

FINAL BUDGET

FOR

Fiscal Year 2024-25

(And Preliminary Budget for Fiscal Year 2025-26)

Adopted August 12, 2024

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NOVATO SANITARY DISTRICT

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August 12, 2024

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

Honorable Board Members:

The proposed Preliminary District Budget for fiscal year (FY) 24-25 and FY 25-26 is attached for your consideration and approval. The document is organized into the following sections:

- Section I: Summary of Fund Balances including Operating, Capital Improvement, and Reserve Funds.
- Section II: Operating Budget: Summary Revenues/Expenditures, and Summary Budget by Cost Center and Account Category.
- Section III: Detailed Operating Budget by Cost Center and Account Category.
- Section IV: Capital Improvement Budget: Revenue and Expenditures Budget.
- Section V: FY 24-25 Wastewater Capital Reserve Fund.
- Section VI: FY 24-25 Rate Stabilization Fund.
- Section VII: FY 24-25 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.

Subsequently, at its meeting of March 13, 2023, the Board voted to set rates for FY 2023-24 through FY 2026-27 by adopting Board Resolution No. 3180 - A RESOLUTION IMPLEMENTING SEWER SERVICE CHARGE SCHEDULE FOR FISCAL YEARS 2023-2027 PURSUANT TO ORDINANCE NO. 123. 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 **lower than** the Proposition 218 approved rate schedule of Ordinance No. 123.

		<u>FY 24-25</u>	<u>FY 25-26</u>
a.	Low water use charge:	\$444/ EDU	\$457/EDU
b.	Average water use charge:	\$698/EDU	\$719/EDU
C.	High water use charge:	\$1,247/EDU	\$1,284/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 24-25, the allocation of the average SSC of \$698/EDU to the Operating and Capital budgets is \$384 (55%) to the Operating Budget, and \$314 (45%) to the Capital Budget.

Impact of Public Safety Power Shutdowns (PSPS)

Another factor affecting the FY 24-26 budget years will be PG&E's ongoing PSPS program. While specific PSPS events are difficult to predict, this Budget includes an additional amount of about \$45,000 in each of FY 24-25 and FY 25-26 for staffing and equipment, as indicated in Account 65301, to provision such events.

A. BUDGET STRUCTURE

The District's budget is prepared on a cash basis. Operating and Capital Revenues and Expenditures are summarized in Table 1 and illustrated in Figure 1 at the end of this letter. Table 1 also compares the adopted budget for FY 23-24 with the proposed budget for FY 24-25.

Overall, it is projected that total FY 24-25 revenues will increase by about 4.52%, primarily from the proposed increases in sewer service charges discussed above and from interest income. 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. As in FY 23-24, the District will allocate property tax revenue 25%/75% between the Operating and Capital Funds for FY 24-25, however, the split will be 30%/70% in FY 25-26.

Three-Year Summary comparisons and significant variances in the operating budgets between the FY 23-24 and FY 24-25 budget years are provided later in this letter.

		2023-24		2024-25	FYE 24 to FYE 25
	Ac	lopted Budget	Prop	oosed Budget	% Change
Operating Revenues	\$	13,495,259	\$	14,376,071	6.53%
Capital Revenues		12,146,925		12,591,047	3.66%
Total Revenues	\$	25,642,184	\$	26,967,118	5.17%
Operating Expenditures		13,286,206		14,355,460	8.05%
CIP Expenditures (1)		13,780,000		12,233,000	-11.23%
Debt Service		6,507,850		6,505,850	-0.03%
Total Expenditures	\$	33,574,056	\$	33,094,310	-1.43%

⁽¹⁾ Includes Capital Expenditure Commitments/Encumbrances from FY 24-25 into FY 25-26.

B. FISCAL YEAR FY 24-25 OPERATING BUDGET DETAILS

Operating Revenues

The proposed FY 24-25 Operating Budget by revenue source is shown in Table 2 below (and illustrated in Figure 2 at the end of this letter), along with the adopted budget amounts for the past two fiscal years.

As seen from Table 2, total operating revenues are budgeted to increase by 6.53 percent or \$880,812 from FY 23-24. Other notable items include:

Operating SSCs budgeted increase of 3.83 percent, due to the proposed rate increase for the upcoming FY 24-25.

Interest Income budgeted to increase by 30.86 percent or \$189,105, 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).

SB 1383 Grant Transfer in reflects Senate Bill (SB) 1383 grant funds received from CalRecycle in FY 22-23 and FY 23-24, to be budgeted and used through FY 26-27.

Table 2: Operating Budget Revenue Three-Year Summary							
	2022-23 2023-24		2024-25	FYE 24 to FYE 25			
Funding Sources by Category	Adopted Budget	Adopted Budget	Proposed Budget	% Change			
Operating Sewer Service Charges	10,571,076	10,917,327	11,335,309	3.83%			
Property Tax Allocation	688,798	667,486	780,151	16.88%			
Plan Check & Inspection Fee	500	500	500	0.00%			
Permit & Inspection fees	6,000	6,000	6,000	0.00%			
Interest Income	317,185	612,747	801,852	30.86%			
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	63,032	63,977	65,682	2.66%			
AB 939 Collector Fees	498,684	598,600	697,870	16.58%			
Oil Grant and JPA Reimb	48,816	59,650	7,508	-87.41%			
Ranch Income	40,000	40,000	40,000	0.00%			
Recycled Water Revenue	283,610	303,971	317,127	4.33%			
Other Revenue	20,000	20,000	20,000	0.00%			
SB1383 Grant Transfer in	-	1	99,184	100.00%			
Gain/Loss-disposal of assets	10,000	10,000	10,000	0.00%			
Total Operating Revenue	\$ 12,742,702	\$ 13,495,259	\$ 14,376,071	6.53%			

Operating Expenditures

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

Proposed FY 24-25 Operating Expenditures are also shown graphically in Figures 3 and, and Figure 4 (by department or cost center), at the end of this letter. Operating expenditures are budgeted to increase by 7.60 percent or \$934,776 between FY 23-24 and FY 24-25.

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

In June 2018, the District implemented GASB 75, which superseded GASB 45 for disclosure and reporting of OPEB. Consistent with Board direction (provided November 14, 2016), District budgets through FY 21-22 included budget amounts to fund each of the sub-accounts (Pension and OPEB) of this trust, 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, the FY 22-23 budget did not include allowances for contributions to the PARS Pension sub-account, and it is anticipated that future budgets will not as well.

Table 3: Operating Budget	2022-23	2022-23 2023-24		FYE 24 to FYE 25	
Expenditures by Department	2022-23	2023-24	2024-25	1 1 2 2 4 10 1 1 2 2 3	
Expenditules by Department	Adopted Budget	Adopted Budget	Proposed Budget	% Change	
Collections	1,653,938	1,582,601	1,728,120	9.19%	
Treatment	3,586,572	3,814,875	4,024,230	5.49%	
Reclamation	597,999	666,448	703,897	5.62%	
Laboratory	648,597	669,325	734,746	9.77%	
Pump Stations	1,086,384	1,181,259	1,253,999	6.16%	
Administration/Engineering	2,989,366	3,156,329	3,525,505	11.70%	
Solid/Household Haz. Waste ⁽¹⁾	623,390	683,240	804,562	17.76%	
Recycled Water	283,610	303,971	317,127	4.33%	
Non-Departmental	1,218,617	1,178,159	1,263,275	7.22%	
COVID-19 Expenses	646,500	50,000	-	-100.00%	
Subtotal Expenditures	13,334,972	13,286,206	14,355,460	8.05%	
Less Passthroughs ⁽²⁾	(907,000)	(987,211)	(1,121,689)		
Total Expenditures	\$ 12,427,972	\$ 12,298,995	\$ 13,233,772	7.60%	

⁽¹⁾ Includes projected expenditures of SB1383 grant funds received from CalRecycle in FY 24-25.

Significant budget variances between the preliminary budget for FY 24-25 (or FYE 25) to the Final Budget for FY 23-24 (or FYE 24) are presented in Table 4.

In dollar terms, the most significant variances to the Salaries and Wages and Employee Benefits categories are explained by a number of factors including the addition of a new position (Information Technology/Security Services Officer), and projected cost-of-living increase linked to the relevant Consumer Price Index (CPI) in the current inflationary environment. The Contract Services category also reflects projected increases in the CPI factor that this category is tied to. The projected increases to Outside Consulting and Research and Monitoring are both tied to expenses that will be incurred from the once-in-five years renewal process of the District's NPDES permit. Projected increases to the Insurance category are based on estimates provided by the District's risk managers at CSRMA and are reflective of the current insurance marketplace. And finally, increases in power prices are projected to continue to rise at or over the relevant CPI rates.

Tak	Table 4: Operating Budget, Significant Budget Variances FYE 24 to FYE 25							
Aı	nticipated Budget Variances – Year-over-year	Budget Impact, \$	Variance, %	Budget Impact, %				
1	Salaries and wages (across all cost centers)	225,994	7.33%	1.57				
2	Contract Services (Operations & Lab)	116,910	3.83%	0.81				
3	Employee Benefits (across all cost centers)	172,918	12.10%	1.20				
4	Election Expense	25,000	250.00%	0.17				
5	Insurance	61,308	12.22%	0.43				
6	Outside Consulting	54,361	15.77%	0.38				
7	Repairs & Maintenance	32,130	7.56%	0.22				
8	Outside Services	70,000	31.11%	0.49				
9	Research & Monitoring	43,990	28.20%	0.31				
10	Gas & Electricity	138,045	10.57%	0.96				

⁽²⁾ 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.

C. FISCAL YEAR FY 24-25 CAPITAL BUDGET DETAILS

Capital Revenues

The proposed FY 24-25 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 24-25 are expected to increase by 3.66 percent or \$444,122 from FY 23-24. Notable items include:

Capital SSC Revenues budgeted increase of 4.17 percent or \$371,209, due to the proposed rate increase for the upcoming FY 24-25.

Property Taxes projected increase of 16.88 percent or \$337,994 based on estimates provided by Marin County. The increase is mainly due to excess ERAF (Educational Revenue Augmentation Fund) back allocation not included in last year budget.

Connection Charges projected increase of about 3.0 percent or \$16,400, assuming about 40 new connections per year consistent with the District's 2016 Capacity Fee Study.

Interest Income budgeted to increase by 0.13 percent or \$520 due to the general direction of interest rates.

Grant Revenue – Previously, the District received a grant of about \$2.13 million from the California Public Utility Commission's (CPUC) Self-Generation Incentive Program (SGIP) for a proposed 754 KW battery storage system. However, the District's budget recognizes only the approximately \$241,000 amount that was directly reimbursed to the District (in FY 23-24) for its expenses in implementing the project - the remainder was disbursed by the SGIP program directly to the other parties involved in the project.

Table 5: Capital Budget Revenue 3-year Summary							
Funding Sources by Category	2022-23 2023-24		2024-25	FYE 24 to FYE 25			
Funding Sources by Category	Adopted Budget	Adopted Budget	Proposed Budget	% Change			
Capital Sewer Service Charges	8,421,491	8,897,768	9,268,977	4.17%			
Property Taxes	2,066,395	2,002,459	2,340,452	16.88%			
Connection Charges	519,600	535,200	551,600	3.06%			
Collector/Special Equalization Chgs	1,000	1,000	1,000	0.00%			
Interest Income	211,457	408,498	409,018	0.13%			
Other Revenue	20,000	20,000	20,000	0.00%			
Grant Revenue	282,000	282,000	0	100.00%			
Total Capital Revenues	\$ 11,521,943	\$ 12,146,925	\$ 12,591,047	3.66%			

Capital Expenditures

The proposed FY 24-25 Capital Improvement Program (CIP) Budget is 7.64 percent or \$1,549,000 under the last year.

