

# 2025 West Marin Water Rate Study

## Board Presentation – Final Recommendation

April 15, 2025





# Agenda

1. Rate studies overview & scope
2. Review financial plan
3. Proposed Capital Spending Plan
4. Rate design & structure topics
5. Project schedule

# Rate Study Objective

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

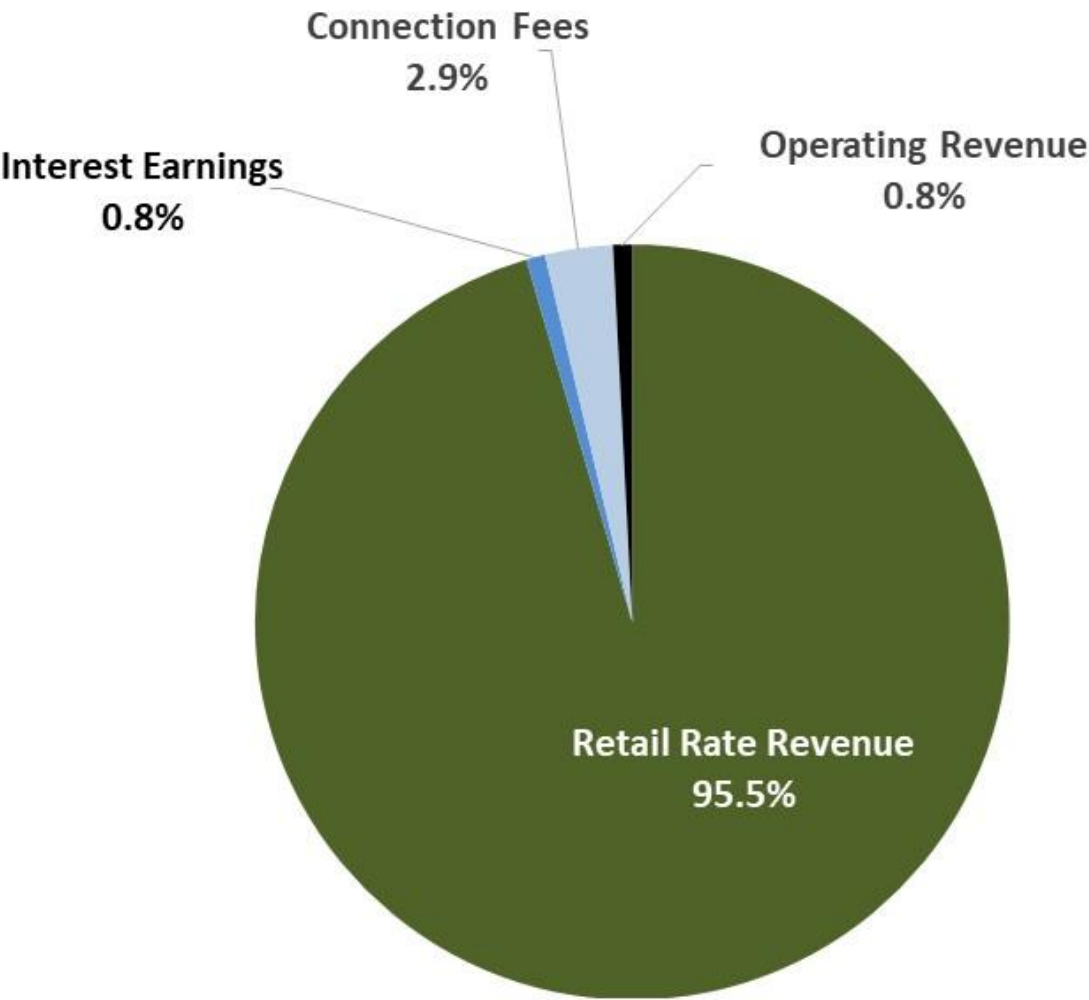
## Rate Design

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

# West Marin Enterprise Revenue

FY2024/25 Budget

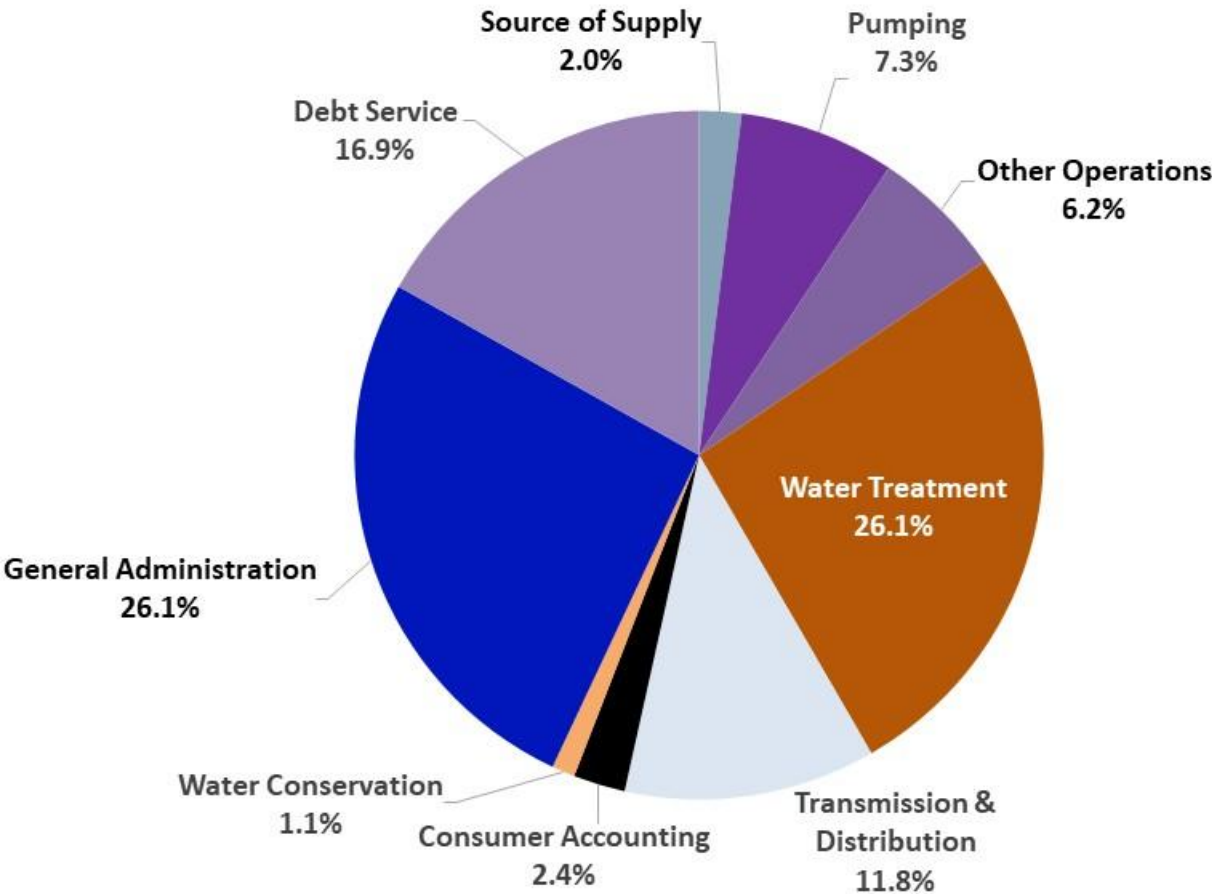
Retail Rate Revenue	\$1,053,000
<b>Non-Rate Revenue</b>	
Interest Earnings	\$9,000
Connection Fees	\$32,000
Operating Revenue	\$9,000
<b>Total:</b>	<b>\$1,103,000</b>



# 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
<b>Total Budget:</b>	<b>\$1,109,000</b>



# Cost Escalation Assumptions

- Utilities, chemicals, supplies – 5% per year
- All other costs – 3% per year
- Sensitivity analysis was conducted with less “optimistic” (i.e., higher) inflation assumptions, which would have resulted in larger proposed rate increases. Ultimately the study proceeded with lower inflation assumptions (a) to minimize the rate impact to customers and (b) because the financial plan is a 20-year period, which is unlikely to sustain high inflation rates.

# 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 11 through 17

## **Inflation & Increases in Operations and Maintenance Costs**

- 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)
- Reductions in water usage



