2025 West Marin Water Rate Study

Board Presentation – Draft Recommendation

March 18, 2025

HILDEBRAND CONSULTING

Agenda

1. Rate studies overview & scope
2. Review financial plan
3. Rate design & structure topics
4. Project schedule

Rate Study Objective

- Establish a secure, multi-year financial plan that supports operating costs and capital spending necessary to provide water services that are reliable, high-quality, environmentally responsible and reasonably priced.

- Ensure that the rate structure complies with the (evolving) requirements of Proposition 218.

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

Financial Plan

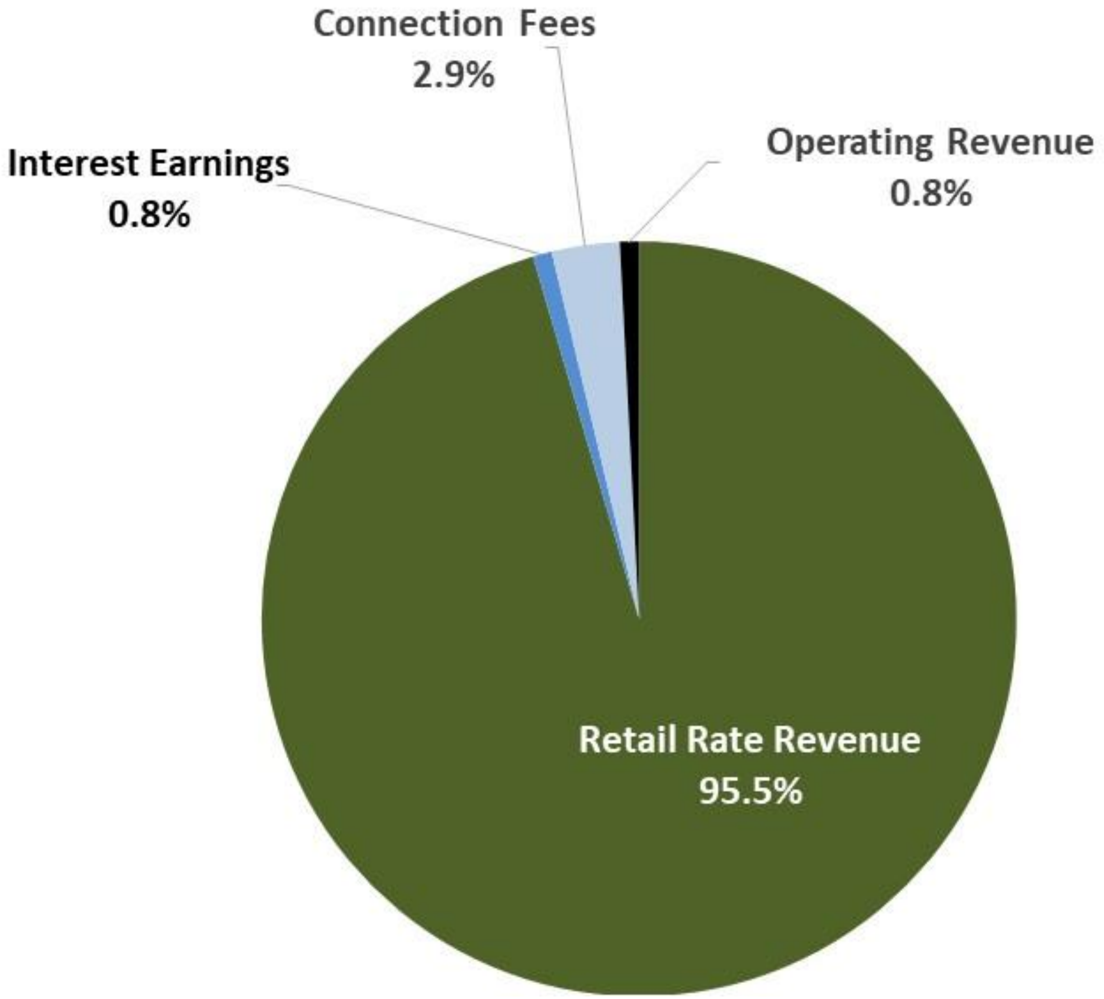
West Marin Enterprise Cash Reserves

Fiscal year beginning July 1, 2024

Undesignated Cash	$101,000
Liability Contigency Fund	$99,000
Operating Reserve Fund	$292,000
Total Unrestricted:	**$492,000**

West Marin Enterprise Revenue
FY2024/25 Budget

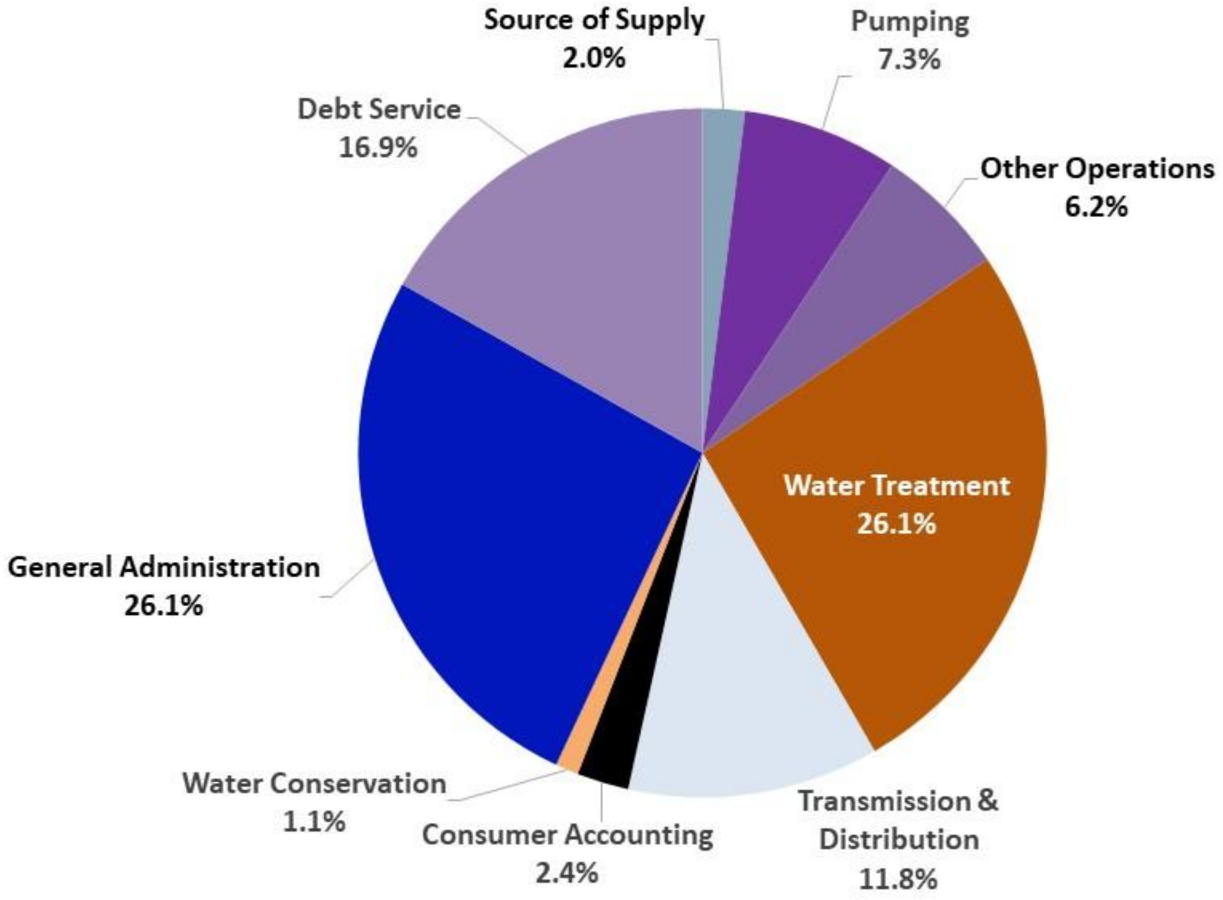
Retail Rate Revenue	$1,053,000
Non-Rate Revenue	
Interest Earnings	$9,000
Connection Fees	$32,000
Operating Revenue	$9,000
Total:	**$1,103,000**



