

NOVATO SANITARY DISTRICT

Meeting Date: May 23, 2016

The Board of Directors of Novato Sanitary District will hold a meeting at 6:00 p.m., Monday, May 23, 2016, at the District Offices, 500 Davidson Street, Novato.

Materials related to items on this agenda are available for public inspection in the District Office, 500 Davidson Street, Novato, during normal business hours. They are also available on the District's website: www.novatosan.com.

AGENDA

1. PLEDGE OF ALLEGIANCE:

2. AGENDA APPROVAL:

3. PUBLIC COMMENT (PLEASE OBSERVE A THREE-MINUTE TIME LIMIT):

This item is to allow anyone present to comment on any subject not on the agenda, or to request consideration to place an item on a future agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Board at this time as a result of any public comments made.

4. REVIEW OF MINUTES:

- a. Consider approval of minutes of the May 9, 2016 regular meeting.

5. CONSENT CALENDAR:

The General Manager-Chief Engineer has reviewed the following items. To his knowledge, there is no opposition to the action. The items can be acted on in one consolidated motion as recommended, or may be removed from the Consent Calendar and separately considered at the request of any person.

- a. Approve regular disbursements, May 10 – May 23, 2016.
- b. Ratify May 2016 payroll and payroll related disbursements.
- c. Approve an application from the North Marin Water District (NMWD) and authorize the General Manager-Chief Engineer to issue a one-time, temporary, Class I non-domestic discharge permit for discharge of groundwater.

6. ANNUAL BUDGET:

- a. Receive update on Sewer Lateral Grant Program
- b. Receive Fiscal Year (FY)16-18 Preliminary Capital Improvements Program (CIP) Budget - Summary of Anticipated Project Work.
- c. Receive Preliminary Budget for Fiscal Years FY16-17 and FY17-18.

7. BOARD MEMBER REPORTS AND REQUESTS:

8. INFORMATIONAL ITEMS:

These items are for information only - no action will be taken on these items.

- a. University of North Carolina, Chapel Hill, Environmental Finance Center article: "Six Keys to Improve Your Water Utility's Credit Rating – a Cheat Sheet".

9. GENERAL MANAGER'S REPORT AND ANNOUNCEMENTS:

10. ADJOURNMENT:

Next regular meeting date: Monday, June 13, 2016, 6:00 PM, at the Novato Sanitary District office, 500 Davidson Street, Novato, CA.

Next resolution no. 3098.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

NOVATO SANITARY DISTRICT

Board Meeting Minutes

Meeting Date: May 9, 2016

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:00 p.m., Monday, May 9, 2016, at the District offices, 500 Davidson Street, Novato.

BOARD MEMBERS PRESENT: President Jean Mariani, Directors William C. Long, Brant Miller and Jerry Peters. Director Carole Dillon-Knutson was absent.

STAFF PRESENT: General Manager-Secretary Sandeep Karkal, District Counsel Kent Alm, and Administrative Secretary Julie Swoboda.

ALSO PRESENT:

Steve Krauthem, Field Services Manager, Novato Sanitary District
Erik Brown, Technical Services Manager, Novato Sanitary District
John Bailey, Project Manager, Veolia Water
Tom Gaffney, Bartle Wells Associates
Alison Lechowicz, Bartle Wells Associates

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as written. The General Manager noted that a correction was made to page 56 of the agenda packet (page 3 of the Revised Statement of Investment Policy) and a revised copy had been given to each Board member.

The General Manager also noted that Director Dillon-Knutson was not at the meeting due to an excused absence.

PUBLIC COMMENT: None.

PUBLIC HEARING – SEWER CONNECTION CHARGES:

- Receive staff report. District Counsel Kent Alm stated that at its March 14, 2016 meeting, the Board received the draft 2016 “Wastewater Capacity Fee Study” report as prepared by Bartle Wells Associates. He stated that this report had been available on the District website and is made a part of the agenda packet.

Tom Gaffney, Bartle Wells Associates, stated that the report presented recommendations and justification for amending the connection charge based on current capacity usage characteristics for single family residential dwellings. He stated that the report recommended the connection charge be increased from \$9,870.00 to \$10,854.06, rounded up to \$10,860.00, per equivalent dwelling unit (EDU) for fiscal year (FY) 2016-17, and increased by three (3) percent per year thereafter.

- Open Public Hearing. At 6:07 p.m., President Mariani opened the Public Hearing.

- Public comment. President Mariani called for public comment. There was no public comment.

- Close Public Hearing. At 6:08 p.m., President Mariani closed the Public Hearing.

SEWER CONNECTION CHARGES:

- Consider adopting Ordinance No. 119 setting sewer connection charges. District Counsel Alm stated that as previously discussed, a connection charge of \$10,860.00 per EDU was recommended in the "Wastewater Capacity Fee Study" report by Bartle Wells Associates. He noted that the report was vetted by the Board and reviewed in open session at its March 14, 2016 Regular Board meeting. He stated that Bartle Wells Associates is a public finance consulting firm that has provided independent, expert financial advice to public agencies since 1964.

There being no further discussion, President Mariani called for a motion to adopt the Ordinance.

On motion of Director Peters, seconded by Director Long, and carried unanimously by those Directors present, the Board adopted Ordinance No. 119, AN ORDINANCE AMENDING ORDINANCE NO. 70, THE SANITARY CODE OF THE NOVATO SANITARY DISTRICT, ADOPTED APRIL 22, 1991; SEWER CONNECTION CHARGES, and setting sewer connection charges at ten thousand eight hundred sixty dollars (\$10,860.00) per family unit for fiscal year (FY) 2016/17, effective July 1, 2016, with annual adjustment of three percent (3%) thereafter beginning with FY 2017/18.

Tom Gaffney and Alison Lechowicz of Bartle Wells Associates left the meeting.

REVIEW OF MINUTES:

- Consider approval of minutes of the April 25 2016 regular meeting. Director Long requested a correction to page 5, paragraphs seven and eight as follows: "*compete for new funding sources through **redefinition** of the organization.*" and "*options for **NBWRA** projects.*"

On motion of Director Peters, seconded by Director Long, and carried unanimously by those Directors present, the April 25th, 2016 Board meeting minutes were approved as corrected.

CONSENT CALENDAR:

President Mariani called for a motion on the on the Consent Calendar items as follows:

- a. Approval of Board member disbursements in the amount of \$1,773.19, operating check disbursements in the amount of \$262,432.32, and capital project disbursements in the amount of \$225,142.61.
- b. Receive Deposit Summary, April 2016.
- c. Receive 3rd Quarter Investment Report, Fiscal Year (FY) 15/16.
- d. Receive Summary 3rd Quarter Financial Report, FY 15/16.
- e. Ratify District Statement of Investment Policy, Policy 3120 – Investment of Public Funds
- f. Review and Consider Adoption of District Policy No. 4020: Board of Directors – Attendance at Meetings

On motion of Director Long, seconded by Director Peters, and carried unanimously by those Directors present, the above listed Consent Calendar items were approved.

WASTEWATER OPERATIONS:

- Receive Wastewater Operations Report, April 2016. - Receive Wastewater Operations Report, January 2016: Veolia Project Manager (John Bailey) provided an overview of the treatment facilities monthly operations for April. There were no excursions or violations for the month. A maximum peak flow of 8.81 million gallons (MG) was reached on April 9th, with a daily maximum for the month of 5.32 MGD. He noted that the recycled water plant was restarted to prepare it for the upcoming irrigation season, but that the facility did not produce any recycled water in the month. He stated that safety performance was excellent with a total of 2,167 accident-free days through April. The Project Manager reviewed key operational and maintenance activities at the treatment facility and the Ignacio transfer pump station.

The General Manager stated that lab proficiency testing was conducted in April and that the District received a certificate of excellence from the vendor ERA for achieving 100% acceptable data in this study which included 965 participating laboratories. He commended Veolia staff Kurt Hawkyard and Liz Falejczyk, and Jessica Bena of North Marin Water District for their achievement.

Technical Services Manager Erik Brown provided a summary of odor control and landscaping activities for April. Veolia staff is monitoring the performance of the recently installed Micro-Cool fogging system and the system is performing well. He stated that Veolia's Project Manager reached out to neighborhood residents in anticipation of the potential for odor related to work to be performed on the Primary Clarifiers. He stated that the large and small odor control beds are being monitored and are doing well. He noted that staff plans to top off the material later this year. The Technical Services Manager stated that there was one isolated odor contact in April. He stated that staff is monitoring the recent oleander plantings along the Lea Drive fence line and that they are doing well.

The Technical Services Manager stated that if there were no objections from the Board, future 'Odor Control and Landscaping' reports would be combined with the 'Treatment Facilities' reports. The Board had no objections.

Field Services Manager Steve Krautheim provided a summary of the Collection System Operations report for April. He stated that the department cleaned 77,241 lineal feet of sewer lines, televised 541 feet with the CCTV truck, and 2,210 feet with the Push-Cam in lieu of hand-rod work. He noted that CCTV findings did not identify any segments needing repair, but noted one area that required a change in sewer line maintenance operations following a sanitary sewer overflow. He stated that there was one Category III sanitary sewer overflow on April 2nd, with a spill volume of 20 gallons. The probable cause was determined to be root intrusion. There were no lost time accidents in April, for a total of 1,875 accident-free days.

The Field Services Manager provided a summary of the Reclamation Facilities report. He stated that the rancher began cutting pasture grass in Site 7 this month and that a sinkhole was found that will require further investigation. He stated that there were no irrigation or sludge handling activities this month.

STAFF REPORTS:

- Receive staff report on attendance at the California Water Environment Association (CWEA) Annual Conference, Santa Clara, April 26-29, 2016. The Field Services Manager discussed his attendance at the CWEA conference. He stated that he was sworn in as the new Chair of the Northern Regional Committee (NRC) which serves as a liaison committee between the CWEA Board of Directors and all of the Local Sections in Northern California. He outlined the presentations, meetings, and educational sessions that he attended.

The General Manager stated that the Field Services Manager received a 'Gimmicks and Gadgets Award' for his creation of a tool to help determine volume of sanitary sewer overflows. The Board congratulated Mr. Krautheim on his award.

BOARD MEMBER REPORTS AND REQUESTS:

- North Bay Watershed Association (NBWA), meeting of May 6, 2016. Director Miller discussed his attendance at the NBWA meeting held on May 6th. He discussed a presentation by Marilyn Latta, California Coastal Conservancy, who gave a progress report on a project working to bring back key habitats and species in the region. He also noted that a presentation was given by Scott Dusterhoff, San Francisco Estuary Institute, regarding a resilient landscape vision project for lower Novato Creek.

- California Water Environment Association (CWEA) Annual Conference, Santa Clara, April 27, 2016. President Mariani discussed her participation at the Annual CWEA conference. She stated that she gave a presentation on April 27th titled "What to look for in a General Manager". She expressed her appreciation for General Manager-Chief

Engineer Sandeep Karkal and stated that the presentation was easy to prepare for due to his good management of the District.

GENERAL MANAGER'S REPORT AND ANNOUNCEMENTS:

- The General Manager stated that he and the Field Services Manager attended a meeting of the County Flood Control Zone#1 Advisory Board on Thursday, May 5th, where Marin County Flood Control District staff discussed their upcoming Novato Creek dredging project. The County project involves using the dredged material to build up existing levees on the immediate south side of the District's treatment plant. He noted that District staff asked the County to notify the adjacent neighborhoods (and specifically the Lea Drive neighborhood) of the potential for odor generation resulting from placing the dredged materials onto the levees, and that County staff agree to do so.
- The North Marin Water District (NMWD) will be constructing a pull-out area on Davidson Street just outside the plant entrance, with a recycled water filling station for the benefit of the District and the City of Novato. He briefly discussed the next phase of NMWD's construction for their Central Area recycled water project.
- He discussed his attendance at the Recycled Water Expansion Projects Ribbon Cutting Celebration at the Napa Sanitation District which took place on Monday, May 2nd. He noted that Director Long attended also, and that turnout was high.
- The next regular Board meeting will be held on Monday, May 23rd at 6:00 p.m. and will include a presentation of the FY2016-17 Preliminary Budget.

