



**NORTH MARIN WATER DISTRICT**  
**AGENDA - SPECIAL MEETING**  
 February 9, 2016 – 3:00 p.m.  
 District Headquarters  
 999 Rush Creek Place  
 Novato, California

Information about and copies of supporting materials on agenda items are available for public review at 999 Rush Creek Place, Novato, at the Reception Desk, or by calling the District Secretary at (415) 897-4133. A fee may be charged for copies. District facilities and meetings comply with the Americans with Disabilities Act. If special accommodations are needed, please contact the District Secretary as soon as possible, but at least two days prior to the meeting.

Est. Time	Item	Subject
3:00 p.m.	<b>CALL TO ORDER</b>	
	1.	<b><i>OPEN TIME: (Please observe a three-minute time limit)</i></b>
		This section of the agenda is provided so that the public may express comments on any issues not listed on the agenda that are of interest to the public and within the jurisdiction of the North Marin Water District. When comments are made about matters not on the agenda, Board members can ask questions for clarification, respond to statements or questions from members of the public, refer a matter to staff, or direct staff to place a matter of business on a future agenda. The public may also express comments on agenda items at the time of Board consideration.
	2.	<b><i>ETHICS TRAINING (Bold, Polisner, Maddow, Judson &amp; Nelson)</i></b>
5:00 p.m.	3.	<b>ADJOURNMENT</b>
Est. Time	Item	Subject
6:00 p.m.	<b>CALL TO ORDER</b>	
	1.	<b><i>OPEN TIME: (Please observe a three-minute time limit)</i></b>
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	2.	<b><i>BOARD PLANNING WORKSHOP</i></b>
8:00 p.m.	3.	<b>ADJOURNMENT</b>



**DISCUSSION TOPICS OUTLINE**  
**NORTH MARIN WATER DISTRICT**  
Board of Directors Planning Workshop  
February 9, 2016  
6 p.m. at NMWD Board Room  
999 Rush Creek Place, Novato, CA

1. General Manager Verbal Report on Previous Plan (1/14/14, Attachment 1)
2. Key Issues
  - a. Water Supply
    - i. Local Supply
      - a. STP Sanitary Discharge
      - b. Stafford Lake Water Quality
      - c. Novato Creek Water Rights/Fisheries
      - d. Gallagher Well #2
    - ii. Water Conservation
    - iii. Recycled Water
    - iv. Russian River
  - b. Cooperating Agencies (NO PAPER)
    - i. SCWA
    - ii. MMWD
    - iii. NSD- Treatment Expansion/Revised Interagency Agreement
    - iv. LGVSD- Treatment Expansion/Revised Interagency Agreement
    - v. City of Novato
    - vi. County of Marin
      - a. Novato Watershed Program
      - b. Stafford Lake Park Master Plan
  - c. Facilities & Financing
    - i. Financing Challenges and Rate Implications
      - 1) Novato Water
      - 2) Recycled Water
      - 3) WM Water
      - 4) Oceana Marin Sewer
    - ii. Admin HQ Relocation
  - d. Employees
    - i. Employee Succession Planning/Staffing Update
    - ii. Employer Assisted Housing Program
    - iii. 25 Giacomini Way Home/PRS USCG Housing Facility
3. Conclusion / Workshop Summary Development

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**NORTH MARIN WATER DISTRICT**  
Board of Directors Planning Workshop  
Summary  
January 14, 2014

**Key Issues**

**a. Water Supply**

- Reviewed water demand comparison chart showing total water demand has been reduced from the 2005 UWMP to the 2010 UWMP due to population/employment projections going down and conservation requirements of SBx7-7.
- 2013 actual water demands are 3327 AF below that projected in 2035 per the 2010 UWMP. Additional conservation (746 AF), recycled water (425 AF), and SCWA supply (3473 AF) will occur to meet future demand.
- SBx7-7 target for NMWD is 143 GPCD. 2013 actual is 141 GPCD.
- SCWA and all contractors are working to define the new Water Project(s). to SCWA has developed long-range financial planning for a worst-case scenario to prevent future “rate shock” (build up capital funds for a Dry Creek pipeline if necessary).

**ACTION:**

- **Continue to work with contractors and SCWA in developing new water project**
- **Update UWMP in 2015 (schedule likely to be extended to 6/30/2016) and review status at that time.**

**b. Cooperating Agencies**

i. SCWA

- Board has several opportunities to interface with SCWA Board members (TAC, WAC, NBWA, NBWRA, PPFC). Maintaining relationships is important. TAC and WAC leadership provides excellent opportunity to continue close working relationships. Support of Washington D.C. outreach should continue.
- Securing USACOE funding of B.O. obligations is a big deal.
- There is opportunity to develop an alternate to the STSP by working with Petaluma and MMWD.

ii. MMWD

- Interconnection Agreement concluded.
- MMWD paying to back feed Stafford Lake this spring.
- GM's have great relationship. Staff's have good working relationship.

iii. NSD

- Continue cooperation on recycled water, assisting with laboratory services.
- NSD BOD wants assurance NMWD will continue to support NBWRA.
- RW Subcommittee should continue to meet periodically.

iv. LGVSD

- Continue cooperation on RW and NBWRA.
- v. City of Novato
- DLB active in Chamber of Commerce Government Affairs Committee and City Measure F Oversight/Citizens Finance Committee.
  - NMWD has supported City ADU fee reduction request.
- vi. County of Marin
- Good working relationship with County Supervisors and staff.
  - Novato watershed program offers opportunity for continuing cooperation.

**ACTION:**

- **Continue to participate and be involved with SCWA. If another trip to DC occurs, it would be great for Board member to attend.**
- **Inform Marin LAFCO of joint meetings with NSD and with MMWD should they occur.**

**c. Facilities & Financing**

1) Novato Water

- Reviewed District financial plan dashboard.
- Assumptions modified to reflect flat water sales, \$2.5M/yr for CIP “Pay-Go” projects, reduce FRC revenue in future and reduce STP production this year and next year due to drought.
- Forecast shows good news! Rate increase and cost control resulted in Novato cash balance on solid footing.

2) Recycled water

- Reviewed recycled water system financial plan update.
- Many assumptions included.
- Plan looks promising at this time with a positive cash balance projected by FY 2013/14 consistent with prior plan.

3) West Marin Water

- Significant projects: Gallagher Pipeline to be Grant Funded and completed in FY15, Solids Handling Facility continues to be delayed due to Local Coastal Program requirements.
- Anticipate purchase of 250AF from MMWD in 2014 to address salinity intrusion due drought related low-flows in Lagunitas Creek.
- Debt to Novato repaid with use of the Bank of Marin loan.

4) Oceana Marin Sewer

- Revenue and expenses stable.
- Major projects added are parallel force main and pond lining.

**ACTION:**

- Earlier workshop is better to look at dashboard when rate adjustment needed.
- Eliminate prospective new development connection fee revenue from forecasted and look at it only when added to cash balance.
- Add line showing # of RW customer by owner, not meters.
- Contact Huffman's office re PRS USCG Housing closure and acquisition of additional property.

**c.ii. CalPERS Side Fund**

- Reviewed options presented by DLB

**ACTION:**

- Continue to monitor and bring back to the BOD should attractive financing or cash on hand be available to pay down the liability.

**c.iii. Admin HQ Relocation**

- Updated City of Novato interest on relocating NMWD and GGBHTD bus facility to accommodate N Redwood Blvd development, including Friedman Brothers.
- Staff desires that City make a decision re needed relocation within 2 years.

**d. Employees**

**i. Employee Succession Planning/Staffing Update**

- Reviewed charts of FTE history.
- GM believes we're too lean in field staff and should bolster that group.
- Engineering staff likely needs interim augmentation to preserve continuity.

**ii. Employee Assisted Housing Program**

- Success 53% of staff reside in service area.
- Invested, \$1.25M in loans, \$625K home in PRS and \$572K home in Novato (Gustafson Ct.).
- Employees renting Gustafson property interested in acquisition.

**ACTION:**

- Consider options for employee acquisition of Gustafson Ct. property.

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2.a.

## MEMORANDUM

To: Board of Directors

February 5, 2016

From: Chris DeGabriele, General Manager 

Subject: Board of Directors Planning Workshop – Key Issues – Water Supply

I:\bod\workshop\2016\workshop memo re water supply.doc

Attached is a chart showing District water demand for fiscal year 2015 actual, and 2015 Urban Water Management Plan year 2040 demand compared to 2010 and 2005 Urban Water Management Plan demand at Year 2035 and 2030 respectively. This chart shows that the overall projected demand is reduced by nearly 4,700 acre feet from the prior analyses. Additionally, our current water demand at 9,389 acre feet in FY 2015 is some 2,000 acre feet below the 2040 Year projection in the 2015 Urban Water Management Plan. Areas of focus and growth in the future will include water conservation (1,236 acre feet), recycled water (500 acre feet), and Russian River Supply (approximately 2,550 acre feet). District staff will continue to focus on development of recycled water, and water conservation and perfecting additional Russian River supply.

