



Sausalito-Marin City Sanitary District

Budget FY 2022/2023

Adopted by Board Action June 7, 2022



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Governing Board of Directors

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SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2022/2023 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 thirteen full-time positions currently authorized by the District.

BUDGET

In preparation for the FY 2022/2023 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 2022/2023 budget includes a total revenue projection of \$10,471,493, a 3% increase (\$1,176,397) from the previous fiscal year. The budget's Operating Revenue (service contracts, sewer service charges and miscellaneous income) for fiscal year 2022/2023 is \$9,821,493 which is a 13% increase from last year. The sewer service charge revenue projection of \$7,362,686 includes an average rate increase of 3% between all customer classes and a more accurate projection of EDU's compared to the FY 21/22 projection where a large reduction was considered in the commercial class due to COVID.

The budgeted Non-Operating Revenue (property tax and interest) is \$650,000, a 11% decrease (-\$86,330) from last year. The decrease is due to the reduction of Interest Income from \$166,330 to \$80,000.

In July 2019, the SMCSO 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 (61% of the operating budget), was reduced by an overall -1%. The changes in this area are described below:

- The salary budget increased by 11%. The salary budget increase was a result of budgeting 12 FTE (only 11 FTE in FY 2021/2022), COLA increasing from 2.5% to 5.1% and a more accurate projection of employee certifications and step increases.

- Payroll Taxes increased by 11% as it's primarily affected by the increase of the salary budget.
- The Retirement Expense decreased by 55% due to the recent lump sum payment of \$3,000,000 to the CalPERS Accrued Liability relating to the pension and establishing a 115 Trust with \$1.2 million to fund future pension expenses. By reducing this large liability, approximately \$370,000 was available to Operations Expenses.
- Employee Benefits budget increased by 10% due to the effect of budgeting for 12 FTE instead of 11 FTE the previous year.
- The Workers Compensation expense increased by 14% as 1 FTE was budgeted and it's primarily affected by the increase of the salary budget. The modifying factor remained at .82 not change from last year.

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 2022/2023 Annual Capital Improvement Plan Budget includes \$3,440,090 for Rate Funded Capital Projects, \$45,890 for Capital Outlay to allow for one time-purchases of equipment and \$76,750 for Renewal & Replacement of District facilities. The Annual Capital expenditure is budgeted to be \$3,562,730. 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 2022/2023 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. 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 \$2,153,000 over 25 years.

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 2022/2023 Reserve (Policy) requirement is \$8,843,082

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 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 has been completed and Coloma Pump Station Improvements; Generator Reliability Improvements and Primary Clarifier Rehabilitation 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 will begin in the first quarter of the coming fiscal year. 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 2022-2027 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 2022/23 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,



