

**NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
May 15, 2018**

CALL TO ORDER

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

District employees, Robert Clark (Maintenance/Operations Superintendent), Tony Arendell (Construction Supervisor) and Jeff Corda (Sr. Water Dist. & TP Operator) were also in attendance. Novato customers Susan Barnes and Virginia Cottone were also in the audience.

MINUTES

On motion of Director Baker, seconded by Director Joly the Board approved the minutes from the May 1, 2018 meeting as presented by the following vote:

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

NOES: None

ABSENT: None

ABSTAIN: None

PUBLIC HEARING– CONSIDER PROPOSED INCREASE IN WATER RATES FOR NOVATO SERVICE AREA AND RESULTING REVISIONS TO DISTRICT REGULATION 54, WATER RATES.

During the Public Hearing Ms. Blue explained the proposed Novato Water rate increase of 4.5% based on the five year plan and budget. Customers were notified by letter and also the hearing was published in the Marin Independent Journal. There were 17 written protests and 9 phone calls inquiring about the increase. Ms. Blue also explained that the typical customer would see an increase of \$2.50 per month.

Mr. McIntyre provided a presentation advising the Board that aging infrastructure costs, increased regulatory requirements and higher operating costs including SCWA's 4% increase play a major role in the proposed rate increase. He noted that the cost of providing service is not just based on water used for drinking but also for fire protection. He also provided the Board with a

FY19 Cost Structure versus Rate Structure graph showing that the cost structure is 35% variable and 65% fixed and the rate structure is 77% variable and 23% fixed.

Director Fraites opened the public hearing at 6:27 p.m.

A member from the audience Susan Barnes, stated that she hasn't had much interaction with the District but based on the little she has that everyone is polite and it seems like a well-run District. She understood that costs are going up and she felt the increase is a reasonable amount; however she wanted to see a copy of the current rate survey. Mr. McIntyre stated that our Auditor-Controller recently retired and with the change in staff it has been delayed. He offered to make it available to Ms. Barnes when it is ready.

Hearing no further comment, Director Fraites closed the public hearing at 6:37 p.m.

Director Joly questioned how many customers the new increase would affect, and Mr. McIntyre replied 20,000 plus accounts. Director Petterle stated that we are raising costs based on needs. Director Joly also praised the customers in the audience stating that we appreciate all the customers that took the time to write to express their feelings, that none of the Directors wanted to raise the rates, but that he will also be paying the 4.5% increase. Director Petterle also thanked the rate payers for coming and that it was good to know that people are paying attention. He also stated that he has been on the NMWD Board for seventeen years and it still amazes him how undervalued water is. He wished we didn't have to raise the rates, however we must to insure we can deliver the water, make sure there is not a shortage to our customers and provide good quality water. Director Baker stated he has been on the Board for over thirty years, and he has witnessed major changes to our treatment system, and that it is expensive to operate. He expressed how important it is to ensure it is safe. Director Grossi also commented that the cost of construction of the past few years has been flat, and now we are seeing cost jumping 15-20%. Director Fraites wrapped up the discussion stating that North Marin Water is a well-run District. We have employees that have been here for a long time. We have to run it like a business and believes the 4.5% increase is modest.

On motion of Director Grossi, seconded by Director Baker the Board approved Resolution 18-12 entitled: "Resolution of the Board of Directors of North Marin Water District Amending Regulation 54 effective June 1, 2018 by the following vote:

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

NOES: None

ABSENT: None

ABSTAIN: None

GENERAL MANAGER'S REPORT

During the General Manager's report, Mr. McIntyre asked for final comments on the draft 2018 Strategic Plan. Mr. McIntyre also announced receipt of a letter in which PG&E announced that they plan to put the Potter Valley Hydroelectric Project up for auction this fall. Director Baker commented that it will not just be the water agencies that are concerned but also the agricultural community. Mr. McIntyre stated that it needs to be a regional, multi county solution, including Humboldt, Mendocino and Sonoma.

OPEN TIME

President Fraites asked if anyone in the audience wished to bring up an item not on the agenda. Virginia Cottone spoke about the AMI Opt-Out Policy. She expressed her desire that the Opt-Out Policy for AMI meters should be allowed anytime someone new moves into a residence. She stated that there are people who are sensitive to the exposure from AMI meters. Mr. McIntyre stated that the policy has already been adopted by the Board; however a customer always has the option to request an exception from the Board. Director Petterle requested that we revisit this issue, and Ms. Cottone stated she can share her research and answer more questions if need be.

STAFF/DIRECTORS REPORTS

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

Mr. Clark discussed the North Bay Bowman's current interest in an outdoor archery range and their request to investigate possible lease sites on District open space property. Both Director Joly and Director Baker expressed concerns of liability. This discussion led to the request that staff draft a policy on recreational use of District lands.

MONTHLY PROGRES REPORT

Mr. McIntyre reviewed the Monthly Progress Report for April. He stated that Novato's fiscal year to date potable water production was up 8% and West Marin was up 26%. He reminded the Board that staff continues to investigate why the production trend in West Marin is significantly higher than water sales. Stafford Treatment Plant production is down 7% when compared to last year due to lack of rainfall filling the lake. Overall there is ample water supply in SCWA reservoirs and Stafford Lake is at 77% capacity. With respect to recycled water, we continue to add more customers and production is up 25% over last year. He also stated that the District has accrued 185 days without a lost time accident, and that complaints overall were down 9%, and that some of the increase in the number of April service orders were attributed to the AMI register replacements.

