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2 **NORTH MARIN WATER DISTRICT**
3 **MINUTES OF SPECIAL MEETING**
4 **OF THE BOARD OF DIRECTORS**
5 March 13, 2024

6 **CALL TO ORDER**

7 President Baker called the regular meeting of the Board of Directors of North Marin Water
8 District to order at 4:03 p.m. at the District Headquarters and the agenda was accepted as
9 presented. Present were Directors Jack Baker, Ken Eichstaedt, Rick Fraites, Michael Joly, and
10 Stephen Petterle. Also present were General Manager Tony Williams, District Secretary Eileen
11 Mulliner, Assistant General Manager/Chief Engineer Eric Miller, and Auditor-Controller Julie Blue.

12 District employees Chris Kehoe, Construction/Maintenance Superintendent, and Robert
13 Clark, Operations/Maintenance Superintendent, were also in attendance. Mark Hildebrand,
14 Hildebrand Consulting was also in attendance.

15 Mike Arnold of 15 Fairway Dr., and Leonard and Jeanne Shaw, 595 Fairway Dr., were also
16 in the audience.

17 **OPEN TIME**

18 President Baker asked if anyone in the audience wished to bring up an item not on the
19 agenda.

20 Mr. Arnold spoke to the Board, about the Lynwood Pump Station project. He said that, the
21 recent project meeting was poorly supported logistically for a public meeting and assumes staff must
22 have been caught off guard by the number of people who attended and that explains the logistics of
23 what went on at the meeting. He said he feels this leads to some governance issues and
24 efficiencies and recommends we send out a letter out to the Ignacio Valley customers explaining
25 how it is and what happened and what we're doing to ensure in the future that we're effectively
26 interacting with the public on water issues, how we're going to coordinate that and that logistics are
27 taken care of. In private business, this type of event is called reputation risk. He then alluded to
28 comparing the District's handling of notifying the public to the recent Wells Fargo scandal. Mr.
29 Arnold recommends addressing the issue so it doesn't happen again. He said another consideration
30 is there should be efficiency in outreach. He lives at 15 Fairway and understands there will be a
31 pipeline in the street and he was never contacted by NMWD but instead heard about it from others.
32 Given the size of the project, we should assume the people of Ignacio Valley really care about the
33 valley and the proposal of the substantial structure in the greenway along Ignacio Blvd. He stated
34 that he is not questioning the engineers' plans regarding the need for the new the pump station. The
35 issue is where we will place it and the construction around it. He also brought up the costs of
36 underground vs. above ground and said presumably it costs more to put a pump underground than
37 above but these pumps could last 50 or more years and as an economist, spreading out costs over
38 50 years, the cost differences per year will be trivial unless enormous difference between the two.

1 He stated that the meeting should have happened months ago and the District should have
2 contacted the community to let them know what we were thinking about and it would have saved the
3 District time and effort. He said putting up an above ground structure on Ignacio Blvd. is a non-
4 starter and we will have a fight on our hands if we go through with the project. He noted that the
5 language at the meeting called the Ignacio site the preferred alternative is something that ignites the
6 anxiety of the residents of the community. Mr. Arnold noted that we have to go through a process to
7 remove it as a potential site and recommends we do it sooner than later and we communicate
8 clearly as we can to the customers particularly those of Ignacio Valley, that we heard them, we've
9 listened to them, we care about what they think and go through the process of figuring out about
10 what is the best alternative site, best alternative construction. Mr. Arnold thanked the Board.

