



Budget Adoption: FY 2023-24 and 2024-25

June 20, 2023

Board of Director's Meeting



Overview

- Budget Overview
- District Budget Process
- Budget Summaries
- Cost Drivers and Budget Enhancements
- Capital Improvement Program
- Next Steps

Marin Water Budget Overview

- Total budget of \$142 million in FY 2023-24 (Operating and Capital funds)
 - 22% increase from FY 2022-23
- Operating Fund = \$104.1 million (13% increase)
 - Day to day operations and maintenance
 - Debt Service
- Capital Fund = \$32.9 million (38% increase)
 - Capital Improvement Program (CIP)
 - Water Supply Projects
 - Vehicle and Equipment replacement
- Two year budget process
 - Mid-cycle review

Districtwide Budget Goals

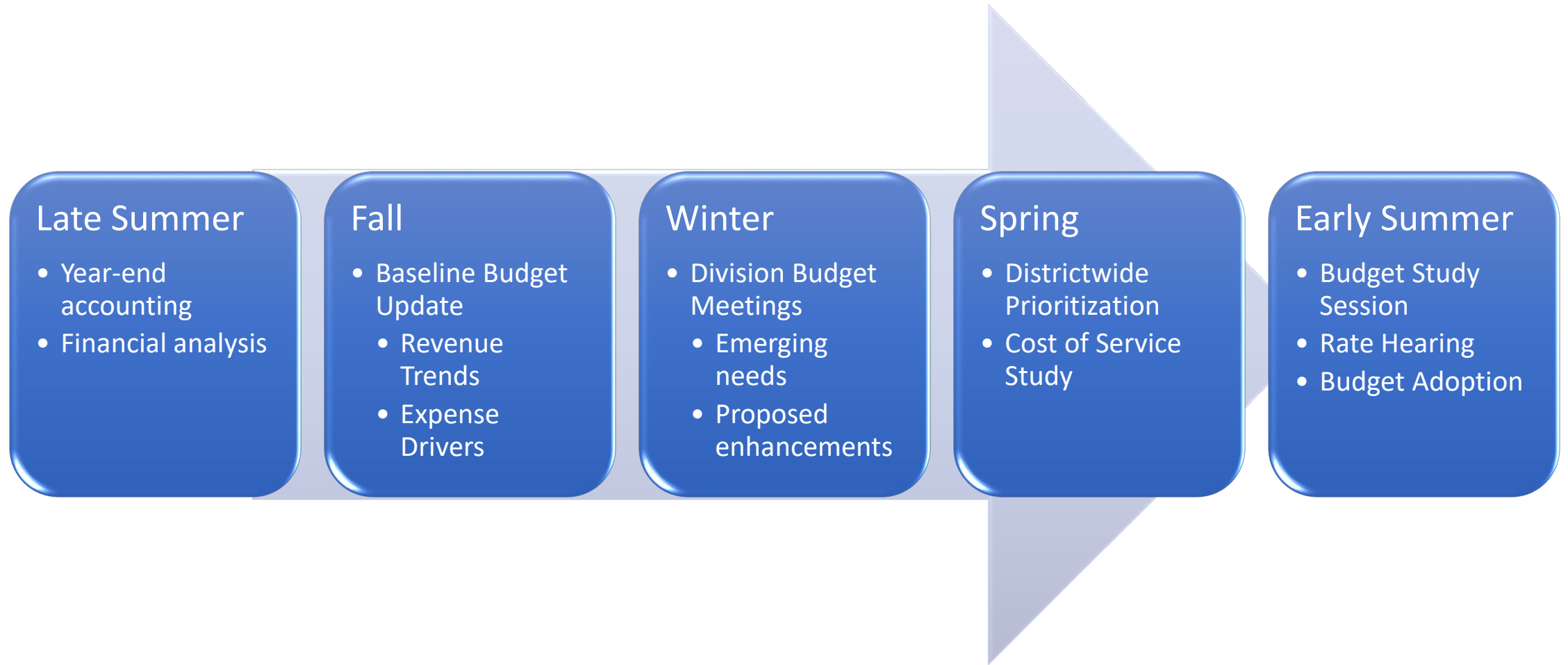
Strengthen water supply reliability in the face of extreme droughts

