



FINAL BUDGET

FOR

Fiscal Year 2026-27

(And Preliminary Budget for Fiscal Year 2027-28)

Presented August 10, 2026

**NOVATO SANITARY DISTRICT
FY2026-28 Final Budget**

TABLE OF CONTENTS

	Letter of Transmittal.....	i-xii
SECTION I	Summary of Fund Balances.....	1-2
SECTION II	Operating Budget Summary Schedules	3
	Operating Budget: Summary of Revenues	4
	Operating Budget: Summary of Expenditures	5
	Operating Budget: By Cost Center and Account Category.....	6
SECTION III	Operating Budget by Cost Center and Account Category	7
	Collections	8
	Treatment Facilities	9
	Reclamation	10
	Laboratory	11
	Pump Stations	12
	Administration/Engineering.....	13
	- Personnel Detail.....	14
	Solid/Household Hazardous Waste	15
	Recycled Water	16
	Non-Departmental	17
SECTION IV	Capital Improvement Budget	18
	Capital Improvement Budget: Summary of Revenues.....	19
	Capital Improvement Budget: CIP Expenditures.....	20
	Memorandum: FY26-28 Capital Improvements (CIP) Budget	
	- Summary of Anticipated Project work.....	21-27
SECTION V	Wastewater Capital Reserve Fund.....	28-29
SECTION VI	Rate Stabilization Fund.....	30-31
SECTION VII	Debt Service Summary and Balances	32
	Debt Service Summary.....	33
	2017, 2019, and 2020 Wastewater Revenue Bonds – Balances.....	34



NOVATO SANITARY DISTRICT

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August 10, 2026

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) 26-27 and Preliminary Budget for FY 27-28 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 26-27 Wastewater Capital Reserve Fund.
- Section VI: FY 26-27 Rate Stabilization Fund.
- Section VII: FY 26-27 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”.

At its February 9, 2026 meeting, the Board adopted Resolution No. 3211, adjusting sewer service charges for FY 2026-27 pursuant to Ordinance No. 123 and rescinding Resolution No. 3200. The Board directed staff to calculate FY 2026-27 charges using an average residential Equivalent Dwelling Unit (EDU) rate of \$760, a \$31 increase from the prior fiscal year and a nominal savings of \$2 per EDU compared to Ordinance No. 123. All other rates and charges will be adjusted commensurately.

Since Ordinance No. 123 establishes rates through FY 26-27 only, the preliminary budget for FY 27-28 presented herein assumes that FY 27-28 rates will remain at FY 26-27 levels. However, it is anticipated that a cost-of-service based sewer service charge rate study will be conducted in FY 26-27 consistent with Proposition 218 requirements, and will inform implementation of updated rates (if any) to be effective July 1, 2027.

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

	<u>FY 26-27</u>	<u>FY 27-28</u>
a. Low water use charge:	\$483/EDU	\$483/EDU
b. Average water use charge:	\$760/EDU	\$760/EDU
c. High water use charge:	\$1,358/EDU	\$1,358/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 26-27, the allocation of the average SSC of \$760/EDU to the Operating and Capital budgets is \$418 (55%) to the Operating Budget, and \$342 (45%) to the Capital Budget.

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 25-26 with the proposed budget for FY 26-27.

On the revenue side, total FY 26-27 Operating revenues are projected to increase by about 6.68%, primarily from 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 25-26, the property tax revenue allocation was 28%/72% between the Operating and Capital Funds, however, a 35%/65% allocation is assumed in FY 26-27 to better balance operating and capital cash flow requirements. Overall, Operating Expenditures are projected to rise 6.68% excluding passthrough expenditures, or 6.71% with pass-through expenditures. Three-Year Summary comparisons and significant variances in the operating budgets between the FY 25-26 and FY 26-27 budget years are provided later in this letter.

Table 1: Summary of Revenues and Expenditures for FY 26 and FY 27

	2025-26	2026-27	FYE 26 to FYE 27
	Adopted Budget	Proposed	% Change
Operating Revenues	\$ 15,361,578	\$ 16,387,008	6.68%
Capital Revenues	12,998,468	13,315,600	2.44%
Total Revenues	\$ 28,360,046	\$ 29,702,608	4.73%
Operating Expenditures ⁽¹⁾	15,333,269	16,362,499	6.71%
CIP Expenditures ⁽²⁾	15,932,700	19,081,000	19.76%
Debt Service	6,507,850	6,503,100	-0.07%
Total Expenditures	\$ 37,773,819	\$ 41,946,599	11.05%

1) Includes pass through expenditures

2) Includes Capital Expenditure Commitments/Encumbrances from FY 25-26 into FY 26-27.

B. FISCAL YEAR FY 26-27 OPERATING BUDGET DETAILS

Operating Revenues

The proposed FY 26-27 Operating Budget by revenue source is shown in Table 2 (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 6.7 percent or \$1,025,430 from FY 25-26. Other notable items include:

Operating SSCs budgeted increase of 5.2 percent, or \$615,126 from approved FY 26-27 rate increases.

Property Taxes projected increase of 29.2 percent or \$259,593 primarily from a change in allocation between the Operating and Capital funds.

Interest Income budgeted increase of 1.7 percent or \$14,157 from conservative interest rate projections.

AB 939 Collector Fees budgeted increase of 9.4% or \$83,034 from cost recovery in the Solid/Household Hazardous Waste (S/HHW) cost center (see Table 2) 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	2024-25	2025-26	2026-27	FYE 26 to FYE 27
	Adopted Budget	Adopted Budget	Proposed	% Change
Operating Sewer Service Charges	11,335,309	11,802,949	12,418,075	5.2%
Property Tax Allocation	780,151	887,940	1,147,533	29.2%
Plan Check & Inspection Fee	500	500	500	0.0%
Permit & Inspection fees	6,000	6,000	6,000	0.0%
Interest Income	801,852	835,775	849,932	1.7%
Engineering/Admin Chgs	165,000	300,000	300,000	0.0%
Non-domestic Permit Fees	30,000	30,000	40,000	33.3%
Franchise Fees	65,682	67,652	69,682	3.0%
AB 939 Collector Fees	697,870	882,002	965,036	9.4%
Oil Grant and JPA Reimb	7,508	7,000	-	-100.0%
SB1383 Grant	99,184	140,160	124,000	-11.5%
Ranch Income	40,000	40,000	50,000	25.0%
Recycled Water Revenue	317,127	331,600	359,750	8.5%
Other Revenue	20,000	20,000	46,500	132.5%
Gain/Loss-disposal of assets	10,000	10,000	10,000	0.0%
Total Operating Revenue	\$ 14,376,183	\$ 15,361,578	\$ 16,387,008	6.7%

Operating Expenditures

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

Proposed FY 26-27 Operating Expenditures are also shown graphically in Figure 4 (by department or cost center), at the end of this letter. Operating expenditures are budgeted to increase by 6.68 percent or \$933,707 (excluding pass-through expenditures) between FY 25-26 and FY 26-27.

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 subsequent budgets including the current FY 26-28 budgets do not as well.

Table 3: Operating Budget Expenditures 3-year Summary:

Expenditures by Department	2024-25	2025-26	2026-27	FYE 26 to FYE 27
	Adopted Budget	Adopted Budget	Proposed	% Change
Collections	1,728,120	1,872,282	1,934,873	3.34%
Treatment	4,024,230	4,074,608	4,289,058	5.26%
Reclamation	703,897	746,361	861,658	15.45%
Laboratory	734,746	733,886	776,818	5.85%
Pump Stations	1,253,999	1,309,166	1,395,578	6.60%
Administration/Engineering	3,525,505	3,872,898	4,216,808	8.88%
Hazardous Household Waste	804,562	1,029,162	1,096,536	6.55%
Recycled Water	317,127	331,600	359,750	8.49%
Non-Departmental	1,263,275	1,363,306	1,431,420	5.00%
Subtotal Expenditures	14,355,460	15,333,269	16,362,499	6.71%
Less: Passthroughs*	(1,121,689)	(1,360,762)	(1,456,286)	
Total Expenditures	\$ 13,233,772	\$ 13,972,507	\$ 14,906,214	6.68%

*Passthroughs include: 1. Solid/Household Hazardous Waste (S/HHW) cost center funded by AB 939 Collector fees and Oil (\$0 for FY 26-27 & FY 27-28), 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 26-27 budgets are presented in Table 4.

Table 4: Operating Budget, Significant Budget Variances FY 25-26 to FY 26-27

Anticipated Budget Variances – Year-over-year		Budget Impact, \$	Variance, %	Budget Impact, %
1	Salaries and wages (across all cost centers)	278,982	7.89%	1.71
2	Contract Services (Operations & Lab)	151,281	4.60%	0.92
3	Employee Benefits (across all cost centers)	465,218	27.18%	2.84
4	Insurance	29,650	4.62%	0.18
5	Software Maintenance	31,315	24.63%	0.19
6	Outside Consulting	(20,906)	-4.20%	-0.13
7	IT/Misc. Electrical	17,960	14.01%	0.11
8	Research & Monitoring	23,250	13.06%	0.14
9	Gas & Electricity	112,977	7.22%	0.69
10	Permits & Fees	22,350	6.85%	0.14

In dollar terms, the most significant variances are to the Salaries and Wages and Employee Benefits categories and are explained by projected step increases and 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 the California Sanitation Risk Management Agency (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 Enterprise Resource Planning (ERP) & Computerized Maintenance Management System (CMMS) software as well as cybersecurity products and services.