# Reserves

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

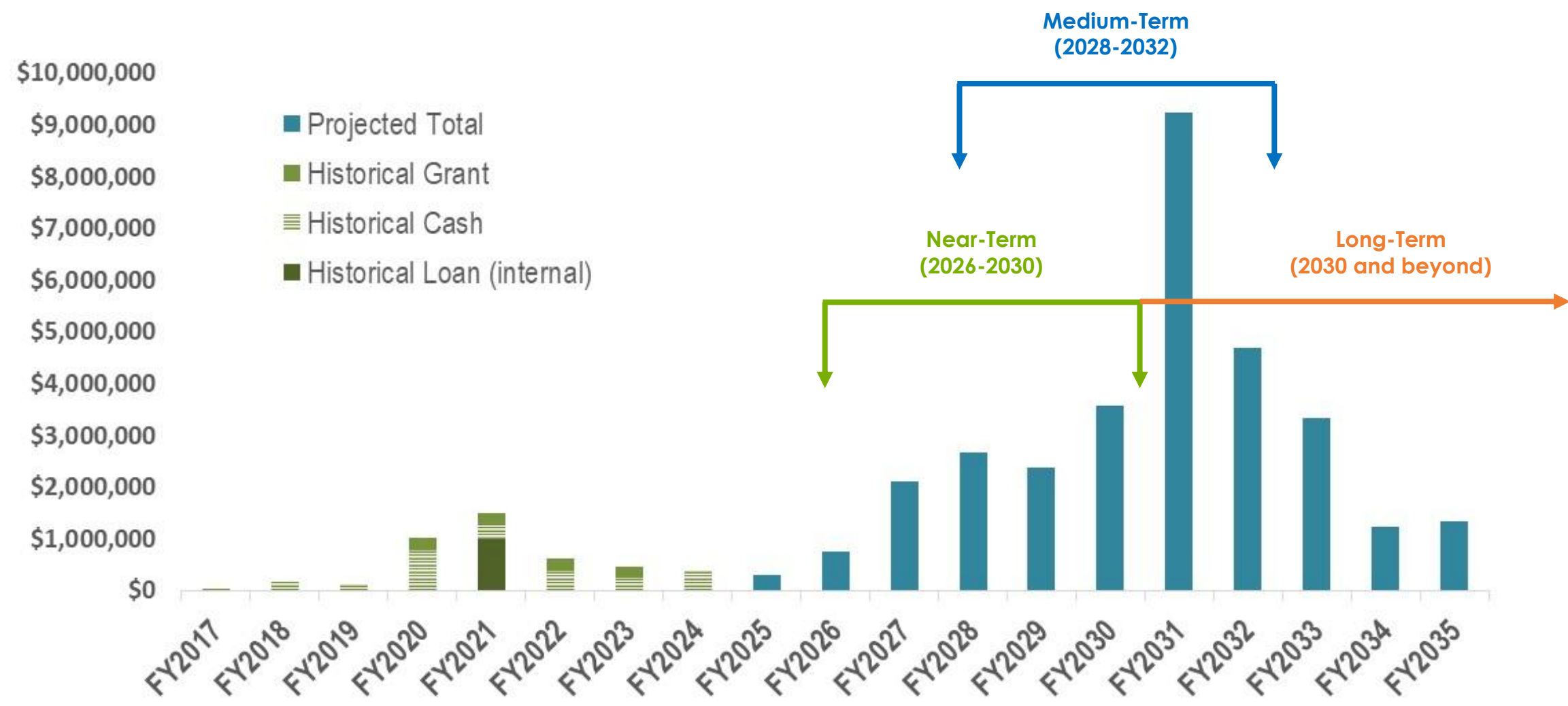
<b>Minimum Reserves:</b>	These reserves should always *plan* to be fully funded:
	<b>Operating Reserve:</b> 4 months of O&M budget (\$307 thousand) <b>Liability Contingency Reserve</b> (currently \$99K)
<b>Target Reserves:</b>	This reserve is designed to occasionally be drawn down:
	<b>Maintenance Accrual Fund:</b> Equal to the average long-term annual capital spending (approx. \$1.86 million depending on scenario).

# **West Marin Enterprise Proposed Capital Spending Plan**

# Proposed Capital Spending Plan

- Near-Term (FY26 – 30) (\$4,250,000)
  - 2 bridge pipelines, Gallagher Well #3 (replace #1)
  - Treatment Plant Interim Rehabilitation
  - 100% debt financed
- Medium-Term (FY28 – 32) (\$10,000,000)
  - Treatment Plant Full-Scale Rehabilitation
  - Assumed 50% grant funded
- Long-Term (FY30 and beyond) (\$12,000,000)
  - Pipeline, Tank, and Pump Station rehabilitation & replacements
  - \$700,000 annual pay-go

