



FINAL BUDGET

FOR

Fiscal Year 2023-24

(And Preliminary Budget for Fiscal Year 2024-25)

Adopted August 14, 2023

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NOVATO SANITARY DISTRICT

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August 14, 2023

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

Honorable Board Members:

The two-year budget document including the proposed fiscal year (FY) 23-24 Final Budget and FY 24-25 Preliminary Budget are provided herein for your consideration and approval. The document is organized into sections as follows:

- Section I: Summary of Fund Balances including Operating, Capital Improvement, and Reserve Funds.
- Section II: Operating Budget: Summary Revenues/Expenditures, and Summary Budget by Cost Center and Account Category.
- Section III: Detailed Operating Budget by Cost Center and Account Category.
- Section IV: Capital Improvement Budget: Revenue and Expenditures Budget.
- Section V: FY 23-24 Wastewater Capital Reserve Fund.
- Section VI: FY 23-24 Rate Stabilization Fund.
- Section VII: FY 23-24 Debt Service Summary and Balances.

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

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

Thereafter, at its meeting of March 13, 2023, the Board voted to set rates for FY 23-24 through FY 26-27 as below by adopting Board Resolution No. 3180 - A RESOLUTION IMPLEMENTING SEWER SERVICE CHARGE SCHEDULE FOR FISCAL YEARS 2023-2027 PURSUANT TO ORDINANCE NO. 123. Note that while the below rates (as set by Resolution No. 3180) do not align with the rate schedule set forth in Ordinance No. 123, these Board approved rates are actually about 3% per year **lower than** those originally adopted by the rate schedule of Ordinance No. 123.

	<u>FY 23-24</u>	<u>FY 24-25</u>
a. Low water use charge:	\$431/ EDU	\$444/EDU
b. Average water use charge:	\$677/EDU	\$698/EDU
c. High water use charge:	\$1,210/EDU	\$1,247/EDU

Notes: 1. EDU = Equivalent Dwelling Unit.

As in prior years, the basic average annual Sewer Service Charge (SSC) is allocated between the Operating and Capital Budgets. For FY 23-24, the allocation of the average SSC of \$677/EDU to the Operating and Capital budgets is \$373 (55%) to the Operating Budget, and \$304 (45%) to the Capital Budget.

Revenue Impact of COVID-19

In prior budget years FY 21-23, the District included allowances for revenue reductions from COVID-19 pandemic impacts. However, given the waning of the pandemic, no allowances are made for the FY 23-25 budget years and Cost Center 69300 – “COVID-19 Expenses” has been eliminated in the current budget.

Impact of Public Safety Power Shutdowns (PSPS)

Another factor affecting the FY 23-25 budget years will be PG&E’s ongoing PSPS program. While specific PSPS events are difficult to forecast, this Budget includes an additional amount of about \$45,000 in each of FY 23-24 and FY 24-25 for staffing and equipment, as indicated in Account 65301 (Page 12), to provision for such events.

A. BUDGET STRUCTURE

The District’s budget is prepared on a cash basis. Operating and Capital Revenues and Expenditures are summarized in Table 1 and illustrated in Figure 1 at the end of this letter. Table 1 also compares the adopted budget for FY 22-23 with the proposed budget for FY 23-24.

Overall, it is projected that total FY 23-24 revenues will increase by about 5.91%, primarily from the proposed increases in sewer service charges discussed above, and additional anticipated interest income on the District’s fund balances. Variances between the two budget years are also provided later in this letter.

In terms of a revenue split to Operating and Capital Expenditures, the District typically uses a 55%-45% allocation of SSC revenue to the Operating and Capital budgets. Also, the proposed property tax revenue allocation is 25%/75% between the Operating and Capital Funds for this budget cycle.

Three-Year Summary comparisons and significant variances in the operating budgets between the FY 22-23 and FY 23-24 budget years are provided later in this letter.

Table 1: Summary of Revenues and Expenditures for FY 22 and FY 23				
	FY 22-23	FY 23-24	FYE 23 to FYE 24	
	Adopted Budget	Final Budget	% Change	
Operating Revenues	\$ 12,742,702	\$ 13,495,259	5.91%	
Capital Revenues	11,521,943	12,146,925	5.42%	
Total Revenues	\$ 24,264,645	\$ 25,642,184	5.68%	
Operating Expenditures ⁽¹⁾	12,738,471	13,236,207	3.91%	
Operating Expenditures ⁽²⁾	11,831,472	12,248,996	3.53%	
CIP Expenditures ⁽³⁾	12,125,000	13,840,000	14.14%	
Debt Service	6,509,350	6,507,850	-0.02%	
Total Expenditures (1)	\$ 31,372,821	\$ 33,584,057	7.05%	

⁽¹⁾ with Pass through expenditures

⁽²⁾ Excludes Pass through expenditures

⁽³⁾ Includes Capital Expenditure Commitments/Encumbrances from FY 22-23 into FY 23-24.

B. FISCAL YEAR FY 23-24 OPERATING BUDGET DETAILS

Operating Revenues

The proposed FY 23-24 Operating Budget by revenue source is shown in Table 2 below (and graphically in Figure 2), along with the adopted budget amounts for the past two fiscal years.

As seen from Table 2, total operating revenues are budgeted to increase by 5.91 percent or \$752,557 from FY 22-23.

Other notable items include:

Operating SSCs budgeted increase of 3.28 percent, due to the proposed rate increase for the upcoming FY 23-24.

Interest Income budgeted to increase by \$295,562 or 93.18 percent, due to the general direction of interest rates.

Recycled Water Revenue budgeted to increase based on projections for cost recovery of operating costs through an agreement with the North Marin Water District (NMWD).

Funding Sources by Category	FY 21-22	FY 22-23	FY 23-24	FYE 23 to FYE 24
	Adopted Budget	Adopted Budget	Final Budget	% Change
Operating Sewer Service Charges	10,718,664	10,571,076	10,917,327	3.28%
Property Tax Allocation	508,903	688,798	667,486	-3.09%
Plan Check & Inspection Fee	500	500	500	0.00%
Permit & Inspection fees	6,000	6,000	6,000	0.00%
Interest Income	37,800	317,185	612,747	93.18%
Engineering/Admin Chgs	165,000	165,000	165,000	0.00%
Non-domestic Permit Fees	30,000	30,000	30,000	0.00%
Franchise Fees	61,401	63,032	63,977	1.50%
AB 939 Collector Fees	471,250	498,684	598,600	20.04%
Oil Grant and JPA Reimb	48,816	48,816	59,650	22.19%
Ranch Income	40,000	40,000	40,000	0.00%
Recycled Water Revenue	248,700	283,610	303,971	7.18%
Other Revenue	20,000	20,000	20,000	0.00%
Gain/Loss-disposal of assets	10,000	10,000	10,000	0.00%
Total Operating Revenue	\$ 12,367,034	\$ 12,742,702	\$ 13,495,259	5.91%

Operating Expenditures

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

Proposed FY 23-24 Operating Expenditures are also shown graphically in Figures 3 and, Figure 4 (by department or cost center), at the end of this letter. Operating expenditures are budgeted to increase by 3.53 percent or \$417,525 between FY 22-23 and FY 23-24.

Pension and Other Post-Employment Benefit Liabilities: In FY 16-17, the District adopted a process to address its liabilities under Government Accounting Standards Board (GASB) Statement 45 (GASB 45 – Other Post-Employment Benefits or OPEB) and GASB Statement 68 (GASB 68 – Net Pension Liability or NPL) through a “restricted funds” account. The District set up and initiated funding an Internal Revenue Code (IRC) Section 115 Trust account with Public Agency Retirement Services (PARS), Irvine, CA, which incorporates separate sub-accounts for each of the District’s GASB 45 (OPEB) and GASB 68 (Pension) liabilities.

Table 3: Operating Budget Expenditures 3-year Summary:				
Expenditures by Department	FY 21-22	FY 22-23	FY 23-24	FYE 23 to FYE 24
	Adopted Budget	Adopted Budget	Final Budget	% Change
Collections	1,580,399	1,653,938	1,582,601	-4.31%
Treatment	3,288,337	3,586,571	3,814,875	6.37%
Reclamation	529,403	597,999	666,448	11.45%
Laboratory	621,018	648,597	669,325	3.20%
Pump Stations	1,041,961	1,086,384	1,181,259	8.73%
Administration/Engineering	2,807,324	2,989,366	3,156,329	5.59%
Hazardous Household Waste	520,066	623,390	683,240	9.60%
Recycled Water	248,700	283,610	303,971	7.18%
Non-Departmental	1,024,635	1,218,617	1,178,159	-3.32%
COVID-19 Expenses	646,500	50,000	-	-100.00%
Subtotal Expenditures	12,308,343	12,738,471	13,236,207	3.9%
Less: Passthroughs*	(768,766)	(907,000)	(987,211)	
Total Expenditures	\$ 11,539,577	\$ 11,831,471	\$ 12,248,996	3.53%

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

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

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

Also, based on direction provided by the Board at its January 25, 2021 meeting, the FY 21-23 budget included an allowance of \$1.5 million in each of FY 21-22 and FY 22-23 (via transfers from reserves in the Operating Fund to the PARS OPEB sub-account), to pay off the District's OPEB liability.

However, based on valuation results presented in the Actuarial Report prepared by the District's actuarial consulting firm (GovInvest, Inc.), the FY 22-23 allowance was reduced from \$1.5 million to \$1.1 million and paid via a transfer from reserves in the Operating Budget in FY 22-23 (see also Section I "Fund Balances", page 2).

Table 4: Operating Budget, Significant Budget Variances FY 22-23 to FY 23-24				
Anticipated Budget Variances – Year-over-year,		Budget Impact, \$	Variance, %	Budget Impact, %
	FY 22-23 to FY 23-24			
1	Salaries and wages (across all cost centers)	55,052	1.82%	42%
2	Contract Services (Operations & Lab)	111,891	3.80%	85%
3	Employee Benefits (across all cost centers)	37,778	2.71%	29%
4	Insurance	98,692	24.49%	75%
5	Office Expense	5,000	29.41%	4%
6	Accounting & Auditing	9,700	20.64%	7%
7	Outside Consulting	49,607	16.82%	38%
8	IT/Misc. Electrical	29,000	44.27%	22%
9	Printing & Publication	(5,000)	-33.33%	-4%
10	Property Tax allocation (LISRAP/SSCs)	(50,000)	-71.43%	-38%

C. FISCAL YEAR FY 23-24 CAPITAL BUDGET DETAILS

Capital Revenues

The proposed FY 23-24 Capital Budget by Revenue source is shown in Table 5, along with the figures for the past two fiscal years. Total capital revenues for FY 23-24 are expected to increase by 5.42 percent or \$624,982 from FY 22-23. Notable items include:

Capital SSC Revenues budgeted increase of 5.66 percent or \$476,277, due to the proposed rate increase for the upcoming FY 23-24.

Property Taxes projected decrease of 3.09 percent or \$63,937, based on estimates provided by Marin County.

Connection Charges projected increase of about 3.0 percent or \$15,600, assuming about 40 new connections per year consistent with the District's 2016 Capacity Fee Study.

Interest Income budgeted to increase by 93.18 percent or \$197,041 due to the general direction of interest rates.

