

Finance Committee Budget Discussion continued FY2020-2023 Expenditures & Revenues December 19, 2018



MARIN MUNICIPAL
WATER DISTRICT

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WATER DISTRICT

Our Journey Thus Far

September	2017	Debt Capacity Explored
October	2017	Structurally Balanced Budget Discussion
January	2018	Pension Status
February	2018	CIP Development Process
March	2018	Expenditure Projections
April	2018	Strategic Plan Workshop
June	2018	Board Retreat Briefing
November	2018	Preliminary FY20/21 Budget and Revenue Discussion

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- Budget targets
- Cost Drivers
- Cost controlling measures
- Capital Improvement Plan (CIP)
- Debt
- Capital Maintenance Fee (CMF)
- Average Single Family monthly bill
- Super Saver program

- Revenue increase target 4%
 - Maintain current budget with inflation adjustment
- Capital Funding target \$20 million
 - \$15.5 million + \$4.5 million Fire Flow
 - Institute a Capital Maintenance Fee (CMF)
- Institute a Super Saver Credit program



Major Operational Cost Drivers

- **Utilities** **↑8% per year increase since FY2016**
 - Higher electric rates
 - Increased pumping needs due to lower rainfall
- **Purchased water** **↑6% per year increase since FY2016**
 - Higher water rates from SCWA
- **Chemicals & Supplies** **↑6% per year increase since FY2016**
 - Increased Chemical, materials, and supply costs
- **Personnel Services** **↑2.7% per year increase since FY2016**
 - Increase in pension costs due to decrease in the assumed earnings rate
 - Increases in salaries due to COLA's and step increases
 - Increase in health insurance, workers comp and retiree benefit costs
 - Decrease in costs by reducing staff numbers

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Fiscally Prudent Measures

- **Staffing Reduction**
 - Since FY2010 Authorized Full Time Positions have been reduced from 266 to 240
- **Bond Debt refinanced and funding for new CIP projects was obtained at lower interest rates**
- **Capital Improvement Plan substantially reduced**
 - Reduced CIP from \$30M/year to \$20M/year
 - Slowed down the pace of many CIP projects
 - Prioritized CIP projects and deferred many of the scheduled projects
- **PEPRA (the Public Employee Pension Reform Act)**
 - Saves District money by delaying eligibility and reducing benefit amount, and employees pay more of their retirement

10-year CIP Summary

- What did we accomplish in FY 17-18?
- Looking forward to the next 10 years:
Prioritized CIP Funding
- What are we **not** going to do:
Unfunded Projects

What did we accomplish in FY 17-18?

- Replaced 8 miles of deficient pipe
- Seismically upgraded 2 treatment plants
- Initiated construction repairs of 7 slides on watershed roads
- Replaced Mariner Highlands Tank
- Rehabilitated Lucas Valley Tank

Distributed Infrastructure in FY 17-18

- Replaced 576 inefficient toilets with HETs
- Replaced 75 inefficient clothes washers with High Efficiency Clothes Washers
- Installed
 - 7 rain barrels, 13 pool covers, 14 hot water recirculating systems, organic mulch at 83 locations

**Looking forward
to the next 10
years**

The Next 10-Years: A Serious Challenge

Amount Prioritized for CIP Funding	\$198M
Total CIP Funding Needed	\$398M
Unfunded CIP Need	\$200M

Summary of Draft 10-Year Prioritized CIP Funding

Category	Amount, 2018 dollars (\$M)
Transmission	102
Storage	27
Watershed	22
Buildings, Grounds, Equipment	20
Treatment Facilities	18
Communications and Monitoring	7.5
Program Management	1.5
Total	\$198

