

MUIR BEACH COMMUNITY SERVICES DISTRICT



Why Must the MBCSD Increase Water Rates after 7 Years of No Increase?

Every Muir Beach resident deserves and expects that the MBCSD provides clean, safe, and reliable water now and going forward. It goes without saying, that we need it to continue to live in this unique place and to protect the investment we have in our homes.

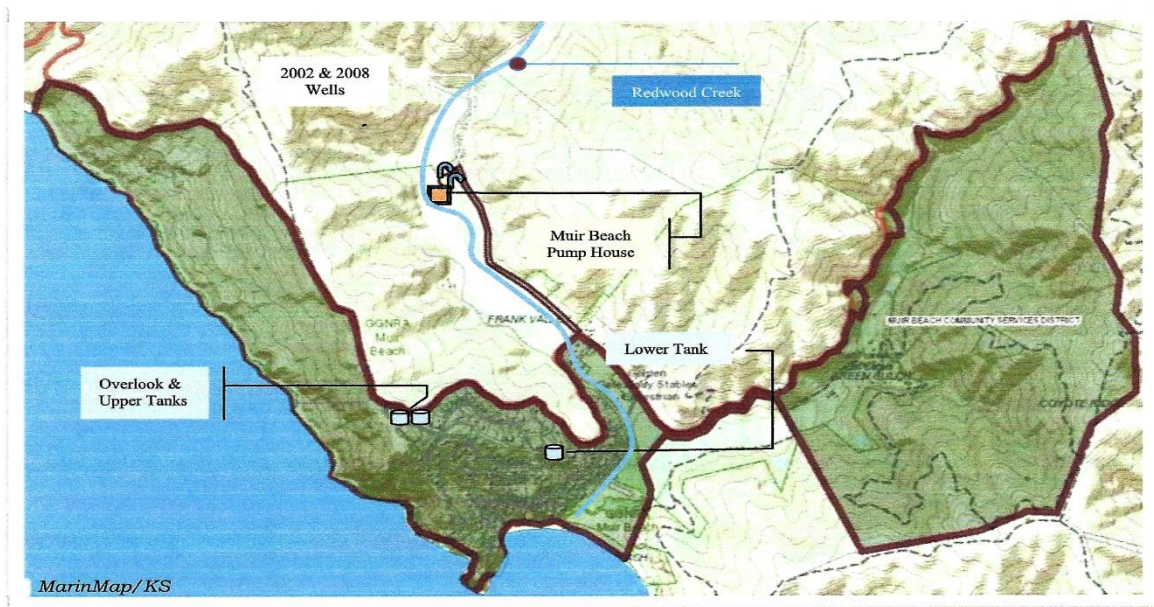
Here is a factual summary of why the MBCSD needs and should raise water rates for the first time in more than 7 years, and why that increase will cost most households an additional \$24.95 a month:

- With no rate increase in the past 7 years, our water system revenues do not completely cover all our water system's day-to-day operations. It is also not covering all the deferred maintenance for our aging pipes, treatment facilities, and essential improvements.
- Of equal concern, our Water System has only been able to cover all its full operating costs by taking money from the Muir Beach CSD General Governmental funds (tax and reserve revenues.) That means those revenues are not available for badly needed repairs for the Community Center and for our deteriorating roads, trails, and public lands. They are also not available to deal with increasing numbers of aging trees that threaten to fall in winter storms and for building a new Fire House - which must be built to meet fire, emergency and the safety needs of residents.
- To a lesser extent, last year Muir Beach homeowners paid the lowest cost for water of any nearby small coastal community, and will still be in the lowest percentile with the proposed rate increase.
- In the short paragraphs and charts below, you will get a complete picture of the points above and answers to the major questions that have been raised about these matters. If any further questions, please call Mary Halley or Mike DeGroot, your District Managers at **415-388-7804**.

1 - What is your Muir Beach Water System?