Grant Revenue – In FY 20-21, the District received a conditional reservation letter from the California Public Utility Commission's (CPUC) Self-Generation Incentive Program (SGIP) for a proposed 754 KW battery storage system, with implementation beginning in FY 21-22. While the overall SGIP grant amount is about \$2.13 million, the District's budget will only recognize the approximately \$282,000 amount that will be reimbursed to the District (in FY 23-24) for its direct expenses related to implementing the project - the remainder will be disbursed by the SGIP program directly to the other parties involved in project implementation.

Table 5: Capital Budget Revenue 3-year Summary				
Funding Sources by Category	FY 21-22	FY 22-23	FY 23-24	FYE 23 to FYE 24
	Adopted Budget	Adopted Budget	Final Budget	% Change
Capital Sewer Service Charges	8,681,232	8,421,491	8,897,768	5.66%
Property Taxes	2,035,611	2,066,395	2,002,459	-3.09%
Connection Charges	504,400	519,600	535,200	3.00%
Collector/Special Equalization Chgs	1,000	1,000	1,000	0.00%
Interest Income	25,200	211,457	408,498	93.18%
Other Revenue	20,000	20,000	20,000	0.00%
Grant Revenue	282,000	282,000	282,000	100.00%
Total Capital Revenues	\$ 11,549,443	\$ 11,521,943	\$ 12,146,925	5.42%

Capital Expenditures

The proposed FY 23-24 Capital Improvement Program (CIP) Budget is 9.20 percent or \$1,713,500 over the last year.

Consistent with the District's budgeting history, FY 23-24 capital projects are funded through a combination of SSCs, property taxes, connection fees, and budgeted Capital fund carryovers from prior years. Notable items include:

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

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

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

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

Table 6: Capital Budget Expenditures, 3-year Summary				
Capital Expenditures	FY 21-22	FY 22-23	FY 23-24	FYE 23 to FYE
	Adopted Budget	Adopted Budget	Final Budget	% Change
Capital Projects	9,865,000	12,125,000	13,840,000	14.14%
Debt Service	6,526,600	6,509,350	6,507,850	-0.02%
Total Capital Expenditures	\$ 16,391,600	\$ 18,634,350	\$ 20,347,850	9.20%

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

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

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

While neither the 2017 Revenue Refunding Bonds, the 2019 Revenue Refinancing Bonds, (or the 2020 Wastewater Revenue Refunding Bonds discussed on page iv of this letter), require disclosure of the DCR, the District has elected to continue doing so to comport with generally accepted accounting "best practices". Accordingly, the District's

projected DCR of 1.79 for FY 23-24 serves as its commitment to “best practices” and demonstrates its continuing financial prudence and stability.

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

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

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

At this time, the District does not anticipate any change to its “AAA” rating in the FY 23-25 period, relative to COVID-19, PSPS events, or broader financial market events.

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

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

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

For illustrative purposes, Figure 6 (following this letter) also compares the District’s SSC changes relative to changes in the Consumer Price Index (CPI) for the Water and Sewer Services industry for the last ten years.

Table 7: Comparative Rates of Annual Sewer Service Charges	
AGENCY	RATE(\$/yr.)
Sanitary District No. 5 - Belvedere	\$1,985
Tamalpais Community Services District	\$1,931
Sanitary District No. 1 - City of Larkspur	\$1,712
City of Mill Valley	\$1,519
Sausalito-Marín City Sanitary District	\$1,386
City of Petaluma	\$1,260
Las Gallinas Valley Sanitary District	\$1,233
Ross Valley Sanitary District (SD#1)	\$1,212
City of Santa Rosa	\$1,186
Sanitary District No. 5 - Tiburon	\$1,034
Vallejo Sanitation & Flood Control District	\$885
City of San Rafael	\$861
Napa Sanitation District	\$739
NOVATO SANITARY DISTRICT	\$677
Sanitary District No. 2 - Town of Corte Madera	\$498

Notes: All charges for FY 23-24 (proposed or adopted) unless otherwise noted

In conclusion, the proposed FY 23-24 budget will be able to accomplish the District’s commitments to achieving the key goals set forth in its Strategic Plan while maintaining reasonable rates for its customers.

Sincerely,

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

ELENA KURAKINA, MBA
Finance Officer

Additional Charts for Informational Purposes:

Figure 1:

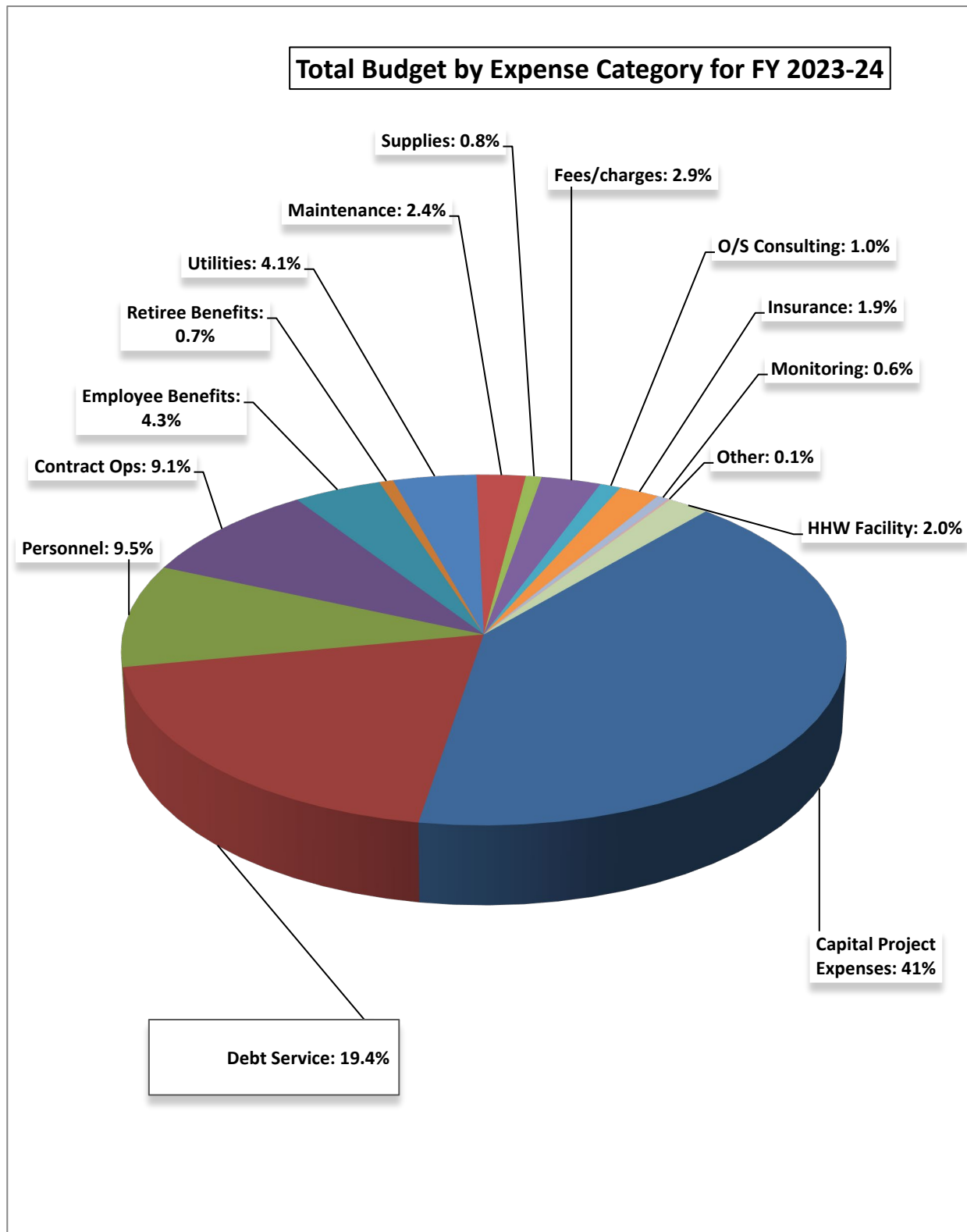


Figure 2:

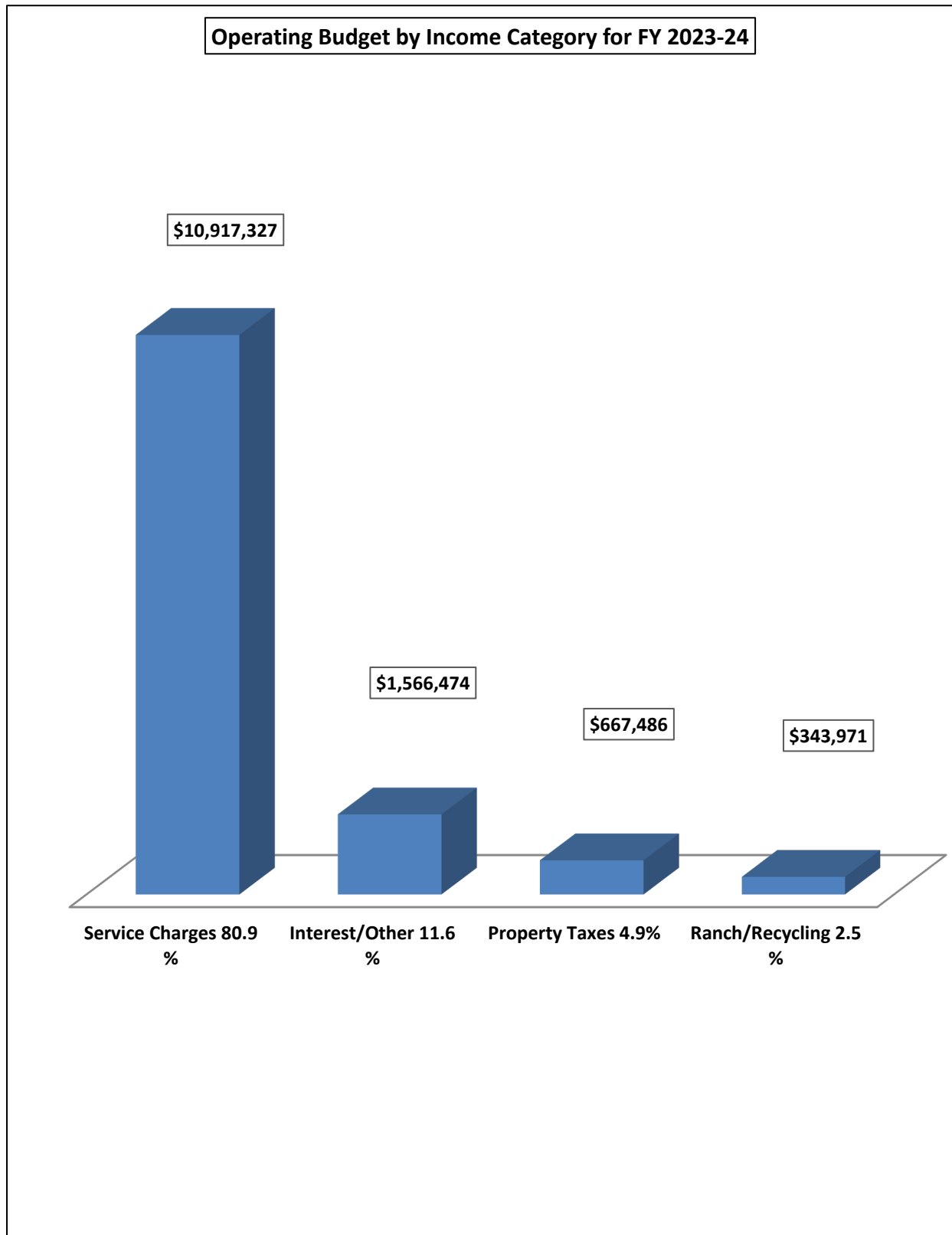


Figure 3:

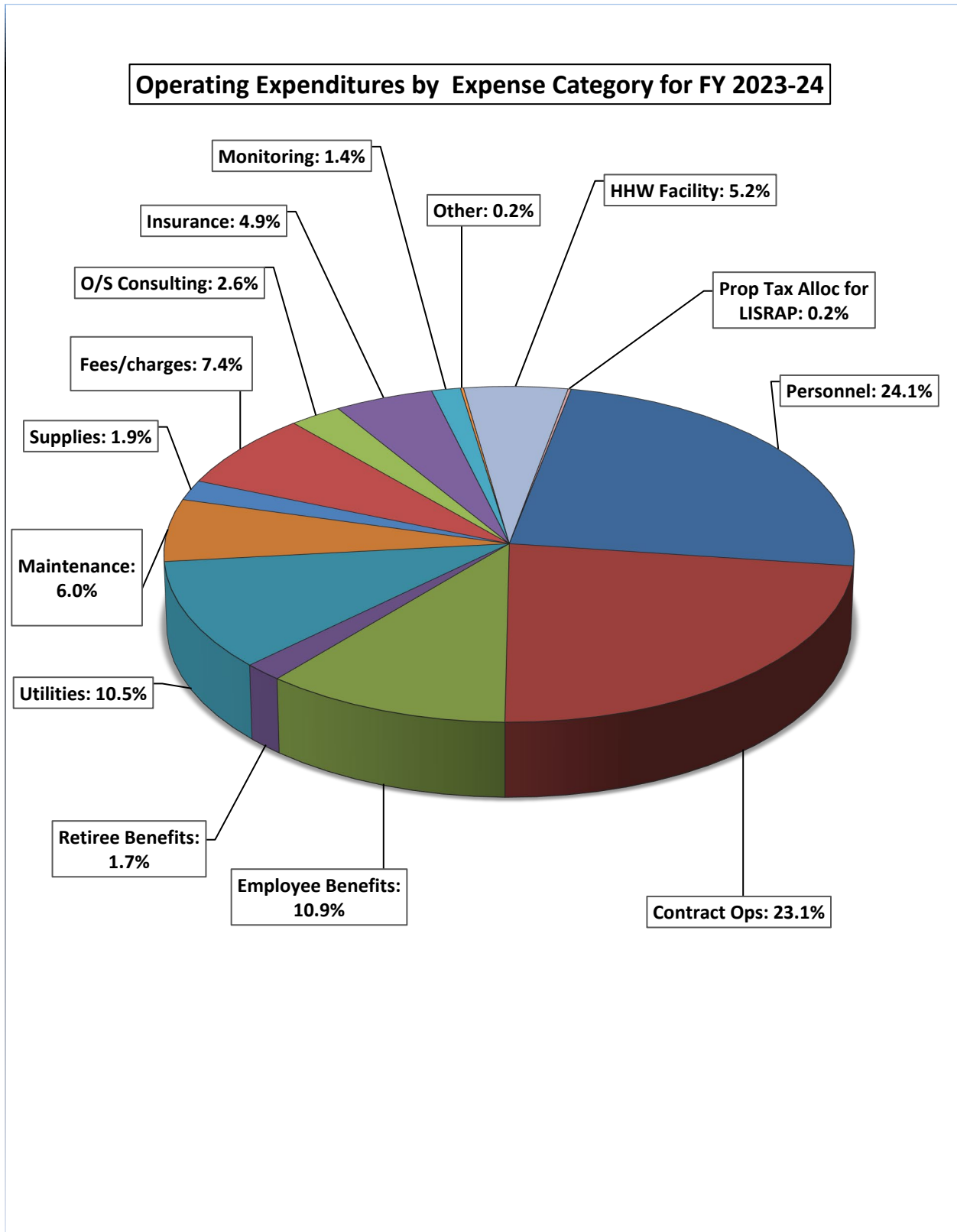


Figure 4:

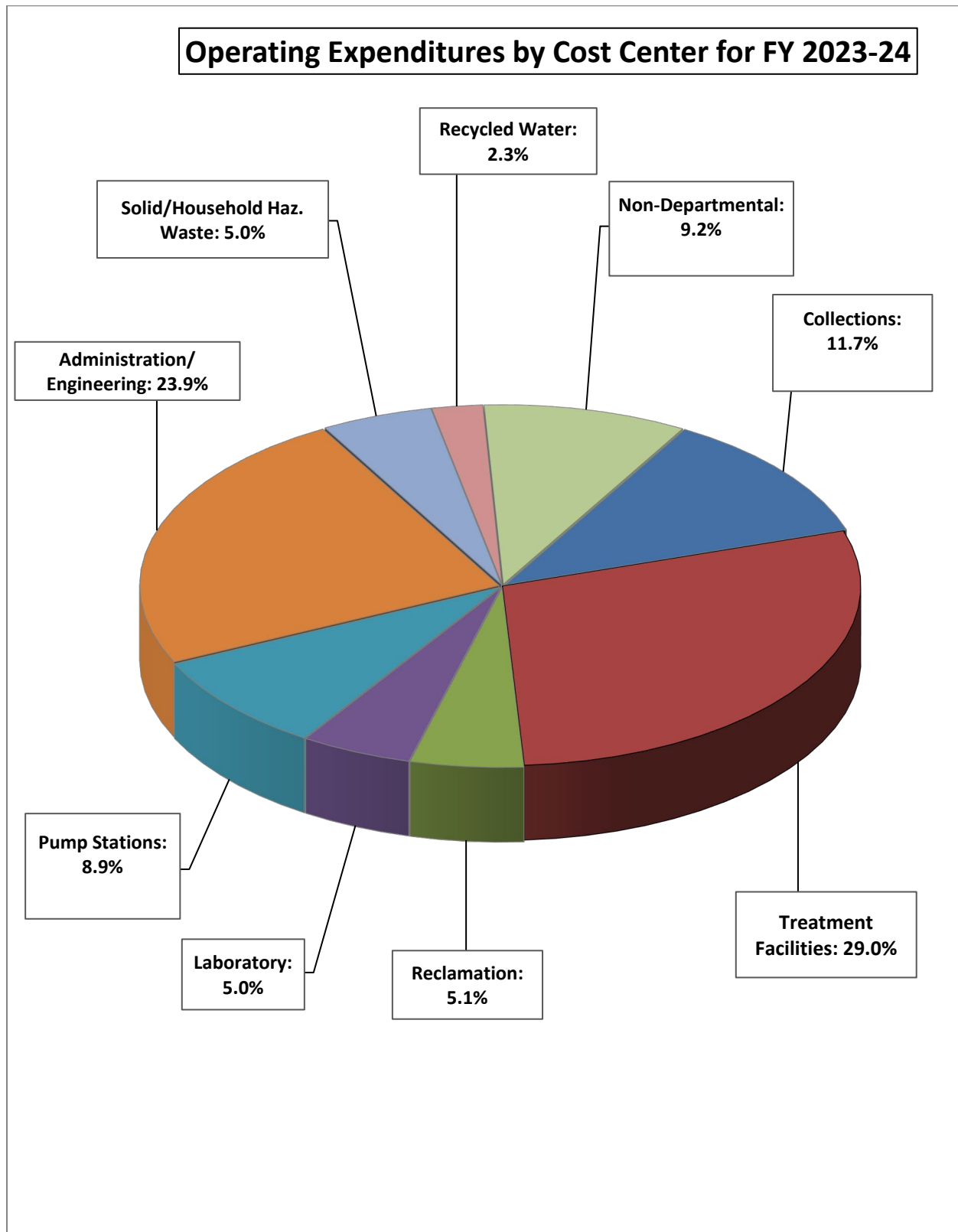
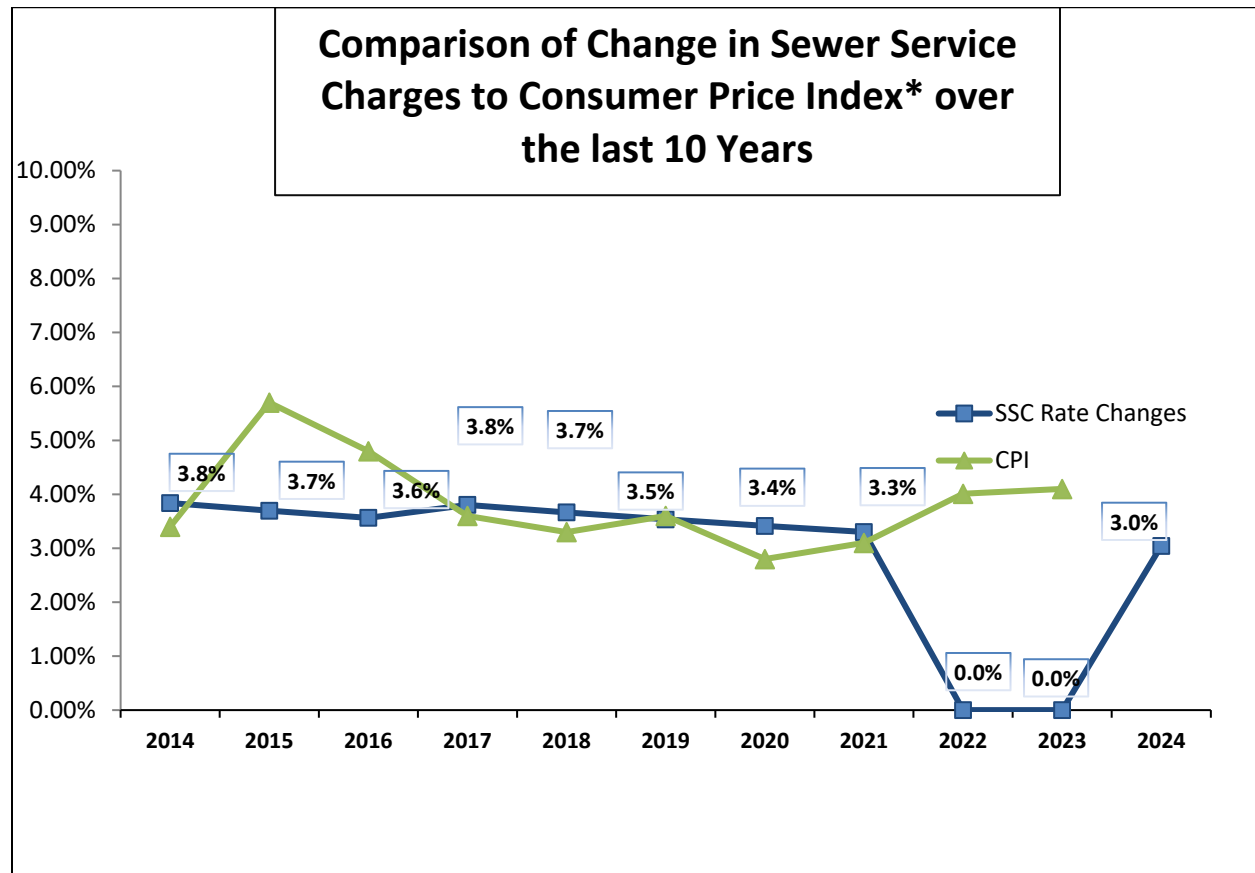


