

# **Marin Municipal Water District Finance Committee Meeting**

**December 22, 2022**

# Bartle Wells Associates

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Independent public finance advisory firm founded 1964

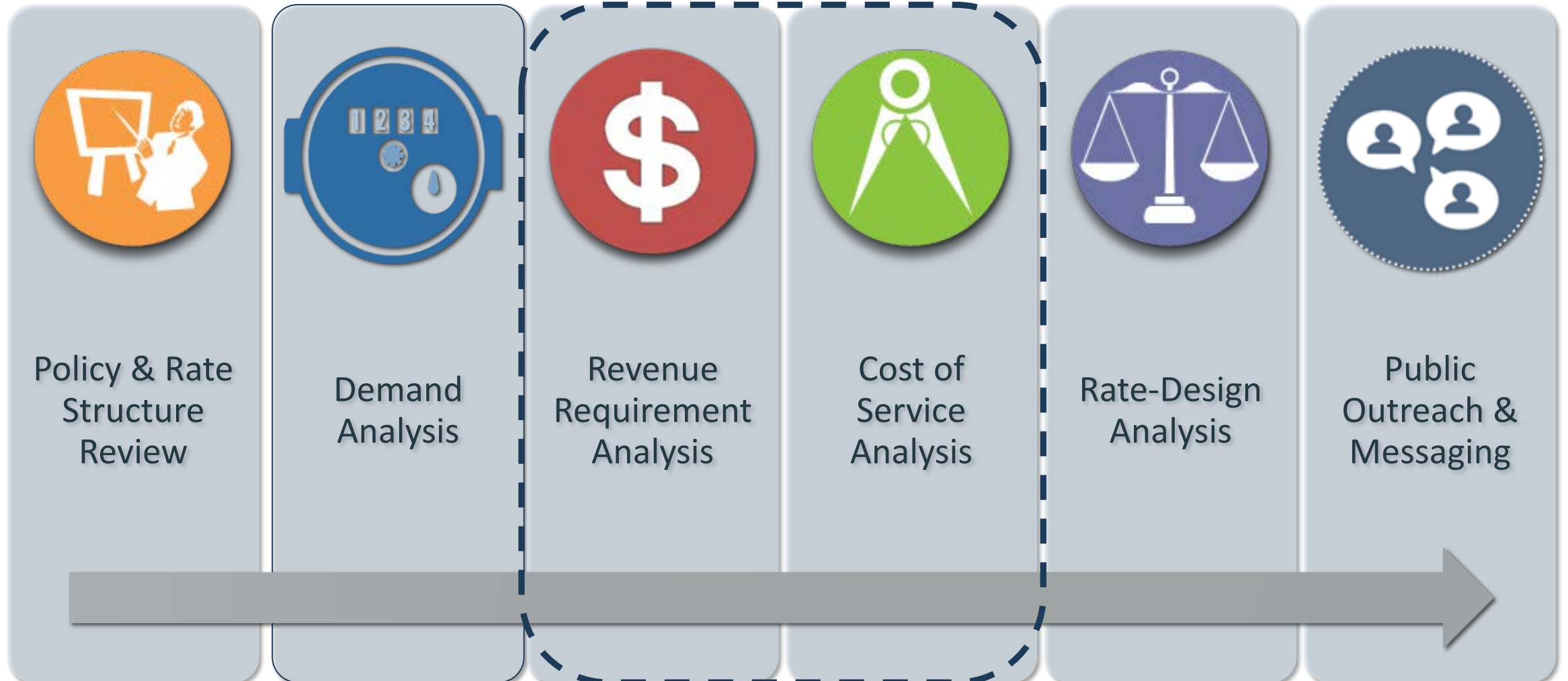
## Services Provided:

- Cost-of-service rate studies
- Strategic financial planning
- Municipal advisor for debt
- Litigation support and expert witness
- Served over 500 public agencies

### BWA Key Services

- *Rate & Fee Studies*
- *Financial Plans*
- *Project Financing*

# Cost of Service Analysis: Step-by-Step approach to developing sound and defensible rates



# Proposition 218



## **Voter-approved constitutional amendment 1996**

- Added Articles 13C & 13D to the California Constitution

## **Substantive requirements for property-related charges**

- Rates cannot exceed cost of providing service
- Proportionate cost recovery (fair and equitable)

