

1 **NORTH MARIN WATER DISTRICT**
2 **MINUTES OF REGULAR MEETING**
3 **OF THE BOARD OF DIRECTORS**
4 June 18, 2024

5 **CALL TO ORDER**

6 President Baker called the regular meeting of the Board of Directors of North Marin Water
7 District to order at 4:00 p.m. at the District Headquarters and the agenda was accepted as
8 presented. Present were Directors Jack Baker, Rick Fraites, Michael Joly, and Stephen Petterle
9 Director Ken Eichstaedt was absent. Also present were General Manager Tony Williams, District
10 Secretary Eileen Mulliner, Auditor-Controller Julie Blue and AGM/Chief Engineer Eric Miller.

11 District employees Chris Kehoe, Construction Superintendent, Robert Clark, Operations and
12 Maintenance Superintendent, and Tim Fuelle, Senior Engineer, were also in attendance.

13 Mark Hildebrand, Hildebrand Consulting, was also in attendance.

14 **MINUTES**

15 On motion of Director Petterle, seconded by Director Joly, the Board approved the minutes
16 from the June 4, 2024 meeting as presented by the following vote:

17 AYES: Director(s) Baker, Fraites, Joly and Petterle

18 NOES: None

19 ABSENT: Director Eichstaedt

20 ABSTAIN: None

21 **GENERAL MANAGER'S REPORT**

22 Tony Williams gave a brief update on the Potter Valley Project. He said that an updated draft
23 of the decommissioning and surrender plan from PG&E had been expected soon but PG&E has
24 submitted for a 6-month schedule extension to the Federal Energy Regulatory Commission (FERC).
25 He said that District counsel attorney Bob Maddow believes that technically FERC can deny the
26 request but if the extension is approved the new deadline for a final plan would be in July 2025. Mr.
27 Williams said that he will continue to track this and report back to the Board.

28 Mr. Williams noted that next week, on Monday morning there will be an NBWRA Board
29 meeting, the first in over a year. Project updates and the proposed next years' budget are on the
30 agenda.

31 **OPEN TIME**

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

34 **STAFF/DIRECTORS REPORTS**

35 President Baker asked if staff or Directors wished to bring up an item not on the agenda.

1 Director Fraites said that when the District attends events, that there should be more
2 representation and suggested we have more brochures at the table. He asked if we were going to
3 be in the July 4th parade again. Mr. Williams said that the District will not be in the parade this year
4 but that we are co-sponsoring the water exhibit at the Marin County Fair. He said that we will try to
5 have people there. He also mentioned that the fair said there are to be no giveaways at the exhibit,
6 it is about zero waste. He said that because of the fair event, it would overlap the parade so the
7 decision was to not do the parade this year. He also said that the parade does involve staff costs
8 but we will consider doing it next year. Director Petterle suggested the Art and Wine Festival next
9 year. Directors Fraites, Joly and Petterle all said they could volunteer. Director Joly said that he
10 thinks the Directors should volunteer more often and be more visible to the community. Mr. Williams
11 said his only concern about being at events is that we don't have staff whose job it is to attend these
12 events but said we can look into it moving forward. Director Joly asked if staff is paid if they attend
13 and Mr. Williams that they are. He also said that we would appreciate the Board's participation.
14 Robert Clark mentioned that we did attend Western Weekend in Pt. Reyes. He said that he was
15 there and we didn't have a booth but we had water stations. Director Joly thanked him for attending.

16 President Baker mentioned that Marin Water is testing its water and asked if we knew
17 anything about it. Mr. Williams said it could be on the wastewater side. Mr. Clark said they are
18 looking at avian flu. President Baker asked Mr. Williams to look into the details.

19 President Baker also mentioned that he will be on vacation the first two weeks of September
20 and will miss the September 3rd meeting.

21 **PUBLIC HEARING/APPROVE CONSIDER PROPOSED NOVATO SERVICE AREA WATER**
22 **RATE INCREASE**

23 Tony Williams called Sharon Nagle, legal counsel, so she could attend via phone. He
24 clarified that the prop 218 rate hearing was for a 3-year period, an 8.5% rate increase the first year
25 with 6% rate increases the following two years.

