



Sausalito-Marin City Sanitary District

Budget FY 2021/2022

Adopted by Board Action June 7, 2021



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Governing Board of Directors

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SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2021/2022 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 3.0 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 thirteen full-time positions currently authorized by the District.

BUDGET

In preparation for the FY 2021/2022 Budget, many factors and assumptions had to be considered due to the financial effects of the COVID-19 pandemic and California drought restrictions especially with the commercial revenue projections. Due to the potential impact on revenue, a more conservative approach to the development of expense budgets was necessary to account for a potential shortfall in revenue. Overall the financial position of the District continues to be strong due to effective and efficient financial management. Utilizing extensive financial planning, accurate expense projections and timely rate setting, the District continues to maintain a sustainable financial condition. This planning has allowed the District to have the financial capacity to undertake

significant improvements in the wastewater system operations, maintenance and capital infrastructure improvements. A significant long-term commitment was made with the sale of revenue bonds to fund the Treatment and Wet Weather Flow Upgrade Project along with other capital improvement projects. The bonds were issued in the amount of \$33,630,000 with an annual average debt service of \$2,153,000 over 25 years.

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 2021/2022 budget includes a total revenue projection of \$9,295,095, an 8% decrease (-\$843,565) from the previous fiscal year. The budget's Operating Revenue (service contracts, sewer service charges and miscellaneous income) for fiscal year 2021/2022 is \$8,552,636 which is a 12% decrease from last year. Even though the sewer service charge revenue projection of \$5,940,984 includes an average rate increase of 4% between all customer classes, the District's budget anticipates a reduction in commercial revenue due to the reduced water consumption of businesses closed by the COVID-19 restrictions.

The budgeted Non-Operating Revenue is \$742,459, a 12% decrease (-\$102,045) from last year. The decrease is due to the CERBT revenue (trust disbursement) and associated expense transactions being regarded simply as an expense reimbursement rendering a budget item for the CERBT revenue no longer necessary. The estimated County property tax allocation of \$570,000, Connection Fees of \$6,130 and Interest Income of \$166,330 are included in non-operating revenue.

In July 2019, the SMCSD 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 the projected decrease in revenue due to effects of the COVID-19 pandemic on local businesses by reducing the expense budget by 9% (-\$450,095). After a recommendation from the District's CPA, it was determined that the National Park Service (NPS) "in kind" land lease expense was no longer needed as a budget item, however it will continue to be captured in the District's annual audit as a liability.

The salaries and benefits budget, a significant expense in the operating budget, was reduced by -8%. The changes in this area are described below:

- The salary budget was reduced by 5%. The salary budget reduction was a result of not budgeting for the unfilled positions (2 FTE) and the intern program, this year's COLA being 2.5% and a more accurate projection of employee certifications and step increases.
- Payroll Taxes decreased by 4% as it's primarily affected by the decrease of the salary budget.
- The Retirement Expense increased by 11% due to an increase in the CalPERS unfunded liability payments for Classic and PEPRA employees. With the Post Employment Pension Reform Act, known as PEPRA, District employees continue to contribute to the California Public Employee Retirement System (CalPERS) retirement plan sharing in the retirement plan cost of the District.
- Employee Benefits budget decreased by 39% due to the effect of not budgeting the unfilled positions (2 FTEs) and the CERBT reimbursement of retiree medical benefits.
- The Workers Compensation expense decrease by 28% as rates were reduced due to a change in the modifying factor from 1.12 to .82, resulting in an overall decrease of 30%
- The Engineering & Management Salary Cost accrual is no longer included as a budget item. In lieu accounting for the capital projects engineering & management salary cost allocation in the budget, the allocation from operating to capital is done as an accounting entry of the actual at year end.

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 2021/2022 Annual Capital Improvement Plan Budget includes \$2,464,845 for Rate Funded Capital Projects, \$100,553 for Capital Outlay to allow for one time-purchases of equipment and \$80,185 for Renewal & Replacement of District facilities. The Annual Capital expenditure is budgeted to be \$2,645,583. The District's Rate Funded Capital Improvement Plan consists of multiyear projects funded annually based upon the phase and timeline of the projects.

