



FINAL BUDGET

FOR

FISCAL YEAR 2016-17

(And Preliminary Budget for Fiscal Year 2017-18)

Adopted August 22, 2016

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SECTION I

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

August 22, 2016

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

Honorable Board Members:

The proposed Final District Budget for fiscal year (FY) 2016-17 and Preliminary Budget for 2017-18 fiscal year is attached for your consideration and approval. The FY 2016-17 Final 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).

Note that this year's annual Sewer Service Charge (SSC) increases from \$552 to \$573 per service unit, or an increase of 3.8% over the prior year.

The basis of the rate increase is District Ordinance No. 120 – AN ORDINANCE OF THE NOVATO SANITARY DISTRICT ESTABLISHING SEWER SERVICE CHARGES FOR FISCAL YEARS 2016-17, 2017-18, 2018-19, 2019-20, AND 2020-21. This Ordinance No. 120 was adopted by the District Board at its regular meeting of June 13, 2016 upon completion of the appropriate Proposition 218 process.

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	FY 16/17	% Change
	Adopted Budget	Proposed Budget	FY 16 to FY 17
Operating Revenues	\$ 10,006,483	\$ 10,108,692	1.02%
Capital Revenues	9,901,040	10,015,352	1.15%
Total Revenues	\$ 19,907,523	\$ 20,124,044	1.09%
Operating Expenditures	9,763,464	9,972,648	2.14%
CIP Expenditures	3,360,500	4,675,000	39.12%
Debt Service	7,075,104	7,059,705	-0.22%
Total Expenditures	\$ 20,199,068	\$ 21,707,353	7.47%

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 1.02% or \$102,209 from FY 2015-16.

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
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. Charges	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	354,134	3.36%
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	\$10,108,692	1.02%

Operating Sewer Service Charges (SSCs) expected increase of \$87,472 or 0.96% primarily from the approved 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 \$11,513 or 3.36% 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 2.14% or \$209,184 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	\$ 1,392,148	0.44%
Treatment	2,827,499	3,018,331	3,076,191	1.92%
Reclamation	484,649	487,029	521,538	7.09%
Laboratory	593,829	601,633	648,636	7.81%
Pump Stations	807,072	814,633	854,139	4.85%
Administration/Engineering	2,818,610	2,936,237	2,947,209	0.37%
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	\$ 9,972,648	2.14%

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. 3.1% increase in Salaries & Wages (Merit based & COLA increases).	\$ 65,815
2. 8.0% increase in employee benefits category.	\$ 70,481
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. 16.7% decrease in attorney fees in the Admin. & Eng. cost center.	\$ (15,000)
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 approved 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.

Table 5: Capital Budget Revenue 3-year Summary

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 \$11,734,705 or \$1,299,101 more or an increase of 12.4% 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	\$4,675,000	39.12%
Debt Service	7,070,754	7,075,104	7,059,705	-0.2%
Total	\$12,805,877	\$10,435,604	\$11,734,705	12.4%

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) which 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:

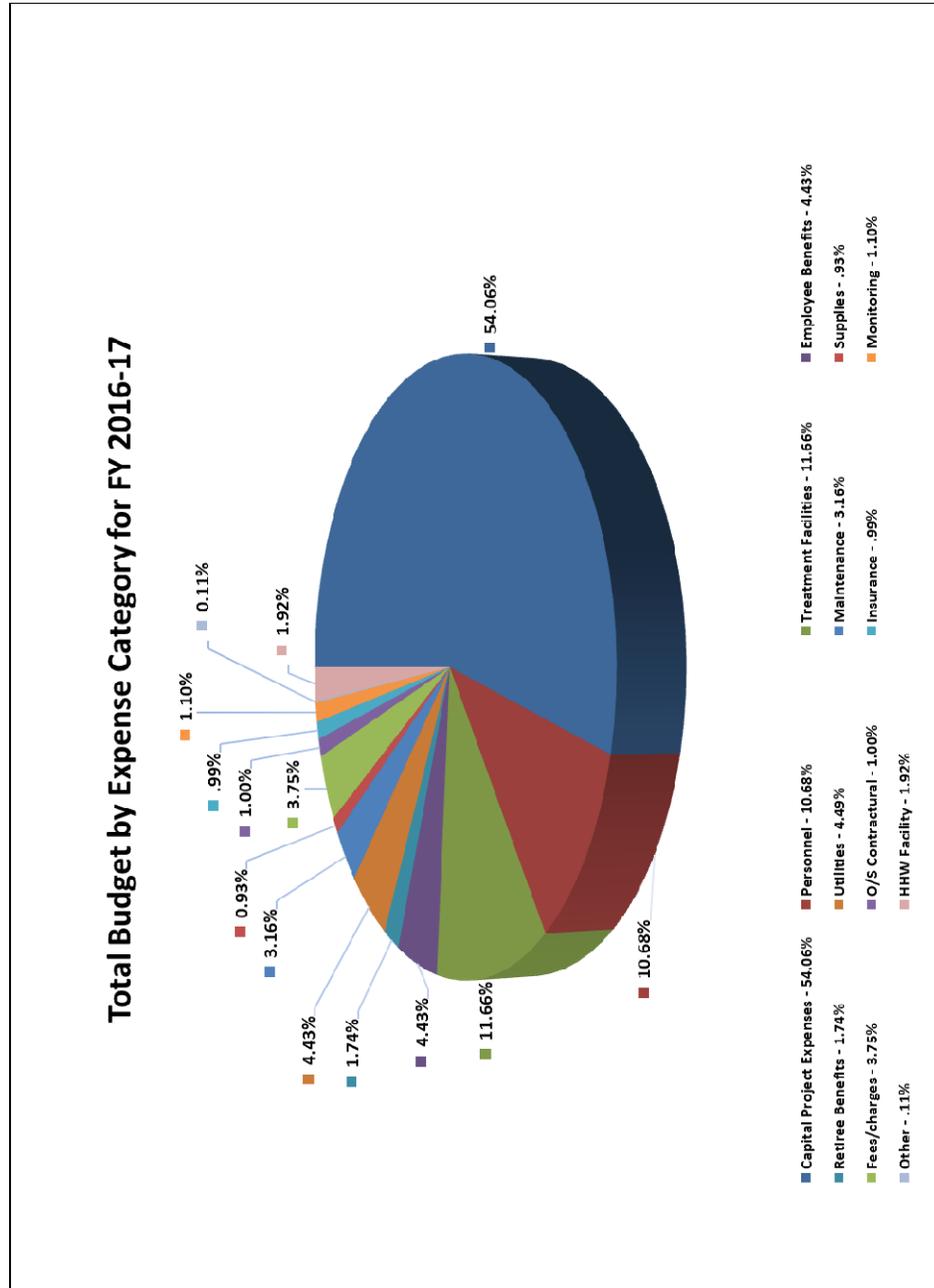


Figure 2:

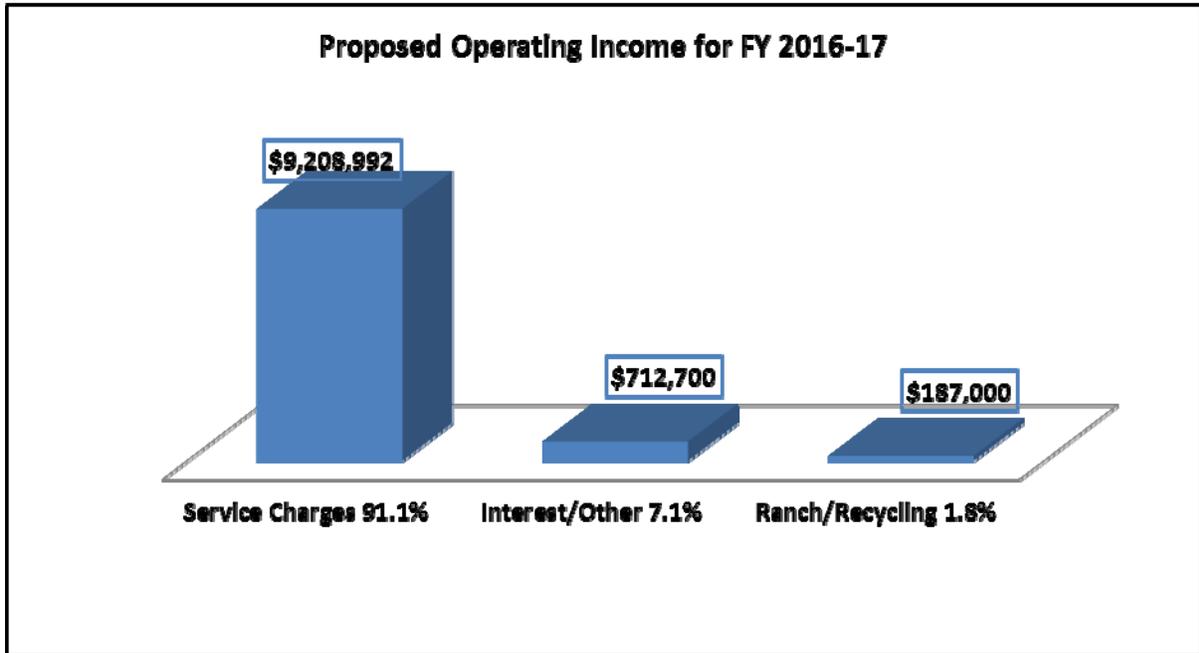


Figure 3:

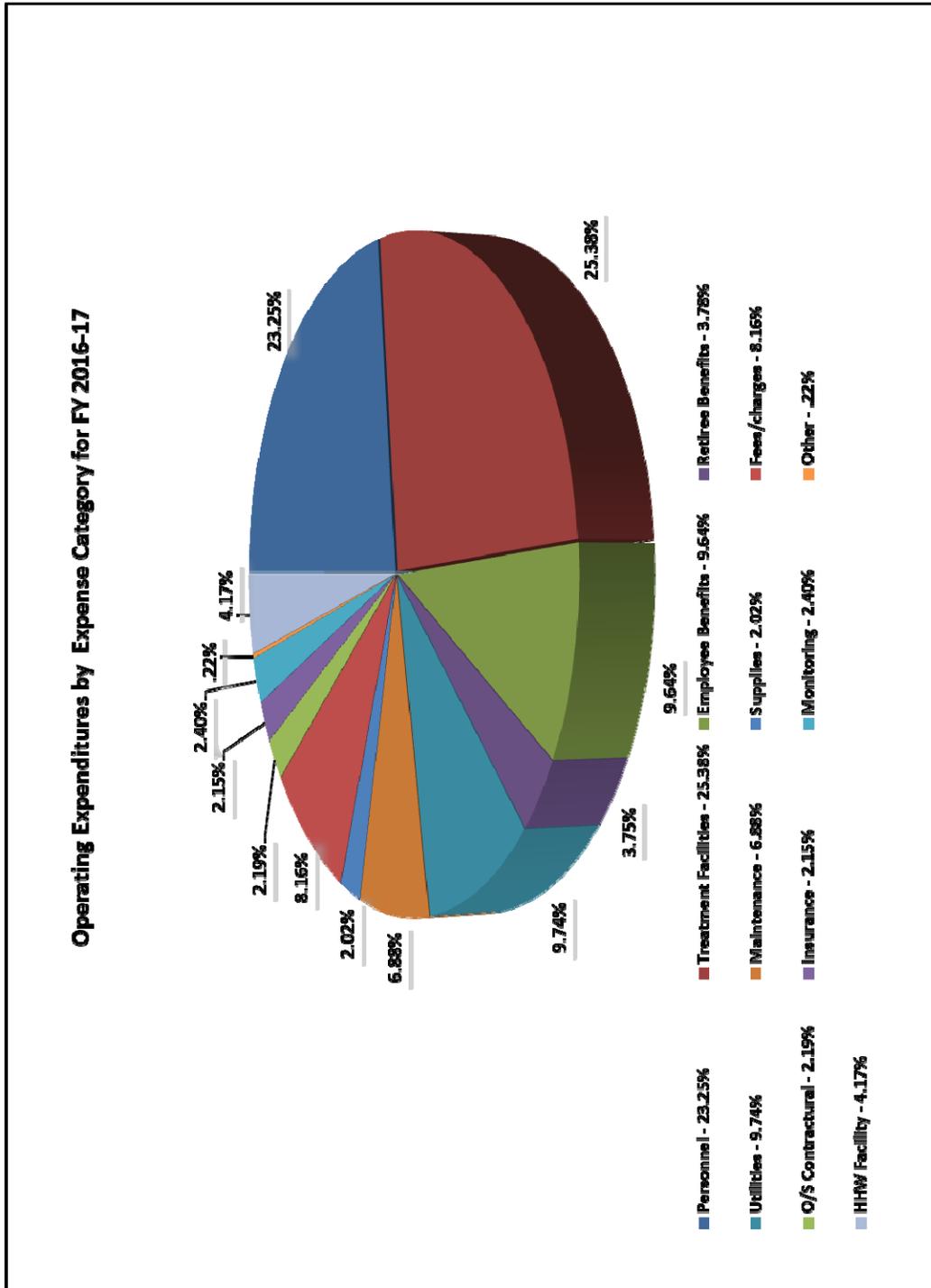


Figure 4:

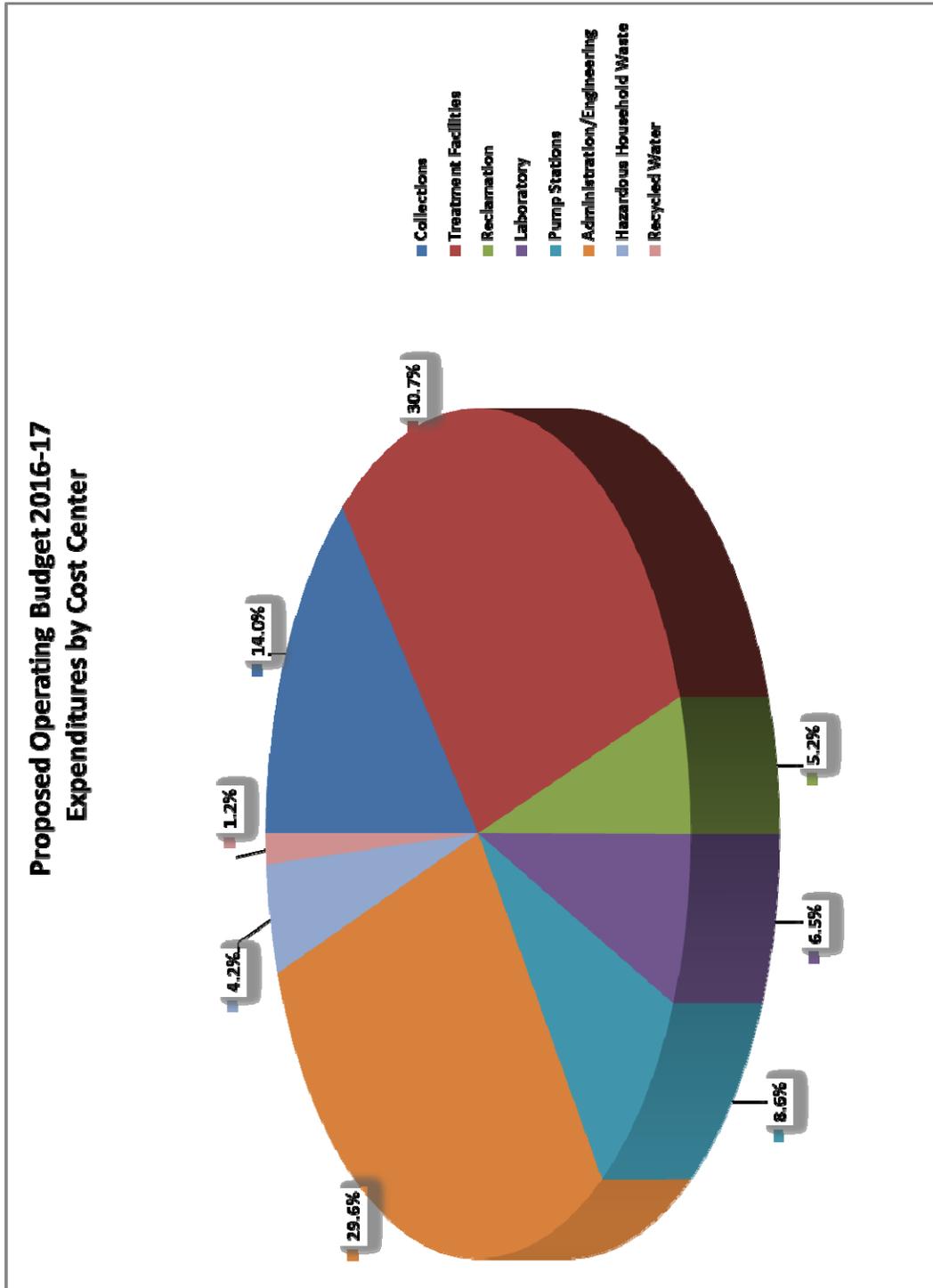
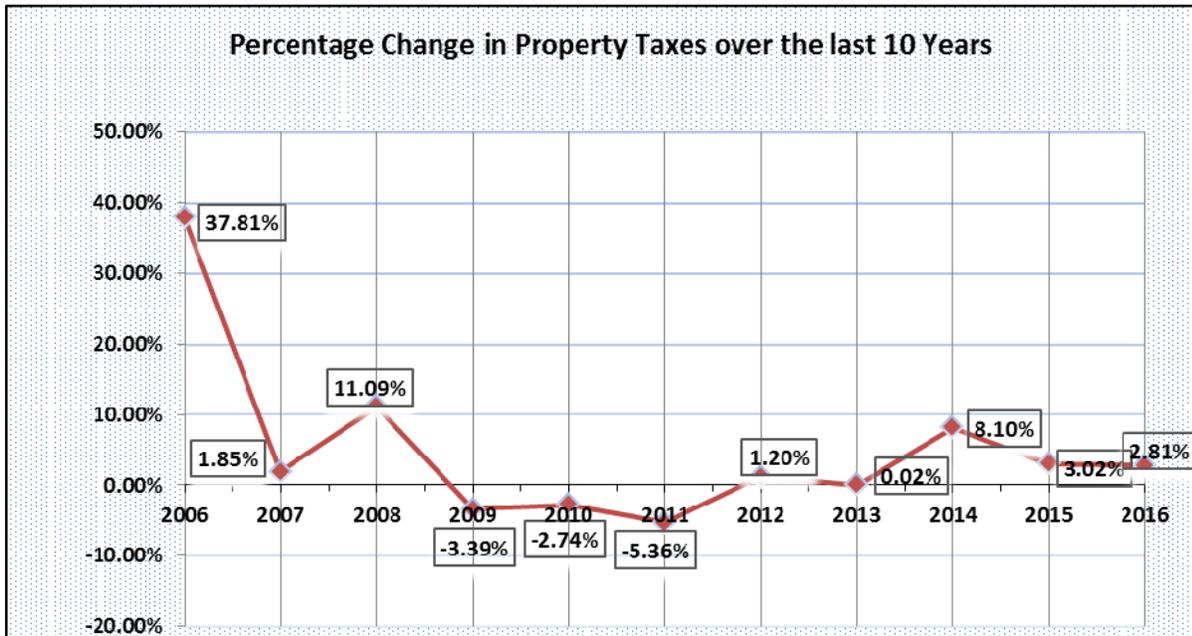
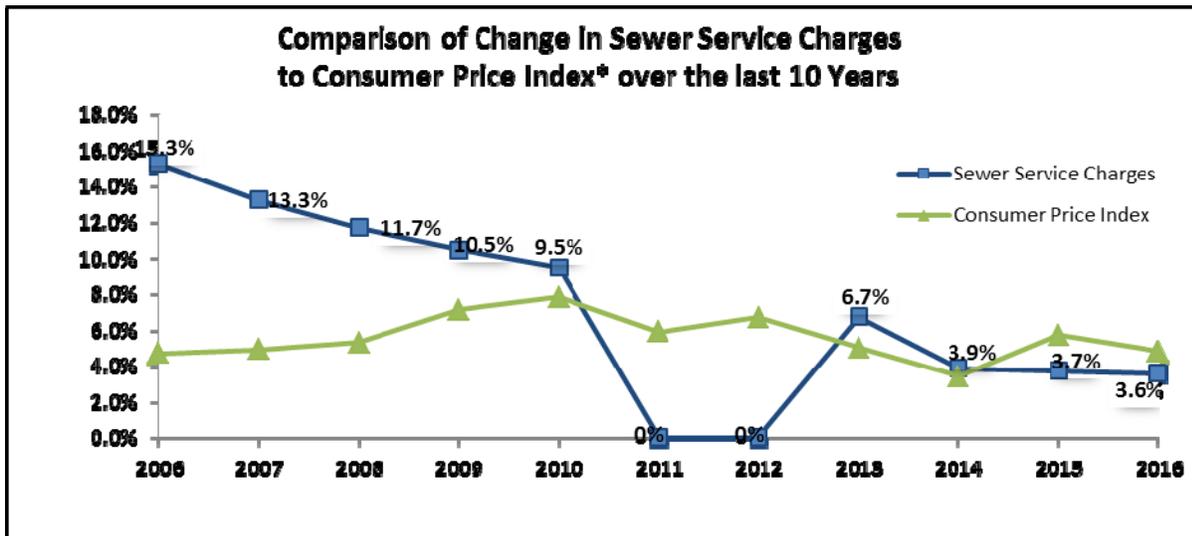


