

**NOTICE AND AGENDA
Special Board Meeting
at Sanitary District No. 5 of Marin County
Wednesday, May 10th, 2023**

5:00 P.M. SPECIAL BOARD MEETING

Teleconference Location:
Director Richard Snyder
10 Pomander Walk
Belvedere CA 94920

PURSUANT TO THE RALPH M. BROWN ACT, ALL VOTES SHALL BE BY ROLL CALL DUE TO DIRECTOR SNYDER TELECONFERENCE FROM 10 Pomander Walk Belvedere CA 94920

ROLL CALL:

PUBLIC COMMENTS: The public is invited to address the Board on items that do not appear on the agenda and are within the subject matter jurisdiction of the Board. The Brown Act does not allow the Board to take action on any public comment. Please limit public comments to no more than three minutes.

DIRECTORS' COMMENTS AND/OR AGENDA REQUESTS:

CONSENT CALENDAR:

MANAGEMENT REPORTS:

NEW BUSINESS:

1. Public Workshop Regarding Proposed Sewer Service Charge Increases
 - a. Presentation by HF&H Consultants regarding recommendations provided to the District regarding proposed sewer service charge increases. (Rubio, Simonson- HF&H) Discussion

UNFINISHED BUSINESS:

COMMITTEE REPORTS:

Capital Improvement Program Committee (Carapiet/Arias-Montez)

Finance & Fiscal Oversight Committee (Arias-Montez/Snyder)

Governance Committee (Snyder/Benediktsson)

Personnel Committee (Snyder/Carapiet)

Ad Hoc Committee – Paradise Drive (Carapiet/Benediktsson)

OTHER BUSINESS:

ENVIRONMENTAL:

CORRESPONDENCE:

INFORMATIONAL ITEMS:

ADJOURNMENT:

The Board will be asked to adjourn the meeting to a Regular Board Meeting on May 18, 2023, at 5:00 P.M.

At its discretion, the Board of Directors may consider the above-agenda items out of the order in which they appear currently. Accessible public meetings: Upon request, the District will provide written agenda materials in appropriate alternate formats, or disability-related modification or accommodation, including auxiliary aids or services to enable individual with disabilities to participate in public meetings. Please submit written requests to the District at P.O. Box 227, Tiburon, CA 94920 or rdohrmann@sani5.org at least two days prior to the meeting

SANITARY DISTRICT
of MARIN COUNTY



SANITARY DISTRICT NO. 5 OF MARIN COUNTY FY 2023-24 Sewer Rate Study

May 10, 2023

Community Workshop



AGENDA

- Introduction
 - Purpose of the Workshop
 - Background
 - Ratemaking Objectives & Considerations
 - Summary of Current Charges
- Five-year Sewer Rate Study
- Findings & Recommendations



INTRODUCTION

PURPOSE OF THE WORKSHOP

- Provide background on the District to understand what sewer rates pay for.
- Explain the proposed rate changes.
- Answer your questions and listen to your input.



Photo credit: District website

BACKGROUND – DISTRICT HISTORY

- 1922 – District was founded.
- 1980s – Service to Paradise Cove begins after new treatment plant is installed.
- 2005 – City of Belvedere sewage collection system annexed to the District.
- 2009 – Paradise Cove treatment plant was upgraded.
- 2014 – Marin County stops remitting Ad-Valorem revenues for new parcels within Tiburon to the District.
- 2014 – Main Treatment Plant is rehabilitated



Image credit: District website

BACKGROUND – DISTRICT HISTORY

- Service to Town of Tiburon, City of Belvedere, and unincorporated area of Tiburon (Paradise Cove).
- 3,500 homes served
- 29 miles of gravity sewer lines maintained.
- 5 miles of force mains maintained.
- 24 pumping stations
- 2 treatment plants

- 2015 was the last year rates were increased.

