

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
March 3, 2020**

CALL TO ORDER

President Michael Joly 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, James Grossi, Michael Joly, and Stephen Petterle. Also present were General Manager Drew McIntyre, District Secretary Terrie Kehoe, and Auditor-Controller Julie Blue.

Consultant Mark Hildebrand, District Legal Counsel Carl Nelson, Novato resident Tim Fvette and District employee Tony Arendell (Construction/Maintenance Supervisor) was also in attendance.

MINUTES

On motion of Director Baker, seconded by Director Fraites the Board approved the minutes from the February 11, 2020 special meeting by the following vote:

AYES: Director Baker, Fraites, Grossi, and Joly

NOES: None

ABSTAIN: Director Petterle

ABSENT: None

On motion of Director Baker, seconded by Director Fraites the Board approved the minutes from the February 18, 2020 regular meeting by the following vote:

AYES: Director Baker, Fraites, Grossi, and Joly

NOES: None

ABSTAIN: Director Petterle

ABSENT: None

On motion of Director Baker, seconded by Director Petterle the Board approved the minutes from the February 25, 2020 special meeting by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: None

GENERAL MANAGER'S REPORT

SCWA Inflatable Dam

Mr. McIntyre announced that last Friday Sonoma County Water Agency (SCWA) began raising their inflatable dam in the Russian River near Forestville. He added that this is earlier than normal due to low river flows.

Russian River Public Policy Facilitating Committee Meeting

Mr. McIntyre apprised the Board that he will be attending the upcoming Russian River Public Policy Facilitating Committee Meeting from 4-6 p.m. in Healdsburg on Thursday, March 12th.

Cotati Aqueduct Work

Mr. McIntyre reminded the Board that the SCWA Cotati Aqueduct emergency repair work is scheduled for the week of March 23, 2020. He noted the memo under miscellaneous that provides an update on the repair, and anticipates the contractor will complete work within five working days. Mr. McIntyre added that staff will work with Marin Municipal Water District to keep the combined delivery of imported water below the requested 10 million gallons per day threshold.

TAC Meeting

Mr. McIntyre stated at yesterday's TAC meeting, the TAC voted to recommend that the WAC approve the proposed FY21 Water Transmission System (WTS) budget. The rate increase for NMWD will be 6.79%, noting it was initially 7.37%. He added the FY20 rate was 6.2% and the FY19 rate was 4.8%. Mr. McIntyre also informed the Board that Lynne Rosselli from SCWA will provide a presentation at the next meeting and the Board will be asked to authorize our WAC representative to vote in favor of this budget.

Marin County Coronavirus Update

Mr. McIntyre apprised the Board that Marin County is closely monitoring the federal and state regulatory agencies in reference to the Coronavirus. He noted that Marin County Office of Emergency Services (OES) has activated their Emergency Operations Center (EOC) and they are providing frequent updates to keep local agencies informed. Mr. McIntyre added we are communicating with employees to wash their hands thoroughly, cover their mouth when coughing, use hand sanitizer, and stay home from work if they are sick.

City of Novato Planning Meeting

Mr. McIntyre announced that on March 5th he will have a meeting with the City of Novato Planning Manager, Vicki Parker, to discuss ways to improve communication when reviewing new development projects.

OPEN TIME

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

STAFF/DIRECTORS REPORTS

President Joly thanked Ms. Kehoe for completion of all three minutes which were posted on this agenda.

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

Ms. Kehoe reminded the Board and District Officers to complete their Ethics Training by April 1st and to submit any updates to the Emergency Contact List at their earliest convenience. She also reminded the Board to submit their Form 700's by April 1st and to provide any factual updates to their biographies which will be posted on our new website.

Director Baker said that he was curious about Oceana Marin and noted in the past there has been minimal activity out there as far as building permits. He asked if there was any recent activity out there, and specifically with Parcel K. Mr. McIntyre responded that it continues to be quiet. He also asked if Parcel L was made up of four parcels. Mr. McIntyre confirmed and noted they are located on top of the hill.