Figure 5:



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

SECTION II

OPERATING BUDGET SUMMARY SCHEDULES

**Novato Sanitary District
2016-18 Final Budget
Summary of Operating Fund
And Capital Improvement Fund Balances**

	Adopted Budget 15-16	Actual Rev/Exp 2015-16	Proposed Budget 2016-17	Final 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	12,278,229	12,414,273
Operating Revenue (p. 2)	10,006,483	9,809,419	10,105,402	10,108,692	10,428,052
Operating Expenditures (p. 3)	9,763,464	8,172,437	9,992,696	9,972,648	10,356,271
Net Operating Revenue	243,019	1,636,982	112,706	136,044	71,780
Operating Fund at the End of Each Year	10,878,286	12,278,229	11,752,625	12,414,273	12,486,054
Capital Improvement Fund at July 1st Beginning of Each Year	6,047,581	6,047,580	6,142,898	5,958,923	4,239,570
Capital Revenue (p. 15)	9,901,040	9,711,926	10,015,352	10,015,352	10,397,720
Total Capital Revenues	9,901,040	9,711,926	10,015,352	10,015,352	10,397,720
Capital Expenditures (p. 16)	3,360,500	2,725,479	4,525,000	4,675,000	2,990,000
Debt Service (p. 19)	7,075,104	7,075,104	7,059,705	7,059,705	7,043,504
Total Capital Expenditures	10,435,604	9,800,583	11,584,705	11,734,705	10,033,504
Capital Improvement Fund Balance at the End of Each Year	5,513,017	5,958,923	4,573,545	4,239,570	4,603,786
Reserved	1,693,343	1,693,859	1,693,620	1,694,009	1,694,159
Unreserved	14,697,960	16,543,293	14,632,550	14,959,834	15,395,681
Operating and Capital Improvement Fund Balances at The End of Each Year	16,391,303	18,237,152	16,326,170	16,653,843	17,089,840

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

Operating Fund Revenue Center - 41000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Revenue 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
41010 · Sewer Service Charges (1)	8,776,815	9,121,520	8,921,883	9,208,992	9,208,992	9,515,232
41030 · Plan Check & Inspection Fee	500	500	333	500	500	500
41040 · Permit & Inspection Fee	6,000	6,000	9,220	6,000	6,000	6,000
41060 · Interest Income	15,000	18,000	39,404	20,000	20,000	20,000
41080 · Engineering & Admin Charges	165,000	165,000	116,365	165,000	165,000	165,000
41090 · Non-domestic Permit Fees (2)	25,000	25,000	37,063	25,000	25,000	25,000
41100 · Garbage Franchise Fees	49,768	50,962	51,059	52,186	52,186	53,438
41105 · AB 939 Collector Fees	297,586	342,621	342,621	350,844	354,134	362,502
41107 · Oil/Bev/Tire Grants (3)	50,187	59,880	56,273	59,880	59,880	59,880
41130 · Ranch Income	70,000	70,000	101,530	70,000	70,000	70,000
41135 · Recycled Water Revenue	116,000	117,000	102,149	117,000	117,000	120,500
41140 · Other Revenue (4)	20,000	20,000	31,519	20,000	20,000	20,000
41142 · Loss on disposal of assets	10,000	10,000	0	10,000	10,000	10,000
Totals	9,601,856	10,006,483	9,809,419	10,105,402	10,108,692	10,428,052

Comments:

- (1) Sewer Service Charge (SSC) revenue is based on rate increase approved on June 13, 2016 and actual revenue received in prior year. The Sewer Service Charges allocations are as follows:
 - For FY2016-17, the approved 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 approved 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, is determined to be \$6,075,132 for the FY 2016-17.