ADJOURNMENT: There being no further business to come before the Board, President Mariani adjourned the meeting at 7:11 p.m.

Respectfully submitted,

Sandeep Karkal
Secretary

Julie Swoboda, Recording

Novato Sanitary District Operating Check Register

May 23, 2016

Item 5.a.
(Pages 8 & 9)

Date	Num	Name	Credit
May 23, 16			
05/23/2016	59393	Pacific, Gas & Electric	54,555.15
05/23/2016	59395	San Francisco Estuary	9,726.00
05/23/2016	59396	Unicorn Group	5,708.98
05/23/2016	59375	American Express-21007	3,974.47
05/23/2016	59386	G3 Engineering, Inc.	3,066.75
05/23/2016	59397	Veolia Water North America, Inc.	2,813.36
05/23/2016	59377	Cagwin & Dorward Inc.	2,155.00
05/23/2016	59390	North Marin Water District Payroll	1,442.25
05/23/2016	59378	CalPers Health2	1,300.00
05/23/2016	59388	IEDA, INC	1,104.00
05/23/2016	59373	3T Equipment Company Inc.	1,011.44
05/23/2016	59374	Alliant Insurance Services, Inc	1,001.00
05/23/2016	59381	Central Marin Sanitation District	975.00
05/23/2016	59385	Frontier Communications of CA	570.16
05/23/2016	59379	CDW Government, Inc.	275.53
05/23/2016	59382	Claremont EAP, Inc.	250.00
05/23/2016	59389	North Marin Water District	170.46
05/23/2016	59387	Grainger	143.56
05/23/2016	59380	CED Santa Rosa, Inc	129.32
05/23/2016	59376	Barnett Medical LLC	90.00
05/23/2016	59383	CWEAmembers	86.00
05/23/2016	59384	First Alarm	39.91
05/23/2016	59394	Petty Cash	39.55
05/23/2016	59391	Novato Builders Supply	13.03
05/23/2016	59392	Novato Disposal-	8.33
May 23, 16			90,649.25

Novato Sanitary District Capital Projects Check Register

May 23, 2016

Date	Num	Name	Credit
May 23, 16			
05/23/2016	3039	GHD Inc.	6,238.50
05/23/2016	3038	Abestos Control Center	2,745.00
May 23, 16			<u>8,983.50</u>

Novato Sanitary District
Payroll and Payroll Related Check Register
May - 2016

Item 5.b.

<u>Date</u>	<u>Description</u>	<u>Amount</u>
05/31/2016	April - Payroll	100,806.42
05/20/2016	April - Retirees Health Benefits	11,936.80
05/20/2016	CALPERS Retirement	7,937.25
05/31/2016	United States Treasury	21,735.29
05/20/2016	CalPers Supplemental Income Plan	2,500.00
05/31/2016	EDD	6,416.55
05/20/2016	Lincoln Financial Group 457	9,064.60
05/20/2016	Lincoln Financial Group 457 Roth	250.00
05/20/2016	Lincoln Financial Group-401a Plan	3,460.80
05/20/2016	Lincoln Financial Group-401a Plan	3,510.95
05/20/2016	CALPERS Retirement	13,004.48
05/20/2016	CALPERS Retirement Funding	12,232.00
05/20/2016	CalPERS Health	29,635.07
05/20/2016	Local Union 315	424.00
05/20/2016	Operating Engineers Trust	487.90
05/20/2016	Delta Dental	2,524.25
		<u>223,402.11</u>

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Consent Calendar: Temporary Discharge Permit- NMWD Groundwater, 1 Frosty Lane	MEETING DATE: May 23, 2016 AGENDA ITEM NO.: 5.c.
RECOMMENDED ACTION: Approve an application from North Marin Water District (NMWD) and authorize the General Manager-Chief Engineer to issue a one-time, temporary, Class I non-domestic discharge permit for discharge of groundwater.	
SUMMARY AND DISCUSSION: <p>The District received a permit application from NMWD on May 11, 2016, for a temporary, Class I non-domestic discharge permit. NMWD will be installing a new meter and appurtenances located in a vault to be constructed as part of the project on Frosty Lane. Associated excavation groundwater will pass through a particulate filter to capture any potential sediment prior to discharge to the District's collection system.</p> <p>The reason NMWD would like to discharge to the District's system is due to the limited drainage features of the site. There is no drainage network in close proximity to the project to drain to, while the District's collection system is adjacent to the Project site.</p> <p>Therefore, staff recommends that the Board approve the application and authorize the General Manager–Chief Engineer to issue a one-time, temporary Class I non-domestic discharge permit to PG&E which includes the following conditions:</p> <ol style="list-style-type: none"> 1. The total discharge is estimated at 150,000 gallons. 2. The daily discharge shall not exceed a 12-hour period (7 a.m. to 7 p.m.), 3. The discharger shall not exceed a maximum discharge rate of 50 gpm, and 4. All groundwater shall pass through a particulate filter prior to discharge to the sanitary sewer. 	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 3 (Alignment and Communications) of the latest Strategic Plan Update.	
BUDGET INFORMATION: Permit, monitoring, and discharge fees will offset the cost of preparing the permit and monitoring the discharge.	
DEPT. MGR.: eb	GENERAL MANAGER: SSK

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Annual Budget: Lateral Grant Program Update.	MEETING DATE: May 23, 2016 AGENDA ITEM NO.: 6.a.
RECOMMENDED ACTION: Receive update on Sewer Lateral Grant Program - Information only.	
SUMMARY AND DISCUSSION: <p>The District has implemented a sewer lateral grant program since fiscal year FY2010-11. The program provides one half of the lateral repair/replacement cost to a maximum of \$1,500 in the form of a grant to a private property owner for testing and repair/replacement of their sewer lateral. During this period, the total amount budgeted for this program has stayed constant at \$50,000 per year. The program has had some success in that 83 grants have been made in the last 6 years, with a total of \$123,271 expended.</p> <p>Staff expects that the program would be more successful if the grant amounts were increased. Accordingly, the preliminary 5-year Capital Improvement budget includes provisions for incrementally increasing grant amounts to \$2,000 in FY16-17, \$2,500 in FY17-18, \$3,000 in FY18-19, \$3,500 in FY19-20, and \$4,000 in FY20-21. The corresponding total amounts budgeted are \$60,000 in FY16-17, \$75,000 in FY17-18, \$120,000 in FY18-19, \$140,000 in FY19-20, and \$160,000 in FY20-21. The FY16-17 and FY17-18 amounts are included in the preliminary FY2016-18 budget.</p>	
STRATEGIC PLAN INFORMATION: This item addresses Goal 1 (Operational Excellence) and Goal 3 (Alignment and Communications) of the latest Strategic Plan Update.	
DEPT. MGR.: EB	GENERAL MANAGER: SSK

NOVATO SANITARY DISTRICT BOARD AGENDA ITEM SUMMARY

TITLE: Annual Budget: Preliminary Capital Improvement Program (CIP) Work Plan.

MEETING DATE: May 23, 2016
AGENDA ITEM NO.: 6.b.

RECOMMENDED ACTION: Receive Fiscal Year (FY)16-18 Preliminary Capital Improvements Program (CIP) Budget - Summary of Anticipated Project Work.

SUMMARY AND DISCUSSION:

The District annually prepares a Capital Improvements Program (CIP) budget based on an anticipated level of project work. This anticipated project work is summarized in a memorandum from staff to the Board. The memorandum functions as a roadmap for the capital work, and as a tool to inform capital spending needs for the upcoming budget year. The FY16-17 CIP budget – Summary of Anticipated Project Work is attached.

STRATEGIC PLAN INFORMATION: This item addresses Goal 2 (Build Facilities that are Reliable, Environmental, and Efficient) of the latest Strategic Plan Update.

DEPT. MGR.: eb, srk

GENERAL MANAGER: SSK

Novato Sanitary District

MEMORANDUM

TO: District Board of Directors

FROM: Sandeep Karkal, General Manager-Chief Engineer
Steve Krautheim, Field Services Manager
Erik Brown, Technical Services Manager

DATE: May 23, 2016

SUBJECT: FY16-18 Preliminary Capital Improvement 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 FY16-18.

A copy of the projected two-year FY16-18 CIP Expenditures is included as Table 1. Note that in prior years, the District has prepared Preliminary CIP Expenditure Projections for a five-year period covering the FY2011-16 timeframe to help track CIP disbursements funded through the 2011 Certificates of Participation (COPs). With the completion of the drawdown of available funds from the 2011 COPs in FY15-16, the need for maintaining the five-year projection for the 2011-16 period also ends, and CIP expenditure projections revert back to the District's standard two-year format. Accordingly, Table 1 provides preliminary information for proposed CIP expenditures for FY16-17 and FY17-18.

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 pump stations. The lift stations that remain to be rehabilitated include the two Vintage Oaks Pump Stations and the Rowland Plaza Pump Station. The rehabilitation schedule for these pump stations will be impacted by potential development in the Hanna Ranch and Vintage Oaks area, and work is being deferred until the development plans for the area become clearer.

Therefore, construction work is not anticipated during FY16-17. However further design work on the remaining pump stations may be initiated depending on how development plans for these areas evolve, and a placeholder amount is included in the account to initiate any needed design work.

Account No. 72508: North Bay Water Reuse Authority

The District is a member agency of the North Bay Water Reuse Authority (NBWRA). FY16-17 will be the third year of a 3-year Phase 2 Feasibility Study for over \$136 million in recycled water projects across all NBWRA agencies.

In the scoping study leading into the Phase 2 feasibility work, the District had identified three projects with a total estimated cost of about \$36 million. While some of these projects have been substantially refined as part of the feasibility study, the overall NBWRA “project list” has not yet been finalized.

It is anticipated that the final project list will be published and adopted by the NBWRA Board in FY16-17. Until that time, the initial NBWRA cost estimate of about \$5 million over the three years from FY14-15 through FY16-17 is still valid. Under this scenario, the District’s corresponding share is estimated at \$1.14 million over these three years under a pre-determined formula. It is anticipated that up to \$430,000 of these costs would be recovered under a grant from the US Bureau of Reclamation (USBR) Title XVI program. Any “truing up” process at the end of the Phase 2 Feasibility Study phase will likely result in changes to the estimated costs, and the District may be the beneficiary of lower overall costs from the program.

Also, if the projects move out into the design and construction phases, it is anticipated that further grant funding from USBR could pay for up to 50% of design and construction costs for recycled water storage projects, and up to 25% of other recycled water projects (tertiary treatment, pipelines, pumping, etc.). The District would be required to come up with its share (local share) of the project costs, i.e. 50% of design and construction costs for storage projects and 75% of the design and construction costs for additional tertiary treatment facilities, etc.

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 contract closeout of the project work for rehabilitation of 900 feet of the Hamilton Trunk Sewer, and the rehabilitation of 170 feet of sewer main on Reichert Court.

An allowance is also made for the rehabilitation of 915 feet of the 18” Bel Marin Keys Trunk Sewer at the Ignacio Transfer Pump Station, and for initiating work associated with a new Collection System Master Plan for the District.

Account No. 72706-1: Lateral Replacement Program

This account was established as a grant program to incentivize homeowners, and assist them financially to replace the entire sewer lateral between their residence and the sewer main, as a long term approach to reducing infiltration and inflow from laterals into the District’s collection system.

Currently, the program pays half of the replacement cost up to \$1,500 for replacing a residential sewer lateral in the District's service area. For FY16-17, the District's share will increase to \$2,000 and will increase each fiscal year in increments of \$500 until the amount reaches \$4,000 in FY2020-21. The goal of the increased District share is to increase the number of participants in the program as well as more closely match the current costs of lateral replacement.

Account No. 72707: Hamilton Wetlands/Outfall

The project work for FY16-17 in this account includes continuing work on a joint study funded 50-50 by the District and the California State Coastal Conservancy (SCC) to examine alternatives for long term integration of the District's outfall into the SCC's Hamilton Wetlands project.

The project work also provides for further study to utilize the District's effluent as a reliable, long term fresh water source to establish and maintain a brackish marsh habitat at the Wetlands project, including identifying and resolving water quality related regulatory issues identified during the study process.