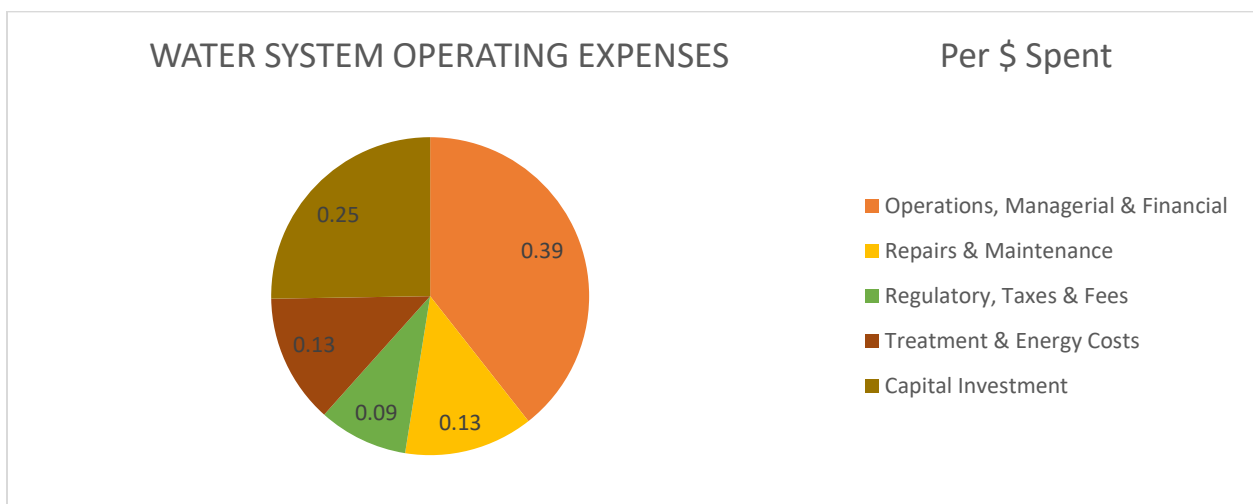
The MBCSD has been providing water to residents 24/7 365 days per year since 1958. As some residents will remember, in years past, it could be heavily laden with minerals and turn your white clothes brown. Over the years, our water system has greatly improved and is now meeting increased regulatory standards for public health and safety as well as higher environmental standards as we source our water from the Redwood Creek Watershed. To stay compliant with new State health and safety regulations, along with a goal to improve the quality and efficiency for delivering safe water, the MBCSD has also increased treatment, monitoring, and management to keep up with new technologies and required governmental reporting.

An overview of MBCSD's water system in terms of key infrastructure is shown below.



With only 156 paying customers, our MBCSD Water District is small compared to neighboring systems, and yet our distribution system spans over 2.5 miles with waterlines and infrastructure that needs to be maintained, along with two Service Wells, a Chlorine and Silica Treatment Plant and Pumphouse, a newly built (2010) earthquake-safe 200,000-gallon water tank, and an aging 100,000-gallon redwood water tank. All together the system can provide up to 45,000 gallons of water per day with an average of 12 days storage capacity. The Silica treatment has greatly improved water quality. Increased monitoring for both daily chlorine testing and monthly bacterial sampling has enhanced the safety and confidence in our water supply.