Consistent with the District's budgeting history, FY 24-25 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 \$6,505,850 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							
Conital Funanditures	2022-23	2023-24	2024-25	FYE 24 to FYE			
Capital Expenditures	Adopted Budget	Adopted Budget	Proposed Budget	% Change			
Capital Projects	12,125,000	13,780,000	12,233,000	-11.23%			
Debt Service	6,509,350	6,507,850	6,505,850	-0.03%			
Total Capital Expenditures	\$ 18,634,350	\$ 20,287,850	\$ 18,738,850	-7.64%			

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

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

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

While neither the 2017 Revenue Refunding Bonds, the 2019 Revenue Refinancing Bonds, (or the 2020 Wastewater Revenue Refunding Bonds discussed on page iii of this letter), require disclosure of the DCR, the District has elected to continue doing so to comport with generally accepted accounting "best practices". Accordingly, the District's projected DCR of 1.95 for FY 24-25 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 24-26 period, relative to factors such as PSPS events, or broader financial market events.

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

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

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

For illustrative purposes, Figure 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.)			
Tamalpais Community Services District	\$2,088			
Sanitary District No. 5 - Belvedere	\$1,848			
Sanitary District No. 5 - Tiburon	\$1,848			
Sanitary District No. 1 - City of Larkspur	\$1,712			
City of Mill Valley	\$1,595			
Sausalito-Marin City Sanitary District	\$1,479			
Las Gallinas Valley Sanitary District	\$1,356			
City of Petaluma	\$1,260			
Ross Valley Sanitary District (SD#1)	\$1,212			
City of Santa Rosa	\$1,209			
Vallejo Sanitation & Flood Control District	\$1,018			
City of San Rafael	\$861			
Napa Sanitation District	\$739			
NOVATO SANITARY DISTRICT	\$698			
Sanitary District No. 2 - Town of Corte Madera	\$498			

Notes: All charges for FY 24-25 (proposed or adopted) unless otherwise noted

In conclusion, the proposed FY 24-25 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.	ELENA KURAKINA, MBA
General Manager-Chief Engineer	Finance Officer

Additional Charts for Informational Purposes:

Figure 1:

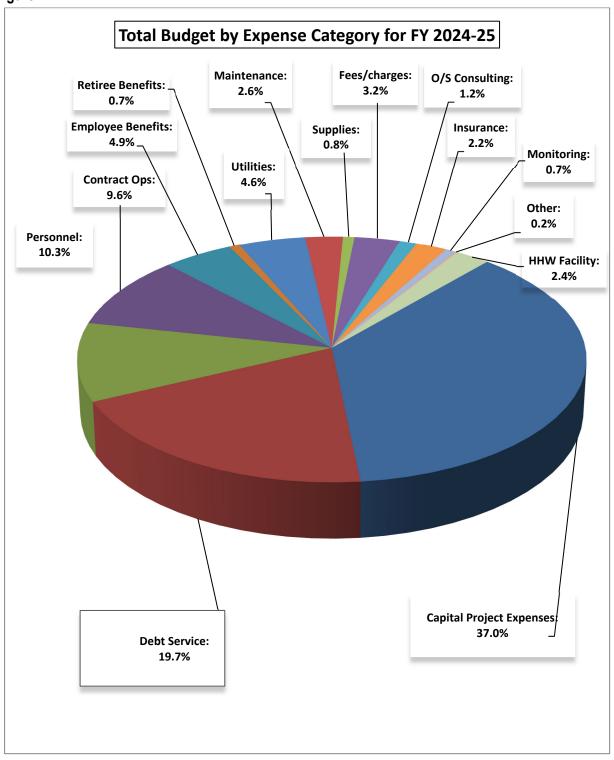


Figure 2:

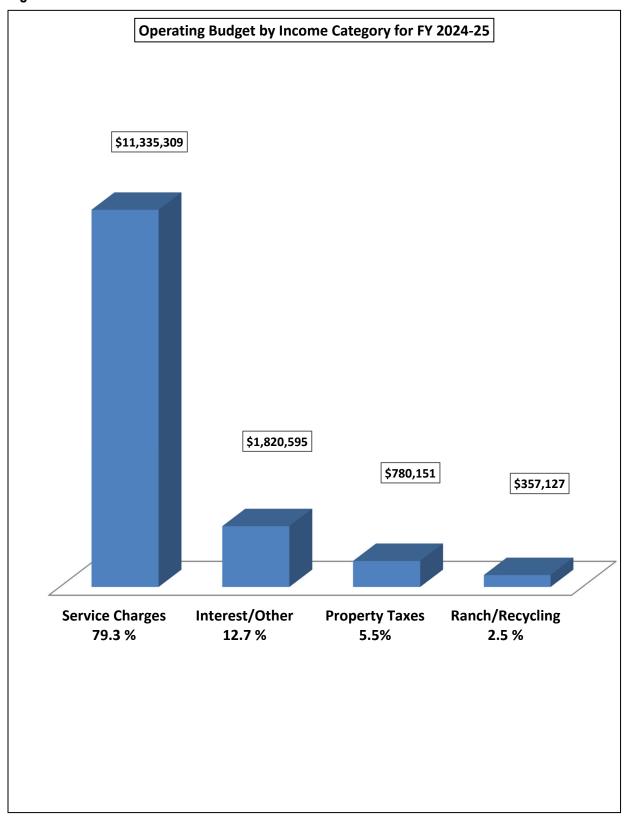


Figure 3:

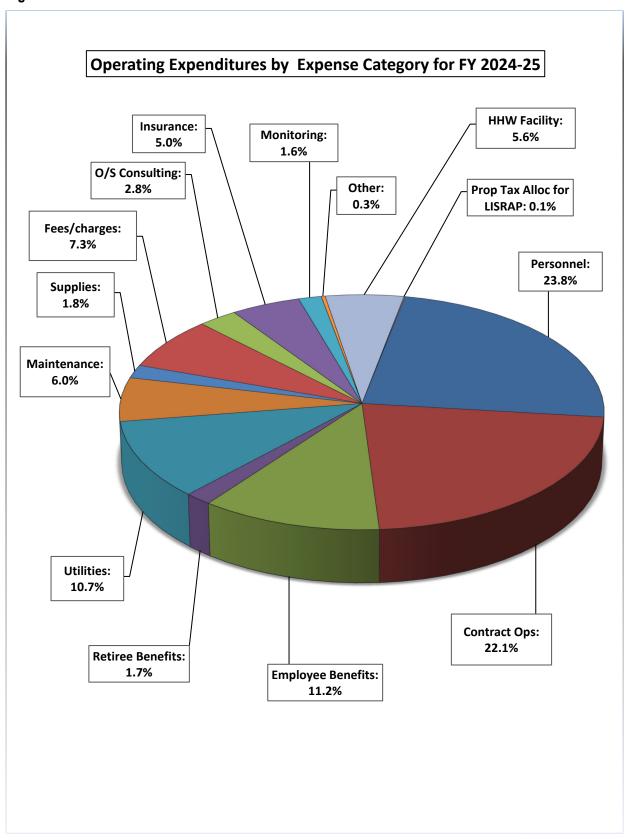


Figure 4:

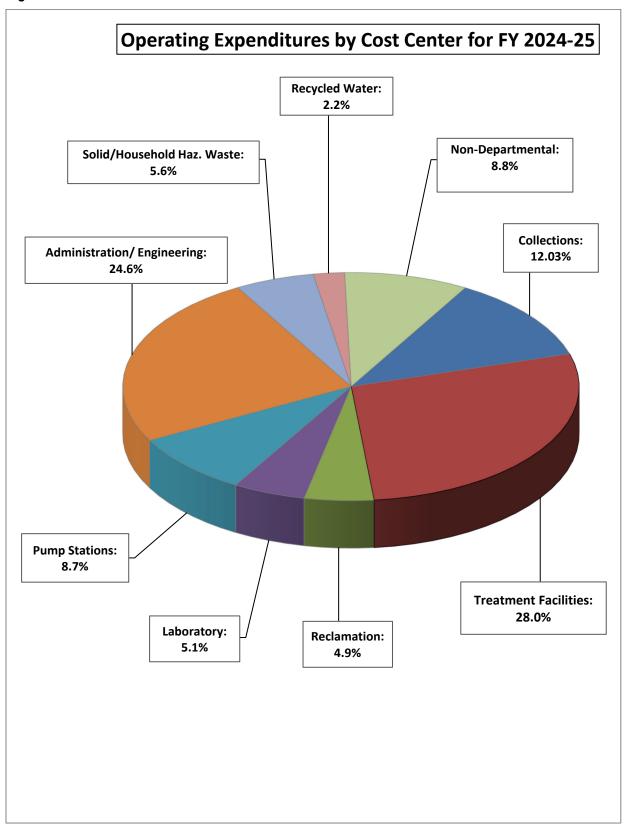
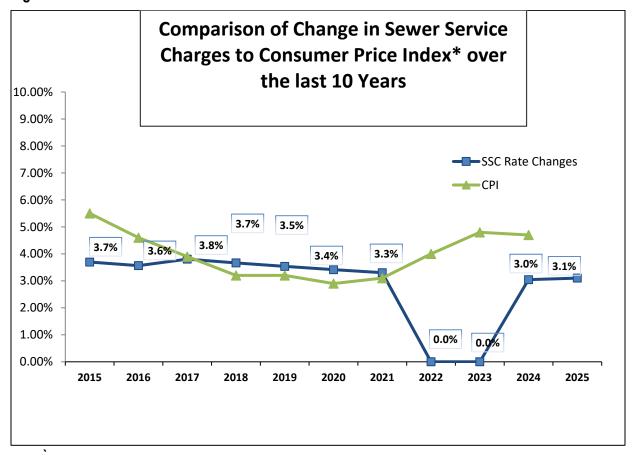
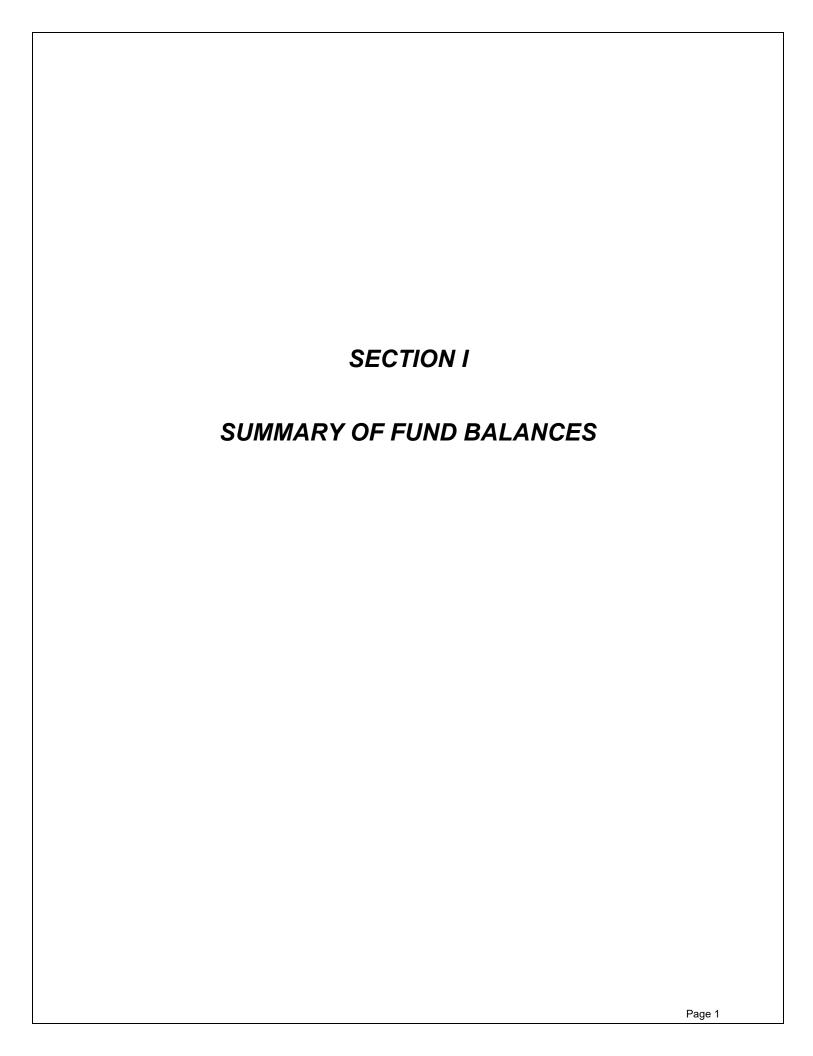


