

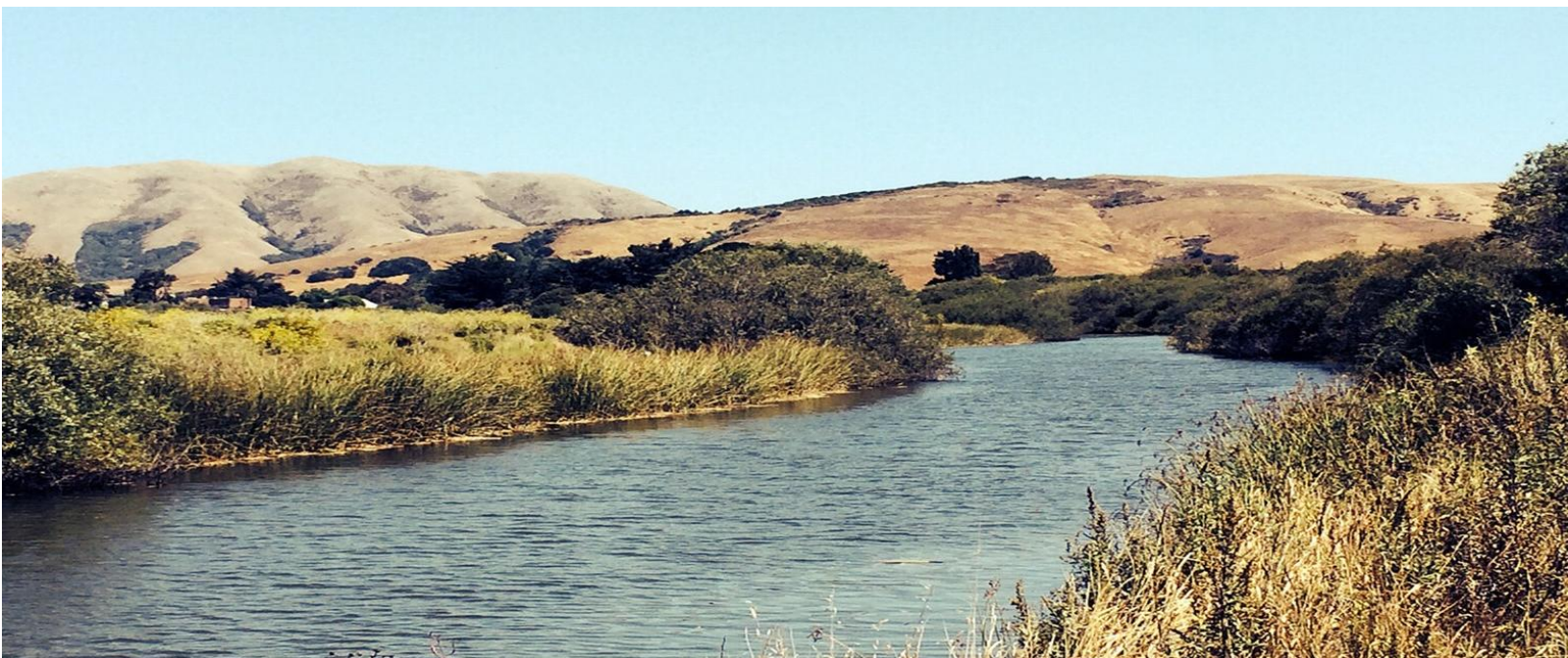


NORTH MARIN WATER DISTRICT

2025 West Marin Water Rate Study

Draft Report

March 11, 2025



HILDEBRAND
CONSULTING

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



Re: 2025 West Marin Water Rate Study

Dear Mr. Williams,

Hildebrand Consulting is pleased to present this 2025 Water Rate Study (Study) for the West Marin Water System that was performed for North Marin Water District (District). We appreciate the helpful 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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List of Acronyms

| | |
|--------|---|
| AWWA | American Water Works Association |
| CIP | capital improvement program |
| COS | cost of service |
| DCR | debt service coverage ratio |
| DWR | Department of Water Resources |
| FY | fiscal year (which ends on June 30 for the District) |
| gpm | gallons per minute |
| O&M | operations and maintenance |
| OPEB | Other Post-Employment Benefits |
| pay-go | “pay as you go” (i.e., cash financing for capital projects) |
| TGAL | thousand gallons |
| PRE | Paradise Ranch Estates |
| PRS | Pt. Reyes Station |
| PRTP | Pt. Reyes water treatment plant |
| R&R | repair and rehabilitation (capital projects) |
| RCNLD | replacement cost new less depreciation |

Section 1. INTRODUCTION

Hildebrand Consulting, LLC has been retained by North Marin Water District (District) to conduct a rate study (Study) for the West Marin Water service area (also referred to as the West Marin Water enterprise). This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 UTILITY BACKGROUND

The District's West Marin Water System serves primarily the Point Reyes Station (PRS), Olema, Bear Valley, Inverness Park and Paradise Ranch Estates (PRE) communities and parcels later annexed into the PRS and PRE-improvement district within NMWD's West Marin service territory in Marin County, encompassing approximately 24 square miles. During fiscal year (FY) 2023/24¹, the West Marin Service area had approximately 775 active service connections (excludes fire services). The estimated service area population is 1,800.

The North Marin Water 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.

The water supply for the West Marin Water System is currently derived from two sources: wells located on the former Coast Guard housing facility property in Point Reyes Station (referred to as the "Coast Guard Wells") and Gallagher Well #1 & #2 which are 1.3 miles northeast of Highway 1 within the Gallagher Ranch. All groundwater is

¹ 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.

treated at the Point Reyes Water Treatment Plant (PRTP) before entering the potable water distribution system.

Due to the Coast Guard Wells' location in the lower tidal reach of Lagunitas Creek, they are subject to periodic salinity intrusion and occasional flooding. Gallagher Well #1 is located upstream of any tidal reach of Lagunitas Creek. Due to continued water quality issues at the Coast Guard wells, the District recently installed a second well on the Gallagher Ranch (Gallagher Well #2).

1.2 SCOPE & OBJECTIVES OF STUDY

The scope of this Study is to prepare multi-year financial plans, review the rate structures, and propose a 5-year rate schedule.

The primary objectives of this Study are to:

- i. Develop a multi-year financial management plan that integrates operational and capital project funding needs.
- ii. Identify future rate adjustments to water rates to help ensure adequate revenues to meet the enterprise's ongoing financial obligations.
- iii. Determine the cost of providing water service using industry-accepted methodologies.
- iv. Recommend specific modifications to the District's existing rate structures in order to ensure that the District is equitably recovering the cost of service and comporting with industry standards and California's legal requirements.

1.3 STUDY METHODOLOGY

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

The Study began with a review of the West Marin Water enterprise's current financial dynamics and latest available data for the utility's operations. A multi-year financial management plan was 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 the enterprise's 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 the fiscal year ending June 2026 (FY 2025/26) 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 AWWA, legal requirements (Proposition 218) and other generally accepted industry practices to develop rates that reflect the cost of providing service.

Section 2. FINANCIAL PLAN

This section presents the 10-year financial plan, 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 West Marin Water System, 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 plan was developed through multiple interactive work sessions with both District staff and the District Board’s Ad Hoc West Marin Services Subcommittee. As a result of this process, the Study has produced a robust financial plan that will allow the District to meet revenue requirements and achieve financial performance objectives throughout the projection period while striving to minimize rate increases.

The analysis identifies a revenue shortfall in upcoming years as a result of a significant increase in capital reinvestment, which leads to a conclusion that revenue adjustments are required for the West Marin Water service area. The schedules attached to this report include detailed data supporting the financial plan discussed herein.

2.1 BEGINNING FUND BALANCES

The ending cash balances for FY 2023/24 were used to establish the FY 2024/25 beginning balances, as outlined in **Table 1**.

Table 1: West Marin Enterprise FY 2024/25 Beginning Cash Balance

| | |
|----------------------------|------------------|
| Undesignated Cash | \$101,000 |
| Liability Contingency Fund | \$99,000 |
| Operating Reserve Fund | \$292,000 |
| <hr/> | |
| Total Unrestricted: | \$492,000 |

2.2 WEST MARIN AREA CUSTOMER GROWTH

Over the past 4 years the Connection Fee² revenue collected from new customers connecting to the system has been as much as \$68 thousand and as little as \$0. Growth in this area is expected to be limited³. Based on recent trends, this Study assumes that the service area will receive one new connection every two years. This corresponds with a growth rate of approximately 0.05%. This Study 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.

2.3 RATE REVENUES

Rate revenue is the revenue generated from customers for water service. The District collects rate revenue from water customers based on a fixed “Service Charge” (assessed based on meter sizes) and a water usage “Quantity Rate.” Customers receive a bi-monthly bill. The rate revenue for FY 2024/25 in the financial plan is based on year-to-date projection for the end of the fiscal year. Future rate revenues include assumed customer growth (see Section 2.2) as well as the annual rate revenue adjustments proposed by this Study. Budgeted and projected rate revenues (including proposed rate adjustments) are detailed in **Schedule 1**.

² The District’s “Connection Fees” are known as “Capacity Charges” per Government Code Section 66013.

³ There is a known development project underway (“Point Reyes Coast Guard Affordable Housing”) but the connections fees for that project has already been paid.

2.4 NON-RATE REVENUES

In addition to rate revenue, the District receives some “non-rate revenue” from sources such as miscellaneous service fees, Connection Fees revenue, grants (on occasion), and interest revenue on investments. Projections of most non-rate revenues were based on FY 2024/25 budgeted revenues. Connection fee revenue for FY 2024/25 was set based on receipts to date, which is approximately \$32 thousand. Interest income was calculated annually (starting in FY 2024/25) based upon projected fund balances and assumed interest rate of 2.0% on invested funds, which is consistent with the District’s historical interest earnings. Budgeted non-rate revenues are depicted in Figure 2 below and listed in detail in Schedule 1.