DEBT SERVICE

The Revenue Bond payment of \$2,137,400 is the only debt service payment in the FY 2021/2022 Budget as the District retired the debt 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) in October 2020. 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.

REVENUE BOND

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. The District used the proceeds of the bonds to fund the Wet Weather Upgrade Project and continues to use the remaining bond funds to fund capital improvement needs from the District's Capital Plan. The bond's principal is \$33,630,000 and has an annual average debt service of \$2,153,000 over 25 years.

The District continues to make progress on their 10-year Capital Improvement Program (CIP) which initially identified \$54 million in needed sewer infrastructure improvements. The revenue bond actual spent to date is \$31,218,780 of the \$35,633,752 budgeted leaving \$4,414,972 remaining to complete various projects.

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 2021/2022 Reserve (Policy) requirement is \$8,713,456.

FUTURE VISION

The District's adopted sewer service rate for FY 2019/20 to FY 2023/24 maintains adequate the necessary revenue to fund and support the overall District operation and capital costs projected over the next several years and be equitable for all of our customers. Adequate funding and timely implementation of the Capital Improvement Plan allows us achieve our mission to protect human health, the environment and the bay; meet 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 maintain 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 has been completed and the Revenue Bonds continue to provide funding to other capital improvement projects such as Coloma Pump Station Improvements; Generator Reliability Improvements and Primary Clarifier Rehabilitation.

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 the their sewer collection system with the District, otherwise bring current our long-standing pump station operation and maintenance service agreement.

The District currently is in the third 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. 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 2021-2026 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 2021/22 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 Teams
- 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 below the word 'Sincerely,'.