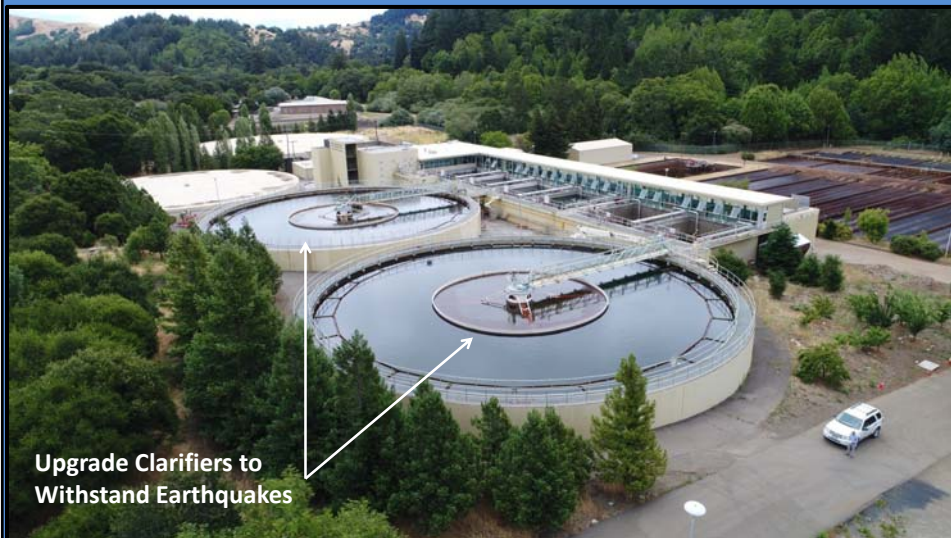
Annual Average = \$20M

**Replace Aging Pipes: Total Funding = \$81.3M
(replace 51 miles of water main pipeline)**



300 miles of problematic cast iron pipe remains

Maintain Aging Treatment Plants: \$18M



Upgrade Clarifiers to
Withstand Earthquakes

San Geronimo Treatment Plant is 7 miles from SA fault



**Replace Ross Reservoir:
\$15M**

Failing 1929 Ross Reservoir does not adequately protect Ross Valley from emergencies



Rehabilitate Aging Smith Saddle Storage Tanks: \$6M



60-year old Smith Saddle Storage Tanks hold 10 MG and can supply water to 50% of District's customers

Unfunded Projects

Unfunded Capital Projects

Project/Program	Unfunded, 2018 dollars (\$M)
<u>Capital Infrastructure</u>	
Replacement of 69 miles of pipe	\$109
Upgrade of Treatment Facilities	\$33
Rehabilitation of 12 tanks	\$13
Replacement of 7 pump stations	\$7
Replacement of Pine Mtn Tunnel	\$20
Subtotal	\$182

Unfunded: Replacement of 69 Miles of Pipe (\$109M)

- Current replacement rate = **8** miles/year
- Planned replacement rate = **5.1** miles/year
– Asking pipe to last 175+ years
- Needed replacement rate = **12** miles/year

Unfunded: Treatment Plant Upgrade Projects (\$33M)



Bon Tempe Treatment Plant

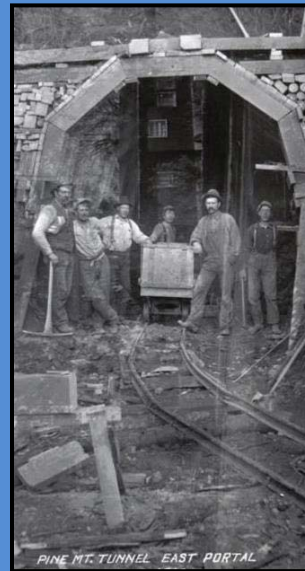
Unfunded: Treatment Plant Upgrade Projects (\$33M)

- **BTTP clarifier replacement (\$13.5M)**
- **Solids Handling upgrades at treatment plants (\$17M)**
- **Water quality treatment improvements at SGTP (\$2.5M)**



Unfunded: Pine Mountain Tunnel Replacement (\$20M)

- 1919: conveyed water from Alpine to San Rafael
- 1971: converted to storage facility
- Need to decommission & replace storage
- CIP includes mitigation project



**Unfunded: Rehabilitation of 12
Storage Tanks (\$13M)**



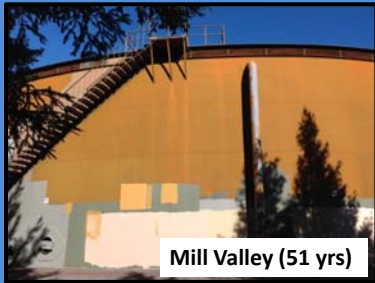
Scott Highlands (50 yrs)



Conifer Way (50 yrs)

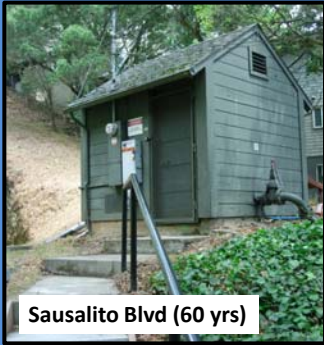


Hawthorne Hills (90 yrs)



