



STAFF REPORT

Meeting Type: Board of Directors
Title: Overview of Rate Setting Process and Professional Services Agreement for a Cost-of-Service Water Rate Study
From: Bret Uppendahl, Finance Director
Through: Ben Horenstein, General Manager
Meeting Date: May 12, 2026

TYPE OF ITEM: X Action Information

RECOMMENDATION: Receive staff overview of rate setting process; Approve a Professional Services Agreement with Water Resources Economics, LLC for a Cost-of-Service Water Rate Study and authorize the General Manager to execute the contract

SUMMARY: As a municipal water district that relies on water rates to fund ongoing operations and capital improvements, Marin Water is subject to the procedural and substantive requirements of Article XIII D of the California Constitution, more commonly known as Proposition 218, to modify or increase water rates and charges. These procedural requirements include, but are not limited to, holding a noticed public hearing and providing prior written notice of the public hearing and proposed rate increases to each parcel.

The substantive requirements of Proposition 218 provide that the proposed rates must be proportional in nature and cannot exceed the cost of providing water service to each parcel. In order to ensure compliance with this provision, the District utilizes support from an independent consultant to conduct a Cost-of-Service Water Rate Study. The District issued a Request for Proposals (RFP) on March 10, 2026, and the RFP closed on April 3, 2026. After reviewing the proposals and interviewing multiple consultants, staff recommend the District select Water Resource Economics, LLC to conduct the Cost-of-Service Water Rate Study for the District's upcoming rate setting process.

DISCUSSION: The District last completed a cost-of-service water rate study with Bartle Wells and Associates in 2023. That rate study supported the District's rate structure from Fiscal Year 2023-24 through Fiscal Year 2026-27. In accordance with Board Policy No. 45 "Rate Review Policy", the District shall review the rates, fees and charges for the sale of water with the adoption of each two-year budget. Staff reviewed the District's rate structure and determined that the existing rate structure was sufficient to support the current budget (FY 2025-26 and FY 2026-27). However, to ensure that the District's rates remain proportional in nature and generate sufficient revenue for operating and capital expenditures, staff recommend that the District conduct a new cost-of-service water rate study in

advance of the next two-year budget process (FY 2027-28 and FY 2028-29). Staff anticipate that any changes in the District’s rate structure, which may be identified in the cost-of-service water rate study, would become effective in July 2027.

The primary objective of the Cost-of-Service Water Rate Study is to:

- Recover the costs of providing service, including operating, capital and debt funding needs
- Support the long-term operational and financial stability of the District
- Ensure the rate design is proportionate to the cost of providing service to each parcel
- Comply with the requirements of Proposition 218

The RFP issued in March 2026 was posted publicly and the District received three highly qualified proposals. An internal selection panel conducted interviews with each firm, and the panel gave the highest score to Water Resource Economics, LLC, with the primary areas of distinction being the team’s tailored project management approach, the high degree of subject matter proficiency, and extensive experience in conducting water rate studies in California. The total fee proposed by Water Resource Economics, LLC is \$148,380.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: Funding for the cost-of-service water rate study is included in the FY 2026/27 budget.

ATTACHMENT(S): None.

DEPARTMENT OR DIVISION	DIVISION MANAGER	APPROVED
Finance		
	Bret Uppendahl Finance Director	Ben Horenstein General Manager