

SAUSALITO-MARIN CITY SANITARY DISTRICT

RESOLUTION NO. 1091

A RESOLUTION APPROVING THE FISCAL YEAR 2023/2024 BUDGET

RESOLVED, by the Board of Directors of the Sausalito-Marin City Sanitary District, Marin County, California as follows:

1. The attached Fiscal Year 2023/2024 Budget is approved.

* * * * *

I certify that the foregoing Resolution was duly and regularly adopted by the Board of Directors of the Sausalito-Marin City Sanitary District, Marin County, California, at a meeting held on June 6, 2023 by the following vote:

AYES, and in favor thereof, Directors:

NOES, Directors:

ABSTAIN, Directors:

ABSENT, Directors:

APPROVED:

Dan Rheiner, Board President

Catherine A. Bondanza, Board Secretary



Sausalito-Marin City Sanitary District

Budget FY 2023/2024

Approved by Board Action
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SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2023/2024 BUDGET

EXECUTIVE SUMMARY

OVERVIEW

The Sausalito-Marín City Sanitary District (SMCSD) is governed by an elected five-member Board of Directors and provides wastewater conveyance and treatment service to the City of Sausalito and wastewater collection, conveyance and treatment service to the unincorporated areas within the District's boundaries including Marin City. Wastewater conveyance and treatment service is also provided on a contract basis to Tamalpais Community Services District (TCSD) which includes Muir Woods National Monument, and to the National Parks Service (Forts Baker, Barry and Cronkite, Marine Mammal Center and Cavallo Point Resort). The District operates and maintains a complex infrastructure system, thereby protecting our community's public health, the environment and San Francisco Bay. It serves approximately 10,000 equivalent dwelling units (EDUs) and a population of approximately 18,000.

On behalf of all ratepayers the District operates and maintains a wastewater treatment plant designed to fully treat wastewater under: Primary (I), Secondary (II) and Tertiary (III) treatment levels up to 1.8 million gallons per day (MGD) during average dry weather flow. During wet weather flow, the plant is designed to hydraulically handle up to 12.0 MGD and is capable of treating up to 9.0 MGD of full secondary treatment and up to 6.0 MGD of tertiary treatment. The conveyance system consists of eleven pump stations, and approximately eleven miles of pipelines. The District owns and operates 7 stations and operates and maintains, under a service agreement, 4 stations on behalf of the City of Sausalito. The District's treatment plant is located in Fort Baker and has a ground lease agreement with the National Park Service through 2049. There are twelve full-time positions currently authorized by the District.

BUDGET

In preparation for the FY 2023/2024 Budget, many factors and assumptions are made in a conservative approach to maintain a sustainable financial condition. Utilizing extensive financial planning, accurate expense projections and timely rate setting has allowed the District to maintain a strong financial position and capacity to undertake many capital projects. These major improvements in the wastewater system operations, maintenance and capital infrastructure improve reliability, capacity, and safety.

A significant long-term commitment was made with the sale of revenue bonds to fund the Treatment and Wet Weather Flow Upgrade Project, Coloma Pump Station Replacement Project and Generator Reliability Improvement Project. The bonds were issued in the

amount of \$33,630,000 with an annual average debt service of \$2,147,000 over 25 years. The current capital projects budgeted for FY 2023/2024 will be rate-funded as the bond funds have been exhausted. These projects include rehabilitation of the treatment plant's existing clarifier, electrical upgrades to the plant, and rehabilitation of the conveyance system's Beach Force Main.

The District maintains a stable financial condition by proactively addressing its future funding needs with a 5-year rate plan using the Proposition 218 process. In February 2019, the District completed a rate study to develop the sewer service charges for FY 2019/2020 to 2023/2024. The study and the 218 process determined the funding needed for the system's operating, capital and debt service costs over the next 5 years. The residential sewer rate structure includes both a base (64%) and volumetric (36%) component to equitably determine the rate for our rate payers. The District's wastewater treatment and conveyance annual cost are 89% fixed.

The District's reserve target balance continues to track its financial model. The purpose of the Reserve Policy is to ensure the District has adequate reserve funding to meet its short and long-term operating, maintenance and capital obligations. Establishment of the policy prepares and strengthens the District's financial stability against uncertainty and risk, provides adequate reserves for debt covenants and minimizes potential customer sewer service charge fluctuations caused by unanticipated expenditures.