Figure 5:



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

SECTION I

SUMMARY OF FUND BALANCES

**Novato Sanitary District
2023-25 Final Budget
Summary of Fund Balances**

	Adopted Budget 2022-23	Actual Rev/Exp 2022-23	Final Budget 2023-24	Preliminary Budget 2024-25
A. Operating Fund				
Starting Balances at Beginning of Each Year	13,950,519	13,950,519	13,046,722	11,247,059
Operating Revenue (p. 4)	12,742,702	13,128,009	13,495,259	13,824,929
Operating Expenditures (p. 5)	12,738,471	10,874,801	13,236,207	13,764,580
Net Operating Revenue	4,231	2,253,208	259,052	60,349
Operating Fund Balances before transfers at Year End	13,954,750	16,203,727	13,305,774	11,307,408
Transfers Out - to OPEB ⁽¹⁾ Trust Fund	1,100,000	1,100,000	0	0
Transfers Out - to Rate Stabilization Fund (RSF)	57,005	57,005	58,715	60,476
Transfers Out - to Capital Improvement Fund	2,000,000	2,000,000	2,000,000	2,000,000
Available Operating Fund Balances after transfers at the End of Each Year	10,797,745	13,046,722	11,247,059	9,246,932
B. Capital Improvement Fund				
Starting Balances - Beginning of Each Year	21,093,202	21,093,202	20,528,676	13,927,751
Capital Revenue (p. 19)	11,521,943	11,797,462	12,146,925	12,193,782
Transfers In ⁽²⁾	2,000,000	2,000,000	2,000,000	2,000,000
Total Capital Revenue and Fund Transfers	13,521,943	13,797,462	14,146,925	14,193,782
Capital Expenditures ⁽³⁾ (p. 20)	12,125,000	7,452,638	13,840,000	14,860,000
Debt Service (p. 33)	6,509,350	6,509,350	6,507,850	6,505,850
Transfers Out ⁽⁴⁾	400,000	400,000	400,000	400,000
Total Capital Expenditures and Fund Transfers	19,034,350	14,361,988	20,747,850	21,765,850
Available Capital Improvement Fund Balances after transfers at the End of Each Year	15,580,795	20,528,676	13,927,751	6,355,683
Available Fund Balances at the End of Each Year	26,378,540	33,575,398	25,174,810	15,602,615
C. Wastewater Capital Reserve Fund (WCRF)				
Restricted Fund Balance at the End of Each Year (p. 29)	1,649,653	1,649,653	2,049,653	2,449,653
D. Rate Stabilization Fund (RSF)				
Restricted Fund Balance at the End of Each Year (p. 31)	1,957,160	1,957,160	2,015,874	2,076,351
Restricted Fund Balances at the End of Each Year	3,606,813	3,606,813	4,065,527	4,526,004

⁽¹⁾ OPEB - Other Post-Employment Benefits.

⁽²⁾ From Operating Fund Balances.

⁽³⁾ Includes Capital Expenditure Commitments/Encumbrances from FY 22-23 into FY 23-24.

⁽⁴⁾ To Wastewater Capital Reserve Fund.

SECTION II

OPERATING BUDGET SUMMARY SCHEDULES

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Summary of Revenues**

Operating Revenue Center - 41000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Revenue 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
41010 · Sewer Service Charges ⁽¹⁾	10,718,664	10,571,076	10,546,481	11,028,864	10,917,327	11,228,175
41015 · Property Tax allocation ⁽²⁾	508,903	688,798	762,579	709,462	667,486	687,511
41030 · Plan Check & Inspection Fee	500	500	7,967	500	500	500
41040 · Permit & Inspection Fee	6,000	6,000	9,790	6,000	6,000	6,000
41060 · Interest Income ⁽³⁾	37,800	317,185	503,077	236,712	612,747	566,431
41080 · Engineering & Admin Charges	165,000	165,000	179,648	165,000	165,000	165,000
41090 · Non-domestic Permit Fees ⁽⁴⁾	30,000	30,000	94,443	30,000	30,000	30,000
41100 · Garbage Franchise Fees	61,401	63,032	63,032	64,923	63,977	65,897
41105 · AB 939 Collector Fees	471,250	498,684	498,684	555,434	598,600	630,765
41107 · Oil Grant/JPA Reimb ⁽⁵⁾	48,816	48,816	66,983	48,816	59,650	59,650
41108 · SB1383 Grant	0	0		0	0	0
41130 · Ranch Income	40,000	40,000	40,673	40,000	40,000	40,000
41135 · Recycled Water Revenue	248,700	283,610	213,977	304,000	303,971	315,000
41140 · Other Revenue ⁽⁶⁾	20,000	20,000	98,690	20,000	20,000	20,000
41142 · Gain/Loss-disposal of assets	10,000	10,000	41,984	10,000	10,000	10,000
Totals	12,367,034	12,742,702	13,128,009	13,219,711	13,495,259	13,824,929

Comments:

⁽¹⁾ Sewer Service Charge (SCC) revenue is based on rates set by Board Resolution No. 3180 as adopted at the March 13, 2023 Board meeting. The Sewer Service Charge revenue allocations are as follows:

- For FY 23-24, the avg. SSC is assumed to be \$677/EDU, split between operating (\$373) and capital (\$304).
- For FY 24-25, the avg. SSC is assumed to be \$698/EDU, split between operating (\$384) and capital (\$314).

⁽²⁾ FY 23-24 projection based on estimates from County of Marin; FY 24-25 projection based on FY 23-24 projection escalated by 3%; then allocated between operating (25%) and capital (75%) in FY 23-24 and FY 24-25.

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

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

⁽⁵⁾ Oil grant - \$7,000; JPA fees - \$52,650.

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

APPROPRIATIONS LIMIT

The appropriations limit, pursuant to Article XIIIB of the California Constitution, is determined to be \$7,727,073 for FY 22-23, and will be updated for FY 23-24 when the Final FY 23-24 Budget is presented in August 2023

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Summary of Expenditures**

Operating Cost Center	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
60000 · Collections	1,580,399	1,653,938	1,299,162	1,712,883	1,582,601	1,608,784
61000 · Treatment Facilities	3,288,337	3,586,571	3,548,030	3,776,568	3,814,875	3,992,950
63000 · Reclamation	529,403	597,999	549,544	617,708	666,448	700,967
64000 · Laboratory	621,018	648,597	593,860	656,247	669,325	690,518
65000 · Pump Stations	1,041,961	1,086,384	939,098	1,144,001	1,181,259	1,218,213
66000 · Administration/Engineering	2,807,324	2,989,366	2,428,137	3,090,814	3,156,329	3,283,334
67000 · Solid/Household Haz. Waste	520,066	623,390	488,651	604,250	683,240	690,415
68000 · Recycled Water	248,700	283,610	206,230	303,971	303,971	315,000
69000 · Non-Departmental*	1,024,635	1,218,617	822,089	1,280,467	1,178,159	1,264,398
69300 · COVID-19 Expenses	646,500	50,000	0	25,000	0	0
TOTALS	12,308,344	12,738,471	10,874,801	13,211,910	13,236,207	13,764,580

*District-wide allocations

Novato Sanitary District
2023-25 Final Budget
Operating Budget: By Cost Center and Account Category for FY 23-24

	Cost Centers												Over/	% Over/
	Treatment			Pump	Collection		S/HHW	Recycled	Non-	COVID-19		As Percent	Under PY	Under PY
Expense Categories	Facilities	Recl	L-M	Stations	System	A-E	Program	Water	Departmental	Impact	Total	of Budget	Budget	Budget
Salaries and Wages		128,185		454,025	794,975	1,705,279					3,082,464	23.29%	55,052	1.82%
Contract Services (Operations & Lab)	2,546,790		442,325					66,000			3,055,114	23.08%	111,891	3.80%
Employee Benefits		45,663		206,734	381,826	795,429					1,429,652	10.80%	37,778	2.71%
Retiree Health Benefits									227,467		227,467	1.72%	16,850	8.00%
Pension Expense(Trust)									0		-	0.00%	-	0.00%
Directors' Fees						23,400					23,400	0.18%	1,800	8.33%
Election Expense									10,000		10,000	0%	(40,000)	-80.00%
Gasoline, Oil & Fuel		1,600	500	8,000	23,000	4,000					37,100	0.28%	3,800	11.41%
Insurance	14,000								487,692		501,692	3.79%	98,692	24.49%
Ins Claims Expense									150,000		150,000	1.13%	-	0.00%
Agency Dues									78,000		78,000	0.59%	3,000	4.00%
Memberships/Certifications									18,000		18,000	0.14%	1,000	5.88%
Office Expense						22,000					22,000	0.17%	5,000	29.41%
Safety		1,000	1,000	5,000	6,500	3,300					16,800	0.13%	1,500	9.80%
Software Maint		2,000	1,500	8,000	26,000						37,500	0.28%	2,300	6.53%
Operating Supplies		3,000	22,000	11,000	26,000	5,000		6,050			73,050	0.55%	3,350	4.81%
Operating Chemicals								108,416			108,416	0.82%	9,856	10.00%
Sludge Disposal-Contractual		270,000									270,000	2.04%	10,000	3.85%
Accounting & Auditing						56,700					56,700	0.43%	9,700	20.64%
Attorney									35,000		35,000	0.26%	(40,000)	-53.33%
Outside Consulting						344,607					344,607	2.60%	49,607	16.82%
IT/Misc. Electrical						94,500					94,500	0.71%	29,000	44.27%
Safety & Wellness Incentive Program									10,000		10,000	0.08%	-	0.00%
Printing & Publication									10,000		10,000	0.08%	(5,000)	-33.33%
Repairs & Maintenance		65,000	16,000	130,000	80,000	87,500		46,585			425,085	3.21%	4,235	1.01%
PSPS Costs				45,000							45,000	0.34%	-	0.00%
Unusual Equipment Maint	172,500										172,500	1.30%	-	0.00%
Small Tools		500		2,000	2,000						4,500	0.03%	-	0.00%
Outside Services				105,000	120,000						225,000	1.70%	10,000	4.65%
Ditch/Dike Maintenance		11,500									11,500	0.09%	-	0.00%
Research & Monitoring			142,000					14,000			156,000	1.18%	-	0.00%
Travel, Mtgs & Train.									60,000		60,000	0.45%	(15,000)	-20.00%
Pollution Prevention/Pub. Ed.			35,000								35,000	0.26%	-	0.00%
Gas & Electricity	991,586	106,000		145,000				62,920			1,305,506	9.86%	179,460	15.94%
Water		5,000		7,500	10,000						22,500	0.17%	(2,000)	-8.16%
Telephone				46,000	3,000	14,614					63,614	0.48%	1,114	1.78%
Other/Operational Assistance					1,300						1,300	0.01%	-	0.00%
Permits & Fees	90,000	27,000	9,000	8,000	108,000			0			242,000	1.83%	4,900	2.07%
Co. Collection Fees									67,000		67,000	0.51%	(10,000)	-12.99%
Ser. Chg. System Exp									5,000		5,000	0.04%	-	0.00%
Property Tax allocation (LISRAP/SSCs)									20,000		20,000	0.15%	(50,000)	-71.43%
COVID-19 Impact										0	-	0.00%	(50,000)	-100.00%
AB 939 Solid Waste Programs							683,240				683,240	5.16%	59,850	9.60%
Subtotal before Pass through expenses	3,814,876	666,448	669,325	1,181,259	1,582,601	3,156,329	683,240	303,971	1,178,159	0	13,236,207	100.00%	497,735	3.91%
Pass through expenses							(683,240)	(303,971)			(987,211)	-8.06%	(80,211)	
Total	3,814,876	666,448	669,325	1,181,259	1,582,601	3,156,329	0	0	1,178,159	0	12,248,996	91.94%	417,524	3.53%
	31.14%	5.44%	5.46%	9.64%	12.92%	25.77%	0.00%	0.00%	9.63%	0.00%	100.00%			

