matter may appear and be heard. The time of the hearing will be indicated on the hearing agenda posted on the Board of Supervisors hearing webpage on the Thursday before the hearing. A staff report will be available on the project webpage on Friday, December 14, 2018.

If you challenge the decision on this application in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Community Development Agency, Planning Division during or prior to the public hearing. (Government Code Section 65009(b)(2).)

November 20, 2018

Sabrina Sihakom
Planner

All public meetings and events sponsored or conducted by the County of Marin are held in accessible sites. Requests for accommodations may be made by calling (415) 473-4381 (Voice) 473-3232 (TDD/TTY) or by e-mail at disabilityaccess@marincounty.org at least four work days in advance of the event. Copies of documents are available in alternative formats, upon request.

NO. 1690 NOV. 27, 2018

Napa to join county, other cities to pay for new drought plan

- [HOWARD YUNE hyune@napanews.com](mailto:hyune@napanews.com)



Howard Yune

City of Napa/Town of Yountville Reporter



The Conn Creek Dam spillway at Lake Hennessey kicked up a giant plume from a major rainstorm in January 2017.

J.L. Sousa, Register file photo

The city of Napa will take the lead among local governments in funding a new plan to help the county cope with California's next drought emergency.

Napa would assume \$138,966 of the \$230,193 to be provided by Napa County's five cities, plus the county and the Napa Sanitation District, toward a drought contingency plan. The City Council on Tuesday accepted its share of the \$430,193

budget, which includes a \$200,000 federal grant from the Bureau of Reclamation. Napa officials expect to see approved by month's end.

Each government's payment toward the drought plan will be based on its population and water use, with the city of Napa paying about 60 percent of the local share, according to a city memorandum. American Canyon would provide the second largest share at \$31,652, followed by the county with \$22,567, St. Helena with \$15,120 and Napa Sanitation with \$10,132. Calistoga would commit \$8,502 and Yountville \$3,254.

A contingency plan reviews the water supply and consumption in each city and agency, and recommends potential projects to make up supply deficits during a drought. The most recent plan stemmed from a 2005 study by Napa Valley governments, and led to the city of Napa improving its Barwick Jamieson Treatment plant and buying more rights to state-supplied water from Yountville and St. Helena.

All of the Napa Valley governments are interested in completing a new regional study in 2019, according to Napa city utilities director Phil Brun.

Brown and Caldwell, a Walnut Creek design and engineering firm, will partner with local governments to create the drought plan. The company originally contracted with Napa, Sonoma and Marin counties last year on a water shortage strategy for all three counties, but Marin and Sonoma ultimately pursued their own plan, Brun said in a pre-meeting memorandum.

Housing for public workers vetted

NOVATO

City and school district await reports on parcel

By Will Houston

whouston@marinij.com @Will_S_Houston on Twitter

New issues, including concern about toxic contamination, are surfacing about a potential location for workforce housing for school and city employees at an empty site in Novato.

Some studies that the school district and the city have contracted for the 24-acre property at the intersection of San Marin and San Andreas drives are expected to be turned in this week.

But potential issues have already emerged, including resident concerns

about possible toxic contamination of the soils from gasoline spills at a former gas station near the property.

“The station was demolished in 1990 and the cleared the site in 2000,” Don Scioli, a neighbor near the parcel, told the Novato City Council and Novato Unified School District Board of Trustees last week. “However, if you know anything about toxic leaks, they have tendency to plume away from the site of the leak.

“The neighbors of San Marin are very worried that if you do a years-long construction project in there, who knows what’s going to get brought up. Potentially toxic materials can be in the air, potentially toxic materials may be in the water.”

“We’re very early in the process,” Novato Public Works Director Russ Thompson said to the district’s board of trustees and the City Council during a joint meeting last week. “There are a lot of processes and steps ahead of us as the project develops.”

Thompson said officials expect to receive draft reports in the next few weeks on an archaeological survey, biological studies and other field work performed at the site.

“There are some potential wetlands out there on the site so those are being characterized as well as any other wildlife and potentially protected species that are out on the site,” Thompson said.

How the land is zoned may also present some future issues. The district owns about 20 acres of the site and the city the remaining 4 acres.

The district-owned parcel is zoned to allow for up to about 140 housing units, but only duplexes and not multi-family residences. Thompson said if the housing project is deemed feasible, the city would

“This is not something new, other agencies in California are doing it,” Thompson said. “This is an ambitious and worthwhile proposal.”