PROVIDING ESSENTIAL SERVICES ALL NIGHT, ALL DAY, EVERY DAY



**Collect
Wastewater**



**Safely Transport it
through Pipelines**



**Prevent
Contamination**



**Treat
Wastewater**



**Maintain the
System**

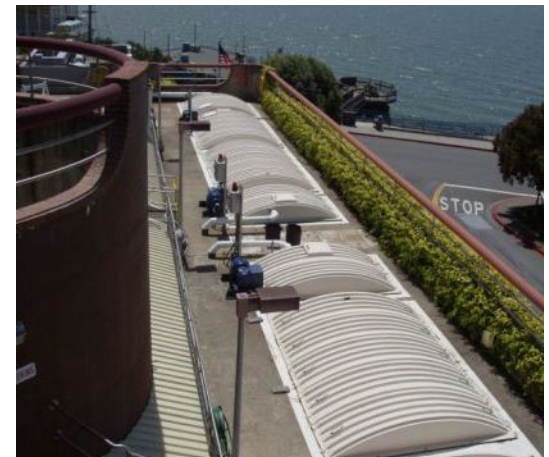


**Discharge Wastewater
Safely to the Bay**

WHY MAINTENANCE AND UPGRADE PROGRAM NEEDED

1950s Era System Requires Maintenance

- Increased reliability – avoid spills and blockages
- Better protection for the environment
- Better health and community protection
- Cost savings – lower long-term maintenance costs and lower treatment costs
- Compliance with increasingly strict regulations



GOOD MAINTENANCE SAVES MONEY

How It Works:

- Televising pipelines
- Conduct smoke testing
- Cleaning and maintenance
- Outsource special services



CURRENT SEWER SERVICE CHARGES

Customer Class	Current Charge
Tiburon/Paradise Cove	
Residential	\$1,034 per year per DU
Non-Residential	\$1,034 per year per EDU
Belvedere	
Residential	\$1,985 per year per DU
Non-Residential	\$1,985 per year per EDU

- Residential customers pay per dwelling unit (DU)
- Non-Residential customer pay based on flow and strength
- All parcels are subject to a minimum charge of 1 EDU
- Why are Belvedere's rates higher than Tiburon's?
 - Over \$400 per parcel per year in property tax payments received from Tiburon parcels lowers their charge
 - Belvedere issued bond before annexation (since paid off) – no such bond was issued by Tiburon

CURRENT SEWER SERVICE CHARGES

Calculating Non-Residential bills

- Non-Residential customer charge = EDUs x Charge

$$\mathbf{EDUs} = \left(\frac{\text{metered water use}}{\text{average residential wastewater discharged}} \right) \times \text{strength factor}$$

User Group	Strength Factor
Non-Residential, Miscellaneous	1.0
Hotels, Inns with Dining	1.7
Delicatessens	2.0
Groceries with Grinders	2.2
Restaurants	2.4

CURRENT SEWER SERVICE CHARGES

Example:

- 400 hundred cubic feet (HCF) of annual metered water use; average residential wastewater discharge= 71 HCF; customer is a deli in Belvedere.
- = 400 HCF ÷ 71 HCF/EDU × 2.0 = 11.27 EDUs
- = 11.27 EDUs × \$1,985/EDU

Annual bill: = \$22,370.95

User Group	Strength Factor
Non-Residential, Miscellaneous	1.0
Hotels, Inns with Dining	1.7
Delicatessens	2.0
Groceries with Grinders	2.2
Restaurants	2.4

CHALLENGES/OBSERVATIONS

1. Two existing service areas, and two separate rates.
 - The District would like to simplify.
2. Non-residential charges fluctuate annually based on average single-family wastewater discharged.
 - A bill may increase even if the customer's individual water use does not.
3. Future capital infrastructure costs identified
 - The District would like to build reserves to cash-fund future improvements.
4. District has not increased rates since 2015, yet costs have continued to rise.

WHY ONE ZONE?