West Marin Enterprise Operating Expenses & Debt Service

FY2024/25 Budget

Source of Supply	$22,000
Pumping	$81,000
Other Operations	$69,000
Water Treatment	$290,000
Transmission & Distribution	$131,000
Consumer Accounting	$27,000
Water Conservation	$12,000
General Administration	$290,000
Debt Service	$187,000
Total Budget:	**$1,109,000**



Cost Escalation Assumptions

- Utilities, chemicals, supplies – 5% per year
- All other costs – 3% per year

Rate increase drivers:

Significant increase in capital spending

- In the near-term, costs are driven by two bridge projects (required by CalTrans/County) and Gallagher Well No.3 (needed for water supply)
- Also notable is a major water treatment plant (WTP) rehabilitation
- The majority of the system is reaching the end of design life
- See Slides 12 and 13

Inflation

- Operating cost in FY2025 are budgeted at $922 vs. $664 thousand forecasted by 2021 Financial Plan (an increase of $258 thousand, or 39%)
    - Primarily from treatment, electric, and labor costs

Revenue

- Reduction in property tax revenue (about $60 thousand per year)

Reserves

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

Minimum Reserves:

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

Operating Reserve: 4 months of O&M budget ($307 thousand)

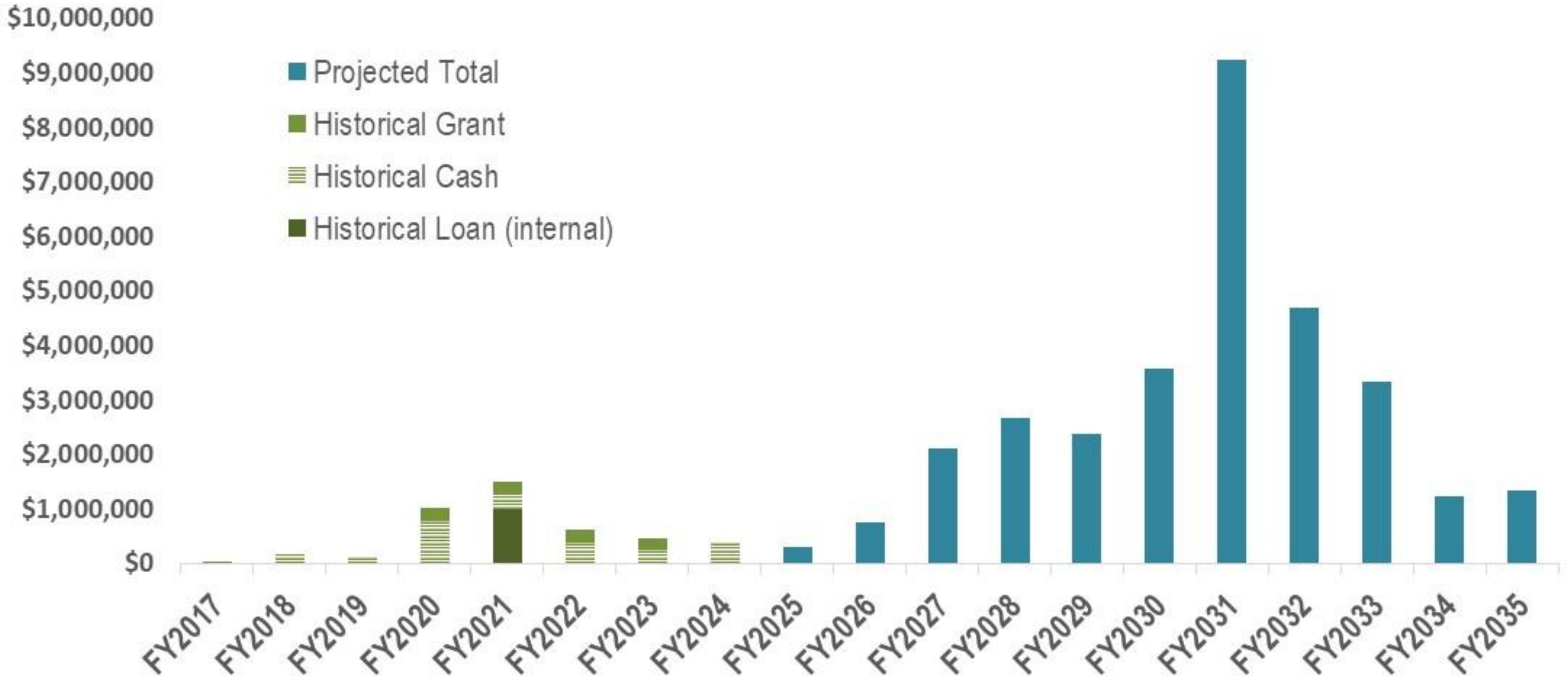
Liability Contingency Reserve (currently $99K)

Target Reserves:

This reserve is designed to occasionally be drawn down:

Maintenance Accrual Fund: Equal to the average long-term annual capital spending (approx. $1.86 million depending on scenario).

