

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Sewer Service Charges: Proposed Increases, Public Hearing Date, and Public Notices.	MEETING DATE: March 14, 2022 AGENDA ITEM NOS.: 7.a.-c.
RECOMMENDED ACTION(S): <ul style="list-style-type: none"> a. Receive final 2022 Sewer Rate Study Report by Hildebrand Consulting LLC (including Cost-of-Service Analysis and proposed Sewer Service Charges for Fiscal Year (FY) 22-23 to FY 26-27), and draft Sewer Service Charge Ordinance to establish Sewer Service Charges for FY 22-23 to FY 26-27. b. Approve Proposition 218 Notices of Proposed Increases in Sewer Service Charges, and authorize staff to publish and mail the approved Notices, as appropriate. c. Schedule a hearing on Proposed Increases in Sewer Service Charges for May 9, 2022, approve Notice of Public Hearing, and authorize staff to publish it. 	
SUMMARY AND DISCUSSION: <p>At its February 14, 2022 meeting, the District Board received a draft 2022 Sewer Rate Study from the District's independent external financial consultant Hildebrand Consulting LLC. Mark Hildebrand, Principal Consultant with Hildebrand Consulting, attended the meeting and presented the draft study, its findings, and conclusions and recommendations, including proposed increases to sewer service charges for FY 22-23 to FY 26-27.</p> <p>Upon Mr. Hildebrand's presentation, the Board provided direction to: (1) Mr. Hildebrand to prepare a final 2022 Sewer Rate Study Report, and (2) Staff to prepare draft Proposition 218 Notices of Proposed Sewer Rate Increases and Public Hearing, and draft Sewer Service Charge Ordinance.</p> <p>The final 2022 Sewer Rate Study Report is provided (see Attachment 1), and Mr. Hildebrand will be present at the meeting to discuss it with the Board. A draft District Ordinance No. 123 on establishing sewer service charges for FY 22-23 to FY 26-27 is provided as Attachment 2. Draft Proposition 218 Notices (Attachment 3), and a draft Notice of Public Hearing (Attachment 4) are also provided.</p> <p>To comply with Proposition 218, the District must provide at least 45 days' notice of a public hearing prior to adopting a rate increase. Staff recommends that the Board consider the following actions:</p> <ul style="list-style-type: none"> a. Receive final 2022 Sewer Rate Study Report by Hildebrand Consulting LLC, and draft Sewer Service Charge Ordinance to establish Sewer Service Charges for FY 22-23 to FY 26-27. b. Approve Proposition 218 Notices of Proposed Increases in Sewer Service Charges, and authorize staff to publish and mail the approved Notices, as appropriate. c. Schedule a hearing on Proposed Increases in Sewer Service Charges for May 9, 2022, approve Notice of Public Hearing, and authorize staff to publish it. <p>It is anticipated that at its meeting of May 9, 2022, the Board will conduct the public hearing, followed by considering whether or not to adopt the proposed rates and District Ordinance No. 123.</p>	
ATTACHMENTS: <ul style="list-style-type: none"> 1. Final 2022 Sewer Rate Study report by Hildebrand Consulting. Inc. 2. Draft 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". 3. Proposed Proposition 218 Notices of Proposed Increases in Sewer Service Charges. 4. Draft Notice of Public Hearing of Proposed Increases in Sewer Service Charges. 	
STRATEGIC PLAN INFORMATION: This item addresses Goal 4 (Well Planned Finances with a Long-Range Outlook) of the latest Strategic Plan Update.	
BUDGET INFORMATION: Printing and mailing costs for the Proposition 218 Notices will be funded from Account 66123 – O/S Contractual, which has a current balance of \$134,336.	
Prepared by: ssk	Reviewed by General Manager: SSK



Novato Sanitary District

2022 Sewer Rate Study

Final Report

March 8, 2022





March 8, 2022

Mr. Sandeep Karkal
General Manager – Chief Engineer
Novato Sanitary District
500 Davidson Street
Novato, CA 94945

Re: 2022 Sewer Rate Study

Dear Mr. Karkal,

Hildebrand Consulting is pleased to present this 2022 Sewer Rate Study (Study) that we performed for Novato Sanitary District (District). We appreciate the fine assistance provided by you and all of the members of the District staff who participated in the Study.

If you or others at the District have any questions, please do not hesitate to contact me at:

mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of service to the District and look forward to the possibility of doing so again in the near future.

Sincerely,

Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure



Executive Summary

Hildebrand Consulting, LLC was retained by Novato Sanitary District (District) to conduct a comprehensive Sewer Rate Study (Study). Sewer Service Charges (SSCs) are the major portion of the District's operating revenues.

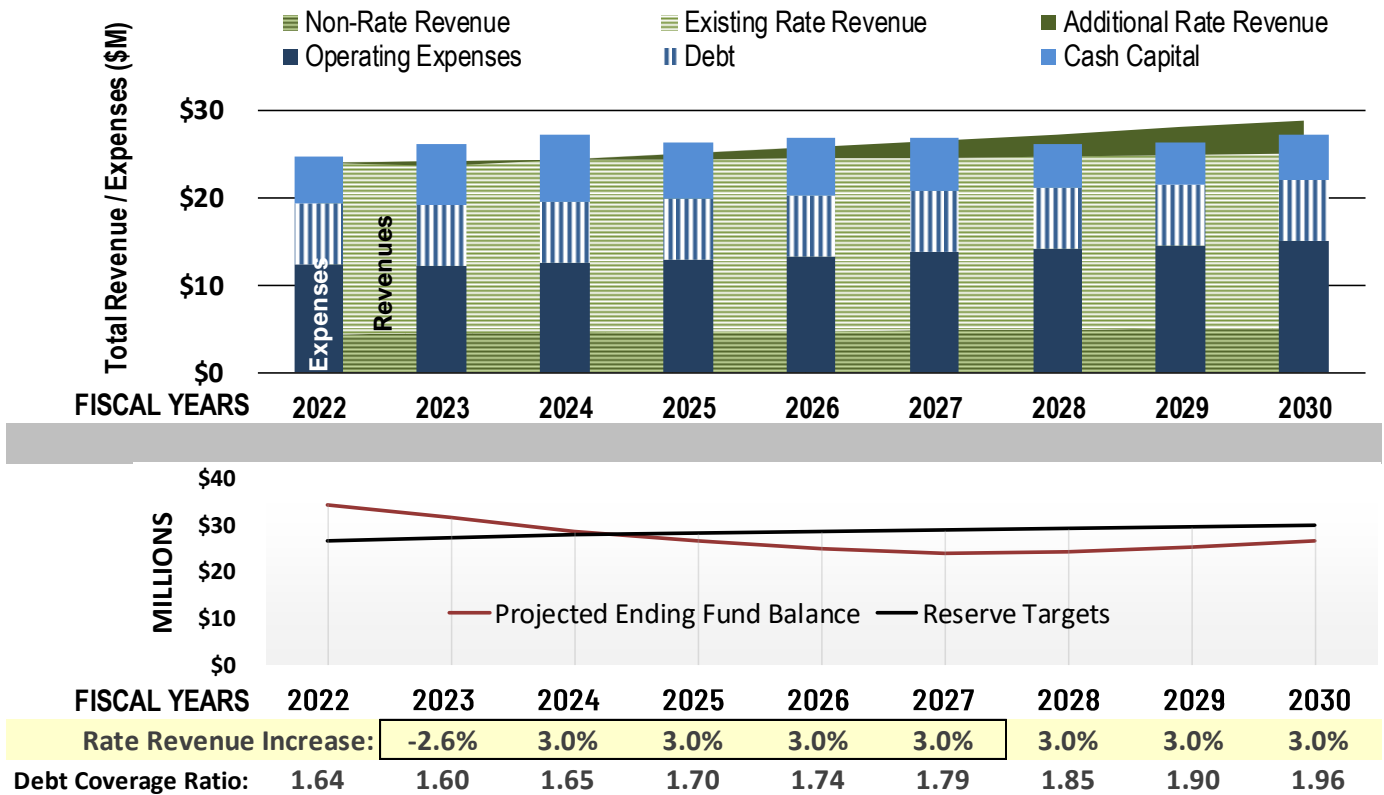
The scope of the Study was to prepare a multi-year financial plan, update the cost-of-service analysis (COSA), review the District's existing rate structure, and propose a 5-year rate program. The complete report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

The Study applied methodologies that are aligned with industry standard practices for rate setting as promulgated by the Water Environment Federation (WEF) and all applicable law, including California Constitution Article XIII D, Section 6(b), commonly known as Proposition 218.

The Study began with development of a multi-year financial management plan that determined the level of annual rate revenue required to cover projected annual operating expenses, debt service (including coverage targets), and capital cost requirements while maintaining adequate reserves. A financial planning model was customized to reflect the District's financial dynamics and latest available data for the sewer operations in order to develop a long-term financial management plan, inclusive of projected annual revenue requirements and corresponding annual rate adjustments. A financial planning model to produce a 10-year financial plan that evaluated the sufficiency of current revenues to meet current and estimated future financial obligations and determined the level of rate revenue increases necessary in each year of the planning period.

Based upon the Study's financial data, assumptions, and reserve targets, the Study proposes a 5-year schedule of rate revenue adjustments as shown at the bottom of the figure below. Notably the financial plan proposes a rate revenue decrease in FY 2022/23.

The principal purposes for decreasing rate revenue in Year 1 is to help mitigate the impact of changes to the District’s rate structure which are being proposed based on the cost of service analysis findings. These structural changes will shift cost responsibilities among the District’s customers and will result in some customers experiencing rate increases despite the overall decrease in rate revenue.



Revenue requirements calculated in the financial plan for FY 2022/23 were then used to perform a detailed COSA. The COSA and rate structure design were conducted based upon principles outlined by the WEF, legal requirements (Proposition 218) and other generally accepted industry practices to develop rates that reflect the cost of providing service.

Residential customers are charged a flat rate based on water usage during the winter months. The flat rates for residential customers are tiered into three buckets (average usage, high usage and low usage) based on actual winter water usage. The SSC for non-

residential accounts is composed of a fixed charge based on the square footage of floor area and variable use charge based on actual water usage (while also accounting for the strength of sewage associated with different types of business enterprises). The table below summarizes the proposed wastewater rate schedule for wastewater rates, which will be effective July 1, 2022.

	Current Rates	Proposed Rates	
Residential (monthly)			
Low Usage	\$32.85	\$35.94	per dwelling unit
Average Usage	\$54.75	\$56.48	per dwelling unit
High Usage	\$98.55	\$100.89	per dwelling unit
Non-residential (annual)			
<u>Annual Fixed Charge</u>	\$0.27	\$0.18	per factored ¹ sq. ft.
<u>Volumetric Charge</u>			
Low Strength	\$4.77	\$7.36	per TGAL
Medium Strength	\$6.68	\$8.87	per TGAL
High Strength	\$10.37	\$13.56	per TGAL

1 The floor area (square footage) of different types of non-residential accounts are multiplied by a "flow factor" which accounts for the volume of wastewater associated with different types of commercial activities.

The proposed wastewater rates reflect the cost of providing wastewater service to customers. In particular, the proposed wastewater rates reflect a proportionate distribution of costs to all customers and customer classes, and better reflect the cost of providing service.

It is worth noting that the District's rates are second to lowest out of 22 wastewater service providers surveyed in the region. The District's rates are expected to remain among the lowest even after this rate program is completed in five years. The proposed rate increases over the next five years are at, or below, the forecasted rate of inflation.

The proposed wastewater rates will increase annually in accordance with the percent increases recommended by the financial plan in order to continue to meet service and financial obligations. A complete schedule of proposed wastewater rates for the five-year schedule are provided in the complete report. The Study used methodologies that are aligned with industry standard practices for rate setting as promulgated by WEF, AWWA and all applicable laws, including California's Proposition 218. The proposed annual adjustments to the rates will allow the District to continue to provide reliable sewer service to customers while meeting the state's mandates. The SSCs will need to be adopted in accordance with Proposition 218, which will require a detailed notice describing the proposed rates to be mailed to each affected property owner or customer at least 45 days prior to conducting a public hearing to adopt the rates.

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List of Acronyms

AWWA	American Water Works Association
BOD	biochemical oxygen demand
CIP	Capital improvement program
COSA	cost of service analysis
DCR	Debt service coverage ratio
EDU	Equivalent single-family dwelling unit; a standard unit measure of sewer utility service based on the estimated volume of sewer flow from an average residential dwelling
FY	Fiscal year (which ends on June 30 for the District)
mg/l	milligrams per liter
mgd	millions of gallons per day
NWTP	Novato Wastewater Treatment Plant
O&M	Operations and maintenance
TGAL	thousand gallons
TSS	total suspended solids
SSC	Sewer Service Charge
SRF	state revolving fund (loan)
SWRCB	State Water Resources Control Board
WCRF	Wastewater Capital Reserve Fund
WEF	Water Environment Federation

Section 1. INTRODUCTION

Hildebrand Consulting, LLC was retained by Novato Sanitary District (District) to conduct a comprehensive Sewer Rate Study (Study). This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 DISTRICT BACKGROUND

The Novato Sanitary District was formed in October 1925 pursuant to the Sanitary District Act of 1923 and is authorized to provide wastewater collection and treatment services, to levy rates and fees to support those services. The District is located in northern Marin County and is approximately twenty-five miles north of the City and County of San Francisco. The District's Novato Wastewater Treatment Plant (NWTP) is currently permitted for an average dry weather flow of 7.0 million gallons per day. The District provides wastewater service to the sewerred areas of the City of Novato as well as developed areas outside the city limits. The District's service area is about thirty-four square miles, with a current sewerred wastewater service area of about twenty-five square miles, serving a population of approximately 60,000. Wastewater from the District's service area is transported to the NWTP where it is treated to federally and state mandated standards to protect the public health.

The District also operates a Wastewater Reclamation Facility consisting of some 800 acres of pastures in three separate sites adjacent to Highway 37. In cooperation with the North Marin Water District, up to 1.7 million gallons per day of Title 22 tertiary recycled water can be produced for use for landscape irrigation in the Novato area. Furthermore, the District provides solid waste collection and disposal. Neither solid waste service rates nor recycled water rates are part of this Study.

The District is directed by a five-member Board of Directors, with each Director elected by registered voters in each of the five electoral Divisions of the District. The Directors, who serve four-year staggered terms, are responsible for establishing policy and ordinances, adopting the annual budget, and hiring the District's General Manager-Chief Engineer. The General Manager-Chief Engineer is responsible for carrying out the policies and ordinances of the District Board and for overseeing the day-to-day operations of the District.

1.2 RATE STUDY BACKGROUND

The District's last rate adjustment occurred on July 1, 2020, based on a five-year rate schedule that was approved in 2016. Sewer Service Charges (SSCs) are the major portion of the District's operating revenues (approximately 82% of wastewater enterprise revenues). The District's ratepayer base is predominantly residential (accounting for approximately 77% of the District's rate revenue). The service area also includes some 2,500 businesses.

Hildebrand Consulting provided a third-party assessment of the District's sewer rates in October 2021. That evaluation concluded that the District's current rate structure comports with common industry standards, that the District's administrative record should be updated, and that a new cost-of-service analysis (COSA) may find opportunities for improvement that are not apparent on the surface. This Study addresses both of those recommendations.

Periodically updating the COSA is a best practice and necessary to comply with applicable law. Rate structure updates ensure that each class of customer continues to pay their fair and proportional share of costs. The cost to serve each class of customers may varies over time due to changes in water use, sewage strength, number of accounts and other factors.

