



**SAUSALITO-MARIN CITY SANITARY DISTRICT**

**1 EAST ROAD**

**SAUSALITO, CALIFORNIA**

**Telephone: (415) 332-0244 Fax: (415) 332-0453**

# **Budget**

# **FY 2016-2017**

Adopted by Board Action on  
June 6, 2016



# **SAUSALITO-MARIN CITY SANITARY DISTRICT BUDGET EXECUTIVE SUMMARY FISCAL YEAR 2016/17**

## **DISTRICT OVERVIEW**

The Sausalito-Marín City Sanitary District was formed in 1950 and is governed by an elected five member board of directors and provides wastewater treatment and disposal service to the City of Sausalito and wastewater collection, treatment and disposal service to Marin City and other unincorporated areas. Treatment and disposal service is also provided on a contract basis to Tamalpais Community Services District (TCSD) and the National Parks Service (Forts Baker, Barry and Cronkhite and Muir Woods National Monument). The treatment plant is on the central San Francisco Bay located in the National Park at Ft. Baker.

## **DISTRICT OPERATIONS**

The District operates a 1.8 million-gallon per day secondary wastewater treatment plant, seven sewage pump stations, and approximately ten miles of pipelines. Four (4) additional pump stations are operated and maintained for the City of Sausalito on a contract basis. Thirteen full-time employees are employed to accomplish these operations.

## **DISTRICT FINANCES**

The overall financial condition of the District remains strong. An important long term consideration is the execution of the District's adopted 10-year capital improvement plan currently entering its sixth (6th) year. Additionally, the District has spent considerable effort in adopting a sewer rate structure that spreads costs to its customers in a fair and equitable way. The District's residential sewer rate structure now includes both a base cost (63%) and volumetric cost (37%) component to better distribute expenses to our customers. The non-residential (commercial) customer class sewer charge method was kept the same since it includes a base cost and volumetric cost component.

The adopted 5-year sewer rate plan was initiated for fiscal years 2014/15 to 2018/19. The revenue generated from sewer rates is being used largely to fund the District's capital improvement plan and also to keep pace with the cost of operations, goods, service and construction.

In FY 2014/15, the District Board adopted a Residential Sewer Rate Rebate program. The program offers a five (5) percent rebate on the annual sewer charge to assist our low and fixed income customers that are also enrolled in the Pacific Gas and Electric's (PG&E) CARE or FERA programs.

In FY 2014/15 the Board approved a reserve policy standard procedure. The purpose of the reserve policy is to ensure the District has adequate reserve funding to meet its short and long-term operating and capital obligations. Establishment of the policy strengthens

the financial stability of the district against uncertainty, provides adequate reserves for debt covenants and minimizes potential customer sewer service rate fluctuations caused by unanticipated expenditures.

## **REVENUE**

The fiscal year 2016/17 sewer service charge rates for Single Family and non-residential commercial customers is \$833, Multi-family is \$741 and Floating Homes \$705 respectively. The District also charges an additional \$71 for residential and non-residential customers located in the unincorporated areas of the District's jurisdiction, including Marin City, for collection system maintenance and rehabilitation. The City of Sausalito, which is responsible for the City's collection system, charges City residents a separate collection system charge.

The fiscal year 2016/17 budget includes a sewer service charge revenue projection of \$6,130,772 which is an estimated decrease of \$46,583. The decrease is due to a reduction in water usage by non-residential customers. This revenue projection includes anticipated funding from the adopted 5-year sewer service charge rates. The budget includes an estimated County property tax allocation \$520,000 which reflects the improving economy and housing market. The National Park Services Wastewater in kind service charge of \$418,948 is included in the Service Contract Revenue.

## **EXPENSES**

The overall operation, maintenance and administrative expenses are budgeted at \$231,457 higher than last fiscal year from \$3,593,042 to \$3,824,499 for the current year. The projected operating budget reflects salary and benefits with 13 full-time positions. There is a projected COLA of 3.0 percent per labor contracts, employee benefit provider increases and scheduled employee salary step increases.

