



Final BUDGET

FOR

Fiscal Year 2025-26

(And Preliminary Budget for Fiscal Year 2026-27)

Presented August 11, 2025

**NOVATO SANITARY DISTRICT
FY 2025-27 Final Budget**

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NOVATO SANITARY DISTRICT

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August 11, 2025

Honorable Board of Directors
Novato Sanitary District
500 Davidson Street
Novato, California 94945

Honorable Board Members:

The proposed Final District Budget for fiscal year (FY) 25-26 and FY 26-27 is attached for your consideration and approval. The document is organized into the following sections:

- Section I: Summary of Fund Balances including Operating, Capital Improvement, and Reserve Funds.
- Section II: Operating Budget: Summary Revenues/Expenditures, and Summary Budget by Cost Center and Account Category.
- Section III: Operating Budget by Cost Center and Account Category.
- Section IV: Capital Improvement Budget: Revenue and Expenditures Budget.
- Section V: FY 25-26 Wastewater Capital Reserve Fund.
- Section VI: FY 25-26 Rate Stabilization Fund.
- Section VII: FY 25-26 Debt Service Summary and Balances.

Note that after completing the appropriate Proposition 218 requirements, the District Board at its May 9, 2022 meeting, held a public hearing on, and thereafter adopted Ordinance No. 123 – “An Ordinance of the Novato Sanitary District Establishing Sewer Service Charges for Fiscal Years 2022-23, 2023-24, 2024-25, 2025-26, and 2026-27”.

Thereafter, at its August 5, 2022 Special Meeting, the Board voted to keep rates unchanged for FY 22-23 and at the same levels as for FY 20-21 and FY 21-22 (i.e., kept rates unchanged for a third year in a row), by adopting Board Resolution No. 3169 - A RESOLUTION ADJUSTING FY 2022-23 SEWER SERVICE CHARGES TO MAINTAIN FY 2020-21 RATES.

Subsequently, at its March 13, 2023 meeting, the Board voted to set rates for FY 2023-24 through FY 2026-27 by adopting Board Resolution No. 3180 - A RESOLUTION IMPLEMENTING SEWER SERVICE CHARGE SCHEDULE FOR FISCAL YEARS 2023-2027 PURSUANT TO ORDINANCE NO. 123. While the rates set by Resolution No. 3180) did not align with the rate schedule of Ordinance No. 123, these rates were actually **lower than** the Proposition 218 approved rate schedule of Ordinance No. 123.

For FY 25-26, Resolution No. 3180 provisioned a \$21/EDU increase over FY 24-25 from an average annual sewer service charge of \$698/Equivalent Dwelling Unit (EDU) in FY 24-25 to \$719/EDU in FY 25-26. However, at the March 10, 2025 Board meeting it was noted that notwithstanding Resolution No. 3180, Ordinance 123 permits the FY 25-26 charge to be increased up to \$740/EDU (or up to a \$42/EDU increase). Therefore, the Board directed staff to bring back a new resolution that would rescind Resolution No. 3180 and increase the FY 25-26 charge by an additional \$10/EDU from \$719/EDU to \$729/EDU for an increase of \$31/EDU over the FY 24-25 charge and allow for a FY 26-27 charge of \$762/EDU per the provisions of Ordinance No. 123, and with commensurate adjustments to all other rates, rate tiers, and charges.

Accordingly, at its April 14, 2025 meeting, the Board acted to approve Board Resolution No. 3200: A Resolution Adjusting And Implementing Sewer Service Charge Schedule For Fiscal Years 2025-2027 Pursuant To Ordinance No. 123 – An Ordinance of the Novato Sanitary District Establishing Sewer Service Charges for Fiscal Years 2022-23, 2023-24, 2024-25, 2025-2026, and 2026-27.

Based on the above discussion, this Budget document utilizes the following residential rates:

	<u>FY 25-26</u>	<u>FY 26-27</u>
a. Low water use charge:	\$463/ EDU	\$483/EDU
b. Average water use charge:	\$729/EDU	\$762/EDU
c. High water use charge:	\$1,302/EDU	\$1,361/EDU

Notes: 1. EDU = Equivalent Dwelling Unit.

As in prior years, the basic average annual Sewer Service Charge (SSC) is allocated between the Operating and Capital Budgets. For FY 25-26, the allocation of the average SSC of \$729/EDU to the Operating and Capital budgets is \$400 (55%) to the Operating Budget, and \$329 (45%) to the Capital Budget.

Impact of Public Safety Power Shutdowns (PSPS)

Another factor affecting the FY 25-27 budget years will be PG&E's ongoing PSPS program. While specific PSPS events are difficult to predict, this Budget includes an additional amount of \$25,000 in FY 25-26 for staffing and equipment, as indicated in Account 65301, to provision such events.

A. BUDGET STRUCTURE

The District's budget is prepared on a cash basis. Operating and Capital Revenues and Expenditures are summarized in Table 1. Table 1 also provides a comparison of the adopted budget for FY 24-25 with the proposed budget for FY 25-26.

On the revenue side, total FY 25-26 revenues are projected to increase by about 6.85%, primarily from the approved rate increases and from interest income. On the expenditures side, the District typically uses a 55%-45% allocation of SSC revenue to the Operating and Capital Expenditures budgets. In FY 24-25, the District allocated property tax revenue 25%/75% between the Operating and Capital Funds, however, the split will be 28%/72% in FY 25-26. Overall, Operating Expenditures are projected to rise 6.81% including passthrough expenditures, or 5.58% if excluding pass-throughs.

Three-Year Summary comparisons and significant variances in the operating budgets between the FY 24-25 and FY 25-26 budget years are provided later in this letter.

Table 1: Summary of Revenues and Expenditures for FY 25 and FY 26

	FY 2024-25	FY 2025-26	FYE 25 to FYE 26
	Adopted Budget	Proposed Budget	% Change
Operating Revenues	\$ 14,376,183	\$ 15,361,578	6.85%
Capital Revenues	12,582,955	12,998,487	3.30%
Total Revenues	\$ 26,959,139	\$ 28,360,065	5.20%
Operating Expenditures ⁽¹⁾	14,355,460	15,333,269	6.81%
CIP Expenditures ⁽²⁾	12,233,000	15,932,700	30.24%
Debt Service	6,505,850	6,507,850	0.03%
Total Expenditures	\$ 33,094,310	\$ 37,773,819	14.14%

¹⁾ Includes passthrough expenditures; if passthroughs are excluded, the year-over-year % change is 5.58% (instead of 6.81%).

⁽²⁾ Includes Capital Expenditure Commitments/Encumbrances from FY 24-25 into FY 25-26.

B. FISCAL YEAR FY 25-26 OPERATING BUDGET DETAILS

Operating Revenues

The proposed FY 25-26 Operating Budget by revenue source is shown in Table 2 below (and illustrated in Figure 2 at the end of this letter), along with the adopted budget amounts for the past two fiscal years. Overall, total operating revenues are budgeted to increase by 6.85 percent or \$985,395 from FY 24-25. Other notable items include:

Operating SSCs budgeted increase of 4.13 percent, or \$467,640 from approved FY 25-26 rate increases.

Property Taxes projected increase of 13.82 percent or \$107,789, primarily from a change in allocation between the Operating and Capital funds.

Interest Income budgeted increase of 4.23 percent or \$33,923 from conservative interest rate projections.

Engineering/Admin Chgs budgeted increase of 81.82% or \$135,000 from increased reimbursement to Operating Fund from the Capital Improvements Program (CIP) due to the CIP being staffed up with the hiring of the Capital Program Manager in FY 23-24, and the incumbent being able to dedicate their time almost exclusively to the CIP.

AB 939 Collector Fees budgeted increase of 26.38% or \$184,132 from cost recovery in the Solid/Household Hazardous Waste (S/HHW) cost center (see Table 3) from factors a new District staff position (Environmental Programs Manager) and projected Consumer Price Index (CPI) increase for HHW collection and disposal.

Table 2: Operating Budget Revenue Three-Year Summary

Funding Sources by Category	2023-24	2024-25	2025-26	FYE 25 to FYE 26
	Adopted Budget	Adopted Budget	Proposed Budget	% Change
Operating Sewer Service Charges	10,917,327	11,335,309	11,802,949	4.13%
Property Tax Allocation	667,486	780,151	887,940	13.82%
Plan Check & Inspection Fee	500	500	500	0.00%
Permit & Inspection fees	6,000	6,000	6,000	0.00%
Interest Income	612,747	801,852	835,775	4.23%
Engineering/Admin Chgs	165,000	165,000	300,000	81.82%
Non-domestic Permit Fees	30,000	30,000	30,000	0.00%
Franchise Fees	63,977	65,682	67,652	3.00%
AB 939 Collector Fees	598,600	697,870	882,002	26.38%
Oil Grant and JPA Reimb	59,650	7,508	7,000	-6.77%
Ranch Income	40,000	40,000	40,000	0.00%
Recycled Water Revenue	303,971	317,127	331,600	4.56%
Other Revenue	20,000	20,000	20,000	0.00%
Gain/Loss-disposal of assets	10,000	10,000	10,000	0.00%
Total Operating Revenue	\$ 13,495,259	\$ 14,376,183	\$ 15,361,578	6.85%

Operating Expenditures

A summary of the proposed and past two fiscal years' Operating Expenditures is shown in Table 3.

Proposed FY 25-26 Operating Expenditures are also shown graphically in Figures 3 and Figure 4 (by department or cost center), at the end of this letter. Operating expenditures are budgeted to increase by 5.58 percent or \$738,735 (excluding pass-through expenditures) between FY 24-25 and FY 25-26.

Pension and Other Post-Employment Benefit Liabilities: In FY 16-17, the District adopted a process to address its liabilities under Government Accounting Standards Board (GASB) Statement 45 (GASB 45 – Other Post-Employment Benefits or OPEB) and GASB Statement 68 (GASB 68 – Net Pension Liability or NPL) through a “restricted funds” account. The District set up and initiated funding an Internal Revenue Code (IRC) Section 115 Trust

account with Public Agency Retirement Services (PARS), Irvine, CA, which incorporates separate sub-accounts for each of the District's GASB 45 (OPEB) and GASB 68 (Pension) liabilities.

In June 2018, the District implemented GASB 75, which superseded GASB 45 for disclosure and reporting of OPEB. Consistent with Board direction (provided November 14, 2016), District budgets through FY 21-22 included budget amounts to fund each of the sub-accounts (Pension and OPEB) of this trust.

Thereafter, in October 2020, the District refinanced its CalPERS NPL by issuing the 2020 Wastewater Revenue Refunding Bonds ("2020 bonds"). This debt issuance paid off the CalPERS liability of about \$6.33 million as of FY 20-21 (which was effectively structured as 7% debt) with the new 2.87% debt, saving the District about \$2.8 million in debt service, while reducing the debt term from 23 years to 18 years. Therefore, the FY 22-23 budget did not include allowances for contributions to the PARS Pension sub-account, and subject to CalPERS' investment performance, or absent new legislation, it is anticipated that budgets subsequent to FY 22-23 will not include such contributions.

Table 3: Operating Budget Expenditures 3-year Summary:

Expenditures by Department	2023-24	2024-25	2025-26	FYE 25 to FYE 26
	Adopted Budget	Adopted Budget	Proposed Budget	% Change
Collections	1,582,601	1,728,120	1,872,282	8.34%
Treatment	3,814,875	4,024,230	4,074,608	1.25%
Reclamation	666,448	703,897	746,361	6.03%
Laboratory	669,325	734,746	733,886	-0.12%
Pump Stations	1,181,259	1,253,999	1,309,166	4.40%
Administration/Engineering	3,156,329	3,525,505	3,872,898	9.85%
Solid/Household Haz. Waste	683,240	804,562	1,029,162	27.92%
Recycled Water	303,971	317,127	331,600	4.56%
Non-Departmental	1,178,159	1,263,275	1,363,306	7.92%
COVID-19 Expenses	50,000	-	-	0.00%
Subtotal Expenditures	13,286,206	14,355,460	15,333,269	6.81%
Less: Passthroughs*	(987,211)	(1,121,689)	(1,360,762)	
Total Expenditures	\$ 12,298,995	\$ 13,233,772	\$ 13,972,507	5.58%

*Passthroughs include: 1. Solid/Household Hazardous Waste (S/HHW) cost center funded by AB 939 Collector fees and Oil Grant reimbursements, and 2. Recycled Water cost center funded by cost recovery from North Marin Water District (NMWD) through NMWD's recycled water sales.

Significant budget variances between the FY 25-26 and FY 24-25 budgets are presented in Table 4.

