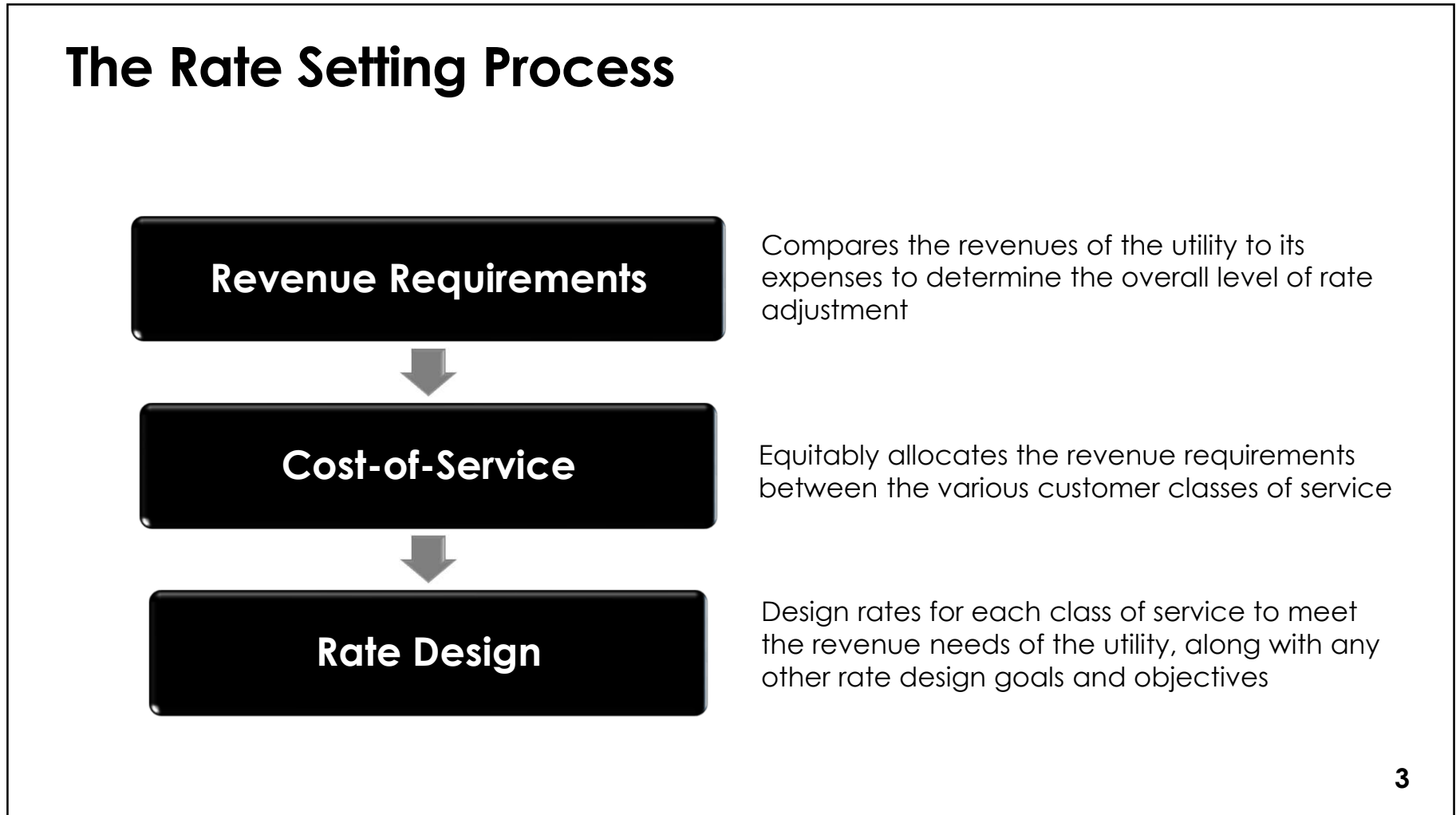


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AGENDA

1. Rate Studies Overview & Scope
2. Financial plan
3. Rate design topics
 - Tiered Rates
 - Meter Equivalency
 - Hydraulic Zone Charge
 - Outside Customer Surcharge
 - Private Fire Charge
4. Proposed Rates and Bill Impacts
5. Project Schedule



Rate Study Objective

- Establish a secure, multi-year financial plan that supports operating costs and capital spending necessary to provide water services that are reliable, high-quality, environmentally responsible and reasonably priced.
- Develop a rate structure that:
 - ✓ Complies with the requirements of Proposition 218
 - ✓ Is consistent with the historical rate structure

Reserves

The following are the reserve categories that are consistent with the reserve policies for the Novato service area.

