

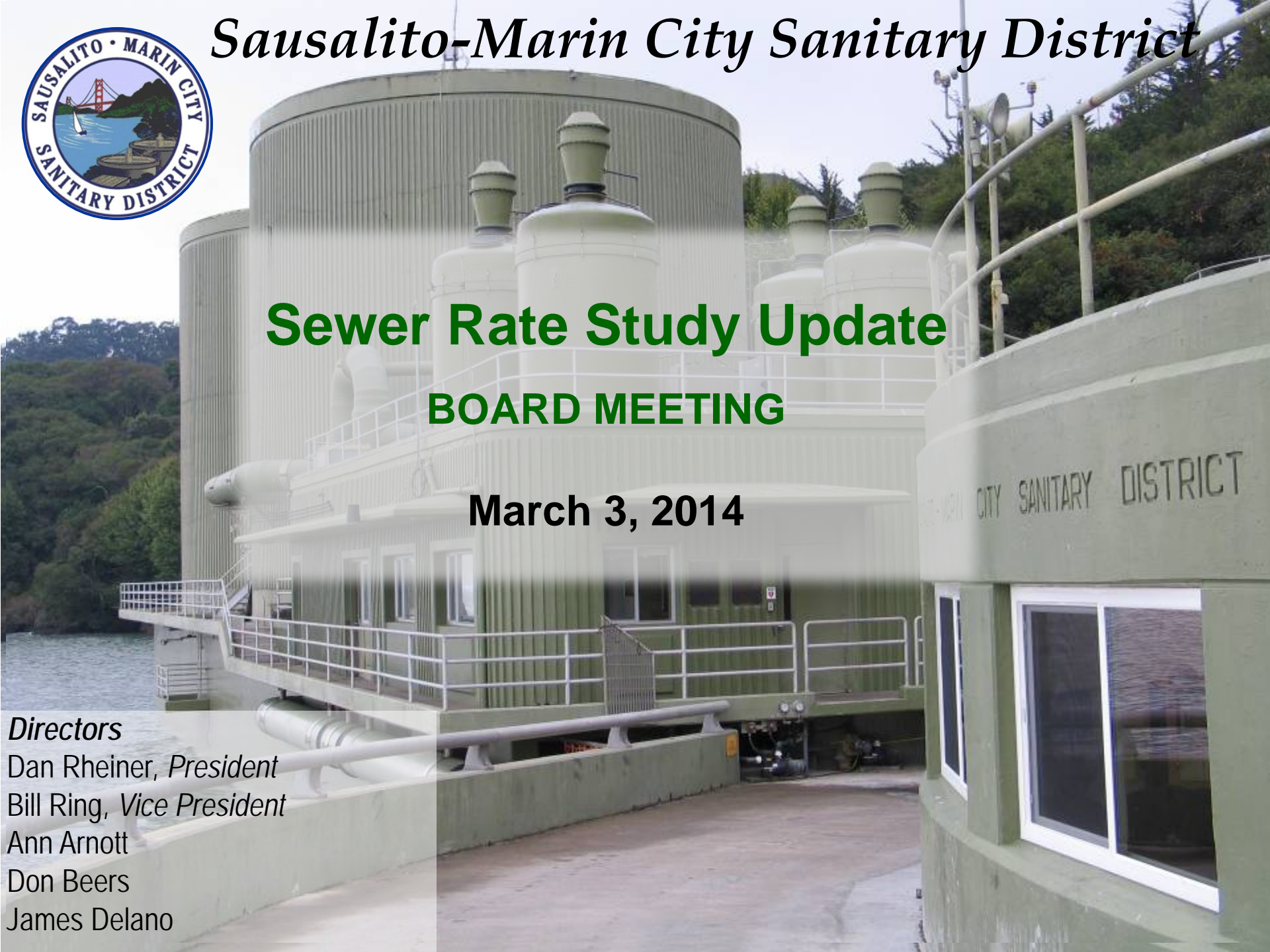


# Sausalito-Marin City Sanitary District

## Sewer Rate Study Update BOARD MEETING

March 3, 2014

- Directors*  
Dan Rheiner, *President*  
Bill Ring, *Vice President*  
Ann Arnott  
Don Beers  
James Delano