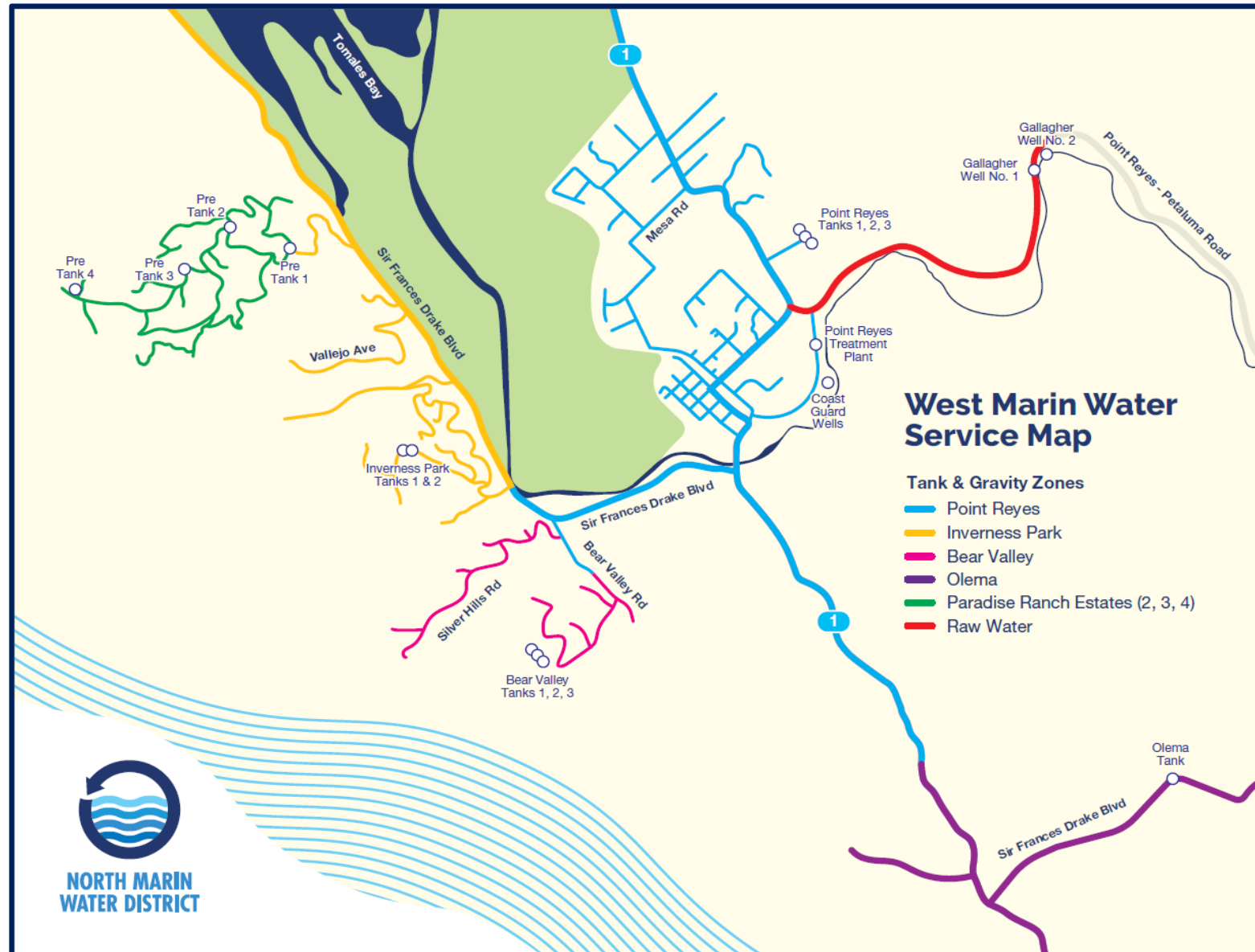
# West Marin Enterprise Capital Spending Needs