Account No. 72708: Cogeneration

This account was established for preliminary work to explore strategies and potential projects to utilize the digester gas produced in the anaerobic digestion process to produce power and offset the District's utility power purchases.

Budgeted FY16-17 funds include an allowance to: initiate discussions with other entities for potential partnering in the areas of cogeneration and alternative energy production services; research potential funding sources; and develop preliminary level design documents should a viable alternative(s) be identified.

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 through 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, when 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).

The repair list is generated by collection system staff during routine maintenance activities including sewer cleaning and CCTV work, and tracked and prioritized by the Field Services Manager in conjunction with the Collection System Superintendent, Technical Services 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” in diameter, parcel rehabilitation work, and other miscellaneous repairs.

Account No. 72805: Annual Treatment Plant Improvements

This budget account was established to fund small projects to repair District treatment related facilities at the Novato Treatment Plant.

This account is anticipated to fund minor mechanical & electrical work, water line repairs, pavement repairs, painting, and any other small repairs or improvements.

Account No. 72805: 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.

This 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.

Account No. 72808: Strategic Plan Update:

This account is established to fund potential updates to the District’s Strategic Plan document, at the Board’s discretion. The original Strategic Plan document was prepared in 2012 and most recently updated in FY2015-16.

Account No. 72809: Novato Creek Watershed

This account and its budget was 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 of these agencies have facilities that are prone to flood damage. The budgeted amounts are a minimal amount and anticipated to meet the District’s commitments to on-going studies through FY17-18. Future work (FY18-19 and beyond) 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 Building.

Demolition of the abandoned Aeration Basins and ancillary equipment from the “old” Novato treatment plant was completed in FY 15-16.

Budgeted FY16-17 funds include paving of the demolition site and installing utilities to service a temporary modular maintenance building. Additional work includes converting the old Blower Building into a small maintenance shop.

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. The Account includes an allowance for installation of a new Sodium Hypochlorite tank and drip system at the Ignacio Transfer Pump Station to aid in controlling odors.

Account No. 73005: RWF Expansion

This account will fund the design and construction of an incremental capacity expansion to the existing Recycled Water Facility (RWF) at the Novato Treatment Plant site. The expansion is necessitated by the planned expansion by the North Marin Water District (NMWD) of its Central Area Project which will push NMWD’s recycled water distribution pipelines into the Central Novato/Ignacio geographic areas. The budgeted amounts do not include any potential grants that may be received through State Proposition 84 (IRWM) or Proposition 1 (Water Bond) funds, or through the US Bureau of Reclamation Title XVI (WaterSMART) program.

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 budgeted funds for FY16-17 will be focused on addressing corrosion issues at the Primary Clarifier No. 1 mechanism and developing bid documents for addressing corrosion at the ultraviolet disinfection channels, or at the headworks channels/effluent box. Design work for the coating of Primary Clarifier No. 1 mechanism began in FY 15-16 and the physical coating work is anticipated to take place in FY 16-17.

Account No. 73090: Vehicle Replacement

This account includes a budget amount for the replacement of a light truck, passenger hybrid vehicle and a hydro-flusher truck in FY16-17. Replacement of an additional light truck is anticipated in FY 17-18.

Novato Sanitary District

Table 1 - 2016-2018 Preliminary Budget

Capital Improvement Budget - CIP Expenditures

Capital Improvements				Projected	Preliminary	Proposed	Preliminary
Cost Centers - 72000 & 73000			Expenditures	Exp	budget	Budget	Budget
	Budget 14/15	Budget 15/16	thru March 2016	2015-16	2016-17	2016-17	2017-18
					(from FY15-16 budget)	(As of May 2016)	(As of May 2016)
72110 · Drainage PS 3&7 Outfall Rehab	265,000	5,000	0	0	0	0	0
72403 · Pump Station Rehabilitation	1,082,185	50,000	13,152	13,152	50,000	50,000	250,000
72508 · North Bay Water Reuse Authority (NBWRA)	355,000	403,000	247,162	247,162	440,000	440,000	100,000
72611 · Bayside Sewer	45,000	0	0	0	0	0	0
72706 · Collection System Improvments	1,600,000	1,050,000	646,119	850,000	900,000	1,050,000	1,700,000
72706-1 · Lateral Replacement Program	50,000	50,000	19,500	25,000	50,000	60,000	75,000
72707 · Hamilton Wetlands/Outfall Integration	36,542	22,500	0	0	0	10,000	10,000
72708 · Cogeneration	40,000	20,000	0	7,000	20,000	45,000	20,000
72802 · Annual Sewer Adj. for City Proj	10,000	10,000	0	10,000	10,000	10,000	10,000
72803 · Annual Collection Sys Repairs	200,000	200,000	97,426	200,000	200,000	200,000	200,000
72804 · Annual Reclamation Fac Improvements	150,000	100,000	57,824	75,000	100,000	100,000	100,000
72805 · Annual Treatment Plant Improvements	200,000	300,000	228,617	250,000	100,000	100,000	100,000
72806 · Annual Pump Station Improvements	0	0	0	0	100,000	100,000	100,000
72808 · Strategic Plan Update	0	10,000	14,264	14,264	10,000	20,000	20,000
72809 · Novato Creek Watershed	50,000	15,000	0	0	0	10,000	10,000
73001 · WWTP Upgrade - Contract C (Solids handling)	461,396	10,000	9,670	10,000	0	0	0
73002 · WWTP Up-Contract D-Recycled Water	10,000	0	0	0	0	0	0
73003 · Admin Building Upgrade/Maint. Building	1,000,000	740,000	514,646	545,000	1,120,000	350,000	50,000
73004 · Odor Control and NTP Landscaping	0	50,000	5,790	13,000	50,000	75,000	50,000
73005 · RWF Expansion(1)	0	150,000	0	25,000	1,200,000	1,300,000	20,000
73006 · NTP Corrosion Control	0	150,000	0	30,000	75,000	180,000	150,000
73090 · Vehicle Replacement	180,000	25,000	0	0	25,000	425,000	25,000
Subtotal before Debt Service	5,735,123	3,360,500	1,854,170	2,314,578	4,450,000	4,525,000	2,990,000
78500 · Principal & Interest - SRF Loan	5,378,956	5,378,956	5,378,956	5,378,956	5,378,957	5,378,957	5,378,956
78500 · Principal & Interest - COP Bond	1,691,798	1,696,148	1,696,148	1,696,148	1,680,748	1,680,748	1,664,548
Subtotal for Debt Service	7,070,754	7,075,104	7,075,104	7,075,104	7,059,705	7,059,705	7,043,504
Totals	12,805,877	10,435,604	8,929,274	9,389,682	11,509,705	11,584,705	10,033,504

Comments: (1)Does not include any grant funds received thru' CA Prop. 84, CA Prop1 (Water Bond), or USBR Title XVI



Preliminary Budget
FOR
FISCAL YEARS 2016-18

Proposed May 23, 2016

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SECTION I

***LETTER OF TRANSMITTAL AND SUMMARY OF FUND
BALANCES***

May 23, 2016

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

Honorable Board Members:

The proposed Preliminary District Budget for fiscal years (FY) 2016-17 and 2017-18 fiscal years is attached for your consideration and approval. The Preliminary Budget includes the following components:

- Summary of the Operating and Capital Improvement Funds, and Summary of Fund Balances (Section I).
- Operating Budget: Summary Revenues/Expenditures, and Summary Budget by Cost Center and Account Category (Section II).
- Detailed Operating Budget by Cost Center and Account Category (Section III).
- Capital Improvement Budget: Revenue and Expenditures Budget (Section IV)
- FY16-17 Wastewater Capital Reserve Fund and Certificates of Participation Reserve Fund (Section V)
- FY16-17 Debt Service Fund Summary for State Revolving Fund (SRF) Loan and Certificates of Participation (COP) Bond Fund (Section VI).

As you know, the District is currently proposing a maximum sewer service charge (SSC) rate increase averaging 3.5% over the next five years through FY2020-21. Proposition 218 mandated notices were mailed in April 2016 to property owners notifying them of the proposed rate increases. The Board will be considering adoption of the proposed increases at its June 13, 2016 Board meeting. If the proposed charges are adopted, the District's annual sewer service charges will increase from \$552 to \$573 per service unit, or Equivalent Dwelling Unit (EDU), in FY16-17, and to \$594 per EDU in FY17-18.

For purposes of generating this Preliminary Budget, it is assumed that the proposed sewer charges will be adopted. If the rate increases are not adopted, a revised budget will be necessary. Also, as in prior years, the sewer service charge is divided in FY16-17., with \$314 (55%) allocated to the Operating Budget, and \$259 (45%) allocated to the Capital Budget.

A. BUDGET STRUCTURE

The District's budget is prepared on a cash basis. Operating and Capital Revenues and Expenditures are summarized in Table 1 and illustrated in Figure 1 at the end of this letter. Table 1 also compares the immediate past year with the proposed budget. Total revenues are projected to increase slightly if the proposed sewer service charge increase discussed above is adopted. Anticipated variances between the two budget years are also provided later in this letter.

	FY 15/16 Adopted Budget	FY 16/17 Proposed Budget	% Change FY 16 to FY 17
Operating Revenues	\$ 10,006,483	\$ 10,105,402	0.99%
Capital Revenues	9,901,040	10,015,352	1.15%
Total Revenues	\$ 19,907,523	\$ 20,120,754	1.07%
Operating Expenditures	9,763,464	9,992,696	2.35%
CIP Expenditures	3,360,500	4,525,000	34.65%
Debt Service	7,075,104	7,059,705	-0.22%
Total Expenditures	\$ 20,199,068	\$ 21,577,401	6.82%

B. FISCAL YEAR 2016-17 OPERATING BUDGET DETAILS

Operating Revenues

The proposed FY 2016-17 Operating Budget by revenue source is shown in Table 2 below (and graphically in Figure 2), along with the figures for the past two fiscal years. Total operating revenues are expected to increase by 0.99% or \$98,919 from FY 2015-16.

Funding Sources by Category	FY 14-15 Adopted Budget	FY 15-16 Adopted Budget	FY 16-17 Proposed Budget	% Change FY 16 to FY 17
Operating Sewer Service Charges	\$ 8,776,815	\$ 9,121,520	\$ 9,208,992	0.96%
Permit & Inspection fees	31,500	31,500	31,500	0.00%
Interest Income	15,000	18,000	20,000	11.11%
Engineering/Admin Chgs	165,000	165,000	165,000	0.00%
Franchise Fees	49,768	50,962	52,186	2.40%
AB 939 Collector Fees	297,586	342,621	350,844	2.40%
Oil and Beverage Grant	50,187	59,880	59,880	0.00%
Ranch Income	70,000	70,000	70,000	0.00%
Recycled Water Revenue	116,000	117,000	117,000	0.00%
Other Revenue	30,000	30,000	30,000	0.00%
Total Operating Revenue	\$9,601,856	\$10,006,483	\$10,105,402	0.99%

Operating Sewer Service Charges (SSCs) expected increase of \$86,672 or 0.96% primarily from the proposed 3.8% rate increase recommended by the current sewer service charge rate study.

Interest Income expected increase of \$2,000 or 11.11% from potential increase in interest rates.

AB 939 Collector Fees expected to increase by \$8,223 or 2.40% due to the current projection for the HHW Cost center revenue.

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

Operating Expenditures

A summary of proposed and past two fiscal years Operating Expenditures is shown in Table 3. The proposed FY16-17 Operating Expenditures are also shown graphically in Figure 3 (by expense type) and Figure 4 (by department or cost center), at the end of this letter. Operating expenditures are budgeted to increase by 2.35% or \$229,232 between FY2015-16 and FY2016-17. In terms of staffing, note that FY15-16 expenditures for Salaries and Benefits within individual cost centers are skewed by one-time “savings” from vacant positions. These positions will be filled methodically and thoughtfully through this budget period.