The 2015 GPCD (gallons per capita per day) value of 112 is well below the 2020 compliance target for North Marin pursuant to SBx7-7 requirements (the NMWD individual target is 143 GPCD). Note that the regional alliance 2,020 GPCD value is 129 GPCD.

### **i. Local Supply**

#### **a. STP Sanitary Discharge**

Discharge of sludge waste at STP has taken various forms over the years, on site land application, truck hauling and pumping into the Novato Sanitary District (NSD) sewer collection system. With the new plant construction in 2006, waste solids are now dewatered and hauled off site for use as a soil amendment. More dilute waste stream flows which cannot be returned for treatment (or discharged into Novato Creek) continue to be pumped to NSD's sewer system via an existing 3" PVC line. This line runs from the STP site to the end of Center Rd. and has been in place for over 40 years. The line has required several modifications to accommodate the new plant facilities, is nearing the end of its useful life and is budgeted for replacement in FY20

Recently, more stringent NSD waste discharge regulations have been implemented resulting in specific flow volume limits. As a result, STP waste stream discharge to NSD has become an operational constraint which does not allow for the

**ATTACHMENT 2.a.**

full use of STP's 6 MGD capacity. Listed below are areas Staff currently has under review to address these constraints:

- 1) Reduction of waste stream discharge
- 2) Reuse of waste stream discharge
- 3) NSD permit modification to allow for increased waste stream discharge capacity to NSD

b. Stafford Lake Water Quality

Staff recently received the final draft of the Stafford Lake Water Treatment Plant Taste & Odor Control Strategy. The consultants reviewed the water flow from the watershed to the treatment plant discharge. Staff will have a complete presentation for the Board at the February 16 meeting. In summary, the T&O issues are directly attributed to algae growth in the lake that is untreatable with the existing STP process. The report has several recommendations to reduce and/or eliminate T&O occurrences in the distribution system. Listed below are the top areas of focus Staff plans to work on.

- 1) Grossi Dairy Nutrient management
- 2) Sanitary Survey of Watershed
- 3) Watershed Master Plan
- 4) GAC specifications and replacement strategy
- 5) Coagulation and chemical mixing optimization
- 6) Pilot test alternative GAC / Anthracite filtration
- 7) Improved oxygenation within the lake

c. Novato Creek Water Rights/Fisheries

NMWD holds two water rights for storage and diversion from Novato Creek. Application 13499/License 9831 with a priority of 1950, has a maximum direct diversion rate of 2.9 cubic feet per second (CFS approximately 1.9MGD) and a maximum collection to storage of 4,000 AF during the September 1 through June 30<sup>th</sup> period. The total amount of water to be placed to beneficial use both direct diversion plus withdrawal from storage, not including evaporation is not to exceed 2,300 AF per calendar year pursuant to the license. NMWD also holds a permitted water right (Application 25927/Permit 18800) filed in 1983 which authorized an increase in storage and direct diversion and obligated instream fishery releases. The maximum amount to be collected to storage under the permit together with the license is not to exceed 4,400 AF per year. The Permit authorizes additional direct diversion of 9.75CFS (6.3MGD) from October 1 through April 30<sup>th</sup> and authorizes the total amount of water to be taken from Novato Creek up to 8,454 AF per year from

October 1 through the following September 30<sup>th</sup>. Historically, NMWD has met the 2,300 AF per year beneficial use limit but has never approached the 8,454 AF per year permitted authorization. A time extension is necessary to perfect the permit. In conversation with the State Board staff, a water availability analysis pursuant to the North Coast Instream Flow Policy would not be required since a water availability analysis should already been done at the time the permit was issued in 1983. Notwithstanding this fact, any petition for a time extension will certainly lead to fishery agencies advocating for alternative instream flow requirements and other provisions added to the permit terms.

There is limited biological information on fisheries in Novato Creek and the consultant assisting the District and responding to the NMFS Recovery Plan suggests three phases of work to address issues identified in the Recovery Plan. Phase 1 would be validating the population densities identified in the Recovery Plan along with a hydrologic analysis of stream flow and discussion with NMFS on findings. Consultant estimate for this phase is approximately \$42,000. I have enlisted other agencies in the Coastal San Francisco Bay Diversity Strata to determine if they are interested in participating with us in this effort. Phase 2 would be a habitat survey above Stafford Dam, with an estimated cost of \$24,000. Phase 3 would be study of passage above Stafford Dam with an estimate of \$31,000.

I have also enlisted Friends of Novato Creek to determine what scientific information they have available that may support the District's efforts working with NMFS on the Recovery Plan and/or our petition for time extension with the State Board.

d. Gallagher Well #2

District has met with the Gallagher Family and MALT, completed test borings and identified the area of a prospective additional well on the Gallagher Ranch for West Marin water supply. We have also had an opportunity to provide comments on language to be included in the easement between MALT and Gallagher to enable a new District well to be constructed. That easement between MALT and Gallagher has not yet been perfected. The District will not likely be able to secure additional property in fee, but could secure an easement or license agreement to use property on the Gallagher Ranch for such purpose. We have received an estimate from our consultant on construction of a test well, performance testing and additional monitoring that could ultimately lead to conversion of the test well into a future

production well on a site on the Gallagher Ranch. The cost of that well and testing would be approximately \$136,000 but does not include any planning, permitting, interconnecting pipeline or site improvements that may be necessary. There remains much to be done on this effort. However, we believe it's moving in the right direction and are hopeful that it will ultimately result in continued reliable water supply for West Marin.

**ii. Water Conservation**

The District will continue with its current Water Conservation Program moving forward. It's evident that the water use restrictions as mandated by the State Water Resources Control Board will continue into the spring at a minimum. We can only hope that there may be some relief subsequent to May, yet I don't believe that we can count on that. It will be a difficult message for customers to understand that even with full reservoirs we will be mandated to reduce water use.

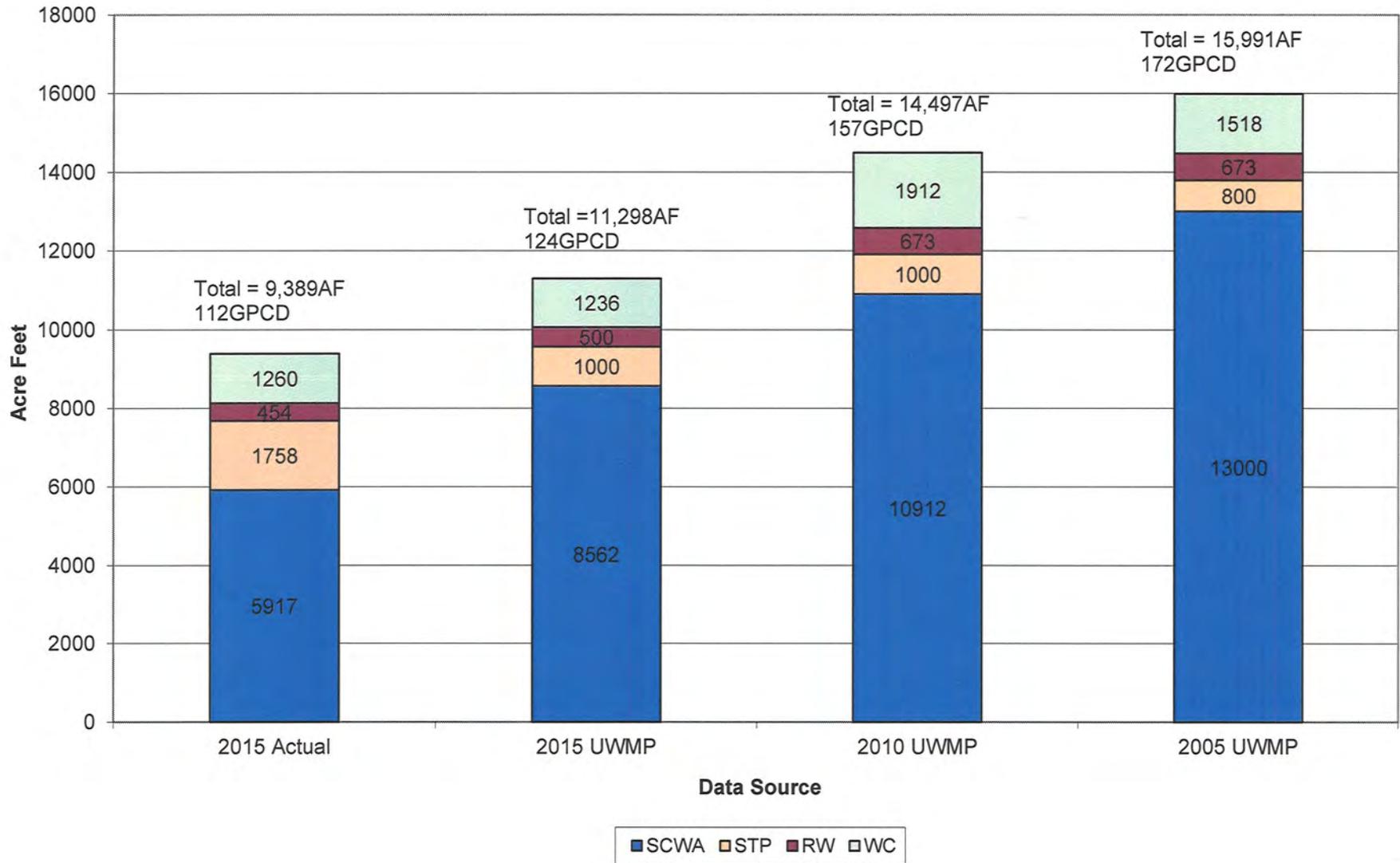
**iii. Recycled Water**

Work on the Central Service Area Expansion Project will continue and ramp up with construction late summer and fall. The Board will have decisions to make regarding continued participation in the North Bay Water Reuse Authority. Novato Sanitary District continues to request our participation with them in this group and District staff believes we should maintain some limited level of participation in the future provided the focus remains on recycled water development.

