



Budget

FY 2025/2026

Board Adopted by Resolution No. 1108
June 3, 2025





Sausalito-Marín City Sanitary District

Budget FY 2025/2026

Executive Summary

OVERVIEW

The Sausalito-Marín City Sanitary District (SMCSD) is governed by an elected five-member Board of Directors. It provides wastewater conveyance and treatment services to the City of Sausalito and wastewater collection, conveyance, and treatment services 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 Park 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 2025/2026 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 for \$33,630,000 with an annual average debt service of \$2,158,000 over 25 years, and all funds have been exhausted. The current capital projects budgeted for FY 2025/2026 are rate-funded. These projects include rehabilitation of the Treatment Plant's South Clarifier, Beach Force Main, Biosolids Handling Project, Nutrient Reduction Study, and Marin City Sewer Rehabilitation Phase II Assessment.

The District maintains a stable financial condition by proactively addressing its future funding needs with an 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 determine the rate for our ratepayers equitably.

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 two trusts, California Employers' Pension Prefunding Trust (CEPPT) and California Employers Retiree Benefit Trust (CERBT), but added the UAL to the Reserve Policy as these amounts will be partially rate-funded per the 2024 Rate Study.

REVENUE

The FY 2025/2026 Budget includes a total revenue projection of \$12,586,283, a 4% increase (\$516,887) from the previous fiscal year. The Operating Revenue (service contracts, sewer service charges, and miscellaneous income) increased from \$10,284,396 to \$10,764,282. The sewer service charge revenue projection increased from \$7,713,153 to \$7,916,290, a total of 3% increase.

The budgeted Non-Operating Revenue which consists of property tax and interest revenue, increased from \$1,785,000 to \$1,822,000. The District optimizes its investments between Local Agency Investment Fund (LAIF) and the United States Treasury Bills with JP Morgan Chase.

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 years.

An 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 are 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 an additional charge for collections that is billed by 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 utility, insurance, cybersecurity, and regulatory costs, while also identifying opportunities to reduce expenses through careful analysis. As a result, Operating Expenses have decreased overall by 7% (\$349,726).

- Salaries and benefits, which make up a significant portion of the Operating Budget (56%), were reduced by 13% (\$337,891). This substantial decrease is the result of budgeting for 9 full-time employees in FY 2025/2026, compared to 11 employees in the previous fiscal year.

The salaries of all employees were analyzed, with qualified incentives and a 4% cost-of-living increase, as outlined in the Memorandum of Understanding, factored into the calculations. In addition, overtime, on-call, and vacation buy-back expenses from the previous year were reviewed to allow for a more accurate projection.

Regarding staffing, a new law, AB 2561, requires the District to report the status of job vacancies before the governing body on an annual basis. This requirement is connected to the Memorandum of Understanding (MOU) between the District and the International Union of Operating Engineers

(OE3), as both parties are subject to the Meyers-Milias-Brown Act (MMBA). AB 2561 expands the MMBA by imposing new obligations on public agencies to publicly address staffing vacancies.

As it relates to the FY 2025/2026 Budget, the current vacancy rate is 0%. If the need to hire new employees arises, the District will adjust the budget accordingly and bring any staffing changes before the Board for approval. Additionally, for recruitment purposes, the District recently approved a three-year MOU dated July 1, 2024 that aligns employee compensation with current market rates—a positive step in maintaining competitiveness and retention.

It should be noted for FY 25/26 the CalPERS Pension Unfunded Accrued Liabilities (UAL) payments of \$169,044 for “classic” employees and \$5,242 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.

- Chemical expenses decreased by 35% due to reduced usage and a new vendor contract offering significantly lower prices.
- Fuel costs decreased by 35% due to reduced need for red dye diesel for backup generators, as PG&E has implemented fewer Public Safety Power Shutoffs (PSPS).
- The General & Administrative category had an overall increase of 13%. This increase is primarily due to rising costs associated with insurance policies and the development of a more robust cybersecurity program, which includes consulting, training, equipment, and software.