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

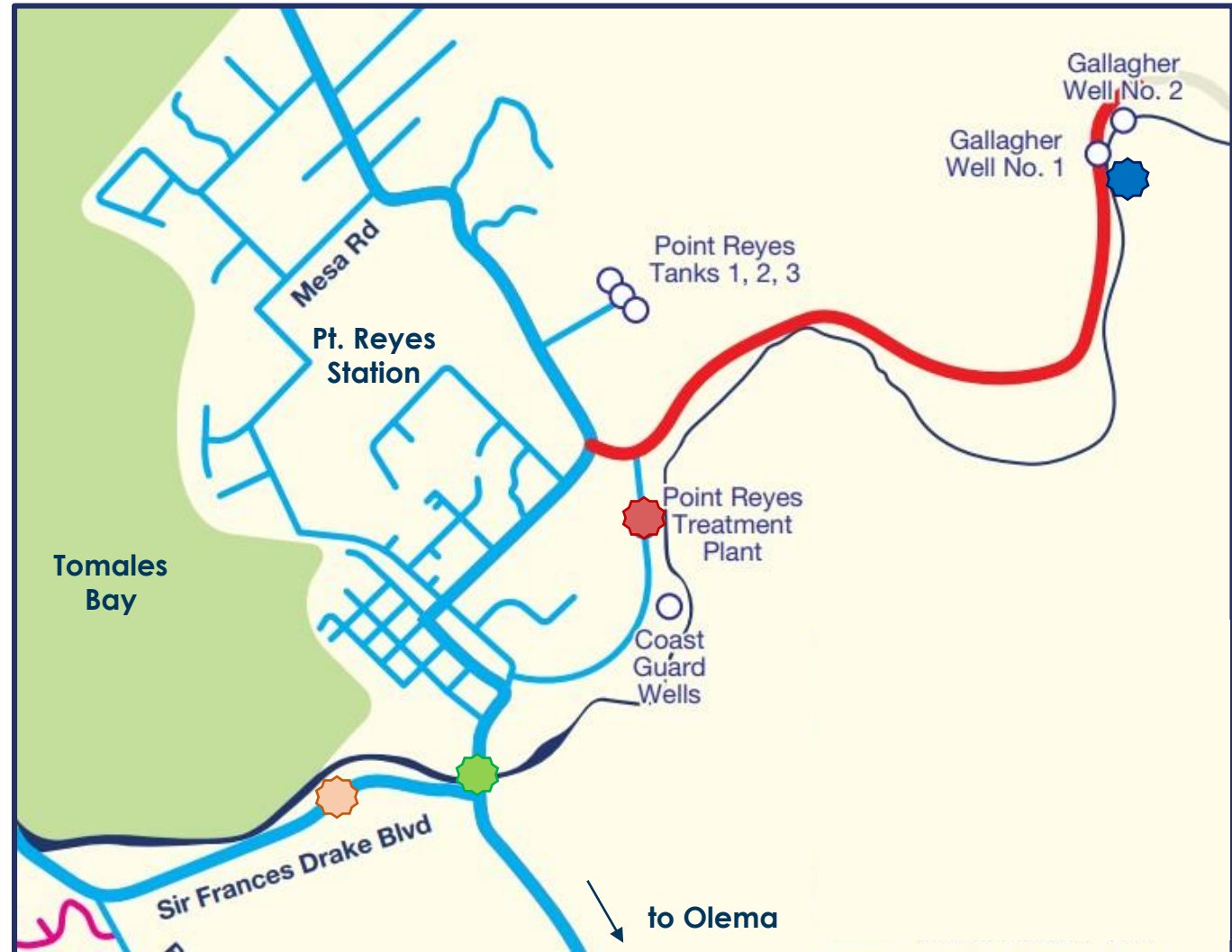


# West Marin Enterprise Planned Projects 2026-2045



# Near-Term Project Focus (2026-2030)

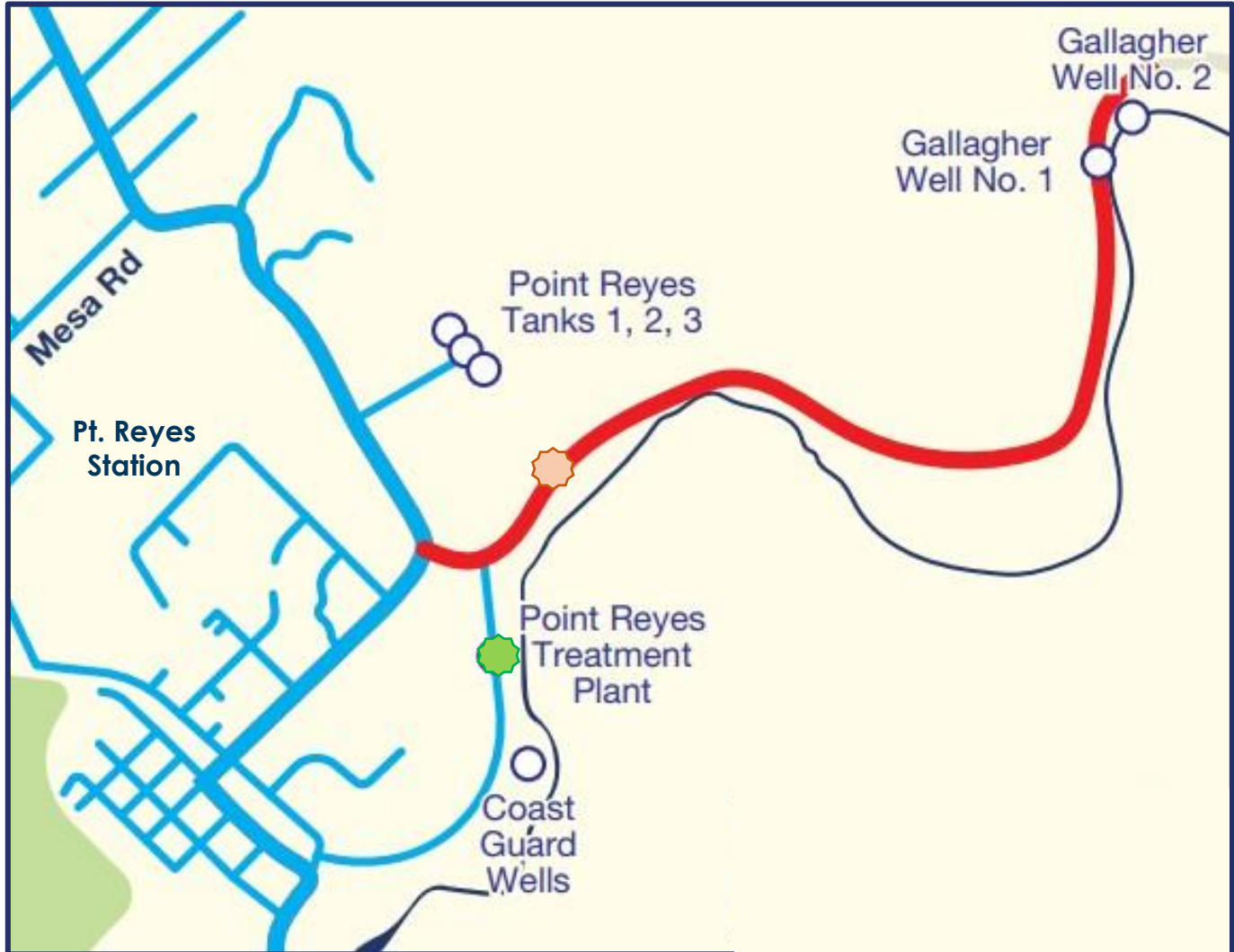
-  Lagunitas Creek Bridge Pipe Replacement  
\$1,250,000
-  Olema Creek Bridge Pipe Replacement  
\$1,250,000
-  Gallagher Well No.3  
\$1,500,000
-  Point Reyes Treatment Plant Interim Rehabilitation  
\$250,000