Mill Valley (51 yrs)

**Unfunded: Replacement of 7 Pump
Stations (\$7M)**



Sausalito Blvd (60 yrs)

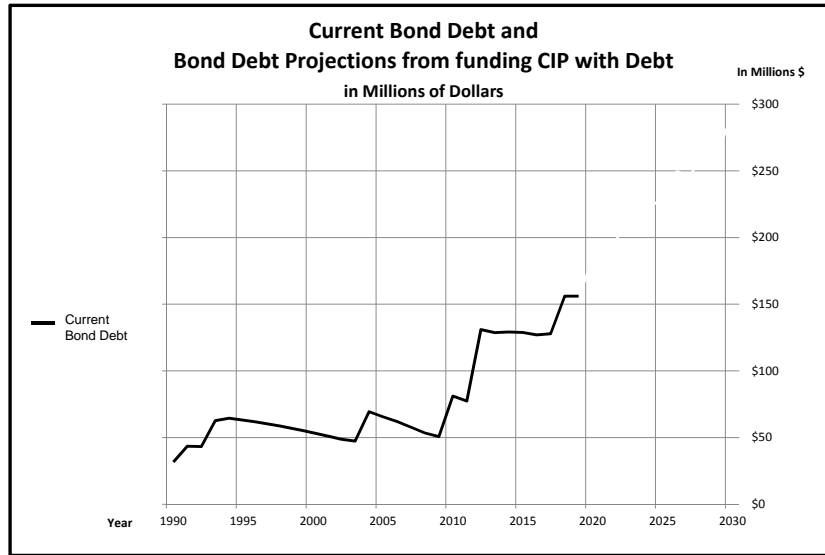


Bret Harte (60 yrs)



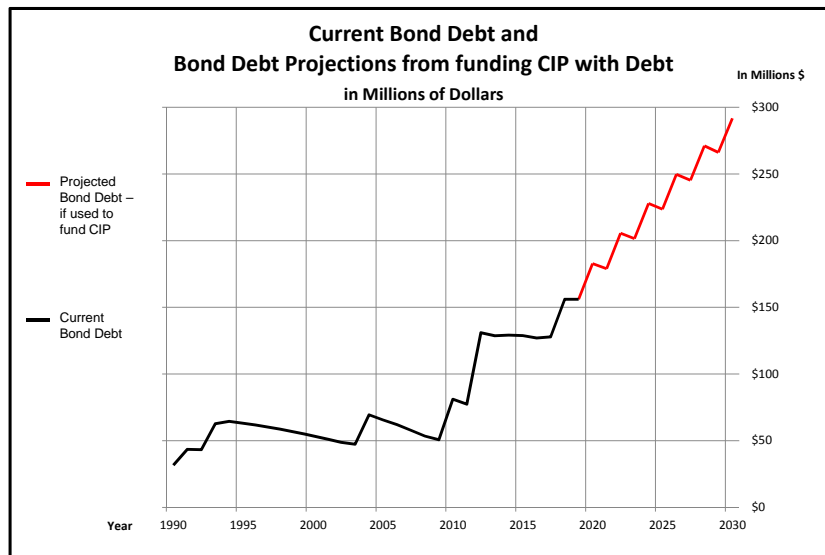
Hind (63 yrs)

Current Debt



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Current & Projected Debt



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Capital Maintenance Fee

CAPITAL MAINTENANCE FEE (Proposed)					
Meter Size	# of Meters	% of Customers	Annual Per Meter Charge \$	Monthly Fee \$	Annual Revenue
5/8"	42,633	68.95%	151.43	12.62	\$ 6,455,915
3/4"	3,299	5.34%	227.15	18.93	\$ 749,368
1"	12,755	20.63%	378.58	31.55	\$ 4,828,788
1 1/2"	2,259	3.65%	757.16	63.10	\$ 1,710,424
2"	648	1.05%	1,211.46	100.96	\$ 785,026
3"	168	0.27%	2,650.08	220.84	\$ 445,213
4"	45	0.07%	4,770.14	397.51	\$ 214,656
6"	19	0.03%	10,600.31	883.36	\$ 201,406
8"	6	0.01%	18,171.96	1,514.33	\$ 109,032
Totals	61,832	100.00%			\$ 15,499,829

5/8" meters make up 69% of all accounts and 74% of all single family residential accounts

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Advantages of Capital Maintenance Fee