Main Treatment Plant used by Belvedere and Tiburon customers.



Removes accounting and oversight hurdles of tracking multiple zones.



Simplification leads to improved operational and financial efficiencies – saving costs.

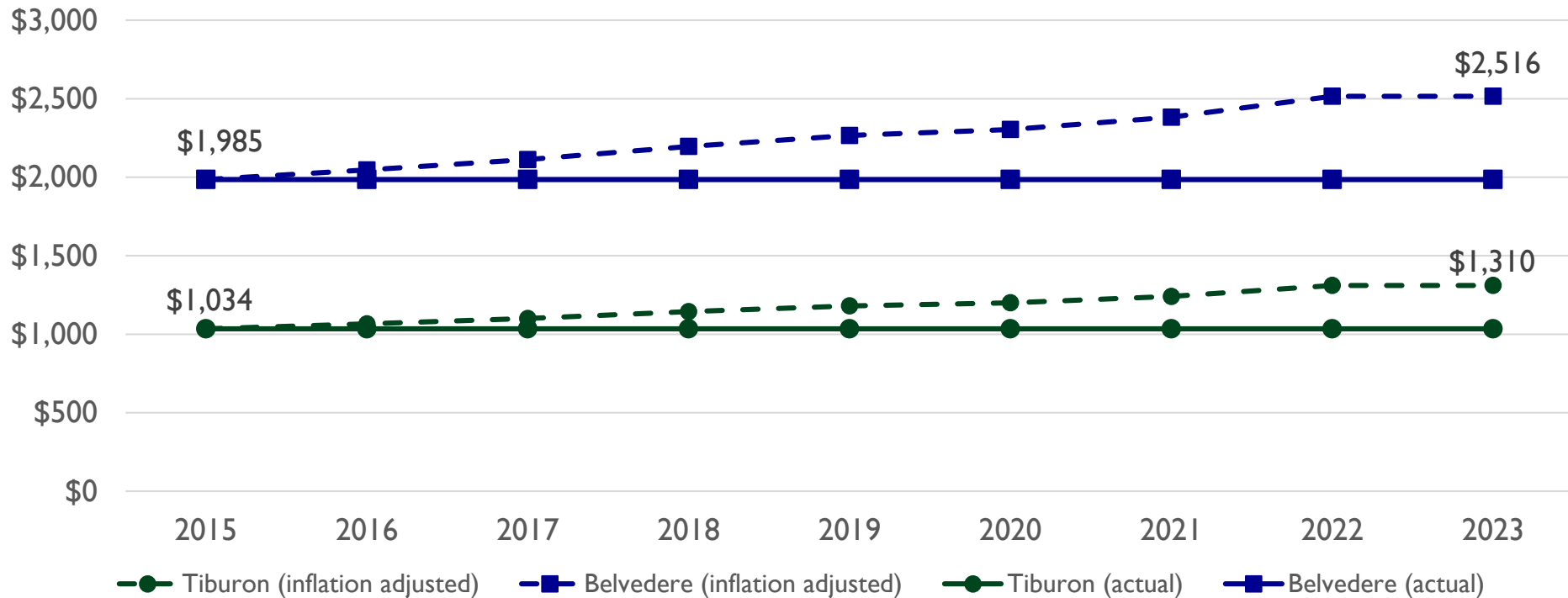


Combines reserves, shares resources, reduces rate volatility when emergency capital improvements necessary.

HISTORICAL RATES CONTEXT

Following inflation, rates would have increased 26.7% since 2015.

Current Sewer Service Charges Adjusted for Inflation



Source:

Annual Average, CPI Bay Area - BLS CPI San Francisco-Oakland-Hayward, CA Core Based Statistical Area ¹⁵



FIVE-YEAR SEWER RATE STUDY

OBJECTIVES OF THE RATE STUDY

- Maintain financial stability and adequate reserves.
- Reflect equity of costs in proportion to the level of service in ratemaking.
- Provide for efficient administration and execution of utility billing.
- Minimize rate impacts overall and to any specific customer class.
- Develop clear rates that customers can understand.
- Ensure rates comply with Proposition 218 and applicable State codes.