Figure 5:



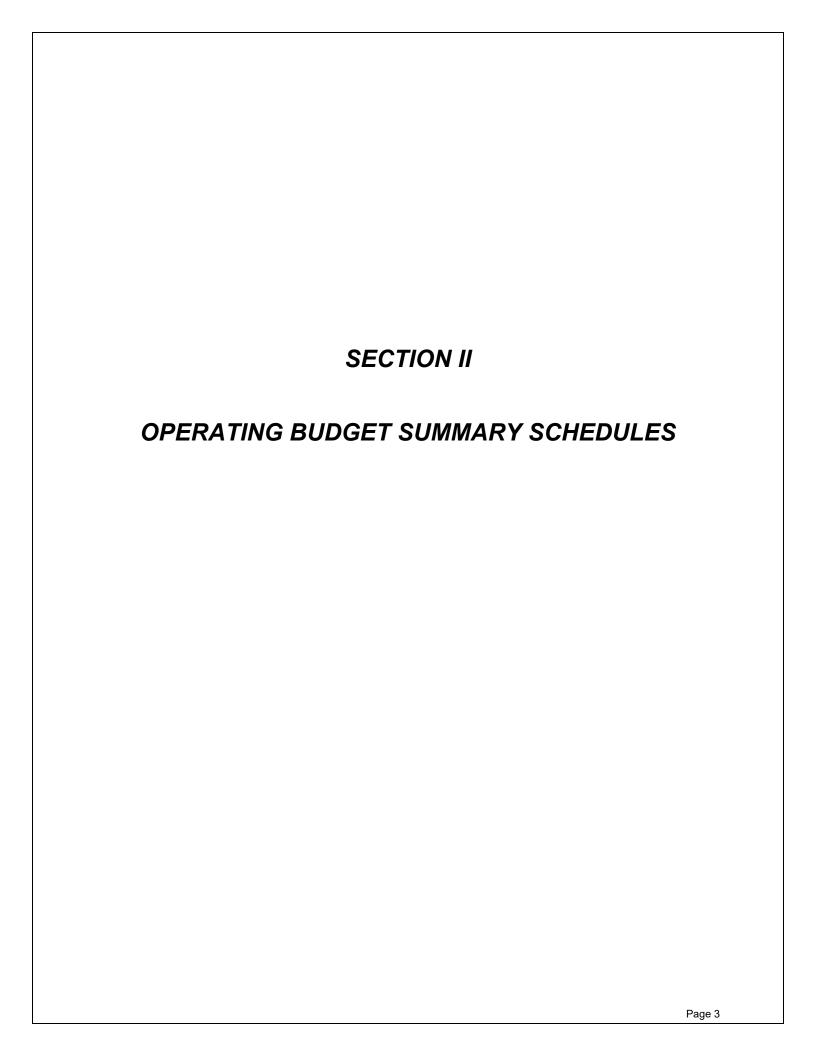
*CPI – Bureau of Labor Statistics – Series Id: CUUR0000SEHG01; Not Seasonally Adjusted; U.S. city average; Water and sewerage maintenance; Base Period: 1982-84=100



Novato Sanitary District 2024-2026 Final Budget Summary of Fund Balances

	Adopted	Actual	Final	Preliminary
	Budget	Rev/Exp	Budget	Budget
	2023-24	2023-24 ⁽⁵⁾	2024-25	2025-26
A. Operating Fund				
Starting Balances at Beginning of Each Year	13,046,722	13,046,722	13,188,262	11,648,509
Operating Revenue (p. 4)	13,495,259	14,163,346	14,276,999	14,713,390
SB1383 Grant Transfer in			99,184	122,591
Operating Expenditures (p. 5)	13,286,206	11,963,091	14,355,460	14,820,234
Net Operating Revenue	209,052	2,200,255	20,723	15,746
Operating Fund Balances before transfers at Year End	13,255,774	15,246,977	13,208,985	11,664,255
SB1383 Grant Transfer out			99,184	122,591
Transfers Out - to OPEB ⁽¹⁾ Trust Fund	0	0	0	0
Transfers Out - to Rate Stabilization Fund (RSF)	58,715	58,715	60,476	62,291
Transfers Out - to Capital Improvement Fund	2,000,000	2,000,000	1,500,000	2,000,000
Available Operating Fund Balances				
after transfers at the End of Each Year	11,197,060	13,188,262	11,648,509	9,601,964
B. Capital Improvement Fund				
Starting Balances - Beginning of Each Year	20,528,676	20,528,676	23,596,411	18,540,517
Capital Revenue (p. 19)	12,146,925	12,541,845	12,582,955	12,697,594
Transfers In (2)	2,000,000	2,000,000	1,500,000	2,000,000
Total Capital Revenue and Fund Transfers	14,146,925	14,541,845	14,082,955	14,697,594
Capital Expenditures ⁽³⁾ (p. 20)	13,780,000	4,566,260	12,233,000	17,527,000
Debt Service (p. 20 & 34)	6,507,850	6,507,850	6,505,850	6,507,850
Transfers Out (4)	400,000	400,000	400,000	400,000
Total Capital Expenditures and Fund Transfers	20,687,850	11,474,110	19,138,850	24,434,850
Available Capital Improvement Fund Balances				
after transfers at the End of Each Year	13,987,751	23,596,411	18,540,517	8,803,261
Available Fund Balances at the End of Each Year	25,184,811	36,784,673	30,189,025	18,405,225
C. Wastewater Capital Reserve Fund (WCRF)				
Restricted Fund Balance at the End of Each Year (p. 30)	2,049,653	2,049,653	2,449,653	2,849,653
D. Rate Stabilization Fund (RSF)				
Restricted Fund Balance at the End of Each Year (p. 32)	2,015,874	2,015,874	2,076,351	2,138,641
Restricted Fund Balances at the End of Each Year	4,065,527	4,065,527	4,526,004	4,988,294

- (1) OPEB Other Post-Employment Benefits.
- (2) From Operating Fund Balances.
- (3) Includes Capital Expenditure Commitments/Encumbrances from FY 23-24 into FY 24-25.
- (4) To Wastewater Capital Reserve Fund.
- (5) Reflects unaudited balances prior to final reconciliation of accounts, consistent with Generally Accepted Accounting Principles (GAAP).



Novato Sanitary District 2024-2026 Final Budget Operating Budget - Summary of Revenues

	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Operating	Budget	Budget	Revenue	Budget	Budget	Budget
Revenue Center - 41000	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
41010 · Sewer Service Charges ⁽¹⁾	10,571,076	10,917,327	10,972,594	11,228,175	11,335,309	11,659,046
41015 · Property Tax allocation ⁽²⁾	688,798	667,486	784,396	687,511	780,151	950,504
41030 · Plan Check & Inspection Fee	500	500	80	500	500	500
41040 · Permit & Inspection Fee	6,000	6,000	9,554	6,000	6,000	6,000
41060 · Interest Income ⁽³⁾	317,185	612,747	930,076	566,431	801,852	653,963
41080 · Engineering & Admin Charges	165,000	165,000	168,989	165,000	165,000	165,000
41090 · Non-domestic Permit Fees ⁽⁴⁾	30,000	30,000	78,116	30,000	30,000	30,000
41100 · Garbage Franchise Fees	63,032	63,977	63,977	65,897	65,682	67,652
41105 · AB 939 Collector Fees	498,684	598,600	598,600	630,765	697,870	775,500
41107 · Oil Grant/JPA Reimb ⁽⁵⁾	48,816	59,650	44,638	59,650	7,508	7,000
41108 · SB1383 Grant (CalRecycle)	0	0	163,454	0	0	0
41108 · SB1383 Grant (County JPA)	0	0	51,732	0	0	0
41130 · Ranch Income	40,000	40,000	58,723	40,000	40,000	40,000
41135 · Recycled Water Revenue	283,610	303,971	210,466	315,000	317,127	328,225
41140 · Other Revenue ⁽⁶⁾	20,000	20,000	27,018	20,000	20,000	20,000
41142 · Gain/Loss-disposal of assets	10,000	10,000	932	10,000	10,000	10,000
Totals	12,742,702	13,495,259	14,163,346	13,824,929	14,276,999	14,713,390

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 24-25, the avg. SSC is assumed to be \$698/EDU, split between operating (\$384) and capital (\$314).
 - For FY 25-26, the avg. SSC is assumed to be \$719/EDU, split between operating (\$395) and capital (\$324).
- (2) Projections based on estimates provided by Marin County, actual FY 23-24 property tax revenue escalated by 3% per year for each of FY 24-25 and FY 25-26, and Excess ERAF (Educational Revenue Augmentation Fund) allocations subvented back to the District. These projections are then allocated between operating (25%) and capital (75%) in FY 24-25 and operating (30%) and capital (70%) in FY 25-26. Excess ERAF allocations subvented back to the District were not included in the FY 23-24 budget and FY 24-25 preliminary budgets, but are now included in the FY 24-25 budget based on prior three years of actual excess ERAF allocation received by the District.
- (3) Projected based on current trends in LAIF (Local Agency Investment Fund) rates and yields on the District's portfolio of US Treasury securities.
- (4) Includes application fees, permits and monitoring charges.
- (5) Oil grant \$7,508; JPA fees \$37,130
- (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 \$7,617,947 for FY 24-25.