11 Mr. Shaw spoke to the Board about the Lynwood Pump Station (PS) project. At present,
12 Lynwood PS is on Sunset Parkway and Novato Blvd. and is underground. He noted that staff had
13 prepared an Initial Study and Mitigated Negative Declaration which he had reviewed. He said it
14 addresses five different options in connection with the new building and abandoning the old pump
15 station. What staff has identified as Alternative A, is to build new pump station a block away from the
16 existing PS on Sunset Parkway near Cambridge in the median, seems to be a very appropriate
17 location and has plenty of room and no trees to remove. Regarding Alternatives B, C, D & E, he
18 said he understands that these alternatives require the construction of a new 4-pump PS on Ignacio
19 Blvd near Palmer intersection. He stated that the Alternative B location calls for building a pump
20 station on open space owned by City, which is a linear park adjacent to a creek and a relatively
21 narrow area and, as best he understands the document, it will be located 4 feet from the curb on
22 Ignacio Blvd. He said the proposed PS is a cement block structure with a footprint of 42 by 60 feet
23 and from ground to roof is 2 stories, which on Ignacio Blvd is totally out of place. He continued that It
24 goes 7 feet underground, like a basement, in an area that has a 5-8 feet deep water table. He said
25 that the report states there will be also be a parking area, but couldn't find a graphic in the report
26 that shows where the parking area will be what the extent of paving will be, and where the ingress
27 will be. He said this may be addressed in another meeting but wanted the Board to know the real
28 concerns of the people. He mentioned the 16-inch pipes that will start at Entrada and will cross 4
29 lanes of traffic, with 1,300 of pipeline to Fairway Drive and 2,450 feet pipe in Fairway and Ignacio
30 area. He said that the build time is 1.5 years estimated, so they will have to live with interruption of
31 traffic and a major emergency escape route for 1.5 years if this location is chosen. He said they will
32 have to live with the visual impact of the concrete block house and noise forever. The number of
33 citizens that will be impacted by this, 342 homomers in Pointe Marin, 350 in Marin Country Club and
34 numerous in Loma Verde. He is asking the Board for immediate reconsideration of any plan that
35 includes building a PS at the Ignacio location and remove it from reconsideration. He also asked for
36 an extension of the public comment period. Mr. Shaw thanked the Board.

1 Director Baker said they are considering what he brought up. Tony Williams said the public
2 comment period has been extended to May 6, 2024, giving 47 additional days. This information is
3 on the website and notification will be sent out to customers in the neighborhoods of the potential
4 pump station sites. Director Baker apologized for what was considered the lack of advanced notice.
5 He said the current pump station is outmoded, risky and unsafe as it is underground because
6 people can become trapped should they be in there working. He also said that the pump station
7 was built over 50 years ago and since the city has grown and there are neighborhoods there not that
8 were there when it was built so we are exploring our options.

9 Jeanne Shaw spoke to the Board about the Lynwood Pump Station project. She said for 53
10 years they worked hard to get open space from the County and the City, and put together a
11 committee that allowed the land at the end Fairway Drive to be purchased and donated many years
12 ago. In the 1980s' she said she put together a committee that was able to convert private land into
13 what is now a family park. She said two years ago, they raised \$17,000 to get it re-landscaped
14 because the City didn't have the funds. The City has worked hard to make the entrance to the
15 Ignacio area and other areas in the City beautiful. She said she is asking the Board to preserve the
16 entry to Ignacio Blvd as another beautiful entry to the City.

17 Director Petterle thank everyone for coming and noted that the Directors are prohibited from
18 discussing anything not on the agenda but that it doesn't mean they are not interested. Director Joly
19 said he was impressed and glad they came and spoke at the meeting. Without them being there, he
20 wouldn't be aware of how people feel. Because of the Brown Act they weren't all able to attend the
21 March 6th meeting, but they all wanted to be there but they couldn't. He said they work for the
22 residents, power is delegated by the citizens. He thanked them for coming in.

23 Director Fraites said he was at the meeting. He said he didn't expect to hear what he heard.
24 He said there were 80-100 people and that is a big deal for that many people to come out to a
25 meeting on short notice. He said he listened and will continue to listen. He thanked them for
26 coming and for their comments.

27 Mr. Arnold said they recognize the pump station needs to be improved, their concern is the
28 location. Mr. Arnold and the Shaws left the meeting.

29 Director Joly noted that he thought extending the public comment period to May 6 was a
30 good decision and it the item will be on the March 19 agenda.

31 **PUBLIC WORKSHOP**

32 **DRAFT 2024 NOVATO AND RECYCLED WATER RATE STUDY**

33 Tony Williams acknowledged Julie Blue, Eric Miller and Mark Hildebrand for their work on the
34 rate study. He said that Mr. Hildebrand has done previous studies for the District and that the Water
35 Management Ad Hoc Committee, which includes Directors Joly and Petterle, have met twice with
36 staff and Mr. Hildebrand. He said this is still a draft study and the next step is to finalize and

1 incorporate the rate increases into the annual budget. The final draft rate study will be ready in April
2 for Board acceptance and the Sonoma Water budget will be presented at the next Board meeting on
3 March 19. Director Joly asked if Jake Spaulding and Lynne Rosselli of Sonoma Water will be at that
4 meeting and Tony said they will be.