# *Presentation Outline*

- Background
- Rate-Making Objectives and Considerations
- FY 2014-15 Rate Evaluation
- Schedule and Recommendations



***BACKGROUND***



## *Last Year's Rate Adoption*

- Historically the District's residential rates were equal
  - Single family, multi family, and floating home charged the same per dwelling unit
- In response to its residential customers concerns about equity, the Board introduced a rate differential
  - Variable costs were proportioned based on average flow for each class
  - Three separate charges per dwelling unit were established for each residential class
- District committed to further evaluation

# *Current Annual Sewer Service Charges*

## **Residential**

- Single Family: \$725.00 per dwelling unit
- Multi Family: \$704.00 per dwelling unit
- Floating Home: \$672.00 per dwelling unit

*\$55 Surcharge in unincorporated areas for collection system*

## **Commercial**

- Based on flow and strength (low, average, high)
- Calculated charge differs for each customer



***RATE-MAKING OBJECTIVES  
AND CONSIDERATIONS***

## *Further Evaluation This Year*

- District held two workshops on November 21, 2013
  - Introduce public to rate study, solicit input, address questions
  - Attended by 20 residents
- District completed preliminary financial plan for capital improvements
  - 2% annual increases needed in rate revenue over next five years
- District studied potential rate structure modifications
  - Historical flows by customer class
  - Flow related components of O&M and capital costs



# *Key Rate-Making Objective*

- Majority of District's current revenue comes from fixed sources that do not vary per customer
  - Residential rates and property taxes
- Fixed charges provide revenue stability
- District is entering a period of facility upgrades
  - 10-Year CIP includes \$46,000,000 in capital projects
  - Funded largely by State loan
- District's most important objective is stability
  - Revenue stability for District
  - Rate stability for rate payers



# Revenue Stability and Customer Flows

	2009 Data (HCF)	2010 Data (HCF)	2011 Data (HCF)	2012 Data (HCF)	2013 Data (HCF)
<u>Customer Classes</u>					
Residential (1 winter bill)					
Single Family	17,579	16,343	16,202	18,750	16,439
Multi-Family [1]	30,830	28,779	31,388	32,045	29,913
Floating Homes	1,882	1,888	1,894	1,809	1,985
Subtotal - Residential	50,291	47,010	49,484	52,604	48,337
Non Residential [2]	28,204	25,878	26,255	23,985	24,705
Grand Total	78,495	72,888	75,739	76,589	73,042

Annual fluctuations are significant and must be buffered by reserves.

Over the last five years, flow has trended down 7%, which is a long-term drain on reserves or rates must be increased.

<b>Year-Over-Year Change (HCF)</b>	<b>2010 v. 2009</b>	<b>2011 v. 2010</b>	<b>2012 v. 2011</b>	<b>2013 v. 2012</b>
<u>Customer Classes</u>				
Residential (1 winter bill)				
Single Family	-7%	-1%	16%	-12%
Multi-Family [1]	-7%	9%	2%	-7%
Floating Homes	0%	0%	-5%	10%
Subtotal - Residential	-7%	5%	6%	-8%
Non Residential [2]	-8%	1%	-9%	3%
Grand Total	-7%	4%	1%	-5%

[1] Includes 'Single Family - Attached' Customer Flows

[2] Average of 1 winter, 1 summer bill

# *Other Important Rate-Making Objectives*

- Rate payer equity is also important
  - Each class pays its proportionate share of the cost of service
  - Customers in each class pay reasonable rates
- Customers understand and accept rates
- Rates are practical and implementable
  - District has small staff to implement new charges and administer on-going billing process with MMWD and the County

# *Rate Design Considerations*

- Revisit residential rate structure
  - Allocating costs proportionately
  - Charging same charge to all customers in each class or different charges to each customer in class
- Using long-term flow averages to stabilize allocations
- Review flow used to determine commercial EDUs
- Review unique service requirements of floating homes
  - Metering wastewater at pump stations rather than use MMWD
  - Billing marina owners versus individual floating homes
- Provide hardship assistance
- Automatic annual adjustments to rates for inflation