Jeffrey Kingston
General Manager

SAUSALITO MARIN CITY SANITARY DISTRICT

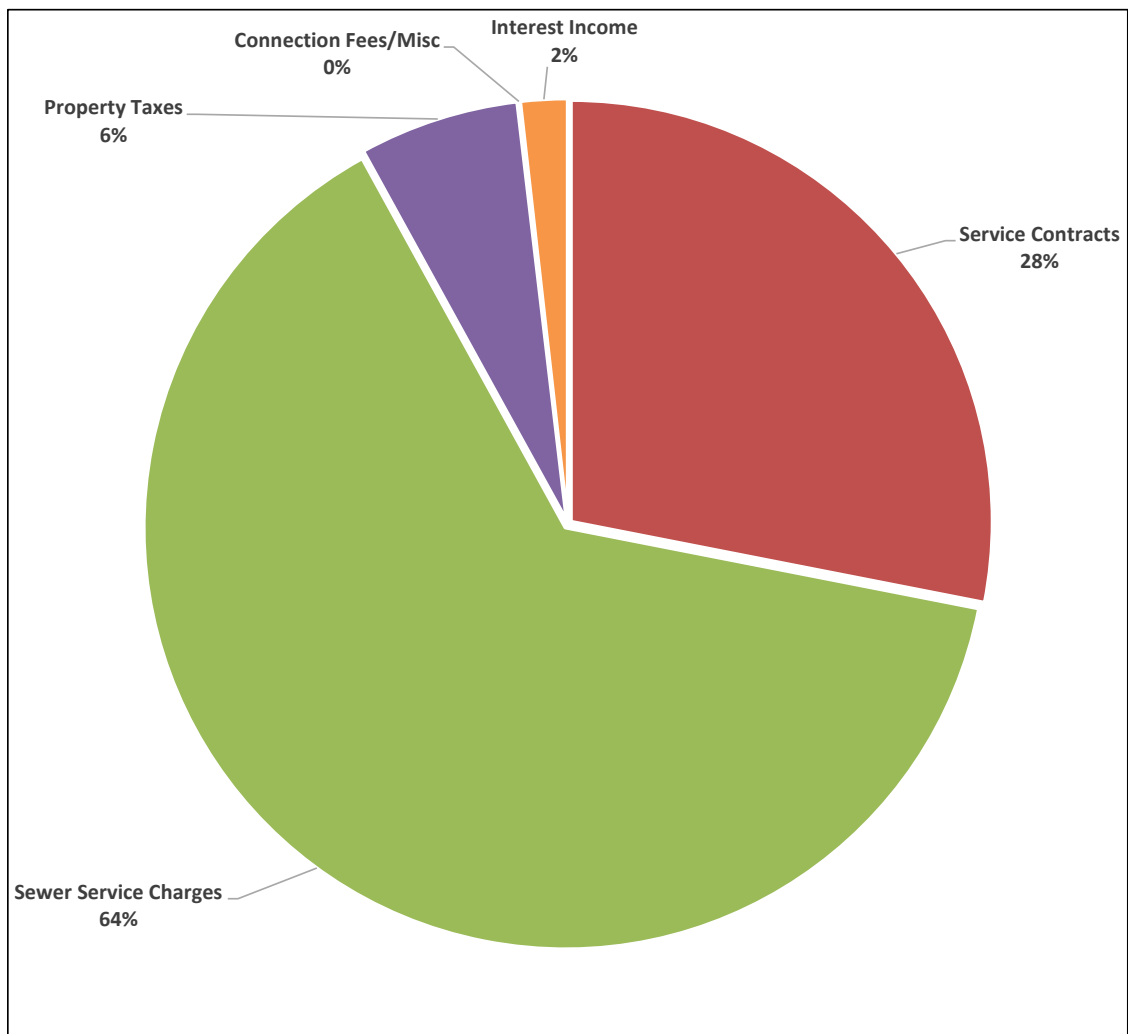
FY 2021/2022 BUDGET

	Budget FY21/22	% Change	% Total
Revenue			
5500 · Service Contracts	2,609,852	3%	28%
5030 · Sewer Service Charges	5,940,984	-12%	64%
5040 · Property Taxes	570,000	0%	6%
5080 · Connection Fees/Misc	7,930	0%	0%
5200 · Interest Income	166,330	38%	2%
Total Revenue	9,295,095	-8%	100%
Expense			
Operating Expense			
6000 · Salaries & Benefits			
6010 · Salary	1,939,640	-5%	43%
6020 · Payroll Taxes	135,589	-4%	3%
6030 · Retirement	519,494	11%	12%
6040 · Employee Benefits	299,196	-39%	7%
6045 · Workers Comp	41,454	-28%	1%
Total 6000 · Salaries & Benefits	2,935,373	-8%	65%
6100 · Operations			
6105 · Chemicals	160,881	-15%	4%
6110 · Fuel	13,650	-25%	0%
6115 · Permits & Fees	109,691	-23%	2%
6120 · Waste Disposal	100,622	0%	2%
6130 · Vehicle & Equip Maint	10,709	-25%	0%
6135 · Safety	15,550	-50%	0%
6125 · Materials & Supplies	100,087	-29%	2%
6160 · Monitoring & Testing	62,440	1%	1%
6210 · Utilities	338,594	3%	8%
6151 · City of Sausalito M & R- Billable	20,359	18%	0%
6201 · Unincorp. Collection M & R	75,240	1%	2%
6152 · Conveyence & Treatment M & R	225,381	-21%	5%
Total 6100 · Operations	1,233,203	-12%	27%
6300 · General & Administrative			
6310 · Professional Development	22,003	-24%	0%
6320 · Professional Services	181,125	5%	4%
6330 · Insurance	80,108	28%	2%
6340 · Administrative Expenses	60,300	-29%	1%
Total 6300 · General & Administrative	343,536	-2%	8%
Total Operating Expense	4,512,112	-9%	100%
Net	4,782,983	-8%	
Capital Expense			
Capital Projects (Rate Funded)	2,464,845	21%	93%
Capital Outlay	100,553	-46%	4%
Repair & Replacement	80,185	-22%	3%
Total Capital Expense	2,645,583	14%	100%
6530 · Revenue Bond Expense	2,137,400	0%	81%
Transfer	0	-100%	100%