SECTION III

OPERATING BUDGET By Cost Center and Account Category

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Collections**

Collections Cost Center - 60000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
60010 · Salaries & Wages	765,193	805,181	760,619	840,959	794,975	818,825
60020 · Employee Benefits	389,406	420,457	312,199	429,124	381,826	390,159
60060 · Gas, Oil & Fuel	21,000	21,000	32,362	22,000	23,000	23,000
60085 · Safety	6,000	6,000	6,318	6,500	6,500	6,500
60091 · Software Maint	41,500	25,000	20,407	26,000	26,000	26,000
60100 · Operating Supplies	25,000	25,000	21,091	26,000	26,000	26,000
60150 · Repairs & Maint	77,000	80,000	80,258	84,000	80,000	80,000
60152 · Small Tools	2,000	2,000	1,365	2,000	2,000	2,000
60153 · Outside Services	133,000	130,000	29,149	135,000	120,000	110,000
60192 · Water	12,000	12,000	6,988	12,000	10,000	10,000
60193 · Telephone	4,000	3,000	3,040	3,000	3,000	3,000
60200 · Other(Garbage Coll)	1,300	1,300	0	1,300	1,300	1,300
60201 · Permits & Fees	103,000	123,000	25,367	125,000	108,000	112,000
	1,580,399	1,653,938	1,299,162	1,712,883	1,582,601	1,608,784

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Treatment Facilities**

Treatment Facilities Cost Center - 61000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
61000-1 · Fixed Fee ⁽¹⁾	2,328,877	2,454,227	2,444,136	2,532,762	2,546,790	2,628,287
61000-2 · Insurance & Bonds	14,000	14,000	12,447	14,000	14,000	14,000
61000-3 · Major Repair/Repl ⁽²⁾	150,000	172,500	97,025	198,375	172,500	189,750
61000-4 · Water/Permits/Phone	90,000	90,000	76,287	90,000	90,000	90,000
61000-5 · Gas & Electricity ⁽³⁾	705,460	855,846	918,135	941,430	991,586	1,070,913
	3,288,337	3,586,571	3,548,030	3,776,568	3,814,875	3,992,950

Comments:

⁽¹⁾ Fixed fee - escalated by Consumer Price Index (CPI) as allowed by contract, where the CPI factor is based on the CPI as published by the US Bureau of Labor Statistics, Series ID: CUURS49BSA0 (April-to-April).

FY 22-23: actual fees = \$2,444,136

FY 23-24: \$2,444,436 * 1.042 = 2,546,790 (based on April-to-April CPI of 4.2%)

FY 24-25: \$2,546,790 * 1.032 = \$2,628,287 (Preliminary estimate - based on assumed 3.2% CPI)

⁽²⁾ Retains FY 22-23 budget amounts for FY 23-24, with a 10% increase in FY 24-25, for aging equipment.

⁽³⁾ Assumes 8% increase for purchased utility power in each of FY 23-24 & FY 24-25, based on FY 22-23 actual expenditures.

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Reclamation**

Reclamation Cost Center - 63000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
63010 · Salaries & Wages	111,304	119,373	102,040	125,043	128,185	134,922
63020 · Employee Benefits	30,099	36,926	27,050	37,965	45,663	48,345
63060 · Gasoline & Oil	1,000	1,500	2,323	1,500	1,600	1,700
63085 · Safety	1,000	1,000	-	1,000	1,000	1,000
63091 · Software Maint	2,000	2,000	1,000	2,000	2,000	2,000
63100 · Operating Supplies	2,000	2,200	1,939	2,200	3,000	3,000
63115 · Sludge Disposal	235,000	260,000	232,849	270,000	270,000	280,000
63150 · Repairs & Maint	55,000	65,000	46,404	68,000	65,000	75,000
63152 · Small Tools	500	500	-	500	500	500
63157 · Ditch/Dike Maint	11,000	11,500	3,735	11,500	11,500	11,500
63191 · Gas & Electricity	70,000	85,000	105,699	85,000	106,000	110,000
63192 · Water	5,000	5,000	100	5,000	5,000	5,000
63201 · Permits & Fees	5,500	8,000	26,406	8,000	27,000	28,000
	529,403	597,999	549,544	617,708	666,448	700,967

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Laboratory**

Laboratory Cost Center - 64000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
64010 · Contract Lab Services ⁽¹⁾	403,018	422,997	383,305	423,747	442,325	460,018
64060 · Gasoline & Oil	500	500	268	500	500	500
64085 · Safety	1,000	1,000	343	1,000	1,000	1,000
64091 · Software Maintenance	2,200	1,000	1,343	1,000	1,500	1,500
64100 · Operating Supplies	21,000	21,500	52,231	22,000	22,000	22,000
64150 · Repairs & Maintenance	16,500	16,000	9,291	16,500	16,000	16,500
64160 · Research & Monitoring	139,000	142,000	114,369	145,000	142,000	145,000
64170 · Pollution Prev/Public Ed	30,000	35,000	24,110	37,500	35,000	35,000
64201 · Permits & Fees	7,800	8,600	8,600	9,000	9,000	9,000
	621,018	648,597	593,860	656,247	669,325	690,518

Comments:

(1) Includes fees and charges paid for contract laboratory and environmental services provided by Veolia Water and North Marin Water District (NMWD). FY 23-24 budget amount includes a CPI-based fee increase of 4.2% (Veolia), and \$18K (NMWD).

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Pump Stations**

Pump Stations Cost Center - 65000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
65010 · Salaries & Wages	416,399	428,399	377,654	453,158	454,025	474,874
65020 · Employee Benefits	169,562	177,285	144,367	181,843	206,734	212,539
65060 · Gasoline & Oil	6,800	7,500	10,801	7,500	8,000	8,000
65085 · Safety	4,500	4,500	4,896	4,500	5,000	5,000
65091 · Software Maintenance	7,000	7,200	7,791	7,500	8,000	8,000
65100 · Operating Supplies	7,500	10,500	12,057	11,000	11,000	11,000
65150 · Repairs & Maintenance	121,000	130,000	111,935	130,000	130,000	135,000
65152 · Small Tools	2,200	2,000	1,991	2,000	2,000	2,000
65153 · Outside Services	82,000	85,000	73,704	110,000	105,000	105,000
65191 · Gas & Electricity	124,000	128,000	144,188	130,000	145,000	150,000
65192 · Water	7,500	7,500	8,558	7,500	7,500	7,800
65193 · Telephone	46,000	46,000	35,693	46,000	46,000	46,000
65201 · Permits & Fees	7,500	7,500	5,463	8,000	8,000	8,000
65301 · PSPS impacts ⁽¹⁾	40,000	45,000	0	45,000	45,000	45,000
	1,041,961	1,086,384	939,098	1,144,001	1,181,259	1,218,213

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

Novato Sanitary District
2023-25 Final Budget
Operating Budget - Administration and Engineering

Administration and Engineering Cost Center - 66000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
66010 · Salaries & Wages	1,559,855	1,674,460	1,417,942	1,740,860	1,705,279	1,815,030
66020 · Employee Benefits	749,868	757,206	539,655	775,967	795,429	788,429
66030 · Director's Fees	21,600	21,600	21,150	23,400	23,400	23,400
66060 · Gasoline & Oil	2,800	2,800	4,439	2,900	4,000	4,000
66085 · Safety	2,800	2,800	1,249	3,300	3,300	3,300
66090 · Office Expense	17,000	17,000	16,215	22,000	22,000	22,000
66100 · Admin/Engineering Supplies	5,000	5,000	224	5,000	5,000	5,000
66121 · Accounting & Auditing	36,700	47,000	45,967	47,738	56,700	58,200
66123 · O/S Contractual	266,800	295,000	259,775	323,150	344,607	357,530
66124 · IT/Misc Electrical	46,400	65,500	44,235	42,500	94,500	99,225
66150 · Repairs & Maintenance	85,000	87,500	64,366	90,000	87,500	91,875
66193 · Telephone	13,500	13,500	12,920	14,000	14,614	15,345
	2,807,324	2,989,366	2,428,137	3,090,814	3,156,329	3,283,334

Novato Sanitary District
2023-25 Final Budget
PERSONNEL DETAIL

FTE	Position	Cost Center	Pay Range	Salaries 2023-24	Salaries 2024-25
1.00	General Manager-Chief Engineer	A/E		302,724	311,806
1.00	Deputy General Manager	A/E	MC122.5	238,116	245,259
1.00	General Counsel/Admin Services Manager	A/E	MC121	183,953	217,031
1.00	Field Services Manager	.25AE/.25CS/.25PS/.25Rec	MC119	200,676	206,696
1.00	Senior Engineer	.65AE/.25PS/.10Rec	MC116.5	134,310	166,007
0.46	Project Manager ⁽¹⁾	A/E	MC119	92,621	95,399
0.05	Administrative Services Specialist ⁽¹⁾	A/E	MC117.5	9,329	9,609
0.20	Admin/Risk Services and Safety Officer ⁽²⁾	A/E	MC117.5	37,315	38,435
1.00	Administrative Secretary	A/E	MC106	93,464	104,547
0.25	Senior Secretary	A/E	MC108	29,334	-
1.00	Administrative Assistant	A/E	MC103	44,121	77,905
1.00	Finance Officer	A/E	MC115	153,492	158,097
0.03	Finance Officer ⁽¹⁾	A/E	MC115	4,127	4,251
1.00	Staff Engineer	.5A/E/.5CS	47	127,821	131,656
0.46	Staff Engineer ⁽¹⁾	.5A/E/.5CS	47	-	-
1.00	Construction Inspector I	A/E	41.5	92,366	95,137
0.46	Construction Inspector II ⁽¹⁾	A/E	44.5	55,507	57,172
1.00	Information System Specialist II	.5A/E/.5CS	43.5	77,913	80,250
1.00	Electrical/Instrumentation Tech	.34A/E/.33PS/.33Rec	46.5	132,588	136,566
1.00	Collection System Superintendent	.67CS/.33PS	MC115	165,096	170,049
1.00	Collection System Leadworker	.67CS/.33PS	47	135,828	139,903
0.00	Collection System Worker III	.67CS/.33PS	43.5	-	-
3.00	Collection System Worker II	.67CS/.33PS	40.5	289,498	298,183
3.00	Collection System Worker I	.67CS/.33PS	38.5	250,602	258,120
0.25	Admin Intern	A/E	N/A	7,200	7,416
0.25	Engineering Aide - temp	A/E	N/A	8,640	8,899
0.40	Electrician ⁽¹⁾	.25AE/.25PS/.50Rec	N/A	32,000	32,960
	Allowance for Overtime	C/S		26,000	26,780
	Allowance for Overtime	A/E		5,000	5,150
	Allowance for Standby Duty Pay	C/S		40,000	41,200
	Adjustment for CMSA Reimbursement ⁽²⁾	A/E		(18,658)	(19,217)
	Subtotal			2,950,984	3,105,266
	Allowance for salary adjustments (including COLA)			131,481	138,384
22.81	Total			3,082,465	3,243,650

				2023-24	2024-25
11.52	Administration and Engineering (A/E)	50%		1,705,279	1,815,030
7.09	Collection System (CS)	31%		794,975	818,825
3.42	Pump Stations (PS)	15%		454,025	474,874
0.78	Reclamation Facilities (Rec)	3%		128,185	134,922
22.81	Total	100%		3,082,465	3,243,650

(1) Part-time position.