1.3 SCOPE & OBJECTIVES OF STUDY

The scope of this Study was to prepare a multi-year financial plan, update the COSA, review the District's existing rate structure, and propose a 5-year rate program. The primary objectives of this Study were to:

- i. Develop a multi-year financial management plan that integrates the District's operational and capital project funding needs;
- ii. Propose annual rate adjustments to the Sewer Service Charges that will ensure adequate revenues to meet the District's ongoing service and financial obligations;
- iii. Determine the cost of providing sewer service to the District's customers using equitable and industry-accepted methodologies; and
- iv. Recommend specific modifications to the District's existing rate structure in order to ensure that the District is equitably recovering the cost of service and comporting with industry standards and California's legal requirements.

1.4 STUDY METHODOLOGY

This Study applied methodologies that are aligned with industry standard practices for rate setting as promulgated by the Water Environment Federation (WEF) and all applicable law, including California Constitution Article XIII D, Section 6(b), commonly known as Proposition 218.

The Study began with development of a multi-year financial management plan that determined the level of annual rate revenue required to cover projected annual operating expenses, debt service (including coverage targets), and capital cost requirements while maintaining adequate reserves. A financial planning model was customized to reflect the District's financial dynamics and latest available data for the sewer operations in order to develop a long-term financial management plan, inclusive of projected annual revenue requirements and corresponding annual rate adjustments.

Revenue requirements calculated in the financial plan for FY 2022/23 were then used to perform a detailed COSA. The COSA and rate structure design were conducted based upon principles outlined by the WEF, legal requirements (Proposition 218) and other generally accepted industry practices to develop rates that reflect the cost of providing service.

Recommendations for the financial plan and updated rate structure will be presented to the District's Board of Directors and a Public Hearing to adopt the rates will be scheduled for the spring of 2022.

Section 2. FINANCIAL PLAN

This Study's 10-year financial plan was developed through interactive work sessions with District staff. As a result of this process, the Study has produced a robust financial plan that will allow the District to meet revenue requirements and financial performance objectives throughout the projection period while striving to minimize rate increases. This includes maintaining prudent reserves and ensuring that the District's customers are all paying fair and equitable amounts for services provided.

2.1 FINANCIAL DATA & ASSUMPTIONS

The District provided historical and budgeted financial information associated with operation of the sewer system, including historical and budgeted operating costs, a multi-year capital improvement program (CIP), and outstanding debt service obligations. District staff also assisted in providing other assumptions and policies, operating and capital reserve targets, and escalation rates for operating costs (all of which are described in the following subsections).

2.1.1 WASTEWATER FUNDS

The District's wastewater enterprise is comprised of two major funds that are used to manage funds in a transparent manner. While the financial plan model for this Study was developed with an understanding of those funds, the model did not attempt to perfectly replicate the movement of all moneys between funds. Rather, the financial model was used to evaluate the financial condition of the District's sewer enterprise as a whole. The financial plan was developed to serve as a planning tool for managing overall financial needs, constraints, and opportunities, as well as for determining annual rate revenue needs. It is primarily a cash flow model and differs from the District's budgets and financial statements.

The following describes the purpose of each fund and how the financial plan model reflected the use of those funds.

Wastewater Operating Fund – The Operating Fund is the wastewater enterprise’s primary fund and receives the SSC “operating” revenues (as opposed to SSC “capital” revenues which go to the Capital Improvement Fund). Traditionally the District has divided the SSC revenue 55 percent for the Operating Fund and 45 percent for the Capital Improvement Fund. The Operating Fund pays for all operating and maintenance expenditures. Additional revenues into the Operating Fund 1 include miscellaneous fees, a portion of property taxes (projected to be 10% going forward), and interest earnings (see Schedule 4). Within the Operating Fund there is an Operating Reserve. The District’s policies regarding the target funding levels for its reserves are discussed in 2.1.3.

Wastewater Capital Improvement Fund - The Capital Improvement Fund receives the SSC “capital” revenues (45 percent, see above) and Connection Fee revenues which are used to pay for capital projects and debt services. Additional revenues into the Capital Improvement Fund include a portion of property taxes (projected to be 90% going forward), interest earnings, and miscellaneous revenues (see Schedule 4). Transfers are made between the Operating Fund and the Capital Improvement Fund (usually from the former to the latter) in order to maintain appropriate balances.

2.1.2 BEGINNING FUND BALANCES

The FY 2021/22 beginning fund balances for each fund described in Section 2.1.1 are summarized in **Table 1**.

Table 1: FY 2021/22 Beginning Cash Balance

Operating Fund	\$14,969,000
Capital Improvement Fund	\$17,180,000
Wastewater Capital Reserve Fund (WCRF)	\$1,250,000
Rate Stabilization Reserve	\$1,900,000
Total:	\$35,144,000

2.1.3 RESERVE TARGETS

Reserves for utilities are cash balances that are maintained in order to (a) comply with contractual obligations (e.g., bond covenants), (b) protect the utility from unexpected financial events, and/or (c) accommodate operational and capital program cash flow needs. Often multiple reserves or fund targets are maintained, each with a specific function. In addition to the direct benefits of financial stability, reserves can help utilities obtain higher credit rankings, which can then help qualify the utility for cheaper debt. Credit rating agencies evaluate utilities on their financial stability, which includes adherence to formally adopted reserve targets.

The following describes recommended reserve targets which are partially informed based on existing District reserve policies and are consistent with 1) the author's industry experience for similar systems, 2) findings of reserve studies conducted by the American Water Works Association (AWWA), and 3) healthy reserve levels for public utilities per the evaluation criteria published by rating agencies (e.g., Fitch, Moody's, and Standard & Poor's).

Operating Fund Target – The Operating Fund target is maintained in order to meet the liquidity and cash flow needs for the District's day-to-day operations. This reserve ensures continuity of service regardless of short-term changes in cash flow or sudden increases in operating costs. The District has a policy to maintain the Operating fund at a level equal to sixty seven percent (8 months) of the annual operating budget (excluding debt service).

Given the FY 2022/23 operating budget of \$12.3 million, the targeted Operating Reserve for that year would be about \$8.2 million.

Capital Fund Target: A reserve level is maintained in the Capital Fund with the intention of protecting the District from catastrophic failure of critical infrastructure and managing the inherent volatility of capital spending needs. By policy, the District maintains a target level of the anticipated annual debt payments plus the pay-as-you-go capital projects budget for the upcoming fiscal year. Given the inherent variability in

annual capital spending, this Study establishes a target that is based on the 10-year average of pay-as-you-go capital spending (as opposed to having the target change every year with the CIP budget).

Given that this reserve is designed to smooth the inherent variability of the capital spending program, the reserve may be drawn down during years of higher-than-average capital spending and conversely the reserve should be built up during years when capital spending is below average. Such an approach can help reduce the need for large rate adjustments and help ensure continuous funding for capital replacement and rehabilitation projects. The target in FY 2021/22 is \$15.3 million, based on a debt service expense of \$7.0 million and an average capital spending level of \$8.3 million. In the future the District may wish to consider breaking this fund into two separate funds for the sake of additional transparency: a Capital Fund (based on average PayGo) and a Debt Fund (based on then-current annual debt service).

Wastewater Capital Reserve Fund (WCRF) – The WCRF is dedicated to the expansion, major repair, or replacement of the wastewater treatment facilities in accordance with the terms of a 2011 State Revolving Fund (SRF) loan which required that the District establish and maintain the WCRF for expansion, major repair, or replacement of the wastewater facilities for the term of the loan agreement. While that SRF loan has been paid off (and therefore terms are no longer binding) the District recognizes that it may require future SRF funding to rebuild/renew its wastewater treatment facilities. As such, by policy the District continues to deposit approximately \$400 thousand in the WCRF per year. Money deposited in the WCRF is available for the costs for planning, design, and construction of capital improvements to the wastewater treatment facilities. The WCRF balance in FY 2021/22 is approximately \$1.2 million.

Rate Stabilization Reserve – The Rate Stabilization Reserve enables the District to meet unusual or unexpected operating or capital expenses. In 2013 the District set the target amount for the Rate Stabilization Reserve at \$1.5 million with a policy that the

level should be adjusted annually based on the ENR Construction Cost Index for the San Francisco Bay Area. The target level in FY 2021/22 is approximately \$1.9 million.

2.1.4 CUSTOMER GROWTH

Generally speaking, the District's service area is largely built-out with densification anticipated in the downtown area and commercial corridors. Based on District strategic planning documents¹, growth is anticipated to average approximately forty new equivalent dwelling units (EDUs) per year. This corresponds with growth rates of approximately 0.14 percent.

2.1.5 RATE REVENUES

Rate revenue is the revenue generated by SSCs from customers for sewer service. SSCs are collected from individual residential and non-residential customers within the District. This Study's financial plan proposes annual rate revenue adjustments that will meet the District's revenue requirements. Budget and projected SSC revenues are listed in Schedule 1². The rate revenue used for FY2022/23 is based on the preliminary budget for that year.

2.1.6 NON-RATE REVENUES

In addition to rate revenue, the District receives other revenue, including property taxes, miscellaneous fees, operating revenue, connection charge revenue³, and interest revenue on investments. Estimates of interest income were calculated annually based upon estimated average fund balances and historic effective return of 0.65 percent on cash and invested funds, which is consistent with the District's historical earnings. Per

¹ "Strategic Review of District Finances and Reserve Policies, Budget Years 2020-2026", memorandum from the General Manager and Finance Officer to the Board of Directors, January 25, 2021

² The rate revenue in Schedule 1 includes the proposed rate adjustment recommended by this Study, as described in Section 2.2

³ It should be noted that California law (Government Code 66013 et. seq.) requires that Connection Charge revenue be spent "solely for the purposes for which the charges were collected".

staff direction, this financial plan assumes that property tax revenue will increase by 2 percent per year and is allocated 10 percent to the Operating Fund and 90 percent to the Capital Improvement Fund. Projections of all other non-rate revenues were based on FY 2022/23 budgeted revenues and were projected to remain flat. Connection fee revenue is not treated as restricted, but the revenues go to the Capital Improvement Fund and therefore are used to fund capital projects (which is consistent with the intended use of those fees). Budgeted revenues FY 2022/23 are depicted in Figure 2 below and listed in detail in **Schedule 1**.

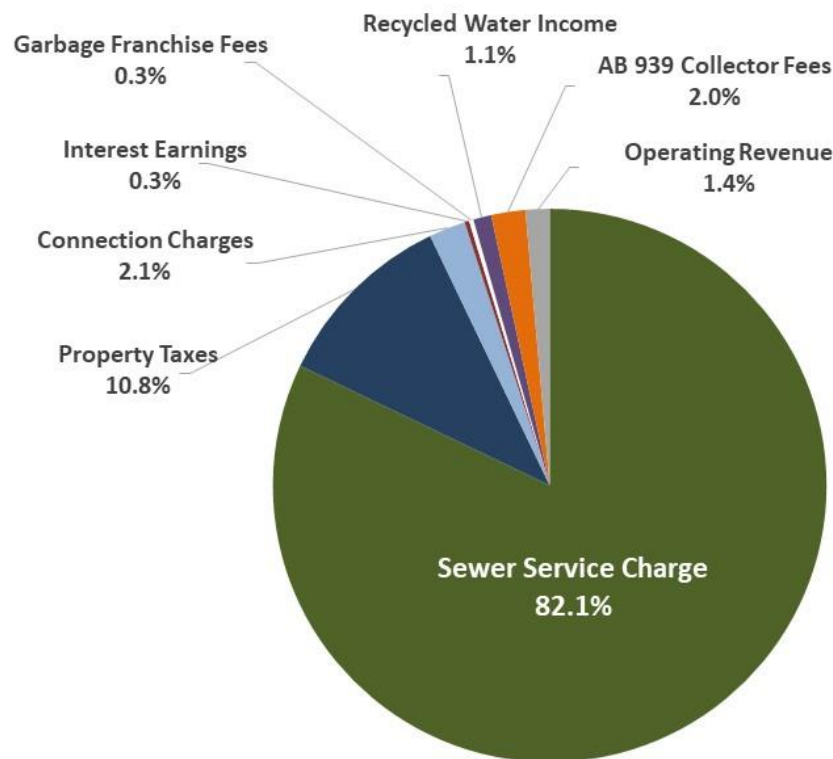


Figure 1: FY 2022/23 Budgeted Revenue Categories

2.1.7 OPERATION AND MAINTENANCE EXPENSES

For the purpose of this Study, the District’s operating and maintenance expenses include all ongoing collection, treatment, disposal, and administrative expenses, and debt service payments. The financial plans’ assumed annual operating and maintenance costs are based on the preliminary FY 2022/23 budget and are adjusted for future years based on inflation (see Section 2.1.8). The District currently has three outstanding revenue bonds. The combined annual debt service is \$6.9 million through 2030, at which time the debt service will drop to about \$1.8 million, then to \$454 thousand per year starting in 2032 until that final loan is paid off in 2038.

Budgeted expense categories for FY 2022/23 are depicted in **Figure 2**. Budgeted and projected operating and debt expenses are listed in detail in **Schedule 2**. Capital program expenses are discussed in Section 2.1.10 and detailed in **Schedule 3**.

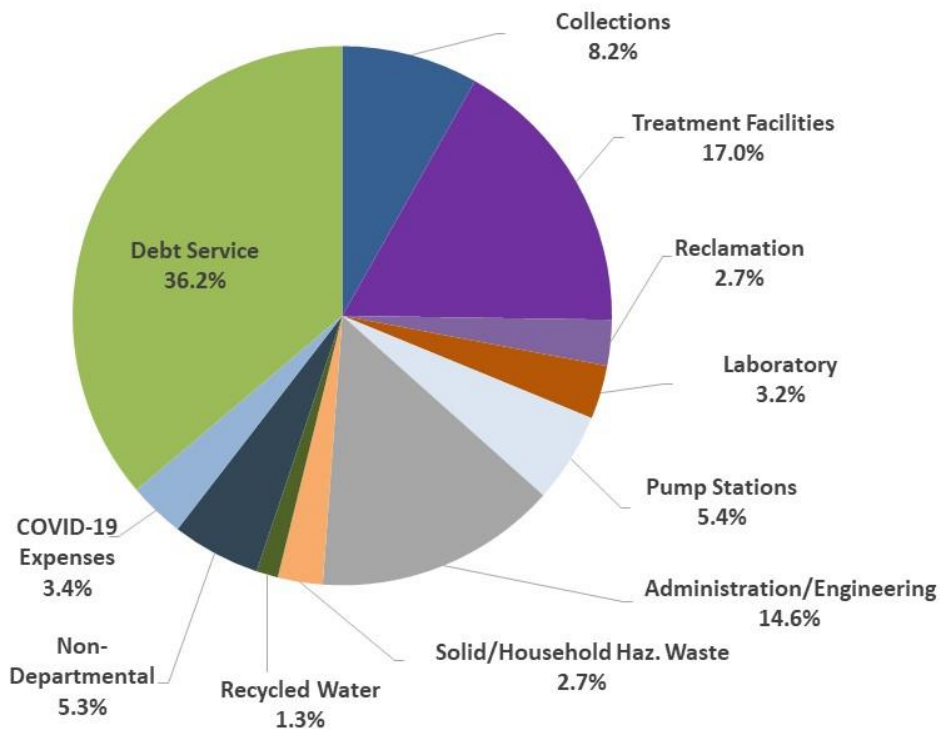


Figure 2: FY 2022/23 Budgeted Expense Categories

2.1.8 COST ESCALATION

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, published inflation forecasts, industry experience, and discussions with District staff. During the projection period, all of the District's operating and capital expenses are projected to increase gradually at 3 percent per year based on long-term historic average inflation rates.

