

MARIN LOCAL AGENCY FORMATION COMMISSION

RESOLUTION NO. ~~16-02~~ 16-01

RESOLUTION MAKING DETERMINATIONS

MUNICIPAL SERVICE REVIEW

COUNTYWIDE PUBLIC WATER SERVICE STUDY

WHEREAS, the Marin Local Agency Formation Commission, hereinafter referred to as the "Commission", is a political subdivision of the State of California with regulatory and planning responsibilities to produce orderly growth and development under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000; and

WHEREAS, the Commission is responsible under Government Code Section 56430 to regularly prepare studies to independently assess the availability, performance, and need of governmental services to inform its regulatory and other planning activities; and

WHEREAS, the Commission adopted a study schedule calendaring specific municipal service reviews in Marin County through 2017/2018; and

WHEREAS, the Executive Officer of the Commission, hereinafter referred to as the "Executive Officer", prepared a countywide municipal service review on public water service with recommendations pursuant to said study schedule; and

WHEREAS, the municipal service review includes an evaluation of the public water services provided in incorporated and unincorporated areas by Bolinas Community Public Water District, Inverness Public Utility District, Marin Municipal Water District, Muir Beach Community Services District, North Marin Water District, and Stinson Beach County Water District, hereafter referred collectively as the "affected agencies"; and

WHEREAS, the Executive Officer's written report on the municipal service review was presented to the Commission in a manner provided by law; and

WHEREAS, the Commission heard and fully considered all the evidence presented at public meetings concerning the municipal service review and most recently on September 10, 2015, January 14, 2016, and February 11, 2016; and

WHEREAS, as part of the municipal service review, the Commission is required pursuant to Government Code Section 56430(a) to make a statement of written determinations with regards to certain factors.

NOW, THEREFORE, THE COMMISSION DOES HEREBY RESOLVE, DETERMINE, AND ORDER as follows:

1. The Commission determines this municipal service review is a project under the California Environmental Quality Act, but qualifies for an exemption from further action as an informational document consistent with Code of Regulations Section 15306.

2. The Commission has duly considered the Executive Officer's written report on the municipal service review and recommendations therein on the adequacy, performance, and need of public water services in Marin County.
3. The Commission adopts the statement of written determinations generated from information presented in the Executive Officer's written report on the municipal service review as set forth in Exhibit "A."
4. The Commission refers the public to the Executive Officer's report on the municipal service review for additional details and important context.


PASSED AND ADOPTED by the Marin Local Agency Formation Commission on February 11, 2016 by the following vote:

AYES: Arnold, Condon, Baker, Blanchfield, Connolly, Murray, Phillips

NOES: NONE

ABSTAIN: NONE

ABSENT: NONE


JEFFRY BLANCHFIELD, Chair

ATTEST:

KEENE SIMONDS, Executive Officer

EXHIBIT A


COUNTYWIDE PUBLIC WATER SERVICE STUDY

MUNICIPAL SERVICE REVIEW DETERMINATIONS GOVERNMENT CODE SECTION 56430

- 1. With respect to growth and population projections for the affected areas as required under Section 56430(a)(1), the Commission independently determines the following.**
 - a. The Commission estimates there are 256,230 total residents directly served by the six agencies' potable water systems as of the term of the study period. It is also estimated the combined service population has modestly increased by 992 or 0.38% over the prior five-year review period.
 - b. The Commission estimates overall resident growth in the five service areas in West Marin has increased by 1.0% over the study period and is more than two times greater than the 0.4% growth rate in the two East Marin service areas.
 - c. Current demographic information shows marked differences between East and West Marin with increasing challenges for the latter residents' ability to fund water operations and improvements in the long-run given relative advanced age, low household incomes, and higher poverty rates.
 - d. The Commission estimates the Bolinas Community Public Utility District is at 89% of the service area's current buildout population with 1,574 residents served by the District's potable water system as of the term of the study period. It is reasonable to assume the resident population will remain stagnant through 2023 given the existing moratorium on new water service connections.
 - e. The Commission estimates the Inverness Public Utility District is at 87% of the service area's current buildout projection with 1,375 residents served by the District's potable water system as of the term of the study period. It is reasonable to assume the annual growth rate will match the study period with an overall yearly change of 0.12% and lead to an increase of 17 to 1,391 by 2023.
 - f. The Commission estimates the Muir Beach Community Services District is at 94% of the service area's current buildout projection with 431 residents served by the District's potable water system as of term of the study period. It is reasonable to assume the growth rate will match the study period with an overall yearly change of 0.40% and lead to an increase of 19 to 448 by 2023.