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 2025/2026 Annual Capital Improvement Plan Budget of \$5,653,683 includes \$5,334,916 for Rate Funded Capital Projects, \$290,767 for Capital Outlay to allow for one-time purchases of equipment, and \$28,000 for Renewal & Replacement of District facilities. The District's Rate Funded Capital Improvement Plan consists of multi-year projects funded annually based on the phase and timeline of the projects.

REVENUE BOND & DEBT SERVICE

The debt service in the FY 2025/2026 Budget is for the 2017 Revenue Bonds, which were issued for the District's wastewater treatment plant and system capital improvements. The principal is \$33,630,000 and has an annual average debt service of \$2,154,000 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 2024/2025 Reserve Policy requirement is \$9,113,000, 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; 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, Beach Force Main Conveyance and Biosolids Handling 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. In addition, the District will continue to operate and maintain the City of Sausalito collection system with an amended contract until the City Council decides to transfer its collection system to the District. When the transfer is complete, the current budget will be adjusted and approved by the Board to allow for the hiring of staff and costs associated with maintaining the system.

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 the 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 2025-2030 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 the District's operations. The Strategic Plan serves as a framework for decision-making over the next five-year period.

The FY 2025/26 Budget supports the following Strategic Plan goals:

- Protect Public Health and the Environment
- Discharge Compliance
- Implementation of the Capital Improvement Program
- Technology
- Tributary Agencies
- Enhance Internal and External communication

In closing, this year's budget has utilized the District's Budget Development Process, which includes the participation and review by the entire Staff and Board of Directors. The Board, Management, and Staff continue to commit to operating the District innovatively and effectively, 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

