



Rate Setting Update: Customer Workshops & Drought Rates

February 21, 2023



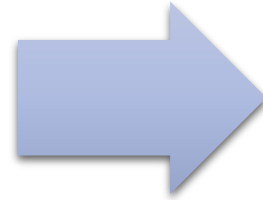
Overview

- Review of Rate Setting Process
- Customer Workshop Recap
- Drought Rates
- Next Steps

Rate Setting Process

Cost of Service Analysis

- Recent Trends
- Rate Structure
- Revenue Requirement:
 - Operations & Maintenance
 - Capital Improvements
 - Water Supply Enhancement Projects
 - Fiscal Sustainability



Public Outreach & Engagement

- Board Meetings
- Customer Workshops
- Dedicated Webpage
- Bill Inserts & Messages
- District eNews
- News Releases/Media
- Social Media
- Mailed Notice
- Public Hearing

2023 Customer Workshops

District Staff Hosted 4 Customer Workshops for Rate Setting

- Events were conducted to provide in-person and virtual opportunities
- The same information was presented at each workshop
- The virtual meeting was recorded and is available online at:
marinwater.org/2023RateSetting
- Presentation slidedeck is also published to website

Thursday, Feb. 9, 2023 | 6 - 8 p.m.

Mill Valley Community Center - Cascade Room
180 Camino Alto, Mill Valley

Monday, Feb. 13, 2023 | 6 - 8 p.m.

Corte Madera Community Center - Main Hall
498 Tamalpais Drive, Corte Madera

Wednesday, Feb. 15, 2023 | 6 - 8 p.m.

Albert J. Boro Community Center
50 Canal Street, San Rafael

Thursday, Feb. 16, 2023 | 6 - 8 p.m.

Virtual Meeting - Get zoom participation
information at marinwater.org

Resources - marinwater.org/2023RateSetting

Understanding Your Bill



Name
Address
City, State Zip

Billing Inquiries: 415.945.1400
Water Emergencies: 415.945.1500

ACCOUNT DETAILS

Previous Balance:	54.71
Payments - Thank You (5/7/20):	-54.71
Adjustments:	0.00

ACCOUNT INFORMATION

Customer Number:
Service Number:
Billing Date:
Service Address:

IMPORTANT INFORMATION

Need Help Paying Your Bill?
We understand that these are difficult times. Rest assured that during the COVID-19 crisis, we will not shut off your water due to nonpayment and there will be no late fees if you fall behind. We offer income-based discounts and payment plans. Visit [MarinWater.org](https://marinwater.org) or contact Customer Service at 415.945.1400.

WATER USAGE

Meter Read Date: 02/02/2020 - 04/03/2020

Service Number	Meter Size	Prior Reading	Current Reading	Water Use Units*
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Marin Water has a two-month billing cycle, which means your bill covers two months of water service. Billed amounts are based on water usage during the previous two months.

A previously approved increase in rates and fees took effect on July 1, 2022. If you are having difficulty paying your bills, we offer [discount programs](#) and [payment plans](#). If you have a question about your water bill, please contact our Customer Service Department.

Contact Info

Customer Service
Ph: 415.945.1400
[Email](#)

2023 Water Rate Setting

Understand Your Current Water Bill – Quick Link Resources

- [Current Rates & Fees](#)
- [How your current bill is calculated](#)
- [Rate calculator](#)
- [2019 Cost of Service Analysis](#)
- [2017 Cost of Service Analysis](#)

Frequently Asked Questions

Why is a rate adjustment needed?

Since Marin Water last updated its rate structure in 2019, historic challenges have dramatically impacted the District's financial outlook. Much like the rest of the country and world, Marin Water has been impacted by the effects of inflation and supply chain disruptions.

As a result, costs for many of the materials to repair or replace critical water infrastructure have seen double-digit

Key Themes of Customer Workshop Feedback & Questions

District Priorities

- Need to ensure water supply
- Why is there so much deferred maintenance?
- Preserve debt capacity for large projects, not ongoing rehabilitation
- Pursue infrastructure grants

Rate Increase

- If rates increase, more funding should go toward infrastructure
- Rates should go up for all customer classes not just residential
- Bills already increased, especially for low water users
- Affordability needs to be considered, especially for seniors and low income customers

Rate Design

- Adjusting residential tier breaks makes sense
- Excessive water users should pay more
- Don't 'penalize' customers who have conserved
- Outdoor use (gardening) should not be considered water waste