- g. The Commission estimates the Stinson Beach County Water District is at 92% of the service area's current buildout projection with 1,957 residents served by the District's potable water system as of the term of the study period. It is reasonable to assume the annual growth rate will match the study period with an overall yearly change of 0.14% and lead to an increase of 28 to 1,985 by 2023.
- h. The Commission estimates the Marin Municipal Water District is at 89% of the service area's current buildout projection with 186,048 residents served by the District's potable water system as of the term of the study period. It is reasonable to assume the growth rate will match the study period with an overall yearly change of 0.07% and lead to an increase of 2,038 to 187,399 by 2023.
- i. The Commission estimates the North Marin Water District is at 94% of the service areas' current buildout projection with 64,845 total residents served by the District's two potable water systems as of the term of the study period. It is reasonable to assume the growth rates within the two service areas – Novato and Point Reyes Station – will match the study period with an overall yearly change of 0.08% and lead to an increase of 587 to 65,432 by 2023.




2. With respect to the location and characteristics of disadvantaged unincorporated communities within the affected areas as required under Section 56430(a)(2), the Commission independently determines the following.

- a) Two unincorporated communities in Marin County presently qualify as disadvantaged under the statewide definition based on recent census information: Alto and Marin City. Both communities are located in southern Marin County and lie in MMWD with an estimated joint population of 20,680 with over 90% in Marin City.
- b)  The Commission should proactively work with local agencies – and in particular water, sewer, and fire providers – to develop a definition of “disadvantaged unincorporated community” consistent with Senate Bill 244 to ensure an appropriate and equitable level of municipal services is available for qualifying areas in Marin County.

3. With respect to the capacity of public facilities and infrastructure needs and deficiencies within the affected areas as required under Section 56430(a)(3), the Commission independently determines the following.

- a) The Commission estimates the total combined maximum annual water supply available to the six affected agencies under normal conditions is 119,080 acre-feet. The average and combined annual water demand over the study period among all six affected agencies equals 31% of the estimated maximum supply under normal conditions.


- b) All six affected agencies have positive annual demand-to-supply ratios under normal conditions based on five-year averages over the study period within their seven service areas. Minimal changes to these ratios are expected through 2023.
- c) The Commission estimates the total combined maximum annual water supply available to the six affected agencies under single dry-year conditions is 37,758 acre-feet; a reduction of (68%) compared to normal conditions. The average and combined annual water demand over the study period among all six affected agencies equals 98% of the estimated maximum supply under single dry-year conditions. Additional distinctions follow.
- Two affected agencies have negative annual demand-to-supply ratios under projected single dry-year conditions based on annual averages within their service areas over the study period. These agencies are Bolinas Community Public Utility District and Marin Municipal Water District.
 - Two additional affected agencies will also have negative annual demand-to-supply ratios under projected single dry-year conditions based on annual averages within their service areas over the study period by 2023. These agencies are Muir Beach Community Services District and North Marin Water District (Novato).
- d) Overall annual demands have increased for five of the seven service areas belonging to the six affected agencies during the study period. These agencies are Bolinas Community Public Utility District, Inverness Public Utility District, Muir Beach Community Services District, Stinson Beach County Water District, and North Marin Water District (Novato).
- e) Average daily water demand per resident in the two East Marin service areas during the study period has been 128 gallons. This amount is nearly double the average rate of 77 gallons within the five service areas in West Marin over the same five-year period.
- f) Demand trends over the study period show system intensity occurring for four of the five services areas in West Marin with all experiencing rises in per capita demands that exceed their estimated population change. These West Marin agencies are Bolinas Community Public Utility District, Inverness Public Utility District, Muir Beach Community Services District, and Stinson Beach County Water District.
- g) Going forward the Commission projects an overall combined decrease in annual water demands among all six affected agencies and within their seven service areas of (3.4%) by 2023 based on study period trends; a net savings of (1,268) acre-feet over the baseline year. Additional distinctions follow.

