



Sausalito-Marine City Sanitary District

Strategic Plan 2018 - 2023

Adopted by Board Action April 2, 2018



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Governing Board of Directors

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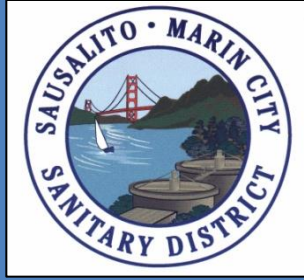
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General Manager

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Message from the District

On behalf of the Sausalito-Marin City Sanitary District (SMCSD) Board of Directors and its Staff, we are pleased to present the District's 2018-2023 Strategic Plan. This plan represents an update of the 2017 Strategic Plan, reflecting on the existing District business environment while looking toward the future. The adoption of this plan indicates the importance the District, its Board of Directors, and employees place on seeking continuous improvements in every aspect of the District's operations. The 2018 plan will serve as a framework for decision making over a five-year period. The District intends to review and update the plan annually and welcomes comments and feedback from its stakeholders and other interested parties.

Respectfully Submitted,

Jeffrey Kingston
General Manager

1. INTRODUCTION

Strategic Plan 2018 - 2023

Mission / Vision

Providing wastewater collection, conveyance and treatment services for our communities, protecting public health, the environment and the Bay.

Core Values

Recognizing that wastewater treatment is a vital component of protecting public health, the environment and the Bay, the SMCSD will:

- Meet all regulatory requirements;
- Operate and maintain a safe wastewater treatment and conveyance system;
- Deliver efficient and environmentally sustainable services to our community;
- Manage and protect assets and investments through sound financial policies and business practices;
- Provide a high-quality and safe work place by fostering professional growth, teamwork, and job satisfaction;

- Encourage stakeholder discussion and development of strategies for protecting the Bay and addressing regional wastewater issues; and
- Promote public participation, education and understanding of the services we provide.

Purpose of the Plan

A strategic plan is a top-level planning document for the organization to set clear direction over all operational aspects of its mission. Upon adoption, it serves as a framework for decision making over a five-year period. It is a disciplined effort to produce fundamental decisions that shape what a District plans to accomplish by selecting a rational course of action. This Plan Update incorporates an assessment of the present state of District operations; required gathering and analyzing information; institutes goal setting; and assists with making decisions for the future. Time has been taken to gather input from various sources to add to the veracity of the plan in this document. The Plan seeks to strengthen and build upon opportunities while addressing areas of concern.

This plan also identifies actions, activities, and planning efforts that are currently active and needed for continued success in operations and management of the District and provides for an annual review and update process.

Strategic Planning Framework

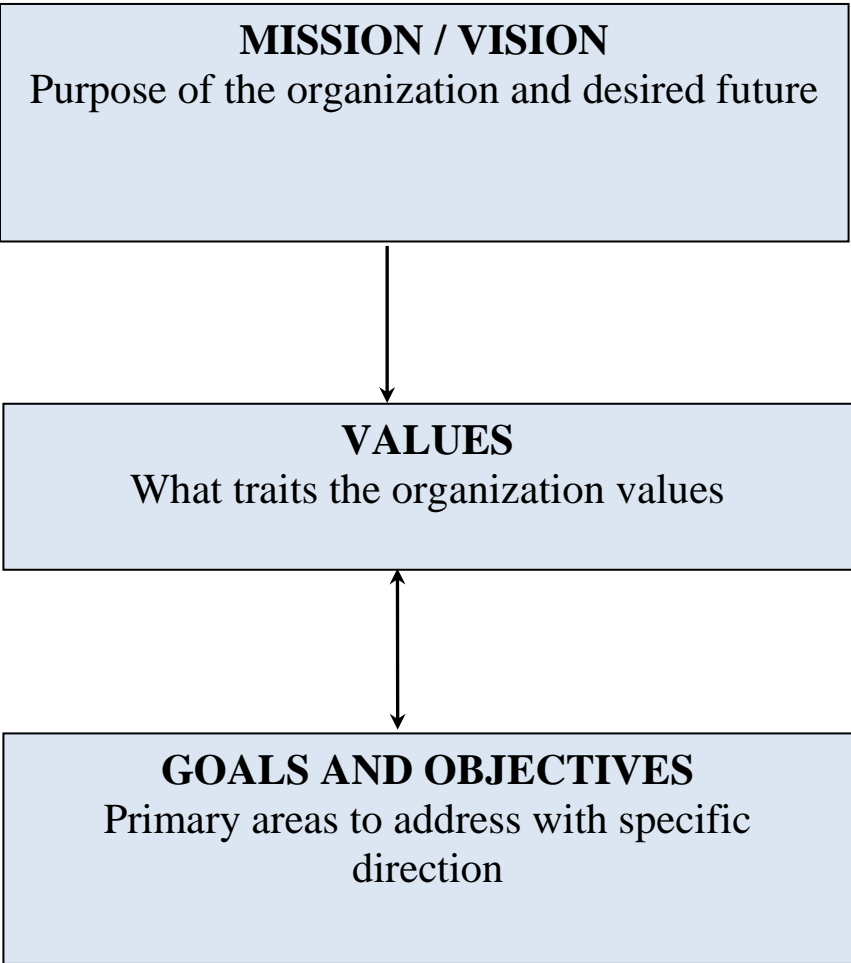
The strategic plan is built as a step-by-step process from a series of components described below.

