



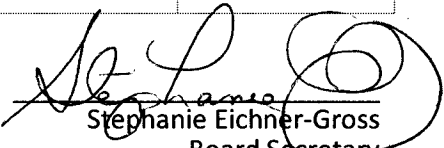
**NOTICE OF SPECIAL MEETING
BOARD OF DIRECTORS/FINANCE COMMITTEE***

Notice is hereby given that a Special Meeting of the Marin Municipal Water District's Board of Directors/Finance Committee will be held as follows:

MEETING DATE: Thursday, February 22, 2018
TIME: 9:30 a.m.
LOCATION: 1) MMWD Board Room, 220 Nellen Ave., Corte Madera, CA 94925

AGENDA

ITEM	RECOMMENDATION	APPROX. START
<input type="checkbox"/> CALL TO ORDER		9:30 a.m.
<input type="checkbox"/> ADOPT AGENDA		9:31 a.m.
<input type="checkbox"/> PUBLIC EXPRESSION†		9:32 a.m.
<input type="checkbox"/> CALENDAR		
1. Minutes of January 25, 2018 Meeting	<i>Approve</i>	9:37 a.m.
2. Monthly Financial Update	<i>Information</i>	9:38 a.m.
3. Preliminary Review of Draft 10-Year Capital Improvement Program Fiscal Years 2019/20 to 2028/29	<i>Information</i>	9:48 a.m.


Stephanie Eichner-Gross
Board Secretary

ADA NOTICE AND HEARING IMPAIRED PROVISIONS: The board room is equipped with sound amplifying units for use by the hearing impaired. The units operate in conjunction with the room's sound system. You may request the personal sound amplifier from the Board Secretary for use during meetings.

In accordance with the Americans with Disabilities Act and California Law, it is the policy of the Marin Municipal Water District to offer its public programs, services, and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require a copy of a public hearing notice, an agenda, and/or agenda packet in an appropriate alternative format, or if you require other accommodation, please contact Stephanie Eichner-Gross at (415) 945-1448, at least two

MMWD BOARD OF DIRECTORS: Larry Bragman, Jack Gibson, Cynthia Koehler, Armando Quintero, Larry Russell

**The designated chair is Director Koehler and vice chair is Director Gibson. Other board members may attend as they wish.*

***One or more directors may participate in this meeting via teleconference. The teleconference location(s) is listed above. Members of the public are welcome to attend the meeting at either location.*

†Anyone wishing to speak on an item other than those listed on this agenda will be recognized at this time. We ask any person wishing to be heard to come to the podium to address the board and state your name and address for the public record. A 3-minute limit is customary; however the committee chair may adjust the actual time allotted to accommodate the number of speakers.

days in advance of the meeting. Advance notification within this guideline will enable the district to make reasonable arrangements to ensure accessibility.

* * * * *

FUTURE BOARD OF DIRECTORS/FINANCE COMMITTEE MEETINGS:

Thursday, March 22, 2018, 9:30 a.m.

MMWD Board Room

Thursday, April 26, 2018, 9:30 a.m.

MMWD Board Room



**MARIN MUNICIPAL
WATER DISTRICT**

ITEM No. 1
MEETING DATE: February 22, 2018
MEETING: Board of Directors /
Finance Committee

STAFF REPORT

SUBJECT: Minutes of January 25, 2018 Finance Committee Meeting

SUBMITTED BY: Cheryl Howlett, Finance Analyst, Administrative Services Division

RECOMMENDED ACTION: Approve

ATTACHMENT:

1. Minutes of January 25, 2018 Finance Committee Meeting

**MARIN MUNICIPAL WATER DISTRICT
BOARD OF DIRECTORS / FINANCE COMMITTEE**

IN ATTENDANCE:

Directors present: Jack Gibson, Larry Bragman, Larry Russell and Armando Quintero

Directors absent: Cynthia Koehler

CALL TO ORDER: Director Gibson called the meeting to order at 9:30 a.m.

ADOPT AGENDA: By simple motion, the agenda was adopted.

PUBLIC EXPRESSION: None

ITEM 1. Minutes of December 7, 2017 meeting were approved.

ITEM 2. Monthly Financial Update

The Administrative Service Division Manager/Treasurer (ASDM), Charlie Duggan, presented the financial summary for the month ending December 2017.

Fiscal year to date with the month ending December 31, 2017, water revenue was at 61% of budget and all other operating revenue was at 52% of budget, for total operating revenue of 61%. Capital revenue was 11%, fire flow revenue was 56%, with the total of all revenue collected being 58% of budget.