26 The public hearing to consider the proposed Novato Service Area Water Rate Increase was
27 opened by President Baker at 4:18 p.m.

28 Mark Hildebrand gave a presentation of the Novato and Recycled Water Rate Study. He
29 went over the rate setting process which consists of revenue requirements, cost of service, and rate
30 design. He mentioned Prop. 218 and how the law dictates how utilities have to charge rates to
31 customers but that they cannot be charged more than the cost of providing service. He showed a
32 survey of different water utilities' rates and that NMWD fell in the lower third to mid-range in the
33 survey. He went over the reasons for rate increase drivers: capital spending, escalation of operating
34 costs such as water purchases (increase by Sonoma Water), chemicals, supplies, and

1 salaries/benefits. Director Joly noted that because Sonoma Water's water is 30% of our costs,
2 NMWD is willing to absorb 3% of the rate increase by SW.

3 Mr. Hildebrand went over capital spending and mentioned reserve policies. We have
4 minimum reserves of \$11.2M with target reserves of \$17.2M. He said that if rates were not
5 increased we would be in a deficit and reserves would go down quickly. He showed the proposed
6 rate increases over the next 3 years and that another rate study will be done in 2029. He said that
7 with the proposed rate increases reserves would be drawn down over a few years but would then
8 rebound. He said the rate increases help maintain a reserve cushion. Mr. Hildebrand said that
9 NMWD is depending on SW for 80% of the water supply and when their rates increase, ours do as
10 well.

11 Director Joly asked about Tier 1 customers and Mr. Williams clarified that all customers are
12 in Tier 1 but if they use more water they will move into Tier 2.

13 Mr. Hildebrand then reviewed the Recycled Water service area and rates. He said that
14 capital spending went from \$0 to \$300K. He noted that because it is a newer system capital
15 spending has been modest. He said that debt service will go down in a few years and the system
16 will then be able to support itself. Director Joly asked if recycled water can be used for irrigation. Mr.
17 Williams said it is used for irrigation by commercial customers but not residential. He said the
18 primary customers are commercial, some city parks, and any new multi-family units in the common
19 areas. Director Joly asked if there is any plan to expand to residential customers but Mr. Williams
20 said that there are many restrictions and requirements for testing and is not economical for
21 residential customers.

22 Mr. Hildebrand went over existing water rates for potable water, raw water, recycled water,
23 elevation surcharges, drought surcharges (that only happen during droughts), and fixed meter
24 service charges.

25 He compared fixed and variable revenues with variable revenues at 31% and fixed at 69%.
26 By coincidence, it is the opposite for variable and fixed costs, i.e., 69% and 31%. He said that
27 recycled water fixed revenues increased from 31% to 34% and conversely variable revenue
28 decreased from 69% to 66%.

29 Mr. Hildebrand said that currently commercial customers have seasonal rates but the rate
30 study recommends them to be uniform rates throughout the year.

31 Ms. Blue went over the Low Income Rate Assistance (LIRA) program stating that there are
32 371 customers enrolled and to be eligible a customer must have PG&E CARE program eligibility.
33 She said we are proposing to increase the bill reduction to \$30 per bill (from the current \$15)
34 beginning July 1, 2024.

35 Mr. Hildebrand showed a slide outlining the rate hearing and budget review schedule. Mr.
36 Williams said the schedule had run in the Marin IJ several times and twice in the Pt. Reyes Light.

1 Also, there has been a banner and FAQs on the website, as well as a good deal of information
2 pushed out on social media. Director Joly asked how many protest letters have been received and
3 Mr. Williams said 18 for Novato to date.