REVENUE

The fiscal year 2023/2024 Budget includes a total revenue projection of \$10,846,495, a 4% increase (\$375,002) from the previous fiscal year. The budget's Operating Revenue (service contracts, sewer service charges and miscellaneous income) for fiscal year 2023/2024 is \$10,011,495 which is a 1% increase from last year. The sewer service charge revenue projection of \$7,468,475 includes an average rate increase of 3% between all customer classes and a more accurate projection of EDU's.

The budgeted Non-Operating Revenue (property tax and interest) is \$835,000, a 28% increase (\$185,000) from last year. The increase is due to a more accurate estimate in property taxes and interest.

In July 2019, the SMCS D Board accepted the 5-year rate study by HF&H and adopted new rates for FY 2019/2020 to FY 2023/24 (see tables below).

TOTAL ANNUAL SEWER SERVICE CHARGES

The tables below show total annual charges for customers in both the incorporated and unincorporated areas. For non-residential (commercial customers), the rates below are per equivalent Dwelling unit (EDU), and are used in the rate calculation.

	Current Rate \$/EDU	FY 2019-20 \$/EDU	FY 2020-21 \$/EDU	FY 2021-22 \$/EDU	FY 2022-23 \$/EDU	FY 2023-24 \$/EDU
Incorporated Area (City of Sausalito) for conveyance and treatment only. An additional rate for sewer collection is charged by the City of Sausalito. For example, 2019-2020 single family = \$866 + City (TBD)						
Single family	\$866	\$866	\$906	\$942	\$970	\$999
Multi-Family	\$771	\$771	\$793	\$824	\$849	\$875
Non-Residential	\$866	\$866	\$906	\$942	\$970	\$999
Marin City, Floating Homes and Other Unincorporated Areas Conveyance, Treatment and Collection System Supplemental Charge. For example, 2019-20 single family = \$866 + \$192 (per table at bottom of page) = \$1,058						
Single Family	\$944	\$1,058	\$1,103	\$1,162	\$1,261	\$1,386
Multi-Family	\$849	\$940	\$966	\$1,018	\$1,105	\$1,215
Floating Home	\$737	\$803	\$831	\$875	\$949	\$1,043
Non-Residential	\$944	\$1,058	\$1,103	\$1,162	\$1,261	\$1,386

ANNUAL COLLECTION SYSTEM SUPPLEMENTAL CHARGE FOR UNINCORPORATED AREAS

The charges shown below for sewer collection services have been added into the Total Sewer Service Charges for Marin City, floating homes and other unincorporated areas as shown above. Customers within the City of Sausalito pay a similar charge to the City for sewer collection services (refer to City website for rates).

	Current Rate per EDU	FY 2019-20 per EDU	FY 2020-21 per EDU	FY 2021-22 per EDU	FY 2022-23 per EDU	FY 2023-24 per EDU
Single family	\$78	\$192	\$198	\$220	\$291	\$387
Multi-Family	\$78	\$169	\$174	\$194	\$256	\$341
Floating Homes	\$78	\$144	\$148	\$165	\$218	\$290
Non-Residential	\$78	\$192	\$198	\$220	\$291	\$387

OPERATING EXPENSES

The District is responding to increased fuel, chemical and utility costs and projecting an overall 14% increase (\$173,417) in the Operating Expenses.

The salaries and benefits budget, a significant expense (59% of the operating budget), was increased by an overall 2%. The changes in this area are described below:

- The salary budget increased by 1%. The salary budget increase was a result of budgeting for only 11 FTE, COLA increasing by 2.2% (5.1% to 7.3%) and a more accurate projection of employee certifications and step increases.
- The Retirement Expense increased by 7% due to the increase in salaries as the regular payroll contribution calculation is linked to this amount. It should be noted the FY 23/24 the CalPERS Unfunded Accrued Liabilities (UAL) payment for “classic” employees will be \$328,978, but this cost will not be reflected in OPS budget as this payment will be funded from the California Employers’ Pension Prefunding Trust (CEPPT) 115 Trust.

As a reminder the District planned for these UAL in May 2022 by contributing \$3 million directly to CalPERS Pension Pool and funded a CEPPT 115 Trust investing \$1.2 million using investment Strategy 2. By funding the trust with \$1.2 million, the District can fund required pension contributions including any pension liabilities, ongoing payroll contributions and administrative costs.

- Employee Benefits budget increased by 4% due to increased healthcare costs.
- The Workers Compensation expense increased by 3% as rates have increased.