Fiscal year to date, actual operating expenses total 55% of budget. Total operating and capital expenses combined were 48% of the total FY 2018 budgeted expenses.

The total unrestricted reserves were \$21.5M, which is 3.6 months of operating budget with the debt ratio currently projected to be 1.75. There is currently \$42.7M in the capital reserve fund.

ITEM 3. Annual Review of Investment Policy No. 33

The Finance Manager, Mikyung Pustelnik, advised that the only change to the Investment Policy is a title change from the Finance Division Manager to the Administrative Services Division Manager/Treasurer. It was recommended to bring the item to the full board for approval.

ITEM 4. District Pension Cost Briefing

The Administrative Service Division Manager/Treasurer (ASDM), Charlie Duggan made a short presentation to the finance committee to update MMWD's statistical data on retirements and surmise current and future funding of the CalPERS pension plan. The current number of MMWD retirees is 344, the average benefit paid to retirees is \$37,122 and the average age of a retiree is 70.17.

MMWD is complying with the Public Employee Pension Reform Act (PEPRA) for new hires, and currently has 67 of 245 employees on the new PEPRA plan or 27%. MMWD expects to see the percentage of PEPRA plan employees continue to grow as classic plan employees retire and are replaced with PEPRA plan employees. It is estimated that MMWD will be at approx. 65% PEPRA by fiscal year 2024/25.

**** DRAFT ** MINUTES OF JANUARY 25, 2018 MMWD BOARD FINANCE COMMITTEE MEETING**

MMWD currently spends 5.9% of the operating budget to fund pensions, with a projected increase to 8% by FY 2025, as the CalPERS discount rate drops from 7.25% to 7%. This still trends well below other public agencies.

ADJOURNMENT

There being no further business, the meeting of January 25, 2018 adjourned at 11:00 a.m.



STAFF REPORT

SUBJECT: Monthly Financial Update
SUBMITTED BY: Charles Duggan Jr. Administrative Services Division Manager/Treasurer
Administrative Services Division
RECOMMENDED ACTION: Information

EXECUTIVE SUMMARY: The Monthly Financial Update as of January 31, 2018.

FISCAL IMPACT: YES _____ NO X _____ **FISCAL YEAR:** 2017/18 _____

BACKGROUND:

Water Sales and Consumption

Monthly

Water sales for the month of January 2018 were \$2,003,292 which is \$265,118 or 11.7% below budget. Compared to the prior year, water sales for January 2018 increased by \$112,428 or 6% above January 2017.

Billed water consumption (in CCFs) for January 2018 was 410,458 CCFs, which is 34,739 CCFs 7.8% below budget. Compared to the prior year, billed water consumption for January 2018 increased 13,930 CCFs or 3.5%.

Total meter service charges for the month of January 2018 were \$1,154,689 which is \$93,654 or 7.5% below budget. Compared to the prior year, meter service charges decreased by \$4,716 or 0.4%.

The Watershed Fee revenue for the month of January 2018 is \$272,272 or \$31,897 or 10.5% below budget and \$368 or 0.14% below January 2017.

The total water sales and fixed charges (Service and Watershed Fee) for the month of January 2018 was \$3,430,253 or \$390,669 or 10% below budget and compared to January 2017, it is an increase of \$107,344 or 3%.

Fiscal Year to Date

Fiscal year to date, water sales through January 31, 2018 were \$36,341,034, which is \$2,525,817 or 7% above budget. Compared to the same period last year, water sales through January 31, 2018 increased by \$5,892,382 or 19%.

Billed water consumption (in CCFs), through January 31, 2018 was 6,475,313 CCFs, which is 330,896 CCFs or 5.4% above budget. Compared to the same period last year, billed water consumption through January 31, 2018 increased by 598,966 CCFs or 10.2%.

Total water sales and fixed charges (service and Watershed Fee) as of January 31, 2018 was \$48,838,781 when compared to the budget of \$46,314,928 is \$2,523,853 or 5.45% above budget. The 2017/18 water sales and fixed charges compared to prior fiscal year through January 31, 2017 of \$42,262,231 is an increase of \$6,576,550 or 15.6%.

Estimated sales based on water production for the last twelve months less an estimate of non-revenue water (8.5%) equals 22,375 AF. The net water production assumed in the Cost of Service Analysis for FY2018 was 21,937 acre feet.