Table 3: Operating Budget Expenditures 3-year Summary:

Expenditures by Department	FY 14-15	FY 15-16	FY 16-17	% Change
	Adopted Budget	Adopted Budget	Proposed Budget	FY 16 to FY 17
Collections	\$ 1,389,859	\$ 1,386,100	\$ 1,390,906	0.35%
Treatment	2,827,499	3,018,331	3,076,191	1.92%
Reclamation	484,649	487,029	522,409	7.26%
Laboratory	593,829	601,633	648,636	7.81%
Pump Stations	807,072	814,633	854,044	4.84%
Administration/Engineering	2,818,610	2,936,237	2,967,723	1.07%
Hazardous Household Waste	368,698	402,501	415,787	3.30%
Recycled Water	116,000	117,000	117,000	0.00%
Total Expenditures	\$ 9,406,216	\$ 9,763,464	\$ 9,992,696	2.35%

Table 4 summarizes the main anticipated operating budget variances.

Table 4: Operating Budget Significant Budget Variances 2015-16 to 2016-17

Anticipated Budget Variances – Year-over-year, FY 15-16 to FY 16-17	Budget Impact
1. 4.8% increase in Salaries & Wages (Merit based & COLA increases).	\$ 104,026
2. 9.4% increase in employee benefits category.	\$ 82,319
3. 116.3% increase for new software in the Collections System cost center.	\$ 50,000
4. 12.1% increase for the District's Repairs & Maintenance expenses.	\$ 39,500
5. 10.7% increase for Research and Monitoring fees in the Lab cost center.	\$ 19,000
6. 11.6% increase in liability insurance premium.	\$ 17,000
7. 25.0% increase in insurance claims.	\$ 10,000
8. 44.4% decrease in attorney fees in the Admin & Eng. Cost center.	\$ (40,000)
9. 18.3% decrease for Outside services in the Collections cost center.	\$ (47,000)
10. 100% decrease in District election expenses.	\$ (50,000)
11. 19.3% decrease in outside consulting in the Admin & Eng. Cost center.	\$ (52,000)

C. FISCAL YEAR 2015-16 CAPITAL BUDGET DETAILS

Capital Revenues

The proposed FY2016-17 Capital Budget by Revenue source is shown in Table 5 below along with the figures for the past two fiscal years. Percentage changes in actual property tax revenue for the last ten years is illustrated in Figure

5. Total capital revenues for FY16-17 are expected to increase by 1.15% or \$114,312 from FY 2015-16. Notable items include:

Capital SSC Revenues - projected increase of \$160,912 or 2.16% primarily from the 3.8% rate increase recommended by the current sewer service charge rate study.

Property Taxes - projected increase of 2.0% from greater activity in the housing market over the past few years. For comparative purposes, Figure 5 (attached to this letter) depicts property tax-related revenues for the last ten years.

Connection Fees – projected to decrease \$84,000 or 16.14% assuming about 40 new connections per year (reduced from 50 new connections per year by the recent rate study).

Collector/Special Equalization Charges – projected to decrease \$4,000 or 66.67%, consistent with historical trends for connections in built-out areas.

Interest Income – projected increase of \$3,000 or 13.64% due to the slowly rising interest rate.

Funding Sources by Category	FY 14-15	FY 15-16	FY 16-17	% Change
	Adopted Budget	Adopted Budget	Proposed Budget	FY 16 to FY 17
Capital Sewer Service Charges	\$ 7,183,200	\$ 7,435,040	\$ 7,595,952	2.16%
Property Taxes	1,750,000	1,900,000	1,938,000	2.00%
Connection Charges	493,500	518,000	434,400	-16.14%
Collector/Special Equalization Chgs	6,000	6,000	2,000	-66.67%
Interest Income	30,000	22,000	25,000	13.64%
Other Revenue	20,000	20,000	20,000	0.00%
Total Capital Revenues:	\$9,482,700	\$9,901,040	\$10,015,352	1.15%

Capital Expenditures

The proposed Capital Improvement Program (CIP) Budget for FY16-17 is \$11,584,705 or \$1,149,101 more or an increase of 11.0% over last year. Capital projects for 2016-17 will be funded through sewer service charges, property taxes, and connection fees. Notable items include:

On-going major capital project work, including Collection System Improvements and the expansion of the Recycled Water Facility (RWF).

Continuing work on regional efforts including North Bay Water Reuse Authority (NBWRA), Novato Creek Watershed, and the Hamilton Wetlands/Outfall study.

Debt service of \$7,059,705 including principal and interest payments on the District’s State Revolving Fund (SRF) loan and the 2011 Certificates of Participation (COPs).

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

Capital Expenditures	FY 14-15 Adopted Budget	FY 15-16 Adopted Budget	FY 16-17 Proposed Budget	% Change FY 16 to FY 17
Capital Projects	\$5,735,123	\$3,360,500	\$4,525,000	34.65%
Debt Service	7,070,754	7,075,104	7,059,705	-0.2%
Total	\$12,805,877	\$10,435,604	\$11,584,705	11.0%

Debt Coverage Ratio

In the 2011 Certificates of Participation(COP) Installment Sale Agreement, the District agreed to collect rates and charges during each fiscal year that are 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 a debt coverage ratio of 1.20. The projected Debt Coverage Ratio for FY2016-17 is 1.44.

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

The following table compares the District's rate with those of other nearby sanitation agencies. For illustrative purposes, see Figure 6 (following this letter) 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.

AGENCY	RATE (\$/yr.)
Sanitary District No. 5 – Belvedere	1,985 ^(a)
Sausalito-Marin City Sanitary District ⁽¹⁾	1,340 ^(b)
Sanitary District No. 5 - Tiburon	1,034 ^(a)
Sanitary District No. 1 – City of Larkspur	1,067 ^(b)
Tamalpais Community Services District	1,111 ^(a)
City of Santa Rosa	948 ^(b)
Las Gallinas Valley Sanitary District	837 ^(b)
Ross Valley Sanitary District (SD #1)	797 ^(b)
City of Mill Valley	685 ^(a)
NOVATO SANITARY DISTRICT	573 ^(b)
Napa Sanitation District	555 ^(b)
Vallejo Sanitation & Flood Control District	520 ^(a)
Town of Corte Madera	500 ^(b)

Notes: ⁽¹⁾ Includes SMCS D charge of \$817 and City of Sausalito charge of \$492.
^(a)FY2015-16 charges; ^(b)FY2016-17 (proposed or adopted)

In conclusion, the proposed FY2016-17 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
 General Manager-Chief Engineer

Additional Charts for Informational Purposes:

Figure 1:

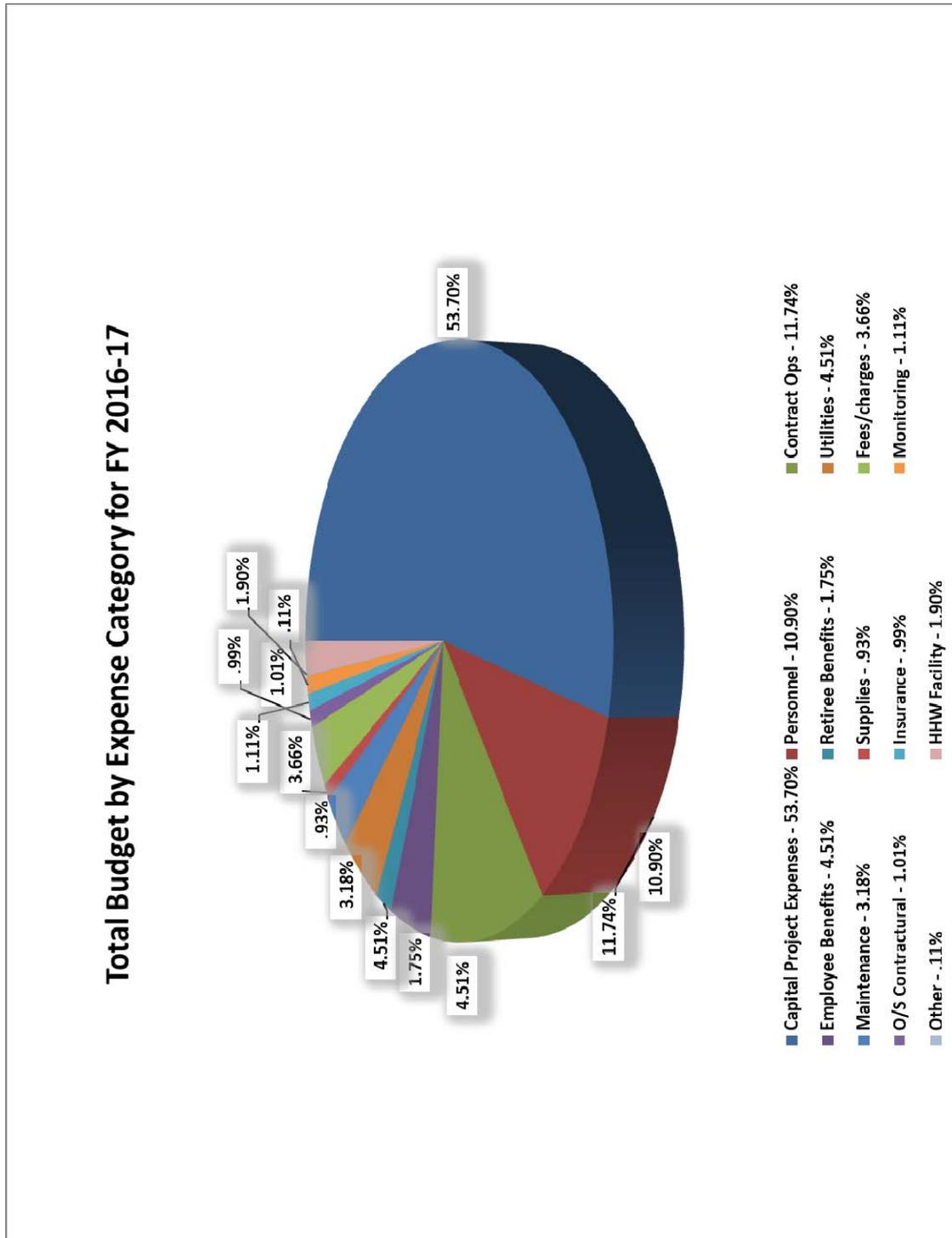


Figure 2:

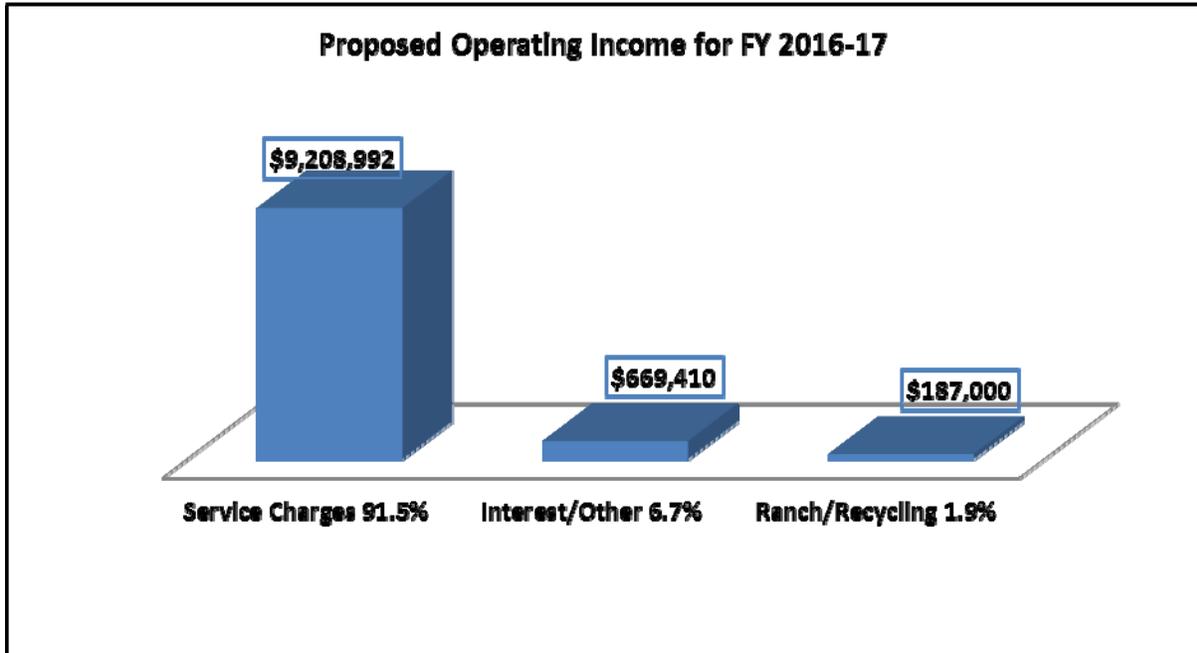


Figure 3:

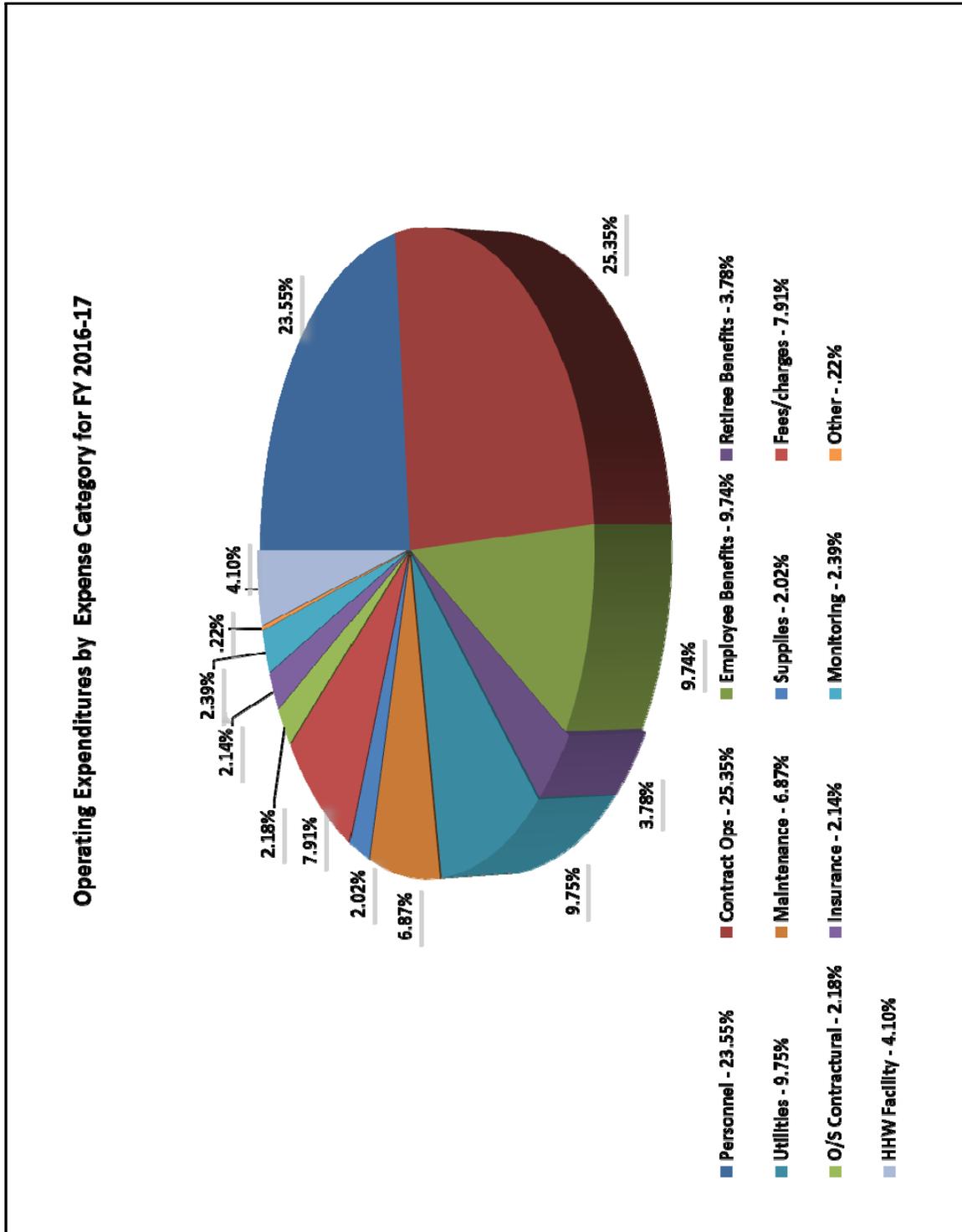


Figure 4:

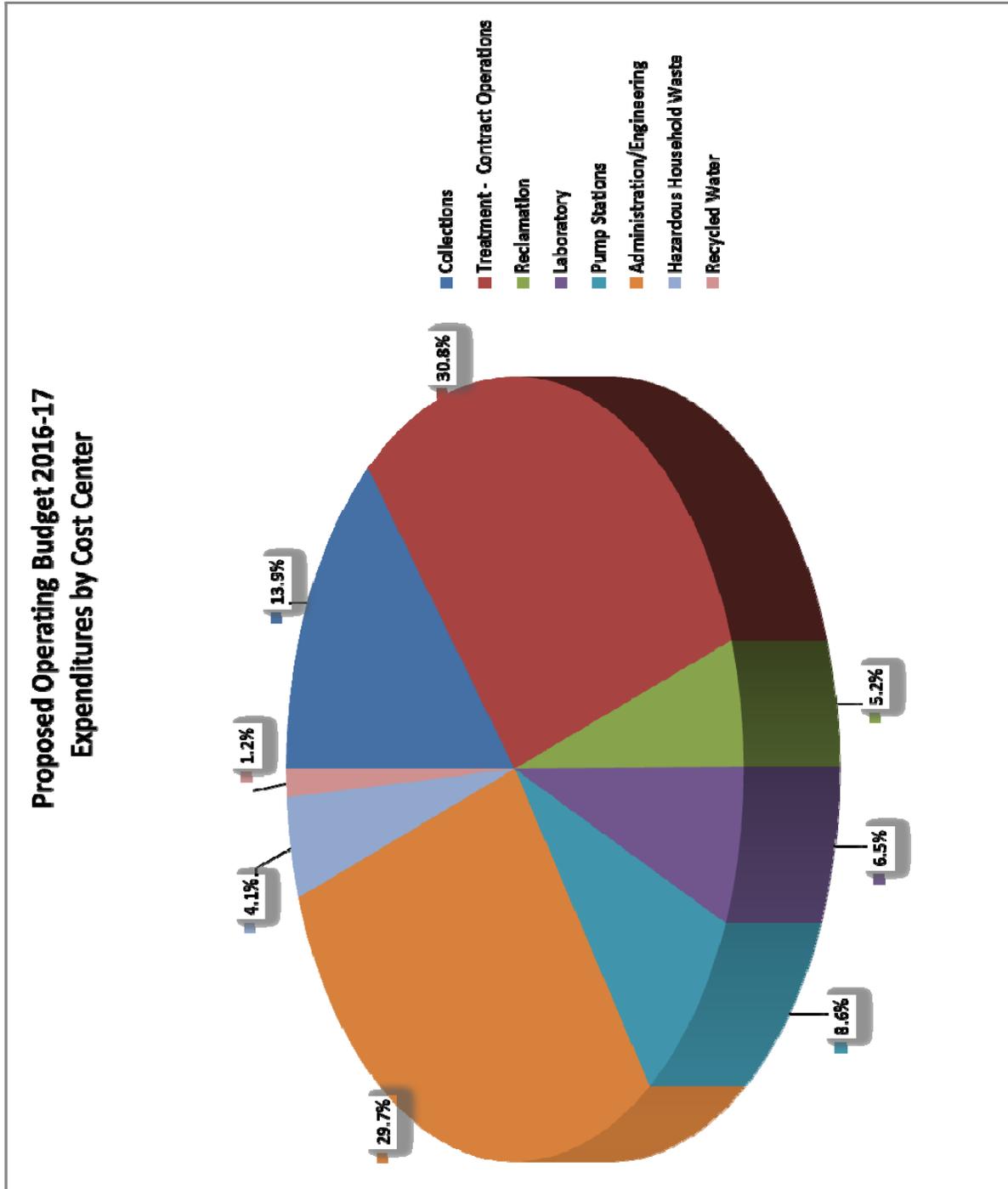
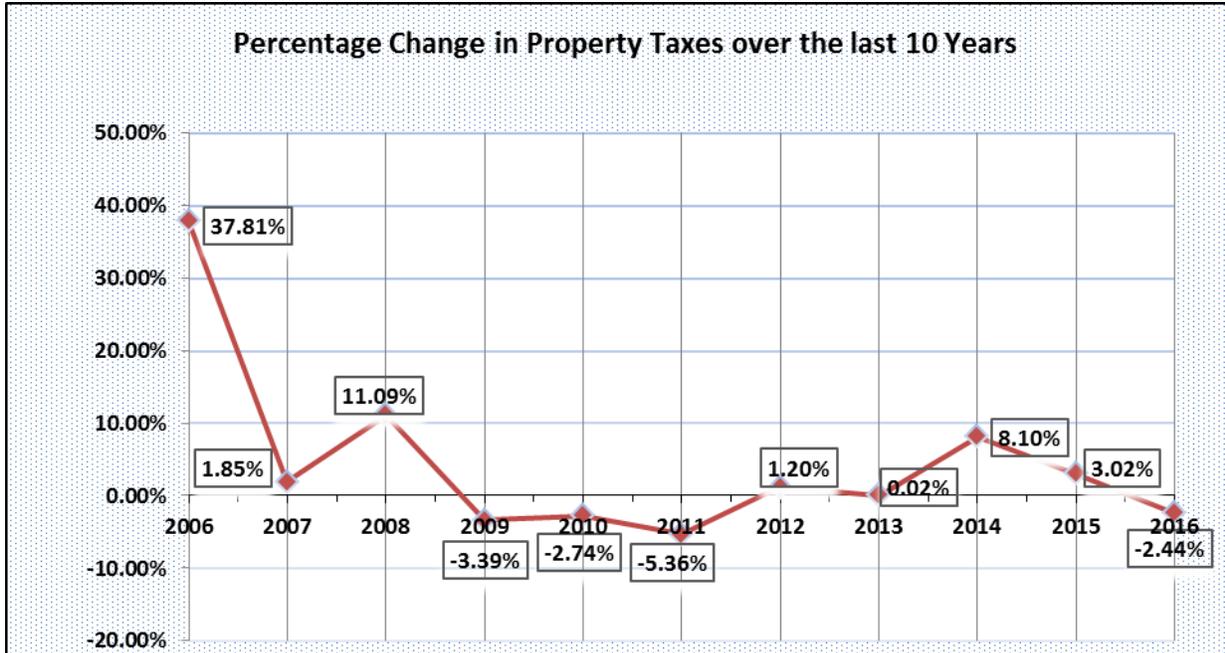
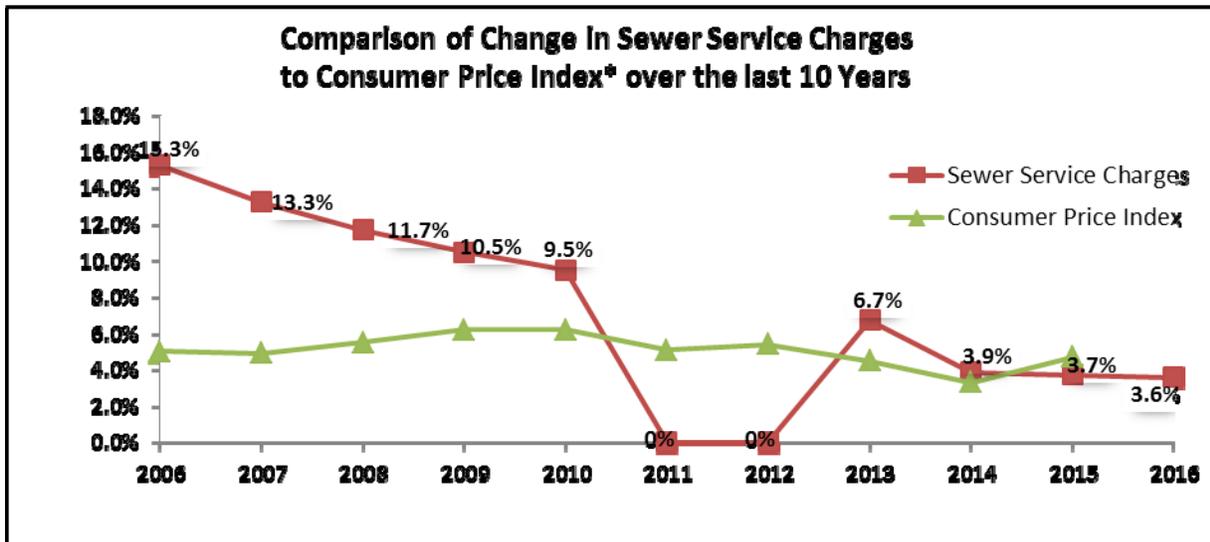


Figure 5:



Note: Based on actual revenues received and not adopted budget values.