Other

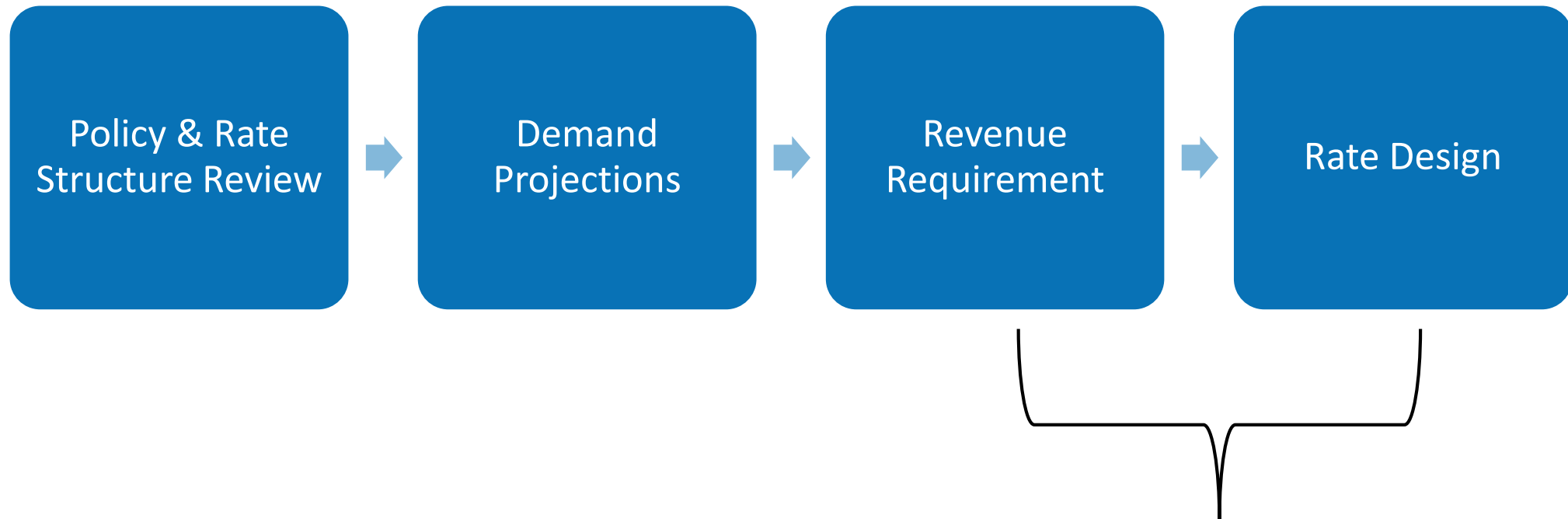
- Monthly bill comparisons vs. bi-monthly is confusing
- Look at offering balanced billing like PG&E
- The District should cut its expenses
- Recycled water and greywater programs should be expanded

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Cost of Service Analysis:

Determination of Revenue
Requirement –
Reserves and Drought Rates

Cost of Service Analysis: Step by Step Approach



We are here

Components of Revenue Requirement

- Baseline Budget: Funding for existing service levels and capital plan
 - Currently facing \$30 million shortfall due to rate design and inflationary impacts
 - Capital Improvement Plan baseline of ~\$20 million creates growing backlog
- Water Supply Enhancements
 - Short term projects
 - Long term plan and design
- Large unfunded capital projects
 - Debt-funding option
- Service level enhancements
 - Targeted areas of the organization
- Reserve Replenishment
 - Credit ratings implications
 - Risk-based analysis includes drought rates ★

Risk Analysis for Reserves

- Industry standards vs Agency-specific factors
 - Revenue and expenditure profile
 - Infrastructure condition
 - Rate stabilization priorities
- Reserves are part of the comprehensive financial plan
 - Rate structure (4 year)
 - Budget (2 year)
 - Capital Plan (10 year)
 - Strategic Plan (20+ years)
- Drought rates play an important part in financial risk mitigation
 - Can impact revenue levels and associated need for drought reserves

Drought Rate Overview

- Common practice for water utilities
 - Drought rates vs Drought reserves is agency-specific preference
 - Marin Water has relied solely on drought reserves in past practice
 - Combination of both is recommended
- American Water Works Association (AWWA) guidance
 - Definition: A separate charge added to existing rate structures to collect targeted amount of revenue
 - Purpose: Limited timeframe, cost recovery, pricing incentive
 - Best Practices:
 - Integrated with Drought Management Plan (Water Shortage Contingency Plan)
 - Clearly distinguish rates for each stage of drought
 - Design should hold customers harmless if they comply with targeted savings