# Medium-Term Project Focus (2028-2032)

● Point Reyes Treatment Plant  
Full-Scale Rehabilitation  
\$8,500,000

● Raw Water Line  
Modification  
\$1,500,000



# Long-Term Project Focus (2030 and beyond)

## Pipelines - \$4,000,000

- Replace Backbone Distribution Pipeline
- Replace Polybutylene Service Lines
  - 10 Services
- Replace Thin Wall Plastic Pipe
  - 5,300 feet approx.
  - 2" → 6"
- Replace Galvanized Steel Pipe
  - 2,600 feet approx.
  - 2" → 6"





# Long-Term Project Focus (2030 and beyond)

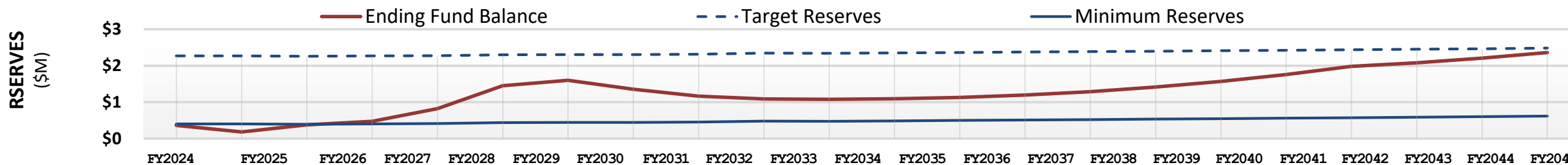
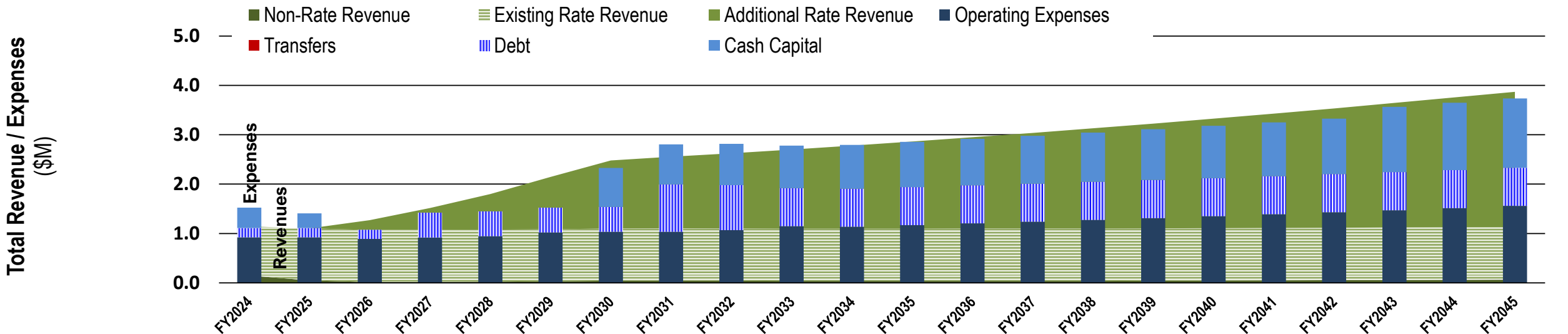
## Tank & Pump Stations - \$8,000,000

-  Olema Pump Station Flood Protection
-  Olema Tank Communication Improvements
-  PRE Tank No. 1 Replacement
-  PRE Tank No. 2 Replacement
-  Pt Reyes Tank No. 1 Rehabilitation
-  Pt Reyes Tank No. 2 Replacement
-  Pt Reyes Tank No. 3 Rehabilitation
-  Bear Valley Tanks Access Improvements
-  Bear Valley Pump Station Rehabilitation
-  Inverness Park Pump Station Rehabilitation
-  Inverness Park Tanks (2x) Rehabilitation
-  Water Supply Redundancy



# **Cost of Service Study and Rate Structure Design**

# West Marin Enterprise Financial Forecast



			Recommended					Forecasted														
			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%
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%	
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													

