



MARIN MUNICIPAL WATER DISTRICT

220 Nellen Avenue Corte Madera CA 94925-1169
www.marinwater.org

October 18, 2013 (posted)


NOTICE OF SPECIAL MEETING OF THE BOARD OF DIRECTORS / WATER RATE RESTRUCTURE COMMITTEE

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

- Date: October 22, 2013
 Time: 7:00 p.m. – 8:00 p.m.
 Locations: 1) Board Room - Marin Municipal Water District
 220 Nellen Avenue, Corte Madera
 2) The Westin Long Beach (Larry Russell*)
 333 East Ocean Boulevard,
 Long Beach, CA

AGENDA**

	<u>RECOMMENDATION</u>	Times listed below are <u>approximate</u>
1. Minutes of September 10, 2013 Meeting	Approve	7:00 pm
2. Rate Restructuring Timeline	Direct Staff	7:05 - 8:00 pm



 Stephanie Eichner-Gross, Secretary

* One or more Directors may participate in this meeting via teleconference. The teleconference location is listed above. Three Directors will attend the meeting in the District's jurisdiction. Members of the public are welcomed to attend the meeting at either location.

** *The public will be provided an opportunity to address the items described on this agenda*

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 District 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 have a disability and require a copy of a public hearing notice, or 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 days in advance of the meeting. Advance notification within this guideline will enable the District to make reasonable arrangements to ensure accessibility.

**THE BOARD OF DIRECTORS
OF MARIN MUNICIPAL WATER DISTRICT
WATER RATE RESTRUCTURE COMMITTEE**

Minutes of the meeting of the Board of Directors/Water Rate Committee held on Tuesday, September 10, 2013 at 220 Nellen Avenue, Corte Madera, California.

Directors present: Liza Crosse, John C. Gibson, Cynthia Koehler and Larry L. Russell (via teleconference)

Directors absent: Armando Quintero

CALL TO ORDER

Liza Cross called the meeting to order at 7:05 p.m.

ITEM 1. MINUTES

On motion of Director Gibson, seconded by Director Koehler, the Committee approved the minutes of August 27, 2013 by the following roll call vote:

Ayes: Directors Crosse, Gibson, Koehler and Russell
Noes: None
Absent: Director Quintero

ITEM 2 LIST OF ACTION ITEMS

The Committee reviewed the action items from the August 27, 2013 meeting. A brief question and answer period followed.

ITEM 3. DISCUSSION OF NON RESIDENTIAL WATER RATE STRUCTURE

Dan Carney, Water Conservation Manager, presented the staff report and gave an overview of non-residential customers which comprise 7% of the District's customers using 25% of the water and generating 24% of the revenue. He explained the history of water budgets and pointed that budgets for the vast majority of non residential customers have not changed since being put in place as long as 30 years ago. He said water budgets are significant because they

determine how much the non-residential customers pay. He shared examples of baseline allocations and discussed the relationship of the current tier breaks and disconnect of the budgets to conservation and efficiency. He said while the businesses and landscapes have changed, water budgets have remained the same and are not well calibrated to actual use. He recommended for consideration, using a rolling 5-year average use of water to determine annual water budgets. Discussion followed that focused on the role of entitlements which are purchased or grandfathered.

Dan Carney noted that while budgets would be reset, entitlements would not change.

Mary Casey, General Counsel, said further work would needed to answer the question of whether or not an entitlement can be restricted by a budget or if it is better to restrict an entitlement through the tiers.

Discussion ensued and focused on water budgets for gardens versus landscape.

Director Koehler expressed concern about moving more toward an entitlement structure noting that a water budget could create the perception of an entitlement.

Director Gibson said there has been a longstanding resistance to the water budget concept and he wanted to see a detailed plan on how a water budget rate structure would work.

Dan Carney noted that every water budget system that he was aware of was based on averages and general data and that none of those water districts actually verified the number of occupants in a home.

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Director Russell said contracts with individual water users would provide the District with a way to assess future water demand. Additional discussion and debate on issues related to water budgets followed.

Director Crosse said she was interested in receiving further information on shifting to the 75/25 Water Budget concept and the exploration of agricultural opportunities with regard to food production.

Director Koehler said it would be helpful to see a breakdown on agricultural water use.

**** D R A F T **** MMWD Board of Directors/Water Rate Committee meeting –
September 10, 2013

ADJOURNMENT

There being no further business, the meeting of September 10, 2013, was adjourned at 8:40 p.m.

President, Board of Directors

ATTEST:

Secretary



Marin Municipal Water District
Board of Directors

ITEM NO.: 2
MEETING DATE:

Subject: Rate Restructuring Timeline

Submitted by: Krishna Kumar, General Manager
Oreen Delgado, Finance Manager

Recommended Action:

Direct staff to coordinate the preparation of the initial phase of the rate restructure implementation with the two-year draft budget for 2015/16 and 2016/17, including a regular rate increase, if needed, for presentation to the Finance Committee in late 2014.

Summary

Over the last two and a half years, the District's Water Rate Advisory Committee (WRAC), staff and the Board have been evaluating rate restructuring alternatives. In June 2013 the Board declared a two-year rate increase holiday and adopted a two-year budget for 2013/14 and 2014/15. The next opportunity for the Board to evaluate the need for a rate increase and/or rate restructuring would occur in January 2015. Staff believes it is prudent to coordinate the consideration of any rate restructuring with the budget process for fiscal years 2015/16 and 2016/17 along with a regular rate increase, if needed.

Background

In February 2011, the Board appointed a citizens' Water Rate Advisory Committee (WRAC) to review the rate structure. The committee worked tirelessly and presented its report to the Board in January 2013. The WRAC was comprised of 15 dedicated citizens who freely shared their time, talent and varied expertise with the District. The Board is very appreciative of the work and efforts of all the WRAC members.

Current Status

In early 2013, the Board created the District's Water Rate Restructure Committee, comprising of all of the Board members, to review the WRAC's recommendations and work with staff on options for restructuring the rates. Staff was assisted in this effort by Jim Gibbs, a financial professional from Sperry Capital, and John Farnkopf and Sima Mostafaei, water rate specialists from HF&H Consultants.

Over the last six months, staff and the committee have been evaluating alternative rate structures and rate elements. This effort was accompanied by a comprehensive review of potential factors in rate structure design including consumption patterns, climate zones, lot sizes, personal consumption norms, and seasonality. In particular, analysis focused on adjusting the current tier break points and tier pricing ratios which were implemented in 2004. The 2004 rate structure changes were implemented to promote a strong water conservation pricing signal to balance the District's supply and demand issues at that time. Based on the rate restructure analysis completed to date, it is clear that any rate restructure alternatives would result in varying rate impacts to different customer groups. Hence, the best approach would be to phase in any rate structure changes over time to manage the impact on customers while still maintaining a strong conservation pricing signal.

Timing

Rate changes resulting from implementation of any rate restructure alternatives, even when revenue neutral, require the District to conduct a Prop. 218 proceeding as is the case for a regular rate increase. In an effort to coordinate rate structure changes with the regular two-year budget process, the next available opportunity to begin evaluating a rate change would be in early 2015 during the next two-year budget cycle, with potential implementation in July 2015. This approach would also provide the opportunity to manage the cumulative impact of any rate restructuring changes and a regular rate increase, if needed.

Recommendation

Direct staff to coordinate the preparation of the initial phase of the rate restructure implementation in coordination with the two-year draft budget for 2015/16 and 2016/17, including a regular rate increase, if needed, for presentation to the Finance Committee in late 2014.