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

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Solid/Household Hazardous Waste**

Solid/HHW Cost Center - 67000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
67400 · Management Services	155,250	158,500	74,385	163,250	163,250	171,415
67500 · Household Haz. Waste	327,816	350,000	355,103	400,000	450,000	472,000
67530 · Used Oil Grant	7,000	7,000	4,140	7,000	7,000	7,000
67540 · Education/Public Outreach	15,000	17,000	28,230	19,000	23,000	25,000
67600 · Other	5,000	5,000	418	5,000	5,000	5,000
67610 · City AB 939 Admin Service	10,000	10,000	10,000	10,000	10,000	10,000
67620 · SB1383 CalRecycle⁽¹⁾	0	75,890	16,375	0	24,990	0
	520,066	623,390	488,651	604,250	683,240	690,415

⁽¹⁾SB1383 grant received in FY 22-23; expenditures in FY 22-23 and FY 23-24.

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Recycled Water**

Recycled Water Cost Center - 68000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
68010 · O & M Services	66,000	66,000	68,378	66,000	66,000	68,310
68100 · Operating Supplies	5,000	5,500	7,843	6,050	6,050	6,262
68101 · Operating Chemicals⁽¹⁾	81,400	98,560	56,556	108,416	108,416	112,211
68150 · Repairs & Maintenance⁽¹⁾	35,000	42,350	12,636	46,585	46,585	48,215
68160 · Research & Monitoring	14,000	14,000	15,693	14,000	14,000	14,490
68191 · Gas & Electricity⁽¹⁾	47,300	57,200	45,124	62,920	62,920	65,122
	248,700	283,610	206,230	303,971	303,971	315,000

Comments:

Per Veolia staff:

⁽¹⁾Budget includes estimated increase of 10% in FY 23-24, and 3.5% in FY 24-25 to account for increase in chemical costs, aging equipment and purchased utility power/gas costs.

**Novato Sanitary District
2023-25 Final Budget
Operating Budget - Non-Departmental**

Non-Departmental (District-wide allocations) Cost Center - 69000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Expenses 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
69021 · Retiree Health Benefits ⁽¹⁾	185,508	210,617	174,798	227,467	227,467	245,664
69021-1 · Retiree Health Benefits ⁽²⁾	120,027	0	0	0	0	0
69022 · Pension Expense ⁽³⁾	0	0	0	0	0	0
69040 · Election Expenses	50,000	50,000	6,659	10,000	10,000	10,000
69070 · Insurance	270,000	389,000	410,332	439,000	487,692	551,484
69071 · Insurance Claim Expense	50,000	150,000	0	150,000	150,000	150,000
69075 · Agency Dues	74,100	75,000	68,684	80,000	78,000	78,000
69080 · Memberships/Certifications	12,000	17,000	10,718	18,000	18,000	18,900
69122 · Attorney Fees (outside services)	70,000	75,000	47,655	80,000	35,000	30,000
69125 · Safety & Wellness Incent Prog	10,000	10,000	0	10,000	10,000	10,000
69130 · Printing & Publications	15,000	15,000	879	20,000	10,000	10,000
69170 · Board Travel & Training	24,000	25,000	13,487	30,000	25,000	25,000
69171 · Staff Travel & Training	44,000	50,000	22,872	51,500	35,000	40,000
69201 · Property Tax Alloc (LISRAP/SSCs)⁽⁴⁾	25,000	70,000	4,213	80,000	20,000	20,000
69202 · County Fees-Property Taxes	36,000	37,000	32,583	37,000	35,000	36,750
69203 · County Fees-Sewer Ser Chg	34,000	40,000	29,208	40,000	32,000	33,600
69250 · Service Charge Sys Exp	5,000	5,000	0	7,500	5,000	5,000
	1,024,635	1,218,617	822,089	1,280,467	1,178,159	1,264,398

Comments:

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

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

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

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

*PARS = Public Agency Retirement Services.

OPEB = Other Post-Employment Benefits.

LISRAP = Low Income Sewer Rate Assistance Program

SECTION IV

CAPITAL IMPROVEMENT BUDGET

**Novato Sanitary District
2023-25 Final Budget
Capital Improvement Budget - Summary of Revenues**

Capital Fund Revenue Center - 51000	Adopted Budget 2021-22	Adopted Budget 2022-23	Actual Revenue 2022-23	Preliminary Budget 2023-24	Final Budget 2023-24	Preliminary Budget 2024-25
Accounts						
51010 · Sewer Service Charges ⁽¹⁾	8,681,232	8,421,491	8,623,766	8,988,672	8,897,768	9,181,373
51015 · Property Taxes ⁽²⁾	2,035,611	2,066,395	2,292,382	2,128,387	2,002,459	2,062,533
51015-1 · Redevelopment Agency ⁽³⁾	0	0		0	0	0
51020 · Connection Charges ⁽⁴⁾	504,400	519,600	521,753	0	535,200	551,256
51030 · Collector Sewer Charges	0	0	12,533	535,188	0	0
51040 · Special Equalization Chrg	1,000	1,000	37,165	1,000	1,000	1,000
51060 · Interest	25,200	211,457	309,342	157,808	408,498	377,621
51070 · Other Revenue	20,000	20,000	520	20,000	20,000	20,000
51072 · Grant Revenue - SGIP ⁽⁵⁾	282,000	282,000	0	0	282,000	0
Totals	11,549,443	11,521,943	11,797,462	11,831,055	12,146,925	12,193,782

Comments:

- ⁽¹⁾ Sewer Service Charge (SCC) revenue is based on rates set by Board Resolution No. 3180 as adopted at the March 13, 2023 Board meeting. The Sewer Service Charge revenue allocations are as follows:
- For FY 23-24, the avg. SSC is assumed to be \$677/EDU, split between operating (\$373) and capital (\$304).
 - For FY 24-25, the avg. SSC is assumed to be \$698/EDU, split between operating (\$384) and capital (\$314).
- ⁽²⁾ Projections based on actual FY 22-23 property tax revenue escalated by 3% per year for each of FY 23-24 and FY 24-25, and allocated between operating (25%) and capital (75%) in FY 23-24 and FY 24-25.
- ⁽³⁾ Redevelopment Agency (RDA) revenues are being shown separately as the District continues to receive them from the dissolution and distribution of assets of these agencies. However, these RDA fund distributions are difficult to predict, and are set to zero for budget purposes.
- ⁽⁴⁾ Connection Charges projected at 40 new connections each year.
- Per District Ordinance No. 119, the connection charge beginning July 1, 2022 is \$12,990 per EDU, and increases by 3% on July 1, 2023 to \$13,380 per EDU.
- ⁽⁵⁾ Reflects reimbursement of District expenses from the Small Generator Incentive Program (SGIP) up to an allowable maximum amount of \$282,000. Also, due to supply chain issues at the the District's vendor, the timing of reimbursable payment is delayed into FY 23-24.

Novato Sanitary District
2023-25 Final Budget
Table 1: Capital Improvement Budget - CIP Expenditures

Capital Improvements Cost Centers - 72000, 73000, & 78500	Adopted Budget 2021-22 ⁽¹⁾	Adopted Budget 2022-23	Actual Expenses 2022-23 ⁽¹⁾	Preliminary Budget 2023-24	Committed Expenses 2023-24 ⁽²⁾	Final New Exp 2023-24	Final Budget 2023-24 ⁽²⁾	Preliminary Budget 2024-25
Accounts								
72112 · Network and SCADA Upgrades	275,000	310,000	77,056	565,000	0	565,000	565,000	200,000
72403 · Pump Station Rehabilitation	2,775,000	5,490,000	3,152,201	4,660,000	1,920,748	2,739,252	4,660,000	4,630,000
72508 · North Bay Water Reuse Authority (NBWRA)	25,000	25,000	11,927	5,000	0	5,000	5,000	5,000
72706 · Collection System Improvments	3,695,000	3,260,000	2,747,654	2,965,000	1,139,442	1,825,558	2,965,000	3,805,000
72706-1 · Lateral Replacement Program	80,000	80,000	44,000	80,000	0	80,000	80,000	80,000
72707 · Hamilton Wetlands/Outfall Integration	30,000	5,000	0	30,000	0	30,000	30,000	30,000
72708 · Cogeneration/Alt. Energy	645,000	550,000	156,458	2,010,000	165,321	1,844,679	2,010,000	3,020,000
72802 · Annual Sewer Adj. for City Projects	50,000	50,000	63	50,000	0	50,000	50,000	50,000
72803 · Annual Collection Sys Repairs	100,000	100,000	72,010	110,000	0	110,000	110,000	115,000
72804 · Annual Reclamation Fac. Improvements	450,000	745,000	745,953	590,000	6,804	583,196	590,000	690,000
72805 · Annual Treatment Plant Improvements	145,000	100,000	78,158	160,000	1,166	158,834	160,000	160,000
72806 · Annual Pump Station Improvements	220,000	200,000	136,300	150,000	12,451	137,549	150,000	140,000
72807 · Annual Ignacio Facility Improvements	240,000	125,000	51,121	525,000	50,934	474,066	525,000	85,000
72808 · Strategic Plan Update	20,000	5,000	0	50,000	0	50,000	50,000	20,000
72809 · Novato Creek Watershed	5,000	5,000	0	5,000	0	5,000	5,000	5,000
73003 · Admin. Building Upgrade/Maint. Building	400,000	410,000	92,410	500,000	54,070	445,930	500,000	120,000
73004 · Odor Control and NTP Landscaping	75,000	150,000	35,486	50,000	0	50,000	50,000	55,000
73006 · NTP Corrosion Control	355,000	300,000	1,086	360,000	54,391	305,609	360,000	300,000
73007 · Solids Management	10,000	125,000	3,003	525,000	0	525,000	525,000	625,000
73008 · Treatment Plant Elec. Sys. Improvements	NA	20,000	0	240,000	0	240,000	240,000	650,000
73009 · Climate Adaption Improvements	NA	20,000	0	20,000	0	20,000	20,000	20,000
73090 · Vehicle Replacement	270,000	50,000	47,752	90,000	0	190,000	190,000	55,000
Subtotal before Debt Service	9,865,000	12,125,000	7,452,638	13,740,000	3,405,325	10,434,675	13,840,000	14,860,000
78500 · Interest - SRF Loan	0	0		0	0	0	0	0
78501 · Principal - SRF Loan	0	0		0	0	0	0	0
78500 · Interest - 2017 Rev. Refunding Bond	547,500	503,000	503,000	457,000	0	457,000	457,000	408,750
78501 · Principal - 2017 Rev. Refunding Bond	890,000	920,000	920,000	965,000	0	965,000	965,000	1,010,000
78500 · Interest - 2019 Refunding Bond	1,934,100	1,776,350	1,776,350	1,610,850	0	1,610,850	1,610,850	1,437,100
78501 · Principal - 2019 Refunding Bond	3,155,000	3,310,000	3,310,000	3,475,000	0	3,475,000	3,475,000	3,650,000
Subtotal for Debt Service	6,526,600	6,509,350	6,509,350	6,507,850	0	6,507,850	6,507,850	6,505,850
Totals	16,391,600	18,634,350	13,961,988	20,247,850	3,405,325	16,942,525	20,347,850	21,365,850

Comments:

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

⁽²⁾Includes amounts committed or encumbered for multi-year contracts awarded (or expenses authorized) in FY 22-23 that may be partially or fully expended in FY 23-24.