Ms. Blue summarized the Monthly Report of Investments. At April 30, 2018, 33% of the District's Portfolio was invested in California's Local Agency Investment Fund, 25% in Time

certificates of Deposit, 22% in Federal Agency Securities, 14% in US Treasury Notes, 5% in the Marin County Treasury and 1% retained locally for operating purposes. Director Joly asked Ms. Blue to review treasury market sensitivity with our investments.

CONSENT CALENDAR

On the motion of Director Petterle, and seconded by Director Baker the Board approved the following items on the consent calendar by the following vote:

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

NOES: None

ABSENT: None

ABSTAIN: None

APPROVE; TEXT FOR SPRING 2018 NOVATO WATERLINE, VOLUME 19, ISSUE 40

The Board approved the text for the Spring Novato Waterline to be mailed out in early June 2018.

APPROVE; TEXT FOR SPRING 2018 WEST MARIN'S WATERLINE, VOLUME 15

The Board approved the text for the Spring West Marin Waterline to be mailed out in June 2018.

INFORMATION ITEMS

FY 17/18 THIRD QUARTERLY PROGRESS REPORT – OPERATIONS/MAINTENANCE

Mr. Clark presented the third quarterly progress report for the Operations/Maintenance Department. Currently the District is training three new electrical employees and two new treatment plant employees, a grounds maintenance employee and one new maintenance supervisor. Operations have been recently spending time on the San Mateo Tank Rehabilitation project and continue to focus on the backflow program. Maintenance staff completed removal and replacement of two air compressors at Stafford Treatment Plant, installed power, controls and cathodic protection at the Norman tank and performed maintenance on the Stafford lake intake tower gate controllers. Cross-Connection Control staff have been performing start-up testing for the Central recycled water project on-site retrofits. He stated that Novato Unified School District continues to fall behind in testing of their backflow devices and that future changes may be in order to regain 100% control of the program.

BULK CHEMICAL PURCHASES

Mr. Clark presented the bulk chemical purchases program. In the last five years there has been a large increase in chemical costs and being able to buy as a group has really helped the District save money. The program has expanded to 42 participating agencies in 8 geographical areas which continue to allow several vendors to participate.

SECOND REVIEW-PROPOSED FY 2018/19 NOVATO WATER EQUIPMENT BUDGET

Ms. Blue stated that no changes have been made since the first review. Approval of the Equipment budget is scheduled for the June 19, 2018 board meeting.

SECOND REVIEW-PROPOSED FY 19 & FY 20 NOVATO CAPITAL IMPROVEMENT PROJECTS BUDGET

Ms. Blue summarized the second review of the proposed FY19 and FY20 Novato Capital Improvement Projects. Since the initial review one project has been added, and the Automate Zone Valve Project was moved forward from FY18. The final budget review and approval is scheduled for the June 19, 2018 board meeting.

SECOND REVIEW- PROPOSED FY 2018/19 NOVATO OPERATIONS BUDGET

Ms. Blue summarized the second review of the proposed FY 2018/19 Novato Operations budget including a few changes since the first review. Changes included a \$33,000 increase in fees to support labor negotiations for updating the MOU with the Employee Association which is expiring at the end of September, a \$6,000 increase in temporary labor and a \$32,000 decrease in power. She reported that the budget includes the proposed 4.5% rate increase as well an employee cost of living increase of 3%. Total Operating Expenditures are projected to increase 14% primarily due to a onetime payment to SCWA of \$1,280,000. Source of Supply is budgeted to increase approximately 29%, Water Treatment is budgeted to increase 13%, and Transmission and Distribution is budgeted to increase 2%. Staffing level is down 1.2 full time employees (2%). This budget will also be presented for a final review at the June 19, 2018 board meeting.

SECOND REVIEW – PROPOSED FY 2018/19 NOVATO RECYCLED WATER SYSTEM BUDGET

Ms. Blue reviewed the proposed 2018/19 Novato Recycled Water System Budget and stated that no changes were made since the last review. As with the Novato budget, the final review and approval will be at the June 19, 2018 board meeting.

NBWA- MAY 4, 2018 MEETING – WETLANDS TOUR RECAP

Director Fraites provided a recap of the recent NBWA Wetlands Tour on May 4, 2018.

MISCELLANEOUS

The Board received the following miscellaneous items: Disbursements-Dated May 3, and May 10, 2018, NBWRA – May 21, 2018 Agenda, Sanitary district head leaving for position in SF, Where Water is Scarce, Communities Turn to Reusing Wastewater, Novato's 23 Annual Clean \$ Green day Letter, Evacuation Drill-NMWD staffed a table, Incumbents seek to hold off bids of challengers, Novato Chamber Leadership Novato 2018 Graduation Ceremony-Rocky Vogler.

The Board also received the following news articles: Sewer Agency mergers needs leadership.

ADJOURNMENT

President Fraites adjourned the meeting at 7:38 p.m.

Submitted by

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

Theresa Kehoe
District Secretary