

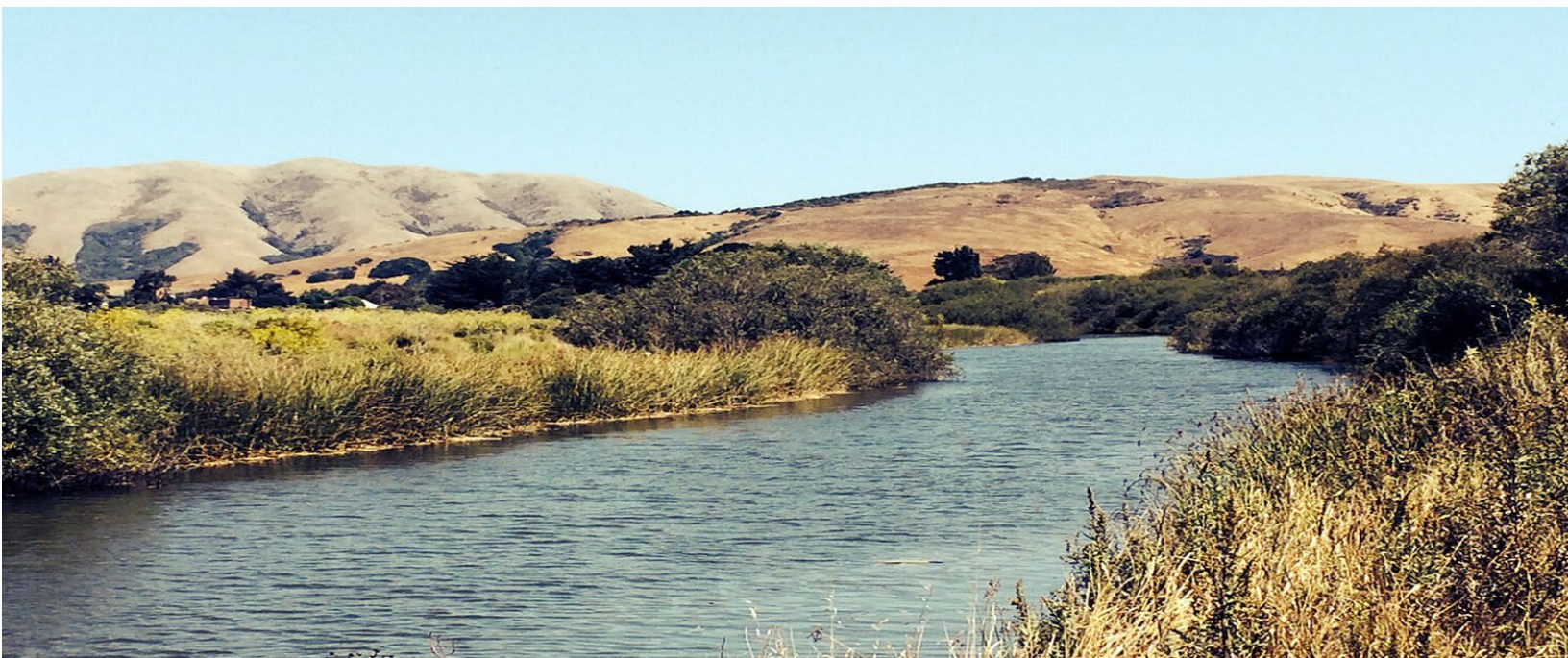


NORTH MARIN WATER DISTRICT

2025 West Marin Water Rate Study

Final Report

April 15, 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 written over a faint, light blue circular background.

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 service area 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 area 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 West Marin Water 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 service area, 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 four 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 connection fees for that project have 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.

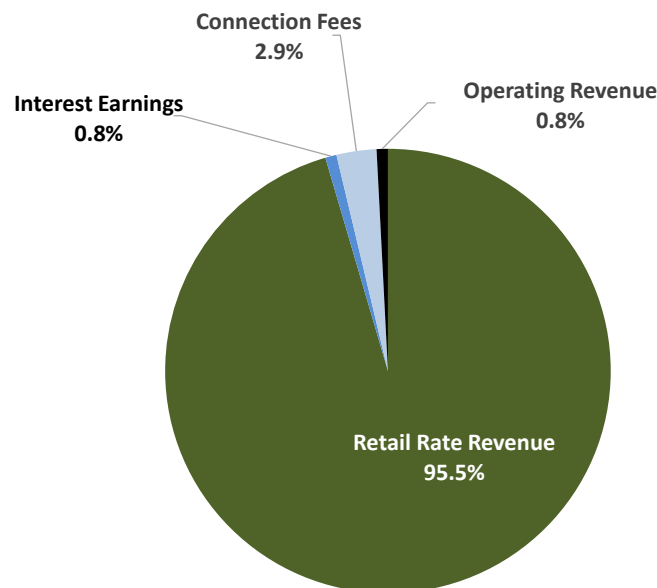


Figure 1: Budgeted Revenue Categories (FY 2024/25)

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 (an \$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**.