The District budgets for the Residential Sewer Rate Lifeline Rebate Program. For qualified residential customers, the program provides a 5% rebate on the current year sewer service charges. The program is available to District residential customers who pay for sewer service charges and are enrolled in the Pacific Gas and Electric's (PG&E) California Alternate Rate for Energy (CARE) or Family Electric Rate Assistance (FERA) programs.

Additionally, the Private Sewer Lateral Rehabilitation Assistance Program is funded to provide \$2,000 grants to rate payers in the Marin City and other unincorporated areas of the District where it owns and operates the collection system. The program provides grants to property owners for the repair or replacement of their private sewer laterals to reduce Inflow & Infiltration into the District's wastewater conveyance system thereby reducing sanitary sewer overflows.

RATE FUNDED CAPITAL

The current Capital Improvement Plan (CIP) includes needed upgrades and rehabilitation of District infrastructure projects addressing the compliance with new discharge regulations, reduction of peak wet weather overflows, improvement of treatment plant performance and repair/ replacement of aging infrastructure.

The FY 2023/2024 Annual Capital Improvement Plan Budget includes \$3,240,00 for Rate Funded Capital Projects, \$378,199 for Capital Outlay to allow for one time-purchases of equipment and \$55,800 for Renewal & Replacement of District facilities. The Annual Capital expenditure is budgeted to be \$3,673,999. The District's Rate Funded Capital Improvement Plan consists of multiyear projects funded annually based upon the phase and timeline of the projects.

REVENUE BOND & DEBT SERVICE

The only debt service payment in the FY 2023/2024 Budget is the Revenue Bond payment. In February 2017, the bonds were issued primarily to finance capital improvements to the District's wastewater treatment plant and other capital improvements to the District's facilities. As of January 2022, all bond funds were expended and used to fund the Wet Weather Upgrade Project, Coloma Pump Station Replacement Project and Generator Reliability Improvements Projects. The bond's

principal is \$33,630,000 and has an annual average debt service of \$2,137,400 over 25 years.

In regards to previous debt service payments, the District retired the debt in October 2020 from the 2008 City National Bank loan (\$1,496,185 plus interest) and the 2012 California State Revolving Fund loan (\$1,507,017 plus interest). The debt was retired with funds received from the Tamalpais Community Services District (TCSD) payment of the 2014 Inter-District Loan and Capital Improvement Plan deferrals totaling \$2,915,953. By retiring the District's loan debt, it saves approximately \$50,000/year in interest expense.

RESERVES

The District annually updates the Reserve Policy to accurately reflect the proposed budget. The District's reserve continues to be fully funded ensuring stability in the current and future planned rates. The FY 2023/2024 Reserve (Policy) requirement is \$8,938,345.

FUTURE VISION

The District continues to plan finances with a long-range outlook. The 5-year sewer service rate schedule adopted in 2019 ends in 2023/2024. In August 2023, the District begins conducting a new rate study to explore competitive and fair rates for customers while meeting all service and capital needs. This proper rate ensures adequate revenue is available to support the District's operations, maintenance, capital improvements, debt and reserves. Also, adequate funding and timely implementation of the Capital Improvement Plan allows us to achieve our mission of protecting human health, the environment and the bay; meeting requirements of our National Pollutant Discharge Elimination System (NPDES) Regional Water Quality Control Board Operating Permit; reach compliance of the 2007 EPA order; stay ahead of the ever-changing regulatory environment; and maintaining safe and effective working conditions for our staff.

The District can only achieve this vision and meet these requirements of efficient and effective wastewater conveyance and treatment by continuing capital and operational improvements to the wastewater system. The Plant Wet Weather Upgrade Project Coloma Pump Station Improvements and Generator Reliability Improvements have been completed. Primary Clarifier Rehabilitation, Upgraded Plant Electrical, and Beach Force Main Conveyance will be completed soon.

The District will continue to provide wastewater conveyance and treatment service to the National Park Service and Tamalpais Community Services District through service agreements. The City of Sausalito is considering consolidation of their sewer collection system with the District, otherwise we will need to bring current our long-standing pump station operation and maintenance service agreement.

The District currently is in the final year of the 5-year National Pollutant Discharge Elimination System (NPDES) permit from the State Regional Water Quality Board which

began on August 1, 2018. The effort to renew the operating permit are in the final stages and hope to renew by August 2023. Evolving regulatory compliance standards to improve discharge water quality continue to pose challenges, both from a permitting standpoint and funding required to make needed capital infrastructure improvements.

