



NORTH MARIN WATER DISTRICT

AGENDA - REGULAR MEETING

April 2, 2024 – 4:00 p.m.

District Headquarters

Location: 100 Wood Hollow Dr., Suite 300

Novato, California

**NORTH MARIN
WATER DISTRICT**

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Item	Subject
	CALL TO ORDER
1.	APPROVE MINUTES FROM REGULAR MEETING , March 19, 2024
2.	GENERAL MANAGER'S REPORT
3.	OPEN TIME: (Please observe a three-minute time limit) 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.
4.	STAFF/DIRECTORS REPORTS
	ACTION CALENDAR
5.	Approve: Accept 2024 Novato and Recycled Water Rate Study Draft Report and Direct Staff to Prepare a Proposition 218 Notice of Public Hearing
6.	Approve: West Marin Water System Financial Plan Update FY 24/25
7.	Approve: Oceana Marin Sewer System Financial Plan Update FY 24/25
	INFORMATION ITEMS
8.	TAC Meeting – January 8, 2024
9.	MISCELLANEOUS Disbursements – March 21, 2024 Disbursements – March 28, 2024 Auditor-Controller's Monthly Report of Investments for February 2024 NOAA Three-Month Outlook Precipitation Probability – March 21, 2024 NOAA Seasonal Drought Outlook – March 21, 2024 <u>News Articles:</u> Marin IJ – California proposes delaying rules aimed at reducing water on lawns – PLAN QUESTIONED Marin IJ – District faces opposition over water pump – NOVATO Marin IJ – Utility declines to rule out site for pump station – NOVATO Marin IJ – The science of weather will be key for supply – EDITORIAL Marin IJ – Water storage expansion sought – MARIN MUNICIPAL Pt. Reyes Light – NMWD Budget Review Schedule Redheaded Blackbelt News – New plan afoot to divert water from the Eel River into the Russian River after dams removed during high flows
10.	ADJOURNMENT

1

DRAFT
NORTH MARIN WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
March 19, 2024

CALL TO ORDER

President Baker called the regular meeting of the Board of Directors of North Marin Water District to order at 4:03 p.m. at the District Headquarters and the agenda was accepted as presented. Present were Directors Jack Baker, Ken Eichstaedt, Rick Fraites, Michael Joly, and Stephen Petterle. Also present were General Manager Tony Williams, District Secretary Eileen Mulliner, Assistant General Manager/Chief Engineer Eric Miller, and Auditor-Controller Julie Blue.

District employees Chris Kehoe, Construction/Maintenance Superintendent, Robert Clark, Operations/Maintenance Superintendent, and Tim Fvette, Senior Engineer, were also in attendance. Lynne Rosselli and Jake Spaulding of Sonoma Water were also in attendance.

Several District customers were also in the audience.

MINUTES

On the motion of Director Fraites, and seconded by Director Petterle, the Board approved the minutes from the March 5, 2024 regular meeting as presented by the following vote:

AYES: Director(s) Baker, Eichstaedt, Fraites, Joly and Petterle

NOES: None

ABSENT: None

ABSTAIN: None

On the motion of Director Joly, and seconded by Director Fraites, the Board approved the minutes from the March 13, 2024 special meeting as presented by the following vote:

AYES: Director(s) Baker, Eichstaedt, Fraites, Joly and Petterle

NOES: None

ABSENT: None

ABSTAIN: None

GENERAL MANAGER'S REPORT

Tony Williams gave a brief report on the Potter Valley Project. He said there was currently a meeting in Mendocino County for the New Eel-Russian Project Authority Board. He said the selection of the preferred alternate for the future diversion will take place at the meeting. This will either be a roughened channel in the river or a pump-back facility to allow water diversions. Both alternatives would utilize the existing diversion tunnel into Potter Valley.

Mr. Williams mentioned that in the Miscellaneous section of the agenda packet are two articles regarding the proposed regulations for the "Making Conservation a California Way of Life Regulation". He said that there is a public meeting on March 20, and Ryan Grisso will be attending

1 to get more information about the proposed regulation revisions. These revisions will ultimately
2 affect all of our customers.

3 **OPEN TIME**

4 President Baker asked if anyone in the audience wished to bring up an item not on the
5 agenda and there was no response.

6 **STAFF/DIRECTORS REPORTS**

7 President Baker asked if there were any staff or director's reports and there were none.

8 **ACTION CALENDAR**

9 **APPROVE: LYNWOOD PUMP STATION REPLACEMENT PROJECT – POSTPONE PUBLIC**
10 **HEARING AND SEEK OTHER PRIMARY SITES**

11 Eric Miller addressed the Board and provided a summary of project actions including a public
12 meeting that was held on March 6, 2024 as part of the CEQA process. He said there were several
13 public comments, most of them to extend the public comment period. He said that there are two
14 recommended actions for this Board item, the first is to extend the public comment period to May 6,
15 2024. The second action is, if approved, to seek additional "primary" sites for the pump station.
16 Director Joly asked, in order to be transparent, Mr. Miller to explain further. Mr. Miller said the
17 existing document has five alternative sites, of those, two are considered primary sites. He said he
18 is asking for approval to look for more alternative locations using the same selection criteria and he
19 said there could more sites near the current alternative sites. He noted that if more sites were
20 found, staff would have to modify the current Mitigated Negative Declaration (MND) document and
21 re-start the CEQA public review process. Alternatively, if staff is unable to identify additional
22 alternative sites that are viable, the process could continue using the existing CEQA document and
23 hold a public hearing for final consideration, or the Board could cancel the project. Director Petterle
24 asked for clarification on whether the District was eliminating the current site that has been identified
25 at Ignacio and Palmer, and selecting other sites. Mr. Miller said it could be eliminated if directed by
26 the Board but it is not recommended by staff. Director Eichstaedt asked what is the estimated cost
27 of delaying the project and seeking other alternatives. Mr. Miller said that based on the initial cost
28 for CEQA work to date it could be approximately \$100,000 - \$150,000 in consultant fees to do the
29 additional work. Director Joly said that Lynwood Pump Station is one of the largest in the system,
30 and the Board needs to make a decision based on cost and state law and that the CEQA process
31 has worked by notifying people to come speak to the Board. He reiterated that the Lynwood Pump
32 Station is an important one and that pump stations are very expensive and the Board has to take
33 time to make the best decision for the District and its customers. President Baker asked if anybody
34 for the audience wanted to speak to the item.

35 A member of the public approached the Board and said that the proposed site on Ignacio
36 Blvd. is a heavy traffic area and the long construction period is concerning. He said it will affect

1 property values. Director Joly said the Board is listening to what the public has to say and that they
2 will review the alternative sites but it is possible the Ignacio Blvd site may not change as an
3 alternative site. Director Petterle said the process does not end tonight, and will be ongoing and
4 there will be ample opportunity for the public to come to Board meetings. He said that it is nice to
5 hear from customers. He also said that he recently visited the Ignacio site.

6 Leonard Shaw spoke to the Board and said that he attended the last Board meeting. He
7 said that he hoped that staff would recommend to withdraw this location at this time and not 'kick it
8 down the road'. He said it is totally inappropriate site and the Board should have recognized this
9 and not waste engineering time. He said that the proposal for a 16" pipe from Entrada to Ignacio to
10 the site and beyond for 2,000-3,000 feet plus a 2,000 square foot building that is two stories high in
11 open space is very inappropriate. He said he is asking the Board to make the decision to cancel this
12 site.

13 Mike Arnold spoke to the Board and said he also endorses removal of this site. He said the
14 Board could do it and not follow the staff recommendation and this would help avoid a political fight.
15 He said this is a not an appropriate location. He said he was never notified and should have been.
16 He said he appreciates that the Board is listening and would appreciate it if the Board would end this
17 location now. He also said that District staff that he has interacted with in the past have been very
18 professional and helpful.

19 Earl McCowen spoke to the Board and said this location could be withdrawn from
20 consideration and it would make a lot of people very happy.

21 Director Joly noted that this is the beginning of the CEQA process, and he asked Mr. Miller if
22 the Board can take this site off at this stage. Eric Miller said CEQA has different levels, and for this
23 project we are at the Initial Study level and the CEQA document could be modified but it would have
24 to be recirculated for public review. He said the Board could remove this site tonight but staff is not
25 recommending that at this point. Tony Williams said that this site was not selected for the purpose
26 of disrupting residents, but rather the operational goal of filling key water storage tanks in the
27 southern part of Zone 2 currently served by the Lynwood Pump Station, which affects 18,000
28 customers. Mr. Williams said that one of the project goals is to find a better location that is more
29 centrally located to these tanks as well as replacing a 60-year old pump station so that our
30 customers have adequate water flow and pressure as well as adequate storage for fire protection.
31 Mr. Williams also noted that as the area has grown since the Lynwood Pump Station was built, the
32 ideal pump station location has changed. He also noted that the District has a lot of underground
33 pipelines that serve the Ignacio Blvd area that ultimately will have to be replaced which requires
34 excavating in the streets and that can be disruptive but the District always tries to minimize any
35 disruption as much as possible for pipeline replacements.

36 Jeanne Shaw spoke to the Board and said people have tried to keep Ignacio Valley
37 beautiful. She mentioned that some of the sites have to be purchased. She said there are many

1 commercial sites and empty land along the frontage road that could be used. She said she hoped
2 the Board would look into that. Leonard Shaw said some of the alternative sites are owned by
3 others, and he noted this particular site is owned by the City of Novato, he said the District should
4 have already talked to them to see if they will contemplate selling it to the District. He said the
5 process seems strange if the District is investigating sites without even knowing if we can buy the
6 land.

7 President Baker said we have to identify sites, and investigate hydraulics and noted that the
8 current pump station is worn out and unsafe. He said it used to be a good location but because of
9 growth it isn't any longer. He also noted that the Hamilton Air Force Base used to be in Marin
10 Municipal Water District's territory but it is now served by the District and that has added more area
11 that is served by the pump station. President Baker said we need a site that is further south than
12 the current location. He said that some of the suggestions for alternative sites won't work
13 hydraulically. We are still hoping to find some place that fits the needs. Mr. Shaw spoke up and
14 said he feels the General Manager is saying it has to be at this location. Director Petterle said this is
15 not a debate but rather a Board meeting and asked if anyone else has anything to say and there
16 was no response.

17 Director Petterle said he is a licensed architect since 1979 and throughout his career one
18 objective is to work out differences on projects like this and has discussed this topic before. He
19 encouraged everyone to look at our website to stay informed on various topics and projects that are
20 discussed at the Board meetings. He said he knows things are not always straightforward but he
21 said an informed decision is important and has heard how the public feels about the project.
22 Director Petterle said that this project has been on several agendas in the past and the public would
23 have known that if they had kept watch on the agendas on the website. He said he is hoping the
24 design will be as great as the current Lynwood Pump Station. He said he is not ready to remove the
25 Ignacio location until all the facts are in and evaluated. He also said he would want the pump station
26 to blend in as best as possible with the surroundings and that, when it comes time to construct,
27 convenience will be taken into consideration. He also said that the CEQA process will look at all
28 impacts such as noise. Director Joly said that there are 17 items in the Initial Study, and noise is
29 one of them. Eric Miller said that the current goal regarding noise is that it will not exceed the
30 current ambient noise. He said we have 26 pump stations in town and they are not disruptive.
31 Director Petterle said noise will be mitigated and it will not be a problem. He said that aesthetics will
32 be very important. He also said that he encourages the public to come to future meetings. He said
33 he is willing to listen but wants to make sure all facts are produced.

34 Director Fraites said his main concern is the aesthetics and that he agrees with Director
35 Petterle but not sure if the architecture of new pump station will solve the issues. He said he is
36 hoping the public has confidence in the Board to make the best decision. He said he would like to
37 not build at this location but this is just his position. Director Joly urged the public to please trust

1 staff and the Board to look at the project carefully and make the correct decision. He said it is a little
2 early to take the project site off the table. He said each director is elected for a specific division but
3 they work as a whole for the District and again emphasized that the public should trust them. He
4 asked Mr. Shaw if the size was his main concern. Mr. Shaw said it will be an eyesore and asked
5 about the vehicle access and said the parking area and the pump station on open space doesn't
6 make sense. President Baker said he isn't ignoring the concerns but he doesn't want to pull this site
7 off at this stage.

8 On the motion of Director Joly, and seconded by Director Petterle, with the caveat that he
9 was making it clear to staff this this is not his preferred location. He said if is the only viable option, it
10 will have to be gorgeous, hidden and have no noise issues. The Board approved the item by the
11 following vote:

12 AYES: Director(s) Baker, Eichstaedt, Frites, Joly and Petterle

13 NOES: None

14 ABSENT: None

15 ABSTAIN: None

16 President Baker reiterated that it is premature to remove this site from the project. Mr. Shaw
17 thanked the Board for listening. Director Petterle apologized for the brevity of his response to emails
18 he received from customers. The members of public then left the meeting.

19 **APPROVE: AUTHORIZE AFFIRMATIVE VOTE FOR SONOMA WATER FY 2024/2025 WATER**
20 **TRANSMISSION SYSTEM BUDGET**

21 Jake Spaulding and Lynne Rosselli of Sonoma Water attended the meeting. Mr. Spaulding
22 presented the Sonoma Water FY 2024/2025 Water Transmission System Budget. He explained the
23 needs for infrastructure repairs and improvements and noted that there are three aqueducts that
24 serve the water contractors who pay the rate to receive water. Mr. Spaulding said there are
25 challenges such as a fully volumetric rate calculation, low water deliveries, aging infrastructure,
26 maintenance needs, increased repairs, and natural hazard vulnerabilities. He also said that last
27 year was the lowest delivery year on record. He said that main hazard mitigation projects were
28 budgeted to reduce overall risks as well as other capital projects to increase resiliency have been
29 budgeted such as operations and maintenance, improve, maintain, and protect system reliability, the
30 biological opinion, water supply planning, and water conservation. Mr. Spaulding noted that the
31 Operations and Maintenance (O&M) is the largest expense, followed by capital projects, and then
32 the biological opinion. The actual rate increase would have been 19.68% using the formula in the
33 restructured agreement but using a Water Advisory Committee approved agreement variance, the
34 proposed rate is 11.74% for the District, a difference of 8.08%. Director Joly stated that these are
35 shattering rates for the past two years as well as the foreseeable future and feels this indicates an
36 organizational failure on the part of Sonoma Water for the sudden change. Director Joly noted that
37 we have had a fair and reasonable relationship for so many years. Ms. Rosselli said that the rate

1 calculation is directly tied to volumetric changes to the delivery of water and that low water deliveries
2 in the last 3 years are a huge impact. She said that the future rate increase is based on the past
3 trend in water deliveries with only modest growth. She also said that Sonoma Water kept increases
4 low during the drought, COVID, and the past regional fires to minimize impacts to the water
5 contractors but now everyone is paying for it. Director Joly said he feels the model is broken when
6 there are catastrophic rate increases and Sonoma Water should consider how they define capital
7 projects versus O&M. Ms. Rosselli said having bonds and loans for capital projects helps keep the
8 rates lower than they could be. Director Petterle noted that the District could find itself in the same
9 situation by deferring needed projects, and then suddenly have the need to raise rates. Ms. Rosselli
10 emphasized again that the rate is mostly based on water deliveries. Tony Williams noted that the
11 Technical Advisory Committee (TAC) members and Sonoma Water staff are collaborating and
12 reviewing actual deliveries compared to budget at each TAC Ad-hoc meeting. Director Joly said he
13 thinks the restructuring agreement needs to be looked at some time in the near future. Mr.
14 Spaulding concluded his presentation and noted a slide that had the rates of other regional water
15 wholesales listed and Sonoma Water was the lowest. Ms. Rosselli said that higher deliveries will
16 reduce rates.

17 Director Eichstaedt said that we need to make sure we message customers, and people on
18 fixed incomes need to be informed and noted that capital projects are critical as we are going to
19 have to make some significant improvements.

20 On the motion of Director Petterle, and seconded by Director Joly, the Board approved the
21 item by the following vote:

22 AYES: Director(s) Baker, Eichstaedt, Fraites, Joly and Petterle

23 NOES: None

24 ABSENT: None

25 ABSTAIN: None

26 Ms. Rosselli and Mr. Spaulding then left the meeting.

27 **APPROVE: NORTH BAY WATERSHED ASSOCIATION 2024 CONFERENCE SPONSORSHIP**
28 **- DIRECT STAFF**

29 Tony Williams explained to the Board that staff is not asking the Board for sponsorship at the
30 North Bay Watershed Association 2024 conference and that the cost is not budgeted. He said that
31 Karen Clyde, HR Manager, will be attending and has been working with NBWA on one of the
32 conference sessions. President Baker said that at one time the District declined to join the
33 association but we did eventually join and pay dues but do not donate to them. He said that he isn't
34 really in favor of donating. Director Fraites said he has mixed feelings and questioned why we need
35 an ad in the conference brochure when we pay dues. He said he hopes others will attend the
36 conference. Director Petterle said that it is a good group to be associated with and feels the
37 requested sponsorship donation amount \$1,500 is low. Robert Clark spoke and said that he feels it

1 would be beneficial to be a part of the conference and that these types of associations can bring
2 funding to the District.

3 On the motion of Director Petterle, and seconded by Director Eichstaedt, the Board approved
4 the item by the following vote:

5 AYES: Director(s) Eichstaedt, Fraites, Joly, and Petterle

6 NOES: Director Baker

7 ABSENT: None

8 ABSTAIN: None

9 **INFORMATION ITEMS**

10 **2023/24 MID-YEAR PROGRESS REPORT – OPERATIONS/MAINTENANCE**

11 Robert Clark addressed the Board and went over the 2023/24 Mid-Year Progress Report for
12 the Operations and Maintenance Department. He said that his crews have been busy and that the
13 granulated activated carbon replacement at Stafford Treatment Plant was completed this year. He
14 mentioned that since the Stafford Treatment Plant is nearly 20 years old, things are starting to wear
15 out and will be need replacement. Mr. Clark noted training sessions with Marin County Fire
16 Department for various events at the plant and dam. He also said that goats were brought in again
17 to help with the poison oak abatement around Stafford Lake and that this has worked very well. Mr.
18 Clark said that in Pt. Reyes the salinity in the water has dropped significantly since the Gallagher
19 Well No. 2 has been active and there has not been any complaints in the past 12 months. In
20 Oceana Marin, there has been an overall reduction of water infiltration in the collection system due
21 to key repairs and an active inspection program. In regards to Maintenance division, Mr. Clark said
22 NEXGEN asset management program is working well and overall usage is increasing.

23 President Baker thanked Mr. Clark for his report.

24 **MISCELLANEOUS**

25 The Board received the following miscellaneous items: Disbursements dated March 7, and
26 March 14, 2024, Monthly Progress Report, Auditor-Controller's Monthly Report of Investments for
27 January 2024, Letter from Assembly member Damon Connolly to CPUC President, ACWA – State
28 Water Board Releases Revised Draft Regulation for Making Conservation a California Way of Life.
29 State Water Board – Notice of Public Availability of Changes to Proposed Regulation Regarding
30 Making Conservation a California Way of Life.

31 The Board received the following news articles Marin IJ – Buyer of land has vision of 27 lots
32 – WEST MARIN, Marin, water agencies join study of extreme weather – CLIMATE CHANGE, Reject
33 AT&T's bid to shed local landlines – EDITORIAL, Pt. Reyes Light – Rodoni wins re-election in
34 landslide victory this week.

35 The Board also received the NMWD Web and Social Media Report – February 2024.

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1 **ADJOURNMENT**

2 President Baker adjourned the meeting at 6:19 p.m.

3 Submitted by

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Eileen Mulliner

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District Secretary

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**MEMORANDUM**

To: Board of Directors

April 2, 2024

From: Tony Williams, General Manager *TW*
Julie Blue, Auditor-Controller *JB*

Subj: Accept 2024 Novato and Recycled Water Rate Study Draft Report and Direct Staff to Prepare a Proposition 218 Notice of Public Hearing

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RECOMMENDED ACTION: That the Board:

1. Accept 2024 Novato and Recycled Water Rate Study Draft Report;
2. Direct Staff to Prepare a Proposition 218 Notice of Public Hearing

FINANCIAL IMPACT: None at this time

This memo is presented to the Board and public as follow up to the 2024 Novato and Recycled Water Rate Study workshop which occurred at a Special Board meeting on March 13, 2024. The 2024 Novato and Recycled Water Rate Study (Attachment 1) was prepared by rate consultant, Mark Hildebrand, and was developed through several meetings with District Staff and the Board's Ad Hoc Water Management Subcommittee, comprised of Directors Michael Joly and Stephen Petterle.

Background

The objective of the Water Rate Study is to develop water rates that are fair and equitable and to ensure that the District's water rates comply with California Constitution Article XIII D, Section 6 (commonly referred to as Proposition 218). In order to maintain compliance, the rate structure should generate revenue from each class of customers in proportion to the cost to serve each customer. In light of the recent variability of the purchased water costs, the Water Rate Study considers a mechanism whereby the District will be authorized to pass-through the costs associated with increases in the cost of Sonoma County Water Agency (Sonoma Water) wholesale water rate.

Rate Study Discussion

The rate study prepared multi-year financial plans and reviewed the District's rate structure components to develop 5-year rate schedules for both the Novato Water and Recycled Water service areas. The financial plans were based on historical and budgeted financial information

including historical and budgeted operating costs, a multi-year capital improvement program, and outstanding debt service obligations. For Novato Water, the financial plans incorporate an 11.74% (Sonoma Water) rate increase in FY 24/25 to cover the higher than anticipated costs of purchasing Sonoma Water, along with implementing a pass-through mechanism for subsequent years, as discussed above. The analysis identifies a revenue shortfall in upcoming years which leads to the conclusion that revenue adjustments are required. Mark Hildebrand will give a presentation to lead the discussion including: the rate setting process, rate study framework, enterprise fund revenue/expenses, capital spending and reserves, financial forecast and rate structure design.

Following the presentation, questions and comments are welcome from the Board and members of the public. At the close of the presentation and discussion, the Board will consider accepting the 2024 Novato and Recycled Water Rate Study, directing staff to draft a three-year Proposition 218 notice, and approving a pass-through charge for Sonoma Water costs. The public hearing is proposed to occur on June 18, 2024 at a regularly scheduled Board meeting.

RECOMMENDATION

That the Board:

1. Accept the Draft 2024 Novato and Recycled Water Rate Study;
2. Direct staff to prepare a proposition 218 Notice of Public Hearing on proposed rate structure changes and revenue increases.

ATTACHMENTS:

1. Draft 2024 Novato and Recycled Water Rate Study, March 28, 2024
2. 2024 Novato and Recycled Water Rate Study Presentation, April 2, 2024



NORTH MARIN WATER DISTRICT

2024 Novato and Recycled Water Rate Study

Draft Report

March 28, 2024



March 28, 2024



Mr. Tony Williams
General Manager
North Marin Water District
999 Rush Dr.
Novato, CA 94945

Re: Final 2024 Novato and Recycled Water Rate Study

Dear Mr. Williams,

Hildebrand Consulting is pleased to present this 2024 Water Rate Study (Study) for the Novato Enterprise and Recycled Water Enterprise that was performed for North Marin Water District (District). We appreciate the fine assistance provided by you and all of the members of the District staff who participated in the Study.

If you or others at the District have any questions, please do not hesitate to contact me at:

mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of service to the District and look forward to the possibility of doing so again in the near future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Hildebrand', is located below the 'Sincerely,' text.

Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

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Schedule 2 - Novato Enterprise Projected Cash Outflows

Schedule 3 - Novato Enterprise Capital Improvement Program

Schedule 4 - Novato Enterprise Cash Flow Pro Forma

Schedule 5 - Recycled Water Enterprise Projected Cash Inflows

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Schedule 7 - Recycled Water Enterprise Cash Flow Pro Forma

Schedule 8 – Allocation of Costs to System Functions – Novato Enterprise

Schedule 9 - Allocation of Costs to System Functions – Recycled Water Enterprise

Schedule 10 – Schedule of Proposed Rates

List of Acronyms

AEEP	Aqueduct Energy Efficiency Project
AWWA	American Water Works Association
CIP	capital improvement program
COS	cost of service
DCR	debt service coverage ratio
FY	fiscal year (which ends on June 30 for the District)
FRC	Facility Reserve Charge (a.k.a. capacity charge)
G&A	general and administrative
GPD	gallons per day
GPM	gallons per minute
LGVSD	Las Gallinas Valley Sanitary District
MG	million gallons
MMWD	Marin Municipal Water District
NSD	Novato Sanitary District
O&M	operations and maintenance
OPEB	Other Post-Employment Benefits
PayGo	“pay as you go” (i.e., cash financing for capital projects)
SCWA	Sonoma County Water Agency (also known as Sonoma Water)
SRF	State Revolving Fund (loan program)
TGAL	thousand gallons

Section 1. INTRODUCTION

Hildebrand Consulting, LLC has been retained by North Marin Water District (District) to conduct a rate study (Study) for the Novato water service area and the District’s recycled water system. This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 UTILITY BACKGROUND

The District provides water service to approximately 61,000 residents in the greater Novato area through over 20,700 potable water service connections and nearly 100 recycled water connections. The District also provides water service to approximately 1,800 residents in the Point Reyes service area of West Marin County and sewer service to approximately 500 residents in the Oceana Marin service area of West Marin County. The focus of this Study is both the Novato service area (which sells potable water) and the Recycled Water system. The District was formed by voter approval in April 1948 pursuant to provisions of the County Water District Law and is governed by a five-member Board of Directors, elected by division from within the District’s service area.

During an average year, about eighty percent of the Novato service area’s water supply is purchased from the Sonoma County Water Agency (“Sonoma Water” or “SCWA”), while the remaining supply is treated surface water from Stafford Lake.

Recycled Water services are made available to customers by virtue of interagency agreements¹ with Novato Sanitary District (NSD) and Las Gallinas Valley Sanitary

¹ The “Inter Agency Agreement for Recycled Water Between Las Gallinas Sanitary District and North Marin Water District” and the “Inter Agency Agreement for Recycled Water Between Novato Sanitary District and North Marin Water District” both executed in 2011.

District (LGVSD), whereby the sanitary districts provide tertiary treated wastewater and NMWD conveys the recycled water to end users.

1.2 SCOPE & OBJECTIVES OF STUDY

The scope of this Study is to prepare multi-year financial plans, update the rate structures, and propose a 5-year rate schedule for both the Novato Enterprise and the Recycled Water Enterprise.

The primary objectives of this Study are to:

- i. Develop multi-year financial management plans that integrate operational and capital project funding needs
- ii. Identify future rate adjustments to water rates to help ensure adequate revenues to meet each enterprise's respective ongoing financial obligations
- iii. Determine the cost of providing water service using industry-accepted methodologies
- iv. Update the District's existing rate structures in order to ensure that the District continues to equitably recover the cost of service and comporting with industry standards and California's legal requirements
- v. Introduce a pass-through provision to account for the changing cost of wholesale water

1.3 STUDY METHODOLOGY

This Study applied methodologies that are aligned with industry standard practices for rate setting as laid out in the American Water Works Association (AWWA) M1 Manual, and all applicable law, including California Constitution Article XIII D, Section 6(b), commonly known as Proposition 218.

The Study began with a review of the District's current financial dynamics and latest available data for the utility's operations. Multi-year financial management plans for both the Novato Enterprise (potable water) and the Recycled Water Enterprise were

then developed to determine the level of annual rate revenue required to cover projected annual operating expenses, debt service (including coverage targets), and capital cost requirements while maintaining adequate reserves. This portion of the Study was conducted using an MS Excel[®]-based financial planning model which was customized to reflect both enterprises financial dynamics and latest available data for the utility's operations in order to develop a long-term financial management plan, inclusive of projected annual revenue requirements and corresponding annual rate adjustments.

Revenue requirements calculated for fiscal year ending June 2025 (FY 2024/25²) were then used to perform a detailed cost-of-service (COS) analysis. The COS analysis and rate structure design were conducted based upon principles outlined by the AWWA, legal requirements (Proposition 218) and other generally accepted industry practices to develop rates that reflect the cost of providing service.

² Fiscal years are sometimes indicated by their ending years. For example, FY 2024/25, starts on July 1, 2024, and ends on June 30, 2025, can also be expressed as FY 2025.

Section 2. FINANCIAL PLANS

This section presents the 10-year financial plans for both the Novato Enterprise and the Recycled Water Enterprise, including a description of the source data, assumptions, and the District’s financial policies. The District provided historical and budgeted financial information associated with operation of the Novato Enterprise and Recycled Water Enterprise, including historical and budgeted operating costs, a multi-year capital improvement program (CIP), and outstanding debt service obligations. District staff also assisted in providing other assumptions and policies, such as reserve targets and escalation rates for operating costs (all of which are described in the following subsections).

The 10-year financial plans were developed through several interactive work sessions with both District staff and the Board’s Water Management Ad Hoc Committee. As a result of this process, the Study has produced robust financial plans that will allow the District to meet the revenue requirements of the respective enterprises and achieve financial performance objectives throughout the projection period while striving to minimize rate increases.

2.1 NOVATO ENTERPRISE FINANCIAL PLAN

The following provides the details of the Novato Enterprise financial plan.

2.1.1 Novato Enterprise Beginning Fund Balances

The ending cash balances for FY 2022/23 were used to establish the FY 2023/24 beginning balances, as outlined in **Table 1**.

Table 1: Novato Enterprise FY 2023/24 Beginning Cash Balance

Cash	\$2,102,000
Operating Reserve Fund	\$5,780,000
Maintenance Accrual Fund	\$4,000,000
Liability Contingency Reserve	\$1,606,000
Worker's Compensation Fund	\$19,000
Retiree Medical Benefits Fund	\$4,344,000
Webster Bank-Admin Bldg/CIP Fund	\$10,481,000
Total Unrestricted:	\$28,332,000
Restricted:	\$1,341,000
Total Reserves:	\$29,673,000
Long-term Receivable from other funds:	\$7,126,000

The “Restricted” reserves are primarily associated with reserves that are set aside in conformance with debt covenants for an existing State Revolving Fund (SRF) loan. The purpose and target reserve levels for the remaining funds is detailed in Section 2.1.7. The “Long-term Receivable from other funds” is explained in Section 2.2.6 and Footnote 10.

2.1.2 Novato Service Area Customer Growth

Over the past 5 years the District has collected an average of approximately \$1.57 million per year in Facility Reserve Charge³ (FRC) revenue from new customers connecting to the system. While this level of growth may continue, this Study conservatively assumes that FRC revenue will average \$793 thousand per year going forward (about half of the average revenue from FY2018/19 – FY2022/23). This level of revenue corresponds with a growth rate of approximately 0.13 percent. This Study

³ The District’s Facility Reserve Charges are known as “Capacity Charges” per Government Code Section 66013.

assumes that this rate of growth will continue over the next 10-year planning period, while also recognizing that actual growth may turn out to be materially higher.

2.1.3 Novato Enterprise Revenues

Rate revenue is the revenue generated from customers for water service. The District collects rate revenue from potable water customers in the Novato service area based on a fixed “Service Charge” (assessed based on meter sizes) and a water usage “Quantity Charge.” Customers receive a bimonthly bill. The Novato Enterprise financial plan starts with the FY 2023/24 budgeted rate revenues (the District adopted a 9.5 percent increase on July 1, 2023). Future rate revenue projections account for assumed customer growth (see Section 2.1.2) as well as the annual rate revenue adjustments proposed by this Study. Budgeted and projected rate revenues (including proposed rate adjustments) are listed in **Schedule 1**.

In addition to rate revenue, the District receives some “non-rate revenue” from sources such as miscellaneous service fees (“operating revenue”), wheeling charges⁴, FRC revenue, rents/leases on District property, limited property taxes, loan repayments⁵, interest revenue on investments, and occasionally grants. Projections of all non-rate revenues were based on FY 2023/24 budgeted revenues with the exception of interest income which was calculated annually based upon projected fund balances and assumed interest rate of 2.0 percent on invested funds, which is consistent with the District’s historical interest earnings. Budgeted non-rate revenues are depicted in Figure 2 below and detailed in Schedule 1. A portion of the non-rate revenue (specifically lease revenue) is used to fund the District’s Low Income Rate Assistance (LIRA) program, which provides a bill discount to certain qualifying customers.

⁴ Charged to Marin Municipal Water District (MMWD) for wholesale water transfers through NMWD’s Aqueduct.

⁵ Namely from MMWD for capital contributions to the Aqueduct Energy Efficiency Project (AEEP).

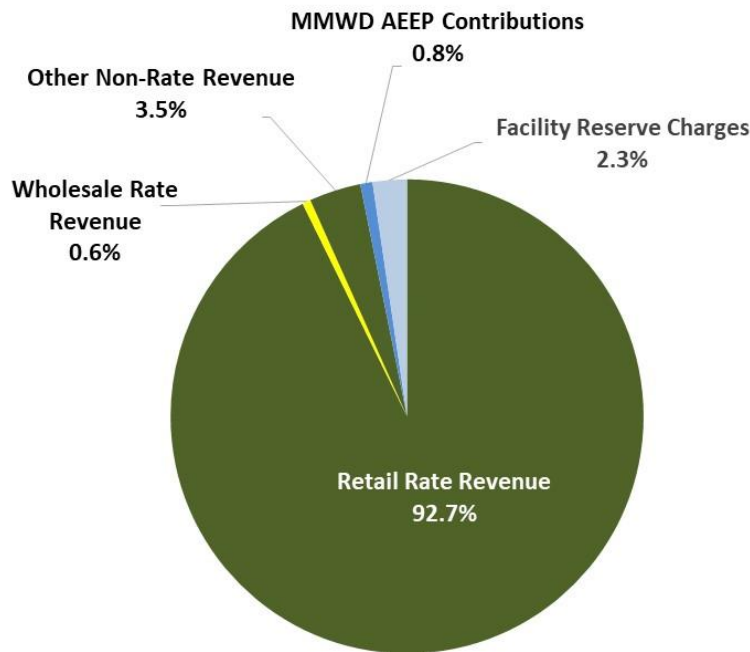


Figure 1: Novato Enterprise Revenue Categories (Budget FY 2023/24)

It should be noted that California law (specifically Government Code Section 66013) requires that FRC revenue be spent “solely for the purposes for which the charges were collected” (i.e., expansion-related capital projects). In the case of the District, FRC revenue is used to pay for expansion-related capital projects as well as contribute to existing Recycled Water enterprise debt service payments (the debt was issued to fund Recycled Water system expansion projects). The use of FRC revenue to pay for the expansion of the Recycled Water system is reasonable given that Recycled Water is part of the District’s larger water portfolio, and the use of recycled water mitigates the District’s need to pay for other (potentially more expensive) new sources of potable water. The mechanics of the transfer of FRC revenue from the Novato Enterprise to the Recycled Water Enterprise are explained in more detail in Section 2.2.5.

2.1.4 Novato Enterprise Operating and Debt Expenses

Novato Enterprise expenses include operating and maintenance expenses, SCWA water purchase payments, debt service, and transfers to the Recycled Water Enterprise (see Section 2.2.5). Capital spending is addressed in Section 2.1.6. The Novato Enterprise current outstanding debt includes a 2008 loan from Bank of Marin (a \$8.0 million loan, \$7 million of which was for the Aqueduct Energy Efficiency Project and \$1 million for West Marin capital projects), a 2010 SRF loan for the Stafford Treatment Plant (\$16.5 million), a 2019 loan from JP Morgan Chase (\$4.6 million for the Advanced Meter Information (AMI) Project), and a 2022 Webster Bank loan (\$20.0 million for the Administration and Laboratory Upgrade Project and other capital improvement projects). The Novato Enterprise total annual debt service in FY 2023/24 is \$3.3 million.

The District's existing loans have a debt service coverage ratio (DCR) requirement of 1.20. Based on recently published guidance from Fitch Ratings⁶, utility systems with *midrange* financial profiles should maintain a DCR greater than 1.50 times annual debt service. As per the District's debt management policy (Policy No. 47), a DCR of at least 1.50 is planned throughout the projection period to enable the District to access favorable borrowing terms in the future.

Future operating expenses were projected based upon the budgeted expenditures from FY 2023/24 and adjusted for inflation (see Section 2.1.5).

Budgeted expense categories for FY 2023/24 are depicted in **Figure 2**. Projected operating and debt expenses are detailed in **Schedule 2**.

⁶ As published on July 31, 2013.

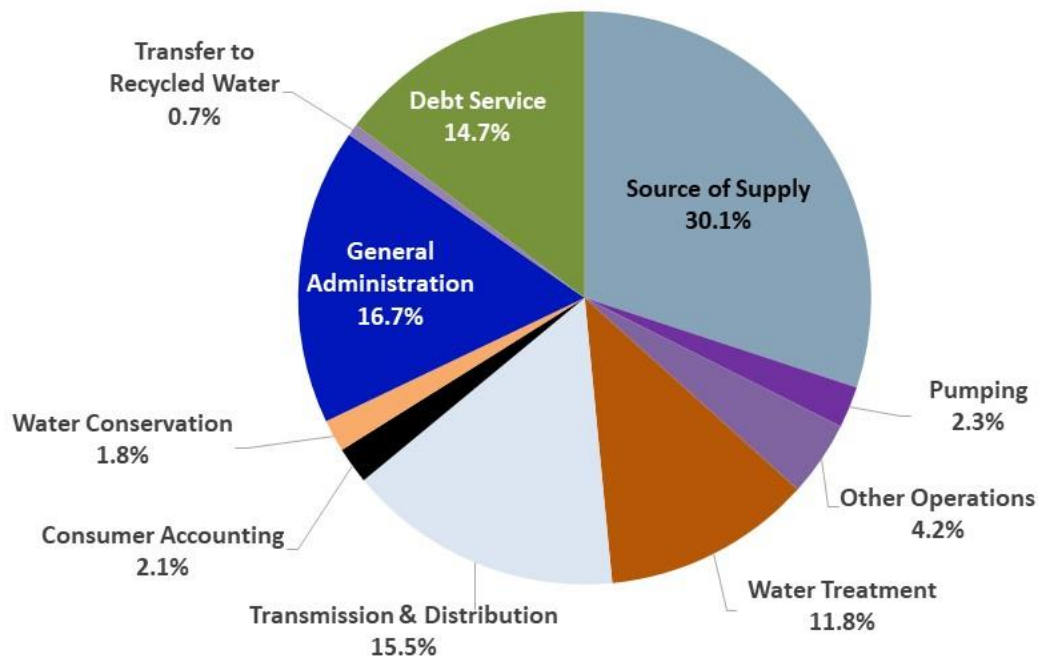


Figure 2: Novato Enterprise Expense Categories (Budget FY 2023/24)

2.1.5 Cost Escalation

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, published inflation forecasts, industry experience, and discussions with District staff. During the projection period, most of the Novato Enterprise and Recycled Water Enterprise expenses are projected to increase at 3.0 percent per year. As an exception, utilities are forecasted to increase by 12 percent in FY 2025 and 5 percent thereafter, chemicals are forecasted to increase by 10 percent in FY 2025 and 5 percent thereafter, and supplies assumed to increase by 5 percent per year. Wholesale water costs are scheduled to increase by 11.74 percent in FY 2024/25 (as reported by Sonoma Water). The wholesale water cost increases thereafter are not

captured by the financial plan given the pass-through provisions proposed by this Study (see Section 4).