Budget to Actual Comparison – All Funds

Attached is the budget to actual comparison for fiscal year 2017/18 as of January 31, 2018. The budget to actual comparison is prepared by fund and includes revenues, expenditures and reserve balances.

As of January 31, 2018 the year to date net increase for the Operating Fund was \$1.8 million after a PayGo transfer of \$6.25 million to Capital Fund.

For the Operating Fund, total revenues as of January 31, 2018 are \$50.9 million or 65.3% of budget. Total operating expenditures of \$42.8 million, not including depreciation and amortization, is 59.6% of budget.

For the Capital and Fire Flow Funds, total revenues are \$9.8 million, which includes a PayGo transfer-in of \$6.3 million from operating fund. This is 63.3% of budgeted revenue and capital contribution. Spending on capital and fire flow projects at \$14.5 million is 42.2% of budget as of January 31, 2018.

The Watershed Fund as of January 31, 2018 reflects a surplus of \$17,501.

Fund Balances

Per the attached Reserve Balance Summary as of January 31, 2018, unrestricted / undesignated - operating reserves are \$18.2 million net of a PayGo transfer of \$6.3 million to Capital Fund and encumbered amount of \$2.7 for purchase orders, or 3.0 months of annualized projected operating expenses for 2017/18.

**Total Water Sales and Fixed Charges & Fees
Fiscal Years 2016/17 - 2017/18**

Month	Fixed Charges											
	Water Sales			Service Charges			Watershed Fee			Total Water Sales and Fixed Charges		
	16/17 Actual	17/18 Budget	17/18 Actual	16/17 Actual	17/18 Budget	17/18 Actual	16/17 Actual	17/18 Budget	17/18 Actual	16/17 Actual	17/18 Budget	17/18 Actual
July	4,401,041	\$ 4,708,000	\$ 4,513,602	\$ 1,161,533	\$ 1,161,533	\$ 1,154,510	\$ 273,160	\$ 273,160	\$ 270,839	\$ 5,835,735	\$ 6,142,693	\$ 5,938,951
August	6,848,959	7,318,800	7,709,444	1,646,966	1,646,966	1,647,579	374,621	374,621	374,558	8,870,546	9,340,387	9,731,581
September	4,811,047	4,844,452	5,232,947	1,163,372	1,252,588	1,233,287	271,731	303,197	300,784	6,246,150	6,400,237	6,767,018
October	6,077,399	6,219,933	8,193,111	1,651,989	1,775,408	1,839,349	375,744	414,491	421,814	8,105,133	8,409,832	10,454,274
November	2,934,928	3,825,519	4,258,212	1,164,161	1,253,431	1,297,298	272,912	304,461	306,646	4,372,000	5,383,411	5,862,156
December	3,484,414	4,630,103	4,430,426	1,650,069	1,773,354	1,807,980	375,275	413,989	416,142	5,509,758	6,817,446	6,654,548
January	1,890,864	2,268,410	2,003,292	1,159,405	1,248,343	1,154,689	272,640	304,169	272,272	3,322,909	3,820,922	3,430,253
February	2,920,167	3,408,017		1,632,681	1,754,748		372,335	410,843		4,925,184	5,573,609	
March	1,678,940	2,065,365		1,175,082	1,265,118		275,329	307,046		3,129,351	3,637,529	
April	2,716,029	3,706,568		1,640,133	1,762,722		373,440	412,025		4,729,603	5,881,316	
May	2,203,606	3,085,596		1,163,089	1,252,285		273,512	305,102		3,640,207	4,642,983	
June	5,068,180	6,133,484		1,643,177	1,765,979		373,899	412,516		7,085,256	8,311,979	
TOTAL	\$45,035,574	\$52,214,248	\$36,341,034	\$16,851,658	\$17,912,475	\$10,134,692	\$3,884,599	\$4,235,621	\$2,363,055	\$65,771,831	\$74,362,344	\$48,838,781

Original Budget-to-Actual Basis 5.45%
 Actual-to-Actual Basis 15.56%
 % of total budget received 65.68%