Minimum Reserves:

These reserves should always *plan* to be fully funded:

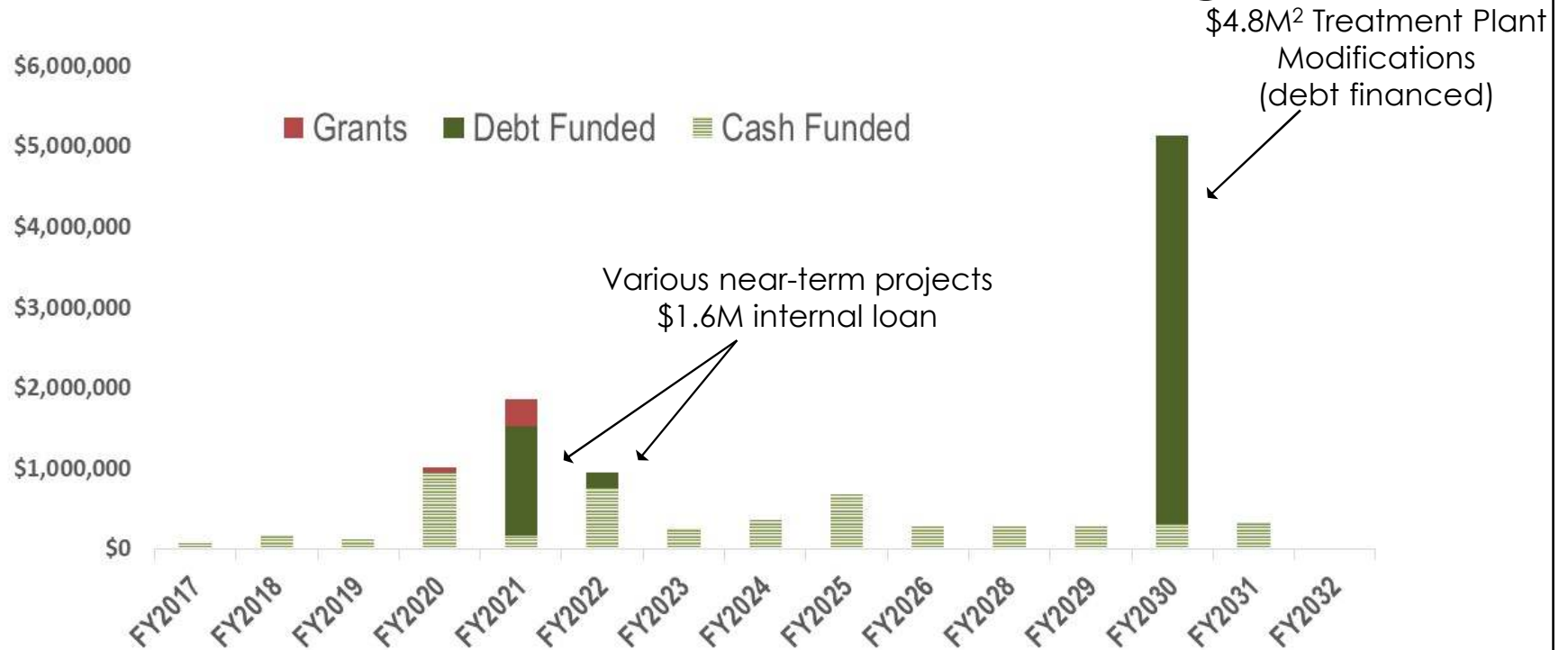
Operating Reserve: 4 months of O&M budget (\$200 thousand)
Liability Contingency Reserve (currently \$98K)

Target Reserves:

This reserve is designed to occasionally be drawn down:

Maintenance Accrual Fund: Equal to the average long-term annual capital spending (\$380K).