4 Mr. Williams asked if the Board had any questions and President Baker invited the public to
5 address the Board. One member of the public asked about the 19% increase in salaries and who
6 sets those. Director Joly said that we have an Employee Association and they negotiate when
7 contracts are nearing expiration which is approximately every 5 years, depending on the contract,
8 and that a salary survey is done every 5 years. He said that after the negotiations concluded earlier
9 this year, an agreement was made and he also explained that due to the salary survey several
10 positions had salary increases and some positions had to be adjusted to keep the compaction
11 percentage in place. He said that the current contract has an overall 7% increase over the next 5
12 years, the first year being the highest increase. Director Petterle added that a number of employees
13 were being paid below the median rate compared to other similar districts. Director Joly noted that
14 the Board has a very good relationship with staff and it's important to them. Mr. Williams noted that
15 we have one staff member per every 1,000 customers and other agencies have a lower ratio.
16 Director Petterle noted that the Board does not receive a salary, only a small payment per meeting.
17 Director Joly also noted that the Board does not receive benefits, the job is a public service, not for
18 money.

19 Another customer spoke to the Board and said they were pleasantly surprised that we were
20 able to keep the rate increase down as much as we did and thanked the District for its excellent
21 service.

22 Director Joly mentioned that we have the AMI (Advanced Metering Infrastructure) system for
23 customer water meters and how great it is. A customer can look at their use every day. Director
24 Petterle added that if there is an increase in usage, the system will notify the customer and they can
25 call NMWD customer service and confirm if they have a leak which can save money and water.
26 Director Joly mentioned that he has neighbors thanking him that NMWD has this system. Director
27 Fraites said he had received a notice of a leak through the AMI. He had it checked by a plumber
28 and he was able to fix the problem on his side of the meter. He said he really likes the AMI system.

29 The public hearing was closed at 5:07 p.m.

30 Mr. Williams said that legally the Board can approve the rate increase, that there was not a
31 protest consisting of over 50% of customers.

32 Director Joly asked Mr. Hildebrand if other agencies have a pass-through increase. Mr.
33 Hildebrand said that others have but stopped because Sonoma Water said several years ago that
34 they would be more consistent when increasing their rates. Because of the volatility in recent years,
35 he said that some agencies will now implement a pass through or have one in place. President
36 Baker said that Sonoma Water said they have too much deferred maintenance and have to deal

1 with that and it costs more and more each year. Mr. Williams said that he spoke with Jennifer Burke
2 of the City of Santa Rosa and said they were previously locked into a 5-year rate structure and it
3 really hurt them with Sonoma Water's recent increases and they are looking to do a pass through in
4 the coming years. Director Petterle noted that we had several members of the public attend the
5 meeting and it was nice to have customers attend and be able to explain directly to them. He said
6 we are trying to keep the costs reasonable. He also said he hopes we can go to monthly billing at
7 some point in time. Director Joly agreed that monthly billing would be good but understands it will
8 take quite a bit of effort. He mentioned that he read all the protest letters and was glad that people
9 wrote in their thoughts. He reiterated that they don't like to raise rates but they have to do what they
10 believe is right for the customers. He mentioned again that we absorbed 3% of the rate increase
11 from Sonoma Water.

12 On the motion of Director Petterle, and seconded by Director Fraites, the Board approved
13 the Resolution that approves the changes to Regulation 54 for the Novato and Recycled service
14 areas water rate increase by the following vote:

15 AYES: Director(s) Baker, Fraites, Joly, and Petterle

16 NOES: None

17 ABSENT: Director Eichstaedt

18 ABSTAIN: None

19 Mr. Hildebrand left the meeting and the call with Ms. Nagle was ended.

20 **PUBLIC HEARING /APPROVE: PROPOSED WEST MARIN WATER RATE INCREASE**

21 The public hearing to consider the proposed West Marin service area water rate increase
22 was opened at 5:18 p.m. There was no public in attendance.

