

**SUSTAINABLE TAMALMONTE
215 JULIA AVENUE
MILL VALLEY, CA 94941**

April 13, 2017

Marin Municipal Water District Board of Directors
220 Nellen Ave.
Corte Madera, CA 94925

Re: The proposed increases in MMWD water service, rates, fees, and charges

Dear MMWD Board of Directors,

Residents in our community are very concerned about MMWD's recently imposed rate increases, currently proposed rate increases and recommended future rate increases. The general consensus is that the rate increases are excessive and should be lowered. In response to the community's concerns, we submit to you the following comments and recommendations:

I. TOGETHER, THE RECENT, PROPOSED, AND RECOMMENDED RATE INCREASES ARE EXCESSIVE

Together, the recent 2016 rate increases, proposed rate increases for 2017 and 2018, and the recommended rate increases for 2019 & 2020 by the "Carollo Cost of Service Study" (Feb. 2017)¹ are excessive. Compounded, they total a 68% effective rate increase in four years, as shown below.

MMWD Rate Increases:

January 2016: 22% (Estimated Average Rate Increase - Some users had a greater rate hike)

May 2016: 4% (Estimated Average Rate Increase)

July 2017: 7% (Proposed Rate Increase)

July 2018: 7% (Proposed Rate Increase)

2019: 7% (Recommended Rate Increase by the Carollo Study)

2020: 8% (Recommended Rate Increase by the Carollo Study)

TOTAL COMPOUND INTEREST: 68% effective rate increase in four years

II. PLANNING FOR INFRASTRUCTURE PROJECTS SHOULD BE IMPROVED

It appears that funding for MMWD's capital infrastructure projects has not been properly planned for in advance. According to a Marin IJ article (4-10-17) entitled; "Corte Madera protest planned over MMWD rates", General Manager Krishna Kumar stated that 46% of the agency's 911 miles of pipeline are more than 50 years old. The same article reports that parts of MMWD's water system date back more than 100 years. According to the

¹ Carollo Engineers. "Cost of Service Study". Marin Municipal Water District. (February 2017) Available on April 2, 2017 at:
<http://www.marinwater.org/documentcenter/view/4722>

below chart entitled; “MMWD Pipe Installed 2008 to 2016”, the average number of miles of pipe installed each year is 7.21 miles. At that pace, it would take 58 years to replace 419 miles (46%) of pipeline that is over 50 yrs. old and it would take 126 years to replace all of the 911 miles of pipeline.

**MMWD
Pipe Installed 2008 - 2016**

Year	Ft	Mi
2008	43,736	8.28
2009	28,289	5.36
2010	37,570	7.12
2011	44,478	8.42
2012	37,915	7.18
2013	45,262	8.57
2014	28,488	5.40
2015	36,707	6.95
2016	40,302	7.63

Such a history indicates that MMWD’s infrastructure has not been properly maintained. Moreover, it indicates that MMWD management should have known of the infrastructure needs for many years. Reserves for the timely replacement/ improvement of infrastructure, including the pipelines, should have been accumulating over the last several decades.

It also appears that the Staff and the Board approved large personnel salaries, raises, and benefits when they should have known that the projected revenue did not support the expense.

Perhaps these problems were caused by previous administrations. Never the less, the current management and Board need to find effective and reasonable solutions.

III. OPPOSE THE PROPOSED RATE INCREASES

Due to the fact that the recent, proposed and recommended rate increases are excessive, the MMWD Board of Directors should reject the proposed rate increases (7% in 2017 and 7% in 2018), which are subject to approval at the May 16, 2017 hearing. Before considering any rate increase, the Board should first re-evaluate the proposed budget and find ways to lower costs, so that such enormous rate increases would not be necessary.

IV. POTENTIAL WAYS TO LOWER COSTS

A. Lower the cost of Personnel Services:

According to the “Carollo Cost of Service Study” (Page 27), expenditures for Personnel Services (\$36,757,000 in YR 2016/17) are 55.6% of MMWD’s Total Operating Expenditures (\$66,112,000 in YR 2016/17). Personnel Services include salaries & wages, director fees, benefits, contract help, and other personnel services. These

expenditures are the highest portion of the operating expenditures and should be lowered.

We understand that current labor agreements lock in salaries, fringe benefits and cost-of-living increases until they expire in June 2018. When it is time to renegotiate, these labor costs should be substantially lowered in order to achieve fiscal prudence.

The MMWD management and Board of Directors should renegotiate the compensation packages of existing employees and lower salaries and benefits and/or hire new employees with lower salaries and benefits, and eliminate unnecessary positions. For instance, the district has four employees devoted to public information and eight employees who work on information systems. It is questionable that all these positions are necessary.