2.1.6 Novato Enterprise Capital Improvement Program

Figure 3 shows that cash-funded (“Pay as you go” or “PayGo”) capital spending from FY 2020/21 to FY 2022/23 has averaged \$1.66 million. During that period, the District has also received a \$20 million loan for the Administration and Laboratory Upgrade Project and other capital improvement projects.

Going forward, while overall annual capital spending will decrease, the annual PayGo spending is expected to increase to an average of \$3.5 million. The District is increasing its PayGo spending in order to pro-actively address aging pipes, pump stations, water tanks, and other system deficiencies, such as making improvements to the system’s fire flow capacity.

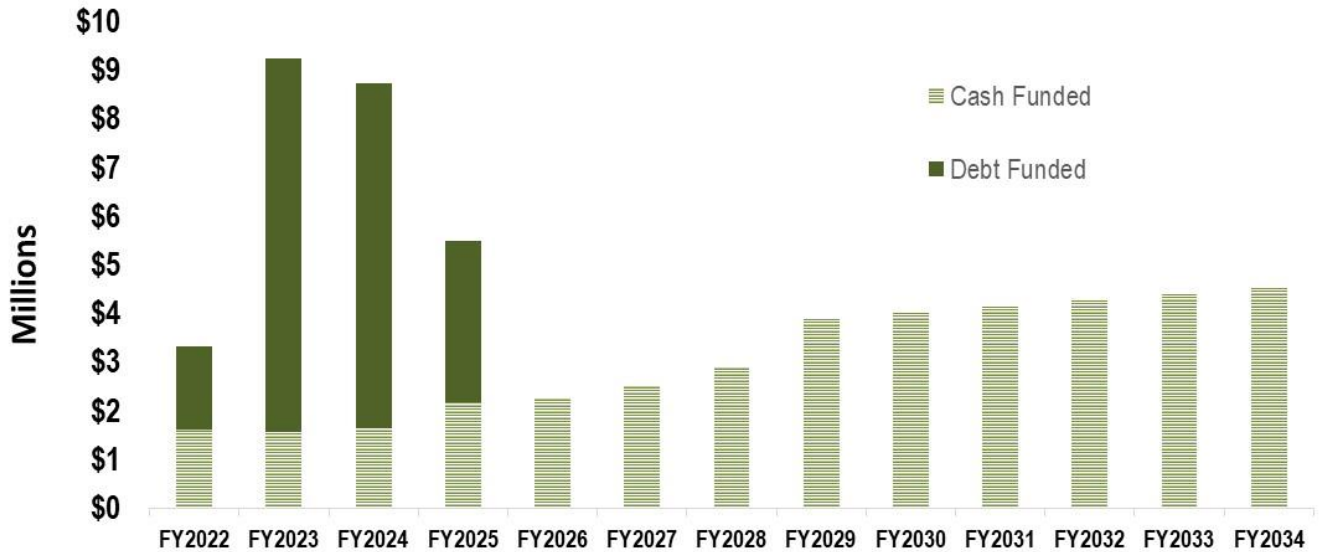


Figure 3: Novato Enterprise Historic and projected capital spending

A detailed list of capital projects and associated costs is provided in **Schedule 3**.

The capital spending forecast is based on the District's 5-year capital improvement plan (CIP). All capital spending values provided by the District were provided in current dollars and were inflated at a rate of 3 percent per year.

2.1.7 Novato Enterprise Reserve Policies

Target reserves for utilities are cash balances retained for specific cash flow needs. The target for reserves is an important component when developing a multi-year financial plan. Utilities rely on reserves for financial stability; credit rating agencies evaluate utilities in part on their adherence to formally adopted reserve targets; and lending agencies require utilities to maintain specific debt reserves for outstanding loans.

The Novato Enterprise has formal reserve policies (Policy No. 45, last revised on May 1, 2018) which includes three separate reserve targets, which are summarized below. The target levels of the policies below are consistent with 1) the findings of reserve studies conducted by the AWWA; 2) a healthy level of reserves for a utility per the evaluation criteria published by rating agencies (e.g., Fitch, Moody's, and Standard & Poor's); and 3) Hildebrand Consulting's industry experience for similar systems.

Operating Reserve – The Operating Reserve is comprised of a minimum of four months of budgeted operating expenditures as recommended by the District's financial advisors. This reserve serves to ensure adequate working capital for operating, capital, and unanticipated cash flow needs that arise during the year.

Given the forecasted FY 2023/24 O&M budget of \$20.6 million, the Operating Reserve target will be \$6.9 million.

Other Post-Employment Benefits (OPEB) Liability Reserve – The District pays the cost of health insurance for retirees (subject to certain limitations). The target level for this reserve is based on a 2023 actuarial analysis which calculated the District's total OPEB accrued liability at \$4.3 million.

Liability Contingency Reserve – This reserve was established when the District first elected to self-insure its general liability risk. Today the reserve target is \$2 million based on an independent financial assessment of the District’s current liabilities.

Maintenance Accrual Fund Reserve – This reserve provides a source of funds for the replacement of treatment, storage, transmission, and distribution facilities as they wear out. By written policy, the reserve target goal is \$2.5 million, however in practice the District has increased the target to \$4.0 million based on the District’s planned increase in PayGo spending.

This Study proposes that the District distinguish between “**Minimum “Reserves”** and “**Reserve Targets.**” The first two reserve targets above (the Operating Reserve target, OPEB Liability Reserve target, and Liability Contingency Reserve target, which add up to approximately \$11.2 million) are maintained for the purpose of mitigating unexpected expenses or events. For this reason, the District should always plan to have these reserves fully funded (in case those unexpected events come to pass, at which time it may be appropriate to draw down on the reserves). On the other hand, the Maintenance Accrual Fund Reserve is designed to give the District some “cushion” to smooth out the peaks and valleys in the PayGo capital spending program. As such, it makes sense to draw down on this reserve during years of higher-than-average PayGo spending and replenish the reserve during years with lower-than-average spending. The Liability Contingency Reserve is a useful safety net for unexpected liability events; however, the District now carries a third-party insurance policy therefore keeping the Liability Contingency Reserve funded at all times is no longer as critical as it was when the District was self-insured. As such, the Liability Contingency Reserve and Maintenance Accrual Fund Reserve is treated as a “target” rather than a “minimum.”

The total reserve target by year is shown in **Schedule 4** (Novato Enterprise 10-Year Cash Flow Proforma), which shows that the projected cash reserves do not dip below the minimum reserve target, while the Target Reserve level is only occasionally fully funded.

2.1.8 Proposed Novato Enterprise Rate Revenue Increases

All of the above information was entered into a Novato Enterprise financial planning model to produce a 10-year projection of the sufficiency of revenues to meet current and projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period.

Based upon the previously discussed financial data, assumptions, and policies, this Study proposes a 5-year schedule of rate adjustments as detailed in **Table 2**. The proposed rate revenue increases starting on July 1, 2025, do not include the pass-through of Sonoma Water costs, as covered in Section 4. The proposed rate increase on July 1, 2024, already includes the projected increase in Sonoma Water costs and therefore the pass-through provision is not applicable.

Table 2: Recommended Novato Enterprise Water Rate Revenue Increase*

Rate Adjustment Date	Proposed Rate Revenue Increase
July 1, 2024	8.5%
July 1, 2025	6.0%
July 1, 2026	6.0%
July 1, 2027	4.0%
July 1, 2028	4.0%

* The pass-through of wholesale water costs may still apply starting in July 2025.

The numbers provided in **Schedule 4** (Novato Enterprise cash flow proforma) are summarized graphically in **Figure 4**, which shows that cash reserves and DCR targets are maintained over the course of the planning period.

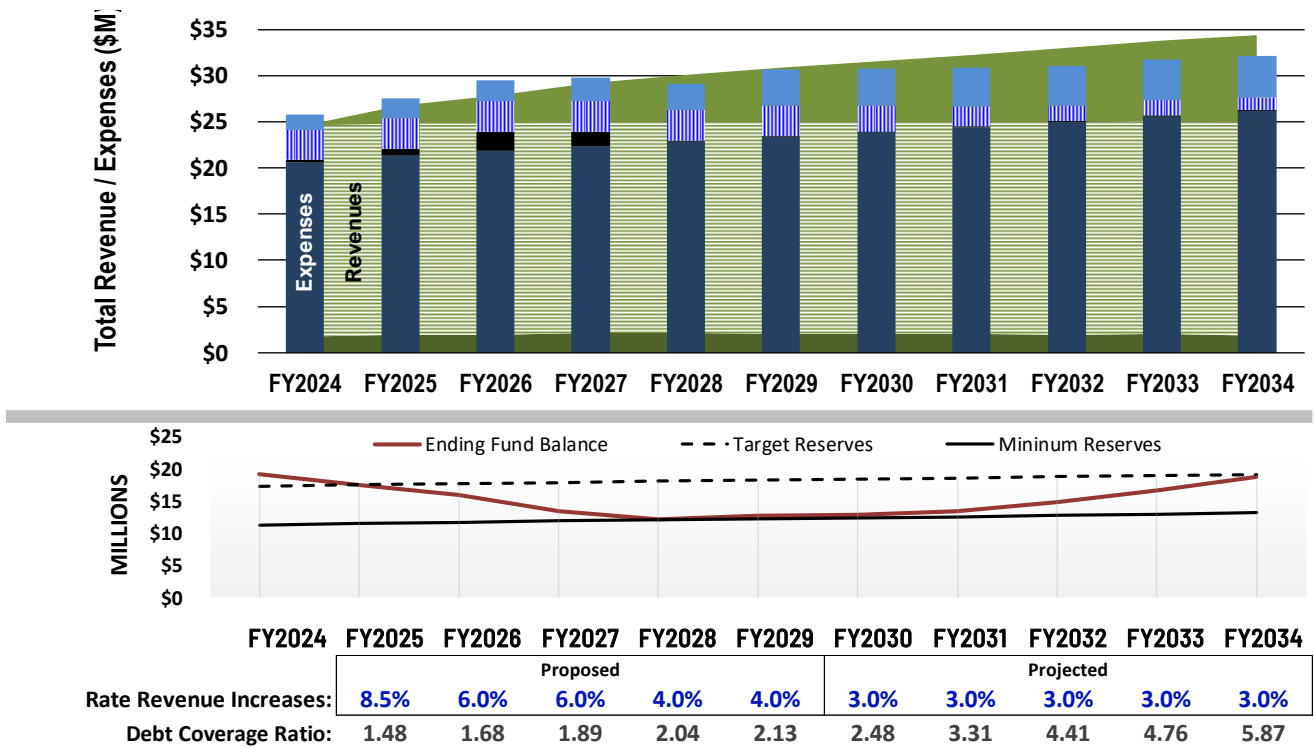


Figure 4: Novato Enterprise Financial Projection with Recommended Rate Increases

After the final recommended increase in FY 2028/29, it is projected that minimal (approximately inflationary) increases will be necessary going forward, barring unforeseen emergencies or changes in infrastructure/operational needs.

2.2 RECYCLED WATER ENTERPRISE FINANCIAL PLAN

The following provides the details of the Recycled Water Enterprise financial plan.

2.2.1 Recycled Water Enterprise Beginning Fund Balances

The ending cash balances for FY 2022/23 were used to establish the FY 2023/24 beginning balances, as outlined in **Table 3**.

Table 3: Recycled Water Enterprise FY 2023/24 Beginning Cash Balance

Cash	\$206,000
Operating Reserve Fund	\$241,000
Total Unrestricted:	\$447,000
Restricted	\$1,105,000
Capital Replacement & Expansion Fund	\$3,062,000
Total Reserves:	\$4,614,000

The “restricted reserves” are associated with (1) reserves set aside in conformance with debt covenants for existing SRF loans and (2) the Deer Island RWF Replacement Fund. The “Capital Replacement & Expansion Fund” is a fund that is required per the interagency agreements with LGVSD and NSD. The purpose and target reserve levels for the unrestricted, as well as the Capital Replacement & Expansion Fund, is detailed in Section 2.2.5.

2.2.2 Recycled Water Customer Growth

Extending the recently developed Recycled Water system is a long and expensive endeavor. At this time, the District doesn’t have any plans to expand the Recycled Water system, although the existing system has the capacity to allow for expansion of the customer base in the future within or near the existing distribution system.

2.2.3 Recycled Water Revenues

Much like potable water customers, the Recycled Water Enterprise receives rate revenue from a fixed “Service Charge” and a water usage “Quantity Charge,” and customers receive a bimonthly bill. Rate revenue in the Recycled Water Enterprise financial plan begins with FY 2023/24 budgeted rate revenues. Future rate revenues are modeled to increase annually with the annual rate revenue adjustments proposed by this Study. Budgeted and projected rate revenues are listed in **Schedule 5**.

In addition to rate revenue, the Recycled Water Enterprise receives “non-rate revenue” from sources such as loan repayments⁷, miscellaneous service fees, interest revenue on investments, and occasionally grants (although no grant revenues are projected for this planning period). In addition, the Recycled Water Enterprise receives a substantial annual transfer from the FRC Fund to pay for debt service (explained in Section 2.2.6).

Projections of all non-rate revenues were based on FY 2023/24 budgeted revenues with the exception of interest income which was calculated annually based upon projected average fund balances and assumed the same interest rate as the Novato Enterprise. Budgeted revenues are depicted in **Figure 5** below and listed in detail in **Schedule 5**.

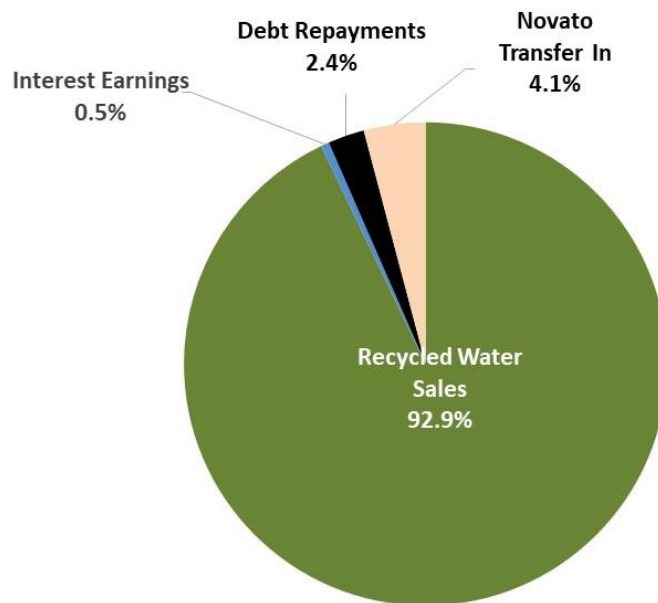


Figure 5: Recycled Water Revenue Categories (Budget FY 2023/24)

⁷ Namely Marin Country Club contributions to the enterprise’s debt service (approximately \$49 thousand per year).

2.2.4 Recycled Water Operating and Debt Expenses

Recycled Water expenses include operating and maintenance expenses, debt service, and transfers to the Capital Replacement & Expansion Fund. Capital spending is address in Section 2.2.7. The Recycled Water Enterprise currently has nine (9) outstanding SRF loans, ranging from a \$457 thousand loan to a \$7.1 million loan. The Recycled Water Enterprise total annual debt service in FY 2023/24 is \$1.163 million.

Future operating expenses were projected based upon the budgeted expenditures from FY 2023/24 and adjusted for inflation (see Section 2.1.5).

In accordance with its interagency agreements with NSD and LGVSD, the District also transfers out all of its net revenue⁸ to the Capital Replacement & Expansion Fund for the purpose of paying for the recycled water capital costs at the respective agencies (further explained in Section 2.2.5).

Budgeted expense categories for FY 2023/24 are depicted in **Figure 6**. Projected operating and debt expenses are detailed in **Schedule 6**.

⁸ The Interagency Agreements for Recycled Water between Novato Sanitary District, Las Gallinas Valley Sanitary District & NMWD require that any payments to the NMWD by its retail customers in excess of “Operating and Maintenance Costs” shall be deposited in a separate fund for capital expenditures at each respective agency. “Operation and Maintenance Costs” are defined as the actual cost of labor, equipment and vehicle charges, consumables, and spare parts and/or replaced components necessary to reliably treat and deliver recycled water to the retail customers. Operation and Maintenance Costs do not include costs for major capital replacement or process changes.

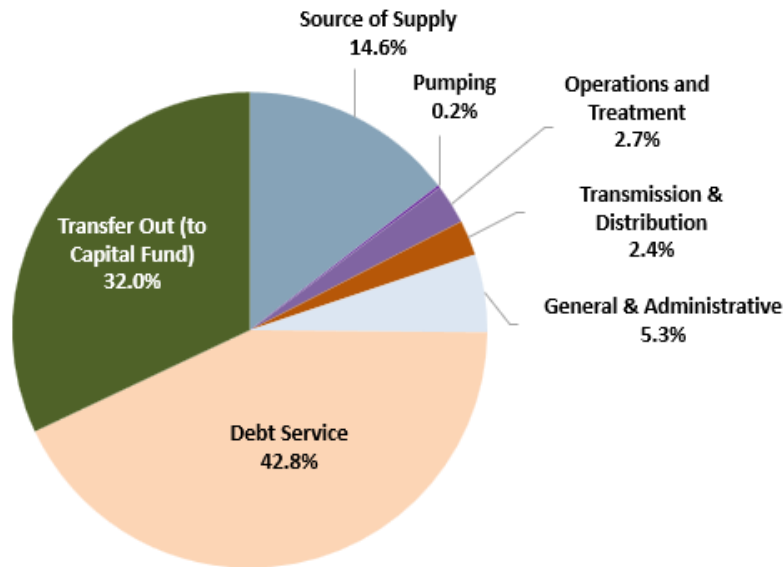


Figure 6: Recycled Water Expense Categories (Budget FY 2023/24)

2.2.5 Recycled Water Enterprise Reserve Policies

As discussed in Section 2.1.7, target reserves for utilities are cash balances retained for specific cash flow needs. District Policy No. 45 describes two formal reserves for Recycled Water:

- The **Operating Reserve** is comprised of a minimum of four months of budgeted operating expenditure and serves to ensure adequate working capital for operating, capital, and unanticipated cash flow needs that arise during the year. Given the budgeted FY 2023/24 O&M budget of \$683 thousand, the Recycled Water Operating Reserve target will be \$227 thousand.
- The Recycled Water **Capital Replacement and Expansion Fund** is required by the 2011 interagency agreement with NSD and the 2022 interagency agreement with LGVSD. The agreements require that all net revenue (i.e., rate revenue less operating costs) be deposited in this fund. This reserve is designed to set aside funds that will be used in the future to pay for reinvestment and/or expansion of the Recycled Water infrastructure. There are, in fact, three Capital Replacement

and Expansion Funds; one fund exists for each agency⁹. It is recommended that NMWD plan to maintain a minimum reserve of \$500 thousand in its Capital Replacement and Expansion Fund.

Note that the 2019 Study proposed to establish a separate Capital Reserve for the Recycled Water Enterprise but this current Study has concluded that such a fund is redundant with the Capital Replacement and Expansion Fund.

2.2.6 Interfund Loan from Novato Enterprise

As previously mentioned in Section 2.2.3, FRC funds help to pay for the debt service on loans that were used to expand the Recycled Water storage and distribution system. During years when FRC revenue is insufficient to pay for the Recycled Water debt service (currently about \$1.16 million per year), the remaining debt service is paid by borrowing from Novato Enterprise reserves. Since Novato rate revenue is not designed to pay for Recycled Water debt service, these transfers from Novato (on behalf of the FRC Fund) are tracked by the District as an interfund loan which will eventually be reimbursed to Novato by FRC revenue¹⁰.

The first of the Recycled Water nine loans will be paid off in FY 2026/27 and bulk of the remaining loans will be paid off by FY 2033/34 (see Schedule 6, Row 27). Based on current forecasts, it is expected that starting in FY 2027/28 there will be sufficient FRC revenue to both pay the Recycled Water debt service and growth-related capital

⁹ The annual distribution to each agency's Capital Replacement and Expansion Fund is made proportionately based on the agencies' respective depreciation expense since this value estimates each agency's respective future cost of infrastructure reinvestment.

¹⁰ The balance of the interfund loan owed to the Novato Enterprise was \$7.1 million as of July 1, 2023 (see Table 1). The balance is made up of a mix of Novato funds used to pay for Recycled Water debt service and Novato funds used to pay for growth-related capital projects.

projects and have enough remaining to start reimbursing the Novato Enterprise for the interfund loan.

Up until this point, transfers have been made to the Recycled Water Enterprise from the FRC Fund in amounts that are equal to the Recycled Water Enterprise's debt service less the Marin Country Club contributions to the Recycled Water debt service (approximately \$49 thousand per year) and any other non-rate revenues such as interest earnings and operating revenues (see Rows 4, 5 & 6 of Schedule 7). Going forward, however, it has been agreed with NSD and LGVSD that the funds in the Capital Replacement and Expansion Funds (see Section 2.2.5) are eligible to pay for debt service associated with Recycled Water projects. As such, it is assumed that NMWD's Capital Replacement and Expansion Fund will begin to contribute \$600 thousand toward debt service (see Row 20 of Schedule 7). Those contributions will taper starting in FY 2030/31 as debt service requirements taper off.

For example, in FY 2024/25 the debt service is \$1.163 million. \$800 thousand of that debt will be paid by the Capital Replacement and Expansion Fund and an additional \$80 thousand will be funded through operating revenue, interest earnings and Marin Country Club debt repayments. The remaining \$285 thousand will be paid by the FRC Fund, which will need to borrow the funds from the Novato Enterprise (see Row 30, Schedule 4).

2.2.7 Recycled Water Capital Improvement Program

Figure 7 shows that total capital spending from FY 2015/16 to FY 2017/18 was under \$30 thousand. This low capital spending is due to the fact that the recycled water infrastructure is very new. Starting in FY 2023/24 the annual capital spending is expected to increase to an average of about \$325 thousand per year as the District's preventative maintenance practices begin.

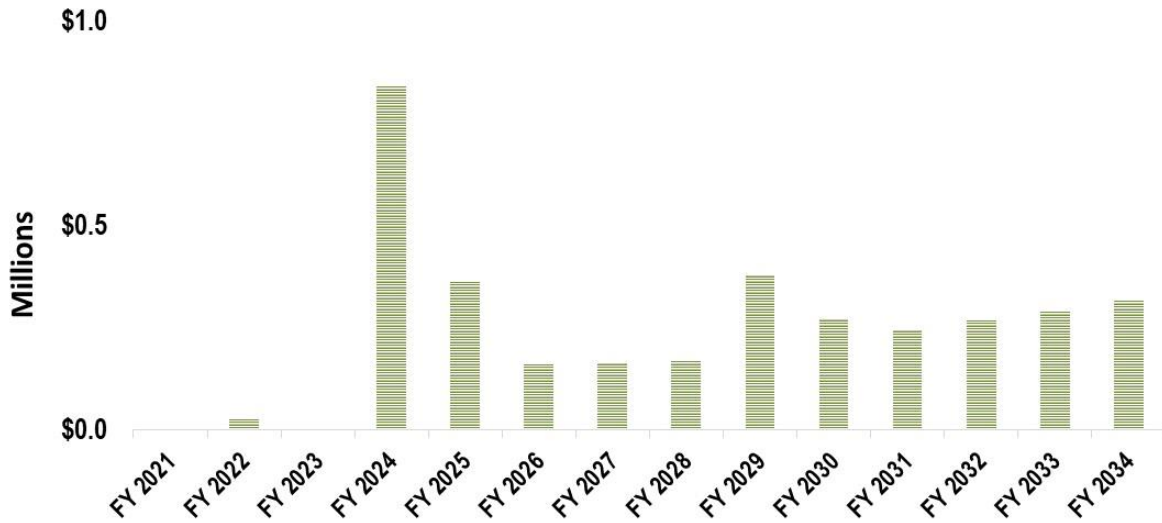


Figure 7: Historic and projected Recycled Water capital spending

2.2.8 Proposed Recycled Water Rate Revenue Increases

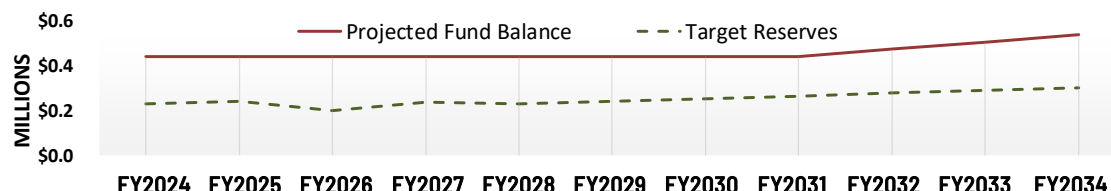
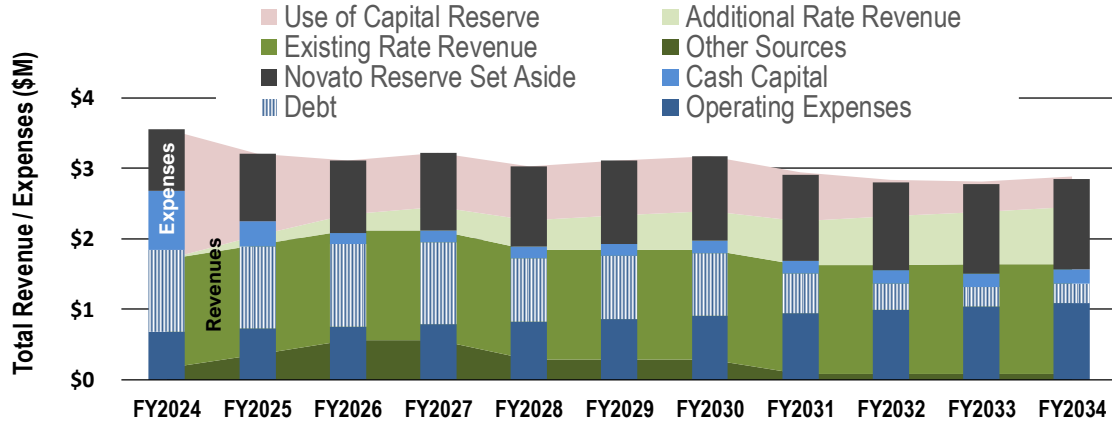
All of the above information was entered into a Recycled Water Enterprise financial planning model to produce a 10-year projection of the sufficiency of revenues to meet current and projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period.

Based upon the previously discussed financial data, assumptions, and policies, this Study proposes a 5-year schedule of rate adjustments which mirror those of the Novato Enterprise, as detailed in **Table 2**.

Table 4: Recommended Recycled Water Enterprise Rate Revenue Increase

Rate Adjustment Date	Proposed Rate Increase
July 1, 2020	8.5%
July 1, 2021	6.0%
July 1, 2022	6.0%
July 1, 2023	4.0%
July 1, 2024	4.0%

The numbers provided in **Schedule 7** (Recycled Water Enterprise cash flow proforma) are summarized graphically in **Figure 8**, which shows that cash reserves and DCR targets are maintained over the course of the planning period.



	Proposed					Projections				
Proposed Revenue Increases:	8.5%	6.0%	6.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Combined DCR:	1.48	1.68	1.89	2.04	2.13	2.48	3.31	4.41	4.76	5.87

Figure 8: Recycled Water Financial Projections with Recommended Rate Increases

After the final recommended increase in FY 2028/29, it is projected that minimal (approximately inflationary) increases will be necessary going forward, barring unforeseen emergencies or changes in infrastructure/operational needs.

Section 3. COST OF SERVICE & RATE STRUCTURE

The Cost-of-Service (COS) analysis evaluates the cost of providing water and recycled water service and to allocate those costs to rate structure components to ensure the proposed rates are aligned with costs to provide service. The COS analysis is done in order to comply with Proposition 218, which requires water rates to be equitably apportioned and proportional to the cost of providing water service.

Upon completion of the COS analysis, a rate structure analysis was performed to evaluate rate structure modifications and calculate specific rate schedules for implementation in FY 2024/25. The complete schedule of proposed rates for FY 2024/25 through FY 2028/29 is detailed in **Schedule 10**.

The rate structure proposed by this Study is designed to:

- ▶ Fairly and equitably recover costs through rates
- ▶ Conform to accepted industry practice and legal requirements
- ▶ Provide fiscal stability and recovery of system fixed costs

This Study employed a COS methodology that is consistent with the “commodity-demand” COSA methodology promulgated in AWWA’s *Manual M1: Principles of Water Rates, Fees, and Charges (M1)*. This is a well-established methodology as recognized by the AWWA and other accepted industry standards.

3.1 CURRENT RATES

The structure for the District’s current potable water and recycled water rates follows a common industry practice with a two-part structure that is comprised of a fixed Service Charge and a consumption-based Quantity Charge. In addition, some potable water customers pay an additional Elevation Zone Charge, which is a consumption-based charge based on the elevation of the property and the necessity to pump water to higher elevations. The Service Customer Charge is scaled based on the individual

account’s meter size and currently recovers approximately 31 percent of rate revenue for the Novato Enterprise and 9 percent of rate revenue for the Recycled Water Enterprise.

The Quantity Charge is assessed based on actual water usage (measured in thousand-gallon increments or “TGALs”) and the rate varies by customer class. Residential potable water customers pay inclining block rates (three tiers) and receive water allocations for each tier as summarized in **Table 5**.

Table 5: Current Residential Potable Tiered Rates

Tier	Rate (per TGAL)	Allocation (gallons per day per dwelling unit)
1	\$6.77	0 - 262
	\$7.67	263 - 720
3	\$9.44	Greater than 720

Commercial (i.e., all non-residential) potable water customers currently pay a uniform season rate as shown in **Table 6**.

Table 6: Current Commercial Seasonal Rates

Season	Rate (per TGAL)
Summer (July through September)	\$9.44
Winter (November through May)	\$6.77

Recycled Water customer classes currently pay a uniform rate of \$7.38 per TGAL.

The Novato Enterprise has two raw water customers that pay a Quantity Charge of \$3.60 per TGAL.

The Elevation Zone Charge is a surcharge added to the potable water Quantity Charges, as summarized **Table 7**.

Table 7: Current Elevation Zone Charges

Zone	Rate (per TGAL)	Elevation
A	\$0.00	0 to 60 ft
B	\$0.93	60 to 200 feet
C	\$2.58	Over 200 feet

3.2 BASIS FOR TIERED RESIDENTIAL USAGE RATES

The District’s tiered rates are made up of two components: the rate and the allocation. The rate is how much is charged per unit of water while the allocation is how much water can be purchased at each. The District uses water supply costs and availability to calculate the rates and the allocations for the tiered rates.

The Residential **Tier 1 rate** is designed to recover the cost of importing water from Sonoma Water (the District’s lowest cost source of water). The rates are calculated based on the costs associated with purchasing and importing the water, as summarized in the “Imported Water” column of **Schedule 8**. Since this imported water constituted about 80 percent of the District’s water usage during a typical year, the allocation of Tier 1 is 262 gallons per day (GPD) per dwelling unit, which results in about 80 percent of water sold to residential accounts to be sold at Tier 1 rates.

The Residential **Tier 2 & 3 rates** are designed to recover the cost of treating local surface water at the Stafford Treatment Plant. These costs are summarized in the “Treated Local Water” column of **Schedule 8**. As a final component, the costs of the District’s Conservation Program are “layered” onto the Tier 2 rates in order to create the **Tier 3 rate**. The costs of the Conservation Program are recovered through the Tier 3 rates because it is those customers that use the most water who create the need for the Conservation Program. The sale of water in Tier 2 and Tier 3 will collectively amount to about 19 percent of the potable water sales (and this is also the proportion of the District water that typically comes from the Stafford Treatment Plant). The Tier 2 allocation is 458 GPD per dwelling unit (i.e., for water usage between 262 GPD to 720 GPD), which results in about 16 percent of water sold to residential accounts to be sold

at Tier 2 rates. The remaining 3 percent is sold at Tier 3 rates, which is a reasonable percentage for the purpose of isolating those customers that use the most water.

Figure 9 and **Figure 10** present graphical summaries of the cost basis and allocation basis for the tiered rates and seasonal rates, respectively.

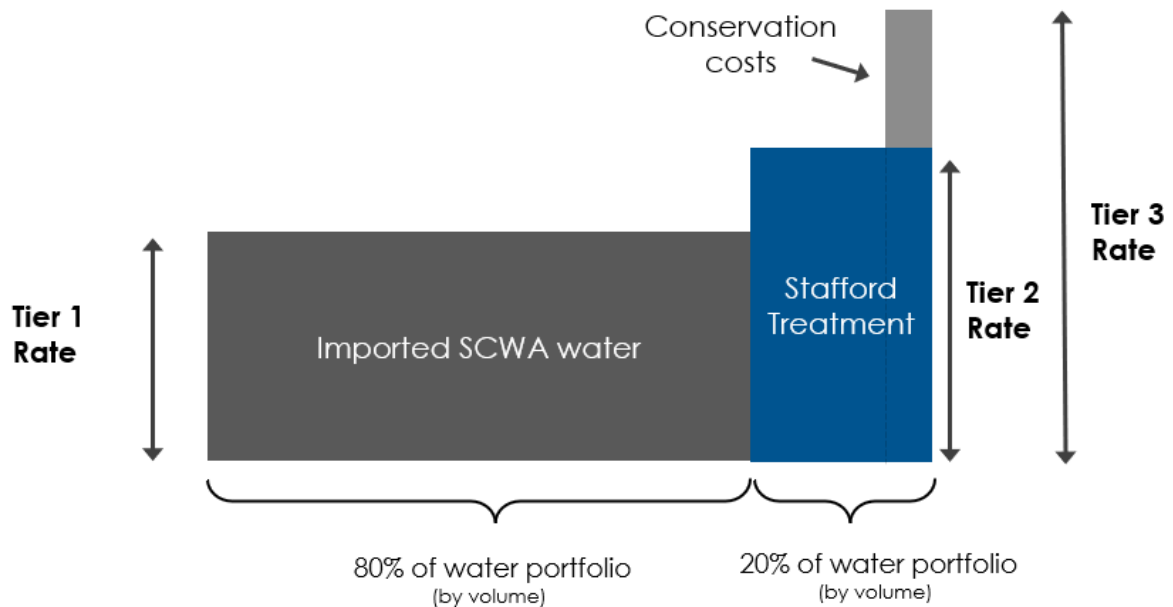


Figure 9: Basis for Tiered Rate Costs and Allocations

3.3 UNIFORM COMMERCIAL USAGE RATES

This Study recommends replacing the seasonal commercial rates with a simple, year-round uniform rate. The seasonal rates were originally implemented to reflect the higher cost of water during peak summer months (since much of that water came from the more expensive Stafford Lake). However, changes to the relative use of Stafford Lake water and the fact that Stafford Lake treatment plant is operational during many other months besides the summer, leads to the recommendation of a simple, year-round uniform rate for commercial customers. The uniform rate includes a proportionate blend of all costs, including the cost of Sonoma Water and Stafford Lake water, as well as the cost of the conservation program. The weighted average rate paid

by all residential customers will be equal to the proposed uniform commercial rate, thus meeting the proportionality requirements of Proposition 218.

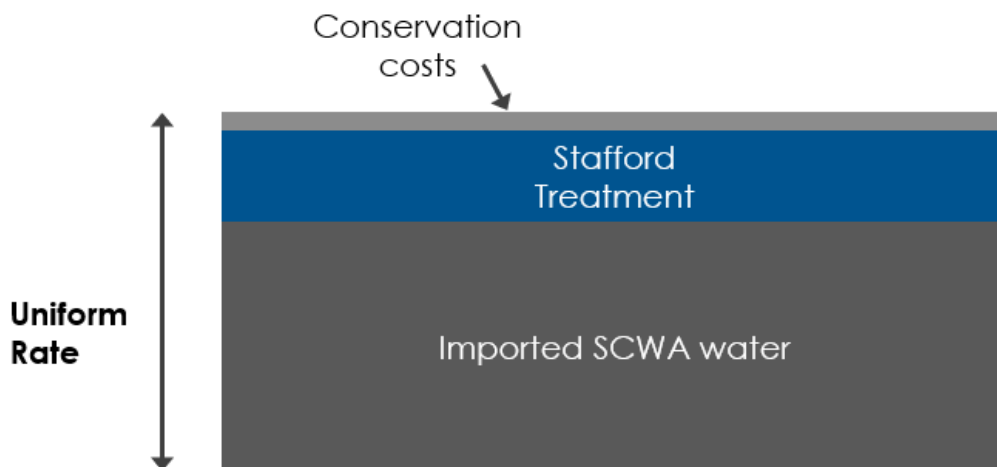


Figure 10: Basis for Uniform Rate

3.4 RATE STRUCTURE DEVELOPMENT – NOVATO ENTERPRISE

The following section presents a detailed description of the process for developing the water rate structure for the Novato Enterprise using cost of service principles. The following rates are proposed to be adopted for FY 2024/25. A complete schedule of proposed rates is provided in **Schedule 10**.

3.4.1 Cost Functions - Novato Enterprise

All costs for the Novato Enterprise’s FY 2024/25 (“Test Year”) are allocated to seven (7) system functions: Customer Service, Water Delivery, Imported Water, Water Treatment, Conservation, Raw Water, and Pressure System (i.e., the pumping system which pressurized the water for delivery through-out the service area). These grouped costs will eventually form the basis of the proposed Service Charges, Quantity Charges and Elevation Zone Charges (as illustrated in **Figure 11**).

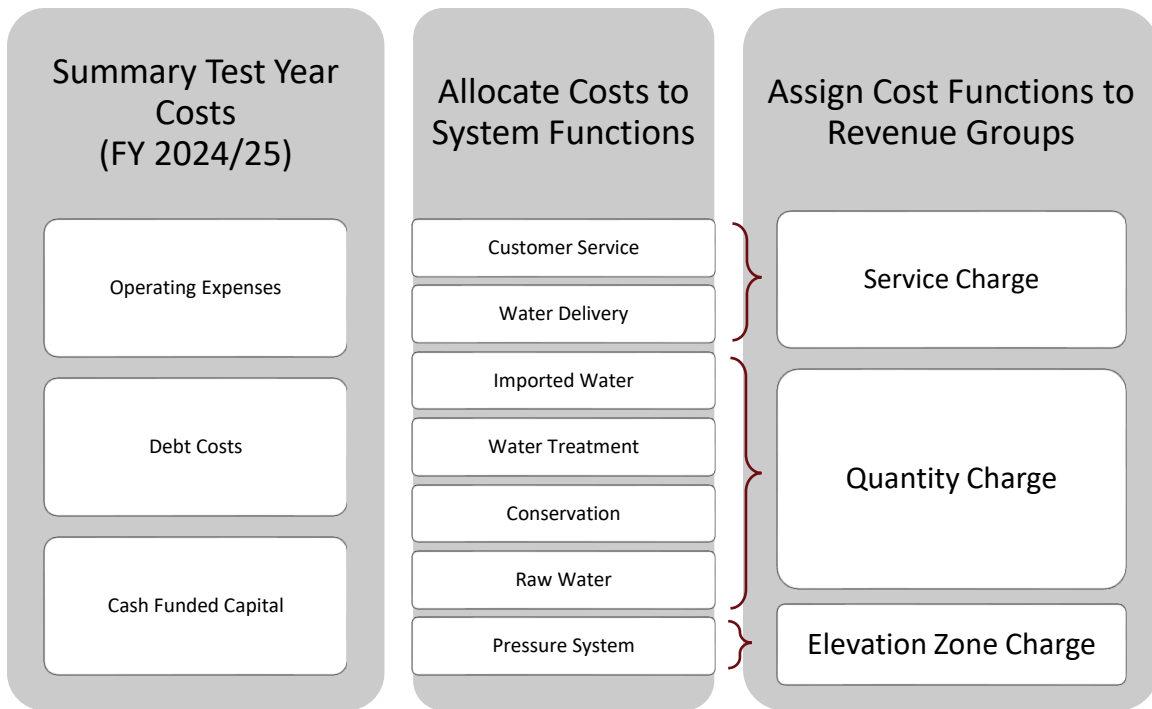


Figure 11: Novato Enterprise Cost Functions

Operating and capital line-item expenses are assigned to a specific system function or activity. The following explains the percent allocations that are detailed in **Schedule 8**:

- Direct allocations - Some costs can be allocated directly to a functional component. For example, on Row 9 purchased water costs are allocated 100 percent to the Imported Water function.
- Asset value-based allocations – Some line items are allocated to functions based on the value of existing District assets¹¹ in the relevant functions. Asset values are a reasonable proxy for estimating the cost to operate and maintain various functions within the system. Rows 1 through 3 of **Table 8** show how asset values are proportionately divided among Functional Components. Row 1 shows the relative value for all assets, while Rows 2 and 3 show the relative value of assets when isolating certain functions. For example, the relative value of all assets

¹¹ This Study used the replacement cost new less depreciation (RCNLD) of assets in the District’s asset register.

except raw water assets (see Row 2 of Table 8) is used to allocate the costs of debt (see Row 95 of Schedule 8).