Figure 6:



*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
2016-18 Preliminary Budget
Summary of Operating Fund
And Capital Improvement Fund Balances**

	Adopted Budget 15/16	Projected Rev/Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Operating Fund at July 1st Beginning of Each Year	10,635,267	10,641,247	11,639,919	11,752,625
Operating Revenue (p. 2)	10,006,483	9,861,583	10,105,402	10,415,315
Operating Expenditures (p. 3)	9,763,464	8,862,911	9,992,696	10,364,248
Net Operating Revenue	243,019	998,672	112,706	51,067
Operating Fund at the End of Each Year	10,878,286	11,639,919	11,752,625	11,803,692
Capital Improvement Fund at July 1st Beginning of Each Year	6,047,581	6,047,580	6,142,898	4,573,545
Capital Revenue (p. 15)	9,901,040	9,485,000	10,015,352	10,397,720
Total Capital Revenues	9,901,040	9,485,000	10,015,352	10,397,720
Capital Expenditures (p. 16)	3,360,500	2,314,578	4,525,000	2,990,000
Debt Service (p. 19)	7,075,104	7,075,104	7,059,705	7,043,504
Total Capital Expenditures	10,435,604	9,389,682	11,584,705	10,033,504
Capital Improvement Fund Balance at the End of Each Year	5,513,017	6,142,898	4,573,545	4,937,761
	Reserved	1,693,343	1,693,470	1,693,620
	Unreserved	14,697,960	16,089,347	15,047,683
Operating and Capital Improvement Fund Balances at The End of Each Year	16,391,303	17,782,817	16,326,170	16,741,453

SECTION II

OPERATING BUDGET SUMMARY SCHEDULES

**Novato Sanitary District
2016-18 Preliminary Operating Budget
Revenue Summary**

Operating Fund Revenue Center - 41000	Adopted Budget 14-15	Adopted Budget 15-16	Projected Revenues 2015-16	Projected Budget 2016-17	Preliminary Budget 2017-18
Accounts					
41010 · Sewer Service Charges (1)	8,776,815	9,121,520	9,000,000	9,208,992	9,515,232
41030 · Plan Check & Inspection Fee	500	500	500	500	500
41040 · Permit & Inspection Fee	6,000	6,000	7,500	6,000	6,000
41060 · Interest Income	15,000	18,000	20,000	20,000	20,000
41080 · Engineering & Admin Charges	165,000	165,000	165,000	165,000	165,000
41090 · Non-domestic Permit Fees (2)	25,000	25,000	30,000	25,000	25,000
41100 · Garbage Franchise Fees	49,768	50,962	50,962	52,186	53,438
41105 · AB 939 Collector Fees	297,586	342,621	342,621	350,844	359,264
41107 · Oil/Bev/Tire Grants (3)	50,187	59,880	60,000	59,880	59,880
41130 · Ranch Income	70,000	70,000	70,000	70,000	70,000
41135 · Recycled Water Revenue	116,000	117,000	75,000	117,000	111,000
41140 · Other Revenue (4)	20,000	20,000	20,000	20,000	20,000
41142 · Loss on disposal of assets	10,000	10,000	20,000	10,000	10,000
Totals	9,601,856	10,006,483	9,861,583	10,105,402	10,415,315

Comments:

- (1) Sewer Service Charge (SSC) revenue is based on a proposed FY16-17 SSC charge of \$573 per EDU and actual revenue received in prior year. The Sewer Service Charges allocations are as follows:
- For FY2016-17, the proposed charge of \$573 per EDU is split between operations (\$314) and capital (\$259), based on an estimate of 29,328 EDUs, which is a decrease from the FY15-16 estimate of 30,005 EDUs.
 - For FY2017-18, the proposed charge of \$594 per EDU is split between operations (\$324) and capital (\$270), based on an estimate of 29,368 EDUs.
- (2) Includes application fees, permits and monitoring charges.
- (3) Oil/Bev/Tire Grants \$28,896/ JPA Reimb Fees \$30,984.
- (4) Other revenue includes septic tank hauling fees, and miscellaneous revenue.

APPROPRIATIONS LIMIT

The appropriations limitation, pursuant to Article XIII B of the California Constitution, will be determined prior to submission of the final budget in August.

**Novato Sanitary District
2016-18 Preliminary Budget
Operating Budget - Summary of Expenditures**

Operating Cost Center	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Collections	1,389,859	1,386,100	1,140,776	1,390,906	1,408,137
Treatment - Contract Operations	2,827,499	3,018,331	2,920,141	3,076,191	3,200,472
Reclamation	484,649	487,029	355,989	522,409	532,118
Laboratory	593,829	601,633	599,133	648,636	648,520
Pump Stations	807,072	814,633	645,208	854,044	891,327
Administration/Engineering	2,818,610	2,936,237	2,738,212	2,967,723	3,144,017
Hazardous Household Waste	368,698	402,501	363,581	415,787	419,157
Recycled Water	116,000	117,000	99,870	117,000	120,500
	9,406,216	9,763,464	8,862,911	9,992,696	10,364,248

Novato Sanitary District 2016-17 Preliminary Operating Budget Operating Budget Detail by Account Category													Over/ Under PY	% Over/ Under PY
	Treatment Facilities	Recd	L-M	Pump Stations	Collection System	A-E	HHW Program	Recycled Water	Total	As Percent of Budget	Over/ Under PY	% Over/ Under PY		
Salaries and Wages		92,151		344,502	627,152	1,190,391			2,254,198	22.56%	104,026	4.84%		
Contract Services (Operations & Lab)	2,113,278		368,136					50,000	2,531,414	25.33%	65,081	2.64%		
Employee Benefits		37,257		154,542	285,254	465,834			962,887	9.64%	82,319	9.35%		
Retiree Health Benefits						377,348			377,348	3.78%	2,088	0.56%		
Directors' Fees						38,000			38,000	0.38%	(5,000)	-11.63%		
Election Expense						0			-	0%	(50,000)	100.00%		
Gasoline, Oil & Fuel		4,000	2,500	6,000	28,000	10,000			50,500	0.51%	500	1.00%		
Insurance	14,000					150,000			164,000	1.64%	17,000	11.56%		
Ins Claims Expense						50,000			50,000	0.50%	10,000	25.00%		
Agency Dues						62,000			62,000	0.62%	7,000	12.73%		
Memberships						10,000			10,000	0.10%	1,000	11.11%		
Office Expense						27,000			27,000	0.27%	2,000	8.00%		
Safety		500	1,000	2,000	3,500	2,000			9,000	0.09%	(3,500)	-28.00%		
Software Maint		2,000	4,000	12,000	75,000				93,000	0.93%	50,000	116.28%		
Operating Supplies		2,000	20,000	10,000	30,000	10,000		2,000	74,000	0.74%	2,000	2.78%		
Operating Chemicals				15,000				26,000	41,000	0.41%	-	0.00%		
Sludge Disposal-Contractual									190,000	1.90%	(20,000)	-9.52%		
Accounting & Auditing									27,000	0.27%	3,000	12.50%		
Attorney									50,000	0.50%	(40,000)	-44.44%		
Outside Consulting									218,000	2.18%	(52,000)	-19.26%		
IT/Misc. Electrical						45,000			45,000	0.45%	9,000	25.00%		
Safety & Wellness Incentive Program						10,000			10,000	0.10%	-	100.00%		
Printing & Publication						22,000			22,000	0.22%	-	0.00%		
Repairs & Maintenance		70,000	25,000	115,000	85,000	50,000		22,000	367,000	3.67%	39,500	12.06%		
Unusual Equipment Maint	150,000								150,000	1.50%	-	0.00%		
Small Tools		500		2,000	2,000				4,500	0.05%	1,000	28.57%		
Outside Services				35,000	175,000				210,000	2.10%	(47,000)	-18.29%		
Ditch/Dike Maintenance									20,000	0.20%	-	0.00%		
Research & Monitoring			182,000					14,000	196,000	1.96%	19,000	10.73%		
Travel, Mtgs & Train.						50,000			50,000	0.50%	(5,000)	-9.09%		
Pollution Prevention/Pub. Ed.			43,000						43,000	0.43%	3,000	7.50%		
Gas & Electricity	708,913	95,000		110,000				2,000	915,913	9.17%	21,783	2.44%		
Water		3,000		7,000	12,000				22,000	0.22%	-	0.00%		
Telephone				24,000	2,000	10,000			36,000	0.36%	-	0.00%		
Other/Operational Assistance					1,000			1,000	1,000	0.01%	-	0.00%		
Permits & Fees			3,000	17,000	65,000			1,000	182,000	1.82%	-	0.00%		
Co. Collection Fees	90,000	6,000				68,000			68,000	0.68%	(1,000)	-1.45%		
Ser. Chg. System Exp						5,150			5,150	0.05%	150	3.00%		
AB 939 Solid Waste Programs							415,787		415,787	4.16%	13,286	3.30%		
Total	3,076,191	522,409	648,636	854,044	1,390,906	2,967,723	415,787	117,000	9,992,696	100.00%	229,233	2.35%		

SECTION III

OPERATING BUDGET
By Cost Center and Account Category

**Novato Sanitary District
2016-18 Preliminary Budget
Operating Budget - Collections**

Collections Cost Center - 60000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Accounts					
60010 · Salaries & Wages	604,357	634,609	504,328	627,152	671,037
60020 · Employee Benefits	262,502	269,491	207,998	285,254	313,599
60060 · Gas, Oil & Fuel	28,000	28,000	20,000	28,000	28,000
60085 · Safety	2,000	7,000	7,000	3,500	3,500
60091 · Software Maint	25,000	25,000	25,000	75,000	20,000
60100 · Operating Supplies	30,000	30,000	30,000	30,000	30,000
60150 · Repairs & Maint	85,000	85,000	85,000	85,000	85,000
60152 · Small Tools	2,000	2,000	2,000	2,000	2,000
60153 · Outside Services	275,000	225,000	225,000	175,000	175,000
60192 · Water	8,000	12,000	12,000	12,000	12,000
60193 · Telephone	2,000	2,000	1,250	2,000	2,000
60200 · Other(Garbage Coll)	1,000	1,000	500	1,000	1,000
60201 · Permits & Fees	65,000	65,000	20,700	65,000	65,000
	1,389,859	1,386,100	1,140,776	1,390,906	1,408,137

Comments:

**Novato Sanitary District
2016-18 Preliminary Budget
Operating Budget - Treatment Facilities Contract Operations**

Treatment Facilities - Contract Operations Cost Center - 61000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Accounts					
61000-1 · Fixed Fee(1)	1,957,529	2,059,201	2,059,201	2,113,278	2,170,668
61000-2 · Insurance & Bonds	42,570	12,000	11,544	14,000	14,000
61000-3 · Major Repair/Replacement	150,000	150,000	65,000	150,000	150,000
61000-4 · Water/Permits/Phone	90,000	90,000	86,193	90,000	90,000
61000-5 · Gas & Electricity(2)	587,400	707,130	698,203	708,913	775,804
	2,827,499	3,018,331	2,920,141	3,076,191	3,200,472

Comments:

(1) Fixed fee - 3.5% increase from prior year, and an allowance for contractual incentive payment.

