



2023 Rate Study Preliminary Recommendations

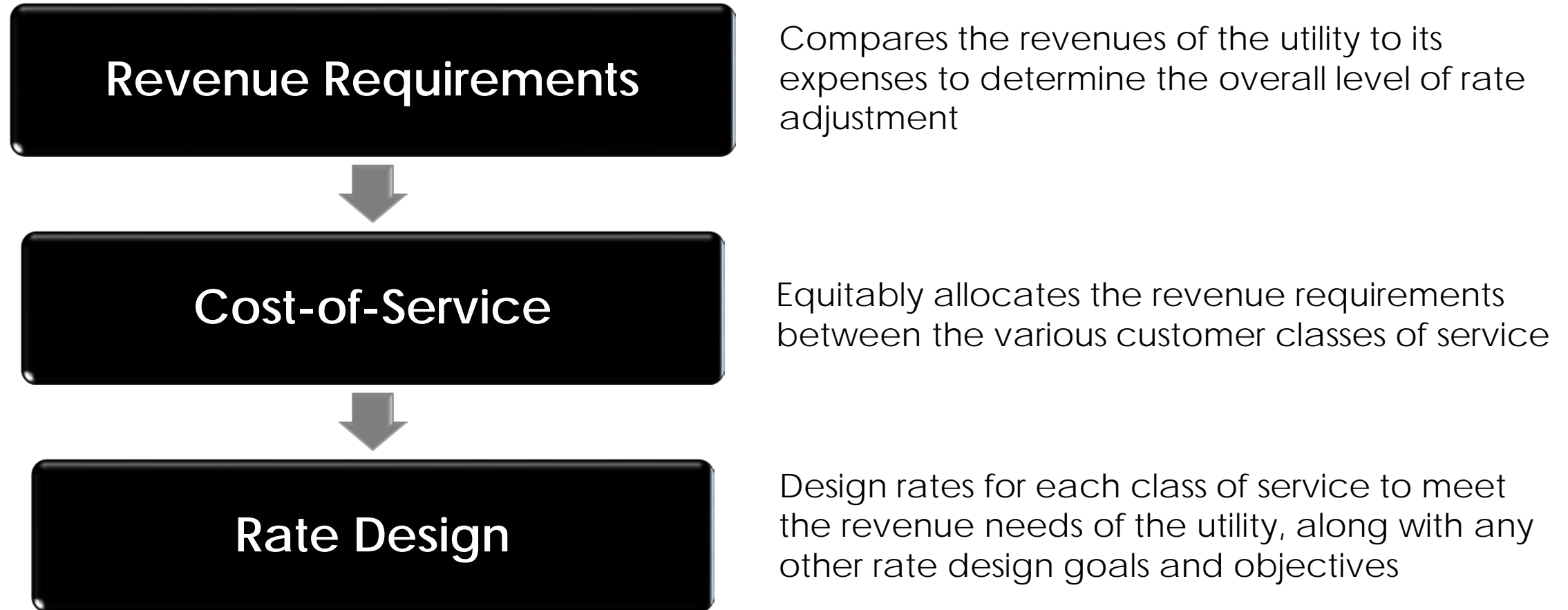
March 16, 2023



Agenda

1. Rate Setting Introduction
2. Financial Plan
3. Cost of Service / Rate Design
4. Proposed Rates
5. Survey
6. Pumping Surcharge
7. Project Schedule