Director Grossi noted the lake looks like it is coming up and asked if we are back pumping into the lake. Mr. McIntyre replied no. Director Petterle stated that it looks like it has been coming up the last two to three weeks. Mr. McIntyre replied that the current lake level is at 191 feet which is five feet below the overflow limit. He added that on February 17th it was 190.9 feet and at the beginning of February it was at 190.6. Director Baker stated that since there are two frequent viewers the numbers are not convincing, and asked that Mr. Clark provide an explanation at the next meeting. Mr. Arendell advised that Board that the Novato flushing program is almost done, and the program is anticipated to be complete by the end of this week or early next week.

CONSENT CALENDAR

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

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

NOES: None

ABSTAIN: None

ABSENT: None

OCEANA MARIN TREATMENT AND STORAGE POND REPAIR PROJECT – CEQA – NOTICE OF EXEMPTION

The Board approved filing of a Notice of Exemption for this project. The Oceana Marin Treatment and Storage Pond Repair Project proposes to mitigate the impacts of extreme weather and earthquakes at the Oceana Marin Waste Water Treatment and Storage Ponds. The current project entails amoring of the pond berms with stabilization fabric and rock rip rap to provide a long-term solution with a high degree of effectiveness.

HUMAN RESOURCE CONSULTING CONTRACT AMENDMENT – DARLENE RHODES

The Board authorized a contract amendment in the amount of \$20,125 for HR consultant Darlene Rhodes. The objective of this consulting services amendment is to provide continued assistance for current HR matters and to assess the ongoing needs of the District.

ACTION ITEMS

ACCEPT NOVATO AND RECYCLED WATER RATE STUDY DRAFT REPORT AND DIRECT STAFF TO PREPARE A PROPOSITION 218 NOTICE OF PUBLIC HEARING ON REVENUE INCREASES AND RATE STRUCTURE CHANGES

Mr. McIntyre explained the objective of the Novato Water Rate Study is to develop water rates that are fair and equitable and to ensure that the District's water rates remain in compliance with Proposition 218. He summarized that the 2020 Novato and Recycled Water Rate Study was developed through multiple meetings over several months with District staff and the Board's Ad Hoc Water Rate Study Subcommittee comprised of Directors Joly and Grossi. Mr. McIntyre stated that during this process, the District carried out an extensive public outreach campaign that began in October 2019 and included newsletters mailed to all customers, water bill messages, social media posts, ads in the local newspaper, web notices, and more. He added that two Special Board Meetings were held to conduct Workshops on the proposed Novato Water Rate Study in order to solicit input from our customers. Mr. McIntyre also pointed out that only a couple of customers have expressed opposition during the outreach process. Mr. McIntyre introduced Mr. Hildebrand who provided an overview of the cost of service study and informed the Board that at the completion of the presentation he can take public comments prior to the Board taking action on the report and providing direction to staff.

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

Director Joly noted that the approval of the rate increase will be at the June 16, 2020 meeting, noting tonight the Board will be deciding if the rate will be in effect for one year or multiple years. Mr. McIntyre stated that whether the Board decides on a single year or multiple years it needs to be noted on the Proposition 218 notice, tonight is setting the stage on what messaging we will be sending to our customers. Mr. Hildebrand advised that if the Board did not want a multi-year rate increase initially, they can decide on one-year rate increase and then next year change it to a multiple year rate increase.