2.1.9 DEBT SERVICE COVERAGE

Debt service coverage is a measure of how easily an entity is able to afford its outstanding debt. Typically, revenue bonds require a minimum debt coverage ratio (DCR) of 1.2. This Study recommends maintaining a DCR of at least 1.5 to ensure access to favorable borrowing terms in the future. The District currently has a DCR of 1.64 (see Schedule 4) and the financial plan does not forecast the DCR falling below that level over the next 10 years.

2.1.10 CAPITAL IMPROVEMENT PROGRAM

In the past decade (from 2011 to 2021) the District has averaged \$5.4 million in annual capital spending. Between FY 2022/23 and FY 2032/33 the District has budgeted an average capital spending level of \$8.5 million (after accounting for inflation). Historically, however, the District has not delivered its entire capital budget, therefore this Study assumes a capital spending execution rate of 70%. After accounting for this ratio, the financial plan projects an annual spending average of \$6.1 million per year.

Figure 3 shows the historical capital spending and projected (as opposed to budgeted, see above) capital spending for the next 10 years. A detailed list of projected capital projects and associated costs is provided in **Schedule 3**.

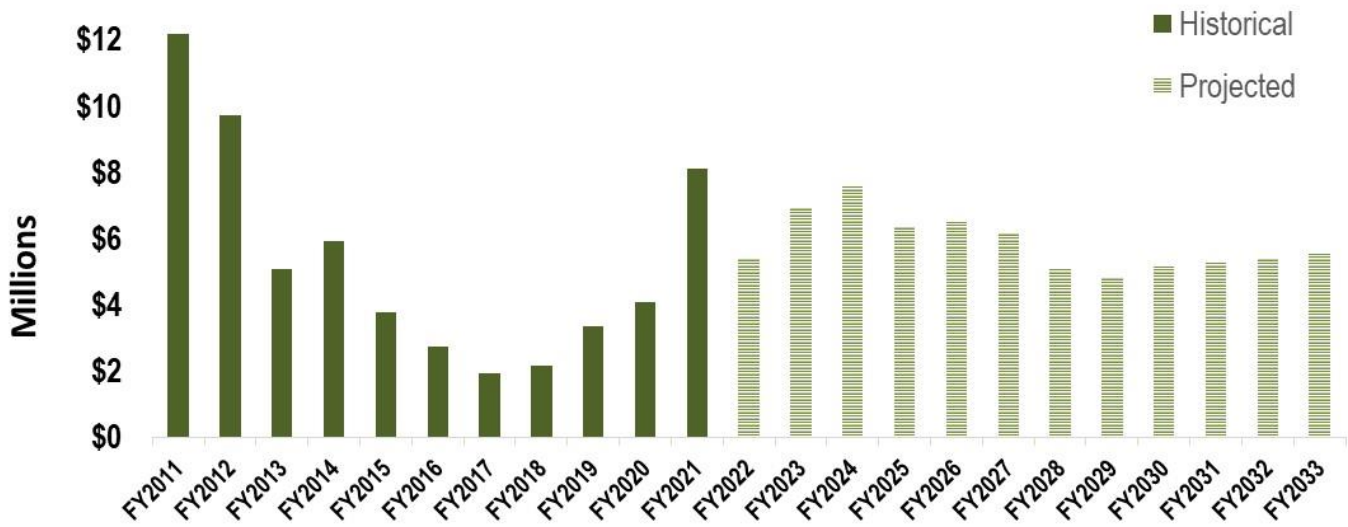


Figure 3: Historical and projected capital spending

2.1.11 FUTURE BORROWING ASSUMPTIONS

This financial study does not propose any new debt during the planning period because debt is most appropriate for financing anomalous “spikes” in capital spending. The District’s forecasted increase in capital spending is modest and does not necessitate new debt.

2.2 PROPOSED RATE REVENUE INCREASES

All of the above information was entered into a financial planning model to produce a financial plan that evaluated the sufficiency of current revenues to meet current and estimated future financial obligations and determined the level of rate revenue increases necessary in each year of the planning period.

Based upon the previously discussed financial data, assumptions, and reserve targets, this Study proposes a 5-year schedule of rate revenue adjustments as shown at the bottom of **Figure 4**. The numbers provided in **Schedule 4** (cash flow proforma) are summarized graphically in Figure 4.

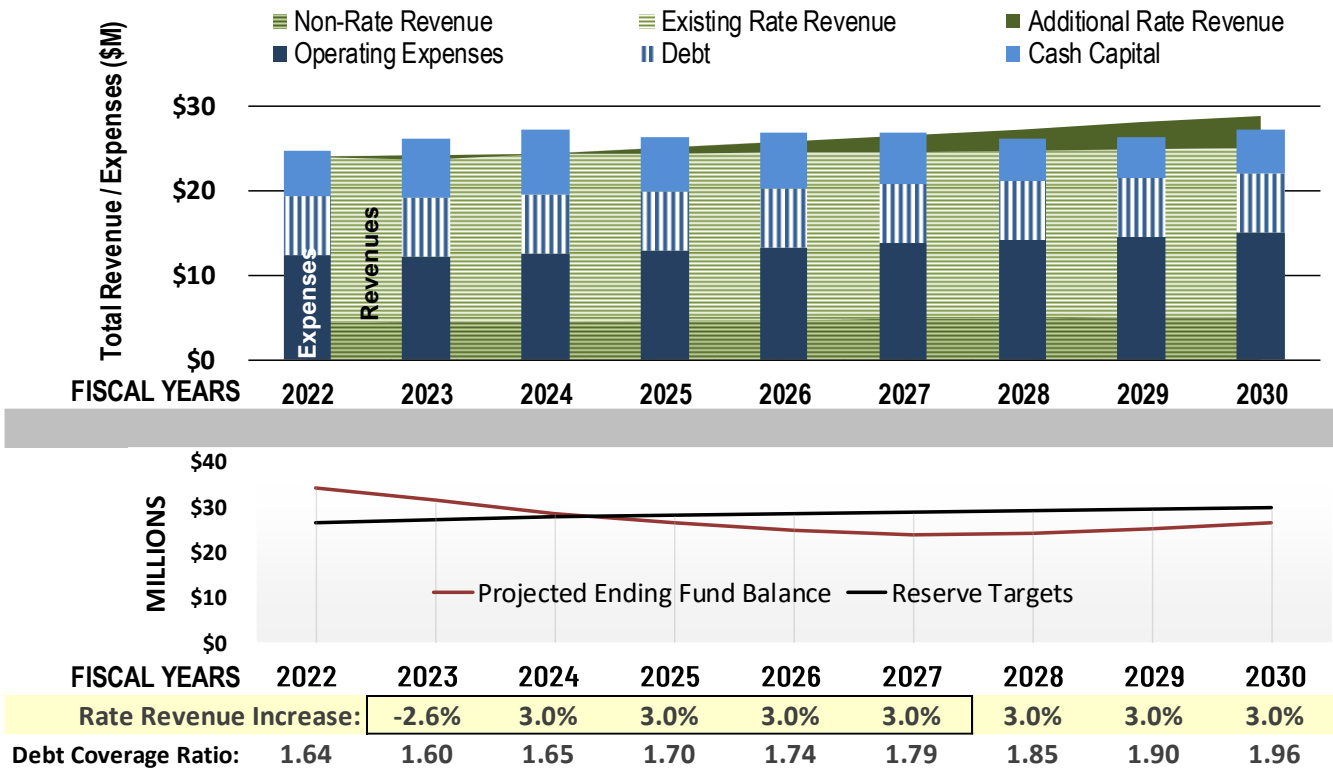


Figure 4: Financial Plan Estimates with Recommended Rate Increases

Notably the financial plan proposes a rate revenue decrease in FY 2022/23. The principal purposes for decreasing rate revenue in Year 1 is to help mitigate the impact of changes to the District’s rate structure which are being proposed based on the cost of service analysis findings (see Section 3). These structural changes will shift cost responsibilities among the District’s customers and will result in some customers experiencing rate increases despite the overall decrease in rate revenue. The District has determined that there are sufficient reserves to allow for a temporary decrease in rate revenue in order to soften the spike in rates for those customers that will bear more costs (consistent with the findings of the cost of service analysis). The cost of service findings, and resultant impact to the District’s customers, is explained in more detail in Section 3.

Section 3. COST-OF-SERVICE & RATE STRUCTURE

This section of the report explains the COSA and design of SSCs intended to meet the District's financial obligations for FY 2022/23 and beyond. Proposed SSCs are intended to meet the utility's financial needs, satisfy legal requirements, and achieve other rate-setting objectives. The SSC analyses and related recommendations address each of the following:

- Identification of SSC rate-setting objectives
- Evaluation of customer account and wastewater production data
- A COSA used to allocate costs to each customer and customer class in proportion with service demands
- Design of the SSC rate structure to meet revenue needs, satisfy legal requirements, and achieve rate-setting objectives in a fair and reasonable manner

3.1 RATE SETTING OBJECTIVES

There are two rate setting objectives that are primary and fundamental to guiding the rate-setting process. They include (1) SSCs must generate sufficient revenue to meet the utility's service and financial obligations, and (2) SSCs must be calculated consistent with the requirements of the California Constitution, Article XIII D (Proposition 218) and relevant case law. Other rate-setting objectives are secondary and can be addressed so long as the primary objectives are first achieved. Beyond the primary objectives, other rate-setting objectives identified to help guide the rate design process included the following:

- SSCs should be viewed as fair and equitable by the public
- SSCs should be simple, understandable, and easy to administer
- SSCs should strike an appropriate balance between fixed and usage-based charges, with consideration of:
 - Revenue stability

- Affordability for basic usage

3.2 CURRENT SEWER SERVICE CHARGES

The District's current SSCs were last increased in July 2020 by about 3.3 percent and are presented in Table 2. No rate increases were implemented in FY 2021/22. The majority of SSC are collected on the County's property tax roll.

Residential Rates

Each residential customer is charged for sewer use based on water usage during the winter months. Since wastewater flows are not metered at each account, winter water flows are used to estimate indoors water usage that drains to the sanitary system. Sewer service residential accounts is measured in Equivalent Dwelling Units (EDUs). Residential charges are tiered based on the amount of water use:

- High Use Charge: Customers that use 200 percent or more of average residential water use are charged for 1.8 EDU.
- Average Use Charge: Customers that use between 26 percent and 199 percent of average residential water use are charged for 1.0 EDU. This applies to about 88 percent of residential customers. Non-metered residential customers are also charged 1 EDU.
- Low Use Charge: Customers that use 25% or less of average residential water use are charged for 0.6 EDU.

The SSC schedule that was adopted in FY 2021-22 is shown in Table 2.

Non-Residential Rates

The SSC for non-residential accounts is composed of two elements.

- The **Fixed Charge** is calculated based on the account's estimated potential for producing wastewater flows, which is calculated based on the square footage of floor area and then modified by a flow factor to account for different types of non-residential uses. These flow factors are summarized in Table 3 and were

previously developed for the District⁴. The purpose of establishing a fixed flow assumption for each account is to recognize that all accounts have the potential to produce flows at any given moment and the District needs to maintain the system to be prepared to serve those customers. In other words, a significant portion of the District’s costs are incurred whether or not the customers are producing wastewater. It was outside the scope of this Study to update the existing flow factors (see Table 3).

- The **Variable Use** charge is calculated based on **actual** water usage (measured in thousands of gallons (TGAL)) and also accounts for the strength of sewage associated with different types of business enterprises. The strength factors are summarized in Table 3 and were previously developed for the District⁵. These strength factors have been updated as part of this Study.

See Section 3.4 for more details regarding these calculations.

Table 2: Current SSC Schedule

Residential (monthly)	
Low Usage	\$32.85 per dwelling unit
Average Usage	\$54.75 per dwelling unit
High Usage	\$98.55 per dwelling unit
Non-residential (annual)	
<u>Annual Fixed Charge</u>	\$0.27 per factored ¹ sq. ft.
<u>Volumetric Charge</u>	
Low Strength	\$4.77 per TGAL
Medium Strength	\$6.68 per TGAL
High Strength	\$10.37 per TGAL

¹The floor area (square footage) of different types of non-residential accounts are multiplied by a "flow factor" which accounts for the volume of wastewater associated with different types of commercial activities.

⁴ “Sewer Service Charges - Unit Assignments”, Bartle Wells Associates, August 1, 2007

⁵ IBID

Table 3: Current Flow and Strength Factors for Non-Residential Customers

	Flow Factor	Current Strength Factor
Base Charge/square foot	1.0	1.0
Office	1.0	1.0
Warehouse/mini-storage	0.0	0.0
Retail	1.0	1.0
Public office buildings	1.0	1.0
School classrooms/administration	1.0	1.0
Churches	1.0	1.0
Auto service stations	1.0	1.0
Auditoriums theaters	1.0	1.0
Gymnasium w/showers	1.0	1.0
Hotels/motels, not incl. restaurant	1.0	1.0
Medical offices	1.3	1.0
Veterinary offices	1.3	1.0
Dental offices	1.3	1.0
Hospitals	1.3	1.0
Laundry and laundromats	3.0	1.4
Meeting halls with kitchens	1.0	1.4
Cafeteria/dining area	2.0	2.2
Restaurants/cafes	2.0	2.2
Supermarkets	1.0	2.2
Bakeries	2.0	2.2
Ice cream/yogurt shops	2.0	2.2
Delicatessens	2.0	2.2
Mortuary	1.0	2.2

3.3 PROPOSED RATE STRUCTURE MODIFICATIONS

The current structure of the District’s SSCs is consistent with established and common practices. The only proposed general modification is an update to the COSA which informs how much revenue is recovered from the various rate components.

3.4 WASTEWATER FLOW AND LOADING ESTIMATES

SSCs calculations are based on several factors related to how wastewater customers impact the cost to provide service. The rates are calculated based on the cost to provide

service. Costs are allocated to each customer class (residential and non-residential) based on their respective estimated wastewater flows and loadings. “Loading” refers to the quantities of biochemical oxygen demand (BOD) and total suspended solids (TSS) that are delivered to the NWTP, both of which drive the cost to treat wastewater. The flow and loading assumptions for all customer classes have been assessed and updated as needed by this Study. **Table 4** summarizes customer account and water usage data obtained from the utility billing system for FY 2020/21. Table 4 also summarizes the assumed strength characteristics and the resulting estimated loading characteristics for each customer class. The wastewater flows for the non-residential customers are estimated based on actual winter water usage,⁶ while residential flows must be estimated based on a mass balance calculation since the relationship between water usage and wastewater production is less predictable (a lot of water usage is not returned to the sewer due to irrigation, leaks, water consumption or other reasons). In order to derive the estimated wastewater flows from each customer class, we start with the average dry-weather flow at the NWTP, which is 3.4 million gallons per day (mgd). We use dry-weather flows because dry weather minimizes the amount of inflow and infiltration (I&I) into the sewer collection system and therefore provides the clearest picture of the amount of NWTP inflows that actually come from sewer users. From the dry-weather flow total we subtract non-metered North Marin Water District backwash flows (estimated to be 0.1 mgd per District staff) and dry weather inflow/infiltration (estimated to be 10% of dry weather flows (or 0.3 mgd) per District staff). The remaining 3.0 mgd is attributed to the sewer customers. By applying a return-to-sewer factor⁷ of 90% to non-residential and 67.5% to residential we derive wastewater flows of approximately 0.6 mgd for non-residential and 2.4 mgd for residential.