West Marin Water System Capital Spending



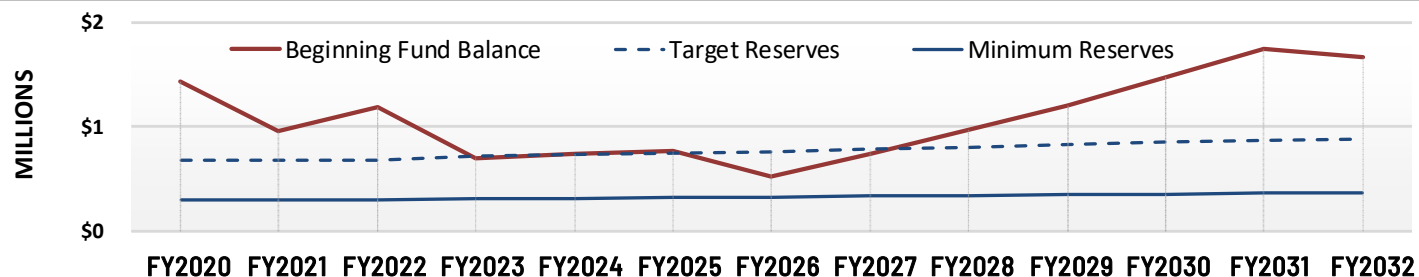
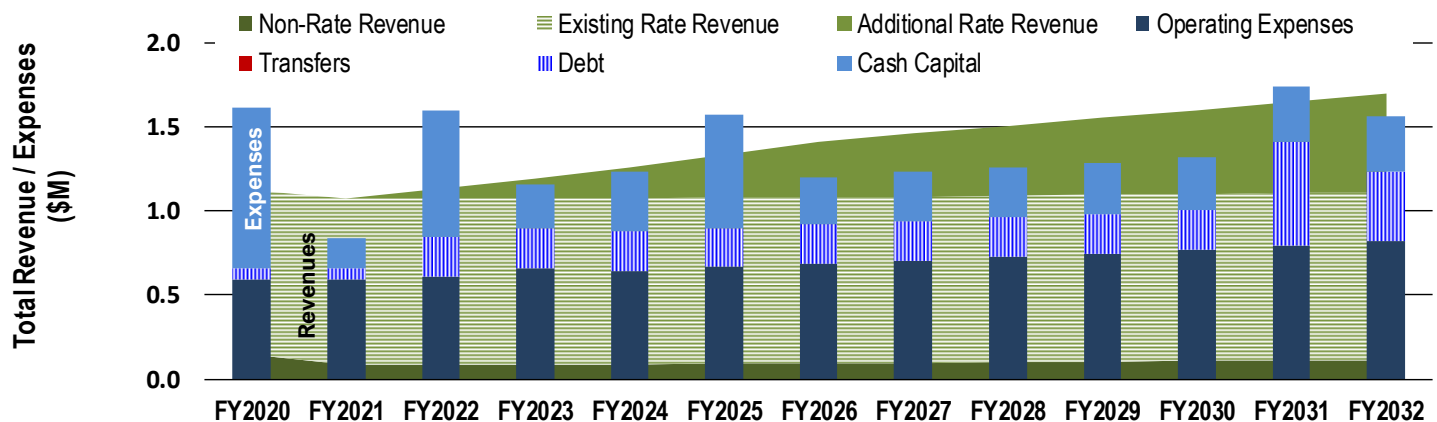
Average capital spending from 2017 - 2019: \$126 thousand
 Average capital spending from 2019 – 2026: \$773 thousand

² The Treatment Plant project is estimated to cost \$3.8M in current dollars, which will be approximately \$4.8M after inflation