**Billed Water Consumption In CCF's
Fiscal Year 2009/10 - 2017/18**

<u>Month</u>	<u>09/10 Actual</u>	<u>10/11 Actual</u>	<u>11/12 Actual</u>	<u>12/13 Actual</u>	<u>13/14 Actual</u>	<u>14/15 Actual</u>	<u>15/16 Actual</u>	<u>16/17 Actual</u>	<u>17/18 Budget</u>	<u>17/18 Actual</u>	<u>Monthly Budget Variance</u>	<u>Actual to Actual % Change</u>
July	958,254	857,071	806,534	940,774	960,503	857,599	709,164	817,152	820,881	841,088	2.46%	2.93%
August	1,524,804	1,505,682	1,373,824	1,552,514	1,483,888	1,387,986	1,141,147	1,312,021	1,322,457	1,396,443	5.59%	6.43%
September	1,016,214	1,005,679	947,293	1,016,379	977,353	859,553	773,020	844,640	854,244	882,952	3.36%	4.54%
October	1,374,363	1,431,554	1,326,605	1,377,982	1,400,285	1,209,902	1,125,237	1,205,260	1,221,597	1,367,665	11.96%	13.47%
November	687,783	709,313	690,404	691,037	840,947	633,520	649,016	583,819	644,407	742,758	15.26%	27.22%
December	825,217	777,015	865,208	832,615	1,059,733	864,257	842,995	716,927	835,634	833,949	-0.20%	16.32%
January	491,259	466,489	522,634	437,843	584,601	463,934	431,637	396,528	445,197	410,458	-7.80%	3.51%
February	698,386	707,803	809,417	731,899	869,459	719,107	631,478	606,381	673,617			
March	394,481	417,369	469,932	458,940	453,943	456,655	362,406	368,448	407,977			
April	707,372	714,398	730,127	878,103	708,756	832,060	639,191	598,740	709,999			
May	528,781	575,547	551,643	721,094	569,555	600,821	464,956	475,565	529,241			
June	<u>1,044,386</u>	<u>1,118,447</u>	<u>1,215,077</u>	<u>1,377,068</u>	<u>1,150,742</u>	<u>1,020,910</u>	<u>1,079,197</u>	<u>1,052,513</u>	<u>1,090,071</u>			
TOTAL	<u>10,251,300</u>	<u>10,286,367</u>	<u>10,308,698</u>	<u>11,016,248</u>	<u>11,059,765</u>	<u>9,906,304</u>	<u>8,849,444</u>	<u>8,977,994</u>	<u>9,555,322</u>	<u>6,475,313</u>		
			Budget-to-Actual Basis		<u>5.39%</u>							
			Actual-to-Actual Basis		<u>10.19%</u>							
			% of total budget		<u>67.77%</u>							

Marin Municipal Water District
Budget to Actual Comparison for 2017/18 - All Funds
Actual as of January 31, 2018
Unaudited

Revenues and Expenditures	2017/18 Ajusted Budget	Actual as of January 31, 2018	% of Budget
Revenues:			
<i>Water Sales and Service Charge:</i>			
Water Sales	\$ 52,214,248	\$ 36,341,034	69.6%
Service Charge	17,912,475	10,134,692	56.6%
Watershed Management Fee	4,235,621	2,363,055	55.8%
Total Water Sales and Service Charge	<u>74,362,344</u>	<u>48,838,781</u>	65.7%
<i>Other Revenues:</i>			
Rents and Royalties	700,000	369,173	52.7%
Grants	250,000	19,403	7.8%
Watershed Rents and Royalties	910,000	537,365	59.1%
Watershed Payments	400,000	177,823	44.5%
Late Payment and Special Read Charges	360,000	214,154	59.5%
Interest	250,000	553,957	221.6%
Miscellaneous	697,000	204,929	29.4%
Total Other Revenues	<u>3,567,000</u>	<u>2,076,805</u>	58.2%
 Total Operating Revenues	 <u>77,929,344</u>	 <u>50,915,586</u>	 65.3%
Expenditures:			
Personnel services	41,827,074	25,204,621	60.3%
Materials and supplies	2,402,899	1,289,255	53.7%
Operations	6,316,462	2,327,102	36.8%
Water conservation rebate program	499,500	73,276	14.7%
Electrical power	3,868,063	2,464,143	63.7%
Water purchased	6,363,399	3,528,707	55.5%
Insurance, including claims	1,250,000	919,169	73.5%
General and administrative	3,198,009	2,073,970	64.9%
Debt service - interest and principal	9,421,976	5,966,152	63.3%
Overhead cost allocated to capital	(3,327,320)	(1,009,417)	30.3%
Total Expenditures and Capital Purchases	<u>71,820,062</u>	<u>42,836,977</u>	59.6%
 Transfer out to Capital Fund (PayGo)	 <u>6,000,000</u>	 <u>6,250,000</u>	 104.2%
 Net Operating Fund Increase(Decrease)	 <u>\$ 109,282</u>	 <u>\$ 1,828,608</u>	
Operating Reserves			
Opening Reserves	\$ 20,077,803	\$ 20,077,803	
Net Operating Fund Increase(Decrease)	109,282	1,828,608	
Encumbrances for Purchase Orders	-	(2,675,867)	
Accrual adjustments	-	(1,036,430)	
Ending Reserves	<u>\$ 20,187,085</u>	<u>\$ 18,194,114</u>	