West Marin Enterprise Capital Spending



Average Historical (7 years): $552 thousand
Projected Average (Full List): $2.9 million

West Marin Capital Spending - Full List: $27.3 million

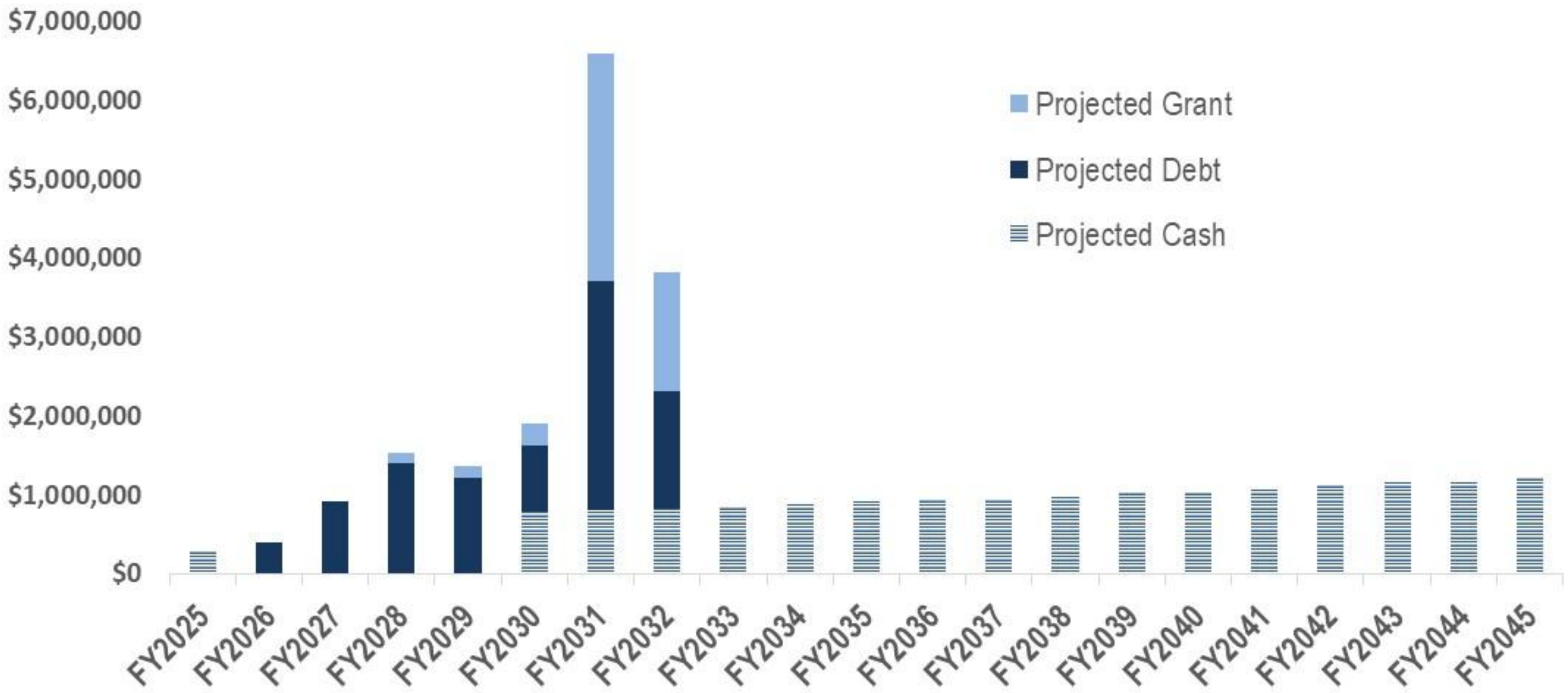
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	Baseline Assumption	
												Grant	Debt
	Pipelines												
1	Lagunitas Creek Bridge Pipe Replacement (Caltrans)	$250,000	$500,000	$500,000									100%
2	Olema Creek Bridge Pipe Replacement (County)		$250,000	$500,000	$500,000								100%
3	Replace Backbone Distribution Pipeline			$750,000					$750,000			50%	
4	Replace Polybutylene Service Lines (10 services)	$15,000	$15,000	$15,000	$15,000	$15,000							
5	Replace Thin Wall Plastic Pipe (5,300 lf) (2" -> 6")					$400,000	$400,000	$400,000	$400,000	$400,000			
6	Replace Galvanized Steel Pipe (2,600 lf) (2" -> 6")					$150,000	$150,000	$150,000	$150,000				
	Tanks and Pump Stations												
7	Olema Pump Station Flood Protection				$150,000	$150,000	$1,000,000						
8	Olema Tank Communication Improvements			$25,000	$25,000	$50,000							
9	PRE Tank No. 1 (Redwood) Replacement (upsize to 50,000 gal)	$50,000	$700,000									75%	
10	PRE Tank No. 2 (Redwood) Replacement (upsize to 50,000 gal)						$50,000	$700,000				75%	
11	Pt Reyes Tank No. 1 Rehabilitation									$100,000	$350,000		
12	Pt Reyes Tank No. 2 Replacement (upsize to 100,000 gal)						$50,000	$150,000	$1,300,000				
13	Pt Reyes Tank No. 3 Rehabilitation									$100,000	$650,000		
14	Bear Valley Tanks Access Improvements (gate, road, comm. line)	$50,000	$75,000										
15	Bear Vallley Pump Station Rehabilitation	$50,000	$50,000										
16	Inverness Park Pump Station Rehabilitation	$50,000	$100,000										
17	Inverness Park Tanks (x2) Rehabilitation								$100,000	$350,000			
18	Gallagher Well No. 3 (replace No. 1)	$150,000	$150,000	$200,000	$500,000	$500,000							
19	Water Supply Redundancy (new well location)		$25,000	$50,000	$275,000	$850,000	$550,000					75%	
20	Relocate Chemical Storage	$100,000											
21	Treatment Plant Interim Rehabilitation		$100,000	$150,000								50%	50%
22	Treatment Plant Full Scale Rehabilitation			$250,000	$250,000	$500,000	$5,000,000	$2,500,000				50%	50%
23	Raw Water Line Modifications (3,000 lf)				$250,000	$500,000	$750,000						
	Contingency												
24	Replacement in Sync w/ County Paving	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000		
25	Pump & Motor Replacement (locations TBD)	$30,000	$30,000	$30,000	$30,000	$30,000							
26	Abandon Downey Well				$150,000								
27	Master Plan Update												
28	Hydraulic Model Development			$25,000									
29	Electronic Facility Maps		$25,000										
	Capital Spending Totals:	**$770,000**	**$2,045,000**	**$2,520,000**	**$2,170,000**	**$3,170,000**	**$7,975,000**	**$3,925,000**	**$2,725,000**	**$975,000**	**$1,025,000**	**$7,562,500**	**$6,875,000**

Capital Spending Scenario 1:

- 2 Bridges (FY26 and FY27), Gallagher Well #3 (FY26), Treatment Plant rehab (FY29)
  - All debt financed
  - Grant funding assumed for the treatment plant (50%)

- All other projects deferred until FY30 then spend at a rate of $700 thousand per year