LEGAL CONSIDERATIONS

- Proposition 218
 - Rates may not exceed the cost of service to deliver services and no property owner pays more than their proportional share of the total cost
- It is crucial for utility rates to be **cost-based**, **reasonable**, and **equitable** for all customers
 - All customers must pay their own way. Discounts for low-income, senior citizens, or other groups cannot be subsidized using other ratepayer revenues.

COMPONENTS OF A RATE STUDY

Revenue Requirement

- Determine revenue needed from rates
- Operating and Capital Expenses
- Sufficient Reserves

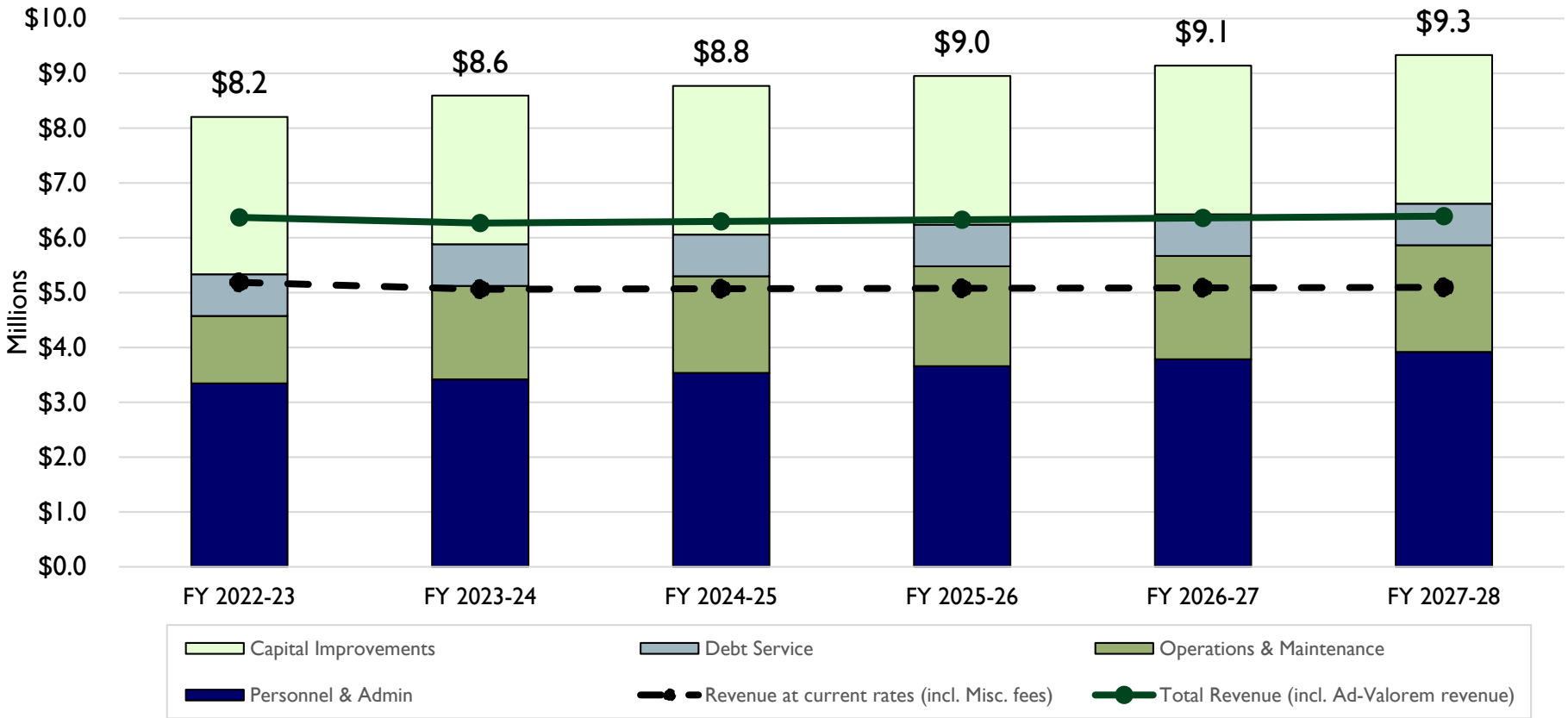
Cost Allocation

- Identify how costs should be allocated to customers

Rate Design

- Determine the structure of charges for each customer class.

REVENUE REQUIREMENT



WHAT WILL RATES PAY FOR?