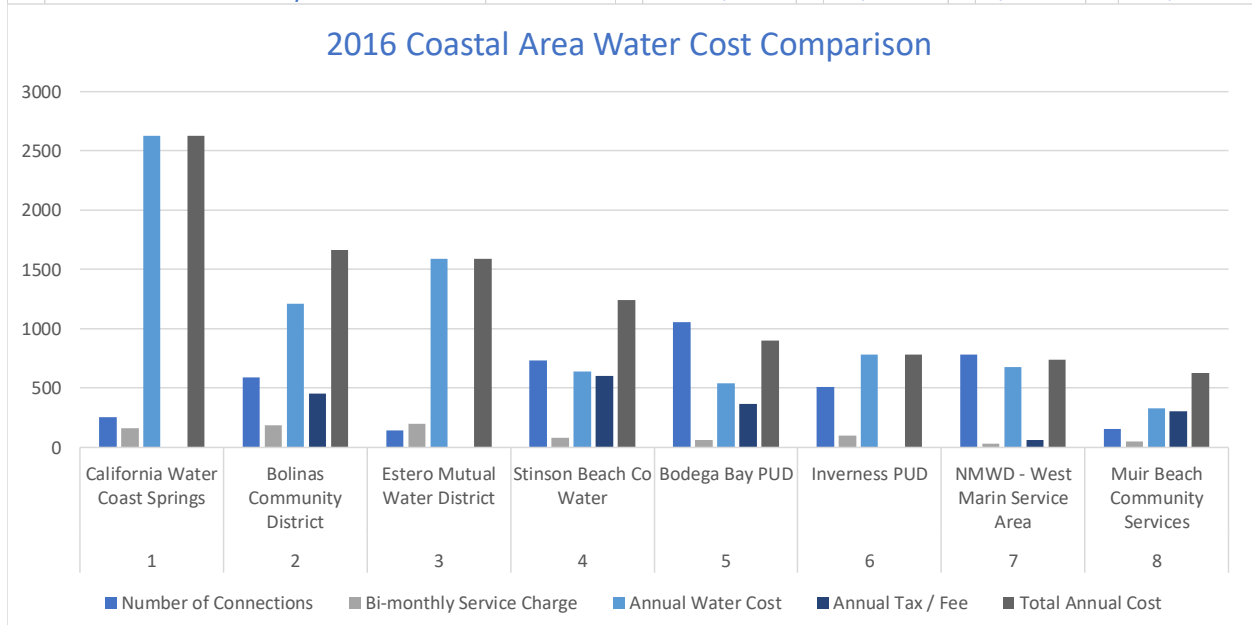
2 - How is your Water dollar spent?



The challenge now, despite all the improvements to water quality and efficiencies, is that at the same time, other parts of our water system are aging and in need of repairs and replacement and some already at the end of their useful life. In short, our MBCSD water system has much of the same infrastructure and regulatory monitoring as any other small rural water district but with far fewer connections and customers to spread the overall costs, and yet, the MBCSD has maintained some of the lowest rates per residential customer when compared to many other similar rural water systems. But these low rates have been at the expense to other district repairs and future capital improvements.

3- How has MBCSD Water Rates compared with other small Rural Coastal Water Districts?

2016 Coastal Area Water Cost Comparison					
<i>Comparison of NMWD's charges: Using "Typical" single family Residence (5/8" - 3/4" Meter) Using 55,400 Galons Annually</i>					
Agency	Number of Connections	Bi-monthly Service Charge	Annual Water Cost	Annual Tax / Fee	Total Annual Cost
1 California Water Coast Springs	255	\$157.74	\$2,624.00	\$0.00	\$2,627.00
2 Bolinas Community District	587	\$186.67	\$1,210.00	\$452.00	\$1,662.00
3 Estero Mutual Water District	141	\$197.90	\$1,589.00	\$0.00	\$1,589.00
4 Stinson Beach Co Water	729	\$77.10	\$636.00	\$602.00	\$1,238.00
5 Bodega Bay PUD	1054	\$61.82	\$541.00	\$362.00	\$902.00
6 Inverness PUD	510	\$100.00	\$783.00	\$0.00	\$783.00
7 NMWD - West Marin Service Area	779	\$30.00	\$676.00	\$59.00	\$735.00
8 Muir Beach Community Services	156	\$49.92	\$326.00	\$300.00	\$626.00



4 - Why is there a Water Rate Increase?

The Muir Beach Community Services District must provide high quality and reliable water while at the same time protecting our community's water resources. The Water District is required by our State permitting to be fiscally responsible and financially solvent and is currently only meeting this requirement by subsidizing almost all of our water system's managerial costs and a portion of its overhead costs with non-enterprise property tax revenues.