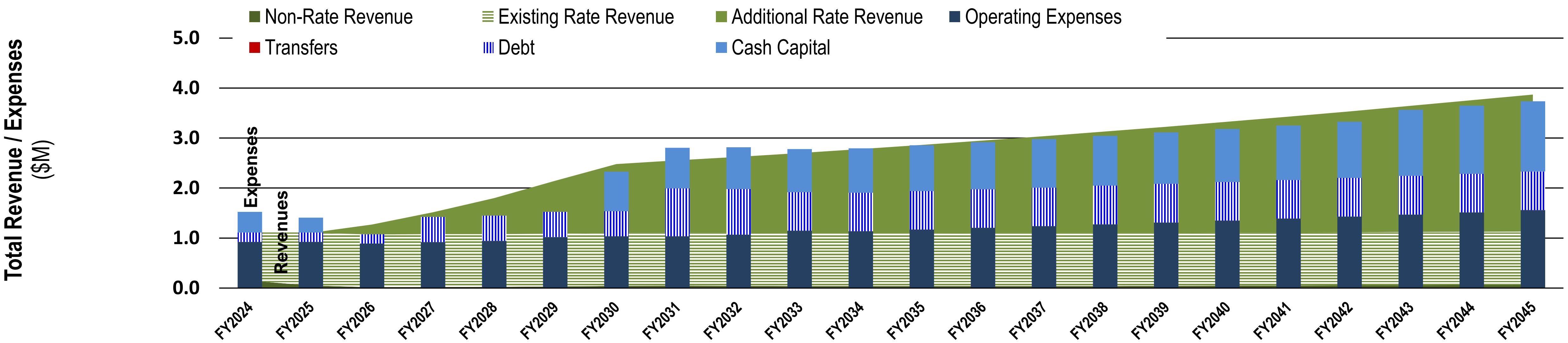
Capital Spending Scenario 1:

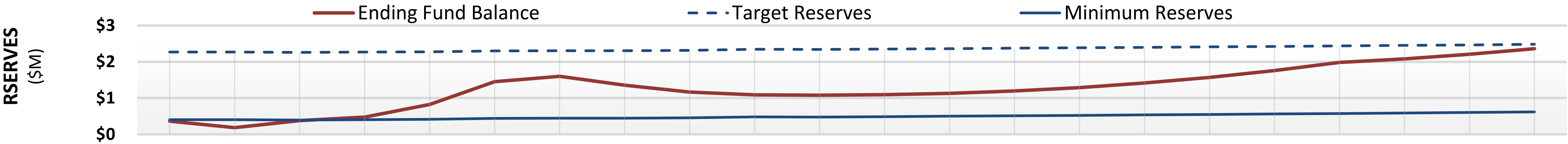


	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	Grant	Debt
Pipelines												
Lagunitas Creek Bridge Pipe Replacement (Caltrans)	$250,000	$500,000	$500,000								0%	100%
Olema Creek Bridge Pipe Replacement (County)		$250,000	$500,000	$500,000							0%	100%
Gallagher Well No. 3 (replace No. 1)	$150,000	$150,000	$200,000	$500,000	$500,000						0%	100%
Treatment Plant Full Scale Rehabilitation			$250,000	$250,000	$500,000	$5,000,000	$2,500,000				50%	50%
Cash Funded R&R					$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	0%	0%
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**	**$4,250,000**	**$8,250,000**
									Total:	**$16,700,000**		
Capital Spending After Inflation:	**$400,000**	**$927,000**	**$1,538,305**	**$1,365,909**	**$1,913,365**	**$6,607,862**	**$3,820,967**	**$860,912**	**$886,739**	**$913,341**		
									Total:	**$19,234,400**		

West Marin Enterprise Financial Forecast

Scenario 1





	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038	FY2039	FY2040	FY2041	FY2042	FY2043	FY2044	FY2045
			Recommended					Forecasted														
Proposed Revenue Increases:			19.0%	19.0%	19.0%	19.0%	15.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Debt Coverage Ratio:	1.4	0.92	3.75	1.24	1.91	2.60	3.42	1.67	1.81	2.02	2.14	2.20	2.27	2.34	2.41	2.49	2.57	2.66	2.74	2.84	2.93	3.02
Net Debt Proceeds:			$0.4M	$0.9M	$1.4M	$1.2M	$0.8M	$2.9M	$1.5M													

Two Debt Issues: $4.0M & $5.2M

20-Year Cumulative Rate Increases: **259%**

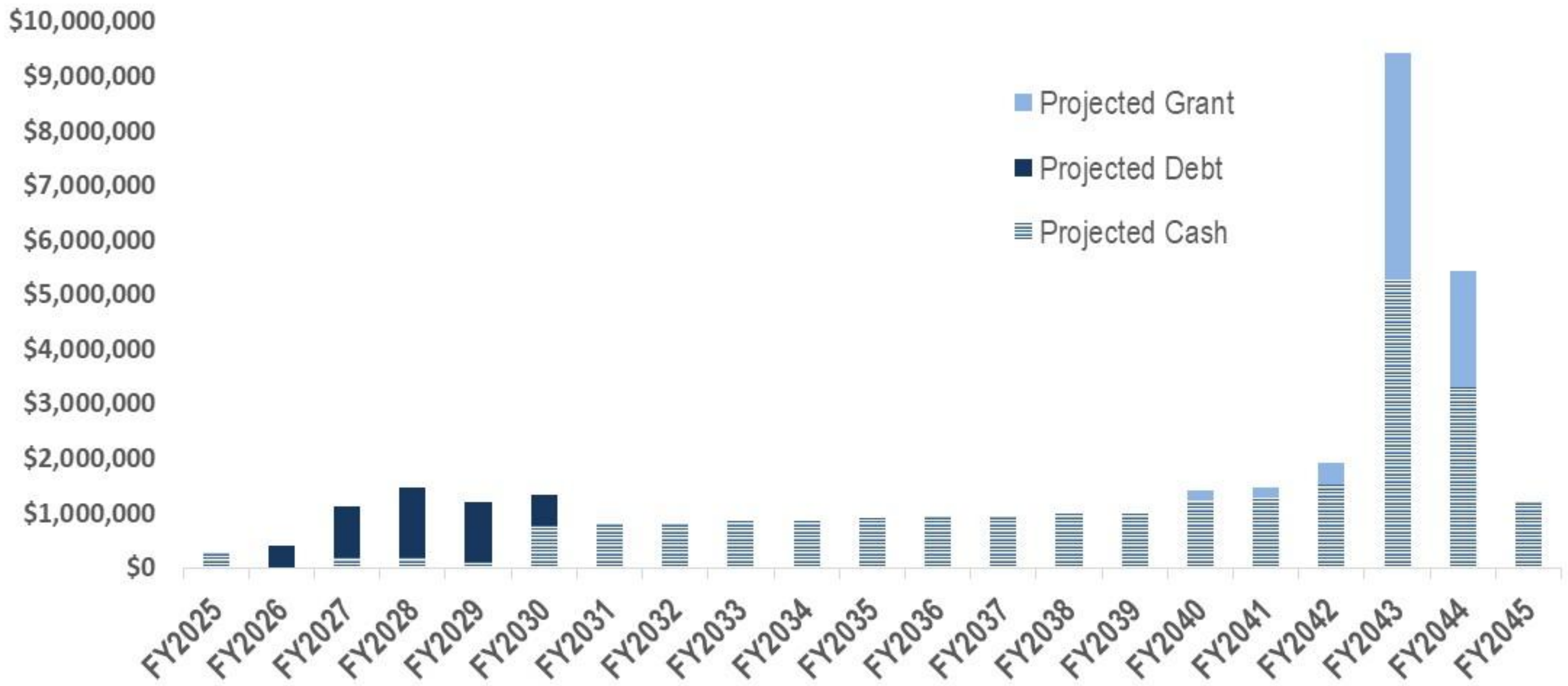
Capital Spending Scenario 2:

- 2 Bridges (FY26 and FY27), Gallagher Well #3 (FY26)
  - Debt funded

- Treatment Plant Rehab (FY29) – deferred until 2040
  - Cash funded
  - Grant funding assumed (50%)

- All other projects deferred until FY30 then spend at a rate of $700 thousand per year (plus $500K in near-term R&R for the WTP)

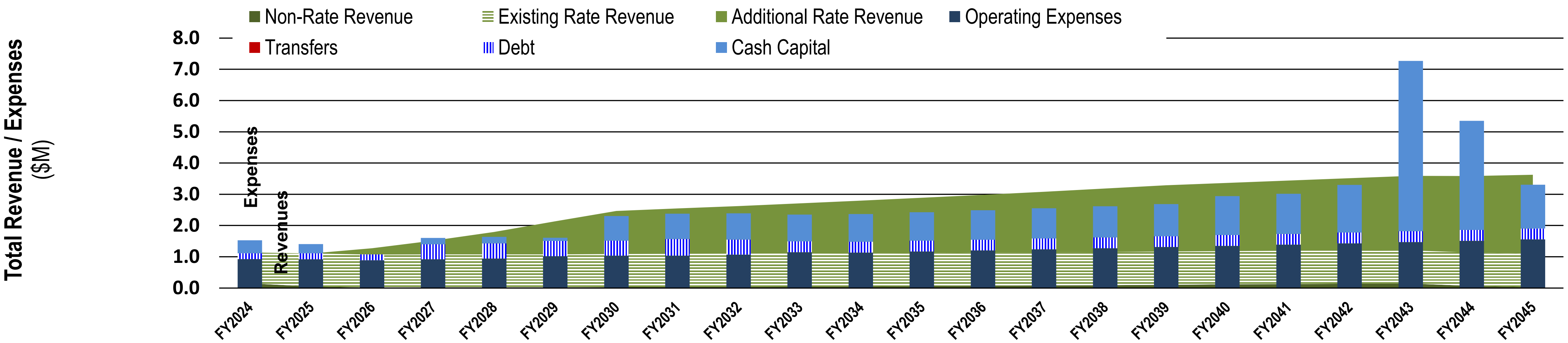
Capital Spending Scenario 2:

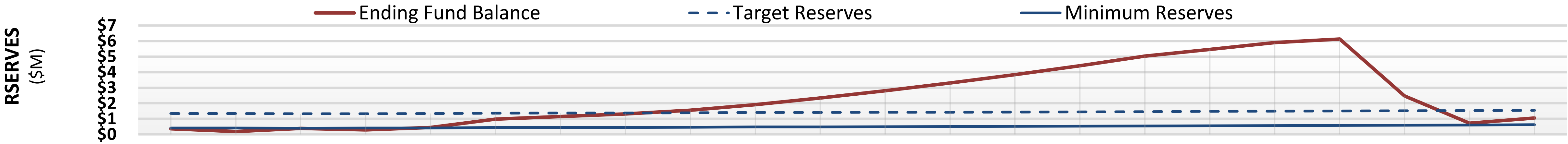


	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	Grant	Debt
Pipelines												
Lagunitas Creek Bridge Pipe Replacement (Caltrans)	$250,000	$500,000	$500,000								0%	100%
Olema Creek Bridge Pipe Replacement (County)		$250,000	$500,000	$500,000							0%	100%
Gallagher Well No. 3 (replace No. 1)	$150,000	$150,000	$200,000	$500,000	$500,000						0%	100%
Treatment Plant Full Scale Rehabilitation											50%	0%
Cash Funded R&R		$200,000	$200,000	$100,000	$700,000	$700,000	$700,000	$700,000	$700,000	$700,000	0%	0%
Capital Spending Totals:	**$400,000**	**$1,100,000**	**$1,400,000**	**$1,100,000**	**$1,200,000**	**$700,000**	**$700,000**	**$700,000**	**$700,000**	**$700,000**	**$0**	**$4,000,000**
									Total:	**$8,700,000**		
Capital Spending After Inflation:	**$400,000**	**$1,133,000**	**$1,485,260**	**$1,202,000**	**$1,350,611**	**$811,492**	**$835,837**	**$860,912**	**$886,739**	**$913,341**		
									Total:	**$9,879,191**		

West Marin Enterprise Financial Forecast

Scenario 2





	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038	FY2039	FY2040	FY2041	FY2042	FY2043	FY2044	FY2045
			Recommended					Forecasted														
Proposed Revenue Increases:			19.0%	19.0%	19.0%	19.0%	15.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Debt Coverage Ratio:	1.4	0.92	3.75	1.31	2.01	2.74	3.60	3.36	3.91	4.54	4.82	4.99	5.18	5.36	5.55	5.76	5.88	5.98	6.09	6.19	6.06	6.04
Net Debt Proceeds:			$0.4M	$0.9M	$1.3M	$1.1M	$0.6M															

Two Debt Issues: $2.6M & $1.6M

20-Year Cumulative Rate Increases: **239%**

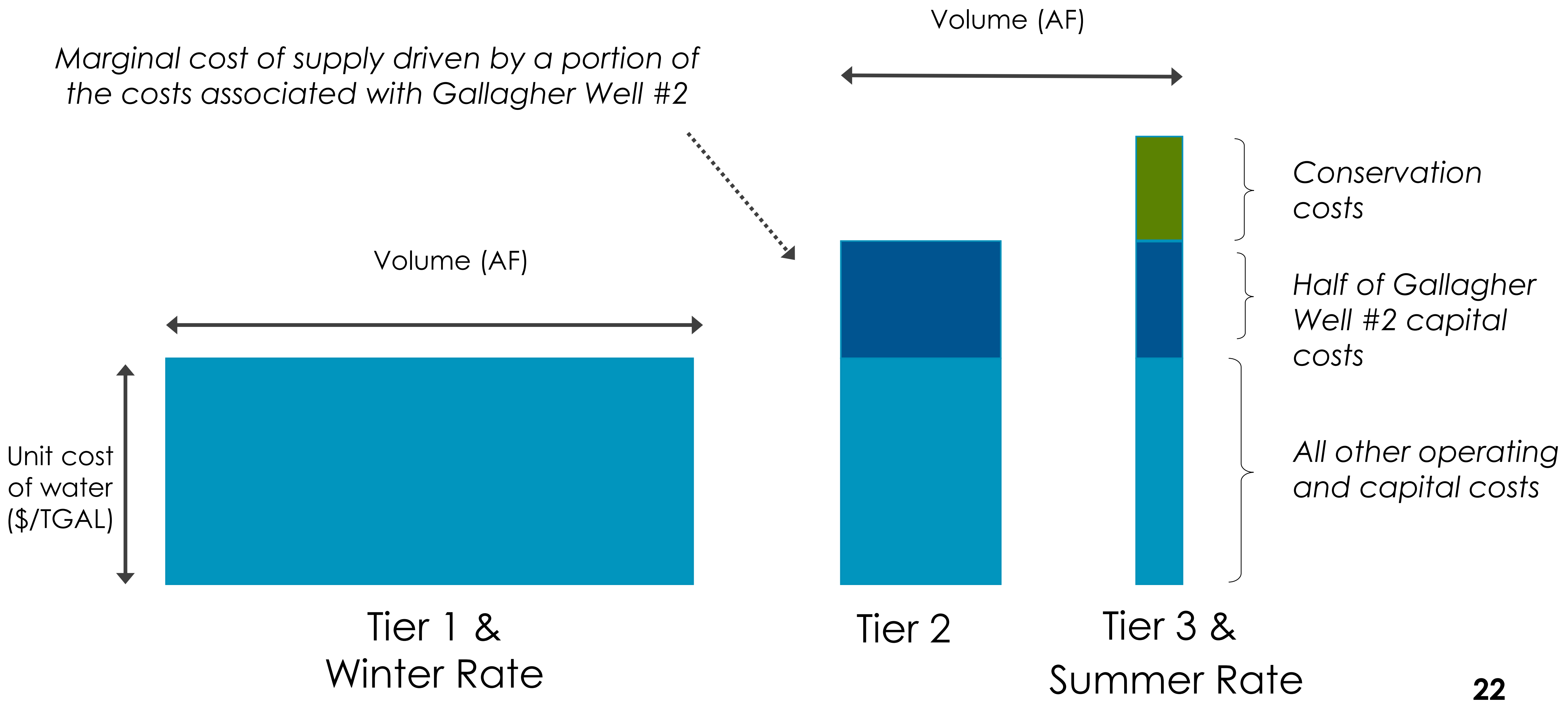
Cost of Service Study and Rate Structure Design