The increase in Research and Monitoring costs is primarily from increases lab testing costs and 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 26-27 CAPITAL BUDGET DETAILS

Capital Revenues

The proposed FY 26-27 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 26-27 are expected to increase by 2.44 percent or \$317,132 from FY 25-26. Notable items include:

Capital SSC Revenues budgeted increase of 4.66 percent or \$452,317, from the FY 26-27 rate increase.

Property Taxes projected decrease of 6.66 percent or \$152,141 which is attributable to the allocation change or 72% in FY 25-26 to 65% in FY 26-27.

Connection Charges projected increase of about 3.03 percent or \$17,200, assuming about 40 new connections per year consistent with the District's most recent Capacity Fee Study.

Interest Income budgeted to increase by 0.18 percent or \$755 from conservative interest rate projections.

Grant Revenue – No new grant monies are anticipated at this time through FY 26-28, 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	2024-25	2025-26	2026-27	FYE 26 to FYE 27
	Adopted Budget	Adopted Budget	Proposed	% Change
Capital Sewer Service Charges	9,268,977	9,707,926	10,160,243	4.66%
Property Taxes	2,340,452	2,283,274	2,131,133	-6.66%
Connection Charges	551,600	568,400	585,600	3.03%
Collector/Special Equalization Chqs	1,000	1,000	0	-100%
Interest Income	400,926	417,868	418,623	0.18%
Other Revenue	20,000	20,000	20,000	0.00%
Total Capital Revenues	\$ 12,582,955	\$ 12,998,468	\$ 13,315,600	2.44%

Capital Expenditures

The proposed FY 26-27 Capital Improvement Program (CIP) Budget is budgeted to increase by 14.01 percent or \$3,143,550 between FY 25-26 and FY 26-27.

Consistent with the District's budgeting history, FY 26-27 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 \$6,503,100 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	2024-25	2025-26	2026-27	FYE 26 to FYE 27
	Adopted Budget	Adopted Budget	Proposed	% Change
Capital Projects	12,233,000	15,932,700	19,081,000	19.76%
Debt Service	6,505,850	6,507,850	6,503,100	-0.07%
Total Capital Expenditures	\$ 18,738,850	\$ 22,440,550	\$ 25,584,100	14.01%

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 2.05 for FY 26-27 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) continues 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 26-28 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	\$2,460
Sanitary District No. 5 - Tiburon	\$2,460
Sanitary District No. 1 - City of Larkspur	\$1,918
Las Gallinas Valley Sanitary District	\$1,641
Tamalpais Community Services District	\$1,638
City of Mill Valley	\$1,415
Ross Valley Sanitary District (SD#1)	\$1,340
Vallejo Sanitation & Flood Control District	\$1,223
City of Petaluma	\$1,211
City of Santa Rosa	\$1,144
Sanitary District No. 2 - Town of Corte Madera	\$1,087
Sausalito-Marin City Sanitary District	\$1,074
City of San Rafael	\$1,062
Napa Sanitation District	\$761
NOVATO SANITARY DISTRICT	\$760

Notes: Final charges for Agencies other than Novato Sanitary District may be subject to change.

In conclusion, the proposed FY 26-27 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,

/s/ Sandeep Karkal
SANDEEP KARKAL, P.E.
General Manager – Chief Engineer

/s/ Tony Clark
TONY CLARK
Finance Manager

Additional Charts for Informational Purposes:

Figure 1:

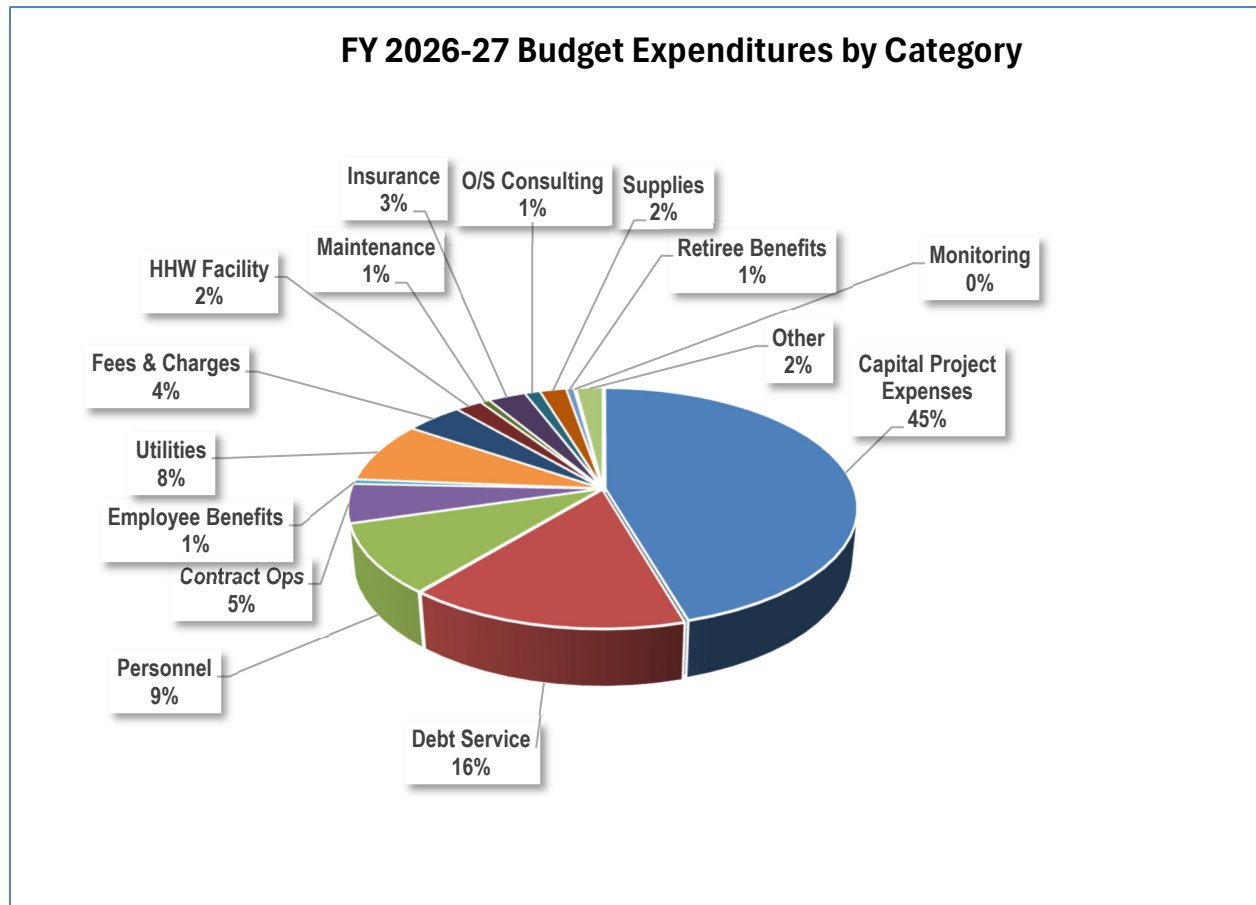


Figure 2:

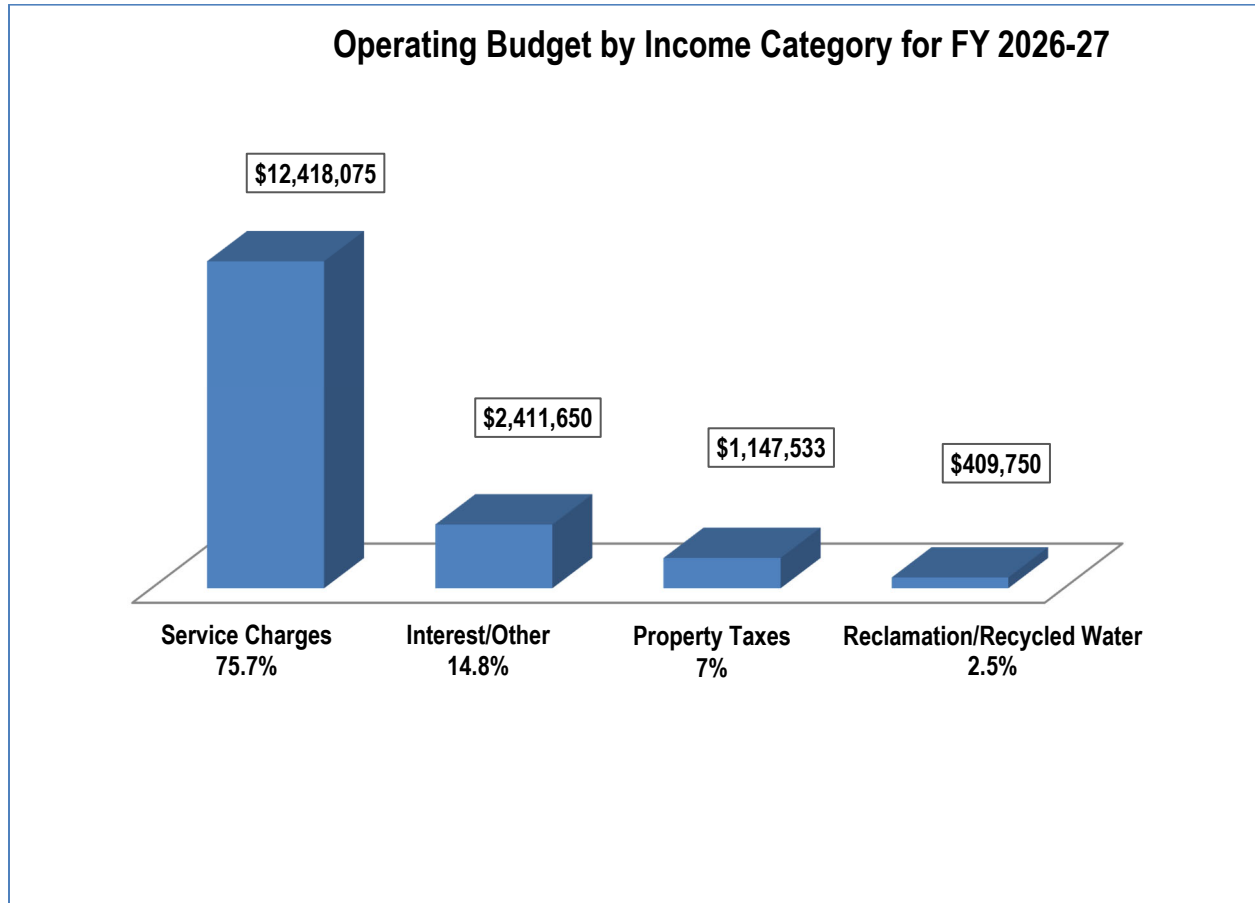


Figure 3:

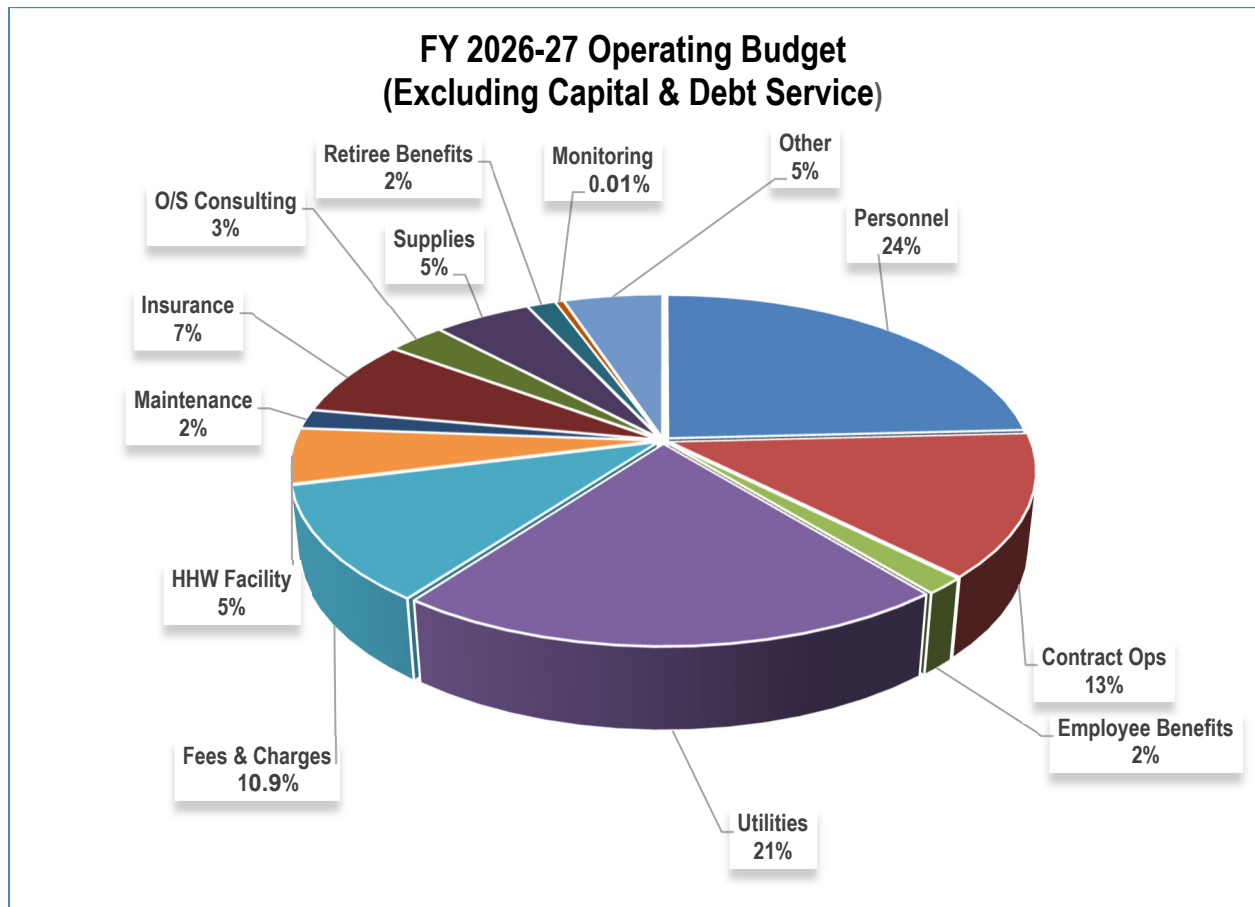


Figure 4:

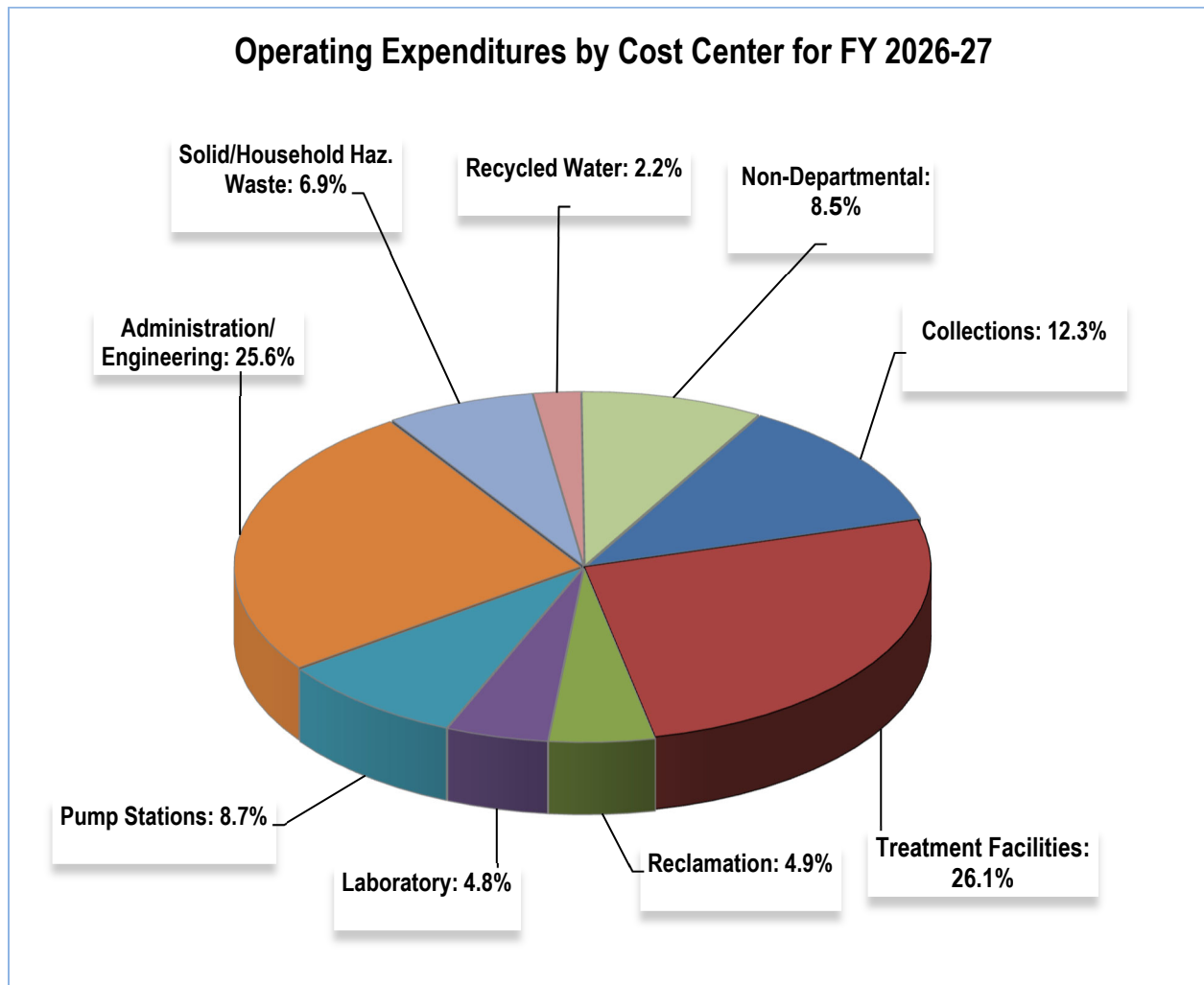
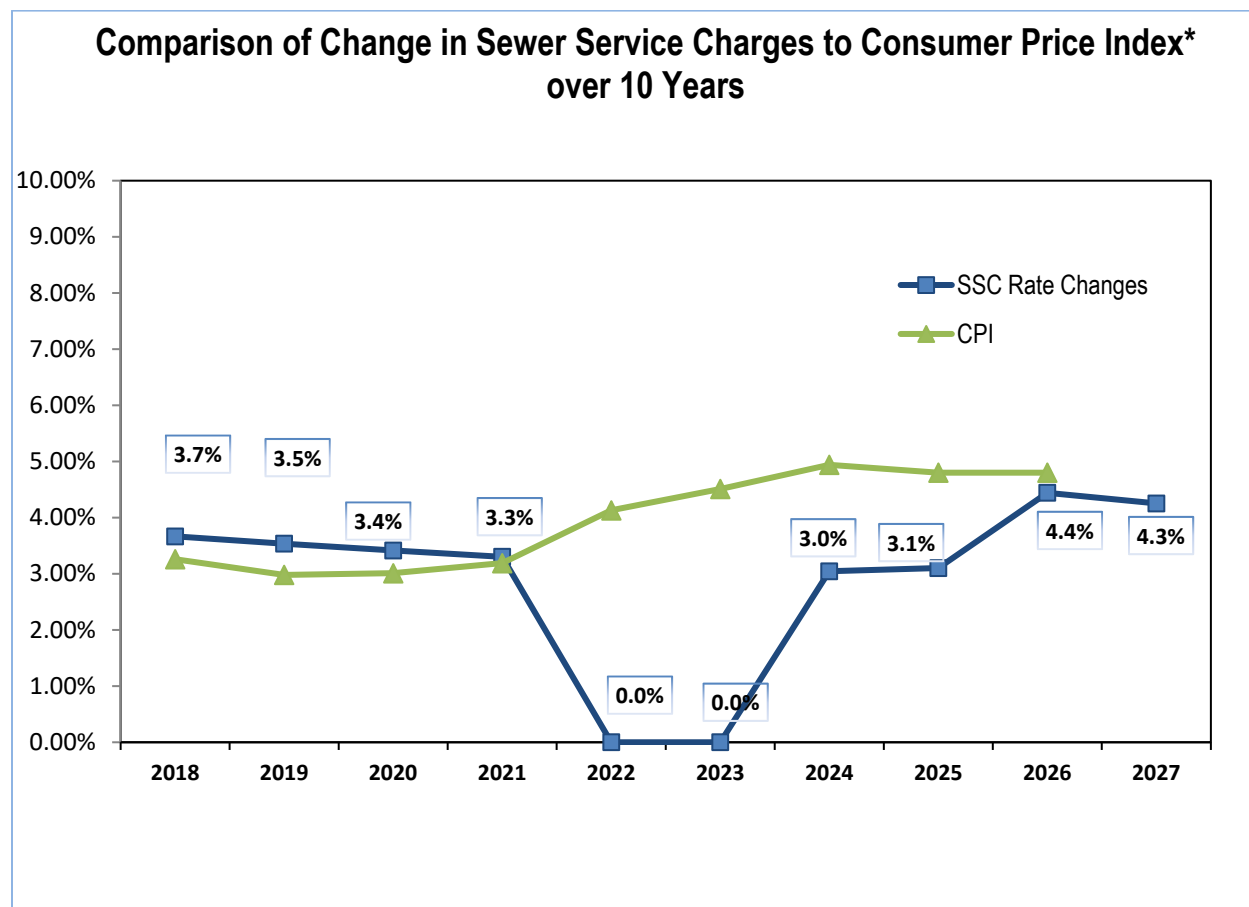