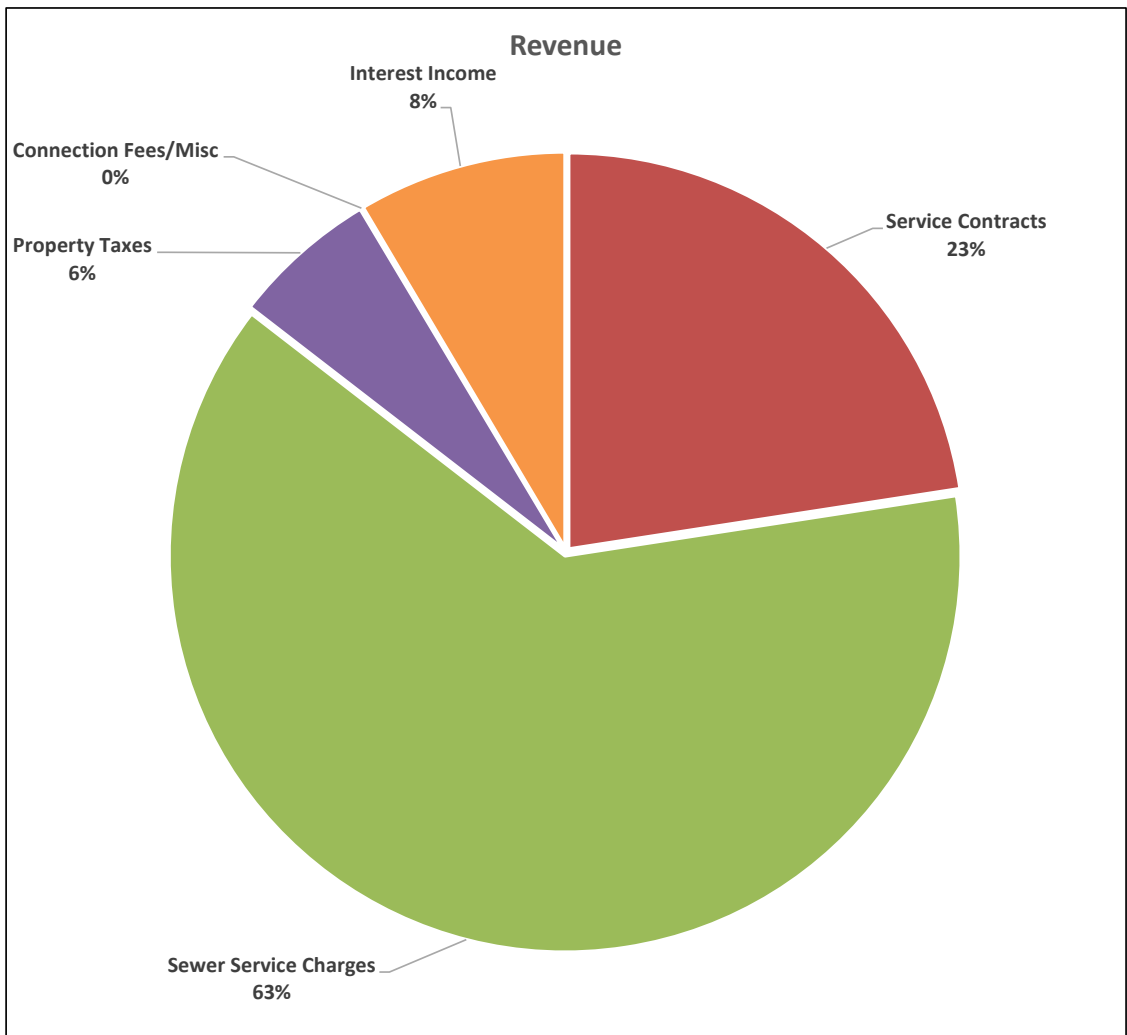
SAUSALITO MARIN CITY SANITARY DISTRICT

FY 2025/2026 BUDGET

	Budget FY 24/25	Budget FY 25/26	% Change	% Total
Revenue				
5500 · Service Contracts	2,563,313	2,840,062	10%	23%
5030 · Sewer Service Charges	7,713,153	7,916,290	3%	63%
5040 · Property Taxes	750,000	750,000	0%	6%
5080 · Connection Fees/Misc	7,930	7,930	0%	0%
5200 · Interest Income	1,035,000	1,072,000	3%	9%
Total Revenue	12,069,396	12,586,283	4%	100%
Expense				
Operating Expense				
6000 · Salaries & Benefits				
6010 · Salary	2,192,058	1,976,068	-11%	41%
6020 · Payroll Taxes	151,409	134,595	-12%	3%
6030 · Retirement	287,061	270,708	-6%	6%
6040 · Employee Benefits	345,716	259,174	-33%	5%
6045 · Workers Comp	48,330	46,139	-5%	1%
Total 6000 · Salaries & Benefits	3,024,574	2,686,683	-13%	56%
6100 · Operations				
6105 · Chemicals	379,397	281,050	-35%	6%
6110 · Fuel	18,065	13,352	-35%	0%
6115 · Permits & Fees	157,755	136,998	-15%	3%
6120 · Waste Disposal	99,177	119,084	17%	2%
6130 · Vehicle & Equip Maint	25,759	28,351	9%	1%
6135 · Safety	36,370	30,701	-18%	1%
6125 · Materials & Supplies	47,241	45,252	-4%	1%
6160 · Monitoring & Testing	87,123	82,065	-6%	2%
6210 · Utilities	483,091	524,298	8%	11%
6151 · City of Sausalito M & R- Billable	24,436	25,425	4%	1%
6201 · Unincorp. Collection M & R	81,371	84,371	4%	2%
6152 · Conveyance & Treatment M & R	257,319	253,871	-1%	5%
Total 6100 · Operations	1,697,104	1,624,818	-4%	34%
6300 · General & Administrative				
6310 · Professional Development	17,788	18,526	4%	0%
6320 · Professional Services	190,789	213,405	11%	4%
6330 · Insurance	121,846	151,333	19%	3%
6340 · Administrative Expenses	76,225	83,835	9%	2%
Total 6300 · General & Administrative	406,648	467,099	13%	10%
Total Operating Expense	5,128,326	4,778,600	-7%	100%
Net	6,941,069	7,807,683	11%	
Capital Expense				
Capital Projects (Rate Funded)	5,829,481	5,334,916	-9%	94%
Capital Outlay	175,240	290,767	40%	5%
Repair & Replacement	94,928	28,000	-239%	0%
Total Capital Expense	6,099,649	5,653,683	-8%	100%
6500 · Revenue Bond Expense	2,158,000	2,154,000	0%	38%
Transfer	-1,316,580	0	-100%	100%