Detailed List of Near-Term West Marin Water System Capital Spending

	Actual FY 2020	Budget FY 2021	Forecast FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026
Replace PRE Tank #4A (25K gal w/125K gal)	\$343,309	\$1,057,000	\$0	\$0	\$0	\$0	\$0
New Gallagher Well #2	\$73,895	\$335,000	\$506,105	\$0	\$0	\$0	\$0
PB Replace in Sync w/ County Paving	\$47,256	\$0	\$50,000	\$0	\$51,500	\$0	\$51,500
Gallagher Ranch Streambank Stabilization (Note 3)	\$386,826	\$335,000	\$0	\$0	\$0	\$0	\$0
PRE Tank #1 & #2 Replacement	\$0	\$0	\$0	\$0	\$0	\$618,000	\$0
Lagunitas Creek Bridge Pipe Replacement (Caltrans)	\$13,615	\$137,000	\$400,000	\$51,500	\$0	\$0	\$0
PB Replacement-Drakes View Dr	\$66,264	\$0	\$0	\$0	\$0	\$0	\$0
PS/Tank Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$448,500
Olema Creek Bridge Pipe Replacement (County)	\$703	\$0	\$0	\$0	\$255,000	\$0	\$0
Olema PS Wireless to Tank	\$8,468	\$0	\$0	\$0	\$0	\$0	\$0
PB Replacement-SR 1 Pt Reyes Replacement	\$75,876	\$0	\$0	\$0	\$0	\$0	\$0
Olema Pump Station Pump Improvements	\$7,270	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous Water System Improvements	\$0	\$0	\$0	\$200,000	\$0	\$0	\$0
Capital Spending Totals:	\$1,023,482	\$1,864,000	\$956,105	\$251,500	\$306,500	\$618,000	\$500,000

West Marin Enterprise Financial Forecast



	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Proposed Revenue Increases:		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Debt Coverage Ratio:	7.5	6.75	5.06	5.17	6.38	7.15	7.93	8.28	8.63	9.03	9.38	1.53	2.14
Net Debt Proceeds:	\$0.0M	\$1.4M	\$0.2M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$0.0M	\$4.8M	\$0.0M	\$0.0M

Rate increase drivers:

Increased capital spending

- Near-term projects driven by
 - Fire protection (Tank #4 in PRE)
 - Water quality improvements (Gallagher Well #2)
 - Pipeline encroachment relocation obligations (Caltrans and Marin County bridges),
- Significant treatment plant modification project in the long-term

Inflation

- Half of the proposed rate increases are simply the rising cost of doing business

Cost of Service and Rate Design

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Existing Rates

- Fixed Service Charge by Meter size
 - ✓ Special service charge for Paradise Ranch Estate

- "Quantity" Charge:
 - ✓ 3 Tiers for Residential
 - ✓ Seasonal rates for Commercial (Non-Residential)
 - ✓ Hydraulic Zone Charge
 - ✓ Drought Surcharge*

- Other Charges
 - ✓ Private Fire Service
 - ✓ Temporary (hydrant) Meters
 - ✓ Outside Customer Charge*
 - ✓ Backflow Prevention *

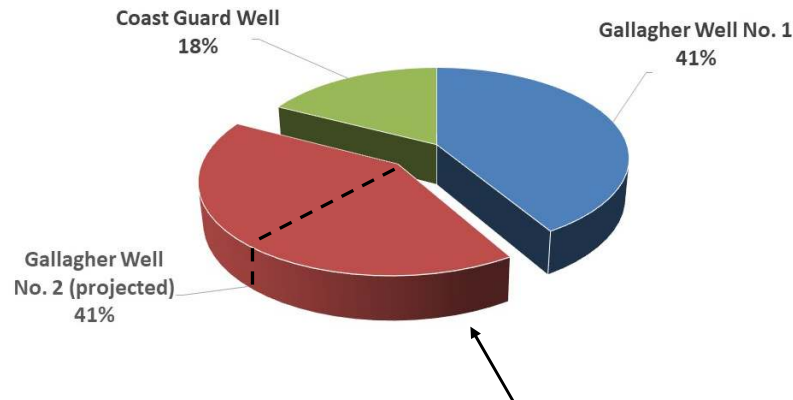
* Not part of the current study

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Structuring tiered usage rates based on historical water sources vs. the Gallagher well water supply

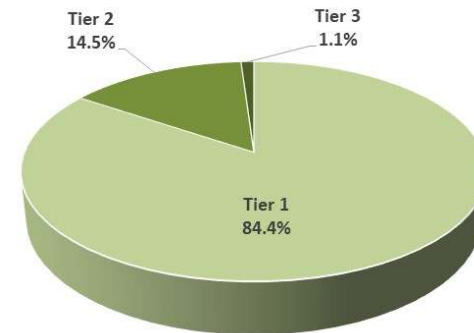
- ✓ Tier 2 and 3 rates will be justified based on a *portion* of the cost of adding the new Gallagher well (No. 2) to supplement the water supply
- ✓ Tier allocation will be based on the availability of water from the water supply sources.

