



Sausalito-Marin City Sanitary District

Budget FY 2024/2025

Adopted by Board Action
June 4, 2024



Sausalito-Marín City Sanitary District

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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 and the community, 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 pump stations and operates and maintains 4 pump stations on behalf of the City of Sausalito under a service agreement. The District's treatment plant is located in Fort Baker and has a ground lease agreement with the National Park Service through 2049.

BUDGET

In preparation for the FY 2024/2025 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 redundancy, reliability, capacity, and safety.

In 2017 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 \$2,158,000 over 25 years. The current capital projects budgeted for FY 2024/2025 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, rehabilitation of the conveyance system's Beach Force, Primary Digester Heating System Replacement and Biosolids Handling Project.

The District maintains a stable financial condition by proactively addressing its future funding needs with a newly adopted 5-year rate plan using the Proposition 218 process. In March 2024, the District completed a rate study to develop the sewer service charges for FY 2024/2025 to FY 2028/2029. The study 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 (72%) and volumetric (28%) component to equitably determine the rate for our ratepayers.

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.

In March 2024, the Reserve Policy was amended to include a category for the pension and medical unfunded accrued liabilities (UAL). The District continues to address the pension and medical liabilities with the implementation of the CEPPT and CERBT trusts, but added the UAL to the Reserve Policy as these amounts will be partially rate funded per the 2024 Rate Study.

REVENUE

The FY 2024/2025 Budget includes a total revenue projection of \$12,069,396 a 10% increase (\$1,222,901) from the previous fiscal year. The Operating Revenue (service contracts, sewer service charges and miscellaneous income) increased from \$10,011,495 to \$10,284,396. The sewer service charge revenue projection increased from \$7,468,475 to \$7,713,153 a total of 3% increase.

The budgeted Non-Operating Revenue which consists of property tax and interest revenue is \$1,785,000 which is an 85% increase from the last year. The increase is due to a more accurate estimate in property taxes and investing. The District optimizes its investments between Local Agency Investment Fund (LAIF) and United States Treasuries. For a better return on investment due to changing interest rates and the availability of higher low risk returns, a portion of reserve funds are in LAIF and U.S. Treasuries.

On May 7, 2024, the SMCS D Board adopted the 5-year rate study by HF&H and new rates for FY 2024/2025 to FY 2028/2029 (see tables below).

The objective of the study was to allocate charges in the best possible manner to District customers and provide the necessary revenue for the District to support its operations and maintenance activities along with making progress on its capital improvement plan over the next five years. An important feature of the study report is the phasing in of rate changes to minimize rate increases to the District's customers. The result of the phasing is a smoother rate transition over the five-year period.

Extensive analysis of the District's long-term financial condition was completed. The analysis considers operating and capital improvement expenses projected over the next ten years. The financial analysis has determined that the sewer service charge rates for the conveyance and treatment services should be increased to keep up with the cost of goods, services, supplies, equipment and construction costs. These increases will maintain customer rate stability and limit possible larger increases at the end of the five-year rate plan period if there were no small annual adjustments to keep pace with expenses.

Lastly, staff completed an analysis of operational expenses and capital improvement costs specific to sewer collection service for the unincorporated areas of the District’s jurisdiction, including Marin City and floating homes. This funding pays for sewer collection pipeline and pump station maintenance, repair and upgrades in the unincorporated service areas. The study report recommended increasing the annual unincorporated sewer collection charge over the next five years to cover District expenses.

TABLE 1: Annual Unincorporated Sewer Collection Charges

The charges shown below for sewer collection services have been added into Table 3 – “Total Annual Sewer Conveyance, Treatment & Collection Charges Unincorporated Area Customers.” These areas include Marin City, floating homes and other unincorporated areas within the District’s boundaries. Customers within the City of Sausalito pay a similar charge to the City for sewer collection services (refer to City website for rates) and are a second line item on the property tax bill.