- Average annual expenses
 - \$3.7 Million in Personnel & Admin
 - \$3.2 Million in Operations & Maintenance
 - Since 2015 chemical costs have increased between 105%-476%.
 - Since 2015 PG&E costs have increased 65%.
 - Since 2015 Pump equipment has increased between 91-103%.
 - \$760,000 in debt service annually until FY 2031-32
 - \$2.7 Million in average annual cash-funded capital improvements.
 - Sewer line rehabilitation program is largest annual expense ~\$1M
 - System rehabilitation – wet wells, manholes, control panel
 - Facilities improvements

PROJECTED FUND BALANCE

Proposed Revenue Increases

0%

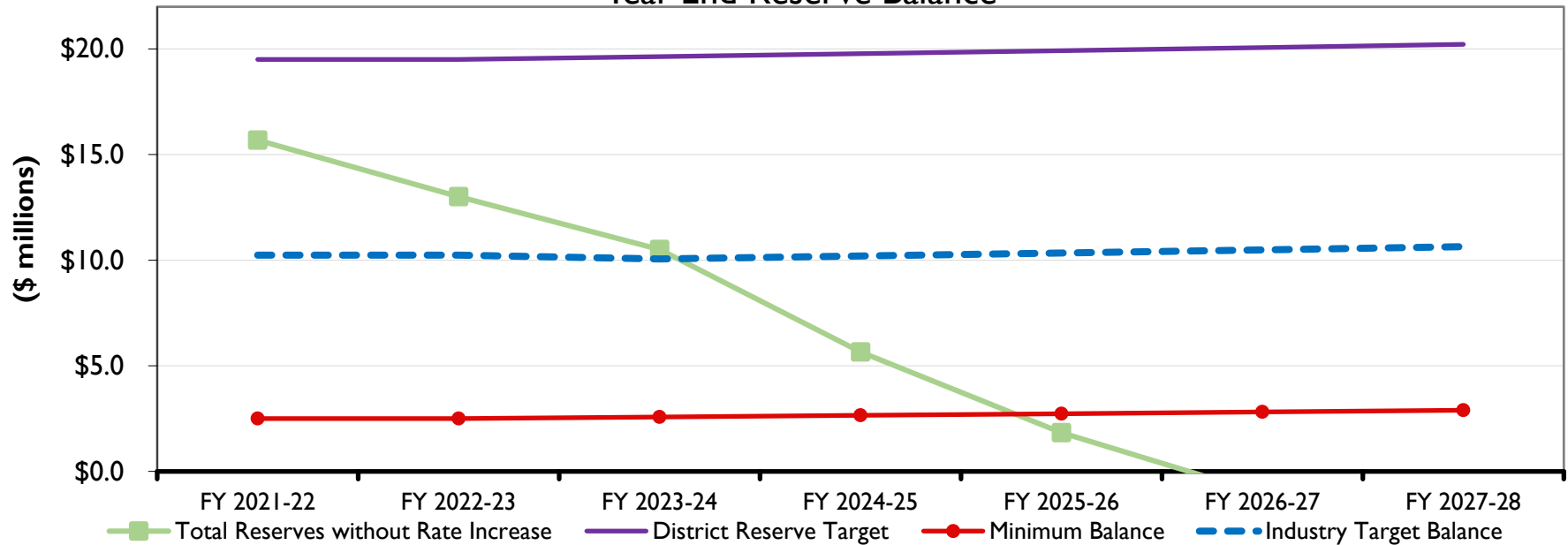
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Year-End Reserve Balance



- With no rate increases over the next five years reserves are depleted by FYE 2027.