- Source of Supply allocation - Costs associated with verifying water quality are split between Imported Water and Treated Water based on the amount of water used by each source (80.4 percent and 19.6 percent, respectively).
- Lake Water Utilization allocation – Costs associated with managing Stafford Lake not including the treatment plant (see Rows 3 through 8 of Schedule 8) are split between Water Treatment and Raw Water based on the amount of water used by each customer group (377 million gallons and 54 million gallons per year on average, respectively).
- Indirect cost allocation – Beginning with Row 68 of Schedule 8, many costs are allocated using the indirect cost allocation method, which is based on the proportionate allocation of all costs that were previously allocated to the respective system functions (see Row 67 of Schedule 8 and Row 6 of Table 8). General & Administration (G&A) costs are allocated on the indirect allocation basis (excluding conservation, see Row 7 of Table 8). In this case the Account Charge component (10.8 percent) also includes the Meter Charge component (an additional 18.4 percent) because Account Charge costs are allocated to customers on a per-account basis rather than a meter equivalency basis, which is appropriate for G&A costs (this concept is explained in more detail in Section 3.4.3).

Table 8: System Function Allocation Percentages

		Account Charge	Meter Charge	Tier 1 (Imported Water)	Tier 2 (Treated Water)	Conservation	Raw Water	Pressure System
Asset Value Based Allocations								
1	All Assets:		42.4%	23.1%	12.4%		3.2%	18.9%
2	All Assets less Raw Water:		43.8%	23.9%	12.8%			19.5%
3	Water Supply and Pumping Only:			40.1%	21.5%		5.6%	32.8%
Other Allocation Bases								
4	Source of Supply:			80.4%	19.6%			
5	Lake Water Utilization:				87.4%		12.6%	
6	Indirect Cost Allocation:	10.5%	18.0%	48.4%	15.1%	2.3%	0.60%	5.0%
7	Indirect without Conservation	10.8%	18.4%	49.6%	15.5%		0.6%	5.1%
8	Indirect without Raw	10.6%	18.1%	48.7%	15.2%	2.3%		5.0%

3.4.2 Allocating Non-Rate Revenue - Novato Enterprise

A final cost allocation step is accounting for the change in fund balance and non-rate revenue that effectively offsets some of the costs that would otherwise need to be recovered through rates. Non-rate revenue includes sources such as interest income, miscellaneous fees, and limited property taxes, as previously described. The change in fund balance (a draw down on reserves, which is treated as a source of revenue in this case for accounting purposes) is “credited back” to each function using the indirect allocation percentages (see Row 97 of Schedule 8). The District uses reasonable discretion in crediting the non-rate revenues to each system function as shown on Row 98 of Schedule 8 and **Table 9**).

Table 9 below summarizes the allocation of all expenses and non-rate revenues to each system function, which establishes the rate revenue requirement for each function.

Table 9: Novato Rate Revenue Requirement by Function

	Account Charge	Meter Charge	Tier 1 (Imported Water)	Tier 2 (Treated Water)	Conservation	Raw Water	Pressure System
Total Expenses	\$3,434,700	\$5,089,000	\$11,731,500	\$3,952,700	\$352,100	\$198,100	\$2,134,700
Less Change in Fund Balance	(\$102,200)	(\$174,600)	(\$469,700)	(\$146,600)	(\$22,600)	(\$5,800)	(\$48,500)
Less Non-Rate Revenue			(\$561,200)	(\$505,900)	(\$84,900)		
Rate Revenue Requirement	\$3,332,500	\$4,914,400	\$10,700,600	\$3,300,200	\$244,600	\$192,300	\$2,086,200

3.4.3 Units of Service – Novato Enterprise

As explained in Section 3.4.1, the revenue requirements established for each system function (see Table 9) are recovered through the Bi-Monthly Service Charge, the Quantity Charge and the Elevation Zone Charge. Those charges are calculated by dividing the rate Revenue requirement of each system function by an appropriate metric. For example, the Account Charge revenue requirement is divided by the number of accounts in the Novato Enterprise to calculate a cost per account.

The following describes the units of service that were quantified for this Study.

Accounts – This is a count of all water accounts within the Novato Enterprise.

Equivalent Meters – **Table 10** shows the calculation of the total equivalent meters for potable water accounts in the Novato service area.

Table 10: Novato Potable Water Meter Equivalencies

Meter Size	5/8"	1"	1.5"	2"	3"	4"	6"	8"	Total
Residential:	18,502	628	143	57			1		19,331
Commercial:	554	381	248	161	18	9	1	1	1,373
Total:	19,056	1,009	391	218	18	9	2	1	20,704
Meter Equivalency:	1.0	2.5	5.0	8.0	16.0	25.0	50.0	65.0	
Equivalent Meters:	19,056	2,523	1,955	1,744	288	225	100	65	25,956

Imported Water – Over the past five years the District has, on average, purchased about 80.4 percent of its water supply from Sonoma Water (or approximately 1.9 billion gallons per year).

Treated Local Water – Over the same period, the Stafford Treatment Plant has, on average, supplied the remaining 20 percent of the District’s water supply (or approximately 454 million gallons (MG) per year).

Conservation – The costs for the District’s conservation program are recovered through Residential Tier 3 rates and Commercial uniform rates. The quantity of water to be sold at Tier 3 rates is expected to be approximately 2.8 percent of residential water sales.

Raw Water – Raw water customers utilized 54.4 million gallons of water in FY 2022/23, which is assumed to be a representative quantity for purposes of this Study.

Table 11 presents a summary of the units of service used for the purpose of calculating unit costs for each system function. When the 80.4 percent of imported water is applied to total retail water sales, the amount of water to be sold at the corresponding rate is 1.62 million gallons. The remaining 376 million gallons of retail water sales should correspond to the cost of treated Stafford Lake water.

Table 11: Units of Service (FY 2017)

System Function	Units of Service
Number of Customers	20,704 Accounts
Distribution System Utilization	25,956 EMs
Imported Water Volume	1,618.5 MG
Local Treated Water Volume	376.7 MG
Conservation	55.7 MG
Raw Water Volume	54.4 MG

3.4.4 Unit Costs – Novato Enterprise

The revenue requirements for each system function (see Table 9) are divided by the appropriate units of service (see Table 11) in order to calculate the unit costs that will build the rate structure. These calculations are shown in **Table 12**.

Table 12: Calculation of Unit Costs – Novato Enterprise

System Function:	Customer	Distribution System	Imported Water	Treated Local Water	Conservation	Raw Water
Units of Service:	20,704 Accounts	25,956 Equivalent Meters	1,618,505 TGALs	376,661 TGALs	55,736 TGALs	54,429 TGALs
Revenue Requirement:	\$3,332,500	\$4,914,400	\$10,700,600	\$3,300,200	\$244,600	\$192,300
Unit Costs:	\$160.96 per account per year	\$189.34 per equivalent meter per year	\$6.61 per TGAL for Tier 1 Water	\$8.76 per TGAL for Tier 2 & 3 Water	\$4.39 per TGAL for Tier 2 & 3 Water	\$3.53 per TGAL for Raw Water
	\$26.83 per account per bi-month	\$31.56 per equivalent meter per bi-month				

3.4.5 Elevation Zone Charge

All potable water in the Novato service area is pressurized when delivered to customers. The District must provide additional pressurization to deliver water to customers located at higher elevations. This Study updates the existing Elevation Zone Charges based on current costs.

As a first step, the revenue requirements associated with the pressure system were calculated (\$2,031,200 see Table 9). Next the existing cost relationships between the elevation zones were used to calculate elevation “factors” (see column b of Table 13). These factors were multiplied by the amount of water sold in each zone (column c) to derive “scaled” TGALs (Column d). The revenue requirement (\$2,031,200) was divided by the “scaled” TGALs (5,211,650) to calculate the unit cost per scaled TGAL (\$0.39), which is then multiplied by the elevation factor to calculate the cost per TGAL for each zone (Column e). The Zone A pumping costs are included in all Quantity Charges, therefore the Elevation Zone surcharges for Zone B and Zone C are shown in Column e.

Table 13: Elevation Zone Charge Calculation

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
	Elevation Range (ft)	Average Elevation (ft)	Elevation "Factor"	Water Usage (TGAL)	"Scaled" TGALs	Cost per TGAL	Current Charge (per TGAL)	Proposed Surchage (per TGAL)	Increase (%)
Zone A:	0 - 60	40	1.0	897,200	897,200	\$0.40	(na)	(na)	(na)
Zone B:	60 - 200	132	3.3	945,700	3,120,810	\$1.32	\$0.93	\$0.92	-1.1%
Zone C:	200+	294	7.4	162,400	1,193,640	\$2.94	\$2.58	\$2.54	-1.6%
		Total:	Total:	2,005,300	5,211,650				

3.4.6 Service Charges – Novato Enterprise

The fixed Service Charge is made up of an account charge (\$26.83 per bi-month) and a meter charge (\$31.56 per equivalent meter per bi-month). **Table 14** provides a complete schedule for all meter sizes in the Novato service area.

Table 14: Proposed Service Charges – Novato Enterprise

Meter Size	Account Charge	Meter Charge	Bi-Monthly Service Charge
5/8" *	\$26.83	\$31.56	\$58.39
1"	\$26.83	\$78.90	\$105.73
1.5"	\$26.83	\$157.80	\$184.63
2"	\$26.83	\$252.48	\$279.31
3"	\$26.83	\$504.96	\$531.79
4"	\$26.83	\$789.00	\$815.83
6"	\$26.83	\$1,578.00	\$1,604.83
8"	\$26.83	\$2,051.40	\$2,078.23

* The District charges residential accounts that have a 1” meter but would otherwise have a 5/8” meter but-for fire requirements at the 5/8” meter rate.

3.4.7 Quantity Charge – Novato Enterprise

The residential, commercial and raw water Quantity Charges are calculated by combining the unit costs shown in Table 12 and Table 13 (with exception to Raw Water which does not pay the elevation charge since those customers do not receive pumping services from the District). For example, the Tier 1 unit cost from Table 12 (\$6.61 per TGAL) is combined with the Zone A Elevation Zone Charge (\$0.40) for a total of \$7.01 for Tier 1 Zone A. The various combinations of adding these unit costs together are summarized below in Table 15.

Table 15: Proposed Quantity Charges – Novato Enterprise

	Zone A	Zone B	Zone C
Residential Quantity Charges (per TGAL)			
Tier 1	\$7.01	\$7.93	\$9.55
Tier 2	\$9.16	\$10.08	\$11.70
Tier 3	\$13.55	\$14.47	\$16.09
Commercial Quantity Charges (per TGAL)			
Uniform	\$7.54	\$8.46	\$10.08
Other Quantity Charges (per TGAL)			
Raw Water	\$3.53	(na)	(na)
Temporary Meter	\$10.08	(na)	(na)

† *Temporary Meters are charged the Tier 2, Zone B Quantity Charge and a Service Charge depending on the size of the construction meter. It is reasonable to charge Temporary Meter customers for the District’s more costly source of water (reflected in Tier 2 rates) and for the “middle” elevation zone (Zone B) since the meters may be installed in various zones.*

3.5 RATE STRUCTURE DEVELOPMENT – RECYCLED WATER ENTERPRISE

The following section presents a detailed description of the process for developing the water rate structure for the Recycled Water Enterprise using the same cost of service principles as for the Novato Enterprise. The following rates are proposed to be adopted for FY 2024/25. A complete schedule of proposed rates is provided in **Schedule 10**.

3.5.1 Cost Functions – Recycled Water Enterprise

All costs for the enterprise’s FY 2024/25 Test Year are first allocated to three (3) system functions: Customer Service, Water Delivery, and Water Treatment, as illustrated in **Figure 11**. These grouped costs will eventually form the basis of the proposed Service Charge and Quantity Charge.

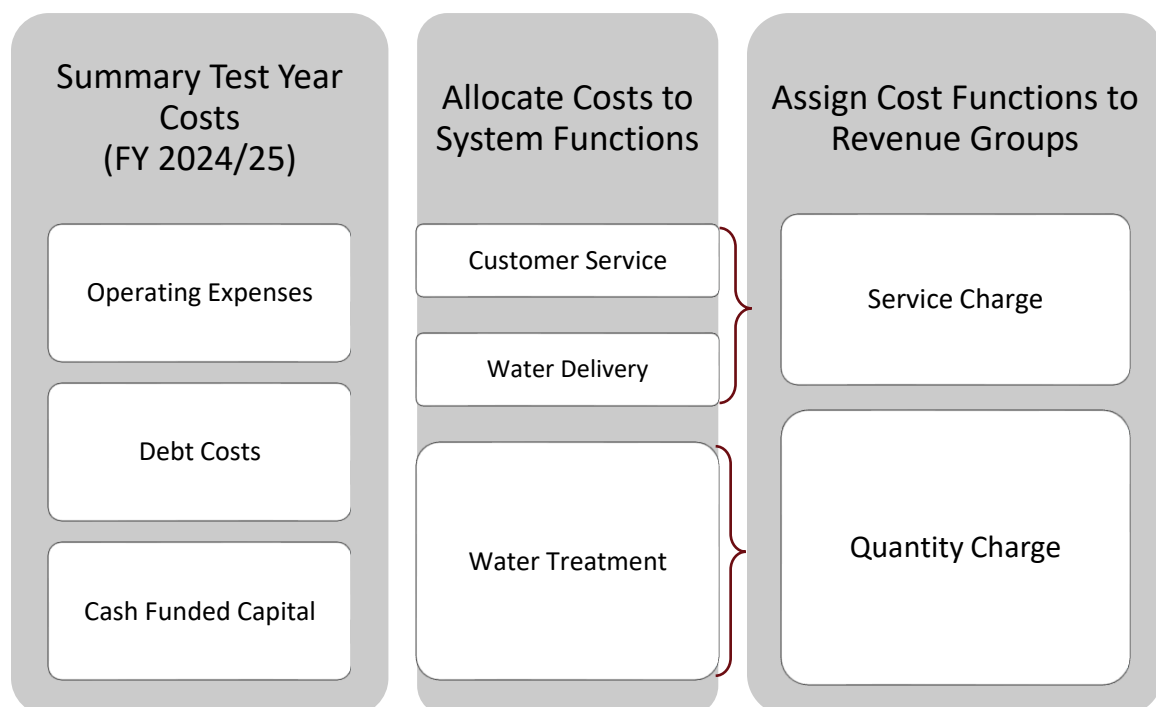


Figure 12: Recycled Water Cost Functions

Operating and capital line-item expenses are assigned to a specific system function. As shown in **Schedule 9**, all costs can be allocated directly to a functional component.

3.5.2 Allocating Non-Rate Revenue - Recycled Water Enterprise

As explained in Section 3.4.1, non-rate revenue is used to offset costs that would otherwise need to be recovered through rates. Non-rate revenue is allocated to functional components using the indirect cost allocation method (for explanation, see Section 3.4.1).

Table 16 below summarizes the allocation of all expenses and non-rate revenues to each Recycled Water system function, which establishes the rate revenue requirement for each function.

Table 16: Recycled Water Rate Revenue Requirement by Function

	Account Charge	Meter Charge	Quantity Charge
Total Expenses	\$52,500	\$342,900	\$2,253,400
Less Non-Rate Revenue	(\$43,100)	(\$47,000)	(\$874,900)
Rate Revenue Requirement	\$9,400	\$295,900	\$1,378,500
	0.6%	17.6%	81.9%

3.5.3 Units of Service – Recycled Water Enterprise

As explained in Section 3.4.1, the revenue requirements established for each system function (see Table 16) are recovered through the Service Charge and Quantity Charge, respectively. Those charges are calculated by dividing the Rate Revenue Requirement of each system function by an appropriate metric.

Accounts – This is a count of all Recycled Water accounts.

Equivalent Meters –Table 17 shows the calculation of the total Recycled Water equivalent meters.

Table 17: Recycled Water Enterprise Meter Equivalencies

Meter Size	5/8"	1"	1.5"	2"	3"	4"	6"	Total
Count	2	12	36	44	3	0	2	99
Total:	2	12	36	44	3	0	2	99
Meter Equivalency:	1.0	2.5	5.0	8.0	16.0	25.0	50.0	65.0
Equivalent Meters:	2	30	180	352	48	0	100	712

Treated Wastewater (sold as Recycled Water) – During the most recent billing period, the Recycled Water Enterprise sold 204 MG.

3.5.4 Unit Costs – Recycled Water Enterprise

The revenue requirements for each system function (Table 9) are divided by the appropriate units of service (Section 3.4.3) in order to calculate the unit costs that will build the rate structure. These calculations are shown in Table 18.

Table 18: Calculation of Unit Costs – Recycled Water Enterprise

System Function:	Customer	Distribution System	Treated Wastewater
Units of Service:	99 Accounts	712 Equivalent Meters	204,100 TGALs
Revenue Requirement:	\$9,400	\$295,900	\$1,378,500
Unit Costs:	\$94.95 per account per year or \$15.82 per account per bi-month	\$415.59 Per equivalent meter per year or \$69.26 Per equivalent meter per bi- month	\$6.75 Per TGAL

3.5.5 Service Charges – Recycled Water Enterprise

The fixed Service Charge is made up of the account charge (\$15.82 per bi-month) and the meter charge (\$69.26 per equivalent meter per bi-month). Table 19 provides a complete schedule for all meter sizes in the Recycled Water service area.

Table 19: Proposed Service Charges – Recycled Water Enterprise

Meter Size	Account Charge	Meter Charge	Bi-Monthly Service Charge
5/8"	\$15.82	\$69.26	\$85.08
1"	\$15.82	\$173.15	\$188.97
1.5"	\$15.82	\$346.30	\$362.12
2"	\$15.82	\$554.08	\$569.90
3"	\$15.82	\$1,108.16	\$1,123.98
4"	\$15.82	\$1,731.50	\$1,747.32
6"	\$15.82	\$3,463.00	\$3,478.82

3.5.6 Quantity Charge – Recycled Water Enterprise

The Quantity Charge for Recycled Water of \$6.75 per TGAL is calculated in Table 18.

Section 4. PASS-THROUGH OF WHOLESALE WATER COSTS

Over the past 20 years, changes to Sonoma Water rates have ranged from as high as 24 percent to as low as 1 percent. In the past two years, both Sonoma Water rate increases were above 11 percent. Since these costs are not noticed to member agencies until months before being implemented, it is difficult for this financial plan to accurately forecast the future cost increases in wholesale water over a 5 to 10-year period. This Study could “prepare for the worst” in order to avoid a revenue shortfall and adopt rates that assume that Sonoma Water rate increases will continue to be in the range of 12 percent or higher; however, if the wholesale water rates do not actually increase by that amount, NMWD would find itself in a position of having adopted water rates that would overcharge its customers. While it could be argued that all cost projections carry such risks, wholesale water is different for three important reasons: (1) it is Novato’s single largest purchasing expense, (2) the increase in costs is systematically volatile, and (3) California state law (Government Code Section 53756) offers a remedy to retail utility in such situations by specifically allowing them to “pass-through” increases to the cost of wholesale water to its customers. Such a Pass-Through Provision is an adopted procedure for automatically adjusting water rates to account for the effects changes in wholesale water supply costs. The provision can be adopted for a five-year period.

The Pass-Through Provision would only affect Tier 1 rates (Residential) and Uniform (Commercial) Rates since Sonoma Water costs only affect those two rate components (see Schedule 8). As such, all Novato water rates will increase as shown in Schedule 10, whereas Tier 1 and Uniform rates will increase as shown in *Equation 1* and *Equation 2*, respectively.

Equation 1 – Pass-Through Formula For Tier 1

$$\text{Tier } 1_N = (\text{Tier } 1_c \times (1 + \text{NMRI})) \times 39.3\% + (\text{Tier } 1_c \times (1 + \text{SWRI})) \times 60.7\%$$

whereby,

Tier 1_N = New Tier 1 rate (for fiscal year X)

Tier 1_c = Current Tier 1 rate (for fiscal year X – 1)

NMRI = NMWD rate increase for fiscal year X (percentage)

SWRI = Sonoma Water rate increase for fiscal year X (percentage)

Equation 2 – Pass-Through Formula For Uniform Rates

$$\text{Uniform}_N = (\text{Uniform}_c \times (1 + \text{NMRI})) \times 54.4\% + (\text{Uniform}_c \times (1 + \text{SWRI})) \times 45.6\%$$

whereby,

Uniform_N = New Tier 1 Rates (for fiscal year X)

Uniform_c = Current Uniform rate (for fiscal year X – 1)

NMRI = NMWD rate increase for fiscal year X (percentage)

SWRI = Sonoma Water rate increase for fiscal year X (percentage)

The percentages in *Equation 1* and *Equation 2* were derived based on the proportion of costs in each rate that is attributable to Sonoma Water costs.

Equation 3 shows an example calculation for a hypothetical 12 percent increase in Sonoma Water rates and charges for FY 2025/26 (during which NMWD adopted a 5 percent rate increase).

Equation 3 – Example Calculation of Pass-Through For Tier 1

$$\text{Tier } 1_N = (\$7.06 \times (1+6\%)) \times 39.3\% + (\$7.06 \times (1+12\%)) \times 60.7\%$$

$$\text{Tier } 1_N = (\$7.06 \times (1.06)) \times 39.3\% + (\$7.06 \times (1.12)) \times 60.7\%$$

$$\text{Tier } 1_N = (\$7.484 \times 39.3\% + \$7.907 \times 60.7\%)$$

$$\text{Tier } 1_N = (\$2.94 + \$4.80)$$

$$\text{Tier } 1_N = \$7.74$$

The pass-through calculation does not apply to the FY 2024/25 rates because revenue requirements and cost recovery were calculated based on the FY 2024/25 water supply costs, for which Sonoma Water rates are already known (within reason).

Section 5. ADOPTION OF RATES AND CONCLUSION

This Study has calculated, and is proposing, a 5-year schedule of water rates (see Schedule 10), which includes a pass-through provision wholesale water costs which will affect Tier 1 rates and the (potable) uniform rates. All rates are proposed to be effective as of July 1.

This Study used methodologies that are aligned with industry standard practices for rate setting as promulgated by AWWA and all applicable laws, including California's Proposition 218. The proposed annual adjustments to the rates will allow the District to continue to provide reliable service to customers while meeting the state's mandates.

The water rates will need to be adopted in accordance with Proposition 218, which will require a detailed notice describing the proposed charges to be mailed to each affected property owner or customer at least 45 days prior to conducting a public hearing to adopt the rates.

The application of the pass-through provision will need to be notified to all affected customers at least 30 days prior to implementing the new rates. Such notice may be given as provided in California Government Code section 53755(a), by including it in the District's regular billing statement. Given the District's bimonthly billing schedule, this means that the rate schedule for each upcoming fiscal year should be noticed to rate payers before the end of April.

SCHEDULES

Schedule 1 – Novato Enterprise Projected Cash Inflows

Schedule 2 - Novato Enterprise Projected Cash Outflows

Schedule 3 - Novato Enterprise Capital Spending Plan

Schedule 4 - Novato Enterprise Cash Flow Pro Forma

Schedule 5 –Recycled Water Enterprise Projected Cash Inflows

Schedule 6 - Recycled Water Enterprise Projected Cash Outflows

Schedule 7 - Recycled Water Enterprise Cash Flow Pro Forma

Schedule 8 – Allocation of Costs to System Functions – Novato

Schedule 9 – Allocation of Costs to System Functions – Recycled Water

Schedule 10 – Schedule of Proposed Rates

Novato Enterprise Budgeted and Projected Cash Inflows

Schedule 1

	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
1 Growth in Water Accounts	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
2 Proposed Water Rate Increase		8.5%	6.0%	6.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rate Revenue											
3 Water Rate Revenue	\$22,802,000	\$22,802,000	\$24,770,000	\$25,890,000	\$27,079,000	\$27,929,000	\$28,814,000	\$29,512,000	\$30,232,000	\$30,975,000	\$31,741,000
4 Increase due to growth		\$30,000	\$24,000	\$26,000	\$27,000	\$28,000	\$29,000	\$30,000	\$31,000	\$32,000	\$33,000
5 Increase due to new rate adjustments		\$1,938,000	\$1,096,000	\$1,163,000	\$823,000	\$857,000	\$669,000	\$690,000	\$712,000	\$734,000	\$757,000
6 Total Rate Revenue	\$22,802,000	\$24,770,000	\$25,890,000	\$27,079,000	\$27,929,000	\$28,814,000	\$29,512,000	\$30,232,000	\$30,975,000	\$31,741,000	\$32,531,000
Other Revenue:											
7 Account Turn-on Charges	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000	\$88,000
8 New Account Charges	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
9 Returned Check Charges	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
10 Hydrant Meter Up/Down Charges	\$3,800	\$3,900	\$4,000	\$4,000	\$4,100	\$4,200	\$4,300	\$4,400	\$4,400	\$4,500	\$4,600
11 Backflow Service Charges	\$172,000	\$172,000	\$172,000	\$172,000	\$172,000	\$172,000	\$172,000	\$172,000	\$172,000	\$172,000	\$172,000
12 Lab Service-Outside Clients	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000	\$38,000
13 Wheeling Charges - MMWD	\$140,000	\$144,200	\$148,500	\$153,000	\$157,600	\$162,300	\$167,200	\$172,200	\$177,300	\$182,700	\$188,100
14 Other Non-Operating Revenue	\$36,400	36,400	36,400	36,400	36,400	36,400	36,400	36,400	36,400	36,400	36,400
15 MMWD AEEP Capital Contribution	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	0
16 Rents & Leases	75,000	77,000	80,000	82,000	84,000	87,000	90,000	92,000	95,000	98,000	101,000
17 Interest Earnings	201,000	257,000	252,000	390,000	382,000	348,000	316,000	268,000	241,000	254,000	254,000
18 Property Tax Proceeds	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
19 FRC Revenue	575,000	792,680	792,680	792,680	792,680	792,680	792,680	792,680	792,680	792,680	792,680
20 Total Other Revenue	\$1,664,400	\$1,944,380	\$1,946,780	\$2,091,280	\$2,089,980	\$2,063,780	\$2,039,780	\$1,998,880	\$1,979,980	\$2,001,480	\$1,804,980
21 TOTAL REVENUE	\$24,466,400	\$26,714,380	\$27,836,780	\$29,170,280	\$30,018,980	\$30,877,780	\$31,551,780	\$32,230,880	\$32,954,980	\$33,742,480	\$34,335,980

Novato Enterprise Budgeted and Projected Operating & Debt Expenses

Schedule 2 (1 of 3)

	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
SOURCE OF SUPPLY											
1 Supervision & Engineering	\$8,000	\$8,000	\$8,200	\$8,500	\$8,700	\$9,000	\$9,300	\$9,600	\$9,800	\$10,100	\$10,400
2 Operating Expense - Source	\$5,000	\$5,000	\$5,200	\$5,300	\$5,500	\$5,600	\$5,800	\$6,000	\$6,100	\$6,300	\$6,500
3 Maint/Monitoring of Dam	\$36,000	\$36,000	\$37,100	\$38,200	\$39,300	\$40,500	\$41,700	\$43,000	\$44,300	\$45,600	\$47,000
4 Maint of Lake & Intakes	\$8,000	\$8,000	\$8,200	\$8,500	\$8,700	\$9,000	\$9,300	\$9,600	\$9,800	\$10,100	\$10,400
5 Maint of Watershed	\$20,000	\$20,000	\$20,600	\$21,200	\$21,900	\$22,500	\$23,200	\$23,900	\$24,600	\$25,300	\$26,100
6 Water Quality Surveillance	\$2,000	\$2,000	\$2,100	\$2,100	\$2,200	\$2,300	\$2,300	\$2,400	\$2,500	\$2,500	\$2,600
7 Fishery Maint	\$1,000	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300
8 Erosion Control	\$1,000	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300
9 Purchased Water	\$6,580,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000
PUMPING											
10 Maint of Structures & Grounds	33,000	33,000	34,000	35,000	36,100	37,100	38,300	39,400	40,600	41,800	43,100
11 Maint of Pumping Equipment	35,000	35,000	36,100	37,100	38,200	39,400	40,600	41,800	43,000	44,300	45,700
12 Electric Power	450,000	504,000	529,200	555,700	583,400	612,600	643,200	675,400	709,200	744,600	781,900
OPERATIONS											
13 Supervision & Engineering	291,000	291,000	299,700	308,700	318,000	327,500	337,300	347,500	357,900	368,600	379,700
14 Operating Expense - Operations	506,000	506,000	521,200	536,800	552,900	569,500	586,600	604,200	622,300	641,000	660,200
15 Maintenance Expense	59,000	59,000	60,800	62,600	64,500	66,400	68,400	70,400	72,600	74,700	77,000
16 Telemetry Equipment/Controls Maint	60,000	60,000	61,800	63,700	65,600	67,500	69,600	71,600	73,800	76,000	78,300
17 Leased Lines	25,000	25,000	25,800	26,500	27,300	28,100	29,000	29,900	30,700	31,700	32,600
WATER TREATMENT											
18 Supervision & Engineering	247,000	247,000	254,400	262,000	269,900	278,000	286,300	294,900	303,800	312,900	322,300
19 Operating Expense - Water Treatment	362,000	362,000	372,900	384,000	395,600	407,400	419,700	432,200	445,200	458,600	472,300
20 Purification Chemicals	480,000	528,000	554,400	582,100	611,200	629,600	648,400	667,900	687,900	708,600	729,800
21 Sludge Disposal	118,000	121,500	125,200	128,900	132,800	136,800	140,900	145,100	149,500	154,000	158,600
22 Maint of Structures & Grounds	96,000	96,000	98,900	101,800	104,900	108,000	111,300	114,600	118,100	121,600	125,300
23 Maint of Purification Equipment	419,000	419,000	431,600	444,500	457,900	471,600	485,700	500,300	515,300	530,800	546,700
24 Electric Power	166,000	185,900	195,200	205,000	215,200	226,000	237,300	249,200	261,600	274,700	288,400
25 Water Quality Programs	93,000	93,000	95,800	98,700	101,600	104,700	107,800	111,000	114,400	117,800	121,300
26 Laboratory Direct Labor	406,000	406,000	418,200	430,700	443,600	457,000	470,700	484,800	499,300	514,300	529,700
27 Lab Service-Outside Clients	12,000	12,400	12,700	13,100	13,500	13,900	14,300	14,800	15,200	15,700	16,100
28 Water Quality Supervision	100,000	100,000	103,000	106,100	109,300	112,600	115,900	119,400	123,000	126,700	130,500
29 Laboratory Supplies & Expense	116,000	116,000	119,500	123,100	126,800	130,600	134,500	138,500	142,700	146,900	151,400
30 Customer Water Quality	40,000	40,000	41,200	42,400	43,700	45,000	46,400	47,800	49,200	50,700	52,200
31 Lab Cost Distributed	(38,000)	(38,000)	(39,100)	(40,300)	(41,500)	(42,800)	(44,100)	(45,400)	(46,700)	(48,100)	(49,600)

Novato Enterprise Budgeted and Projected Operating & Debt Expenses (existing)

Schedule 2 (2 of 3)

	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
TRANSMISSION & DISTRIBUTION											
32 Supervision & Engineering	759,000	759,000	781,800	805,200	829,400	854,300	879,900	906,300	933,500	961,500	990,300
33 Maps & Records	247,000	247,000	254,400	262,000	269,900	278,000	286,300	294,900	303,800	312,900	322,300
34 Operation of T&D System	163,000	163,000	167,900	172,900	178,100	183,500	189,000	194,600	200,500	206,500	212,700
35 Facilities Location	144,000	144,000	148,300	152,800	157,400	162,100	166,900	171,900	177,100	182,400	187,900
36 Safety: Construction & Engineering	70,000	70,000	72,100	74,300	76,500	78,800	81,100	83,600	86,100	88,700	91,300
37 Customer Service Expense	239,000	239,000	246,200	253,600	261,200	269,000	277,100	285,400	293,900	302,800	311,800
38 Flushing	38,000	38,000	39,100	40,300	41,500	42,800	44,100	45,400	46,700	48,100	49,600
39 Storage Facilities Expense	132,000	132,000	136,000	140,000	144,200	148,600	153,000	157,600	162,300	167,200	172,200
40 Cathodic Protection	12,000	12,000	12,400	12,700	13,100	13,500	13,900	14,300	14,800	15,200	15,700
41 Maint of Valves/Regulators	155,000	155,000	159,700	164,400	169,400	174,500	179,700	185,100	190,600	196,300	202,200
42 Maint of Mains	200,000	200,000	206,000	212,200	218,500	225,100	231,900	238,800	246,000	253,400	261,000
43 Leak Detection - Mains	19,000	19,000	19,600	20,200	20,800	21,400	22,000	22,700	23,400	24,100	24,800
44 Backflow Prevention Program	356,000	356,000	366,700	377,700	389,000	400,700	412,700	425,100	437,800	451,000	464,500
45 Maint of Copper Services	176,000	176,000	181,300	186,700	192,300	198,100	204,000	210,200	216,500	223,000	229,600
46 Maint of PB Service Lines	409,000	409,000	421,300	433,900	446,900	460,300	474,100	488,400	503,000	518,100	533,700
47 Single Service Installations	21,000	21,000	21,600	22,300	22,900	23,600	24,300	25,100	25,800	26,600	27,400
48 Maint of Meters	154,000	154,000	158,600	163,400	168,300	173,300	178,500	183,900	189,400	195,100	200,900
49 Detector Check Assembly Maint	95,000	95,000	97,900	100,800	103,800	106,900	110,100	113,400	116,800	120,300	124,000
50 Maint of Hydrants	56,000	56,000	57,700	59,400	61,200	63,000	64,900	66,900	68,900	70,900	73,100
CONSUMER ACCOUNTING											
51 Meter Reading	27,000	27,000	27,800	28,600	29,500	30,400	31,300	32,200	33,200	34,200	35,200
52 Collection Expense - Labor	12,000	12,000	12,400	12,700	13,100	13,500	13,900	14,300	14,800	15,200	15,700
53 Collection Expense - Agency	2,000	2,100	2,100	2,200	2,300	2,300	2,400	2,500	2,500	2,600	2,700
54 Billing & Consumer Accounting	158,000	158,000	162,700	167,600	172,700	177,800	183,200	188,700	194,300	200,100	206,200
55 Contract Billing	17,000	17,500	18,000	18,600	19,100	19,700	20,300	20,900	21,500	22,200	22,800
56 Stationery, Supplies & Postage	69,000	69,000	71,100	73,200	75,400	77,700	80,000	82,400	84,900	87,400	90,000
57 Online Payment Processing Fees/CC Fees	63,000	63,000	64,900	66,800	68,800	70,900	73,000	75,200	77,500	79,800	82,200
58 Lock Box Service	25,000	25,000	25,800	26,500	27,300	28,100	29,000	29,900	30,700	31,700	32,600
59 Uncollectable Accounts	33,000	33,000	34,000	35,000	36,100	37,100	38,300	39,400	40,600	41,800	43,100
60 Office Equipment Expense	75,000	75,000	77,300	79,600	82,000	84,400	86,900	89,600	92,200	95,000	97,900
61 Distributed to West Marin (4.1%)	(19,000)	(19,000)	(19,600)	(20,200)	(20,800)	(21,400)	(22,000)	(22,700)	(23,400)	(24,100)	(24,800)
WATER CONSERVATION											
62 Residential	267,000	267,000	275,000	283,300	291,800	300,500	309,500	318,800	328,400	338,200	348,400
63 Commercial	6,000	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600	7,800
64 Public Outreach/Information	122,000	122,000	125,700	129,400	133,300	137,300	141,400	145,700	150,000	154,500	159,200
65 Large Landscape	8,000	8,000	8,200	8,500	8,700	9,000	9,300	9,600	9,800	10,100	10,400

Novato Enterprise Budgeted and Projected Operating & Debt Expenses (existing)

Schedule 2 (3 of 3)