Table 4: Operating Budget, Significant Budget Variances FY 24-25 to FY 25-26

Anticipated Budget Variances – Year-over-year		Budget Impact, \$	Variance, %	Budget Impact, %
1	Salaries and wages (across all cost centers)	26,224	6.84%	1.48
2	Contract Services (Operations & Lab)	19,185	3.76%	0.78
3	Employee Benefits (across all cost centers)	108,967	6.80%	0.71
4	Insurance	79,000	14.03%	0.52
5	Software Maintenance	78,017	158.89%	0.51
6	Outside Consulting	98,903	24.79%	0.65
7	IT/Misc. Electrical	28,975	29.20%	0.19
8	Major Repair/Repl	189,750)	-100.00%	-1.24
9	Research & Monitoring	(21,990)	-11.00%	-0.14
10	Gas & Electricity	122,034	8.45%	0.80
11	Permits & Fees	72,100	28.39%	0.47

In dollar terms, the most significant variances are to the Salaries and Wages and Employee Benefits categories and are explained by factors including the addition of a new position (Environmental Programs Manager), and projected cost-of-living increase linked to the relevant Consumer Price Index (CPI) in the current inflationary environment.

The Contract Services category also reflects projected increases in the CPI factor impacting this category. Projected increases to the Insurance category are based on estimates provided by the District's risk managers at CSRMA and are reflective of the current insurance marketplace.

Projected increases to the Software Maintenance and IT/Misc. Electrical categories are primarily from the increasing sophistication (and thereby cost) of the business and industrial software packages utilized by the District including the cost of cybersecurity products and services.

Projected increases to the Outside Consulting category are primarily from the 2025 renewal of the District's NPDES discharge permit, and expenses related to the District's Centennial Year celebrations.

The Major Repair/Replacement category of Account 61000-3 (Major Repair/Repl) has been migrated to a new account, Account No. 75805-1 (Treatment Plant Major Repair/Repl), in the Capital Improvement Budget to better address cost capitalizations within this category.

The decrease in Research and Monitoring costs is primarily from completion of a major laboratory testing efforts on the District's NPDES renewal process in FY 24-25. Increases in power prices are projected to continue to rise at or over the relevant CPI rates. And finally, the number of required operating permits from regulatory agencies (for e.g. Regional Water Board and Bay Area Air District) as well as permit fees are estimated to increase significantly.

C. FISCAL YEAR FY 25-26 CAPITAL BUDGET DETAILS

Capital Revenues

The proposed FY 25-26 Capital Budget by Revenue source is shown in Table 5, along with the figures for the past two fiscal years. Total capital revenues for FY 25-26 are expected to increase by 3.30 percent or \$415,532 from FY 24-25. Notable items include:

Capital SSC Revenues budgeted increase of 4.74 percent or \$438,949, from the FY 25-26 rate increase.

Property Taxes projected decrease of 2.44 percent or \$57,178 from estimates provided by Marin County.

Connection Charges projected increase of about 3.05 percent or \$16,800, assuming about 40 new connections per year consistent with the District's most recent Capacity Fee Study.

Interest Income budgeted to increase by 4.23 percent or \$16,961 from conservative interest rate projections.

Grant Revenue – No new grant monies are anticipated at this time through FY 25-27, although the District continues to actively seek such funds. Prior grant amounts received from the California Public Utility Commission's (CPUC) Self-Generation Incentive Program (SGIP) have been expended on the District's 754 KW-hr battery storage system.

Table 5: Capital Budget Revenue 3-year Summary

Funding Sources by Category	2023-24	2024-25	2025-26	FYE 25 to FYE 26
	Adopted Budget	Adopted Budget	Proposed Budget	% Change
Capital Sewer Service Charges	8,897,768	9,268,977	9,707,926	4.74%
Property Taxes	2,002,459	2,340,452	2,283,274	-2.44%
Redevelopment Agency	0	0	0	
Connection Charges	535,200	551,600	568,400	3.05%
Special Equalization Chgs	1,000	1,000	1,000	0.00%
Interest Income	408,498	400,926	417,888	4.23%
Other Revenue	20,000	20,000	20,000	0.00%
Grant Revenue	282,000	0	0	0.00%
Total Capital Revenues	\$ 12,146,925	\$ 12,582,955	\$ 12,998,487	3.30%

Capital Expenditures

The proposed FY 25-26 Capital Improvement Program (CIP) Budget is budgeted to increase by 19.75 percent or \$3,701,700 between FY 24-25 and FY25-26.

Consistent with the District's budgeting history, FY 25-26 capital projects are funded through a combination of SSCs, property taxes, connection fees, and budgeted Capital fund carryovers from prior years. Notable items include:

On-going major capital project work, including Collection System Improvements, Pump Station Rehabilitation Projects, potential Cogeneration/Alternative Energy Projects, and vehicle replacements.

Continuing work on regional efforts including recycled water projects through the North Bay Water Reuse Authority (NBWRA); Novato Creek Watershed projects with the County of Marin; and with the State Coastal Conservancy (SCC) on the District's Outfall pipeline in the Hamilton Wetlands area.

Debt service of \$6,507,850 including principal and interest payments on the District's 2017 Revenue Refunding Bonds and 2019 Revenue Bonds.

Table 6 shows summary Capital Debt Service and Capital Project Costs for three fiscal years.

Table 6: Capital Budget Expenditures, 3-year Summary

Capital Expenditures	2023-24	2024-25	2025-26	FYE 25 to FYE 26
	Adopted Budget	Adopted Budget	Proposed Budget	% Change
Capital Projects	13,780,000	12,233,000	15,932,700	30.24%
Debt Service	6,507,850	6,505,850	6,507,850	0.03%
Total Capital Expenditures	\$ 20,287,850	\$ 18,738,850	\$ 22,440,550	19.75%

Debt Coverage Ratio (DCR): In the 2011 Certificates of Participation (COPs) Installment Sale Agreement, the District agreed to collect rates and charges each fiscal year that would be sufficient to yield net revenues equal to at least 120 percent of the installment payments on the COPs and all parity debt in the fiscal year or achieve a minimum target DCR of 1.20.

In October 2017, the District retired the 2011 COPs by issuing the 2017 Revenue Refunding Bonds ("2017 bonds") without extending the term of the original loan, thereby saving the District over \$2 million in debt service.

In August 2019, the District refinanced the State of California Clean Water Revolving Fund loan by issuing its 2019 Wastewater Revenue Refinancing Bonds ("2019 bonds"), again without extending the original loan term, saving the District about \$3.2 million in debt service.

While neither the 2017 Revenue Refunding Bonds, the 2019 Revenue Refinancing Bonds, (or the 2020 Wastewater Revenue Refunding Bonds discussed on page iii of this letter), require disclosure of the DCR, the District has elected to continue doing so to comport with generally accepted accounting "best practices". Accordingly, the District's projected DCR of 2.00 for FY 25-26 serves as its commitment to "best practices" and demonstrates its continuing financial prudence and stability.

D. STANDARD & POORS GLOBAL RATING (S&P GLOBAL RATING)

The major portion of the District's publicly issued non-taxable debt (i.e., the 2017 and 2019 bonds) continue to carry "AAA" ratings from Standard and Poors Global Rating (S&P Global Rating), which is the rating agency's highest possible rating designation.

The 2020 bonds are a taxable, private issuance to California Bank and Trust (a unit of Zion's Bank Corp.), and although an unrated issuance, achieved a favorable interest rate to the District given its other "AAA" rated debt.

At this time, the District does not anticipate any change to its "AAA" rating in the FY 25-27 period, relative to factors such as PSPS events, or broader financial market events.

E. COMPARISON OF ANNUAL SEWER SERVICE CHARGES LEVIED BY NEIGHBORING AGENCIES

The following table (Table 7) compares the District's rate with those of other nearby municipal agencies that provide wastewater services (comparative agencies) in Marin County and the North Bay region.

Needless to say, the District's rates continue to compare very favorably against the rates of the comparative agencies, as has historically been the case.

For illustrative purposes, Figure 5 (following this letter) also compares the District's SSC changes relative to changes in the Consumer Price Index (CPI) for the Water and Sewer Services industry for the last ten years.

Table 7: Comparative Rates of Annual Sewer Service Charges

AGENCY	RATE(\$/yr.)
Sanitary District No. 5 - Belvedere	\$2,237
Sanitary District No. 5 - Tiburon	\$2,237
Sanitary District No. 1 - City of Larkspur	\$1,844
City of Mill Valley	\$1,595
Tamalpais Community Services District	\$1,584
Las Gallinas Valley Sanitary District	\$1,492
Ross Valley Sanitary District (SD#1)	\$1,288
Vallejo Sanitation & Flood Control District	\$1,272
City of Santa Rosa	\$1,260
City of Petaluma	\$1,087
Sausalito-Marin City Sanitary District	\$1,053
City of San Rafael	\$1,012
Sanitary District No. 2 - Town of Corte Madera	\$906
Napa Sanitation District	\$739
NOVATO SANITARY DISTRICT	\$729

Notes: All charges for FY 25-26 (proposed or adopted) unless otherwise noted

In conclusion, the proposed FY 25-26 budget will be able to accomplish the District's commitments to achieving the key goals set forth in its Strategic Plan while maintaining reasonable rates for its customers.

Sincerely,

SANDEEP KARKAL, P.E.
General Manager-Chief Engineer

LAURA CREAMER, CPA
Interim Finance Manager

Additional Charts for Informational Purposes:

Figure 1:

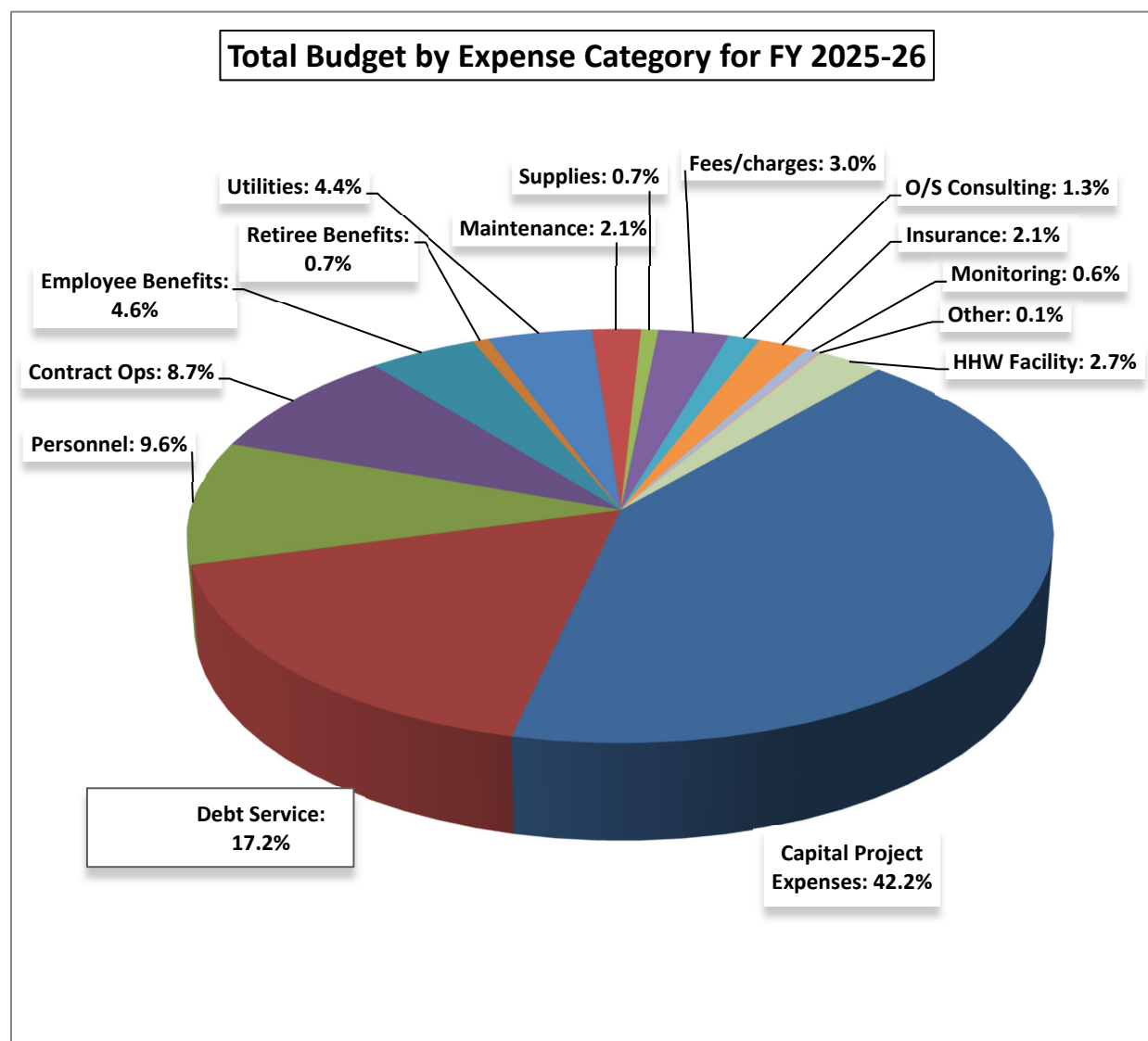


Figure 2:

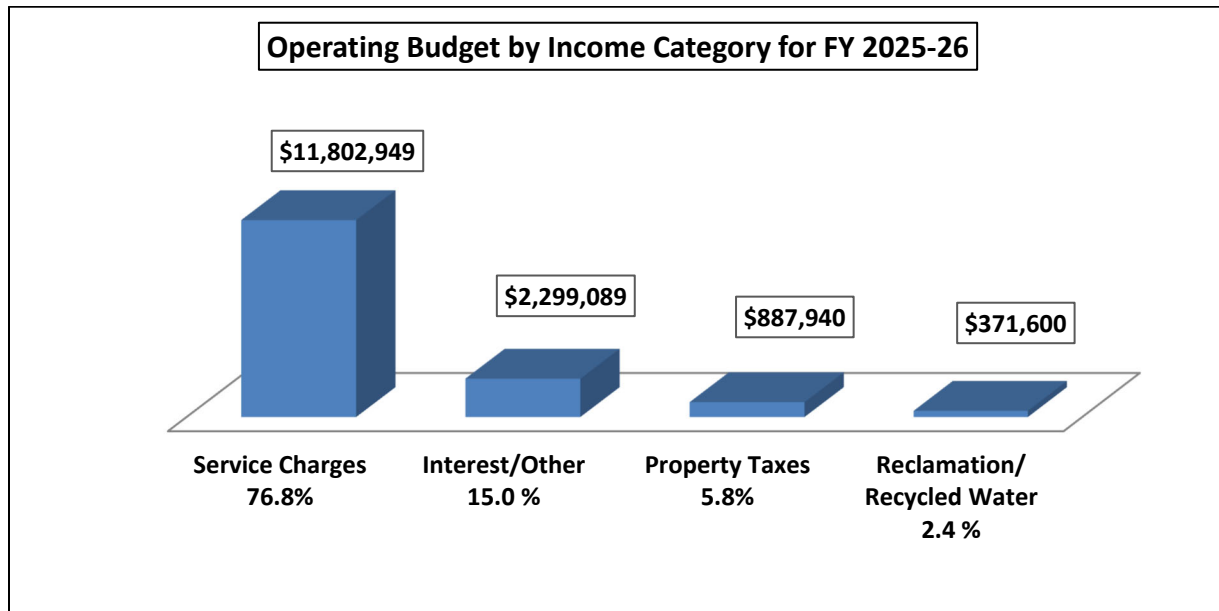


Figure 3:

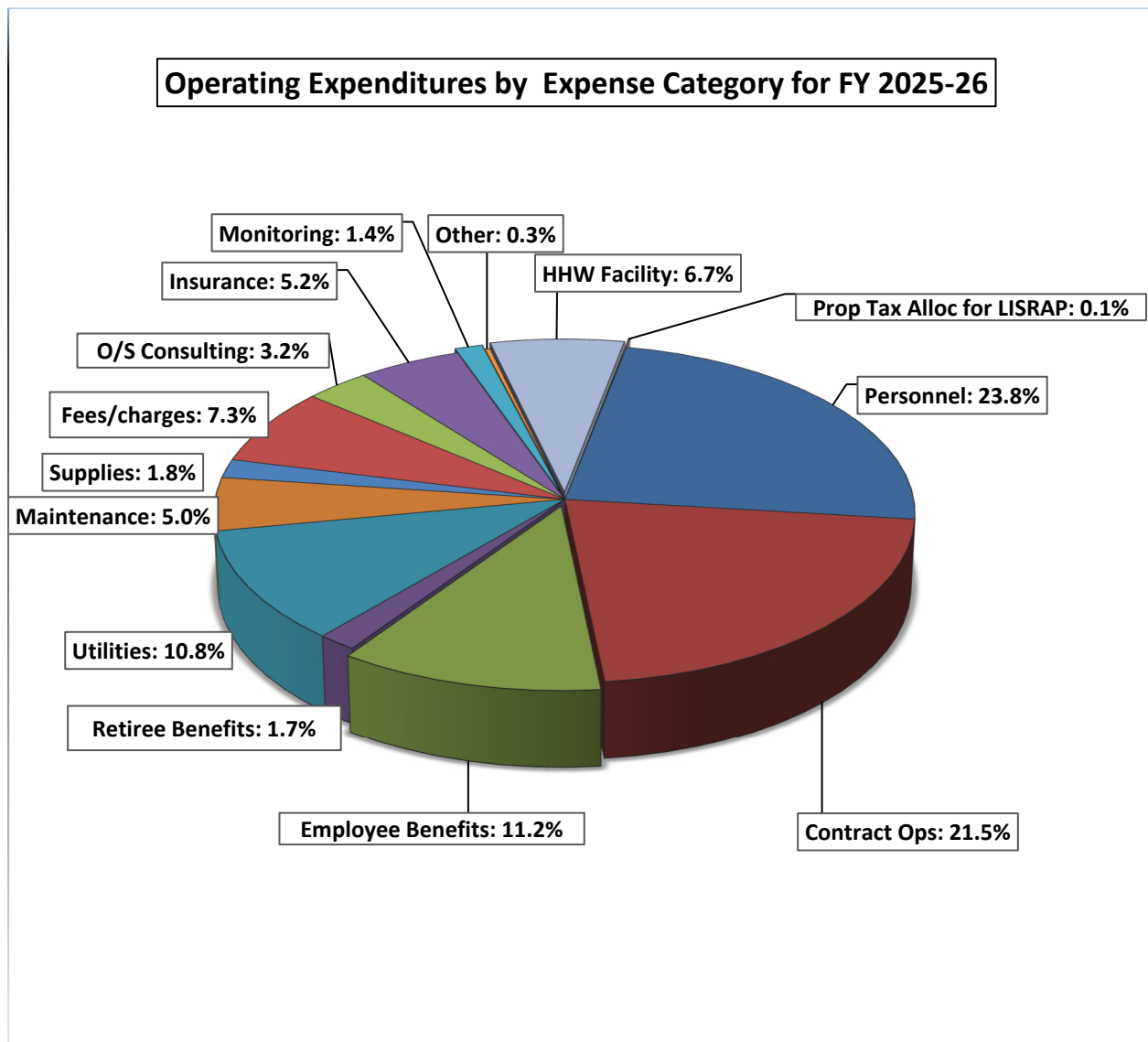


Figure 4:

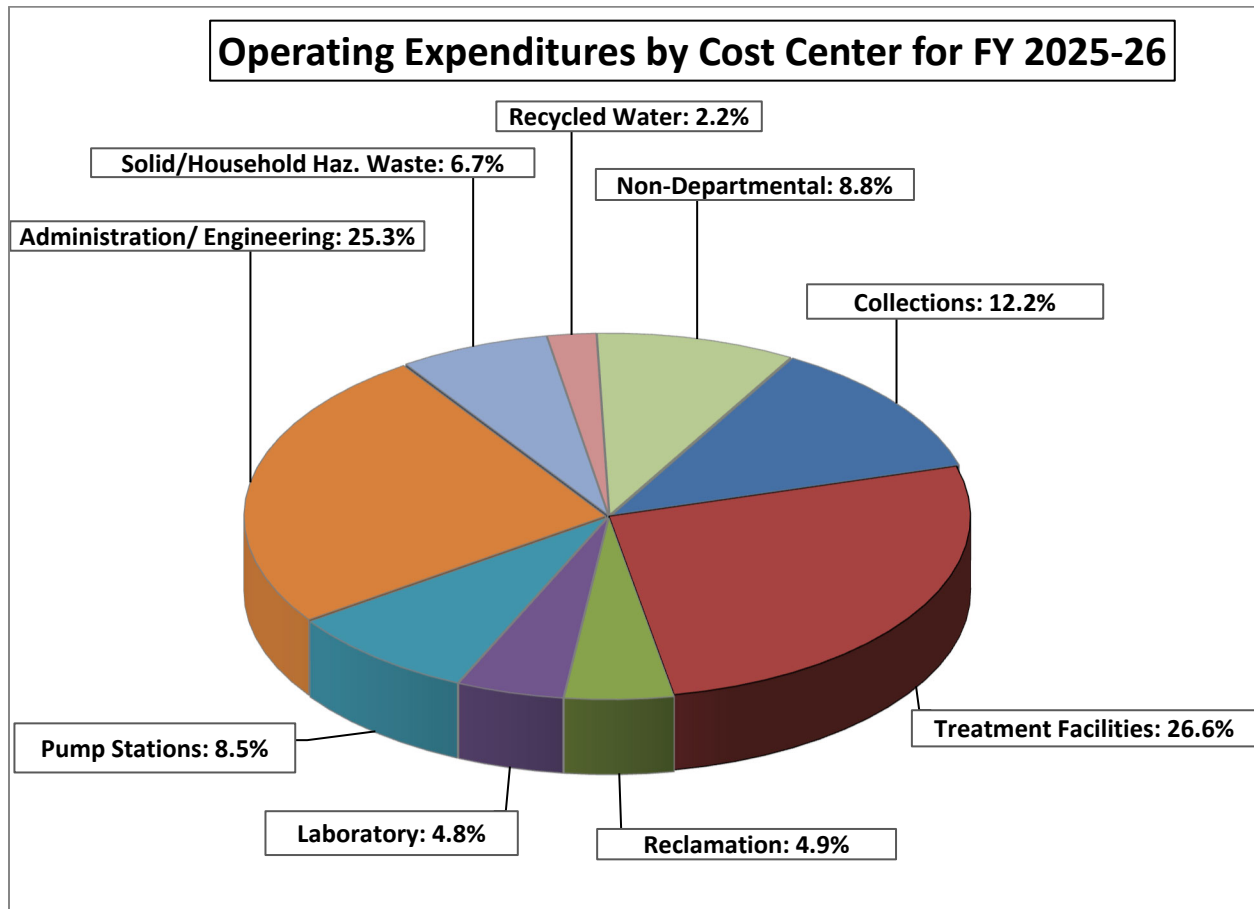
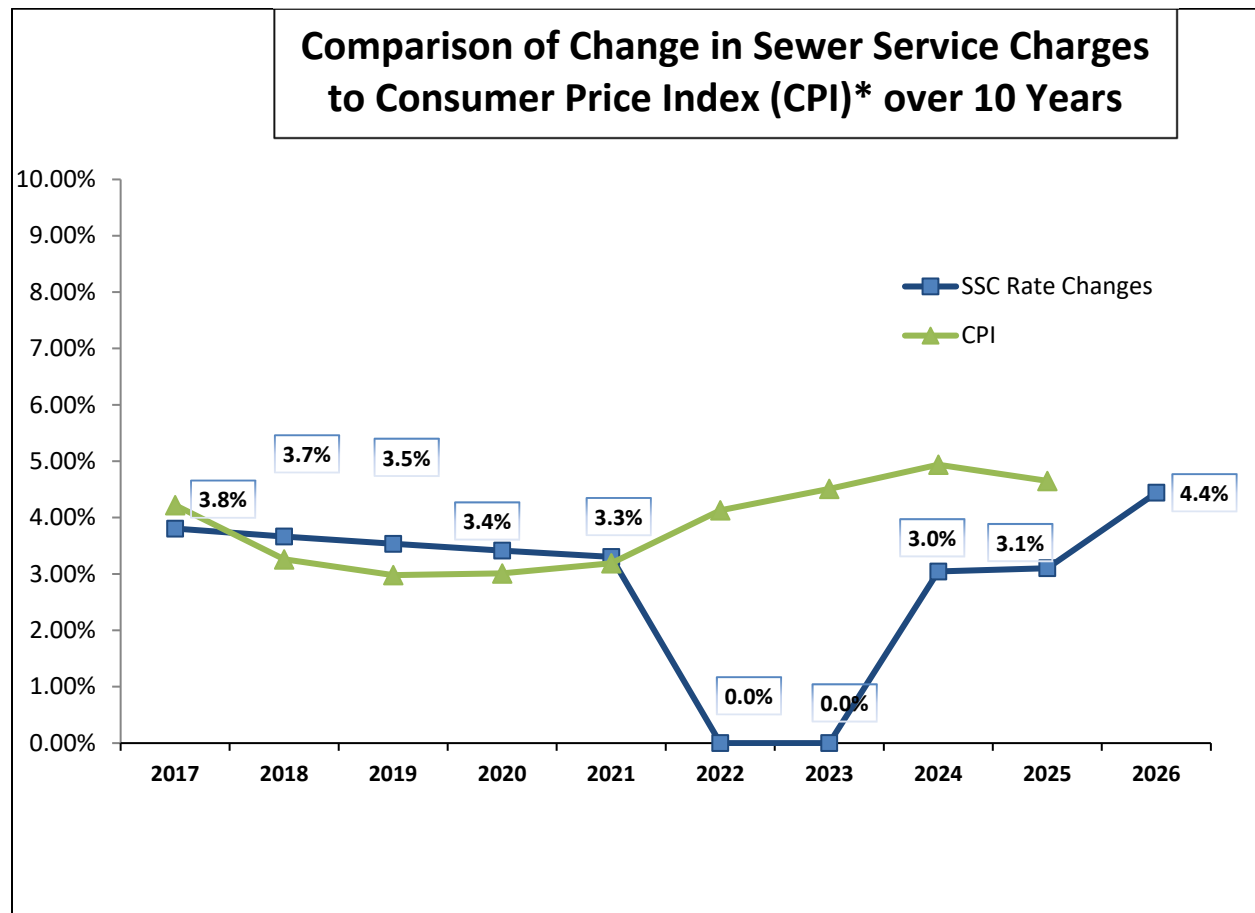