Customer Class	Current Rates	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Single Family (Per EDU)	\$387	\$446	\$453	\$460	\$467	\$474
Multifamily (Per DU)	\$341	\$378	\$384	\$389	\$395	\$401
Floating Homes (Per DU)	\$290	\$331	\$336	\$341	\$346	\$351
Non-Residential (Per EDU)	\$387	\$446	\$453	\$460	\$467	\$474

TABLE 2: Total Annual Sewer CONVEYANCE and TREATMENT Charges

Note: City of Sausalito customers will have additional charge for collections that is billed by the City.

	Current Rate	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Single Family (per EDU)	\$999	\$1,033	\$1,053	\$1,074	\$1,096	\$1,117
Multifamily (per DU)	\$875	\$874	\$892	\$910	\$928	\$947
Floating Homes (per DU)	\$753	\$765	\$781	\$797	\$813	\$829
Non-Residential (per EDU)	\$999	\$1,033	\$1,053	\$1,074	\$1,096	\$1,117

TABLE 3: Total Annual Sewer CONVEYANCE, TREATMENT & COLLECTION Charges Unincorporated Area Customers

Note: The Charge below includes the collection charge shown in Table 1 + Charges in Table 2 above.

	Current Rate	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Single Family (per EDU)	\$1,386	\$1,479	\$1,506	\$1,534	\$1,563	\$1,591
Multifamily (per DU)	\$1,216	\$1,252	\$1,276	\$1,299	\$1,323	\$1,348
Floating Home (per DU)	\$1,043	\$1,096	\$1,117	\$1,138	\$1,159	\$1,180
Non-Residential (per EDU)	\$1,386	\$1,479	\$1,506	\$1,534	\$1,563	\$1,591

OPERATING EXPENSES

The District is responding to increased vehicle, chemical, utility, insurance and regulatory costs and is projecting an overall 5% increase (\$91,782) in the Operating Expenses.

The salaries and benefits budget, a significant expense (59% of the operating budget), was increased by an overall 3%. The changes in this area are described below:

- The salary budget increased by 1%. The salary budget increase was a result of budgeting for 11 FTE which included the addition of 2 entry level positions due to planned retirements, COLA and a more accurate projection of employee certifications and step increases.

- The Retirement Expense increased by 12% due to the increase in salaries as the regular payroll contribution calculation is linked to this amount. The Classic employee retirement costs increased from 17.34% to 17.72% and PEPRA from 7.38% to 7.42%. It should be noted for FY 24/25 the CalPERS Pension Unfunded Accrued Liabilities (UAL) payments of \$117,249 for “classic” employees and \$2,406 for “PEPRA” employees, are not reflected in OPS Budget as these payments will be funded from the California Employers’ Pension Prefunding Trust (CEPPT) 115 Trust.

As a reminder, the District planned for the 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. In addition, funds have been allocated in the Reserve Policy that will be rate-funded.

- Employee Benefits budget increased by 9% due to rising healthcare costs.
- The Workers Compensation decreased by 1% as the policy’s modification factor was reduced from .81 to .77. Also, one entry level position was reclassified from sewer worker to engineering therefore the rate classification decreased.

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 grants up to \$2,000 to ratepayers 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 (I&I) 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 2024/2025 Annual Capital Improvement Plan Budget of \$6,099,439 includes \$5,829,481 for Rate Funded Capital Projects, \$175,240 for Capital Outlay to allow for one time-purchases of equipment and \$94,928 for Renewal & Replacement of District facilities. 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 2024/2025 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 \$2,158,000 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 (TCSO) 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 2024/2025 Reserve Policy requirement is \$9,292,163 which includes the new category of Medical and Pension Liabilities" as discussed earlier.

FUTURE VISION

The District continues to plan finances with a long-range outlook. The newly adopted 5-year sewer service rate schedule for FY 2024/25 to FY 2028/29 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, but the current long-standing pump station operation and maintenance service agreement must be amended first.