Novato Sanitary District

MEMORANDUM

TO: District Board of Directors- Capital Improvements Committee

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

COMMITTEE

MEETING DATE: August 14, 2023

SUBJECT: Fiscal Years (FY) 23-25 Preliminary Capital Improvements Program (CIP) Budget – Summary of Anticipated Project Work

Introduction

This memo presents a summary of the potential or anticipated scope of work for projects and project work included within the various Accounts of the Capital Improvements Program (CIP) budget for FY 23-25.

A copy of the draft preliminary two-year FY 23-25 capital improvement expenditures is included as Table 1: Capital Improvement Budget – CIP Expenditures.

Account No. 72112: Network and SCADA Upgrades

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

Implementation of the IT Master Plan includes approximately \$2.4M of projects over approximately 5 years, with Cyber and Physical Security assessments totaling \$100,000 in the 1st half of FY 23-24; \$225,000 budgeted in FY23-24 and \$100,000 in FY24-25 to update the District's Finance and Accounting System, and GIS Database System; and \$70,000 in FY 23-24 and \$50,000 in FY24-25 for a new CMMS; with the remainder of the work to be budgeted and expended in the following three years (i.e. FY 25-28). Additionally, computer network and SCADA upgrades will commence in the first half of FY 23-24.

Account No. 72403: Pump Station Rehabilitation

This ongoing, long-term account provides for replacing the District's underground-type pump stations with submersible pump-type stations. The lift stations that remain to be rehabilitated include the two Vintage Oaks Pump Stations and the Rowland Plaza Pump Station.

However, the District experienced a multiple day power outage in October 2019 from PG&E's Public Safety Power Shutoff events (PSPS) that highlighted the need for several additional short and long-term projects to assure resiliency of District operations, including the following major projects:

1. Rowland Plaza Pump Station: Project to convert the Gorman Rupp style wet well/dry well pump station to submersible pump-type station and new emergency generator. Construction commenced the last quarter of FY 21-22, and will extend into FY 23-24.
2. Marin Village Pump Station: Project to replace the existing wet well/dry pit type pump station with new submersible pump-type station. Construction commenced in the last quarter of FY 21-22, and will extend into FY 23-24.
3. Ignacio Transfer Pump Station: Project to replace the generator and upgrade switchgear. Engineering design work will extend into FY 23-24 with construction anticipated in FY 24-25.
4. Olive Pump Station: Project to replace the existing natural gas generator with a new diesel generator and upgrade electrical switchgear and related electrical equipment. Engineering design work commenced in FY 20-21 with construction anticipated in FY 23-24, extending into FY 24-25.
5. Bahia Pump Station: This account includes funds in FY 23-24 for a scoping study and preliminary design for pump station upgrades.
6. BMK V Pump Station Improvements: Project to replace conduits and other upgrades to resist corrosion. Engineering design work commenced in FY 22-23 with construction anticipated in FY 23-24.
7. Vintage Oaks 1&2 Pump Stations Rehabilitation: Project to convert the Gorman Rupp style wet well/dry well pump stations to submersible pump-type stations. These projects were originally designed and advertised for bids in 2010. However, the District put the projects on hold per the City of Novato's request as they anticipated significant development to occur in the Hanna Ranch and Vintage Oaks area. Almost 15 years has passed and the development has never come to fruition. The pump stations are aging, need to be upgraded and staff are confident the new stations will be able to accommodate future development, should the need arise. The design work is complete, but will need to be revisited and Temporary Construction Easements will need to be negotiated. This work will occur in FY 23-24 as well as the commencement of construction which will extend into FY 24-25.
8. Force Mains Condition Assessment: This account includes funds in FY 23-24 and FY 24-25 to perform condition assessments on the District's network of force main pipelines.

Account No. 72508: North Bay Water Reuse Authority

The District is a member agency of the North Bay Water Reuse Authority (NBWRA). FY 23-24 will be the tenth year of the multi-year Phase 2 NBWRA program, including continuing work for currently over \$75 million in recycled water projects across all NBWRA agencies for funding under the US Bureau of Reclamation Title XVI (WaterSMART) program.

For FY 23-24, the District expects its future Phase 2 participation to be limited to a programmatic level, at least until further recycled water demands are identified by the North Marin Water District (NMWD). Also, any effort to transition the NBWRA program to a more comprehensive North Bay Water Program, would result in a limited role for the District. Therefore, it is anticipated that the District's future participation in this expanded program will occur at a very modest level. Accordingly, the District's preliminary FY 23-25 CIP budget includes only a "placeholder" budget amount of \$5,000 for each year.

Account No. 72706: Collection System Improvements

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

1. Center Road- Western to St. Francis: Replacement of about 2,200 feet of 10-inch sewer main with new 18-inch PVC sewer main on Center Road from Western Dr. to St. Francis Ave. This is the first phase of a multi-phase capacity improvement project identified in the Collection System Master Plan (CSMP) that will result in rerouting a portion of the sanitary sewer flow from Vineyard Road to Center Road via Eucalyptus Ave. Construction is anticipated to be completed in the last quarter of FY 22-23. A placeholder amount of \$10,000 is provided in FY 23-24 for any warranty/closeout related items.
2. Elm Drive and East Court: Replacement of about 560 feet of 6-inch sewer between Elm Drive and East Court. This is a structural rehabilitation project identified with a high priority rating in the CSMP. Project design work anticipated in FY 23-24, with construction commencing in FY 24-25.
3. Del Mar Avenue Sewer Improvements: Replacement of about 2,200 feet of sewer main on Del Mar Ave., Hotchkin Dr., and Diablo Ave., with new 8-inch and 10-inch PVC pipe from Hill Rd. to Center Rd. This is a capacity improvement project identified in the CSMP. Construction was completed in the third quarter of FY 22-23. A placeholder amount of \$10,000 is provided in FY 23-24 for any warranty/closeout related items.
4. Collection System Master Plan: This account includes funds in FY 23-24 for follow up work associated with the Collection System Master Plan (CSMP) in the Project Verification and Implementation Planning effort including additional flow monitoring.
5. Novato Blvd. Trunk Sewer: A new parallel trunk sewer on Novato Boulevard between Diablo Avenue and Grant Avenue in coordination with the City of Novato's Novato Blvd. Improvements Project. Design work commenced in FY 20-21 with construction anticipated to begin in the 4th quarter of FY 23-24, extending into FY 24-25.
6. Highway 101 Crossings: Abandonment of the Enfrente pump station to convert to gravity flow via an underground crossing to the east side of Highway 101 and replacement of two additional Highway 101 crossings between Enfrente and HWY 37. Design work commenced in the third quarter of FY 22-23 and will extend into FY 23-24, with construction potentially starting in FY 23-24, with the majority of construction in FY 24-25.
7. Arthur Street Sewer Improvements: Replacement of approximately 1,200 feet of sewer main on Arthur Street with new 15-inch PVC pipe from west of Hayes Street to S. Novato Blvd. This is a capacity improvement project identified in the CSMP. Construction will begin in the fourth quarter of FY 22-23 and will extend into FY 23-24.
8. Vallejo Avenue Relief Sewer: Installation of approximately 2,775 feet of 8-inch to 12-inch new relief sewer main on Vallejo Avenue from 7th Street to 1st Street, then up 1st Street to Olive Avenue. This sewer will divert a significant portion of the flow that now reaches Grant Avenue to relieve surcharged conditions during high flow scenarios. This is a capacity improvement project identified in the CSMP. Engineering design will commence in FY 23-24 with construction starting in FY 24-25 and extending into FY 25-26.

9. High Priority Structural Rehab Projects: This account includes \$250,000 in FY 23-24 and FY 24-25 for high priority structural rehab projects identified in the 2019 Collection System Master Plan.

Account No. 72706-1: Lateral Replacement Program

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

The program seeks to incentivize individual homeowners financially to replace the entire sewer lateral between their residence and the sewer main, and currently provides a grant for half of the replacement cost up to \$2,000 to replace a residential sewer lateral in the District's service area. In FY 22-23, the District budgeted an overall budget amount of \$80,000 for this program.

It is expected that about 75% of the budget funds will be expended in FY 22-23. Staff expect the same level of participation in FY 23-24. However, construction costs have increased, outpacing CPI over the last few years. Therefore, staff recommends increasing the District's share, i.e., the maximum individual grant amount by 25% to \$2,500 to encourage participation in the program. The overall budget for the program will remain \$80,000 in each of FY 23-25.

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

Account No. 72707: Hamilton Wetlands/Outfall Integration

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

SCC completed construction on Phase I of the BMK Unit V Wetland Restoration Project. While all funding to implement subsequent phases of this project will be provided by the SCC, this account will continue to retain nominal budget amounts in FY 23-25 to meet any minor or unanticipated District expenses for coordination work with SCC staff.

Account No. 72708: Cogeneration/Alternative Energy

Cogeneration System: This account will fund the design and construction of a cogeneration project that will utilize digester gas produced in the anaerobic digestion process to produce power that may result in an offset to the District's utility power purchases. The Basis of Design effort was completed in the fourth quarter of FY 21-22. The District has been contemplating a design-build approach for the project and has been working with an Energy Services Company (ESCO) to develop a project delivery plan, including funding. It is anticipated the Engineering Design will commence FY 23-24 with construction anticipated to commence in late FY 24-25.

Battery Energy Storage System (BESS): The District received a conditional reservation letter from the California Public Utility Commission's Self Generation Incentive Program (SGIP) for its proposed 754kW battery storage system in March of 2021 and entered into a BESS Supply and Installation and BESS Services Agreements with Tesla, Inc. in the third quarter of FY 21-22. Installation of the BESS commenced in the third quarter of FY 22-23 and will be completed in FY 23-24.