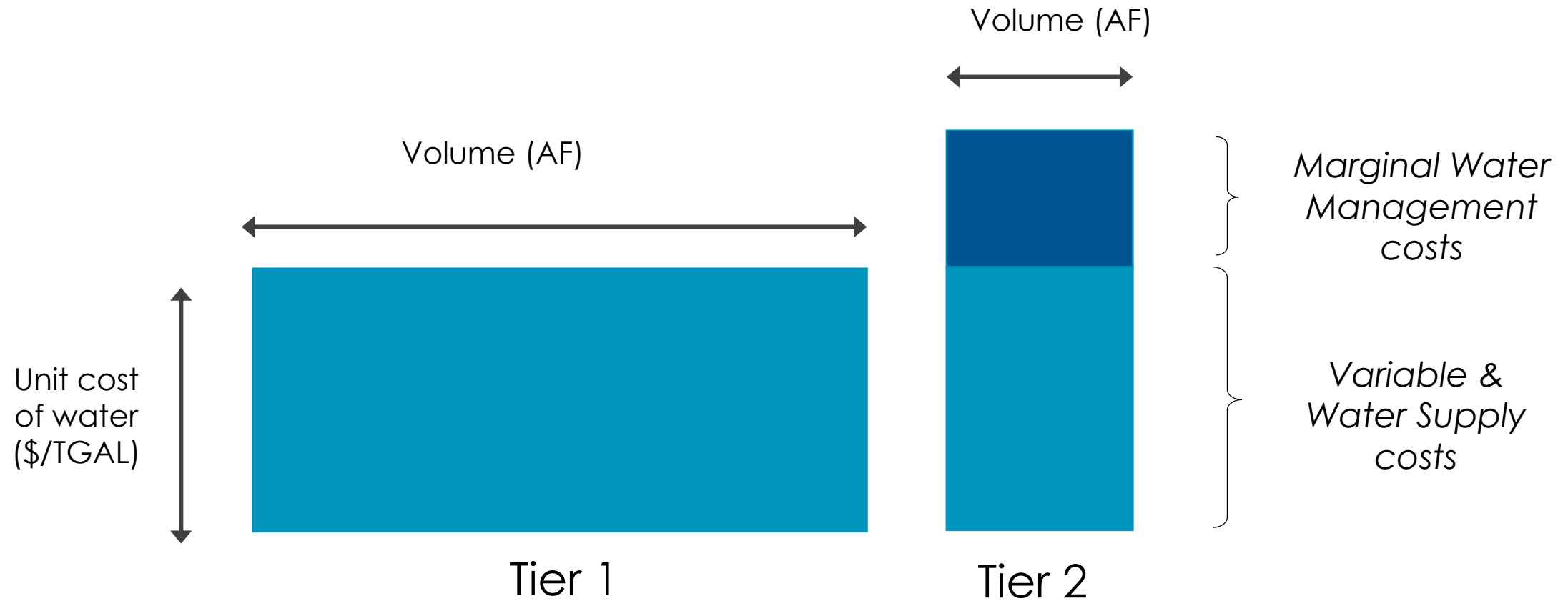
Two Debt Issues: \$4.0M & \$5.2M

# Existing Rates

- Fixed Service Charge
  - ✓ By Meter size
- “Quantity” Charge:
  - ✓ 3 Tiers for Residential
  - ✓ Seasonal rates for Commercial (Non-Residential)
  - ✓ Hydraulic Zone Charge



# Proposed Basis for Tiered Water Rates\*



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

# Hydraulic Zone Charge

## Proposed Hydraulic Zone Charge based on:

- Detailed actual electricity usage by zone
  - Depreciation expense associated with associated pump and storage assets <sup>1</sup>
- (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 <sup>2</sup> (Olema):	\$0.68	+	\$0.31	=	\$0.99		\$1.32	-25%
Zone 2 (others <sup>3</sup> ):	\$1.88	+	\$0.95	=	\$2.83		\$2.61	8%
Zone 4 <sup>4</sup> (Upper PRE):	\$4.57	+	\$1.61	=	\$9.01		\$7.34	23%

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

<sup>2</sup> The historical naming convention for the zone is not consistent with the actual elevation

<sup>3</sup> Includes Inverness Park, Bear Valley, and Lower Paradise Ranch Estates

<sup>4</sup> 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	<u>Uniform</u>		<u>Winter</u>		<u>Summer</u>	<u>Winter</u>		<u>Summer</u>				
	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%			
RESIDENTIAL	<u>Tier</u>		<u>Tier</u>			<u>Tier 1</u>		<u>Tier 2</u>		<u>Tier 3</u>		
	1	2	1	2	3	3.13	29.6%	2.39	11.0%	-\$4.07	-18.6%	
	Base Rate	\$13.70	\$17.76	\$10.57	\$15.37	\$21.83	\$2.80	23.5%	\$2.06	8.9%	-\$4.40	-19.0%
	Zone 3	\$14.69	\$18.75	\$11.89	\$16.69	\$23.15	\$3.35	25.4%	\$2.61	10.7%	-\$3.85	-15.8%
	Zone 2	\$16.53	\$20.59	\$13.18	\$17.98	\$24.44	\$4.80	26.8%	\$4.06	13.9%	-\$2.40	-8.2%
Zone 4	\$22.71	\$26.77	\$17.91	\$22.71	\$29.17							
Outside Surcharge*	\$4.85		\$4.85									
FIXED SERVICE CHARGE (bimonthly)												
METER SIZE	PROPOSED	CURRENT	CHANGE									
			(dollars)	(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	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	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%