Helping offset benefit expenses is the employees' 8 percent reimbursement to the District for CalPERS pension plan costs included in the labor contracts. For fiscal year 2015/16, employees are reimbursing the District for 5.6 percent of their pension plan cost. The contribution percentage will be increased each year until fiscal year 2018/19 when employees will be contributing the full 8 percent. In addition, 5 of the District's 13 full-time positions are covered under the 2103 Public Employees' Pension Reform Act pension plan which is more economical for the District.

There is an expense increase of \$418,948 to account for the National Park Service cost for property use.

## **RESERVES**

Under the proposed budget, total reserves are estimated to be approximately \$9,822,720 at the end of fiscal year 2016/17. Reserve balances for the respective operations, capital and renewal and replacement accounts are within District reserve policy goals. The projected budget reserve balance at fiscal year-end 2015/16 is higher than the District's financial model estimate because some CIP projects were not completed as planned, construction costs have been lower than expected and the actual year end budget expenditures are coming in lower than budgeted.

In fiscal year 2016/17 the District is in the second year of funding an emergency reserve account to provide emergency capital for disaster recovery efforts.

### **DEBT SERVICE**

The District's total annual debt service amounts to \$369,068. The existing 2008 capital project Bank Loan of \$221,262 matures in 2028. The 2012 Locust Street State Revolving Fund Loan of \$147,806 matures in 2032. The amount of the loan debt service is not expected to change until the District secures State Revolving Loan funding for construction of the \$28 million treatment plant upgrade project. Under the District's 2013 service agreement with TCSD, they are responsible for a cost share of the capital debt service. TCSD's respective debt service cost share annually is \$121,352 for the existing loans, \$74,892 for the existing Interdistrict loan and \$113,525 for deferral through FY16/17. Their current loan balance is \$2,200,042 and their deferral balance is \$1,871,285 at the beginning of FY 16/17.

### **CAPITAL PROGRAM**

The 10-year Capital Improvement Plan (FY 2011/12 to 2020/21) includes needed upgrades and rehabilitation of District infrastructure to address new discharge regulations, eliminate peak wet weather overflows, to improve treatment plant performance and to repair or replace aging infrastructure.

The 10-year CIP has been updated to reflect current project schedules and costs. Some project schedules have been shifted to improve project sequencing and to spread out funding requirements. The total program is estimated at \$53 million. Of this total, approximately \$13 million of collections system and treatment plant improvements have been completed from 2011/12 to 2015/16 (year 5 of the 10-year plan). Of the \$40 million remaining, approximately \$31.5 million is programmed for treatment plant projects, \$6 million for the sewer collection conveyance projects and \$2.5 million for smaller renewal and replacement projects.

The FY 2016/17 CIP includes larger capital projects totaling \$2,530,000, capital outlay for one time-purchases of equipment totaling \$75,000 and renewal and replacement projects to District facilities totaling \$137,500.

### **FUTURE VISION**

Looking ahead, the District will renew the National Park Service Treatment Plant Facility Easement Agreement this year. Additionally, our long-standing operation and maintenance service agreement with the City of Sausalito needs to be revised this year to reflect a more modern shared service business arrangement.

The District continues to keep customer sewer rates as stable as possible following the current 5-year sewer rate plan. The District has spent considerable time evaluating and understanding the financial aspects of our agency. Important facets of this work have been adjusting customer sewer service rates to align with our District infrastructure investment needs along with optimizing operating and capital expenses while identifying areas to gain efficiency.

The renewal of our NPDES permit is required every 5 years. The District is due to renew this important permit this year which allows us to operate the plant. There is funding to accomplish this task in this year's budget. Evolving regulatory compliance standards to improve discharge water quality will continue to pose challenges, both from a permitting standpoint and funding required to make needed capital infrastructure improvements.

The District continues to make progress towards compliance with the the EPA order and the ever changing regulatory environment for wastewater treatment through capital improvements to the wastewater treatment and conveyance system. The District's Capital Improvement Program is funded by a combination of the State Revolving Loan Fund and the revenue from our rate. The funding allows the Treatment & Wet Weather Flow Upgrade Project to potentially bid as early as October of this year. The funding additionally allows us to make progress on several other significant projects such as upgrading the secondary sedimentation tank equipment along with upgrades of three pump stations essential to the efficient and effective operation of our system.