The District recently renewed its 5-year National Pollutant Discharge Elimination System (NPDES) permit with the State Regional Water Quality Board. 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 2024-2029 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 2024/25 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,



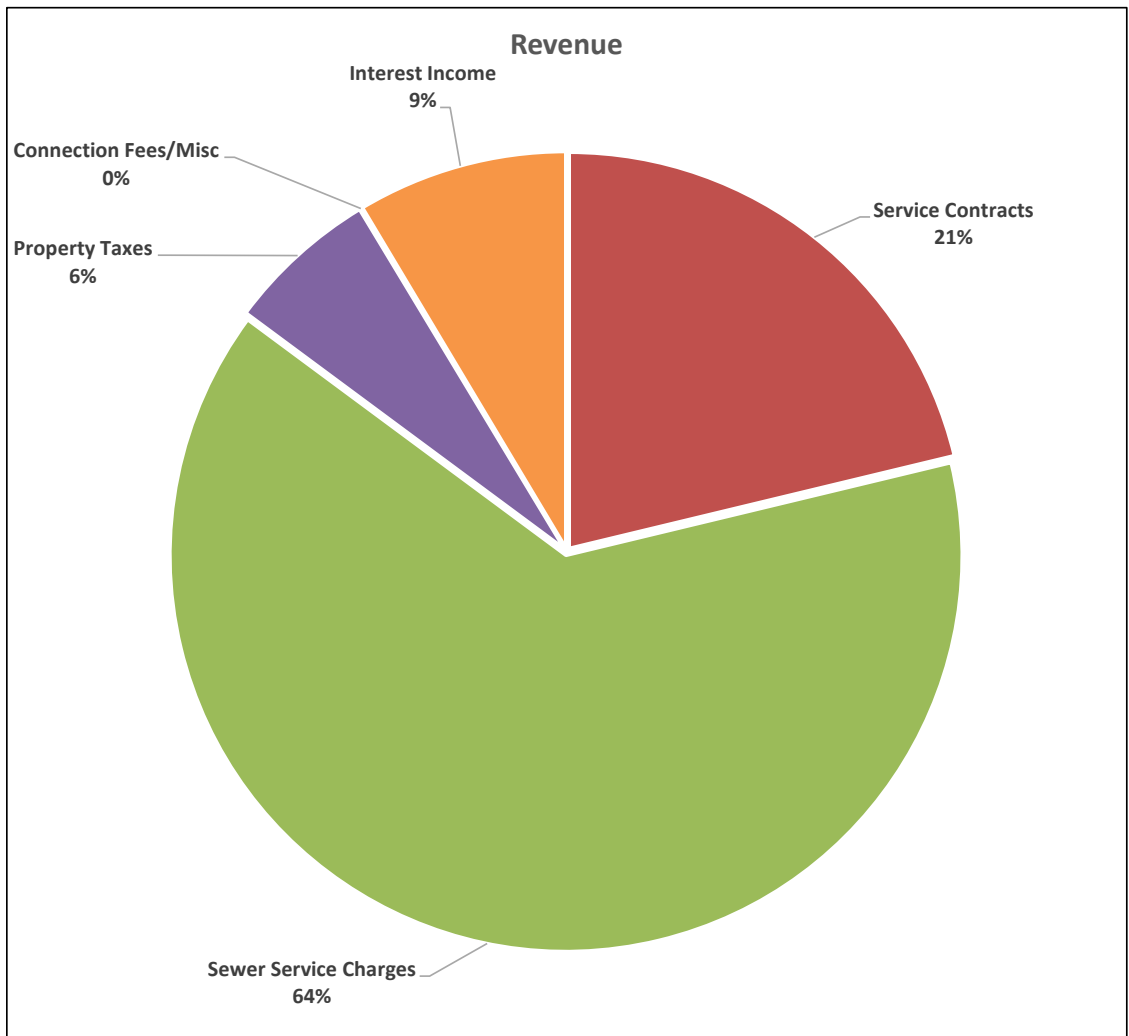
Jeffrey Kingston
General Manager

SAUSALITO MARIN CITY SANITARY DISTRICT FY 2024/2025 BUDGET

	Budget FY 23/24	Budget FY 24/25	% Change	% Total
Revenue				
5500 · Service Contracts	2,535,089	2,563,313	1%	21%
5030 · Sewer Service Charges	7,468,476	7,713,153	3%	64%
5040 · Property Taxes	675,000	750,000	10%	6%
5080 · Connection Fees/Misc	7,930	7,930	0%	0%
5200 · Interest Income	160,000	1,035,000	85%	9%
Total Revenue	10,846,495	12,069,396	10%	100%
Expense				
Operating Expense				
6000 · Salaries & Benefits				
6010 · Salary	2,170,682	2,192,058	1%	43%
6020 · Payroll Taxes	150,734	151,409	0%	3%
6030 · Retirement	252,505	287,061	12%	6%
6040 · Employee Benefits	314,161	345,716	9%	7%
6045 · Workers Comp	48,647	48,330	-1%	1%
Total 6000 · Salaries & Benefits	2,936,729	3,024,574	3%	59%
6100 · Operations				
6105 · Chemicals	399,374	379,397	-5%	7%