⁶ Source file: “2021 WinterWaterUseData”

⁷ The return-to-sewer factor is a percentage that expresses how much metered water is subsequently drained to the sewer system.

Strength assumptions for medium and high strength non-residential customers are based on previous wastewater rate analyses, SWRCB guidelines⁸ and industry standards (see Table 4). The strength for residential and low strength non-residential customers⁹ is calculated based on a mass balance analysis using known flow volumes and loadings at the NWTP. The average dry weather concentrations at the NWTP are 320 mg/L for BOD and 293 mg/L for TSS. Based on known volumes at the NWTP, this equates to 2.92 million lbs of BOD and 2.68 million lbs of TSS per year. By subtracting the loadings that come from medium and high strength non-residential (and assuming that the unmetered flows from the backwash and infiltration are negligible), we can infer that the concentrations for residential and low-strength non-residential is 310 mg/L for BOD and 280 mg/L for TSS (see Table 4).

⁸ Revenue Guidelines, Appendix G, March 1998, SWRCB

⁹ Following common industry practice, the District assumes that low strength non-residential accounts have the same strength as residential accounts.

Table 4: Wastewater Customer Account Data and Estimated Wastewater Flows and Loadings

Customer Class	Estimated No. of Parcels	No. of Dwelling Units ¹	Estimated Annual Wastewater Flow ² TGAL	Estimated Annual Wastewater Flow MG	BOD Strength ³ mg/l	Annual BOD Loading lbs	TSS Strength ³ mg/l	Annual TSS Loading lbs
Residential								
Residential								
Low Usage ⁴		1,220	6,200	6.2	310	16,000	280	14,500
Average Usage ⁵	18,230	19,730	705,460	705.5	310	1,823,900	280	1,647,400
High Usage ⁶		1,530	173,700	173.7	310	449,100	280	405,600
Non-Residential								
Non-Residential								
Low Strength		na	171,900	171.9	310	444,400	300	430,100
Medium Strength	799	na	3,600	3.6	400	12,000	400	12,000
High Strength		na	27,900	27.9	800	186,100	600	139,600
Totals	19,029	-	1,088,760	1,089		2,931,500		2,649,200

Notes:

- ¹ Based on utility billing system data summary provided by District staff.
- ² Wastewater flow estimates based on annualized average winter water usage for non-residential accounts. The residential flows are estimated through a mass balance calculation as explained in Section 3.1.4.
- ³ Strength assumptions for medium and high strength non-residential based on previous wastewater rate analyses, SWRCB guidelines and industry standards. Strength for residential based on mass balance analysis using known flow volumes and total loadings at the NWTP. Low strength non-residential made equal to residential strength.
- ⁴ Low Usage is defined as less than 25% of average usage
- ⁵ Includes Coast Guard account (311 dwelling units)
- ⁶ Usage is defined by the District as more than 200% of average usage

3.5 WASTEWATER COST-OF-SERVICE ANALYSIS AND RATE DESIGN

There are three steps to determining SSCs. These are:

- Determine annual SSC revenue requirements
- Analyze the cost of providing service and proportionately allocate costs to each customer class and customer
- Design SSCs to recover costs from each customer class and customer

The District's ten-year financial plan (see Section 2) was used to identify the wastewater rate revenue required to meet financial obligations for each fiscal year of the planning period. As presented in Section 2.2 of this report, no rate revenue increase is proposed for FY 2022/23, however an update to the cost of service analysis will result in a change to the sewer rates.

Once the annual SSC revenue requirement has been determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA is intended to allocate the costs of providing wastewater service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing wastewater services and allocates those costs to rate structure components to ensure the proposed rates are aligned with the costs to provide service.

To develop equitable SSCs, the revenue requirement is allocated to various customer classifications according to the services provided and the demands placed on the wastewater system. This Study allocates costs based on estimated wastewater flows and sewage strength. Collection system costs are allocated entirely based on flow, whereas treatment costs are allocated on the basis of both flow and strength.

Table 5 summarizes how the FY 2022/23 revenue requirement (totaling \$18.95 million) has been functionalized. Each budget category (and some offsetting sources of funds) has been designated to be recovered through fixed revenue, variable revenue, or a combination of the two. Generally speaking, collection system costs (which are largely fixed costs in nature) are designated to be recovered through fixed charges, while

treatment costs (which can be significantly more variable in nature) are designated to be recovered through variable charges. Capital-related categories (i.e., capital spending and debt) are assigned a 50/50 fixed vs. variable ratio based on the understanding that (a) capital reinvestments are generally balanced between these two asset classes, and (b) debt service is a fixed cost while the timing of capital spending can be modified to match revenue availability. A couple of miscellaneous categories (Administration, engineering and non-departmental) are assigned a 60/40 fixed vs. variable ratio based on staff direction that these costs are largely fixed. The allocations result in 57.6 percent of costs assigned to the fixed revenue component and the remaining 42.4 percent to the variable revenue function.

Table 5: Functionalization of Cost Recovery

	FY 2022/23 Preliminary Budget	Cost Recovery			
		Fixed Revenue	Variable Revenue	Fixed Revenue	Variable Revenue
Collections	\$1,657,000	100%		\$1,657,000	
Treatment Facilities	\$3,413,000		100%		\$3,413,000
Reclamation	\$529,000		100%		\$529,000
Laboratory	\$645,000		100%		\$645,000
Pump Stations	\$1,119,000	100%		\$1,119,000	
Administration/Engineering	\$2,930,000	60%	40%	\$1,758,000	\$1,172,000
Recycled Water	\$265,000		100%		\$265,000
Non-Departmental	\$1,114,000	60%	40%	\$668,000	\$446,000
COVID-19 Expenses	\$50,000	100%		\$50,000	
Capital Improvement Program (cash)	\$6,930,000	50%	50%	\$3,465,000	\$3,465,000
Debt	\$6,964,000	50%	50%	\$3,482,000	\$3,482,000
Non-Rate Revenue	-\$3,956,000		100%		-\$3,956,000
Change in Fund Balance	-\$2,712,000	47.6%	52.4%	-\$1,292,000	-\$1,420,000
Total:	\$18,948,000			\$10,907,000	\$8,041,000

* Household hazard waste costs and revenues are excluded from this analysis

Table 6 calculates unit costs for the two categories (fixed and variable revenue) calculated in Table 5. Fixed revenue is divided by total sewer flows since those costs will be allocated to residential and non-residential customers based on their overall usage of the system. Variable revenue costs are further allocated to the variable categories of flow, BOD and TSS. The allocation percentages of 34, 33, and 33,

respectively, are consistent with prior rate studies conducted by the District, the author's experience with other studies, and common rate setting practices. Once these costs are allocated, unit costs are determined by dividing the cost for each component by the number of system units identified in Table 4.

Table 6: Determination of Unit Costs

Cost Category	Parameter Allocation Percentages	Annual Cost Allocated to Each Parameter	Total Quantities	Unit Cost for Each Parameter
Fixed Revenue Costs		\$10,907,000	1,088,760 TGAL of wastewater	\$10.02 / TGAL WW
Usage Revenue Costs				
Flow	34%	\$2,733,900	1,088,760 TGAL of wastewater	\$2.51 / TGAL WW
BOD	33%	\$2,653,500	2,931,500 lbs of BOD	\$0.91 / lbs BOD
TSS	33%	\$2,653,500	2,649,200 lbs of SS	\$1.00 / lbs TSS

Rate Revenue Requirement: \$18,947,900

Notes:

¹ Parameter allocations based on previous District studies and is consistent with the Consultant's experience of cost allocations for similar studies.

In **Table 7** the unit costs from Table 6 are applied to the annual wastewater flows, BOD loading and TSS loadings associated with residential and non-residential customers to arrive at the allocation of total costs to each customer class.

Table 7: Wastewater Allocation of Annual Costs to Users

Customer Class	Fixed Revenue Charge	Variable Revenue Charges			Allocation of Total Costs
	\$10.02 / TGAL WW	WW Flow \$2.51 / TGAL	BOD \$0.91 / lbs	SS \$1 / lbs	
Residential					
Low Users	\$62,110	\$15,570	\$14,480	\$14,520	\$106,680
Average Users	\$7,067,170	\$1,771,430	\$1,650,940	\$1,650,070	\$12,139,610
High Users	\$1,740,100	\$436,160	\$406,510	\$406,260	\$2,989,030
Non-Residential					
Low Strength	\$1,722,060	\$431,640	\$402,260	\$430,800	\$2,986,760
Medium Strength	\$36,060	\$9,040	\$10,860	\$12,020	\$67,980
High Strength	\$279,500	\$70,060	\$168,450	\$139,830	\$657,840
Rate Revenue Requirement:	\$10,907,000	\$2,733,900	\$2,653,500	\$2,653,500	\$18,947,900

Finally, in Table 8 the SSC rates are calculated by dividing the fixed and variable revenue categories by appropriate metrics. The fixed revenue costs for residential customers are divided by the total number of dwelling units (which is itself a fixed metric), while the variable revenue costs are divided by the total wastewater usage by residential customers. Section 3.5.1 will explain how these variable revenue costs are subsequently allocated to low, average, and high wastewater users.

The fixed revenue costs for non-residential customers are divided by total floor area, which is a metric that measures total potential sewer flows (see Section 3.2). Variable revenue costs for each type of non-residential customer type (low, medium, and high strength) are divided by the total wastewater usage by the respective customer types.

Table 8: Wastewater Rate Determination

	Metric	Costs	Calculated Unit Rates
Residential			
Fixed Revenue	22,480 dwelling units	\$8,869,380	\$394.55 / Dwelling Unit
Variable Revenue	885,360 TGAL annual wastewater	\$6,365,950	\$7.19 / TGAL wastewater
Non-Residential			
Fixed Revenue	11,412,000 factored square feet ¹	\$2,037,620	\$0.179 / factored sq. ft.
Variable Revenue			
Low Strength	171,900 TGAL annual water	\$1,264,700	\$7.36 / TGAL wastewater
Medium Strength	3,600 TGAL annual water	\$31,920	\$8.87 / TGAL wastewater
High Strength	27,900 TGAL annual water	\$378,340	\$13.56 / TGAL wastewater

Rate Revenue Requirement: \$18,947,910

Notes:

¹Total area after applying flow factor

Table 9: Proposed Flow and Strength Factors for Non-Residential Customers

	Flow Factor	Proposed Strength Factor
Base Charge/square foot	1.0	1.0
Office	1.0	1.0
Warehouse/mini-storage	0.0	0.0
Retail	1.0	1.0
Public office buildings	1.0	1.0
School classrooms/administration	1.0	1.0
Churches	1.0	1.0
Auto service stations	1.0	1.0
Auditoriums theaters	1.0	1.0
Gymnasium w/showers	1.0	1.0
Hotels/motels, not incl. restaurant	1.0	1.0
Medical offices	1.3	1.0
Veterinary offices	1.3	1.0
Dental offices	1.3	1.0
Hospitals	1.3	1.0
Laundry and laundromats	3.0	1.2
Meeting halls with kitchens	1.0	1.2
Cafeteria/dining area	2.0	1.8
Restaurants/cafes	2.0	1.8
Supermarkets	1.0	1.8
Bakeries	2.0	1.8
Ice cream/yogurt shops	2.0	1.8
Delicatessens	2.0	1.8
Mortuary	1.0	1.8

3.5.1 RESIDENTIAL RATES

Residential customers pay a fixed annual SSC that is composed of the fixed EDU charge of \$32.88 per month and a usage charge of \$7.19 per TGAL. Recent billing data shows that the average residential dwelling unit produces 39.38 TGAL of wastewater per year, therefore the annual charge per dwelling unit for average usage residential customers is \$677.72 (or a monthly rate of \$56.48).

Per District policy, residential rates are then tiered into three groups of residential customers: low users, average users, and high users. This Study uses the two fixed and

usage charge components (described above), to calculate an appropriate rate for each tier. By District policy, the “low” users are those customers that use 25% or less of average usage. Given the current average usage of 39.38 TGAL per year, a low user must use 9.85 TGAL per year or less. Among those customers that qualify as low users, the average usage is 5.1 TGAL (per District staff). Applying that usage to the unit rates described above (5.1 TGAL per year x \$7.19 per TGAL + \$32.88 per month x 12 month), yields a charge of \$431.22 per year.

The District charges the high user rate to residential customers that use 200 percent or more than the average. As such, the current threshold for high users is 78.8 TGAL per year. Among those customers that qualify as high users, the average usage is 113.5 TGAL (per District staff). As such, the high user SCC is \$1210.62 (113.5 TGAL per year x \$7.19 per TGAL + \$32.88 per month x 12 month).

3.5.2 NON-RESIDENTIAL RATES

As previously described in Section 3.2, the non-residential SSCs are composed of two charges: (1) a fixed charge calculated based on the account’s floor area (square feet) and modified by a flow factor, and (2) a usage charge based on actual water usage and accounting for strength. The fixed charge is calculated by dividing the total “fixed revenue” costs allocated to non-residential customers by the total “factored square feet” among non-residential customers. A “factored” square foot is the value of each actual square foot after it has been multiplied by its respective flow factor (see Table 3 and Table 9).

The non-residential usage charges in Table 8 are calculated by dividing the total “variable revenue” costs allocated to each respective non-residential customer class by the volume of wastewater used by each respective customer class. The respective usage charge for low, medium, and high strength customers effectively modifies the strength factors that were presented in Table 3. The new strength factors are summarized in Table 9.

3.5.3 PROPOSED WASTEWATER RATE SCHEDULE

Table 10 summarizes the proposed wastewater rate schedule for wastewater rates, which will be effective July 1, 2022.

Table 10: Proposed SSCs for FY 2022/23, effective on July 1, 2022

Residential (monthly)	
Low Usage	\$35.94 per dwelling unit
Average Usage	\$56.48 per dwelling unit
High Usage	\$100.89 per dwelling unit
Non-residential (annual)	
<u>Annual Fixed Charge</u>	\$0.179 per factored ¹ sq. ft.
<u>Variable Water Use Charge</u>	
Low Strength	\$7.36 per TGAL
Medium Strength	\$8.87 per TGAL
High Strength	\$13.56 per TGAL

¹The floor area (square footage) of different types of non-residential accounts are multiplied by a "flow factor" which accounts for the volume of wastewater associated with different types of commercial activities.

The charge for single-use buildings is determined as follows:

Square footage of building x Annual Fixed Charge) + (water usage x Variable Use Charge)

The total charge for a building with mixed, non-residential uses is a combination of the floor area and strength factor for each type of non-residential use and the total water consumption for the whole building.

In addition, the County will continue to charge \$2 per account to pay for billing of the sewer service charge on the property tax roll.

The proposed wastewater rates reflect the cost of providing wastewater service to customers. In particular, the proposed wastewater rates reflect a proportionate distribution of costs to all customers and customer classes, and better reflect the cost of providing service.

It is worth noting that the District's rates are second to lowest out of 22 wastewater service providers surveyed in the region. The District's rates are expected to remain among the lowest even after this rate program is completed in five years. The proposed rate increases over the next five years are all below the forecasted rate of inflation.

The proposed wastewater rates will increase annually in accordance with the percent increases presented in Section 2.2 to continue to meet service and financial obligations. A complete schedule of proposed wastewater rates for the five-year schedule are provided as Schedule 5.