Lastly, there is a continued effort to keep the District focused on the key areas of the 2023-2028 Strategic Plan. The District recently completed its annual review and update of the plan. The annual review, update and adoption signify the importance of the Plan to the District, its Board of Directors, and employees along with the effort placed on achieving continuous improvement in every facet of District operation. The Strategic Plan serves as a framework for decision making over the next five-year period.

The FY 2023/24 Budget supports the following Strategic Plan goals:

- Protect Public Health and the Environment
- Continuous Water Quality Improvement
- Efficient and Effective Implementation of the Capital Improvement Program
- Develop High Performing Staff
- Provide Financial Stability, Accountability and Value to Ratepayers
- Responsible Leadership and Management
- Enhance Internal and External communication

In closing, this year's budget has utilized the District's Budget Development Process which includes the participation of, and review by, the entire Staff and Board of Directors. The Board, Management and Staff continue to commit to operate the District in an innovative and effective manner; and ensure the public funds entrusted to us are used efficiently.

Sincerely,

A handwritten signature in black ink, appearing to read 'JK', is positioned above the printed name of the General Manager.

Jeffrey Kingston
General Manager

SAUSALITO MARIN CITY SANITARY DISTRICT

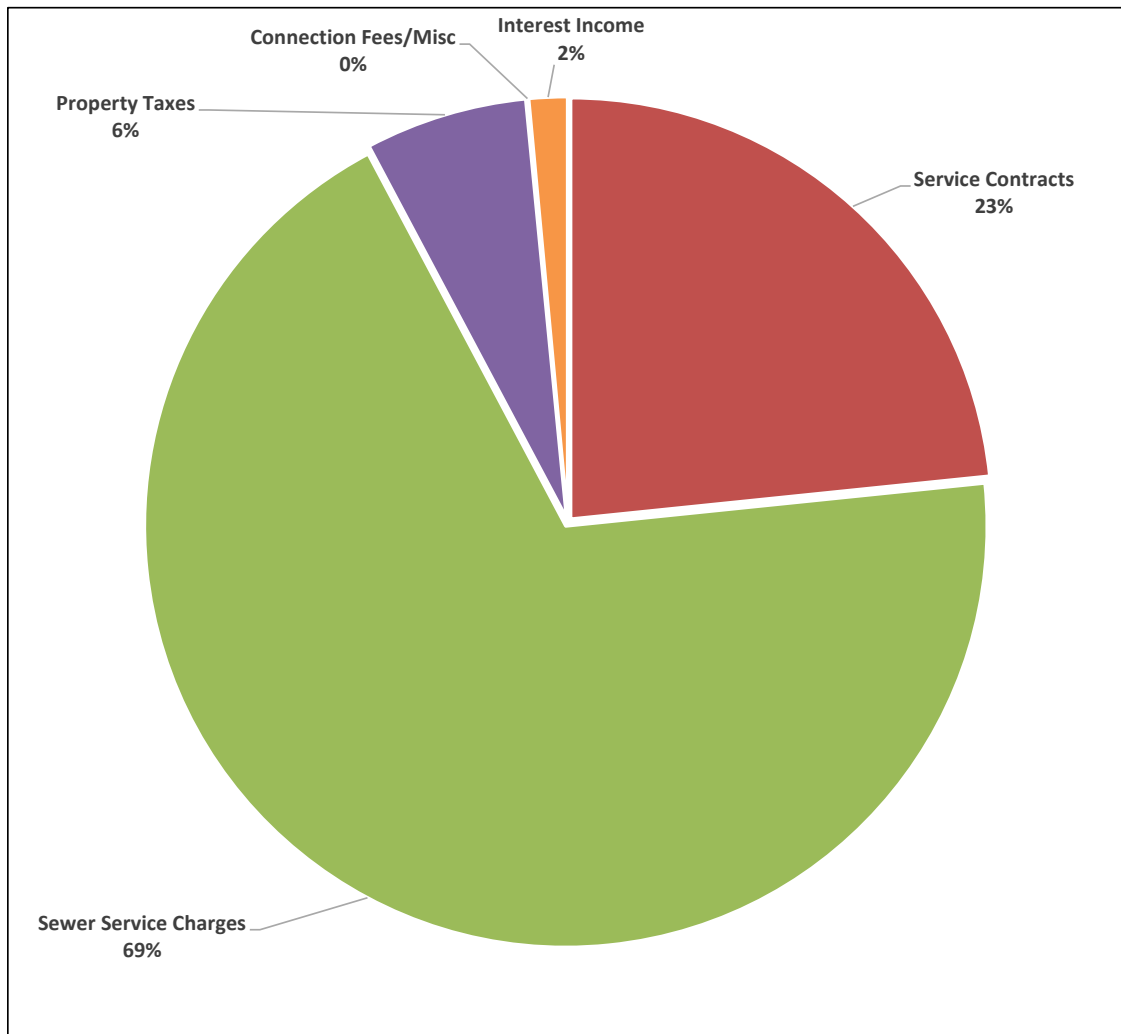
FY 2023/2024 BUDGET

	Budget FY 22/23	Budget FY23/24	% Change	% Total
Revenue				
5500 · Service Contracts	2,450,877	2,535,089	3%	23%
5030 · Sewer Service Charges	7,362,686	7,468,476	1%	69%
5040 · Property Taxes	570,000	675,000	16%	6%