6110 · Fuel	23,056	18,065	-28%	0%
6115 · Permits & Fees	132,566	157,755	16%	3%
6120 · Waste Disposal	107,747	99,177	-9%	2%
6130 · Vehicle & Equip Maint	15,080	25,759	41%	1%
6135 · Safety	33,335	36,370	8%	1%
6125 · Materials & Supplies	100,087	47,241	-112%	1%
6160 · Monitoring & Testing	73,500	87,123	16%	2%
6210 · Utilities	398,656	483,091	17%	9%
6151 · City of Sausalito M & R- Billable	17,771	24,436	27%	0%
6201 · Unincorp. Collection M & R	77,497	81,371	5%	2%
6152 · Conveyance & Treatment M & R	226,653	257,319	12%	5%
Total 6100 · Operations	1,605,322	1,697,104	5%	33%
6300 · General & Administrative				
6310 · Professional Development	20,414	17,788	-15%	0%
6320 · Professional Services	251,256	190,789	-32%	4%
6330 · Insurance	96,811	121,846	21%	2%
6340 · Administrative Expenses	51,360	76,225	33%	1%
Total 6300 · General & Administrative	419,841	406,648	-3%	8%
Total Operating Expense	4,961,891	5,128,326	3%	100%
Net	5,884,604	6,941,069	15%	
Capital Expense				
Capital Projects (Rate Funded)	3,240,000	5,829,481	44%	96%
Capital Outlay	378,199	175,240	-116%	3%
Repair & Replacement	55,800	94,928	41%	2%
Total Capital Expense	3,673,999	6,099,649	40%	100%
6500 · Revenue Bond Expense	2,137,400	2,158,000	1%	35%
Transfer	73,205	-1,316,580	106%	100%