The Rate Setting Process

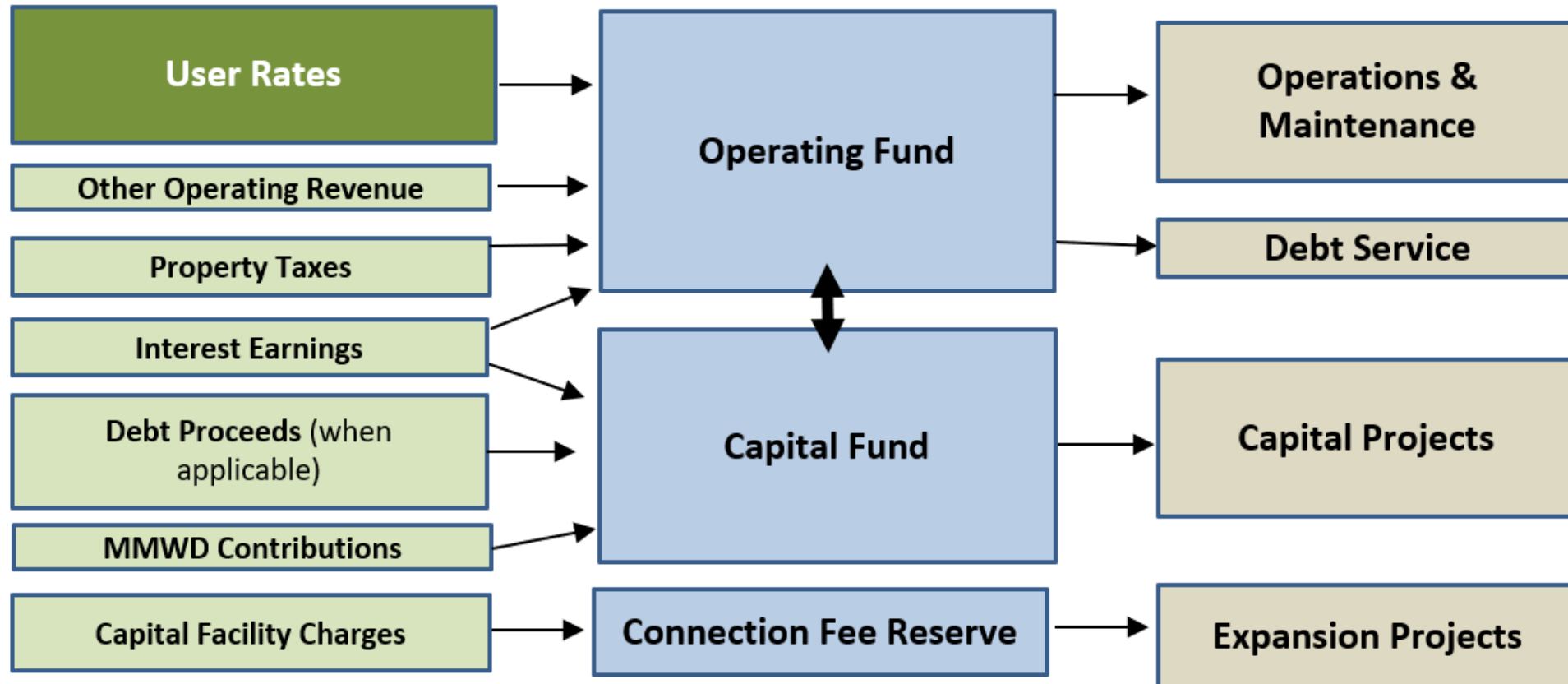


Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

Schematic of Cash Flow and Fund Structure



Cash Balances

Fiscal Year beginning July 1, 2022

Operating Reserve*	\$13,443,000
Emergency Repair Reserve	\$1,000,000
Capital Reserve	\$2,951,500
Vehicle & Equipment Reserve	\$841,700
Unrestricted Cash (for capital projects)	\$14,466,000
<hr/>	
Total:	\$32,702,200
Restricted Debt Service Reserves	\$904,600
Restricted (Capital Facility Charges)	\$587,700
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Total Reserves:	\$34,194,500

* Includes anticipated debt service for next year

Reserve Policies

The following are established reserve policies. In addition to protecting the District against unforeseen circumstances, these policies also contribute towards the District's credit rating.

Operating Reserve: 7 months of O&M budget plus debt service (projected \$13.4 million target)

Emergency Repair Reserve: Cost to repair a major asset, e.g., pump station (current target = \$1 million)

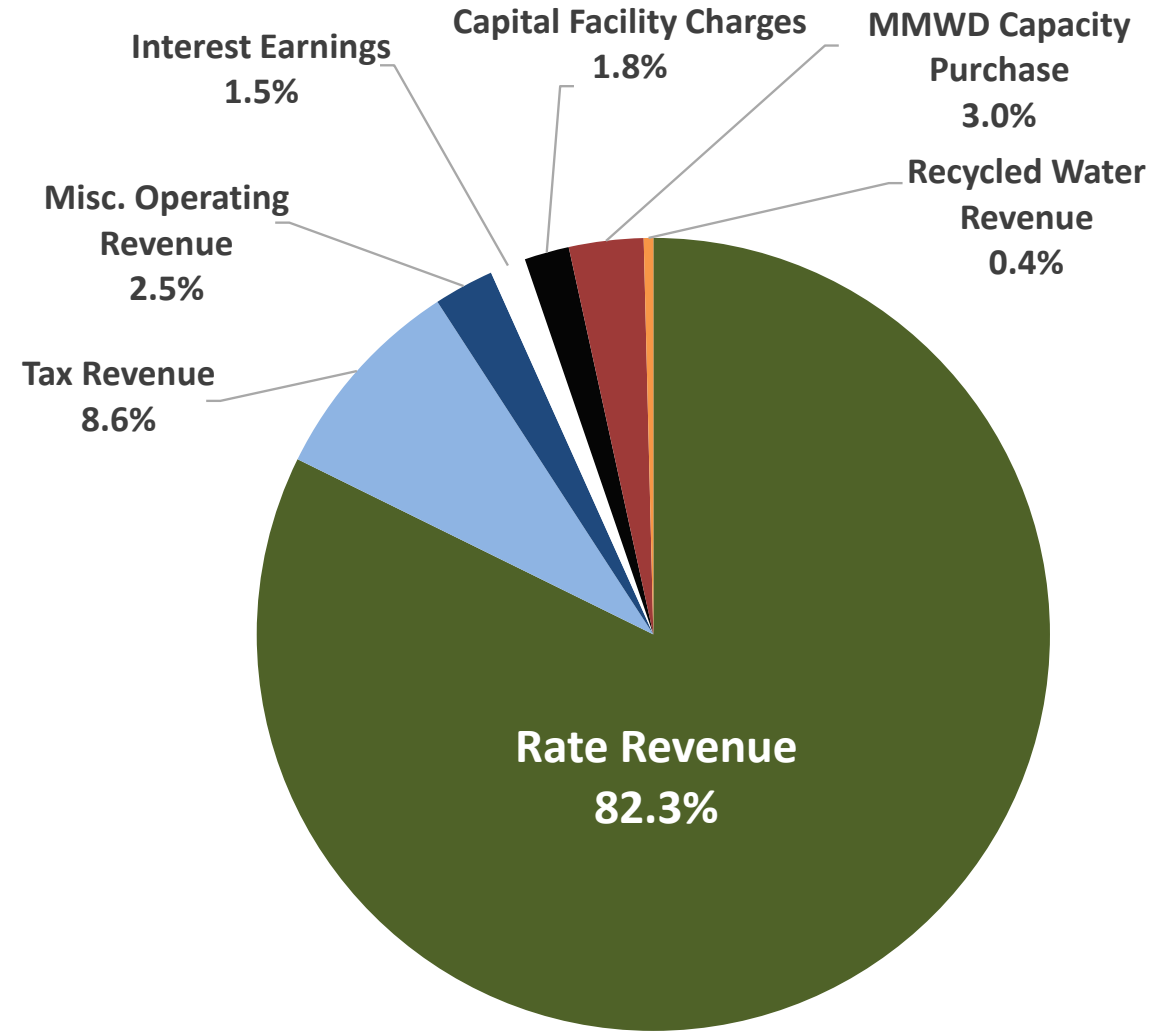
Capital Reserve: To provide capital for major capital projects that span two or more years. Accumulated depreciation is a factor (current target = \$4 million)