5 Mr. Hildebrand thanked the Board and outlined the presentation agenda, which would cover
6 the rate study's overview and scope, financial plans for Novato Enterprise and Recycled water
7 Enterprise, rate design and structure, and the overall project timeline. He said the rate setting
8 process has three components: revenue requirements, cost-of-service and rate design. He said that
9 about 95% of Novato revenue comes from the sale of water and the total revenue is \$24,105,000.
10 He said that the operating expenses and debt service totals \$24,471,000. The difference between
11 revenue and expenses is what is available for capital projects. He said that the largest operating
12 expenses are running the Stafford Treatment Plant and purchasing water from Sonoma Water.

13 He said that the Novato Reserve policies is to keep a minimum reserve of \$13.5 million (M)
14 with a target reserve of \$17.5M, which includes a \$4M maintenance accrual fund.

15 He stated that the average Novato Water monthly bill, as compared to several regional water
16 districts and cities (16 agencies), shows that NMWD falls below the median for single family homes.

17 Mr. Hildebrand also showed a hypothetical and proposed financial forecast. In the
18 hypothetical forecast, if rates were not raised the fund balances would decline and cash reserves
19 would drop significantly. Additionally, operating expenses and capital spending would exceed
20 revenue quickly. Director Petterle noted that it was an important graphic that illustrates what would
21 happen without raising rates. Mr. Hildebrand said that with consistent and modest rate increases
22 over the next 10 years, cash reserves will remain at sufficient levels and the District will be able to
23 invest in capital expenditures and cover its operating expenses. He presented a proposal of an
24 8.5% rate increase for the next fiscal year, followed by 5% rate increases the following two years,
25 plus a "pass-through" of Sonoma Water's rates starting in "Year 2."

26 Director Eichstaedt asked how often we do rate studies and Mr. Hildebrand said some
27 district's do them every year but the typical agency conducts them every 3-5 years. Mr. Williams
28 mentioned that we're conducting this rate study ahead of schedule (originally planned for 2025) due
29 to deviations from the assumptions made in 2020 regarding rate increases from Sonoma Water
30 (projected at 4 to 6 percent). Instead, their rates have increased significantly over the past two
31 years.

32 Director Joly asked if we were going to significantly increase our capital spending, similar to
33 Sonoma Water's plan. Mr. Williams said that we will be able to keep the capital spending stable
34 because we have been proactive with our capital plan and have been able to stay on top of the
35 District's infrastructure needs. Director Petterle asked in relation to the City's Novato Blvd widening
36 project if we are prepared to re-pipe the section of our distribution system. Mr. Williams stated that
37 the pipes are from the 1960s-era pipe, and while some may be in satisfactory condition, we plan to

1 assess the pipe and potentially upsize the main as part of the project. Mr. Miller noted that the
2 project has been delayed several years but it will continue to be included in the future capital Plan.

3 Mr. Hildebrand discussed the proposed “pass-through” of the Sonoma Water rates in year 2.
4 He reviewed the calculation on how the pass-through would affect the rate components. Director
5 Joly asked if only Tier 1 will be affected by Sonoma Water rates and Mr. Hildebrand said yes and
6 that approximately 60% of Tier 1 is affected. He explained that Tiers 2 and 3 are not impacted
7 because they get their water from Stafford Treatment Plant. Mr. Williams said that everyone will be
8 paying for Tier 1 water and therefore all customers would be affected by the pass-through rates.

9 Mr. Hildebrand went on to discuss the Recycled Water Enterprise. He said the recycled
10 water revenue is about \$2,433,000, about 78% from water sales and 20% from transfers of new
11 facility reserve charges (new connections to potable water). He said that the operating expenses
12 and debt service budget is \$2,715,000 and the debt service will be eventually paid off assuming no
13 more significant expansion. He said the reserve policies have an operating reserve and a capital
14 reserve fund. The recommendation going forward is to maintain a single reserve, the capital
15 replacement fund with a minimum balance of \$500,000.