Existing Rates

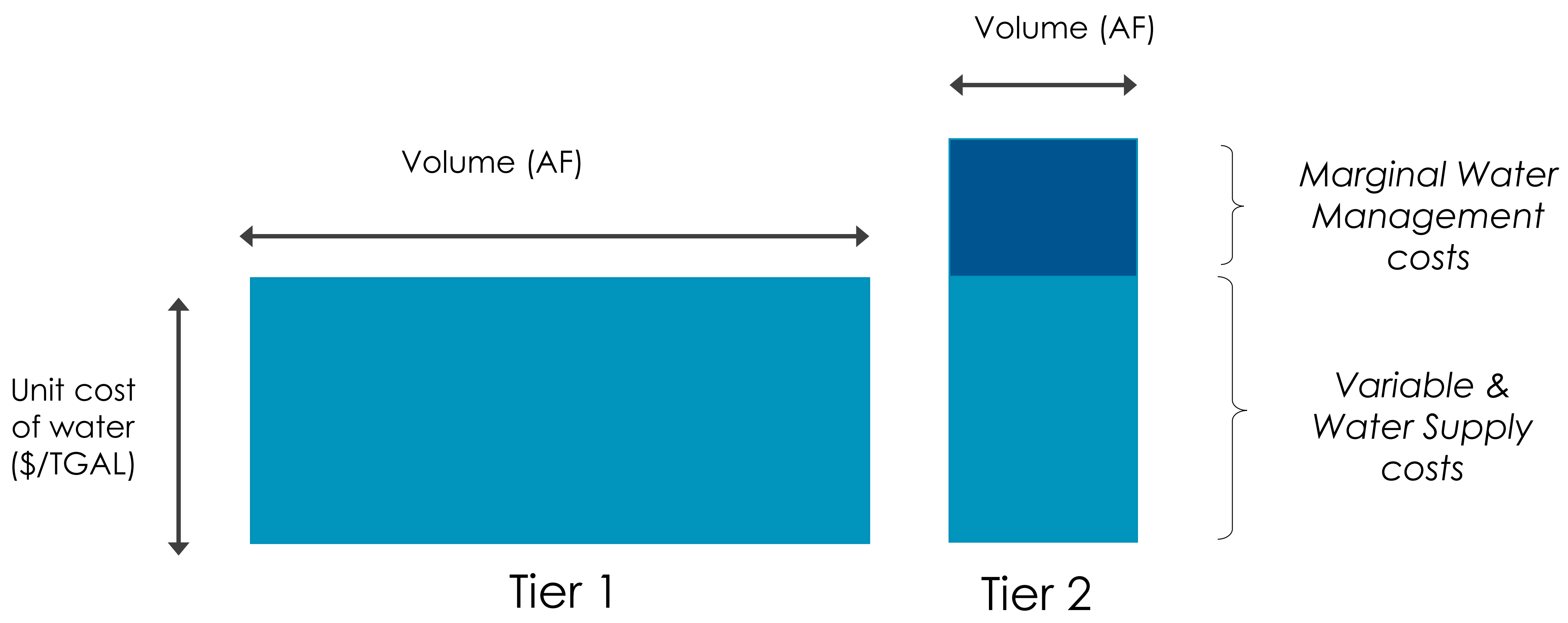
- Fixed Service Charge
  - ✓ By Meter size

- “Quantity” Charge:
  - ✓ 3 Tiers for Residential
  - ✓ Seasonal rates for Commercial (Non-Residential)
  - ✓ Hydraulic Zone Charge

Current Basis for Tiered Water Rates



Proposed Basis for Tiered Water Rates*



** Seasonal rates for commercial accounts are proposed to be replaced with uniform rates*

Fixed vs. Variable Revenue

Approximately 11.2% of operating costs are variable

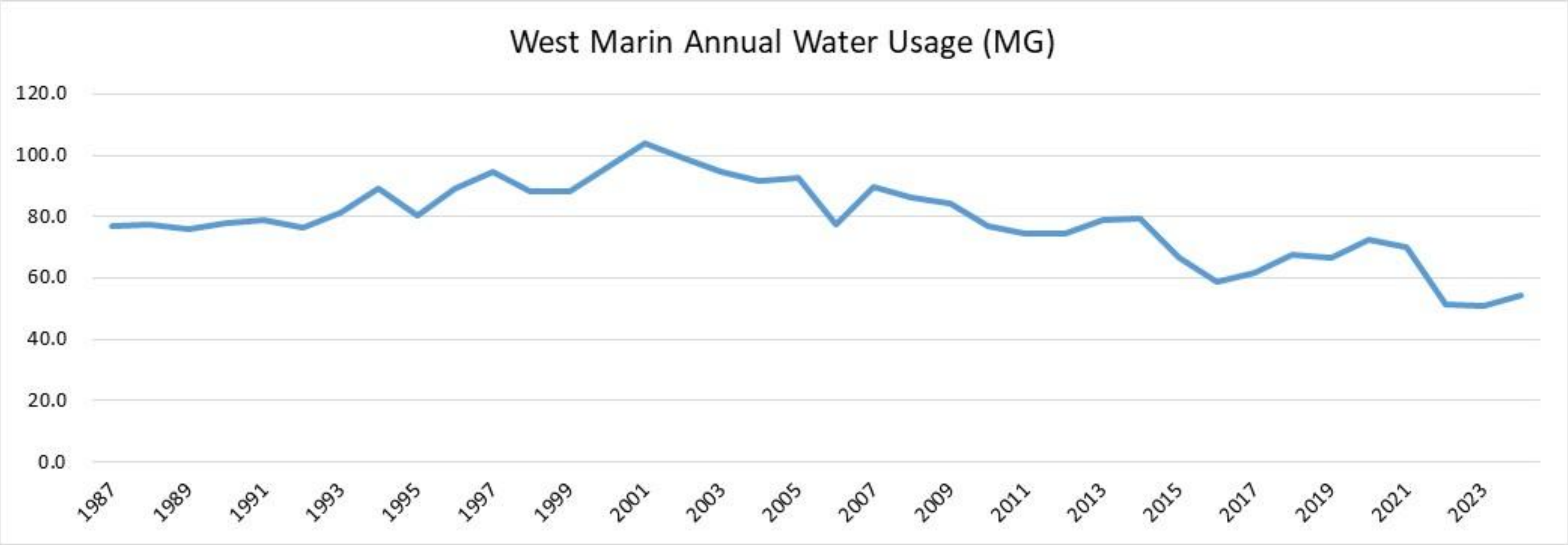
Approximately 5.7% of all costs are variable