Build upon water and wildfire resiliency efforts on the Mt. Tam Watershed

Keep pace with inflation and invest in aging infrastructure

Replenish reserves to prepare for future uncertainties

Budget Process Map



Marin Water Budget Inputs

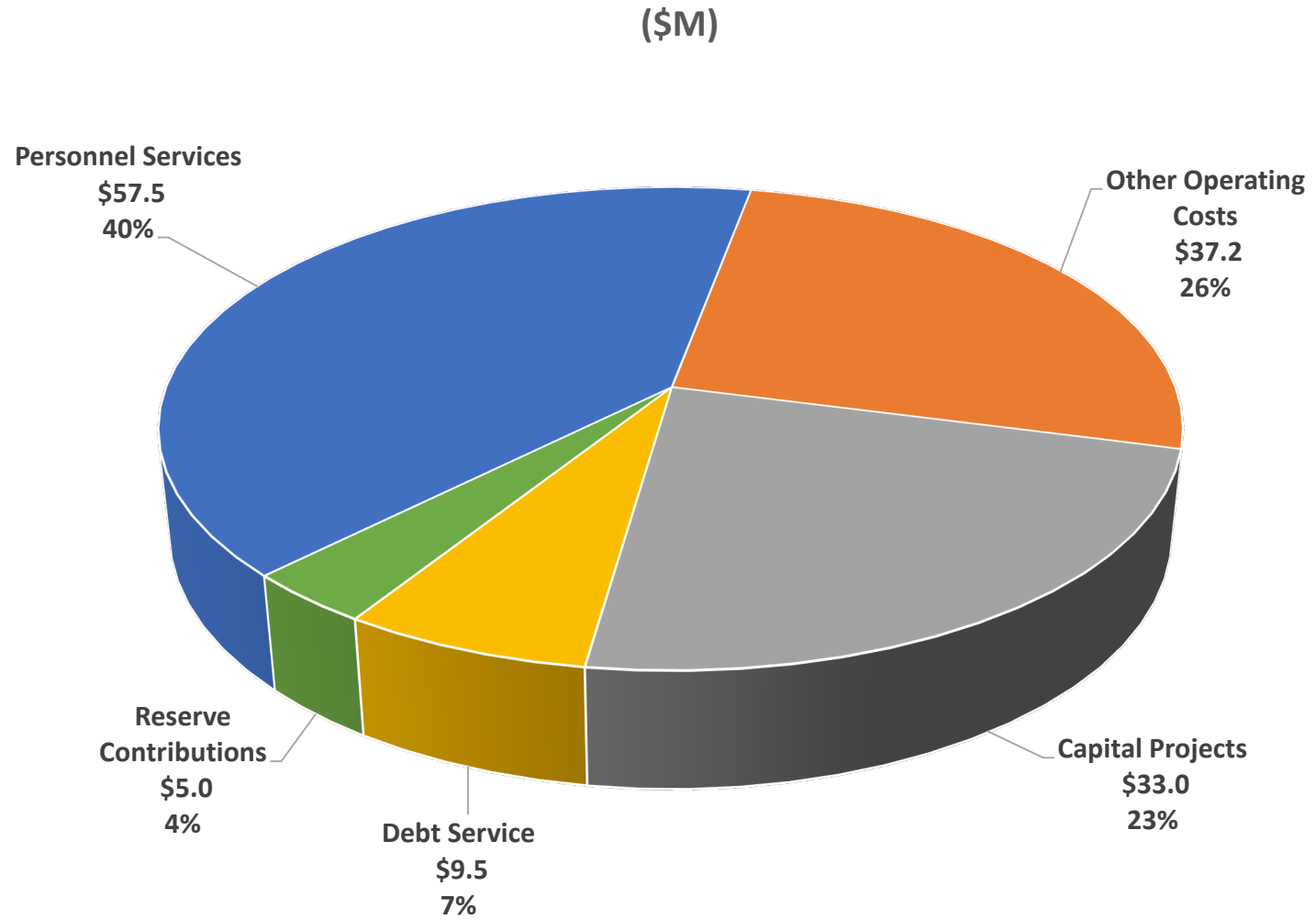
- Baseline Operating Deficit
 - Reduced demand
 - Inflationary cost drivers
- Deferred Maintenance
 - Aging system requires more than double the existing capital budget to maintain pace with replacement and improvement needs
- Water Supply Roadmap
 - Short term, 'no regrets' projects
 - Long term projects with additional studies
 - Water Supply Project Reserve
- Service Enhancements
 - Watershed (BFFIP), Ranger Trainee, Training Program position, Valve Exercising Crew
- Reserve replenishment and technology

Marin Water Budget Overview

	FY 22/23	FY 23/24	%	FY 24/25	%
	Approved Budget	Proposed Budget	Change	Proposed Budget	Change
Operating Fund	\$92,181,473	\$104,139,464	13%	\$109,347,389	5%
Capital and Fire Flow Funds	\$23,922,000	\$32,981,000	38%	\$49,451,000	50%
Contribution to Reserves	\$0	\$5,000,000	-	\$5,000,000	0%
Total	\$116,103,473	\$142,120,464	22%	\$163,798,389	15%

	FY 22/23	FY 23/24	%	FY 24/25	%
	Approved Budget	Proposed Budget	Change	Proposed Budget	Change
Personnel Services	\$ 56,248,399	\$ 57,462,068	2%	\$ 59,528,020	4%
Services and Supplies	\$ 26,226,567	\$ 37,150,103	42%	\$ 40,416,802	9%
Debt Service	\$ 9,706,507	\$ 9,527,293	-2%	\$ 9,402,567	-1%
Capital Projects - Baseline	\$ 23,922,000	\$ 26,556,000	11%	\$ 29,778,000	12%
Capital Enhancements	\$ -	\$ 3,675,000	-	\$ 10,473,000	185%
Water Supply	\$ -	\$ 2,750,000	-	\$ 9,200,000	235%
Contribution to Reserves	\$ -	\$ 5,000,000	-	\$ 5,000,000	-
Total	\$ 116,103,473	\$ 142,120,464	22%	\$ 163,798,389	15%

Marin Water FY 24 Expenditure Budget by Category (\$142M)