Jeffrey Kingston
General Manager

SAUSALITO MARIN CITY SANITARY DISTRICT

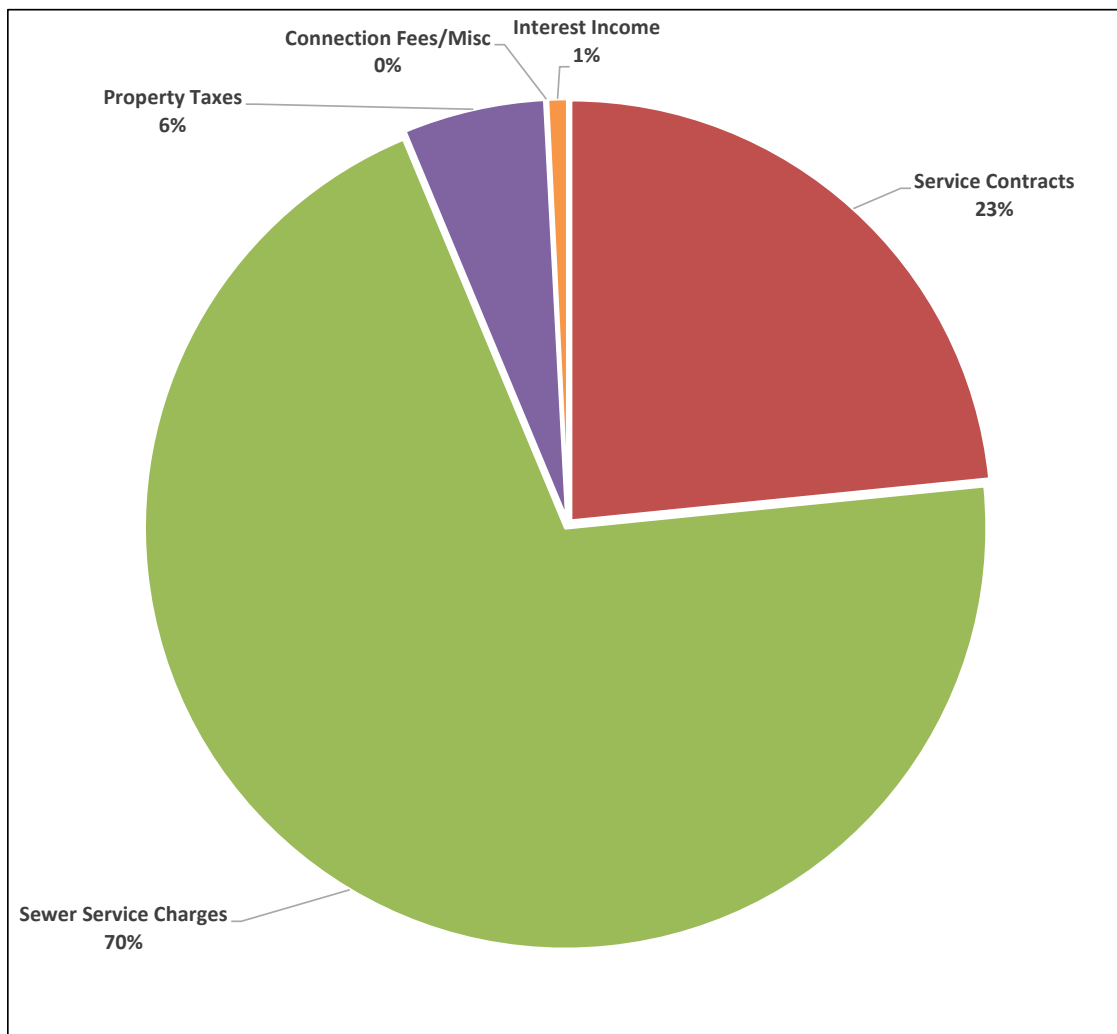
FY 2022/2023 BUDGET

	Budget FY 21/22	Budget FY22/23	% Change	% Total
Revenue				
5300 · CERBT Disbursement	0	0	-100%	0%
5500 · Service Contracts	2,609,852	2,450,877	-6%	23%
5030 · Sewer Service Charges	5,940,984	7,362,686	19%	70%
5040 · Property Taxes	570,000	570,000	0%	5%
5080 · Connection Fees/Misc	7,930	7,930	0%	0%
5200 · Interest Income	166,330	80,000	-108%	1%
Total Revenue	9,295,096	10,471,493	3%	100%
Expense				
Operating Expense				
6000 · Salaries & Benefits				
6010 · Salary	1,939,640	2,154,477	11%	45%
6020 · Payroll Taxes	135,589	151,015	11%	3%
6030 · Retirement	519,494	235,259	-55%	5%
6040 · Employee Benefits	299,196	300,790	1%	6%
6045 · Workers Comp	41,454	47,182	14%	1%
Total 6000 · Salaries & Benefits	2,935,373	2,888,722	-2%	61%
6100 · Operations				
6105 · Chemicals	160,881	201,882	25%	4%
6110 · Fuel	13,650	28,930	112%	1%
6115 · Permits & Fees	109,691	129,616	2%	3%
6120 · Waste Disposal	100,622	105,518	5%	2%
6130 · Vehicle & Equip Maint	10,709	15,080	41%	0%
6135 · Safety	15,550	18,700	20%	0%
6125 · Materials &Supplies	100,087	101,124	1%	2%
6160 · Monitoring & Testing	62,440	61,822	-1%	1%
6210 · Utilities	338,594	417,098	23%	9%
6151 · City of Sausalito M & R- Billable	20,359	20,970	3%	0%
6201 · Unincorp. Collection M & R	75,240	75,992	1%	2%
6152 · Conveyance & Treatment M & R	225,381	229,889	2%	5%
Total 6100 · Operations	1,233,204	1,406,621	14%	29%
6300 · General & Administrative				
6310 · Professional Development	22,003	19,457	-12%	0%
6320 · Professional Services	181,125	295,000	63%	6%
6330 · Insurance	80,108	84,113	5%	2%
6340 · Administrative Expenses	60,300	77,450	28%	2%
Total 6300 · General & Administrative	343,536	476,020	39%	10%
Total Operating Expense	4,512,113	4,771,363	6%	100%
Net	4,782,983	5,700,130	19%	
Capital Expense				
Capital Projects (Rate Funded)	2,464,845	3,440,090	40%	97%
Capital Outlay	100,553	45,890	-54%	1%
Repair & Replacement	80,185	76,750	-4%	2%
Total Capital Expense	2,645,583	3,562,730	35%	100%
6530 · Revenue Bond Expense	2,137,400	2,137,400	0%	60%
Transfer	0	0	0%	100%