Director Baker asked for clarification on customers with 5/8-inch meters that need to remodel and will need a 1-inch meter for fire sprinkling. He added that those customers are not using any more water and therefore shouldn't be treated differently. Mr. Hildebrand replied that this is mentioned on slide 31 of the presentation, because of the fire requirements going forward they will be charged the same as a 5/8-inch meter, because it does not affect their water consumption. Director Baker asked if a person in tier one will be charged differently. Mr. Hildebrand responded that there will be some customers in tier one that may end up in tier two, but the tier two rates will drop. Director Baker asked if it is a wash. Mr. Hildebrand replied that 74% will stay in tier one and those in tier two will not see a huge increase. Director Joly stated he uses a lot of water during the summer because of his garden, so he went to the online rate calculator to get an idea of what his bill would be. He stated his bill went up less than anticipated because of the tier two rate going down, and added his bill will only go up eight dollars. Director Joly asked if most agencies have changed their rate structure due to Proposition 218. Mr. Hildebrand replied that he has worked with six agencies and all of them are getting in line with Proposition 218.

Director Baker requested an exhibit that would be easy to understand showing the number of commercial versus residential customers, and a breakdown of apartments and condominiums. Mr. Hildebrand noted on page 32 if you add up all the residential, approximately 70% are single family homes.

Director Petterle asked what the cumulative rate increase was over the five-year period. Mr. Hildebrand replied the cumulative rate increase was around 31.3%. Director Joly asked if the Board only adopts the first 6% increase, it will only impact the first year, and then later the Board can decide on the length of years and rate. Mr. Hildebrand confirmed. Director Joly asked Mr. McIntyre

if staff recommended the Board to do a one year or five-year increase. Mr. McIntyre replied that every year staff has produced a five-year financial plan and typically recommends a one-year rate increase. He added that the Board has historically followed staff's recommendation to move forward with a single year rate increase, and it was his opinion to do so again this year. Mr. McIntyre noted on the flip side a multiple year rate adoption is easier for staff, as it saves some cost because it eliminates a formal forty-five day noticing process every year. He stated that he still believes it is important to communicate to our customer each year and especially this year to keep our messaging as simple as possible given the complexity of the various rate structure changes. Mr. McIntyre reminded the Board that ultimately it is the Board's decision.

Director Petterle stated that he agrees with Mr. McIntyre. He concurred that it would be good to approve a one-year rate at this time instead of a multi-year rate projecting a 31% increase. Director Petterle added it would be good to see the status each year and decide the increase at that time. Director Fraithe asked if we locked in to the five-year schedule, would we need to have a hearing every year. Mr. McIntyre replied that if the Board decided to approve a Proposition 218 notice for five years we would not be required to have a public hearing every year. Mr. Nelson stated if you are adopting a multi-year schedule you don't have to hold a hearing each year, but instead give a 30-day notice. He added that the Board would still have the authority to change it, and that you are never really locked in. Director Grossi asked if the study was good for five years no matter what we do. Mr. Nelson replied that the five-year rate study window is standard of the industry. Director Grossi asked if the Board adopts a three-year rate increase, would we have to do another Proposition 218 notice again after three years. Mr. Nelson replied yes. Director Grossi asked if the Board adopts a one-year rate increase, how does that affect the second year. Mr. Nelson replied that you would do a forty-five notice and hold a public hearing each year that you were deciding a rate to adopt.

Director Grossi stated that he is leaning towards the three-year rate increase, noting a lot of staff time has been used throughout the six meetings. He added that he believes we can explain the three-year window, and understands the problem for all five years is 31.3%, asking how much it will be for three. Mr. Hildebrand responded about 19.5% for three years. Director Grossi stated he likes the three years. Director Baker noted he is leaning towards that. Director Fraithe added that he understands the yearly rate increases requires notices and hearings and is based on a decision previously, but he pointed out that we don't know what will happen in the future, cost may go up due to the drought, SCWA may raise their rates and we may have to reexamine things. He added that if we are looking at this each year we can take a better look at it and it will be easier for the customer to understand. Director Petterle stated that water rates in Marin County have been controversial as

