

Board of Directors

Item 3

Four Rate Related Issues

April 25, 2019



MARIN MUNICIPAL
WATER DISTRICT



- Rate Related Issues
 1. Possible phasing of Capital Maintenance Fee (CMF)
 2. CMF Collection Options
 3. Upsized Residential Meters for Non-consumption Purposes
 4. Non-ratepayer funded programs: Possible Enhancements
- Recommendations
- Next Steps



To reduce the year-to-year impact on ratepayers a phasing-in of CMF charges could be considered:

- A 2 year phase-in, 50% CMF in year 1 and 100% CMF in year 2, would result in a loss of approximately \$8.25 million in CIP funding
- A 3 year phase-in, 33% in year 1, 66% in year 2, and 100% in year three would result in a loss of approximately \$16.72 million in CIP funding



Phasing CMF and Borrowing

Fiscal Year Ending:	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
No phasing¹										
Additional Debt added = 0										
% collected of baseline	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
CMF Amount collected \$ millions	16.5	17.2	17.8	18.6	19.3	20.1	20.9	21.7	22.6	23.5
Amount bonded \$ millions ²	-	-	-	-	-	-	-	-	-	-
New Debt Service \$ millions (cumulative)										
Debt Service Coverage Ratio (DSC) % ³	2.92	3.06	3.18	3.30	3.41	3.54	3.66	3.79	3.93	4.07
CMF for 1" meter - Annually \$	\$408.74	\$425.10	\$442.10	\$459.78	\$478.18	\$497.30	\$517.20	\$537.88	\$559.40	\$581.78
CMF for 1" meter - Bi-Monthly \$	\$68.12	\$70.85	\$73.68	\$76.63	\$79.70	\$82.88	\$86.20	\$89.65	\$93.23	\$96.96
CMF for 5/8" meter - Annually \$	\$163.50	\$170.04	\$176.84	\$183.91	\$191.27	\$198.92	\$206.88	\$215.15	\$223.76	\$232.71
CMF for 5/8" meter - Bi-Monthly \$	\$27.25	\$28.34	\$29.47	\$30.65	\$31.88	\$33.15	\$34.48	\$35.86	\$37.29	\$38.79
5 year phasing¹										
Additional Debt added = \$28.6 million 30 year interest cost = \$27.2 million										
% collected of baseline	20%	40%	60%	80%	100%	100%	100%	100%	100%	100%
CMF Amount collected \$ millions	3.3	6.9	10.7	14.8	19.3	20.0	20.9	21.7	22.6	23.5
Amount bonded \$ millions ²	21.5		7.1							
New Debt Service \$ millions (cumulative)		1.4	1.4	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Debt Service Coverage Ratio (DSC) % ³	1.51	1.84	2.24	2.55	2.99	3.10	3.21	3.32	3.44	3.57
CMF for 1" meter - Annually \$	\$81.75	\$170.04	\$265.26	\$367.82	\$478.18	\$497.30	\$517.20	\$537.88	\$559.40	\$581.78
CMF for 1" meter - Bi-Monthly \$	\$13.63	\$28.34	\$44.21	\$61.30	\$79.70	\$82.88	\$86.20	\$89.65	\$93.23	\$96.96
CMF for 5/8" meter - Annually \$	\$32.70	\$68.02	\$106.10	\$147.13	\$191.27	\$198.92	\$206.88	\$215.15	\$223.76	\$232.71
CMF for 5/8" meter - Bi-Monthly \$	\$5.45	\$11.34	\$17.68	\$24.52	\$31.88	\$33.15	\$34.48	\$35.86	\$37.29	\$38.79

¹ baseline 100% CMF = \$16.5M + ENR; assumes Engineering News-Record (ENR) indexing at 4%

² bond issues likely to cover 2 years

³ Debt Service Coverage Ratio (DSC) = (Revenue - Expenditures) / Annual Bond Debt Service