Figure 5:



SECTION I

SUMMARY OF FUND BALANCES

**Novato Sanitary District
2026-2028 Final Budget
Summary of Fund Balances**

	Adopted Budget 2025-26	Actual Rev/Exp 2025-26⁽⁵⁾	Final Budget 2026-27	Preliminary Budget 2027-28
A. Operating Fund				
Starting Balances at Beginning of Each Year	13,541,501	13,541,501	14,559,395	13,019,744
Operating Revenue (p. 4)	15,361,578	16,083,352	16,387,008	16,902,322
Operating Expenditures (p. 5)	15,333,269	13,503,167	16,362,499	16,900,607
Net Operating Revenue	28,309	2,580,185	24,508	1,716
Operating Fund Balances before transfers at Year End	13,569,810	16,121,686	14,583,903	13,021,460
Transfers Out - to OPEB ⁽¹⁾ Trust Fund	0	0	0	0
Transfers Out - to Rate Stabilization Fund (RSF)	62,291	62,291	64,159	66,084
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	12,007,520	14,559,395	13,019,744	11,455,376
B. Capital Improvement Fund				
Starting Balances - Beginning of Each Year	26,525,223	26,525,223	28,127,261	16,958,760
Capital Revenue (p. 19)	12,998,468	12,983,252	13,315,600	12,384,022
Transfers In ⁽²⁾	1,500,000	1,500,000	1,500,000	1,500,000
Total Capital Revenue and Fund Transfers	14,498,468	14,483,252	14,815,600	13,884,022
Capital Expenditures ⁽³⁾ (p. 20)	15,932,700	5,973,364	19,081,000	17,252,725
Debt Service (pgs. 20, 33, & 34)	6,507,850	6,507,850	6,503,100	6,496,350
Transfers Out ⁽⁴⁾	400,000	400,000	400,000	400,000
Total Capital Expenditures and Fund Transfers	22,840,550	12,881,214	25,984,100	24,149,075
Available Capital Improvement Fund Balances after transfers at the End of Each Year	18,183,141	28,127,261	16,958,760	6,693,708
Available Fund Balances at the End of Each Year	30,190,662	42,686,656	29,978,504	18,149,083
C. Wastewater Capital Reserve Fund (WCRF)				
Restricted Fund Balance at the End of Each Year (p. 29)	2,849,653	2,849,653	3,249,653	3,649,653
D. Rate Stabilization Fund (RSF)				
Restricted Fund Balance at the End of Each Year (p. 31)	2,138,642	2,138,642	2,202,801	2,268,885
Restricted Fund Balances at the End of Each Year	4,988,295	4,988,295	5,452,454	5,918,538

Comments:

⁽¹⁾ OPEB - Other Post-Employment Benefits.

⁽²⁾ From Operating Fund Balances.

⁽³⁾ Includes Capital Expenditure Commitments/Encumbrances from FY 25-26 into FY 26-27.

⁽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
2026-2028 Final Budget
Operating Budget - Summary of Revenues**

Operating Revenue Center - 41000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Revenue 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
41010 · Sewer Service Charges ⁽¹⁾	11,335,309	11,802,949	11,995,232	12,348,597	12,418,075	12,418,075
41015 · Property Tax allocation ⁽²⁾	780,151	887,940	927,723	896,819	1,147,533	1,984,329
41030 · Plan Check & Inspection Fee	500	500	1,633	500	500	500
41040 · Permit & Inspection Fee	6,000	6,000	6,090	6,000	6,000	6,000
41060 · Interest Income ⁽³⁾	801,852	835,775	1,310,377	647,596	849,932	563,866
41080 · Engineering & Admin Charges	165,000	300,000	281,325	300,000	300,000	300,000
41090 · Non-domestic Permit Fees ⁽⁴⁾	30,000	30,000	140,235	30,000	40,000	40,000
41100 · Garbage Franchise Fees	65,682	67,652	67,652	69,682	69,682	71,772
41105 · AB 939 Collector Fees	697,870	882,002	882,002	948,655	965,036	1,060,056
41107 · Oil Grant/JPA Reimb	7,508	7,000	7,477	7,000	0	0
41108 · SB1383 Grant (CalRecycle) ⁽⁵⁾	99,184	140,160		0	124,000	0
41130 · Ranch Income	40,000	40,000	108,711	40,000	50,000	50,000
41135 · Recycled Water Revenue	317,127	331,600	323,727	341,331	359,750	377,725
41140 · Other Revenue ⁽⁶⁾	20,000	20,000	31,166	20,000	46,500	20,000
41142 · Gain/Loss-disposal of assets	10,000	10,000	0	10,000	10,000	10,000
Totals	14,376,183	15,361,578	16,083,352	15,666,180	16,387,008	16,902,322

Comments:

⁽¹⁾ Sewer Service Charge (SSC) revenue for FY 26-27 is based on rates set by by Board Resolution No. 3211 adopted February 8, 2026 with an average SSC of \$760/Equivalent Dwelling Unit (EDU) split between Operating (\$418) and Capital (\$342). For FY 27-28, SSC revenue is assumed to remain the same as in FY 26-27, pending the results of a rate study to be completed in FY 26-27. Therefore, FY 27-28 revenues are also estimated based on an average SSC of \$760/Equivalent Dwelling Unit (EDU) split between Operating (\$418) and Capital (\$342).

⁽²⁾ Estimated acutal FY 25-26 property tax revenue is based on estimates from the County of Marin Department of Finance and escalated 1% per year in FY 26-27 and FY 27-28. These projections are then allocated between operating (35%) and capital (65%) for FY 26-27, and 60% Operating and 40% Capital in FY 27-28.

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

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

⁽⁵⁾ Received (2) Cal Recycle Grants - \$75,890 in FY 21-22 & \$163,454 in FY 23-24 (\$239,344 in total); of which \$53,960 was refunded back to CalRecycle in FY 23-24.