23 Tony Williams went through the presentation for the proposed West Marin rate increase. He
24 said that public notification was published twice in the Pt. Reyes Light as well a Prop. 218 notice
25 sent out to all customers notifying them of the proposed 6% rate increase. In the presentation, he
26 showed the water demand trends over the years, which have been consistent but below the average
27 usage. He said that West Marin is a small enterprise with 4 supply wells, 13 tanks, 16 pump
28 stations, and one treatment plant. He said that the long-term capital issues are water supply
29 resiliency, significant capital improvement projects, and treatment plant upgrades. He noted that
30 the West Marin minimum reserves are \$400K and target reserves are \$480K. Mr. Williams said that
31 West Marin customers are eligible to apply for the LIRA program in addition to the Novato
32 customers. He noted that we received only 1 rate protest letter. He also noted that the resolution
33 for the West Marin rate increase is only for one year. President Baker asked if the LIRA application
34 is for an individual and Mr. Williams said it is. Director Fraites said that he went on a tour in West
35 Marin and was taken aback by the condition of the treatment plant and asked if it will take a lot of

1 money to refurbish. Mr. Williams said that staff is looking at the possibility of relocating it or
2 rehabilitating in place. Mr. Williams also said a project of that size is a struggle with trying to keep
3 rates down while keeping infrastructure in good condition. Director Joly said that when Novato
4 customers read the minutes they will see that West Marin does not have the added benefit of
5 Sonoma Water, West Marin relies only on water from the groundwater wells there. Mr. Williams
6 said that the Gallagher well No. 1 has had issues in the past and production has dropped off some.
7 He said that a replacement well will probably have to be drilled soon which is very expensive. Mr.
8 Miller noted that Gallagher Well No. 2 cost approximately \$1M.

9 The public hearing was closed at 5:35 p.m.

10 On the motion of Director Joly, and seconded by Director Fraiters, the Board approved the
11 West Marin water rate increase by the following vote:

12 AYES: Director(s) Baker, Fraiters, Joly, and Petterle

13 NOES: None

14 ABSENT: Director Eichstaedt

15 ABSTAIN: None

16 **PUBLIC HEARING/APPROVE CONSIDER PROPOSED OCEANA MARIN SEWER RATE**
17 **INCREASE**

18 The public hearing to consider the proposed Oceana Marin Sewer Rate Increase was
19 opened at 5:36 p.m. There were no public in attendance.

20 The public hearing was closed at 5:37 p.m.

21 On the motion of Director Petterle, and seconded by Director Joly, the Board approved the
22 Oceana Marin sewer rate increase and Ordinance 109 by the following vote:

23 AYES: Director(s) Baker, Fraiters, Joly, and Petterle

24 NOES: None

25 ABSENT: Director Eichstaedt

26 ABSTAIN: None

27 **CONSENT CALENDAR**

28 On the motion of Director Joly, and seconded by Director Petterle, the Board approved the
29 following item on the consent calendar by the following vote:

30 AYES: Director(s) Baker, Fraiters, Joly, and Petterle

31 NOES: None

32 ABSENT: Director Eichstaedt

33 ABSTAIN: None

34 **APPROVE RESOLUTION RE CONSOLIDATION OF DISTRICT ELECTION AND FILING**
35 **INFORMATION – DISTRICT ELECTION, NOVEMBER 5, 2024**

1 There are four seats on the Board that are up for re-election in 2024. Three are full term
2 seats for Divisions 2, 3 and 4. The fourth is for Division 1, which is for a two-year, short term, seat
3 on the Board. This seat was appointed in 2022 after the passing of Director Grossi, and was
4 approved for two years until the next General Election per the Election Code. The elected Director
5 for Division 1 will serve to the end of the original term, which is 2026.