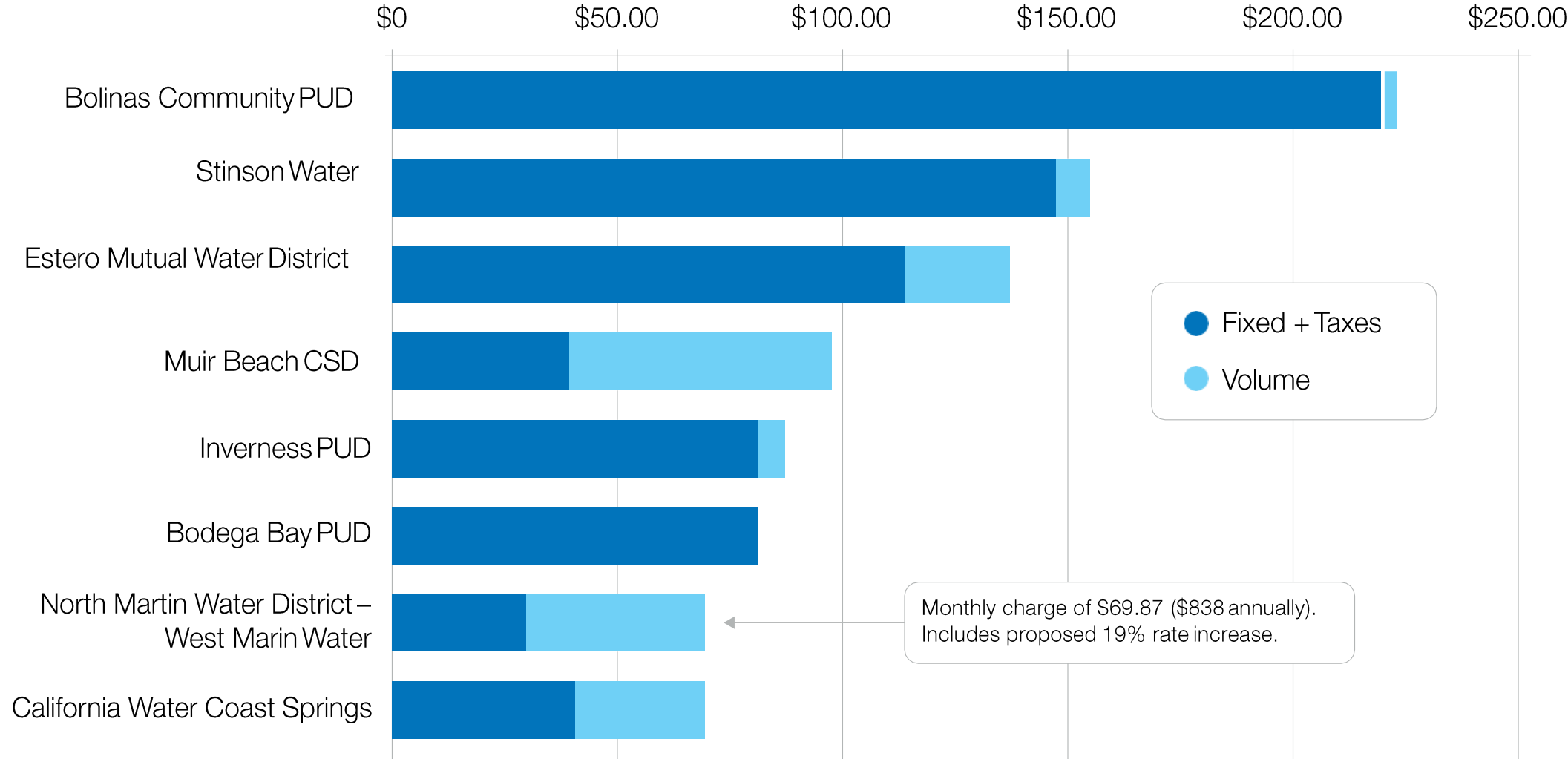


# Commercial Bill Impacts

Meter Size	Average Monthly Summer Usage (TGAL)	Average Monthly Winter Usage (TGAL)	<u>Summer Month</u> <sup>1</sup>			<u>Winter Month</u> <sup>1</sup>			Percent of Accounts
			Current	Proposed	Change	Current	Proposed	Change	
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%

<sup>1</sup> Seasonal rates are proposed to be eliminated but a comparison to current rates requires a comparison to the existing seasonal rates.

# Water bill survey\* for single-family homes with median usage (2,930 gallons per month)



\*Survey results as of March 2025 using data available at the time the survey was compiled. Actual rates and comparisons may change.

# Schedule

- |   |                        |
|---|------------------------|
| ✓ West Marin Services Ad-Hoc Committee Meeting #1   | Jan 14 <sup>th</sup>   |
| ✓ West Marin Services Ad-Hoc Committee Meeting #2   | Feb 12 <sup>th</sup>   |
| ✓ Board Meeting - Draft Recommendation Presentation | March 18 <sup>th</sup> |
| ✓ Board Meeting - Final Recommendation Presentation | April 15 <sup>th</sup> |
| ☐ Mail Notification                                 | May 2 <sup>nd</sup>    |
| ☐ Public Hearing to enact new water rates           | June 17 <sup>th</sup>  |
| ☐ Implement New Water Rates                         | July 1 <sup>st</sup>   |