⁽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 \$7,647,702 for FY 26-27

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Summary of Expenditures**

Operating Cost Center	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
60000 · Collections	1,728,120	1,872,282	1,485,027	1,917,905	1,934,873	1,983,739
61000 · Treatment Facilities	4,024,230	4,074,608	3,937,033	4,270,945	4,289,058	4,492,345
63000 · Reclamation	703,897	746,361	647,869	778,741	861,658	897,297
64000 · Laboratory	734,746	733,886	687,944	764,018	776,818	778,994
65000 · Pump Stations	1,253,999	1,309,166	1,028,394	1,368,268	1,395,578	1,451,574
66000 · Administration/Engineering	3,525,505	3,872,898	3,535,171	3,861,291	4,216,808	4,382,726
67000 · Solid/Household Haz. Waste	804,562	1,029,162	795,970	955,655	1,096,536	1,060,056
68000 · Recycled Water	317,127	331,600	339,117	341,331	359,750	377,725
69000 · Non-Departmental⁽¹⁾	1,263,275	1,363,306	1,046,642	1,388,300	1,431,420	1,476,150
TOTALS	14,355,460	15,333,269	13,503,167	15,646,453	16,362,499	16,900,607

Comments:

⁽¹⁾ District-wide allocations

Novato Sanitary District
2026-2028 Final Budget
Operating Budget: By Cost Center and Account Category for FY 26-27

Expense Categories	Treatment Facilities	Recl	Lab	Pump Stations	Cost Centers				Non-Departmental	Total	As Percent of Budget	Over/Under PY Budget		% Over/Under PY Budget
					Collection System	Admin / Engineering	S/HW Program	Recycled Water				Over/Under PY Budget		
Salaries and Wages		175,709		486,572	833,398	2,144,835	173,149			3,813,664	23.31%	278,982	7.89%	
Contract Services (Operations & Lab)	2,848,296	99,283	494,193					100,000		3,442,490	21.04%	151,281	4.60%	
Employee Benefits				308,023	527,825	1,152,487	89,136			2,176,755	13.30%	465,218	27.18%	
Retiree Health Benefits									255,320	255,320	1.56%	1,014	0.40%	
Directors' Fees						35,000				35,000	0.21%	11,600	49.57%	
Election Expense									55,000	55,000	0.34%	20,000	57.14%	
Gasoline, Oil & Fuel		1,785	500	8,400	24,150	4,400				39,235	0.24%	2,035	5.47%	
Insurance	15,650								656,000	671,650	4.10%	29,650	4.62%	
Ins Claims Expense									150,000	150,000	0.92%	-	0.00%	
Agency Dues									74,000	74,000	0.45%	(2,000)	-2.63%	
Memberships/Certifications									15,000	15,000	0.09%	(3,000)	-16.67%	
Office Expense						22,018				22,018	0.13%	18	0.08%	
Safety		1,000	1,000	5,500	6,500	3,500				17,500	0.11%	700	4.17%	
Software Maint		2,205	1,800	15,117	90,000	49,310				158,432	0.97%	31,315	24.63%	
Operating Supplies		3,150	25,200	12,128	27,300	5,000		5,000		77,778	0.48%	1,628	2.14%	
Operating Chemicals								130,000		130,000	0.79%	10,000	8.33%	
Sludge Disposal-Contractual		273,000								273,000	1.67%	13,000	5.00%	
Accounting & Auditing										60,583	0.37%	(217)	-0.36%	
Attorney									30,000	30,000	0.18%	(5,000)	-14.29%	
Outside Consulting						476,965				476,965	2.91%	(20,906)	-4.20%	
IT/Misc. Electrical						146,160				146,160	0.89%	17,960	14.01%	
Safety & Wellness Incentive Program									10,000	10,000	0.06%	-	0.00%	
Printing & Publication									5,000	5,000	0.03%	-	0.00%	
Repairs & Maintenance		89,250	18,375	148,838	88,200	97,850		35,000		477,513	2.92%	5,263	1.11%	
PSPS Costs				26,250						26,250	0.16%	1,250	5.00%	
Small Tools		525		2,000	2,000					4,525	0.03%	25	0.56%	
Outside Services				115,500	195,000					310,500	1.90%	10,500	3.50%	
Ditch/Dike Maintenance										25,000	0.15%	5,000	25.00%	
Research & Monitoring		25,000						16,250		201,250	1.23%	23,250	13.06%	
Travel, Mtgs & Train.			185,000						95,000	95,000	0.58%	20,000	26.67%	
Pollution Prevention/Pub. Ed.										35,000	0.21%	-	0.00%	
Gas & Electricity	1,249,112	157,500		198,450				73,500		1,678,562	10.26%	112,977	7.22%	
Water		5,250		11,800	10,000					27,050	0.17%	1,050	4.04%	
Telephone				48,300	8,000	18,700				75,000	0.46%	8,900	13.46%	
Other/Operational Assistance					2,500					2,500	0.02%	1,200	92.31%	
Permits & Fees	176,000	28,000	15,750	8,700	120,000			0		348,450	2.13%	22,350	6.85%	
Co. Collection Fees									76,100	76,100	0.47%	9,100	13.58%	
Ser. Chg. System Exp									0	-	0.00%	-	0.00%	
Property Tax allocation (LISRAP/SSCs)									10,000	10,000	0.06%	-	0.00%	
COVID-19 Impact										-	0.00%	-	0.00%	
AB 939 Solid Waste Programs										-	0.00%	-	0.00%	
Subtotal before Pass through expenses	4,289,058	861,658	776,818	1,395,578	1,934,873	4,216,808	834,250	359,750	1,431,420	16,362,499	100.00%	1,029,230	6.71%	
Pass through expenses										(1,456,286)	-9.77%	(95,524)		
Total	4,289,058	861,658	776,818	1,395,578	1,934,873	4,216,808	0	0	1,431,420	14,906,214	90.23%	933,707	6.68%	
	28.77%	5.78%	5.21%	9.36%	12.98%	28.29%	0.00%	0.00%	9.61%	100.00%				

SECTION III

OPERATING BUDGET By Cost Center and Account Category

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Collections**

Collections Cost Center - 60000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
60010 · Salaries & Wages	825,265	849,749	700,405	885,240	833,398	890,746
60020 · Employee Benefits	412,555	474,813	421,259	494,477	527,825	551,693
60060 · Gas, Oil & Fuel	23,000	23,000	25,715	24,150	24,150	25,400
60085 · Safety	6,500	6,500	5,868	6,500	6,500	6,500
60091 · Software Maint	37,500	83,920	53,242	87,238	90,000	91,000
60100 · Operating Supplies	26,000	26,000	20,398	27,300	27,300	27,300
60150 · Repairs & Maint	80,000	84,000	95,367	88,200	88,200	92,500
60152 · Small Tools	2,000	2,000	1,585	2,000	2,000	2,000
60153 · Outside Services	190,000	190,000	113,047	140,000	195,000	150,000
60192 · Water	10,000	10,000	14,708	10,500	10,000	10,500
60193 · Telephone	4,000	4,000	3,559	4,000	8,000	8,400
60200 · Other (Garbage Coll)	1,300	1,300	0	1,300	2,500	2,700
60201 · Permits & Fees	110,000	117,000	29,873	147,000	120,000	125,000
	1,728,120	1,872,282	1,485,027	1,917,905	1,934,873	1,983,739

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Treatment Facilities**

Treatment Facilities Cost Center - 61000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
61000-1 · Fixed Fee ⁽¹⁾	2,643,568	2,744,023	2,677,141	2,831,832	2,848,296	2,945,138
61000-2 · Insurance & Bonds	15,000	14,000	15,600	14,000	15,650	16,182
61000-3 · Major Repair/Repl ⁽²⁾	189,750	0	0	0	0	0
61000-4 · Water/Permits/Phone	105,000	160,000	147,037	176,000	176,000	181,984
61000-5 · Gas & Electricity ⁽³⁾	1,070,912	1,156,585	1,097,255	1,249,112	1,249,112	1,349,040
	4,024,230	4,074,608	3,937,033	4,270,945	4,289,058	4,492,345

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 26-27: \$2,744,023 * 1.038 = \$2,848,296 (based on April-to-April CPI of 3.8%)
 - FY 27-28: \$2,848,296 * 1.034 = \$2,945,138 (based on an assumed April-to-April CPI of 3.4%)

- ⁽²⁾ Beginning FY 25-26, expenditures in Account No. 61000-3 were migrated to Account No. 72805-1 to better address cost capitalizations within this category.

- ⁽³⁾ Reflects 8% increase for purchased utility power in FY 26-27 & FY 27-28

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Reclamation**

Reclamation Cost Center - 63000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
63010 · Salaries & Wages	130,493	136,242	136,766	141,146	175,709	196,520
63020 · Employee Benefits	50,204	55,719	47,946	56,430	99,283	104,552
63060 · Gasoline & Oil	1,700	1,700	1,891	1,785	1,785	1,900
63085 · Safety	1,000	1,000	0	1,000	1,000	1,000
63091 · Software Maint	2,000	2,100	1,940	2,205	2,205	2,300
63100 · Operating Supplies	3,000	3,000	37	3,150	3,150	3,200
63115 · Sludge Disposal	260,000	260,000	215,325	273,000	273,000	275,000
63150 · Repairs & Maint	85,000	85,000	57,071	89,250	89,250	89,500
63152 · Small Tools	500	500	69	525	525	525
63157 · Ditch/Dike Maint	20,000	20,000	22,968	21,000	25,000	27,500
63191 · Gas & Electricity	125,000	150,000	135,581	157,500	157,500	160,000
63192 · Water	5,000	5,000	1,555	5,250	5,250	5,300
63201 · Permits & Fees	20,000	26,100	26,721	26,500	28,000	30,000
	703,897	746,361	647,869	778,741	861,658	897,297