Vs.

Currently 73.0% of rate revenue is variable

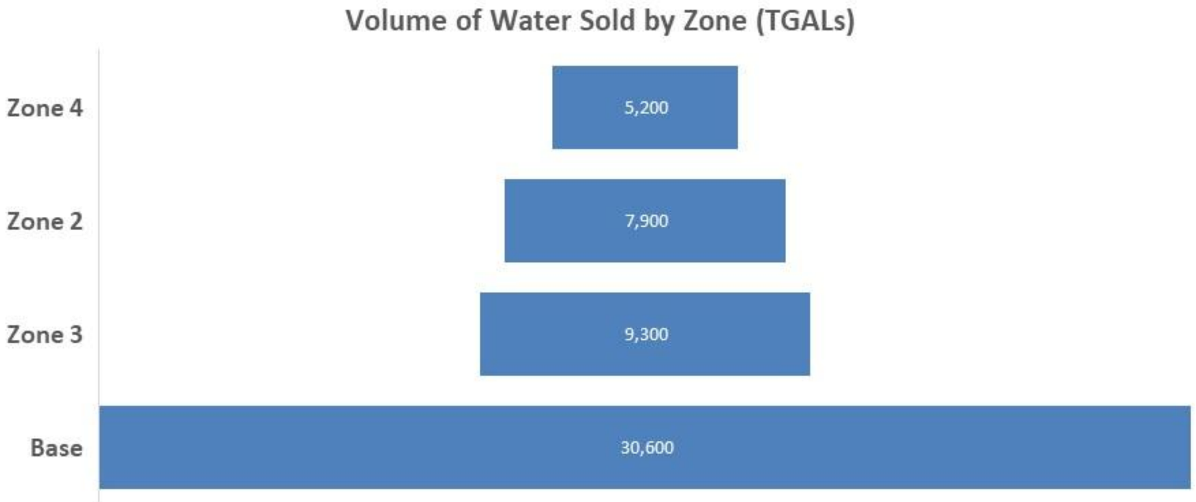
We propose to incrementally increase the proportion of revenue that is fixed (by about 2%). This needs to be done slowly in order to minimize the impact on rate payers.

Changes in water usage is impactful



Basis for 2021 Rate Study: 69 million gallons
Most recent water usage: 55 million gallons
… a reduction of 20%

Hydraulic Zone Charge



Proposed Hydraulic Zone Charge based on:

- Detailed actual electricity usage by zone
- Depreciation expense associated with associated pump and storage assets [1]

(doesn't include a "Zone 1" charge because all water originates in Zone 1)

	Replacement Charge ($/TGAL)		Electricity Charge ($/TGAL)		Proposed Hydraulic Zone Charge ($/TGAL)	Current Charge (per TGAL)	Change
Zone 3[2] (Olema):	$0.68	+	$0.31	=	$0.99	$1.32	-25%
Zone 2 (others[3]):	$1.88	+	$0.95	=	$2.83	$2.61	8%
Zone 4[4] (Upper PRE):	$4.57	+	$1.61	=	$9.01	$7.34	23%

[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

[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.

Proposed Rates (Year 1)

VARIABLE QUANTITY CHARGE (per TGAL)

	PROPOSED RATES		CURRENT RATES			PROPOSED CHANGE					
COMMERCIAL	**Uniform**		**Winter**	**Summer**		**Winter**		**Summer**			
Base Rate	$14.49		$10.57	$21.83		$3.92	37.1%	-$7.34	-33.6%		
Zone 3	$15.48		$11.89	$23.15		$3.59	30.2%	-$7.67	-33.1%		
Zone 2	$17.32		$13.18	$24.44		$4.14	31.4%	-$7.12	-29.1%		
Zone 4	$23.50		$17.91	$29.17		$5.59	31.2%	-$5.67	-19.4%		
	Tier		Tier								
RESIDENTIAL	**1**	**2**	**1**	**2**	**3**	**Tier 1**		**Tier 2**		**Tier 3**	
Base Rate	$13.70	$17.76	$10.57	$15.37	$21.83	$3.13	29.6%	$2.39	11.0%	-$4.07	-18.6%
Zone 3	$14.69	$18.75	$11.89	$16.69	$23.15	$2.80	23.5%	$2.06	8.9%	-$4.40	-19.0%
Zone 2	$16.53	$20.59	$13.18	$17.98	$24.44	$3.35	25.4%	$2.61	10.7%	-$3.85	-15.8%
Zone 4	$22.71	$26.77	$17.91	$22.71	$29.17	$4.80	26.8%	$4.06	13.9%	-$2.40	-8.2%
Outside Surcharge*	$4.85		$4.85								

FIXED SERVICE CHARGE (bimonthly)

METER SIZE	PROPOSED	CURRENT	CHANGE (dollars)	CHANGE (percent)
5/8"	$59.60	$50.73	$8.87	17.5%
1" Fire**	$59.60	$50.73	$8.87	17.5%
1"	$144.55	$124.80	$19.75	15.8%
1 1/2"	$286.12	$248.29	$37.83	15.2%
2"	$456.01	$396.46	$59.55	15.0%
3"	$909.05	$791.60	$117.45	14.8%
4"	$1,418.72	$1,236.12	$182.60	14.8%