Figure 5:



*CPI – Bureau of Labor Statistics – Series Id: CUUR0000SEHG01; Not Seasonally Adjusted; U.S. city average; Water and sewerage maintenance; Base Period: 1982-84=100

SECTION I

SUMMARY OF FUND BALANCES

**Novato Sanitary District
2025-2027 Final Budget
Summary of Fund Balances**

	Adopted Budget 2024-25	Actual Rev/Exp 2024-25⁽⁵⁾	Final Budget 2025-26	Preliminary Budget 2026-27
A. Operating Fund				
Starting Balances at Beginning of Each Year	13,188,262	13,188,262	13,541,501	12,007,481
Operating Revenue (p. 4)	14,376,183	15,011,265	15,361,540	15,666,180
Operating Expenditures (p. 5)	14,355,460	13,097,550	15,333,269	15,646,453
Net Operating Revenue	20,723	1,913,715	28,271	19,727
Operating Fund Balances before transfers at Year End	13,208,985	15,101,977	13,569,772	12,027,208
Transfers Out - to OPEB ⁽¹⁾ Trust Fund	0	0	0	0
Transfers Out - to Rate Stabilization Fund (RSF)	60,476	60,476	62,291	64,159
Transfers Out - to Capital Improvement Fund	1,500,000	1,500,000	1,500,000	1,500,000
Available Operating Fund Balances after transfers at the End of Each Year	11,648,509	13,541,501	12,007,481	10,463,049
B. Capital Improvement Fund				
Starting Balances - Beginning of Each Year	23,596,411	23,596,411	26,525,223	18,183,141
Capital Revenue (p. 19)	12,582,955	13,700,985	12,998,468	13,345,113
Transfers In ⁽²⁾	1,500,000	1,500,000	1,500,000	1,500,000
Total Capital Revenue and Fund Transfers	14,082,955	15,200,985	14,498,468	14,845,113
Capital Expenditures ⁽³⁾ (p. 20)	12,233,000	5,366,323	15,932,700	15,512,208
Debt Service (p. 20 & 33)	6,505,850	6,505,850	6,507,850	6,503,100
Transfers Out ⁽⁴⁾	400,000	400,000	400,000	400,000
Total Capital Expenditures and Fund Transfers	19,138,850	12,272,173	22,840,550	22,415,308
Available Capital Improvement Fund Balances after transfers at the End of Each Year	18,540,517	26,525,223	18,183,141	10,612,947
Available Fund Balances at the End of Each Year	30,189,026	40,066,724	30,190,622	21,075,996
C. Wastewater Capital Reserve Fund (WCRF)				
Restricted Fund Balance at the End of Each Year (p. 29)	2,449,653	2,449,653	2,849,653	3,249,653
D. Rate Stabilization Fund (RSF)				
Restricted Fund Balance at the End of Each Year (p. 31)	2,076,351	2,076,351	2,138,641	2,202,800
Restricted Fund Balances at the End of Each Year	4,526,004	4,526,004	4,988,294	5,452,453

Comments:

⁽¹⁾ OPEB - Other Post-Employment Benefits.

⁽²⁾ From Operating Fund Balances.

⁽³⁾ Includes Capital Expenditure Commitments/Encumbrances from FY 24-25 into FY 25-26.

⁽⁴⁾ To Wastewater Capital Reserve Fund.

⁽⁵⁾ Reflects unaudited balances prior to final reconciliation of accounts, consistent with Generally Accepted Accounting Principles (GAAP).

SECTION II

OPERATING BUDGET SUMMARY SCHEDULES

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Summary of Revenues**

Operating Revenue Center - 41000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Revenue 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
41010 · Sewer Service Charges ⁽¹⁾	10,917,327	11,335,309	11,413,526	11,659,046	11,802,949	12,348,597
41015 · Property Tax allocation ⁽²⁾	667,486	780,151	652,368	950,504	887,940	896,819
41030 · Plan Check & Inspection Fee	500	500	40	500	500	500
41040 · Permit & Inspection Fee	6,000	6,000	8,407	6,000	6,000	6,000
41060 · Interest Income ⁽³⁾	612,747	801,852	1,320,824	653,963	835,775	647,634
41080 · Engineering & Admin Charges	165,000	165,000	328,810	165,000	300,000	300,000
41090 · Non-domestic Permit Fees ⁽⁴⁾	30,000	30,000	84,497	30,000	30,000	30,000
41100 · Garbage Franchise Fees	63,977	65,682	65,682	67,652	67,652	69,682
41105 · AB 939 Collector Fees	598,600	697,870	697,870	775,500	882,002	948,655
41107 · Oil Grant/JPA Reimb ⁽⁵⁾	59,650	7,508	7,533	7,000	7,000	7,000
41108 · SB1383 Grant (CalRecycle)	0	99,184	0	122,591	140,160	0
41108 · SB1383 Grant (County JPA)	0	0	0	0	0	0
41130 · Ranch Income	40,000	40,000	100,090	40,000	40,000	40,000
41135 · Recycled Water Revenue	303,971	317,127	284,110	328,225	331,600	341,331
41140 · Other Revenue ⁽⁶⁾	20,000	20,000	47,507	20,000	20,000	20,000
41142 · Gain/Loss-disposal of assets	10,000	10,000	0	10,000	10,000	10,000
Totals	13,495,259	14,376,183	15,011,265	14,835,980	15,361,578	15,666,218

Comments:

(1) Sewer Service Charge (SCC) revenue for FY 25-26 is based on rates set by Board Resolution No. 3200 adopted April 14, 2025 with an avg. SSC of \$729/EDU, split between operating (\$400) and capital (\$329).

SSC revenue for FY 26-27 is based on provisions of Ordinance No. 123: An Ordinance of the Novato Sanitary District. Establishing Sewer Service Charges for Fiscal Years 2022-23, 2023-24, 2024-25, 2025-26, and 2026-27. For FY 26-27, the avg. SSC is assumed to be \$762/EDU, split between operating (\$419) and capital (\$343).

(2) Projections based on estimates provided by Marin County, actual FY 24-25 property tax revenue escalated by 1% per year for each of FY 25-26 and FY 26-27, and Excess ERAF (Educational Revenue Augmentation Fund) allocations subvented back to the District. These projections are then allocated between operating (28%) and capital (72%) in each of FY 25-26 and FY 26-27 (note this split was 25%/75% in FY 24-25). Excess ERAF allocations subvented back to the District were not included in the FY 23-24 and FY 24-25 budgets, but are now included in the FY 25-27 budgets as estimated from the prior three years of actual excess ERAF allocations received by the District.

(3) Projected based on current trends in LAIF (Local Agency Investment Fund) rates, and yields on the District's portfolio of US Treasury securities.

(4) Includes application fees, permits and monitoring charges.

(5) Oil grant only in each of FY 25-27.

(6) Other revenue includes septic tank hauling fees, and miscellaneous revenue.

APPROPRIATIONS LIMIT

The appropriations limit, pursuant to Article XIII B of the California Constitution, is determined to be \$7,717,790 for FY 25-26.

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Summary of Expenditures**

Operating Cost Center	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
60000 · Collections	1,582,601	1,728,120	1,378,775	1,712,858	1,872,282	1,917,905
61000 · Treatment Facilities	3,814,875	4,024,230	3,894,293	4,214,248	4,074,608	4,270,944
63000 · Reclamation	666,448	703,897	666,574	734,251	746,361	778,741
64000 · Laboratory	669,325	734,746	694,518	733,952	733,886	764,018
65000 · Pump Stations	1,181,259	1,253,999	1,119,631	1,298,976	1,309,166	1,368,268
66000 · Administration/Engineering	3,156,329	3,525,505	3,356,745	3,569,727	3,872,898	3,861,291
67000 · Solid/Household Haz. Waste	683,240	804,562	726,794	905,091	1,029,162	955,655
68000 · Recycled Water	303,971	317,127	284,110	328,225	331,600	341,331
69000 · Non-Departmental*	1,178,159	1,263,275	976,110	1,322,907	1,363,306	1,388,300
69300 · COVID-19 Expenses	50,000	0	0	0	0	0
TOTALS	13,286,206	14,355,460	13,097,550	14,820,234	15,333,269	15,646,453

Comments:

*District-wide allocations

Novato Sanitary District
2025-2027 Final Budget
Operating Budget: By Cost Center and Account Category for FY 25-26

	Cost Centers												Over/ Under PY	% Over/ Under PY
	Treatment			Pump	Collection		S/HHW	Recycled	Non-	COVID-19		As Percent		
Expense Categories	Facilities	Recl	Lab	Stations	System	A-E	Program	Water	Departmental	Impact	Total	of Budget	Budget	Budget
Salaries and Wages		136,242		480,881	849,749	2,067,810					3,534,682	23.05%	226,224	6.84%
Contract Services (Operations & Lab)	2,744,023		475,186					72,000			3,291,209	21.46%	119,185	3.76%
Employee Benefits		55,719		256,588	474,813	924,417					1,711,537	11.16%	108,967	6.80%
Retiree Health Benefits									254,306		254,306	1.66%	12,031	4.97%
Pension Expense(Trust)									0		-	0.00%	-	0.00%
Directors' Fees						23,400					23,400	0.15%	-	0.00%
Election Expense									35,000		35,000	0.23%	-	0.00%
Gasoline, Oil & Fuel		1,700	500	8,000	23,000	4,000					37,200	0.24%	-	0.00%
Insurance	14,000								628,000		642,000	4.19%	79,000	14.03%
Ins Claims Expense									150,000		150,000	0.98%	-	0.00%
Agency Dues									76,000		76,000	0.50%	(2,000)	-2.56%
Memberships/Certifications									18,000		18,000	0.12%	-	0.00%
Office Expense						22,000					22,000	0.14%	-	0.00%
Safety		1,000	1,000	5,000	6,500	3,300					16,800	0.11%	-	0.00%
Software Maint		2,100	1,700	14,397	83,920	25,000					127,117	0.83%	78,017	158.89%
Operating Supplies		3,000	24,000	11,550	26,000	5,000		6,600			76,150	0.50%	1,888	2.54%
Operating Chemicals								120,000			120,000	0.78%	7,789	6.94%
Sludge Disposal-Contractual		260,000									260,000	1.70%	-	0.00%
Accounting & Auditing						60,800					60,800	0.40%	1,800	3.05%
Attorney									35,000		35,000	0.23%	-	0.00%
Outside Consulting						497,871					497,871	3.25%	98,903	24.79%
IT/Misc. Electrical						128,200					128,200	0.84%	28,975	29.20%
Safety & Wellness Incentive Program									10,000		10,000	0.07%	-	0.00%
Printing & Publication									5,000		5,000	0.03%	-	0.00%
Repairs & Maintenance		85,000	17,500	141,750	84,000	95,000		49,000			472,250	3.08%	15,035	3.29%
PSPS Costs				25,000							25,000	0.16%	(20,000)	-44.44%
Major Repair/Repl.	-										-	0.00%	(189,750)	-100.00%
Small Tools		500		2,000	2,000						4,500	0.03%	-	0.00%
Outside Services				110,000	190,000						300,000	1.96%	5,000	1.69%
Ditch/Dike Maintenance		20,000									20,000	0.13%	-	0.00%
Research & Monitoring			164,000					14,000			178,000	1.16%	(21,990)	-11.00%
Travel, Mtgs & Train.									75,000		75,000	0.49%	10,000	15.38%
Pollution Prevention/Pub. Ed.			35,000								35,000	0.23%	-	0.00%
Gas & Electricity	1,156,585	150,000		189,000				70,000			1,565,585	10.21%	122,034	8.45%
Water		5,000		11,000	10,000						26,000	0.17%	-	0.00%
Telephone				46,000	4,000	16,100					66,100	0.43%	-	0.00%
Other/Operational Assistance					1,300						1,300	0.01%	-	0.00%
Permits & Fees	160,000	26,100	15,000	8,000	117,000			0			326,100	2.13%	72,100	28.39%
Co. Collection Fees									67,000		67,000	0.44%	-	0.00%
Ser. Chg. System Exp									0		-	0.00%	-	0.00%
Property Tax allocation (LISRAP/SSCs)									10,000		10,000	0.07%	-	0.00%
COVID-19 Impact										0	-	0.00%	-	0.00%
AB 939 Solid Waste Programs							1,029,162				1,029,162	6.71%	224,601	27.92%
Subtotal before Pass through expenses	4,074,608	746,361	733,886	1,309,166	1,872,282	3,872,898	1,029,162	331,600	1,363,306	0	15,333,269	100.00%	977,809	6.81%
Pass through expenses							(1,029,162)	(331,600)			(1,360,762)	-9.74%	(239,074)	
Total	4,074,609	746,361	733,886	1,309,166	1,872,282	3,872,898	0	0	1,363,306	0	13,972,507	90.26%	738,735	5.58%
	29.16%	5.34%	5.25%	9.37%	13.40%	27.72%	0.00%	0.00%	9.77%	0.00%	100.00%			