Section 4. CONCLUSION

This Study used methodologies that are aligned with industry standard practices for rate setting as promulgated by WEF, AWWA and all applicable laws, including California's Proposition 218. The proposed annual adjustments to the rates will allow the District to continue to provide reliable sewer service to customers while meeting the state's mandates.

The SSCs will need to be adopted in accordance with Proposition 218, which will require a detailed notice describing the proposed rates to be mailed to each affected property owner or customer at least 45 days prior to conducting a public hearing to adopt the rates.

SCHEDULES

Schedule 1 - Budgeted and Projected Cash Inflows

Schedule 2 - Budgeted and Projected Cash Outflows

Schedule 3 - 5-Year Capital Spending Plan

Schedule 4 - Cash Flow Pro Formas

Schedule 5 - 5-Year Rate Schedule

Budgeted and Projected Cash Inflows

Schedule 1

	FY2022/23	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33
1 Growth in Sewer Accounts	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%	0.00%
2 Rate Revenue Increase	Proposed					Forecasted					
	-2.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rate Revenue											
3 Sewer Service Charge	\$19,426,000	\$18,948,000	\$19,542,000	\$20,155,000	\$20,787,000	\$21,440,000	\$22,112,000	\$22,807,000	\$23,522,000	\$24,202,000	\$24,901,000
4 Increase due to growth	27,000	26,000	27,000	27,000	29,000	29,000	31,000	31,000	32,000	33,000	34,000
5 Increase due to new rate adjustments		568,000	586,000	605,000	624,000	643,000	664,000	684,000	706,000	787,000	872,000
6 Total Rate Revenue	\$19,453,000	\$19,542,000	\$20,155,000	\$20,787,000	\$21,440,000	\$22,112,000	\$22,807,000	\$23,522,000	\$24,260,000	\$25,022,000	\$25,807,000
Other Revenue:											
7 Miscellaneous Fees	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000
8 Interest	\$203,000	\$182,000	\$159,000	\$146,000	\$134,000	\$128,000	\$130,000	\$137,000	\$144,000	\$185,000	\$238,000
9 Garbage Franchise Fees	\$63,000	\$65,000	\$67,000	\$69,000	\$71,000	\$73,000	\$76,000	\$78,000	\$80,000	\$80,000	\$80,000
10 Recycled Water Income	\$265,000	\$273,000	\$281,000	\$290,000	\$298,000	\$307,000	\$316,000	\$326,000	\$336,000	\$346,000	\$356,000
11 Property Tax	\$2,621,000	\$2,673,000	\$2,727,000	\$2,781,000	\$2,837,000	\$2,893,000	\$2,951,000	\$3,010,000	\$3,071,000	\$3,132,000	\$3,194,000
12 AB 939 Collector Fees	\$488,000	\$502,000	\$517,000	\$533,000	\$549,000	\$565,000	\$582,000	\$600,000	\$618,000	\$636,000	\$655,000
13 Operating Revenue	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
14 Connection Charges	\$520,000	\$535,000	\$551,000	\$568,000	\$585,000	\$602,000	\$620,000	\$639,000	\$658,000	\$678,000	\$698,000
15 Total Other Revenue	\$4,492,000	\$4,562,000	\$4,634,000	\$4,719,000	\$4,806,000	\$4,900,000	\$5,007,000	\$5,122,000	\$5,239,000	\$5,389,000	\$5,553,000
16 TOTAL REVENUE	\$23,945,000	\$24,104,000	\$24,789,000	\$25,506,000	\$26,246,000	\$27,012,000	\$27,814,000	\$28,644,000	\$29,499,000	\$30,411,000	\$31,360,000

Budgeted and Projected Cash Outflows (1 of 3)

Schedule 2

	FY2022/23	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33
<u>Collections</u>											
1 60010 · Salaries & Wages	\$820,000	\$845,000	\$870,000	\$896,000	\$923,000	\$951,000	\$979,000	\$1,009,000	\$1,039,000	\$1,070,000	\$1,102,000
2 60020 · Employee Benefits	\$412,000	\$424,000	\$437,000	\$450,000	\$464,000	\$477,000	\$492,000	\$507,000	\$522,000	\$537,000	\$553,000
3 60060 · Gas, Oil & Fuel	\$21,000	\$22,000	\$22,000	\$23,000	\$24,000	\$24,000	\$25,000	\$26,000	\$27,000	\$27,000	\$28,000
4 60085 · Safety	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$8,000	\$8,000	\$8,000
5 60091 · Software Maint	\$76,000	\$78,000	\$81,000	\$83,000	\$86,000	\$88,000	\$91,000	\$93,000	\$96,000	\$99,000	\$102,000
6 60100 · Operating Supplies	\$28,000	\$29,000	\$30,000	\$31,000	\$32,000	\$32,000	\$33,000	\$34,000	\$35,000	\$37,000	\$38,000
7 60150 · Repairs & Maint	\$80,000	\$82,000	\$85,000	\$87,000	\$90,000	\$93,000	\$96,000	\$98,000	\$101,000	\$104,000	\$108,000
8 60152 · Small Tools	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000
9 60153 · Outside Services	\$145,000	\$149,000	\$154,000	\$158,000	\$163,000	\$168,000	\$173,000	\$178,000	\$184,000	\$189,000	\$195,000
10 60192 · Water	\$12,000	\$12,000	\$13,000	\$13,000	\$14,000	\$14,000	\$14,000	\$15,000	\$15,000	\$16,000	\$16,000
11 60193 · Telephone	\$4,000	\$4,000	\$4,000	\$4,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
12 60200 · Other(Garbage Coll)	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
13 60201 · Permits & Fees	\$50,000	\$52,000	\$53,000	\$55,000	\$56,000	\$58,000	\$60,000	\$61,000	\$63,000	\$65,000	\$67,000
<u>Treatment Facilities</u>											
14 61000-1 · Fixed Fee(1)	\$2,403,000	\$2,476,000	\$2,550,000	\$2,626,000	\$2,705,000	\$2,786,000	\$2,870,000	\$2,956,000	\$3,045,000	\$3,136,000	\$3,230,000
15 61000-2 · Insurance & Bonds	\$14,000	\$14,000	\$15,000	\$15,000	\$16,000	\$16,000	\$17,000	\$17,000	\$18,000	\$18,000	\$19,000
16 61000-3 · Major Repair/Repl (3)	\$165,000	\$170,000	\$175,000	\$180,000	\$186,000	\$191,000	\$197,000	\$203,000	\$209,000	\$215,000	\$222,000
17 61000-4 · Water/Permits/Phone	\$90,000	\$93,000	\$95,000	\$98,000	\$101,000	\$104,000	\$107,000	\$111,000	\$114,000	\$117,000	\$121,000
18 61000-5 · Gas & Electricity(2)	\$741,000	\$763,000	\$786,000	\$809,000	\$834,000	\$859,000	\$884,000	\$911,000	\$938,000	\$966,000	\$995,000
<u>Reclamation</u>											
19 63010 · Salaries & Wages	\$120,000	\$123,000	\$127,000	\$131,000	\$135,000	\$139,000	\$143,000	\$147,000	\$152,000	\$156,000	\$161,000
20 63020 · Employee Benefits	\$32,000	\$33,000	\$34,000	\$35,000	\$36,000	\$37,000	\$38,000	\$39,000	\$40,000	\$41,000	\$43,000
21 63060 · Gasoline & Oil	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
22 63085 · Safety	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
23 63091 · Software Maint	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000
24 63100 · Operating Supplies	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
25 63115 · Sludge Disposal	\$247,000	\$254,000	\$262,000	\$270,000	\$278,000	\$286,000	\$295,000	\$303,000	\$313,000	\$322,000	\$332,000
26 63150 · Repairs & Maint	\$62,000	\$64,000	\$66,000	\$68,000	\$70,000	\$72,000	\$74,000	\$76,000	\$79,000	\$81,000	\$83,000
27 63152 · Small Tools	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
28 63157 · Ditch/Dike Maint	\$12,000	\$12,000	\$12,000	\$13,000	\$13,000	\$13,000	\$14,000	\$14,000	\$15,000	\$15,000	\$15,000
29 63191 · Gas & Electricity	\$40,000	\$41,000	\$42,000	\$44,000	\$45,000	\$46,000	\$48,000	\$49,000	\$51,000	\$52,000	\$54,000
30 63192 · Water	\$5,000	\$5,000	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000
31 63201 · Permits & Fees	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$8,000
<u>Laboratory</u>											
32 64010 · Contract Lab Services (1)	\$416,000	\$428,000	\$441,000	\$454,000	\$468,000	\$482,000	\$497,000	\$512,000	\$527,000	\$543,000	\$559,000
33 64060 · Gasoline & Oil	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
34 64085 · Safety	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
35 64091 · Software Maintenance	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
36 64100 · Operating Supplies	\$22,000	\$22,000	\$23,000	\$23,000	\$24,000	\$25,000	\$26,000	\$26,000	\$27,000	\$28,000	\$29,000
37 64150 · Repairs & Maintenance	\$16,000	\$16,000	\$16,000	\$17,000	\$17,000	\$18,000	\$19,000	\$19,000	\$20,000	\$20,000	\$21,000
38 64160 · Research & Monitoring	\$145,000	\$149,000	\$154,000	\$158,000	\$163,000	\$168,000	\$173,000	\$178,000	\$184,000	\$189,000	\$195,000
39 64170 · Pollution Prev/Public Ed	\$35,000	\$36,000	\$37,000	\$38,000	\$39,000	\$41,000	\$42,000	\$43,000	\$44,000	\$46,000	\$47,000
40 64201 · Permits & Fees	\$8,000	\$8,000	\$8,000	\$9,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000	\$10,000	\$11,000



Budgeted and Projected Cash Outflows (2 of 3)

Schedule 2

	FY2022/23	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33
<u>Pump Stations</u>											
41 65010 · Salaries & Wages	\$456,000	\$470,000	\$484,000	\$499,000	\$514,000	\$529,000	\$545,000	\$561,000	\$578,000	\$595,000	\$613,000
42 65020 · Employee Benefits	\$182,000	\$187,000	\$193,000	\$199,000	\$205,000	\$211,000	\$217,000	\$224,000	\$231,000	\$237,000	\$245,000
43 65060 · Gasoline & Oil	\$7,000	\$7,000	\$7,000	\$8,000	\$8,000	\$8,000	\$8,000	\$9,000	\$9,000	\$9,000	\$9,000
44 65085 · Safety	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000
45 65091 · Software Maintenance	\$7,000	\$7,000	\$8,000	\$8,000	\$8,000	\$8,000	\$9,000	\$9,000	\$9,000	\$9,000	\$10,000
46 65100 · Operating Supplies	\$11,000	\$11,000	\$11,000	\$11,000	\$12,000	\$12,000	\$13,000	\$13,000	\$13,000	\$14,000	\$14,000
47 65150 · Repairs & Maintenance	\$130,000	\$134,000	\$138,000	\$142,000	\$146,000	\$151,000	\$155,000	\$160,000	\$165,000	\$170,000	\$175,000
48 65152 · Small Tools	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
49 65153 · Outside Services	\$85,000	\$88,000	\$90,000	\$93,000	\$96,000	\$99,000	\$101,000	\$105,000	\$108,000	\$111,000	\$114,000
50 65191 · Gas & Electricity	\$128,000	\$132,000	\$135,000	\$140,000	\$144,000	\$148,000	\$153,000	\$157,000	\$162,000	\$167,000	\$172,000
51 65192 · Water	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$9,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000
52 65193 · Telephone	\$46,000	\$47,000	\$49,000	\$50,000	\$52,000	\$53,000	\$55,000	\$57,000	\$58,000	\$60,000	\$62,000
53 65201 · Permits & Fees	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$9,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000
54 65300 · PSPS Cost	\$46,000	\$47,000	\$49,000	\$50,000	\$52,000	\$53,000	\$55,000	\$57,000	\$58,000	\$60,000	\$62,000
<u>Administration and Engineering</u>											
55 66010 · Salaries & Wages	\$1,642,000	\$1,691,000	\$1,742,000	\$1,794,000	\$1,848,000	\$1,903,000	\$1,960,000	\$2,019,000	\$2,079,000	\$2,142,000	\$2,206,000
56 66020 · Employee Benefits	\$784,000	\$807,000	\$831,000	\$856,000	\$882,000	\$908,000	\$936,000	\$964,000	\$993,000	\$1,022,000	\$1,053,000
57 66030 · Director's Fees	\$23,000	\$24,000	\$25,000	\$26,000	\$26,000	\$27,000	\$28,000	\$29,000	\$30,000	\$31,000	\$31,000
58 66060 · Gasoline & Oil	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000	\$4,000
59 66085 · Safety	\$3,000	\$3,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
60 66090 · Office Expense	\$22,000	\$23,000	\$23,000	\$24,000	\$25,000	\$26,000	\$26,000	\$27,000	\$28,000	\$29,000	\$30,000
61 66100 · Admin/Engineering Supplies	\$5,000	\$5,000	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000
62 66121 · Accounting & Auditing	\$38,000	\$39,000	\$40,000	\$41,000	\$42,000	\$43,000	\$45,000	\$46,000	\$48,000	\$49,000	\$50,000
63 66123 · O/S Contractual	\$247,000	\$255,000	\$263,000	\$270,000	\$279,000	\$287,000	\$295,000	\$304,000	\$313,000	\$323,000	\$333,000
64 66124 · IT/Misc Electrical	\$65,000	\$66,000	\$68,000	\$70,000	\$73,000	\$75,000	\$77,000	\$79,000	\$82,000	\$84,000	\$87,000
65 66150 · Repairs & Maintenance	\$85,000	\$88,000	\$90,000	\$93,000	\$96,000	\$99,000	\$101,000	\$105,000	\$108,000	\$111,000	\$114,000
66 66193 · Telephone	\$14,000	\$14,000	\$15,000	\$15,000	\$16,000	\$16,000	\$17,000	\$17,000	\$18,000	\$18,000	\$19,000
<u>Solid/HHW</u>											
67 67400 · Management Services	\$159,000	\$163,000	\$168,000	\$173,000	\$178,000	\$184,000	\$189,000	\$195,000	\$201,000	\$207,000	\$213,000
68 67500 · Household Haz. Waste	\$339,000	\$349,000	\$359,000	\$370,000	\$381,000	\$393,000	\$405,000	\$417,000	\$429,000	\$442,000	\$455,000
69 67530 · Used Oil Grant	\$7,000	\$7,000	\$7,000	\$8,000	\$8,000	\$8,000	\$8,000	\$9,000	\$9,000	\$9,000	\$9,000
70 67540 · Education/Public Outreach	\$17,000	\$18,000	\$18,000	\$19,000	\$19,000	\$20,000	\$20,000	\$21,000	\$22,000	\$22,000	\$23,000
71 67600 · Other	\$5,000	\$5,000	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000
72 67610 · City AB 939 Admin Service	\$10,000	\$10,000	\$11,000	\$11,000	\$11,000	\$12,000	\$12,000	\$12,000	\$13,000	\$13,000	\$13,000
<u>Recycled Water</u>											
73 68010 · O & M Services	\$66,000	\$68,000	\$70,000	\$72,000	\$74,000	\$77,000	\$79,000	\$81,000	\$84,000	\$86,000	\$89,000
74 68100 · Operating Supplies	\$5,000	\$5,000	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000
75 68101 · Operating Chemicals	\$90,000	\$92,000	\$95,000	\$98,000	\$101,000	\$104,000	\$107,000	\$110,000	\$114,000	\$117,000	\$120,000
76 68150 · Repairs & Maintenance	\$39,000	\$40,000	\$41,000	\$42,000	\$43,000	\$45,000	\$46,000	\$47,000	\$49,000	\$50,000	\$52,000
77 68160 · Research & Monitoring	\$14,000	\$14,000	\$15,000	\$15,000	\$16,000	\$16,000	\$17,000	\$17,000	\$18,000	\$18,000	\$19,000
78 68191 · Gas & Electricity	\$52,000	\$54,000	\$55,000	\$57,000	\$59,000	\$60,000	\$62,000	\$64,000	\$66,000	\$68,000	\$70,000