Water Volume by Source



Half of the costs associated with Gallagher Well #2 will be collected through Tier 2 and Tier 3 rates

Current Volume Sold by Tier



Tier Allocations

Residential Tier Allocation (gal/day)

Current

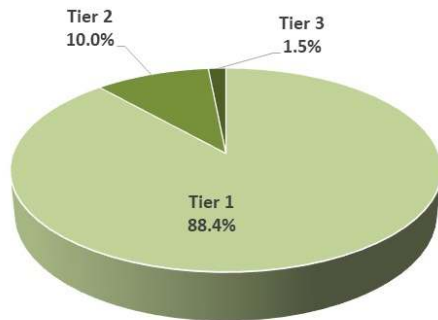
Tier 1: 0 to 400
 Tier 2: 400 to 900
 Tier 3: Above 900

Proposed:

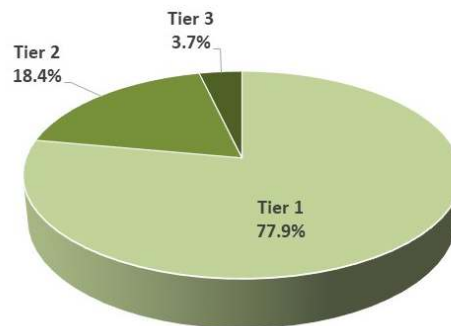
Tier 1: 0 to 250
 Tier 2: 250 to 600
 Tier 3: Above 600

Residential Volume Sold by Tier

Current



Proposed



Commercial Tier Allocation (gal/day)

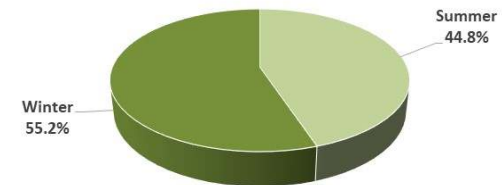
Current:

Summer Rates: June to October (5 months)
 Winter Rates: Nov. to May (7 months)

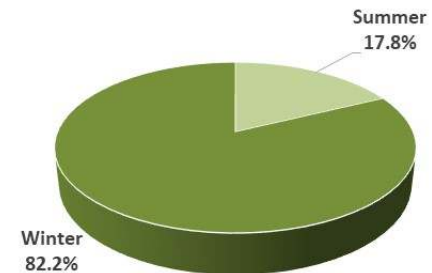
Proposed:

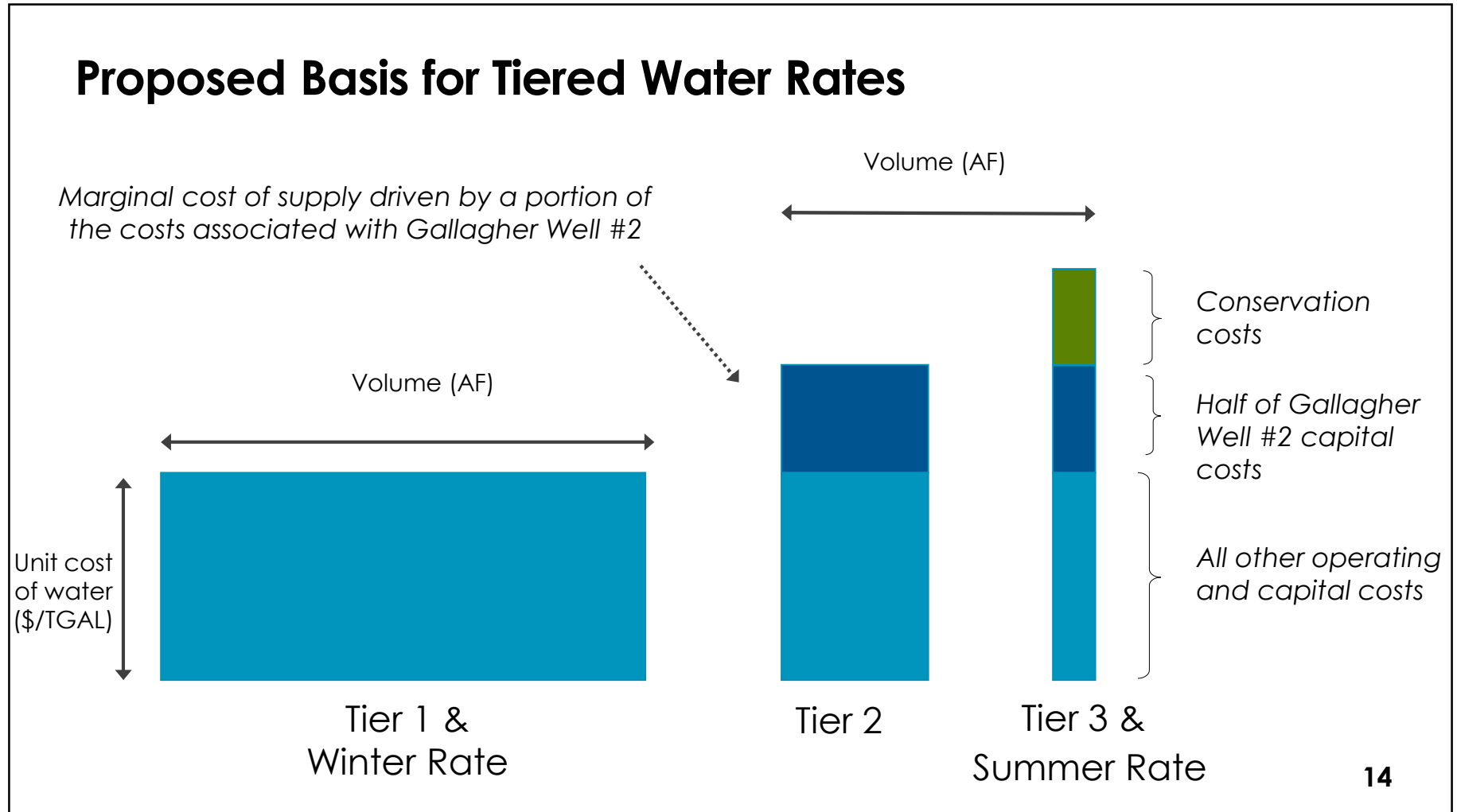
Summer Rates: July to September (3 months)
 Winter Rates: October to June (9 months)

Commercial Current Volume Sold by Tier



Commercial Proposed Volume by Tier





Proposed Meter Equivalency Schedule

- Basis of current rate structure is not well documented
- The proposed meter equivalency schedule uses the hydraulic capacity ratio (which is the industry standard and consistent with Novato rates) and results in a “steeper” ratio.
- The study also allocates some costs on a “per account” basis.

Fiscal impact: more costs will be allocated to larger meters

Meter Size	Meter Type	Rating (gpm)	Proposed Equivalency Schedule	Existing Equivalency Schedule	Increase	Percent of Accounts
5/8"	Displacement	20	1.00	1.00	0%	75%
1"	Displacement	50	2.50	2.00	25%	22%
1 1/2"	Displacement	100	5.00	2.44	105%	2%
2"	Displacement	160	8.00	3.80	110%	1%
3"	Compound Class 1	320	16.00	7.53	112%	0.4%
4"	Compound Class 1	500	25.00	12.10	107%	0.1%

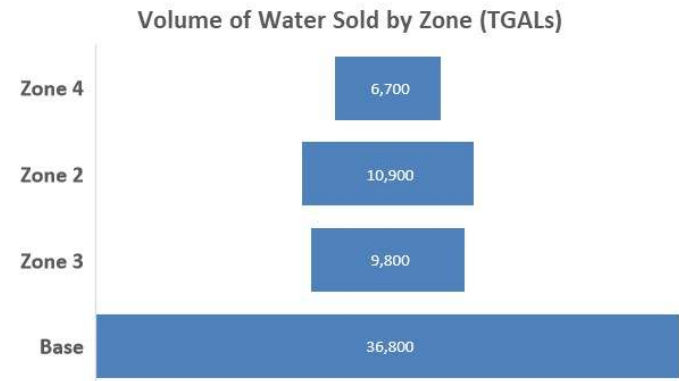
Source: Table B-2 AWWA meter standards, *AWWA M1 Manual*, 7th Ed. (2017)

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Hydraulic Zone Charge

Proposed Hydraulic Zone Charge based on:

- Detailed actual electricity usage by zone
- Depreciation expense associated with associated pump and storage assets
(doesn't include a "Zone 1" charge because all water originates in Zone 1)



	Annual Depreciation Expense ¹	Replacement Charge (\$/TGAL)	Electricity Charge per TGAL	Proposed Charge (per TGAL)	Current Charge (per TGAL)	
Zone 3 (Olema):	\$8,220	\$0.84	+	\$0.26 =	\$1.10	\$0.95
Zone 2 (others ²):	\$27,780	\$1.58	+	\$0.61 =	\$2.19	\$0.25
Zone 4 (Upper PRE):	\$19,720	\$4.52	+	\$1.64 =	\$6.16	\$6.46
	\$49,300					

¹ Assumes a 25 year expected useful life for Pump Station infrastructure and 50-year expected useful life for storage infrastructure (tanks).

² Includes Inverness Park, Bear Valley, and Lower Paradise Ranch Estates

Private Fire Services Charges

- ✓ Fire service charges are based on cost of maintaining fire service lines on private property
- ✓ Our analysis found that it is appropriate to charge West Marin the same rates as those recently adopted for Novato

Outside Surcharge

- ✓ Calculating the appropriate surcharge for outside customers is not within the scope of the current study. Staff recommends keeping the charge and increasing it by the general annual rate increases.

Special Service Charge for PRE Accounts

- ✓ At this time, there is no measurable difference in the cost to serve the Paradise Ranch Estate service area.
- ✓ Revenue bonds for PRE have been paid in full as of FY2019.

Proposed Rates (Year 1)

VARIABLE QUANTITY CHARGE (per TGAL)

	PROPOSED RATES		CURRENT RATES		PROPOSED CHANGE			
	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>	<u>Summer</u>	<u>Winter</u>		<u>Summer</u>	
COMMERCIAL								
Base Rate	\$8.88	\$18.33	\$9.77	\$13.51	-\$0.89	-9.1%	\$4.82	35.7%
Zone 3	\$9.98	\$19.43	\$10.72	\$14.46	-\$0.74	-6.9%	\$4.97	34.4%
Zone 2	\$11.07	\$20.52	\$10.02	\$13.76	\$1.05	10.5%	\$6.76	49.1%
Zone 4	\$15.04	\$24.49	\$16.23	\$19.97	-\$1.19	-7.3%	\$4.52	22.6%
		<u>Tier</u>		<u>Tier</u>				
RESIDENTIAL								
Base Rate	\$8.88	\$12.91	\$9.66	\$13.38	-\$0.78	-8.1%	-\$0.47	-3.5%
Zone 3	\$9.98	\$14.01	\$10.61	\$14.33	-\$0.63	-5.9%	-\$0.32	-2.2%
Zone 2	\$11.07	\$15.10	\$9.91	\$13.63	\$1.16	11.7%	\$1.47	10.8%
Zone 4	\$15.04	\$19.07	\$16.12	\$19.84	-\$1.08	-6.7%	-\$0.77	-3.9%
Outside Surcharge*		\$4.08		\$3.85	\$0.23	6.0%		

FIXED SERVICE CHARGE (bimonthly)

METER SIZE	PROPOSED	CURRENT	CHANGE	
			(dollars)	(percent)
5/8"	\$42.59	\$35.68	\$6.91	19.4%
1" Fire**	\$42.59	\$40.54	\$2.05	5.1%
PRE 5/8" & 1"	\$42.59	\$54.08	-\$11.49	-21.2%
1"	\$107.60	\$71.36	\$36.24	50.8%
1 1/2"	\$214.07	\$87.05	\$127.02	145.9%
2"	\$341.84	\$135.74	\$206.10	151.8%
3"	\$682.56	\$268.77	\$413.79	154.0%
4"	\$1,065.87	\$431.59	\$634.28	147.0%

* As proposed by District staff

** Upsized due to fire code requirements

Bill Impact Drivers for Prop 218:

(why are some customers impacted more than others?)