5080 · Connection Fees/Misc	7,930	7,930	0%	0%
5200 · Interest Income	80,000	160,000	50%	1%
Total Revenue	10,471,493	10,846,495	4%	100%
Expense				
Operating Expense				
6000 · Salaries & Benefits				
6010 · Salary	2,154,477	2,170,682	1%	44%
6020 · Payroll Taxes	151,015	150,734	0%	3%
6030 · Retirement	235,259	252,505	7%	5%
6040 · Employee Benefits	300,790	314,161	4%	6%
6045 · Workers Comp	47,182	48,647	3%	1%
Total 6000 · Salaries & Benefits	2,888,723	2,936,728	2%	59%
6100 · Operations				
6105 · Chemicals	201,882	399,374	98%	8%
6110 · Fuel	28,930	23,056	-20%	0%
6115 · Permits & Fees	129,616	132,566	2%	3%
6120 · Waste Disposal	105,518	107,747	2%	2%
6130 · Vehicle & Equip Maint	15,080	15,080	0%	0%
6135 · Safety	18,700	33,335	78%	1%
6125 · Materials & Supplies	101,124	100,087	-1%	2%
6160 · Monitoring & Testing	61,822	73,500	19%	1%
6210 · Utilities	417,098	398,656	-4%	8%
6151 · City of Sausalito M & R- Billable	20,970	17,771	-15%	0%
6201 · Unincorp. Collection M & R	75,992	77,497	2%	2%
6152 · Conveyance & Treatment M & R	229,889	226,653	-1%	5%
Total 6100 · Operations	1,406,621	1,605,322	14%	32%
6300 · General & Administrative				
6310 · Professional Development	19,457	20,414	5%	0%
6320 · Professional Services	295,000	251,256	-15%	5%
6330 · Insurance	84,113	96,811	15%	2%
6340 · Administrative Expenses	77,450	51,360	-34%	1%
Total 6300 · General & Administrative	476,020	419,841	-12%	8%
Total Operating Expense	4,771,363	4,961,891	4%	100%
Net	5,700,130	5,884,604	3%	
Capital Expense				
Capital Projects (Rate Funded)	3,440,090	3,240,000	-6%	88%
Capital Outlay	45,890	378,199	724%	10%
Repair & Replacement	76,750	55,800	-27%	2%
Total Capital Expense	3,562,730	3,673,999	3%	100%
6530 · Revenue Bond Expense	2,137,400	2,137,400	0%	58%
Transfer	0	73,205	0%	100%

SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2023/2024 BUDGET

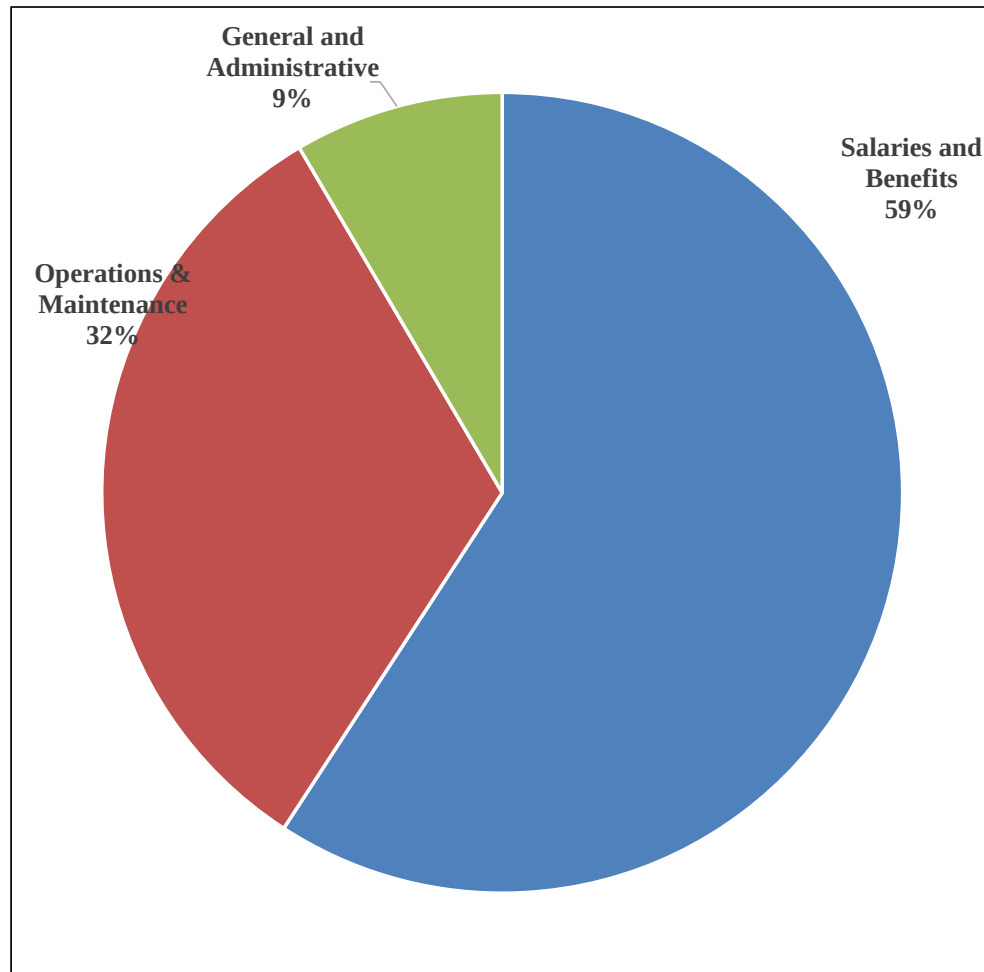
REVENUE	FY 23/24	% Total
Service Contracts	2,535,089	23%
Sewer Service Charges	7,468,476	69%
Property Taxes	675,000	6%
Connection Fees/Misc	7,930	0%
Interest Income	160,000	1%
REVENUE TOTAL	10,846,495	100%



SAUSALITO MARIN CITY SANITARY DISTRICT

FY 2023/2024 BUDGET

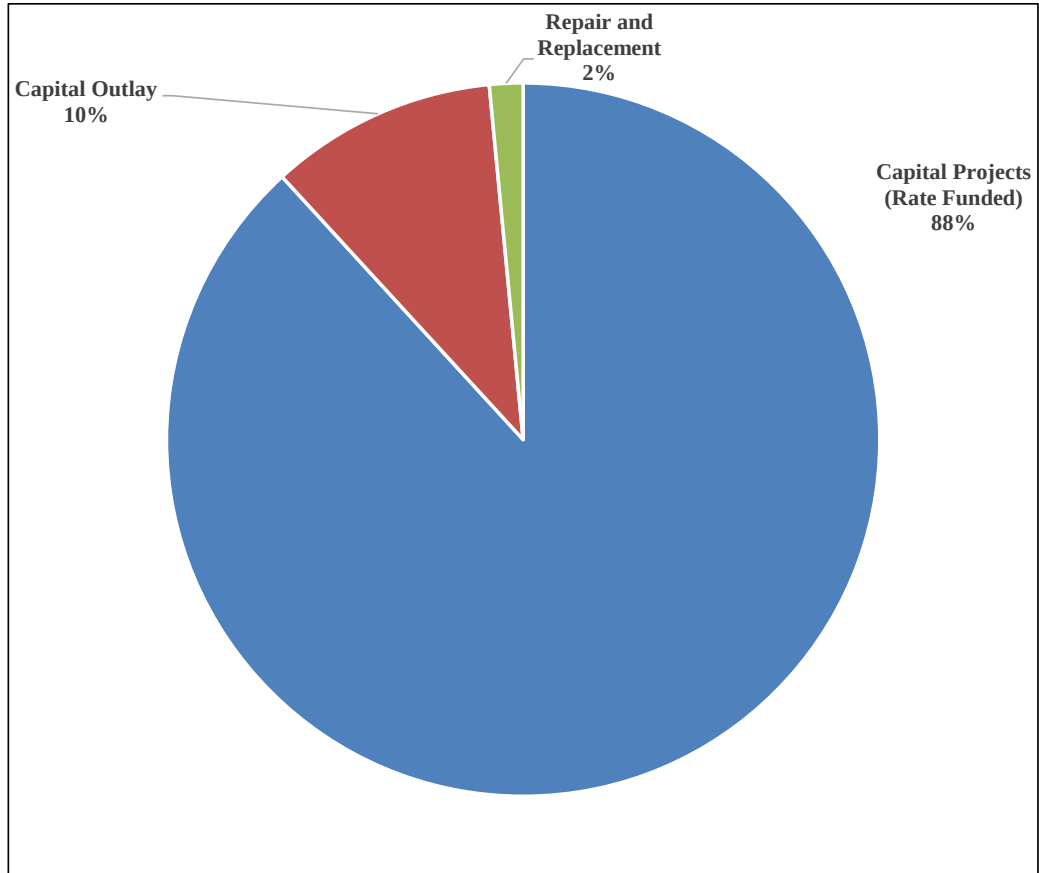
OPERATING EXPENSE	FY 23/24	% Total
Salaries and Benefits	2,936,728	59%
Operations & Maintenance	1,605,322	32%
General and Administrative	419,841	8%
OPERATING EXPENSE TOTAL	4,961,891	100%