Mission/Vision Statement: A declaration of an organization's purpose, why the organization exists. Ideally, all activities of the District should be in support of the Mission Statement. It is a statement that articulates what the organization would like to achieve over the term of the Plan.

Core Values: Guides what the organization values when faced with options and alternatives for our future. Values are set by the Board, govern attitudes and behaviors and generally remain constant over time.

Goals and Strategic Objectives: These are the broad, primary management areas of District operations and planning that need to be addressed and are supported by strategic goals to ensure optimum progress. Specific objectives are defined to accomplish the goals.

How the Plan Elements Relate to Each Other



2. DEVELOPING THE PLAN

Strategic Plan 2018-2023

Organizational Environment

DISTRICT OVERVIEW

The Sausalito-Marin 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 Marin City and other unincorporated areas within the District's boundaries. 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 Cronkhite, Marine Mammal Center and Cavallo Point Resort). The District operates and maintains a complex infrastructure system, protecting our community's public health, the environment and San Francisco Bay. It serves a population of approximately 18,000.

DISTRICT OPERATIONS

The District operates and maintains a 6.5 million-gallon per day secondary wastewater treatment plant, eleven (11) sewage pump stations, and approximately ten (10) miles of pipelines. Four (4) of these pump stations are operated and maintained by SMCSD for the City of Sausalito on a

contract basis. The District's treatment plant site, located in Fort Baker, recently renewed its property lease agreement with the National Park Service for an additional 32 years. There are thirteen (13) full-time positions currently authorized by the District. In addition, there is an intern program where up to two positions may be funded as temporary part-time (non-benefited).

CAPITAL IMPROVEMENT PROGRAM

The District continues to work on their 10-year Capital Improvement Program (CIP) started in FY 2011/12 which identified \$54 million of sewer infrastructure improvements. Following an extensive evaluation of District operations and infrastructure needs, the District adopted a comprehensive financial plan and 5-year sewer rate plan (FY 2014/15 to FY 2018/19) to fund renewal and upgrades for the conveyance system and treatment plant.

In February 2017, the District formed the Marin Public Financing Authority, a Joint Powers Agreement (JPA) with Las Gallinas Sanitary District to issue 2017 Revenue Bonds. 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. The District intends to use proceeds of the Bonds to finance other capital improvements included in the District's Capital Plan over the next five fiscal years. The bonds for financing have been sold and awarded in the amount of \$33,630,000 with an annual average debt service of \$2,153,000 over 25 years.

To date, approximately \$20.1 million of collection and treatment plant improvements have been completed. Of the remaining \$33.9 million, approximately \$25.2 million is programmed for the treatment plant, \$5.7 million for sewer collection conveyance projects, and \$3 million for other capital expenses. The District's CIP is subject to change, and the project costs and timing of projects will be revised annually.