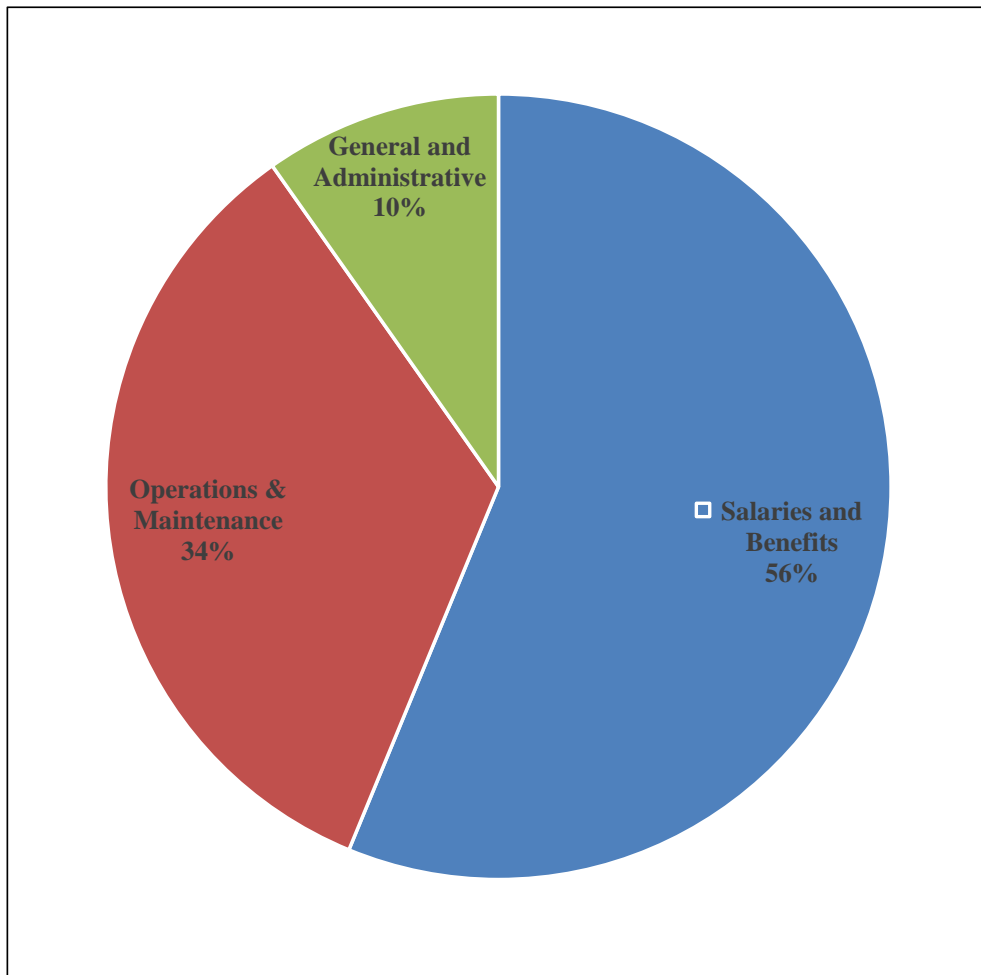
SAUSALITO-MARIN CITY SANITARY DISTRICT FY 2025/2026 BUDGET

REVENUE	FY 25/26	% Total
Service Contracts	2,840,062	23%
Sewer Service Charges	7,916,290	63%
Property Taxes	750,000	6%
Connection Fees/Misc	7,930	0%
Interest Income	1,072,000	9%
REVENUE TOTAL	12,586,283	100%