SAUSALITO MARIN CITY SANITARY DISTRICT

FY 2023/2024 BUDGET

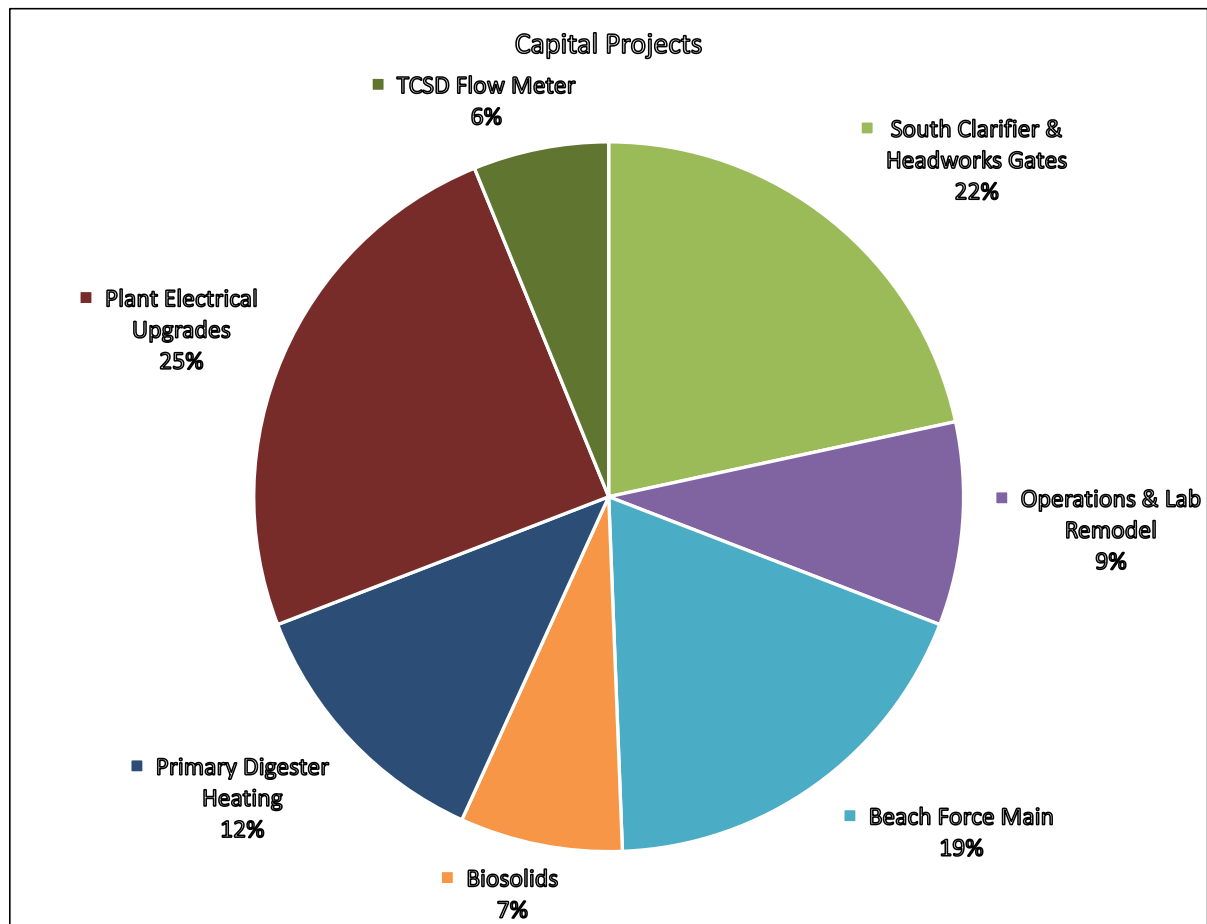
CAPITAL	FY 23/24	% Total
Capital Projects (Rate Funded)	3,240,000	88%
Capital Outlay	378,199	10%
Repair and Replacement	55,800	2%
CAPITAL TOTAL	3,673,999	100%



SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2023/2024 BUDGET

CAPITAL PROJECTS - RATE FUNDED	Phase	FY 23/24	% Total
South Clarifier and Headworks Gates Rehab	Construction	700,000	22%
Operations and Lab Remodel	Construction	300,000	9%
Beach Force Main Rehab	Construction	600,000	19%
Biosolids Handling	Design	240,000	7%
Primary Digester Heating System Replacement	Design/Construction	400,000	12%
Plant Electrical Upgrades	Design/Construction	800,000	25%
TCSD Flow Meter	Design/Construction	200,000	6%
CAPITAL PROJECTS TOTAL		3,240,000	100%



**SAUSALITO-MARIN CITY SANITARY DISTRICT
FY 2023/2024 BUDGET**

RESERVE POLICY	DISASTER RECOVERY	CAPITAL	SELF-INSURANCE AND DEDUCTIBLE	REPAIR AND REPLACEMENT	OPERATING	TOTAL
PURPOSE	Provide additional capital funding for emergency recovery until long-term funding is arranged from rate increases, loans, debt.	Provide capital for major capital projects in 10 year capital program.	Provide funding for the deductibles of the various insurance policies carried by the District.	Provide capital for renewal and replacement of equipment and appurtenant assets.	Provide working capital for operating expense cash flow during year.	
<u>CURRENT RESERVE LEVELS</u>						
FY 2023/24 - FISCAL YEAR ENDING BALANCE (Projected)	\$2,500,000	\$3,637,400	\$100,000	\$220,000	\$2,480,946	\$8,938,346
<u>LONG RANGE TARGET LEVEL GOALS</u>						
TARGET BALANCE	\$2,500,000	\$3,637,400	\$100,000	\$220,000	\$2,480,946	\$8,938,346
CRITERIA	One-year of average annual 10-year CIP cash funded capital expense.	1.5 times the average annual 10-year CIP expense. Includes debt	To be adjusted if there are changes to policy coverages or deductibles.	Two-years of average annual renewal replacement costs	Six-months of annual operation and maintenance expenses.	
MINIMUM BALANCE	\$1,250,000	\$2,137,400	\$100,000	\$110,000	\$826,982	\$4,424,382
CRITERIA	Minimum funding to aid in disaster recovery.	Funding to cover the 10-year CIP debt service and other restricted reserve obligations.	Minimum funding for the deductible portion for the various insurance policies carried by the District.	One-year of average annual renewal and replacement costs.	Two months of annual operation and maintenance expenses. Also funding to cover any restricted reserve obligations.	
OTHER FINANCIAL POLICIES AND RATE-MAKING GUIDELINES						
Reserve funding priorities: Disaster Recovery, Capital, Self-Insurance and Deductible, Repair & Replacement, and Operating. Maintain adequate Capital Reserve to fund CIP, but debt financing may be required for major upgrades. Maintain adequate R&R Reserve to avoid debt financing minor facilities. Rate increases will be moderated to minimize rate shock (e.g., phase in increases, avoid excessive increases followed by decreases). Rates are adjusted to keep pace with inflationary cost increases. When reserve balances allow, inter-fund borrowing and transfer may occur as a means of rate stabilization and to permit responses justifying spending of any reserve amount.						

SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2023/2024 BUDGET

RESERVE	FY 23/24	% Total
Disaster Recovery	2,500,000	28%
Capital	3,637,400	41%
Self-Insurance and Deductible	100,000	1%
Repair and Replacement	220,000	2%
Operating	2,480,946	28%
RESERVE TOTAL	8,938,346	100%