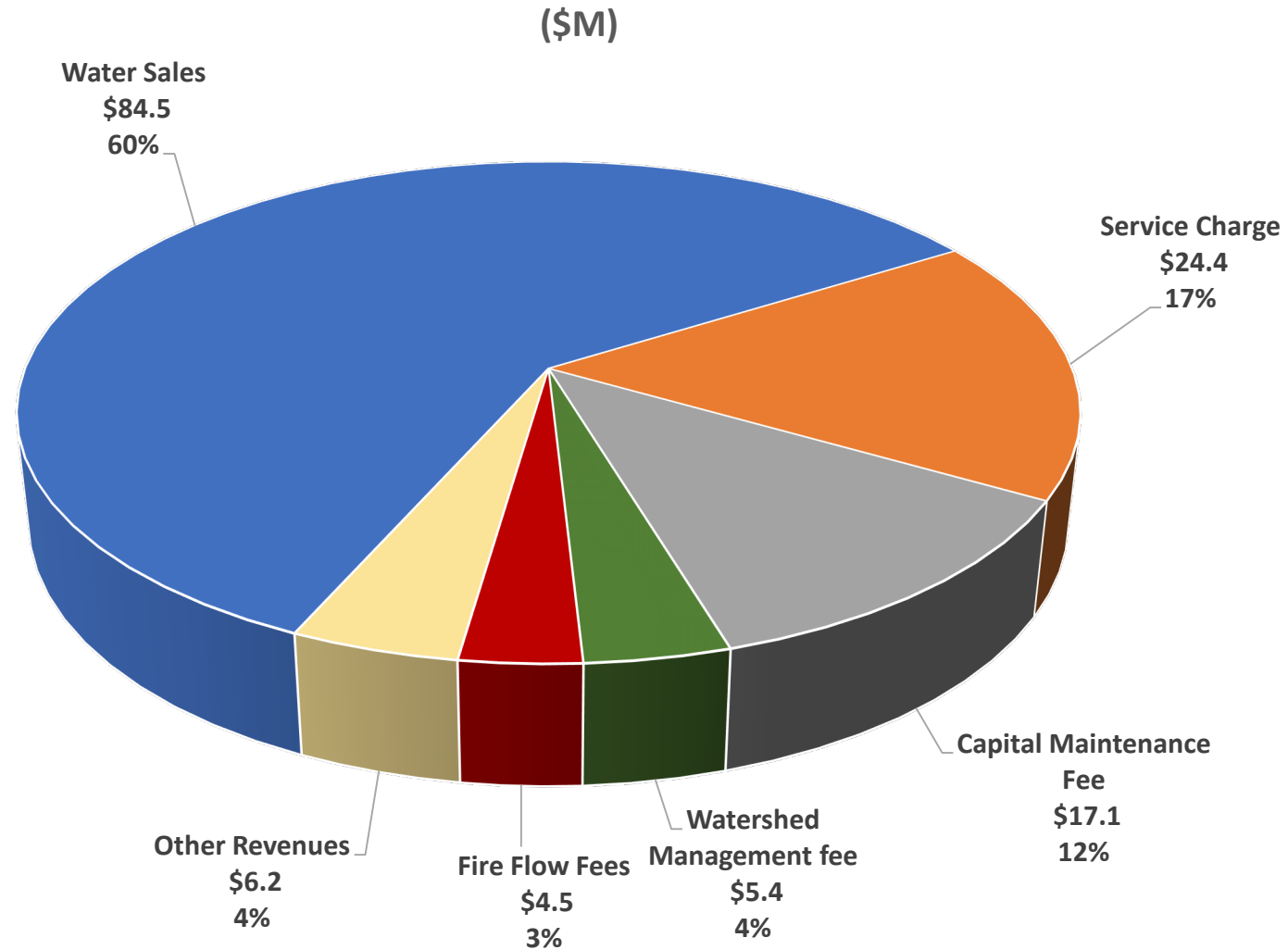


Marin Water: Revenue Summary

	FY 22/23 Approved Budget	FY 23/24 Proposed Budget	% Change	FY 24/25 Proposed Budget	% Change
Rate Revenues					
Water Sales	60,881,258	84,509,599	39%	102,302,963	21%
Service Charge	23,381,979	24,370,494	4%	25,589,019	5%
Watershed Management Fee	5,207,474	5,386,376	3%	5,655,695	5%
Capital Maintenance Fee	18,065,625	17,118,698	-5%	17,974,633	5%
Total Rate Revenues	107,536,336	131,385,167	22%	151,522,309	15%
Other Revenues					
Rents and Royalties	1,606,069	1,974,852	23%	2,014,349	2%
Permits and Fees	365,116	365,120	0%	365,120	0%
Fire Flow Fee	4,500,000	4,500,000	0%	4,500,000	0%
Connection Fees	810,182	600,000	-26%	600,000	0%
Grants	-	2,134,500	-	4,400,000	106%
Other Revenue	767,584	1,145,687	49%	945,062	-18%
Total Non-Rate Revenues	8,048,951	10,720,159	33%	12,824,531	20%
Total District Revenue	115,585,287	142,105,326	23%	164,346,840	16%

- Overall increase of 23 percent in FY 24 and 16 percent in FY 25
 - Majority of revenue increase is attributable to volumetric (variable) water sales revenue
 - Non rate revenue changes reflect license agreements, grants and interest earnings

Marin Water FY 24 Revenue Budget by Source



Examples of Inflation and Key Cost Drivers at Marin Water



Purchased Water from Sonoma

Expecting estimated 10% per year increase in base rate in each of the next 4 years



Paving contracts

Costs have risen over 100% for paving projects since 2020 due to increasing local jurisdiction requirements to repair streets after pipeline projects



Welded Steel Pipe

Costs have increased 17% per year from 2020 to 2022



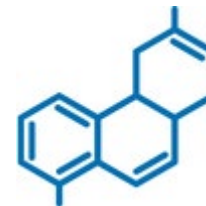
Insurance

Premiums have risen over 50% since 2021 due to increased statewide wildfire risk and litigation trends



Water Meters

Prices are up over 90% since 2021 for basic analog meters



Water Treatment Chemicals

42% increase in unit costs last bidding cycle

Primary Cost Drivers and Budget Enhancements

Operating and Capital Funds (compared to FY 2022-23 Budget)	FY 2023-24 Impact
Water Supply Resiliency: Short term projects, Roadmap, Reserve (\$2.5m)	\$5,250,000
Capital Projects: Deferred Maintenance, Critical Systems	\$3,675,000
Purchased Water and Water Treatment	\$3,910,000
Service Enhancements: Watershed (BFFIP), Water Efficiency, Ranger Trainee, Districtwide Training	\$1,085,000
Reserve Replenishment (Unrestricted)	\$2,500,000
Paving Contracts	\$2,100,000
Insurance Premiums	\$1,100,000