Phasing CMF and Borrowing

Fiscal Year Ending:	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
10 year phasing¹										
	Additional Debt added = \$70 million					30 year interest cost = \$66.6 million				
% collected of baseline	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
CMF Amount collected \$ millions	1.7	3.4	5.4	7.4	9.7	12.0	14.6	17.4	20.3	23.5
Amount bonded \$ millions ²	26.6		20.8		15.1		7.5			
New Debt Service \$ millions (cumulative)		1.7	1.7	3.1	3.1	4.1	4.1	4.6	4.6	4.6
Debt Service Coverage Ratio (DSC) % ³	1.34	1.51	1.72	1.74	1.95	2.02	2.25	2.40	2.65	2.91
CMF for 1" meter - Annually \$	\$40.88	\$85.02	\$132.63	\$183.91	\$239.09	\$298.38	\$362.04	\$430.30	\$503.46	\$581.78
CMF for 1" meter - Bi-Monthly \$	\$6.81	\$14.17	\$22.11	\$30.65	\$39.85	\$49.73	\$60.34	\$71.72	\$83.91	\$96.96
CMF for 5/8" meter - Annually \$	\$16.35	\$34.01	\$53.05	\$73.56	\$95.64	\$119.35	\$144.82	\$172.12	\$201.38	\$232.71
CMF for 5/8" meter - Bi-Monthly \$	\$2.73	\$5.67	\$8.84	\$12.26	\$15.94	\$19.89	\$24.14	\$28.69	\$33.56	\$38.79
50% cash through CMF & balance debt funding¹										
	Additional Debt added = \$86 million					30 year interest cost = \$81.9 million				
% collected of baseline	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
CMF Amount collected \$ millions	8.3	8.6	8.9	9.3	9.7	10.0	10.4	10.9	11.3	11.7
Amount bonded \$ millions ²	14.8		15.0		16.7		18.8		20.7	
New Debt Service \$ millions (cumulative)		1.0	1.0	1.9	1.9	3.0	3.0	4.2	4.2	5.6
Debt Service Coverage Ratio (DSC) % ³	2.04	2.04	2.12	2.00	2.07	1.95	2.02	1.90	1.97	1.86
CMF for 1" meter - Annually \$	\$204.38	\$212.55	\$221.05	\$229.89	\$239.09	\$248.65	\$258.60	\$268.94	\$279.70	\$290.89
CMF for 1" meter - Bi-Monthly \$	\$34.06	\$35.43	\$36.84	\$38.31	\$39.85	\$41.44	\$43.10	\$44.82	\$46.62	\$48.48
CMF for 5/8" meter - Annually \$	\$81.75	\$85.02	\$88.42	\$91.96	\$95.64	\$99.46	\$103.44	\$107.58	\$111.88	\$116.36
CMF for 5/8" meter - Bi-Monthly \$	\$13.63	\$14.17	\$14.74	\$15.33	\$15.94	\$16.58	\$17.24	\$17.93	\$18.65	\$19.39

¹ baseline 100% CMF = \$16.5M + ENR; assumes Engineering News-Record (ENR) indexing at 4%

² bond issues likely to cover 2 years

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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 two years, and then place on property bill in subsequent years

- Provides for smoothing of cash flow
- Addresses transparency concerns



Factors that determine meter size

Consumption purposes:

- Number of fixtures (Uniform Plumbing Code)

Non-Consumption purposes

- Sprinkler system
- Inadequate water pressure

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
- 3,570 District single family residence (SFR) services identified with fire sprinklers, about 6%, of MMWD SFR services



Proposed 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



Upsized Residential Meters (cont.)

	CMF	Adjusted CMF	Difference	Potential number of meters upsized*
5/8"	\$163.50			
3/4"	\$245.25	\$163.50	\$81.75	1419
1"	\$408.74	\$245.25	\$163.49	1863
1-1/2"	\$817.47	\$408.74	\$408.73	288

* If all of the potentially upsized meters result in a lower CMF the total revenue impact is \$538,300



- **Affordability**
 - Service Charge Waiver Program for Low Income Residents

- **Conservation**
 - Super Water Saver Program



- For qualifying low income accounts, the bimonthly meter service charge and the watershed management fee are waived. Water use is billed according to the current rate structure
- Have an annual household income at or below 60% of the median Marin County low income level set forth by the Federal Department of Housing and Urban Development (HUD)
- Install water-efficient showerheads, toilets, and faucet aerators in your home that meets MMWD code (free showerheads and aerators are available from MMWD)
- Be a single-family residential customer with a meter size no larger than one inch
- For FY2018 there were 776 participants and the fees waived for low-income individuals equaled \$235,052. As required by Proposition 218, non-rate revenue was used to offset these waivers.
- Proposal to expand the program by raising the threshold to 80%, of the HUD Marin County Guidelines, with a maximum yearly amount to be waived set at \$300,000



Super Water Saver Credit

- Super Water Saver Customer credits will be **\$8** per bi-monthly bill
- Rewards top 5%, approximately **3,000** water conserving single family residential customers who meet qualifications
- This program will be funded from non-rate payer revenues and is anticipated that total Super Saver Water Credit awarded year one will be approximately **\$155,000**



Recommendation

Staff recommends that the following:

1. Include in the draft rate ordinance a five year ramp-up for the CMF utilizing \$28.6 million in bond funding to fill in the revenue gap;
2. Include in the draft rate ordinance billing the CMF bi-monthly for the first two years and subsequently on an annual basis on the property tax statement ;
3. Include in the draft rate ordinance an adjustment process to the CMF for residential meters that have been upsized for non-consumption reasons as described above; and
4. Include in the draft rate ordinance an enhancement to the Service Charge Waiver Program for Low Income Residents changing the eligibility percentage to 80% and implementation of the proposed Super Water Saver Program.



Next Steps

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|----------------|--|
| April 25, 2019 | Community Outreach and
Public Rate Workshop: Mill Valley |
| May 14, 2019 | Board of Directors meeting |
| May 15, 2019 | Community Outreach and
Public Rate Workshop: San Rafael |
| May 23, 2019 | Special Board Meeting (Finance) |
| May 28, 2019 | Prop 218 Public Hearing
Establish rates for FY2020-2023 and CMF |
| June 4, 2019 | Adopt 2 year budget |