

# **Board of Directors**

**Rate Discussion -**

**Four Issues Related to the Proposed  
Capital Maintenance Fee (CMF)**

**April 16, 2019**



**MARIN MUNICIPAL  
WATER DISTRICT**



- Review of CMF Related Issues
  1. Use of Meter Size to determine the CMF \$ amounts
  2. Upsized Residential Meters
  3. Capital Maintenance Fee (CMF) Collection Options
  4. 4-Year Check in Period
- Next Steps



# Use of Meter Size for the CMF

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Using meter size to apportion costs is an accepted industry approach

- Meter size represents the potential demand on the system and not the actual water use a customer may be using at a given time
- Consideration of potential future demand is critical when investing in infrastructure designed to last 75 – 100 years

Every water agency reviewed (see list below) utilizes meter size as a basis for a water infrastructure related fee:

- Districts: Contra Costa Water, Dublin San Ramon, NMWD, EBMUD, Alameda County Water
- Cities: Palo Alto, Hayward, Mountain View, Los Altos, Livermore, Santa Clara, Sonoma, San Jose, SFPUC

Commercial and Institutional Private Fire Service Lines are not included in the new fee

- Used only in the very rare event of interior fire and, thus, do not impact demand on the system and associated infrastructure sizing
- Similarly, not included in Connection Fee calculations for the same reasons



## Factors that determine meter size

- Water pressure
- Number of fixtures (Uniform Plumbing Code)
- Sprinkler system

Note: Applicant requests meter size, it is not defined by MMWD



- National Fire Protection Association (NFPA) fire sprinkler requirement adopted by the local fire districts for new single family residential (SFR) and substantial remodel to the existing building (over 50%), beginning in 1988
- 2010 California Fire Code required Fire Sprinklers for new and remodeled single family residences
- 3,400 District single family residence (SFR) services identified with fire sprinklers, about 6%, of MMWD SFR services



Proposed Capital Maintenance Fee (CMF) adjustment for residential services that have a meter upsized for non-consumption purposes (e.g. NFPA fire sprinkler systems or Low Pressure)

1. Applicant to fill out an application/worksheet to request a change in CMF
2. MMWD to review Fixture Units to determine minimum meter size (without fire sprinkler demand)
3. CMF fee reduced 1 meter size if the calculated minimum meter size is less than the current size
4. Low pressure services (or other cases where meters were upsized for non-consumption reasons) can be reviewed for CMF charge reduction



## Options for Capital Maintenance Fee (CMF) collection:

### 1. Property Tax

- High quality water, along with sustainable water system infrastructure, maintains property values. This approach, of placement on the property tax bill, has property owner (versus renters or tenants) pay the CMF
- County charges approximately \$50k to act as collector

### 2. Bi-Monthly Bill

- Would smooth cash flow since collected bi-monthly instead of twice a year
- Routine process to bill accounts that do not receive property tax bill

### 3. Hybrid approach: place on Bi-Monthly Bill for initial year, and then place on property bill

- Provides for smoothing of cash flow
- Addresses transparency concerns
- Following initial year, places CMF on property tax bill



## 4-Year Check-in Period

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- In 4 years, during development of the biennial budget and the associated revenue discussions, the Capital Maintenance Fee could be reviewed for:
  - Adequacy to fund the Capital Improvement Program and Watershed
  - Appropriate amount that should be charged via the CMF
- During that time period staff would work with the Community Advisory Panel, and other interested members of the public, to review the CMF approach and inform the Board in their consideration of any changes to the CMF and capital program
- The time period would synch with the review of the operating budget and any recommended revenue adjustment





# Next Steps

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|----------------|--------------------------------------------------------------------|
| April 25, 2019 | Board of Directors                                                 |
| April 25, 2019 | Community Outreach and<br>Public Rate Workshop: Mill Valley        |
| May 15, 2019   | Community Outreach and<br>Public Rate Workshop: San Rafael         |
| May 28, 2019   | Prop 218 Public Hearing<br>Establish rates for FY2020-2023 and CMF |
| June 4, 2019   | Adopt 2 year budget                                                |