The projected Labor Cost Inflation should be re-evaluated. The "Carollo Cost of Service Study" (Page 25) assumes that labor rates will increase at the long-term average of 5.5 percent. Such an assumption is ill-advised when an agency is facing financial difficulties. The Bay Area's 2016 salary growth averaged 2.7% and the Consumer Price Index for the San Francisco Area rose 3.6% between October 2015 and October 2016. These indicators are significantly below 5.5%.

We support the following recommendations made by Dick Tait in his Marin Voice article entitled; "Why it's raining rate hikes at Marin Municipal Water District":

"Looking ahead to personnel cost control, compensation surveys should include the costs of fringe benefits, as they are substantial. They also should survey private-sector employers.

These surveys should be initiated this year so that comparative data is available when the next round of negotiations begins.

In addition, the district should retain a consultant to review the district's management structure and staffing, use of outsourcing functions that are more general in nature such as PR, human resources, administrative duties, etc. and to develop recommendations for improving operational efficiency."

B. Reject the monthly billing process and continue the bimonthly billing process: Implementation of a new monthly billing process would incur a \$338,000 Consultant Fee followed by \$650,000 / year additional operations costs. By keeping the bimonthly system, these costs, which would be passed on to customers, would be saved.

C. Lower the portion of PAYGO funding: Regarding funding for building capital projects, we understand that the district wants to begin a roughly 50/50 split between PAYGO (Pay-As-You-Go) funding and bond funding. We support this goal. However, at this time, we suggest that you lower the portion of PAYGO (Pay-As-You-Go) funding and increase the portion of bond funding. This would lessen the burden on current ratepayers. In the future you could increase the portion of PAYGO funding and eventually reach the desired 50/50 split.

We urge the board take these steps to reduce the magnitude of future rate increases.

V. ENSURE AMPLE FUNDING FOR WATERSHED MAINTENANCE & HERBICIDE-FREE VEGETATION MANAGEMENT

It is imperative that MMWD properly preserves and protects the MMWD watershed, including providing effective herbicide-free vegetation management. When re-evaluating the MMWD budget, although other costs should be lowered, the funding for vegetation management of the watershed should be increased.

The Watershed Protection Fee provides \$3,818,000 of yearly revenue for watershed maintenance and vegetation management. Along with the reservoirs, the watershed is MMWD's greatest asset. Yet \$3,818,000 for watershed maintenance equates to only about 5% of MMWD's Total Operating Expenditures (\$66,112,000 in 2016/17).

The Watershed Protection Fee revenue of \$3,818,000 would cover the cost approved for the latest Biodiversity, Fire, and Fuels Integrated Plan (BFFIP). The cost estimate for the BFFIP was \$9,975,000 over five years. The costs for the BFFIP increase as the years progress - (Baseline YR = \$887,800; YR 1 = \$1,276,100; YR 2 = \$1,634,200; YR 3 = \$2,007,500; YR 4 = \$2,361,400; and YR 5 = \$2,694,900). However, we believe that an effective herbicide-free vegetation management plan would be more expensive.

Another study (attached), prepared in 2009 by Leonard Charles and Associates, entitled; "Marin Municipal Water District Vegetation Management Plan Alternatives Report 2009" illustrates that the projected costs of an effective herbicide-free vegetation management plan would be much more expensive than the budget appropriated for the BFFIP.

The most expensive vegetation management approach discussed in the "2009 MMWD Vegetation Management Plan Alternatives Report" is the "Resiliency Alternative", which would result in near eradication of target high priority invasive species. The report estimates the yearly cost for the first 10 years of an herbicide-free Resiliency Alternative to be \$7,797,725/ year and then falls to \$1,822,600/ year after 10 years.

To equal the highest yearly cost for the BFFIP (\$2,694,900 for YEAR 5), the yearly cost of the 2009 Resiliency Alternative (\$7,797,725) would need to be lowered by \$5,102,825 or 65%.

We understand that a vegetation management approach that seeks to control invasive species, rather than eradicate them would be a valid and less expensive herbicide-free alternative. However, it doesn't make sense that yearly costs could be lowered by as much as 65% and that the herbicide-free alternative would still be effective.

Therefore, we recommend that you re-evaluate the BFFIP and approve an herbicide-free vegetation management plan that is more robust with a more realistic budget.

If you do not agree to the above recommendation, then at least implement the BFFIP more rapidly, rather than taking five years to ramp up to the full program. The \$3,818,000 yearly revenue from the Watershed Protection Fee would allow you to do this.

CONCLUSION

In order to achieve fiscal responsibility and protect the MMWD watershed, we strongly urge you to: 1) Oppose the proposed rate increases; 2) Re-evaluate the proposed budget and lower costs before considering any rate increases; and 3) Ensure ample funding for watershed maintenance and herbicide-free vegetation management.

Thank you in advance for your conscientious consideration.

Very truly yours,

/s/

Sharon Rushton

Chairperson

Sustainable TamAlmonte