



Sausalito-Marin City Sanitary District

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RATE STRUCTURE STUDY DISCUSSION

February 4, 2013



What are the overall study objectives?

- Respond to customer inquiries
 - Why charge all residential customers the same amount?
- Identify potential sewer rate structure alternatives and refinements
- Understand the impacts of changing the current structure
 - Customer bill impacts
 - District financial impacts
 - District implementation requirements
- Maintain financial stability and revenue neutrality

Rate Structure Discussion Table

Balancing District and Customer Needs

Rate Structure	Fixed Charge	Flow Charge
Equity	<ul style="list-style-type: none"> •No recognition of flow •Does not promote water conservation •Users pay equally 	<ul style="list-style-type: none"> •Fully adjusted for flow •Does not recognize fixed vs. variable costs •Water meter readings are an estimate of wastewater flow
Public Understanding	<ul style="list-style-type: none"> •Easily understood •Cost of service concerns 	<ul style="list-style-type: none"> •Understood in concept – not application •Appears most fair

Rate Structure Discussion Table

Balancing District and Customer Needs

Rate Structure	Fixed Charge	Flow Charge
Administrative Impacts	<ul style="list-style-type: none"> •Easiest to administer •Existing billing system works •Bill on property tax roll 	<ul style="list-style-type: none"> •Moderately difficult and time consuming •Projects customer flow for following year •Potential need for utility billing system • Requires Prop 218
Revenue Neutrality and Stability	<ul style="list-style-type: none"> •Excellent and low risk 	<ul style="list-style-type: none"> •Potential high impacts and risks •Revenue instability may trigger rate adjustments

Sewer Rate Structure Studied But Eliminated - Alternative 1

- Flow-based rates per individual customer
 - Combination of fixed and flow-based charges per customer
 - Fixed charge per parcel regardless of class
 - Flow charge based on each customer's winter water use
- Disadvantages
 - Technically complex to balance revenue stability and equity
 - Revenue is less stable
 - Requires additional resources for individual customer billing and County tax roll preparation
 - Requires Proposition 218 process

Sewer Rate Structure Studied but Eliminated - Alternative 2

- Flow-based rates per customer class
 - Flow-based EDUs for each residential class
 - Reduces multi-family and floating home charges per EDU based on the flow per EDU for each residential class
 - Increases charge per EDU for single family and commercial customers
- Disadvantages
 - Requires further study of impacts
 - Implementation now creates significant revenue shortfall without Prop 218 process – approx. \$630k/year
 - Requires Prop 218 process

Sewer Rate Structure Studied For Potential Implementation - Alternative 3

- Fixed and flow-based rates per customer class
 - 88% of revenue from a fixed charge per EDU
 - 12% of revenue from a flow-based charge per class
 - Customers in each residential class have the same sewer rate
- Advantages
 - Revenue stability and equity are linked to flow
 - Stability is maintained and equity is improved
 - Can be implemented this year without Prop 218 process and with manageable fiscal impact
 - Creates \$100,000 in reduced revenue per year
 - May require a Prop 218 process and rate adjustment in next few years

Public Input – January 30, Rate Study Meeting

- Alternative 3 fixed and flow structure – 12% flow component not enough.
- Good that the District is looking a flow based charges
- Strictly flow based system is the best and most equitable
- Floating Homes sewer system does not contribute winter storm flow
- Customers with multi-units are charged too much (per EDU and flow)
- Sewer charges hard to manage for some customers
- Single family residences should pay more
- Look at how the Marin Municipal Water District charges
- Consider using square footage in rate calculation
- Concerns about application of Proposition 218

Staff Sewer Design Suggestions for Consideration

- Alternative 3 fixed and flow structure is a good step in application of flows to sewer rates.
- Consider reduced supplemental charge for Floating Homes in unincorporated areas within the SMCSD
 - Based on little or no winter storm flow
- Research a Sewer Lifeline Program