- 1) Updates to meter equivalency schedule
- 2) Shift in fixed vs. variable revenue
- 3) Change in tier allocations
- 4) Commercial contribution to conservation costs
- 5) Elimination of special charge for PRE accounts
- 6) Update to hydraulic zone charges

Residential Bill Impacts

Single Family

Meter Size	Bimonthly Water Usage (TGAL)		Bi-Monthly Bill			
			Current	Proposed	Change	
5/8" (Base zone)	Low	7.0	\$103.30	\$104.75	1.4%	34.9% of all accounts
	Median	9.0	\$122.39	\$122.30	-0.1%	
	High	25.0	\$314.38	\$304.89	-3.0%	
5/8" (Zone 2)	Low	7.0	\$105.05	\$120.08	14.3%	21.1% of all accounts
	Median	9.0	\$124.63	\$141.95	13.9%	
	High	25.0	\$376.43	\$420.09	11.6%	
5/8" & 1" Paradise Ranch Zone 4	Low	7.0	\$166.92	\$147.87	-11.4%	14.7% of all accounts
	Median	9.0	\$198.77	\$177.59	-10.7%	
	High	25.0	\$494.28	\$458.89	-7.2%	
1" (fire) (Base Zone)	Low	7.0	\$108.16	\$104.75	-3.2%	7% of all accounts
	Median	9.0	\$127.25	\$122.30	-3.9%	
	High	25.0	\$319.24	\$304.89	-4.5%	

Multi-Family

Meter Size	Typical Water Usage (TGAL)	Bi-Monthly Bill		
		Current	Proposed	Change
Duplex (5/8")	14.0	\$171	\$167	-2.3%
4 Units (1.5")	35.0	\$425	\$525	23.5%
25 Units (1.5")	300.0	\$2,985	\$2,878	-3.6%

Commercial Bill Impacts

Meter Size	Average Monthly Summer Usage (TGAL)	Average Monthly Winter Usage (TGAL)	Summer Month			Winter Month			Annual Total			Percent of Accounts
			Current	Proposed	Change	Current	Proposed	Change	Current	Proposed	Change ¹	
5/8"	4 (low)	4 (low)	\$72	\$95	31.6%	\$57	\$57	-0.2%	\$773	\$795	2.9%	7.0%
	9 (average)	9 (average)	\$139	\$186	33.6%	\$96	\$101	5.4%	\$1,413	\$1,470	4.0%	
	18 (high)	16 (high)	\$261	\$351	34.6%	\$174	\$163	-6.2%	\$2,611	\$2,524	-3.3%	
1"	33 (low)	33 (low)	\$414	\$659	59.1%	\$407	\$347	-14.8%	\$4,925	\$5,098	3.5%	2.2%
	68 (average)	67 (average)	\$819	\$1,300	58.7%	\$788	\$649	-17.7%	\$9,643	\$9,740	1.0%	
	125 (high)	125 (high)	\$1,481	\$2,345	58.3%	\$1,433	\$1,164	-18.8%	\$17,484	\$17,509	0.1%	
1.5"	29	17	\$354	\$639	80.3%	\$210	\$258	23.1%	\$3,383	\$4,238	25.3%	0.4%
2"	107	48	\$1,189	\$2,132	79.3%	\$478	\$597	24.9%	\$10,004	\$11,771	17.7%	0.3%
3"	312	91	\$3,458	\$6,060	75.3%	\$584	\$1,149	96.9%	\$24,250	\$28,525	17.6%	0.1%
4" (Zone 3)	223	164	\$3,050	\$4,866	59.5%	\$1,952	\$2,170	11.1%	\$30,014	\$34,124	13.7%	0.1%

¹ It may appear as though the annual total % change is not consistent with the summer % change and the winter % change, however the reader is reminded that there are three months (June, October and November) which are currently charged at summer rates but are proposed to be charged at winter rates. During those three months the bill impact is expected to be significantly lower, and often a decrease in the bill for that month.

Project Schedule

1. Rate study kickoff meeting	October 21, 2020	Completed
2. Financial planning workshop (Staff)	November 12, 2020	Completed
3. Cost of service (COS) & rate design staff meeting	December 17, 2020	Completed
4. Board Ad-Hoc Committee Meeting #1	January 12, 2021	Completed
5. Board Ad-Hoc Committee Meeting #2	January 26, 2021	Completed
6. Special Board Workshop	February 23, 2021	Completed
7. Regular Board Meeting - Final rate study report presentation	March 16, 2021	Tonight
8. Public Hearing to enact new water rates	June 22, 2021, 6 pm	