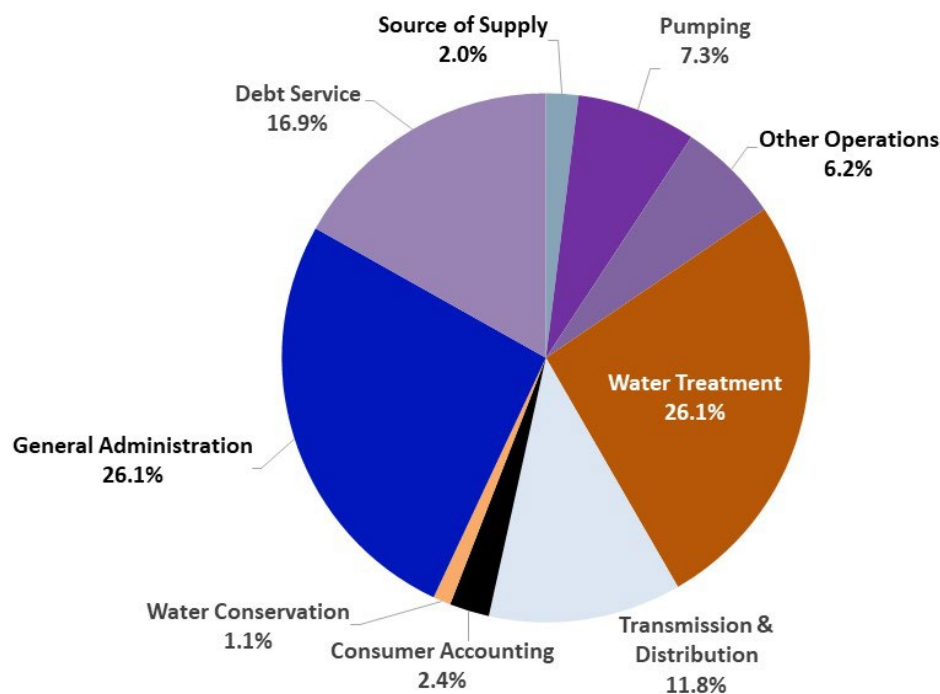


Figure 2: Budgeted Expense Categories (FY 2024/25)

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 Water 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.