**iv. Russian River**

The big issues that will face Sonoma County Water Agency in the future will be Biological Opinion compliance and the Potter Valley Project relicensing. North Marin has interjected ourselves into the discussions to provide support wherever we can to Sonoma County Water Agency in this effort. A near term meeting with District and Agency staff and attorneys is scheduled for February 18<sup>th</sup>. There will be more to report subsequent to that meeting.

## Water Demand Comparison



2.b.

**2.c.**

**2.c.i.1**

**MEMORANDUM**

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: Novato Potable Water System Financial Plan Update  
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February 5, 2016

**RECOMMENDED ACTION: Information**

**FINANCIAL IMPACT: None at this time**

Attached is the "dashboard" which summarizes the District's financial plan for the next five years, through fiscal year 2021. Given the assumptions incorporated, the rate increase plan herein recommended will provide a cash reserve balance of 89%<sup>1</sup> of annual operating expense at the close of fiscal year 2021. This is consistent with the District's goal of building a Cash Reserve Balance equal to 90% of Annual Operating Expense.

A review and discussion of the District's financial plan assumptions for fiscal years 2017 through 2021 follows:

**1. Water Rate Increase**

Assumption: A 5% water revenue increase, structured as a 6.8% commodity rate increase and no increase in the bimonthly service charge, is proposed effective June 1, 2016, followed by annual 5% water rate increases each year thereafter through fiscal year 2021.

Sensitivity: A 1% change in the rate increase assumption results in a \$160,000 change in the FY17 ending cash reserve balance.

Comment: Consistent with last year's forecast, a rate increase assumption of 5% annually is required to maintain the reserve balance goal. The Governor's mandatory water use restriction has decreased this fiscal year's consumption to 2.3 billion gallons, compared to 2.7 BG budgeted. With the recently announced extension of statewide water use restrictions through October 31, 2016, we anticipate FY17 consumption to remain at 2.3 BG. To recover the income lost due to the lower consumption, staff recommends a 5% increase effective June 1, 2016, along with implementation of a drought surcharge.

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<sup>1</sup> The 89% cash reserve factor includes \$2.1 million paid to CalPERS in June 2014 to pay-off the Side-Fund liability.

## 2. Drought Surcharge

Assumption: The District will amend the Novato Water Shortage Contingency Plan (WSCP)<sup>2</sup> to trigger implementation of the Regulation 54 Drought Surcharge<sup>3</sup> provision effective June 1, 2016.

Sensitivity: Amendment of the WSCP will generate \$725,000 in additional revenue on water consumed from June through October 2016.

Comment: When the WSCP was adopted the District did not foresee mandatory water use restrictions mandated by the State of California. Thus, enactment of the drought surcharge to mitigate revenue loss is triggered solely by action of the Sonoma County Water Agency. Amendment of the WSCP to include a mandate from the State of California as a trigger will allow enactment of the drought surcharge.

## 3. Water Sales Volume

Assumption: FY17 sales volume is projected to remain at 2.3 billion gallons, unchanged from FY16, and increase to 2.5 BG annually thereafter.

Sensitivity: A 100 MG (0.1 BG) change in the FY17 projected sales volume assumption results in a \$280,000 change in the fiscal year-end cash reserve balance.

Comment: The FY17 2.3 BG sales volume assumption is down significantly from the 2.7 BG projection used historically, but is consistent with the sales volume projected for the current fiscal year. Once the drought is declared over, staff believes that sales volume will remain below historical levels, as customer installation of water efficient technology, combined with higher water prices, will keep consumption down. For perspective, note that average sales volume for the first 10 years of this century averaged 3.5 BG.

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<sup>2</sup> The Novato WSCP amended language will include enactment of mandatory water use restrictions arising from the State of California, proposed as follows:

**Stage 2 Trigger:** When the Sonoma County Water Agency enacts its' water shortage allocation methodology provided that storage is not projected to fall below 100,000-acre feet in Lake Sonoma, or the State of California adopts regulations to restrict water use.

**Stage 3 Trigger:** When the Sonoma County Water Agency advises that storage in Lake Sonoma falls below 100,000 acre feet, or the State of California adopts regulations to restrict water use.

<sup>3</sup> The Regulation 54 drought surcharge provision reads:  
In the event a mandatory reduction in water use is triggered under the District's Water Shortage Contingency Plan for the Greater Novato Area, a Drought Surcharge will be implemented simultaneous with enactment of the mandatory stage. The Drought Surcharge will serve to mitigate the revenue loss resulting from a reduction in water use, as well as the liquidated damages assessed by the Sonoma County Water Agency pursuant to the water shortage and apportionment provisions of the Restructured Agreement for Water Supply. The Drought Surcharge shall be a quantity charge for each 1,000 gallons of potable water use as follows:

Residential Accounts: Use in excess of 300 gallons per day.....	\$1.00
Commercial, Institutional and Irrigation Accounts: All Use.....	\$1.00

#### 4. **Russian River Water Cost**

Assumption: Cost is projected to increase 6.6% in FY17, and 6% annually thereafter.

Sensitivity: A 1% change in the FY17 projected cost increase assumption results in a \$38,000 change in the fiscal year-end cash reserve balance.

Comment: Sonoma County Water Agency officials have advised that they will propose a 6.6% rate increase to the Sonoma County Board of Supervisors for FY17, which is factored into the financial plan. Going forward, a projected increase of 6% annually is forecast. The purchased water cost increase has averaged 3.6% over the past 5 years. The 6% projection going forward is an increase from the 5% forecast last year, as the Agency struggles financially in the face of dramatically declining water sales volume.

#### 5. **Labor Cost**

Assumption: Labor cost is projected to increase 3% annually.

Sensitivity: A 1% change in the FY17 projected cost increase assumption results in a \$55,000 change in the fiscal year-end cash reserve balance.

Comment: The 3% forecast is consistent with prior projections. The MOU with employees links an annual cost-of-living adjustment to the change in the consumer price index. The overheaded cost of labor charged to Novato operations has increased by 1.8% annually on average over the past 5 years. A 3% increase is staff's best projection at this time.

#### 6. **Capital Improvement Projects**

Assumption: CIP to average \$2.5 million per year funded on a "pay-go" basis, i.e., expenditures excluding grant and debt funded projects.

Sensitivity: A dollar for dollar change in the year-end cash reserve.

Comment: The Capital Improvement Project Plan prepared in conjunction with this financial plan stays within the \$2.5 million average approved by the Board even with several major pay-go projects, including the \$1 million San Mateo Tank 2,200' 24" pipeline to be completed in FY17 and FY18, the \$1.1 million Lynwood Tank Recoat and Seismic upgrade in FY20 and FY21, and the \$770,000 Crest Pump Station Design and Construction (to replace the School Road Pump Station). In addition, \$5 million is budgeted for meter upgrades with the AMI (Advanced Metering Infrastructure) Project, and \$3 million for Renovation of the Administration Building, both to be debt financed.

## 7. **Equivalent Dwelling Units (FRC)**

Assumption: Connection fee revenue is projected at zero going forward.

Sensitivity: The Connection Fee for each equivalent dwelling unit is \$28,600, which goes straight to the year-end cash reserve balance.

Comment: We project 30 EDUs this fiscal year, which includes 24 EDU's anticipated to be received in April for the Novato Village 48-unit senior apartment project. Over the past 5 years the annual average has been 22 EDUs.

As directed by the Board in 2014, connection fee revenue is not considered in the financial plan projection. Development fees are challenging to forecast and have a significant impact on the District's reserve balance. Accordingly, the forecast for New Equivalent Dwelling Units is set at zero each year going forward. The District considers connection fee revenue retrospectively, and adjusts prospective rate increases based upon actual connection fee revenue received. During calendar year 2015 the District collected \$171,600 in connection fee revenue (6 equivalent dwelling units). The proposed 5% water rate increase effective June 1, 2016 would add \$782,000 to the District's June 30, 2017 reserve balance. The \$171,600 connection fee revenue collected offsets 20% of the revenue derived from a 5% rate increase. However, the Governor's mandatory water use restriction has decreased this fiscal year's consumption to 2.3 billion gallons, compared to 2.7 BG budgeted, and eliminates the opportunity to offset the proposed rate increase with the connection fee revenue collected.