“There are some potential wetlands out there on the site so those are being characterized as well as any other wildlife and potentially protected species that are out on the site.”

— Russ Thompson, Novato public works director

likely need to amend its general plan to allow for workforce housing to be built.

The neighboring cityowned land is zoned only to allow for parks, playgrounds and outdoor recreation, but Thompson said any future project would need some type of park amenity.

NUSD Superintendent Jim Hogeboom said officials expect to have much more information at the district's Feb. 26 meeting. Development options are set to be discussed in the early half of 2019.



The Novato Unified School District's vacant 20-acre property at San Andreas and San Marin drives could be developed into homes for school district and city employees.

ROBERT TONG — MARIN INDEPENDENT JOURNAL

Novato pursues housing for its workforce

Editorial

Novato officials are methodically moving forward with plans to turn a vacant swath of land into affordable housing for public employees.

For now, their focus is on land at the intersection of San Marin and San Andreas drives. But there are other school district- and city-owned properties they should also consider.

Their initiative comes at a time when public agencies across Marin are finding difficulty hiring and retaining workers because of the high cost of housing. Experienced staffers are choosing to take jobs closer to their homes and save themselves from long commutes. Recruitments are hampered by potential candidates turned off by how much the cost of housing in Marin or commuting would take out of their paychecks.

It was interesting that as we interviewed candidates for public office in the recent elections, many brought up the cost of housing as a major obstacle when it comes to hiring and retaining workers.

Novato officials are trying to do something about it.

That includes studying the potential and pitfalls of sites.

They shouldn't take any shortcuts, even though they are in the position of being both the developer and approving body. Already, some neighbors have voiced worry that the San Marin Drive site

is near where a gas station stood for many years. They want to make sure the property is environmentally safe to develop.

Taking a hard look at this issue is part of "a lot of processes" that face the effort, said Novato Public Works Director Russ Thompson.

It is also important that neighbors embrace the community need for workforce housing and work with the city and school district — if the sites clear careful environmental review — to come up with plans that are right in both size and design for the property and the surrounding neighborhood.

The city promises a methodical process. It should also be wide open when it comes to seeking and listening to local concerns.

But there's a real concern about the need for workforce housing, places where local teachers, police, firefighters, public works employees and other city and school employees can live, pay a fair rent and contribute to a community that they otherwise would be priced out of.

Having publicly owned land available certainly helps underwrite much of the cost of making this housing possible, at the San Marin site and possibly others across Novato.

Las Gallinas sanitary hires new executive

GENERAL MANAGER

By Adrian Rodriguez

arodriguez@marinij.com @adrianrrodri on Twitter

The Las Gallinas Valley Sanitary District has hired Mike Prinz, a longtime North Bay wastewater official, as its general manager.

Prinz, 48, of Santa Rosa, is an outgoing deputy director at the Santa Rosa Water Department and has more than 20 years of experience in water and wastewater management.

The Las Gallinas sanitary district board approved his contract last week. Prinz begins his new role on Nov. 26, earning \$200,000 annually.

Prinz said that the Las Gallinas sanitary district may be small, but “it’s running a pretty cool system” with water reuse, biogas energy recovery and other programs that other sanitary districts are not doing.

“It’s a pretty progressive system, so I saw it as a perfect opportunity for me,” Prinz said. “I’m pretty passionate about water, but wastewater especially.”

Prinz is replacing interim general manager Chris DeGabriele who was tapped to fill the vacancy after Mark Williams resigned last year. Williams had worked as the general manager since 2006 and was paid an annual salary of \$235,645.

DeGabriele is the former general manager of the North Marin Water District. He retired from that post in May 2017 after 22 years

on the job. As interim general manager at Las Gallinas, he earned \$104.75 an hour.

DeGabriele said Prinz is the right man for the job.

“He will do a great job for the district,” DeGabriele said. “He’s excited to hit the ground; he’s a smart guy; he’ll be a valuable asset to the district.”

Prinz is a graduate of Humboldt State University and holds a professional civil engineer license in California. As deputy director of the Santa Rosa Water Department, Prinz managed the city’s regional water reuse system, one of the largest recycled water facilities in northern California.

Las Gallinas district board president Megan Clark in a statement said she is excited to have Prinz join the district.

“His education, experience and involvement working on local and regional wastewater collection and treatment and recycled water issues and projects is a great fit for the district,” she said.

Prinz said, “I like public service is what it comes down to. And to work in a progressive district doing things to better the environment and public health is really cool to me.”



Prinz

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