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Summary of Expenditures

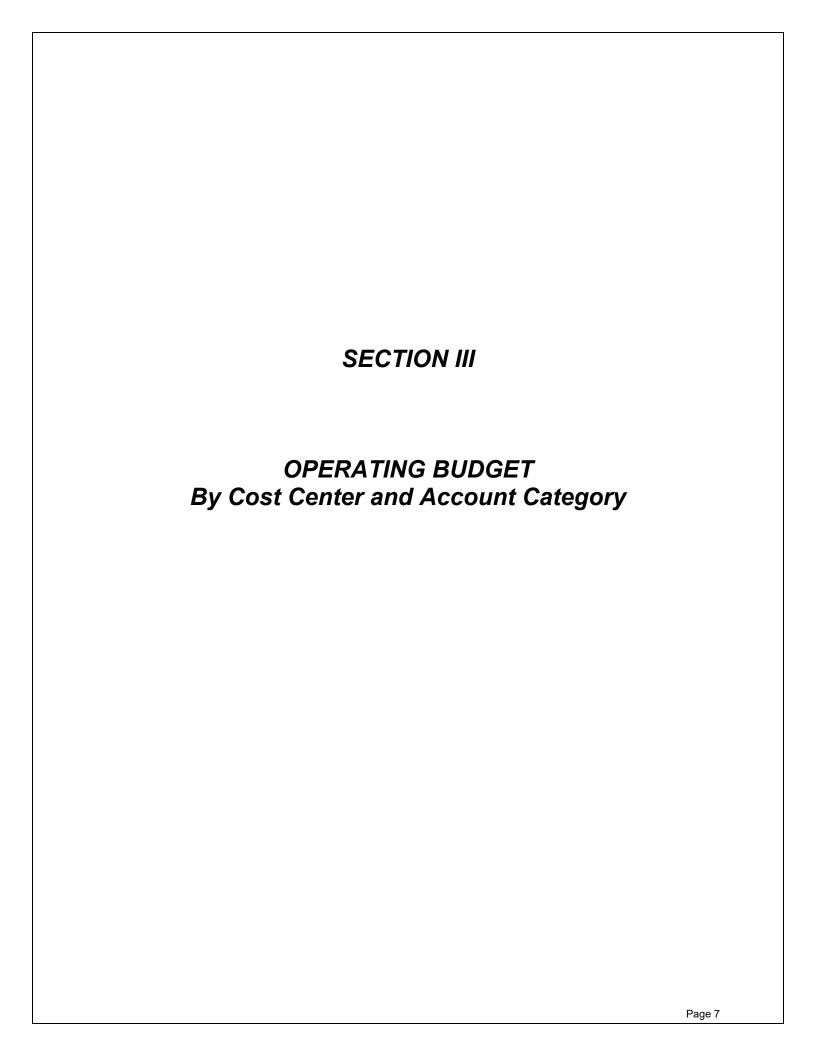
	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Operating Cost	Budget	Budget	Expenses	Budget	Budget	Budget
Center	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
60000 · Collections	1,653,938	1,582,601	1,504,086	1,608,784	1,728,120	1,712,858
61000 · Treatment Facilities	3,586,572	3,814,875	3,722,409	3,957,611	4,024,230	4,214,247
63000 · Reclamation	597,999	666,448	628,287	686,540	703,897	734,251
64000 · Laboratory	648,597	669,325	656,685	690,518	734,746	733,952
65000 · Pump Stations	1,086,384	1,181,259	1,018,461	1,205,884	1,253,999	1,298,976
66000 · Administration/Engineering	2,989,366	3,156,329	2,766,269	3,283,334	3,525,505	3,569,727
67000 · Solid/Household Haz. Waste	623,390	683,240	547,433	721,705	804,562	905,091
68000 · Recycled Water	283,610	303,971	246,741	314,600	317,127	328,225
69000 · Non-Departmental*	1,218,617	1,178,159	872,720	1,263,498	1,263,275	1,322,907
69300 · COVID-19 Expenses	646,500	50,000	0	25,000	0	0
			·		·	
TOTALS	13,334,973	13,286,206	11,963,091	13,757,474	14,355,460	14,820,234

^{*}District-wide allocations

Novato Sanitary District

2024-2026 Final Budget
Operating Budget: By Cost Center and Account Category for FY 24-25

					Cost	Centers							Over/	% Over/
	Treatment			Pump	Collection	00111010	S/HHW	Recycled	Non-	COVID-19		As Percent	Under PY	Under PY
Expense Categories	Facilities	Recl	Lab	Stations	System	A-E	Program	Water	Departmental	Impact	Total	of Budget	Budget	Budget
Expense Categories	racilities	Reci	Lau	Stations	System	A-E	Flogram	vvalei	Departmental	ППрасс	TOtal	or Budget	Buuget	Buuget
Salaries and Wages		130,493		465,090	825,265	1,887,610					3,308,458	23.05%	225,994	7.33%
Contract Services (Operations & Lab)	2,643,568	.00,.00	460,146	.00,000	020,200	.,00.,0.0		68,310			3,172,024	22.10%	116,910	3.83%
Employee Benefits	2,0:0,000	50,204	.00,0	224,909	412,555	914,902		00,0.0			1,602,570	11.16%	172,918	12.109
Retiree Health Benefits		00,20.			1.2,000	0,002			242,275		242,275	1.69%	14,808	6.519
Pension Expense(Trust)									0			0.00%		0.00%
Directors' Fees						23,400					23.400	0.16%	_	0.00%
Election Expense						20,100			35,000		35,000	0.24%	25,000	250.00%
Gasoline, Oil & Fuel		1,700	500	8,000	23,000	4,000			00,000		37,200	0.26%	100	0.279
Insurance	15.000	1,700	000	0,000	20,000	1,000			548.000		563.000	3.92%	61,308	12.229
Ins Claims Expense	10,000								150,000		150,000	1.04%	-	0.00%
Agency Dues									78,000		78,000	0.54%	_	0.00%
Memberships/Certifications									18,000		18.000	0.13%	-	0.007
Office Expense						22,000			10,000		22,000	0.15%	_	0.00%
Safety		1,000	1,000	5,000	6,500	3,300					16,800	0.12%	-	0.00%
Software Maint		2,000	1,600	8,000	37,500	3,300					49,100	0.12 %	11,600	30.93%
Operating Supplies		3,000	23,000	11,000	26,000	5,000		6,262			74,262	0.52%	1,212	1.66%
Operating Chemicals		0,000	20,000	11,000	20,000	0,000		112,211			112,211	0.78%	3,795	3.50%
Sludge Disposal-Contractual		260,000						112,211			260,000	1.81%	(10,000)	-3.70%
Accounting & Auditing		200,000				59,000					59,000	0.41%	2,300	4.06%
Attorney						39,000			35,000		35,000	0.41%	2,300	0.00%
Outside Consulting						398.968			33,000		398.968	2.78%	54,361	15.77%
IT/Misc. Electrical						99,225					99,225	0.69%	4,725	5.00%
Safety & Wellness Incentive Program						33,223			10,000		10,000	0.07%	-,725	0.00%
Printing & Publication									5.000		5.000	0.07 %	(5,000)	-50.00%
Repairs & Maintenance		85,000	17,000	135,000	80,000	92,000		48,215	3,000		457,215	3.18%	32,130	7.56%
PSPS Costs		03,000	17,000	45,000	00,000	92,000		40,213			45,000	0.31%	-	0.00%
Unusual Equipment Maint	189.750			45,000							189,750	1.32%	17,250	10.00%
Small Tools	169,750	500		2,000	2.000						4,500	0.03%	-	0.00%
Outside Services		300		105,000	190,000						295,000	2.05%	70,000	31.119
Ditch/Dike Maintenance		20,000		103,000	190,000						20,000	0.14%	8.500	73.919
Research & Monitoring		20,000	185.500					14.490			199.990	1.39%	43.990	28.20%
Travel, Mtgs & Train.			100,000					14,490	65,000		65,000	0.45%	5,000	8.33%
Pollution Prevention/Pub. Ed.			35,000						05,000		35.000	0.43%	-	0.00%
Gas & Electricity	1,070,912	125,000	33,000	180,000				67,639			1,443,551	10.06%	138,045	10.57%
Water	1,070,912	5,000		11,000	10,000			07,039			26,000	0.18%	3,500	15.569
Telephone		3,000		46.000	4.000	16.100					66.100	0.16%	2.486	3.919
Other/Operational Assistance				40,000	1,300	10,100					1,300	0.40%	2,400	0.00%
Permits & Fees	105,000	20,000	11,000	8,000	110,000			0			254,000	1.77%	12,000	4.96%
Co. Collection Fees	100,000	20,000	11,000	0,000	1 10,000			U	67,000		67,000	0.47%	12,000	0.00%
Ser. Chg. System Exp									07,000		-	0.47 %	(5,000)	
Property Tax allocation (LISRAP/SSCs)									10,000		10,000	0.00%	(10,000)	
COVID-19 Impact									10,000	0	10,000	0.07%	(50,000)	
AB 939 Solid Waste Programs							804,562			0	804,562	5.60%	121,322	17.769
Subtotal before Pass through expenses	4,024,231	703,897	734,746	1,253,999	1,728,120	3,525,505	804,562	317,127	1,263,275	0	14,355,460	100.00%	1,069,253	8.05%
Pass through expenses	4,024,231	103,091	134,140	1,200,999	1,120,120	3,323,305	(804,562)	(317,127)	1,203,275	0	(1,121,689)	-8.48%	(134,478)	0.05%
Total	4,024,231	703,897	734,746	1,253,999	1,728,120	3,525,505	(804,362)	(317,127)	1,263,275	0	13,233,772	91.52%	934,776	7.60%
i Otai	+,∪∠4,∠31	100,001	5.55%	1,200,333	1,120,120	0,020,000	0.00%	0.00%	1,200,270	U	10,200,112	31.0270	₹,110	1.007



Novato Sanitary District 2024-2026 Final Budget Operating Budget - Collections

	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Collections	Budget	Budget	Expenses	Budget	Budget	Budget
Cost Center - 60000	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
60010 · Salaries & Wages	805,181	794,975	758,309	818,825	825,265	863,103
60020 · Employee Benefits	420,457	381,826	369,557	390,159	412,555	411,330
60060 · Gas, Oil & Fuel	21,000	23,000	23,142	23,000	23,000	24,150
60085 · Safety	6,000	6,500	4,722	6,500	6,500	6,500
60091 · Software Maint	25,000	26,000	31,135	26,000	37,500	39,375
60100 · Operating Supplies	25,000	26,000	18,487	26,000	26,000	27,300
60150 · Repairs & Maint	80,000	80,000	88,133	80,000	80,000	84,000
60152 · Small Tools	2,000	2,000	181	2,000	2,000	2,000
60153 · Outside Services	130,000	120,000	173,192	110,000	190,000	125,000
60192 · Water	12,000	10,000	6,571	10,000	10,000	10,500
60193 · Telephone	3,000	3,000	3,734	3,000	4,000	5,000
60200 · Other(Garbage Coll)	1,300	1,300	0	1,300	1,300	1,300
60201 · Permits & Fees	123,000	108,000	26,923	112,000	110,000	113,300
			·	·		
	1,653,938	1,582,601	1,504,086	1,608,784	1,728,120	1,712,858

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Treatment Facilities

Treatment Facilities Cost Center - 61000	Adopted Budget 2022-23	Adopted Budget 2023-24	Actual Expenses 2023-24	Preliminary Budget 2024-25	Final Budget 2024-25	Preliminary Budget 2025-26
Accounts						
61000-1 · Fixed Fee (1)	2,454,227	2,546,790	2,546,790	2,628,287	2,643,568	2,728,162
61000-2 · Insurance & Bonds	14,000	14,000	14,750	14,000	15,000	15,000
61000-3 · Major Repair/Repl ⁽²⁾	172,500	172,500	88,256	189,750	189,750	199,000
61000-4 · Water/Permits/Phone	90,000	90,000	102,644	90,000	105,000	115,500
61000-5 · Gas & Electricity (3)	855,846	991,585	969,969	1,035,573	1,070,912	1,156,585
	3,586,572	3,814,875	3,722,409	3,957,611	4,024,230	4,214,247

- (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 23-24: actual fees = \$2,546,790.
 - FY 24-25: \$2,546,790 * 1.038 = 2,643,568 (based on April-to-April CPI of 3.8%).
 - FY 25-26: \$2,643,568 * 1.032 = \$2,728,162 (Preliminary estimate based on assumed 3.2% CPI).
- $_{(2)}$ Budget includes estimated increase of about 10% in FY 24-25 and about 5% in FY 25-26 by 5% for aging equipment.
- (3) Assumes 8% increase for purchased utility power in each of FY 24-25 & FY 25-26, based on FY 23-24 actual expenditures.