The Treatment and Wet Weather Flow Upgrade Project (Upgrade Project) includes needed upgrades and rehabilitation of the District's infrastructure addressing new discharge regulations, mitigates peak wet weather overflows, and improves treatment plant performance and reliability.

Over the past two years the District completed the design for the Upgrade Project as required to satisfy the 2008 EPA Order. In April of 2017 the project bid was awarded for \$20,808,870 which was within the engineer's construction cost estimate. Upon completion, the Upgrade Project will increase the plant's secondary treatment capacity from 6.5 MGD to 9.0 MGD (Million Gallons per Day) and increase tertiary treatment capacity from 1.0 MGD to 6.0 MGD. The Upgrade Project along with other District capital projects are financed with revenue bonds.

The Upgrade Project includes new screenings and grit removal which will improve effluent water quality and protect downstream treatment facilities from grit and debris. A secondary clarifier will be added to provide reliability through redundancy and allow for needed maintenance on the primary clarifier. Fixed film reactors (FFRs) will be refurbished and fitted with new media to support increased flow capacity. The new FFR feed pumps will be increased in capacity to support full secondary treatment up to 9.0 MGD. The effluent sand filters will be demolished and replaced with rotating disc filters to improve effluent water quality and to increase tertiary treatment capacity to 6.0 MGD.

A 600,000-gallon equalization tank is being constructed to allow for full secondary treatment during a 10-year storm event. Such storms can deliver an influent plant flow rate of up to 12.5 MGD. This is accomplished by trimming flow in excess of 9.0 MGD and storing it until flows subside. In addition, this tank can be used for daily equalization during dry weather. Equalization allows the plant to maintain steady state flow rates which improve effluent water quality.

FINANCIAL HIGHLIGHTS

In 2013, the District completed another extensive financial and sewer rate analysis. Out of this work, the District adopted a 5-year sewer rate plan (FY 2014/15 to FY 2018/19) to ensure adequate revenue is available to support the District's operations and 10-year CIP.

Key financial highlights for the fiscal year ending June 30, 2017 were as follows:

- Total net position increased by \$286,262 (.72%) which included a decrease in unrestricted net position of \$1,259,730 (9.71%).
- The District recorded deferred outflows of resources of \$778,813 and deferred inflows of resources of \$138,513 in order to record the different components required by GASB 68 for pension accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities.
- Total liabilities increased by \$40,017,779 (619.40%) mostly because the District issued revenue bonds totaling \$33,630,000 at a premium of \$2,118,915 with net proceeds after issuance of \$35,240,000. In addition, the District recorded \$1,357,753 in accounts payable for construction services provided prior to the end of the year. Finally, the District's net pension liability increased by \$1,101,026 mainly because the District's proportionate share of net pension liability increased from 0.0679% to 0.0853% as determined by the actuarial report.
- Current assets increased by \$37,379,633 (335.35%) mostly from bond proceeds deposited into the Local Agency Investment Fund (LAIF) of \$35,240,000.
- Operating revenue increased by \$157,839 (2.02%) because of the increase to service fees as noted in the service charge plan.
- Total operating expenses increased by \$1,444,128 (28.73%) mostly because of pension expense adjustments totaling \$506,514 and additional depreciation expense over prior year of \$373,740.

Challenges and Opportunities

The District is expected to contend with many significant future operational, capital and regulatory challenges. These challenges will require advanced planning of external and internal factors to ensure the organization is prepared. In addition, there may be opportunities to improve wastewater collection, conveyance and treatment services to District customers. Among the known and anticipated challenges and opportunities are the following:

Environmental Regulations – Regulations governing District operations related to water quality, air and solid waste disposal continue to evolve. Of particular significance are regulations on the elimination of treatment blending caused by peak wet weather wastewater flows, prevention of sanitary sewer overflows and potential future constraints on effluent nutrient levels. The District submitted the application for the renewal of its five-year National Pollutant Discharge Elimination System (NPDES) permit on July 1st, 2017. District staff assisted the Regional Water Quality Control Board (RWQCB) in making clarifications and submitted additional information to the Board as requested in the ensuing months. On Feb 28th, 2018 the District received the Administrative draft of our new permit which contains minor changes to sampling frequencies and additional descriptions of our improved Upgrade Project but is otherwise similar to our existing permit.