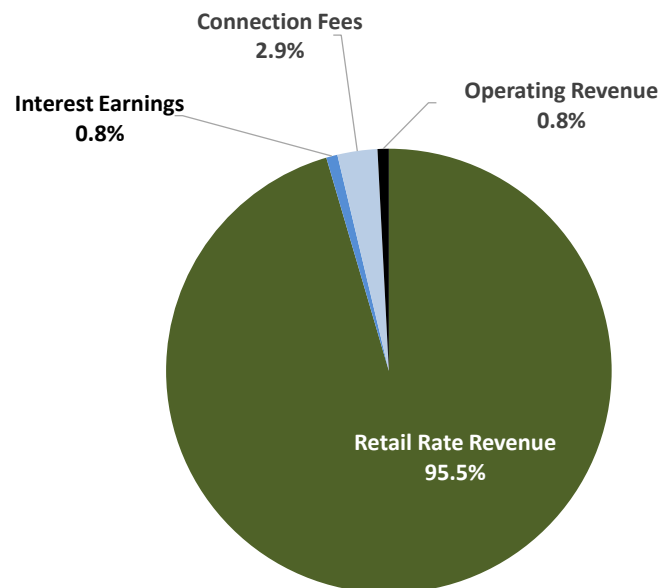


Figure 1: Budgeted Revenue Categories (FY 2024/25)

2.5 OPERATING AND DEBT EXPENSES

West Marin Water enterprise expenses include operating and maintenance (O&M) expenses and debt service. Capital spending is addressed in Section 2.7. The current outstanding debt includes the West Marin Water enterprise’s portion of the 2008 loan from Bank of Marin (a \$8.0 million loan of which \$1 million was spent on West Marin Water System capital projects) and a \$1 million internal loan taken from the Novato Enterprise in 2022. The annual debt service for the Bank of Marin debt is \$71 thousand

and will be paid off in FY 2031/32. The annual debt service for the internal loan is \$116 thousand and will be paid off in FY 2032/33.

Future operating expenses were projected based upon the budgeted expenditures from FY 2024/25 and adjusted for inflation (see Section 2.6).

Budgeted expense categories for FY 2024/25 are depicted in **Figure 2**. Budgeted and projected operating and debt expenses are listed in detail in **Schedule 2**.

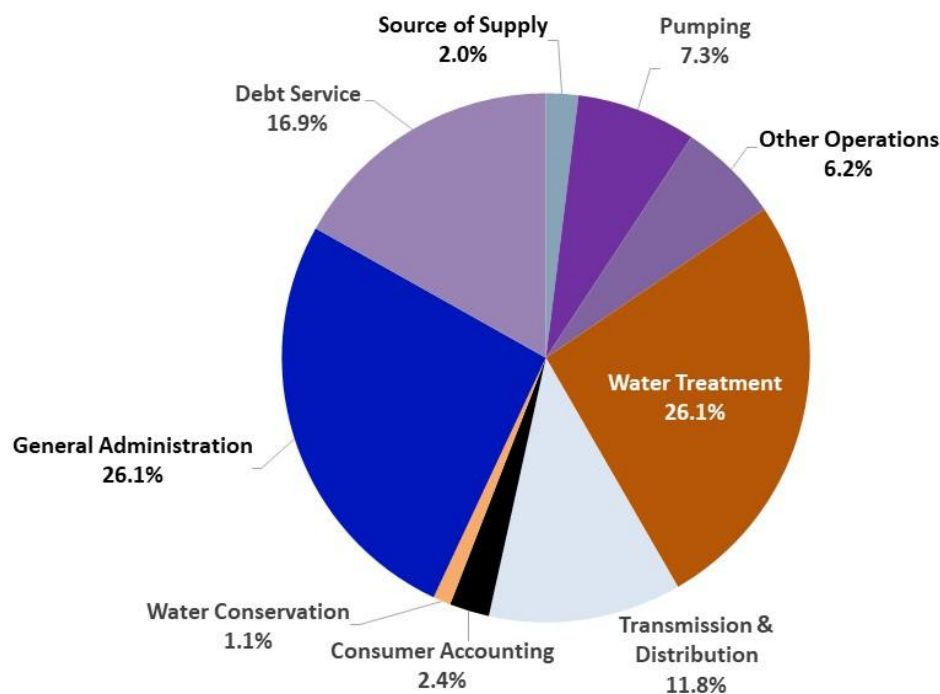


Figure 2: Budgeted Expense Categories (FY 2024/25)

2.6 COST ESCALATION

Annual cost escalation factors for 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, the cost of utilities, chemicals and supplies are projected to increase at a rate of 5.0 percent per year. All

other expenses are projected to increase at a rate of 3.0 percent. It is acknowledged that these assumptions are relatively optimistic given recent inflation trends.

2.7 CAPITAL IMPROVEMENT PROGRAM & DEBT STRATEGY

Capital spending in West Marin between FY 2016/17 and FY 2023/24 has averaged \$552 thousand per year, much of which was made possible by a \$1 million internal loan from the Novato Enterprise as well as a \$621 thousand “Drought Relief” grant from the Department of Water Resources (DWR). The average annual capital spending is higher than was forecasted by the 2021 Rate Study and the average annual spending is forecasted to increase further to \$1.8 million over the next 10 years. In the immediate term (over the next 5 years), West Marin will experience a spike in capital spending as depicted in Figure 3 and detailed in Table 2. This spike is driven by four large capital projects that need to be delivered in the near-term. These include:

- Lagunitas Creek Bridge Pipe Replacement (a pipeline relocation project that is required by Caltrans)
- Olema Creek Bridge Pipe Replacement (a pipeline relocation project that is required by the County of Marin)
- Gallagher Well #3 (necessary for water supply, replaces the failing Gallagher Well #1)
- Pt. Reyes water treatment plant (P RTP) rehabilitation project

In addition to the above, the West Marin service area has an extensive list of necessary repair and rehabilitation (R&R) capital projects. After the above four projects have been addressed, West Marin will need to begin a more proactive program of addressing the rehabilitation needs of aging infrastructure. This financial plan assumes that West Marin will begin spending an average of \$700 thousand per year (in 2025 dollars) in capital R&R projects starting in FY 2029/30.

West Marin’s current cash reserves and rate revenue are insufficient to pay for the four near-term projects discussed above, therefore this financial plan proposes that all four projects be debt financed. This debt is assumed to have an interest rate of 5.0 percent

and a repayment period of 20 years. The first loan for approximately \$4.0 million is assumed to be issued in 2026 (with the first debt payment in 2027) and have annual debt service payments of approximately \$318 thousand. The second loan for approximately \$5.2 million is assumed to be issued in 2030 (with the first debt payment in 2031) and has annual debt service payments of \$454 thousand.

This financial plan also assumes that half of the P RTP rehabilitation project will be funded with grants (source to be determined).

The District has a policy of maintaining a debt service coverage ratio (DCR) of 1.50. Based on published guidance from Fitch Ratings, 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 forecasted to be maintained starting in FY 2027/28.

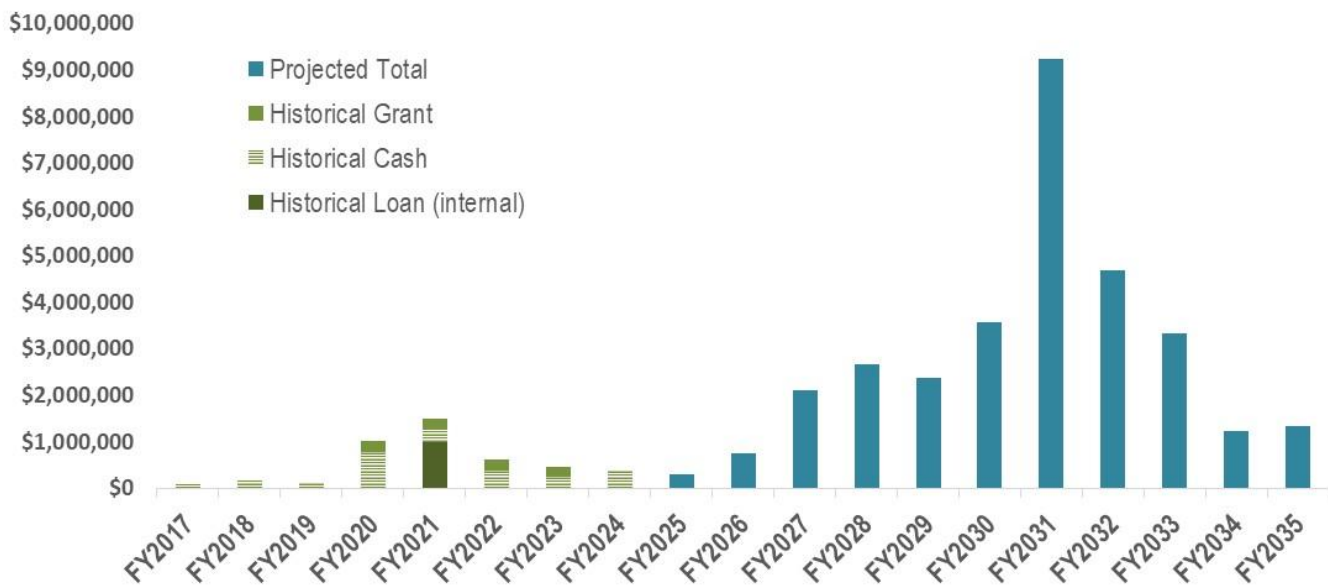


Figure 3: Historic and projected capital spending (after projected inflation)