EVALUATION OF REQUIRED RATE INCREASES

- No rate increase is unacceptable
 - Capital improvements would be deferred
- Time is of the essence
 - District can only increase rates annually; action must take effect by July 2023
- Numerous alternatives were evaluated for Board
 - Rate increases for different reserve targets
 - Different sequences of rate increases
- Recommended rate increases moderate impacts
 - Use of reserves

PROJECTED FUND BALANCE

Proposed Revenue Increases

13%

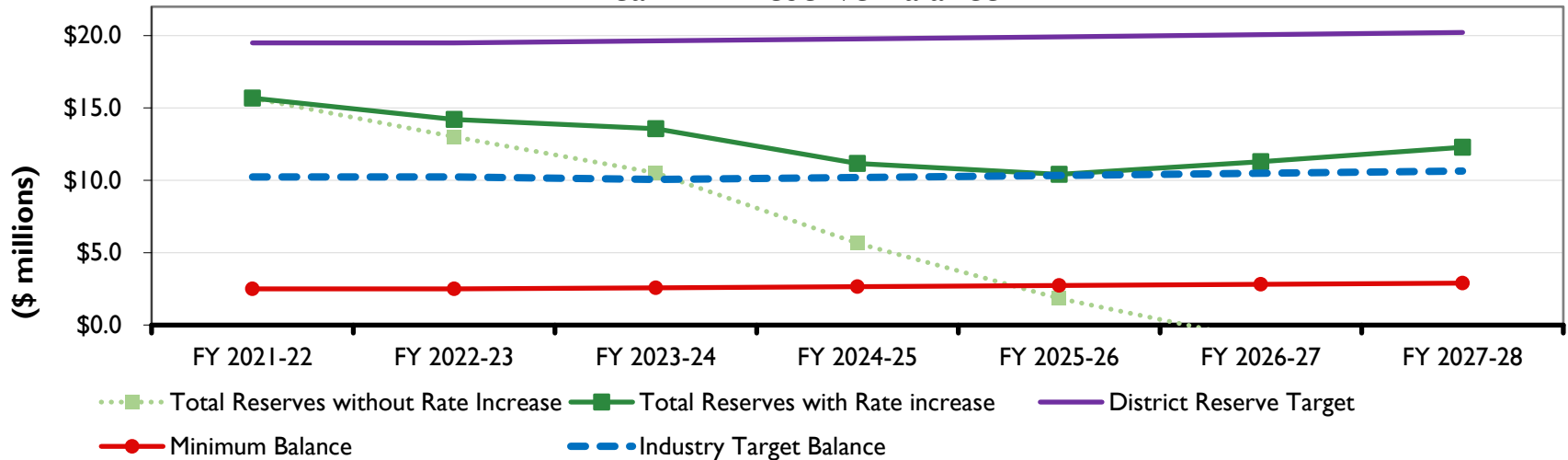
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10%