Lastly, there is a continued effort to keep the District focused on key areas is the 2013-2018 Strategic Plan. The District recently completed its third annual review of the plan. The adoption and annual review signifies the importance of the plan to the District, its Board of Directors, and employees along with the effort placed on achieving continuous improvement in every facet of District Operations. The Strategic Plan serves as a framework for decision making over the five-year period.

Sincerely,

A handwritten signature in black ink, appearing to read 'JK', is positioned above the typed name and title.

Jeffrey Kingston  
General Manager

**SMCSD**  
**FY 2016-17 BUDGET**  
**REVENUE AND EXPENSE SUMMARY SHEET**

**EXPENSE**

<b>Operations &amp; Maintenance:</b>	
Salary	\$ 1,335,249
Payroll Taxes	\$ 95,430
Employee Retirement	\$ 289,273
Employee Benefits	\$ 461,956
Worker's Compensation	\$ 52,329
Chemicals	\$ 180,500
Conference & Training	\$ 28,800
Professional Services	\$ 301,500
Fuel	\$ 10,700
Insurance	\$ 52,488
Wastewater Monitoring & Testing	\$ 68,322
Permits and Fees	\$ 101,340
Electricity	\$ 241,500
System & Plant Maintenance	\$ 324,750
Safety	\$ 41,500
Waste Disposal	\$ 78,020
Parts, Tools, Materials & Supplies	\$ 72,000
Telephone	\$ 26,292
Vehicles	\$ 16,600
Water	\$ 9,450
Administrative	\$ 36,500
<b>Subtotal:</b>	<b>\$ 3,824,499</b>
<b>NPS Property Use:</b>	<b>\$ 418,948</b>
<b>Total Operations &amp; Maintenance:</b>	<b>\$ 4,243,447</b>
<b>Capital:</b>	
Capital	\$ 2,530,000
Capital Outlay	\$ 75,000
Repair & Replacement	\$ 117,500
Capital Debt Services Payment	\$ 369,068
<b>Total Capital:</b>	<b>\$ 3,091,568</b>
<b>Total Expenses:</b>	<b>\$ 7,335,015</b>

**REVENUE**

Sewer Service Charge	6,130,772
Property Taxes	520,000
Service Contracts	2,023,750
Miscellaneous	4,500
Connection Fees	7,000
Interest	46,333
<b>Total Revenue</b>	<b>8,732,355</b>
<b>Reserve Transfer</b>	<b>1,397,340</b>

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

**CAPITAL PROGRAM  
FY 2016-2017**

<b><u>REVENUE</u></b>		
Transfer from Operating Fund	\$	4,172,139
Connection Fees	\$	7,000
Service Contracts:	\$	284,119
Interest	\$	25,649
<b>Total Revenues</b>	<b>\$</b>	<b>4,488,908</b>
<b><u>EXPENSES</u></b>		
Treatment & Wet Weather Flow Upgrade Project	\$	-
Primary and Secondary Digester Cleaning, Inspection and Repairs	\$	450,000
Secondary Sediment Tanks Equipment Upgrade Project	\$	500,000
Sludge Handling Project/Study	\$	10,000
Energy Efficiency Survey	\$	15,000
Highway Booster Pump Station Rehab. & Force Main Inspection	\$	1,100,000
Coloma Pump Station Improvement	\$	100,000
Whiskey Pump Station Improvement	\$	50,000
Shop/Operator/Equipment Facilities Study	\$	15,000
Engineering and Project Management	\$	290,000
Capital Outlay	\$	75,000
2008 Bank & 2012 SRF Loan Payment	\$	369,068
<b>Total Expenses</b>	<b>\$</b>	<b>2,974,068</b>
Net Income (Decrease) in Reserve	\$	1,514,840
Estimated Reserve Beginning of FY	\$	4,750,000
<b>Projected Reserve End of FY</b>	<b>\$</b>	<b>6,264,840</b>