Table 2: Projected Capital Spending Details

| | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 | FY 2034 | FY 2035 |
|--|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
| Lagunitas Creek Bridge Pipe Replacement (Caltrans) | \$250,000 | \$500,000 | \$500,000 | | | | | | | |
| Olema Creek Bridge Pipe Replacement (County) | | \$250,000 | \$500,000 | \$500,000 | | | | | | |
| Gallagher Well No. 3 (replace No. 1) | \$150,000 | \$150,000 | \$200,000 | \$500,000 | \$500,000 | | | | | |
| Treatment Plant Full Scale Rehabilitation | | | \$250,000 | \$250,000 | \$500,000 | \$5,000,000 | \$2,500,000 | | | |
| Cash Funded R&R | | | | | \$700,000 | \$700,000 | \$700,000 | \$700,000 | \$700,000 | \$700,000 |
| Capital Spending Totals: | \$400,000 | \$900,000 | \$1,450,000 | \$1,250,000 | \$1,700,000 | \$5,700,000 | \$3,200,000 | \$700,000 | \$700,000 | \$700,000 |
| Capital Spending After Inflation: | \$400,000 | \$927,000 | \$1,538,000 | \$1,366,000 | \$1,913,000 | \$6,608,000 | \$3,821,000 | \$861,000 | \$887,000 | \$913,000 |

2.8 RESERVE TARGETS

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 District has formal reserve policies (Policy No. 45, last revised on May 1, 2018) which includes three reserve targets that are relevant to the West Marin Water enterprise, as summarized below. The target levels of the policies below are consistent with 1) the findings of reserve studies conducted by 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 established by previous financial analyses and consistent with standard industry practices. This reserve serves to ensure adequate working capital for operating, capital, and unanticipated cash flow needs that arise during the year.

Given the budgeted FY 2024/25 O&M budget of \$922 thousand, the Operating Reserve target is currently **\$307 thousand**.

Liability Contingency Reserve – This reserve was originally established when the District first elected to self-insure its general liability risk. The District is no longer self-insured and the total reserve target is \$2 million based on the financial assessment of the District’s current liabilities. The West Marin Water enterprise’s proportionate responsibility for that reserve is **\$99 thousand** based on the relative number of accounts in its service area.

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. The target for this reserve is proposed to be **\$1.86 million**, based on the anticipated average annual capital spending over the next ten years.

This Study proposes that the District distinguish between “**Minimum Reserves**” and “**Reserve Targets**.” The first two reserve targets above (the Operating Reserve target and Liability Contingency Reserve target, which add up to approximately \$406 thousand) 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 order to protect the District from unexpected events. On the other hand, the Maintenance Accrual Fund Reserve is intended to be more flexible, as it is designed to give the District some “cushion” in order to smooth out the peaks and valleys in the pay-go capital spending program. It makes sense to draw-down on this reserve during years of higher-than-average pay-go spending and replenish the reserve during years with lower-than-average spending. As such, the Maintenance Accrual Fund Reserve is treated as a “target” rather than a “minimum.”

The minimum reserves and target reserves by year are shown in the 10-Year Cash Flow Proforma (see **Schedule 3**, rows 30 & 31), which shows that cash reserves are currently below the suggested minimum levels but, with the proposed rate increases, are expected to meet minimum reserve levels by FY 2026. It will take longer to meet target reserve levels, depending on the rate increases that are planned between FY 2031 and FY 2035.

2.9 PROPOSED RATE REVENUE INCREASES

All of the above information was entered into the 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, policies, and debt strategy (two bond issues for a total of \$9.2 million, see Section 2.7), this Study proposes a 5-year schedule of rate adjustments as detailed in **Table 3**.

Table 3: Recommended West Marin Water System Rate Revenue Increase

| Rate Adjustment Date | Proposed Rate Increase |
|----------------------|------------------------|
| July 1, 2025 | 19.0% |
| July 1, 2026 | 19.0% |
| July 1, 2027 | 19.0% |
| July 1, 2028 | 19.0% |
| July 1, 2029 | 15.0% |

The numbers provided in **Schedule 3** (cash flow proforma) are summarized graphically in **Figure 4**, which shows that minimum cash reserves and DCR targets are maintained starting in FY 2026.

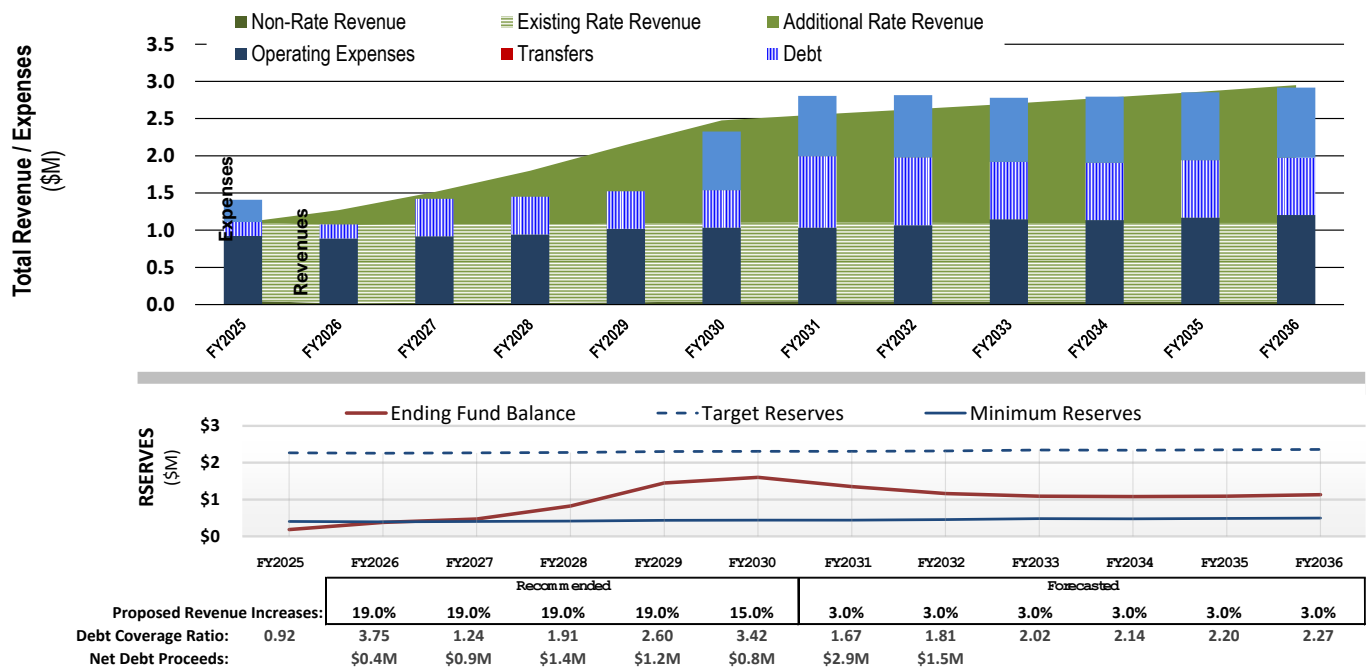


Figure 4: Financial Projection with Recommended Rate Increases

After the final recommended increase in FY 2029/30, it is projected that minimal (approximately inflationary) increases will be necessary going forward, contingent on actual changes in future costs and the District's future decision regarding how quickly to achieve targeted reserve levels.

Section 3. COST OF SERVICE & RATE STRUCTURE

The cost-of-service (COS) analysis evaluates the cost of providing water service and allocates 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 2025/26. The complete schedule of proposed rates for FY 2025/26 through FY 2029/30 is detailed in **Schedule 5**.

The rate structure proposed by this Study is designed to:

- ▶ Meet the requirements of all applicable law
- ▶ Fairly and equitably recover costs through rates
- ▶ Conform to accepted industry practice and legal requirements
- ▶ Improve fiscal stability through the recovery of utility fixed costs

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

3.1 CURRENT RATES

West Marin’s current water rates follow 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 water customers pay an additional Hydraulic Zone Charge, which is a consumption-based charge based on the elevation of the property or distance away from the primary distribution zone (Pt. Ryes Station).

The Service Charge is scaled based on the individual account’s meter size and currently recovers approximately 27 percent of rate revenue. The relative cost of Service Charges is based on a meter equivalency schedule, which is an industry-standard factor used to represent the relative capacity associated with various meter sizes based on their hydraulic flow capacity (measured in gallons per minute (gpm)). This Study retains the existing meter equivalency table, which comes from AWWA’s M1 manual as shown in **Table 4**. The application of this meter equivalency schedule is discussed further in Section 3.2.3.

Table 4: Meter Equivalency Schedule

| Meter Size | Meter Type | Rating (gpm) | Equivalency Schedule |
|------------|------------------|--------------|----------------------|
| 5/8" | Displacement | 20 | 1.00 |
| 1" | Displacement | 50 | 2.50 |
| 1 1/2" | Displacement | 100 | 5.00 |
| 2" | Displacement | 160 | 8.00 |
| 3" | Compound Class 1 | 320 | 16.00 |
| 4" | Compound Class 1 | 500 | 25.00 |

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

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 water customers pay inclining block rates (three tiers) and receive water allocations for each tier as summarized in **Table 5**.

Table 5: Current Residential Tiered Rates

| Tier | Rate (per TGAL) | Allocation (gallons per day per dwelling unit) | Range of Usage |
|------|-----------------|--|------------------|
| 1 | \$10.57 | 250 | 0 - 250 |
| 2 | \$15.37 | 350 | 250 - 600 |
| 3 | \$21.83 | na | Greater than 600 |

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

Table 6: Current Commercial Seasonal Rates

| Season | Rate (per TGAL) |
|--------|--------------------|
| Winter | \$10.57 |
| Summer | \$21.83 |

The Hydraulic Zone Charge is a surcharge added to the water Quantity Rates.