- Marin Municipal Water District, Bolinas Community Public Utility District, and North Marin Water District (Point Reyes) are expected to experience decreases in annual demands within their respective service areas collectively totaling (1,774) acre-feet or (6.4%) by 2023.
 - Inverness Public Utility District, Muir Beach Community Services District, Stinson Beach County Water District, and North Marin Water District (Novato) are expected to experience increases in annual demands within their respective service areas collectively totaling 506 acre-feet or 5.0% by 2023.
- h) Nearly all of the six affected agencies have adequate treatment capacity to accommodate peak-day demands in their service areas based on averages generated over the study period. The lone exception is Bolinas Community Public Utility District with a demand-to-treatment supply ratio of 103% or (3%) during the study period. Two additional agencies – Inverness Public Utility District and Stinson Beach County Water District – are projected to approach their treatment capacity limits by 2023.
- i) All six affected agencies have adequate storage capacity to accommodate peak-day demands within their service areas based on averages over the study period with excess capacity of no less than 50%. Minimal changes in these ratios are expected within the succeeding 10-year period with the lone exception that North Marin Water District (Point Reyes Station) will approach capacity by 2023.
- j)  Bolinas Community Public Utility District should consider expanding its treatment facility capacity to abate shortfalls in meeting current and projected peak-day demands relative to District resources and priorities as part of a future capital improvement program.
- k)  Marin Municipal Water District should consider expanding potable storage in the Ross Valley service zone to abate existing shortfalls and accommodate current and projected peak-day demands relative to District resources and priorities as part of a future capital improvement program.
- l)  The Commission strongly encourages all six affected agencies to establish and or advance supply enhancement efforts to complement the ongoing focus on conservation to remain fully accountable to future constituents given new growth will occur in Marin County.

4. With respect to the financial ability of agencies to provide services within the affected areas as required under Section 56430(a)(4), the Commission independently determines the following.








- a) All six affected agencies experienced moderate to significant gains in their overall financial standing as measured by total net assets or equity during the study period. The collective increase in the agencies combined net assets during the period totaled \$35.4 million and represents a difference of 9.6%.
- b) All six affected agencies finished the study period in generally good position with respect to liquidity and profitability with all finishing with current ratios of no less than 4 to 1 and operating margins that exceed corresponding changes in inflation. Three of the agencies – Stinson Beach County Water District, Marin Municipal Water District, and North Marin Water District – however finished the study period term with relatively high debt ratios that approach 50% of their respective net assets.
- c) Five of the six affected agencies – Bolinas Community Public Utility Districts, Inverness Public Utility District, Stinson Beach County Water District, Marin Municipal Water District, and North Marin Water District – have existing pension obligations through separate contracts with CalPERS. These contracts include mandatory contributions based on annual actuarial reports prepared by CalPERS with the corresponding rates collectively increasing over the most recent five year period (2010-15) by an approximate 20% average and measurably beyond the corresponding change to the consumer price index.
- d) The combined active-to-retiree ratio between the five subject agencies with pension obligation is 0.79 to 1.00 as of the term of the study; an amount meaning there are approximately four active employees contributing to the pension system for every five retired employees.
- e) Four of the five subject agencies – Bolinas Community Public Utility District, Inverness Public Utility District, Stinson Beach County Water District, and North Marin Water District – with pension have experienced no less than a 13.5% increase in the actual pension costs over the last three available years of documentation (2011-13); a change nearly three times greater than the corresponding inflation rate for the region.
- f) Only Bolinas Community Public Utility District has a funded status above 80% as of the last report issuance by CalPERS; a standard threshold used in governmental accounting to identify relatively stable pension plans.
- g) The current average residential cost for potable water service weighted among all seven service areas is \$0.78 for every 100 gallons, and translates to an annual cost of \$1,175 based on consumption rates over the study period.

5. With respect to the status and opportunities therein for shared services within the affected areas as required under Section 56430(a)(5), the Commission independently determines the following.