CIP Budget Review

**June 20, 2023
Board of Directors**



Agenda

- Process Overview
- 2 Year CIP Summary
- Next Steps



Process Overview

CIP Planning Overview

- The District's Capital Improvement Program (CIP) consists of the two-year CIP budget and the five year CIP plan
- This year's budget process included baseline funding plus enhanced funding for water supply, deferred maintenance and service enhancements
- The baseline CIP Budget is developed by the Capital Steering Committee
 - A cross-departmental team that meets regularly to discuss long term planning and emerging needs
- Grant Funding is a critical component of the CIP
 - Staff actively pursues all opportunities to align grant funding with District needs
 - This year's budget includes grant funding for pipeline replacements and watershed improvements

Budget Components

- Baseline
- Enhancements
 - Water Supply
 - Deferred Maintenance Backlog Reduction
 - Phased-in over 4 year planning period
 - System Improvements
 - Watershed (BFFIP)
- Grants

Total CIP Budget by Component

Category	FY24	FY25
Baseline*	\$26,056,000	\$29,253,000
Water Supply	\$2,750,000	\$9,200,000
Backlog	\$3,150,000	\$6,615,000
Systems	\$525,000	\$3,858,000
Service Enhancements	\$500,000	\$525,000
Total CIP	\$32,981,000	\$49,451,000

*Includes Grants and Fire Flow projects

Baseline CIP Budget

Category	FY24	FY25
Pipelines	\$10,460,000	\$11,661,000
Pump Stations	\$1,385,000	\$3,420,000
Storage Tanks	\$5,200,000	\$5,860,000
Treatment Plants	\$1,920,000	\$1,120,000
Watershed	\$4,390,000	\$4,199,000
System Improvements	\$2,701,000	\$2,993,000
Total Baseline*	\$26,056,000	\$29,253,000

*Includes funding from Capital Maintenance Fee, Rate Revenue, Connection Fees, Fire Flow Fee, Grants, and Interest



*Courtright Tank System Improvement
(project completed October 2022)*

Enhancement: Water Supply

Preliminary Funding Schedule for Capital Investments*

	FY 24 Budget	FY 25 Budget	FY 26 Plan	FY 27 Plan	Total
Phoenix to Bon Tempe	\$500,000	\$1,700,000	\$2,000,000	\$1,000,000	\$5,200,000
Soulajule Electrification	\$500,000	\$3,500,000	\$3,200,000	-	\$7,200,000
Roadmap – Long Term Projects	\$1,750,000	\$4,000,000	\$4,500,000	\$2,000,000	\$12,250,000
Total	\$2,750,000	\$9,200,000	\$9,700,000	\$3,000,000	\$24,650,000

* Does not include strategic water supply investments embedded in the operations budget (e.g. conservation & stream flow augmentation)

Phoenix – Bon Tempe Project Overview

- Install new infrastructure to pump water up from Phoenix Lake to Bon Tempe Lake
- Phoenix storage capacity: 411 ac-ft
- Improves operational efficiency and would allow for more frequent use of water without intensive system modifications

Total Project Cost
estimated at \$5.2M



Soulajule Project Overview

- Storage capacity: 10,572 acre feet
- Improves operability and flexibility of storage facilities
- Would set up improved efficiency for long term operating model