The District currently assesses a surcharge of \$4.85 per TGAL to customers that are located outside of District boundaries. The outside customer surcharge was not included in the scope of this Study.

The District charges a private fire service charge for the cost of maintaining fire service line valve assemblies on private property. This charge is set equal to the charge assessed by the Novato Enterprise and therefore not updated by this study.

3.2 RATE STRUCTURE DEVELOPMENT

The following section presents a detailed description of the process for developing the water rate structure for the West Marin Water enterprise using cost of service principles. A complete schedule of proposed rates for the next 5 years is provided in **Schedule 5**.

3.2.1 Proposed Rate Structure Changes

While West Marin’s current rate structure is consistent with common industry practices, this Report recommends that Residential customer be charged with a 2-tier Quantity rate structure rather than a 3-tier rate structure and commercial customers be charged a uniform Quantity charge rather than a seasonal Quantity rate structure. These modifications are recommended in order to reflect the current cost to provide service.

The cost justification for the two-tier Residential rates comes from recovering only “Variable and Water Supply” costs (see Section 3.2.2) through the Tier 1 rates and

recovering both Variable and Water Supply as well as “Marginal Water Management” costs through Tier 2 rates. Commercial customers also pay for Marginal Water Management costs, but those costs are included in all water usage. **Figure 5** presents a graphical depiction of the cost basis for tiered rates.

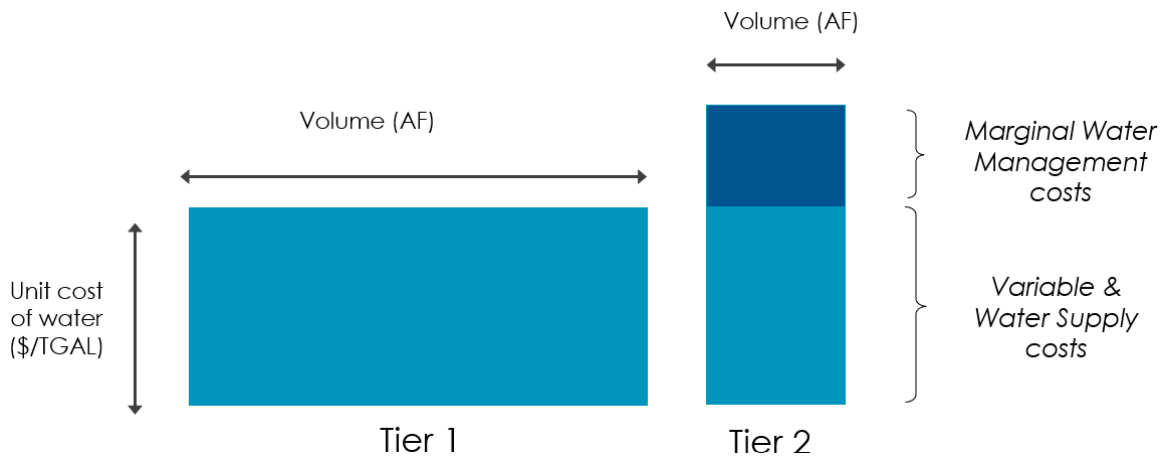


Figure 5: Basis for Tiered Rate Structure

The basis for proposed rates is detailed in the following subsections.

3.2.2 Cost Functions

All costs for the West Marin Water enterprise’s FY 2025/26 (“Test Year”) are first allocated to four different cost categories: costs associated with managing customers and accounts, costs that are generally fixed or related to the distribution system, costs that are generally variable or associated with water supply, and costs associated with water supply management. These grouped costs will eventually form the basis of the proposed Service Charges and Quantity Charges (as illustrated in **Figure 6**).

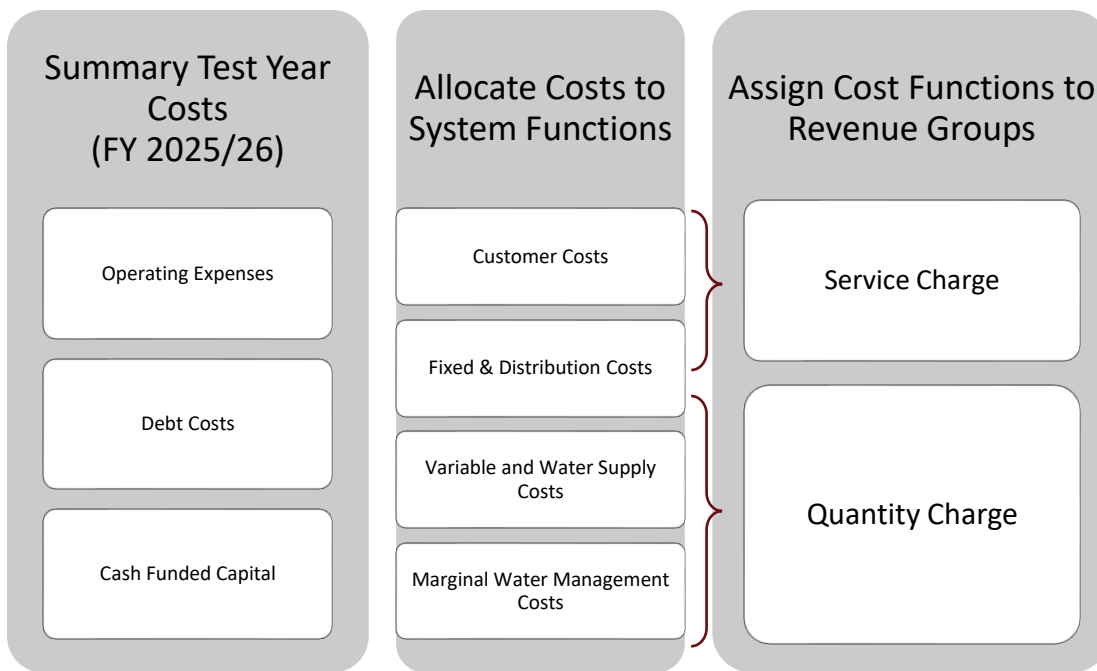


Figure 6: Allocation of Cost Categories

Operating and capital line-item expenses are assigned to a specific system function or activity. The following explains the percentage allocations that are detailed in **Schedule 4**:

- Direct allocations - Some costs can be allocated directly to a functional component. For example, Water Treatment costs (see Rows 13 through 23 of Schedule 4) are allocated almost entirely to the Variable & Water Supply function. Customer Accounting costs (see Row 39 & 40) are allocated to the Customer function.
- General Operations – Most other operational costs are allocated 70/30 between the Fixed & Water Distribution function and the Variable & Water Supply function (respectively). These percentages are consistent with staff’s estimate of time and materials spent on operating the distribution system versus the water supply system.
- Marginal Water Supply Management – West Marin has limited water supply and a portion of the budget is spent in managing this resource limitation. All conservation costs (Row 42) are allocated to this function and a portion (10

percent) of some operating costs are also allocated to the additional effort required by staff and infrastructure to operate within the constraints of limited water supply.

- Capital Spending – Capital expenses and debt service costs (Rows 45 & 46) are split 30 /70 between Fixed & Water Distribution and Variable & Water Supply (respectively) based on the fact that recent capital spending (Gallagher Well #2) and upcoming capital spending (Gallagher Well #3 and the treatment plant rehabilitation) is more heavily weighted toward water supply costs.
- Indirect cost allocation – The change in fund balance (i.e., the cost of drawing down on reserves, see Row 48) is allocated using the indirect cost allocation method, which is based on the proportionate allocation of costs that were previously allocated to the respective system functions (see Row 47).
- Non-Rate Revenue – In order to fully account for rate revenue requirements, other revenue sources are accounted for in Rows 49 through 53. The non-rate revenue is predominantly used to offset fixed costs.

3.2.3 Units of Service

As explained in Section 3.2.2, the revenue requirements established for each system function (see bottom row of Schedule 4) are recovered through the Service Charges and Quantity Charges. The unit cost of those charges is calculated by dividing the rate revenue requirement of each system function by an appropriate metric. For example, the revenue requirement for Customer Costs is divided by the number of accounts in the West Marin Water service area to calculate a cost per account.

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

Accounts – There are 775⁴ water accounts within the West Marin Water System.

⁴ Does not include private fire services or temporary hydrant meters

Equivalent Meters –Table 7 shows the calculation of the total equivalent meters for water accounts in the West Marin Water service area. The concept of meter equivalency is explained in Section 3.1.

Table 7: Water Meter Equivalencies

| Meter Size: | 5/8" | 1" | 1.5" | 2" | 3" | 4" | Total |
|---------------------------|-------------|-----------|-------------|-----------|-----------|-----------|--------------|
| Residential: | 674 | 11 | 10 | 0 | 0 | 0 | 695 |
| Commercial: | 55 | 17 | 4 | 2 | 1 | 1 | 80 |
| Total: | 729 | 28 | 14 | 2 | 1 | 1 | 775 |
| Meter Equivalency: | 1.0 | 2.5 | 5.0 | 8.0 | 16.0 | 25.0 | |
| Equivalent Meters: | 729 | 70 | 70 | 16 | 16 | 25 | 926 |

Water Supply – The total amount of water that is delivered to the West Marin Service Area is approximately 56.1 million gallons per year. This is based on the amount of water sold in FY 2023/24 plus 5 percent based on the fact that the water sold that year was below the recent historical average.