MUIR BEACH COMMUNITY SERVICES DISTRICT

Data from Audited Financial Statements: 2008 - 2015

Summary of Business-Activities and Governmental-Activities

Water Business-Activities Year	Net Position	Governmental-Activities Net position	Previous Water Rate Increases
2008	28,103	641,756	
2009	(43,564)	246,264	
2010	(11,754)	140,855	8.30%
2011	(90,143)	215,120	
2012	(34,405)	338,303	
2013	(31,609)	100,866	
2014	(73,380)	59,228	
2015	(93,157)	170,815	
Not Audited - District			
2016	(95,926)	76,476	

Key: (brackets) = income loss

Analysis: Water Business-Activities net-position trending up
Government-Activities net-position trending down

This also means that each year our Water District has not been continuously evaluating its true yearly operating costs and infrastructure needs to make sure that its revenues can cover any current or future operational demands or shortfalls. [See FY 2016/17 Budget and Actuals](#). As is true for everything in our individual lives, costs for the Water District have been steadily going up over the past seven years since the last 8.3% rate increase in 2010, and yet, there has been no rate adjustment to offset those costs. [See Water Operations Growth Trend](#). After careful evaluation, it was determined that 100% increase resulting in an average \$24.95 per month rate increase for the average customer was necessary just to get the Water Operations back on a solid financial footing and to meet our current basic cost of service.

5 - What is the Proposed Water Rate Increase?

Proposed District Bi-monthly water rates:

Tiers	Gallons	Charge	
Base Rate	0 to 4,500	\$ 99.84	Flat charge
Tier Two	4,501 to 10,000	\$ 1.84	per 100 gallons used, plus charge from prior tier
Tier Three	10,001 to 20,000	\$ 2.58	per 100 gallons used, plus charge from prior tier
Tier Four	20,001+	\$ 3.24	per 100 gallons used, plus charge from prior tier

Note

1. Rates **include** an assigned 25% surcharge by the District to be reserved for capital improvements at the direction of the Board of Directors.
2. Charges are calculated per gallon; rates are shown per 100 gallons for clarity only.

6 – Will we be investing in our Water System’s future?

Absolutely. While a Water District can only charge for the cost of service provided - which includes producing, distributing, managing, and maintaining the system infrastructure - if the District does not charge enough to maintain the system, then the system will first become less reliable and then eventually obsolete. Current rates must include the cost of maintaining the District infrastructure as well as dedicated management to ensure that our water system will have the resources and planning necessary to continue. Below are just two infrastructure projects that currently need capital planning.

Infrastructure Projects	Years	Estimated Cost	Urgency
Sunset Way Waterline Replacement	2-5 years	\$650,000	Past its useful life
Sunset Way Fire Hydrant Replacement	2-5 years	Included above	Included in project
Lower Water Tank Replacement	10-20 years	\$350,000	Needs liner soon

In addition, there are significant pipes, water mains, and hydrants that will continue to need to be replaced over time along with implementing new water leak detection systems. This much-deferred infrastructure maintenance and replacement requires a secure fiscal structure to meet those goals.

7 - Does Conservation and Efficiency still pay?

Customers who have used water wisely and conserved have always paid lower water bills than similar customers who do not conserve. 37% of MBCSD customers stay within the Base Rate and thus rarely extend into higher rate tiers. 73% of MBCSD customers usage now falls within the Base Rate and next Tier 2, so conservation has steadily increased.

8 - How does the Water Rate Increase stack up?

As noted earlier, for the majority of MBCSD water customers, our water rate increase will amount to a \$24.95 per month increase to their monthly household expenses. That will make the monthly base rate comparable to the current monthly cost of internet service in Muir Beach and about 1/4 of most electric utility bills. MBCSD water had been being delivered to every customer for \$0.01 per gallon and will still be delivered to your door for less than \$0.02 per gallon.

How does **MB Water at \$0.02 per gallon** compare to other necessities of life?

ITEM	Cost per gallon
Bottled Water	\$7.80
Milk	\$3.78 – \$7.49
Latte	\$ 33.20
Gas	\$2.94
MB Water	\$0.02

Questions?

Please contact your District Managers - districtmanager@muirbeachcsd.com

The MBCSD Board and District Managers will be scheduling small working groups based on community interest and need to discuss our Water Rate Increase and all things water related.