SECTION III

OPERATING BUDGET By Cost Center and Account Category

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Collections**

Collections Cost Center - 60000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
60010 · Salaries & Wages	794,975	825,265	666,091	863,103	849,749	885,240
60020 · Employee Benefits	381,826	412,555	373,298	411,330	474,813	494,477
60060 · Gas, Oil & Fuel	23,000	23,000	22,126	24,150	23,000	24,150
60085 · Safety	6,500	6,500	7,113	6,500	6,500	6,500
60091 · Software Maint	26,000	37,500	24,516	39,375	83,920	87,238
60100 · Operating Supplies	26,000	26,000	25,704	27,300	26,000	27,300
60150 · Repairs & Maint	80,000	80,000	85,203	84,000	84,000	88,200
60152 · Small Tools	2,000	2,000	1,136	2,000	2,000	2,000
60153 · Outside Services	120,000	190,000	112,222	125,000	190,000	140,000
60192 · Water	10,000	10,000	6,980	10,500	10,000	10,500
60193 · Telephone	3,000	4,000	2,973	5,000	4,000	4,000
60200 · Other (Garbage Coll)	1,300	1,300	0	1,300	1,300	1,300
60201 · Permits & Fees	108,000	110,000	51,413	113,300	117,000	147,000
	1,582,601	1,728,120	1,378,775	1,712,858	1,872,282	1,917,905

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Treatment Facilities**

Treatment Facilities Cost Center - 61000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
61000-1 · Fixed Fee ⁽¹⁾	2,546,790	2,643,568	2,643,568	2,728,162	2,744,023	2,831,832
61000-2 · Insurance & Bonds	14,000	15,000	14,135	15,000	14,000	14,000
61000-3 · Major Repair/Repl ⁽²⁾	172,500	189,750	113,914	199,000	0	0
61000-4 · Water/Permits/Phone	90,000	105,000	136,485	115,500	160,000	176,000
61000-5 · Gas & Electricity ⁽³⁾	991,585	1,070,912	986,191	1,156,585	1,156,585	1,249,112
	3,814,875	4,024,230	3,894,293	4,214,248	4,074,608	4,270,944

Comments:

- ⁽¹⁾ Fixed fee - escalated by Consumer Price Index (CPI) as allowed by contract, where the CPI factor is based on the CPI as published by the US Bureau of Labor Statistics, Series ID: CUURS49BSA0 (April-to-April).
- FY 25-26: \$2,643,568 * 1.038 = 2,744,023 (based on estimated April-to-April CPI of 3.8%)
- FY 26-27: \$2,744,023 * 1.032 = \$2,831,832 (based on an assumed April-to-April CPI of 3.2%)
- ⁽²⁾ Beginning FY 25-27, expenditures in Account No. 61000-3 are migrated to Account No. 72805-1 to better address cost capitalizations within this category.
- ⁽³⁾ Assumes 8% increase for purchased utility power in each of FY 25-26 & FY 26-27 over FY 24-25 budgeted amount.

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Reclamation**

Reclamation Cost Center - 63000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
63010 · Salaries & Wages	128,185	130,493	130,368	135,157	136,242	141,146
63020 · Employee Benefits	45,663	50,204	44,405	49,734	55,719	56,430
63060 · Gasoline & Oil	1,600	1,700	1,635	1,785	1,700	1,785
63085 · Safety	1,000	1,000	-	1,050	1,000	1,000
63091 · Software Maint	2,000	2,000	1,930	2,100	2,100	2,205
63100 · Operating Supplies	3,000	3,000	1,126	3,150	3,000	3,150
63115 · Sludge Disposal	270,000	260,000	215,325	273,000	260,000	273,000
63150 · Repairs & Maint	65,000	85,000	84,857	89,250	85,000	89,250
63152 · Small Tools	500	500	101	525	500	525
63157 · Ditch/Dike Maint	11,500	20,000	4,608	21,000	20,000	21,000
63191 · Gas & Electricity	106,000	125,000	155,306	131,250	150,000	157,500
63192 · Water	5,000	5,000	218	5,250	5,000	5,250
63201 · Permits & Fees	27,000	20,000	26,695	21,000	26,100	26,500
	666,448	703,897	666,574	734,251	746,361	778,741

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Laboratory**

Laboratory Cost Center - 64000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
64010 · Contract Lab Services ⁽¹⁾	442,325	460,146	460,377	478,552	475,186	494,193
64060 · Gasoline & Oil	500	500	122	500	500	500
64085 · Safety	1,000	1,000	0	1,000	1,000	1,000
64091 · Software Maintenance	1,500	1,600	1,625	1,700	1,700	1,800
64100 · Operating Supplies	22,000	23,000	16,528	24,150	24,000	25,200
64150 · Repairs & Maintenance	16,000	17,000	8,895	17,500	17,500	18,375
64160 · Research & Monitoring	142,000	185,500	162,353	164,000	164,000	172,200
64170 · Pollution Prev/Public Ed	35,000	35,000	32,858	35,000	35,000	35,000
64201 · Permits & Fees	9,000	11,000	11,760	11,550	15,000	15,750
	669,325	734,746	694,518	733,952	733,886	764,018

Comments:

⁽¹⁾ Includes fees and charges paid for contract laboratory and environmental services provided by Veolia Water and North Marin Water District (NMWD). FY 25-26 budget amount includes a CPI-based fee increase of 3.8% (Veolia), and \$18K (NMWD).

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Pump Stations**

Pump Stations Cost Center - 65000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
65010 · Salaries & Wages	454,025	465,090	412,021	484,330	480,881	500,977
65020 · Employee Benefits	206,734	224,909	202,915	225,446	256,588	267,359
65060 · Gasoline & Oil	8,000	8,000	7,696	8,400	8,000	8,400
65085 · Safety	5,000	5,000	4,148	5,000	5,000	5,000
65091 · Software Maintenance	8,000	8,000	10,343	8,000	14,397	15,117
65100 · Operating Supplies	11,000	11,000	22,714	11,550	11,550	12,128
65150 · Repairs & Maintenance	130,000	135,000	135,317	141,750	141,750	148,838
65152 · Small Tools	2,000	2,000	645	2,000	2,000	2,000
65153 · Outside Services	105,000	105,000	94,449	110,250	110,000	115,500
65191 · Gas & Electricity	145,000	180,000	178,844	189,000	189,000	198,450
65192 · Water	7,500	11,000	9,864	11,550	11,000	11,550
65193 · Telephone	46,000	46,000	31,562	48,300	46,000	48,300
65201 · Permits & Fees	8,000	8,000	9,113	8,400	8,000	8,400
65301 · PSPS impacts ⁽¹⁾	45,000	45,000	0	45,000	25,000	26,250
	1,181,259	1,253,999	1,119,631	1,298,976	1,309,166	1,368,268

Comments:

⁽¹⁾ Allowance for impacts from PG&E related Public Safety Power Shutdowns (PSPS) events.

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Administration and Engineering**

Administration and Engineering Cost Center - 66000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
66010 · Salaries & Wages	1,705,279	1,887,610	1,864,506	1,995,738	2,067,810	2,175,520
66020 · Employee Benefits	795,429	914,902	847,798	906,281	924,417	934,423
66030 · Director's Fees	23,400	23,400	17,100	23,400	23,400	23,400
66060 · Gasoline & Oil	4,000	4,000	3,904	4,400	4,000	4,400
66085 · Safety	3,300	3,300	3,141	3,500	3,300	3,500
66090 · Office Expense	22,000	22,000	25,032	22,000	22,000	22,000
66091 · Software Maint	0	0	0	0	25,000	40,000
66100 · Admin/Engineering Supplies	5,000	5,000	1,417	5,000	5,000	5,000
66121 · Accounting & Auditing	56,700	59,000	50,930	62,400	60,800	64,000
66123 · O/S Contractual	344,607	398,968	347,803	329,317	497,871	334,598
66124 · IT/Misc Electrical	94,500	99,225	92,755	104,186	128,200	140,000
66150 · Repairs & Maintenance	87,500	92,000	87,631	96,600	95,000	97,850
66193 · Telephone	14,614	16,100	14,728	16,905	16,100	16,600
	3,156,329	3,525,505	3,356,745	3,569,727	3,872,898	3,861,291

**Novato Sanitary District
2025-2027 Final Budget
Personnel Detail**

FTE	Position	Cost Center	Pay Range	Salaries 2025-26	Salaries 2026-27
1.00	General Manager-Chief Engineer	A/E		323,652	333,362
1.00	Deputy General Manager	A/E	MC122.5	254,580	262,217
1.00	General Counsel/Admin Services Manager	A/E	MC121	235,605	254,453
1.00	Field Services Manager	.25AE/.25CS/.25PS/.25R	MC119	214,548	220,984
1.00	Capital Projects Manager	.65AE/.25PS/.10Rec	MC115	156,294	168,798
0.26	Project Manager ⁽¹⁾	A/E	MC119	55,701	57,372
1.00	Admin Services Analyst II	A/E	MC 109.5	115,702	124,958
1.00	Admin. Services Tech	A/E	MC104	88,086	95,133
1.00	Finance Manager	A/E	MC117	185,340	190,900
0.43	Interim Finance Manager ⁽¹⁾	A/E	MC117	74,140	76,364
1.00	Staff Engineer	.5A/E/.5CS	47	145,212	149,568
1.00	Information Tech & Security Officer	A/E	MC116.5	183,940	198,655
1.00	Construction Inspector II	A/E	44.5	107,985	116,624
1.00	Information System Specialist II	.5A/E/.5CS	43.5	100,752	108,812
1.00	Environmental Programs Manager	Solid/HHW	MC115	148,848	160,756
1.00	Electrical/Instrumentation Tech	.34A/E/.33PS/.33Rec	46.5	141,756	146,009
1.00	Collection System Superintendent	.67CS/.33PS	MC115	176,508	181,803
1.00	Collection System Leadworker	.67CS/.33PS	47	145,212	149,568
3.00	Collection System Worker II	.67CS/.33PS	40.5	286,851	300,159
3.00	Collection System Worker I	.67CS/.33PS	38.5	275,802	289,896
0.23	Admin Intern	A/E	N/A	7,200	7,200
0.23	Engineering Aide - temp	A/E	N/A	8,640	8,640
0.20	Electrician ⁽¹⁾	.25AE/.25PS/.50Rec	N/A	28,658	29,518
	Allowance for Overtime	.67CS/.33PS		27,583	28,410
	Allowance for Overtime	A/E		5,305	5,464
	Allowance for Standby Duty Pay	.67CS/.33PS		38,100	39,243
	Adjustment for CMSA Reimbursement ⁽²⁾	A/E		-	-
	Subtotal			3,532,000	3,704,867
	Allowance for salary adjustments (including COLA)			158,227	166,006
23.35	Total			3,690,227	3,870,873

				2025-26	2026-27
11.04	Administration and Engineering (A/E)	48%		2,067,810	2,175,520
1.00	Solid/HHW	4%		155,546	167,990
6.61	Collection System (CS)	29%		849,749	885,240
3.52	Pump Stations (PS)	15%		480,881	500,977
0.78	Reclamation Facilities (Rec)	3%		136,242	141,146
22.95	Total	100%		3,690,227	3,870,873

⁽¹⁾ Part-time position.

⁽²⁾ A portion of the compensation for this position is reimbursed by the Central Marin Sanitation Agency (CMSA) under the Joint Safety Program between CMSA and the District.

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Solid/Household Hazardous Waste**

Solid/HHW Cost Center - 67000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
67010 · Salaries & Wages⁽¹⁾	0	0	71,760	0	155,546	167,990
67020 · Employee Benefits⁽¹⁾	0	0	15,228	0	82,056	87,133
67400 · Management Services⁽²⁾	163,250	152,870	68,040	203,000	55,000	60,500
67500 · Household Haz. Waste	450,000	505,000	456,279	530,000	545,400	589,032
67530 · Used Oil Grant	7,000	7,508	3,690	7,000	7,000	7,000
67540 · Education/Public Outreach	23,000	25,000	29,259	27,500	27,500	27,500
67600 · Other	5,000	5,000	1,358	5,000	6,500	6,500
67610 · City AB 939 Admin Service	10,000	10,000	10,000	10,000	10,000	10,000
67620 · SB1383 CalRecycle⁽³⁾	24,990	99,184	71,180	122,591	140,160	0
	683,240	804,562	726,794	905,091	1,029,162	955,655

Comments:

⁽¹⁾ Account Nos. 67010 and 67020 are new to FY 25-27, as this function was recently brought in-house through the newly created (in FY 24-25) Environmental Programs Manager position.