Marginal Water Supply – The amount of water that is considered to be “marginal” water supply has been quantified based on the amount of water sold in excess of the current Tier 1 allocation for Residential accounts (250 gallons per day per dwelling unit). When applied equitably across all customers, the volume of “marginal” water is about 10.9 million gallons (the last 19 percent of water sold). The unit cost of marginal water is different for Commercial customers versus Residential customers because the cost is applied to all water usage for Commercial customers and applied to only Tier 2 rates for Residential customers. The unit costs are shown in Table 8.

3.2.4 Unit Costs

The revenue requirements for each system function (from Row 54 of Schedule 4) are divided by the appropriate units of service in order to calculate the unit costs that are used to build the rate structure. These calculations are shown in **Table 8**.

Table 8: Calculation of Unit Costs

| System Function: | Customer Costs | Fixed & Distribution Costs | Variable & Water Supply Costs | Marginal Water Supply Management |
|-----------------------------|---|---|--|--|
| Units of Service: | 775 Accounts | 926 Equivalent Meters | 56,100 TGALs | 10,900 TGALs |
| Revenue Requirement: | \$13,800 | \$314,600 | \$768,800 | \$44,400 |
| Unit Costs: | \$17.84 per account per year or \$2.97 per account per bi-month | \$339.75 Per equivalent meter per year or \$56.63 per equivalent meter per bi-month | \$13.70 Tier 1 & Uniform Rate | \$4.06 additional for Tier 2 rates \$0.79 additional for all Commercial water |

3.2.5 Service Charges

The fixed Service Charge is made up of an account charge (\$2.97 per bi-month) and a meter charge (\$56.63 per equivalent meter per bi-month). **Table 9** provides a complete schedule for all meter sizes.

Table 9: Proposed Service Charges

| Meter Size | Account Charge | Meter Charge | Bi-Monthly Service Charge |
|-------------------|-----------------------|---------------------|----------------------------------|
| 5/8" | \$2.97 | \$56.63 | \$59.60 |
| 1" Fire* | \$2.97 | \$56.63 | \$59.60 |
| 1" | \$2.97 | \$141.58 | \$144.55 |
| 1 1/2" | \$2.97 | \$283.15 | \$286.12 |
| 2" | \$2.97 | \$453.04 | \$456.01 |
| 3" | \$2.97 | \$906.08 | \$909.05 |
| 4" | \$2.97 | \$1,415.75 | \$1,418.72 |

* Residential accounts with a 1" meter that would otherwise have a 5/8" but-for fire requirements be charged at the 5/8" meter rate.

3.2.6 Hydraulic Zone Charge

All water in the West Marin Water service area is pressurized when delivered to customers. The District must provide additional pressurization to deliver water to customers located at higher elevations or distances away from the primary distribution zone (Pt. Reyes Station).

The cost of lifting water to higher elevations or distances includes capital costs and energy (electricity). First the “replacement cost new less depreciation” (RCNLD) of the pumping assets at each zone is quantified based on asset records (see column b in Table 10). The annual depreciation expense is then calculated based on the expected useful life for different types of assets (see footnotes to table below). From this value a replacement charge is calculated by dividing column c by the annual water usage at the pump station (see column a). The electricity charge is calculated by dividing the annual cost of electricity (column e) by the annual water usage (column a). Together these two charges yield the proposed charge by hydraulic zone.

Table 10: Hydraulic Zone Charge Calculation

| | (a) Annual Water Usage (TGAL) | (b) Asset Value (RCNLD) | (c) Annual Depreciation Expense ¹ | (d) Replacement Charge (\$/TGAL) | (e) Annual Electricity Costs | (f) Electricity Charge (\$/TGAL) | (g) Proposed Hydraulic Zone Charge (\$/TGAL) |
|--|--|-------------------------------|---|---|---------------------------------------|--|---|
| Zone 3² (Olema): | 9,100 | \$268,000 | \$6,160 | \$0.68 | \$2,800 | \$0.31 | \$0.99 |
| Zone 2 (others³): | 12,900 | \$1,048,000 | \$24,260 | \$1.88 | \$12,200 | \$0.95 | \$2.83 |
| Zone 4⁴ (Upper PRE): | 5,100 | \$1,156,000 | \$23,300 | \$4.57 | \$8,200 | \$1.61 | \$9.01 |
| | 27,100 | | | | \$23,200 | | |

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

² The historical naming convention for the zone is not consistent with the actual elevation differences. Zone 2 is in fact a higher

³ Includes Inverness Park, Bear Valley, and Lower Paradise Ranch Estates

⁴ Zone 4 water is first pumped through the Zone 2 pump station, therefore the hydraulic charge includes the Zone 2 charge.

3.2.7 Total Quantity Charge

The Residential and Commercial Quantity Charges are calculated by combining the unit costs shown in Table 8 and Table 10. For example, the Tier 1 unit cost from Table 8 (\$13.70 per TGAL) is combined with the Zone 3 Hydraulic Zone Charge (\$0.99) for a total

of \$14.69 for Tier 1 Zone 3. The various components of the Quantity Charges are summarized below in Table 11.

Table 11 also shows that Temporary Meters will be charged \$20.59 per TGAL (which is the Tier 2, Zone 2 Quantity Charge). 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 2) since the meters may be installed in various zones and tracking actual locations is not administratively feasible. Temporary Meters are also assessed a fixed Service Charge based on the size of the construction meter.

Table 11: Proposed Quantity Charges

| Residential Quantity Charges (\$/TGAL) | |
|---|---------|
| Tier 1 * | \$13.70 |
| Tier 2 | \$17.76 |
| Commercial Quantity Charges (\$/TGAL) | |
| Uniform | \$14.49 |
| Hydraulic Zone Charge (\$/TGAL) | |
| Zone 3 | \$0.99 |
| Zone 2 | \$2.83 |
| Zone 4 | \$9.01 |
| Other Quantity Charges (\$/TGAL) | |
| Temporary Meter | \$20.59 |
| * For the first 250 gallons per day | |

3.3 PRIVATE FIRE SERVICE CHARGE

The District provides maintenance services for private fire service valve assemblies, which is a service that is not provided to other customers. By District policy, West Marin Water charges the same fire service charges as assessed by the Novato service area.

3.4 ADOPTION OF PROPOSED RATES

This Study has calculated, and is proposing, a 5-year schedule of water rates (see Schedule 5). All rates are proposed to be effective as of July 1.

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.

Section 4. CONCLUSION

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 operational and infrastructure needs of the service area. The modifications to the rate structure will provide revenue stability, improve the defensibility of the water rates, and continue to equitably and proportionately recover costs from the customers. A complete schedule of rates over the 5-year planning period is summarized in Schedule 5.

It is important to note that this study proposes changes to both the total amount of rate revenue being collected by the West Marin Water enterprise as well as the structure of the rates. As a result, the results of the rate changes will vary among different customers in Year 1 due to the proposed rate structure adjustments. To be clear, some customers' bills will increase by more than rate revenue increase of 19% in Year 1, while other customers' bills will increase by less than that amount. Starting in Year 2 (FY 2026/27), all customers will experience the same uniform percentage change to their bill.

SCHEDULES

Schedule 1 – Budgeted and Projected Cash Inflows

Schedule 2 - Budgeted and Projected Cash Outflows

Schedule 3 - Cash Flow Pro Forma

Schedule 4 – Allocation of Costs to System Functions

Schedule 5 – Schedule of Proposed Rates

Schedule 1 – Budgeted and Projected Cash Inflows

| | FY 2025/26 | FY 2026/27 | FY 2027/28 | FY 2028/29 | FY 2029/30 | FY 2030/31 | FY 2031/32 | FY 2032/33 | FY 2033/34 | FY 2034/35 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 Growth in Water Accounts | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% | 0.05% |
| 2 Proposed Water Rate Increase | 19.0% | 19.0% | 19.0% | 19.0% | 15.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Rate Revenue | | | | | | | | | | |
| 3 Water Rate Revenue | \$1,053,000 | \$1,254,000 | \$1,493,000 | \$1,778,000 | \$2,117,000 | \$2,436,000 | \$2,510,000 | \$2,586,000 | \$2,665,000 | \$2,746,000 |
| 4 Increase due to growth | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| 5 Increase due to new rate adjustments | \$200,000 | \$238,000 | \$284,000 | \$338,000 | \$318,000 | \$73,000 | \$75,000 | \$78,000 | \$80,000 | \$82,000 |
| 6 Total Rate Revenue | \$1,254,000 | \$1,493,000 | \$1,778,000 | \$2,117,000 | \$2,436,000 | \$2,510,000 | \$2,586,000 | \$2,665,000 | \$2,746,000 | \$2,829,000 |
| Other Revenue: | | | | | | | | | | |
| 7 Account Turn-On Charges | \$2,000 | \$2,100 | \$2,100 | \$2,200 | \$2,200 | \$2,300 | \$2,300 | \$2,300 | \$2,400 | \$2,400 |
| 8 LIRA Bill Adjustments-WM | (\$1,000) | (\$1,000) | (\$1,100) | (\$1,100) | (\$1,100) | (\$1,100) | (\$1,100) | (\$1,200) | (\$1,200) | (\$1,200) |
| 9 Reg 15 Forfeiture:West Marin:Dist | \$2,000 | \$2,000 | \$2,100 | \$2,100 | \$2,200 | \$2,200 | \$2,300 | \$2,300 | \$2,300 | \$2,400 |
| 10 Interest Earned | \$4,000 | \$8,000 | \$9,000 | \$17,000 | \$29,000 | \$32,000 | \$27,000 | \$23,000 | \$22,000 | \$22,000 |
| 11 Capacity Charges | \$10,300 | \$10,500 | \$10,700 | \$11,000 | \$11,200 | \$11,400 | \$11,600 | \$11,900 | \$12,100 | \$12,300 |
| 12 Total Other Revenue | \$17,300 | \$21,600 | \$22,800 | \$31,200 | \$43,500 | \$46,800 | \$42,100 | \$38,300 | \$37,600 | \$37,900 |
| 13 TOTAL REVENUE | \$1,271,300 | \$1,514,600 | \$1,800,800 | \$2,148,200 | \$2,479,500 | \$2,556,800 | \$2,628,100 | \$2,703,300 | \$2,783,600 | \$2,866,900 |