- Firewall between CIP dollars and operations
 - Funds are dedicated to Capital expenditures
 - Funds cannot be used for Pensions or other operations
 - Improves ability to meet Debt Service Coverage covenants
- Equitable by tying to meter size
- Saves over **\$170** million in Bond Interest costs by not issuing new debt to fund Capital Projects
 - Enhances debt service coverage and maintains the Districts credit rating to minimize future borrowing costs

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Avoided Debt

by instituting a proposed Capital Maintenance Fee

BOND DEBT SERVICE PAYMENTS (in Millions \$)			
	Existing	Avoided	Total
Principal Balance	147.39	150.00	297.39
Interest Balance	130.94	171.00	301.94
Total Annual Bond Payment	9.39	9.76	19.15

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For a Typical Single Family @ avg 17ccf

5/8" Water Meter SFR Billing Items	Current Monthly Rate \$	Proposed Rates \$	
		July 2019	
Service Charge	18.40		
Watershed Mgt. Fee	4.89		
Commodity Charge	34.60		
1-month bill	57.89	increase ≈ 4% =	60.22
CMF (Capital Maintenance Fee) @ 151.43 yearly		/12 =	12.62
		Total	72.84
Monthly Difference (equivalent)			14.95
Monthly Usage (gallons)	6,358		6,358
Cost per gallon	\$0.0091		\$0.0114

Cost remains about one  per gallon

5/8" water meter (74% of SFR users) based on avg. use of 17ccf

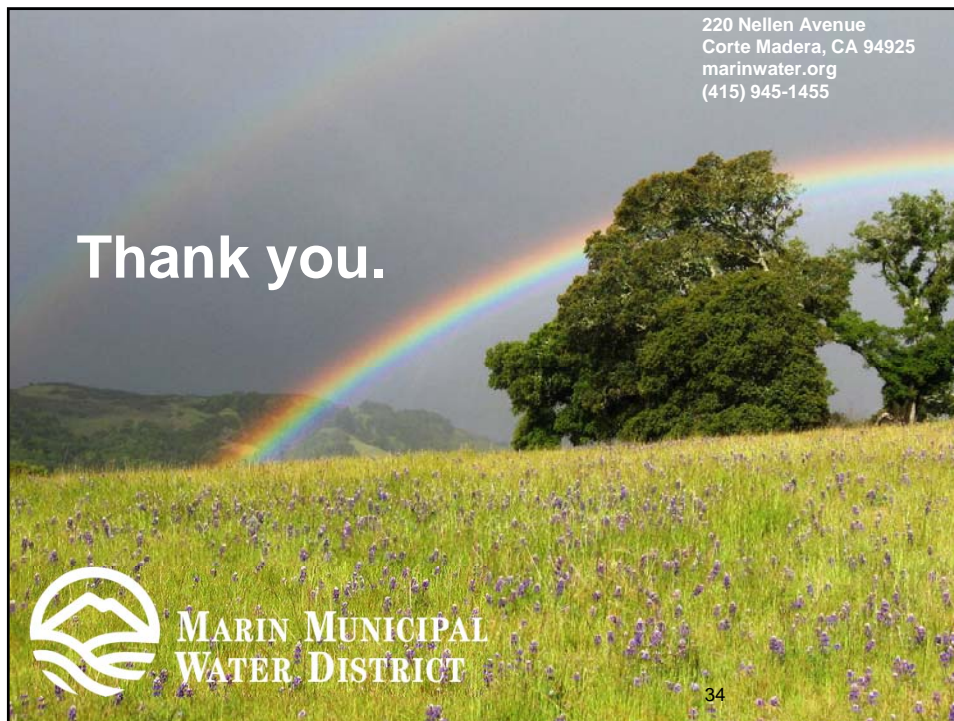
- Rewards top **3,000** water conserving single family residential customers who meet qualifications
- Super Water Saver Customers will receive a **\$48.00** annual credit
- This program will be funded from non-water revenues and is anticipated that total Super Saver Water Credit awarded year one will be no more than **\$155,000**

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Next Steps


January 24, 2019	Draft Preliminary Budget FY20/FY21
February 5, 2019	Budget continued, Draft COSA Update
February 19, 2019	Approval of Prop 218 notice
March & April 2019	Public Rate Workshops
May 7, 2019	Prop 218 public hearing Establish rates for FY2020-2023 Adopt 2 year budget

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Thank you.



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