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Laboratory**

Laboratory Cost Center - 64000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
64010 · Contract Lab Services ⁽¹⁾	460,146	475,186	467,567	494,193	494,193	509,019
64060 · Gasoline & Oil	500	500	116	500	500	500
64085 · Safety	1,000	1,000	0	1,000	1,000	1,000
64091 · Software Maintenance	1,600	1,700	1,787	1,800	1,800	1,900
64100 · Operating Supplies	23,000	24,000	24,380	25,200	25,200	25,200
64150 · Repairs & Maintenance	17,000	17,500	14,424	18,375	18,375	18,375
64160 · Research & Monitoring	185,500	164,000	166,148	172,200	185,000	171,000
64170 · Pollution Prev/Public Ed	35,000	35,000	5,894	35,000	35,000	36,000
64201 · Permits & Fees	11,000	15,000	7,627	15,750	15,750	16,000
	734,746	733,886	687,944	764,018	776,818	778,994

Comments:

⁽¹⁾ Includes fees and charges paid for contract laboratory and environmental services provided by Veolia Water and North Marin Water District (NMWD). Budget amount includes a CPI-based fee increase of 4% in FY 26-27 & 3% in FY 27-28.`

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Pump Stations**

Pump Stations Cost Center - 65000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
65010 · Salaries & Wages	465,090	480,881	379,377	500,977	486,572	522,374
65020 · Employee Benefits	224,909	256,588	224,039	267,359	308,023	323,600
65060 · Gasoline & Oil	8,000	8,000	8,900	8,400	8,400	8,800
65085 · Safety	5,000	5,000	4,970	5,000	5,500	5,500
65091 · Software Maintenance	8,000	14,397	12,455	15,117	15,117	17,000
65100 · Operating Supplies	11,000	11,550	11,235	12,128	12,128	12,600
65150 · Repairs & Maintenance	135,000	141,750	116,783	148,838	148,838	150,000
65152 · Small Tools	2,000	2,000	432	2,000	2,000	2,000
65153 · Outside Services	105,000	110,000	32,400	115,500	115,500	115,500
65191 · Gas & Electricity	180,000	189,000	188,179	198,450	198,450	198,450
65192 · Water	11,000	11,000	12,694	11,550	11,800	12,000
65193 · Telephone	46,000	46,000	28,043	48,300	48,300	48,300
65201 · Permits & Fees	8,000	8,000	8,886	8,400	8,700	9,200
65301 · PSPS impacts⁽¹⁾	45,000	25,000	0	26,250	26,250	26,250
	1,253,999	1,309,166	1,028,394	1,368,268	1,395,578	1,451,574

Comments:

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

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Administration and Engineering**

Administration and Engineering Cost Center - 66000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-2026	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
66010 · Salaries & Wages	1,887,610	2,067,810	1,970,644	2,175,520	2,144,835	2,336,186
66020 · Employee Benefits	914,902	924,417	828,043	934,423	1,152,487	1,222,758
66030 · Director's Fees	23,400	23,400	17,775	23,400	35,000	35,000
66060 · Gasoline & Oil	4,000	4,000	4,837	4,400	4,400	4,400
66085 · Safety	3,300	3,300	1,356	3,500	3,500	3,500
66090 · Office Expense	22,000	22,000	21,429	22,000	14,150	13,660
66090-1 · Copier Leases	0	0	6,902	0	7,868	8,340
66091 · Software Maint	0	25,000	0	40,000	49,310	49,310
66100 · Admin/Engineering Supplies	5,000	5,000	2,533	5,000	5,000	5,000
66121 · Accounting & Auditing	59,000	60,800	53,613	64,000	60,583	59,586
66123 · O/S Contractual	398,968	497,871	426,401	334,598	476,965	364,366
66124 · IT/Misc Electrical	99,225	128,200	78,312	140,000	146,160	163,320
66150 · Repairs & Maintenance	92,000	95,000	105,007	97,850	97,850	98,000
66193 · Telephone	16,100	16,100	18,319	16,600	18,700	19,300
	3,525,505	3,872,898	3,535,171	3,861,291	4,216,808	4,382,726

**Novato Sanitary District
2026-2028 Final Budget
Personnel Detail**

FTE	Position	Cost Center	Pay Range	Salaries 2026-27	Salaries 2027-28
1.00	General Manager-Chief Engineer	A/E		333,360	350,028
1.00	Deputy General Manager	A/E	MC122.5	262,224	275,335
1.00	General Counsel/Admin Services Manager	A/E	MC121	243,636	268,000
1.00	Field Services Manager	.25AE/.25CS/.25PS/.25Rec	MC119	220,992	232,042
1.00	Capital Projects Manager	.65AE/.25PS/.10Rec	MC115	173,148	190,463
0.26	Project Manager ⁽¹⁾	A/E	MC119	57,762	60,650
1.00	Admin Services Analyst II	A/E	MC 109.5	128,236	141,060
1.00	Admin. Services Tech	A/E	MC104	64,280	106,062
1.00	Finance Manager	A/E	MC117	189,382	208,320
0.43	Financial Services Specialist ⁽¹⁾	A/E	MC117	76,361	80,179
1.00	Staff Engineer	.5A/E/.5CS	47	149,580	157,059
1.00	Information Tech & Security Officer	A/E	MC116.5	195,672	205,456
1.00	Construction Inspector II	A/E	44.5	120,120	132,132
1.00	Information System Specialist II	.5A/E/.5CS	43.5	103,764	114,140
1.00	Environmental Programs Manager	Solid/HHW	MC115	164,904	181,394
1.00	Electrical/Instrumentation Tech	.34A/E/.33PS/.33Rec	46.5	146,016	153,317
1.00	Collection System Superintendent	.67CS/.33PS	MC115	181,812	190,903
1.00	Collection System Leadworker	.67CS/.33PS	47	149,580	157,059
2.00	Collection System Worker II	.67CS/.33PS	40.5	210,258	231,284
3.00	Collection System Worker I	.67CS/.33PS	38.5	280,212	294,223
1.00	Field Services Worker I	.50Rec/.25PS/.25CS	37.5	64,530	88,931
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	30,091
	Allowance for Overtime	.67CS/.33PS		27,583	28,962
	Allowance for Overtime	A/E		5,305	5,570
	Allowance for Standby Duty Pay	.67CS/.33PS		39,600	41,580
	Subtotal			3,632,815	3,940,078
	Allowance for salary adjustments (including COLA)			180,849	196,212
23.35	Total			3,813,664	4,136,290
				2026-27	2027-28
11.44	Administration and Engineering (A/E)	49%		2,144,835	2,336,186
1.00	Solid/HHW	4%		173,149	190,464
6.19	Collection System (CS)	27%		833,398	890,746
3.44	Pump Stations (PS)	15%		486,572	522,374
1.28	Reclamation Facilities (Rec)	5%		175,709	196,520
23.35	Total	100%		3,813,664	4,136,290

⁽¹⁾ Part-time/Annuitant position.

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Solid/Household Hazardous Waste**

Solid/HHW Cost Center - 67000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
67010 · Salaries & Wages⁽¹⁾	0	155,546	157,056	167,990	173,149	190,464
67020 · Employee Benefits⁽¹⁾	0	82,056	81,327	87,133	89,136	95,042
67400 · Management Services⁽²⁾	152,870	55,000	2,000	60,500	0	0
67500 · Household Haz. Waste	505,000	545,400	494,185	589,032	642,000	738,300
67530 · Used Oil Grant	7,508	7,000	0	7,000	7,500	0
67540 · Education/Public Outreach	25,000	27,500	29,641	27,500	48,750	33,750
67600 · Other	5,000	6,500	0	6,500	2,000	2,500
67610 · City AB 939 Admin Service	10,000	10,000	10,000	10,000	10,000	0
67620 · SB1383 CalRecycle⁽³⁾	99,184	140,160	21,761	0	124,000	0
	804,562	1,029,162	795,970	955,655	1,096,536	1,060,056

Comments:

⁽¹⁾ Account Nos. 67010 and 67020 are new as of FY 25-26, when this function was brought in-house through the creation (in FY 24-25) of the Environmental Programs Manager position.

⁽²⁾ No outside management services are anticipated in FY 26-27.

⁽³⁾ Received two (2) SB 1383 CalRecycle Grants: \$75,890 in FY 21-22 & \$163,454 in FY 23-24 (\$239,344 in total); of which \$53,960 was refunded back to CalRecycle in FY 23-24.

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Recycled Water**

Recycled Water Cost Center - 68000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
68010 · O & M Services	68,310	72,000	122,282	72,000	100,000	105,000
68100 · Operating Supplies	6,262	6,600	411	6,831	5,000	5,300
68101 · Operating Chemicals	112,211	120,000	123,475	126,000	130,000	136,500
68150 · Repairs & Maintenance	48,215	49,000	4,792	49,000	35,000	36,750
68160 · Research & Monitoring	14,490	14,000	19,174	14,000	16,250	17,000
68191 · Gas & Electricity⁽¹⁾	67,639	70,000	68,983	73,500	73,500	77,175
	317,127	331,600	339,117	341,331	359,750	377,725

Comments:

⁽¹⁾ Includes an estimated increase of 5% in FY 27-28 over FY 26-27 budgeted amounts.