Schedule 2 - Budgeted and Projected Cash Outflows (1 of 2)

| | FY 2025/26 | FY 2026/27 | FY 2027/28 | FY 2028/29 | FY 2029/30 | FY 2030/31 | FY 2031/32 | FY 2032/33 | FY 2033/34 | FY 2034/35 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| SOURCE OF SUPPLY | | | | | | | | | | |
| 1 Supervision & Engineering | \$6,200 | \$6,400 | \$6,600 | \$6,800 | \$7,000 | \$7,200 | \$7,400 | \$7,600 | \$7,800 | \$8,100 |
| 2 Operating Labor | \$2,100 | \$2,100 | \$2,200 | \$2,300 | \$2,300 | \$2,400 | \$2,500 | \$2,500 | \$2,600 | \$2,700 |
| 3 Maintenance Of Structures | \$13,400 | \$13,800 | \$14,200 | \$14,600 | \$15,100 | \$15,500 | \$16,000 | \$16,500 | \$17,000 | \$17,500 |
| 4 Fines Penalties & Fees | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| PUMPING | | | | | | | | | | |
| 5 Maintenance Of Structures & Grounds | 2,100 | 2,100 | 2,200 | 2,300 | 2,300 | 2,400 | 2,500 | 2,500 | 2,600 | 2,700 |
| 6 Maintenance Of Pumping Equipment | 12,400 | 12,700 | 13,100 | 13,500 | 13,900 | 14,300 | 14,800 | 15,200 | 15,700 | 16,100 |
| 7 Electric Power | 70,400 | 73,900 | 77,600 | 81,400 | 85,500 | 89,800 | 94,300 | 99,000 | 103,900 | 107,100 |
| OPERATIONS | | | | | | | | | | |
| 8 Supervision & Engineering | 25,800 | 26,500 | 27,300 | 28,100 | 29,000 | 29,900 | 30,700 | 31,700 | 32,600 | 33,600 |
| 9 Operating Labor & Expense | 23,700 | 24,400 | 25,100 | 25,900 | 26,700 | 27,500 | 28,300 | 29,100 | 30,000 | 30,900 |
| 10 Maintenance Expense | 1,000 | 1,100 | 1,100 | 1,100 | 1,200 | 1,200 | 1,200 | 1,300 | 1,300 | 1,300 |
| 11 Maintenance Of Telemetering Equipment | 15,500 | 15,900 | 16,400 | 16,900 | 17,400 | 17,900 | 18,400 | 19,000 | 19,600 | 20,200 |
| 12 Leased Lines Expense | 5,200 | 5,300 | 5,500 | 5,600 | 5,800 | 6,000 | 6,100 | 6,300 | 6,500 | 6,700 |
| WATER TREATMENT | | | | | | | | | | |
| 13 Supervision & Engineering | 15,500 | 15,900 | 16,400 | 16,900 | 17,400 | 17,900 | 18,400 | 19,000 | 19,600 | 20,200 |
| 14 Purification Expense | 62,800 | 64,700 | 66,700 | 68,700 | 70,700 | 72,800 | 75,000 | 77,300 | 79,600 | 82,000 |
| 15 Purification Chemicals | 9,500 | 9,700 | 10,000 | 10,300 | 10,600 | 11,000 | 11,300 | 11,600 | 12,000 | 12,300 |
| 16 Maintenance Of Structures | 6,200 | 6,400 | 6,600 | 6,800 | 7,000 | 7,200 | 7,400 | 7,600 | 7,800 | 8,100 |
| 17 Maintenance Of Equipment | 26,800 | 27,600 | 28,400 | 29,300 | 30,100 | 31,000 | 32,000 | 32,900 | 33,900 | 34,900 |
| 18 Electric Power | 26,300 | 27,600 | 28,900 | 30,400 | 31,900 | 33,500 | 35,200 | 36,900 | 38,800 | 39,900 |
| 19 Laboratory Labor | 74,200 | 76,400 | 78,700 | 81,000 | 83,500 | 86,000 | 88,600 | 91,200 | 93,900 | 96,800 |
| 20 Lab Services/Expense | 22,700 | 23,300 | 24,000 | 24,800 | 25,500 | 26,300 | 27,100 | 27,900 | 28,700 | 29,600 |
| 21 Customer Water Quality | 8,200 | 8,500 | 8,700 | 9,000 | 9,300 | 9,600 | 9,800 | 10,100 | 10,400 | 10,800 |
| 22 Water Quality Supervision | 9,300 | 9,500 | 9,800 | 10,100 | 10,400 | 10,700 | 11,100 | 11,400 | 11,700 | 12,100 |
| 23 Distributed To West Marin | 37,000 | 37,000 | 37,000 | 37,000 | 37,000 | 37,000 | 37,000 | 37,000 | 37,000 | 37,000 |
| TRANSMISSION & DISTRIBUTION | | | | | | | | | | |
| 24 Supervision & Engineering | 3,100 | 3,200 | 3,300 | 3,400 | 3,500 | 3,600 | 3,700 | 3,800 | 3,900 | 4,000 |
| 25 Facilities Location - USA | 9,300 | 9,500 | 9,800 | 10,100 | 10,400 | 10,700 | 11,100 | 11,400 | 11,700 | 12,100 |
| 26 Customer Service Expense | 8,200 | 8,500 | 8,700 | 9,000 | 9,300 | 9,600 | 9,800 | 10,100 | 10,400 | 10,800 |
| 27 Flushing | 5,200 | 5,300 | 5,500 | 5,600 | 5,800 | 6,000 | 6,100 | 6,300 | 6,500 | 6,700 |
| 28 Storage Facilities Expense | 45,300 | 46,700 | 48,100 | 49,500 | 51,000 | 52,500 | 54,100 | 55,700 | 57,400 | 59,100 |
| 29 Cathodic Protection | 1,000 | 1,100 | 1,100 | 1,100 | 1,200 | 1,200 | 1,200 | 1,300 | 1,300 | 1,300 |
| 30 Maint Of Valves, Reliefs & Reg | 1,000 | 1,100 | 1,100 | 1,100 | 1,200 | 1,200 | 1,200 | 1,300 | 1,300 | 1,300 |
| 31 Maintenance Of Mains | 4,100 | 4,200 | 4,400 | 4,500 | 4,600 | 4,800 | 4,900 | 5,100 | 5,200 | 5,400 |
| 32 Backflow Device Insp/Testing (Small) | 4,100 | 4,200 | 4,400 | 4,500 | 4,600 | 4,800 | 4,900 | 5,100 | 5,200 | 5,400 |
| 33 Backflow Device Insp/Testing (Large) | 2,100 | 2,100 | 2,200 | 2,300 | 2,300 | 2,400 | 2,500 | 2,500 | 2,600 | 2,700 |
| 34 Maintenance Of Copper Services | 6,200 | 6,400 | 6,600 | 6,800 | 7,000 | 7,200 | 7,400 | 7,600 | 7,800 | 8,100 |
| 35 Maintenance Of Plastic Services | 31,900 | 32,900 | 33,900 | 34,900 | 35,900 | 37,000 | 38,100 | 39,300 | 40,400 | 41,700 |
| 36 Maint Of D.C./Fire Line Services | 4,100 | 4,200 | 4,400 | 4,500 | 4,600 | 4,800 | 4,900 | 5,100 | 5,200 | 5,400 |
| 37 Single Service Installation | 5,200 | 5,300 | 5,500 | 5,600 | 5,800 | 6,000 | 6,100 | 6,300 | 6,500 | 6,700 |
| 38 Maintenance Of Meters | 4,100 | 4,200 | 4,400 | 4,500 | 4,600 | 4,800 | 4,900 | 5,100 | 5,200 | 5,400 |

Schedule 2 - Budgeted and Projected Cash Outflows (2 of 2)

| | FY 2025/26 | FY 2026/27 | FY 2027/28 | FY 2028/29 | FY 2029/30 | FY 2030/31 | FY 2031/32 | FY 2032/33 | FY 2033/34 | FY 2034/35 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| CONSUMER ACCOUNTING | | | | | | | | | | |
| 39 Meter Reading Expense | 12,400 | 12,700 | 13,100 | 13,500 | 13,900 | 14,300 | 14,800 | 15,200 | 15,700 | 16,100 |
| 40 Collection Expense - District | 1,000 | 1,100 | 1,100 | 1,100 | 1,200 | 1,200 | 1,200 | 1,300 | 1,300 | 1,300 |
| 41 Distributed To West Marin Water | 14,400 | 14,900 | 15,300 | 15,800 | 16,200 | 16,700 | 17,200 | 17,700 | 18,300 | 18,800 |
| GENERAL ADMINISTRATION | | | | | | | | | | |
| 42 G&A Consultants:West Marin-Admin | 0 | 0 | 0 | 45,000 | 0 | 0 | 0 | 45,000 | 0 | 0 |
| 43 Distributed-West Marin Water | 107,100 | 110,300 | 113,600 | 117,100 | 120,600 | 124,200 | 127,900 | 131,700 | 135,700 | 139,800 |
| 44 GASB68 Adjustment - G&A | 129,800 | 133,700 | 137,700 | 141,800 | 146,100 | 150,500 | 155,000 | 159,600 | 164,400 | 169,300 |
| WATER CONSERVATION | | | | | | | | | | |
| 45 Water Conservation Program | 12,400 | 12,700 | 13,100 | 13,500 | 13,900 | 14,300 | 14,800 | 15,200 | 15,700 | 16,100 |
| DEBT SERVICE | | | | | | | | | | |
| 46 Existing Debt Service | 71,000 | 71,000 | 71,000 | 71,000 | 71,000 | 71,000 | 24,000 | 0 | 0 | 0 |
| 47 New Internal Loan Repayments | 116,000 | 116,000 | 116,000 | 116,000 | 116,000 | 116,000 | 116,000 | 0 | 0 | 0 |
| 48 New Debt Service | 0 | 318,000 | 318,000 | 318,000 | 318,000 | 772,000 | 772,000 | 772,000 | 772,000 | 772,000 |
| 49 Total Operating & Debt Expenses | 1,076,000 | 1,421,000 | 1,450,000 | 1,524,000 | 1,539,000 | 1,995,000 | 1,980,000 | 1,918,000 | 1,908,000 | 1,941,000 |