16 Mr. Hildebrand proceeded to provide the specific rate updates including fixed (meter) and
17 quantity (usage) charges. He said the study shows a change in the tiered rates, no change to the
18 volume allocations, and an adjustment to the elevation surcharge. He proceeded to assess the
19 comparison between fixed and variable rate revenues versus fixed and variable costs, indicating that
20 fixed costs account for 69% compared to 31% for fixed revenue, while variable costs represent 31%
21 versus 69% for variable revenue. It has been an industry trend to try and bring those into better
22 alignment, typically achieving a 40 to 50% in fixed revenue. For the Novato Enterprise the current
23 fixed revenue is 31% and the rate study findings propose 34%. For the Recycled Water Enterprise,
24 the fixed revenue is 9% with a proposal of 13%.

25 Mr. Hildebrand showed a slide that illustrated the 5-year average ratio of 80/20 between the
26 cost of Sonoma Water and the cost of water treated at Stafford Lake. The costs are based on the
27 difference in unit cost between Sonoma Water purchases and Stafford Treatment Plant production
28 costs. The basis for the residential tiered water rates Tier 1 is Sonoma Water costs which is 80% of
29 the water supply, Tier 2 rates are based off of Stafford Lake costs, and Tier 3 is Stafford costs as
30 well as conservation costs. Mr. Hildebrand then discussed commercial rates and that historically the
31 District has charged higher rates during the summer, to reflect the higher cost of treated Stafford
32 water. However, the season for using Stafford water does not align with the Summer rate season,
33 therefore the recommendation is to replace seasonal commercial rates with a single uniform rate.

34 Mr. Hildebrand went over the proposed approach for elevation zone charges. The calculation
35 factored in the known cost relationship to pump to different elevations based on current pumping
36 costs. Based on his analysis the surcharges would decrease slightly.

1 Mr. Hildebrand showed all the current and proposed rates for commercial and residential,
2 both potable and recycled water, and the percentage and cost changes for year 1. He said the bill
3 impact for a single family will increase between 8.2% and 10.3% for the average customer with 5/8"
4 meters, depending on the total usage. Customers with 1" meters with median usage would see an
5 increase of 9.3%. Director Petterle said that he would like the District to consider switching to
6 monthly bills to align with other utilities as well as providing a tool for customers to better track water
7 usage. Julie Blue said she likes the idea and will explore implementation the change in the future
8 Mr. Williams said it could be a goal to include in the District's upcoming 5-year strategic plan. Mr.
9 Hildebrand went on to say that the proposed rate increase for multi-family accounts would be 6 to
10 7%, and commercial customers would be at about an 8.5% increase.

11 The Low-Income Rate Assistance (LIRA) Program was next discussed. Ms. Blue said it is a
12 simple application and currently we have 371 customers on the program. They currently receive
13 \$15 off of their bill and that it is proposed to increase that to \$30 effective July 1, 2024. Ms. Blue
14 noted that the program is funded with non-rate revenue and responded to questions from President
15 Baker and Director Joly that the typical sources were leases and tax revenue from Novato.

16 Mr. Hildebrand said the next presentation will be for a final acceptance of the rate study and
17 at the April 2, 2024 Board meeting. A public hearing to enact the new rates will be June 18, 2024,
18 and the new rates will go into effect July 1, 2024.

19 Mr. Williams showed an ad, run by the District, in the Marin Independent Journal earlier that
20 week which lists the dates for upcoming rate study and budget related Board meetings. It will
21 continue to be updated and published in the paper. Director Petterle asked if it will be run in the Pt.
22 Reyes Light as well and Mr. Williams said staff will explore that. Director Eichstaedt noted that the
23 rate study is not affecting West Marin customers. Mr. Williams confirmed that the West Marin rates
24 will follow the 2022 West Marin study recommendations. Director Joly noted that we need to
25 consider how we'll put the proposed rates including the pass-through message out to the customers
26 and Mr. Williams said that the Prop. 218 notice will be mailed to each customers and Julie Blue said
27 that it will be also be noted on the customer's water bills. Director Joly said we should also consult
28 with Kiosk on how best to provide the information to customers and Mr. Williams noted that they are
29 collaborating with Kiosk on outreach efforts.

30 **ADJOURNMENT**

31 President Baker adjourned the meeting at 6:16 p.m.

32 Submitted by

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34 Eileen Mulliner
35 District Secretary
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