Revenue Sufficiency

- A combination of drought rates, drought reserves and expenditure management is generally required
- Drought rates can not account for all fiscal impacts of drought
 - Impossible to predict actual levels of conservation
 - Timing and impacts of Water Shortage triggers
 - Local vs Regional messaging
 - Impossible to predict unforeseen expenditures
 - Water supply, outreach, planning efforts
 - Impossible to predict duration of drought

Drought Rate Mechanics

- Marin Water Shortage Contingency Plan: 6 stages; Drought Rates begin at Stage 2
 - Drought rates are applied to variable rates (volumetric) only

Shortage Level	Shortage Trigger – Total Local Storage on April 1 st	Reduction Level	Drought Rate* (Volumetric Only)
1	70,000 Acre Feet	10% - Voluntary	None
2	65,000 Acre Feet	20% - Voluntary	+25%
3	55,000 Acre Feet	30% - Mandatory	+43%
4	45,000 Acre Feet	40% - Mandatory	+66%
5	35,000 Acre Feet	50% - Mandatory	+100%
6	25,000 Acre Feet	>50% - Mandatory	>100%

**Would be reduced to account for cost savings associated with lower production (e.g. chemicals and electricity)*

Drought Rate Mechanics

- Revenue Recovery and Mathematical relationships
 - When demand is reduced, the total units (CCF) have decreased and a higher percentage increase is required to restore revenue to normal levels
- Two illustrative examples using round numbers:

	Normal	20% reduction	20% reduction w/20% rate increase	20% reduction w/25% rate increase
Demand (CCF)	10,000,000	8,000,000	8,000,000	8,000,000
Rate	\$5.00	\$5.00	\$6.00	\$6.25
Revenue Result	\$50,000,000	\$40,000,000	\$48,000,000	\$50,000,000

	Normal	30% reduction	30% reduction w/30% rate increase	30% reduction w/43% rate increase
Demand (CCF)	10,000,000	7,000,000	7,000,000	7,000,000
Rate	\$5.00	\$5.00	\$6.50	\$7.14
Revenue Result	\$50,000,000	\$35,000,000	\$45,500,000	\$50,000,000

A higher nominal rate increase is needed to fully recover revenue at a lower consumption base

High Level Revenue Recovery Examples

- Drought rates are most effective when there is an exact match between demand reduction and trigger targets
 - There is no revenue recovery for demand reduction up to 19%
 - There will be revenue impacts (losses) if customers conserve more than the trigger

Reduction Scenario	CCF	Revenue	Cost Savings	Recovery Target	Drought Rate Recovery	Net Fiscal Impact
0%	9,000,000	\$70,000,000	\$0	\$0	\$0	\$0
10%	8,100,000	\$63,000,000	(\$466,563)	\$6,533,438	\$0	\$6,533,438
15%	7,650,000	\$59,500,000	(\$699,844)	\$9,800,156	\$0	\$9,800,156
20%	7,200,000	\$56,000,000	(\$933,125)	\$13,066,875	\$13,066,875	\$0
25%	6,750,000	\$52,500,000	(\$1,166,406)	\$16,333,594	\$12,413,531	\$3,920,063
30%	6,300,000	\$49,000,000	(\$1,399,688)	\$19,600,313	\$19,600,313	\$0
35%	5,850,000	\$45,500,000	(\$1,632,969)	\$22,867,031	\$18,620,297	\$4,246,734
40%	5,400,000	\$42,000,000	(\$1,866,250)	\$26,133,750	\$26,133,750	\$0
50%	4,500,000	\$35,000,000	(\$2,332,813)	\$32,667,188	\$32,667,188	\$0

Recap and Next Steps

- Marin Water does not currently have drought rates
- Drought rates are intended to be a temporary strategy to mitigate revenue loss in short term
- Full cost recovery from drought rates is not possible
 - First 0-20% of demand reduction does not generate revenue recovery
 - Unavoidable mismatch between drought rates and actual consumption
 - Most droughts create need for expense reduction and use of reserves
- Staff is working with consultant to finalize drought rate design
 - Drought rates will be incorporated into proposed rate structure
- Staff will continue public engagement and outreach efforts throughout the process