SAUSALITO-MARIN CITY SANITARY DISTRICT

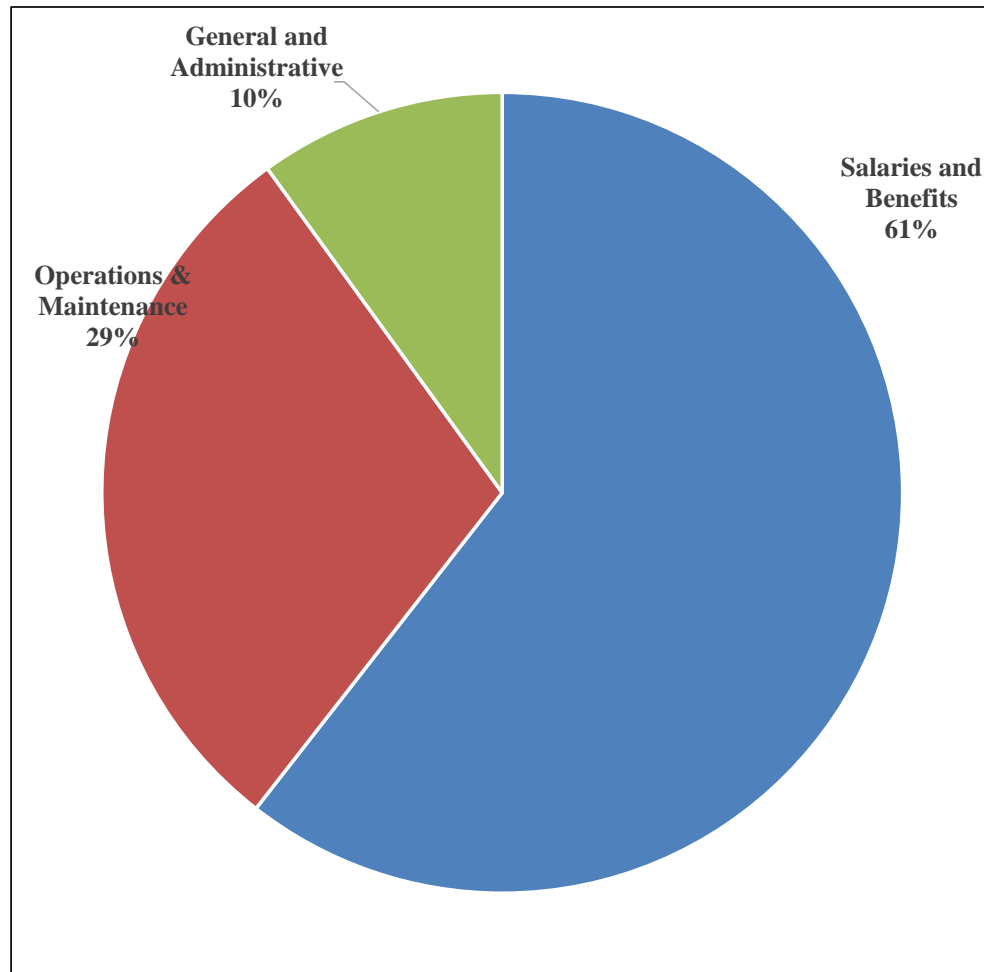
FY 2021/2022 BUDGET

REVENUE	FY 22/23	% Total
Service Contracts	2,450,877	23%
Sewer Service Charges	7,362,686	70%
Property Taxes	570,000	5%
Connection Fees/Misc	7,930	0%
Interest Income	80,000	1%
REVENUE TOTAL	10,471,493	100%