⁽²⁾ This account reflects extra help from the District's former S/HHW Coordinator in FY 25-26, and budgeted amounts for food waste management services through an outside contractor (Conservation Corps of North Bay) in FY 26-27.

⁽³⁾ SB 1383 grant received in FY 22-23; expenditures in FY 22-23 through FY 25-26.

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Recycled Water**

Recycled Water Cost Center - 68000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
68010 · O & M Services	66,000	68,310	82,704	70,700	72,000	72,000
68100 · Operating Supplies	6,050	6,262	4,946	6,481	6,600	6,831
68101 · Operating Chemicals⁽¹⁾	108,416	112,211	97,535	116,139	120,000	126,000
68150 · Repairs & Maintenance	46,585	48,215	12,998	49,902	49,000	49,000
68160 · Research & Monitoring	14,000	14,490	16,544	14,997	14,000	14,000
68191 · Gas & Electricity⁽¹⁾	62,920	67,639	69,383	70,006	70,000	73,500
	303,971	317,127	284,110	328,225	331,600	341,331

Comments:

⁽¹⁾ Includes an estimated increase of 5% in FY 26-27 over FY 25-26 budgeted amounts.

**Novato Sanitary District
2025-2027 Final Budget
Operating Budget - Non-Departmental**

Non-Departmental (District-wide allocations) Cost Center - 69000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Expenses 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
69021 · Retiree Health Benefits ⁽¹⁾	227,467	242,275	227,636	261,657	254,306	274,650
69021-1 · Retiree Health Benefits ⁽²⁾	0	0	0	0	0	0
69022 · Pension Expense ⁽³⁾	0	0	0	0	0	0
69040 · Election Expenses	10,000	35,000	250	10,000	35,000	10,000
69070 · Insurance	487,692	548,000	541,611	611,000	628,000	659,400
69071 · Insurance Claim Expense	150,000	150,000	0	150,000	150,000	150,000
69075 · Agency Dues	78,000	78,000	60,792	81,000	76,000	80,000
69080 · Memberships/Certifications	18,000	18,000	10,413	18,900	18,000	18,900
69122 · Attorney Fees (outside services)	35,000	35,000	12,471	30,000	35,000	30,000
69125 · Safety & Wellness Incent Prog	10,000	10,000	113	10,000	10,000	10,000
69130 · Printing & Publications	10,000	5,000	140	5,000	5,000	5,000
69170 · Board Travel & Training	25,000	25,000	14,310	25,000	25,000	25,000
69171 · Staff Travel & Training	35,000	40,000	39,499	40,000	50,000	45,000
69201 · Property Tax Alloc (LISRAP/SSCs)⁽⁴⁾	20,000	10,000	2,151	10,000	10,000	10,000
69202 · County Fees-Property Taxes	35,000	35,000	36,988	36,750	35,000	36,750
69203 · County Fees-Sewer Ser Chg	32,000	32,000	29,736	33,600	32,000	33,600
69250 · Service Charge Sys Exp	5,000	0	0	0	0	0
	1,178,159	1,263,275	976,110	1,322,907	1,363,306	1,388,300

Comments:

⁽¹⁾ Projected contribution to current retirees' health care premiums.

⁽²⁾ Represents Unfunded Actuarial Liability (UAL) contributions into the PARS Trust (OPEB sub-account) established November 2016. This line item account was "zeroed out" in FY 22-23 after a \$1.1 million transfer to the OPEB Trust Fund from the Operating Fund.

⁽³⁾ The District refinanced its Pension UAL with its 2020 Wastewater Revenue Refunding Bonds, thereby eliminating its GASB 68 related Pension Liability as of FY 20-21. Based on this, no further contributions into the District's PARS Trust (Pension sub-account) are anticipated. Also, bond payments for the 2020 Revenue Bonds are provisioned within the "Employee Benefits" Account in each Cost Center (as applicable), since these costs are considered as employment costs.

⁽⁴⁾ Property tax allocations to annual LISRAP and/or Sewer Service Charge adjustments.

*PARS = Public Agency Retirement Services.

OPEB = Other Post-Employment Benefits.

LISRAP = Low Income Sewer Rate Assistance Program

SECTION IV

CAPITAL IMPROVEMENT BUDGET

**Novato Sanitary District
2025-2027 Final Budget
Capital Improvement Budget - Summary of Revenues**

Capital Fund Revenue Center - 51000	Adopted Budget 2023-24	Adopted Budget 2024-25	Actual Revenue 2024-25	Preliminary Budget 2025-26	Final Budget 2025-26	Preliminary Budget 2026-27
Accounts						
51010 · Sewer Service Charges⁽¹⁾	8,897,768	9,268,977	9,335,462	9,563,369	9,707,926	10,108,756
51015 · Property Taxes⁽²⁾	2,002,459	2,340,452	2,579,198	2,217,844	2,283,274	2,306,107
51015-1 · Redevelopment Agency⁽³⁾	0	0	0	0	0	0
51020 · Connection Charges⁽⁴⁾	535,200	551,600	1,201,615	568,400	568,400	585,452
51030 · Collector Sewer Charges	0	0	0	0	0	0
51040 · Special Equalization Chrg	1,000	1,000	0	1,000	1,000	1,000
51060 · Interest	408,498	400,926	584,710	326,981	417,888	323,817
51070 · Other Revenue	20,000	20,000	0	20,000	20,000	20,000
51072 · Grant Revenue - SGIP⁽⁵⁾	282,000	0	0	0	0	0
Totals	12,146,925	12,582,955	13,700,985	12,697,594	12,998,487	13,345,132

Comments:

⁽¹⁾ Sewer Service Charge (SCC) revenue for FY 25-26 is based on rates set by Board Resolution No. 3200 adopted April 14, 2025 with an avg. SSC of \$729/EDU, split between operating (\$400) and capital (\$329).

SSC revenue for FY 26-27 is based on provisions of Ordinance No. 123: An Ordinance of the Novato Sanitary District. Establishing Sewer Service Charges for Fiscal Years 2022-23, 2023-24, 2024-25, 2025-26, and 2026-27. For FY 26-27, the avg. SSC is assumed to be \$762/EDU, split between operating (\$419) and capital (\$343).

⁽²⁾ Projections based on estimates provided by Marin County, actual FY 24-25 property tax revenue escalated by 1% per year for each of FY 25-26 and FY 26-27, and Excess ERAF allocations subvented back to the District. These projections are then allocated between operating (28%) and capital (72%). Excess ERAF allocations subvented back to the District were not included in the FY 23-24 and FY 24-25 budgets, but are now included in the FY 25-27 budgets as estimated from the prior three years of actual excess ERAF allocations received by the District.

⁽³⁾ Redevelopment Agency (RDA) revenues are being shown separately as the District continues to receive them from the dissolution and distribution of assets of these agencies. However, these RDA fund distributions are difficult to predict, and are set to zero for budget purposes.

⁽⁴⁾ Connection Charges projected at 40 new connections each year.

- Per District Ordinance No. 119, the connection charge beginning July 1, 2025 is \$14,210 per EDU, and increases by 3% on July 1, 2026 to \$14,640 per EDU.

⁽⁵⁾ Reflects reimbursement of District expenses from the Small Generation Incentive Program (SGIP) up to an allowable maximum amount of \$282,000. In FY 23-24, the District received its maximum allowable reimbursement payment.

**Novato Sanitary District
2025-2027 Final Budget
Table 1: Capital Improvement Budget - CIP Expenditures**

Capital Improvements Cost Centers - 72000, 73000, & 78500	Adopted ⁽¹⁾ Budget 2023-24	Adopted ⁽¹⁾ Budget 2024-25	Actual ^{(1) (2)} Expenses 2024-25	Preliminary Budget ⁽²⁾ 2025-26	Final Budget ⁽²⁾ 2025-26	Preliminary Budget ⁽²⁾ 2026-27
Accounts						
72112 · Network and SCADA Upgrades	515,000	456,000	271,395	230,000	630,700	478,208
72403 · Pump Station Rehabilitation	4,660,000	3,280,000	619,371	4,980,000	4,130,000	5,070,000
72508 · North Bay Water Reuse Authority (NBWRA)	5,000	5,000	(1,037)	5,000	5,000	5,000
72706 · Collection System Improvements	2,955,000	2,855,000	1,514,947	5,565,000	4,340,000	4,040,000
72706-1 · Lateral Replacement Program	80,000	80,000	50,000	80,000	80,000	80,000
72707 · Hamilton Wetlands/Outfall Integration	30,000	30,000	609	30,000	30,000	30,000
72708 · Cogeneration/Alt. Energy	2,010,000	512,000	164,967	3,002,000	3,002,000	3,003,000
72802 · Annual Sewer Adj. for City Projects	50,000	50,000	6,900	50,000	50,000	50,000
72803 · Annual Collection Sys Repairs	110,000	120,000	126,952	125,000	150,000	157,500
72804 · Annual Reclamation Fac. Improvements	590,000	875,000	653,643	800,000	995,000	465,000
72805 · Annual Treatment Plant Improvements	160,000	525,000	436,539	430,000	180,000	126,000
72805-1 · Treatment Plant Major Repair/Repl ⁽³⁾	0	0	0	0	350,000	210,000
72806 · Annual Pump Station Improvements	150,000	210,000	129,841	150,000	150,000	182,500
72807 · Annual Ignacio Facility Improvements	525,000	525,000	54,026	35,000	850,000	35,000
72808 · Strategic Plan Update	50,000	20,000	0	5,000	5,000	5,000
72809 · Novato Creek Watershed	5,000	5,000	0	5,000	5,000	5,000
73003 · Admin. Building Upgrade/Maint. Building	500,000	850,000	748,680	125,000	210,000	50,000
73004 · Odor Control and NTP Landscaping	50,000	200,000	118,740	55,000	55,000	60,000
73006 · NTP Corrosion Control	360,000	350,000	826	350,000	380,000	50,000
73007 · Solids Management	525,000	925,000	263,339	825,000	100,000	775,000
73008 · Treatment Plant Elec. Sys. Improvements	240,000	200,000	60,236	600,000	170,000	550,000
73009 · Climate Adaption Improvements	20,000	20,000	165	20,000	20,000	20,000
73090 · Vehicle Replacement	190,000	140,000	146,184	60,000	45,000	65,000
Subtotal before Debt Service	13,780,000	12,233,000	5,366,323	17,527,000	15,932,700	15,512,208
78500 · Interest - 2017 Rev. Refunding Bond	457,000	408,750	408,750	358,250	358,250	305,250
78501 · Principal - 2017 Rev. Refunding Bond	965,000	1,010,000	1,010,000	1,060,000	1,060,000	1,110,000
78500 · Interest - 2019 Refunding Bond	1,610,850	1,437,100	1,437,100	1,254,600	1,254,600	1,062,850
78501 · Principal - 2019 Refunding Bond	3,475,000	3,650,000	3,650,000	3,835,000	3,835,000	4,025,000
Subtotal for Debt Service	6,507,850	6,505,850	6,505,850	6,507,850	6,507,850	6,503,100
Totals	20,287,850	18,738,850	11,872,173	24,034,850	22,440,550	22,015,308

Comments:

⁽¹⁾ As amended and trued-up, consistent with section 3512.5 of District Policy No. 3152 "Annual Budget - Non-Personnel Related Changes to Budget Amounts".

⁽²⁾ Includes amounts committed or encumbered for multi-year contracts awarded (or expenses authorized) in prior fiscal years that may be partially or fully expended in FY 25-27.

⁽³⁾ New sub-account, with expenditures migrated from Account No. 61000-3, to better address cost capitalizations within this category.

Novato Sanitary District

MEMORANDUM

TO: District Board of Directors

FROM: Sandeep Karkal, General Manager-Chief Engineer
Erik Brown, Deputy General Manager

BOARD MEETING DATE: August 11, 2025

SUBJECT: FY 25-27 Final Capital Improvements Program (CIP) Budget – Summary of Anticipated Project Work

Introduction

This memo presents a summary of the potential or anticipated scope of work for projects and project work included within the various Accounts of the Capital Improvements Program (CIP) budget for FY 25-27.

A copy of the two-year FY 25-27 capital improvement expenditures is included as Table 1: Capital Improvement Budget – CIP Expenditures.