Staff agrees that, given the erratic nature of connection fee revenue, projecting zero EDU's going forward and then revising future water rate increases based on connection fee revenue received eliminates the risk of faulty forecasts in setting water rates.

## 8. **Stafford Water Treatment Plant Production**

Assumption: Production is projected at 750 MG (2,300 AF) this fiscal year and each year in the forecast.

Sensitivity: A 100 MG change in FY17 production results in a \$240,000 change in the fiscal year-end cash reserve balance.

Comment: Average annual production over the past 5 years was 655 MG.

**9. Debt Service**

Assumption: The District will finance the \$5 million AMI Project with a 1.5% 20-year SRF Loan, and the \$3 million Administration Building Renovation Project with a 3.5% 20-year bank loan, both with payments commencing in FY18.

Sensitivity: The AMI project debt will add \$291,000 to the District's annual debt service obligation, and the Admin Building Renovation Project will add another \$211,000, totaling \$502,000.

Comment: In addition to the debt service on the Stafford Treatment Plant Rehabilitation and the Aqueduct Energy Efficiency Projects, the Novato Potable Water System also pays the Recycled Water System debt service from its Facilities Reserve Charge (Connection Fee) Reserve. The Recycled Water debt service (net of the StoneTree contribution) is \$637,000 annually, and will increase to \$934,000 annually (net of the Marin Country Club contribution) in FY18 when the Central Expansion Project is complete. Payment of the Recycled Water debt service will require 33 EDU<sup>4</sup> of new development annually commencing in FY18.

	<u>Annual Payment (in \$1,000)</u>	FY17	FY18	FY19	FY20	FY21
a.	EDA Loan	\$18	\$0	\$0	\$0	\$0
b.	STP SRF Loan	\$1,044	\$1,044	\$1,044	\$1,044	\$1,044
c.	AEEP Bank Loan	\$482	\$482	\$482	\$482	\$482
d.	MMWD AEEP Contribution	(\$245)	(\$245)	(\$245)	(\$245)	(\$245)
e.	Admin Building Renovation Loan	\$0	\$211	\$211	\$211	\$211
f.	AMI SRF Loan	\$0	\$291	\$291	\$291	\$291
g.	RW TP SRF Loan	\$273	\$273	\$273	\$273	\$273
h.	StoneTree RW TP Contribution	(\$251)	(\$251)	(\$251)	(\$251)	(\$251)
i.	RW North Expansion SRF Loan	\$282	\$282	\$282	\$282	\$282
j.	RW South Expansion SRF Loan	\$332	\$332	\$332	\$332	\$332
k.	RW Central Expansion SRF Loan	\$0	\$372	\$372	\$372	\$372
l.	Marin Country Club Contribution	\$0	(\$75)	(\$75)	(\$75)	(\$75)
		\$1,935	\$2,716	\$2,716	\$2,716	\$2,716

Staff will present the dashboard model at the meeting for further discussion and analysis.

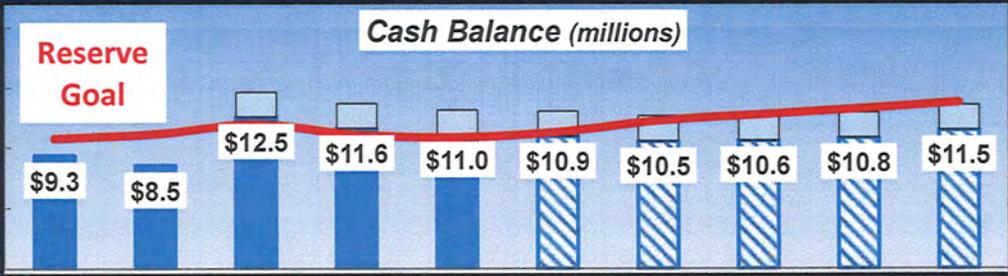
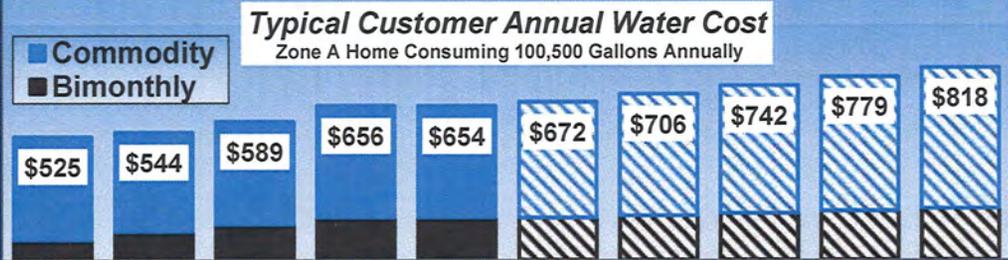
<sup>4</sup> (\$934,000 annual debt service (net of annual \$251K StoneTree & \$75K Marin Country Club contributions) divided by the FRC charge of \$28,600 per EDU = 33 EDUs



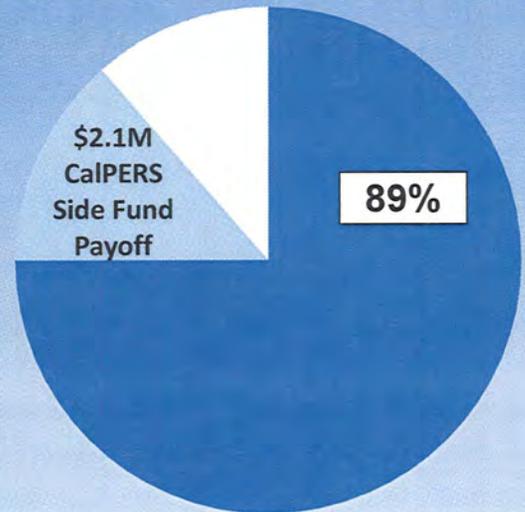
# Financial Plan Summary - Novato Potable Water System

## Inputs - Major Assumptions

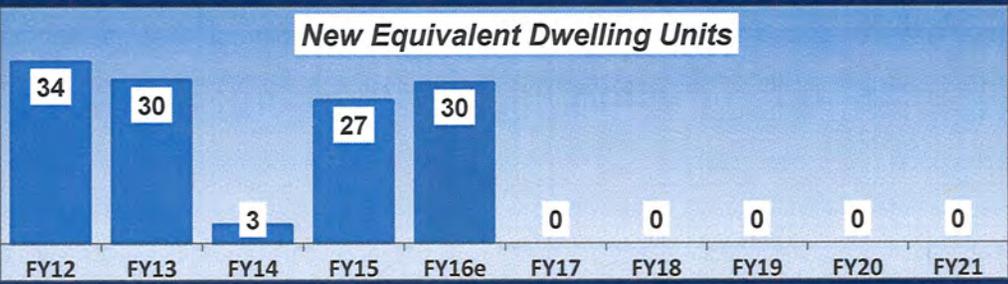
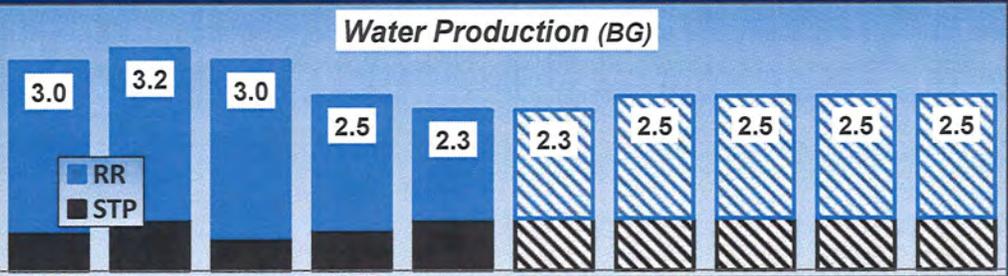
	FY17	FY18-21
Water Rate Increase	5.0%	5.0%
Water Sales (BG)	2.3	2.5
RR Water Cost Increase	6.6%	6.0%
Labor Cost Increase	3.0%	3.0%
CIP (M)	\$2.5	\$2.5
Equiv Dwelling Units (FRC)	0	0
STP Production (BG)	750	750



## FY21 Cash as a % of Operating Expense



Reserve Balance Goal = 90% of Operating Expense



**2.c.i.2**

## MEMORANDUM

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: Novato Recycled Water System Financial Plan Update  
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February 5, 2016

### **RECOMMENDED ACTION: Information**

### **FINANCIAL IMPACT: None at this time**

Attached is an update of the District's Recycled Water System financial plan for the next five years. Expansion to the North and South Service Area is complete. Forty-four meters will provide 150 MG of recycled water this fiscal year and next. The financial plan includes the \$11.9 million Central Service Area expansion for which design work is now underway, and which will add 40 new services and offset an additional 60 MG of potable water demand.