SAUSALITO MARIN CITY SANITARY DISTRICT FY 2022/2023 BUDGET

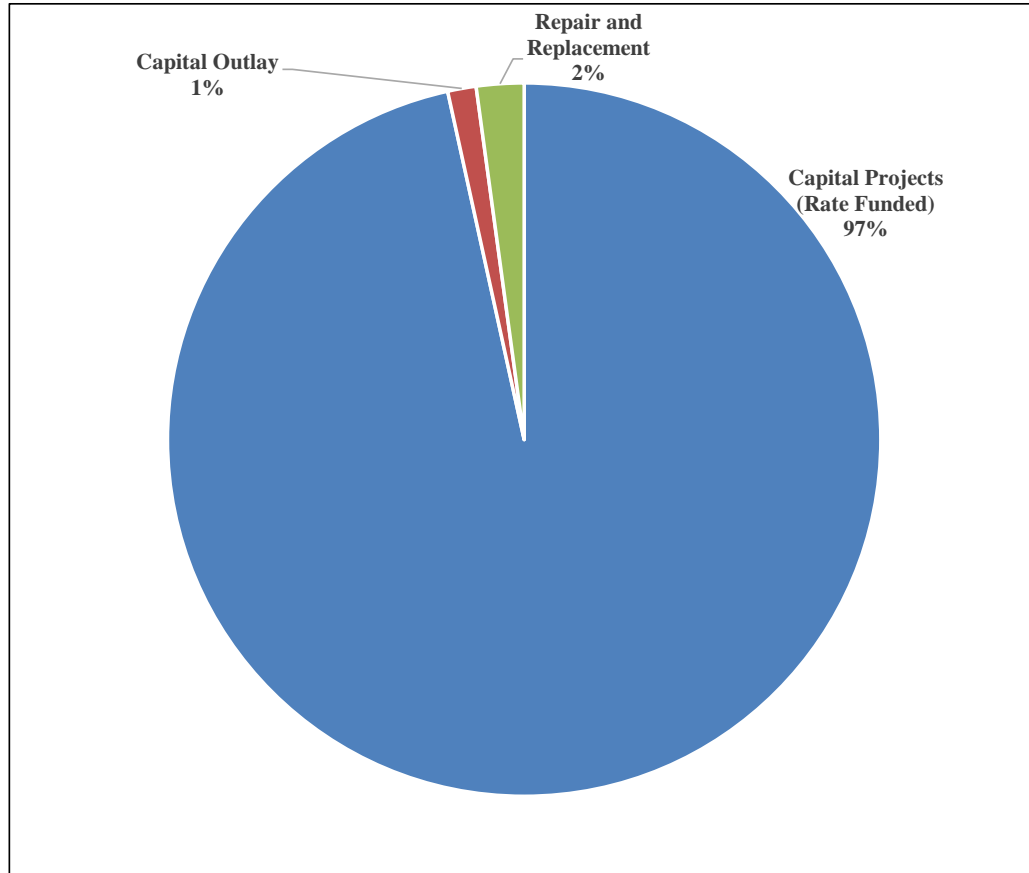
OPERATING EXPENSE	FY 22/23	% Total
Salaries and Benefits	2,888,722	61%
Operations & Maintenance	1,406,621	29%
General and Administrative	476,020	10%
OPERATING EXPENSE TOTAL	4,771,363	100%



SAUSALITO MARIN CITY SANITARY DISTRICT

FY 2022/2023 BUDGET

CAPITAL	FY 22/23	% Total
Capital Projects (Rate Funded)	3,440,090	97%
Capital Outlay	45,890	1%
Repair and Replacement	76,750	2%
CAPITAL TOTAL	3,562,730	100%