Capital and Fire Flow Funds

Revenues and Expenditures	2017/18 Adjusted Budget	Actual as of January 31, 2018	% of Budget
Revenues:			
Connection Charges	\$ 1,865,000	\$ 448,527	24.0%
Interest Income	15,000	1,663	11.1%
Transfer-in from Operating (PayGo)	6,000,000	6,250,000	104.2%
Contributed Capital:			
Fire Flow	4,500,000	2,504,279	55.7%
Connection Fees and Grants	3,166,000	636,919	20.1%
Total Revenues and Contributed Capital	15,546,000	9,841,388	63.3%
Capital Expenditures:			
Capital Projects - District	27,671,000	11,820,334	42.7%
Capital Projects - Fire Flow	4,500,000	2,051,101	45.6%
Capital equipment purchases	2,200,000	649,106	29.5%
Total Capital and Fire Flow Expenditures	34,371,000	14,520,540	42.2%
Net Capital and Fire Flow Fund Increase(Decrease)	\$ (18,825,000)	\$ (4,679,152)	24.9%
Capital Reserves			
Capital Fund			
Opening Reserves	\$ 1,610,857	\$ 1,610,857	
Net Capital Fund Increase(Decrease)	(16,640,000)	(4,484,888)	
Capital equipment purchases	(2,200,000)	(649,106)	
Proceeds from 2017 Bond Issuance	42,000,000	42,000,000	
Encumbered for Contracts		(3,018,573)	
Accrual adjustments	-	2,085,034	
Ending Reserves	\$ 24,770,857	\$ 37,543,325	
Fire Flow Fund			
Opening Reserves	\$ 426,571	\$ 426,571	
Net Fire Flow Fund Increase(Decrease)	-	453,179	
Encumbered for Contracts		(2,386,229)	
Accrual adjustments	-	3,683	
Ending Reserves	\$ 426,571	\$ (1,502,796)	

Reserve Balance Summary

	Actual			Projected
	6/30/2015	6/30/2016	6/30/2017	1/31/2018
Restricted	\$ 9,501,989	\$ 9,327,468	\$ 7,723,634	\$ 2,301,212
Board Designated	11,491,220	9,441,758	9,847,168	12,647,168
Watershed Fund	-		35,425	52,927
Rate Stabilization Fund	5,900,000	5,700,000	8,000,000	8,000,000
Fire Flow Fund (net of encumbrances)	1,939,529	656,839	426,571	(1,502,796)
Capital Fund (including PayGo and net of encumbrances)	30,044,160	18,974,590	1,610,857	37,543,325
Unrestricted/undesignated - Operating (net of encumbrances)	<u>19,959,569</u>	<u>16,947,253</u>	<u>20,077,803</u>	<u>18,194,114</u>
Total	<u>\$ 78,836,467</u>	<u>\$ 61,047,907</u>	<u>\$ 47,721,458</u>	<u>\$ 77,235,949</u>
Months Reserve Urestricted - Operating to Annualized Actual Expenditure	3.93	3.34	4.09	3.04
Debt Coverage Ratio	1.28	1.25	1.50	1.75

**Marin Municipal Water District
Watershed & Other Non Rate Based Revenue and Expenditures
Actual as of January 31, 2018
Unaudited**

Revenues and Expenditures	2017/18 Budget	Actual as of January 31,	% of Budget
Watershed Revenues			
Watershed Management Fee	\$ 4,235,621	\$ 2,363,055	55.8%
Rent and Leases	910,000	537,365	59.1%
Permits, Parking and Passes	400,000	166,872	41.7%
Grants	-	-	
Other	-	7,403	
Total Watershed Revenues	<u>5,545,621</u>	<u>3,074,695</u>	55.4%
Expenditures - Operating and Capital Equipments			
Operating	5,996,709	3,035,091	50.6%
Capital equipment purchases	<u>147,947</u>	<u>22,102</u>	14.9%
Total Expenditures and Capital Purchases	<u>6,144,656</u>	<u>3,057,193</u>	49.8%
Surplus (Deficit)	(599,035)	17,501	-2.9%
Transfer from Operating Fund	<u>599,035</u>	<u>-</u>	
Net Surplus (Deficit)	<u>\$ -</u>	<u>\$ 17,501</u>	
Other Non-Water Revenue			
Rent and Leases - Non Watershed		<u>369,173</u>	
Total Non Rate Based Other Revenues		<u>369,173</u>	
Discount Program for Low Income & Medically Disabled			
Low Income - Fee waived		129,127	
Medically Disabled - Fee waived		<u>59,522</u>	
		<u>188,650</u>	
Net Surplus (Deficit)		<u>180,524</u>	