***FY 2014-15 RATE EVALUATION***

# *Proposed Rate Design Refinements*

- Continue with separate fixed charges per dwelling unit for single family, multi family, and floating homes
  - Best structure at balancing District's current need for revenue stability with rate payer equity
  - Implementation is possible with existing staff
- Further evaluate O&M and capital costs and refine cost allocations
  - Identify base costs common to all regardless of differences in flow
  - Identify flow-based costs to allocate in proportion to differences in flow

# *Cost Allocation Categories*

- Base costs
  - O&M – costs that do not vary with flow such as personnel costs
  - Capital – costs for facilities that provide for average, non-peak flows and for facilities unrelated to flow such as offices
  - Allocated in proportion to equivalent dwelling units
- Volumetric costs
  - O&M – costs that vary with flow such as chemicals, power, solids disposal
  - Capital – costs for facilities that provide peak capacity for customers and I&I
  - Allocated using using design standards - 31% base, 69% peak



# Cost Allocation Results

- 63% of all budgeted O&M and capital costs provide for base customer loadings
  - This much of the revenue requirement is allocated in proportion to EDUs
- 37% is related to variations in volume and providing peak capacity
  - This much of the revenue requirement is allocated in proportion to each class' flow

EXPENSES	BASE		VOLUMETRIC		FY 2013/14	
Total Operating and Administrative	\$2,938,898	85%	\$ 514,886	15%	\$3,453,784	100%
Total Capital	\$2,337,201	47%	\$2,636,287	53%	\$4,973,487	100%
Grand Total	\$5,276,098		\$3,151,173		\$8,427,271	
Percent of Total Expenses	<b>63%</b>		<b>37%</b>		<b>100%</b>	

# *Customer Class' Flows*

- Residential flows from last five years were averaged to get a stable relationship among the classes
  - Based on winter metered water use from MMWD
- Not all single family winter water use returns to sewer
  - 5% was deducted
- Ratios were used to proportion flow-based costs


	Gallons Per Day Per EDU	Ratios Compared to Single Family
Single family	132	1.00
Multi family	102	0.72
Floating homes	58	0.42

## *Rate Calculations (FY 13-14 Revenue)*

- Total revenue requirement = \$5,288,220
  - 63% is base cost = \$3,331,579
  - 37% is volumetric cost = \$1,956,642
- Base component of rate
  - \$448 per EDU for all classes
- Volumetric component of rate
  - \$315 for single family and non-residential
  - \$230 for multi family
  - \$132 for floating homes
- Total rate = Base + Volumetric components




# Rate Projections - Option 1

	FY13-14 Existing	FY14-15 Year 1	FY15-16 Year 2	FY16-17 Year 3	FY17-18 Year 4	FY18-19 Year 5
Revenue Increases		0%	3%	3%	3%	3%
<u>Single Family</u>	\$725	\$745	\$788	\$812	\$836	\$861
Monthly Equivalent	\$60.42	\$62.08	\$65.66	\$67.66	\$69.66	\$71.75
<u>Multi Family</u>	\$704	\$691	\$699	\$720	\$742	\$764
Monthly Equivalent	\$58.66	\$57.58	\$58.25	\$60.00	\$61.83	\$63.66
<u>Floating Homes</u>	\$672	\$626	\$598	\$616	\$634	\$653
Monthly Equivalent	\$56.00	\$52.16	\$49.83	\$51.33	\$52.83	\$54.41
<u>Non Residential</u>	\$725	\$745	\$788	\$812	\$836	\$861
Monthly Equivalent	\$60.42	\$62.08	\$65.66	\$67.66	\$69.66	\$71.75

- Phase in rate structure modification in Year 1 and 2
- No revenue increase in Year 1
- 3% revenue increases in Years 2 - 5

# Rate Projections - Option 2

	FY13-14 Existing	FY14-15 Year 1	FY15-16 Year 2	FY16-17 Year 3	FY17-18 Year 4	FY18-19 Year 5
Revenue Increases		2%	2%	2%	2%	2%
<u>Single Family</u>	\$725	\$759	\$779	\$794	\$810	\$826
Monthly Equivalent	\$60.42	\$63.25	\$64.92	\$66.16	\$67.50	\$68.83
<u>Multi Family</u>	\$704	\$705	\$692	\$706	\$720	\$735
Monthly Equivalent	\$58.66	\$58.75	\$57.67	\$58.83	\$60.00	\$61.25
<u>Floating Homes</u>	\$672	\$639	\$592	\$604	\$616	\$628
Monthly Equivalent	\$56.00	\$53.25	\$49.33	\$50.33	\$51.33	\$52.33
<u>Non Residential</u>	\$725	\$759	\$779	\$794	\$810	\$826
Monthly Equivalent	\$60.42	\$63.25	\$64.92	\$66.16	\$67.50	\$68.83