**Novato Sanitary District
2026-2028 Final Budget
Operating Budget - Non-Departmental**

Non-Departmental (District-wide allocations) Cost Center - 69000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Expenses 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
69021 · Retiree Health Benefits ⁽¹⁾	242,275	254,306	227,783	274,650	255,320	280,850
69022 · Pension Expense ⁽²⁾	0	0	0	0	0	0
69040 · Election Expenses	35,000	35,000	76	10,000	55,000	5,000
69070 · Insurance	548,000	628,000	598,134	659,400	656,000	720,000
69071 · Insurance Claim Expense	150,000	150,000	10,860	150,000	150,000	150,000
69075 · Agency Dues	78,000	76,000	66,304	80,000	74,000	77,700
69080 · Memberships/Certifications	18,000	18,000	9,599	18,900	15,000	15,000
69122 · Attorney Fees (outside services)	35,000	35,000	23,379	30,000	30,000	30,000
69125 · Safety & Wellness Incent Prog	10,000	10,000	1,187	10,000	10,000	7,500
69130 · Printing & Publications	5,000	5,000	912	5,000	5,000	4,000
69170 · Board Travel & Training ⁽³⁾	25,000	25,000	8,296	25,000	50,000	50,000
69171 · Staff Travel & Training	40,000	50,000	29,075	45,000	45,000	45,000
69201 · Property Tax Alloc (LISRAP/SSCs) ⁽⁴⁾	10,000	10,000	3,220	10,000	10,000	10,000
69202 · County Fees-Property Taxes	35,000	35,000	38,357	36,750	42,500	47,500
69203 · County Fees-Sewer Ser Chg	32,000	32,000	29,462	33,600	33,600	33,600
	1,263,275	1,363,306	1,046,642	1,388,300	1,431,420	1,476,150

Comments:

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

⁽²⁾ 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.

⁽³⁾ Based on attendance at two (2) Conferences of the California Association of Sanitation Agencies (CASA) per year.

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

PARS = Public Agency Retirement Services

LISRAP = Low Income Sewer Rate Assistance Program

SECTION IV

CAPITAL IMPROVEMENT BUDGET

**Novato Sanitary District
2026-2028 Final Budget
Capital Improvement Budget - Summary of Revenues**

Capital Fund Revenue Center - 51000	Adopted Budget 2024-25	Adopted Budget 2025-26	Actual Revenue 2025-26	Preliminary Budget 2026-27	Final Budget 2026-27	Preliminary Budget 2027-28
Accounts						
51010 · Sewer Service Charges⁽¹⁾	9,268,977	9,707,926	9,818,465	10,108,756	10,160,243	10,160,243
51015 · Property Taxes⁽²⁾	2,340,452	2,283,274	2,385,574	2,306,107	2,131,133	1,322,886
51020 · Connection Charges⁽³⁾	551,600	568,400	208,152	585,452	585,600	603,168
51040 · Special Equalization Chrg	1,000	1,000	0	1,000	0	0
51060 · Interest	400,926	417,868	571,061	323,817	418,623	277,725
51070 · Other Revenue	20,000	20,000		20,000	20,000	20,000
Totals	12,582,955	12,998,468	12,983,252	13,345,132	13,315,600	12,384,022

Comments:

⁽¹⁾ Sewer Service Charge (SSC) revenue for FY 26-27 is based on rates set by by Board Resolution No. 3211 adopted February 8, 2026 with an average SSC of \$760/Equivalent Dwelling Unit (EDU) split between Operating (\$418) and Capital (\$342). For FY 27-28, SSC revenue is assumed to remain the same as in FY 26-27, pending the results of a rate study to be completed in FY 26-27. Therefore, FY 27-28 revenues are also estimated based on an average SSC of \$760/Equivalent Dwelling Unit (EDU) split between Operating (\$418) and Capital (\$342).

⁽²⁾ FY 25-26 property tax revenue is based on estimates from the County of Marin Department of Finance and escalated 1% per year in each of FY 26-27 and FY 27-28, and then allocated between operating (35%) and capital (65%) for FY 26-27 and Operating (60%) and Capital (40%) in FY 27-28.

⁽³⁾ Per District Ordinance No. 119, the connection charge beginning July 1, 2026 is \$14,640 per EDU, and increases by 3% on July 1, 2027 to \$15,080 per EDU.

Novato Sanitary District
2026-2028 Final Budget
Table 1: Capital Improvement Budget - CIP Expenditures

Capital Improvements Cost Centers - 72000, 73000, & 78500	Adopted Budget ⁽¹⁾ 2024-25	Adopted Budget ⁽¹⁾ 2025-26	Actual Expenses 2025-26	Preliminary Budget ⁽²⁾ 2026-27	Final Budget ⁽²⁾ 2026-27	Preliminary Budget ⁽²⁾ 2027-28
Accounts						
72112 · Network and SCADA Upgrades	456,000	630,700	425,165	478,208	575,500	300,500
72403 · Pump Station Rehabilitation	3,280,000	4,130,000	1,666,622	5,070,000	5,600,000	4,970,000
72508 · North Bay Water Reuse Authority (NBWRA)	5,000	5,000	5,000	5,000	10,000	10,000
72706 · Collection System Improvments	2,855,000	4,340,000	1,244,413	4,040,000	6,095,000	4,775,000
72706-1 · Lateral Replacement Program	80,000	80,000	43,750	80,000	80,000	80,000
72707 · Hamilton Wetlands/Outfall Integration	30,000	30,000	340	30,000	30,000	30,000
72708 · Cogeneration/Alt. Energy ⁽³⁾	512,000	3,002,000	262,907	3,003,000	2,753,000	1,000,000
72802 · Annual Sewer Adj. for City Projects	50,000	50,000	0	50,000	50,000	50,000
72803 · Annual Collection Sys Repairs	120,000	150,000	98,617	157,500	157,500	162,225
72804 · Annual Reclamation Fac. Improvements	875,000	995,000	589,918	465,000	635,000	1,040,000
72805 · Annual Treatment Plant Improvements	525,000	180,000	(115,858)	126,000	100,000	100,000
72805-1 · Treatment Plant Major Repair/Repl ⁽⁴⁾	0	350,000	258,111	210,000	330,000	315,000
72806 · Annual Pump Station Improvements	210,000	150,000	194,930	182,500	275,000	285,000
72807 · Annual Ignacio Facility Improvements	525,000	850,000	749,754	35,000	460,000	50,000
72808 · Strategic Plan Update	20,000	5,000	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	850,000	210,000	96,097	50,000	405,000	205,000
73004 · Odor Control and NTP Landscaping	200,000	55,000	0	60,000	60,000	60,000
73006 · NTP Corrosion Control	350,000	380,000	375,333	50,000	475,000	350,000
73007 · Solids Management	925,000	100,000	14,619	775,000	225,000	2,575,000
73008 · Treatment Plant Elec. Sys. Improvements	200,000	170,000	48,407	550,000	550,000	750,000
73009 · Climate Adaption Improvements	20,000	20,000	0	20,000	20,000	20,000
73090 · Vehicle Replacement	140,000	45,000	15,239	65,000	185,000	115,000
Subtotal before Debt Service	12,233,000	15,932,700	5,973,364	15,512,208	19,081,000	17,252,725
78500 · Interest - 2017 Rev. Refunding Bond	408,750	358,250	358,250	305,250	305,250	249,750
78501 · Principal - 2017 Rev. Refunding Bond	1,010,000	1,060,000	1,060,000	1,110,000	1,110,000	1,160,000
78500 · Interest - 2019 Refunding Bond	1,437,100	1,254,600	1,254,600	1,062,850	1,062,850	861,600
78501 · Principal - 2019 Refunding Bond	3,650,000	3,835,000	3,835,000	4,025,000	4,025,000	4,225,000
Subtotal for Debt Service	6,505,850	6,507,850	6,507,850	6,503,100	6,503,100	6,496,350
Totals	\$ 18,738,850	\$ 22,440,550	\$ 12,481,214	\$ 22,015,308	\$ 25,584,100	23,749,075

Comments:

⁽¹⁾ As amended and trued-up, consistent with section 3512.5 of District Policy No. 3152 "Annual Budget - Non-Personnel Related Charges 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 26-28

⁽³⁾ The FY 27-28 preliminary budget amount will be adjusted in a future budget document, based on project financing options to be considered and implemented by the fourth quarter (Q4) of FY 26-27

⁽⁴⁾ 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 10, 2026

SUBJECT: FY 26-28 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 26-28.

A copy of the draft preliminary two-year FY 26-28 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 26-27 and follow-on work in these high priority areas in FY 27-28.

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. **Marin Village Pump Station:** Project to replace the existing wetwell/dry pit type pump station with a new submersible pump-type station. Substantial completion was achieved in the 4th quarter of FY 24-25. Final completion is anticipated in the 4th quarter of FY 25-26. A placeholder amount of \$10,000 is provided in FY 26-27 for any warranty/closeout related items.

2. Ignacio Transfer Pump Station: Project to replace the generator, upgrade switchgear, and perform other site improvements. Preliminary engineering design work was completed in FY 24-25. Final engineering design work will commence in the 4th quarter of FY 25-26 and throughout FY 26-27 with construction anticipated to commence in FY 27-28.
3. 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. Construction commenced in Q3 of FY 25-26; the majority of construction will occur in FY 26-27, extending into FY 27-28.
4. Bahia Pump Station: This account includes funds in FY 27-28 for condition assessment and preliminary design for pump station upgrades.
5. 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 was completed in the 3rd quarter of FY 25-26. Final engineering design work will commence in the 4th quarter of FY 25-26, extending through FY 26-27 and construction anticipated to commence FY 27-28.
6. Force Mains Condition Assessment: This account includes funds in FY 26-27 and FY 27-28 to perform condition assessments on the District's network of force main pipelines.
7. Pump Stations Condition Assessment: This account includes funds in each of FY 26-27 and FY 27-28 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 26-27 will be the thirteenth 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 26-27, 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 preliminary FY 26-28 CIP budget includes only a "placeholder" budget amount of \$10,000 for each year. The placeholder amount has been increased from \$5,000 in previous years to \$10,000 due to development of a new MOU that may result in an increase in annual dues for Associate members.

