

MMWD Issues

- I've handed out some reference material. Page 1 shows relative rates of agencies in the Bay Area. Ours are clearly out of line. Of particular note are the rates for North Marin and Santa Rosa who both get most of their water from the Sonoma County Water Agency
- On page 2 we see that rates **and** revenues are increasing far in excess of consumer prices.
- The current business model assumes growing water demand and is based on the 1977 drought model. But if you look at page 3, demand is flat even as revenues rise.
- But most troubling are huge unfunded retirement benefits and it is getting worse. Last year the pension fund which is managed by CalPERS lost 23.4% of its value. MMWD will amortize those losses, usually over an 8 to 15 year time frame, so they will not appear that large but the losses are just being pushed into the future and that will result in continued upward pressure on rates.
- But the elephant in the room is Other Post Employment Benefits, those other than pensions. On page 5 is a quote from the 2009 audited financials which I will read, "As of January 1, 2007, the most recent actuarial valuation date, this plan was not funded. The actuarial accrued liability for benefits was \$33,973,000, and the actuarial value of assets was \$0." Page 5 also shows the **total** unfunded post retirement liability. It stands at 450% of covered payroll. If we had to fund it today it would cost \$92,000,000 which is 130% of the entire MMWD annual

budget. Based on a retirement age of 55 and early retirement available at 50 it is clearly unsustainable. At some point the individuals taking out will overwhelm those paying in and ratepayers will have to make up the difference. It will lead to significantly higher water costs that have nothing to do with the delivery of water.