Alternative 3 – fixed and flow Based Rates

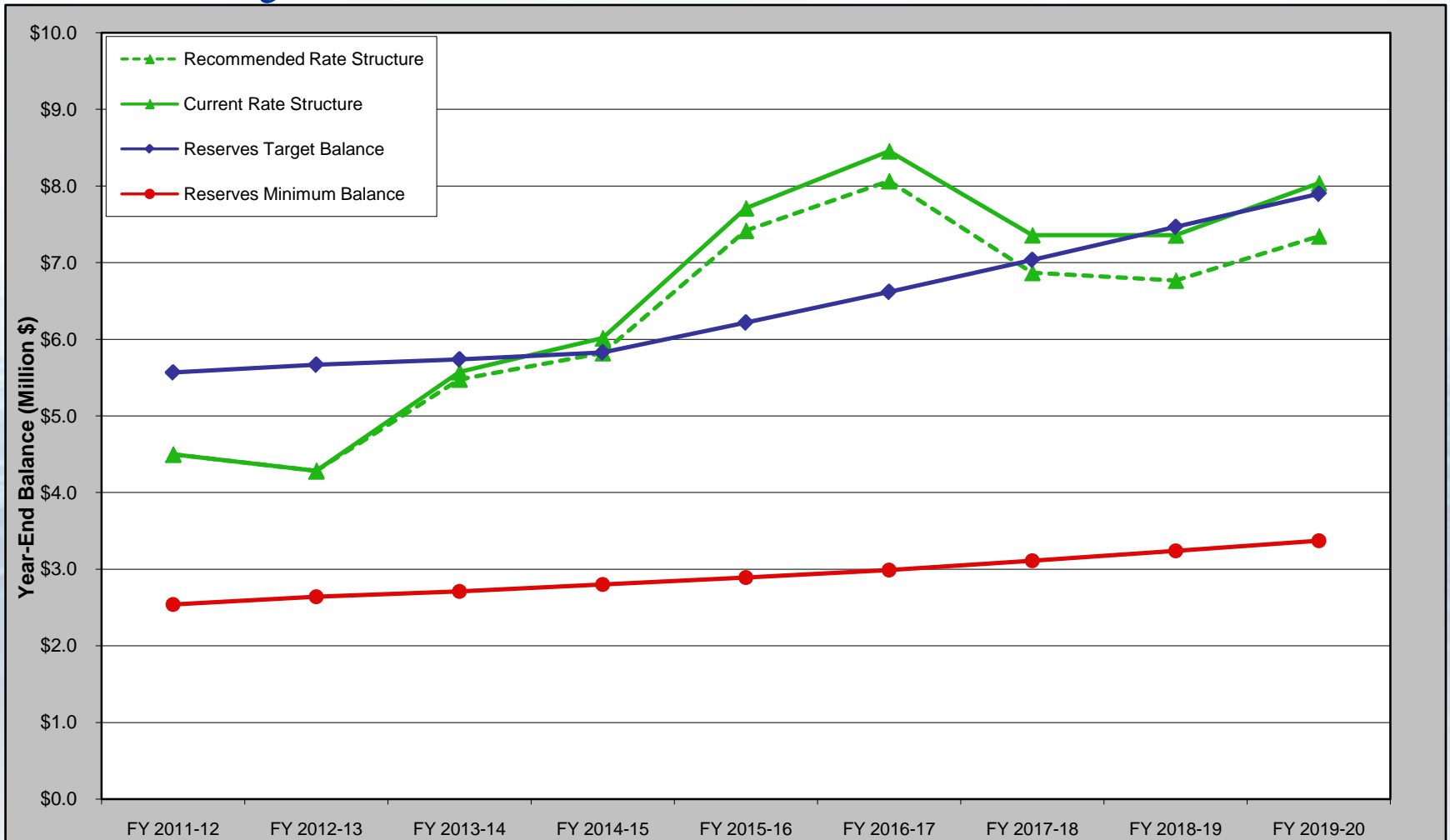
Customer Class	Fixed	Flow	Supplemental (Collection System)	Total	Reduction From Adopted Rates
Single Family	638	87	City charge	725	\$0
Single Family (unincorporated)	638	87	55	780	\$0
Floating Homes (unincorporated)	638	34	55	727	-\$53
Multi Family	638	66	City charge	704	-\$21
Multi Family (unincorporated)	638	66	55	759	-\$21

Reserve Fund Policy to Maintain Financial Stability

Operating Reserve	Capital Reserve	Renewal and Replacement Reserve	Disaster Recovery Reserve (Starting FY 2015/16)
Provide capital for operating expenses cash flow	Provide capital for major capital projects in 10 year capital program. Inc	Provide capital for renewal and replacement of equipment and assets	Provide capital finding for emergency recovery until long-range funding is arranged
9 months of operating capital – 2019/20 Target level: \$2.8 million	Average annual 10 year capital program expenses. Includes loan financing – 2019/20 Target level: \$2.4 Million	Two years of annual replacement costs – Target Level: \$1.3 million	Target level \$1.5 million

- FY2019/20 Total Combined Reserve Target Amount: \$8.0 million
- Maintain adequate reserves for capital project loan requirements
- May be utilized for sewer rate stabilization

Impact on SMCSD Reserves and Financial Stability - Alternative 3



Preliminary - Proposition 218 Process

- April Board Regular meeting – Staff Report
- May Board Public meeting - Rate Study Design Review
 - Distribute rate change newsletter, press release, ads, website
 - First Public Hearing Notice
 - Second Public Hearing Notice
- June Board Regular meeting – Staff Report
 - Mail Prop 218 Legal Notice
 - Third Public Hearing Notice
- July Board Regular meeting - Vote on rate Ordinance + 218
 - 45 days after first 218 publication
- First of July – submit ballot results to County of Marin for tax rolls

Sewer Rate Structure Study Next Steps

- **Staff Recommendation**
 - Discuss public input and rate structures under consideration and provide staff direction on the study next steps