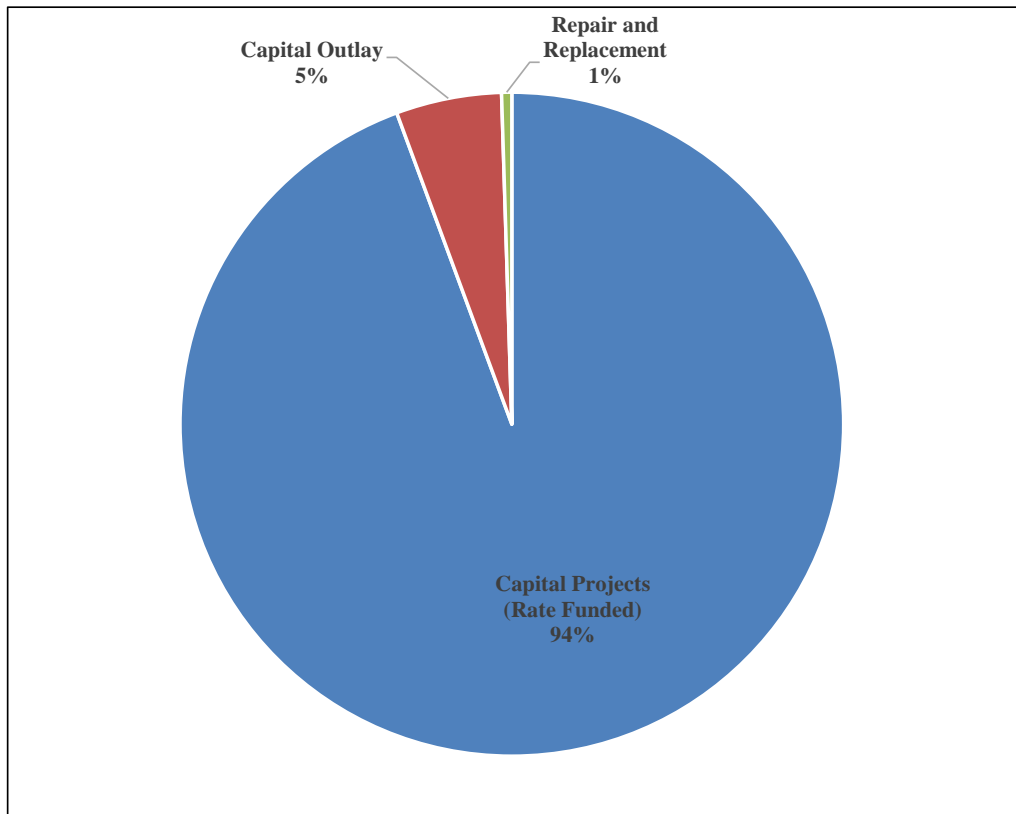
SAUSALITO MARIN CITY SANITARY DISTRICT FY 2025/2026 BUDGET

OPERATING EXPENSE	FY 25/26	% Total
Salaries and Benefits	2,686,683	56%
Operations & Maintenance	1,624,818	34%
General and Administrative	467,099	10%
OPERATING EXPENSE TOTAL	4,778,600	100%