Infrastructure Improvements – Our aging treatment plant and conveyance system infrastructure continually requires investment in maintenance and replacement. The continued efficient and effective on-time execution of our 10-year Capital Improvement Program, now in its fifth-year of implementation, remains critical in addressing the current and future regulatory pressures. The completion of the Upgrade Project is a major milestone for the District and will trigger projects such as sludge handling and primary clarifier and digester upgrades.

Customer Agencies – Our customer agencies are the City of Sausalito, Tamalpais Community Services District and the National Park Service. This presents an opportunity

to increase collaboration with satellite collection agencies and neighboring treatment agencies continuing to reduce wet weather peaks caused by their sewer collection systems inflow and infiltration while enhancing wastewater treatment efficiency and quality. This will require significant cooperation and commitment from contributory agencies to complete collection system metering and capital improvements aggressively pursuing peak wastewater flow reduction.

Technology – The District is responsible to continually perform a critical community service of protecting the Bay. Our mission requires the plant to operate 24/7 in both normal and challenging weather conditions and emergencies. This can only be accomplished through the use of current technology and automation. To accomplish performance and reliability of the District’s treatment plant and conveyance system requires continued focus on adopting technology infrastructure and tools to improve timely access of relevant data for operations, planning and decision making. This includes new servers; higher speed internet connections; cloud-based computing and storage; smart phone and tablet technology; and state of the art sensors/controllers in the system.

Public Outreach/Communication – Opportunities and challenges always exist to keep our community, constituents and stakeholders informed regarding the District’s decision-making process, plans and operations. Detailed information, facts and figures about District activities and projects, are found on our website. The District’s website, www.smcsd.net, is continuously improved for transparency and accessibility. Currently, the District generates both a printed version and an electronic newsletter published on our website.

Financial Stability – The District has an updated financial plan and fully funded reserve policy in place. The District’s financial outlook is validated by a financial rating of AA+ from Standard & Poor. Our reserve policy articulates a rationale for maintaining its very strong financial position. We have implemented a required pension cost-sharing arrangement to be in compliance with the 2013 Public Employees’ Pension Reform Act (PEPRA). The District addressed the unfunded liabilities of post-employment retirement

benefit by funding the California Employers Retirement Benefit Trust (CERBT) Fund with funds from its reserve.

Workforce – The District annually reviews its organization structure making changes necessary to assure proper staffing levels reflecting the changing environment for wastewater agencies. It has established and filled positions with qualified leadership and management continuing to ensure competent and certified staff effectively operate our system. The District’s safety record has been excellent, represented by 30 consecutive months of no “loss-time” injuries. Employee and District relations have been cooperative and productive. Staffing has been kept at optimum levels with specialized service providers used to augment operations as necessary.

Collection System Infiltration – Necessary reductions in collection system infiltration and inflow (I&I) will take both public and private investment to repair both sewer lines and private laterals over a prolonged and sustained period of time. A major challenge to I&I includes salt water intrusion from high tides that affect the treatment plant process, increases unnecessary pumping and increases maintenance costs. The District is taking a more active and larger role in getting commitments from customer agencies to address the system-wide infiltration challenge.

Emergency Preparedness/Response – Essential District systems and equipment are electronically monitored at all times by on-call staff to ensure an adequate response to potential issues within the system. Operations staff are qualified and prepared to respond to plant and conveyance system issues and emergencies. In the event of an emergency, the District’s response will be first, to assess and repair damages to its own system. If available resources and staff permit, the District may respond and provide mutual aid to other local agencies based on mutual aid agreements.

3. THE STRATEGIC PLAN

Strategic Plan

2018-2023

Goals and Strategic Objectives

The following goals and objectives have been established to identify what the organization needs to accomplish in the fulfillment of the stated District Mission and Values:

Goal 1 Maintain Financial Stability and our Reserves

Objective 1.1: Establish and maintain a sewer rate structure that addresses District needs and is equitable for our customers.