(2) Assumes 10% increase for purchased utility power based on actual expenditures for 2015/16, and an allowance for contractual incentive payment with 50-50 sharing of savings from power usage below contract baseline, between District and Veolia.

**Novato Sanitary District
2016-2018 Preliminary Budget
Operating Budget - Reclamation**

Reclamation Cost Center - 63000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Accounts					
63010 · Salaries & Wages	60,549	75,400	35,723	92,151	97,478
63020 · Employee Benefits	22,500	28,629	14,987	37,257	41,640
63060 · Gasoline & Oil	4,000	4,000	2,000	4,000	4,000
63085 · Safety	500	500	500	500	500
63091 · Software Maint	3,100	2,000	0	2,000	2,000
63100 · Operating Supplies	2,500	2,000	2,000	2,000	2,000
63115 · Sludge Disposal	200,000	210,000	147,039	190,000	190,000
63150 · Repairs & Maint	70,000	50,000	50,000	70,000	70,000
63152 · Small Tools	500	500	500	500	500
63157 · Ditch/Dike Maint	20,000	20,000	6,000	20,000	20,000
63191 · Gas & Electricity	90,000	85,000	91,345	95,000	95,000
63192 · Water	5,000	3,000	3,000	3,000	3,000
63201 · Permits & Fees	6,000	6,000	2,895	6,000	6,000
	484,649	487,029	355,989	522,409	532,118

Comments:

**Novato Sanitary District
2016-18 Preliminary Budget
Operating Budget - Laboratory**

Laboratory Cost Center - 64000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Accounts					
64010 · Contract Lab Services (1)	194,138	357,133	357,133	368,136	381,020
64020 · Employee Benefits	72,191	0	0	0	0
64060 · Gasoline & Oil	3,000	3,000	1,500	2,500	2,500
64085 · Safety	1,000	1,000	0	1,000	1,000
64091 · Software Maintenance	4,000	4,000	4,000	4,000	4,000
64100 · Operating Supplies	25,000	20,000	20,000	20,000	20,000
64150 · Repairs & Maintenance	9,500	10,500	10,500	25,000	12,000
64160 · Research & Monitoring	247,000	163,000	163,000	182,000	182,000
64170 · Pollution Prev/Public Ed	35,000	40,000	40,000	43,000	43,000
64201 · Permits & Fees	3,000	3,000	3,000	3,000	3,000
	593,829	601,633	599,133	648,636	648,520

Comments:

(1) This account previously titled "Salaries and Wages", is renamed to reflect fees paid for contract laboratory and environmental services provided by Veolia Water and NMWD.

**Novato Sanitary District
2016-2018 Preliminary Budget
Operating Budget - Pump Stations**

Pump Stations Cost Center - 65000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Accounts					
65010 · Salaries & Wages	316,295	337,753	245,523	344,502	369,814
65020 · Employee Benefits	137,777	141,880	92,756	154,542	166,512
65060 · Gasoline & Oil	5,000	5,000	5,000	6,000	6,000
65085 · Safety	2,000	2,000	2,000	2,000	2,000
65091 · Software Maint/Update	12,000	12,000	3,631	12,000	12,000
65100 · Operating Supplies	10,000	10,000	10,000	10,000	10,000
65101 · Operating Chemicals	30,000	15,000	12,424	15,000	15,000
65150 · Repairs & Maintenance	115,000	110,000	110,000	115,000	115,000
65152 · Small Tools	1,000	1,000	1,000	2,000	2,000
65153 · Outside Services, Elect.	40,000	32,000	25,000	35,000	35,000
65191 · Gas & Electricity	90,000	100,000	100,875	110,000	110,000
65192 · Water	7,000	7,000	7,000	7,000	7,000
65193 · Telephone	24,000	24,000	24,000	24,000	24,000
65201 · Permits & Fees	17,000	17,000	6,000	17,000	17,000
				0	
	807,072	814,633	645,208	854,044	891,327

Comments:

**Novato Sanitary District
2016-2018 Preliminary Budget
Operating Budget - Administration**

Administration and Engineering Cost Center - 66000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Projected Budget 2016-17	Preliminary Budget 2017-18
Accounts					
66010 · Salaries & Wages	983,222	1,102,409	1,024,731	1,190,391	1,267,141
66020 · Employee Benefits	375,733	440,568	423,583	485,834	534,651
66021 · Retiree Health Benefits	396,155	375,260	375,260	377,348	368,225
66030 · Director's Fees	45,000	43,000	34,050	38,000	38,000
66040 · Election Expense	0	50,000	250	0	50,000
66060 · Gasoline & Oil	10,000	10,000	6,000	10,000	10,000
66070 · Insurance	186,000	135,000	135,000	150,000	150,000
66071 · Insurance Claim Expense	45,000	40,000	40,000	50,000	55,000
66075 · Agency Dues	60,000	55,000	55,000	62,000	62,000
66080 · Memberships	8,500	9,000	9,000	10,000	10,000
66085 · Safety	1,000	2,000	2,000	2,000	2,000
66090 · Office Expense	29,000	25,000	25,000	27,000	28,000
66100 · Engineering Supplies	9,000	8,000	8,000	10,000	10,000
66121 · Accounting & Auditing	18,000	24,000	24,000	27,000	29,000
66122 · Attorney Fees	120,000	90,000	50,000	50,000	50,000
66123 · O/S Contractual	275,000	270,000	270,000	218,000	217,000
66124 · IT/Misc Electrical	40,000	36,000	36,000	45,000	42,000
66125 · Safety & Wellness Incentive Prog	0	10,000	10,000	10,000	10,000
66130 · Printing & Publications	22,000	22,000	22,000	22,000	25,000
66150 · Repairs & Maintenance	45,000	50,000	50,000	50,000	53,000
66170 · Travel, Meetings & Training	70,000	55,000	55,000	50,000	50,000
66193 · Telephone	15,000	10,000	9,340	10,000	10,000
66202 · County Fees-Property Taxes	25,000	27,000	27,000	26,000	26,000
66203 · County Fees-Sewer Ser Chg	35,000	42,000	42,000	42,000	42,000
66250 · Service Charge Sys Exp	5,000	5,000	5,000	5,150	5,000
	2,818,610	2,936,237	2,738,212	2,967,723	3,144,017

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Comments:

Novato Sanitary District						
Preliminary Operating Budget 2016-18						
PERSONNEL DETAIL						
Number	Position	Cost Center	Pay Range	Salaries		
				2016-17	2017-18	
1.00	General Manager-Chief Engineer.....	A/E		206,016	214,051	
1.00	Technical Services Manager.....	A/E	MC119	137,698	150,222	
1.00	Field Services Manager25AE/.25CS/.25PS/.25Rec	MC119	150,552	156,424	
1.00	Senior Engineer.....	.65AE/.25PS/.10Rec	MC116.5	133,320	138,519	
0.46	Administrative Services Specialist	A/E	MC117.5	64,608	67,128	
1.00	Administrative Services Officer	A/E	MC115	123,871	128,702	
1.00	Administrative Assistant	A/E	MC103	46,431	67,539	
1.00	Administrative Secretary.....	A/E	MC106	79,848	82,962	
1.00	Finance Officer.....	A/E	MC115	117,972	128,702	
1.00	Staff Engineer.....	.5AE/.5CS	47	101,904	105,878	
1.00	Construction Inspector.....	A/E	44.5	90,228	93,747	
1.00	Information System Specialist II.....	.5AE/.5CS	43.5	85,932	89,283	
1.00	Electrical/Instrumentation Tech in Training.....	.34A/E/.33PS/.33Rec	40.5	55,979	66,364	
0.00	Environmental Services Supervisor...(Note 1)	L/M	MC115.5	-	-	
0.00	ECA II...(Note 1)	L/M	45.5	-	-	
1.00	Collection System Superintendent.....	.67CS/.33PS	MC115	112,354	122,573	
1.00	Collection System Leadworker.....	.67CS/.33PS	47	66,024	96,039	
1.00	Collection System Worker III.....	.67CS/.33PS	43.5	21,483	-	
2.00	Collection System Worker II.....	.67CS/.33PS	40.5	140,763	149,713	
5.00	Collection System Worker I.....	.67CS/.33PS	38.5	303,301	334,476	
1.00	Admin Intern	A/E	N/A	8,640	8,640	
1.00	Engineering Aide - temp	A/E	N/A	17,280	17,280	
0.40	Hourly Electrician	.25AE/.25PS/.50Rec	N/A	40,000	40,000	
	Allowance for Overtime.....	C/S		35,000	35,000	
	Allowance for Overtime.....	A/E		7,500	7,500	
	Allowance for Standby Duty Pay.....	C/S		28,000	28,000	
	Subtotal			2,174,704	2,328,739	
	Allowance for Possible COLA - across the board	3.90%		79,493	76,731	
		3.50%				
				2,254,197	2,405,470	
24.86	Administration and Engineering (A/E)		1,190,391	1,267,141		
Note 1:	Laboratory and Monitoring (L/M)		-	-		
	Collection System	67%	627,152	671,037		
	Pump Stations	33%	344,502	369,814		
	Reclamation Facilities		92,151	97,478		
	Total/Check		2,254,197	2,405,470		
Note 1:	Work for these positions now performed through contract services with Veolia Water and NMWD.					

**Novato Sanitary District
2016-2018 Preliminary Budget
Operating Budget - Hazardous Household Waste**

HHW Cost Center - 67000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Accounts					
67400 · Management Services	130,161	131,464	100,555	134,750	138,120
67500 · Household Hazardous Waste	164,000	211,500	211,500	220,000	220,000
67530 · Used Oil Grant	11,963	11,269	11,013	11,269	11,269
67530-1 Beverage Container Grant	10,574	11,268	11,013	11,268	11,268
67540 · Education/Public Outreach	37,000	22,000	16,000	23,500	23,500
67600 · Other	5,000	5,000	3,500	5,000	5,000
67610 · City AB 939 Admin Service	10,000	10,000	10,000	10,000	10,000
	368,698	402,501	363,581	415,787	419,157

Comments:

Per Proposed budget by HHW Coordinator.

**Novato Sanitary District
2016-2018 Preliminary Budget
Operating Budget - Recycled Water**

Recycled Water Cost Center - 68000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Projected Budget 2016-17	Preliminary Budget 2017-18
Accounts					
68010 · O & M Services	50,000	50,000	40,695	50,000	50,000
68100 · Operating Supplies	3,000	2,000	2,000	2,000	2,000
68101 · Operating Chemicals	34,000	26,000	26,000	26,000	27,300
68150 · Repairs & Maintenance	18,000	22,000	19,175	22,000	24,200
68160 · Research & Monitoring	0	14,000	10,000	14,000	14,000
68191 · Gas & Electricity	10,000	2,000	2,000	2,000	2,000
68201 · Permits & Fees	1,000	1,000	0	1,000	1,000
	116,000	117,000	99,870	117,000	120,500

Comments:

SECTION IV

CAPITAL IMPROVEMENT BUDGET

**Novato Sanitary District
2016-18 Preliminary Budget
Capital Improvement Budget - Revenue Summary**

			Projected	Proposed	Preliminary
Capital Fund	Adopted	Adopted	Revenue	Budget	Budget
Revenue Center - 51000	Budget 14/15	Budget 15/16	2015-16	2016/17	2017-18
Accounts					
Capital Improvement Income					
51010 · Sewer Service Charges(1)	7,183,200	7,435,040	7,300,000	7,595,952	7,929,360
51015 · Property Taxes	1,750,000	1,900,000	1,950,000	1,938,000	1,976,760
51020 · Connection Charges(2)	493,500	518,000	200,000	434,400	447,600
51030 · Collector Sewer Charges	2,000	2,000	0	1,000	1,000
51040 · Special Equalization Chrg	4,000	4,000	0	1,000	1,000
51060 · Interest	30,000	22,000	25,000	25,000	22,000
51070 · Other Revenue	20,000	20,000	10,000	20,000	20,000
Total Capital Improvement Income	9,482,700	9,901,040	9,485,000	10,015,352	10,397,720
Comments:					
(1) Sewer Service Charge (SSC) revenue is based on a proposed FY16-17 SSC charge of \$573 per EDU and actual revenue received in prior year. The Sewer Service Charges allocations are as follows:					
- For FY2016-17, the proposed charge of \$573 per EDU is split between operations (\$314) and capital (\$259), based on an estimate of 29,328 EDUs, which is a decrease from the FY15-16 estimate of 30,005 EDUs.					
- For FY2017-18, the proposed charge of \$594 per EDU is split between operations (\$324) and capital (\$270), based on an estimate of 29,368 EDUs.					
(2) Connection Charges projected at 40 new connections each year.					
- Per Ordinance 119, the connection charge beginning July 1, 2016 is \$10,860 per EDU, and increases by 3% on July 1, 2017 to \$11,190 per EDU.					