Budgeted and Projected Cash Outflows (3 of 3)

Schedule 2

	FY2022/23	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33
Non-Departmental											
79 69021 · Retiree Health Benefits(1)	\$197,000	\$203,000	\$209,000	\$215,000	\$221,000	\$228,000	\$235,000	\$242,000	\$249,000	\$257,000	\$264,000
80 69021-1 · Retiree Health Benefits(2)	\$115,000	\$118,000	\$122,000	\$126,000	\$129,000	\$133,000	\$137,000	\$141,000	\$146,000	\$150,000	\$155,000
81 69022 · Pension Expense (3)											
82 69040 · Election Expenses	\$50,000	\$52,000	\$53,000	\$55,000	\$56,000	\$58,000	\$60,000	\$61,000	\$63,000	\$65,000	\$67,000
83 69070 · Insurance	\$306,000	\$315,000	\$325,000	\$334,000	\$344,000	\$355,000	\$365,000	\$376,000	\$388,000	\$399,000	\$411,000
84 69071 · Insurance Claim Expense	\$50,000	\$52,000	\$53,000	\$55,000	\$56,000	\$58,000	\$60,000	\$61,000	\$63,000	\$65,000	\$67,000
85 69075 · Agency Dues	\$78,000	\$80,000	\$83,000	\$85,000	\$88,000	\$90,000	\$93,000	\$96,000	\$99,000	\$102,000	\$105,000
86 69080 · Memberships/Certifications	\$12,000	\$12,000	\$13,000	\$13,000	\$14,000	\$14,000	\$14,000	\$15,000	\$15,000	\$16,000	\$16,000
87 69122 · Attorney Fees	\$75,000	\$77,000	\$80,000	\$82,000	\$84,000	\$87,000	\$90,000	\$92,000	\$95,000	\$98,000	\$101,000
88 69125 · Safety & Wellness Incent Prog	\$10,000	\$10,000	\$11,000	\$11,000	\$11,000	\$12,000	\$12,000	\$12,000	\$13,000	\$13,000	\$13,000
89 69130 · Printing & Publications	\$15,000	\$15,000	\$16,000	\$16,000	\$17,000	\$17,000	\$18,000	\$18,000	\$19,000	\$20,000	\$20,000
90 69170 · Board Travel & Training	\$26,000	\$27,000	\$28,000	\$28,000	\$29,000	\$30,000	\$31,000	\$32,000	\$33,000	\$34,000	\$35,000
91 69171 · Staff Travel & Training	\$54,000	\$56,000	\$57,000	\$59,000	\$61,000	\$63,000	\$64,000	\$66,000	\$68,000	\$70,000	\$73,000
92 69201 · Property Tax Alloc to LISRAP	\$50,000	\$52,000	\$53,000	\$55,000	\$56,000	\$58,000	\$60,000	\$61,000	\$63,000	\$65,000	\$67,000
93 69202 · County Fees-Property Taxes	\$37,000	\$38,000	\$39,000	\$40,000	\$42,000	\$43,000	\$44,000	\$46,000	\$47,000	\$48,000	\$50,000
94 69203 · County Fees-Sewer Ser Chg	\$35,000	\$36,000	\$37,000	\$38,000	\$39,000	\$41,000	\$42,000	\$43,000	\$44,000	\$46,000	\$47,000
95 69250 · Service Charge Sys Exp	\$5,000	\$5,000	\$5,000	\$5,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$7,000	\$7,000
COVID-19 Expenses(1)											
96 69301 · Allowance for SSC Revenue Red. I	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
97 Existing Debt Service	\$6,964,000	\$6,965,000	\$6,965,000	\$6,961,000	\$6,956,000	\$6,950,000	\$6,957,000	\$6,947,000	\$1,862,000	\$456,000	\$455,000
98 Total Operating Expenses	\$19,232,000	\$19,540,000	\$19,918,000	\$20,298,000	\$20,701,000	\$21,107,000	\$21,539,000	\$21,960,000	\$17,336,000	\$16,387,000	\$16,866,000

Capital Spending Plan

Schedule 3

	FY2022/23	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32
1 Network and SCADA Upgrades	\$450,000	\$300,000	\$300,000	\$350,000	\$300,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
2 Pump Station Rehab.	\$3,500,000	\$1,770,000	\$1,950,000	\$1,020,000	\$1,000,000	\$1,000,000	\$500,000	\$500,000	\$500,000	\$500,000
3 N. Bay Water Reuse Authority	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
4 Collection System Improvements	\$1,785,000	\$3,515,000	\$4,305,000	\$3,535,000	\$2,355,000	\$2,500,000	\$2,500,000	\$3,000,000	\$3,000,000	\$3,000,000
5 Lateral Replacement Program	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
6 Hamilton Wetlands/Outfall Intergration	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
7 Cogeneration/Alt. Energy	\$1,235,000	\$3,215,000	\$55,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
8 Annual Sewer Adj. for City Projects	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
9 Annual Coll. Sys. Repairs	\$110,000	\$115,500	\$121,500	\$127,500	\$127,500	\$127,500	\$127,500	\$127,500	\$127,500	\$127,500
10 Annual Recl. Facilities Improvements	\$815,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
11 Annual Treatment Plant Improvements	\$355,000	\$105,000	\$110,000	\$200,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
12 Annual Pump Station Improvements	\$200,000	\$225,000	\$225,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000
13 Annual Ignacio Facility Improvements	\$80,000	\$80,000	\$80,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
14 Strategic Plan Update	\$5,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
15 Novato Creek Watershed	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
16 Admin Bldg. Upgrades/Maintenance Bldg.	\$365,000	\$135,000	\$135,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000
17 Odor Control & NTP Landscaping	\$75,000	\$55,000	\$55,000	\$100,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
18 NTP Corrosion Control	\$365,000	\$365,000	\$315,000	\$275,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
19 Solids Management	\$100,000	\$250,000	\$400,000	\$2,000,000	\$2,000,000	\$500,000	\$50,000	\$0	\$0	\$0
20 Treatment Plant Elect. Systems Improvements	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$50,000	\$50,000	\$50,000	\$50,000
21 Climate Adaptation Improvements	\$10,000	\$10,000	\$150,000	\$10,000	\$10,000	\$10,000	\$50,000	\$100,000	\$200,000	\$200,000
22 Vehicle Replacement	\$250,000	\$50,000	\$50,000	\$50,000	\$50,000	\$150,000	\$550,000	\$250,000	\$150,000	\$50,000
23 Total Capital Spending	\$9,900,000	\$10,550,500	\$8,611,500	\$8,497,500	\$7,782,500	\$6,277,500	\$5,797,500	\$5,997,500	\$5,997,500	\$5,897,500
24 Total Capital Spending (after inflation)	\$9,900,000	\$10,867,015	\$9,135,940	\$9,285,448	\$8,759,272	\$7,277,343	\$6,922,518	\$7,376,169	\$7,597,454	\$7,694,900

Operating Fund

Cash Flow Proforma (1 of 2)

Schedule 4

	Adopted Budget FY2022	Prel. Budget FY2023	Forecast FY2024	Forecast FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	
1	Proposed Rate Revenue Increase: ¹		-2.60%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Rate Revenue													
2	SSC Operating Revenue	\$10,719,000	\$10,733,000	\$10,469,000	\$10,797,000	\$11,136,000	\$11,485,000	\$11,846,000	\$12,217,000	\$12,601,000	\$12,996,000	\$13,372,000	\$13,758,000
3	Change due to growth & use		\$15,000	\$14,000	\$15,000	\$15,000	\$16,000	\$16,000	\$17,000	\$17,000	\$18,000	\$18,000	\$19,000
4	Increase due to rate adjustments		(\$279,000)	\$314,000	\$324,000	\$334,000	\$345,000	\$355,000	\$367,000	\$378,000	\$390,000	\$435,000	\$482,000
Non-Rate Revenues													
5	Miscellaneous Fees	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000	\$202,000
6	Operating Fund Interest	\$98,000	\$89,000	\$78,000	\$68,000	\$61,000	\$57,000	\$55,000	\$53,000	\$51,000	\$49,000	\$46,000	\$44,000
7	Garbage Franchise Fees	\$61,000	\$63,000	\$65,000	\$67,000	\$69,000	\$71,000	\$73,000	\$76,000	\$78,000	\$80,000	\$80,000	\$80,000
8	Recycled Water Income	\$249,000	\$265,000	\$273,000	\$281,000	\$290,000	\$298,000	\$307,000	\$316,000	\$326,000	\$336,000	\$346,000	\$356,000
9	Property Tax (Operating)	\$509,000	\$524,000	\$267,000	\$273,000	\$278,000	\$284,000	\$289,000	\$295,000	\$301,000	\$307,000	\$313,000	\$319,000
10	AB 939 Collector Fees	\$471,000	\$488,000	\$502,000	\$517,000	\$533,000	\$549,000	\$565,000	\$582,000	\$600,000	\$618,000	\$636,000	\$655,000
11	Operating Revenue	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000	\$109,000
12	Total Revenue	\$12,418,000	\$12,209,000	\$12,293,000	\$12,653,000	\$13,027,000	\$13,416,000	\$13,817,000	\$14,234,000	\$14,663,000	\$15,105,000	\$15,557,000	\$16,024,000
O&M Costs													
13	Collections	\$1,580,000	\$1,657,000	\$1,707,000	\$1,758,000	\$1,811,000	\$1,865,000	\$1,921,000	\$1,979,000	\$2,038,000	\$2,100,000	\$2,163,000	\$2,227,000
14	Treatment Facilities	\$3,288,000	\$3,413,000	\$3,516,000	\$3,621,000	\$3,730,000	\$3,842,000	\$3,957,000	\$4,075,000	\$4,198,000	\$4,324,000	\$4,453,000	\$4,587,000
15	Reclamation	\$529,000	\$529,000	\$545,000	\$561,000	\$578,000	\$595,000	\$613,000	\$632,000	\$651,000	\$670,000	\$690,000	\$711,000
16	Laboratory	\$621,000	\$645,000	\$664,000	\$684,000	\$705,000	\$726,000	\$748,000	\$770,000	\$793,000	\$817,000	\$841,000	\$867,000
17	Pump Stations	\$1,042,000	\$1,119,000	\$1,153,000	\$1,188,000	\$1,223,000	\$1,260,000	\$1,298,000	\$1,337,000	\$1,377,000	\$1,418,000	\$1,460,000	\$1,504,000
18	Administration/Engineering	\$2,807,000	\$2,930,000	\$3,018,000	\$3,109,000	\$3,202,000	\$3,298,000	\$3,397,000	\$3,499,000	\$3,604,000	\$3,712,000	\$3,823,000	\$3,938,000
19	Solid/Household Haz. Waste	\$520,000	\$536,000	\$552,000	\$569,000	\$586,000	\$604,000	\$622,000	\$640,000	\$660,000	\$679,000	\$700,000	\$721,000
20	Recycled Water	\$249,000	\$265,000	\$273,000	\$281,000	\$290,000	\$298,000	\$307,000	\$317,000	\$326,000	\$336,000	\$346,000	\$356,000
21	Non-Departmental	\$1,025,000	\$1,114,000	\$1,148,000	\$1,182,000	\$1,218,000	\$1,254,000	\$1,292,000	\$1,331,000	\$1,371,000	\$1,412,000	\$1,454,000	\$1,498,000
22	COVID-19 Expenses	\$647,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23	Total Operating Expenses	\$12,308,000	\$12,258,000	\$12,576,000	\$12,953,000	\$13,343,000	\$13,742,000	\$14,155,000	\$14,580,000	\$15,018,000	\$15,468,000	\$15,930,000	\$16,409,000
24	Transfer Out to Capital Fund	\$1,500,000	\$1,500,000	\$1,350,000	\$705,000	\$265,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25	Total Revenue Requirement	\$13,808,000	\$13,758,000	\$13,926,000	\$13,658,000	\$13,608,000	\$13,742,000	\$14,155,000	\$14,580,000	\$15,018,000	\$15,468,000	\$15,930,000	\$16,409,000
26	Beginning Year Balance	\$14,969,000	\$13,579,000	\$12,030,000	\$10,397,000	\$9,392,000	\$8,811,000	\$8,485,000	\$8,147,000	\$7,801,000	\$7,446,000	\$7,083,000	\$6,710,000
27	Surplus/(Shortfall)	(\$1,390,000)	(\$1,549,000)	(\$1,633,000)	(\$1,005,000)	(\$581,000)	(\$326,000)	(\$338,000)	(\$346,000)	(\$355,000)	(\$363,000)	(\$373,000)	(\$385,000)
28	End of Year Balance	\$13,579,000	\$12,030,000	\$10,397,000	\$9,392,000	\$8,811,000	\$8,485,000	\$8,147,000	\$7,801,000	\$7,446,000	\$7,083,000	\$6,710,000	\$6,325,000
29	Operating Fund Target	\$8,205,000	\$8,172,000	\$8,384,000	\$8,635,000	\$8,895,000	\$9,161,000	\$9,437,000	\$9,720,000	\$10,012,000	\$10,312,000	\$10,620,000	\$10,939,000
30	Available Cash	\$5,374,000	\$3,858,000	\$2,013,000	\$757,000	(\$84,000)	(\$676,000)	(\$1,290,000)	(\$1,919,000)	(\$2,566,000)	(\$3,229,000)	(\$3,910,000)	(\$4,614,000)
31	Net Revenue Available for Debt Service	\$10,939,000	\$10,641,000	\$10,972,000	\$11,264,000	\$11,574,000	\$11,898,000	\$12,234,000	\$12,593,000	\$12,966,000	\$13,352,000	\$13,782,000	\$14,232,000
32	Total Yearly Parity Debt Payment	\$6,979,000	\$6,964,000	\$6,965,000	\$6,965,000	\$6,961,000	\$6,956,000	\$6,950,000	\$6,957,000	\$6,947,000	\$1,862,000	\$456,000	\$455,000
33	Debt Coverage Ratio	1.57	1.53	1.58	1.62	1.66	1.71	1.76	1.81	1.87	1.77	30.22	31.28

¹ The proposed rate revenue increases are only through FY2027. The increases shown in FY2028 and beyond are merely straight-line projections of possible future rate increases.