**SAUSALITO-MARIN CITY SANITARY DISTRICT**

**Repair & Replacement Program  
FY 2016-2017**

<b><u>REVENUE/TRANSFER</u></b>		
Transfer from Operating Fund	\$	117,500
Service Contracts:	\$	-
<b>Total Revenues</b>	<b>\$</b>	<b>117,500</b>
<b><u>EXPENSES</u></b>		
Plant SCADA System Upgrade	\$	35,000
Main Street Pump 1 Rebuild	\$	15,000
Princess/Marin City Control Upgrade	\$	40,000
MCC Room Transformer Upgrade	\$	10,000
Effluent Ultrasonic Meter Replacement	\$	10,000
Sewer Pump Stations Electrical Surge Protection	\$	7,500
<b>Total Expenses</b>	<b>\$</b>	<b>117,500</b>
Net Income (Decrease) in Reserve	\$	-
Estimated Reserve Beginning of FY	\$	423,318
<b>Projected Reserve End of FY</b>	<b>\$</b>	<b>423,318</b>



**Sausalito-Marin City Sanitary District - FY 2016/17 Budget**  
**Reserve Fund Policy Effective September 2, 2014**

	<b>Operating Reserve</b>	<b>Capital Reserve</b>	<b>Renewal &amp; Replacement Reserve</b>	<b>Disaster Recovery Reserve (Starting FY 2015/16)</b>	<b>Total Combined Reserves</b>
<b>Purpose</b>	Provide working capital for operating expense cash flow during year.	Provide capital for major capital projects in 10 year capital program.	Provide capital for renewal and replacement of equipment and appurtenant assets.	Provide additional capital funding for emergency recovery until long-term funding is arranged from rate increases, loans, debt.	
<b><u>Current Reserve Levels</u></b>					
<b>FY 2015/16 - Estimated Fiscal Year ending balance</b>	\$3,002,062	\$4,750,000	\$423,318	\$250,000	\$8,425,380
<b>FY 2016/17 - Projected Fiscal Year ending balance</b>	\$2,634,562	\$6,264,840	\$423,318	\$500,000	\$9,822,720
<b><u>Long Range Target Level Goals</u></b>					
<b>Target balance</b>	\$2,868,374	\$4,750,000	\$500,000	\$1,500,000	\$9,618,374
	9-months of annual operation and maintenance expenses.	1.5 times the average annual 10-year CIP expense. Includes debt service payments.	Two-years of average annual renewal replacement costs	One-year of average annual 10_year CIP cash funded capital expense.	
<b>Minimum Balance</b>	\$1,262,085	\$518,420	\$250,000	\$250,000	\$2,280,505
	Four-months of annual operation and maintenance expenses. Also funding to cover any restricted reserve obligations.	Funding to cover the 10-year CIP debt service and other restricted reserve obligations.	One-year of average annual renewal and replacement costs.	Minimum funding to aid in disaster recovery.	
<b>Other Financial Policies and Rate-Making Guidelines</b>					
Reserve funding priority: Operating, Capital, R&R, and Disaster Recovery as funding becomes available. Maintain adequate Capital Reserve to fund CIP, but debt financing may be required for major upgrades. Maintain adequate R&R Reserve to avoid debt financing minor facilities. Rate increases will be moderated to minimize rate shock (e.g., phase in increases, avoid excessive increases followed by decreases). Rates are adjusted to keep pace with inflationary cost increases. When reserve balances allow, inter-fund borrowing and transfer may occur as a means of rate stabilization.					