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Reclamation

	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Reclamation	Budget	Budget	Expenses	Budget	Budget	Budget
Cost Center - 63000	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
63010 · Salaries & Wages	119,373	128,185	108,881	136,167	130,493	135,157
63020 · Employee Benefits	36,926	45,663	39,577	47,673	50,204	49,734
63060 · Gasoline & Oil	1,500	1,600	1,311	1,700	1,700	1,785
63085 · Safety	1,000	1,000	ı	1,000	1,000	1,050
63091 · Software Maint	2,000	2,000	1,565	2,000	2,000	2,100
63100 · Operating Supplies	2,200	3,000	278	3,000	3,000	3,150
63115 · Sludge Disposal	260,000	270,000	230,500	280,000	260,000	273,000
63150 · Repairs & Maint	65,000	65,000	91,082	75,000	85,000	89,250
63152 · Small Tools	500	500	203	500	500	525
63157 · Ditch/Dike Maint	11,500	11,500	7,425	11,500	20,000	21,000
63191 · Gas & Electricity	85,000	106,000	122,751	95,000	125,000	131,250
63192 · Water	5,000	5,000	ı	5,000	5,000	5,250
63201 · Permits & Fees	8,000	27,000	24,714	28,000	20,000	21,000
	597,999	666,448	628,287	686,540	703,897	734,251

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Laboratory

	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Laboratory	Budget	Budget	Expenses	Budget	Budget	Budget
Cost Center - 64000	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
64010 · Contract Lab Services (1)	422,997	442,325	442,632	460,018	460,146	478,552
64060 · Gasoline & Oil	500	500	107	500	500	500
64085 · Safety	1,000	1,000	0	1,000	1,000	1,000
64091 · Software Maintenance	1,000	1,500	1,477	1,500	1,600	1,700
64100 · Operating Supplies	21,500	22,000	26,261	22,000	23,000	24,150
64150 · Repairs & Maintenance	16,000	16,000	14,797	16,500	17,000	17,500
64160 · Research & Monitoring	142,000	142,000	147,559	145,000	185,500	164,000
64170 · Pollution Prev/Public Ed	35,000	35,000	14,303	35,000	35,000	35,000
64201 · Permits & Fees	8,600	9,000	9,549	9,000	11,000	11,550
	648,597	669,325	656,685	690,518	734,746	733,952

⁽¹⁾ Includes fees and charges paid for contract laboratory and environmental services provided by Veolia Water and North Marin Water District (NMWD). FY 24-25 budget amount includes a CPI-based fee increase of 3.8% (Veolia), and \$18K (NMWD).

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Pump Stations

	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Pump Stations	Budget	Budget	Expenses	Budget	Budget	Budget
Cost Center - 65000	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
65010 · Salaries & Wages	428,399	454,025	395,359	481,716	465,090	484,330
65020 · Employee Benefits	177,285	206,734	183,062	211,368	224,909	225,446
65060 · Gasoline & Oil	7,500	8,000	7,767	8,000	8,000	8,400
65085 · Safety	4,500	5,000	4,011	5,000	5,000	5,000
65091 · Software Maintenance	7,200	8,000	7,805	8,000	8,000	8,000
65100 · Operating Supplies	10,500	11,000	11,805	11,000	11,000	11,550
65150 · Repairs & Maintenance	130,000	130,000	116,321	135,000	135,000	141,750
65152 · Small Tools	2,000	2,000	2,515	2,000	2,000	2,000
65153 · Outside Services	85,000	105,000	55,110	105,000	105,000	110,250
65191 · Gas & Electricity	128,000	145,000	178,284	132,000	180,000	189,000
65192 · Water	7,500	7,500	10,715	7,800	11,000	11,550
65193 · Telephone	46,000	46,000	37,999	46,000	46,000	48,300
65201 · Permits & Fees	7,500	8,000	7,710	8,000	8,000	8,400
65301 · PSPS impacts ⁽¹⁾	45,000	45,000	0	45,000	45,000	45,000
	1,086,384	1,181,259	1,018,461	1,205,884	1,253,999	1,298,976

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

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Administration and Engineering

Administration and	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Engineering	Budget	Budget	Expenses	Budget	Budget	Budget
Cost Center - 66000	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
66010 · Salaries & Wages	1,674,460	1,705,279	1,508,873	1,815,030	1,887,610	1,995,738
66020 · Employee Benefits	757,206	795,429	693,232	788,429	914,902	906,281
66030 · Director's Fees	21,600	23,400	15,750	23,400	23,400	23,400
66060 · Gasoline & Oil	2,800	4,000	3,075	4,000	4,000	4,400
66085 · Safety	2,800	3,300	687	3,300	3,300	3,500
66090 · Office Expense	17,000	22,000	25,613	22,000	22,000	22,000
66100 · Admin/Engineering Supplies	5,000	5,000	927	5,000	5,000	5,000
66121 · Accounting & Auditing	47,000	56,700	52,729	58,200	59,000	62,400
66123 · O/S Contractual	295,000	344,607	246,207	357,530	398,968	329,317
66124 · IT/Misc Electrical	65,500	94,500	89,663	99,225	99,225	104,186
66150 · Repairs & Maintenance	87,500	87,500	114,554	91,875	92,000	96,600
66193 · Telephone	13,500	14,614	14,958	15,345	16,100	16,905
	2,989,366	3,156,329	2,766,269	3,283,334	3,525,505	3,569,727

Novato Sanitary District 2024-2026 Final Budget Personnel Detail

FTE	Position	Cost Center	Pay Range	Salaries	Salaries
				2024-25	2025-26
1.00	General Manager-Chief Engineer	A/E		311,808	321,162
1.00	Deputy General Manager	A/E	MC122.5	245,256	252,614
1.00	General Counsel/Admin Services Manager	A/E	MC121	216,171	233,465
1.00	Field Services Manager	.25AE/.25CS/.25PS/.25R	MC119	206,700	212,901
1.00	Capital Projects Manager	.65AE/.25PS/.10Rec	MC115	143,394	154,866
0.26	Project Manager ⁽¹⁾	A/E	MC119	53,665	55,275
0.10	Admin/Risk Services and Safety Officer (2)	A/E	MC117.5	19,217	19,793
1.00	Administrative Secretary	A/E	MC106	16,570	-
1.00	Admin Services Analyst II	A/E	MC 109.5	89,170	115,564
1.00	Admin. Services Tech	A/E	MC104	81,792	84,246
1.00	Finance Officer	A/E	MC115	166,002	179,282
0.03	Finance Officer (1)	A/E	MC115	4,252	4,379
1.00	Staff Engineer	.5A/E/.5CS	47	138,231	149,289
1.00	Information Tech & Security Officer	A/E	MC116.5	168,772	182,274
1.00	Construction Inspector I	A/E	41.5	99,891	107,882
1.00	Information System Specialist II	.5A/E/.5CS	43.5	97,056	104,820
1.00	Electrical/Instrumentation Tech	.34A/E/.33PS/.33Rec	46.5	136,572	140,669
1.00	Collection System Superintendent	.67CS/.33PS	MC115	170,052	175,154
1.00	Collection System Leadworker	.67CS/.33PS	47	139,896	144,093
3.00	Collection System Worker II	.67CS/.33PS	40.5	290,817	303,891
3.00	Collection System Worker I	.67CS/.33PS	38.5	261,738	275,144
0.23	Admin Intern	A/E	N/A	7,200	7,200
0.23	Engineering Aide - temp	A/E	N/A	8,640	8,640
0.20	Electrician ⁽¹⁾	.25AE/.25PS/.50Rec	N/A	27,581	28,408
	Allowance for Overtime	.67CS/.33PS		26,780	27,583
	Allowance for Overtime	A/E		5,150	5,305
	Allowance for Standby Duty Pay	.67CS/.33PS		36,700	37,801
	Adjustment for CMSA Reimbursement (2)	A/E		(2,402)	(2,474)
	Subtotal			3,166,670	3,329,226
	Allowance for salary adjustments (including	(COLA)		141,895	149,214
23.05	Total			3,308,566	3,478,440

			2024-25	2025-26
12.14	Administration and Engineering (A/E)	53%	1,887,610	1,995,738
6.61	Collection System (CS)	29%	825,265	863,103
3.52	Pump Stations (PS)	15%	465,090	484,330
0.78	Reclamation Facilities (Rec)	3%	130,493	135,157
23.05	Total	100%	3,308,458	3,478,329

⁽¹⁾ Part-time position.

 $[\]dot{}^{(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 2024-2026 Final Budget Operating Budget - Solid/Household Hazardous Waste

	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Solid/HHW	Budget	Budget	Expenses	Budget	Budget	Budget
Cost Center - 67000	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
67400 · Management Services	158,500	163,250	83,096	145,000	152,870	203,000
67500 · Household Haz. Waste	350,000	450,000	367,023	505,000	505,000	530,000
67530 · Used Oil Grant	7,000	7,000	5,220	7,000	7,508	7,000
67540 · Education/Public Outreach	17,000	23,000	28,565	25,000	25,000	27,500
67600 · Other	5,000	5,000	603	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⁾	75,890	24,990	1,195	24,705	99,184	122,591
67621 · SB1383 County JPA ⁽²⁾	0	0	51,732	0	0	0
	623,390	683,240	547,433	721,705	804,562	905,091

⁽¹⁾SB1383 grant received in FY 22-23; expenditures in FY 22-23 through FY 25-26.

⁽²⁾SB1383 grant received in FY 23-24; expenditures in FY 23-24.

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Recycled Water

Recycled Water Cost Center - 68000	Adopted Budget 2022-23	Adopted Budget 2023-24	Actual Expenses 2023-24	Preliminary Budget 2024-25	Final Budget 2024-25	Preliminary Budget 2025-26
Accounts						
68010 · O & M Services ⁽¹⁾	66,000	66,000	72,998	68,310	68,310	70,700
68100 · Operating Supplies	5,500	6,050	8,589	6,262	6,262	6,481
68101 · Operating Chemicals ⁽¹⁾	98,560	108,416	80,602	112,211	112,211	116,139
68150 · Repairs & Maintenance ⁽¹⁾	42,350	46,585	13,044	48,215	48,215	49,902
68160 · Research & Monitoring ⁽¹⁾	14,000	14,000	16,104	14,490	14,490	14,997
68191 · Gas & Electricity ⁽²⁾	57,200	62,920	55,404	65,122	67,639	70,006
	283,610	303,971	246,741	314,600	317,127	328,225

⁽¹⁾ Includes an increase of about 3.5% in each of FY 24-25 and FY 25-26.
(2) Includes an increase of about 7.5% in FY 24-25 and about 3.5% in FY 25-26.