SAUSALITO-MARIN CITY SANITARY DISTRICT

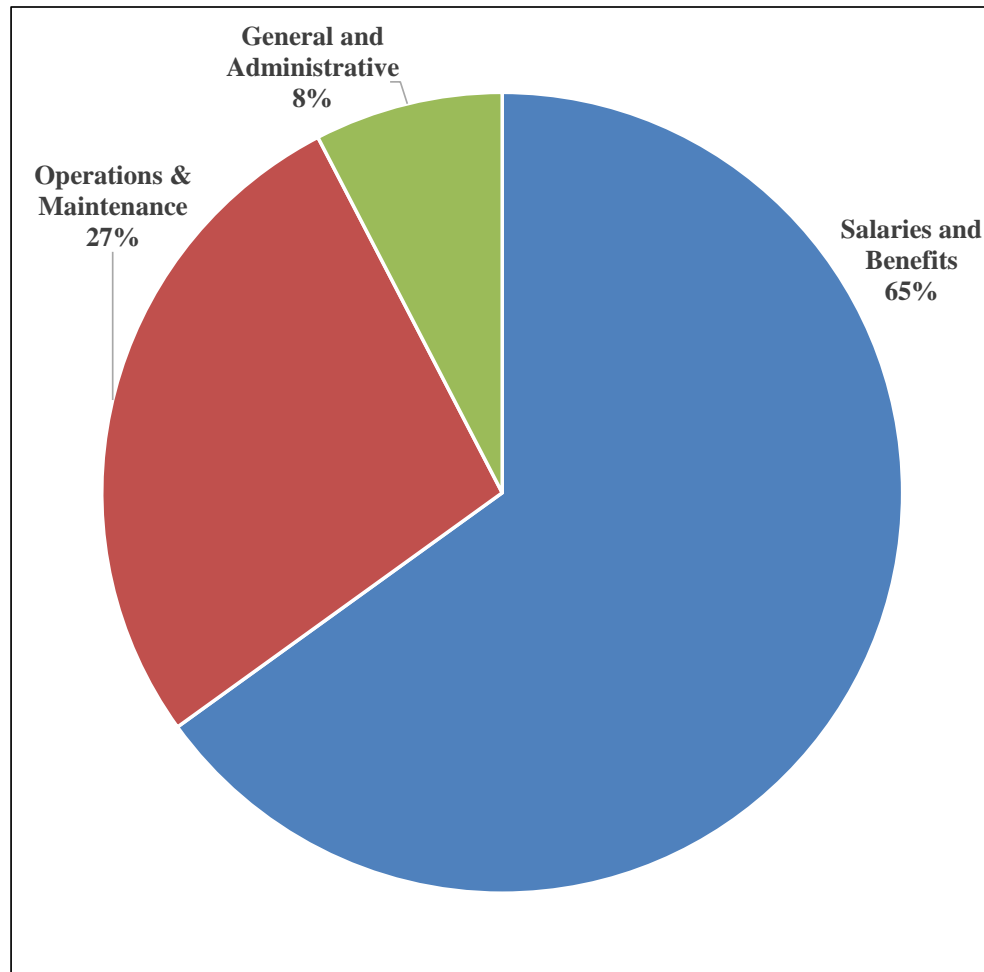
FY 2021/2022 BUDGET

REVENUE	FY 21/22	% Total
Service Contracts	2,609,852	28%
Sewer Service Charges	5,940,984	64%
Property Taxes	570,000	6%
Connection Fees/Misc	7,930	0%
Interest Income	166,330	2%
REVENUE TOTAL	9,295,095	100%