**SAUSALITO-MARIN CITY SANITARY DISTRICT**

1 East Road  
 Sausalito, CA 94965-2575  
 415.332.0244 (Office) 415.332.0453 (Fax)

<b>Estimated Annual Charge</b>
FY 2016/17

B I L L T O	Tamalpais Community Services District Attn: Jon Elam 305 Bell Lane Mill Valley, CA 94941
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FISCAL YEAR	DESCRIPTION	BALANCE
FY 2016-2017	<b>Estimated Annual Charge <sup>1</sup>:</b>	
	O&M Costs	\$ 1,145,682
	Capital and R&R Costs	\$ 608,438
	Annual Loan Payment <sup>2</sup>	\$ 196,243
	Annual Deferral Payment <sup>3</sup>	\$ 113,525
	<b>Total Estimated Annual Charge:</b>	<b>\$ 2,063,888</b>
	<b>Deferral for the FY 16/17 TCSD Capital and R&amp;R Costs:</b>	<b>\$ (608,438)</b>
	<b>TCSD Wastewater Service Charge Rate (\$/EDU): \$564</b>	
	<b>Debt Service Balances:</b>	
	Loan Balances: \$2,073,473	
	Deferral Balances: \$2,391,846	
	<b>Debt Service Total: \$4,465,319</b>	
<b>BALANCE DUE</b>		<b>\$ 1,455,451</b>

<sup>1</sup> Estimated Annual Charge: Annual O&M Sewer & Capacity Charges and Cash Funded Capital Costs based on Budget Expenses.

<sup>2</sup> Loans: 2008 -City National Bank Loan (Mature 2028)  
 2012-SRF Loan (Matures 2032)  
 Existing Interdistrict Loan (FY 2011/12 & FY 2012/13) per 2014 Financing Agreement

<sup>3</sup> Annual Deferral Payment: Annual Payment for the deferral of the FY13/14, FY14/15 & FY15/16 TCSD Capital & R&R Costs

**SAUSALITO-MARIN CITY SANITARY DISTRICT  
AND TAMALPAIS COMMUNITY SERVICES DISTRICT  
WASTEWATER SERVICES AGREEMENT ESTIMATE  
July 1, 2016 through June 30, 2017**

Expenses FY 2016/17	Adopted Budget	Estimated TCSD Charges (26.48%) <sup>1</sup>
<b>Operations &amp; Maintenance:</b>		
Salary	\$1,335,249	\$ 353,532
Payroll Taxes	\$ 95,430	\$ 25,267
Employee Retirement	\$ 289,273	\$ 76,590
Employee Benefits	\$ 461,956	\$ 122,312
Worker's Compensation	\$ 52,329	\$ 13,855
Chemicals	\$ 180,500	\$ 47,791
Conference & Training	\$ 28,800	\$ 7,625
Professional Services	\$ 301,500	\$ 79,828
Fuel	\$ 10,700	\$ 2,833
Insurance	\$ 52,488	\$ 13,897
Wastewater Monitoring & Testing	\$ 68,322	\$ 18,090
Permits and Fees	\$ 101,340	\$ 26,832
Electricity	\$ 241,500	\$ 63,942
System & Plant Maintenance	\$ 324,750	\$ 85,984
Safety	\$ 41,500	\$ 10,988
Waste Disposal	\$ 78,020	\$ 20,657
Parts, Tools, Materials & Supplies	\$ 72,000	\$ 19,063
Telephone	\$ 26,292	\$ 6,961
Vehicles	\$ 16,600	\$ 4,395
Water	\$ 9,450	\$ 2,502
Administrative	\$ 36,500	\$ 9,664
<b>Subtotal:</b>	<b>\$3,824,499</b>	<b>\$ 1,012,607</b>
<b>NPS Property Use<sup>2</sup></b>	<b>\$ 418,948</b>	<b>\$ 133,076</b>
<b>Total Operations &amp; Maintenance:</b>	<b>\$4,243,447</b>	<b>\$ 1,145,682</b>

Footnotes

<sup>1</sup> Actual expenses will be adjusted per the FY 2016/17 annual audit report.