Vehicle and Equipment Reserve: Based on vehicle replacement life-cycle. (current target = \$1 million)

Revenue

FY2022/23 Estimated Year End*

Rate Revenue	\$17,102,300
Non-Rate Revenue	
Tax Revenue	\$1,777,700
Misc. Operating Revenue	\$509,900
Interest Earnings	\$303,300
Capital Facility Charges	\$379,300
MMWD Capacity Purchase	\$631,200
Recycled Water Revenue	\$80,800
Total:	\$20,784,500



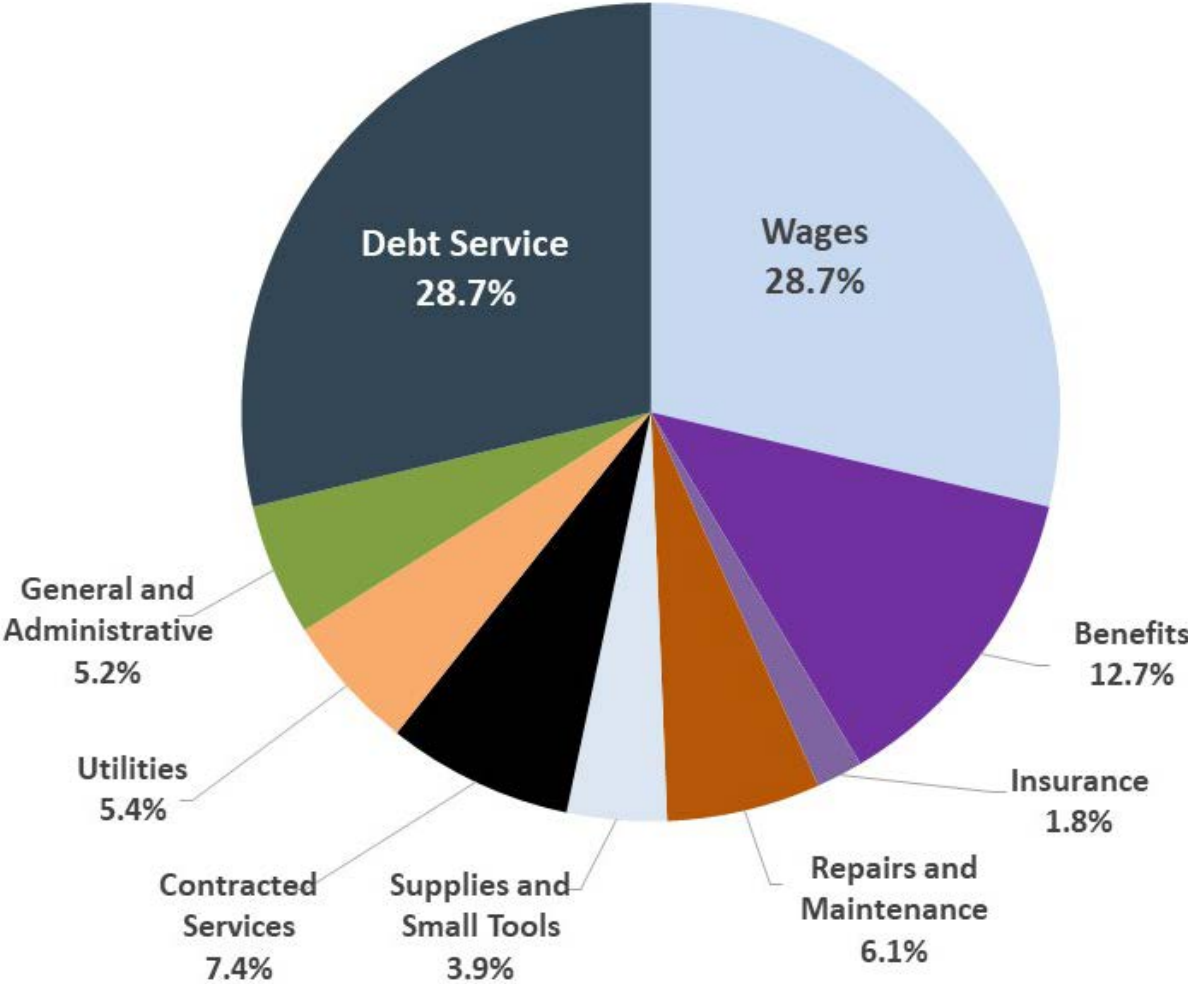
* Excludes iBank loan disbursement

Operating Expenses*

FY2022/23 Estimated Year End

Wages	\$4,201,000
Benefits	\$1,863,000
Insurance	\$270,000
Repairs and Maintenance	\$888,000
Supplies and Small Tools	\$577,000
Contracted Services	\$1,076,000