	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
GENERAL AND ADMINISTRATIVE											
66 Directors Fees	46,000	46,000	47,400	48,800	50,300	51,800	53,300	54,900	56,600	58,300	60,000
67 Legal Fees	25,000	25,800	26,500	27,300	28,100	29,000	29,900	30,700	31,700	32,600	33,600
68 Human Resources	256,000	256,000	263,700	271,600	279,700	288,100	296,800	305,700	314,800	324,300	334,000
69 Auditing Fees	26,000	26,000	26,800	27,600	28,400	29,300	30,100	31,000	32,000	32,900	33,900
70 Consulting Services/Studies	385,000	396,600	408,400	420,700	433,300	446,300	459,700	473,500	487,700	502,300	517,400
71 General Office Salaries	1,616,000	1,616,000	1,664,500	1,714,400	1,765,800	1,818,800	1,873,400	1,929,600	1,987,500	2,047,100	2,108,500
72 Safety: General District Wide	45,000	45,000	46,400	47,700	49,200	50,600	52,200	53,700	55,300	57,000	58,700
73 Office Supplies	36,000	36,000	37,100	38,200	39,300	40,500	41,700	43,000	44,300	45,600	47,000
74 Employee Events	10,000	10,000	10,300	10,600	10,900	11,300	11,600	11,900	12,300	12,700	13,000
75 Other Administrative Expense	4,000	4,000	4,100	4,200	4,400	4,500	4,600	4,800	4,900	5,100	5,200
76 Dues & Subscriptions	86,000	86,000	88,600	91,200	94,000	96,800	99,700	102,700	105,800	108,900	112,200
77 Vehicle Expense	18,000	18,000	18,500	19,100	19,700	20,300	20,900	21,500	22,100	22,800	23,500
78 Meetings, Conferences & Training	207,000	207,000	213,200	219,600	226,200	233,000	240,000	247,200	254,600	262,200	270,100
79 Recruitment Expense	2,000	2,000	2,100	2,100	2,200	2,300	2,300	2,400	2,500	2,500	2,600
80 Gas & Electricity	40,000	44,800	47,000	49,400	51,900	54,500	57,200	60,000	63,000	66,200	69,500
81 Telephone	21,000	21,000	21,600	22,300	22,900	23,600	24,300	25,100	25,800	26,600	27,400
82 Water	2,000	2,200	2,400	2,500	2,600	2,700	2,900	3,000	3,200	3,300	3,500
83 Buildings & Grounds Maint	69,000	69,000	71,100	73,200	75,400	77,700	80,000	82,400	84,900	87,400	90,000
84 Office Equipment Expense	260,000	260,000	267,800	275,800	284,100	292,600	301,400	310,500	319,800	329,400	339,200
85 Insurance Premiums & Claims	268,000	268,000	276,000	284,300	292,900	301,600	310,700	320,000	329,600	339,500	349,700
86 Retiree Medical Benefits	225,000	225,000	231,800	238,700	245,900	253,200	260,800	268,700	276,700	285,000	293,600
87 (Gain)/Loss on Overhead Charges	246,000	246,000	253,400	261,000	268,800	276,900	285,200	293,700	302,500	311,600	321,000
88 G&A Applied to Other Operations (5.9%)	(179,000)	(179,000)	(184,400)	(189,900)	(195,600)	(201,500)	(207,500)	(213,700)	(220,100)	(226,800)	(233,600)
89 G&A Applied to Construction	(385,000)	(385,000)	(396,600)	(408,400)	(420,700)	(433,300)	(446,300)	(459,700)	(473,500)	(487,700)	(502,300)
90 Other Non-Operating Expense	376,000	376,000	387,300	398,900	410,900	423,200	435,900	449,000	462,400	476,300	490,600
91 Unfunded Liability and Payroll Contributions	1,835,500	1,835,500	1,890,500	1,947,200	2,005,700	2,065,800	2,127,800	2,191,600	2,257,400	2,325,100	2,394,900
92 Additional Costs from MOU	0	755,500	780,500	801,800	824,900	849,600	875,100	901,400	928,400	956,300	985,000
TRANSFERS											
93 Transfer out to FRC	233,000	571,000	1,940,000	1,458,000	0	0	0	0	0	0	0
94 Affordability Program	31,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
DEBT SERVICE											
95 Existing Debt Service	3,253,000	3,325,000	3,322,000	3,324,000	3,321,000	3,322,000	2,801,000	2,187,000	1,727,000	1,723,000	1,348,000
96 Total Operating Expenses	\$24,105,000	\$25,365,000	\$27,206,000	\$27,211,000	\$26,254,000	\$26,762,000	\$26,766,000	\$26,693,000	\$26,791,000	\$27,362,000	\$27,582,000

Novato Enterprise Capital Spending Plan

Schedule 3

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	
1. PIPELINES						
Pipeline Improvements						
1	Novato Blvd. Widening - Diablo to Grant (4,100 LF)	\$20,000	\$200,000	\$1,500,000	\$1,500,000	
2	Connect Dead-ends at George St. w/ 8" (290 LF)	\$120,000				
3	San Mateo Tank 24" Transmission Main		\$500,000	\$500,000		
4	Arthur St. Main Relocation at Cambridge	\$150,000	\$400,000			
Pipeline Replacements						
5	Replace 8" Pipe - Railroad Ave. (500 LF)	\$350,000				
6		\$10,000	\$25,000	\$300,000	\$300,000	
Aqueduct Improvements						
7	North Marin Aqueduct Restoration near Olompali Slide	\$125,000	\$50,000			
8	Interconnection Modifications (w/ MMWD)		\$20,000	\$20,000	\$20,000	
Other Pipeline Projects						
9	Sync w/ City or County Paving		\$50,000	\$50,000	\$50,000	
10	Replace Galvanized Steel Pipe (200 LF/yr)		\$15,000	\$15,000	\$15,000	
11	Polybutylene (PB) Service Line Replacements		\$15,000	\$15,000	\$15,000	
12	Replace Plastic Thin Walled Pipe (< 4-inch)		\$50,000	\$50,000	\$50,000	
13	Other Main Replacements (60+ years old)		\$150,000	\$150,000	\$150,000	
2. STORAGE TANKS & PUMP STATIONS						
Tank Rehabilitation / Replacement						
14	Recoating - Garner Tank			\$25,000	\$250,000	
15	Seismic Upgrade / Coating - Lynwood Tanks (x2)			\$25,000	\$500,000	
16	Tank Replacement - Old Ranch Rd	\$2,937				
Pump Station Rehabilitation / Replacement						
17	Lynwood PS Replacement	\$150,000	\$450,000	\$1,500,000	\$1,500,000	
18	Crest PS Construction (Reloc. School Rd. PS)	\$100,000				
19	Cherry Hill PS Retaining Wall	\$40,000	\$150,000			
20	Davies PS Upgrade			\$50,000	\$250,000	
Hydropneumatic Systems						
21	Hydropneumatic upgrades, Phase 1 (Bahia)	\$50,000	\$850,000			
22	Hydropneumatic upgrades, Phase 2 (Hayden)			\$75,000	\$850,000	
Other Tank & Pump Station Improvements						
23	Other Tank & PS Improvements		\$75,000	\$75,000	\$75,000	
24	Other Tank Recoating		\$25,000	\$25,000	\$25,000	
25	Mobile Pump Station for Tank Cleaning	\$10,000				
26	San Marin PS Motor Replacement	\$26,960				
27	NW - Loan Funds - Crest PS Construction		\$1,400,000			
3. STAFFORD IMPROVEMENTS						
Stafford Treatment Plant (STP)						
28	Replace Supernatant Line to Center Rd. (4" - 4,400LF)	\$625,000	\$375,000			
29	STP Efficiency Improvements		\$50,000			
30	STP Chemical System Upgrade		\$50,000			
31	STP Tower Hose Replacement	\$50,000				
32	STP Corrosion Improvements - Primary Filter Recoat (x3)	\$400,000				
33	Other STP Improvements		\$100,000	\$100,000	\$100,000	
Stafford Dam / Watershed						
34	Water Supply Enhancement - Spillway ASG	\$50,000	\$150,000	\$800,000	\$400,000	
35	Dam Spillway Concrete Repair	\$50,000	\$75,000		\$25,000	
36	Access Road Slide Repair		\$100,000			
37	Dam Piezometer Automation	\$10,000	\$100,000			
38	Dam Upstream Concrete Apron Repair		\$250,000			
39	Raw Water Intake Modifications			\$100,000	\$200,000	
4. MISCELLANEOUS IMPROVEMENTS (NOVATO)						
District Offices						
40	NMWD Headquarters Upgrade	\$7,000,000	\$1,000,000			
41	Construction Locker Room Remodel	\$10,000	\$150,000			
42	Asphalt Repairs at District Facilities	\$210,000	\$125,000			
System Pressure / Valving						
Other Miscellaneous Improvements						
44	Backflow Protection - DCDA Repair / Replace (Annual)	\$200,000	\$100,000	\$100,000	\$100,000	
45	Cathodic Protection - Anode Installation (Annual)		\$10,000	\$10,000	\$10,000	
46	Other System Improvements		\$100,000	\$100,000	\$100,000	
8. EQUIPMENT BUDGET						
47	Class 8 Service Truck	\$340,000	\$290,000			
48	4,000 Tanker Truck	\$50,000				
49	Lease Vehicles	\$148,000	\$185,000	\$228,000	\$228,000	
50	Portable Generators		\$75,000	\$125,000		
51	Miscellaneous Equipment Purchases			\$197,000	\$322,000	
52	Total	\$10,297,897	\$7,710,000	\$5,910,000	\$5,460,000	\$3,585,000
53	Total after Inflation	\$10,297,897	\$7,710,000	\$6,087,300	\$5,792,514	\$3,917,426

Novato Enterprise Cash Flow Proforma											Schedule 4
	Forecast FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034	
1	8.50%	6.00%	6.00%	4.00%	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Rate Revenue											
2	Water Rate Revenue	\$22,802,000	\$18,270,000	\$19,390,000	\$20,579,000	\$21,429,000	\$22,314,000	\$23,012,000	\$23,732,000	\$24,475,000	\$25,241,000
3	Pass-Through Rate Revenue		\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000
4	Change due to growth & use	\$30,000	\$24,000	\$26,000	\$27,000	\$28,000	\$29,000	\$30,000	\$31,000	\$32,000	\$33,000
5	Increase due to rate adjustments	\$1,938,000	\$1,096,000	\$1,163,000	\$823,000	\$857,000	\$669,000	\$690,000	\$712,000	\$734,000	\$757,000
Non-Rate Revenues											
6	Wholesale Rate Revenue	\$144,000	\$149,000	\$153,000	\$158,000	\$162,000	\$167,000	\$172,000	\$177,000	\$183,000	\$188,000
7	Property Taxes	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
8	Interest Earnings	\$257,000	\$252,000	\$390,000	\$382,000	\$348,000	\$316,000	\$268,000	\$241,000	\$254,000	\$254,000
9	Operating Revenue	\$307,000	\$307,000	\$307,000	\$307,000	\$307,000	\$307,000	\$308,000	\$308,000	\$308,000	\$308,000
10	Misc. Revenue	\$114,000	\$116,000	\$118,000	\$121,000	\$123,000	\$126,000	\$129,000	\$131,000	\$134,000	\$137,000
11	MMWD AEEP Contributions	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$0
12	Total Revenue	\$25,922,000	\$27,044,000	\$28,377,000	\$29,227,000	\$30,084,000	\$30,758,000	\$31,439,000	\$32,162,000	\$32,950,000	\$33,543,000
O&M Costs											
13	Source of Supply	\$6,581,000	\$6,583,000	\$6,586,000	\$6,589,000	\$6,591,000	\$6,594,000	\$6,597,000	\$6,600,000	\$6,603,000	\$6,606,000
14	Pumping	\$572,000	\$599,000	\$628,000	\$658,000	\$689,000	\$722,000	\$757,000	\$793,000	\$831,000	\$871,000
15	Other Operations	\$941,000	\$969,000	\$998,000	\$1,028,000	\$1,059,000	\$1,091,000	\$1,124,000	\$1,157,000	\$1,192,000	\$1,228,000
16	Water Treatment	\$2,689,000	\$2,784,000	\$2,882,000	\$2,984,000	\$3,078,000	\$3,175,000	\$3,275,000	\$3,378,000	\$3,485,000	\$3,595,000
17	Transmission & Distribution	\$3,445,000	\$3,548,000	\$3,655,000	\$3,764,000	\$3,877,000	\$3,994,000	\$4,114,000	\$4,237,000	\$4,364,000	\$4,495,000
18	Consumer Accounting	\$463,000	\$476,000	\$491,000	\$505,000	\$521,000	\$536,000	\$552,000	\$569,000	\$586,000	\$604,000
19	Water Conservation	\$403,000	\$415,000	\$428,000	\$440,000	\$454,000	\$467,000	\$481,000	\$496,000	\$511,000	\$526,000
20	General Administration	\$3,722,000	\$3,835,000	\$3,951,000	\$4,071,000	\$4,194,000	\$4,321,000	\$4,452,000	\$4,586,000	\$4,725,000	\$4,868,000
21	New MOU Costs	\$755,000	\$780,000	\$802,000	\$825,000	\$850,000	\$875,000	\$901,000	\$928,000	\$956,000	\$985,000
22	Unfunded Liabilities	\$1,835,000	\$1,891,000	\$1,947,000	\$2,006,000	\$2,066,000	\$2,128,000	\$2,192,000	\$2,257,000	\$2,325,000	\$2,395,000
23	Total Operating Expenses	\$21,406,000	\$21,880,000	\$22,368,000	\$22,870,000	\$23,379,000	\$23,903,000	\$24,445,000	\$25,001,000	\$25,578,000	\$26,173,000
Capital Costs											
24	Total Capital Spending	\$7,710,000	\$6,087,000	\$5,793,000	\$3,917,000	\$3,893,000	\$4,010,000	\$4,130,000	\$4,254,000	\$4,381,000	\$4,513,000
25	Loan-Funded Capital (Existing)	\$3,332,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26	Existing Debt Service	\$3,325,000	\$3,322,000	\$3,324,000	\$3,321,000	\$3,322,000	\$2,801,000	\$2,187,000	\$1,727,000	\$1,723,000	\$1,348,000
27	Cash Funded Capital Projects	\$2,161,000	\$2,256,000	\$2,520,000	\$2,879,000	\$3,893,000	\$4,010,000	\$4,130,000	\$4,254,000	\$4,381,000	\$4,513,000
28	Total Capital Expenses	\$5,486,000	\$5,578,000	\$5,844,000	\$6,200,000	\$7,215,000	\$6,811,000	\$6,317,000	\$5,981,000	\$6,104,000	\$5,861,000
Transfers											
29	Transfer from FRC Fund to Recycled Water	\$285,000	\$484,000	\$484,000	\$210,000	\$210,000	\$209,000	\$0	\$0	\$0	\$0
30	Transfer Out to FRC Fund for RW Debt	\$285,000	\$484,000	\$484,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
31	Transfer Out to FRC Fund for growth projec	\$286,000	\$1,456,000	\$974,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
32	Transfer In from FRC to prepay debt	\$0	\$0	\$0	(\$562,000)	(\$583,000)	(\$584,000)	(\$793,000)	(\$793,000)	(\$793,000)	(\$793,000)
33	Transfer to Fund LIRA Program	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000	\$62,000
34	Total Revenue Requirement	\$27,525,000	\$29,460,000	\$29,732,000	\$28,570,000	\$30,073,000	\$30,192,000	\$30,031,000	\$30,251,000	\$30,951,000	\$31,303,000
35	Beginning Year Balance	\$17,468,000	\$15,865,000	\$13,449,000	\$12,094,000	\$12,751,000	\$12,762,000	\$13,328,000	\$14,736,000	\$16,647,000	\$18,646,000
36	Surplus/(Shortfall)	(\$1,603,000)	(\$2,416,000)	(\$1,355,000)	\$657,000	\$11,000	\$566,000	\$1,408,000	\$1,911,000	\$1,999,000	\$2,240,000
37	End of Year Balance	\$15,865,000	\$13,449,000	\$12,094,000	\$12,751,000	\$12,762,000	\$13,328,000	\$14,736,000	\$16,647,000	\$18,646,000	\$20,886,000
38	Minimum Reserves (by policy)	\$11,535,000	\$11,693,000	\$11,856,000	\$12,023,000	\$12,193,000	\$12,368,000	\$12,548,000	\$12,734,000	\$12,926,000	\$13,124,000
39	Available Cash	\$4,330,000	\$1,756,000	\$238,000	\$728,000	\$569,000	\$960,000	\$2,188,000	\$3,913,000	\$5,720,000	\$7,762,000
40	Intra-district Loan Balance	(\$7,127,000)	(\$8,099,000)	(\$8,589,000)	(\$8,379,000)	(\$8,169,000)	(\$7,960,000)	(\$7,960,000)	(\$7,960,000)	(\$7,960,000)	(\$7,960,000)
41	Debt Coverage Ratio (combined with RW)	1.48	1.68	1.89	2.04	2.13	2.48	3.31	4.41	4.76	5.87

Recycled Water Enterprise Budgeted and Projected Cash Inflows

Schedule 5

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
1 Growth in Accounts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2 Proposed Water Rate Increase	0.0%	8.5%	6.0%	6.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<u>Rate Revenue</u>											
3 Rate Revenue	\$1,552,000	\$1,552,000	\$1,684,000	\$1,785,000	\$1,892,000	\$1,968,000	\$2,047,000	\$2,108,000	\$2,171,000	\$2,236,000	\$2,303,000
4 Increase due to new rate adjustments		\$132,000	\$101,000	\$107,000	\$76,000	\$79,000	\$61,000	\$63,000	\$65,000	\$67,000	\$69,000
5 Total Rate Revenue	\$1,552,000	\$1,684,000	\$1,785,000	\$1,892,000	\$1,968,000	\$2,047,000	\$2,108,000	\$2,171,000	\$2,236,000	\$2,303,000	\$2,372,000
<u>Other Revenue:</u>											
6 Operating Revenue	\$20,000	\$20,000	\$21,000	\$21,000	\$22,000	\$22,000	\$23,000	\$23,000	\$23,000	\$24,000	\$24,000
7 Interest Earnings	\$11,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
8 Debt Service Repayments	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000
9 Transfer In from FRC Fund	\$83,000	\$285,000	\$484,000	\$484,000	\$210,000	\$210,000	\$209,000	\$0	\$0	\$0	\$0
10 Total Other Revenue	\$163,000	\$363,000	\$563,000	\$563,000	\$290,000	\$290,000	\$290,000	\$81,000	\$81,000	\$82,000	\$82,000
11 TOTAL REVENUE	\$1,715,000	\$2,047,000	\$2,348,000	\$2,455,000	\$2,258,000	\$2,337,000	\$2,398,000	\$2,252,000	\$2,317,000	\$2,385,000	\$2,454,000

Recycled Water Enterprise Budgeted and Projected Operating & Debt Expenses

Schedule 6

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Source of Supply											
1 Purchased Water - NSD	\$283,000	\$297,900	\$313,500	\$329,800	\$347,000	\$365,000	\$383,900	\$403,900	\$424,900	\$446,900	\$470,200
2 Purchased Water - LGVSD	\$113,000	\$119,000	\$125,200	\$131,700	\$138,500	\$145,700	\$153,300	\$161,300	\$169,600	\$178,500	\$187,700
Pumping											
3 Maint of Pumping Equipment	\$2,000	\$2,100	\$2,100	\$2,200	\$2,300	\$2,300	\$2,400	\$2,500	\$2,500	\$2,600	\$2,700
4 Electric Power	\$3,000	\$3,100	\$3,200	\$3,300	\$3,400	\$3,500	\$3,600	\$3,700	\$3,800	\$3,900	\$4,000
Operations											
5 Supervision & Engineering	\$9,000	\$9,000	\$9,300	\$9,500	\$9,800	\$10,100	\$10,400	\$10,700	\$11,100	\$11,400	\$11,700
6 Operating Expense - Operations	\$1,000	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300
7 Potable Water Consumed	\$50,000	\$56,000	\$58,800	\$61,700	\$64,800	\$68,100	\$71,500	\$75,000	\$78,800	\$82,700	\$86,900
8 Maintenance Expense	\$7,000	\$7,200	\$7,400	\$7,600	\$7,900	\$8,100	\$8,400	\$8,600	\$8,900	\$9,100	\$9,400
Water Treatment											
9 Purification Chemicals	\$1,500	\$1,700	\$1,700	\$1,800	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300
10 Maint of Purification Equipment	\$1,900	\$1,900	\$2,000	\$2,000	\$2,100	\$2,200	\$2,200	\$2,300	\$2,400	\$2,400	\$2,500
11 Laboratory Direct Labor	\$1,000	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300
12 Customer Water Quality	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300	\$1,300
13 Lab Expense Distributed from Novato	\$400	\$400	\$400	\$400	\$400	\$400	\$500	\$500	\$500	\$500	\$500
Transmission & Distribution											
14 Supervision & Engineering	\$4,000	\$4,000	\$4,100	\$4,200	\$4,400	\$4,500	\$4,600	\$4,800	\$4,900	\$5,100	\$5,200
15 Customer Service Expense	\$28,000	\$28,800	\$29,700	\$30,600	\$31,500	\$32,500	\$33,400	\$34,400	\$35,500	\$36,500	\$37,600
16 Maint of Valves/Regulators	\$13,000	\$13,400	\$13,800	\$14,200	\$14,600	\$15,100	\$15,500	\$16,000	\$16,500	\$17,000	\$17,500
17 Single Service Installations	\$13,000	\$13,400	\$13,800	\$14,200	\$14,600	\$15,100	\$15,500	\$16,000	\$16,500	\$17,000	\$17,500
18 Hydrant Maint & Operations	\$1,000	\$1,000	\$1,100	\$1,100	\$1,100	\$1,200	\$1,200	\$1,200	\$1,300	\$1,300	\$1,300
19 Maint of Mains	\$6,000	\$6,200	\$6,400	\$6,600	\$6,800	\$7,000	\$7,200	\$7,400	\$7,600	\$7,800	\$8,100
Consumer Accounting											
20 Distributed from Novato (0.2%)	\$2,000	\$2,100	\$2,100	\$2,200	\$2,300	\$2,300	\$2,400	\$2,500	\$2,500	\$2,600	\$2,700
General & Administrative											
21 Dues & Subscriptions	\$18,000	\$18,500	\$19,100	\$19,700	\$20,300	\$20,900	\$21,500	\$22,100	\$22,800	\$23,500	\$24,200
22 Consulting Services/Studies	\$10,000	\$10,300	\$10,600	\$10,900	\$11,300	\$11,600	\$11,900	\$12,300	\$12,700	\$13,000	\$13,400
23 Distributed from Novato (2.4%)	\$90,000	\$92,700	\$95,500	\$98,300	\$101,300	\$104,300	\$107,500	\$110,700	\$114,000	\$117,400	\$121,000
24 Unfunded Liability and Payroll Contributions	\$24,400	\$26,200	\$28,000	\$29,900	\$32,000	\$34,300	\$36,700	\$39,300	\$42,000	\$44,900	\$48,100
25 Additional Costs from MOU	\$0	\$6,600	\$6,800	\$7,000	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200	\$7,200
Transfers											
26 Total Set Aside for Cap Replacement Fund	869,000	959,000	1,027,000	1,100,000	1,138,000	1,181,000	1,203,000	1,224,000	1,245,000	1,264,000	1,286,000
Debt Service											
27 Existing Debt Service	1,163,000	1,163,000	1,163,000	1,163,000	890,000	890,000	890,000	558,000	376,000	276,000	276,000
28 Total Operating Expenses	\$2,715,000	\$2,847,000	\$2,948,000	\$3,055,000	\$2,857,000	\$2,938,000	\$2,999,000	\$2,730,000	\$2,613,000	\$2,577,000	\$2,648,000

Recycled Water Cash Flow Proforma

Schedule 7

	Forecast FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034	
1	8.5%	6.0%	6.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Rate Revenue											
2	RW Service Charge Revenue	\$1,552,000	\$1,684,000	\$1,785,000	\$1,892,000	\$1,968,000	\$2,047,000	\$2,108,000	\$2,171,000	\$2,236,000	\$2,303,000
3	Increase due to rate adjustments	\$132,000	\$101,000	\$107,000	\$76,000	\$79,000	\$61,000	\$63,000	\$65,000	\$67,000	\$69,000
Non-Rate Revenues											
4	Operating Revenue	\$20,000	\$21,000	\$21,000	\$22,000	\$22,000	\$23,000	\$23,000	\$23,000	\$24,000	\$24,000
5	Interest Earnings	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
6	Debt Service Repayments	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000	\$49,000
7	Total Revenue	\$1,762,000	\$1,864,000	\$1,971,000	\$2,048,000	\$2,127,000	\$2,189,000	\$2,252,000	\$2,317,000	\$2,385,000	\$2,454,000
O&M Costs											
8	Source of Supply	\$417,000	\$439,000	\$462,000	\$486,000	\$511,000	\$537,000	\$565,000	\$595,000	\$625,000	\$658,000
9	Pumping	\$5,000	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000
10	Operations	\$73,000	\$77,000	\$80,000	\$84,000	\$87,000	\$91,000	\$96,000	\$100,000	\$105,000	\$109,000
11	Water Treatment	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$8,000	\$8,000
12	Transmission & Distribution	\$67,000	\$69,000	\$71,000	\$73,000	\$75,000	\$77,000	\$80,000	\$82,000	\$85,000	\$87,000
13	Consumer Accounting	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000
14	General & Administrative	\$148,000	\$153,000	\$159,000	\$165,000	\$171,000	\$178,000	\$184,000	\$191,000	\$199,000	\$207,000
15	New MOU Costs	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
16	Total Operating Expenses	\$725,000	\$758,000	\$792,000	\$830,000	\$866,000	\$905,000	\$947,000	\$991,000	\$1,039,000	\$1,086,000
Capital Costs											
17	Existing Debt Service	\$1,163,000	\$1,163,000	\$1,163,000	\$890,000	\$890,000	\$890,000	\$558,000	\$376,000	\$276,000	\$276,000
18	Cash Funded Capital Projects	\$361,000	\$159,000	\$164,000	\$169,000	\$174,000	\$179,000	\$184,000	\$190,000	\$196,000	\$202,000
19	Capital Replacement Funded Capital	\$361,000	\$159,000	\$164,000	\$169,000	\$174,000	\$179,000	\$184,000	\$190,000	\$196,000	\$202,000
20	Capital Replacement Funded Debt Service	\$800,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$509,000	\$327,000	\$227,000	\$227,000
21	Total Capital Expenses	\$363,000	\$563,000	\$563,000	\$290,000	\$290,000	\$290,000	\$49,000	\$49,000	\$49,000	\$49,000
Transfers											
22	Transfer In from FRC Fund	\$285,000	\$484,000	\$484,000	\$210,000	\$210,000	\$209,000	\$0	\$0	\$0	\$0
23	Total Set Aside for Cap Replacement Fund	\$959,000	\$1,027,000	\$1,100,000	\$1,138,000	\$1,181,000	\$1,203,000	\$1,224,000	\$1,245,000	\$1,264,000	\$1,286,000
24	Total Revenue Requirement	\$1,762,000	\$1,864,000	\$1,971,000	\$2,048,000	\$2,127,000	\$2,189,000	\$2,220,000	\$2,285,000	\$2,352,000	\$2,421,000
25	Beginning Year Balance	\$441,000	\$441,000	\$441,000	\$441,000	\$441,000	\$441,000	\$441,000	\$473,000	\$505,000	\$538,000
26	Surplus/(Shortfall)	\$0	\$0	\$0	\$0	\$0	\$0	\$32,000	\$32,000	\$33,000	\$33,000
27	End of Year Balance	\$441,000	\$441,000	\$441,000	\$441,000	\$441,000	\$441,000	\$473,000	\$505,000	\$538,000	\$571,000
28	Minimum Reserves (by policy)	\$242,000	\$253,000	\$264,000	\$277,000	\$289,000	\$302,000	\$316,000	\$330,000	\$346,000	\$362,000
29	Available Cash	\$199,000	\$188,000	\$177,000	\$164,000	\$152,000	\$139,000	\$157,000	\$175,000	\$192,000	\$209,000
Capital Replacement & Expansion Fund											
30	Beginning Balance	\$4,090,700	\$4,358,700	\$4,694,700	\$5,063,700	\$5,470,700	\$5,894,700	\$6,425,700	\$7,152,700	\$7,992,700	\$8,849,700
31	North Marin	\$1,125,900	\$964,900	\$841,900	\$735,900	\$649,900	\$571,900	\$591,900	\$799,900	\$1,112,900	\$1,432,900
32	Novato	\$1,977,300	\$2,035,300	\$2,097,300	\$2,161,300	\$2,228,300	\$2,296,300	\$2,365,300	\$2,435,300	\$2,506,300	\$2,579,300
33	Las Gallinas	\$987,500	\$1,358,500	\$1,755,500	\$2,166,500	\$2,592,500	\$3,026,500	\$3,468,500	\$3,917,500	\$4,373,500	\$4,837,500
34	Contributions (Withdrawals)	(\$202,000)	\$268,000	\$336,000	\$369,000	\$407,000	\$424,000	\$531,000	\$727,000	\$840,000	\$857,000
35	North Marin	(\$602,000)	(\$161,000)	(\$123,000)	(\$106,000)	(\$86,000)	(\$78,000)	\$20,000	\$208,000	\$313,000	\$320,000
36	Novato	\$54,000	\$58,000	\$62,000	\$64,000	\$67,000	\$68,000	\$69,000	\$70,000	\$71,000	\$73,000
37	Las Gallinas	\$346,000	\$371,000	\$397,000	\$411,000	\$426,000	\$434,000	\$442,000	\$449,000	\$456,000	\$464,000

ALLOCATION OF COSTS TO SYSTEM FUNCTIONS - NOVATO

SCHEDULE 8 (1 of 3)

Budget Line Items	Test Year Budget	Account Charge	Percent Allocation to Revenue Recovery Category					Cost Allocation to Revenue Recovery Category								
			Meter Charge	Tier 1 (Imported Water)	Tier 2 (Treated Water)	Conservation	Raw Water	Pressure System	Account Charge	Meter Charge	Tier 1 (Imported Water)	Tier 2 (Treated Water)	Conservation	Raw Water	Pressure System	
SOURCE OF SUPPLY																
1 Supervision & Engineering	\$8,000			40.1%	21.5%		5.6%	32.8%			\$3,208	\$1,722		\$444	\$2,625	
2 Operating Expense - Source	\$5,000			40.1%	21.5%		5.6%	32.8%			\$2,005	\$1,076		\$278	\$1,641	
3 Maint/Monitoring of Dam	\$36,000				87.4%		12.6%				\$31,457		\$4,543			
4 Maint of Lake & Intakes	\$8,000				87.4%		12.6%				\$6,990		\$1,010			
5 Maint of Watershed	\$20,000				87.4%		12.6%				\$17,476		\$2,524			
6 Water Quality Surveillance	\$2,000				87.4%		12.6%				\$1,748		\$252			
7 Fishery Maint	\$1,000				87.4%		12.6%				\$874		\$126			
8 Erosion Control	\$1,000				87.4%		12.6%				\$874		\$126			
9 Purchased Water	\$6,500,000			100.0%							\$6,500,000					
PUMPING																
10 Maint of Structures & Grounds	\$33,000							100.0%							\$33,000	
11 Maint of Pumping Equipment	\$35,000							100.0%							\$35,000	
12 Electric Power	\$504,000							100.0%							\$504,000	
OPERATIONS																
13 Supervision & Engineering	\$291,000		42.4%	23.1%	12.4%		3.2%	18.9%		\$123,384	\$67,221	\$36,084		\$9,312	\$54,999	
14 Operating Expense - Operations	\$506,000		42.4%	23.1%	12.4%		3.2%	18.9%		\$214,544	\$116,886	\$62,744		\$16,192	\$95,634	
15 Maintenance Expense	\$59,000		42.4%	23.1%	12.4%		3.2%	18.9%		\$25,016	\$13,629	\$7,316		\$1,888	\$11,151	
16 Telemetry Equipment/Controls Maint	\$60,000		42.4%	23.1%	12.4%		3.2%	18.9%		\$25,440	\$13,860	\$7,440		\$1,920	\$11,340	
17 Leased Lines	\$25,000		42.4%	23.1%	12.4%		3.2%	18.9%		\$10,600	\$5,775	\$3,100		\$800	\$4,725	
WATER TREATMENT																
18 Supervision & Engineering	\$247,000				100.0%								\$247,000			
19 Operating Expense - Water Treatment	\$362,000				100.0%								\$362,000			
20 Purification Chemicals	\$528,000				100.0%								\$528,000			
21 Sludge Disposal	\$121,500				100.0%								\$121,500			
22 Maint of Structures & Grounds	\$96,000				100.0%								\$96,000			
23 Maint of Purification Equipment	\$419,000				100.0%								\$419,000			
24 Electric Power	\$185,900				100.0%								\$185,900			
25 Water Quality Programs	\$93,000		80.4%	19.6%						\$74,728		\$18,272				
26 Laboratory Direct Labor	\$406,000		80.4%	19.6%						\$326,232		\$79,768				
27 Lab Service-Outside Clients	\$12,400		80.4%	19.6%						\$9,964		\$2,436				
28 Water Quality Supervision	\$100,000		80.4%	19.6%						\$80,353		\$19,647				
29 Laboratory Supplies & Expense	\$116,000		80.4%	19.6%						\$93,209		\$22,791				
30 Customer Water Quality	\$40,000		80.4%	19.6%						\$32,141		\$7,859				
31 Lab Cost Distributed	(\$38,000)		80.4%	19.6%						(\$30,534)		(\$7,466)				



ALLOCATION OF COSTS TO SYSTEM FUNCTIONS - NOVATO

SCHEDULE 8 (2 of 3)

Budget Line Items	Test Year Budget	Percent Allocation to Revenue Recovery Category							Cost Allocation to Revenue Recovery Category						
		Account Charge	Meter Charge	Tier 1 (Imported Water)	Tier 2 (Treated Water)	Conservation	Raw Water	Pressure System	Account Charge	Meter Charge	Tier 1 (Imported Water)	Tier 2 (Treated Water)	Conservation	Raw Water	Pressure System
TRANSMISSION & DISTRIBUTION															
32 Supervision & Engineering	\$759,000	30.0%	70.0%						\$227,700	\$531,300					
33 Maps & Records	\$247,000	100.0%							\$247,000						
34 Operation of T&D System	\$163,000		100.0%							\$163,000					
35 Facilities Location	\$144,000	100.0%							\$144,000						
36 Safety: Construction & Engineering	\$70,000		100.0%							\$70,000					
37 Customer Service Expense	\$239,000	100.0%							\$239,000						
38 Flushing	\$38,000		100.0%							\$38,000					
39 Storage Facilities Expense	\$132,000		100.0%							\$132,000					
40 Cathodic Protection	\$12,000		100.0%							\$12,000					
41 Maint of Valves/Regulators	\$155,000		100.0%							\$155,000					
42 Maint of Mains	\$200,000		100.0%							\$200,000					
43 Leak Detection - Mains	\$19,000		100.0%							\$19,000					
44 Backflow Prevention Program	\$356,000		100.0%							\$356,000					
45 Maint of Copper Services	\$176,000		100.0%							\$176,000					
46 Maint of PB Service Lines	\$409,000		100.0%							\$409,000					
47 Single Service Installations	\$21,000	100.0%							\$21,000						
48 Maint of Meters	\$154,000	100.0%							\$154,000						
49 Detector Check Assembly Maint	\$95,000	100.0%							\$95,000						
50 Maint of Hydrants	\$56,000		100.0%							\$56,000					
CONSUMER ACCOUNTING															
51 Meter Reading	\$27,000	100.0%							\$27,000						
52 Collection Expense - Labor	\$12,000	100.0%							\$12,000						
53 Collection Expense - Agency	\$2,100	100.0%							\$2,100						
54 Billing & Consumer Accounting	\$158,000	100.0%							\$158,000						
55 Contract Billing	\$17,500	100.0%							\$17,500						
56 Stationery, Supplies & Postage	\$69,000	100.0%							\$69,000						
57 Online Payment Processing Fees/CC Fees	\$63,000	100.0%							\$63,000						
58 Lock Box Service	\$25,000	100.0%							\$25,000						
59 Uncollectable Accounts	\$33,000	100.0%							\$33,000						
60 Office Equipment Expense	\$75,000	100.0%							\$75,000						
61 Distributed to West Marin (4.1%)	(\$19,000)	100.0%							(\$19,000)						
WATER CONSERVATION															
62 Residential	\$267,000				87.4%	12.6%							\$233,308	\$33,692	
63 Commercial	\$6,000				87.4%	12.6%							\$5,243	\$757	
64 Public Outreach/Information	\$122,000				87.4%	12.6%							\$106,605	\$15,395	
65 Large Landscape	\$8,000				87.4%	12.6%							\$6,990	\$1,010	
66 Total Operating Costs									\$1,590,300	\$2,716,284	\$7,308,677	\$2,281,609	\$352,146	\$90,269	\$754,115
67 Indirect Allocation Percentages									10.5%	18.0%	48.4%	15.1%	2.3%	0.6%	5.0%



ALLOCATION OF COSTS TO SYSTEM FUNCTIONS - NOVATO

SCHEDULE 8 (3 of 3)

Budget Line Items	Percent Allocation to Revenue Recovery Category									Cost Allocation to Revenue Recovery Category					
	Test Year Budget	Account Charge	Meter Charge	Tier 1	Tier 2	Conservation	Raw Water	Pressure System	Account Charge	Meter Charge	Tier 1	Tier 2	Conservation	Raw Water	Pressure System
				(Imported Water)	(Treated Water)						(Imported Water)	(Treated Water)			
GENERAL AND ADMINISTRATIVE															
68 Directors Fees	\$46,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$13,439		\$22,807	\$7,120		\$282	\$2,353
69 Legal Fees	\$25,800	29.2%		49.6%	15.5%		0.61%	5.1%	\$7,537		\$12,792	\$3,993		\$158	\$1,320
70 Human Resources	\$256,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$74,789		\$126,924	\$39,623		\$1,568	\$13,096
71 Auditing Fees	\$26,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$7,596		\$12,891	\$4,024		\$159	\$1,330
72 Consulting Services/Studies	\$396,600	29.2%		49.6%	15.5%		0.61%	5.1%	\$115,865		\$196,633	\$61,385		\$2,429	\$20,289
73 General Office Salaries	\$1,616,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$472,106		\$801,209	\$250,120		\$9,896	\$82,669
74 Safety: General District Wide	\$45,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$13,147		\$22,311	\$6,965		\$276	\$2,302
75 Office Supplies	\$36,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$10,517		\$17,849	\$5,572		\$220	\$1,842
76 Employee Events	\$10,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$2,921		\$4,958	\$1,548		\$61	\$512
77 Other Administrative Expense	\$4,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$1,169		\$1,983	\$619		\$24	\$205
78 Dues & Subscriptions	\$86,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$25,124		\$42,639	\$13,311		\$527	\$4,399
79 Vehicle Expense	\$18,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$5,259		\$8,924	\$2,786		\$110	\$921
80 Meetings, Conferences & Training	\$207,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$60,474		\$102,630	\$32,039		\$1,268	\$10,589
81 Recruitment Expense	\$2,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$584		\$992	\$310		\$12	\$102
82 Gas & Electricity	\$44,800	29.2%		49.6%	15.5%		0.61%	5.1%	\$13,088		\$22,212	\$6,934		\$274	\$2,292
83 Telephone	\$21,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$6,135		\$10,412	\$3,250		\$129	\$1,074
84 Water	\$2,200	29.2%		49.6%	15.5%		0.61%	5.1%	\$643		\$1,091	\$341		\$13	\$113
85 Buildings & Grounds Maint	\$69,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$20,158		\$34,210	\$10,680		\$423	\$3,530
86 Office Equipment Expense	\$260,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$75,958		\$128,907	\$40,242		\$1,592	\$13,301
87 Insurance Premiums & Claims	\$268,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$78,295		\$132,874	\$41,480		\$1,641	\$13,710
88 Retiree Medical Benefits	\$225,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$65,733		\$111,554	\$34,825		\$1,378	\$11,510
89 (Gain)/Loss on Overhead Charges	\$246,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$71,868		\$121,966	\$38,075		\$1,506	\$12,585
90 G&A Applied to Other Operations (5.9%)	(\$179,000)	29.2%		49.6%	15.5%		0.61%	5.1%	(\$52,294)		(\$88,748)	(\$27,705)		(\$1,096)	(\$9,157)
91 G&A Applied to Construction	(\$385,000)	29.2%		49.6%	15.5%		0.61%	5.1%	(\$112,476)		(\$190,882)	(\$59,589)		(\$2,358)	(\$19,695)
92 Other Non-Operating Expense	\$376,000	29.2%		49.6%	15.5%		0.61%	5.1%	\$109,847		\$186,420	\$58,196		\$2,302	\$19,235
93 Unfunded Liability and Payroll Contributions	\$1,835,500	29.2%		49.6%	15.5%		0.61%	5.1%	\$536,232		\$910,036	\$284,093		\$11,240	\$93,898
94 Additional Costs from MOU	\$755,500	29.2%		49.6%	15.5%		0.61%	5.1%	\$220,716		\$374,575	\$116,934		\$4,626	\$38,649
NON-OPERATING CATEGORIES															
95 Debt Service	\$3,325,000		43.8%	23.9%	12.8%			19.5%		\$1,456,405	\$793,466	\$425,930			\$649,199
96 Capital Spending	\$2,161,000		42.4%	23.1%	12.4%		3.2%	18.9%		\$916,264	\$499,191	\$267,964		\$69,152	\$408,429
97 Change in Fund Balance & Transfers	(\$970,000)	10.5%	18.0%	48.4%	15.1%	2.3%	0.60%	5.0%	(\$102,203)	(\$174,566)	(\$469,703)	(\$146,631)	(\$22,631)	(\$5,801)	(\$48,464)
98 Non-Rate Revenue	(\$1,152,000)			48.7%	43.9%	7.4%					(\$561,189)	(\$505,868)	(\$84,943)		
99 Totals:	\$24,770,800								\$3,332,525	\$4,914,387	\$10,700,610	\$3,300,174	\$244,572	\$192,280	\$2,086,252