Total Project Cost
estimated at \$7.2M



Soulajule Dam & Pump Station

Enhancement: Deferred Backlog Reduction

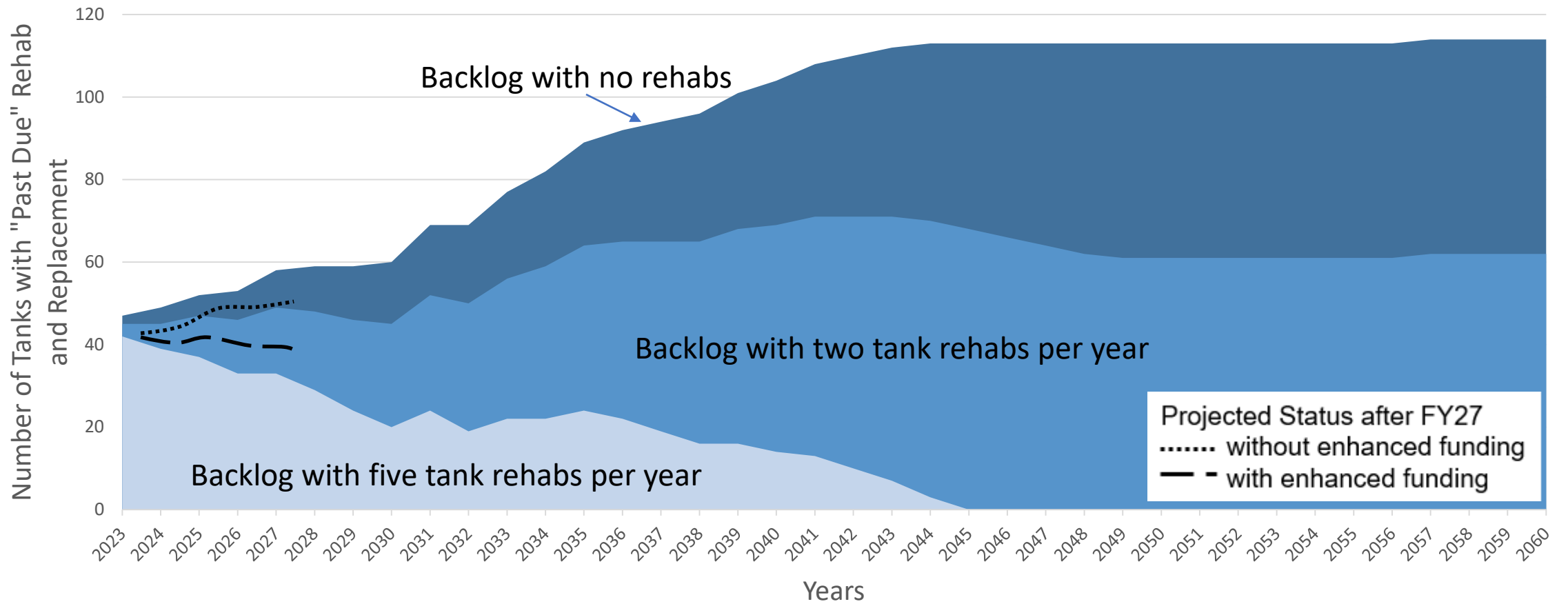
Preliminary Funding Schedule

	FY 24 Budget	FY 25 Budget	FY 26 Plan	FY 27 Plan	Total
Pipelines	\$1,550,000	\$3,615,000	\$5,500,000	\$6,500,000	\$17,615,000
Pump Stations	-	\$1,000,000	-	-	\$1,000,000
Storage Tanks	\$500,000	\$1,000,000	\$1,500,000	\$3,250,000	\$6,250,000
Treatment Plants	\$500,000	\$500,000	\$750,000	\$1,350,000	\$3,100,000
Watershed	-	\$500,000	\$918,000	\$1,486,000	\$2,904,000
System Improvements	\$600,000	-	\$1,750,000	\$2,000,000	\$4,350,000
Total	\$3,150,000	\$6,615,000	\$10,418,000	\$14,586,000	\$34,769,000

Examples of Backlog Projects

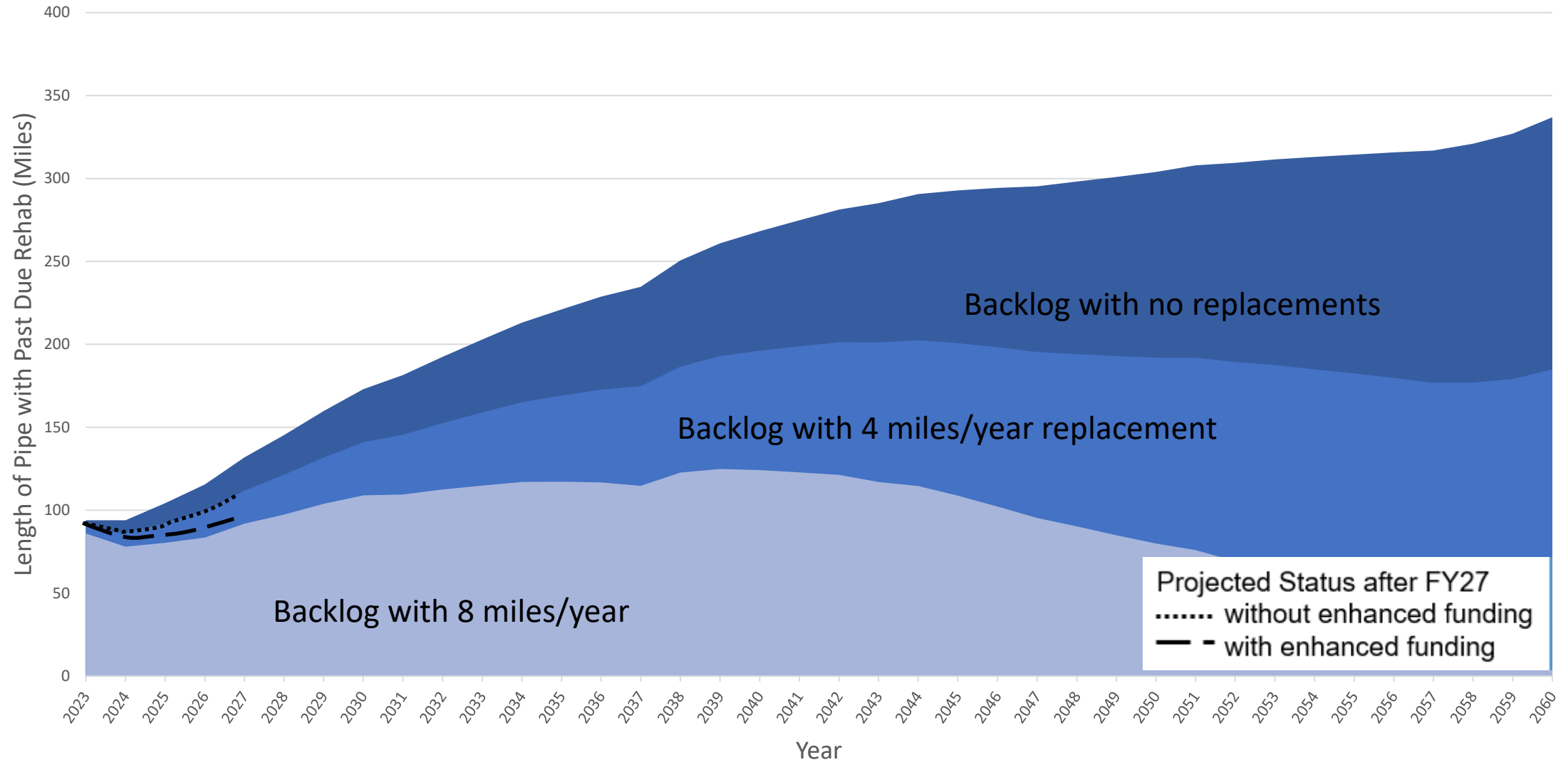
- Pipelines
 - Paradise Drive
 - Paloma/Granada
 - N. Marin Line
- Pump Stations and Tanks
 - Tocolama Pump Station
 - Wolfback Ridge Tanks
 - Hind Tanks
- Other
 - San Geronimo Treatment Plant Roof Replacement
 - San Clemente System Improvement