Utilities	\$788,000
General and Administrative	\$765,000
Debt Service	\$4,201,000

Total Budget: \$14,629,000



* Does not include capital spending budget

Projected Capital Spending Highlights

✓ **Operations Control Center**

- ✓ Replaces Admin and Operations Building built in 1958 and renovated in 1985 and 1992.
- ✓ ~15,000 square feet of office spaces, laboratory, Boardroom, and public classroom.
- ✓ Sustainable features: solar for electricity, biogas for heating, and recycled water for landscaping.
- ✓ LEED certification and Living Building green features.

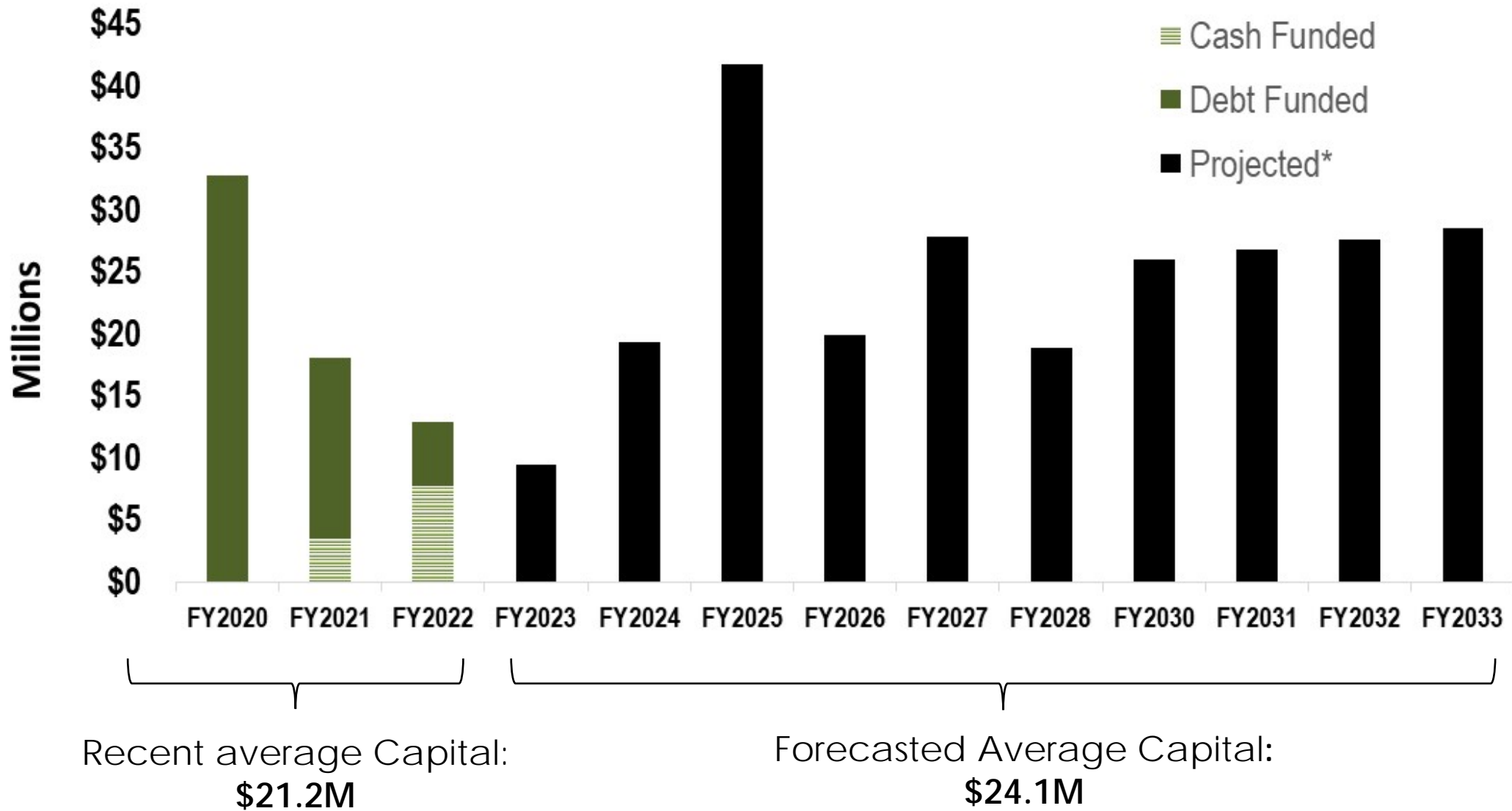
✓ **John Duckett Pump Station Improvements**