Schedule 3 – Cash Flow Proforma

| | Budget FY 2025 | Forecast FY2026 | Forecast FY2027 | Forecast FY2028 | Forecast FY2029 | Forecast FY2030 | Forecast FY2031 | Forecast FY2032 | Forecast FY2033 | Forecast FY2034 | Forecast FY2035 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 Water Rate Revenue Increase: | | 19.00% | 19.00% | 19.00% | 19.00% | 15.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Rate Revenue | | | | | | | | | | | |
| 2 Water Rate Revenue | \$1,053,000 | \$1,053,000 | \$1,254,000 | \$1,493,000 | \$1,778,000 | \$2,117,000 | \$2,436,000 | \$2,510,000 | \$2,586,000 | \$2,665,000 | \$2,746,000 |
| 3 Change due to growth & use | | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| 4 Increase due to rate adjustments | | \$200,000 | \$238,000 | \$284,000 | \$338,000 | \$318,000 | \$73,000 | \$75,000 | \$78,000 | \$80,000 | \$82,000 |
| Non-Rate Revenues | | | | | | | | | | | |
| 5 Interest Earnings | \$9,000 | \$4,000 | \$8,000 | \$9,000 | \$17,000 | \$29,000 | \$32,000 | \$27,000 | \$23,000 | \$22,000 | \$22,000 |
| 6 Connection Fees | \$32,000 | \$10,000 | \$11,000 | \$11,000 | \$11,000 | \$11,000 | \$11,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 |
| 7 Operating Revenue | \$9,000 | \$3,000 | \$3,100 | \$3,100 | \$3,200 | \$3,300 | \$3,300 | \$3,400 | \$3,500 | \$3,500 | \$3,600 |
| 8 Total Revenue | \$1,103,000 | \$1,271,000 | \$1,515,100 | \$1,801,100 | \$2,148,200 | \$2,479,300 | \$2,556,300 | \$2,628,400 | \$2,703,500 | \$2,783,500 | \$2,866,600 |
| O&M Costs | | | | | | | | | | | |
| 9 Source of Supply | \$22,000 | \$23,000 | \$23,000 | \$24,000 | \$25,000 | \$55,000 | \$26,000 | \$27,000 | \$28,000 | \$28,000 | \$29,000 |
| 10 Pumping | \$81,000 | \$85,000 | \$89,000 | \$93,000 | \$97,000 | \$102,000 | \$107,000 | \$111,000 | \$117,000 | \$122,000 | \$126,000 |
| 11 Other Operations | \$69,000 | \$71,000 | \$73,000 | \$75,000 | \$78,000 | \$80,000 | \$82,000 | \$85,000 | \$87,000 | \$90,000 | \$93,000 |
| 12 Water Treatment | \$290,000 | \$298,000 | \$307,000 | \$315,000 | \$324,000 | \$333,000 | \$343,000 | \$353,000 | \$363,000 | \$373,000 | \$384,000 |
| 13 Transmission & Distribution | \$131,000 | \$135,000 | \$139,000 | \$143,000 | \$147,000 | \$152,000 | \$156,000 | \$161,000 | \$166,000 | \$171,000 | \$176,000 |
| 14 Consumer Accounting | \$27,000 | \$28,000 | \$29,000 | \$30,000 | \$30,000 | \$31,000 | \$32,000 | \$33,000 | \$34,000 | \$35,000 | \$36,000 |
| 15 Water Conservation | \$12,000 | \$12,000 | \$13,000 | \$13,000 | \$14,000 | \$14,000 | \$14,000 | \$15,000 | \$15,000 | \$16,000 | \$16,000 |
| 16 General Administration | \$290,000 | \$237,000 | \$244,000 | \$251,000 | \$304,000 | \$267,000 | \$275,000 | \$283,000 | \$336,000 | \$300,000 | \$309,000 |
| 17 Total Operating Expenses | \$922,000 | \$889,000 | \$917,000 | \$944,000 | \$1,019,000 | \$1,034,000 | \$1,035,000 | \$1,068,000 | \$1,146,000 | \$1,135,000 | \$1,169,000 |
| Capital Costs | | | | | | | | | | | |
| 18 Total Capital Spending | \$300,000 | \$400,000 | \$927,000 | \$1,538,000 | \$1,366,000 | \$1,913,000 | \$6,608,000 | \$3,821,000 | \$861,000 | \$887,000 | \$913,000 |
| 19 Bond Funded Capital | \$0 | \$400,000 | \$927,000 | \$1,406,000 | \$1,229,000 | \$844,000 | \$2,898,000 | \$1,493,000 | \$0 | \$0 | \$0 |
| 20 Cash Funded Capital Projects | \$300,000 | \$0 | \$0 | \$0 | \$0 | \$788,000 | \$811,000 | \$836,000 | \$861,000 | \$887,000 | \$913,000 |
| 21 Grant Funded Capital Projects | \$0 | \$0 | \$0 | \$133,000 | \$137,000 | \$281,000 | \$2,898,000 | \$1,493,000 | \$0 | \$0 | \$0 |
| 22 Existing Debt Service | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$71,000 | \$24,000 | \$0 | \$0 | \$0 |
| 23 Internal Loan | \$116,000 | \$116,000 | \$116,000 | \$116,000 | \$116,000 | \$116,000 | \$116,000 | \$116,000 | \$0 | \$0 | \$0 |
| 24 New Debt Service | \$0 | \$0 | \$318,000 | \$318,000 | \$318,000 | \$318,000 | \$772,000 | \$772,000 | \$772,000 | \$772,000 | \$772,000 |
| 25 Total Capital Expenses | \$487,000 | \$187,000 | \$505,000 | \$505,000 | \$505,000 | \$1,293,000 | \$1,770,000 | \$1,748,000 | \$1,633,000 | \$1,659,000 | \$1,685,000 |
| 26 Total Revenue Requirement | \$1,409,000 | \$1,076,000 | \$1,422,000 | \$1,449,000 | \$1,524,000 | \$2,327,000 | \$2,805,000 | \$2,816,000 | \$2,779,000 | \$2,794,000 | \$2,854,000 |
| 27 Beginning Year Balance | \$492,000 | \$186,000 | \$381,000 | \$474,000 | \$826,000 | \$1,450,000 | \$1,602,000 | \$1,353,000 | \$1,165,000 | \$1,090,000 | \$1,080,000 |
| 28 Surplus/(Shortfall) | (\$306,000) | \$195,000 | \$93,100 | \$352,100 | \$624,200 | \$152,300 | (\$248,700) | (\$187,600) | (\$75,500) | (\$10,500) | \$12,600 |
| 29 End of Year Balance | \$186,000 | \$381,000 | \$474,100 | \$826,100 | \$1,450,200 | \$1,602,300 | \$1,353,300 | \$1,165,400 | \$1,089,500 | \$1,079,500 | \$1,092,600 |
| 30 Minimum Reserves | \$406,000 | \$395,000 | \$405,000 | \$414,000 | \$439,000 | \$444,000 | \$444,000 | \$455,000 | \$481,000 | \$477,000 | \$489,000 |
| 31 Reserve Target | \$2,268,000 | \$2,257,000 | \$2,267,000 | \$2,276,000 | \$2,301,000 | \$2,306,000 | \$2,306,000 | \$2,317,000 | \$2,343,000 | \$2,339,000 | \$2,351,000 |
| 32 Debt Coverage Ratio | 0.92 | 3.75 | 1.24 | 1.91 | 2.60 | 3.42 | 1.67 | 1.81 | 2.02 | 2.14 | 2.20 |

