

**SEWER SERVICE CHARGE RATE STUDY – 1) ACCEPT THE REPORT FROM HF&H CONSULTANTS; AND 2) ADOPT RESOLUTION NO. 997 STATING THE DISTRICT'S INTENTION TO ESTABLISH SEWER SERVICE CHARGES FOR FISCAL YEARS 2014/15 THROUGH 2018/19 AND SET A PUBLIC HEARING FOR JULY 7, 2014**

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**BACKGROUND:**

Staff has worked with the Sewer Rate Study Ad Hoc committee and our project consultants to develop a proposed 5-year sewer service charge rate plan for Board consideration. The study report is now complete and attached to this staff report. The objective of the study is to allocate charges in the best possible manner to District customers and provide the necessary revenue for the District to complete its 10-year capital improvement program. An important feature of the study report is the proposed phasing in of rate changes to minimize rate impacts to District customers. The result of the phasing is a smoother rate transition over the five year period.

The study proposes a rate structure method that stays consistent with what was adopted last year by the Board. A fixed charge is assessed to each customer class that includes a base and volumetric charge. Charges are assessed on per equivalent dwelling unit basis. Each District customer is charged equally for the base charge which covers the District's fixed costs that do not change with wastewater flow. The volumetric charge differs for each customer class based on their respective wastewater contribution.

The rate study recommends expanding the residential volumetric component of the sewer charge from twelve (12) percent to thirty-eight (38) percent. This change allows the District's charges to better reflect each residential customer class wastewater contribution. The result is that for the volumetric component of the sewer charge, single family customers are designated a 1.0 flow factor, multi-family is designated a 0.73 flow factor, or 73 percent of single family wastewater contribution. Floating home customers are designated a 0.42 flow factor, or 42 percent of single family wastewater contribution. Each residential customer class volumetric component charge has been adjusted accordingly.

The non-residential customer class sewer charge method is kept the same since it considers both volume and flow. Unlike the residential class, the District calculates individual annual sewer bills for each non-residential customer. The study is recommending that the District's Standard Flow Rate of 180 gallons per day per Equivalent Dwelling Unit be changed to 200 based on District flow study data. Since the District's bill calculation uses the Standard Flow Rate value, this change will result in lower non-residential bill charges.

Extensive analysis of the District's long term financial condition was completed. The analysis considers operating and capital improvement expenses projected over the next ten years. The financial analysis has determined that small 2% annual revenue rate increases are recommended to keep up with the cost of goods, services, supplies, equipment and construction costs. These small increases will maintain customer rate stability and limit possible larger increases at the end of the 5-year rate plan period if there were no small annual adjustments to keep pace with expenses.

Lastly, staff completed an analysis of operational expenses and capital improvement costs specific to sewer collection service for the unincorporated areas of the District's jurisdiction, including Marin City. This funding pays for sewer pipeline and pump station maintenance, repair and upgrades. The existing supplemental collection charge and not cover the cost of service. The study report recommends rate adjustments to be phased in over the next five years to cover District expenses.

<b>Supplemental Charge</b>	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>
Annual Rate per EDU	\$61	\$66	\$71	\$76	\$78

The study report recommends the following 5-Year Sewer Service Charge Rate Plan (FY 2014/15 to 2018/19). The rates indicated include the supplemental collection charge for the District's unincorporated service area, including Marin City. The rates shown are per EDU.

	<b>Existing</b>	<b>FY 14/15</b>	<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>
Single Family Incorporated	\$725	\$770	\$817	\$883	\$850	\$866
Single Family Unincorporated	\$780	\$831	\$883	\$904	\$926	\$944
Multi-Family Incorporated	\$704	\$715	\$726	\$741	\$756	\$771
Multi-Family Unincorporated	\$759	\$776	\$792	\$812	\$832	\$849
Floating Homes Unincorporated	\$727	\$708	\$687	\$705	\$722	\$737
Non-Residential Incorporated	\$715	\$770	\$817	\$883	\$850	\$866
Non-Residential Unincorporated	\$780	\$831	\$883	\$904	\$926	\$944

**Schedule for 5-Year Sewer Service Charge Rate Plan Approval**

Nov 2013	Public meetings for study input	Complete
Jan 2014	Review study with Ad Hoc Committee	Complete
Feb 2014	Review study with Ad Hoc Committee	Complete
Mar 2014	Board direction on study	Complete
April 2014	Public meeting for study input	Complete
May 5, 2014	Board study and 5-year rate plan approval and authorization of Prop 218 notice	Complete
May 2014	Mail Prop 218 notice	
July 7, 2014	Board meeting and Prop 218 hearing and adoption of new rates and Ordinances	
Jul/Aug 2014	Update County tax roll data update	

- RECOMMENDATION:**
1. Accept the sewer rate study report from HF&H Consultants.
  2. Adopt Resolution No. 997 stating the District's intention to establish sewer service charges for fiscal years 2014/15 through 2018/19 and set a public hearing for July 7, 2014.

- ATTACHMENTS:**
1. Resolution No. 997.
  2. Public Hearing Notice.
  3. HF&H Sewer Service Charge Study.
  4. District Resolution No. 928 establishing guidelines for the submission and tabulation of protests.

Prepared By: \_\_\_\_\_  
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