✓ **Smith Ranch Combined Force Main**

✓ **UV Disinfection System, Flow Equalization Basin, and Primary Clarifier Improvements**

✓ **Biosolids Program**

Capital Spending

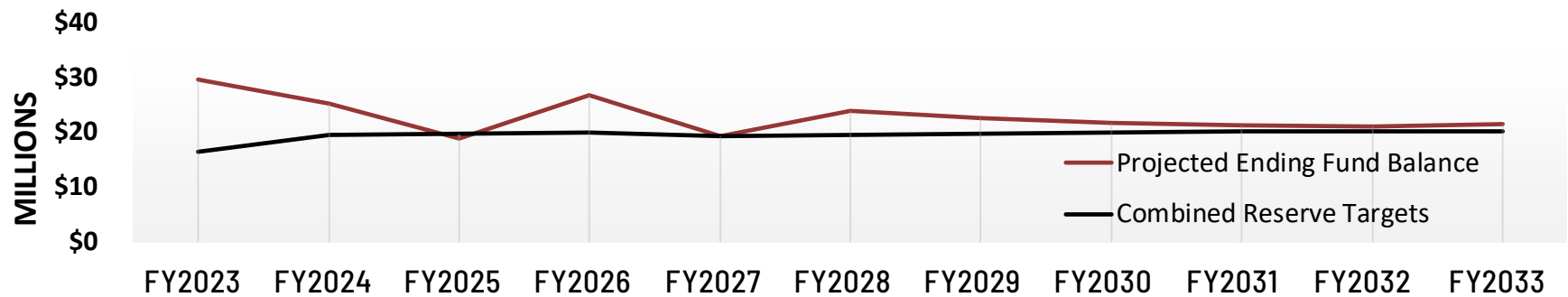
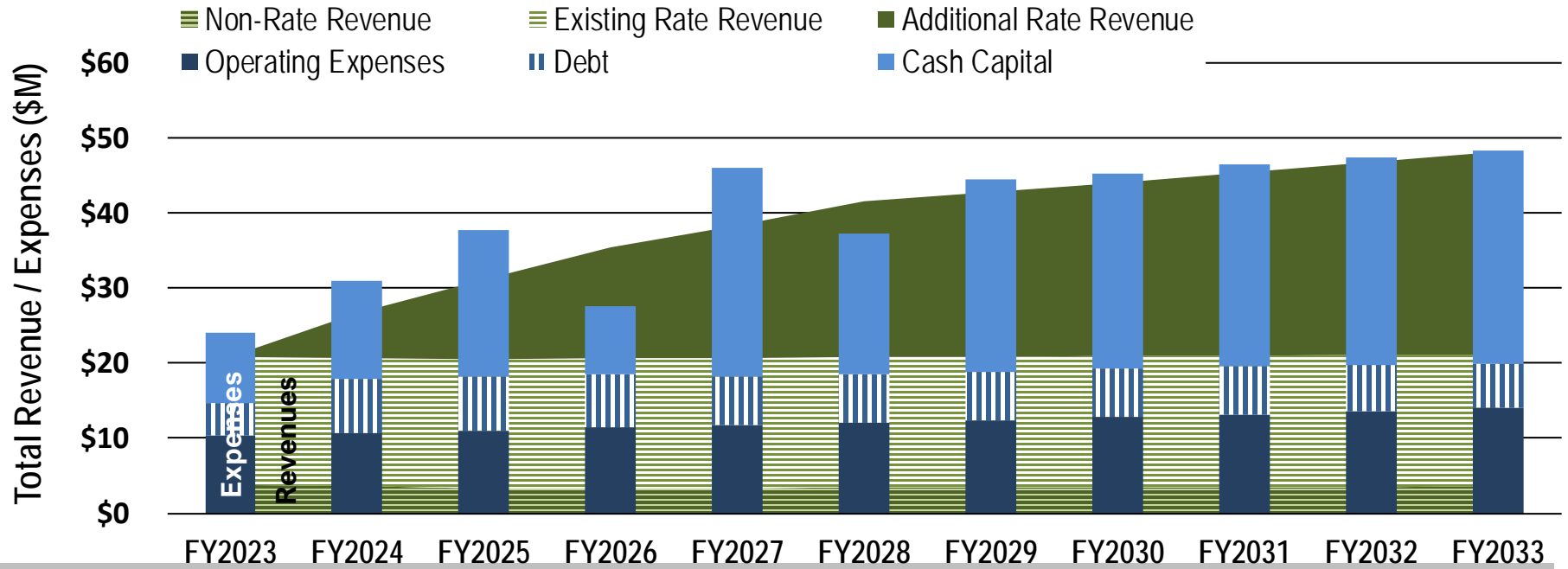