Significant assumptions include:

- 1) A 6.8% commodity rate increase in FY17 consistent with the potable water increase. No increase in the bimonthly service charge. Annual increases thereafter are projected at 5%, again consistent with projected Novato potable water rate increases;
- 2) Recycled water purchased from Novato and Las Gallinas Valley Sanitary Districts is forecast at \$1.50 per 1,000 gallons, increasing 3% annually. The agreements with NSD and LGVSD obligate NMWD to pay the actual O&M cost for providing recycled water. NSD's average charge over the past two fiscal years was \$0.95/1,000 gallons, while LGVSD's was \$1.80;
- 3) With the addition of the Ignacio expansion to Marin Country Club, the cost of the Central Area Expansion is now projected at \$11.9 million, to be funded with \$1.5M in grants, \$9.6M in 1% SRF loan funds, and an \$800,000 local contribution. Marin Country Club will make an annual contribution of approximately \$75,000<sup>1</sup> to offset its proportional share of the SRF loan debt service;
- 4) Once the Central expansion is complete, total debt service on the North, South and Central expansion loans, plus the Deer Island Treatment Plant, will be \$1.26 million annually. StoneTree and Marin Country Club will contribute \$326,000 annually, with the balance of the debt service funded from FRC charges collected for connection to the potable water system, requiring 33 new potable connections annually to fund the recycled water system expansion;
- 5) Given these assumptions, the financial plan projects that, once the Central expansion is complete, the operation will generate about \$700,000 in cash annually, covering the \$700,000 annual depreciation expense and operate on a break-even basis, while setting-aside significant funds to replace the infrastructure as it ages. The reserve accumulated will be shared between NSD, LGVSD and NMWD.

<sup>1</sup> MCC will be responsible for 60% of the \$3.75M Ignacio extension, less its share of the \$1.5M grant funding, which is projected at \$75,000 annually for 30 years.

**NOVATO RECYCLED WATER SYSTEM****5-Year Financial Forecast**

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	Actual 2012/13	Actual 2013/14	Actual 2014/15	Projected 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21
1 Active Services	17	44	44	44	44	55	84	84	84
2 Commodity Rate/1,000 Gal	\$4.11	\$4.49	\$4.73	\$4.92	\$5.25	\$5.52	\$5.79	\$6.08	\$6.39
3 Consumption (MG)	82	159	150	150	150	168	210	210	210
<b>OPERATING INCOME</b>									
4 Recycled Water Sales	\$334,435	\$715,711	\$715,468	\$738,000	\$788,000	\$927,000	\$1,217,000	\$1,277,000	\$1,341,000
5 Bimonthly Service Charge	\$8,011	\$27,713	\$28,626	\$29,000	\$29,000	\$34,000	\$46,000	\$48,000	\$50,000
6 <b>Total Operating Income</b>	<b>\$342,446</b>	<b>\$743,424</b>	<b>\$744,094</b>	<b>\$767,000</b>	<b>\$817,000</b>	<b>\$961,000</b>	<b>\$1,263,000</b>	<b>\$1,325,000</b>	<b>\$1,391,000</b>
<b>OPERATING EXPENDITURES</b>									
7 Overheaded Operating Labor	\$57,112	\$45,581	\$51,473	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000	\$67,000
8 Electric Power	\$8,160	\$3,827	\$3,717	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
9 Other Operating Expenses	\$98,745	\$43,657	\$96,811	\$69,000	\$70,000	\$71,000	\$72,000	\$73,000	\$74,000
10 Potable Water Consumed		\$48,916	\$35,023	\$37,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
11 Purchased Water - NSD	\$43,942	\$90,082	\$92,208	\$150,000	\$155,000	\$188,000	\$262,000	\$270,000	\$278,000
12 Purchased Water - LGVSD	\$36,676	\$81,203	\$120,037	\$62,000	\$77,000	\$80,000	\$82,000	\$84,000	\$87,000
13 <b>Total Operating Expenditures</b>	<b>\$244,635</b>	<b>\$313,266</b>	<b>\$399,269</b>	<b>\$379,000</b>	<b>\$380,000</b>	<b>\$419,000</b>	<b>\$498,000</b>	<b>\$511,000</b>	<b>\$525,000</b>
14 <b>NET OPERATING INCOME (LOSS)</b>	<b>\$97,811</b>	<b>\$430,158</b>	<b>\$344,825</b>	<b>\$388,000</b>	<b>\$437,000</b>	<b>\$542,000</b>	<b>\$765,000</b>	<b>\$814,000</b>	<b>\$866,000</b>
<b>OTHER SOURCES OF FUNDS</b>									
15 IRWMP Prop 84 Grant - North & South	\$528,750	\$15,000							
16 IRWMP Prop 50 Grant - NFPD #2		\$1,971							
17 Water Smart Grant - South	\$1,206,682	\$138,073							
18 ARRA Grant - North	\$127,341								
19 ARRA Grant - South	\$118,720								
20 Grant Central (\$1.5M)				\$88,000	\$945,000	\$441,000			
21 Loan Central (\$9.9M)				\$565,000	\$6,050,000	\$3,024,000			
22 SRF Loan - North	\$2,259,294								
23 SRF Loan - South	\$2,005,890	\$3,351,997							
24 Interest Revenue	\$0	\$1,149	\$5,841	\$6,000	\$7,000	\$9,000	\$12,000	\$15,000	\$19,000
25 Other Non-Operating Revenue			\$5,143	\$16,000					
26 StoneTree Golf Debt Service	\$250,572	\$250,572	\$250,572	\$251,000	\$251,000	\$251,000	\$251,000	\$251,000	\$251,000
27 Marin Country Club Debt Service						\$75,000	\$75,000	\$75,000	\$75,000
28 FRC Trsf for Expansion Local Share		\$963,840	\$13,539	\$47,000	\$504,000	\$235,000			
29 FRC Trsf RW TP SRF Loan	\$22,795	\$22,795	\$22,795	\$23,000	\$23,000	\$23,000	\$23,000	\$23,000	\$23,000
30 FRC Trsf for NBWRA	\$315,023	\$63,035	\$38,283	\$75,000	\$80,000	\$80,000	\$10,000	\$10,000	\$10,000
31 FRC Trsf for SRF Expansion Loans	\$464,572	\$500,529	\$614,299	\$614,000	\$614,000	\$911,000	\$911,000	\$911,000	\$911,000
32 Loan from/(repaid to) Novato	\$1,468,352	(\$4,755,421)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
33 <b>Total Other Sources of Funds</b>	<b>\$8,767,991</b>	<b>\$553,540</b>	<b>\$950,472</b>	<b>\$1,685,000</b>	<b>\$8,474,000</b>	<b>\$5,049,000</b>	<b>\$1,282,000</b>	<b>\$1,285,000</b>	<b>\$1,289,000</b>
<b>OTHER USES OF FUNDS</b>									
34 RW Expansion North	\$1,172,700	\$15,633							
35 RW Expansion Central		\$4,024	\$208,582	\$700,000	\$7,500,000	\$3,500,000	\$0	\$0	\$0
36 RW Expansion South	\$5,371,199	\$399,156	\$17,563						
37 NBWRA	\$313,422	\$63,035	\$38,283	\$75,000	\$80,000	\$80,000	\$10,000	\$10,000	\$10,000
38 Other Capital Improvement Projects			\$329	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
39 Interest on Interfund Loan	\$176,340	\$24,963	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40 Other Non-Operating Expense	\$38,047	\$2,111	\$17,168	\$50,000	\$0	\$0	\$0	\$0	\$0
41 RWF SRF Loan Debt Service	\$273,367	\$273,367	\$273,367	\$273,000	\$273,000	\$273,000	\$273,000	\$273,000	\$273,000
42 RW Exp SRF Loan Debt Service	\$189,883	\$569,208	\$612,349	\$614,000	\$614,000	\$986,000	\$986,000	\$986,000	\$986,000
43 Net Working Capital (Incr) Decr	\$708,109	(\$797,415)	\$57,822						
44 <b>Total Other Uses of Funds</b>	<b>\$8,243,067</b>	<b>\$554,082</b>	<b>\$1,225,463</b>	<b>\$1,812,000</b>	<b>\$8,567,000</b>	<b>\$4,939,000</b>	<b>\$1,369,000</b>	<b>\$1,369,000</b>	<b>\$1,369,000</b>
45 <b>Total Cash Generated</b>	<b>\$622,735</b>	<b>\$429,616</b>	<b>\$69,834</b>	<b>\$261,000</b>	<b>\$344,000</b>	<b>\$652,000</b>	<b>\$678,000</b>	<b>\$730,000</b>	<b>\$786,000</b>
46 <b>Cash Balance/(Amount Due Novato)</b>	<b>(\$4,132,687)</b>	<b>\$1,052,350</b>	<b>\$1,122,184</b>	<b>\$1,383,184</b>	<b>\$1,727,184</b>	<b>\$2,379,184</b>	<b>\$3,057,184</b>	<b>\$3,787,184</b>	<b>\$4,573,184</b>
47 Annual Depreciation Expense	\$174,242	\$470,894	\$471,674	\$472,000	\$486,000	\$636,000	\$706,000	\$706,000	\$706,000