**Capital Improvement Fund
Cash Flow Proforma (2 of 2)**

Schedule 4

	Budget FY 2022	Forecast FY 2023	Forecast FY 2024	Forecast FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Forecast FY 2032	Forecast FY 2033
1 Beginning Balance	\$17,180,000	\$17,510,000	\$15,890,000	\$14,020,000	\$13,041,000	\$11,861,000	\$11,140,000	\$11,825,000	\$13,134,000	\$14,535,000	\$21,277,000	\$29,814,000
Revenues												
2 SSC Capital Revenue	\$8,681,000	\$8,693,000	\$8,479,000	\$8,745,000	\$9,019,000	\$9,302,000	\$9,594,000	\$9,895,000	\$10,206,000	\$10,526,000	\$10,830,000	\$11,143,000
3 Change due to growth & use		\$12,000	\$12,000	\$12,000	\$12,000	\$13,000	\$13,000	\$14,000	\$14,000	\$14,000	\$15,000	\$15,000
4 Increase due to rate adjustments		(\$226,000)	\$254,000	\$262,000	\$271,000	\$279,000	\$288,000	\$297,000	\$306,000	\$316,000	\$352,000	\$390,000
Non-Rate Revenues												
5 Connection Charges	\$504,000	\$520,000	\$535,000	\$551,000	\$568,000	\$585,000	\$602,000	\$620,000	\$639,000	\$658,000	\$678,000	\$698,000
6 Property Taxes (Capital)	\$2,036,000	\$2,097,000	\$2,406,000	\$2,454,000	\$2,503,000	\$2,553,000	\$2,604,000	\$2,656,000	\$2,709,000	\$2,764,000	\$2,819,000	\$2,875,000
7 Other Revenue - Capital Fund	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000
8 Capital Fund Interest	\$112,000	\$114,000	\$104,000	\$91,000	\$85,000	\$77,000	\$73,000	\$77,000	\$86,000	\$95,000	\$139,000	\$194,000
9 Transfer in from Operating Fund	\$1,500,000	\$1,500,000	\$1,350,000	\$705,000	\$265,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10 Total Revenues	12,854,000	12,731,000	13,161,000	12,841,000	12,744,000	12,830,000	13,195,000	13,580,000	13,981,000	14,394,000	14,854,000	15,336,000
Expenditures												
11 Existing Debt Service	\$6,979,000	\$6,964,000	\$6,965,000	\$6,965,000	\$6,961,000	\$6,956,000	\$6,950,000	\$6,957,000	\$6,947,000	\$1,862,000	\$456,000	\$455,000
12 Cash Funded Capital Projects	\$5,390,000	\$6,930,000	\$7,607,000	\$6,395,000	\$6,500,000	\$6,131,000	\$5,094,000	\$4,846,000	\$5,163,000	\$5,318,000	\$5,386,000	\$5,548,000
13 Transfer Out to Capital Reserves	\$155,000	\$457,000	\$459,000	\$460,000	\$463,000	\$464,000	\$466,000	\$468,000	\$470,000	\$472,000	\$475,000	\$476,000
14 Total Capital Spending	12,524,000	14,351,000	15,031,000	13,820,000	13,924,000	13,551,000	12,510,000	12,271,000	12,580,000	7,652,000	6,317,000	6,479,000
15 Surplus/(Shortfall)	330,000	(1,620,000)	(1,870,000)	(979,000)	(1,180,000)	(721,000)	685,000	1,309,000	1,401,000	6,742,000	8,537,000	8,857,000
16 Capital Fund Ending Balance	\$17,510,000	\$15,890,000	\$14,020,000	\$13,041,000	\$11,861,000	\$11,140,000	\$11,825,000	\$13,134,000	\$14,535,000	\$21,277,000	\$29,814,000	\$38,671,000
17 <i>Capital Fund Target</i>	\$15,349,000	\$15,334,000	\$15,335,000	\$15,335,000	\$15,331,000	\$15,326,000	\$15,320,000	\$15,327,000	\$15,317,000	\$10,232,000	\$8,826,000	\$8,825,000
18 <i>Wastewater Capital Reserve</i>	\$1,250,000	\$1,650,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000
19 <i>Rate Stabilization Reserve</i>	\$1,900,000	\$1,957,000	\$2,016,000	\$2,076,000	\$2,139,000	\$2,203,000	\$2,269,000	\$2,337,000	\$2,407,000	\$2,479,000	\$2,554,000	\$2,630,000

Schedule 5 - Proposed 5-Year Rate Schedule

	Proposed (maximum) Rates					
	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026	
Residential (monthly)						
Low Usage	\$35.94	\$37.02	\$38.13	\$39.27	\$40.45	per dwelling unit
Average Usage	\$56.48	\$58.17	\$59.92	\$61.72	\$63.57	per dwelling unit
High Usage	\$100.89	\$103.92	\$107.04	\$110.25	\$113.56	per dwelling unit
Non-residential (annual)						
<u>Annual Fixed Charge</u> ²	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202	per sq. ft.
<u>Variable Water Use Charge</u>						
Low Strength	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28	per TGAL
Medium Strength	\$8.87	\$9.14	\$9.41	\$9.69	\$9.98	per TGAL
High Strength	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26	per TGAL

¹ While overall rate revenue will decrease, some customers will still experience an increase in their bill due to rate structure changes.

² Subject to additional flow factor multiplier as shown below.

DRAFT 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**

WHEREAS, the Novato Sanitary District has previously developed and instituted a Sewer Service Charge program to finance the services and facilities furnished by the District, and

WHEREAS, Ordinance No. 111, adopted by the Board of Directors on August 6, 2007, established a methodology for calculating the charges and set sewer service charge rates and amounts through fiscal year 2009-2010 and; and

WHEREAS, in adopting Ordinance No. 111, the Board relied on various studies and documents, which are available for inspection at the District offices; and

WHEREAS, Section 23 of Ordinance No. 111 provides that the Board may modify rates and charges by adopting new tables from time to time where there is no modification of the methodology,; and

WHEREAS, Ordinance No. 116, adopted by the Board of Directors on June 25, 2012, set the sewer service charge rates and amounts through fiscal year 2015-16; and

WHEREAS, Ordinance No. 120, adopted by the Board of Directors on June 13, 2016, set the sewer service charge rates and amounts through fiscal year 2020-21; and

WHEREAS, on April 12, 2021, at its Regular Meeting, the Board of Directors confirmed its intent of no increase to Sewer Service Charge (SSC) per Equivalent Dwelling Unit (EDU) levels for Fiscal Year (FY) 21-22 from the prior fiscal year due to the impacts of the cited the COVID-19 pandemic at that time, and

WHEREAS, on Monday, the 9th day of May, 2022, at the hour of 5:30 p.m. at the regular meeting place of the District, 500 Davidson Street, Novato, California, the Board of Directors of the District heard and considered proposed sewer service charge increases for fiscal years 2022-2023 through 2026-2027, and the Secretary published a notice of said hearing once a week for two successive weeks with at least five days intervening between the respective publication dates, with the first publication being at least fourteen days prior to the date set for

said hearing, in the Independent Journal, a newspaper of general circulation printed and published in the County; and

WHEREAS, the Board of Directors of the District has reviewed the current schedule of sewer service charge rates and amounts and determined certain adjustments are necessary to ensure sewer service charges continue to fund but not exceed the costs of providing sewer service and are allocated proportionally; and

WHEREAS, necessary adjustments include an increase to the residential Service Unit rate in the average usage tier in the amount of twenty dollars (\$20) in fiscal year 22-23; twenty one dollars (\$21.00) annually each of the fiscal years 2023-24; 2024-25; 2025-26; and twenty-two dollars (\$22) in fiscal year 2026-27; and a proportional increase to non-residential rates based on square footage and variable water use charges, as authorized by Section 53756 of the California Government Code; and

WHEREAS, in determining that the sewer service charges should be increased, the Board of Directors also considered the “2022 Sewer Rate Study” prepared by Hildebrand Consulting LLC and dated March 14, 2022; and

WHEREAS, in adopting this Ordinance, the Board of Directors finds that:

- a. Written notices of the proposed increases in sewer service charges were sent by first class U.S. mail to every owner of property connected in the District at least 45 days prior to the Public Hearing on the proposed increases conducted on May 9, 2022.
- b. All proper protests submitted by property owners or occupants (one protest per parcel) against the proposed increases in the sewer service charges, including those provided in person or by U.S. mail or fax or e-mail, were considered and tallied at the public hearing conducted on May 9, 2022, and the District was not presented with protests by a majority of the owners of the identified parcels affected by this change.
- c. Based on the draft budget, the amount of the charges imposed does not exceed the proportional cost of the service attributable to the properties receiving service and the charges are imposed only on those properties actually receiving service or for those which service is immediately available.

- d. Adoption of this Ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines codified at 14 CCR §15273 because the Ordinance pertains to the adoption of charges necessary to maintain services within the District's existing service area.

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of the Novato Sanitary District as follows:

Section 1. The foregoing recitals are true and correct and made a part of this Ordinance.

Section 2. Table 1A, Table 1, and Table 2 of Section 4 of that certain ordinance entitled "Ordinance No. 111, An Ordinance of the Novato Sanitary District "Repealing District Ordinance No. 42, and Prescribing Rates and Charges for Sewage Disposal Service and Providing Procedures and Penalties for its Enforcement", passed by the Board of Directors of the Novato Sanitary District on August 6, 2007 are hereby amended as set forth in Attachment A to this Ordinance. The examples in subdivisions (C) and (D) of Section of 4 Ordinance No. 111 illustrating the calculation of charges using prior rates and amounts are for clarification and do not affect the rates and amounts established by this Ordinance.

Section 3. The rates for residential customers in Table 1A of Attachment A reflect the inclusion of an annual collection fee of Two and 00/100 Dollars (\$2.00) per County Assessor's parcel billed. For each non-residential parcel whose service charges are collected on the Marin County tax roll, the rates of Tables 1 and 2 reflect an annaul county collection fee of Two and 00/100 Dollars (\$2.00).

Section 4. Charges for users of the District's sewer system authorized by this Ordinance shall take effect on July 1 of each fiscal year in accordance with such procedures as may be required by law, and shall thereafter continue in effect until further action of the Board of Directors. To the extent this Ordinance No. 123, or the sewer service charges adopted herein, is challenged and set aside for any reason, Ordinance No. 120 and the preexisting fiscal year

2020-21 sewer service charges adopted therein shall be immediately restored and will be effective until further action of the Board of Directors.

Section 5. Except as provided above, all of the balance of said Ordinance No. 111 shall remain in full force and effect.

Section 6. Upon adoption, this ordinance shall be entered in the minutes of the Novato Sanitary District Board, shall be published once in the Marin Independent Journal, a newspaper of general circulation published in the District, shall be posted in three (3) public places in the District, and shall take effect on July 1, 2022.

PASSED AND ADOPTED this 9th day of May, 2022, by the Board of Directors of the Novato Sanitary District by the following vote:

AYES:	Members:	_____
NOES:	Members:	_____
ABSENT:	Members:	_____

SIGNED:

Timothy Fuelle,
President of the Board of Directors
Novato Sanitary District

COUNTERSIGNED:

Sandeep Karkal,
Secretary, Novato Sanitary District
County of Marin, State of California

APPROVED AS TO FORM:

Rachel Hundley,
Counsel for the District

**ATTACHMENT A
 SEWER SERVICE CHARGE SCHEDULE FOR
 FISCAL YEARS 2022-23, 2023-24, 2024-25, 2025-26, 2026-27
 AND THEREAFTER UNTIL MODIFIED BY THE BOARD**

Table 1A – Residential Rates, annual*

	Current Charge	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
1 SU (Average Water Use)	\$657	\$678	\$699	\$720	\$741	\$763
Low Water Use	\$395	\$431	\$444	\$458	\$471	\$485
High Water use	\$1,181	\$1,211	\$1,247	\$1,284	\$1,323	\$1,363

*Rates apply to equivalent dwelling units including, but not limited to, single family residential homes, and each unit of multi-family residential buildings. Includes \$2 County of Marin charge for collection on tax rolls.

**Table 1: Non-Residential Rates
 Fixed Charge Per Square Foot (including flow factors)**

User Type	Floor Area Flow Factor	Charges					
		Current	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Base Charge/square foot	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Warehouse/mini-storage	0.0	\$0.270	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Office	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Retail	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Public office buildings	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
School classrooms/administration	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Churches	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Auto service stations	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Auditoriums, theaters	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Gymnasium w/showers	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Hotels/motels, not incl. restaurant	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Meeting halls with kitchens	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Supermarkets	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Mortuaries	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Medical offices	1.3	\$0.351	\$0.233	\$0.239	\$0.247	\$0.255	\$0.263
Veterinary offices	1.3	\$0.351	\$0.233	\$0.239	\$0.247	\$0.255	\$0.263
Dental offices	1.3	\$0.351	\$0.233	\$0.239	\$0.247	\$0.255	\$0.263
Hospitals	1.3	\$0.351	\$0.233	\$0.239	\$0.247	\$0.255	\$0.263
Cafeteria/dining area	2.0	\$0.540	\$0.358	\$0.368	\$0.380	\$0.392	\$0.404
Restaurants/cafes	2.0	\$0.540	\$0.358	\$0.368	\$0.380	\$0.392	\$0.404
Bakeries	2.0	\$0.540	\$0.358	\$0.368	\$0.380	\$0.392	\$0.404
Delicatessens	2.0	\$0.540	\$0.358	\$0.368	\$0.380	\$0.392	\$0.404
Ice cream/yogurt shops	2.0	\$0.540	\$0.358	\$0.368	\$0.380	\$0.392	\$0.404
Laundries and laundromats	3.0	\$0.810	\$0.537	\$0.552	\$0.570	\$0.588	\$0.606

**Table 2: Non-Residential Rates
 Variable Charge (water use and strength factors)**

User Type	Strength Factor	Charge Per TGAL ⁽¹⁾					
		Current	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Base Charge/square foot	1.00	\$4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Warehouse/mini-storage	0.00	0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Office	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Retail	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Public office buildings	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
School classrooms/administration	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Churches	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Auto service stations	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Auditoriums, theaters	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Gymnasium w/showers	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Hotels/motels, not incl. restaurants	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Medical offices	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Veterinary offices	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Dental offices	1.00	4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Hospitals	1.00	4.47	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Laundries and laundromats	1.20	6.68	\$8.87	\$9.14	\$9.41	\$9.69	\$9.98
Meeting halls with kitchens	1.20	6.68	\$8.87	\$9.14	\$9.41	\$9.69	\$9.98
Cafeteria/dining area	1.80	10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26
Restaurants/cafes	1.80	10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26
Supermarkets	1.80	10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26
Bakeries	1.80	10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26
Delicatessens	1.80	10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26
Ice cream/yogurt shops	1.80	10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26
Mortuaries	1.80	10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26

(1) TGAL = Thousand gallons. Charges based on historical winter water consumption.

Notes for Table 2: The annual volume of water use in TGAL/year is calculated based on the average winter water use. (Winter bimonthly water use x 6 = annual volume of water use.)

Warehouses, ministorage buildings and other storage buildings not connected to the sewers are not charged for sewer use.

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RESIDENTIAL NOTICE

This notice was mailed using a legally mandated list.
As a result you may receive more than one copy.
Please share copies with your tenants.

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www.novatosan.com

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Carole Dillon-Knutson
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GENERAL MANAGER-CHIEF ENGINEER

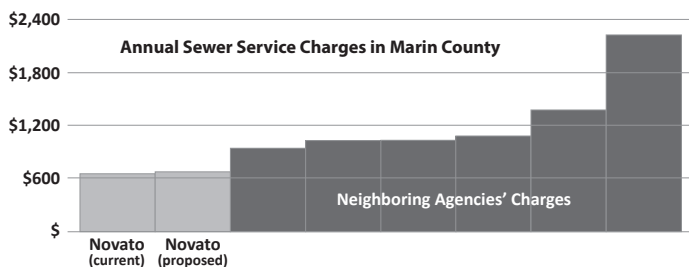
Sandeep Karkal P.E.