- a) The five agencies serving West Marin have developed an informal network to communicate current and pending activities within their respective service areas and share best practices that ultimately benefit their constituents.
-  b) The Commission recommends the West Marin agencies jointly invest resources to prepare a water reliability report assessing each system's available supplies under different hydrologic periods based on shared planning assumptions.
- c) Marin Municipal Water District and North Marin Water District have effectively partnered with other local agencies in jointly funding and establishing regional recycled water programs as part of the North Bay Water Reuse Authority. This arrangement provides a mechanism for the Districts to pool resources in securing competitive governmental subventions to implement and expand recycled water services in their service areas to help offset potable demands and have generated a combined annual average savings over the study period of 836 acre-feet.
- d) Near-term opportunities for West Marin agencies to partner and/or develop their own recycled water services to offset potable demands is minimal given the lack of current community wastewater collection systems.
- e) All six affected agencies have their own procurement processes with respect to purchasing supplies and materials in support of providing potable water services within their respective service areas. More recently some of the agencies have also begun developing joint-procurement activities with other agencies. The Commission encourages the continued pursuant of these cooperative relationships and the efficiencies and cost-savings they produce.

6. With respect to accountability and opportunities and merits therein for governance alternatives as required under Section 56430(a)(6), the Commission independently determines the following.

- a) All six affected agencies and their constituents benefit from employing capable and dedicated management that appear to effectively administer day-to-day activities consistent with governing directives and community needs.
- b) The general managers and staff for the six affected agencies have shown timely leadership by proactively engaging their boards and constituents on the ongoing status of their water systems in response to the current statewide drought. This includes partnering together in various cross-community forms to discuss and educate the public on the challenges and opportunities tied to the drought and promotion therein of more sustainable land/water use relationships.

-  c) The Commission notes and requests the five mutual water companies that have not responded to date – Vista Grande, Shallow Beach, Drakes Landing Duck Cove, and Hamilton – in complying with Assembly Bill 54 (Solario) file their service information with LAFCO without further prompting or action by the membership.
-  d) The Commission should consider directing staff to prepare an addendum to this study with participation from area landowners and residents to evaluate local needs and priorities within Dillon Beach and Nicasio with respect to possible governance and related options under LAFCO law involving water services.
-  e) Bolinas Community Public Utility District should prepare an update on the status of the agency’s moratorium on new water service connections and efforts therein to address the underlying constraints to help – among other items – inform the County of Marin’s ability to effectuate planning policies in the area proceeding ahead. The District has responded it will prepare an update by December 31, 2016.
-  f) Muir Beach Community Services District should engage an outside consultant to prepare audits of the agency’s financial statements to attest and, if applicable, identify improvements in the District’s fiduciary duty to effectively manage its resources consistent with governmental accounting standards.
-  g) The Commission should incorporate into its pending sphere of influence updates for the affected agencies the policy items marked in the municipal service review and include consideration of expansions to account for standing extraterritorial service contracts belonging to Muir Beach Community Services District and North Marin Water District.
-  h) The Commission should consider directing staff to prepare an addendum to this study with agency participation to assess the viability of any service and cost efficiencies tied to consolidating Marin Municipal Water District and North Marin Water District. The central objective of the addendum would be to inform the membership, agencies, and general public with respect to the merits/demerits of a potential consolidation and to justify any subsequent actions, including maintaining the status quo.
-  i) The Commission and North Marin Water District should collaborate with community members on a potential boundary change to detach approximately 7,700 acres of unincorporated land from the District that includes North Inverness, Tomales Bay and Marshall. This should include – and if there is sufficient support among stakeholders to proceed forward – consideration of special legislation to expedite the boundary change and avoid the costs and uncertainties tied holding protest proceedings.

7. With respect to the matters of local interest and specifically the relationship between services and land use policies as provided under Section 56430(a)(7), the Commission independently determines the following.

-  a) Given its mandate and existing deficit therein the Commission should devote resources to develop institutional knowledge about the specific impacts on climate changes as it relates to, and among other areas, community water resources using best available science and incorporate into future studies.

Note:

 Notes Action-Oriented Determination