long as he has been on the Board, it always makes headlines. His concern is a change that would require all the work invested would have to start all over again. He stated that he is strongly in favor of the five-year plan, but would like to see the rate increase remain at one year at a time. Director Joly commented that he liked the idea of the multiple years not having the Prop. 218 notice, but he is worried about messaging a 6% rate increase which may be an actual increase of 7.7% or greater due to rate structure changes; that multi-year rate increase could further confuse customers. He added after the first year the rate increase will be across the board, and he wants the District to be seen as giving the public maximum transparency and honesty, we want to give the customer the opportunity to dialog about it. Director Joly asked if after the first year, next year the Board could opt to adopt multiple years next time. Mr. Nelson confirmed. Director Petterle added that we have a contract with Kiosk, we should get out in front of it and let people know that the increase is 6%, but it could be more or less for some, we need to be transparent and clear.

Director Grossi noted he doesn't see a problem with the three-year extension since it is still less than what MMWD is proposing in one year. He stated that the only time we get press is when there is a rate increase and understands the argument for a one-year rate, but believes it is not efficient. Mr. McIntyre noted that the cost of the rate study is the same whether the Board adopts a one year or five-year rate increase, the additional cost is internal administrative cost. Director Petterle asked what that cost would be. Mr. McIntyre replied that the direct mailer would be the most cost. Director Petterle asked Mr. McIntyre if he recommends doing one year at a time. Mr. McIntyre replied yes, the first year especially. He added with all the variables in the first year due to the rate structure changes it will be clearer to the customer with a single year rate increase at this time and then next year we could look at multiple years when there is less change. Director Baker stated he likes multiple years and agrees with Director Grossi's approach. Director Joly announced he was requesting that the Board move forward with two separate actions.

On the motion of Director Petterle, and seconded by Director Fraites the Board approved to accept the 2020 Novato and Recycled Water Rate Study Draft Report by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: None

On the motion of Director Petterle, and seconded by Director Joly the Board approved directing staff to proceed with Proposition 218 noticing for a one-year revenue increase along with associated rate structure changes by the following vote:

AYES: Director Fraites, Joly, and Petterle

NOES: Director Baker and Grossi

ABSTAIN: None

ABSENT: None

Director Grossi made a point of order to clarify that the rate was not accepted for the first year, instead the Board was just giving direction to staff. Director Fraites noted he voted in favor, and agrees with Mr. McIntyre that this makes sense for the first year and next year he would like to look at adopting a multiple year rate increase. Mr. Nelson commented that he believes the Board has explained their direction well. The Board thanked Mr. Hildebrand for all his hard work on the rate study.

Director Baker noted a customer in the audience and asked if he had any questions. Mr. Fuelle replied that he would like to read the complete study and he will contact Mr. McIntyre if he has any questions. Director Joly noted that there will be plenty of time for questions, from now until the hearing on June 16, 2020.

LOW INCOME RATE ASSISTANCE PROGRAM POLICY

Ms. Blue explained that the program would be available to proven low income customers in the single-family residential classification and would provide a credit on their two-month billing cycle of \$15 per bill and up to \$90 per year. She added that in order for the District to comply with Prop. 218 and related legal requirements, the District may not use revenue from one class of customers to pay or subsidize the costs of another class of customers, therefore the District will use non-rate revenue to pay for the low-income rate assistance program. She noted miscellaneous revenue from rents and leases which includes District rental properties, grazing leases and the Indian Valley Golf Club Leases and Pacheco Valle Tennis Courts are the revenue sources and amount to approximately \$85,000 annually.

Director Baker asked where did this start and asked if we currently have the option to decrease a customer's water bill. He stated that he does not remember discussing the topic before or seeing it on an agenda. Mr. McIntyre responded that it has been discussed over time and it is mentioned in the rate study. Ms. Blue confirmed that it is a line item in the rate study. She added that this has come up time to time in reference to customers on fixed incomes, the District has

received phone calls and it will continue to be requested until a program in place. Mr. Blue stated that she did a survey with other water agencies to review their programs and what we are proposing is modest in comparison. She added that the State Water Resources Control Board is also looking at enacting a statewide program. Director Baker commented that it would be nice to have a bar chart to see the comparisons. Ms. Blue replied that the information is in table format, and the programs vary greatly, many use the median Marin County Housing Urban Development as a baseline. Ms. Blue noted that each agency had various methodologies, some if disabled, some based on the PG&E Care Program, and she was trying to pick a simple program that we could expand on in the future.