Effect of Rehab Rate on Backlog of “Past Due” Tank Rehabs

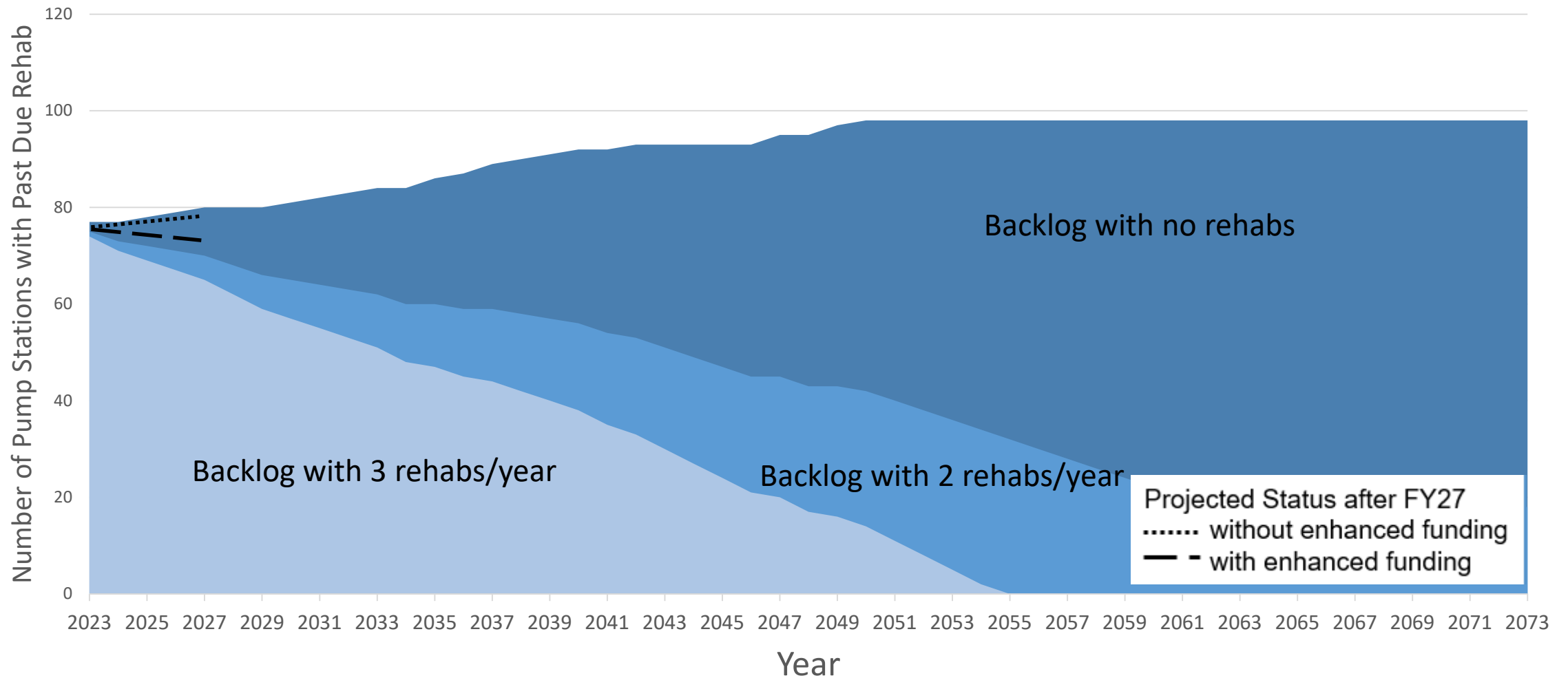


Includes major tanks only (114)

Miles of Pipe “Past Due” for Replacement at different Rehab or Replacement Rates



Effect of Rehab Rate on Backlog of “Past Due” Distribution Pump Station Rehabs



Enhancement: System Improvements

ERP Implementation Plan

- Phase 1 - Initiate ERP Options Review
 - Issue RFP – September 2023
 - Conduct Needs Assessment – December 2023
 - Vendor Demonstrations and Options Review – 2024
- Phase 2 – Contract Development
 - Prepare bid documents and professional services agreements for preferred alternative – Dec 2024
 - Vendor/Consultant Selection
- Phase 3 – Implementation
 - Data transfers, customizations, and “sandbox” testing - 2025-2026
 - Staff training – Spring 2026
 - “Go Live” Target Date – July 1, 2026

	Funding
FY 24	\$525,000
FY 25	\$3,858,000

Total Project Cost
estimated at \$7-8M

Enhancement: Watershed & BFFIP



French broom removal below Bon Tempe Treatment Plant

Enhanced funding allows for an annual additional **235** acres (17% increase) toward achieving the plan's goals