Marin Municipal Water District
Budget to Actual Comparison for 2017/18 - Capital Fund
Actual as of January 31, 2018
Unaudited

CIP Projects	FY2017/18 Adjusted Budget	Capital Projects YTD Actual Expenditures As of 1/31/18	Encumbered for Contracts As of 1/31/18	Total Capital & Fire Flow As of 1/31/18
District Pipeline Replacement / Improvement	\$ 6,800,000	\$ 3,813,297	\$ 951,704	\$ 4,765,001
Replacements - Tank Maintenance & Replacement	\$ 1,730,000	\$ 606,159	\$ 71,314	\$ 677,473
Replacements - Treatment Plant Facilities	\$ 3,930,000	\$ 2,752,796	\$ 920,108	\$ 3,672,904
Replacements - Dam/Pump/Control System/Meters	\$ 4,300,000	\$ 1,367,300	\$ -	\$ 1,367,300
Fire Chief's Fund	\$ 150,000	\$ -	\$ -	\$ -
System Improvements	\$ 1,545,000	\$ 42,245	\$ 7,419	\$ 49,664
Watershed - Ranger Residence & Minor Structure Improvement	920,000	457,459	306,595	\$ 764,054
Watershed - Road Repair & Improvement	3,390,000	671,577	113,518	\$ 785,095
Reimbursable Grant Projects	2,416,000	1,284,294	301,547	\$ 1,585,841
Reimbursable Customer Projects	\$ 1,550,000	\$ 469,798	\$ 1,275	\$ 471,073
Information Technology - Capital Equipments/Projects	\$ 940,000	\$ 355,409	\$ 345,091	\$ 700,500
Fire Flow Replacement	\$ 4,500,000	\$ 2,051,101	\$ 2,386,229	\$ 4,437,330
Capital Equipment Purchases	\$ 2,195,000	\$ 649,106	\$ 520,742	\$ 1,169,848
Total Capital Projects	\$ 34,366,000	\$ 14,520,540	\$ 5,925,544	\$ 20,446,084



STAFF REPORT

SUBJECT: Presentation and Discussion on Preliminary Draft Ten-Year Capital Improvement Program for Fiscal Years 2019-2020 through 2028-2029

SUBMITTED BY: Michael Ban, Manager
Jeff Ohmart, Principal Engineer
Lucy Croy, Associate Engineer
Environmental and Engineering Services Division

RECOMMENDED ACTION: Information

EXECUTIVE SUMMARY:

The current Five-Year CIP (FYs 2017/2018 through 2021/2022) anticipates annual CIP investments of \$35 million/year. This level of investment is not sustainable from a funding/rate perspective. Driven by the twin goals of stretching CIP investments and focusing on the bare essentials only, District staff has prepared a Preliminary Draft Ten-Year Capital Improvement Program budget for Fiscal Years 2019/20 through 2028/29 that reduces the current Five-year CIP expenditures by \$63 million and anticipates a Ten-Year total CIP investment of approximately \$211 million, which is consistent with prior Ten-Year CIP investment levels.

FISCAL IMPACT: YES NO **FISCAL YEAR:**

BACKGROUND:

The district's Capital Improvement Program (CIP) typically consists of the Five-Year Capital Improvement Program and the Two-Year Capital Improvement Program Budget. The Five-Year CIP guides long-range policy, prioritizes and schedules capital projects for the five year period, and establishes a plan for generating the financial resources to complete these capital projects.

The first two years of expenditures in the Five-Year CIP comprise the district's Two-Year CIP Budget. By adopting the Two-Year CIP Budget, the Board authorizes the initiation of project expenditures in those years. The Board adopted the current Two-Year CIP (Fiscal Years 2017/18 and 2018/19) on June 20, 2017.

The current Two-Year CIP (Fiscal Years 2017/18 and 2018/19) includes:

- Approximately \$59 million in district-funded investments over two years; and
- Planned district funded investments of approximately \$176 million over five-years (Fiscal Year 2017/18 through 2021/22), for an annual average of \$35 million/year.