10%

10%

Year-End Reserve Balance



- Proposed increases for District to reduce shortfall over time

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
<i>Annual Revenue Increases</i>		13.0%	10.0%	10.0%	10.0%	10.0%
Rate Revenue with Increases	\$5,030,902	\$5,542,909	\$6,107,923	\$6,730,511	\$7,416,537	\$8,172,463
Revenue Requirement	(\$8,204,297)	(\$8,593,823)	(\$8,769,683)	(\$8,951,556)	(\$9,139,690)	(\$9,334,341)
Operating Surplus/(Shortfall)	(\$3,173,395)	(\$3,050,914)	(\$2,661,760)	(\$2,221,046)	(\$1,723,153)	(\$1,161,878)
Ad-Valorem Revenue	1,185,133	1,206,814	1,228,892	1,251,374	1,274,266	1,297,578
Other Non-Operating Revenue	155,800	158,800	158,800	158,800	158,800	158,800
Net Operating Surplus/Shortfall	(\$1,832,462)	(\$1,685,300)	(\$1,274,068)	(\$810,872)	(\$290,087)	\$294,500

FY 2023-24 RATES CALCULATION

FY 2023-24 Units of Service Calculation	
Total Revenue Requirement	\$8,593,823
(Less) Miscellaneous Fee Revenues	(158,800)
Net Revenue Requirement	8,435,023
(Less) Reserves to address shortfall after rate increase	(1,685,300)
Revised Net Revenue Requirement	\$6,749,723
Units of Service (EDUs)	3,651.72
FY 2023-24 Charge per EDU	\$1,848
(Less) Ad-Valorem Revenue per EDU	(\$491)
FY 2023-24 Charge per EDU adjusted for Ad-Valorem	\$1,358

Base Rate
Sewer Service
Charge

Ad-Valorem Credited
Sewer Service
Charge

- “Base Rate” parcels include all Belvedere parcels and 2 Tiburon parcels, that do not contribute Ad-Valorem property taxes to the District
- “Ad-Valorem Credited” parcels include all Tiburon/Paradise Cove parcels, except 2

PROPOSED SEWER SERVICE CHARGES

Sewer Service Charges	Adopted	Proposed				
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
<u>Base Rate Parcel</u>						
Annual sewer service charge per EDU	\$1,985	\$1,848	\$2,033	\$2,237	\$2,460	\$2,706
<u>Ad-Valorem Credited Parcel</u>						
Annual sewer service charge per EDU	\$1,034	\$1,358	\$1,534	\$1,728	\$1,942	\$2,179