* Subject to adjustments

Rate Increase Drivers

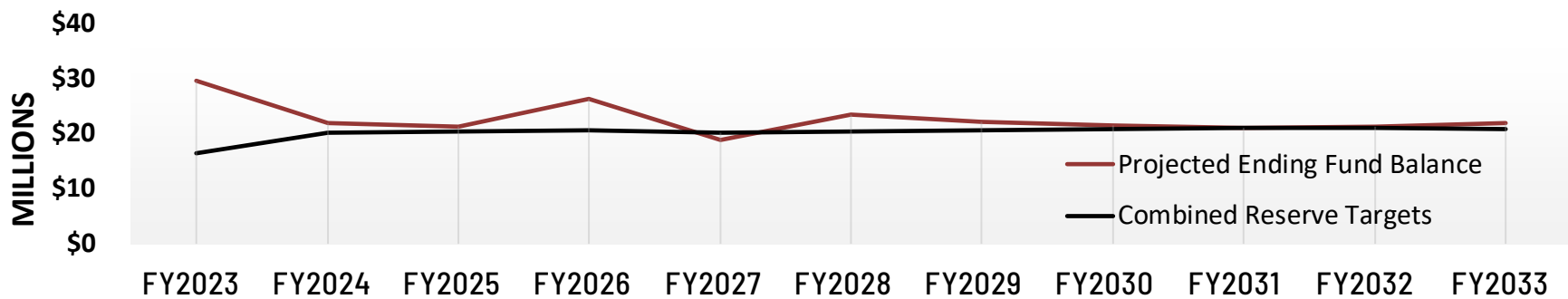
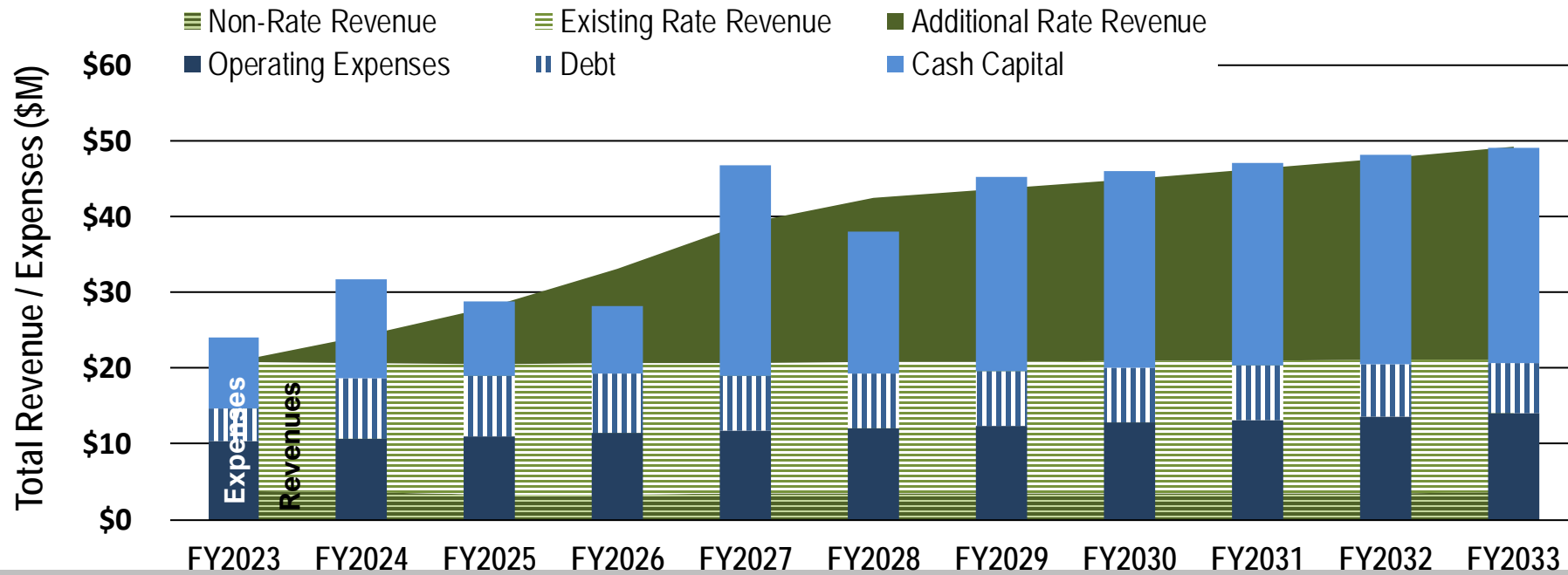
- ✓ NPDES Regulations
 - ✓ Permit requires improvements to reduce wet weather bypass (blending)
 - ✓ Collection system improvements to reduce inflow and infiltration.
 - ✓ Plant facilities for increased biological treatment capacity
 - ✓ IFAS/Activated Sludge Process
 - ✓ Primary Clarification & UV Disinfection
 - ✓ Headworks & Flow Equalization
- ✓ SB 1383 Regulations
 - ✓ Required to increase beneficial use of biosolids
 - ✓ Move from Class B to Class A biosolids (on-site composting)
 - ✓ Exploring options to expand to a regional operation that could support county-wide needs (efficiencies of scale)
- ✓ Integrated Wastewater Master Plan
- ✓ Collection System and Treatment Plant Asset Management