TCSD share of operating expenses is based on the Annual Average Flow (AAF) from TCSD over the the prior three (3) Fiscal Years: 26.48%

<sup>2</sup> National Park Service(NPS) Property Use Expense is calculated as follow:

O&M Costs: 26.48%

AAF x O&M Projected Expense \$ 3,824,499 x 5.70% \$ 217,996

Cash Funded Capital & R&R Costs 37.5%

PWWF x CIP Projected Expenses \$ 3,091,568 x 6.50% \$ 200,952

**Total NPS Expense: \$ 418,948**

**TCSD CAPITAL PROGRAM COST ALLOCATION AND FINANCING**  
**FY 2016 - 2017**

<b><u>CAPITAL FUND</u></b>	<b><u>2016/17 Budget</u></b>	<b><u>TCSD % Share <sup>1</sup></u></b>	<b><u>TCSD \$ Share <sup>2</sup></u></b>
Treatment & Wet Weather Flow Upgrade Project	\$ -	37.50%	\$ -
<b>TCSD share costs financed until SRF Loan secured for project</b>			
Primary and Secondary Digester Cleaning, Inspection and Repairs	\$ 450,000	37.50%	\$ 168,750
Secondary Sediment Tanks Equipment Upgrade Project	\$ 500,000	37.50%	\$ 187,500
Sludge Handling Project/Study	\$ 10,000	37.50%	\$ 3,750
Energy Efficiency Survey	\$ 15,000	37.50%	\$ 5,625
Highway Booster Pump Station Rehab. & Force Main	\$1,100,000	0.00%	\$ -
Coloma Pump Station Improvement	\$ 100,000	37.50%	\$ 37,500
Whiskey Pump Station Improvement	\$ 50,000	37.50%	\$ 18,750
Shop/Operator/Equipment Facilities Study	\$ 15,000	37.50%	\$ 5,625
Engineering and Project Management	\$ 290,000	37.50%	\$ 108,750
<b><u>SUB TOTAL</u></b>	<b><u>\$2,530,000</u></b>		<b><u>\$ 536,250</u></b>
<b><u>CAPITAL OUTLAY</u></b>			
Technology Upgrades	\$ 50,000	37.50%	\$ 18,750
Vehicles Upgrades	\$ 25,000	37.50%	\$ 9,375
<b><u>SUB TOTAL</u></b>	<b><u>\$ 75,000</u></b>		<b><u>\$ 28,125</u></b>

**RENEWAL AND REPLACEMENT PROGRAM**

Plant SCADA System Upgrade	\$ 35,000	37.50%	\$ 13,125
Main Street Pump 1 Rebuild	\$ 15,000	37.50%	\$ 5,625
Princess/Marin City Control Upgrade (50/50)	\$ 40,000	37.50%	\$ 15,000
MCC Room Transformer Upgrade	\$ 10,000	37.50%	\$ 3,750
Effluent Ultrasonic Meter Replacement	\$ 10,000	37.50%	\$ 3,750
Sewer Pump Stations Electrical Surge Protection	\$ 7,500	37.50%	\$ 2,813
	<b><u>SUB TOTAL</u></b>		<b><u>\$ 44,063</u></b>
	<b><u>GRAND TOTAL:</u></b>		<b><u>\$ 608,438</u></b>

**DEBT SERVICE AND CASH FUNDED PROJECT LOANS**

**Existing Financing:**

2008 Bank Loan (Matures 2028)	\$ 221,262	31.7%	<u>Annual Payment</u> \$65,494
2012 SRF Loan -Locust St (Matures 2032)	\$ 147,806	37.4%	\$55,858
FY 2011/12 and 12/13 (Per Sept 10, 2014 capital finance agreement - Matures 2029)			\$ 74,892
	<b>Total Loan Annual Payment:</b>		<b><u>\$196,243</u></b>

**Deferrals:**

	<u>To Principal</u>	<u>To Interest</u>	<u>Annual Payment</u>
Annual Payment for FY13/14 Deferrals	\$ 39,706	\$ 9,949	\$ 49,655
Annual Payment for FY14/15 Deferrals	\$ 25,939	\$ 8,224	\$ 34,163
Annual Payment for FY 15/16 Deferrals	\$ 22,231	\$ 7,476	\$ 29,707
	<u>\$ 87,876</u>	<u>\$ 25,649</u>	
	<b>Total Deferral Annual Payment:</b>		<b><u>\$ 113,525</u></b>

**Total Debt Annual Payment: \$309,769**

<sup>1</sup> TCSD's % Share is subject to change by mutual agreement of both Districts

<sup>2</sup> TCSD's \$ Share will be changed as their percent (%) share changes.