**Novato Sanitary District
2016-2018 Preliminary Budget
Capital Improvement Budget - CIP Expenditures**

Capital Improvements Cost Centers - 72000 & 73000	Adopted Budget 14/15	Adopted Budget 15/16	Projected Exp 2015-16	Proposed Budget 2016-17	Preliminary Budget 2017-18
Accounts					
72110 · Drainage PS 3&7 Outfall Rehab	265,000	5,000	0	0	0
72403 · Pump Station Rehabilitation	1,082,185	50,000	13,152	50,000	250,000
72508 · North Bay Water Reuse Authority (NBWRA)	355,000	403,000	247,162	440,000	100,000
72611 · Bayside Sewer	45,000	0	0	0	0
72706 · Collection System Improvments	1,600,000	1,050,000	850,000	1,050,000	1,700,000
72706-1 · Lateral Replacement Program	50,000	50,000	25,000	60,000	75,000
72707 · Hamilton Wetlands/Outfall Integration	36,542	22,500	0	10,000	10,000
72708 · Cogeneration	40,000	20,000	7,000	45,000	20,000
72802 · Annual Sewer Adj. for City Proj	10,000	10,000	10,000	10,000	10,000
72803 · Annual Collection Sys Repairs	200,000	200,000	200,000	200,000	200,000
72804 · Annual Reclamation Fac Improvements	150,000	100,000	75,000	100,000	100,000
72805 · Annual Treatment Plant Improvements	200,000	300,000	250,000	100,000	100,000
72806 · Annual Pump Station Improvements	0	0	0	100,000	100,000
72808 · Strategic Plan Update	0	10,000	14,264	20,000	20,000
72809 · Novato Creek Watershed	50,000	15,000	0	10,000	10,000
73001 · WWTP Upgrade - Contract C (Solids handling)	461,396	10,000	10,000	0	0
73002 · WWTP Up-Contract D-Recycled Water	10,000	0	0	0	0
73003 · Admin Building Upgrade/Maint. Building	1,000,000	740,000	545,000	350,000	50,000
73004 · Odor Control and NTP Landscaping	0	50,000	13,000	75,000	50,000
73005 · RWF Expansion	0	150,000	25,000	1,300,000	20,000
73006 · NTP Corrosion Control	0	150,000	30,000	180,000	150,000
73090 · Vehicle Replacement	180,000	25,000	0	425,000	25,000
Subtotal before Debt Service	5,735,123	3,360,500	2,314,578	4,525,000	2,990,000
78500 · Interest - SRF Loan	1,784,785	1,698,525	1,698,525	1,610,195	1,519,744
78500 · Principal - SRF Loan	3,594,171	3,680,431	3,680,431	3,768,762	3,859,212
78500 · Interest - COP Bond	836,798	811,148	811,148	775,748	739,548
78500 · Principal - COP Bond	855,000	885,000	885,000	905,000	925,000
Subtotal for Debt Service	7,070,754	7,075,104	7,075,104	7,059,705	7,043,504
Totals	12,805,877	10,435,604	9,389,682	11,584,705	10,033,504

Comments:

SECTION V

***WASTEWATER CAPITAL RESERVE FUND &
CERTIFICATE OF PARTICIPATION (COP)
RESERVE FUND***

**Novato Sanitary District
2016-18 Preliminary Budget
Wastewater Capital Reserve Fund**

		2016-17 Budget	
		Prelim	Final
Wastewater Capital Reserve Fund			
FUND BALANCE 6/30/15		3,275,000	3,275,000
Required Deposits		0	0
FUND BALANCE 6/30/16		3,275,000	3,275,000
Required Deposits		0	0
ANTICIPATED FUND BALANCE 6/30/17		3,275,000	3,275,000
Note:	Per the SRF Loan agreement, the District must deposit sufficient funds to build up the Wastewater Capital Reserve Fund (WCRF) at a minimum rate of 0.5% of the SRF loan amount each year for a period of ten years. The District's unused bonding capacity of \$3,275,000 from the 1970 and 1986 GO Bonds may be used to offset, dollar for dollar, the required cash deposits to the WCRF. The maximum required WCRF balance is \$3,599,654 on June 30, 2019, of which \$3,275,000 is satisfied.		

**Novato Sanitary District
2016-18 Preliminary Budget
COP Reserve Fund**

		2016-17 Budget			
		Preliminary	Final		
<u>Certificates of Participation Reserve Fund</u>					
FUND BALANCE 6/30/15		1,639,343	1,693,470		
	Interest Income	127	150		
FUND BALANCE 6/30/16		1,639,470	1,693,620		
	Interest Income	150	150		
ANTICIPATED FUND BALANCE 6/30/17		1,639,620	1,693,770		
Summary of COP Activity:		14/15	15/16	16/17	17/18
Beginning balance each year		4,804,012	1,693,343	1,693,470	1,693,620
COP proceeds		-	-	-	-
Less withdrawals		(3,117,265)	-	-	-
Interest earned and reinvested		6,596	127	150	150
Cash balance for COP expenditures		1,693,343	1,693,470	1,693,620	1,693,770
Note: The Trust Agreement established a reserve fund in October 2011.					
The reserve fund is funded based on the upcoming annual debt service payment which is currently at \$1.6 million, and is held by the Trustee. This amount will be used to make the final payment on the COP and the Reserve Fund will be closed out at that time.					

SECTION VI

DEBT SERVICE FUND SUMMARY

**Novato Sanitary District
2016-18 Preliminary Budget
State Revolving Fund Loan
and
COP Bond Fund**

		2016-17 Budget		
		Preliminary	Final	
State Revolving Fund Loan				
DEBT BALANCE 6/30/15		70,771,875		
Principal Payment 2015-16		(3,680,431)		
Interest payments 2015-16		(1,698,525)		
Transfer from Capital Improvement Fund 2015-16		1,698,525		
DEBT BALANCE 6/30/16		67,091,444		
Principal Payment 2016-17		(3,768,762)		
Interest payments 2016-17		(1,610,195)		
Transfer from Capital Improvement Fund 2016-17		1,910,195		
ANTICIPATED DEBT BALANCE 6/30/18		63,622,682		
COP Bond Financing Issued October 2011				
DEBT BALANCE 6/30/15		19,265,000	-	
Principal Payment 2015-16		(885,000)		
Interest payments 2015-16		(811,148)		
Transfer from Capital Improvement Fund 2015-16		811,148		
DEBT BALANCE 6/30/16		18,380,000	0	
Principal Payment 2016-17		(905,000)		
Interest payments 2016-17		(775,748)		
Transfer from Capital Improvement Fund 2016-17		775,748		
ANTICIPATED DEBT OWED 6/30/17		17,475,000	0	
		Projected	Preliminary	Preliminary
		Rev/Exp	Budget	Budget
Debt Coverage Ratio(1)		Budget 15/16	2016-17	2017-18
Net Operating Revenue		243,019	998,672	118,706
Capital Revenue		9,901,040	9,485,000	10,015,352
Annual Debt Service		7,075,104	7,075,104	7,059,705
Debt Coverage Ratio		1.43	1.48	1.44
Net revenues covenant requires a 1.20 coverage ratio				
(1)Net Operating Revenue + Capital Revenue/ Annual Debt Service = Debt Coverage Ratio				

Six Keys to Improve Your Water Utility's Credit Rating – A Cheat Sheet

Stacey Berahzer

Water and Wastewater utilities receive “credit ratings” just as a private individual has a FICO® score. While organizations like the [Fair Isaac Corporation](#) calculate personal credit scores, for entities like local government utilities, the three groups that generate credit ratings are Fitch Ratings, Moody's, and Standard and Poor's (S&P). For the utility, a higher rating means better access to credit, and at more favorable terms. S&P published the criteria it used for “Water, Sewer, And Drainage Utility Revenue Bonds” in 2008. To say that things have changed with the economy since 2008 is an understatement! In 2014 S&P solicited comments on its **re-worked** methods and assumptions for calculating these credit ratings. The new criteria will result in credit rating changes to 1 in 4 utilities (of the 1,600 utilities that S&P rates). Some ratings will go down. How can your utility be among the 200 that will have a higher credit rating?

S&P comes up with credit ratings for municipal water and sewer utilities using an analytical framework consisting of an “enterprise” and “financial” risk profile assessment. Under the financial risk profile assessment, the following help to raise a utility's credit rating:

1. Existence of a rate stabilization fund

This is money that is set aside for a rainy (or not-so-rainy) day. In general, the existence of these funds boosts a utility's rating. But, anything more than planned, occasional use of the funds starts to send the wrong signal. Recurring reliance on the rate stabilization fund indicates that rate increases are not happening as they should.

2. A low dependence on connection fees

These are one-time fees as new customers hook-up to the system. If development slows down, the utility's financial performance can be drastically affected if there is too much reliance on these fees. From a credit-worthiness perspective, these one-time fees can overstate revenues available to the utility for debt service.

3. A significant portion of revenues from fairly reliable customers

Examples here would include wholesale customers, a large university or a military base. Large customers like these serve to stabilize the local economy. This is a slippery slope though, since too much concentration on one large customer who ends up leaving the utility, can have devastating financial impacts. To account for the latter, S&P looks at prospects for a key major local employer for the upcoming three years.

4. Insignificant additional upcoming debt

Obviously a utility that only has small projected need for debt is less risky to a borrower than a utility that is facing large additional debt. But, for the utility saddled with a legacy of an unkempt water system, large debt may be the only option. To improve the chances of finding a funder, and to reduce the interest on this large debt, having a preapproved multi-year rate increase can help protect the utility's credit rating.

5. Fully-funded pension and post-employment benefits

The Governmental Accounting Standards Board (GASB) has responded to recent municipal defaults by emphasizing these types of long-term liabilities in financial statements. Credit rating agencies are also admitting to

paying more attention to pension program funding. A water utility's pension plan may be part of the parent government's umbrella plan. In such a case, the credit rating is usually based on the assumption that the utility's funded ratio is proportional to that of the parent government.

6. Strong management team

Over time, higher-rated entities have developed a cadre of best management practices, ranging from informal rules of thumb to actual codified policies or resolutions. The management team's ability to quickly implement measures to respond to challenges is instrumental in a higher credit rating because it helps the rating agency to look beyond the *current financial results* to evaluate the *direction in which [financial indicators](#) may be heading*.

In no particular order, these are some of the salient points from a January 2016 publication from S&P. The rating agency is adding to the efforts of transparency by providing more details on its methodology for assessing and calibrating each rating factor. Consider it "teaching to the test," but many of these practices take a long term commitment from a utility's management team. Last minute cramming can't result in a good score here.

One poignant quote from the publication is "*We generally do not believe that the utilities benefit from an explicit or implicit level of extraordinary support from the U.S. federal government or state government in which the utility operates in case of distress.*" In other words, it's never been more important to use *study guides* like S&P has provided because utilities control their own financial results. A free pass is not coming from the state or federal government. Poor financial performance inevitably compromises service, which is emerging as the underlying cause for the failures in the [Flint water crisis](#).

Reference:

Chapman, T. and J. Breeding. January 2016. Dallas, TX; U.S. Public Finance Waterworks, Sanitary Sewer, And Drainage Utility Systems: Rating Methodology And Assumptions: Standard and Poor's Ratings Services, McGraw Hill Financial.