Financial Forecast Scenario 1 - CIP as presented to Board in FY 2023 Budget



	Proposed				Forecasted						
Rate Revenue Increase:	35.0%	20.0%	15.0%	9.0%	9.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Debt Coverage Ratio:	2.47	2.21	2.81	3.36	4.16	4.61	4.76	4.90	5.06	5.43	5.86
Net Debt Proceeds:		\$6.2M	\$22.3M	\$10.9M							

Financial Forecast Scenario 2 - Increase Debt Issue by \$9M



	Proposed				Forecasted						
Rate Revenue Increase:	20.0%	20.0%	20.0%	20.0%	9.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Debt Coverage Ratio:	2.47	1.68	2.17	2.76	3.84	4.26	4.40	4.53	4.68	5.00	5.37
Net Debt Proceeds:		\$6.2M	\$31.8M	\$10.9M							

Current Rates

Residential

Single Family	\$1,122 per account
Multi-Family	\$1,010 per unit
Mobile Home	\$1,122 per unit

Approximately 70% of rate revenue

Non-Residential

Rate per EDU (flow based*)

Domestic Strength	\$1,122
Dry Industry	\$1,122
Mortuaries	\$2,244
Mixed Use	\$2,244
Hotels w/ Food	\$2,244
Restaurants etc.	\$2,693
Markets w/ Disposal	\$2,917
Bakeries etc.	\$3,590

Approximately 30% of rate revenue

* Based on average water usage during summer and winter months

Cost Allocation

Usage Charge (based on estimated wastewater flows)

- For collection and treatment flow-related costs

Strength Charges (based on loadings)

- Allocated based on estimated BOD & TSS strength
(*examples: Bakeries, restaurants, markets, hotels*)

Current Sewer Rates

Residential (per dwelling unit per year)

Single Family	\$1,122
Multi-Family	\$1,010
Mobile Home	\$1,122

Non-Residential (per SSU per year)

Domestic Strength	\$1,122
Dry Industry	\$1,122
Schools	\$1,122
Mortuaries	\$2,244
Hotels w/ Restaurants	\$2,244
Mixed Uses	\$2,244
Restaurants/Café	\$2,693
Markets w/ Disposals	\$2,917
Bakeries	\$3,590

Proposed Sewer Rates (Year 1)

Residential (per dwelling unit per year)

Single Family	\$1,498
Multi-Family	\$1,349
Mobile Home	\$1,498

Non-Residential (per SSU per year)

Domestic Strength	\$1,498
Elevated Strength	\$2,727
High Strength	\$4,049

* One SSU (sewer service unit) is equal to eight (8) hundred cubic feet (HCF) per month, based on average water usage during summer and winter months

Customer Statistics

Customer Class	No. of Accounts	No. Units		Estimated	BOD	Annual BOD	TSS	Annual TSS
				Annual Sewer Flow	Strength	Loading	Strength	Loading
				MG	mg/l	lbs	mg/l	lbs
<i>Residential</i>								
Single Family	9,293	9,330	Accounts	667.3	175	973,941	175	973,941
Multi-Family	100	2,446	dwelling units	158.1	175	230,715	175	230,715
Mobile Home	2	715	dwelling units	51.3	175	74,935	175	74,935
<i>Non-Residential</i>								
Domestic Strength	354	2,261	SSUs ²	162.4	175	236,961	175	236,961
Elevated Strength	31	302	SSUs	21.7	500	90,431	500	90,431
High Strength	33	156	SSUs	11.2	900	84,083	800	74,740
Totals	9,813	15,210		1,072.0		1,691,066		1,681,723

Customer Strength Classifications

Domestic	Elevated	High
APPROXIMATE STRENGTH (mg/L)		
BOD – 175	BOD – 500	BOD – 900
TSS – 175	TSS – 500	TSS – 800
<ul style="list-style-type: none"> - Residential - Mobile home - Retail/office - Dry industrial - Schools/Institutions - Bar (no food) - Car wash - Hotel without food - Laundromat - Auto repair 	<ul style="list-style-type: none"> - Hotels w/ food - Commercial laundry 	<ul style="list-style-type: none"> - Markets with disposals - Restaurants / café - Bakeries
<p>BOD = biochemical oxygen demand TSS = Total suspended solids</p>		

Proposed 4-Year Rate Schedule (with Scenario 1)

	Effective Date			
	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Rate revenue increase:	35% ¹	20%	15%	9%
<i>Residential (per dwelling unit per year)</i>				
Single Family	\$1,498	\$1,798	\$2,068	\$2,254
Multi-Family	\$1,349	\$1,619	\$1,862	\$2,030
Mobile Home	\$1,498	\$1,798	\$2,068	\$2,254
<i>Non-Residential (per SSU per year)²</i>				
Domestic Strength	\$1,498	\$1,798	\$2,068	\$2,254
Elevated Strength	\$2,727	\$3,272	\$3,763	\$4,102
High Strength	\$4,049	\$4,859	\$5,588	\$6,091

Notes:

¹ Actual rate increases may vary by customer class during Year 1 due to updates to cost allocation

² Non-residential accounts are assigned one sewer service unit (SSU) for every 8 hcf of average water usage during the summer and winter, as reported by Marin Municipal Water District. Each account shall pay a minimum of one (1) SSU.