Routine fuelbreak maintenance along Lower Railroad Grade

	Funding
FY 24	\$500,000
FY 25	\$525,000

Two Year CIP Summary

Total CIP Budget by Program

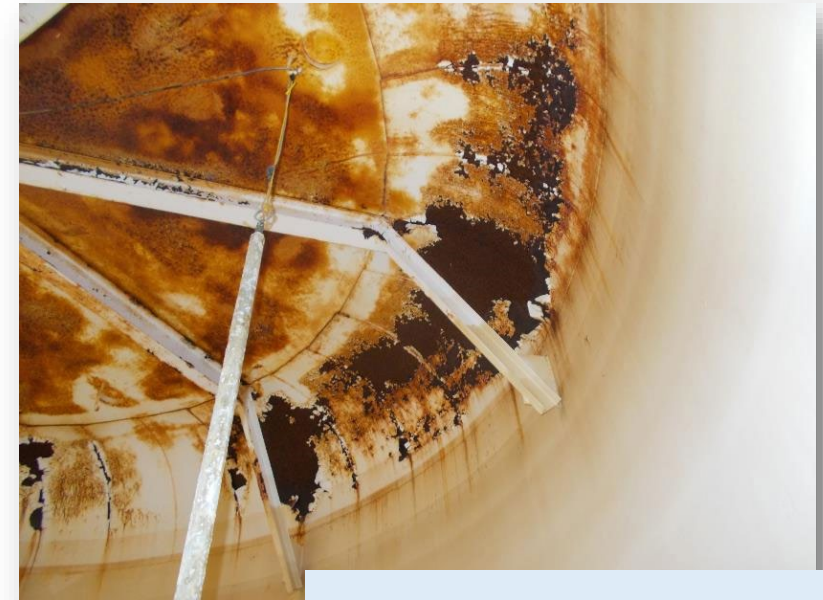
Category	FY24	FY25
Pipelines	\$12,010,000	\$15,276,000
Pump Stations	\$1,385,000	\$4,420,000
Storage Tanks	\$5,700,000	\$6,860,000
Treatment Plants	\$2,420,000	\$1,620,000
Watershed	\$4,890,000	\$5,224,000
System Improvements	\$6,576,000	\$16,051,000
Total CIP	\$32,981,000	\$49,451,000

Cathodic Protection & Tank Recoating

Category: Storage Tanks

- Maintains corrosion protection program extending life of welded steel pipelines
- Includes steel tanks recoating projects
- Backlog projects include:
 - Wolfback Ridge Tanks Recoating

	Baseline	Backlog	Total
FY 24	\$400,000	\$500,000	\$900,000
FY 25	\$410,000	-	\$410,000



Wolfback Ridge Tanks

Pipeline Replacements

Category: Pipelines

- Replaces six miles of pipeline
- Backlog projects include:
 - Paradise Dr (Tiburon)
 - portion of Paloma/Granada
 - North Marin Line design
 - Future backlog projects are Miracle Mile, Bolinas Rd, and Freitas Parkway



Paloma, Granada (Corte Madera)

	Baseline	Backlog	Total
FY 24	\$5,570,000	\$1,550,000	\$7,120,000
FY 25	\$6,761,000	\$3,615,000	\$10,376,000

Pipeline Replacements (FFIP)

Category: Pipelines

	Total
FY 24	\$4,650,000
FY 25	\$4,650,000

- Replaces three miles of pipeline
- Projects are pre-identified per Fire Chiefs
 - Largely include 4- and 6-inch cast iron pipe
- Also includes \$150,000 annually of discretionary funds for Fire Chiefs



Treehaven FFIP

Treatment Plants

Category: Treatment Plants

- Large projects include San Geronimo Roof Replacement and Bon Tempe Backwash Line
- Backlog projects include:
 - Portion of roof replacement
 - MCC/PLC Upgrades

	Baseline	Backlog	Total
FY 24	\$1,920,000	\$500,000	\$2,420,000
FY 25	\$1,120,000	\$500,000	\$1,620,000



San Geronimo Treatment Plant Roof

Reservoirs & Dams

Category: Watershed

	Total
FY 24	\$1,550,000
FY 25	\$400,000

- \$1.2M in funding allocated over two year period for spillway repairs and required condition assessments
- Other valve repairs and replacements



Spillway Repairs (Seeger Dam)

Storage Tanks

Category: Storage Tanks

- Pine Mountain Tunnel
- Backlog projects include:
 - Hind Tanks Replacement (Redwood)
 - Future backlog projects include Madera Park Tank Replacement (Redwood)



Hind Tanks (Redwood)

	Baseline	Backlog	Total
FY 24	\$4,800,000	-	\$4,800,000
FY 25	\$5,450,000	\$1,000,000	\$6,450,000

Pumps

Category: Pump Stations

- Baseline projects are Tocaloma and Kastania pump stations
- Backlog funding to supplement Tocaloma pump station upgrade
- Water supply projects include:
 - Phoenix – Bon Tempe Connection
 - Soulajule Electrification