**NOVATO RECYCLED WATER SYSTEM NOTES**

## # KEY

- 1 Assumes 40 new services coming online with the Central Service Area Expansion.
- 2 Commodity rate is tied to the Novato potable water off-season rate.
- 3 FY17 consumption projected to be consistent with FY16. Central Service Area Expansion projected to add 60MG of consumption annually.
- 4 Recycled Water Sales based on projected consumption multiplied by the commodity rate.
- 5 Bimonthly Service Charge revenue to increase with the 40 new services coming online with the Central Service Area Expansion.
- 7 Overheaded Operating Labor projected to increase 3% annually after FY16.
- 8 Electric Power cost for annual startup and testing of the Deer Island plant plus two booster pumps in Hamilton.
- 9 Other Operating Expenses includes materials, services and supplies and distributed Consumer Accounting and General Administration. Projected to increase 2% annually.
- 10 Purchased Water - NSD - projected at \$1500/AF. NSD provides water to the North and Central Areas. Rate escalated at 3% annually after FY16.
- 11 Purchased Water - LGVSD - projected at \$1,500/AF. LGVSD provides water to the South Service Area. Rate escalated at 3% annually after FY16.
- 12 Total Operating Expenditures excludes depreciation expense.
- 15 Integrated Regional Water Management Plan Prop 84 Grant Funding for the North and South Expansion totaled \$532,000.
- 16 Integrated Regional Water Management Plan Prop 50 Grant Funding for the NFPD Station 2 Expansion totaled \$244,000.
- 17 Water Smart Grant for the South Service Area Expansion totaled \$1,345,000.
- 18 American Recovery and Reinvestment Act Grant for the North Service Area totaled \$1,253,000.
- 19 American Recovery and Reinvestment Act Grant for the South Service Area totaled \$541,000.
- 20 Grant Funding for the Central Service Area is projected at \$1.5M of the \$11.4 million project cost.
- 21 A State Revolving Fund Loan with a 1% interest rate is projected to pay for \$9.9M of the \$11.4M Central Service Area Expansion cost.
- 22 A \$4.4 million State Revolving Fund Loan at 2.6% helped to finance the North Service Area Expansion.
- 23 A \$5.4 million State Revolving Fund Loan at 2.2% helped to finance for the North Service Area Expansion. expansion projects.
- 24 Interest Revenue based on projected available funds invested at 0.5%.
- 26 StoneTree Golf pays \$251,000 annually as its share of the debt service for the \$4.3M SRF Loan used to help finance the Deer Island Recycled Water Facility.
- 27 Marin Country Club is projected to pay \$75,000 annually as its share of the debt service on the \$3.75M SRF loan to help finance the Ignacio area expansion.
- 28 \$977,000 in water system Facility Reserve Charge (connection fee) revenue was used to fund the local share of the North & South expansion. \$800,000 is projected as the local share of the Central expansion.
- 29 Water System Facilities Reserve Charge transfer to fund part of the debt service of the Deer Island Recycled Water Treatment Plant.
- 30 Water System Facilities Reserve Charge transfer to fund the cost of the North Bay Water Reuse Authority charges incurred to secure grant funding.
- 31 Water system Facilities Reserve Charge transfer to fund the debt service of the North & South Service Area expansion.
- 32 Loan from/(repayment to) the Novato potable system for funds borrowed pending grant and SRF loan funding. The Novato potable system was fully repaid with interest.
- 34 Total cost of the Recycled Water Expansion to the North Service Area came in at \$6.5 million.
- 35 Total cost of the Recycled Water Expansion to the Central Service Area is projected at \$11.9 million.
- 36 Total cost of the Recycled Water Expansion to the South Service Area came in at \$8.5 million.
- 37 North Bay Water Reuse Authority is a consortium of local agencies organized to solicit grant funding for North Bay recycled water projects.
- 38 Capital Improvements to the existing system unrelated to the expansion.
- 39 Interest on Interfund Loan is the interest paid by the Recycled Water fund to the Novato potable water system for funds advanced during the course of construction.
- 40 Other Non-Operating Expense - Miscellaneous expenses and studies incurred.
- 41 Annual State Revolving Fund Loan debt service obligation on the Deer Island Recycled Water Facility.
- 42 Annual State Revolving Fund Loan debt service obligation on the North, South and Central distribution system expansion.
- 43 Working Capital is comprised of payables and receivables.

**2.c.i.3**

## MEMORANDUM

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: West Marin Water System Financial Plan Update  
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February 5, 2016

### **RECOMMENDED ACTION: Information**

### **FINANCIAL IMPACT: None at this time**

Attached is an update of the West Marin Water System financial plan for the next five years. With the grant-funded Gallagher Pipeline complete, the next major project is the Point Reyes Treatment Plant Solids Handling Facility, estimated at \$1,245,000. Acquisition of expanded easements from the federal government in conjunction with the closure of the Point Reyes Coast Guard housing facility station could reduce the project cost by up to 20%. The District will need to borrow approximately \$600,000 in FY19 to fund completion of the Solids Handling Facility.

Significant assumptions include:

- 1) Rate Increase: Consistent with prior forecasts, water rate increases of 5% annually are projected through fiscal year 2021. For next fiscal year the increase is structured identical to the Novato increase, i.e., as a 6.8% commodity rate increase and no increase in the bimonthly service charge, proposed effective July 1, 2016;
- 2) Drought Surcharge: The District will amend the Water Shortage Contingency Plan for the West Marin Service Area to trigger implementation of the Regulation 54 Drought Surcharge provision effective July 1, 2016. The drought surcharge was last implemented in 2014 and generated \$37,000 in additional revenue on water consumed between July 1 and October 31.
- 3) Water Sales Volume: FY17 sales volume is projected to remain at 62 MG, unchanged from FY16, and increase to 65MG annually thereafter. For perspective, note that average sales volume for the first 10 years of the 21st century, minus the now discontinued Giacomini Dairy, averaged 91 MG.
- 4) New Connections: One new connection per year is forecast, compared to an average of 2 per year over the past 5 years;
- 5) Future Projects: A \$2.8 million rehabilitation of the treatment plant is included to commence in FY20. This will need to be financed. A 20-year 3.5% loan is assumed.

## WEST MARIN WATER

### 5-Year Financial Forecast

	Actual 2013/14	Actual 2014/15	Est Actual 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21
<b># BASIC DATA</b>								
1 Active Meters	776	778	778	779	780	781	782	783
2 Avg Commodity Rate/1,000 Gal	\$8.12	\$8.74	\$9.30	\$9.94	\$10.43	\$10.95	\$11.50	\$12.08
3 Potable Consumption (MG)	78	64	62	62	65	65	65	65
<b>INCOME</b>								
4 Commodity Charge	\$633,904	\$562,195	\$598,000	\$653,000	\$678,000	\$712,000	\$748,000	\$785,000
5 Bimonthly Service Charge	169,038	166,938	167,000	167,000	175,000	184,000	193,000	203,000
6 Connection Fee	22,800	22,800	0	23,000	23,000	23,000	23,000	23,000
7 PR-2 County Tax Allocation	42,119	45,378	47,000	48,000	49,000	50,000	52,000	54,000
8 OL-2 G.O. Bond Tax	3,064	661	0	0	0	0	0	0
9 Interest	3,292	5,027	9,000	5,000	3,000	1,000	1,000	1,000
10 Miscellaneous	10,453	10,572	11,000	11,000	11,000	11,000	11,000	11,000
11 <b>TOTAL INCOME</b>	<b>\$884,670</b>	<b>\$813,571</b>	<b>\$832,000</b>	<b>\$907,000</b>	<b>\$939,000</b>	<b>\$981,000</b>	<b>\$1,028,000</b>	<b>\$1,077,000</b>
<b>EXPENDITURES</b>								
12 Operating Expenditures	\$474,270	\$469,147	\$472,000	\$486,000	\$501,000	\$516,000	\$531,000	\$547,000
13 Water Purchased from MMWD	0	6,651	0	0	0	0	0	0
14 Miscellaneous	35,525	3,363	58,000	0	0	0	0	0
15 Bond & Loan Debt Service	103,222	104,576	100,000	101,000	99,000	140,000	336,000	323,000
16 <b>TOTAL EXPENDITURES</b>	<b>\$613,017</b>	<b>\$583,737</b>	<b>\$630,000</b>	<b>\$587,000</b>	<b>\$600,000</b>	<b>\$656,000</b>	<b>\$867,000</b>	<b>\$870,000</b>
<b>NET INCOME</b>	<b>\$271,653</b>	<b>\$229,834</b>	<b>\$202,000</b>	<b>\$320,000</b>	<b>\$339,000</b>	<b>\$325,000</b>	<b>\$161,000</b>	<b>\$207,000</b>
<b>OTHER SOURCES/(USES)</b>								
17 Capital Improvement Projects	(\$277,492)	(\$1,279,605)	(\$345,000)	(\$625,000)	(\$775,000)	(\$945,000)	(\$3,050,000)	(\$250,000)
18 Grant/Loan Proceeds	266,060	1,177,912	0	0	0	600,000	2,800,000	0
19 Net Change in Working Capital	(46,404)	99,793	0	0	0	0	0	0
20 <b>INCREASE (DECREASE) IN CASH</b>	<b>\$213,817</b>	<b>\$227,934</b>	<b>(\$143,000)</b>	<b>(\$305,000)</b>	<b>(\$436,000)</b>	<b>(\$20,000)</b>	<b>(\$89,000)</b>	<b>(\$43,000)</b>
<b>CASH BALANCE</b>								
21 Operating Reserve	\$0	\$188,241	\$390,000	\$563,000	\$127,000	\$107,000	\$18,000	\$0
22 System Expansion Reserve	808,832	823,221	478,000	0	0	0	0	0
23 Liability Contingency Reserve	73,696	99,000	99,000	99,000	99,000	99,000	99,000	89,000
24 Bond Redemption Reserve	30,000	30,000	30,000	30,000	30,000	30,000	30,000	15,000
25 <b>TOTAL CASH BALANCE</b>	<b>\$912,528</b>	<b>\$1,140,462</b>	<b>\$997,000</b>	<b>\$692,000</b>	<b>\$256,000</b>	<b>\$236,000</b>	<b>\$147,000</b>	<b>\$104,000</b>
26 Depreciation Expense	\$154,749	\$155,067	\$191,000	\$197,000	\$207,000	\$220,000	\$236,000	\$287,000

# KEY

West Marin Water includes the communities of Point Reyes Station, Inverness Park, Olema, Bear Valley, Silver Hills and Paradise Ranch Estates (PRE).