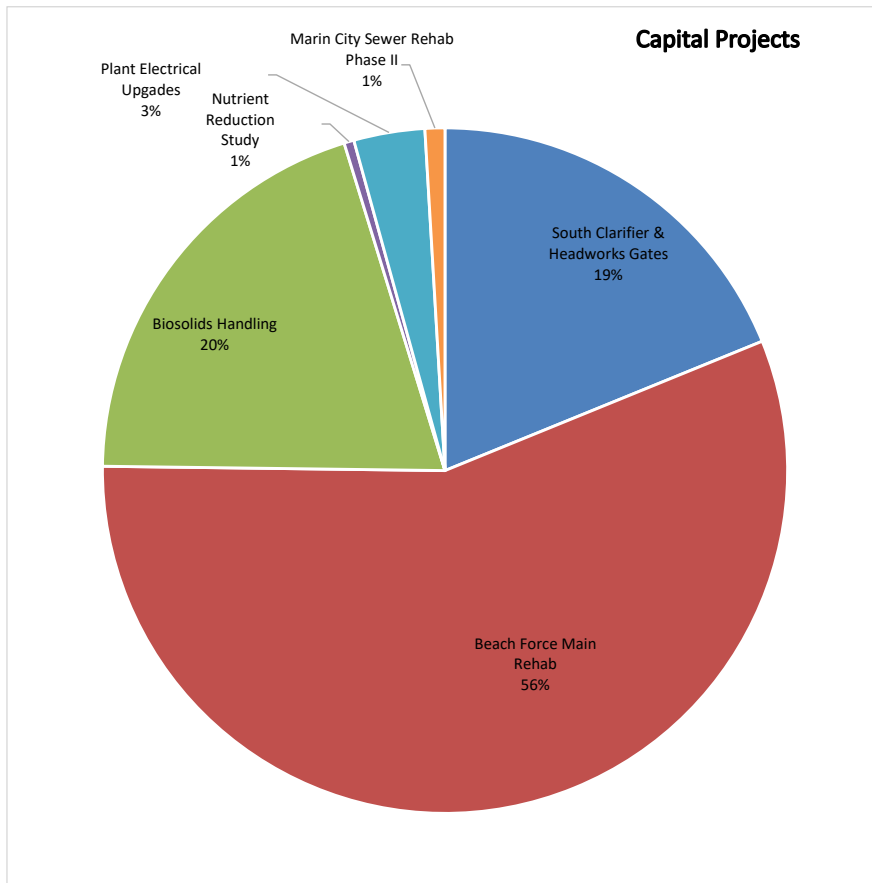
SAUSALITO MARIN CITY SANITARY DISTRICT FY 2025/2026 BUDGET

CAPITAL	FY 25/26	% Total
Capital Projects (Rate Funded)	5,334,916	94%
Capital Outlay	290,767	5%
Repair and Replacement	28,000	0%
CAPITAL TOTAL	5,653,683	100%



SAUSALITO-MARIN CITY SANITARY DISTRICT FY 2025/2026 BUDGET

CAPITAL PROJECTS - RATE FUNDED	Phase	FY 25/26	% Total
South Clarifier and Headworks Gates Rehab	Construction	1,005,137	19%
Beach Force Main Rehab	Construction	3,006,832	56%
Biosolids Handling	Construction	1,069,176	20%
Plant Electrical Upgrades	Construction	178,771	3%
Nutrient Reduction Study	Study	25,000	0%
Marin City Sewer Rehab Phase II	Assessment	50,000	1%
CAPITAL PROJECTS TOTAL		5,334,916	100%



**SAUSALITO-MARIN CITY SANITARY DISTRICT
FY 2025/2026 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	\$3,654,000	\$100,000	\$220,000	\$2,389,300	\$250,000	\$9,113,300
<u>LONG RANGE TARGET LEVEL GOALS</u>							
TARGET BALANCE	\$2,500,000	\$3,654,000	\$100,000	\$220,000	\$2,389,300	\$1,900,000	\$10,763,300
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	\$2,154,000	\$100,000	\$110,000	\$796,433	\$250,000	\$4,410,433
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							
<p>Reserve funding priorities: Disaster Recovery, Capital, Self-Insurance and Deductible, Repair & Replacement, Operating and Medical & Pension Liabilities</p> <p>Maintain adequate Capital Reserve to fund CIP, however debt financing may be required for major upgrades.</p> <p>Maintain R&R Reserve to avoid debt financing of assets needing repair and replacement.</p> <p>Use moderate rate increases to minimize rate shock (e.g., phase in increases, avoid excessive increases followed by decreases).</p> <p>Rates are adjusted to keep pace with inflationary cost increases.</p> <p>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.</p>							

SAUSALITO-MARIN CITY SANITARY DISTRICT FY 2025/2026 BUDGET

RESERVE	FY 25/26	% Total
Disaster Recovery	2,500,000	27%
Capital	3,654,000	40%
Self-Insurance and Deductible	100,000	1%
Repair and Replacement	220,000	2%
Operating	2,389,300	26%
Medical & Pension Liabilities	250,000	3%
RESERVE TOTAL	9,113,300	100%