Director Fraites noted that the third bullet on the memo requires the customer to notify us. Ms. Blue replied that they will need to confirm that they qualify for the program and will have to recertify every other year. Director Fraites asked the time line for the CARE Program. Ms. Blue responded that they would need to prove it every two years. Director Joly pointed out that 800 customers at \$90 a year could be as high as \$72,000. Ms. Blue agreed it could go that high, and added that we want to be conservative, noting the revenue sources have variability. She stated that we would want to see how it does the first couple of years and then revisit it. Director Joly commented that the memo was splendid and the high percentage increase was based on the fix rate increase and not part of the variable use of water which is regressive. Ms. Blue replied it balances out. Mr. McIntyre added that he has no doubt there will be a state mandated policy and the state is doing another big push now. He stated we don't know what type of program the state will implement, but our program simplifies staff burden and perhaps the state will allow districts that have programs in place to keep them. Mr. McIntyre added it is coming down the road one way or another.

On the motion of Director Petterle, and seconded by Director Fraites the Board approved the Low-Income Rate Assistance Program Policy by the following vote:

AYES: Director Fraites, Grossi, Joly, and Petterle

NOES: None

ABSTAIN: Director Baker

ABSENT: None

AUTHORIZE ASSISTANT GENERAL MANAGER/CHIEF ENGINEER RECRUITMENT

Mr. McIntyre advised the Board that with the recent resignation of Chief Engineer Rocky Vogler, he is requesting that the Board appoint him as acting Chief Engineer to ensure consistent

handling of matters specifically requiring approval of the Chief Engineer. Mr. McIntyre also announced in the interim Associate Engineer Carmela Chandrasekera will be acting Senior Engineer and retired Associate Engineer Dave Jackson has agreed to work on a part time basis to help cover the workload. Mr. McIntyre added that options are to recruit for a Chief Engineer or Assistant General Manager/Chief Engineer. He stated that it was his recommendation to recruit for an Assistant General Manager/Chief Engineer to improve future succession planning options. He added that if approved, next year's budget would be increased about \$14,100 including benefits.

Director Baker commented that he knows how competitive the salaries are out there and was wondering how ours stood. Mr. McIntyre responded that we have had some recent salary increases and he feels that we will be competitive. Director Petterle noted it was competitive with the same job description at the County of Marin. Director Joly thanked everyone for taking on the extra responsibilities.

On the motion of Director Grossi, and seconded by Director Petterle the Board approved recruitment for the Assistant General Manager/Chief Engineer Position by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: None

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements – Dated February 20, 2020, Disbursements – Dated February 27, 2020 and Sonoma Water Russian River-Cotati Aqueduct Emergency Repairs.

The Board received the following news articles: Complex slate of hikes proposed for rates, Fees –NORTH MARIN WATER DISTRICT; Dozens of high-risk Bay Area dams lack required emergency plans; California Drought: Northern California having driest February since 1864; City exempts 9-unit townhome project from affordability rule

CLOSED SESSION

President Joly adjourned the regular session at 7:38 p.m. and the Board began the closed session at 7:44 p.m. in accordance with California Government Code Section 54957 (b)(1), PUBLIC EMPLOYEE PERFORMANCE EVALUATION (General Counsel).

OPEN SESSION

Upon returning to regular session at 7:55 p.m., President Joly stated that no reportable action had been taken.

ADJOURNMENT

President Joly adjourned the meeting at 7:55 p.m.

Submitted by

A handwritten signature in cursive script, appearing to read "Theresa Kehoe".

Theresa Kehoe
District Secretary