Novato Sanitary District 2024-2026 Final Budget Operating Budget - Non-Departmental

Non-Departmental (District-wide allocations) Cost Center - 69000	Adopted Budget 2022-23	Adopted Budget 2023-24	Actual Expenses 2023-24	Preliminary Budget 2024-25	Final Budget 2024-25	Preliminary Budget 2025-26
Accounts						
69021 · Retiree Health Benefits (1)	210,617	227,467	202,661	245,664	242,275	261,657
69021-1 · Retiree Health Benefits (2)	0	0	0	0	0	0
69022 · Pension Expense ⁽³⁾	0	0	0	0	0	0
69040 · Election Expenses	50,000	10,000	0	10,000	35,000	10,000
69070 · Insurance	389,000	487,692	482,212	551,484	548,000	611,000
69071 · Insurance Claim Expense	150,000	150,000	0	150,000	150,000	150,000
69075 · Agency Dues	75,000	78,000	61,606	78,000	78,000	81,000
69080 · Memberships/Certifications	17,000	18,000	11,366	18,000	18,000	18,900
69122 · Attorney Fees (outside services)	75,000	35,000	10,350	30,000	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	10,000	1,027	10,000	5,000	5,000
69170 · Board Travel & Training	25,000	25,000	20,877	25,000	25,000	25,000
69171 · Staff Travel & Training	50,000	35,000	20,869	40,000	40,000	40,000
69201 · Property Tax Alloc (LISRAP/SSCs) ⁽⁴⁾	70,000	20,000	2,022	20,000	10,000	10,000
69202 · County Fees-Property Taxes	37,000	35,000	30,558	36,750	35,000	36,750
69203 · County Fees-Sewer Ser Chg	40,000	32,000	29,172	33,600	32,000	33,600
69250 · Service Charge Sys Exp	5,000	5,000	0	5,000	0	0
	1,218,617	1,178,159	872,720	1,263,498	1,263,275	1,322,907

Comments:

*PARS = Public Agency Retirement Services.

OPEB = Other Post-Employment Benefits.

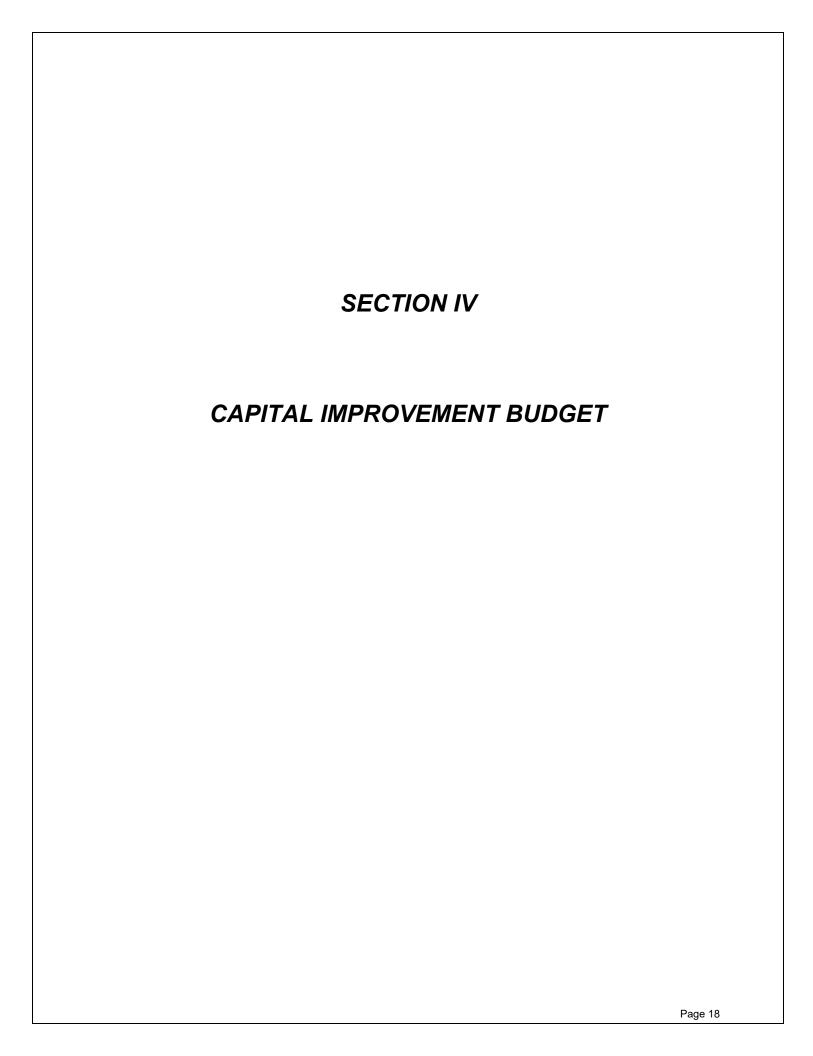
LISRAP = Low Income Sewer Rate Assistance Program

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

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

⁽³⁾ The District refinanced its Pension UAL with its 2020 Wastewater Revenue Refunding Bonds, thereby eliminating its GASB 68 related Pension Liability as of FY 20-21. Based on this, no further contributions into the District's PARS Trust (Pension subaccount) 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.



Novato Sanitary District 2024-2026 Final Budget Capital Improvement Budget - Summary of Revenues

Capital Fund	Adopted	Adopted	Actual	Preliminary	Final	Preliminary
Revenue Center - 51000	Budget	Budget	Revenue	Budget	Budget	Budget
	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
51010 · Sewer Service Charges ⁽¹⁾	8,421,491	8,897,768	8,977,548	9,181,373	9,268,977	9,563,369
51015 · Property Taxes ⁽²⁾	2,066,395	2,002,459	2,352,214	2,062,533	2,340,452	2,217,844
51015-1 · Redevelopment Agency ⁽³⁾	0	0	0	0	0	0
51020 · Connection Charges (4)	519,600	535,200	419,249	551,256	551,600	568,400
51030 · Collector Sewer Charges	0	0	669	0	0	0
51040 · Special Equalization Chrg	1,000	1,000	0	1,000	1,000	1,000
51060 · Interest	211,457	408,498	550,961	377,621	400,926	326,981
51070 · Other Revenue	20,000	20,000	500	20,000	20,000	20,000
51072 · Grant Revenue - SGIP ⁽⁵⁾	282,000	282,000	240,705	0	0	0
Totals	11,521,943	12,146,925	12,541,845	12,193,782	12,582,955	12,697,594

- (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 24-25, the avg. SSC is assumed to be \$698/EDU, split between operating (\$384) and capital (\$314).
 - For FY 25-26, the avg. SSC is assumed to be \$719/EDU, split between operating (\$395) and capital (\$324).
- (2) Projections based on estimates provided by Marin County, actual FY 23-24 property tax revenue escalated by 3% per year for each of FY 24-25 and FY 25-26, and Excess ERAF allocations subvented back to the District. These projections are then allocated between operating (25%) and capital (75%) in FY 24-25 and operating (30%) and capital (70%) in FY 25-26. Excess ERAF allocations subvented back to the District were not included in the FY 23-24 budget and FY 24-25 preliminary budgets, but are now included in the FY 24-25 budget based on prior three years of actual excess ERAF allocation received by the District.
- (3) Redevelopment Agency (RDA) revenues are being shown separately as the District continues to receive them from the dissolution and distribution of assets of these agencies. However, these RDA fund distributions are difficult to predict, and are set to zero for budget purposes.
- (4) Connection Charges projected at 40 new connections each year.
- Per District Ordinance No. 119, the connection charge beginning July 1, 2024 is \$13,790 per EDU, and increases by 3% on July 1, 2025 to \$14,210 per EDU.
- (5) Reflects reimbursement of District expenses from the Small Generation Incentive Program (SGIP) up to an allowable maximum amount of \$282,000. In FY 23-24, the District received its maximum allowable reimbursement payment.

Novato Sanitary District 2024-2026 Final Budget Capital Improvement Budget - CIP Expenditures

	Adopted (1)	Adopted	Actual (1) (2)	Preliminary	Final	Preliminary
Capital Improvements	Budget	Budget	Expenses	Budget	Budget	Budget
Cost Centers - 72000, 73000, & 78500	2022-23	2023-24	2023-24	2024-25	2024-25	2025-26
Accounts						
72112 · Network and SCADA Upgrades	310,000	515,000	226,011	200,000	456,000	230,000
72403 · Pump Station Rehabilitation	5,490,000	4,660,000	1,313,829	4,630,000	3,280,000	4,980,000
72508 · North Bay Water Reuse Authority (NBWRA)	25,000	5,000	5,000	5,000	5,000	5,000
72706 · Collection System Improvments	3,260,000	2,955,000	1,548,203	3,605,000	2,855,000	5,565,000
72706-1 · Lateral Replacement Program	80,000	80,000	46,250	80,000	80,000	80,000
72707 · Hamilton Wetlands/Outfall Integration	5,000	30,000	134	30,000	30,000	30,000
72708 · Cogeneration/Alt. Energy	550,000	2,010,000	158,261	3,020,000	512,000	3,002,000
72802 · Annual Sewer Adj. for City Projects	50,000	50,000	0	50,000	50,000	50,000
72803 · Annual Collection Sys Repairs	100,000	110,000	9,338	115,000	120,000	125,000
72804 · Annual Reclamation Fac. Improvements	745,000	590,000	336,159	690,000	875,000	800,000
72805 · Annual Treatment Plant Improvements	100,000	160,000	120,674	160,000	525,000	430,000
72806 · Annual Pump Station Improvements	200,000	150,000	88,620	140,000	210,000	150,000
72807 · Annual Ignacio Facility Improvements	125,000	525,000	55,563	85,000	525,000	35,000
72808 · Strategic Plan Update	5,000	50,000	26,483	20,000	20,000	5,000
72809 · Novato Creek Watershed	5,000	5,000	0	5,000	5,000	5,000
73003 · Admin. Building Upgrade/Maint. Building	410,000	500,000	114,012	120,000	850,000	125,000
73004 · Odor Control and NTP Landscaping	150,000	50,000	18,421	55,000	200,000	55,000
73006 · NTP Corrosion Control	300,000	360,000	269,394	300,000	350,000	350,000
73007 · Solids Management	125,000	525,000	17,118	625,000	925,000	825,000
73008 · Treatment Plant Elec. Sys. Improvements	20,000	240,000	25,216	650,000	200,000	600,000
73009 · Climate Adaption Improvements	20,000	20,000	0	20,000	20,000	20,000
73090 · Vehicle Replacement	50,000	190,000	187,573	55,000	140,000	60,000
Subtotal before Debt Service	12,125,000	13,780,000	4,566,260	14,660,000	12,233,000	17,527,000
78500 · Interest - 2017 Rev. Refunding Bond	503,000	457,000	457,000	408,750	408,750	358,250
78501 · Principal - 2017 Rev. Refunding Bond	920,000	965,000	965,000	1,010,000	1,010,000	1,060,000
78500 · Interest - 2019 Refunding Bond	1,776,350	1,610,850	1,610,850	1,437,100	1,437,100	1,254,600
78501 · Principal - 2019 Refunding Bond	3,310,000	3,475,000	3,475,000	3,650,000	3,650,000	3,835,000
Subtotal for Debt Service	6,509,350	6,507,850	6,507,850	6,505,850	6,505,850	6,507,850
Totals	18,634,350	20,287,850	11,074,110	21,165,850	18,738,850	24,034,850

⁽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 23-24 that may be partially or fully expended in FY 24-25.