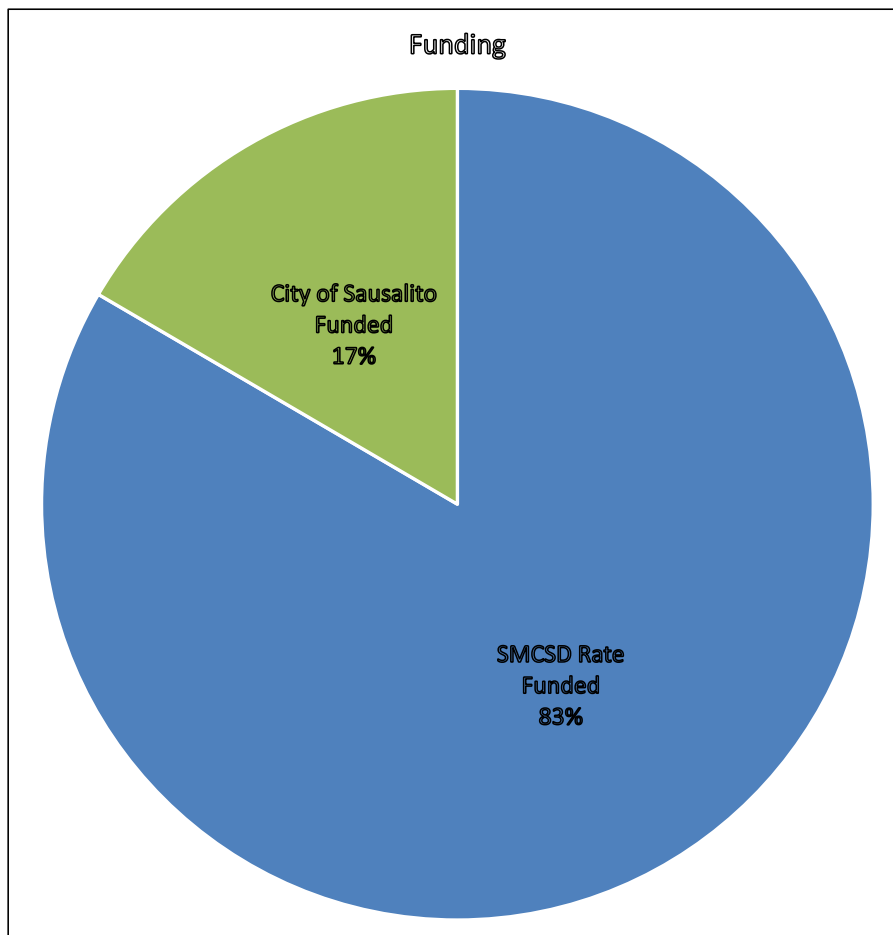


SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2022/2023 BUDGET

CAPITAL PROJECTS	Phase	FY 22/23	% Total
Coloma Pump Station Improvement	Construction	658,963	19%
Generator Upgrade	Construction	1,133,252	33%
Clarifier/Operations Center	Design/Construction	644,087	19%
Beach Force Main Rehab	Design	467,661	14%
Biosolids Handling	Study	25,000	1%
Shop/Operator/Equipment Facilities	Study	25,000	1%
TCSD Flow Meter	Design/Construction	186,127	5%
Headworks Gate Replacement	Design/Construction	300,000	9%
CAPITAL PROJECTS TOTAL		3,440,090	100%

FUNDING	FY 22/23
SMCSD Rate Funded	3,440,090
City of Sausalito Funded	490,000
FUNDING TOTAL	3,930,090



SAUSALITO-MARIN CITY SANITARY DISTRICT

FY 2022/2023 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	\$2,385,682	\$8,843,082
<u>LONG RANGE TARGET LEVEL GOALS</u>						
TARGET BALANCE	\$2,500,000	\$3,637,400	\$100,000	\$220,000	\$2,385,682	\$8,843,082
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	\$795,227	\$4,392,627
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 2022/2023 BUDGET

RESERVE	FY 22/23	% 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	2,385,682	27%
RESERVE TOTAL	8,843,082	100%