Schedule 4 – Allocation of Costs to System Functions (1 of 2)

| | Percent Allocation to System Functions | | | | | Cost Allocation to System Functions | | | | |
|----|--|-----------|----------|--------------|------------------|-------------------------------------|----------|----------|----------------|------------------|
| | | Test Year | Customer | Fixed & | Variable & Water | Marginal Water | Customer | Fixed & | Baseline Water | Marginal Water |
| | Budget Line Items | Budget | Costs | Distribution | Supply Costs | Management Costs | Costs | Costs | Supply | Management Costs |
| | SOURCE OF SUPPLY | | | | | | | | | |
| 1 | Supervision & Engineering | \$6,200 | | | 90% | 10% | | | \$5,580 | \$620 |
| 2 | Operating Labor | \$2,100 | | | 100% | | | | \$2,100 | |
| 3 | Maintenance Of Structures | \$13,400 | | | 100% | | | | \$13,400 | |
| 4 | Fines Penalties & Fees | \$1,000 | | | 100% | | | | \$1,000 | |
| | PUMPING | | | | | | | | | |
| 5 | Maintenance Of Structures & Grounds | \$2,100 | | 70% | 30% | | | \$1,470 | \$630 | |
| 6 | Maintenance Of Pumping Equipment | \$12,400 | | 70% | 30% | | | \$8,680 | \$3,720 | |
| 7 | Electric Power | \$70,400 | | 70% | 30% | | | \$49,280 | \$21,120 | |
| | OPERATIONS | | | | | | | | | |
| 8 | Supervision & Engineering | \$25,800 | | 60% | 30% | 10% | | \$15,480 | \$7,740 | \$2,580 |
| 9 | Operating Labor & Expense | \$23,700 | | 60% | 30% | 10% | | \$14,220 | \$7,110 | \$2,370 |
| 10 | Maintenance Expense | \$1,000 | | 60% | 30% | 10% | | \$600 | \$300 | \$100 |
| 11 | Maintenance Of Telemetry Equipment | \$15,500 | | 60% | 40% | | | \$9,300 | \$6,200 | |
| 12 | Leased Lines Expense | \$5,200 | | 60% | 40% | | | \$3,120 | \$2,080 | |
| | WATER TREATMENT | | | | | | | | | |
| 13 | Supervision & Engineering | \$15,000 | | | 100% | | | | \$15,000 | |
| 14 | Purification Expense | \$63,000 | | | 100% | | | | \$63,000 | |
| 15 | Purification Chemicals | \$9,000 | | | 100% | | | | \$9,000 | |
| 16 | Maintenance Of Structures | \$6,000 | | | 100% | | | | \$6,000 | |
| 17 | Maintenance Of Equipment | \$27,000 | | | 100% | | | | \$27,000 | |
| 18 | Electric Power | \$26,000 | | | 90% | 10% | | | \$23,400 | \$2,600 |
| 19 | Laboratory Labor | \$74,000 | | | 100% | | | | \$74,000 | |
| 20 | Lab Services/Expense | \$23,000 | | | 100% | | | | \$23,000 | |
| 21 | Customer Water Quality | \$8,000 | | | 100% | | | | \$8,000 | |
| 22 | Water Quality Supervision | \$9,000 | | | 100% | | | | \$9,000 | |
| 23 | Distributed To West Marin | \$37,000 | | | 100% | | | | \$37,000 | |

Schedule 4 – Allocation of Costs to System Functions (2 of 2)

| | Percent Allocation to System Functions | | | | | Cost Allocation to System Functions | | | |
|---|--|----------|--------------|------------------|-----------------------|-------------------------------------|--------------|----------------|------------------|
| | | Fixed & | | | | Fixed & | | | |
| | Test Year | Customer | Distribution | Variable & Water | Marginal Water | Customer | Distribution | Baseline Water | Marginal Water |
| Budget Line Items | Budget | Costs | Costs | Supply Costs | Management Costs | Costs | Costs | Supply | Management Costs |
| TRANSMISSION & DISTRIBUTION | | | | | | | | | |
| 24 Supervision & Engineering | \$3,100 | | 70% | 30% | | | \$2,170 | \$930 | |
| 25 Facilities Location - USA | \$9,300 | | 70% | 30% | | | \$6,510 | \$2,790 | |
| 26 Customer Service Expense | \$8,200 | | 70% | 30% | | | \$5,740 | \$2,460 | |
| 27 Flushing | \$5,200 | | 70% | 30% | | | \$3,640 | \$1,560 | |
| 28 Storage Facilities Expense | \$45,300 | | 70% | 30% | | | \$31,710 | \$13,590 | |
| 29 Cathodic Protection | \$1,000 | | 70% | 30% | | | \$700 | \$300 | |
| 30 Maint Of Valves, Reliefs & Reg | \$1,000 | | 70% | 30% | | | \$700 | \$300 | |
| 31 Maintenance Of Mains | \$4,100 | | 70% | 30% | | | \$2,870 | \$1,230 | |
| 32 Backflow Device Insp/Testing (Small) | \$4,100 | | 70% | 30% | | | \$2,870 | \$1,230 | |
| 33 Backflow Device Insp/Testing (Large) | \$2,100 | | 70% | 30% | | | \$1,470 | \$630 | |
| 34 Maintenance Of Copper Services | \$6,200 | | 70% | 30% | | | \$4,340 | \$1,860 | |
| 35 Maintenance Of Plastic Services | \$31,900 | | 70% | 30% | | | \$22,330 | \$9,570 | |
| 36 Maint Of D.C./Fire Line Services | \$4,100 | | 70% | 30% | | | \$2,870 | \$1,230 | |
| 37 Single Service Installation | \$5,200 | | 70% | 30% | | | \$3,640 | \$1,560 | |
| 38 Maintenance Of Meters | \$4,100 | | 70% | 30% | | | \$2,870 | \$1,230 | |
| CONSUMER ACCOUNTING | | | | | | | | | |
| 39 Meter Reading Expense | \$12,400 | 100% | | | | \$12,400 | | | |
| 40 Collection Expense - District | \$1,000 | 100% | | | | \$1,000 | | | |
| 41 Distributed To West Marin Water | \$14,400 | 50% | 50.0% | | | \$7,200 | \$7,200 | | |
| WATER CONSERVATION | | | | | | | | | |
| 42 Water Conservation Program | \$12,400 | | | | 100% | | | | \$12,400 |
| GENERAL AND ADMINISTRATIVE | | | | | | | | | |
| 43 Distributed-West Marin Water | \$107,100 | | 60% | 30% | 10% | | \$64,260 | \$32,130 | \$10,710 |
| 44 GASB68 Adjustment - G&A | \$129,800 | | 60% | 30% | 10% | | \$77,880 | \$38,940 | \$12,980 |
| Total Operating Costs | \$887,800 | | | | | \$20,600 | \$345,920 | \$476,920 | \$44,360 |
| CAPITAL AND DEBT | | | | | | | | | |
| 45 Debt Service | \$187,000 | | 30.0% | 70.0% | | | \$56,100 | \$130,900 | |
| 46 Capital Spending | \$795,000 | | 30.0% | 70.0% | | | \$238,500 | \$556,500 | |
| Total Costs | \$1,869,800 | | | | | \$20,600 | \$640,520 | \$1,164,320 | \$44,360 |
| 47 | | | | | Indirect Calculation: | 1.1% | 34.3% | 62.3% | 2.4% |
| REVENUES AND CREDITS | | | | | | | | | |
| 48 Change in Fund Balance & Transfers | (\$600,000) | 1.1% | 35.1% | 63.8% | | (\$6,771) | (\$210,531) | (\$382,698) | |
| 49 Non-Rate Revenue | (\$17,000) | | 90.0% | 10.0% | | | (\$15,300) | (\$1,700) | |
| 50 Temporary Meters | (\$12,300) | | 90.0% | 10.0% | | | (\$11,070) | (\$1,230) | |
| 51 Elevation Surcharge | (\$77,000) | | 90.0% | 10.0% | | | (\$69,300) | (\$7,700) | |
| 52 Outside Surcharge | (\$17,900) | | 90.0% | 10.0% | | | (\$16,110) | (\$1,790) | |
| 53 Private Fire Service Charge | (\$4,000) | | 90.0% | 10.0% | | | (\$3,600) | (\$400) | |
| 54 | Totals: \$1,141,600 | | | | Totals (rounded): | \$13,800 | \$314,600 | \$768,800 | \$44,400 |

Schedule 5 – Proposed Rates for FY 2025/26 through FY 2029/30

| | Effective Date | | | | |
|--|----------------|--------------|--------------|--------------|--------------|
| | July 1, 2025 | July 1, 2026 | July 1, 2027 | July 1, 2028 | July 1, 2029 |
| Residential Quantity Charges (\$/TGAL) | | | | | |
| Tier 1 ¹ | \$13.70 | \$16.30 | \$19.40 | \$23.09 | \$26.55 |
| Tier 2 | \$17.76 | \$21.14 | \$25.16 | \$29.94 | \$34.43 |
| Commercial Quantity Charges (\$/TGAL) | | | | | |
| Uniform | \$14.49 | \$17.25 | \$20.53 | \$24.43 | \$28.09 |
| Hydraulic Zone Charge (\$/TGAL) | | | | | |
| Zone 3 | \$0.99 | \$1.18 | \$1.40 | \$1.67 | \$1.92 |
| Zone 2 | \$2.83 | \$3.37 | \$4.01 | \$4.77 | \$5.49 |
| Zone 4 | \$9.01 | \$10.72 | \$12.76 | \$15.18 | \$17.46 |
| Other Quantity Charges (\$/TGAL) | | | | | |
| Temporary Meter | \$20.59 | \$24.50 | \$29.16 | \$34.70 | \$39.91 |
| Service Charges (bi-monthly fixed charge based on meter size) | | | | | |
| 5/8" | \$59.60 | \$70.92 | \$84.39 | \$100.42 | \$115.48 |
| 1" Fire ² | \$59.60 | \$70.92 | \$84.39 | \$100.42 | \$115.48 |
| 1" | \$144.55 | \$172.01 | \$204.69 | \$243.58 | \$280.12 |
| 1 1/2" | \$286.12 | \$340.48 | \$405.17 | \$482.15 | \$554.47 |
| 2" | \$456.01 | \$542.65 | \$645.75 | \$768.44 | \$883.71 |
| 3" | \$909.05 | \$1,081.77 | \$1,287.31 | \$1,531.90 | \$1,761.69 |
| 4" | \$1,418.72 | \$1,688.28 | \$2,009.05 | \$2,390.77 | \$2,749.39 |

¹ Allocation is 250 gpd per dwelling unit

² Only for 1" residential meters that are upsized due to fire code requirements