Objective 1.2: Implementation of wastewater treatment service contracts, which include the National Park Service, City of Sausalito and Tamalpais Community Services District.

Objective 1.3: Evaluate and take appropriate steps to address long-term liability costs associated with labor and benefits.

Objective 1.4: Establish and update Operations and Maintenance Wastewater Services Agreements with the National Park Service and the City of Sausalito.

Goal 2 Support Personnel and Organization

Objective 2.1: Continue to encourage training and certification of staff for wastewater operations and maintenance.

Objective 2.2: Maintain an efficient organization that is multi-disciplinary, highly skilled and well-trained.

Objective 2.3: Promote safety, collaboration and professional development.

Objective 2.4: Maintain competitive staff compensation and benefits.

Goal 3 Protect Public Health and Environment

Objective 3.1: Comply with the 2007 EPA Treatment Plant Order and 2008 EPA Collections System Order.

Objective 3.2: Reduce infiltration and inflow into the collection systems from faulty laterals and salt water intrusion through a greater commitment from customer wastewater collection agencies.

Objective 3.3: Implement the Capital Improvement Program efficiently by delivering projects on time and within budget based upon the specified scope of work.

Objective 3.4: Consider and evaluate potential environmentally sustainable projects such as: bio-solids reduction and reuse, methane derived heat use, and energy efficiency.

Goal 4 Responsible Administrative Management

Objective 4.1: Engage constructively and proactively to create a collaborative and inclusive work environment.

Objective 4.2: Recognize and celebrate exceptional employee achievements and performance.

Objective 4.3: Provide opportunity and support for staff growth and advancement through mentoring and professional development opportunities.

Objective 4.4: Address technology and systems to improve plant operations, business practices and sharing of information.

Objective 4.5: Update and maintain policies and procedures for all staff to fully understand benefits, opportunities and expectations.

Objective 4.6: Proactively administer service agreements with the City of Sausalito, Tamalpais Community Services District and the National Park Service, to ensure requirements are implemented.

Goal 5 Improve and Renew Infrastructure

Objective 5.1: Establish a 3 Year Operations and Maintenance Plan.

Objective 5.2: Update and deliver a 10 Year Capital Improvement Program to properly maintain the reliability of the wastewater collections and treatment system.

Objective 5.3: Complete the Wet Weather Flow Upgrade Project to achieve compliance with the 2008 EPA administrative compliance order.

Objective 5.4: Deliver environmentally sustainable projects.

Objective 5.5: Enhance the Wastewater Treatment Plant site access, security, lighting and safety.

Goal 6 Enhance Internal and External Communication

Objective 6.1: Engage District staff for input on decisions, activities and initiatives in order to benefit from their knowledge of operations and potential consequences.

Objective 6.2: Keep our communities informed and provide opportunities for participation in our sewer rate studies and Capital Improvement Program .

Objective 6.3: Provide and maintain a transparent and accessible website where information is current and informative for our communities.

Objective 6.4: Promote public awareness of industry issues and trends related to regulatory compliance.

Goal 7 Maintain Regulatory Compliance

Objective 7.1: Complete and implement the District’s NPDES Permit.

Objective 7.2: Petition to have the 2007 EPA treatment plant compliance order rescinded once the plant upgrade is completed.

Objective 7.3: Improve the performance of the treatment plant’s operation processes and systems to capture the efficiency benefits as a result of the plant upgrade project.

Objective 7.4: Continue to utilize Nexgen for asset management and system maintenance.

Goal 8

Work with Customers to better understand Contract Services under our Agreements.

Objective 8.1: Implement the District's Sewer Rate Charge Policy consistent with District Code and Policy.

Objective 8.2: Monitor the City of Sausalito, Tamalpais Community Services District and National Park Service collection system improvement plans and operations for infiltration and inflow (I&I) reduction.