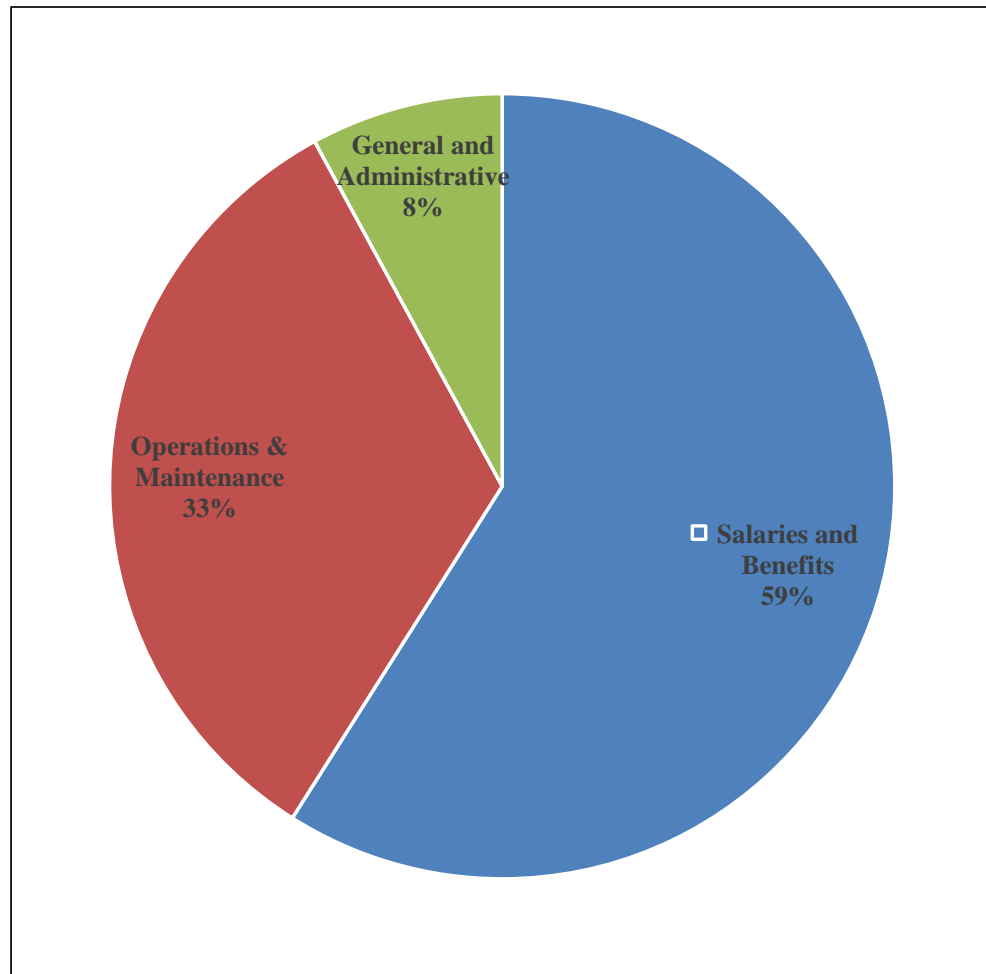
SAUSALITO-MARIN CITY SANITARY DISTRICT FY 2023/2024 BUDGET

REVENUE	FY 24/25	% Total
Service Contracts	2,563,313	21%
Sewer Service Charges	7,713,153	64%
Property Taxes	750,000	6%
Connection Fees/Misc	7,930	0%
Interest Income	1,035,000	9%
REVENUE TOTAL	12,069,396	100%