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 26-28 for follow up work associated with the Collection System Master Plan including additional flow monitoring.

2. Meyers Subdivision Sewer Replacements: Replacement of about 1,875 feet of 6-inch sewer between Mirabella Avenue and Court Road. A portion of this project (originally entitled Elm Drive to East Court) was identified as a structural rehabilitation project identified with a high priority rating in the CSMP. The project has been expanded to include the portions of sewer that were originally slated for replacement in 2005 but were never completed. This account includes funds in FY 27-28 to update the design for construction in FY 28-29.
3. 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. The District's design was completed in FY 25-26 and construction is anticipated in FY 26-27.
4. 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 26-27, with construction potentially starting in late FY 26-27, with the majority of construction in FY 27-28.
5. High Priority Structural Rehab Projects: This account includes funds for high priority structural rehab projects identified in the 2019 Collection System Master Plan. The Main Interceptor 2 Repair project was completed in FY 25-26. A placeholder amount of \$10,000 is provided in FY 26-27 for any warranty/closeout related items.

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 \$2,750 to replace a residential sewer lateral in the District's service area. In FY 25-26, the District budgeted an overall amount of \$80,000 for this program.

It is expected that about 60% of the budget funds will be expended in FY 25-26. Staff expect the same or higher level of participation in FY 26-27. In FY 25-26 the Board approved increasing the District's share, i.e., the maximum individual grant amount by 10%, from \$2,500 to \$2,750 to encourage participation in the program and to account for increased construction costs. Staff did not observe a notable increase in program participation in FY 25-26. This could be due to many factors including general economic concerns, although inflation and construction prices have been less volatile over the last few years. Staff recommend keeping the individual grant amount at the current \$2,750 level. The overall budget for the program will remain \$80,000 in each of FY 26-28.

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 26-28 to meet any minor or unanticipated District expenses for coordination work with SCC staff.

Account No. 72708: Cogeneration/Alternative Energy

NTP Energy Recovery & Efficiency 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 Design-Build team was selected in FY 25-26. The Phase I Design process will proceed in late FY 25-26 through FY 26-27 with construction commencing early FY 27-28.

Battery Energy Storage System (BESS): Installation of the BESS was completed in FY 23-24. This account will continue to retain nominal budget amounts in FY 26-28 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 Collection System Superintendent then tracks and prioritizes repair projects in conjunction with the Field Services Manager, 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 condition assessments, 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.

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

This account was established in FY 25-26 and includes funds to address major repairs and replacements 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 recommended Treatment Plant Major Repairs and Replacements be included in the CIP budget moving forward. This account includes funds for replacement of an influent pump in each of FY 26-27 and FY 27-28.

Account No. 72806: Annual Pump Station Improvements

This account includes funds for small projects to repair District pumping facilities at the various pump stations throughout the District, including 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 includes funds for 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 a placeholder amount of \$10,000 is provided in FY 26-27 for any warranty/closeout related items associated with the Ignacio Facility Potable Water Improvements Project.

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 26-28. Future work (beyond FY 26-28) 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. This account includes funds for a Physical Security Assessment and Implementation and Office and Open Workspace Updates in each of FY 26-27 and FY 27-28.

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 facilities age, the effects of the aggressive nature of wastewater corrosion appear and need to be addressed. It is anticipated that this account will see budgeting of funds on an ongoing basis. This account includes funds for the protective coating of the metalwork of Secondary Clarifier No. 2 in FY 26-27 and Primary Clarifier No. 1 in FY 27-28.

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 Facilities Improvements:** This account includes funds for exploring operational alternatives and upgrading the Biosolids Handling Facilities at Deer Island including the sludge lagoons, final digested sludge and return decanted pipelines and the Dedicated Land Disposal Site (DLD). The Biosolids Management Study and Solids Dewatering Alternatives Analysis was completed in FY 25-26. The recommendations from that analysis were that extending the service life of the existing Biosolids Facilities would be the most economical pathway. This account includes funds for determining the feasibility of removal and placement of accumulated biosolids in the DLD in FY 26-27 and implementation in FY 27-28.

A “placeholder” amount of \$25,000 is being budgeted for each of FY 26-28 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 26-27 and implementation of PLC Upgrades in FY 27-28 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 26-27.
3. Electrical Raceway Improvements: This project will repair damage to the electrical raceways at the east end of the NTP aeration basins. A physical assessment and circuit identification and labeling will occur in Q4 of FY 25/26, with improvements anticipated in FY 26-27.

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 26-28 for initiating any Climate Adaptation studies.

Account No. 73090: Vehicle Replacement

This account includes budget amounts in each of FY 26-27 and FY 27-28 for a portable generator, and an EV equivalent replacement for a ¾ ton truck, in FY 27-28.

SECTION V

WASTEWATER CAPITAL RESERVE FUND

**Novato Sanitary District
2026-2028 Final Budget
Wastewater Capital Reserve Fund**

	Prelim	Final
<u>Wastewater Capital Reserve Fund</u>		
FUND BALANCE 6/30/25 - Consists of:		
Unused Bonding Capacity	3,275,000	3,275,000
Transfers in prior years	2,449,653	2,449,653
Balance before FY 25-26 transfer	5,724,653	5,724,653
Transfer in FY 25-26	400,000	400,000
FUND BALANCE 6/30/26	6,124,653	6,124,653
FUND BALANCE 6/30/26 - Consists of:		
Unused Bonding Capacity	3,275,000	3,275,000
Transfers in prior years	2,849,653	2,849,653
Balance before FY 26-27 transfer	6,124,653	6,124,653
Proposed Transfer in FY 26-27	400,000	400,000
ANTICIPATED FUND BALANCE 6/30/27	6,524,653	6,524,653
FUND BALANCE 6/30/27 - Consists of:		
Unused Bonding Capacity	3,275,000	3,275,000
Transfers in prior years	3,249,653	3,249,653
Balance before FY 27-28 transfer	6,524,653	6,524,653
Proposed Transfer in FY 27-28	400,000	400,000
ANTICIPATED FUND BALANCE 6/30/28	6,924,653	6,924,653

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
2026-2028 Final Budget
Rate Stabilization Fund**

	Prelim	Final
<u>Rate Stabilization Fund</u>		
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	2,138,642	2,138,642
Required Deposits/Transfers from Operating	64,159	64,159
FUND BALANCE 6/30/27	2,202,801	2,202,801
Required Deposits/Transfers from Operating	66,084	66,084
FUND BALANCE 6/30/28	2,268,885	2,268,885

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 2) 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
2026-2028 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	0	0	0	0	0	0	372,000	82,931	454,931	2,878,000	454,931
2033	0	0	0	0	0	0	0	0	382,000	74,017	456,017	2,496,000	456,017
2034	0	0	0	0	0	0	0	0	390,000	64,878	454,878	2,106,000	454,878
2035	0	0	0	0	0	0	0	0	400,000	55,537	455,537	1,706,000	455,537
2036	0	0	0	0	0	0	0	0	409,000	45,969	454,969	1,297,000	454,969
2037	0	0	0	0	0	0	0	0	419,000	35,551	454,551	878,000	454,551
2038	0	0	0	0	0	0	0	0	433,000	22,961	455,961	445,000	455,961
2039	0	0	0	0	0	0	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
2026-2028 Final Budget
Wastewater/Taxable Revenue Bonds - Balances**

	Prelim	Final
<u>2017 Wastewater Revenue Refunding Bonds</u>		
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
DEBT BALANCE 6/30/26	6,105,000	6,105,000
Principal Payment	(1,110,000)	(1,110,000)
Interest payments	(305,250)	(305,250)
Transfer from Capital Improvement Fund	305,250	305,250
ANTICIPATED DEBT BALANCE 6/30/27	4,995,000	4,995,000
<u>2019 Wastewater Revenue Bonds</u>		
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
DEBT BALANCE 6/30/26	22,235,000	22,235,000
Principal Payment	(4,025,000)	(4,025,000)
Interest payments	(1,062,850)	(1,062,850)
Transfer from Capital Improvement Fund	1,062,850	1,062,850
ANTICIPATED DEBT BALANCE 6/30/27	18,210,000	18,210,000
<u>2020 Taxable Wastewater Revenue Refunding Bonds ⁽¹⁾</u>		
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 Capital Improvement Fund	132,197	132,197
DEBT BALANCE 6/30/26	4,984,000	4,984,000
Principal Payment	(330,000)	(330,000)
Interest payments	(124,450)	(124,450)
Transfer from Operating Fund	124,450	124,450
ANTICIPATED DEBT BALANCE 6/30/27	4,654,000	4,654,000

	Budget 2025-26	Actual Rev/Exp 2025-26	Final Budget 2026-27	Preliminary Budget 2027-28
Debt Coverage Ratio ⁽²⁾				
Net Operating Revenue	28,309	2,580,185	24,508	1,716
Capital Revenue	12,998,468	12,983,252	13,315,600	12,384,022
Annual Debt Service	6,507,850	6,507,850	6,503,100	6,496,350
Debt Coverage Ratio	2.00	2.39	2.05	1.91

⁽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".