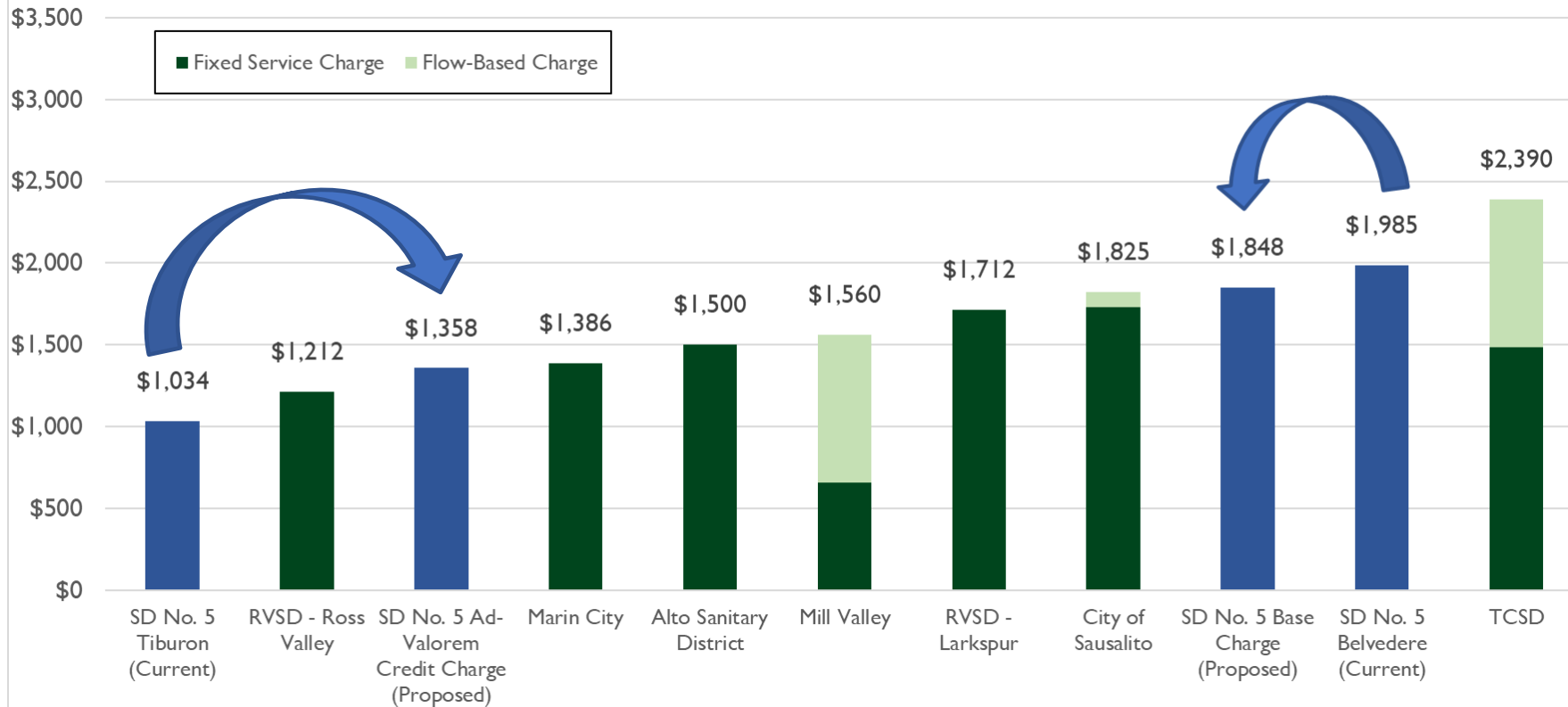
PROPOSED SEWER SERVICE CHARGES

Annual Sewer Service Payments	Adopted	Projected				
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1 Base Rate Parcel						
2 Annual change	\$0	(\$137)	\$185	\$203	\$224	\$246
3 Annual sewer service charge per EDU	\$1,985	\$1,848	\$2,033	\$2,237	\$2,460	\$2,706
4 Property tax payment per EDU	\$0	\$0	\$0	\$0	\$0	\$0
5 Combined payment per EDU	\$1,985	\$1,848	\$2,033	\$2,237	\$2,460	\$2,706
6 Ad-Valorem Credited Parcel						
7 Annual change	\$0	\$324	\$176	\$194	\$214	\$237
8 Annual sewer service charge per EDU	\$1,034	\$1,358	\$1,534	\$1,728	\$1,942	\$2,179
9 Property tax payment per EDU	\$457	\$491	\$500	\$509	\$518	\$528
10 Combined payment per EDU	\$1,491	\$1,848	\$2,033	\$2,237	\$2,460	\$2,706

- Different charge amounts, but same total payments for all customers
- “Base Rate” parcels include all Belvedere parcels and 2 Tiburon parcels which do not contribute Ad-Valorem property taxes
- “Ad-Valorem Credited” parcels include Tiburon/Paradise Cove parcels, except 2

NEIGHBORING BILL COMPARISON

Annual Single-Family Residential Sewer Charges



NEXT STEPS

Date	Action
May 22, 5 pm	2nd Community Workshop to be held.
On or before June 22	Rate payers may protest the rate changes by sending a written protest. Protests may be presented in person before the close of the public comment during the public hearing.
June 22, 5 pm	Public Hearing for Board to hear comments and to determine whether to approve rates. Board may approve rates unless 50% + 1 protest.

FOR MORE INFORMATION

For more information or to provide additional input

Email: info@sani5.org

Call: (415) 435-1501 ext. 106

Visit: www.sani5.org/rates



QUESTIONS?