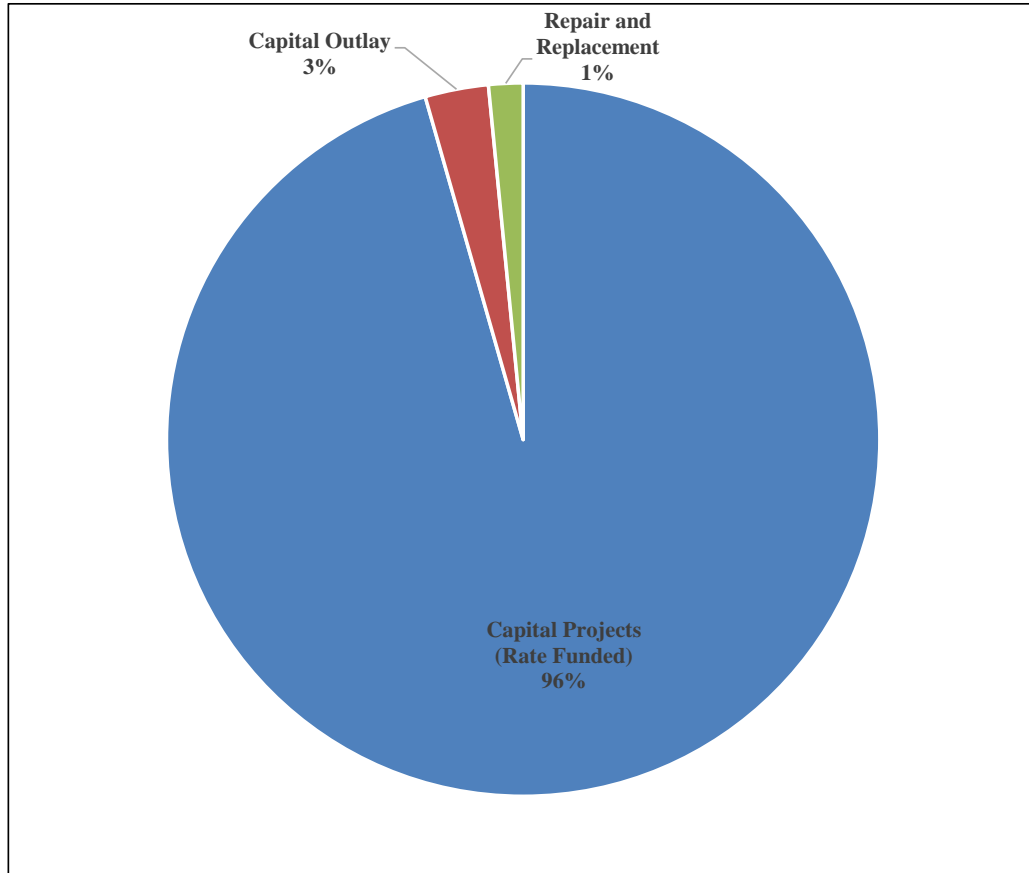
SAUSALITO MARIN CITY SANITARY DISTRICT FY 2024/2025 BUDGET

OPERATING EXPENSE	FY 24/25	% Total
Salaries and Benefits	3,024,574	59%
Operations & Maintenance	1,697,104	33%
General and Administrative	406,648	8%
OPERATING EXPENSE TOTAL	5,128,326	100%