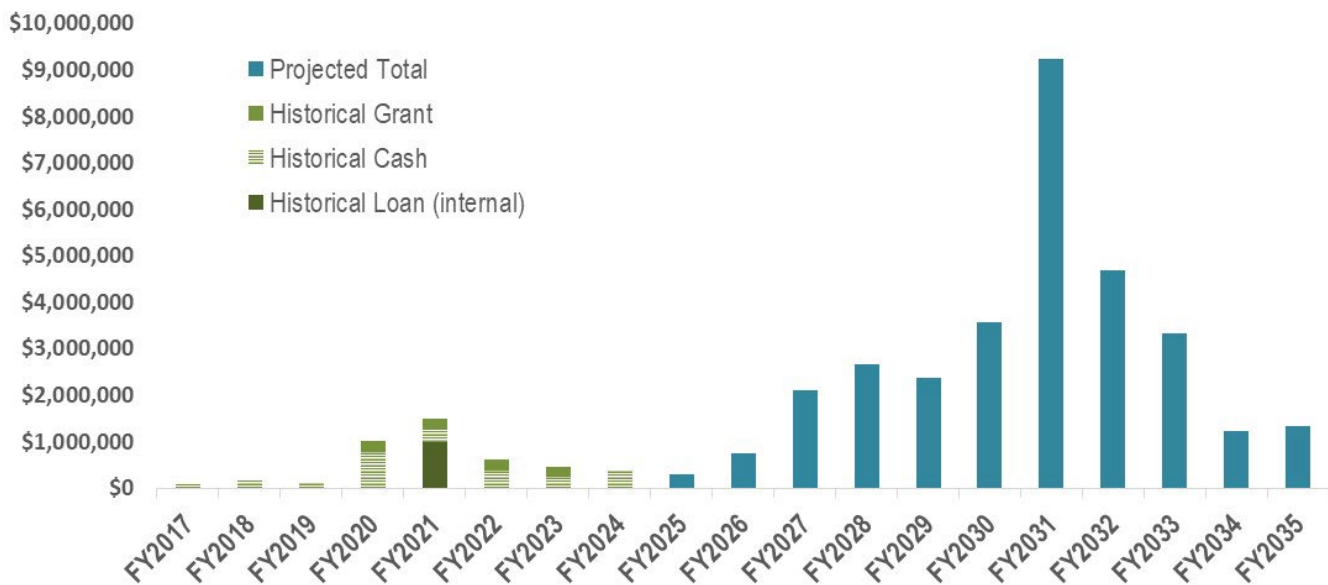


Figure 3: Historic and projected capital spending (after projected inflation)

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.

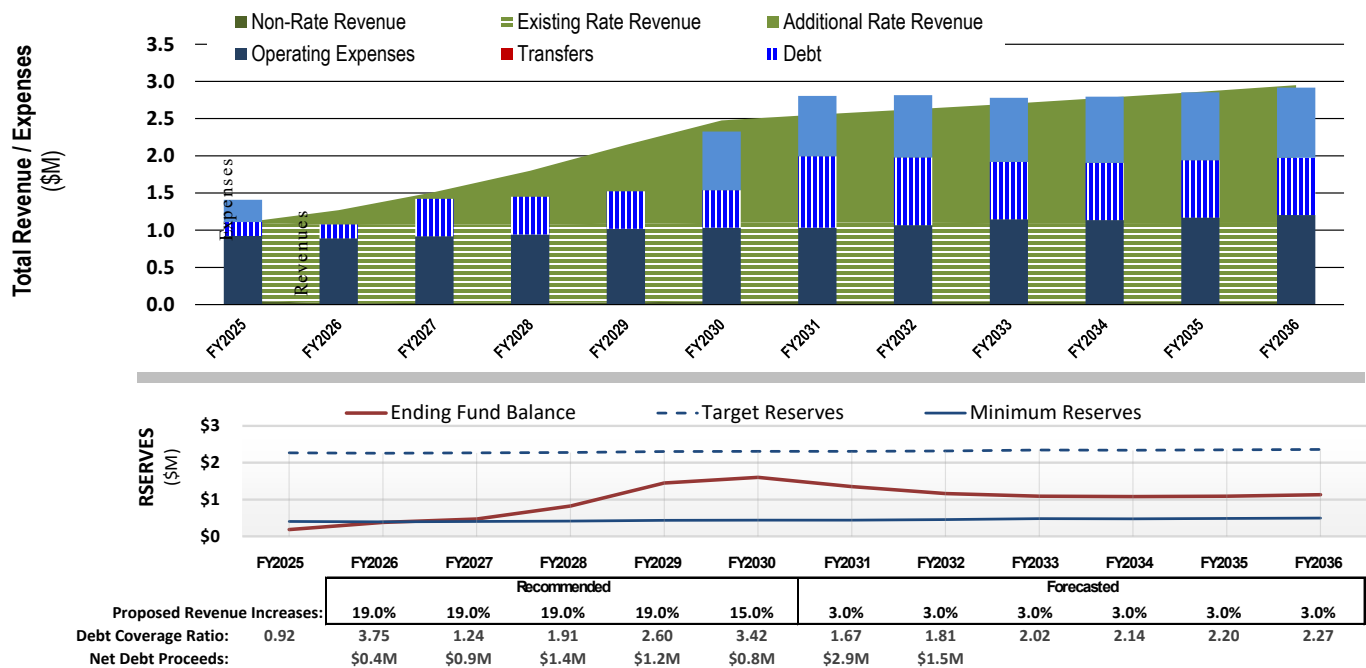


Figure 4: Financial Projection with Recommended Rate Increases

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 customers 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.