LEGAL COUNSEL

Rachel Hundley

Notice of Proposed Increases in the Sewer Service Charge, Changes to the Rate Structure, and Public Hearing

Novato Sanitary's Sewer Service Charges Are Among the Lowest in the County



The District has been proactive in controlling costs. As a result, we have among the lowest sanitary sewer service charges in the County. We expect they will remain among the lowest even if the proposed increases are approved.

NOTE: The District is considering changes to its rate structure and rates for all customers. A separate notice on non-residential rates has been sent to non-residential property owners. Copies are available on the District website or by contacting the District.

This annual bill comparison uses the District's 2021-22 Residential charge, proposed charges, and the latest information available for other Districts (a mix of 2021-22 and 2022-23 charges).

If You Have Questions, Comments, or Wish to Protest. By State law, any affected property owner or tenant may submit a written protest to the proposed sewer service charge increase. Protests may be mailed, faxed, emailed, or hand-delivered before or during the public hearing:

Hand deliver to the Public Hearing on May 9, 2022, at 5:30 p.m. Depending on the status of COVID regulations, the hearing may be held in person at 500 Davidson Street, Novato, CA 94945, or it may be held online. Protests may be dropped off at the office during the hearing even if the hearing is held online. Whether online or in-person, details about how to participate will be available by contacting the District or visiting its website at www.novatosan.com.

Write or Hand Deliver: Novato Sanitary District, 500 Davidson Street, Novato, CA 94945.

E-mail: info@novatosan.com or **fax:** (415) 898-2279.

Each protest must state that the identified property owner or tenant opposes the proposed increases; identify the parcel for which the protest is made (by assessor's parcel number or street address); identify whether the protester is a property owner or tenant; and include the name and signature of the protester(s). Only one protest will be counted per parcel. To be counted, protests must be received before the hearing ends. At the hearing (date, time, and location above), the Board of Directors will take public input, deliberate, and vote whether to raise sewer service charges to amounts no greater than those listed in this document. If there are valid protests representing a majority of properties, the Board cannot adopt the proposed rates.



Notice of Proposed Increases in the Sewer Service Charge, Changes to the Rate Structure, and Public Hearing For RESIDENTIAL Customers

Novato Sanitary District is developing a new, five-year schedule of proposed charges for each customer class. This will ensure continued fair distribution of sewer service charges and funding for quality sewer service.

Why a Sewer Service Charge Increase Is Needed. In recent years, the District has made many improvements to its treatment facilities, pump stations, and sewers. However, continued upgrades and maintenance are needed to safely provide quality sanitary sewer services that protect public health and the environment. The proposed increases will allow the District to continue this essential work by helping fund operations, maintenance, replacement of aging facilities, and other costs while also keeping up with inflation.

Cost of Service Changes for All Customer Classes. The District conducted an extensive study to determine the cost of serving each of its customer classes: Low-Use, Average-Use, and High-Use Residential customers, and Non-Residential customers. To address changes in the cost of service and ensure that each customer class continues paying their fair share of costs, the District is proposing a series of moderate rate adjustments. **For the Average-Use class of customers over the next five years, the increases average about 3% or \$21 per year per household. See details below.**

Fairness Principle & Quality Service. The charges were developed by an independent outside rate firm, which recommended the moderate increases described in this notice to maintain quality sanitary sewer services. The changes assure that each customer class pays its fair share of the costs of service.

Sewer Service Charges Are Based on Winter Water Use. Each residential customer is assigned a user class based on water usage during the winter months. Winter water usage generally reflects the amount of water used indoors and drained into the sanitary sewer system. Charges are based on three levels of use: HIGH-WATER USERS with 200% or more than the average winter water use; AVERAGE-WATER USERS with 26% to 199% of the average winter water use; and LOW-WATER USERS with 25% or less than the average winter water use. Note that over 87% of customers are in the Average tier, including individually non-metered (multi-unit) residential customers.

Proposed Residential Rate Increase

	Current	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
LOW Water Use	\$395	\$431	\$444	\$457	\$471	\$485
AVERAGE Water Use	\$657	\$677	\$698	\$719	\$740	\$762
HIGH Water Use	\$1,181	1,210	1,247	\$1,284	\$1,323	\$1,362

If adopted, the new charges will be effective July 1, 2022, and first appear on the fall 2022 property tax bill under the description "SANI #6 – NOVATO."

Note: under Government Code Section 53759(d), there is a 120-day statute of limitation for any challenge to the new, increased, or extended fee or charge.

Low Income Sewer Rate Assistance Program (LISRAP). Low-income, single-family residential customers who enroll in the District's LISRAP program will continue to receive discounts based on enrollment in the PG&E CARES Program. Low-Water-Use customers in the LISRAP Program would receive a 15% discount and experience a sewer service charge increase of only about \$12 per year. All other single-family residential customers in the LISRAP program would continue to receive a 10% discount.



NON-RESIDENTIAL NOTICE

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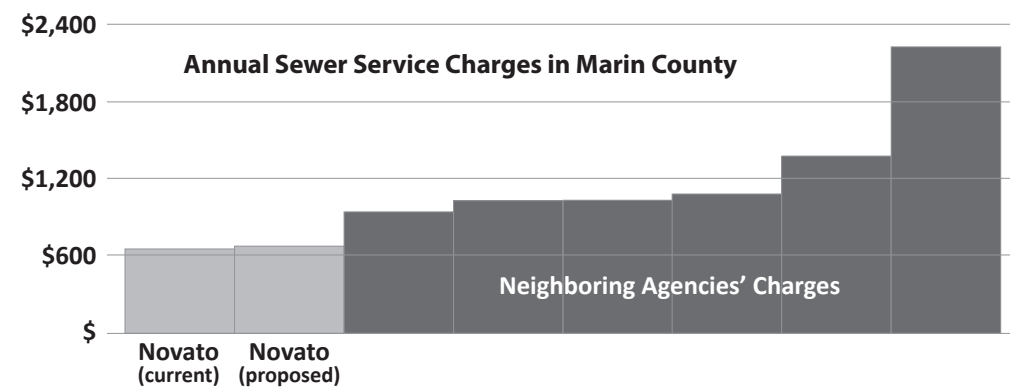
LEGAL COUNSEL

Rachel Hundley

Notice of Proposed Increases in the Sewer Service Charge, Changes to the Rate Structure, and Public Hearing

Novato Sanitary District's Sewer Service Charges Are Among the Lowest in the County

The District has been proactive in controlling costs. We have among the lowest sanitary sewer service charges in the County and expect that they will remain the lowest even if the proposed increases are approved.



This annual bill comparison uses the District's 2021-22 Residential charge, proposed charges and the latest information available for other Districts (a mix of 2021-22 and 2022-23 charges). This information is provided for illustrative purposes only.

The District is considering changes to its rate structure and rates for all customers. A separate notice on residential rates has been sent to residential property owners. Copies are available on the District website or by contacting the District.

Additional Information about the Proposed Changes

If adopted, the new charge will be effective July 1, 2022, and first appear in the fall 2022 property tax bill for most non-residential customers. Note that some non-residential customers receive bills by mail from the District. Under Government Code Section 53759(d), there is a 120-day statute of limitation for any challenge to the new, increased, or extended fee or charge.



Notice of Proposed Increases in the Sewer Service Charge, Changes to the Rate Structure, and Public Hearing For NON-RESIDENTIAL Customers

Novato Sanitary District is developing a new, five-year schedule of proposed charges for each customer class. This will ensure continued fair distribution of sewer service charges and funding for quality sewer service.

Why a Sewer Service Charge Increase Is Needed. The District has made many improvements to its facilities in recent years, such as upgrading treatment facilities, pump stations, and sewers. However, continued upgrades and maintenance are needed to safely provide quality sanitary sewer services that protect public health and the environment. The proposed increases will allow the District to continue this essential work by helping fund operations, maintenance, replacement of aging facilities, and other costs while also keeping up with inflation.

Cost of Service Changes for All Customer Classes. The District conducted an extensive study to determine the cost of serving each of its customer classes: Residential customers and Non-Residential customers with low-strength, medium-strength and high-strength wastewater. In order to address changes in the cost of service and ensure that each customer class continues paying their fair share of costs, the District is proposing a series of rate adjustments over the next five years as detailed in this document.

Fairness Principle & Quality Service. Non-residential customers pay sewer service charges based on their winter water use, inside floor area, and wastewater strength factors. The charges were developed by an independent outside rate firm, which recommended the moderate increases described in this notice to maintain quality sanitary sewer services. District sanitary sewer service charges are among the lowest in the County and are expected to remain among the lowest even if the proposed increases are passed. More information on our low rates is on the back page of this notice.

If You Have Questions, Comments, or Wish to Protest. By State law, any affected property owner or tenant may submit a written protest to the proposed sewer service charge increase. Protests may be mailed, faxed, emailed, or hand-delivered before or during the public hearing:

Hand deliver to the Public Hearing on May 9, 2022, at 5:30 p.m. Depending on the status of COVID regulations, the hearing may be held in person at 500 Davidson Street, Novato, CA 94945, or it may be held online. Protests may be dropped off at the office during the hearing even if the hearing is held online. Whether online or in-person, details about how to participate will be available by contacting the District or visiting its website at www.novatosan.com.

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Each protest must state that the identified property owner or tenant opposes the proposed increases; identify the parcel for which the protest is made (by assessor's parcel number or street address); identify whether the protester is a property owner or tenant; and include the name and signature of the protester(s). Only one protest will be counted per parcel. To be counted, protests must be received before the hearing ends. At the hearing (date, time, and location above), the Board of Directors will take public input, deliberate, and vote whether to raise sewer service charges to amounts no greater than those listed in this document. If there are valid protests representing a majority of properties, the Board cannot adopt the proposed rates.

Summary: Changes to Non-Residential bills will vary in the first year from moderate decreases to moderate increases.

As a result of the cost-of-service changes described above, some non-residential customers may experience decreases in their bill while others may experience moderate increases, depending on floor area, water usage, and sewer strength. The changes to the rates will assure that each customer pays their fair share relative to the cost of providing service. After the first-year's rate structure adjustments, all customers will experience a 3% increase each year for the next four years (from July 2023 to July 2027).



Use These Charts to Calculate Non-Residential Sewer Charges Under The Proposed Rates

To accurately reflect the cost of service, non-residential rates are comprised of three factors:

Square footage of the non-residential space reflects its capacity to generate wastewater, called the Flow Factor.

Water use in winter as measured by the water bill, reflecting the amount of wastewater generated.

Strength of the wastewater is based on the type of business, which reflects the cost to treat the wastewater.

1. Fixed Charge Per Square Foot

The floor area in square feet of different types of non-residential accounts is multiplied by a Flow Factor, which accounts for the estimated volume of wastewater associated with different commercial activities.

NOTE: The charge is the annual charge per square foot of floor area.

User Type	Flow Factor	Current	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Base Charge/square foot	1.0	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Warehouse/mini-storage	0	\$0	\$0	\$0	\$0	\$0	\$0
Offices							
Retail							
Public office buildings							
School classrooms/administration							
Churches							
Auto service stations	1	\$0.270	\$0.179	\$0.184	\$0.190	\$0.196	\$0.202
Auditoriums theaters							
Gymnasium w/showers							
Hotels/motels, not incl. restaurant							
Meeting halls with kitchens							
Supermarkets							
Mortuaries							
Medical offices	1.3	\$0.351	\$0.233	\$0.239	\$0.247	\$0.255	\$0.263
Veterinary offices							
Dental offices							
Hospitals							
Cafeterias/dining areas							
Restaurants/cafes							
Bakeries	2	\$0.540	\$0.358	\$0.368	\$0.380	\$0.392	\$0.404
Delicatessens							
Ice cream/yogurt shops							
Laundry and laundromats	3	\$0.810	\$0.537	\$0.552	\$0.570	\$0.588	\$0.606

2. Volumetric Charge

The variable Volumetric Charge per thousand gallons (TGAL) of water used for different non-residential users is shown below for fiscal years 2022-23 through 2026-27. It is calculated on the average water meter readings from December to April of the previous year.

User Type	Strength Factor	Current	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025	July 1, 2026
Base Charge/square foot	1	\$4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Warehouse/mini-storage	0	\$0	\$0	\$0	\$0	\$0	\$0
Offices							
Retail							
Public office buildings							
School classrooms/administration							
Churches							
Auto service stations							
Auditoriums theaters	1	\$4.77	\$7.36	\$7.58	\$7.81	\$8.04	\$8.28
Gymnasium w/showers							
Hotels/motels, not incl. restaurant							
Medical offices							
Veterinary offices							
Dental offices							
Hospitals							
Laundry and laundromats	1.2	\$6.68	\$8.87	\$9.14	\$9.41	\$9.69	\$9.98
Meeting halls with kitchens							
Cafeterias/dining areas							
Restaurants/cafes							
Supermarkets							
Bakeries	1.8	\$10.37	\$13.56	\$13.97	\$14.39	\$14.82	\$15.26
Delicatessens							
Ice cream/yogurt shops							
Mortuaries							

3. The Total Annual Charge Formula

The charge for single-use buildings is determined as follows:

$$(\text{Sq. Footage of Building} \times \text{Sq. Footage Charge}) + (\text{Water Usage} \times \text{Water Use Charge}) = \text{Total Charge}$$

The charge for buildings with mixed, non-residential uses is a combination of the floor area and strength factor for each type of non-residential use and the total water consumption for the whole building. District staff can help with the math.

Sample Non-Residential Bills (Examples of Annual Bills For the Proposed Rates Beginning July 1, 2022)

Strength	Size	Sq Ft	Water	Current	Proposed Bill
Low	Small	1,000	1,500	\$29.66	\$25.96
	Medium	4,000	8,000	\$128.18	\$118.55
	Large	20,000	25,000	\$596.32	\$482.33
Medium	Small	1,000	1,500	\$32.53	\$28.22
	Medium	2,000	8,000	\$98.48	\$100.79
	Large	5,000	21,000	\$252.87	\$260.85
High	Small	1,000	3,000	\$53.62	\$55.60
	Medium	10,000	11,000	\$339.12	\$298.33
	Large	30,000	36,000	\$1,048.48	\$935.66

Note: these are only examples. Each non-residential bill is calculated as described above. Water flow is in gallons per month.

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NOTICE OF PUBLIC HEARING
SEWER SERVICE CHARGES
FISCAL YEARS 2022-2023 THROUGH 2026-2027
NOVATO SANITARY DISTRICT

NOTICE IS HEREBY GIVEN that pursuant to Proposition 218, Article XIII(D), Section 6, of the California Constitution, and Section 53755 of the Government Code, the Board of Directors of the **NOVATO SANITARY DISTRICT** intends to consider an increase in rates, changes to its rate structure, and set its charges for sewerage services for fiscal years 2022-2023 through 2026-2027, based on the 2022 Sewer Rate Study Report (Report) as prepared by its independent external financial planning consultant Hildebrand Consulting LLC.

NOTICE IS FURTHER GIVEN that on Monday, the 9th day of May 2022, at the hour of 5:30 p.m. at the regular meeting place of the District Board of Directors, Novato Sanitary District, 500 Davidson Street, Novato, California 94945, (or via Zoom® teleconferencing depending on the COVID19 situation), said Board will hear and consider all protests and objections to the increase in proposed sewer service charges and the charges set forth in said Report.

By order of the Board of Directors of the Novato Sanitary District.

Dated: March 14, 2022

Sandeep Karkal
Secretary, Novato Sanitary District

Publish: April 12, 2022, and April 19, 2022.