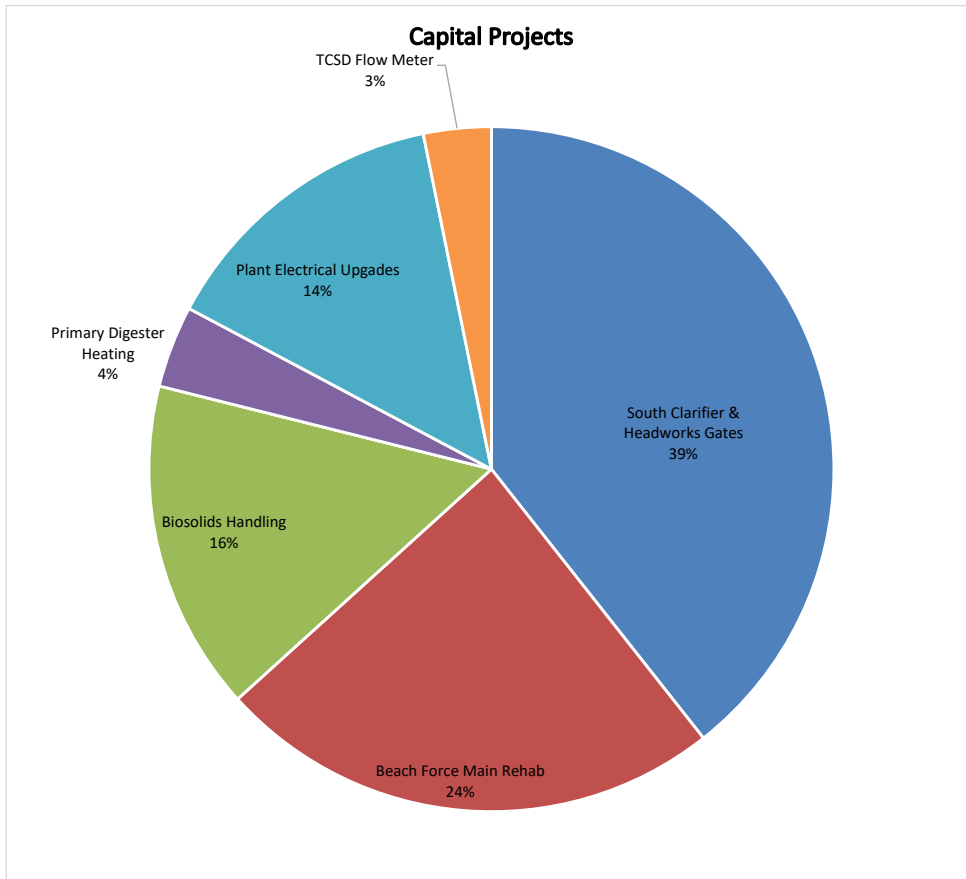
SAUSALITO MARIN CITY SANITARY DISTRICT FY 2024/2025 BUDGET

CAPITAL	FY 24/25	% Total
Capital Projects (Rate Funded)	5,829,481	96%
Capital Outlay	175,240	3%
Repair and Replacement	94,928	2%
CAPITAL TOTAL	6,099,649	100%



SAUSALITO-MARIN CITY SANITARY DISTRICT FY 2024/2025 BUDGET

CAPITAL PROJECTS - RATE FUNDED	Phase	FY 24/25	% Total
South Clarifier and Headworks Gates Rehab	Construction	2,295,237	39%
Beach Force Main Rehab	Construction	1,394,046	24%
Biosolids Handling	Construction	910,500	16%
Primary Digester Heating System Replacement	Construction	225,438	4%
Plant Electrical Upgrades	Construction	818,038	14%
TCSD Flow Meter	Construction	186,223	3%
CAPITAL PROJECTS TOTAL		5,829,481	100%



**SAUSALITO-MARIN CITY SANITARY DISTRICT
FY 2024/2025 BUDGET
RESERVE POLICY**

RESERVE TYPE	DISASTER RECOVERY	CAPITAL	SELF-INSURANCE AND DEDUCTIBLE	REPAIR AND REPLACEMENT	WORKING CAPITAL	MEDICAL AND PENSION LIABILITIES	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.	Provide funding for Unfunded Accrued Liabilities (UAL) for Medical (OPEB) & Pension	
<u>CURRENT RESERVE LEVELS</u>							
FY 2024/25 - FISCAL YEAR ENDING BALANCE (Projected)	\$2,500,000	\$3,658,000	\$100,000	\$220,000	\$2,564,163	\$250,000	\$9,292,163
<u>LONG RANGE TARGET LEVEL GOALS</u>							
TARGET BALANCE	\$2,500,000	\$3,658,000	\$100,000	\$220,000	\$2,564,163	\$1,900,000	\$10,942,163
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 service payments.	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.	The amount is the difference between balances of established trust accounts & actuarial UAL	
MINIMUM BALANCE	\$1,250,000	\$2,158,000	\$100,000	\$110,000	\$854,721	\$250,000	\$4,472,721
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.	Minimum funding to reduce the UAL for CalPERS Medical (OPEB) & Pension	
**OTHER RESERVE GUIDELINES							
Reserve funding priorities: Disaster Recovery, Capital, Self-Insurance and Deductible, Repair & Replacement, Operating and Medical & Pension Liabilities Maintain adequate Capital Reserve to fund CIP, however debt financing may be required for major upgrades. Maintain R&R Reserve to avoid debt financing of assets needing repair and replacement. Use moderate rate increases 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 entire reserve amount.							

SAUSALITO-MARIN CITY SANITARY DISTRICT FY 2024/2025 BUDGET

RESERVE	FY 24/25	% Total
Disaster Recovery	2,500,000	27%
Capital	3,658,000	39%
Self-Insurance and Deductible	100,000	1%
Repair and Replacement	220,000	2%
Operating	2,564,163	28%
Medical & Pension Liabilities	250,000	3%
RESERVE TOTAL	9,292,163	100%