- 1 Assumes annual increase of 1 connection per year.
- 2 Commodity rate increase of 5% is proposed effective 7/1/16. Annual 5% Commodity and Bimonthly Service Charge increases shown thereafter.
- 3 Consumption projection assumes 62MG in FY16 and FY17, and 65MG annually thereafter.
- 4 FY17 commodity charge revenue includes \$37,000 in drought surcharge revenue generated from the temporary drought surcharge.
- 5 Bimonthly service charge shown to increase 5% annually after FY17. Details of the rate increase structure to be determined at annual budget hearings.
- 6 The connection fee was set at \$22,800 per equivalent dwelling unit effective August 1, 2010.
- 7 County tax allocation enacted subsequent to Prop 13 to compensate for O&M tax revenue previously received. PR-2 County Tax allocation is projected to increase 3% per year.
- 8 Olema GO Bond Tax terminated with payoff of Olema Bond January 1, 2015.
- 9 Projected available funds invested at 0.50%
- 10 Turn-on, set-up, backflow device, Horizon CATV site lease & other miscellaneous charges.
- 12 3% annual increase in Operating Expenditures assumed after FY16.
- 14 FY16 Includes \$58K for Gallagher Well#2 Hydrologic Study.
- 15 Comprised of three 40-year 5% bonds all purchased by the Farmers Home Administration: 1) 1975 OL-2 \$70,000 GO bond paid off in 2015; 2) 1980 PRE-1 \$240,000 revenue bond due 2020; 3) 1981 PR-6 \$217,800 revenue bond due 2021; plus an Economic Development Administration \$46,000 5% 40-year loan due 2017. On June 30, 2012, WM Water was allocated \$1 million from a Bank of Marin loan to finance construction of a Treatment Plant Solids Handling Facility, with repayment commencing FY13. FY19 includes debt service on \$600K loan to finance completion of Solids Handling Facility.
- 16 Total Expenditures excludes depreciation.
- 17 Capital Improvement Projects. See 5-year Capital Improvement Projects Plan.
- 18 FY14 & FY15 Gallagher Pipeline grant of \$1.4 million; FY19 \$600,000 loan to complete the Solids Handling and PRE Storage projects.
- 21 Operating Reserve should be comprised of a minimum of 4 months of operating expenditures as recommended by the District's financial advisors.
- 22 System Expansion Reserve is composed of connection fee revenue and unexpended Bank of Marin loan funds.
- 23 Liability Contingency Reserve - \$90,000 is West Marin Water's pro-rata share (3.6%) of the District's \$2.5 million liability contingency fund, available to pay liability claims arising within the West Marin water system. \$8,885 was added in Dec 2006 from sale of 2 surplus parcels in Inverness Park.
- 24 Bond Redemption Reserve is comprised of one year of Revenue Bond debt service (\$30K) for PR-6 & PRE-1 bonds as required by bond covenant plus tax receipts held in the Marin County treasury.

**2.c.i.4**

## MEMORANDUM

To: Board of Directors  
From: David L. Bentley, Auditor-Controller  
Subj: Oceana Marin Sewer System Financial Plan Update  
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February 5, 2016

### **RECOMMENDED ACTION: Information**

### **FINANCIAL IMPACT: None at this time**

Attached is an update of the Oceana Marin Water System financial plan for the next five years.

Significant assumptions include:

- 1) Capital Improvement Project Program: The Oceana Marin Wastewater System Master Plan Update received by the Board at its January 19, 2016 meeting identifies \$3.1 million in recommended projects. The Update performed by Nute Engineering focused more on aging infrastructure and risk mitigation than the previous updates done by Bracewell Engineering in 2005. The District is now aware of the need to undertake a more vigorous CIP program, and the corresponding need for additional revenue to fund the identified improvements.
- 2) Rate Increase: 10% sewer service charge rate increases annually. This is double the increase recommended in prior forecasts, and will generate an additional \$265,000 to fund the aforesaid CIP program;
- 3) Connection Fee: Doubling the connection fee from \$15,200 to \$30,000. One new connection per year is forecast, which is the average over the past 5 years, and the increased connection fee will generate an additional \$75,000 over the next five years;
- 4) Capital Projects: Within the upcoming 5-year financial plan window two projects are scheduled: 1) commencing in 2018 Relining of 3,000' of 6" AC Main (\$300,000); 2) commencing in 2020 construction of the first of three segments of a Parallel Force Main (\$500,000). The previously budgeted \$340,000 pond relining project has been deferred to beyond the 5 year window;

The financial plan shows that, with the rate and connection fee increases assumed above, the Oceana Marin System will be able to complete its CIP program and maintain a reserve balance of \$280,000 at the close of FY21, which is a decrease of \$145,000 from its current reserve balance, but avoids the need to borrow money or defer projects.

## OCEANA MARIN SEWER

### 5-Year Financial Forecast

#		Actual 2013/14	Actual 2014/15	Est Actual 2015/16	Projected 2016/17	Projected 2017/18	Projected 2018/19	Projected 2019/20	Projected 2020/21
<b># BASIC DATA</b>									
1	Number of Connections	229	229	230	231	232	233	234	235
2	Monthly Service Charge	\$65.00	\$68.00	\$75.00	\$83.00	\$91.00	\$100.00	\$110.00	\$121.00
<b>INCOME</b>									
3	Monthly Service Charge	\$177,970	\$186,864	\$207,000	\$230,000	\$253,000	\$279,000	\$308,000	\$340,000
4	OM-1/OM-3 Tax Allocation	44,887	48,360	50,000	52,000	54,000	56,000	58,000	60,000
5	Connection Fees	30,400	15,200	24,000	30,000	30,000	30,000	30,000	30,000
6	Interest Revenue	1,051	2,323	2,000	2,000	2,000	2,000	2,000	2,000
7	Miscellaneous Revenue/(Expense)	(248)	203	9,000	0	0	0	0	0
8	<b>TOTAL INCOME</b>	<b>\$254,060</b>	<b>\$252,950</b>	<b>\$292,000</b>	<b>\$314,000</b>	<b>\$339,000</b>	<b>\$367,000</b>	<b>\$398,000</b>	<b>\$432,000</b>
9	<b>OPERATING EXPENDITURES</b>	<b>\$138,518</b>	<b>\$132,624</b>	<b>\$169,000</b>	<b>\$151,000</b>	<b>\$156,000</b>	<b>\$161,000</b>	<b>\$166,000</b>	<b>\$171,000</b>
<b>OTHER SOURCES (USES)</b>									
10	Capital Improvement Projects/Other	(19,655)	(63,023)	(40,000)	(160,000)	(160,000)	(290,000)	(140,000)	(440,000)
11	Net Change in Working Capital	(5,034)	4,004						
12	<b>INCREASE (DECREASE) IN CASH</b>	<b>\$90,853</b>	<b>\$61,307</b>	<b>\$83,000</b>	<b>\$3,000</b>	<b>\$23,000</b>	<b>(\$84,000)</b>	<b>\$92,000</b>	<b>(\$179,000)</b>
13	<b>TOTAL CASH BALANCE</b>	<b>\$282,895</b>	<b>\$344,202</b>	<b>\$427,000</b>	<b>\$430,000</b>	<b>\$453,000</b>	<b>\$369,000</b>	<b>\$461,000</b>	<b>\$282,000</b>
14	Depreciation Expense	\$57,024	\$49,860	\$49,000	\$51,000	\$59,000	\$67,000	\$82,000	\$89,000