ALLOCATION OF COSTS TO SYSTEM FUNCTIONS - RECYCLED WATER

SCHEDULE 9

	Budget Expense	Test Year Budget	Percent Allocation to Revenue Recovery Category			Cost Allocation to Revenue Recovery Categories		
			Account Charge	Meter Charge	Usage Charge	Account Charge	Meter Charge	Usage Charge
Source of Supply								
1	Purchased Water - NSD	\$297,900			100%			\$297,900
2	Purchased Water - LGVSD	\$119,000			100%			\$119,000
Pumping								
3	Maint of Pumping Equipment	\$2,100		100%			\$2,100	
4	Electric Power	\$3,100			100%			\$3,100
Operations								
5	Supervision & Engineering	\$9,000		100%			\$9,000	
6	Operating Expense - Operations	\$1,000		100%			\$1,000	
7	Potable Water Consumed	\$56,000			100.0%			\$56,000
8	Maintenance Expense	\$7,200		100%			\$7,200	
Water Treatment								
9	Purification Chemicals	\$1,700			100%			\$1,700
10	Maint of Purification Equipment	\$1,900		100%			\$1,900	
11	Laboratory Direct Labor	\$1,000		100%			\$1,000	
12	Customer Water Quality	\$1,000	100.0%			\$1,000		
13	Lab Expense Distributed from Novato	\$400		100%			\$400	
14	Transfer Out to Member Agencies	\$400,000			100%			\$400,000
Transmission & Distribution								
15	Supervision & Engineering	\$4,000		100%			\$4,000	
16	Customer Service Expense	\$28,800	100.0%			\$28,800		
17	Maint of Valves/Regulators	\$13,400		100%			\$13,400	
18	Single Service Installations	\$13,400	100.0%			\$13,400		
19	Hydrant Maint & Operations	\$1,000		100%			\$1,000	
20	Maint of Mains	\$6,200		100%			\$6,200	
General & Administrative								
21	Distributed from Novato (0.2%)	\$2,100		100.0%			\$2,100	
21	Dues & Subscriptions	\$18,500	50%	50.0%		\$9,300		\$9,300
22	Consulting Services/Studies	\$10,300		100.0%			\$10,300	
23	Distributed from Novato (2.4%)	\$92,700		100.0%			\$92,700	
24	Unfunded Liability and Payroll Contributions (cash)	\$26,200		100.0%			\$26,200	
25	Additional Costs from MOU	\$6,600		100.0%			\$6,600	
Non-Operating Categories								
25	Debt Service	\$1,163,000		5.0%	95%		\$58,200	\$1,104,900
26	Capital Spending	\$361,000		25%	75.0%		\$90,300	\$270,800
27	Non-Rate Revenue	(\$965,000)	4.5%	4.9%	90.7%	(\$43,100)	(\$47,000)	(\$874,900)
Total:		\$1,683,500				\$9,400	\$295,900	\$1,378,500

Schedule 10 – Proposed Rates Schedules for FY 2024/25 through FY 2028/29

Proposed Rates beginning July 1, 2024

Service Charges

Meter Size	Potable Water Bi-Monthly Service Charge	Recycled Water Bi-Monthly Service Charge	Private Fire Service Charge
5/8"	\$58.39	\$85.08	
1"	\$105.73	\$188.97	\$19.01
1.5"	\$184.63	\$362.12	
2"	\$279.31	\$569.90	\$25.06
3"	\$531.79	\$1,123.98	
4"	\$815.83	\$1,747.32	\$69.94
6"	\$1,604.83	\$3,478.82	\$98.26
8"	\$2,078.23	(na)	\$130.59
10"	(na)	(na)	\$171.03

Quantity Charges

	Zone A	Zone B	Zone C
Residential Quantity Charges			
Tier 1*	\$7.01	\$7.93	\$9.55
Tier 2**	\$9.16	\$10.08	\$11.70
Tier 3	\$13.55	\$14.47	\$16.09

Commercial Quantity Charges			
Uniform	\$7.54	\$8.46	\$10.08
Recycled Water	\$6.75	(na)	(na)

Other Quantity Charges			
Raw Water	\$3.53	(na)	(na)
Temporary Meter	\$10.08	(na)	(na)

* Allocation is 262 gpd per dwelling unit

** Allocation is 458 gpd per dwelling unit

Proposed Rates beginning July 1, 2025

Service Charges

Meter Size	Potable Water Bi-Monthly Service Charge	Recycled Water Bi-Monthly Service Charge	Private Fire Service Charge
5/8"	\$61.89	\$90.18	
1"	\$112.07	\$200.31	\$20.15
1.5"	\$195.71	\$383.85	
2"	\$296.07	\$604.09	\$26.56
3"	\$563.70	\$1,191.42	
4"	\$864.78	\$1,852.16	\$74.14
6"	\$1,701.12	\$3,687.55	\$104.16
8"	\$2,202.92	(na)	\$138.43
10"	(na)	(na)	\$181.29

Quantity Charges

	Zone A	Zone B	Zone C
Residential Quantity Charges			
Tier 1*	(TBD based on Pass-Through)		
Tier 2**	\$9.71	\$10.68	\$12.40
Tier 3	\$14.36	\$15.34	\$17.06

Commercial Quantity Charges			
Uniform	(TBD based on Pass-Through)		
Recycled Water	\$7.16	(na)	(na)

Other Quantity Charges			
Raw Water	\$3.74	(na)	(na)
Temporary Meter	\$10.68	(na)	(na)

* Allocation is 262 gpd per dwelling unit

** Allocation is 458 gpd per dwelling unit

Proposed Rates beginning July 1, 2026

Service Charges

Meter Size	Potable Water Bi-Monthly Service Charge	Recycled Water Bi-Monthly Service Charge	Private Fire Service Charge
5/8"	\$65.60	\$95.59	
1"	\$118.79	\$212.33	\$21.36
1.5"	\$207.45	\$406.88	
2"	\$313.83	\$640.34	\$28.15
3"	\$597.52	\$1,262.91	
4"	\$916.67	\$1,963.29	\$78.59
6"	\$1,803.19	\$3,908.80	\$110.41
8"	\$2,335.10	(na)	\$146.74
10"	(na)	(na)	\$192.17

Quantity Charges

	Zone A	Zone B	Zone C
Residential Quantity Charges			
Tier 1*	(TBD based on Pass-Through)		
Tier 2**	\$10.29	\$11.32	\$13.14
Tier 3	\$15.22	\$16.26	\$18.08
Commercial Quantity Charges			
Uniform	(TBD based on Pass-Through)		
Recycled Water	\$7.59	(na)	(na)
Other Quantity Charges			
Raw Water	\$3.96	(na)	(na)
Temporary Meter	\$11.32	(na)	(na)

* Allocation is 262 gpd per dwelling unit
** Allocation is 458 gpd per dwelling unit

Proposed Rates beginning July 1, 2027

Service Charges

Meter Size	Potable Water Bi-Monthly Service Charge	Recycled Water Bi-Monthly Service Charge	Private Fire Service Charge
5/8"	\$68.22	\$99.41	
1"	\$123.54	\$220.82	\$22.21
1.5"	\$215.75	\$423.16	
2"	\$326.38	\$665.95	\$29.28
3"	\$621.42	\$1,313.43	
4"	\$953.34	\$2,041.82	\$81.73
6"	\$1,875.32	\$4,065.15	\$114.83
8"	\$2,428.50	(na)	\$152.61
10"	(na)	(na)	\$199.86

Quantity Charges

	Zone A	Zone B	Zone C
Residential Quantity Charges			
Tier 1*	(TBD based on Pass-Through)		
Tier 2**	\$10.70	\$11.77	\$13.67
Tier 3	\$15.83	\$16.91	\$18.80
Commercial Quantity Charges			
Uniform	(TBD based on Pass-Through)		
Recycled Water	\$7.89	(na)	(na)
Other Quantity Charges			
Raw Water	\$4.12	(na)	(na)
Temporary Meter	\$11.77	(na)	(na)

* Allocation is 262 gpd per dwelling unit
** Allocation is 458 gpd per dwelling unit

Proposed Rates beginning July 1, 2028

Service Charges

Meter Size	Potable Water Bi-Monthly Service Charge	Recycled Water Bi-Monthly Service Charge	Private Fire Service Charge
5/8"	\$70.95	\$103.39	
1"	\$128.48	\$229.65	\$23.10
1.5"	\$224.38	\$440.09	
2"	\$339.44	\$692.59	\$30.45
3"	\$646.28	\$1,365.97	
4"	\$991.47	\$2,123.49	\$85.00
6"	\$1,950.33	\$4,227.76	\$119.42
8"	\$2,525.64	(na)	\$158.71
10"	(na)	(na)	\$207.85

Quantity Charges

	Zone A	Zone B	Zone C
Residential Quantity Charges			
Tier 1*	(TBD based on Pass-Through)		
Tier 2**	\$11.13	\$12.24	\$14.22
Tier 3	\$16.46	\$17.59	\$19.55
Commercial Quantity Charges			
Uniform	(TBD based on Pass-Through)		
Recycled Water	\$8.21	(na)	(na)
Other Quantity Charges			
Raw Water	\$4.28	(na)	(na)
Temporary Meter	\$12.24	(na)	(na)

* Allocation is 262 gpd per dwelling unit

** Allocation is 458 gpd per dwelling unit



Novato and Recycled Water Rate Study

Findings Presentation

North Marin Water District

April 2, 2024



Agenda

1. Rate studies overview & scope
2. Review financial plans
 - Novato Enterprise (potable)
 - Recycled Water Enterprise
3. Rate design & structure
4. Project schedule

The Rate Setting Process

Revenue Requirements

Compares the revenues of the utility to its expenses to determine the overall level of rate adjustment

Cost-of-Service

Equitably allocates costs by customer classes (business, low water user, high water user, etc.) in proportion to the costs each class of customers places on the system to meet their needs

Rate Design

Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

Novato Potable Water Financial Plan

Novato Enterprise Cash Reserves

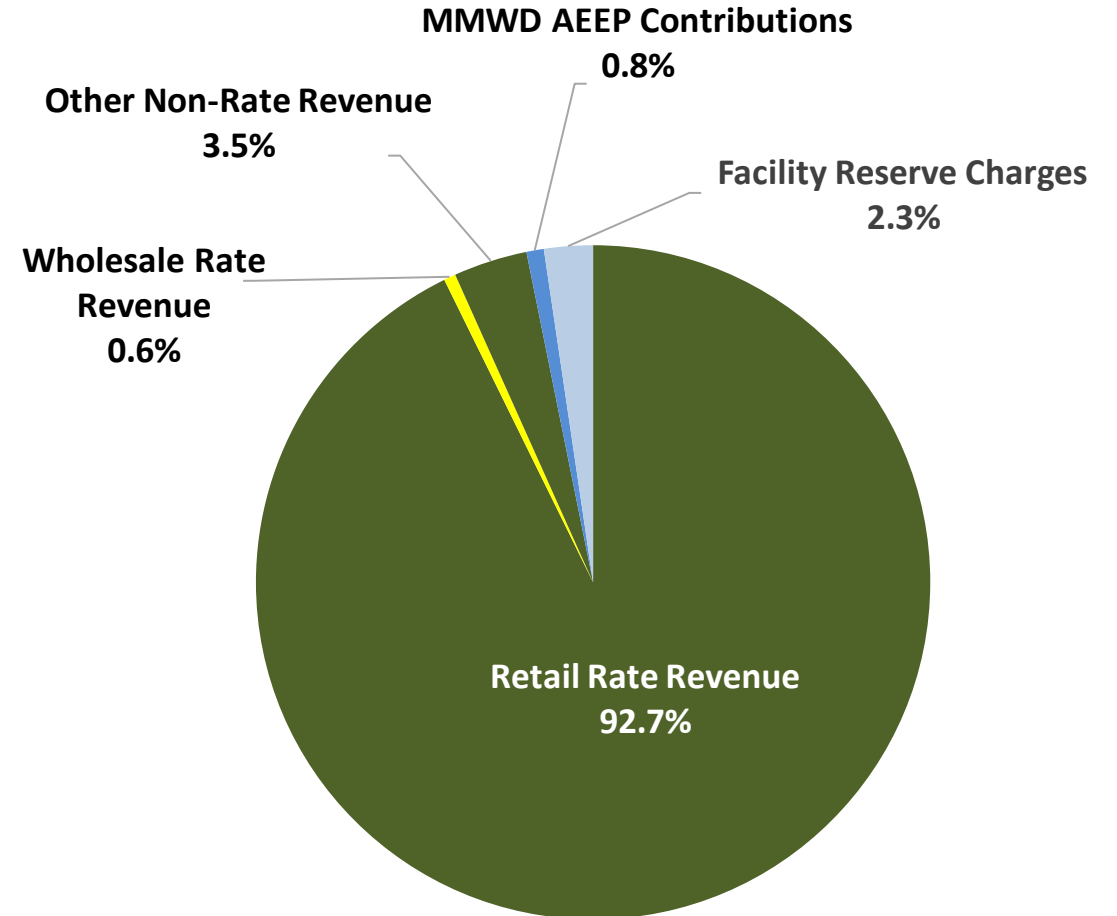
Beginning FY 2023/24

Cash	\$2,102,000
Operating Reserve Fund	\$5,780,000
Maintenance Accrual Fund	\$4,000,000
Liability Contingency Reserve	\$1,606,000
Worker's Compensation Fund	\$19,000
Retiree Medical Benefits Fund	\$4,344,000
Webster Bank-Admin Bldg/CIP Fund	\$10,481,000
Total Unrestricted:	\$28,332,000
Restricted:	\$1,341,000
Total Reserves:	\$29,673,000
Long-term Receivable from other funds:	\$7,126,000

Novato Enterprise Revenue

FY2023/24 Budget

Retail Rate Revenue	\$22,802,000*
Wholesale Rate Revenue	\$140,000
Non-Rate Revenue	
Interest Earnings	\$201,000
Facility Reserve Charges	\$575,000
Operating Revenue	\$307,000
Property Taxes	\$125,000
Miscellaneous	\$236,000
MMWD AEEP Contributions	\$205,000
Total:	\$24,591,000



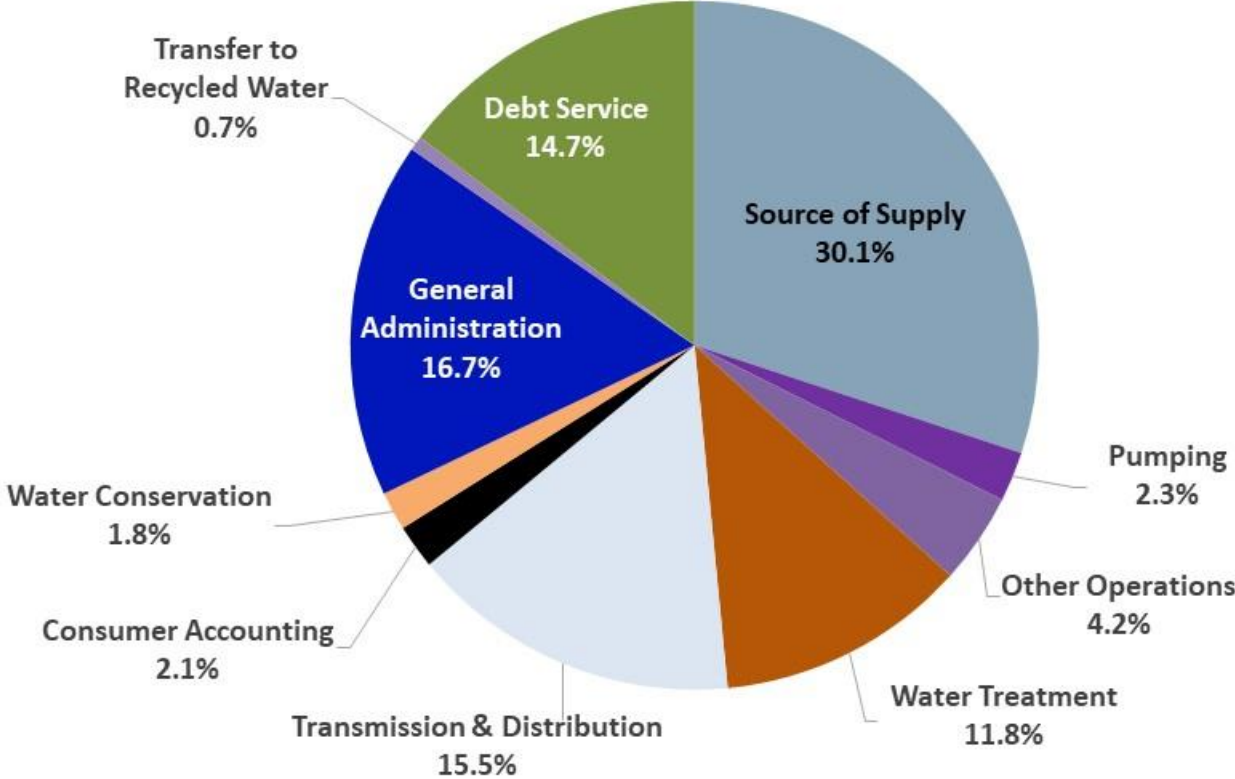
* 2.0 billion gallons sold. Price per gallon = \$0.011

Novato Enterprise Operating Expenses & Debt Service

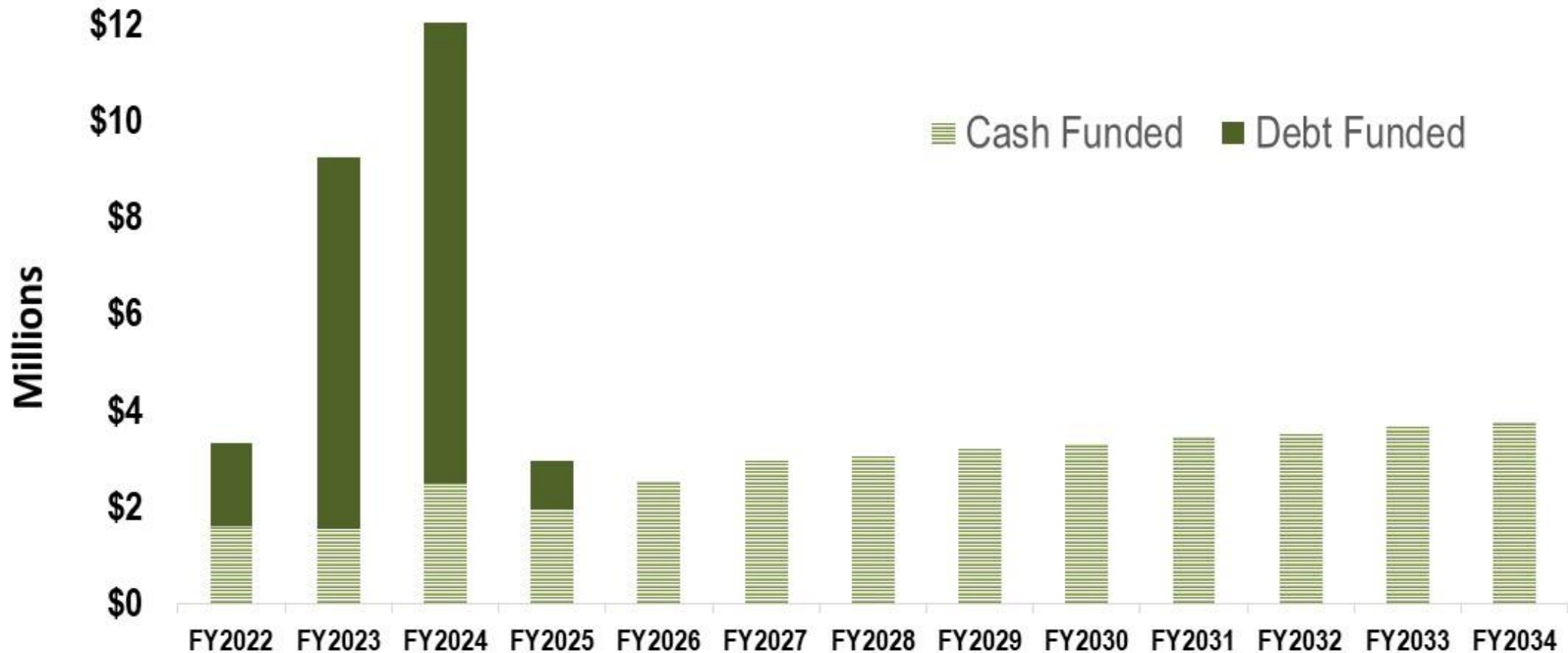
FY2023/24 Budget

Source of Supply	\$6,661,000
Pumping	\$518,000
Other Operations	\$941,000
Water Treatment	\$2,617,000
Transmission & Distribution	\$3,445,000
Consumer Accounting	\$462,000
Water Conservation	\$403,000
General Administration	\$3,705,000
Unfunded Liabilities	\$1,835,000
Transfer to Recycled Water	\$150,000
Debt Service	\$3,253,000

Total Budget: \$23,990,000



Novato Enterprise Capital Spending



Average Historical PayGo (3 years): \$1.6 million
Projected Average PayGo: \$3.5 million*

* Assumes 75% execution rate on planned capital spending

Novato Reserve Policies

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

Minimum Reserves:
\$11.2 million

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

- Operating Reserve** (\$6.9 million in FY24, based on 4 months of operating costs)
- Other Post Employment Benefit (OPEB) Liability Reserve** (\$4.3 million)

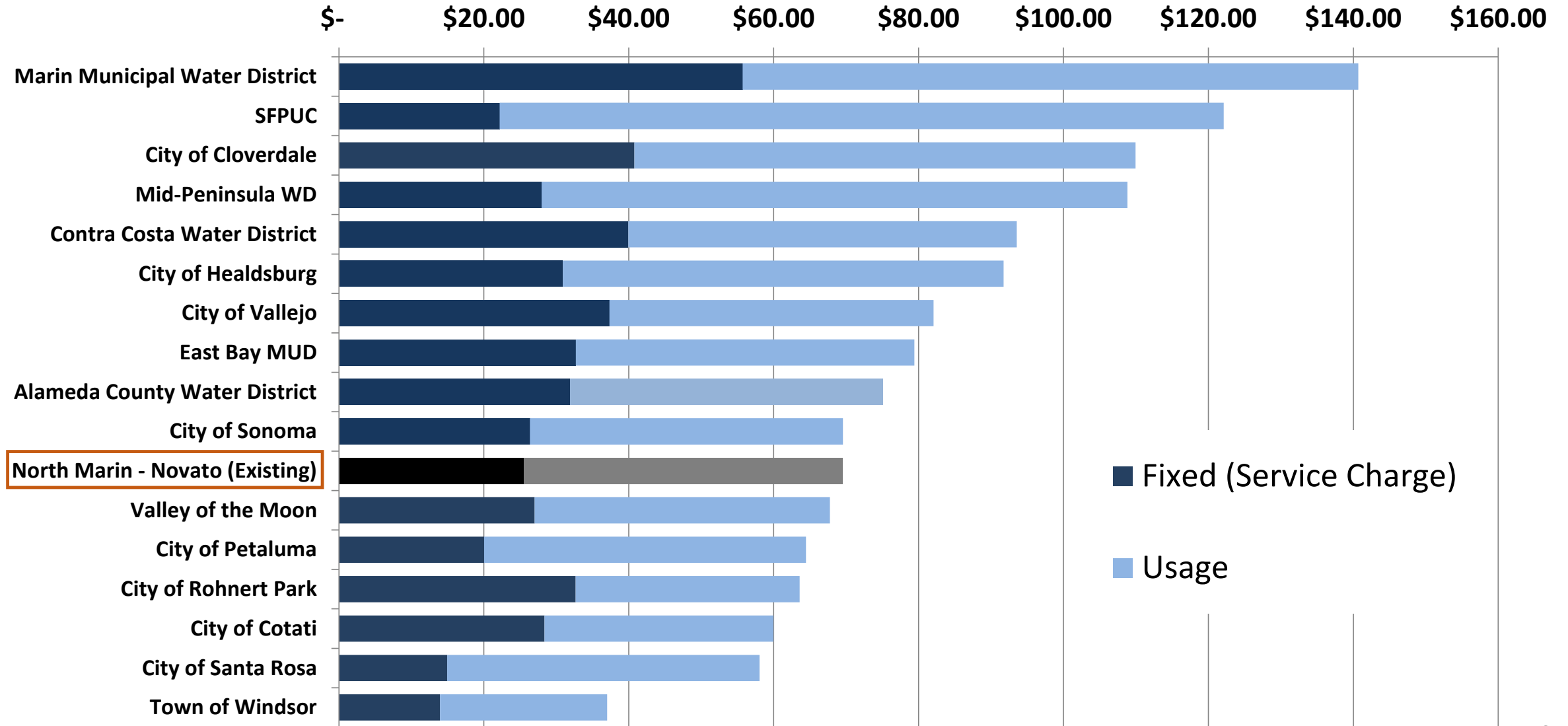
Target Reserves:
\$17.2 million

These reserves are designed to occasionally be drawn down:

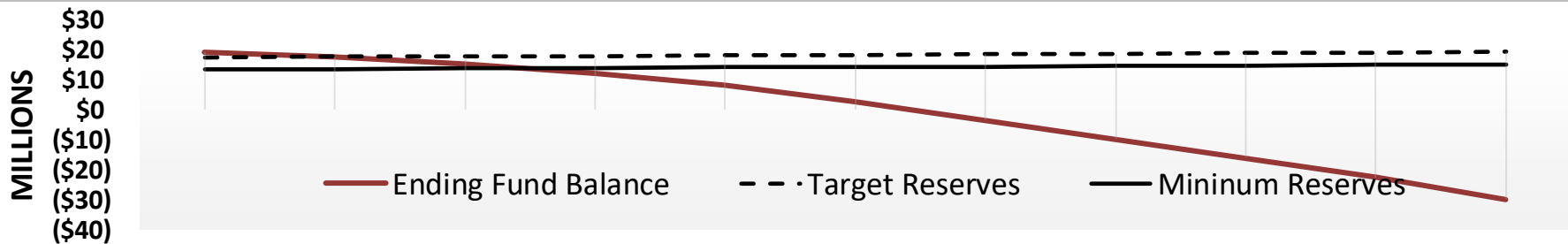
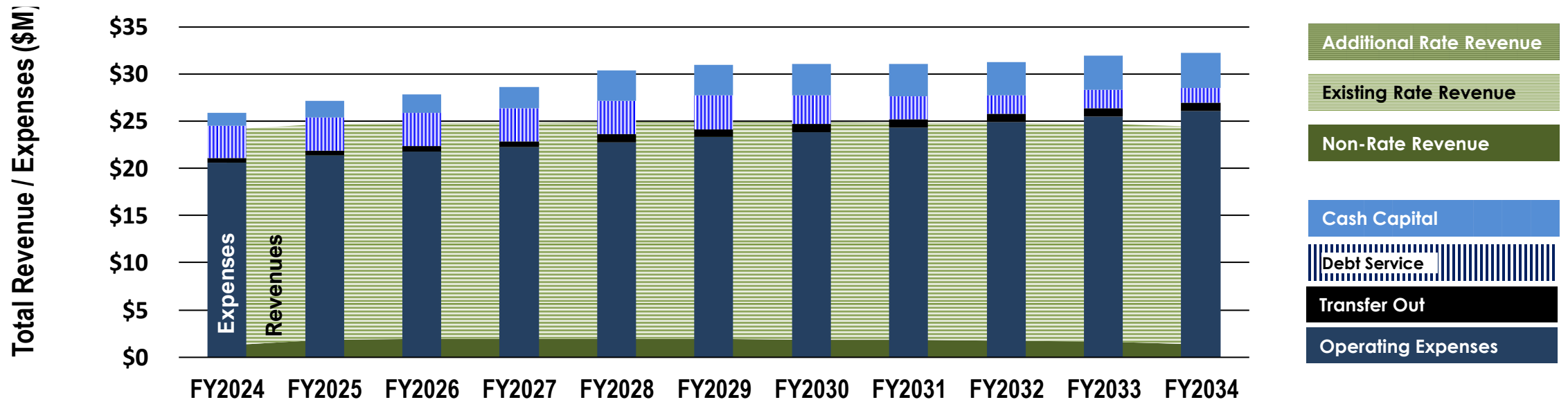
- Liability Contingency Reserve** (\$2.0 million)
- Maintenance Accrual Fund** (\$4.0 million)

Survey – Single Family Homes

Monthly Bill for typical water usage (6,500 gallons per month)



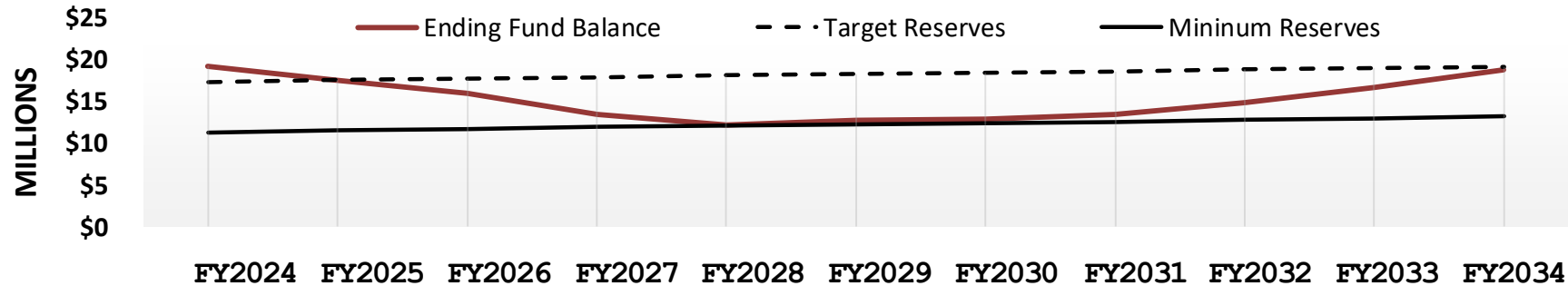
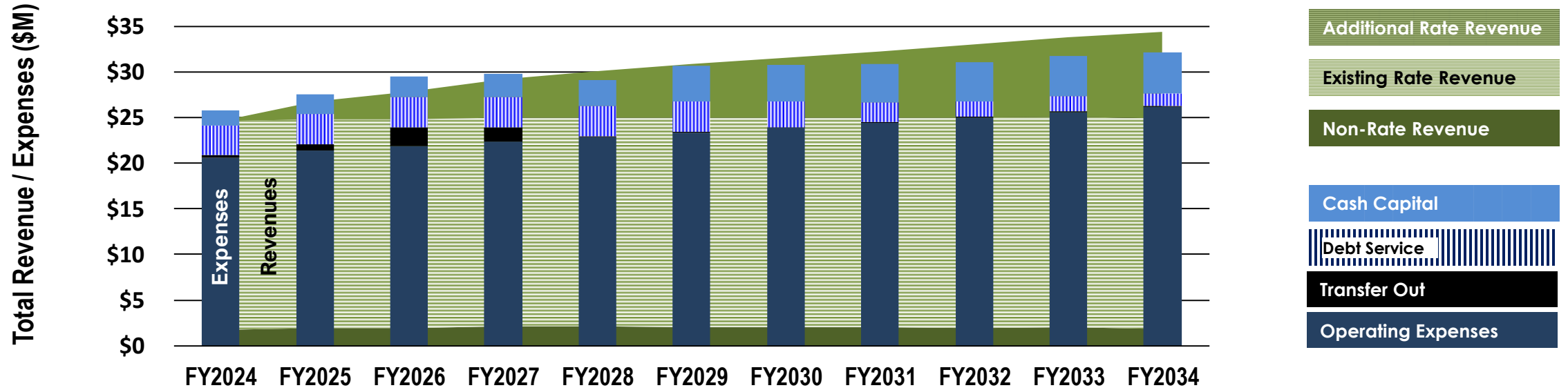
Hypothetical Novato Enterprise Financial Forecast



	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
Proposed Revenue Increases:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Coverage Ratio:	0.91	0.81	0.72	0.64	0.52	0.44	0.38	0.20	-0.10	-0.63	

* Debt coverage ratio is aggregated with Recycled Water Enterprise (banks look at all enterprises aggregated). Low value in FY2025 largely driven by conservative assumption for Facility Reserve Charge revenue.

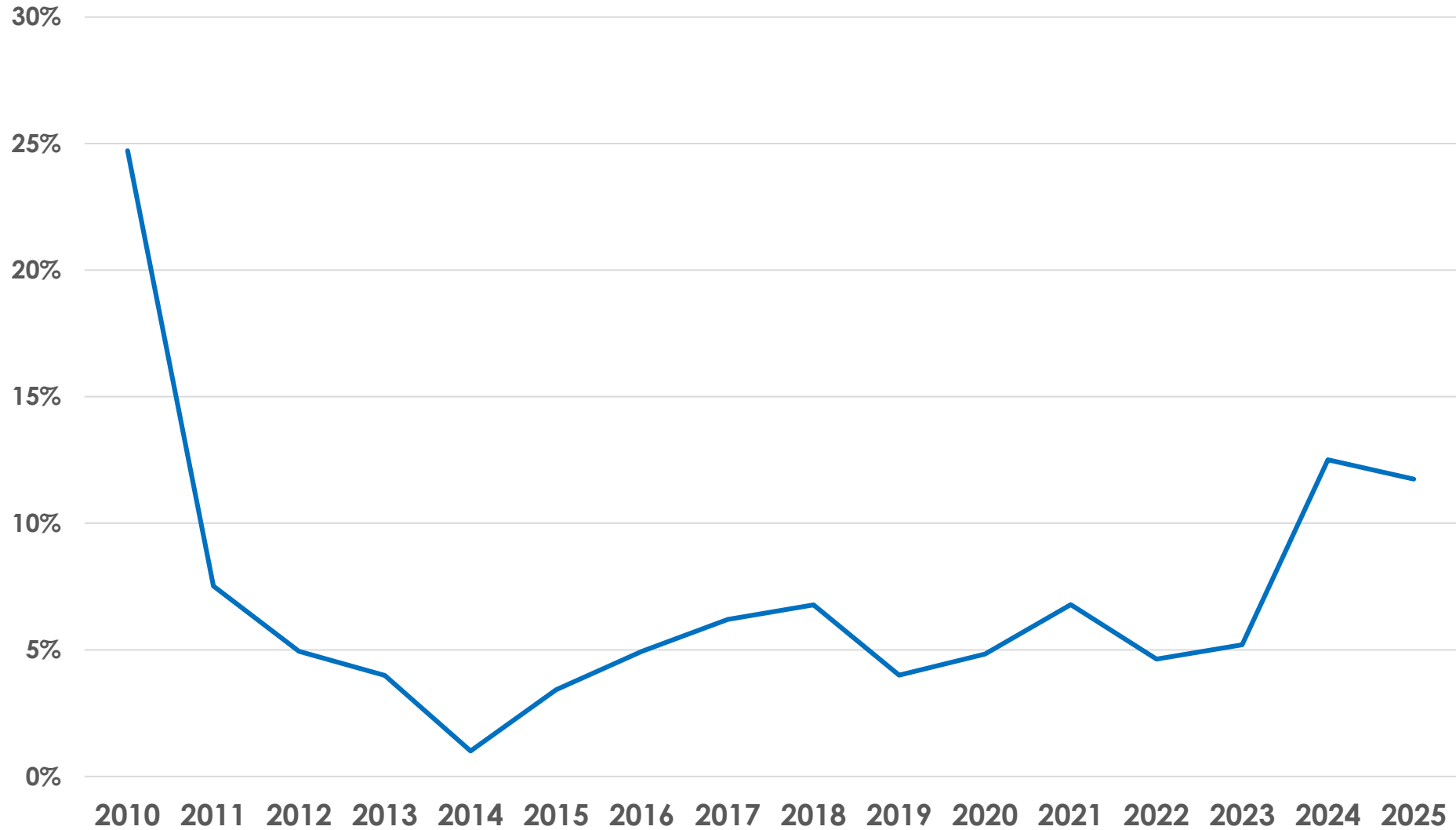
Proposed Novato Enterprise Financial Forecast



	Proposed					Projected				
Rate Revenue Increases:	8.5%	6.0%	6.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Debt Coverage Ratio:	1.48	1.68	1.89	2.04	2.13	2.48	3.31	4.41	4.76	5.87

* Debt coverage ratio is aggregated with Recycled Water Enterprise (banks look at all enterprises aggregated).
 Low value in FY2025 largely driven by conservative assumption for Facility Reserve Charge revenue.