Objective 8.3: Monitor progress of the City of Sausalito, Tamalpais Community Services District and National Park Service with the 2008 EPA Collections System Compliance Order

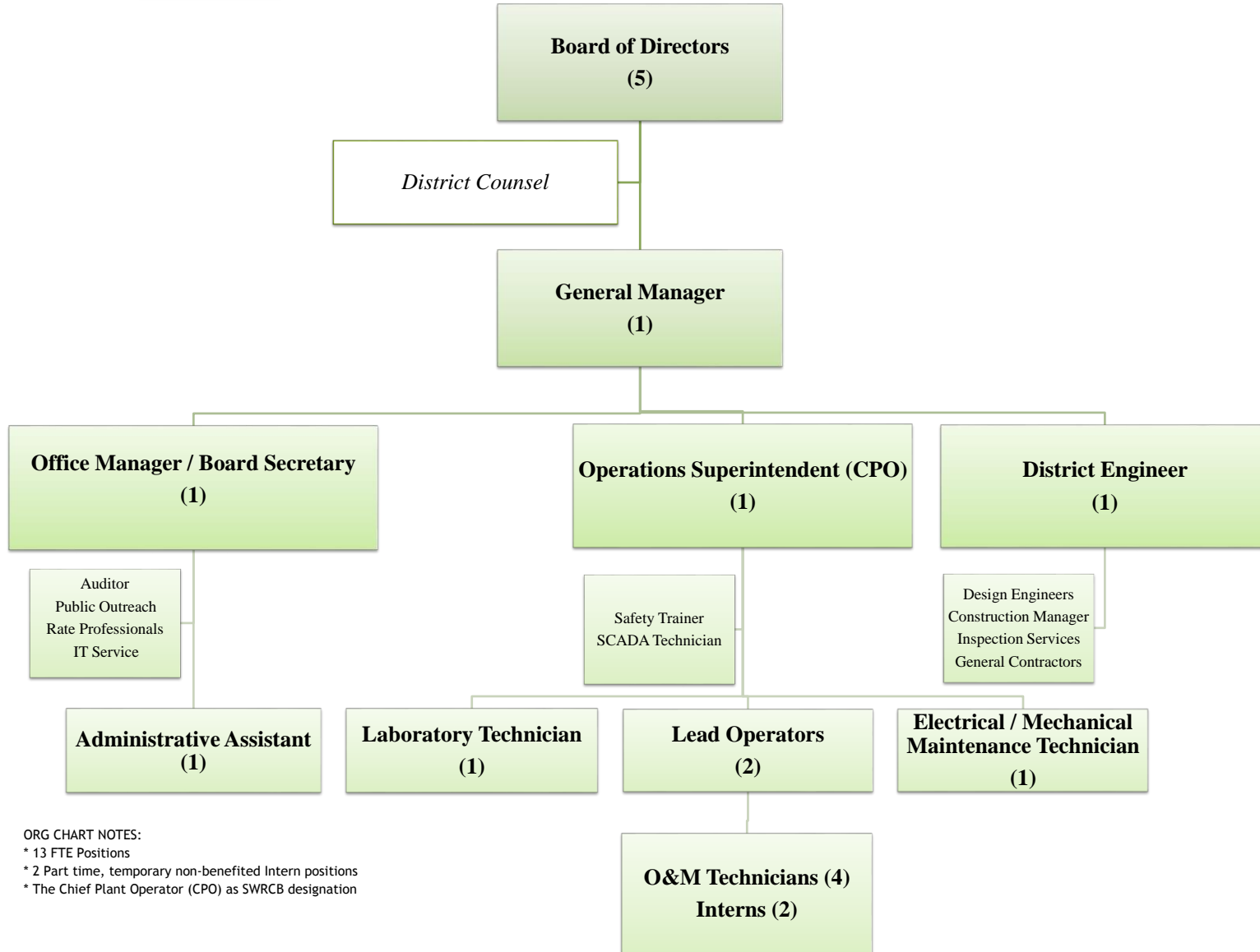
Objective 8.4: Provide grants to assist property owners with repair and replacement of sewer laterals in the District's unincorporated service area, which is predominantly Marin City.



SAUSALITO-MARIN CITY SANITARY DISTRICT

ORGANIZATIONAL CHART

APRIL 2018



ORG CHART NOTES:
 * 13 FTE Positions
 * 2 Part time, temporary non-benefited Intern positions
 * The Chief Plant Operator (CPO) as SWRCB designation