SAUSALITO MARIN CITY SANITARY DISTRICT FY 2021/2022 BUDGET

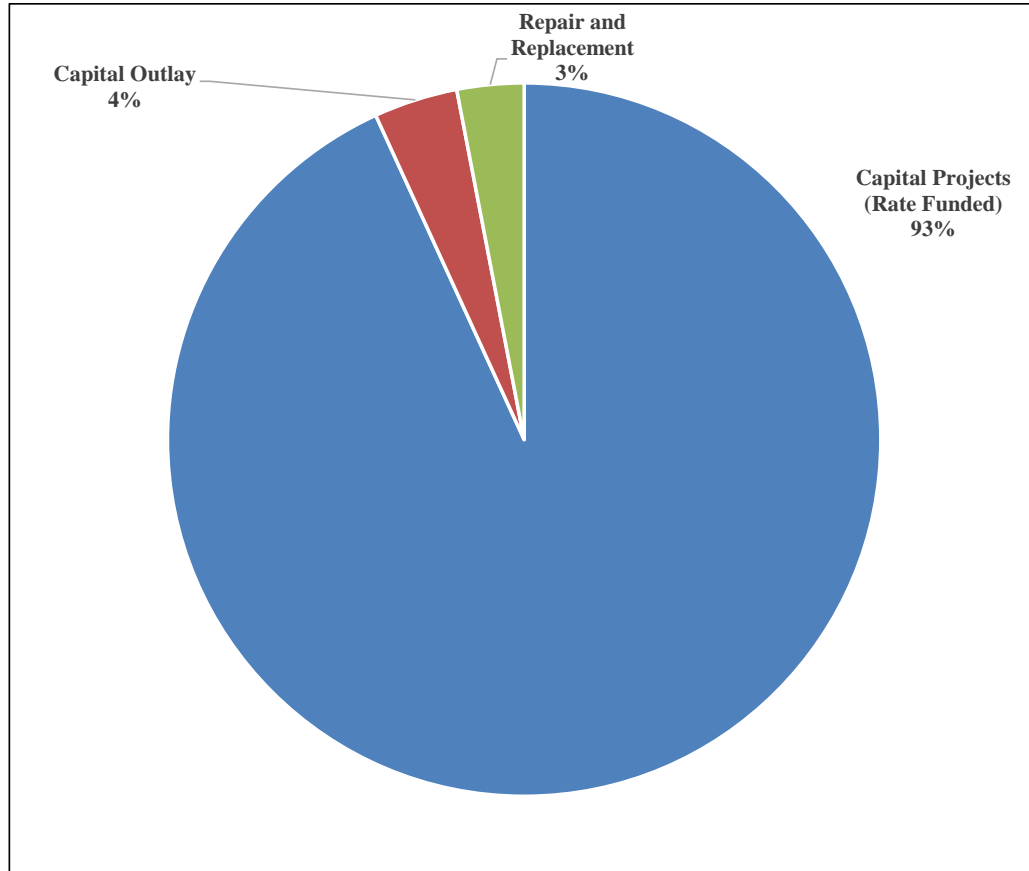
OPERATING EXPENSE	FY 21/22	% Total
Salaries and Benefits	2,935,373	65%
Operations & Maintenance	1,233,203	27%
General and Administrative	343,536	8%
OPERATING EXPENSE TOTAL	4,512,112	100%



SAUSALITO MARIN CITY SANITARY DISTRICT

FY 2021/2022 BUDGET

CAPITAL	FY 21/22	% Total
Capital Projects (Rate Funded)	2,464,845	93%
Capital Outlay	100,553	4%
Repair and Replacement	80,185	3%
CAPITAL TOTAL	2,645,583	100%