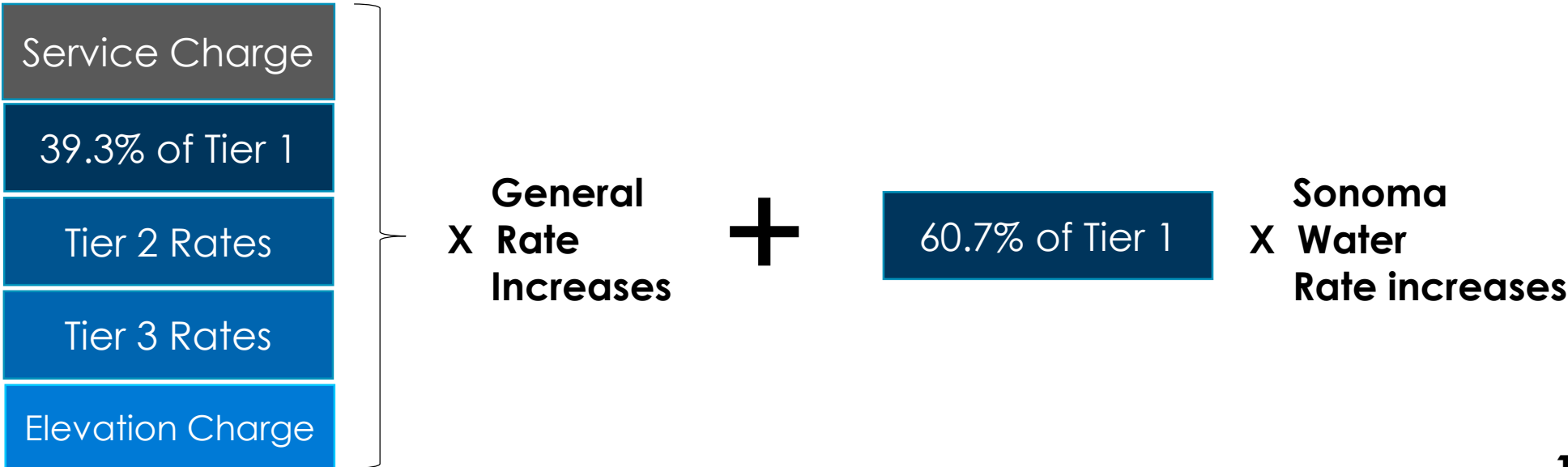
Sonoma Water Rates



Proposed SCWA Pass-Through Provision

- Adjusts Tier 1 and Winter water usage rates to reflect changes in wholesale water costs
- Adjustments occur each July, following Sonoma Water rate action
 - 30-day notice provided to customers

Formula:



Example Pass-Through Rate Adjustment Calculation

	<u>Rate Increase</u>	<u>Weight</u>	<u>Weighted Increase</u>
North Marin Rate increase:	6%	39.3%	2.36%
Sonoma Water Rate Increase:	12%	60.7%	7.28%
	Total Tier 1 Rate Increase:		9.64%

Service Charges and Tier 2 rates would increase by 6% in this example

Rate increase drivers

Capital Spending

While overall capital spending will be less, the District has transition to a PayGo model (no additional debt)

Operating costs

- Operating costs have increased by an average of 4% per year since the 2019 study
 - This matches the 2019 planning assumption
- The 2023/24 budget includes:
 - A 12.5% increase in water purchase costs
 - Similar increases to the cost of insurance and chemicals
 - Increase in personnel costs due to three (3) new FTEs
 - A 50% increase to the cost of the backflow program due to change in regulations

Cost Escalation Assumptions

- Water Purchases – 11.7% increase in Year 1
 - Changes in costs after Year 1 do not impact the cash flow analysis due to the proposed Pass-Through policy (see Slide 11)
- Utilities, chemicals, supplies – 5% per year
- Salaries & Benefits – 19% increase in Year 1* and 3% per year thereafter
- All other costs – 3% per year

* Increase due to inflationary increases, increased health insurance and pension costs, and impacts from the MOU effective October 1, 2023

Recycled Water Enterprise Financial Plan

Recycled Water Reserves

Cash Reserves

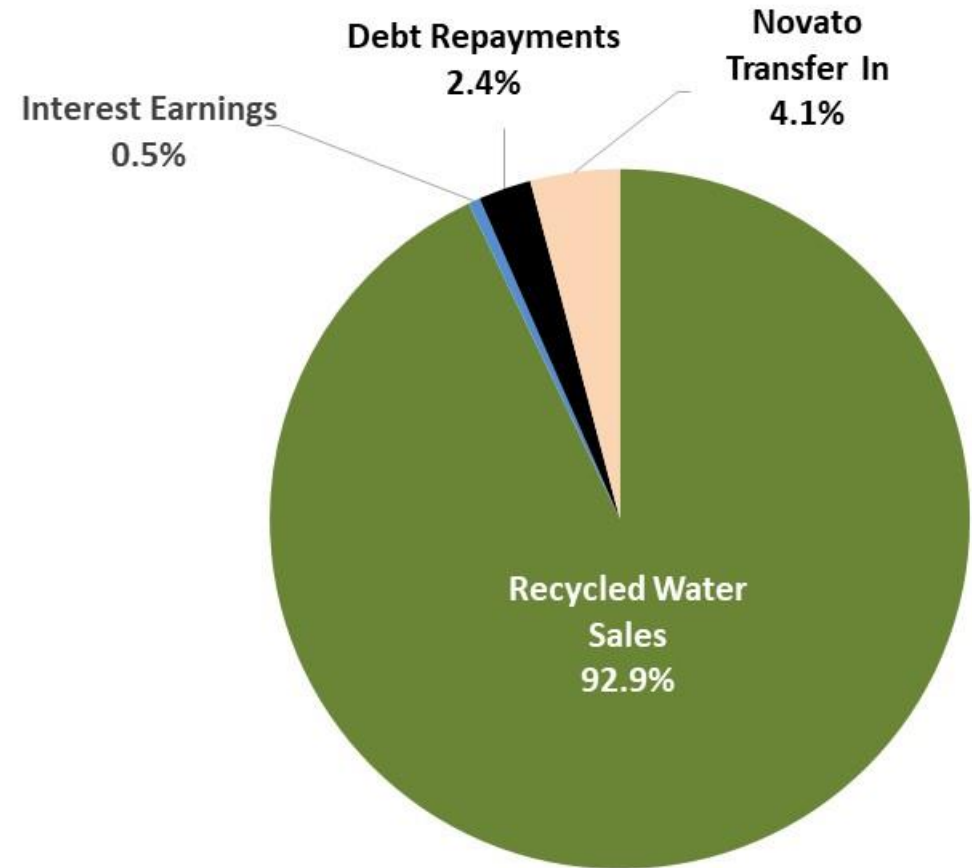
Fiscal year beginning July 1, 2023

Cash	\$206,000
Operating Reserve Fund	\$241,000
Total Unrestricted:	\$447,000
Restricted	\$1,105,000
Capital Replacement & Expansion Fund	\$3,062,000
Total Reserves:	\$4,614,000

Recycled Water Revenue

FY2023/24 Budget

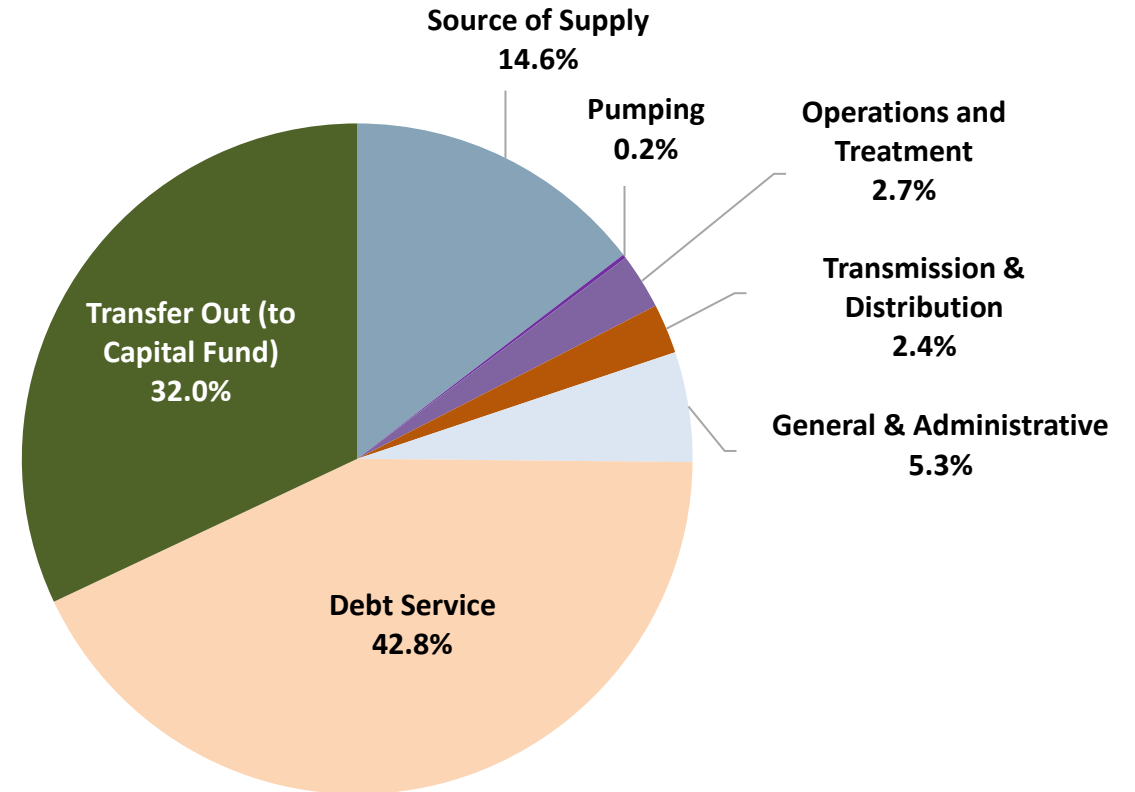
Recycled Water Sales	\$1,870,000
Non-Rate Revenue	
Miscellaneous	\$20,000
Interest Earnings	\$11,000
Debt Repayments	\$49,000
Novato Transfer In	\$83,000
<hr/>	
Total:	\$2,033,000



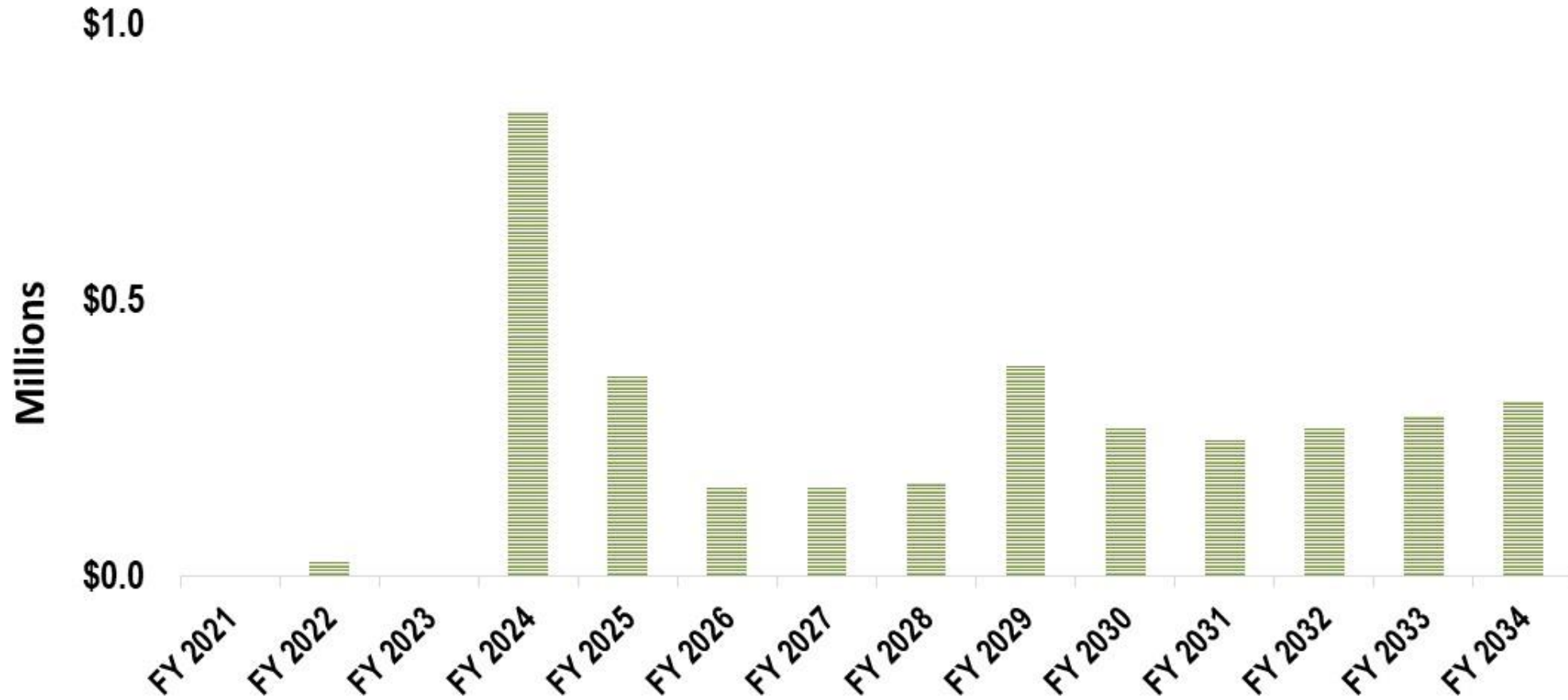
Recycled Water Operating Expenses & Debt Service

FY2023/24 Budget

Source of Supply	\$396,000
Pumping	\$5,000
Operations and Treatment	\$73,000
Transmission & Distribution	\$65,000
General & Administrative	\$144,000
Debt Service	\$1,163,000
Transfer Out (to Capital Reserve)	\$869,000
Total Budget:	\$2,715,000



Recycled Water Capital Spending



Average Historical (3 years): \$9 thousand
Projected Average: \$315 thousand

Recycled Water Reserve Policies

In addition to protecting the District against unforeseen circumstances, strong reserve policies also contribute towards the District's credit rating.

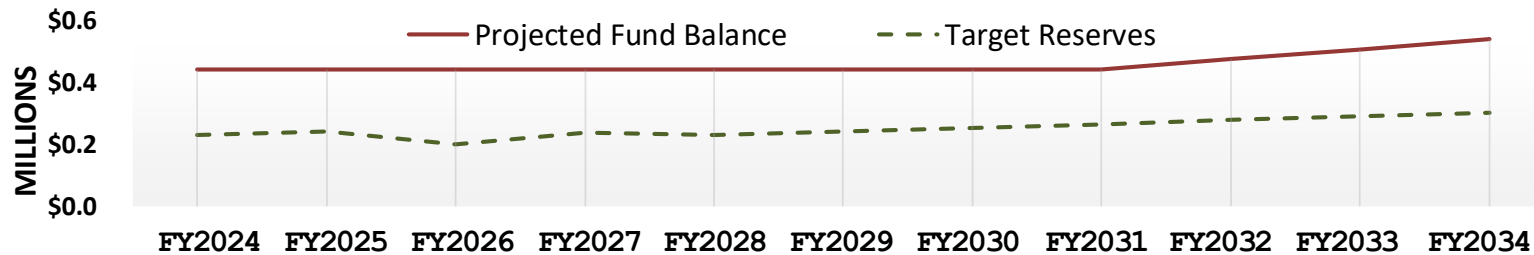
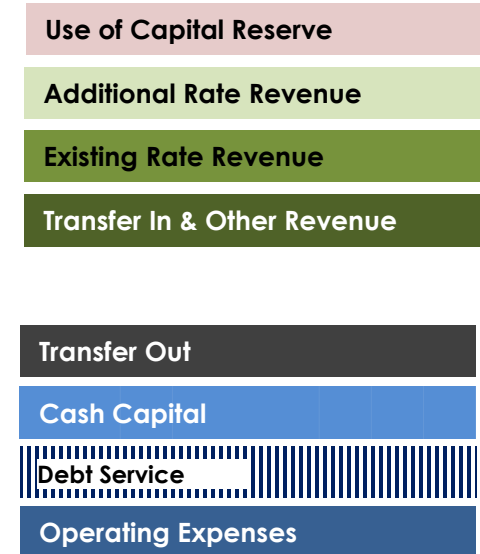
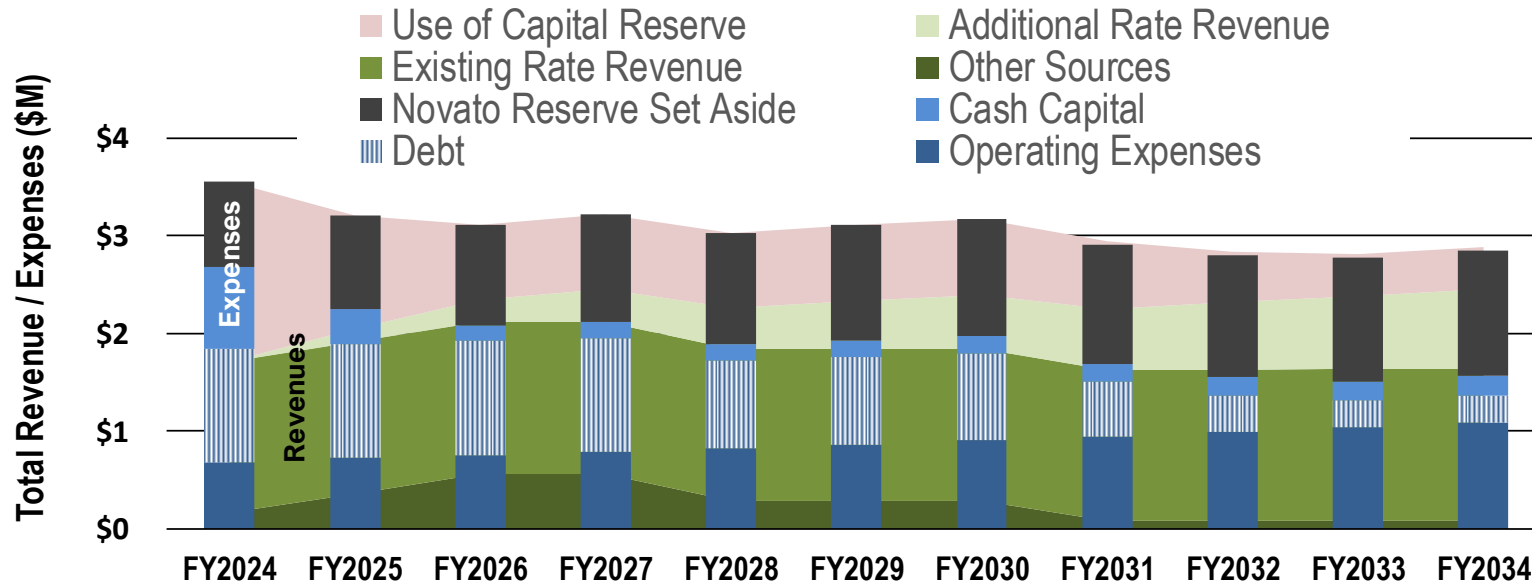
Operating Reserve (established District reserve policy)

- Reserve in the event of unexpected changes to cash flow or operating costs
- Current target: 4 months (approximately \$225 thousand)

Capital Reserve Fund

- Supports volatility of capital spending and provides emergency funds in the event of asset failure.
- Previous recommendation: equal to current annual depreciation expense (\$474 thousand)
- Current recommendation: Maintain North Marin's portion of the Capital Replacement fund at a level of at least \$500 thousand (and eliminate existing Capital Reserve Fund policy)

Recycled Water Fund Financial Forecast



	Proposed *					Projections				
Proposed Revenue Increases:	8.5%	6.0%	6.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Combined DCR:	1.48	1.68	1.89	2.04	2.13	2.48	3.31	4.41	4.76	5.87

* Rate increases are tied to Novato potable water rate increases

Cost of Service Study and Rate Structure Redesign

Rate Structure Updates

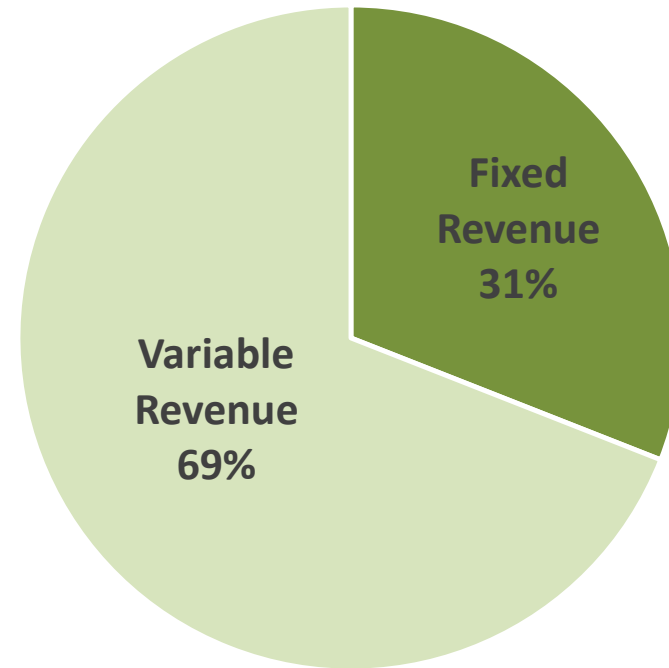
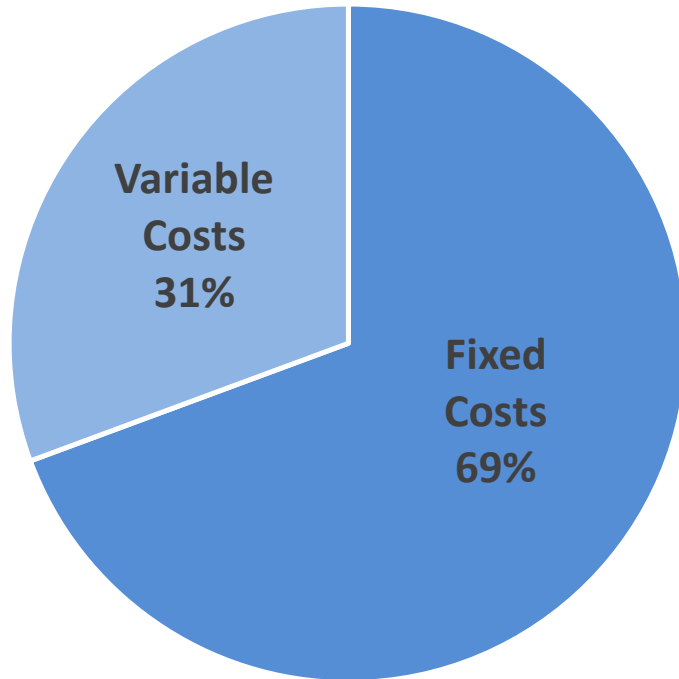
1. Tiered rates
 - Relative Price
 - Water Allocation
2. Fixed vs. Variable Revenue
3. Elevation Surcharge
4. Proposed: Pass-through provision for wholesale water costs

Existing Water Rates

- Water Usage “Quantity” Rate:
 - ✓ 3 Tiers for Residential
 - Allocation increases with dwelling units
 - ✓ Seasonal rates for Commercial (Non-Residential)
 - ✓ Raw water rate
 - ✓ Recycled Water rate
 - ✓ Elevation Surcharge
 - ✓ Drought Surcharge*

- Fixed Service Charge by Meter size

Novato Enterprise Fixed & Variable Rate Revenues vs. Fixed & Variable Costs (current)



Novato

Fixed vs. Variable Revenue

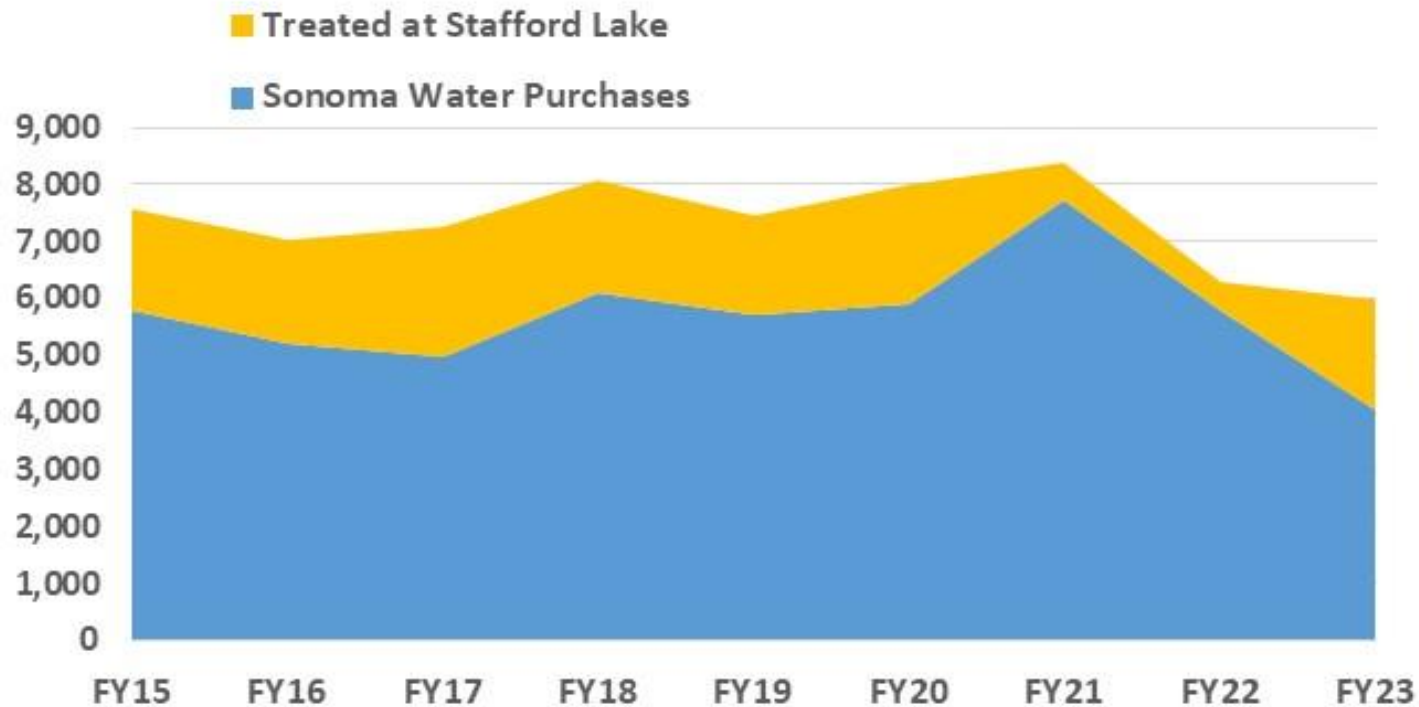
	Fixed Revenue	Variable Revenue
Current:	31%	69%
Proposed:	34%	66%

Recycled Water Fixed vs. Variable Revenue

	Fixed Revenue	Variable Revenue
Current:	9%	91%
Proposed:	19%	81%

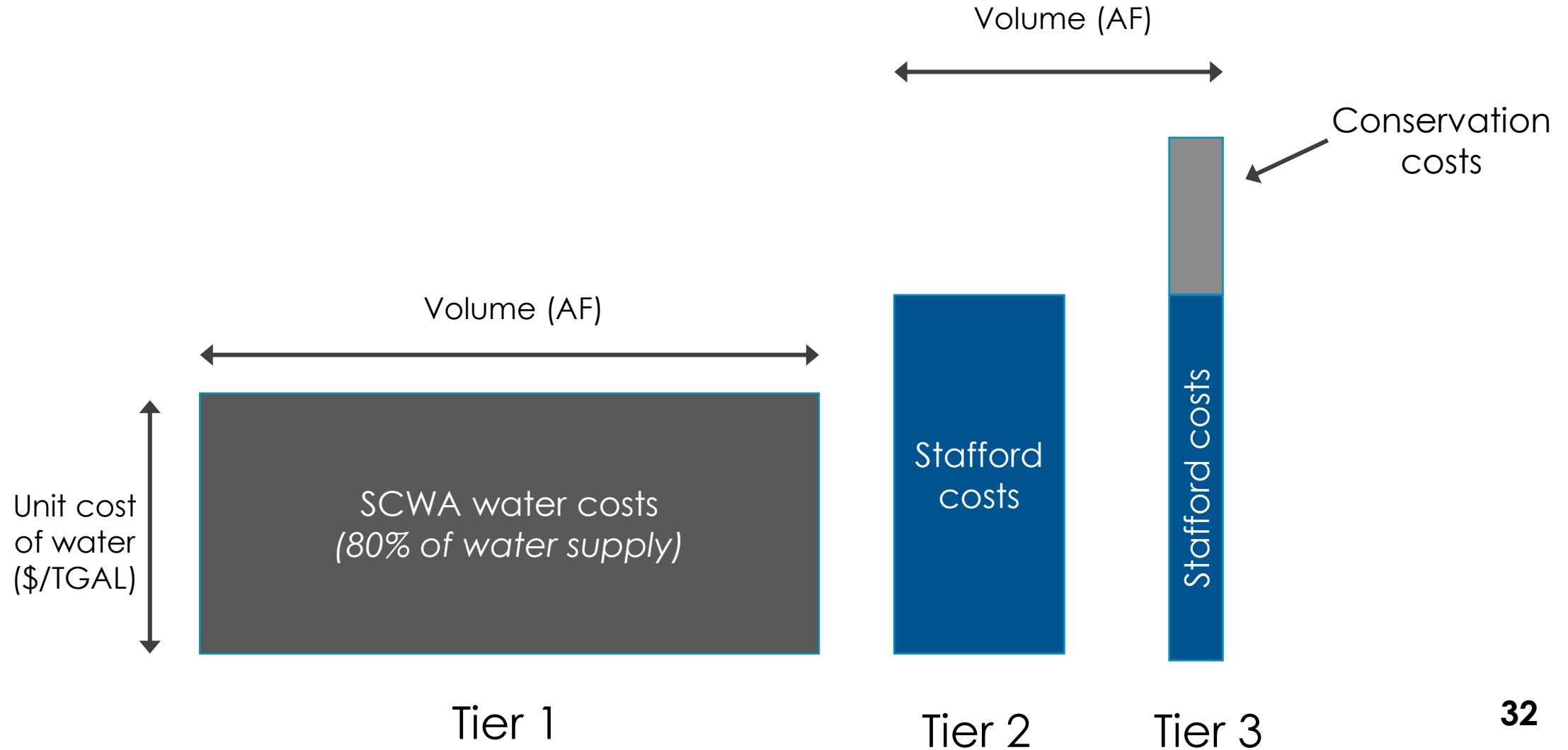
Structuring tiered usage rates based on SCWA & Stafford water costs

- ✓ Tier prices are based on the difference in unit cost between SCWA vs. Stafford
- ✓ Tier allocation will be based on the availability of water from those two sources.



5-Year Average Ratio: 80/20

Basis for Residential Tiered Water Rates



Recommendation: Replace Seasonal Commercial Rates with Uniform Rates

- Historically the District has charged higher rates during the Summer to reflect the higher cost of treated Stafford Lake water.
- The “season” for using Stafford Lake water does not adequately align with the Summer rate season
- The proposed uniform rate is equal to the average usage rate paid by residential customers (after accounting for all Tier 1, 2 and 3 water sold)

Elevation Zone Charge

Proposed Approach: Use the known cost relationship to pump a different elevations to allocate current pumping costs (which includes operating costs, G&A, debt & capital)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
	Elevation Range (ft)	Average Elevation (ft)	Elevation "Factor"	Water Usage (TGAL)	"Scaled" TGALs	Cost per TGAL	Current Charge (per TGAL)	Proposed Surcharge (per TGAL)	Increase (%)
Zone A:	0 - 60	40	1.0	897,200	897,200	\$0.40	(na)	(na)	(na)
Zone B:	60 - 200	132	3.3	945,700	3,120,810	\$1.32	\$0.93	\$0.92	-1.1%
Zone C:	200+	294	7.4	162,400	1,193,640	\$2.94	\$2.58	\$2.54	-1.6%
		Total:	Total:	2,005,300	5,211,650				

Proposed Rates (Year 1)

Residential Tier Allocations (average gal/day)

Current & Proposed:

Tier 1: 0 to 262
 Tier 2: 262 to 720
 Tier 3: Above 720

Seasonal Commercial Rates:

Current Summer Rates:

July, August & September

Proposed:

Uniform Year-Round

QUANTITY CHARGE (per TGAL)

	PROPOSED		
	<u>Uniform</u>		
Commercial Zone A	\$7.54		
Commercial Zone B	\$8.46		
Commercial Zone C	\$10.08		
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
Residential Zone A	\$7.01	\$9.16	\$13.55
Residential Zone B	\$7.93	\$10.08	\$14.47
Residential Zone C	\$9.55	\$11.70	\$16.09
Recycled Water	\$6.75		
Raw Water	\$3.53		
Temporary Meter	\$10.08		

BIMONTHLY SERVICE CHARGE

Potable Water	PROPOSED
5/8"	\$58.39
1" Fire*	\$58.39
1"	\$105.73
1.5"	\$184.63
2"	\$279.31
3"	\$531.79
4"	\$815.83
6"	\$1,604.83
8"	\$2,078.23

BIMONTHLY SERVICE CHARGE

Recycled Water	PROPOSED
5/8"	\$85.08
1"	\$188.97
1.5"	\$362.12
2"	\$569.90
3"	\$1,123.98
6"	\$3,478.82

* Upsized due to fire requirements

	CURRENT		
	<u>Winter</u>	<u>Summer</u>	
	\$6.77	\$9.44	
	\$7.70	\$10.37	
	\$9.35	\$12.02	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
	\$6.77	\$7.67	\$9.44
	\$7.70	\$8.60	\$10.37
	\$9.35	\$10.25	\$12.02
	\$7.38		
	\$3.60		
	\$8.60		

	CURRENT
	\$51.01
	\$51.01
	\$91.11
	\$157.95
	\$238.16
	\$452.04
	\$692.65
	\$1,361.04
	\$1,762.07

	CURRENT
	\$57.71
	\$101.49
	\$174.47
	\$262.03
	\$495.54
	\$1,487.94

	CHANGE					
	<u>Winter</u>		<u>Summer</u>			
	\$0.77	11%	-\$1.90	-20%		
	\$0.76	10%	-\$1.91	-18%		
	\$0.73	8%	-\$1.94	-16%		
	<u>Tier 1</u>		<u>Tier 2</u>	<u>Tier 3</u>		
	\$0.24	4%	\$1.49	19%	\$4.11	44%
	\$0.23	3%	\$1.48	17%	\$4.10	40%
	\$0.20	2%	\$1.45	14%	\$4.07	34%
	-\$0.63	-9%				
	-\$0.07	-2%				
	\$1.48	17%				

	CHANGE	
	\$7.38	14.5%
	\$7.38	14.5%
	\$14.62	16.0%
	\$26.68	16.9%
	\$41.15	17.3%
	\$79.75	17.6%
	\$123.18	17.8%
	\$243.79	17.9%
	\$316.16	17.9%

	CHANGE	
	\$27.37	47.4%
	\$87.48	86.2%
	\$187.65	107.6%
	\$307.87	117.5%
	\$628.44	126.8%
	\$1,990.88	133.8%

Bill Impacts – Single Family

	Meter Size	Bimonthly Water Usage (TGAL)		Bimonthly Bill		Change		
				Current	Proposed			
Single Family	5/8"	Low	4.5	\$81.48	\$89.94	10.4%	\$8.46	70% of all accounts
		Median	9.0	\$111.94	\$121.48	8.5%	\$9.54	
		High	27.0	\$243.95	\$271.91	11.5%	\$27.96	
	1"	Low	10.8	\$164.23	\$181.44	10.5%	\$17.21	1% of all accounts
		Median	21.6	\$242.63	\$269.79	11.2%	\$27.15	
		High	64.8	\$612.21	\$760.32	24.2%	\$148.11	

Bill Impacts – Multi Family (23% of accounts)

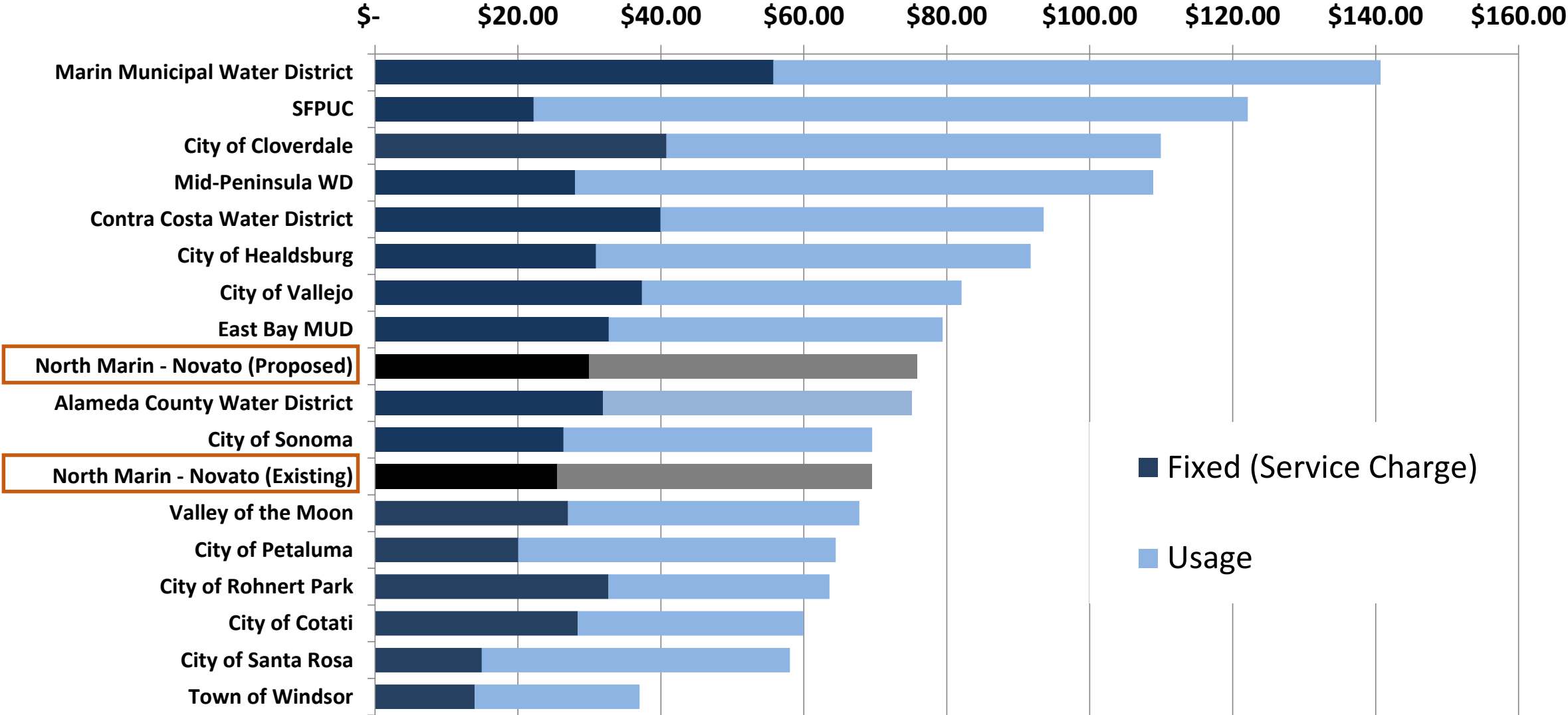
	Meter Size	Average Usage	Current	Proposed	Change	
4 Units	1"	31.7	\$305.72	\$327.95	7.3%	\$22.23
Multi- 8 Units	1"	30.5	\$297.60	\$319.54	7.4%	\$21.94
Family 16 Units	1.5"	68.7	\$623.05	\$666.22	6.9%	\$43.17
62 Units	2"	122.7	\$1,068.84	\$1,139.44	6.6%	\$70.60

Bill Impacts – Commercial (6% of accounts)

Meter Size	Bimonthly Water Jsage (TGAL)	Summer Bill <small>(with average seasonal use by meter size)</small>			<small>(with average seasonal use by meter size)</small>			Annual Total		
		Current	Proposed	Change	Current	Proposed	Change	Current	Proposed	Change
5/8"	3	\$82.29	\$83.38	1.3%	\$73.45	\$83.38	13.5%	\$454	\$500	10.2%
1"	11	\$193.13	\$187.21	-3.1%	\$164.27	\$187.21	14.0%	\$1,029	\$1,123	9.2%
1.5"	25	\$394.18	\$373.32	-5.3%	\$327.37	\$373.32	14.0%	\$2,064	\$2,240	8.5%
2"	48	\$690.95	\$640.97	-7.2%	\$562.88	\$640.97	13.9%	\$3,569	\$3,846	7.7%
3"	187	\$2,214.59	\$1,939.59	-12.4%	\$1,716.07	\$1,939.59	13.0%	\$11,044	\$11,638	5.4%

Survey – Single Family Homes

Monthly Bill for typical water usage (6,500 gallons per month)



NMWD Low Income Rate Assistance (LIRA) Program

- Simple application/managed in-house
- PG&E CARE eligibility (1-2 person household \$39,440 or less)
- Currently 371 Customers Enrolled (\$15/bill/customer for a total cost to the District of \$33,390/year)
- Non-rate revenue
- Proposed Increase (doubling) to \$30/bill/customer - effective July 1, 2024

Schedule

- ✓ Water Management Ad-Hoc Committee Meeting #1 Jan 18th
- ✓ Water Management Ad-Hoc Committee Meeting #2 Feb 15th
- ✓ Board Meeting - Draft Recommendation Presentation March 13th
- Board Meeting - Final Recommendation Presentation April 2nd
- Public Hearing to enact new water rates June 18th
- Implement new water rates July 1st

6



MEMORANDUM

To: Board of Directors

April 2, 2024

From: Julie Blue, Auditor-Controller *JB*

Subj: West Marin Water System Financial Plan Update FY 24/25

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RECOMMENDED ACTION: That the Board:

1. Accept FY 24/25 West Marin Water Financial Plan Update
2. Direct Staff to Prepare a Proposition 218 Notice of Public Hearing on a Proposed Rate Increase

FINANCIAL IMPACT: None at this time

The fiscal year (FY) 24/25 financial forecast (Attachment 1) summarizes the West Marin Water System's financial plan for the next five years, through FY 28/29. While the proposed FY 24/25 rate increase aligns with the Board approved 2021 West Marin Water Rate Study, the updated five-year financial plan shows some variations requiring adjustments for future rates. Due to these variations (explained in further detail below) staff recommends updating the rate study in FY 24/25, which is one year prior to its original expiration date.