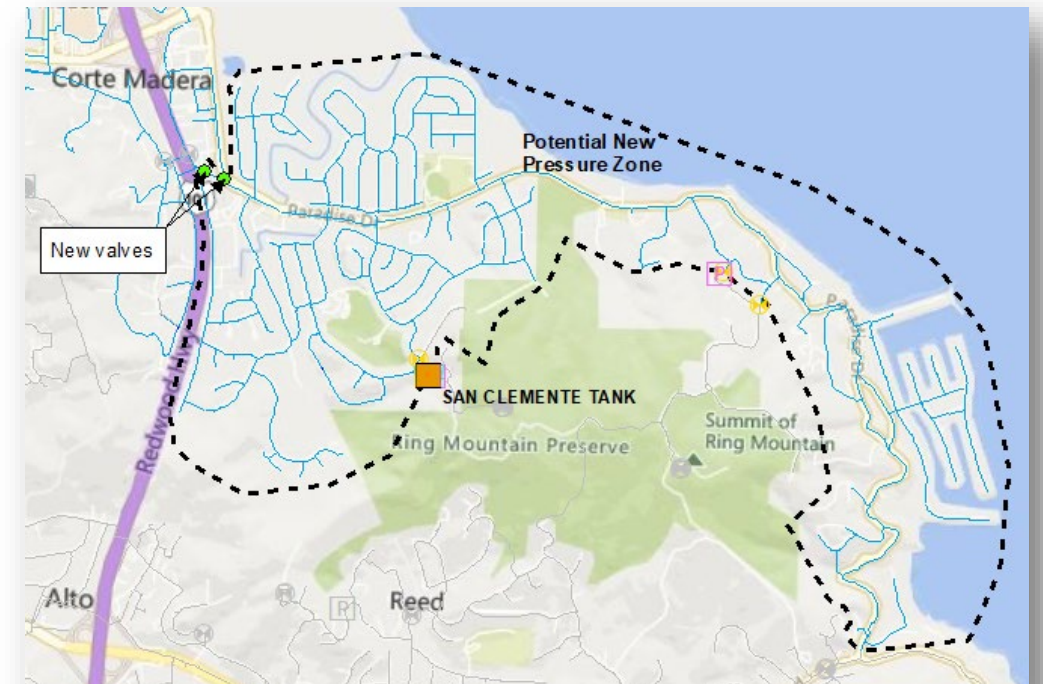
Tocaloma Pump Station

	Baseline	Backlog	Water Supply	Total
FY 24	\$1,320,000	-	\$1,000,000	\$2,320,000
FY 25	\$3,355,000	\$1,000,000	\$5,200,000	\$9,555,000

Program Management

Category: System Improvements

- Asset Management/Master Plan
- Backlog funding for San Clemente
- IT Projects & ERP Replacement
- Planning & Pre-Design of Roadmap Implementation



San Clemente System Improvement Project

	Baseline	Backlog	Water Supply	System Improvements	Total
FY 24	\$885,000	\$600,000	\$1,750,000	\$525,000	\$3,760,000
FY 25	\$350,000	-	\$4,000,000	\$3,858,000	\$8,208,000

Watershed

Category: Watershed & System Improvements

- Fire & Fuels Management (BFFIP)
- Roads & Trails
 - Includes \$250k in backlog funding for Cataract & other trail improvements in FY 25
- Culvert & Landslide Repairs



Fire & Fuel Reduction Projects (After)

	Baseline	Backlog	Add'l BFFIP	Grant Funding	Total
FY 24	\$2,405,000	-	\$500,000	\$435,000	\$3,340,000
FY 25	\$2,399,000	\$500,000	\$525,000	\$1,400,000	\$4,824,000

*Grant funding included in System Improvement category

Other Small Projects

Category: Various

- Control Systems & Valves
- Meter Replacements
- Buildings & Grounds
 - Future backlog funding for EV charging stations
- Capital Purchases



Santa Margarita Altitude Valve

	Total
FY 24	\$1,846,000
FY 25	\$1,962,000

CIP Summary & Next Steps

- CIP funding includes both baseline and enhancement funding
- Funding distributed across all asset classes and categories
- Projects address critical investments that are needed to continue to maintain our natural resources while delivering high quality water
- Next Steps
 - Long term capital plan (10 year & 30 year)

District Budget Recap

- District Budget is increasing by 22 percent in FY 24 and 15 percent in FY 25
 - Inflationary cost drivers and operating enhancements
 - Water Supply Resiliency
 - Short term projects, longer term planning
 - Dedicated reserve fund
 - Capital projects and deferred maintenance
 - Phased-in over four years
 - Reserve replenishment
 - Enhanced service levels for watershed and water efficiency

Conservation Budget Summary (\$2.6M)

- 3 focus areas to preserve the District's water supply
 - Community Engagement
 - Incentives
 - Regulations
- Enhanced funding in Proposed Budget for Water Conservation Element (\$275,000)
 - Outreach and marketing to increase participation levels
 - Improved analytics
 - Targeted advertising programs
 - Graywater training
 - Increased conservation rebate incentives in FY 25
- Grants
 - Awarded approximately \$700,000 through Sonoma Water over next three years

Watershed Budget Summary (\$10.4M)

- Primary function is to protect the District's local source of water supply
 - Watershed Protection and Maintenance
 - Vegetation and Natural Resources
 - Fisheries
 - Grants and Legislation
- Biodiversity, Fire, and Fuels Integrated Plan (BFFIP)
 - Current budget of \$2.2 million
 - Recommended annual increase of \$500,000 (27%) beginning in FY 24
- Watershed Capital Infrastructure
 - Increased funding for deferred maintenance backlog beginning in FY 25
 - Phased increases in FY 26 and FY 27 will double the current annual capital investment
 - Grant funding for Lagunitas Creek Fisheries restoration

Alternative Approaches to Funding Levels for Conservation and Watershed

- The proposed budget incorporates district-wide prioritization and rate setting process
 - Increasing funding for Water Efficiency and/or Watershed would require use of one time funds or reductions in other areas
- Alternatives to consider:
 - Increase Water Efficiency budget by:
 - Funding local match portion of Sonoma Water grant with one-time savings in FY 24
 - Increasing funding for incentives and rebates using one-time savings in FY 24
 - Increase Watershed budget by:
 - Accelerating implementation of deferred watershed maintenance backlog projects by delaying deferred pipeline replacement projects
 - Increasing BFFIP spending by an additional \$500k in FY 24 and FY 25 and reducing baseline CIP in other areas

Budget Adoption Considerations

- Option #1: Adopt budget as proposed
- Option #2: Adopt budget with increased funding for Watershed and/or Water Efficiency
- Option #3: Adopt budget as proposed and direct staff to return in September with additional funding options for Watershed and Conservation