Alternative Energy: Additionally, this account includes provisions to consider the feasibility of future options in the alternative energy space including a Solar PV system. Work on the solar system had been put on hold so as not to conflict with the interconnection status of the BESS project. District staff anticipate being able to revive this project for FY 23-24 and have budgeted funds for a design/build installation

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

Account No. 72802: Annual Sewer Adjustment for City Projects

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

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

Account No. 72803: Annual Collection System Repairs:

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

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

Account 72804: Annual Reclamation Facilities Improvements

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

Account No. 72805: Annual Treatment Plant Improvements

This account is established to fund small projects to repair District treatment related facilities at the Novato Treatment Plant, and seeks to fund minor mechanical & electrical work, water line repairs, pavement repairs, painting, and any other small repairs or improvements. Also included in the budget for this year is planning work for PLC replacements and work associated with generator improvements.

Account No. 72806: Annual Pump Station Improvements

This budget account was established to fund small projects to repair District pumping facilities at the various pump stations throughout the District. The account is anticipated to fund minor mechanical & electrical work, water line repairs, pavement repairs, painting, and any other small repairs or improvements at District pump stations. Additionally, in FY 23-24, this account will fund installation of security cameras at various pump stations and upgrades to the dry weather pumps at East Hamilton Pump Station.

Account No. 72807: Annual Ignacio Facility Improvements:

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

Account No. 72808: Strategic Plan Update:

The most recent Strategic Plan Update was done in 2016. This account includes funds in FY 23-24 to start the strategic planning process, extending into FY 24-25 which will result in a Strategic Plan Update 2024-25 document.

Account No. 72809: Novato Creek Watershed:

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

Under this agreement, the District participates in a program with the County of Marin, the City of Novato, and the North Marin Water District to explore alternatives to reduce flooding potential in the lower Novato Creek portion where all these agencies have facilities that are prone to flood impacts. The budgeted amounts are a minimal amount and function as a “placeholder”, or to meet minimal District commitments to potential, previously unidentified studies, through FY 23-25. Future work (beyond FY 23-25) arising out of these studies may require increased funding, but potential costs are unknown at this point.

Account No. 73003: Administration Building Upgrades/Maintenance Building

This account includes allowances for minor improvements to the Administration and Annex Buildings, as well as funds for upgrading the Admin building HVAC units, re-roofing the Administration Building, updates to the Board room and engineering/admin interior spaces and installing electronic FOB entry points to enhance building security. Design work for the Admin Building Roof and HVAC Upgrades commenced in the third quarter of FY 22-23 with construction anticipated in the first half of FY 23-24.

Account No. 73004: Odor and Landscaping Improvements:

This account budgets further work by District and operations staff and the District's Odor Specialist consultant(s) to address and manage any odor issues raised by the District's neighbors. It also includes an allowance to address any landscaping items. It is anticipated that this account will see budgeting of funds on an ongoing basis.

Account No. 73006: NTP Corrosion Control:

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

One of the three UV channels was coated in FY 19-20. The two remaining channels will be coated in FY 23-24. Also, protective coating of the metal work in primary clarifier No. 2 and engineering design work for addressing corrosion of the metal work in secondary clarifier No. 1 is budgeted for FY 23-24.

Account No. 73007: Solids Management:

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

1. Biosolids Processing Facility: This account includes funds for an alternatives analysis/preliminary design in FY 23-24 and engineering design in FY 24-25 for a biosolids processing facility located at the Novato Treatment Plant. Processing the biosolids at NTP would replace the current practice of piping digested sludge out to the Deer Island facility sludge lagoons and returning the decanted sludge back to NTP.
2. Final Digested Sludge and Decant Pipeline Major Repairs: As the District navigates the process for design, construction and commissioning of the NTP Biosolids Processing Facility noted above, there is still a need to maintain the existing system. This account includes \$300,000 in each of FY 23-24 and 24-25 for major repairs on the FDS and Return Decant pipelines.

A "placeholder" amount of \$25,000 is being budgeted for each of FY 23-24 and FY 24-25 to initiate studies to investigate the feasibility of processing the District's biosolids further to create a Class A fertilizer or similarly saleable product.

Account No. 73008: Treatment Plant Electrical System Improvements:

This budget account was established in FY 22-23 and includes funds to address major maintenance or capital projects associated with the District's plant electrical systems. A "placeholder" amount of \$50,000 is being budgeted for each of FY 23-24 and FY 24-25 for initiating any electrical studies or engineering design work.

Account No. 73009: Climate Adaptation Improvements:

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

Account No. 73090: Vehicle Replacement

This account includes budget amounts for the purchase of a light duty vehicle to replace the construction inspector's truck, a replacement camera for the CCTV van, a portable generator in FY 23-24, and a "placeholder" amount of \$55,000 in FY 24-25 for any other vehicle replacement as needed.

SECTION V

WASTEWATER CAPITAL RESERVE FUND

**Novato Sanitary District
2023-25 Final Budget
Wastewater Capital Reserve Fund**

	Prelim	Final
<u>Wastewater Capital Reserve Fund</u>		
FUND BALANCE 6/30/22 - Consists of:		
Unused Bonding Capacity	3,275,000.00	3,275,000.00
Transfers in prior years	1,249,653.00	1,249,653.00
Balance before FY 22-23 transfer	4,524,653.00	4,524,653.00
Transfer in FY 22-23	400,000.00	400,000.00
FUND BALANCE 6/30/23	4,924,653.00	4,924,653.00
FUND BALANCE 6/30/23 - Consists of:		
Unused Bonding Capacity	3,275,000.00	3,275,000.00
Transfers in prior years	1,649,653.00	3,275,000.00
Balance before FY 23-24 transfer	4,924,653.00	3,275,000.00
Proposed Transfer in FY 23-24	400,000.00	3,275,000.00
ANTICIPATED FUND BALANCE 6/30/24	5,324,653.00	5,324,653.00
FUND BALANCE 6/30/24 - Consists of:		
Unused Bonding Capacity	3,275,000.00	3,275,000.00
Transfers in prior years	2,049,653.00	2,049,653.00
Balance before FY 24-25 transfer	5,324,653.00	5,324,653.00
Proposed Transfer in FY 24-25	400,000.00	400,000.00
ANTICIPATED FUND BALANCE 6/30/25	5,724,653.00	5,724,653.00
<p>Note: The District borrowed \$81,307,947 from the State Revolving Fund (2011 SRF Loan) between 2008 and 2011. The loan was repaid in full in 2019 through the issuance of the 2019 Revenue Refinancing Bonds. The 2011 SRF loan agreement terms required that the District establish and maintain a "Wastewater Capital Reserve Fund" for expansion, major repair, or replacement of the wastewater facilities for the term of the loan agreement. The District established the Wastewater Capital Reserve Fund (WCRF) by Resolution No. 2933 adopted on April 24, 2006. While the original 2011 SRF loan has been repaid, the District recognizes that it may require future SRF funding to rebuild/renew its wastewater treatment facilities. Therefore, by Policy No. 3500 (Reserves Policy) adopted February 8, 2021, the District must deposit sufficient funds to build up the WCRF at a minimum rate of 0.5% of the original SRF loan amount each year (or approximately \$400,000/year) to demonstrate good faith efforts towards meeting typical State Revolving Fund (SRF) loan covenants and position the District competitively for consideration for future SRF loans. The District's unused bonding capacity of \$3,275,000 from the 1970 and 1986 General Obligation (GO) Bonds may be used to offset, dollar for dollar, the required cash deposits to the WCRF.</p>		

SECTION VI

RATE STABILIZATION FUND

**Novato Sanitary District
2023-25 Final Budget
Rate Stabilization Fund**

	Prelim	Final
<u>Rate Stabilization Fund</u>		
FUND BALANCE 6/30/22	1,900,155	1,900,155
Required Deposits/Transfers from Operating	57,005	57,005
FUND BALANCE 6/30/23	1,957,160	1,957,160
Required Deposits/Transfers from Operating	58,715	58,715
FUND BALANCE 6/30/24	2,015,874	2,015,874
Required Deposits/Transfers from Operating	60,476	60,476
FUND BALANCE 6/30/25	2,076,351	2,076,351
<p>Note: This fund is maintained at a minimum balance of \$1,500,000 adjusted annually for inflation from unreserved amounts in the operating fund. Beginning FY 17-18, this Fund is also included in the Summary of Fund Balances table (Page 1) to relate the cash based methodology of the budget document with the accrual methodology of the Annual Comprehensive Financial Report (ACFR).</p>		

SECTION VII

DEBT SERVICE SUMMARY AND BALANCES

**Novato Sanitary District
2023-25 Final Budget
Debt Service Summary**

DEBT SERVICE REQUIREMENTS

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

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

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

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

**Novato Sanitary District
2023-25 Final Budget
Wastewater/Taxable Revenue Bonds - Balances**

	Prelim	Final
<u>2017 Wastewater Revenue Refunding Bonds</u>		
DEBT BALANCE 6/30/22.	10,060,000	10,060,000
Principal Payment	(920,000)	(920,000)
Interest payments	(503,000)	(503,000)
Transfer from Capital Improvement Fund	503,000	503,000
DEBT BALANCE 6/30/23.	9,140,000	9,140,000
Principal Payment	(965,000)	(965,000)
Interest payments	(457,000)	(457,000)
Transfer from Capital Improvement Fund	457,000	457,000
ANTICIPATED DEBT BALANCE 6/30/24	8,175,000	8,175,000
<u>2019 Wastewater Revenue Bonds</u>		
DEBT BALANCE 6/30/22.	36,505,000	36,505,000
Principal Payment	(3,310,000)	(3,310,000)
Interest payments	(1,776,350)	(1,776,350)
Transfer from Capital Improvement Fund	1,776,350	1,776,350
DEBT BALANCE 6/30/23.	33,195,000	33,195,000
Principal Payment	(3,475,000)	(3,475,000)
Interest payments	(1,610,850)	(1,610,850)
Transfer from Capital Improvement Fund	1,610,850	1,610,850
ANTICIPATED DEBT BALANCE 6/30/24	29,720,000	29,720,000
<u>2020 Taxable Revenue Revenue Refunding Bonds ⁽¹⁾</u>		
DEBT BALANCE 6/30/22.	6,233,000	6,233,000
Principal Payment	(301,000)	(301,000)
Interest payments 2022-23	(154,342)	(154,342)
Transfer from Capital Improvement Fund	154,342	154,342
DEBT BALANCE 6/30/23.	5,932,000	5,932,000
Principal Payment	(308,000)	(308,000)
Interest payments	(147,143)	(147,143)
Transfer from Operating Fund	147,143	147,143
ANTICIPATED DEBT BALANCE 6/30/24	5,624,000	5,624,000

	Budget 2022-23	Actual Rev/Exp 2022-23	Final Budget 2023-24	Preliminary Budget 2024-25
Debt Coverage Ratio ⁽²⁾				
Net Operating Revenue	4,231	2,253,208	259,052	60,349
Capital Revenue	11,521,943	11,797,462	12,146,925	12,193,782
Annual Debt Service	6,509,350	6,509,350	6,509,350	6,505,850
Debt Coverage Ratio	1.77	2.16	1.91	1.88

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

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