- Phase in rate structure modification in Year 1 and 2
- 2% revenue increases in all five years

# Supplemental Charge

- Total annual collection system costs = \$154,372
  - Total revenue generated by current rates = \$111,576
  - Difference = \$42,796 or \$21.00 per EDU
- Difference will be eliminated over 4 years
- Rates will increase by the same percentage adopted for the Sewer Service Charge starting in FY18-19
- Applies to unincorporated service area

	FY13-14 Existing	FY14-15 Year 1	FY15-16 Year 2	FY16-17 Year 3	FY17-18 Year 4	FY18-19 Year 5
Annual Rate per EDU	\$55.00	\$61.00	\$66.00	\$71.00	\$76.00	\$78.00
Annual Change in Rate		\$6.00	\$5.00	\$5.00	\$5.00	\$2.00



# *Impact of Updated GPD per EDU Definition*

	@ 180 GPD (current)	@ 200 GPD
Non-Residential EDUs (decrease in EDUs)	1,913	1,722 (-191)
Non-Residential Revenue	\$1,461,000	\$1,353,000
Non-Residential Revenue Impact		\$108,000 <b>-7% bill impact</b>
Residential Revenue	\$3,827,000	\$3,935,000
Residential Revenue Impact		\$108,000 <b>+3% bill impact</b>
Total Rate Revenue	\$5,288,000	\$5,288,000

These impacts are in addition to impacts caused by rate restructuring and the increased revenue requirement

# Impact of Updated GPD per EDU on Average Customer Bills

	<u>Option 1</u>		<u>Option 2</u>	
	180 GPD	200 GPD	180 GPD	200 GPD
<u>Residential</u>				
Single Family	\$745	\$755	\$759	\$770
Multi Family	\$691	\$701	\$705	\$715
Floating Homes	\$626	\$634	\$639	\$647
<u>Non Residential</u>				
Low Strength	\$3,129	\$2,858	\$3,192	\$2,915
Medium Strength	\$14,204	\$12,972	\$14,488	\$13,231
High Strength	\$24,135	\$22,041	\$24,618	\$22,482

# *Floating Home Recommendations*

- District will continue to bill individual floating homes on property tax bill instead of billing Marina owners directly
- District will continue coordination with floating home customers to improve service



## *Hardship Assistance Recommendations*

- Align with City of Sausalito to provide a 5% discount to customers who qualify under the City existing program
- 740 customers in 94965 zip code currently receive assistance
- Approximately \$10,000-15,000 per year in assistance to be funded by the District through general property tax revenue and placed into a dedicated lifeline account
- Program adopted as a separate action.

# *Automatic Inflation Adjustments Recommendation*

- Rate model assumes a level of inflation in cost projections
- Automatic annual adjustment should be unnecessary and were eliminated from consideration



***SCHEDULE &  
RECOMMENDATIONS***



# Schedule

<u>Date</u>	<u>Action</u>	<u>Status</u>
Nov 2013	Group meetings for 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	
April 2014	Public meeting on proposed rate plan	
May 2014	Board study and 5-year rate plan approval and authorization of Prop 218 notice	
May 2014	Mail Prop 218 notice	
July 2014	Board meeting and Prop 218 hearing and adoption of new rates and Ordinances	
Jul/Aug 2014	Update County tax roll data	

# Summary

- Adopt Option 2 rate structure
- Adopt revised supplemental charges
- Approve other considerations
  - Revise EDU definition from 180 gpd to 200 gpd
  - Continue billing floating homes on tax rolls
  - Align hardship adjustment with City
  - No need for inflation adjustment factor
- Provide staff direction
  - Prepare technical memorandum and draft ordinance
  - Prepare Prop 218 notice for mailing to rate payers



# *QUESTIONS*