Account No. 72112: Network and SCADA Upgrades

This account was established in FY 20-21 to address the need for significant upgrades to the network and Supervisory Control and Data Acquisition (SCADA) systems. The account provides for implementation of recommendations from the Information Technology (IT) Assessment Master Plan completed in FY 21-22.

This account includes funds for Cyber and Physical Security Assessments and implementation, Document Management and Digitization, Workstation Replacements, and implementation of the Enterprise Resource Planning (ERP) and Computerized Maintenance Management (CMMS) Systems in FY 25-26 and follow-on work in these high priority areas in FY 26-27.

Account No. 72403: Pump Station Rehabilitation

This ongoing, long-term account provides for replacing the District's underground-type pump stations with submersible pump-type stations. The lift stations that remain to be replaced include the two Vintage Oaks Pump Stations. However, the District experienced a multiple day power outage in October 2019 from PG&E's Public Safety Power Shutoff events (PSPS) that highlighted the need for several additional short and long-term projects to assure resiliency of District operations, including the following major projects:

1. Rowland Plaza Pump Station: Project to convert the Gorman Rupp style wet well/dry well pump station to a submersible pump-type station and new emergency generator. A notice of completion for the project was filed in early FY 24-25. A placeholder amount of \$10,000 is provided in FY 25-26 for any warranty/closeout related items.
-

2. Marin Village Pump Station: Project to replace the existing wetwell/dry pit type pump station with a new submersible pump-type station. Construction is anticipated to be complete in the 4th quarter of FY 24-25. A placeholder amount of \$10,000 is provided in FY 25-26 for any warranty/closeout related items.
3. Ignacio Transfer Pump Station: Project to replace the generator, upgrade switchgear, and perform other site improvements. Preliminary engineering design work will be completed in FY 24-25. Final engineering design work will commence in FY 25-26 with construction anticipated in FY 26-27 extending into FY 27-28.
4. Olive Pump Station: Project to replace the existing natural gas generator with a new diesel generator and upgrade electrical switchgear, HVAC, and related electrical and mechanical equipment. The project will advertise for bids in Q4 of FY 24-25 with construction anticipated in FY 25-26, extending through FY 26-27.
5. Bahia Pump Station: This account includes funds in FY 25-26 for condition assessment and preliminary design for pump station upgrades.
6. Pump Station Corrosion Improvements: Project to replace conduits and other upgrades to resist corrosion at the BMK 5, Automart and Blackpoint pump stations. Preliminary engineering design and condition assessment work started in Q3 of FY 24-25 extending into FY 25-26 with construction anticipated the second half of FY 25-26.
7. Force Mains Condition Assessment: This account includes funds in FY 25-26 and FY 26-27 to perform condition assessments on the District's network of force main pipelines.
8. Pump Stations Condition Assessment: This account includes \$500,000 in each of FY 25-25 and FY 26-27 for the planning, prioritization and performance of condition assessments at various pump stations throughout the District.

Account No. 72508: North Bay Water Reuse Authority

The District is a member agency of the North Bay Water Reuse Authority (NBWRA). FY 25-26 will be the twelfth year of the multi-year Phase 2 NBWRA program, including continuing work for currently over \$75 million in recycled water projects across all NBWRA agencies for funding under the US Bureau of Reclamation Title XVI (WaterSMART) program.

For FY 25-26, the District expects its future Phase 2 participation to be limited to a programmatic level, at least until further recycled water demands are identified by the North Marin Water District (NMWD). Also, any effort to transition the NBWRA program to a more comprehensive North Bay Water Program, would result in a limited role for the District.

Therefore, it is anticipated that the District's future participation in this expanded program will occur at a very modest level. Accordingly, the District's FY 25-27 CIP budget includes only a "placeholder" budget amount of \$5,000 for each year.

Account No. 72706: Collection System Improvements

This account includes budget amounts for continuing work on rehabilitating the District's collection system. This fiscal year's project work includes:

1. Collection System Master Plan: This account includes funds in FY 25-27 for follow up work associated with the Collection System Master Plan including additional flow monitoring.

2. Novato Blvd. Trunk Sewer: A new parallel trunk sewer in Novato Boulevard Trunk Sewer between Diablo Avenue and Grant Avenue in coordination with the City of Novato's Novato Blvd. Improvements Project. Design work commenced in FY 20-21. However, there have been delays with PG&E starting their part of the construction, which is the first order of work on the project. The District's design is anticipated to be completed in FY 24-25 and construction is anticipated in FY 25-26 extending into FY 26-27.
3. Highway 101 Crossings: Abandonment of the Enfrente pump station to convert to gravity flow via an underground crossing to the east side of Highway 101 and replacement of two additional Highway 101 crossings between Enfrente and HWY 37. Design work commenced in the third quarter of FY 22-23 and will extend into FY 25-26, with construction potentially starting in late FY 25-26, with the majority of construction in FY 26-27.
4. Arthur Street Sewer Improvements: Replacement of approximately 1,200 feet of sewer main in Arthur Street with new 15-inch PVC pipe from west of Hayes Street to S. Novato Blvd. This is a capacity improvement project identified in the CSMP. The Notice of Completion for the project was filed in Q3 of FY 24-25. A placeholder amount of \$10,000 is provided in FY 25-26 for any warranty/closeout related items.
5. High Priority Structural Rehab Projects: This account includes funds in FY 25-26 for the Main Interceptor 2 Repair project and funds in FY 26-27 for high priority structural rehab projects identified in the 2019 Collection System Master Plan.

Account No. 72706-1: Lateral Replacement Program

The District established this program as a sub-account within Account No. 72706, as part of a long-term approach to reducing infiltration and inflow from private residential laterals into the District's collection system.

The program seeks to incentivize individual homeowners financially to replace the entire sewer lateral between their residence and the sewer main, and currently provides a grant for half of the replacement cost up to \$2,500 to replace a residential sewer lateral in the District's service area. In FY 24-25, the District budgeted an overall budget amount of \$80,000 for this program.

It is expected that about 70% of the budget funds will be expended in FY 24-25. Staff expect the same level of participation in FY 25-26. However, construction costs have increased, outpacing CPI over the last few years. In FY 23-24 the Board approved increasing the District's share, i.e., the maximum individual grant amount by 25%, from \$2,000 to \$2,500 to encourage participation in the program and to account for increased construction costs. Staff did not observe a notable increase in program participation between FY 23-24 and FY 24-25. However, based on Board input at its April meeting, the individual grant amount is being increased from the current \$2,500 level to \$2,750. The overall budget for the program will remain \$80,000 in each of FY 25-27.

As in prior years, the District will continue to monitor and modulate the maximum individual grant and budget amounts on a yearly basis, based on its ongoing experience, and its goal of incentivizing lateral replacement.

Account No. 72707: Hamilton Wetlands/Outfall Integration

Previously, the District cooperated with the California State Coastal Conservancy (SCC) in a study to examine alternatives for a long-term SCC project to integrate the District's outfall into the SCC's Hamilton Wetlands project. As noted in prior years, the SCC's goal for their project is to utilize the District's effluent as a reliable, long-term fresh water source to establish and maintain a brackish marsh habitat at the SCC's Wetlands project.

SCC completed construction on Phase I of the BMK Unit V Wetland Restoration Project. While all funding to implement subsequent phases of this project will be provided by the SCC, this account will continue to retain nominal budget amounts in FY 25-27 to meet any minor or unanticipated District expenses for coordination work with SCC staff.

Account No. 72708: Cogeneration/Alternative Energy

NTP Energy Project: This account will fund a progressive design-build project delivery method for a cogeneration project that will utilize digester gas produced in the anaerobic digestion process to produce power that may result in an offset to the District's utility power purchases. Additionally, this project will include installation of a Solar PV System, energy efficiency upgrades and a Microgrid Controller to manage and distribute power generated from the Cogeneration System, Battery Energy Storage System and Utility Power. The District will issue the RFQ for a Progressive Design-Build project in Q4 of FY 24-25. It is anticipated that the Design-Build team will be selected in early FY 25-26 with construction potentially commencing in late FY 25-26.

Battery Energy Storage System (BESS): Installation of the BESS was completed in FY 23-24. This account includes \$2,000 in FY 25-26 and \$3,000 in FY 26-27 for third party monitoring of battery performance.

Note that the budgeted amounts do not include any potential grants that may be received through programs such as the State Revolving Fund Green Project Reserve (GPR) or rebates through the California Public Utility Commission's Self Generation Incentive Program (SGIP), or loans through the Water Infrastructure Finance and Innovation Act (WIFIA).

Account No. 72802: Annual Sewer Adjustment for City Projects

The budget in this account is established annually to compensate the City of Novato or County of Marin for work performed on District facilities by City or County Capital Improvement Projects.

An example of work funded through this account would be a City or County street paving or repaving project, wherein District manholes are raised to grade.

Account No. 72803: Annual Collection System Repairs

This account is established annually primarily to fund smaller projects to repair District collection system facilities, primarily point and spot repairs, or to replace short reaches of sewer main(s).

Collection system staff generates the repair list during routine maintenance activities including sewer cleaning and CCTV work. The Field Services Manager then tracks and prioritizes repair projects in conjunction with the Collection System Superintendent, the Deputy General Manager, and the Construction Inspector.

Account 72804: Annual Reclamation Facilities Improvements

The budget in this account is established annually to fund small projects to repair District facilities at the Reclamation Area. The work typically includes irrigation system repairs for lines larger than 4-inch in diameter, parcel rehabilitation work, and other miscellaneous repairs. Also included in the budget for this year is the removal of fallen eucalyptus trees, irrigation pump station strainer replacements, pasture fencing and road upgrades, drainage pump station telemetry upgrades, and outfall improvements based on the outfall condition assessment performed in 2022.

Account No. 72805: Annual Treatment Plant Improvements

This account is established to fund small projects to repair District treatment related facilities at the Novato Treatment Plant, and seeks to fund minor mechanical & electrical work, water line repairs, pavement repairs, painting, and any other small repairs or improvements. Also included in the budget for this year are funds for replacing the sodium hypochlorite tanks, planning work for a new UV system and work associated with generator improvements.

Account No. 72805-1: Treatment Plant Major Repairs and Replacements

This new account includes funds to address major repairs and replacements over \$10,000 at the Novato Treatment Plant and Ignacio Transfer Pump Station. Historically, these activities were accounted for in the Operating Budget- Treatment Facilities under 61000-3 Major Repairs and Replacements, and fund major repairs/replacements that exceed the \$10,000 cap established in the contract for Operations, Maintenance and Management of the Wastewater Treatment Facilities. Due to the nature of these repairs/replacements and the \$10,000 threshold, staff recommend Treatment Plant Major Repairs and Replacements be included in the CIP budget moving forward.

Account No. 72806: Annual Pump Station Improvements

This budget account was established to fund small projects to repair District pumping facilities at the various pump stations throughout the District. The account is anticipated to fund minor mechanical & electrical work, water line repairs, pavement repairs, painting, and any other small repairs or improvements at District pump stations.

Account No. 72807: Annual Ignacio Facility Improvements

This budget account is established to fund small projects to maintain the Ignacio facility (excluding the Ignacio Transfer Pump Station) or perform demolition/site clean-up work related to abandoned treatment units of the decommissioned Ignacio Treatment Plant (ITP). Additionally, this account will fund new water and fire service lines and hydrants at the site.

Account No. 72808: Strategic Plan Update

This account includes funds for updating the Strategic Plan. The 2024 Strategic Plan was completed in May 2024. This account includes “placeholder” amounts for Strategic Plan implementation and annual updates.

Account No. 72809: Novato Creek Watershed

This account and its budget were established as a result of an agreement with the Marin County Flood Control District.

Under this agreement, the District participates in a program with the County of Marin, the City of Novato, and the North Marin Water District to explore alternatives to reduce flooding potential in the lower Novato Creek portion where all these agencies have facilities that are prone to flood impacts. The budgeted amounts are a minimal amount and function as a “placeholder,” or to meet minimal District commitments to potential, previously unidentified studies, through FY 25-27. Future work (beyond FY 25-27) arising out of these studies may require increased funding, but potential costs are unknown at this point.

Account No. 73003: Administration Building Upgrades/Maintenance Building

This account includes allowances for minor improvements to the Administration and Annex Buildings and updates to the Board room and engineering/admin interior. Construction on the Admin Building Roof and HVAC Upgrades will be completed in Q4 FY 24-25. A placeholder amount of \$10,000 is provided in FY 25-26 for any warranty/closeout related items.

Account No. 73004: Odor and Landscaping Improvements

This account budgets further work by District and operations staff and the District’s Odor Specialist consultant(s) to address and manage any odor issues raised by the District’s neighbors. It also includes an allowance to address any landscaping items.

It is anticipated that this account will see budgeting of funds on an ongoing basis.

Account No. 73006: NTP Corrosion Control

This account includes funds for corrosion control projects at the Novato Treatment Plant site. As the recently constructed facilities age, the effects of the aggressive nature of wastewater corrosion start to appear and need to be addressed. It is anticipated that this account will see budgeting of funds on an ongoing basis.