## **Procedural requirements for rate increases**

- Mail notice of rate increases to all property owners/customers
- Hold public hearing at least 45 days after the mailing
- Rates are subject to “majority protest”

# Rate Study Objectives



**Legal Compliance (Prop. 218)**



**Financial Sufficiency**



**Rates Aligned with District Objectives**



**Customer Focus**

# Rate Design Policy Considerations

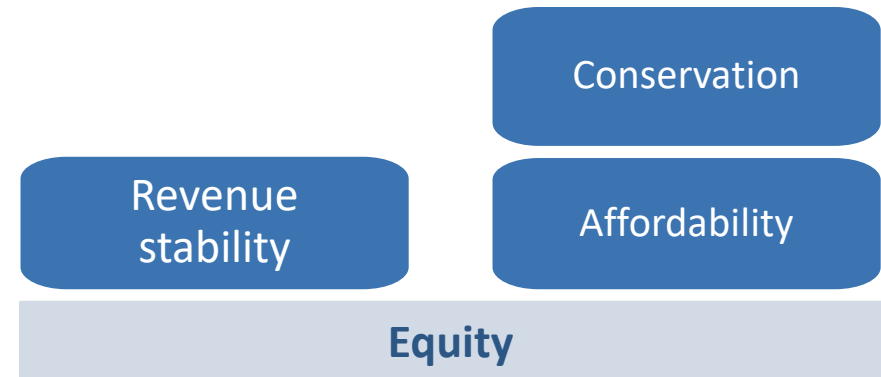
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## Rate Requirements

- Financial sufficiency
- Legal compliance
  - Cost of Service (Prop. 218)

## Rate Policy Considerations

- Revenue stability
- Conservation
- Affordability
- Customer understanding
- Ease of administration



***Develop rates which strike  
the right balance for MMWD***

# Fixed vs Variable Revenue Recovery

Volumetric Rates

Fixed Rates

## VOLUMETRIC RATES

- Bills Vary Based on Usage
- “You Pay for What You Use”
- Less Revenue Stability & Predictability
- More Customer Control of Bill