The variations include lower water sales volume projections and the need for a more extensive Capital Improvement Plan (CIP) review. The CIP review will explore options for an additional water supply to improve resiliency and to address cost escalations for vital upcoming projects, such as pipeline replacements at critical creek crossings and wooden tank replacements at Paradise Ranch Estates.

Significant Assumptions

- 1) *Rate Increases:* A 6% water rate increase, structured as a 6% commodity rate increase and 6% bimonthly service charge increase, is proposed effective July 1, 2024. The FY 24/25 rate increase to the median single-family residential customer using 2,930 gallons per month would approximate \$7.70 per bimonthly billing period (\$3.85/month or \$46/year).
- 2) *Capital Improvement Projects:* The 5-year projection includes completion of the Gallagher Well #2 Project (electrical upgrades, partially grant funded), Replacement of 2-inch Galvanized Pipe at Balboa (and surrounding areas), Paradise Ranch Estates Tank #1 & #2 Replacement Project and the Lagunitas Creek Bridge Pipeline Replacement Project, in coordination with the Caltrans-led 'green bridge' replacement project, (grant fund

application was denied by FEMA). Cost concerns will be addressed during the Rate Study to be conducted in FY 24/25.

- 3) *Facility Reserve Charges*: A new connection every year is forecasted. There have been three new meters installed in the past three years. The current active meter count is 792.
- 4) *Water Sales Volume*:
 - Current sales projections are 19% below the recent five-year average and are the lowest in nearly 40 years. Attachment 2 provides a 10-year history of West Marin Water Billed Consumption.
 - FY 24/25 sales volume is projected at 50 million gallons (MG) and is based on a projection of 50 MG sales for the current year (FY 23/24). The projections for outlying years are also budgeted at 50 MG, substantially below the actual five-year average of 62 MG. The conservative estimate is indicative of the current environmental and economic conditions where historical trends are less predictive of future outcomes.
 - Given the system's small size, fluctuating sales volumes pose a risk to rate stability and financial resilience. If sales do not rebound to previously projected volumes, higher rate increases may be necessary in subsequent years above those outlined in the financial projections.

RECOMMENDATION

That the Board:

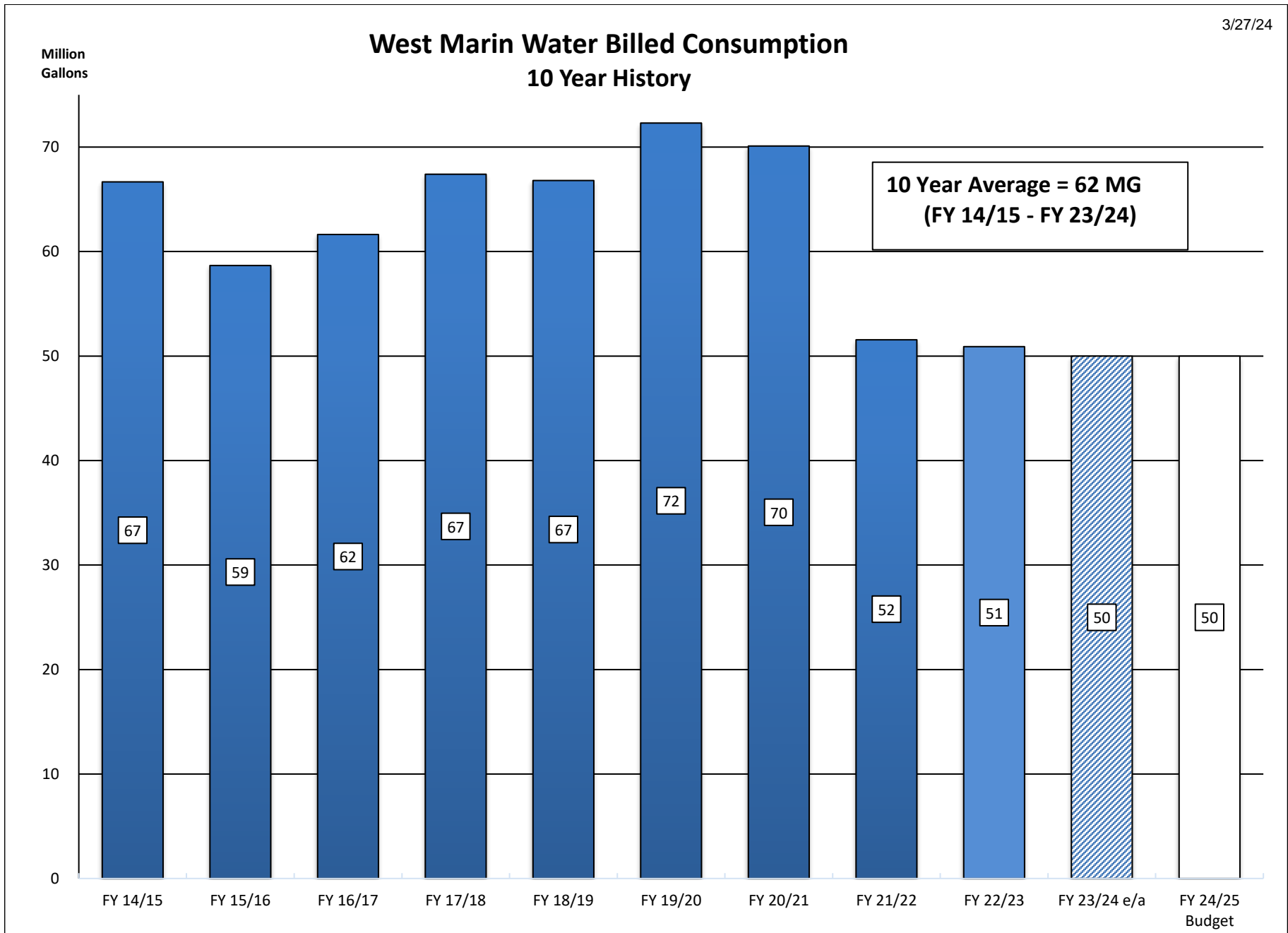
1. Accept FY 24/25 West Marin Water Financial Plan Update;
2. Direct Staff to Prepare a Proposition 218 Notice of Public Hearing on a Proposed Rate Increase.

ATTACHMENTS:

1. West Marin Water FY 24/25 Financial Plan Update
2. West Marin Water Historical Billed Consumption

West Marin Water
Five-Year Financial Forecast
Fiscal Year 24/25

	Forecast FY 24/25	Forecast FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29
1 Water Rate Increase	6.00%	6.00%	7.50%	7.50%	7.50%
Operating Revenue					
2 Water Consumption (in million gallons)	50.0	50.0	50.0	50.0	50.0
3 Water Rate Revenue Commodity	\$728,000	\$772,000	\$830,000	\$892,000	\$959,000
4 Water Rate Revenue Service Charge	290,000	307,000	330,000	355,000	382,000
5 Total Water Rate Revenue	\$1,018,000	\$1,079,000	\$1,160,000	\$1,247,000	\$1,341,000
6 Miscellaneous Service Charges	24,000	24,000	24,000	24,000	24,000
7 Total Operating Revenue	\$1,042,000	\$1,103,000	\$1,184,000	\$1,271,000	\$1,365,000
Operating Expenditures					
8 Source of Supply	\$24,000	\$25,000	\$26,000	\$27,000	\$28,000
9 Pumping	75,000	77,000	79,000	81,000	83,000
10 Operations	54,000	56,000	58,000	60,000	62,000
11 Water Treatment	255,000	263,000	271,000	279,000	287,000
12 Transmission & Distribution	221,000	228,000	235,000	242,000	249,000
13 Consumer Accounting	20,000	21,000	22,000	23,000	24,000
14 Water Conservation	10,000	10,000	10,000	10,000	10,000
15 General Administration	247,000	208,000	214,000	220,000	227,000
16 Total Operating Expenditures	\$906,000	\$888,000	\$915,000	\$942,000	\$970,000
17 Net Operating Revenue	\$136,000	\$215,000	\$269,000	\$329,000	\$395,000
Non-Operating Revenue/(Expenditures)					
18 Interest Earnings	\$11,000	\$10,000	\$8,000	\$7,000	\$3,000
19 Miscellaneous Revenue	1,000	1,000	1,000	1,000	1,000
20 Total Non-Op Revenue/(Expenditures)	\$12,000	\$11,000	\$9,000	\$8,000	\$4,000
Other Sources/(Uses) Of Funds					
21 Total Capital Spending	(\$450,000)	(\$640,000)	(\$1,600,000)	(\$640,000)	(\$670,000)
22 Debt/Grant Funded Capital	205,000	295,000	900,000	-	-
23 Cash Funded Capital Projects	(\$245,000)	(\$345,000)	(\$700,000)	(\$640,000)	(\$670,000)
24 Debt Service	(\$186,000)	(\$186,000)	(\$186,000)	(\$186,000)	(\$186,000)
25 CIP Efficiency Adjustment	135,000	192,000	480,000	256,000	268,000
26 Facility Reserve Charges	21,000	21,000	21,000	21,000	21,000
27 Total Other Sources/(Uses)	(\$275,000)	(\$318,000)	(\$385,000)	(\$549,000)	(\$567,000)
28 Beginning Year Balance	\$763,000	\$636,000	\$544,000	\$437,000	\$225,000
29 Cash Increase/(Decrease)	(\$127,000)	(\$92,000)	(\$107,000)	(\$212,000)	(\$168,000)
30 Minimum Reserves	\$302,000	\$296,000	\$305,000	\$314,000	\$323,000
31 Available Cash (Unrestricted)	\$334,000	\$248,000	\$132,000		
32 End of Year Cash Balance	\$636,000	\$544,000	\$437,000	\$225,000	\$57,000



7



MEMORANDUM

To: Board of Directors

April 2, 2024

From: Julie Blue, Auditor-Controller *JB*

Subj: Oceana Marin Sewer System Financial Plan Update FY 24/25

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RECOMMENDED ACTION: That the Board:

1. Accept FY 24/25 Oceana Marin Sewer Financial Plan Update;
2. Direct Staff to Prepare a Proposition 218 Notice of Public Hearing on a Proposed Rate Increase

FINANCIAL IMPACT: None at this time

The fiscal year (FY) 24/25 financial forecast (Attachment 1) summarizes the Oceana Marin Sewer System's financial plan for the next five years, through FY 28/29. Many of the assumptions included in the financial forecast are based on the 2015 Master Plan which identified over \$3 million in projects necessary to improve the reliability and redundancy of the Oceana Marin Wastewater system.

Significant Assumptions

- 1) *Rate Increases:* A 6% increase to the sewer service charge is incorporated into FY 24/25 followed by 6% increases for each of the subsequent years shown in the forecast. If the Board approves a 6% increase at its June 18, 2024 public hearing, the sewer service charge would increase to \$1,456/year (currently \$1,374/year) effective July 1, 2024, which is billed on the customer's property tax bill.
- 2) *Capital Improvement Projects:* Within the upcoming five-year financial plan there are two major projects scheduled. The Treatment and Storage Pond Rehabilitation project is scheduled for completion in FY 24/25 with \$1,735,000 budgeted towards the construction phase and grant management. The costs of this project will be offset with approximately 75% grant funding from the Federal Emergency Management Agency (FEMA). Additionally, \$125,000 is budgeted in FY 26/27 for the design costs for the second phase of Sewer Force Main (1B) improvements, although funding for the construction phases of both (1A) and (1B) projects has not been secured.
- 3) *Operating & Maintenance Costs:* These costs are forecasted to rise annually at a rate of 3% to accommodate inflation, in line with the average Consumer Price Index (CPI). Additionally, there is \$50,000 budgeted in FY 25/26 to facilitate an update to the Master

Plan. This update will reassess the assumptions and projections within the current plan to ensure their alignment with the changing and aging infrastructure needs of the Oceana Marin Sewer System.

- 4) *Sewage Facilities Connection Fees*: The forecast projects a new connection every other year, with no new connection fees budgeted in FY 24/25. In FY 23/24 a total of \$75,000 has been collected, comprised of two connection fees of \$30,000 each for development of Single-Family Residences (SFR), and \$15,000 for one Accessory Dwelling Unit (ADU).

The 6% proposed rate increases align with the prior year's five-year financial plan and the increases are needed to cover operations and to fund the capital improvement plan, which will address deferred major capital projects. Completion of these projects is necessary to maintain a well-functioning sewer system. The forecast also includes borrowing \$300,000 in FY 24/25 to further support the CIP plan with the treatment and storage pond project listed above. Once the design is complete for the Force Main Project the construction costs will be known and the District will pursue grant funding for construction. Overall, the financial plan shown will keep the Oceana Marin System financially stable through FY 28/29.

RECOMMENDATION

That the Board:

1. Accept FY 24/25 Oceana Marin Sewer Financial Plan Update;
2. Direct Staff to Prepare a Proposition 218 Notice of Public Hearing on a Proposed Rate Increase.

ATTACHMENTS:

1. Oceana Marin Sewer FY 24/25 Financial Plan Update

Oceana Marin Sewer
Five-Year Financial Forecast
Fiscal Year 24/25

	Forecast FY 24/25	Forecast FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29
1 Sewer Rate Increase	6.00%	6.00%	6.00%	6.00%	6.00%
Operating Revenue					
2 Number of Connections	238	239	239	240	240
3 Annual Sewer Service Charge	\$1,456	\$1,543	\$1,636	\$1,734	\$1,838
4 Operating Revenue	\$347,000	\$369,000	\$391,000	\$416,000	\$441,000
Operating Expenditures					
5 Sewage Collection	\$69,000	\$71,000	\$73,000	\$75,000	\$77,000
6 Sewage Treatment	112,000	115,000	118,000	122,000	126,000
7 Sewage Disposal	40,000	41,000	42,000	43,000	44,000
8 Consumer Accounting	3,000	3,000	3,000	3,000	3,000
9 General Administration	61,000	113,000	65,000	67,000	69,000
10 Total Operating Expenditures	\$285,000	\$343,000	\$301,000	\$310,000	\$319,000
11 Net Operating Revenue	\$62,000	\$26,000	\$90,000	\$106,000	\$122,000
Non-Operating Revenue/(Expenditures)					
12 Interest Earnings	\$9,000	\$5,000	\$4,000	\$2,000	\$2,000
Other Sources/(Uses) Of Funds					
13 Total Capital Spending	(\$1,855,000)	(\$75,000)	(\$190,000)	(\$65,000)	(\$65,000)
14 Loan from Novato Water	300,000	-	-	-	-
15 Debt/Grant Funded Capital	1,300,000	-	-	-	-
16 Cash Funded Capital Projects	(\$255,000)	(\$75,000)	(\$190,000)	(\$65,000)	(\$65,000)
17 Debt Service	(\$23,000)	(\$63,000)	(\$63,000)	(\$63,000)	(\$63,000)
18 Sewer Facilities Connection Charges	-	30,000	-	30,000	-
19 Total Other Sources/(Uses)	(\$278,000)	(\$108,000)	(\$253,000)	(\$98,000)	(\$128,000)
20 Beginning Cash Reserve Balance	\$570,000	\$363,000	\$286,000	\$127,000	\$137,000
21 Cash Increase/(Decrease)	(\$207,000)	(\$77,000)	(\$159,000)	\$10,000	(\$4,000)
22 Ending Cash Reserve Balance	\$363,000	\$286,000	\$127,000	\$137,000	\$133,000

8

DRAFT MINUTES OF TECHNICAL ADVISORY COMMITTEE
Utilities Field Operations Training Center
35 Stony Point Road, Santa Rosa, CA
December 4, 2023

ITEM #8

Attendees: Dan Herrera, City of Petaluma
Amanda Hudson, Valley of The Moon Water District
Jennifer Burke, City of Santa Rosa
Peter Martin, City of Santa Rosa
Tony Williams, North Marin Water District
Pam Jeane, Sonoma County Water Agency (SCWA)
Grant Davis, SCWA
Craig Scott, City of Cotati
Matt Wargula, City of Sonoma
Mike Berger, City of Sonoma
Christina Goulart, Town of Windsor
Emily Sanborn, City of Rohnert Park
Lucy Croix, Marin Municipal Water District
Michelle Montoya, City of Santa Rosa

Staff/Alternates: Andrea Rodriguez, SCWA
Don Seymour, SCWA
Paul Piazza, SCWA
Brad Sherwood, SCWA
Jake Spaulding, SCWA
Ann DuBay, SCWA
Lynne Rosselli, SCWA
Claire Nordlie, City of Santa Rosa

Public: Dick Dowd

1. Check In
Jennifer Burke, TAC Chair, called the meeting to order at 9:06 a.m.
2. Public Comment
No public comment.
3. Water Supply Conditions and Temporary Urgency Change Order
Don Seymour, SCWA, presented.
No major changes currently, as there has not been a large amount of rain, so reservoirs have not refilled. However, both reservoirs are still in good shape with Lake Mendocino just under 60,000 acre-ft and Lake Sonoma is just over 218,000 acre-ft. PG&E continues to operate Potter Valley under the FERC order variance until Lake Pillsbury exceeds 36,000 acre-ft. Currently, Lake Pillsbury is around 29,000 to 30,000 acre-ft.
SCWA filed the new temporary urgency change petition in October and has been working with National Marine Fisheries Service (NMFS), the Regional Water Quality Control Board, and California Fish and Wildlife on support letters for the petitions. NMFS and California Fish and Wildlife did submit support letters with pre-negotiated terms. SCWA has been working closely with state board staff on some of their concerns and questions based on the new storage thresholds for Lake Mendocino. Hoping the Temporary Urgency Change Order will be issued prior to January 1, 2024.
No public comment.
4. Sonoma Marin Saving Water Partnership
 - a. 2023 Water Production Relative to 2013 Benchmark

Jennifer Burke, TAC Chair, presented.

October 2023 water usage compared to October 2013, shows a 24% water savings for the partnership. Water usage to date 2023 compared to 2013 shows a 27% reduction in use. Even with the increase in population, the gallons per capita per day are down.

b. Water Use Efficiency Messaging

Andrea Rodriguez, SCWA, presented.

SCWA is using December and January to plan for Spring, so no updates at this time.

No public comment.

5. Biological Opinion Status Update

Pam Jeane, SCWA, presented.

Fish Flow Project - No changes.

Dry Creek Habitat - Identical to last month. Construction on reach 4C will winterize the site, which has already begun. Work will be finished in 2024. Looking for further extension on Phase 6 due to issues with access.

Fish Monitoring – As of November 21, there were 1925 Chinook seen at the camera at Mirabel, 162 Coho, and just a few Steelhead. Expect to see a few more fish after November 21, due to rain and manual breach at estuary.

Biological Assessment for New Biological Opinion – Waiting for consultation to formally start. Discussion with NMFS about information they would like to see before the consultation is formally started.

Jennifer Burke, Santa Rosa Water, asked how long the consultation will take once the formal process begins.

Pam Jeane, SCWA, said they have a certain number of days in order to produce the Biological Opinion. Believes this is part of why they have not formally accepted consultation. Estimated it will take 6 months to complete, based on last time.

Jennifer Burke, Santa Rosa Water, asked if this will be a 15-year term.

Pam Jeane, SCWA, said it will likely be for a 10-year term.

No public comment.

6. Potter Valley Project Update

Pam Jeane, SCWA, presented.

PG&E released the initial draft license surrender application and preliminary decommissioning plan for the Potter Valley Project on November 17. A public comment period is open until December 22. The draft final license surrender application is scheduled to be released in June 2024. The finalized application package is due at the end of January 2025. The initial draft document is on PG&E's website, along with instructions on how to submit comments.

The initial proposal for the new Eel-Russian facility included 3 parties, but now it includes 7 parties. The proposal included two options for fish passage, a roughened channel option and a manual pump diversion option.

Jennifer Burke, Santa Rosa Water, asked if Sonoma Water has specific comments that they would like the contractors to submit to PG&E and, if they do, please let everyone know.

Pam Jeane, SCWA, said a draft of SCWA's comments will be done by end of day today and that comments will be brief and mainly focused on inconsistencies and corrections on maps.

Jennifer Burke, Santa Rosa Water, asked for an update on the regional entity formation for the new Eel-Russian facility.

Pam Jeane, SCWA, said on November 30, Mendocino County Inland Water and Power Commission took the JPA to their Board of Directors. The JPA was approved with one small caveat. The Round Valley Indian Tribes has also approved the JPA. SCWA is scheduled to take it to the County of Sonoma Board of Supervisors and Sonoma Water Board of Directors tomorrow.

Jennifer Burke, Santa Rosa Water, asked if that was all the members of the JPA or if the number will increase over time.

Pam Jeane, SCWA, said it may increase over time, but that there was no time to negotiate with the other parties before submittal.

Jennifer Burke, Santa Rosa Water, asked in terms of the make-up of the JPA, are Sonoma County, Sonoma Water, Mendocino County Inland Water and Power Commission, and the Round Valley Indian Tribes the four agencies that will have Board Members and asked when they will meet.

Pam Jeane, SCWA, confirmed that those are the four agencies, however, Round Valley Indian Tribes will have a voting Board member but are not a signatory to the JPA. The first meeting will be January and not sure when and where the Board will meet but it will be a Brown Act body.

No public comment.

7. Russian River Water Forum Update

Grant Davis, SCWA, presented.

Next meeting will be on December 7, and has Zoom option but would encourage everyone to be there in person. PG&E has said they will have someone monitoring the discussion at the Forum meeting but will not be available for questions. The Forum is low on funds, so for efficiency purposes, the meetings will be more informational and will probably be limited to two more meetings, possibly a third.

No public comment.

8. Items for Next Agenda (TAC Meeting, January 8, 2024)

Reminder to provide updates if your agencies WAC or TAC member has changed.

No public comment.

9. Check Out

Jennifer Burke, TAC Chair, adjourned the meeting at 9:33 a.m.

9

DISBURSEMENTS - DATED MARCH 21, 2024

Date Prepared 3/18/24


The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

Seq	Payable To	For	Amount
EFT*	US Bank	February Bank Analysis Charge (Lockbox \$912 & Other \$408 Less Interest \$89)	\$1,230.99
1	Alpha Analytical Labs	Lab Testing (Pt Reyes & Novato)	5,087.00
2	Ansari, Parvaneh	Refund Over Payment on Open Account	87.98
3		Retiree Exp Reimb (Mar Health Ins)	1,417.18
4	A.S.T.I.	Quarterly Fire Sprinkler Inspection	215.00
5	AT&T	Leased Lines	63.14
6	California Water Service	March Water Service (O.M.)	30.72
7		Retiree Exp Reimb (Mar Health Ins)	548.98
8		Retiree Exp Reimb (Mar Health Ins)	548.98
9	Clean Earth Inc.	Hazardous Waste Disposal (Lab)	376.00
10	Comcast	March Internet (Buck Institute)	359.81
11	Core & Main	Flange Adaptor Couplings (5)	4,768.58
12	Corrpro Companies, Inc.	Anodes (32)	6,188.61
13	Davenport, Colin	Exp Reimb: Lodging & Meals While Attending Backflow Training in Sacramento 3/6-3/9/24	472.16
14	Dell Computers	Replacement PC (Pecunia)	995.49
15	E & M	Engineering Services for Emergency Variable Frequency Drive Replacement (O.M. Lift Station)	10,079.12
16	D.L. Falk Construction, Inc.	Prog Pymt#20: Admin & Lab Building Upgrades (Bal Rem on Contract \$2,399,834)	433,336.59
17	D.L. Falk Construction Escrow Acct	5% Retainage-Pymt#20 Admin & Lab Building Upgrade	22,807.19


Seq	Payable To	For	Amount
18	Fisher Scientific	Petri Dishes (600)	153.30
19	Frazier, Thomas	Refund Over Payment on Closed Account	1,608.82
20	Frontier Communications	Leased Lines	1,687.41
21	Frontier Communications	March Internet Services (STP)	640.00
22	Grainger	Miscellaneous Maintenance Tools & Supplies	1,673.08
23	InfoSend, Inc.	February Processing Fee for Water Bills (\$1,262), Postage (\$4,168) & Monthly Support Fee (\$1,019)	6,449.08
24	Kane, Shawn	Exp Reimb: Donuts for CPR/First Aid Training	69.44
25		Retiree Exp Reimb (Mar Health Ins)	548.98
26	Kiosk Creative LLC	February Marketing Communication & Outreach Services (Balance Remaining on Contract \$53,203)	4,640.96
27		Retiree Exp Reimb (Mar Health Ins)	548.98
28		Retiree Exp Reimb (Mar Health Ins)	1,417.18
29		Retiree Exp Reimb (Mar Health Ins)	548.98
30	Marin Independent Journal	Bid Invite for Headquarters Recycled Water Extension & Notice of Public Review for Lynwood Pump Station	302.67
31	Marin County Ford	Service Parts ('20 F250, '12 F250, '21 F150) & Bed Liners (2 - '24 F250's)	768.32
32	County of Marin	Encroachment Permit (29 Wild Horse Valley Rd- Novato)	736.20
33	Metrohm USA, Inc.	Pulsation Absorber (Lab)	1,563.05
34	Natec International Inc	Asbestos Cement Pipe & Refresher Courses (Construction)	1,545.00
35	ODP Business Solutions, LLC	Toner & Miscellaneous Office Supplies	372.04
36	Pace Supply	Heat Shrink Splices (10)	64.24
37	Pacific Gas & Electric Co	Power: Bldgs/Yard (\$3,195), Other (\$309), Pumping (\$38,815), Rect/Cont (\$842) & Treatment (\$172)	43,333.04

Seq	Payable To	For	Amount
38	Pollard Water	Meter Wrenches (8)	198.34
39	Quadient, Inc.	April Postal Meter Rental	143.09
40	Redwood Painting Co., Inc.	Painting Services for STP Corrosion Assessment Project (Balance Remaining on as needed Contract \$208,768)	109,012.19
41		Retiree Exp Reimb (Mar Health Ins)	548.98
42	Sanitation Services, Inc.	Portable Toilet Rental (2/26-3/4/24-PRTP)	220.83
43	Shape Incorporated	Centrifuge Sludge Pump Parts (STP)	1,551.22
44	Sonoma County Water Agency	February Contract Water	447,108.97
45	Target Solutions Learning, LLC	Annual Renewal of Learning Management System (3/31/24-3/30/25)	8,999.04
46	Township Building Services	February Janitorial Services (District Yard-\$1,197 & STP)	1,579.21
47	USA BlueBook	25' Tubing (STP)	431.88
48	US Bank	February Safekeeping Treasury Securities	186.50
49	VWR International LLC	Lauryl Tryptose Broth & Sulfate IC Standard (Lab)	241.69
50	White & Prescott	Prog Pymt #38: Canyon Rd Quitclaims (\$450) & Prog Pymt #39: Binford Road Water Line Easement (\$1,620) (Balance Remaining on as needed Contract \$25,400)	2,070.00
51	Williamson, Matthew	Exp Reimb: Lodging & Meals While Attending Backflow Class in Sacramento (3/12-3/14)	417.58
52	ZORO	Pressure Switch, Battery Backups for Pt Reyes T.P. (2), Tube Racks (6) & Sealant (2)	522.26
		TOTAL DISBURSEMENTS	<u>\$1,130,516.07</u>

The foregoing payroll and accounts payable vouchers totaling \$1,130,516.07 are hereby approved and authorized for payment.


03/19/24

 Auditor-Controller Date


3/19/2024

 General Manager Date

DISBURSEMENTS - DATED MARCH 28, 2024

Date Prepared 3/25/24

The following demands made against the District are listed for approval and authorization for payment in accordance with Section 31302 of the California Water Code, being a part of the California Water District Law:

Seq	Payable To	For	Amount
P/R*	Employees	Net Payroll PPE 3/15/24	\$195,730.47
90688*	Internal Revenue Service	Federal & FICA Taxes PPE 3/15/24	89,127.83
90689*	State of California	State Taxes & SDI PPE 3/15/24	20,002.31
90690- 90691*	CalPERS	Pension Contribution PPE 3/15/24	53,366.41
90687*	Amazon	Ethernet Cable, Mechanic's Tool Set, Towing Bracket, Ratchet Tie Downs (4), Air Chuck, Office Supplies, Kitchen & Lab Supplies	1,694.46
90692*	US Bank Card	Microsoft Monthly Subscriptions, Job Postings for Field Service Rep & Staff Accountant, Internet Services for PRTP & Gallagher Well #2, Zoom for Board Meetings, Appliances for Admin Building (\$4,785), ACWA Legislative Affairs Conference (Williams), Revised W2 Form & Marin IJ Ad for Budget Review Schedule	7,454.86
1	100 Wood Hollow Drive Owner	April 2024 Rent for 100 Wood Hollow	37,554.85
2	Alameda Electrical Distributors	Connectors (8), Black Tape (20), Red Tape (2), Orange Wire Nuts (100), Clamps (10) & Nipple	182.92
3	All Star Rents	Dehumidifier Rental for Flooding Due to PRTP Pipe Leak (2/29-3/7/24)	563.58
4	American Family Life Ins	March Employee Paid Benefit	4,121.37
5	Autoworld	Tailgate Panel ('18 Dodge Ram)	153.30
6	Automation Direct	Pressure Transmitters (2), Connector Cables (2), Input Module, Switching Power Supply & Replacement Programmable Logic Controller for PRTP (\$6,753)	7,609.11
7	Bank of Marin	Bank of Marin Loan Principal & Interest- Aqueduct Energy Efficiency Project (Pymt#149 of 240)	46,066.67

Seq	Payable To	For	Amount
8	Bay Alarm Company	Quarterly Fire Alarm Monitoring Fee (4/1/24-6/30/24) (STP)	338.19
9	Bearings & Hydraulics	Bearings (2)	81.17
10	Brook, Sylvia	Novato "Smart Irrigation Controller" & "Cash for Grass" Rebate Programs	580.00
11	Building Supply Center	2" Plug	8.22
12	Cla-Val	Parts & Labor to Rebuild Valve Assembly (P RTP)	64,046.66
13	Core & Main	12" Flange Adaptor Couplings (3) (\$2,861) & 6" Flange Lug Restraints (8)	3,642.34
14	Cunha, Michael	Novato "Hot Water Recirculation System" Rebate Program	100.00
15	Diego Truck Repair Inc	Emergency Towing Services for West Marin ('09 Peterbilt 335 Crew)	1,128.75
16	Diesel Direct West	Gasoline (1,200 gal)	5,632.83
17	Electrical Equipment Co	Motor Starter for School Road Pump #1	1,125.59
18	Environmental Resource Assoc	Wastewater Coliform Microbe (Lab)	467.30
19	ERS Industrial Services Inc	Inspection of Filter Vessels & Media (P RTP)	7,390.00
20	Freyer & Laureta, Inc.	Prog Pymt#14: (\$37,298) & Prog Pymt#15: Engineering & Design Services for Lynwood Pump Station (\$9,461) (Balance Remaining on Contract \$98,666)	46,759.94
21	Geokon Inc.	Automated Piezometer for STP Project	2,205.93
22	Grainger	Truck Bed Tool Boxes (2) (Maint) (\$1,354) & Miscellaneous Maintenance Tools & Supplies	3,087.61
23	John's Dairy Equipment & Suppl	Chlorine Tablets (100 lbs) (STP)	630.10
24	Kehoe, Chris	Exp Reimb: Grass Seed for New Sludge Line @ STP	60.21
25	Lincoln Life Employer Serv	Deferred Compensation 3/15/24 PPE	9,881.74
26	County of Marin	Encroachment Permit (144 Caribe Isle-Novato)	736.20

Seq	Payable To	For	Amount
27	McLellan Co, WK	Miscellaneous Paving	7,612.44
28	Nationwide Retirement Solution	Deferred Compensation 3/15/24	5,066.27
29	Nute Engineering	Prog Pymt#14: Design & Engineering Services for Oceana Marin Force Main 1A (Balance Remaining on Contract \$48,825)	114.00
30	ODP Business Solutions, LLC	Miscellaneous Office Supplies	223.29
31	Pace Supply	1" Meter Boxes (20) (\$1,074), Couplings (10) & Hymax Repair Clamp	1,523.71
32	Pumping Solutions	Dampener Replacement Parts for Chlorine Dioxide Injection Pumps (STP)	3,312.65
33	Red Wing Business Advantage	Safety Boots (Lawrence)	213.33
34	Scott Technology Group	March Monthly Maintenance on Engineering, Admin Copiers & Contract Overage Charge	509.29
35	Sigma-Aldrich Inc.	Total Coli Dehydrated Media (Lab)	135.27
36	Sjoblom, Jeff	Exp Reimb: D2 Certification Renewal	130.00
37	Solar, Lia	Exp Reimb: USPS Certified Letter to Caltrans	18.40
38	SPG Solar Facility XII, LLC	February Energy Delivered Under Solar Services Agreement	7,533.52
39	Unicorn Group	Postage for Spring Novato Waterline	5,125.90
40	USA BlueBook	High Pressure Discharge Hose (4"x50') (\$1,069) & Valve Repair Kits (3) (STP)	1,456.11
41	Van Bebber Bros	New Hatch Lid for Pacheco Tank, Barrel Hinges (3) & Round Tube	941.19
42	Vulcan Materials Company	Pea & Sand (16 yds)	1,066.03
43	VWR International LLC	Medium (Lab)	138.09
44	Young, Alton	Novato "Cash for Grass" Rebate Program	400.00

Seq	Payable To	For	Amount
45	ZORO	Repair Tape (2)	38.95
		TOTAL DISBURSEMENTS	<u><u>\$647,089.36</u></u>

The foregoing payroll and accounts payable vouchers totaling \$647,089.36 are hereby approved and authorized for payment.

Julie Blue 03/26/24
Auditor-Controller Date

[Signature] 3/26/24
General Manager Date



MEMORANDUM

To: Board of Directors

April 2, 2024

From: Julie Blue, Auditor-Controller *JB*
 Nancy Williamson, Accounting Supervisor *NW*

Subj: Auditor-Controller's Monthly Report of Investments for February 2024
t:\acl\word\invest\24\investment report 0224.doc

RECOMMENDED ACTION: Information

FINANCIAL IMPACT: None

At month end the District's Investment Portfolio had an amortized cost value (i.e., cash balance) of \$32,742,258 and a market value of \$32,628,941. During February the cash balance decreased by \$2,691,726. The market value of securities held decreased \$2,674,291 during the month. The total unrestricted cash balance at month end was \$1,582,232 and 96.6% of the Target Reserves are funded.

At February 29, 2024, 58% of the District's Portfolio was invested in California's Local Agency Investment Fund (LAIF), 18% in Time Certificates of Deposit, 18% in a Treasury Bill, 3% in the Marin County Treasury, and 3% retained locally for operating purposes. The weighted average maturity of the portfolio was 57 days, compared to 52 days at the end of January. The LAIF interest rate for the month was 4.12%, compared to 4.01% the previous month. The weighted average Portfolio rate was 5.10%, compared to 4.90% for the prior month.

Investment Transactions for the month of February are listed below:

2/5/2024	LAIF	US Bank	\$200,000	Trsf from LAIF account
2/15/2024	LAIF	US Bank	\$400,000	Trsf from LAIF account
2/16/2024	LAIF	US Bank	\$400,000	Trsf from LAIF account
2/20/2024	BMW Bank CD Maturity	US Bank	\$249,000	CD Maturity
2/21/2024	Eaglebank	US Bank	\$244,000	Purchase 4.60% TCD due 2/23/26 - Semi-Annual Pay
2/22/2024	Bank of America	US Bank	\$244,000	Purchase 4.65% TCD due 2/23/26 - Semi-Annual Pay
2/22/2024	LAIF	US Bank	\$1,700,000	Trsf from LAIF account
2/23/2024	Ally Bank	US Bank	\$248,000	CD Maturity

ATTACHMENTS:

1. Monthly Report of Investments – February 2024

**NORTH MARIN WATER DISTRICT
AUDITOR-CONTROLLER'S MONTHLY REPORT OF INVESTMENTS
February 29, 2024**

Type	Description	S&P Rating	Purchase Date	Maturity Date	Cost Basis ¹	2/29/2024 Market Value	Yield ²	% of Portfolio
LAIF	State of CA Treasury	AA-	Various	Open	\$18,831,654	\$18,710,061	4.12% ³	58%
Time Certificate of Deposit								
TCD	Enerbank	n/a	9/25/20	9/25/24	249,000	249,000	0.45%	1%
TCD	Greenstate Credit Union	n/a	3/15/22	3/15/24	249,000	249,000	1.60%	1%
TCD	Capital One Bank	n/a	4/7/22	4/8/24	247,000	247,000	2.20%	1%
TCD	Capital One Bank, N.A.	n/a	4/20/22	4/22/24	247,000	247,000	2.35%	1%
TCD	American Express Natl Bank	n/a	5/4/22	5/6/24	246,000	246,000	2.60%	1%
TCD	BMO Harris Bank	n/a	6/10/22	6/10/24	246,000	246,000	2.80%	1%
TCD	GE Credit Union	n/a	6/29/22	6/28/24	249,000	249,000	3.25%	1%
TCD	Beal Bank	n/a	7/13/22	7/10/24	246,000	246,000	3.05%	1%
TCD	Synchrony Bank	n/a	8/5/22	8/5/24	245,000	245,000	3.30%	1%
TCD	Discover Bank	n/a	9/13/22	9/13/24	245,000	245,000	3.40%	1%
TCD	Sharonview Credit Union	n/a	10/17/22	10/17/24	249,000	249,000	4.35%	1%
TCD	Popular Bank	n/a	11/9/22	11/7/24	247,000	247,000	4.75%	1%
TCD	Alabama Credit Union	n/a	11/22/22	11/22/24	248,000	248,000	4.90%	1%
TCD	Community West Credit Union	n/a	12/19/22	12/19/24	249,000	249,000	4.78%	1%
TCD	Austin Telco Fed Credit Union	n/a	1/27/23	1/27/25	248,000	248,000	4.90%	1%
TCD	First Tech Fed Credit Union	n/a	2/17/23	2/18/25	249,000	249,000	4.85%	1%
TCD	Keybank National Assoc	n/a	3/15/23	3/17/25	243,000	243,000	5.00%	1%
TCD	Morgan Stanley Bnk NA	n/a	4/6/23	4/7/25	244,000	244,000	4.90%	1%
TCD	Morgan Stanley Private Bnk	n/a	4/6/23	4/7/25	244,000	244,000	4.90%	1%
TCD	Raiz Federal Credit Union	n/a	5/11/23	5/12/25	248,000	248,000	4.85%	1%
TCD	Hughes Federal Credit Union	n/a	6/29/23	6/30/25	248,000	248,000	5.25%	1%
TCD	Farmers Ins Credit Union	n/a	1/18/24	1/20/26	249,000	249,000	4.50%	1%
TCD	Eagle Bank	n/a	2/21/24	2/23/26	244,000	244,000	4.60%	1%
TCD	Bank of America	n/a	2/22/24	2/23/26	244,000	244,000	4.65%	1%
					\$5,923,000	\$5,923,000	3.27%	18%
US Treasury Bills								
Treas	Treasury Bill	n/a	10/19/23	3/21/24	\$5,999,186	\$6,007,461	5.42%	18%
Other								
Agency	Marin Co Treasury	AAA	Various	Open	\$1,066,170	\$1,066,170	1.10%	3%
Other	Various	n/a	Various	Open	922,249	922,249	0.06%	3%
TOTAL IN PORTFOLIO					\$32,742,258	\$32,628,941	5.10%	100%

Weighted Average Maturity = **57 Days**

LAIF: State of California Local Agency Investment Fund.