Novato Sanitary District

MEMORANDUM

TO: District Board of Directors- Capital Improvements Committee

FROM: Sandeep Karkal, General Manager-Chief Engineer

Erik Brown, Deputy General Manager

BOARD

MEETING DATE: August 12, 2024

SUBJECT: Fiscal Years (FY) 24-26 Final Capital Improvements Program (CIP)

Budget – Summary of Anticipated Project Work

Introduction

This memo presents a summary of the potential or anticipated scope of work for projects and project work included within the various Accounts of the Capital Improvements Program (CIP) budget for FY 24-26.

A copy of the draft preliminary two-year FY 24-26 capital improvement expenditures is included as Table 1: Capital Improvement Budget – CIP Expenditures.

Account No. 72112: Network and SCADA Upgrades

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

This account includes funds for Cyber and Physical Security Assessments, Shared Drive Management, Mobile Device Management, Wireless Network Upgrade, Workstation Replacements, and work associated with identifying and selecting an Enterprise Resource Planning (ERP) System in FY 24-25 and follow-on work in these high priority areas in FY 25-26.

Account No. 72403: Pump Station Rehabilitation

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

 Rowland Plaza Pump Station: Project to convert the Gorman Rupp style wet well/dry well pump station to a submersible pump-type station and new emergency generator. Construction is anticipated to be completed in the last quarter of FY 23-24. A placeholder amount of \$30,000 is provided in FY 24-25 for any warranty/closeout related items.

- 2. <u>Marin Village Pump Station</u>: Project to replace the existing wetwell/dry pit type pump station with a new submersible pump-type station. Construction commenced in the last quarter of FY 21-22. There have been delays on the project associated with ongoing supply chain issues that will extend construction into FY 24-25.
- 3. <u>Ignacio Transfer Pump Station</u>: Project to replace the generator and upgrade switchgear. Engineering design work will extend into FY 24-25 with construction anticipated in late FY 24-25 through FY 25-26.
- 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 will be completed in Q4 of FY 23-24 with construction anticipated in FY 24-25, extending into FY 25-26.
- 5. <u>Bahia Pump Station</u>: This account includes funds in FY 24-25 for a scoping study and preliminary design for pump station upgrades.
- 6. Pump Station Corrosion Improvements: Project to replace conduits and other upgrades to resist corrosion at various pump stations. The Engineering Services Agreement for this project was executed in Q4 of FY 21-22. However, the project stalled as the consultant was already working on three other pump station projects for the District that were deemed higher priority. The project was originally initiated to address issues at the BMK 5 pump station. However, staff have identified two additional stations (Automart and Blackpoint) that have similar issues. The project will encompass all three stations. Engineering design work will start back up in Q4 of FY 23-24 extending into FY 24-25 with construction anticipated the second half of FY 24-25.
- 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 have 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 previously completed design work will need to be revisited and Temporary Construction Easements will need to be negotiated. This work will occur in FY 24-25 as well as the commencement of construction which will extend into FY 25-26.
- 8. <u>Force Mains Condition Assessment</u>: This account includes funds in FY 24-25 and FY 25-26 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 24-25 will be the eleventh 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 24-25, 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 24-26 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:

- 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. The notice of completion was filed in the first quarter of FY 23-24. A placeholder amount of \$10,000 is provided in FY 24-25 for any warranty/closeout related items.
- 2. Meyers Subdivision Sewer Replacements: Replacement of about 1,875 feet of 6-inch sewer between Mirabella Avenue and Court Road. A portion of this project (originally entitled Elm Drive to East Court) was identified as a structural rehabilitation project identified with a high priority rating in the CSMP. The project has been expanded to include the portions of sewer that were originally slated for replacement in 2005 but were never completed. Project design work anticipated in Q4 of FY 23-24 extending into FY 24-25, with construction commencing in Q4 of FY 24-25, extending into FY 25-26.
- 3. <u>Collection System Master Plan</u>: This account includes funds in FYs 24-26 for follow up work associated with the Collection System Master Plan (CSMP and Project Verification and Implementation Planning effort including additional flow monitoring.
- 4. Novato Blvd. Trunk Sewer: A new parallel trunk sewer in Novato Boulevard Trunk Sewer between Diablo Avenue and Grant Avenue in coordination with the City of Novato's Novato Blvd. Improvements Project. Design work commenced in FY 20-21. However, there have been delays with PG&E starting their part of the construction, which is the first order of work on the project. The District's design is anticipated to be completed in FY 24-25 and construction is anticipated in Q4 of FY 24-25 extending into FY 25-26.
- 5. <u>Highway 101 Crossings</u>: 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 24-25, with construction potentially starting in late FY 24-25, with the majority of construction in FY 25-26.
- 6. Arthur Street Sewer Improvements: Replacement of approximately 1,200 feet of sewer main in Arthur Street with new 15-inch PVC pipe from west of Hayes Street to S. Novato Blvd. This is a capacity improvement project identified in the CSMP. Construction commenced in the fourth quarter of FY 22-23 and the contract was suspended in early FY 23-24 when it became clear the Contractor was not going to complete the work by the targeted date, prior to the resumption of school starting. Construction will resume in late FY 23-24 extending into FY 24-25.
- 7. <u>High Priority Structural Rehab Projects</u>: This account includes \$300,000 in FY 24-25 and FY 25/26 for high priority structural rehab projects identified in the 2019 Collection System Master Plan.

Account No. 72706-1: Lateral Replacement Program

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

The program seeks to incentivize individual homeowners financially to replace the entire sewer lateral between their residence and the sewer main, and currently provides a grant for half of the replacement cost up to \$2,500 to replace a residential sewer lateral in the District's service area. In FY 23-24, 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 23-24. Staff expect the same level of participation in FY 24-25. However, construction costs have increased, outpacing CPI over the last few years. In FY 23-24 the Board approved increasing the District's share, i.e., the maximum individual grant amount by 25%, from \$2,000 to \$2,500 to encourage participation in the program and to account for increased construction costs. Staff did not observe a notable increase in program participation between FY 22-23 and FY 23-24. Staff recommend keeping the individual grant amount at the current \$2,500 level. The overall budget for the program will remain \$80,000 in each of FY 24-26.

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 24-26 to meet any minor or unanticipated District expenses for coordination work with SCC staff.

Account No. 72708: Cogeneration/Alternative Energy

NTP Energy Project: This account will fund 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. Additionally, this project will include installation of a Solar PV System, energy efficiency upgrades and a Microgrid Controller to manage and distribute power generated from the Cogeneration System, Battery Energy Storage System and Utility Power. The District has been contemplating a design-build approach for the project and has begun the process of selecting a Design-Build team to develop a project delivery plan, including a funding strategy. It is anticipated the Design-Build team will be selected in early FY 24-25 with construction potentially commencing in late FY 24-25.

<u>Battery Energy Storage System (BESS)</u>: Installation of the BESS was completed in the third quarter of FY 23-24. A placeholder amount of \$10,000 is provided in FY 24-25 for any warranty/closeout related items. Additionally, \$2,000 in each of FY 24-26 is provided for third party monitoring of battery performance.

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

Account No. 72802: Annual Sewer Adjustment for City Projects

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

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

Account No. 72803: Annual Collection System Repairs

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

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

Account 72804: Annual Reclamation Facilities Improvements

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

Account No. 72805: Annual Treatment Plant Improvements

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

Account No. 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 24-25, this account will fund upgrades to communications equipment 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

This account includes funds for updating the Strategic Plan. The Strategic Plan Update planning process commenced in Q3 and completed in Q4 of FY 23-24, resulting in a 2024 Strategic Plan document. Place holder amounts of \$20,000 in FY 24-25 and \$5,000 in FY 25-26 for Strategic Plan implementation and annual updates.

Account No. 72809: Novato Creek Watershed

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

Under this agreement, the District participates in a program with the County of Marin, the City of Novato, and the North Marin Water District to explore alternatives to reduce flooding potential in the lower Novato Creek portion where all these agencies have facilities that are prone to flood impacts. The budgeted amounts are a minimal amount and function as a "placeholder," or to meet minimal District commitments to potential, previously unidentified studies, through FY 24-26. Future work (beyond FY 24-26) 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. Construction on the Admin Building Roof and HVAC Upgrades project is anticipated in the first half of FY 24-25.

Account No. 73004: Odor and Landscaping Improvements

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

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

Account No. 73006: NTP Corrosion Control

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

The Primary Clarifier No. 2 Protective Coating project was completed in FY 23-24. A placeholder amount of \$10,000 is provided in FY 24-25 for any warranty/closeout related items. Also, \$350,000 in each of FY 24-26 will be budgeted for protective coating of the metalwork of secondary clarifiers Nos. 1 and 2.

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. <u>Biosolids Dewatering Facility:</u> This account includes funds for an alternatives analysis/preliminary design in FY 24-25 and engineering design in FY 25-26 for a biosolids dewatering 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. <u>FDS and Decant Pipeline Major Repairs:</u> 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 24-25 and 25-26 for major repairs on the Final Digested Sludge (FDS) and Return Decant pipelines.
- 3. Advanced Biosolids Processing: A "placeholder" amount of \$25,000 is being budgeted for each of FY 24-26 to initiate studies to investigate the feasibility of processing the District's biosolids further to create a Class A fertilizer or similarly saleable product.
- 4. <u>Struvite Control System:</u> This account includes funds in FY 24-25 for implementation of a struvite control system at the Deer Island Facility, consisting of a skid mounted ferric-chloride dosing system to prevent the formation of struvite in the Return Decant pipeline.