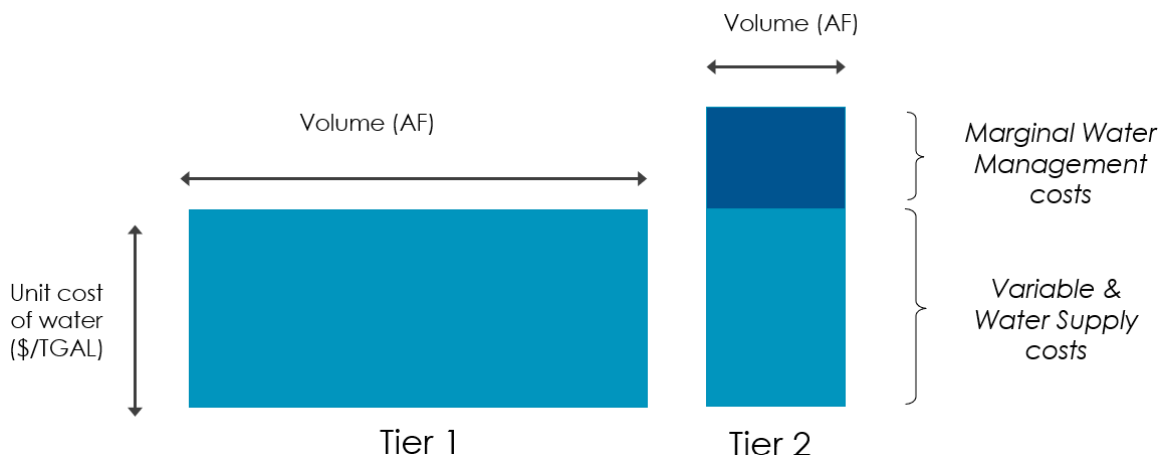


Figure 5: Basis for Tiered Rate Structure

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**).

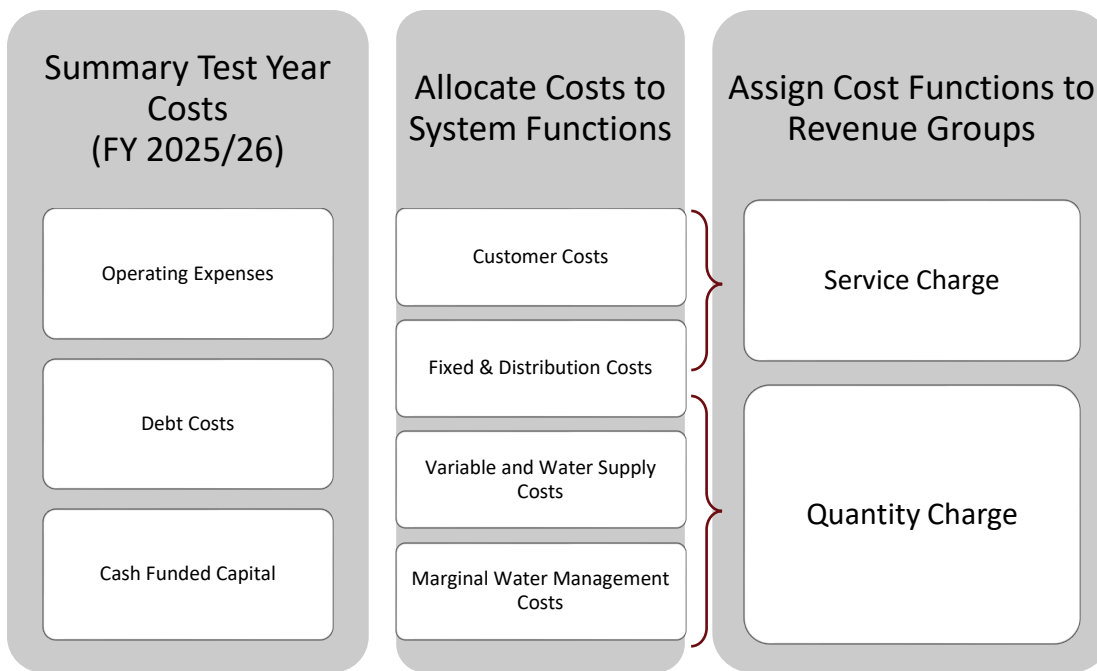


Figure 6: Allocation of Cost Categories

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 through programs such as rebates for low flow devices and appliances, incentives for

replacement of automatically irrigated lawn and other rebate and incentive program costs. All of these 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 PRTP 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 that have a 1" meter due to fire requirements, but would otherwise have a 5/8" meter, are 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 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. Consequently, 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 from 5/8" due to fire code requirements