TCD: Time Certificate of Deposit.

Treas: US Treasury Notes with maturity of 5 years or less.

Agency: STP State Revolving Fund Loan Reserve.

Other: Comprised of 5 accounts used for operating purposes. US Bank Operating Account, US Bank STP SRF Loan

Account, US Bank FSA Payments Account, Bank of Marin AEEP Checking Account & NMWD Petty Cash Fund.

1 Original cost less repayment of principal and amortization of premium or discount.

2 Yield defined to be annualized interest earnings to maturity as a percentage of invested funds.

3 Earnings are calculated daily - this represents the average yield for the month ending February 29, 2024.

Interest Bearing Loans	Loan Date	Maturity Date	Original Loan Amount	Principal Outstanding	Interest Rate
Marin Country Club Loan	1/11/18	11/1/47	\$1,265,295	\$1,035,228	1.00%
Marin Municipal Water - AEEP	7/1/14	7/1/32	\$3,600,000	\$1,620,203	2.71%
Employee Housing Loan (1)	3/30/15	3/30/30	250,000	250,000	Contingent
TOTAL INTEREST BEARING LOANS			\$5,115,295	\$2,905,431	

The District has the ability to meet the next six months of cash flow requirements.

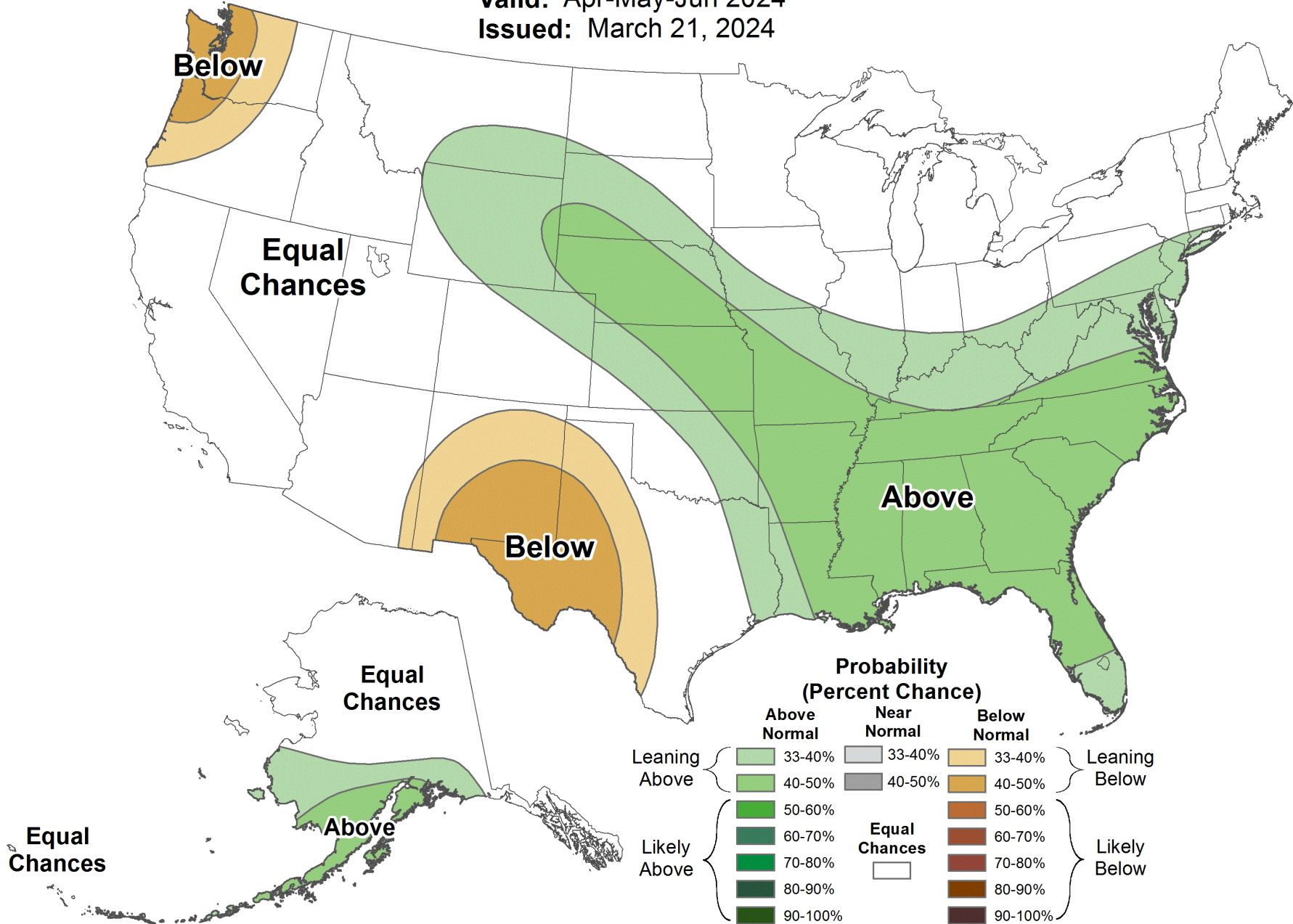


Seasonal Precipitation Outlook



Valid: Apr-May-Jun 2024

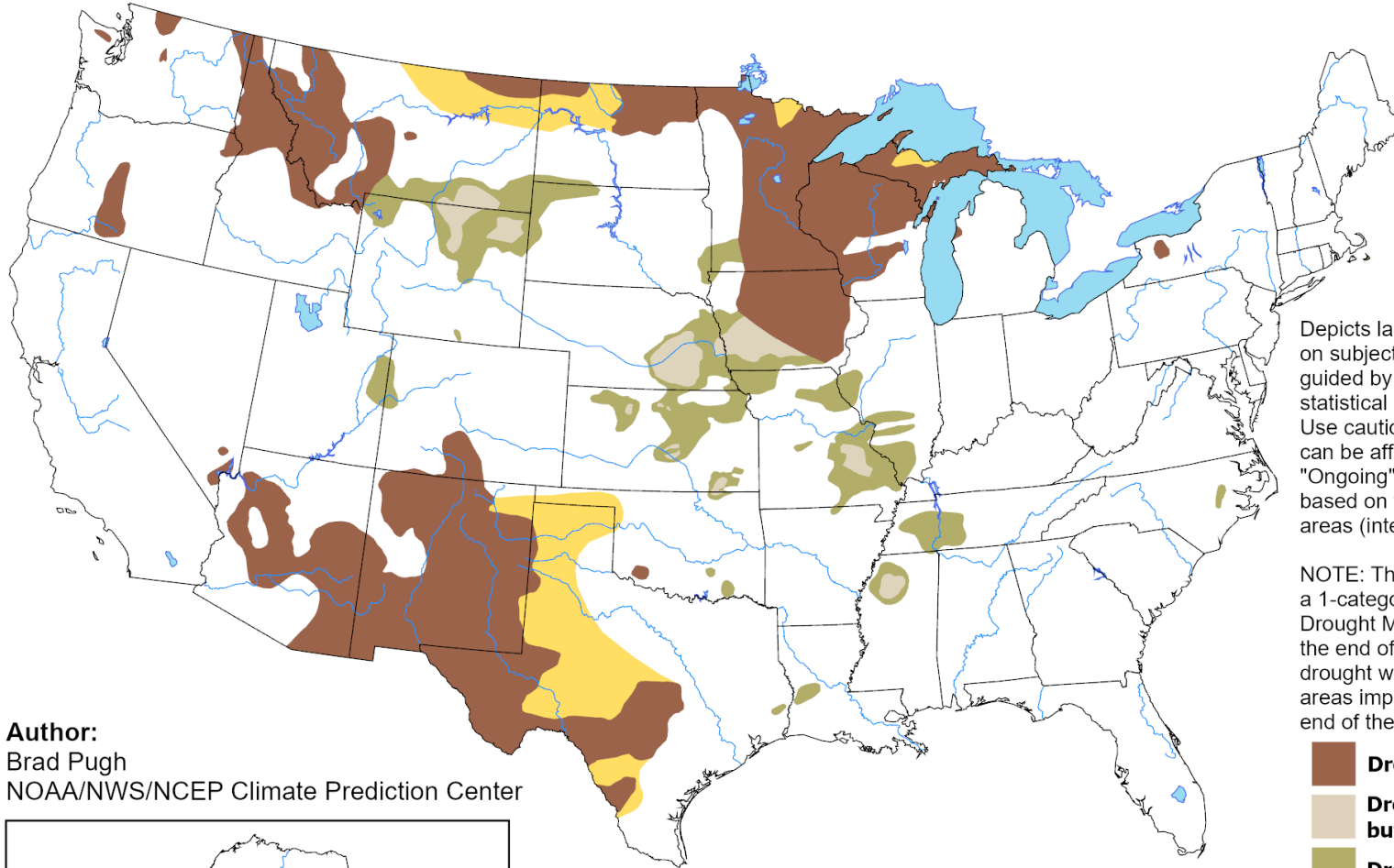
Issued: March 21, 2024



U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period






Valid for March 21 - June 30, 2024
Released March 21, 2024

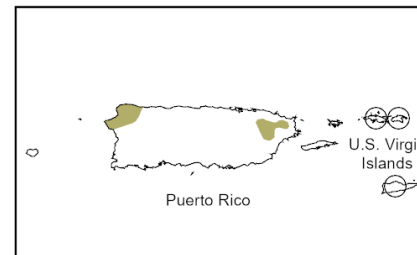
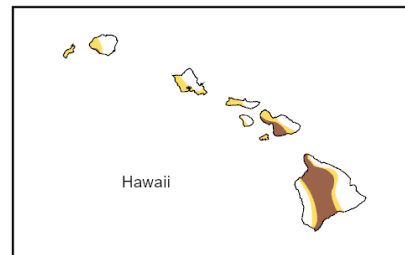


Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

Author:
Brad Pugh
NOAA/NWS/NCEP Climate Prediction Center

-  **Drought persists**
-  **Drought remains, but improves**
-  **Drought removal likely**
-  **Drought development likely**
-  **No drought**



<https://go.usa.gov/3eZ73>

California proposes delaying rules aimed at reducing water on lawns



Water flies from a sprinkler on a lawn in Sacramento. State regulators proposed delaying new conservation rules aimed at reducing the amount of water people use on their lawns. RICH PEDRONCELLI — THE ASSOCIATED PRESS

BY ADAM BEAM

THE ASSOCIATED PRESS

SACRAMENTO >> California regulators last week proposed delaying new rules aimed at reducing how much water people use on their lawns, drawing praise from agencies that said they needed more time to comply but criticism from environmentalists who warn that the delay would damage the state's already scarce supply.

Last year, California proposed new rules that would, cumulatively, reduce statewide water use by about 14%. Those rules included lowering outdoor water use standards below the current statewide average by 2035.

On Tuesday, regulators proposed delaying that timeline by five years, until 2040. The State Water Resources Control Board is scheduled to vote on the rules later this year.

The state would not punish people for using too much water on their lawns. Instead, it could punish the water agency that supplied those homes. There are about 405 of these agencies throughout the state that provide water to nearly 95% of Californians.

To comply with the rules, these agencies must convince their customers to use less water.

Their options include public education campaigns and incentives, such as paying to install more efficient fixtures and replacing grass lawns with more sustainable plants. They could also raise rates.

State officials estimated it would cost water agencies about \$13.5 billion to comply with these rules — an estimate Chelsea Haines, regulatory relations manager for the Association of California Water Agencies, says is likely too low. Water agencies had asked regulators for more time.

“The challenge is that water suppliers are regulated but compliance will come from Californians making changes to how they use water,” Haines said. “I think there will be a learning curve for residents, and that just takes time.”

The delay means there wouldn't be an incentive for most water agencies to increase conservation until at least 2035, according to Tracy Quinn, president and CEO of Heal the Bay, an organization dedicated to protecting and restoring the coastal waterways of greater Los Angeles.

Quinn fears the delay would push agencies to make much more expensive investments in new water sources, including desalination plants to make ocean water drinkable and recycling wastewater to use again for drinking.

“The smartest thing to do first is the one that is fastest and cheapest. That's conservation,” Quinn said. “It is true that conservation is not free, but the cost of conservation needs to be compared to the cost of other new water.”

The goal of the outdoor water standards for 2040 is to have the majority of a person's yard made up of low-water plants irrigated by a drip system instead of sprinklers, which regulators argue are inefficient in part because they often spray water on sidewalks and asphalt.

But water agencies wouldn't have to always meet these new outdoor standards. Each agency would have a “water use objective” it must meet that also considers indoor use and how much water is lost from leaky pipes. Agencies could also ask to have even more time to reach these standards, such as if a community uses more water than it should because it has a lot of livestock.

An agency could meet its water use objective through a combination of these factors.

“It's always a trade-off between trying to advance conservation soon, but also providing enough flexibility so that we avoid unintended consequences,” said Eric Oppenheimer, executive director of the State Water Resources Control Board.

Water is a precious resource in the nation's most populous state. California has long, dry summers, and relies on rain and snow in the winter and spring to fill up its reservoirs.

Although climate change has made those storms more intense, it's also increased the severity of droughts — making it much harder to manage the state's water.

California has had plenty of rain and snow in the past two years to ease fears about its water supply. But before that, the state experienced some of the driest years on record and saw its reservoirs drop to dangerously low levels. By the end of this century, state regulators predict California's snowpack could be up to 65% less than its historic average.

Statewide, residents account for about 6% of California's water use each year, while businesses account for about 3%.

Agriculture accounts for 40% while environmental purposes — including managing wetlands and increasing flows in rivers for fish and other purposes — makes up about 50%.

Regulators proposed changes to the water conservation rules after a critical report was issued this year by the nonpartisan Legislative Analyst's Office.

It found that the proposed regulations were overly complex and would yield only modest savings — about 440,000 acre-feet of water per year, or about 1% of the state's total water use. One acre-foot of water is enough to supply two households for one year.

Also, the report noted that urban water use is already declining. Even without these regulations, state regulators predict that annual water use would be 7.5% lower in 2035 compared to the period from 2017-2019.

Heather Cooley, director of research for the Pacific Institute, said the Legislative Analyst's Office report "got it wrong." She noted 440,000 acre-feet is close to the amount of water the city of Los Angeles uses in one year.

"These are significant savings," she said.

NOVATO

District faces opposition over water pump project



The North Marin Water District is seeking to replace its nearly 60-year-old pump station on Sunset Parkway in Novato. One potential location is about 1.3 miles away along Ignacio Boulevard. ALAN DEP – MARIN INDEPENDENT JOURNAL

BY CAMERON MACDONALD

CMACDONALD@MARINIJ.COM

Plans to build a water pump station in Novato are drawing opposition from neighbors.

The North Marin Water District is considering building the station at “Site 2,” a parcel on a city-owned greenway that borders Arroyo San Jose Creek near Ignacio Boulevard and Palmer Drive. The district wants to replace a pump station that neighbors Lynwood Elementary School, which is 1.3 miles from Site 2.

If approved by the water board and the Novato City Council, a 1,188-square-foot pump station could be built there, and 3,750 linear feet of new piping could be installed to connect the station.

Opponents say the pump station will be an eyesore in the creek's promenade area. Novato resident Mark Smith noted that the proposed site is not in a remote area.

"It's a very large building for that space, it's not something that will go unnoticed," he said. "And that's the problem that people have. They don't want this building in this open space near the creek."

Alternatives include building a station at Site 2 in addition to another station at either Bolling Drive, Main Gate Road or C Street. The alternative plan that doesn't involve Site 2 would be a new station at a Sunset Parkway median between Monte Maria Avenue and Cambridge Street.

An engineers' assessment determined that replacing the station at its current location is not feasible, due to the site constraints and the pump station's age, which could lead to costly challenges.

"Since the PS is below grade, the district's ability to perform repairs and upgrades is limited," WRA Inc., a San Rafael environmental consulting firm, said in a report. Eric Miller, assistant general manager of the water district, said the Lynwood station is nearly 60 years old and that pump stations generally have a 50-year design life.

"We're well beyond that," Miller said. "The effort needed to maintain and replace the parts at the station is becoming exceedingly difficult, and so we started the process of replacing the station."

He said that the replacement project's construction cost estimates vary from \$4.5 million to \$11.1 million. If the "Alternative B" plan is approved for Site 2, then a 17-month construction project could begin there next year, according to the project's proposed mitigated negative declaration.

"The project objective is to improve reliability, enhance operability, and meet the future needs of the district," Miller said.

He noted that the district does not own any of the five sites being considered for a future pump station. Three sites are owned by the city, one is privately owned and one site is owned by the Novato Unified School District, Miller said.

If the water district were to build a station on a site, then the district would either need to purchase all or a portion of the parcel, or secure a utility easement, he said.

The water district has extended the deadline for public comments on the project until May 6.

An estimated 110 people attended a March 6 hearing on the project, Miller said. The meeting was held at the Nativity of Christ Greek Orthodox Church, which is near Site 2.

Mike Arnold, a neighbor, said he is concerned that the pump station could be a visual blight and cause noise problems. He said the meeting was poorly managed and advertised and said consultants and district staff were unable to answer "obvious questions."

In an email to district staff, he said that he only learned about the meeting from a neighbor and did not hear from the district.

“I was never contacted nor informed by NMWD that such an eyesore and a potentially noisy eyesore, was likely within a few hundred feet of my property line,” he wrote.

Smith said that he was unaware of the Lynwood station’s project until he was alerted by residents who saw an announcement outside a grocery store in Novato last month. He is campaigning against construction at Site 2, and said that the station will ruin the greenway’s natural beauty.

“There is nothing about this project that’s about meeting water needs through 2035,” he said.

“There are also alternatives that are cheaper and less destructive, less intrusive that are not on open space.”

Information on the Lynwood water pump station project is online at nmwd.com.

NOVATO

Utility declines to rule out site for pump station

BY CAMERON MACDONALD

CMACDONALD@MARINIJ.COM

The North Marin Water District board has voted to keep a controversial site in the mix of options for a new water pump station.

Several board members said it was premature to remove the site, a city-owned parcel on a greenway that runs along Arroyo San Jose Creek near Ignacio Boulevard and Palmer Drive in Novato.

“To just pull one off without having some confidence that we got something better — we’re not at that point yet,” said Jack Baker, the board president.

The board, which met on Tuesday, also directed the district staff to seek more possible locations for the project, which aims to replace the nearly 60-year-old pump station near Lynwood Elementary School. Customers can still comment on the project’s environmental and engineering documents until May 6.

The controversial location is known as “Site 2.” A 1,188-square-foot pump station could be built there and 3,750 linear feet of new piping could be installed to connect the station.

The project site would first need to be approved by the utility’s board, and then the Novato City Council must agree to sell it or grant an easement.

One alternative that does not involve Site 2 is a new station at the Sunset Parkway median between Cambridge Street and Monte Maria Drive.

The district staff held a public meeting on the project on March 6, and more than 110 people attended. Opponents say the pump station will be an eyesore at Site 2 and cause traffic jams on Ignacio Boulevard during the construction.

The district board heard from Leonard Shaw, a 54-year resident of Fairway Drive who lives near Site 2. He urged the board to remove the site from the project plans as soon as possible.

“I just think that putting a pump station of this size on an open space that we strived so hard to protect just doesn’t make sense from the get-go,” Shaw said.

Joe Davidor, another longtime resident who lives near Site 2, noted the traffic on Ignacio Boulevard.

“What we’re all concerned about in our neighborhood is two to three years of construction in our neighborhood,” he said. “Ignacio Boulevard is a freeway and to clog that up for two to three years is going to do a lot to our property values.”

Resident Mike Arnold told the board that the district never notified him about the March 6 meeting on the project. He instead heard from neighbors.

Arnold encouraged the board to avoid a political fight.

“Oh, there are plenty of them in this county and this city,” he said. “We don’t need a political fight over this particular location because there is so much agreement that it’s just not an appropriate location.”

Tony Williams, the general manager of the water district, emphasized the need to replace the aging Lynwood station. He said the station is struggling to fill key storage tanks.

Eric Miller, the assistant general manager, advised the board keep Site 2 in the project plans.

“From an engineering staff perspective, we are absolutely, unequivocally not recommending that you remove Site 2 at this time,” he said. “It is far too premature. We’re not even sure there is another site south of that hill that satisfies all of the project objectives.”

Board members Rick Fraites and Stephen Petterle expressed reservations about Site 2. Petterle noted his background as a landscape architect and said the pump station must be “aesthetically appropriate” for the site.

“I want to know all of the facts so that I can make the decision that’s best for the community,” he said.

Fraites recalled visiting Site 2 and he said he could not see a pump station being there. He said the district must look harder for other sites.

“I agree with Steve that architecture is very important, but I don’t know if we can architect ourselves out of a structure there at this point,” Fraites said.

Board member Michael Joly said he has faith in the district staff and said it’s too early to remove Site 2 from the project plans.

“If you trust the staff and you trust us, you will go away feeling not exactly relieved, but accommodated,” he told the meeting attendees.

After the board hearing, Shaw said the directors were cordial, but he expressed his disappointment.

“Delaying the decision to withdraw this site just keeps the people concerned sitting on the edge and wondering when the ax is going to drop,” he said. “That means we’re going to stay involved with this and hopefully achieve the result we think is appropriate.”

The science of weather will be key for supply

It wasn't that long ago that we were wondering when we'd see a good soaking rainstorm.

We didn't and the Marin Municipal Water District said it was perilously close to its mountain reservoirs running out of water and had launched into plans to build an emergency transbay pipeline to import water.

Then it rained. It poured.

The photo in the IJ from Jan. 12 showed Stafford Lake over its banks and two lakeside hammocks hanging over the water.

Though just a year or two removed from months of prolonged drought, IJ Photo Editor Alan Dep's image is a reminder our water supply relies on the variables of the weather.

That's why Marin water agencies are joining forces with the Center for Western Weather and Water Extremes Water Affiliates Group, a group that researches atmospheric rivers and other severe weather patterns.

It is affiliated with the University of California, San Diego's Scripps Institution of Oceanography.

The goal is for this information to help manage water supplies and mitigate flood risk.

For the Marin water agencies, this is about "being on top of science," says Tony Williams, North Marin Water's general manager.

Throw climate change into the mix and gaining a handle on long-term weather patterns sounds like promising knowledge that should work to local water agencies' advantage when it comes to managing our local water supply.

In fact, a 2023 report by the Marin County Civil Grand Jury urged local water districts to collaborate with science institutions working on climate change.

For North Marin, the group's research will be useful in the district's planning for improvements to the Stafford Lake dam.

The overall goal of working with the group is to minimize surprises and help water agencies do a better job of preparing for another prolonged drought.

It was just in 2021, when MMWD's leadership was facing the prospect that it could deplete its water supply as soon as mid-2022.

Tougher water conservation measures were imposed on local residents and businesses, but the outlook was troubling.

Other parts of the state were getting winter storms, but month after month they seemed to bypass the county.

Then it rained — and rained, bringing the reservoirs back to capacity.

But the close call led MMWD voters to elect three new directors and their promise to do a better job of making the district's supply more resilient.

Conservation will always be part of that strategy. It should. It must be an ethic that we have developed through our drought years, if not before.

But the weather group's research should help us avoid surprises by making extreme weather patterns more predictable in the future.

As climate change promises to bring more extremes in our local weather patterns, putting science to work in making them more predictable and enabling us to plan and prepare for them sounds like a smart partnership.

Water storage expansion sought

New reservoirs, dams among options considered by district

BY ADRIAN RODRIGUEZ

ARODRIGUEZ@MARINIJ.COM

The Marin Municipal Water District is taking a closer look at storage expansion projects that could increase capacity for billions of gallons of additional water to defend against drought.

After several months of study, district officials and consultants are considering projects that could include raising dam heights and some possibilities for creating new dams. Each option would increase the storage capacity by about 20,000 acre-feet.

The proposals include expansions of Alpine Lake, Kent Lake and the SoulaJule and Nicasio reservoirs. The district is also looking at constructing new reservoirs in the areas of Devil's Gulch, Halleck Creek and upper Nicasio. The proposals were presented to the water board at its meeting March 19.

"We've got options," Paul Sellier, district water resources director, told the board.

Sellier said these are "generational projects" and the staff is working to narrow the alternatives, expected to cost millions of dollars, for a more focused discussion in May.

The discussion last was an update on the district's water supply roadmap, approved last year, that set the stage for the district to significantly increase water supply for the first time since the 1980s.

The plan seeks to add 12,000 to 20,000 more acre-feet of annual supply by 2035.

The effort follows the 2020-2021 drought that threatened to deplete the utility's seven reservoirs. Rains in late 2021 nearly refilled the basins and ended the crisis.

The district serves 191,000 residents in central and southern Marin. Its seven reservoirs make up about 75% of the district's water supply. The reservoirs can hold up to about 80,000 acre-feet of water, about a two-year supply. An acre-foot is about 326,000 gallons of water.

The water supply roadmap estimated the agency would need at least 8,500 acre-feet of additional water per year to weather a severe four-year drought.

Last year, the district adopted historic rate increases to help pay for the estimated \$35 million it plans to invest in the projects through mid-2027.

By comparison, each proposed expansion plan had its advantages and disadvantages.

For example, Alpine Dam would need to be raised 75 feet to accommodate the new 20,000 acre feet of capacity, while Nicasio would only call for an 18-foot-tall extension.

An expansion at the Peters Dam at Kent Lake would heighten the dam 37 feet, and at Soulajule by 39 feet.

Peters Dam at Kent Lake would require nearly 3 billion cubic yards of fill to create the expansion, about three times the amount needed for Soulajule.

Expansion at the Nicasio reservoir would come with the most widespread new inundation, including roads and a big portion of the town.

“Inundating the town of Nicasio, I would say right out of the gates, is not feasible,” said board member Monty Schmitt.

However, Schmitt said in order to understand the cost of each project alternative, he would like to know the cost of the privately owned land that would be within an expanded reservoir’s footprint.

He said the cost to acquire the land and the impact on the communities would be factored in to the project total.

When it comes to creating a new dam, consultants said the areas of Devil’s Gulch and Halleck Creek might be undesirable because they lie within narrow valleys. That would force a V-shaped reservoir with dam walls exceeding 270 feet tall.

A new reservoir at upper Nicasio could be built at 103 feet and achieve the desired storage capacity, staff said.

Additionally, staff said adding spillway gates at Nicasio Reservoir could add an additional 3,000 acre feet of storage.

Board member Matt Samson said the information was helpful, and he would also like to see what structures may be affected by expanded or new reservoirs.

“It’s really interesting to see how this process is starting to evolve, and we’re starting to really see where the rubber meets the road,” Samson said.

“In addition to cost, we obviously have to look at the environmental impact on our critical habitat and our native species and our watershed,” said board member Jed Smith. “I’d like to make sure that that is at the top of our additional criteria.”

Board chair Ranjiv Khush said that when thinking about enhanced storage, the district is considering its ability to capture more runoff and potentially store water imported from Sonoma County.

Khush suggested that staff also consider looking at options for a phased approach with projects building off one another to incrementally reach the desired 20,000 acre feet of storage.

Sellier said staff will look at approaches for different capacity levels.

One of the biggest questions about the proposals is how it would affect the district's water rights. A 1995 order from state water regulators says that any additional reservoir storage capacity the district creates must be used for environmental water releases for protected fish, such as coho salmon.

Ben Horenstein, general manager of the water district, said the staff is simultaneously consulting with the state regulators on the proposed projects.

Hipcamp lobbies Marin to loosen camping rules

Continued from page 1

Association. "Hipcamp is a really interesting way to leverage the outdoor recreation industry to support agricultural communities in California long-term."

Ms. Rosenoer, a native of Tiburon, has held preliminary conversations with county officials, urging them to consider new rules. Among those Hipcamp has approached is Sarah Jones, the director of the Community Development Agency.

Ms. Jones told the Light that she might be open to the idea, provided it is restricted to large agricultural properties. She sees it as one of various potential ways to promote agri-tourism—a goal county officials have embraced.

"I don't see this as something we should be changing our residential zoning to accommodate," she said. "It seems like something that might be worth exploring on agricultural properties, because it might potentially promote agricultural sustainability."

A bill sponsored by state Sen. Mike McGuire would make a distinction between commercial camping and low-impact camping. Under the latter category, non-urban property owners with at least two acres of land could host up to nine sites, with no more than one per acre, provided they meet all local zoning and safety standards.

Ms. Rosenoer said she has been working for about a year with a group of Marin property owners who are seeking more clarity about what's permitted under county zoning rules. "It became clear that in Marin there just aren't really clear guidelines for if and how you can host campers on agricultural lands," she said. "They

want a chance to host school groups and families and expose them to what a rural and agricultural lifestyle can look like."

Lisa Poncia, a co-owner of Stemple Creek Ranch in Tomales, has listed four cottages on Airbnb for several years and added two campsites on Hipcamp during the pandemic, when restrictions were imposed on in-home rentals. "We were hearing from so many people who were just looking for opportunities to be out in nature, and there weren't a lot of other things they could do," she said.

The Poncias have been hosting farm stays at their ranch since they started Stemple Creek 15 years ago, offering people a chance to learn about regenerative agriculture and see where their food comes from.

"We figured that the best way to get our name out there was to have people come to the ranch and shake our hands and look us in the eyes and create relationships that way," she said. "It's a great marketing tool. People come learn who we are, and they post on social media and tell their neighbors. It's true, old-fashioned grassroots marketing."

The county has spent more than a year crafting updated rules that would cap the number of short-term rentals in West Marin. The proposed regulations, which go before the California Coastal Commission next week, exempted large agricultural properties.

Planning officials were receptive to pleas from ranchers and farmers who said they relied on income from farm stays to remain afloat. And they concluded that the noise and parking challenges posed by rentals in residential neighborhoods don't pertain to large ranches.

Steve Antonaros, president of the Point Reyes Station Village Association, said members who attended Ms. Rosenoer's presentation were pleased that Hipcamp had sought them out before attempting to push any new rules onto the books.

"They did come at a very early stage

and engage with the larger community," he said. "They're doing their due diligence, and we appreciate that."

Some members wondered whether Hipcamp sites would be an economical alternative to pricey Airbnbs—or whether they would end up as "glamping" sites that didn't offer affordable access to the seashore. "The flashing yellow light was whether people are going to be asking \$300 a night to sleep in a fancy tent," Mr. Antonaros said.

Melissa Daniels, owner of Cow Track Ranch in Nicasio, said she doesn't know any longtime West Marin farm families who get by on ranching alone. She couldn't keep her direct-to-consumer beef operation afloat without agri-tourism income and her full-time job as a project manager

for Kaiser Permanente.

"It takes all these slices of the pie to be able to afford to do what we do," she said. "Of all the farmers I know who were born and raised in West Marin, either the husband or wife is going off the ranch to make a living. With inflation and the price of insurance, people can't afford to live off agriculture alone, not only in California but across the United States."

She advertises farm stays on Airbnb and thinks Hipcamp is a good option, though she's not interested in posting her ranch on the site herself. "My biggest concern is fire," she said. "We've had a couple of PG&E transformers blow up, so I'm a little bit traumatized by fires. And then there's the bathroom. Where's somebody going to go?"

Budget Review Schedule FY 2024-25

Curious about how our annual budget and water rates are set? Join North Marin Water District's upcoming FY 2024/2025 budget sessions to learn more, participate and give us your feedback:

● **March 13, 2024**
Novato & Recycled Water Rate Study Presentation and Public Workshop

April 2, 2024
Novato and Recycled Water Rate Study Approval at Regular Board Meeting

April 2, 2024
West Marin & Oceana Marin Financial Plan at Regular Board Meeting

May 7, 2024
Capital Improvement Program Presentation at Regular Board Meeting

June 4, 2024
Comprehensive District Budget and Rates Review all Service Areas at Regular Board Meeting

June 18, 2024
Comprehensive District Budget and Rates Approval – for all Service Areas Public Hearing at Regular Board meeting

All meetings and workshops start at 4:00pm at the temporary District Administration Office: 100 Wood Hollow Dr., Novato, CA 94945



Triduum at St. Columba's Inverness

MAUNDY THURSDAY

March 28 - 8 p.m. Eucharistic Liturgy & Washing of Feet

GOOD FRIDAY

March 29 - 12 p.m. Outdoor Ecological Way of the Cross
3 p.m. Indoor Veneration of the cross

HOLY SATURDAY

March 30 - 8 p.m. The Great Vigil of Easter
Followed by celebratory dinner

EASTER SUNDAY

March 31 - 10 a.m. Liturgy of the Resurrection
Followed by Easter brunch



St. Columba's Inverness, 12835 Sir Francis Drake Blvd. Inverness, CA
www.stcolumbasinverness.org



New Plan Afoot to Divert Water From the Eel River into the Russian River After Dams Removed During High Flows

[Wednesday, 20 March 2024, 12:02 am Sarah Reith 22 comments](#)



Scott Dam which is part of the Potter Valley Project. [Photo cropped from one by PG&E]

Proponents of a post-dam diversion have decided what kind of structure they'll ask for when PG&E submits its license surrender application for the Potter Valley Project. A number of questions have yet to be answered, especially about sediment management and how much water will continue to flow from the Eel into the Russian River. But after months of committee meetings and analyses across a wide spectrum of interest groups, a new joint powers authority decided unanimously on March 19 to pursue a pump station that would divert water from the Eel River into the Russian River during high flows.

The Eel Russian Project Authority consists of representatives from Sonoma Water, the county of Sonoma, Mendocino County Inland Water & Power Commission (or IWPC, which is itself a consortium of local governments and water agencies), and the Round Valley Indian Tribes. It is negotiating with PG&E during the process of decommissioning Scott Dam, which impounds Lake Pillsbury, and Cape Horn Dam, near the tunnel that diverts water from the Eel into the Russian River. It will also have the legal authority to own, build and operate the new diversion facility where Cape Horn Dam is now.

In August, Russian River water users and the Round Valley Indian Tribes asked PG&E, which owns and operates the Potter Valley Project, to include one of two possible alternatives in its

license surrender application to the Federal Energy Regulatory Commission, or FERC. PG&E said it wanted to negotiate with a governmental body, so the new Authority was formed. PG&E is not bound to accept the Authority's request to include its preference in its submission to FERC, and FERC can accept it, reject it, or ask for modifications. As James Russ, representing the Round Valley Indian Tribes, noted, "PG&E seems to change their mind quite often, and sometimes it can be very quickly. They can do a 180 degree turn. So I just wanted to make sure we're on the same page at this point in time."

In a March 13 letter to the editor in the Press Democrat, Dave Canny, PG&E Vice President for the North Coast Region, wrote that the company "still supports the concept of a diversion with fish passage;" but that it was not interested in seeking a nonpower license from FERC on behalf of the proponents, "which would cause delays and expenses for our customers."

Though PG&E is often referred to as "a black box," the IWPC hired engineering consultant Tom Johnson to design two possible diversion facilities up to 30%, to get enough information about each to decide which one was worth pursuing.

The two alternatives are a pump station, a series of seven pumps that would divert the water during the wet season, and a roughened channel, or an 800-foot-long section of the river that would be engineered with a 3% slope and filled with carefully placed boulders to simulate a somewhat natural flow and transfer the water using gravity.

Though the roughened channel would not use electricity, environmental groups opposed it from the outset because they feared that if anything went wrong, it would be more likely to harm fish passage than a pump malfunction, which would have a more direct effect on water users in the Russian River watershed. Johnson extolled the benefits of the pump station in his report to the Eel Russian Project Authority directors at their March 19 meeting. "It was just superior because of the lower gradient, less energy that needed to be dissipated by the channel itself, (and it) didn't necessarily have big twelve and fourteen foot boulders with water crashing about," he reflected. "All in, the pump station was always going to be a better fish passage alternative."

Johnson said the channel also had the potential to cause more sediment buildup than the pump station. At the 30% design level, the two options looked like they would cost about the same to build, though the margin of error was too high to be sure. Running the pump station will cost water users an estimated \$5 to \$10 an acre foot, but the lower cost of water using the roughened channel scenario was the only criteria where the channel won out over the pumps, in the opinion of the members of the technical advisory group that studied the matter.

And, while there are examples of roughened channels being used in waterways, they are rarely used in the mainstem of a river as powerful as the Eel in winter. Johnson noted that pumps are a little more tried and true. "The pump station, while it is a complicated object," he acknowledged; "It's a pump station. Y'all are water agencies. Y'all know how pump stations work."

The station would use about one megawatt of power per year to operate, and it would be equipped with a backup generator in case it fails during a winter storm, which is likely in rural Potter Valley.

James Russ, representing the Round Valley Indian Tribes, noted that the Potter Valley Project dams aren't the only ones coming down in the larger region. "Probably everybody in this room knows that the dams up on the Klamath are being removed," he said. "Are there lessons to be learned from what's going on up there?"

David Manning, Environmental Resources Manager for Sonoma Water, replied that there will be lessons to be learned about restoration from the Klamath, including, "how fish will deal with the ongoing impacts post dam removal, and how quickly they recover from the restoration of the lakebed. Those are all great examples that can be taken from the Klamath dam removals and brought to the Eel for this project."

Sonoma Water has received a \$2 million Aquatic Ecosystem Restoration grant from the U.S. Bureau of Reclamation for planning to bring the design of the pump station up to 60%. Manning expects to hire an expert this year, and for the work to take another two and a half years. The cost share is 65% federal and 35% local.

The actual dam removal could take place over the course of one year, which would release a huge amount of sediment all at once, or over the course of a few years, which would spread out the impact. Johnson said a lot of modeling needs to be done to plan for various scenarios, but, "Whether that is something PG&E is going to do at some point in time is unclear. It needs to be done, and I'm certain it will be done before the final designs for a new diversion facility are in place. It's just unclear who and when, and who's going to take the lead on making that happen.

And a team of attorneys is working on the water supply agreements, "Because that is a burning question," Johnson noted. "Everyone needs to know, how much water?"