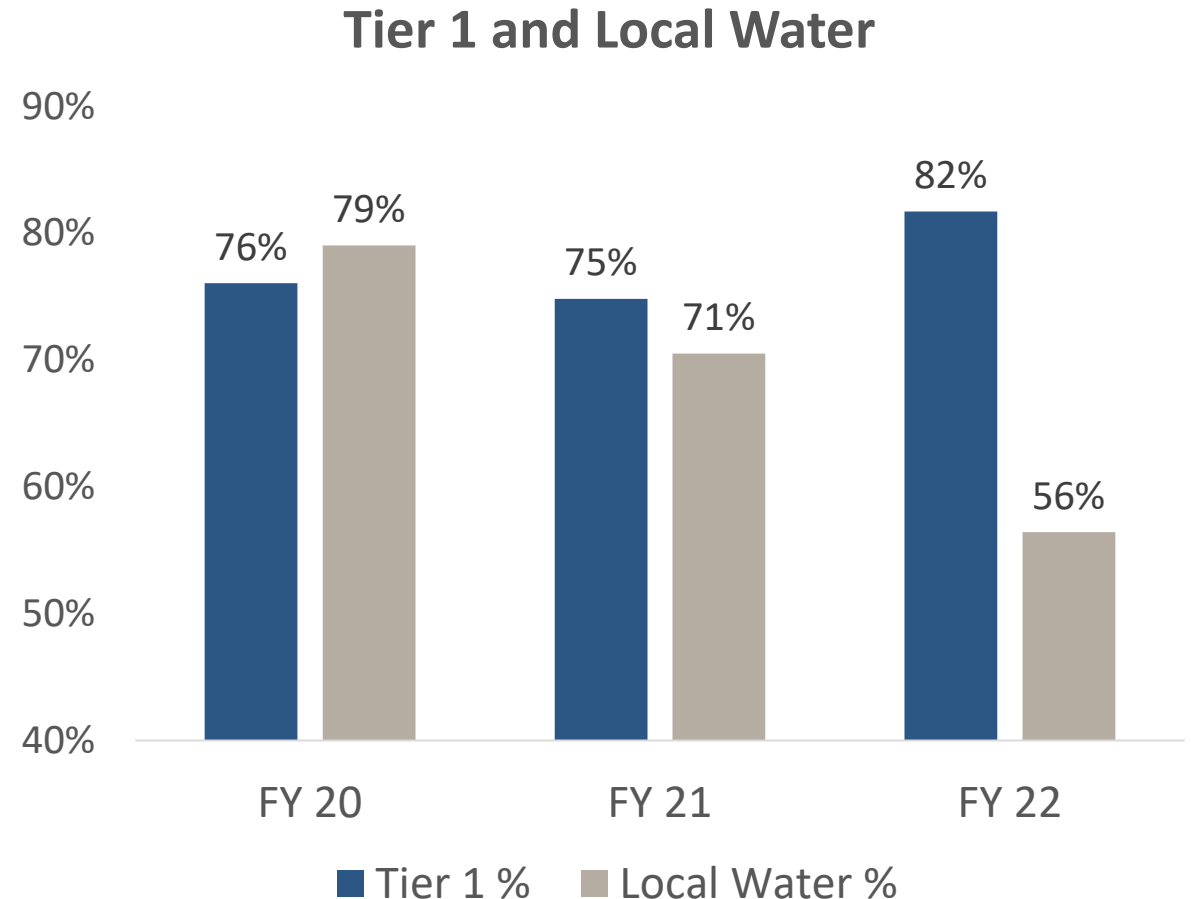
## FIXED RATES

- Fixed Charges do not Vary Based on Usage
- “Fixed Rates Help Fund Fixed Costs”
- More Revenue Stability & Predictability
- Less Customer Control of Bill

# Local Supply and Tier 1 Water Usage

## Recent Trends:

- Overall revenue from volumetric rates has decreased
  - Lower total demand
  - The percentage of bills in Tier 1 have increased
- Local water supply has decreased
  - Imported water expenditures have increased





# Considerations for Modifying Tier Structure for Single Family Residential Customers

- **Reflect Current System Demand Patterns**
- **Set Tier 1 to Include Base Demand Costs**
  - All users benefit from lower Tier 1 cost
  - Incentivize low use
- **Industry Standard for Inclining Block Structures is to Align Tier 1 with Indoor Residential Use**
- **Send Conservation Signal to More Than 20% of Customers**

# Seasonal Tiers – Current Policy

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- Residential customers are provided with additional units of water in each tier during the summer months
  - More water is provided at lower rates during the summer

Single-Family			
	Rate per unit*	Dec-May (units)	Jun-Nov (units)
<b>Tier 1</b>	\$4.73	0 - 21	0 - 26
<b>Tier 2</b>	\$8.19	22 - 48	27 - 59
<b>Tier 3</b>	\$13.78	49 - 80	60 - 99
<b>Tier 4</b>	\$22.15	81+	100+

\*1 unit or CCF (hundred cubic feet) = 748 gallons

# Seasonal Tiers – Consider Discontinuing

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Consider discontinuing seasonal tiers for the following reasons:

- Seasonal tiers may encourage excessive water use in the summer
- A tiered rate structure is already seasonal (reflects annual use pattern)
- Seasonal tiers double the number of tiers, making MMWD rates harder for customers to understand

# Tier 4 Rate Exemption Policy

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The District currently has a policy that exempts residential customers from Tier 4 rates if they can demonstrate certain water saving measures have been implemented to meet the District's water conservation standards

Consider discontinuing Tier 4 rate exemption policy for the following reasons:

- Water savings objective has been supplanted by updates to development code
- Tier structure provides incentive to conserve through price signals
- Low participation rates: Only 38 participants are actively enrolled

# Next Steps

- **Finalize Rate Revenue Requirement**
- **Develop Cost of Service-Based Rate Design**
- **Engage in Ongoing Outreach and Public Workshops**
- **Send Prop 218 Notices in March**
- **Conduct Public Hearing in May**