Account No. 73008: Treatment Plant Electrical System Improvements

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

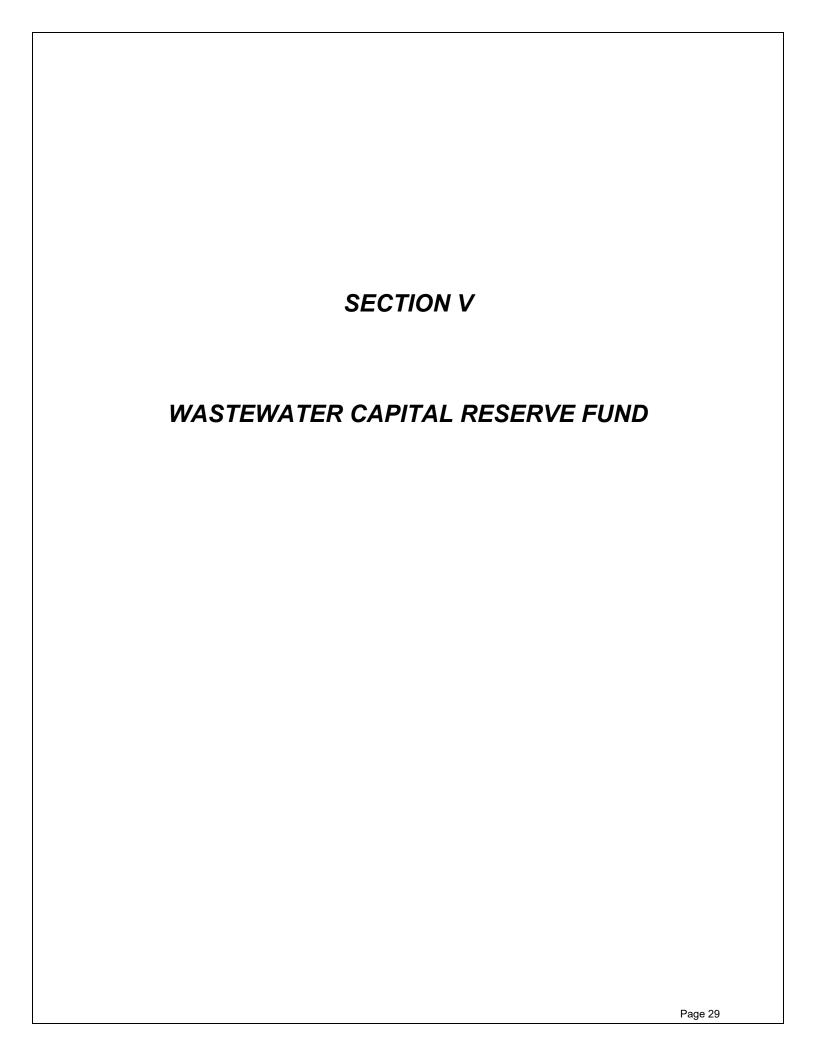
- 1. <u>PLC Upgrades:</u> This account includes funds for a scoping study in FY 24-25 and implementation of PLC Upgrades in FY 25-26 at NTP.
- 2. Plant Power Systems Study: This account includes funds to conduct a Plant Power Systems Study which will result in an updated software-based power analytics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

Account No. 73009: Climate Adaptation Improvements

This budget account was established FY 22-23 and includes funds to evaluate potential risks for District facilities associated with climate change including more frequent extreme weather events, flooding, fire, and sea level rise and identify capital projects and improve climate resilience. A "placeholder" amount of \$20,000 is budgeted for each year of FY 24-26 for initiating any Climate Adaptation studies.

Account No. 73090: Vehicle Replacement

This account includes budget amounts for the purchase of a portable generator and a used telehandler (telescoping forklift) for use at the Deer Island Facility in FY 24-25, and a "placeholder" amount of \$60,000 in FY 25-26 for any other vehicle/generator replacement as needed.

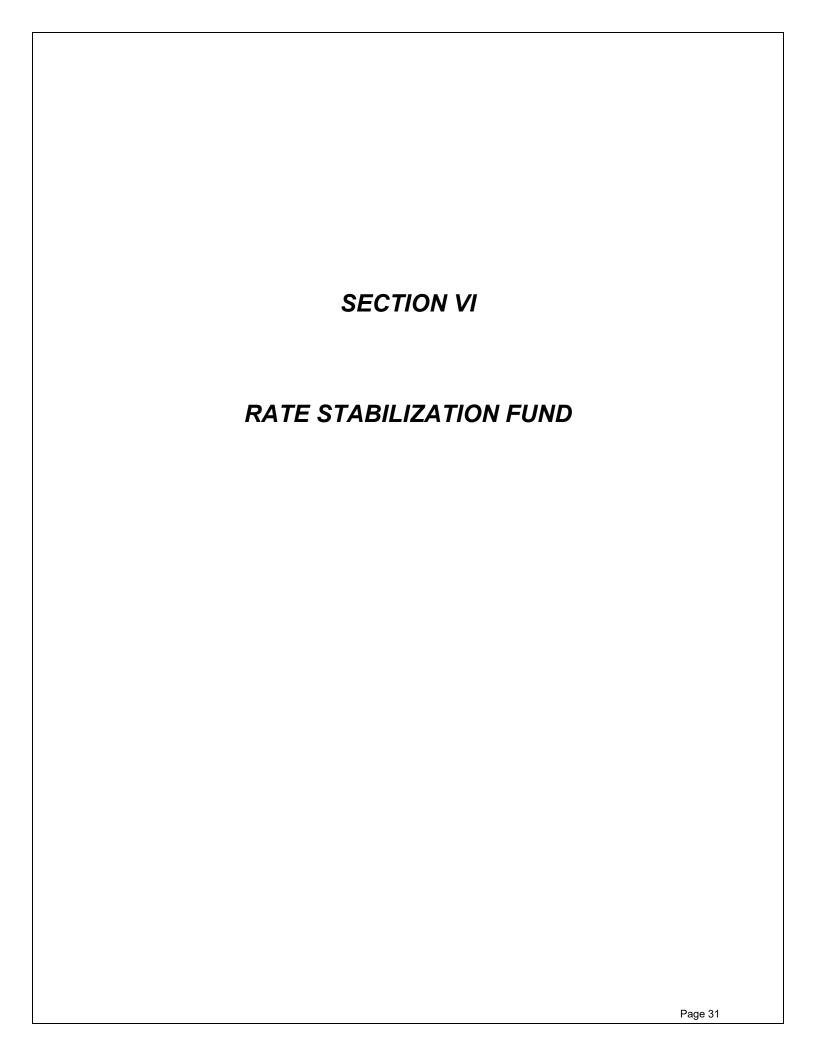


Novato Sanitary District 2024-2026 Final Budget Wastewater Capital Reserve Fund

	Prelim	Final
Wastewater Capital Reserve Fund		
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	1,649,653.00
Balance before FY 23-24 transfer	4,924,653.00	4,924,653.00
Transfer in FY 23-24	400,000.00	400,000.00
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
FUND BALANCE 6/30/25 - Consists of:		
Unused Bonding Capacity	3,275,000.00	3,275,000.00
Transfers in prior years	2,449,653.00	2,449,653.00
Balance before FY 25-26 transfer	5,724,653.00	5,724,653.00
Proposed Transfer in FY 25-26	400,000.00	400,000.00
ANTICIPATED FUND BALANCE 6/30/26	6,124,653.00	6,124,653.00

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.

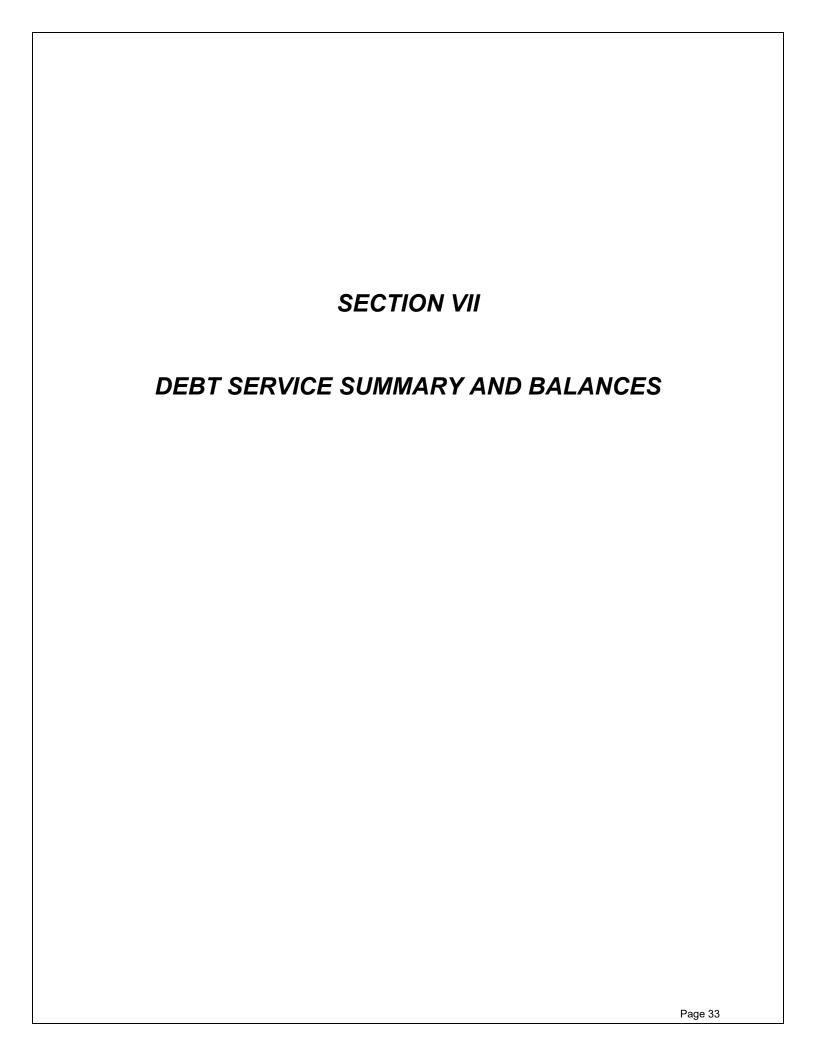


Novato Sanitary District 2024-2026 Final Budget Rate Stabilization Fund

	Prelim	Final
Rate Stabilization Fund		
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
Required Deposits/Transfers from Operating	62,291	62,291
FUND BALANCE 6/30/26	2,138,641	2,138,641

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).



Novato Sanitary District 2024-2026 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	ar 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 2024-2026 Final Budget Wastewater/Taxable Revenue Bonds - Balances

	Prelim	Final
2017 Wastewater Revenue Refunding Bonds		
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
DEBT BALANCE 6/30/24	8,175,000	8,175,000
Principal Payment	(1,010,000)	(1,010,000)
Interest payments	(408,750)	(408,750)
Transfer from Capital Improvement Fund	408,750	408,750
ANTICIPATED DEBT BALANCE 6/30/25	7,165,000	7,165,000
2019 Wastewater Revenue Bonds		
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
DEBT BALANCE 6/30/24	29,720,000	29,720,000
Principal Payment	(3,650,000)	(3,650,000)
Interest payments	(1,437,100)	(1,437,100)
Transfer from Capital Improvement Fund	1,437,100	1,437,100
ANTICIPATED DEBT BALANCE 6/30/25	26,070,000	26,070,000
2020 Taxable Wastewater Revenue Refunding Bonds (1)		
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 Capital Improvement Fund	147,143	147,143
DEBT BALANCE 6/30/24	5,624,000	5,624,000
Principal Payment	(316,000)	(316,000)
Interest payments	(139,765)	(139,765)
Transfer from Operating Fund	139,765	139,765
ANTICIPATED DEBT BALANCE 6/30/25	5,308,000	5,308,000

Debt Coverage Ratio (2)	Budget 2023-24	Actual Rev/Exp 2023-24	Final Budget 2024-25	Preliminary Budget 2025-26
Net Operating Revenue	209,052	2,200,255	20,723	15,746
Capital Revenue	12,146,925	12,541,845	12,582,955	12,697,594
Annual Debt Service	6,507,850	6,507,850	6,505,850	6,507,850
Debt Coverage Ratio	1.90	2.27	1.94	1.95

⁽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 acccepted accounting "best practices".