6 **ACTION CALENDAR**

7 **FY 24/25 BUDGETS NOVATO & WEST MARIN SERVICE AREAS**

8 Julie Blue gave a presentation on the FY 23/24 Budgets for the Novato and West Marin
9 Service Areas. She said that the budget is essentially the same as what was presented at the June
10 4 meeting. She briefly covered the Key Assumptions, Historical Billed Water Consumption, Budget
11 Summary, Financial Forecast, Outstanding Debt, and Budget Review. Under Key Assumptions, she
12 said that there has been a slight rebound in West Marin water sales and we will continue to watch
13 when going into the next rate study. She said that Historical Billed Consumption is a large revenue
14 source and there was a decline with the drought. There has been a slight rebound however
15 consumption has not returned to the levels seen in previous years. She said that sales are
16 flattening out at 2.1BG (billion gallons) for the Novato Service Area. Ms. Blue said regarding
17 recycled water, sales are hard to predict but 215MG (million gallons) is budgeted. President Baker
18 asked how many customers have opted out of AMI meters and Ms. Blue said there are 30 but that
19 when any of these customers move out, an AMI is then installed. She said that as far as Operating
20 Revenues, Novato is budgeted at \$25.8M, \$1.8M for Recycled Water, \$1M for West Marin Water
21 and \$347K for Oceana Marin Sewer. She said that the sources of operating revenues are 74% from
22 water sales, 2% from FRCs, 12% from grants and loans, 8% from reserves, and miscellaneous of
23 4%. Ms. Blue said that Operating Expenses are \$23.6M with sources of supply costing \$7.1M. She
24 said that the largest expense categories are Operations & Maintenance at 32% and Capital Projects
25 at 23%. For Capital Improvements Projects, there are 43 budgeted in FY 24/25, of those 27 are for
26 Novato, 3 are Recycled Water projects, 7 for West Marin Water, and 6 for Oceana Marin Sewer.
27 She said that Studies and Special Projects are a little higher than in prior years with a total of \$860K
28 budgeted. She noted that the Novato Master Plan is the costliest item at \$400,000.

29 Ms. Blue went over the District-wide Financial Forecast which shows the budget will provide
30 cash reserves above the minimum target and the debt service coverage ratio is estimated to be
31 approximately 1.5. In reviewing the debt-service she indicated that there is a balance of \$38.2M.
32 The last slide presented was a summary of the Rate Study and Budget Hearing Schedule which was
33 run in the Marin IJ, Pt. Reyes Light and posted on our website.

34 Director Petterle said he was very impressed with Ms. Blue's work. Ms. Blue noted that the
35 rest of her accounting team contributed as well. Director Joly agreed that she and her staff do a

1 very good job and thanked her. Mr. Williams noted that it is a small but very efficient team. Ms.
2 Blue also mentioned the input by the management team.

3 On the motion of Director Joly, and seconded by Director Petterle, the Board approved by
4 the following vote:

5 AYES: Director(s) Baker, Fraites, Joly, and Petterle

6 NOES: None

7 ABSENT: Director Eichstaedt

8 ABSTAIN: None

9 **MARIN LOCAL AGENCY FORMATION COMMISSION 2024 MUNICIPAL SERVICE REVIEW**

10 **DRAFT STUDY**

11 Tony Williams said that Marin LAFCo's 2024 Municipal Service Review Draft Study was on
12 the Agenda for the Board at the May 21 meeting and that a significant portion of the Study was
13 about NMWD. He said that Drew McIntyre had assisted in reviewing the report and staff does have
14 comments for LAFCo. Mr. Williams noted that the period for public comments closes on June 28.
15 In response to a question from the Board, Mr. Williams said that LAFCo was formed to evaluate
16 public agencies including special districts to ensure there are proportional services, by agency and
17 to identify any gaps and overlaps in services and to confirm that the appropriate agency is managing
18 a public service or activity. He said the report included recommendations for NMWD which included
19 that Marin LAFCo, Sonoma LAFCo, NMWD, and the City of Petaluma should meet and discuss who
20 should be responsible for providing water service to the Sonoma County properties, that are
21 currently NMWD customers but out of NMWD service territory. Another recommendation in the
22 study is to adjust the NMWD boundary so that the Inverness Public Utility District is not within
23 NMWD's boundary.

24 On the motion of Director Joly, and seconded by Director Fraites, the Board approved by the
25 following vote:

26 AYES: Director(s) Baker, Fraites, Joly, and Petterle

27 NOES: None

28 ABSENT: Director Eichstaedt

29 ABSTAIN: None

30 **MISCELLANEOUS**

31 The Board received the following miscellaneous items: Disbursements Dated June 6 and
32 June 13, 2024, Monthly Progress Report.