Making annual capital investments of approximately \$35 million per year is not sustainable from a funding/rate perspective, as discussed at the Finance Committee meeting on September 21, 2017 and at the District Operations Committee meeting on October 20, 2017.

In response, district staff immediately began efforts to further stretch CIP investments by reducing expenditures in the current Two-Year CIP budget, and began preparing a Preliminary Draft Ten-Year CIP (Fiscal Years 2019/20 through 2028/29) with a total Ten-Year investment level consistent with prior Ten-Year periods (approximately \$203 million in capital investments were made during the Ten-Year period from 2007/08 through 2016/17).

By stretching and prioritizing CIP investments to the bare essentials only, district staff anticipates reducing CIP investments by approximately \$63 million over the next Five-Year period as illustrated in Table 1.

Table 1
Impact of Stretching and Prioritizing CIP to Bare Essentials

Description	Amount (\$M)
Current 5-Year CIP Total (adopted 6/20/17)	\$176
Revised 5-Year CIP Total	\$113
Reduction in the Current 5-Year CIP	\$63

Preliminary Draft 10-Year CIP (Fiscal Years 2019/20 through 2028/29)

In total, the Preliminary Draft 10-Year CIP FY 19/20 thru FY 28/29 anticipates a total investment of approximately \$211 million over the ten-year period, with \$150 million in Renewal and Replacement, \$44.9 million in Fire Flow Improvement Program projects, \$15 million in Capital Equipment Purchases and \$588,000 in district contributions to Watershed grant funded projects. These investments are shown by fiscal year in Table 2.

Table 2
Preliminary Draft 10-Year CIP (FY19/20 – FY 28/29)
By Program and Fiscal Year (\$ Millions)

Program	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Total
Renewal and Replacement	17.6	13.9	15.2	14.6	17.1	13.3	16.1	13.5	15.2	13.6	150
Fire Flow Improvement Program	4.6	4.1	4.6	4.3	4.3	4.7	4.3	4.8	4.6	4.6	45
Capital Equipment Purchases	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	15
District-Funded Watershed Grant Projects	0.3	0.1	0.1	0.1							0.6
Total	24.1	19.6	21.4	20.6	22.9	19.5	21.9	19.8	21.3	19.7	210.6

Over one-hundred projects are planned in the Renewal and Replacement category and are listed in Attachment 1 by project and fund center. Approximately thirty-four Fire Flow Improvement Projects are planned for the Ten-Year CIP and are listed by fiscal year in Attachment 2. The five Watershed grant funded projects are listed in Attachment 3, along with the anticipated funding sources.

Next Steps

The next steps for preparation of the Ten-Year CIP are as follows:

1. On the basis of Board input and direction, staff will finalize the Ten-Year CIP as part of the next Two-Year Fiscal Year Budgets (FY 2019/20 and FY 2020/21). The Ten-Year CIP will be included with the next Two-Year Budget instead of the traditional Five-Year CIP.
2. During the next two Finance Committee meetings, staff will present detailed information on projected operational expenditures (March 22nd) and revenues (April 26th).
3. At the June 2018 Board retreat, staff will present funding options for the upcoming Two-Fiscal Year Capital and Operating Budgets (FY 2019/20 and FY 2020/21) and seek Board input and direction.

STRATEGIC PLAN ALIGNMENT:

The requested action aligns with the district’s Strategic Plan Goal 1 (Water Supply Resiliency), Strategy 4 (Ensure facilities and equipment are maintained and sufficient to support water resiliency, water quality, watershed management, and a productive workforce).

REVIEWED BY:	A.S.D Manager/Treasurer	<input checked="" type="checkbox"/>	NA	<input type="checkbox"/>
	General Counsel	<input type="checkbox"/>	NA	<input type="checkbox"/>
	General Manager	<input checked="" type="checkbox"/>	NA	<input type="checkbox"/>

ATTACHMENTS:

Attachment 1 – Renewal and Replacement Program by Project

Attachment 2 – Fire Flow Improvement Program by Project

Attachment 3 – Watershed Grant Program by Project

Fund Center/Project	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Total
Water System Road Repairs	-	-	-	150	150	125	125	125	125	125	925
Misc Non Water System Road Repairs	-	-	50	100	75	75	75	75	75	75	600
Regional General Permit for Creek Crossings	100	100	-	-	-	-	-	-	-	-	200
Watershed Road Repair Subtotal	350	175	50	250	225	200	200	200	200	200	2,050
Watershed Natural Capital and Green Infrastructure											
Misc Habitat Restoration Projects	-	-	-	-	50	-	50	50	50	50	250
Watershed Natural Capital Subtotal	-	-	-	-	50	-	50	50	50	50	250
Information Technology											
Information Technology - IT	500	500	500	500	500	500	500	500	500	500	5,000
IT Subtotal	500	500	500	500	500	500	500	500	500	500	5,000
Renewal & Replacement Subtotal	17,620	13,910	15,225	14,650	17,090	13,340	16,070	13,510	15,160	13,590	150,165
Capital Equipment Purchases	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	15,000
RENEWAL & REPLACEMENT TOTAL	19,120	15,410	16,725	16,150	18,590	14,840	17,570	15,010	16,660	15,090	165,165
FIRE FLOW IMPROVEMENT PROGRAM TOTAL	4,650	4,100	4,600	4,310	4,300	4,650	4,300	4,800	4,600	4,600	44,910
DISTRICT FUNDED WATERSHED GRANT TOTAL	288	100	100	100	-	-	-	-	-	-	588
GRAND TOTAL CIP	24,058	19,610	21,425	20,560	22,890	19,490	21,870	19,810	21,260	19,690	210,663

ATTACHMENT 2 - FIRE FLOW IMPROVEMENT PROGRAM BY PROJECT (\$thousands)

Project	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Total
Sausalito Line (Mill Valley)	750										750
Lansdale Ave (San Anselmo)	1,900										1,900
Brookside Dr (San Anselmo)	300										300
Fifth Street	1,700										1,700
Lochivar (Glenwood Transmission)		1,200									1,200
Oak Manor (Fairfax)		1,700									1,700
Redwood Dr (Woodacre)		1,200									1,200
Monterey Ave (San Anselmo)			1,800								1,800
Paradise Centro East (Tiburon)			2,800								2,800
Crescent Drive (San Rafael)				900							900
Deer Hollow (Sleepy Hollow)				1,100							1,100
Hub Regulator (San Anselmo)				10							10
Hawthorne Transmission				400							400
Vista Clara (Sausalito)				1,900							1,900
Morningsun (Mill Valley)					1,200						1,200
Wellington (Ross)					1,500						1,500
Manderly (San Rafael)					1,600						1,600
Hawthorne (San Anselmo)						1,200					1,200
Convent (San Rafael)						1,500					1,500
Lagunitas Booster Structural Retrofit						50					50
Prospect (San Anselmo)						700					700
Wellesey (Mill Valley)						1,200					1,200
Geldert (Tiburon)							2,600				2,600
Florence (Mill Valley)							1,700				1,700
Coleman (San Rafael)								2,200			2,200
Shoreline Hwy (Mill Valley)								1,900			1,900
Bayview (Larkspur)								700			700
Ridge (Tiburon)									2,400		2,400
Loring (Mill Valley)									2,200		2,200
Melville (San Anselmo)										1,000	1,000
Juniper (San Geronimo)										1,200	1,200
Evergreen (Kent Woodlands)										1,200	1,200
Paradise Dr (Tiburon)										800	800
Silverado (Tiburon)										400	400
TOTAL	4,650	4,100	4,600	4,310	4,300	4,650	4,300	4,800	4,600	4,600	44,910

ATTACHMENT 3 - WATERSHED GRANT FUNDED PROGRAM BY PROJECT (\$thousands)

Watershed Grant Projects	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Total
Cross Marin Trail Culverts Replacement	150	400	400	400	-	-	-	-	-	-	1,350
Alpine Dam Historic Preservation (Block Houses)	500	-	-	-	-	-	-	-	-	-	500
West Peak Restoration Project	3,000	3,000	-	-	-	-	-	-	-	-	6,000
Sky Oaks Conversion	200	-	-	-	-	-	-	-	-	-	200
Lagunitas Booster Bank Stabilization & Habitat	-	-	-	-	-	200	-	-	-	-	200
Lagunitas Creek Habitat Projects	-	-	-	-	-	-	300	-	-	-	300
Total	3,850	3,400	400	400	-	200	300	-	-	-	8,550
Funding Sources											
Grants	3,562	3,300	300	300	-	200	300	-	-	-	7,962
Net Watershed (District funded)	288	100	100	100	-	-	-	-	-	-	588
Total	3,850	3,400	400	400	-	200	300	-	-	-	8,550