## **OCEANA MARIN SEWER**

### **NOTES**

#### **# KEY**

- 1 Assumes 1 connection per year, which is the average over the last 5 years. Capacity is estimated at 308 dwelling units.
- 2 Proposed 10% annual increases to build cash to fund Phase 1 of the FY20 & FY21 \$500,000 Parallel Force Main project. The \$350,000 Pond Relining Project is outside of the 5-year window.
- 4 County tax allocation enacted subsequent to Prop 13 to compensate for O&M tax revenue previously received. OM-1/IOM-3 County Tax allocation is projected to increase 3% per year.
- 5 Proposed doubling the connection fee to \$30,000. Assumes new connections occur in OM-3 (Units 1 or 5) which are subject to the connection fee.
- 6 Projected available funds invested at 0.50%
- 9 Operating expenditures projected to increase 3% annually. Excludes depreciation expense.
- 10 Capital Improvement Projects. See 5-year Capital Improvement Projects Plan.
- 14 Cash available for operation, maintenance and improvements

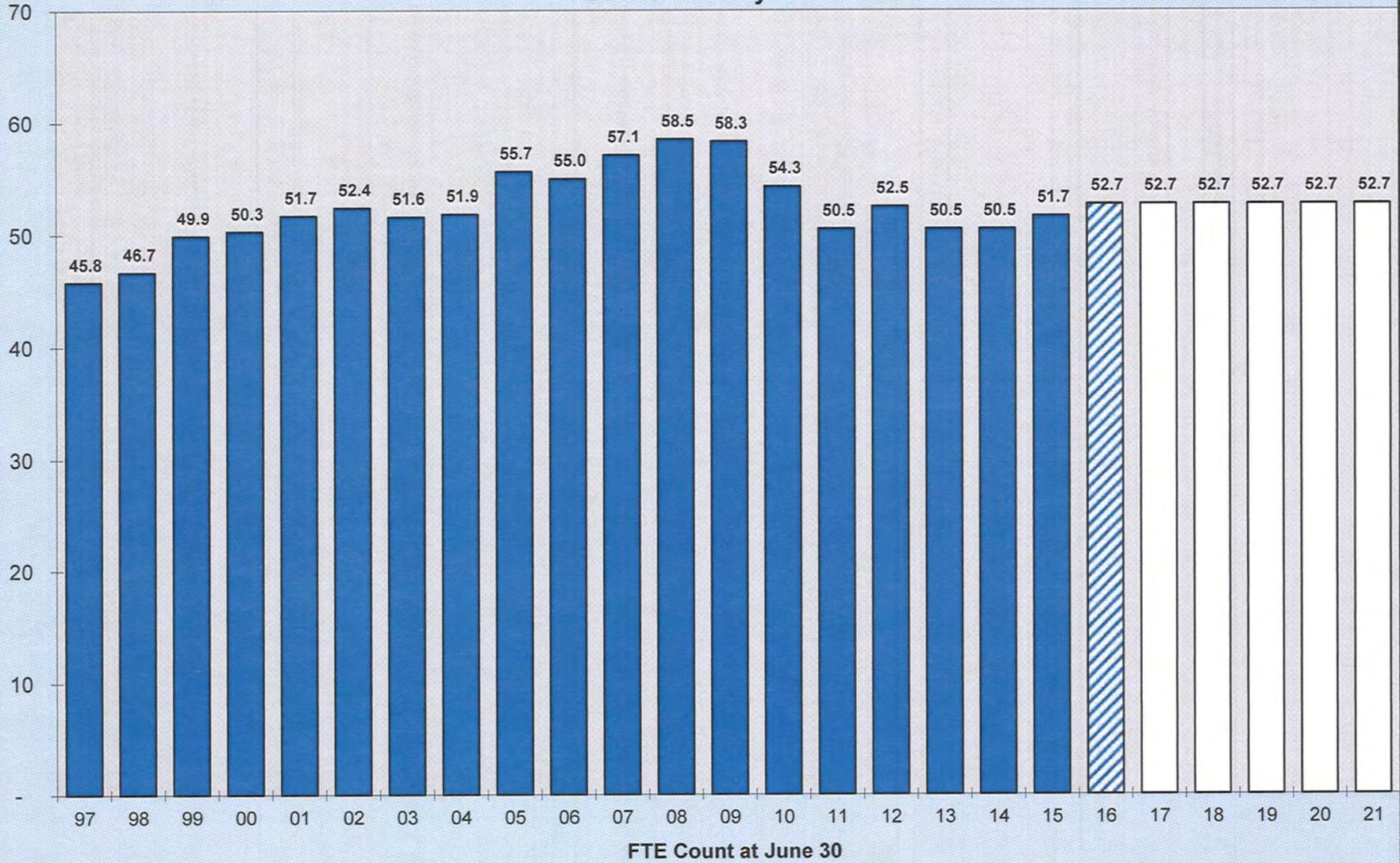
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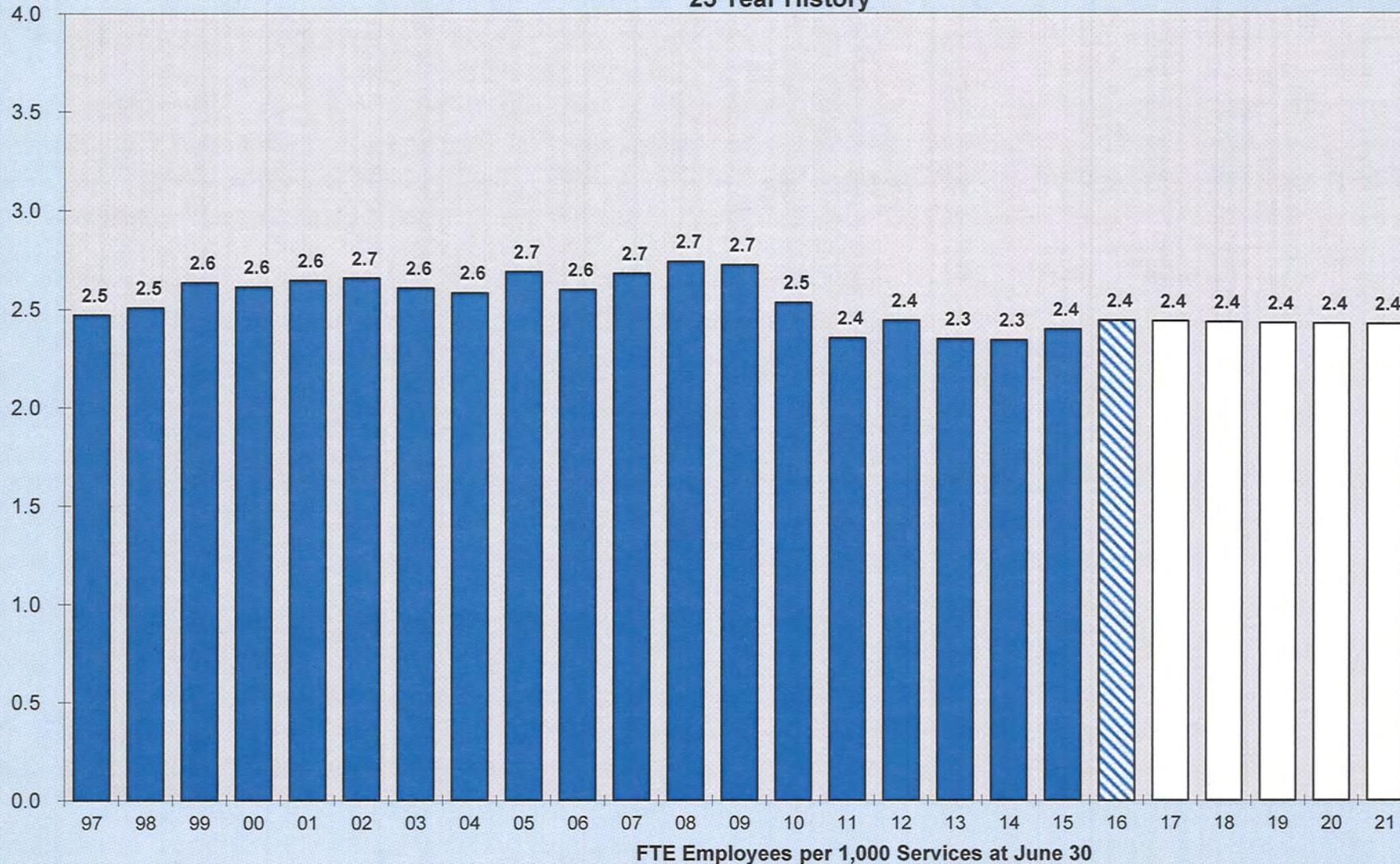
### Full Time Equivalent Employee Count 25 Year History



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### Full Time Equivalent Employees per 1,000 Services 25 Year History



## Staffing Changes

2/4/16

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	Nadir 6/30/97	Zenith 6/30/08	Current 2/4/16	Increase From '97	% Incr From '97
GM	1.0	1.0	1.0	0.0	0%
Administration	7.0	8.5	7.0	0.0	0%
Consumer Acctg	6.7	7.5	6.0	-0.7	-10%
Construction	12.0	11.0	12.0	0.0	0%
Engineering	5.0	9.7	7.7	2.7	54%
Maintenance	6.0	10.0	8.0	2.0	33%
Operations	5.0	6.0	6.0	1.0	20%
Water Quality	3.1	4.8	5.0	1.9	60%
Total - FTE Regular Employees	45.8	58.5	52.7	6.9	15%