Protective coating of the metalwork of secondary clarifier No. 1 will be completed in Q4 of FY 24-25.

Account No. 73007: Solids Management

This budget account was established in FY 21-22 and includes funds to address major maintenance, or capital projects associated with the District’s solids processing.

1. **Biosolids Processing Facility:** This account includes funds for an alternatives analysis/preliminary design for a biosolids processing facility located at the Novato Treatment Plant. Processing the biosolids at NTP would replace the current practice of piping digested sludge out to the Deer Island facility sludge lagoons and returning the decanted sludge back to NTP. The Biosolids Management Study and Solids Dewatering Alternatives Analysis will be completed in Q4 of FY 24-25. Design of the preferred alternative will commence in FY 26-27.

A “placeholder” amount of \$25,000 is being budgeted for each of FY 24-26 to initiate studies to investigate the feasibility of processing the District’s biosolids further to create a Class A fertilizer or similarly saleable product.

Account No. 73008: Treatment Plant Electrical System Improvements

This budget account was established in FY 22-23 and includes funds to address major maintenance, or capital projects associated with the District’s plant electrical systems.

1. PLC Upgrades: This account includes funds for a scoping study in FY 25-26 and implementation of PLC Upgrades in FY 26-27 at NTP.
2. Plant Power Systems Study: This account includes funds to conduct a Plant Power Systems Study which will result in an updated software-based power analytics model, revised NFPA 70E labelling plant wide, as well as revised electrical system record drawings that will include all changes made subsequent to the 2010/11 Upgrade Project record drawings such as the recycled water system project and the digester upgrade project (beginning 2012) project, as well as the more recent battery energy storage system (BESS). The study commenced in FY 23-24 and will be completed in FY 25-26.
3. Electrical Raceway Improvements: This project will repair damage to the electrical raceways at the east end of the NTP aeration basins. Design work commenced in FY 23-24 extending into FY 24-25, with construction anticipated in FY 25-26.

Account No. 73009: Climate Adaptation Improvements

This budget account was established FY 22-23 and includes funds to evaluate potential risks for District facilities associated with climate change including more frequent extreme weather events, flooding, fire, and sea level rise and identify capital projects and improve climate resilience. A “placeholder” amount of \$20,000 is budgeted for each year of FY 25-27 for initiating any Climate Adaptation studies.

Account No. 73090: Vehicle Replacement

This account includes budget amounts in FY 25-26 for a new ¾ ton truck and an EV equivalent replacement for a ¾ ton truck, and a “placeholder” amount of \$65,000 in FY 26-27 for any other vehicle/generator replacement as needed.

SECTION V

WASTEWATER CAPITAL RESERVE FUND

**Novato Sanitary District
2025-2027 Final Budget
Wastewater Capital Reserve Fund**

	Prelim	Final
<u>Wastewater Capital Reserve Fund</u>		
FUND BALANCE 6/30/24 - Consists of:		
Unused Bonding Capacity	3,275,000.00	3,275,000.00
Transfers in prior years	2,049,653.00	2,049,653.00
Balance before FY 24-25 transfer	5,324,653.00	5,324,653.00
Transfer in FY 24-25	400,000.00	400,000.00
FUND BALANCE 6/30/25	5,724,653.00	5,724,653.00
FUND BALANCE 6/30/25 - Consists of:		
Unused Bonding Capacity	3,275,000.00	3,275,000.00
Transfers in prior years	2,449,653.00	2,449,653.00
Balance before FY 25-26 transfer	5,724,653.00	5,724,653.00
Proposed Transfer in FY 25-26	400,000.00	400,000.00
ANTICIPATED FUND BALANCE 6/30/26	6,124,653.00	6,124,653.00
FUND BALANCE 6/30/26 - Consists of:		
Unused Bonding Capacity	3,275,000.00	3,275,000.00
Transfers in prior years	2,849,653.00	2,849,653.00
Balance before FY 26-27 transfer	6,124,653.00	6,124,653.00
Proposed Transfer in FY 26-27	400,000.00	400,000.00
ANTICIPATED FUND BALANCE 6/30/27	6,524,653.00	6,524,653.00

Note:

The District borrowed \$81,307,947 from the State Revolving Fund (2011 SRF Loan) between 2008 and 2011. The loan was repaid in full in 2019 through the issuance of the 2019 Revenue Refinancing Bonds. The 2011 SRF loan agreement terms required that the District establish and maintain a "Wastewater Capital Reserve Fund" for expansion, major repair, or replacement of the wastewater facilities for the term of the loan agreement. The District established the Wastewater Capital Reserve Fund (WCRF) by Resolution No. 2933 adopted on April 24, 2006. While the original 2011 SRF loan has been repaid, the District recognizes that it may require future SRF funding to rebuild/renew its wastewater treatment facilities. Therefore, by Policy No. 3500 (Reserves Policy) adopted February 8, 2021, the District must deposit sufficient funds to build up the WCRF at a minimum rate of 0.5% of the original SRF loan amount each year (or approximately \$400,000/year) to demonstrate good faith efforts towards meeting typical State Revolving Fund (SRF) loan covenants and position the District competitively for consideration for future SRF loans. The District's unused bonding capacity of \$3,275,000 from the 1970 and 1986 General Obligation (GO) Bonds may also be used to offset, dollar for dollar, the required cash deposits to the WCRF.

SECTION VI

RATE STABILIZATION FUND

**Novato Sanitary District
2025-2027 Final Budget
Rate Stabilization Fund**

	Prelim	Final
<u>Rate Stabilization Fund</u>		
FUND BALANCE 6/30/24	2,015,874	2,015,874
Required Deposits/Transfers from Operating	60,476	60,476
FUND BALANCE 6/30/25	2,076,351	2,076,351
Required Deposits/Transfers from Operating	62,291	62,291
FUND BALANCE 6/30/26	2,138,641	2,138,641
Required Deposits/Transfers from Operating	64,159	64,159
FUND BALANCE 6/30/27	2,202,800	2,202,800

Note:

This fund is maintained at a minimum balance of \$1,500,000 adjusted annually for inflation from unreserved amounts in the operating fund. Beginning FY 17-18, this Fund is also included in the Summary of Fund Balances table (Page 1) to relate the cash based methodology of the budget document with the accrual methodology of the Annual Comprehensive Financial Report (ACFR).

SECTION VII

DEBT SERVICE SUMMARY AND BALANCES

**Novato Sanitary District
2025-2027 Final Budget
Debt Service Summary**

DEBT SERVICE REQUIREMENTS

The principal of and interest payable on, the District's outstanding 2017, 2019, and 2020 Bonds, is set forth below:

Fiscal Year Ending June 30	2017 Bonds*				2019 Bonds*				2020 Bonds**				Annual Totals
	Principal	Interest	Total	Outstanding Balance	Principal	Interest	Total	Outstanding Balance	Principal	Interest	Total	Outstanding Balance	
2020	820,000	631,000	1,451,000	11,800,000	3,480,000	1,091,536	4,571,536	42,665,000					6,022,536
2021	850,000	590,000	1,440,000	10,950,000	3,005,000	2,084,350	5,089,350	39,660,000					6,529,350
2022	890,000	547,500	1,437,500	10,060,000	3,155,000	1,934,100	5,089,100	36,505,000	234,000	208,200	442,200	6,233,000	6,968,800
2023	920,000	503,000	1,423,000	9,140,000	3,310,000	1,776,350	5,086,350	33,195,000	301,000	154,342	455,342	5,932,000	6,964,692
2024	965,000	457,000	1,422,000	8,175,000	3,475,000	1,610,850	5,085,850	29,720,000	308,000	147,143	455,143	5,624,000	6,962,993
2025	1,010,000	408,750	1,418,750	7,165,000	3,650,000	1,437,100	5,087,100	26,070,000	316,000	139,765	455,765	5,308,000	6,961,615
2026	1,060,000	358,250	1,418,250	6,105,000	3,835,000	1,254,600	5,089,600	22,235,000	324,000	132,197	456,197	4,984,000	6,964,047
2027	1,110,000	305,250	1,415,250	4,995,000	4,025,000	1,062,850	5,087,850	18,210,000	330,000	124,450	454,450	4,654,000	6,957,550
2028	1,160,000	249,750	1,409,750	3,835,000	4,225,000	861,600	5,086,600	13,985,000	338,000	116,548	454,548	4,316,000	6,950,898
2029	1,220,000	191,750	1,411,750	2,615,000	4,435,000	650,350	5,085,350	9,550,000	346,000	108,456	454,456	3,970,000	6,951,556
2030	1,275,000	130,750	1,405,750	1,340,000	4,660,000	428,600	5,088,600	4,890,000	356,000	100,162	456,162	3,614,000	6,950,512
2031	1,340,000	67,000	1,407,000	0	4,890,000	195,600	5,085,600	0	364,000	91,641	455,641	3,250,000	6,948,241
2032			0				0		372,000	82,931	454,931	2,878,000	454,931
2033			0				0		382,000	74,017	456,017	2,496,000	456,017
2034			0				0		390,000	64,878	454,878	2,106,000	454,878
2035			0				0		400,000	55,537	455,537	1,706,000	455,537
2036			0				0		409,000	45,969	454,969	1,297,000	454,969
2037			0				0		419,000	35,551	454,551	878,000	454,551
2038			0				0		433,000	22,961	455,961	445,000	455,961
2039			0				0		445,000	9,968	454,968	0	454,968
Total	\$12,620,000	\$4,440,000	\$17,060,000		\$46,145,000	\$14,387,886	\$60,532,886		\$6,467,000	\$1,714,716	\$8,181,716		\$85,774,602

*Source: Official statement, \$46,145,000 "Novato Sanitary District, 2019 Wastewater Revenue Refunding Bonds".

** Source: 2020 UAL Bond financing documents, titled "Parity debt service coverage calculation".

**Novato Sanitary District
2025-2027 Final Budget
Wastewater/Taxable Revenue Bonds - Balances**

	Prelim	Final
<u>2017 Wastewater Revenue Refunding Bonds</u>		
DEBT BALANCE 6/30/24	8,175,000	8,175,000
Principal Payment	(1,010,000)	(1,010,000)
Interest payments	(408,750)	(408,750)
Transfer from Capital Improvement Fund	408,750	408,750
DEBT BALANCE 6/30/25	7,165,000	7,165,000
Principal Payment	(1,060,000)	(1,060,000)
Interest payments	(358,250)	(358,250)
Transfer from Capital Improvement Fund	358,250	358,250
ANTICIPATED DEBT BALANCE 6/30/26	6,105,000	6,105,000
<u>2019 Wastewater Revenue Bonds</u>		
DEBT BALANCE 6/30/24	29,720,000	29,720,000
Principal Payment	(3,650,000)	(3,650,000)
Interest payments	(1,437,100)	(1,437,100)
Transfer from Capital Improvement Fund	1,437,100	1,437,100
DEBT BALANCE 6/30/25	26,070,000	26,070,000
Principal Payment	(3,835,000)	(3,835,000)
Interest payments	(1,254,600)	(1,254,600)
Transfer from Capital Improvement Fund	1,254,600	1,254,600
ANTICIPATED DEBT BALANCE 6/30/26	22,235,000	22,235,000
<u>2020 Taxable Wastewater Revenue Refunding Bonds</u> ⁽¹⁾		
DEBT BALANCE 6/30/24	5,624,000	5,624,000
Principal Payment	(316,000)	(316,000)
Interest payments	(139,765)	(139,765)
Transfer from Capital Improvement Fund	139,765	139,765
DEBT BALANCE 6/30/25	5,308,000	5,308,000
Principal Payment	(324,000)	(324,000)
Interest payments	(132,197)	(132,197)
Transfer from Operating Fund	132,197	132,197
ANTICIPATED DEBT BALANCE 6/30/26	4,984,000	4,984,000

	Budget 2024-25	Actual Rev/Exp 2024-25(5)	Final Budget 2025-26	Preliminary Budget 2026-27
Debt Coverage Ratio ⁽²⁾				
Net Operating Revenue	20,723	1,915,231	28,309	19,765
Capital Revenue	12,582,955	13,700,985	12,998,487	13,345,132
Annual Debt Service	6,505,850	6,505,850	6,507,850	6,503,100
Debt Coverage Ratio	1.94	2.40	2.00	2.06

⁽¹⁾ Debt service for the 2020 Wastewater Revenue Refunding Bonds is allocated to the employee benefits account of each relevant cost center to reflect the nature of the debt issuance i.e., to pay off the CalPERS UAL of the employees' pension plan.

⁽²⁾ Debt Coverage Ratio (DCR) = (Net Operating Revenue + Capital Revenue)/ Annual Debt Service
While not required to do so by any of its debt covenants, the District elects to calculate its DCR and maintain a minimum value of 1.20 to comport with generally accepted accounting "best practices".