Rate Structure Evaluation

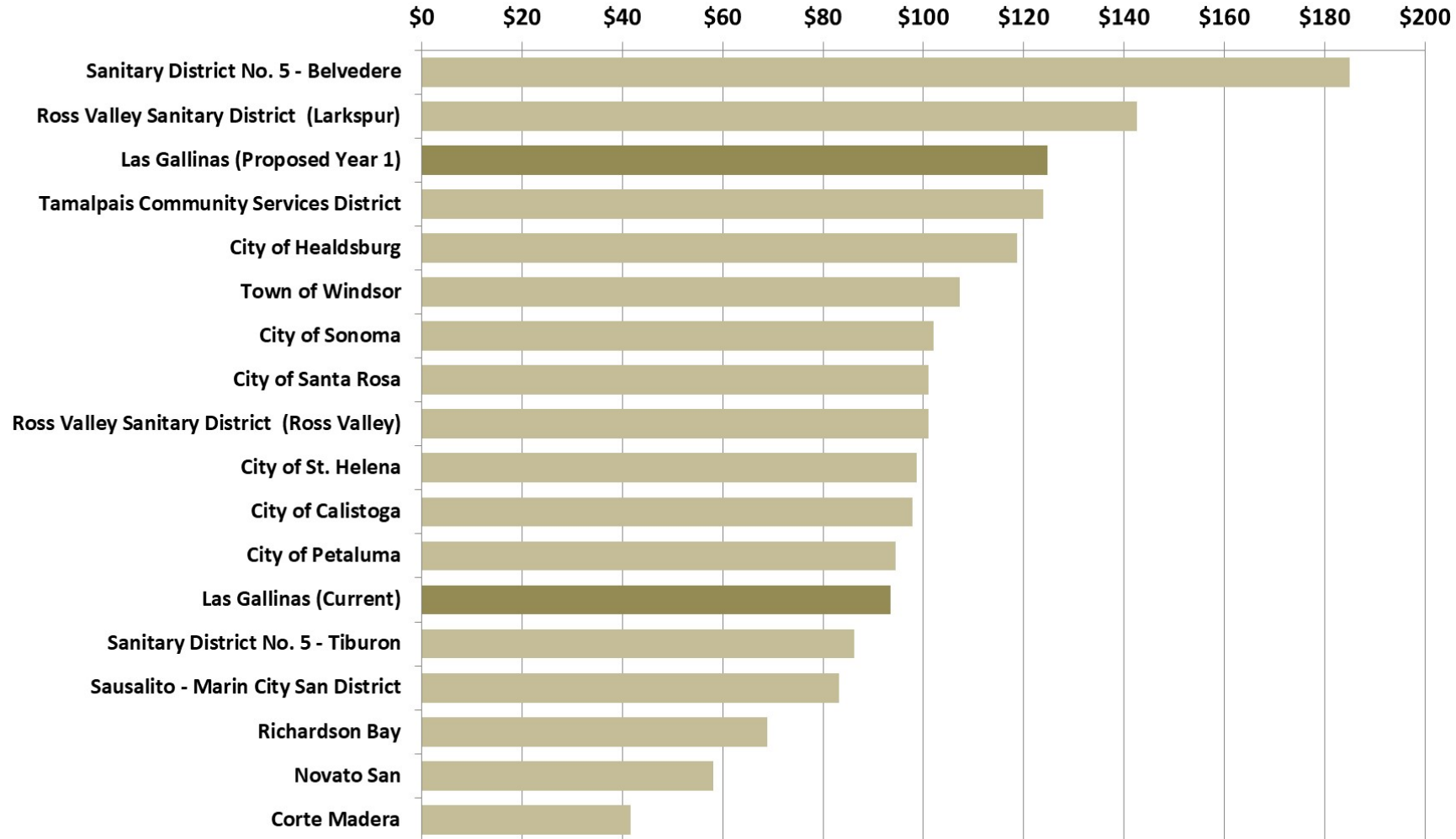
We reviewed the average monthly water usage for residential, both during the winter and during the summer. While there is some evidence that wastewater production may be a bit lower than 8 HCF per month, the difference is not significant.

Due to the disproportionate number of residential accounts relative to commercial accounts, lowering the 8 HCF to, say, 7 HCF would have a negligible benefit to residential customers and a relatively significant impact on commercial accounts.

Survey

Monthly Sewer Service Charges for Single Family Homes

(assumes 8 HCF of winter water usage)



Pumping Surcharge

Captains Cove and Marin Lagoon service areas have an agreement with the District to pay for the operation and maintenance costs (but not capital costs) for the extra pumps required to serve those areas. The last update was in 2009.

	Current Surcharge	Number of Units
Captains Cove	\$100 per unit	160
Marin Lagoon	\$110 per unit	225

Based on a review of Operating & Maintenance expenses in these two communities there is **no need to increase the surcharge at this time.**

Next Steps

1. Receive comments
2. Present final recommendations to Board – April 6
3. Approve Prop 218 Notice – April 6
4. Print and Mail Prop 218 Notices – in mid April
5. Hold Public Hearing – June 15
6. Implement Rates – July 1