* No change proposed

** Upsized due to fire code requirements

Residential Bill Impacts

Single Family

Meter Size	Bimonthly Water Usage		Bi-monthly Current Bill	Bi-monthly Proposed Bill	Change	
5/8" (Base zone)	Low	4.0	$93.01	$114.40	23.0%	34.5% of all accounts
	Median	5.2	$105.69	$130.84	23.8%	
	Average	8.0	$135.29	$169.20	25.1%	
	High	30.0	$439.83	$531.53	20.8%	
5/8" (Zone 2)	Low	4.0	$103.45	$125.72	21.5%	20.8% of all accounts
	Median	5.2	$119.27	$145.56	22.0%	
	Average	8.0	$156.17	$191.84	22.8%	
	High	30.0	$590.13	$677.30	14.8%	
5/8" (Zone 4)	Low	4.0	$122.37	$150.44	22.9%	7.9% of all accounts
	Median	5.2	$143.86	$177.69	23.5%	
	Average	8.0	$194.01	$241.28	24.4%	
	High	30.0	$588.03	$801.80	36.4%	
1" (fire) (Base Zone)	Low	4.0	$93.01	$114.40	23.0%	7.5% of all accounts
	Median	5.2	$105.69	$130.84	23.8%	
	Average	8.0	$135.29	$169.20	25.1%	
	High	30.0	$439.83	$531.53	20.8%	

Multi-Family

Meter Size	Typical Water Usage (TGAL)	Bi-monthly Current Bill	Bi-monthly Proposed Bill	Change
Duplex (5/8")	10.0	$156	$197	25.7%
4 Units (1.5")	25.0	$513	$629	22.6%
25 Units (1.5")	180.0	$2,151	$2,752	28.0%

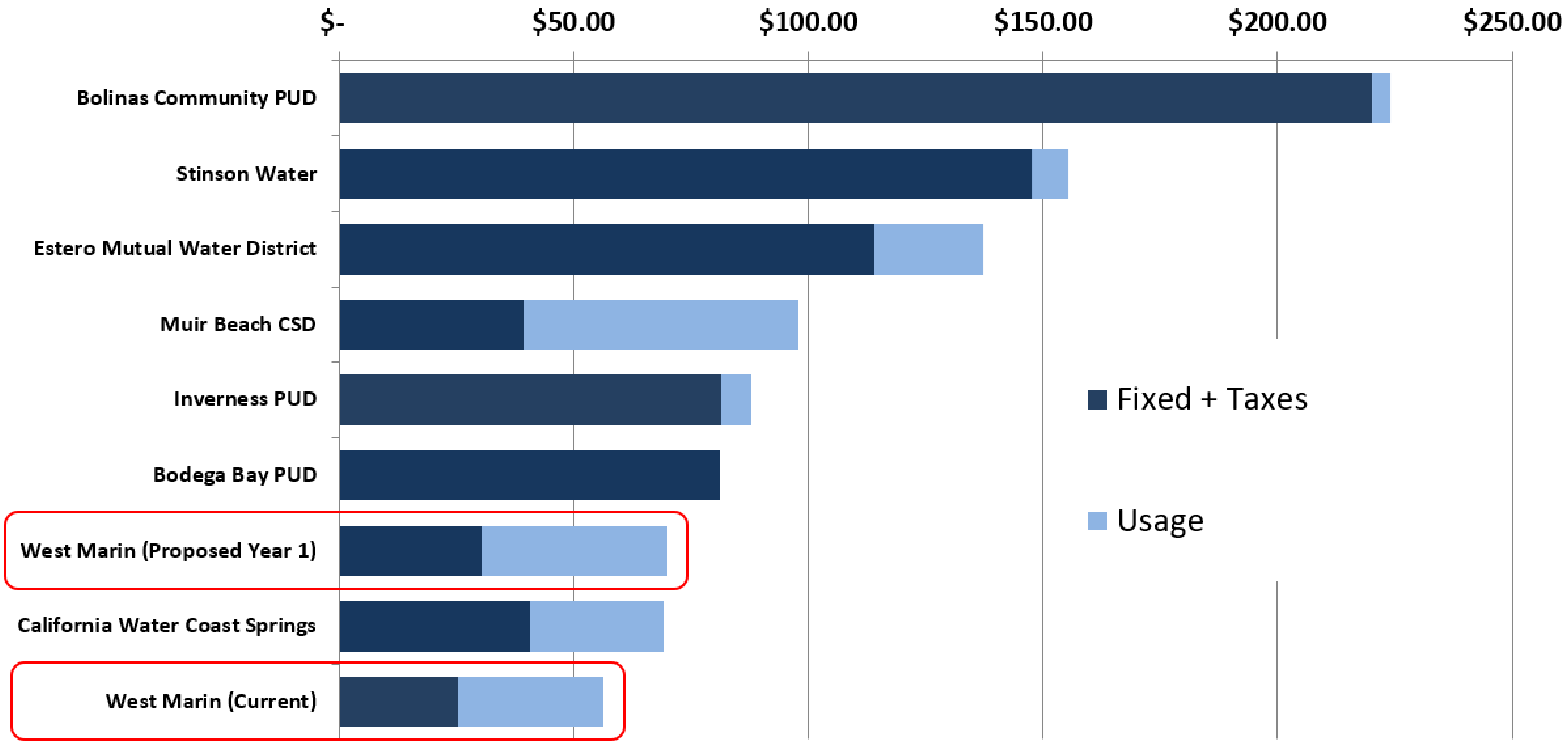
Commercial Bill Impacts

Meter Size	Average Monthly Summer Usage (TGAL)	Average Monthly Winter Usage (TGAL)	Summer Month [1] Current	Summer Month [1] Proposed	Summer Month [1] Change	Winter Month [1] Current	Winter Month [1] Proposed	Winter Month [1] Change	Percent of Accounts
5/8"	3 (low)	2 (low)	$91	$73	-19.4%	$47	$59	26.4%	7.0%
	6 (average)	5 (average)	$156	$117	-25.3%	$78	$102	30.7%	
	18 (high)	16 (high)	$418	$291	-30.5%	$194	$262	34.5%	
1"	25 (low)	25 (low)	$608	$435	-28.6%	$327	$435	33.0%	2.2%
	40 (average)	40 (average)	$936	$652	-30.3%	$485	$652	34.4%	
	84 (high)	83 (high)	$1,896	$1,289	-32.0%	$940	$1,275	35.7%	
1.5"	7	4	$277	$244	-11.7%	$166	$201	20.8%	0.5%
2"	181	82	$4,149	$2,851	-31.3%	$1,065	$1,416	33.0%	0.26%
3"	362	105	$8,298	$5,700	-31.3%	$1,506	$1,976	31.2%	0.13%
4" (Zone 3)	94	69	$2,794	$2,164	-22.5%	$1,438	$1,777	23.6%	0.13%

[1] Seasonal rates are propsed to be eliminated but a comparison to current rates requires a comparison to the existing seasonal rates.

Survey – Single Family Homes

Monthly Bill for typical water usage (2,930 gallons per month or 96 gallons per day)



Schedule

✓	Water Management Ad-Hoc Committee Meeting #1	Jan 14th
✓	Water Management Ad-Hoc Committee Meeting #2	Feb 12th
✓	Board Meeting - Draft Recommendation Presentation	March 18th
❑	Board Meeting - Final Recommendation Presentation	April 15th
❑	Mail Notification	May 2nd
❑	Public Hearing to enact new water rates	June 17th
❑	Implement New Water Rates	July 1st