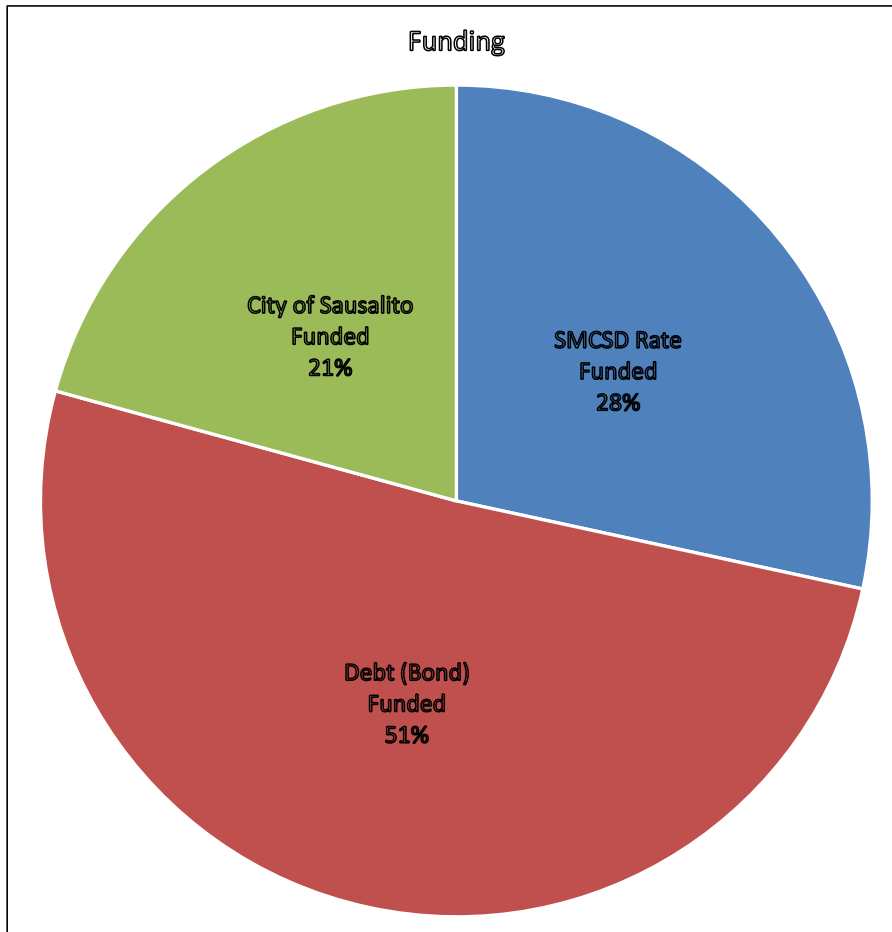


SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2021/2022 BUDGET

CAPITAL PROJECTS	Phase	FY 21/22	% Total
Coloma Pump Station Improvement	Construction	2,833,419	36%
Generator Upgrade	Construction	2,030,331	26%
Clarifier/Operations Center	Design/Construction	1,953,941	25%
Beach Force Main Rehab	Design	390,925	5%
Biosolids Handling	Study	50,000	1%
Shop/Operator/Equipment Facilities	Study	50,000	1%
TCSD Flow Meter	Construction	200,000	3%
Headworks Gate Replacement	Construction	300,000	4%
CAPITAL PROJECTS TOTAL		7,808,616	100%

FUNDING	FY 21/22
SMCSD Rate Funded	2,464,845
Debt (Bond) Funded	4,414,972
City of Sausalito Funded	1,800,000
FUNDING TOTAL	8,679,817



SAUSALITO-MARIN CITY SANITARY DISTRICT FY 2021/2022 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 2021/22 - FISCAL YEAR ENDING BALANCE (Projected)	\$2,500,000	\$3,637,400	\$100,000	\$220,000	\$2,256,056	\$8,713,456
<u>LONG RANGE TARGET LEVEL GOALS</u>						
TARGET BALANCE	\$2,500,000	\$3,637,400	\$100,000	\$220,000	\$2,256,056	\$8,713,456
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	\$752,019	\$4,349,419
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 2021/2022 BUDGET

RESERVE	FY 21/22	% Total
Disaster Recovery	2,500,000	29%
Capital	3,637,400	42%
Self-Insurance and Deductible	100,000	1%
Repair and Replacement	220,000	3%
Operating	2,256,056	26%
RESERVE TOTAL	8,713,456	100%