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

Operating Cost Center	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Collections	1,389,859	1,386,100	1,104,046	1,390,906	1,392,148	1,403,313
Treatment Facilities	2,827,499	3,018,331	2,790,713	3,076,191	3,076,191	3,200,472
Reclamation	484,649	487,029	336,215	522,409	521,538	530,566
Laboratory	593,829	601,633	487,624	648,636	648,636	648,520
Pump Stations	807,072	814,633	642,626	854,044	854,139	887,702
Administration/Engineering	2,818,610	2,936,237	2,394,117	2,967,723	2,947,210	3,141,041
Hazardous Household Waste	368,698	402,501	325,068	415,787	415,787	424,157
Recycled Water	116,000	117,000	92,028	117,000	117,000	120,500
	9,406,216	9,763,464	8,172,437	9,992,696	9,972,648	10,356,271

Novato Sanitary District 2016-17 Final Operating Budget Operating Budget Detail by Account Category												
	Treatment Facilities	Recl	L-M	Pump Stations	Collection System	A-E	HHW Program	Recycled Water	Total	As Percent of Budget	Over/ Under PY Budget	% Over/ Under PY Budget
Salaries and Wages		91,943		344,528	627,355	1,152,160			2,215,986	22.22%	65,815	3.06%
Contract Services (Operations & Lab)	2,113,278		368,136					50,000	2,531,415	25.38%	65,082	2.64%
Employee Benefits		36,595		154,611	286,293	473,551			951,049	9.54%	70,481	8.00%
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	2,000			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							190,000	1.91%	(20,000)	-9.52%
Accounting & Auditing						27,000			27,000	0.27%	3,000	12.50%
Attorney						75,000			75,000	0.75%	(15,000)	-19.26%
Outside Consulting						218,000			218,000	2.19%	(52,000)	-23.85%
IT/Misc. Electrical						45,000			45,000	0.45%	9,000	25.00%
Safety & Wellness Incentive Program						10,000			10,000	0.10%	-	0.00%
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	3.68%	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	2.11%	(47,000)	-22.38%
Ditch/Dike Maintenance									20,000	0.20%	-	0.00%
Research & Monitoring		20,000						14,000	196,000	1.97%	19,000	10.73%
Travel, Mtgs & Train						55,000			55,000	0.55%	-	0.00%
Pollution Prevention/Pub. Ed.									43,000	0.43%	3,000	7.50%
Gas & Electricity	708,913	95,000	43,000	110,000				2,000	915,913	9.18%	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	0.01%	-	0.00%
Permits & Fees		6,000	3,000	17,000	65,000			1,000	182,000	1.82%	-	0.00%
Co. Collection Fees	90,000								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	4.17%	13,286	3.30%
Total	3,076,191	521,538	648,636	854,139	1,392,148	2,947,209	415,787	117,000	9,972,648	100.00%	209,184	2.14%
	30.85%	5.23%	6.50%	8.56%	13.96%	29.55%	4.17%	1%	100.00%			

SECTION III

***OPERATING BUDGET
By Cost Center and Account Category***

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

Collections Cost Center - 60000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
60010 · Salaries & Wages	604,357	634,609	494,021	627,152	627,355	670,881
60020 · Employee Benefits	262,502	269,491	225,061	285,254	286,293	308,933
60060 · Gas, Oil & Fuel	28,000	28,000	15,908	28,000	28,000	28,000
60085 · Safety	2,000	7,000	7,304	3,500	3,500	3,500
60091 · Software Maint	25,000	25,000	18,500	75,000	75,000	20,000
60100 · Operating Supplies	30,000	30,000	30,672	30,000	30,000	30,000
60150 · Repairs & Maint	85,000	85,000	87,091	85,000	85,000	85,000
60152 · Small Tools	2,000	2,000	1,639	2,000	2,000	2,000
60153 · Outside Services	275,000	225,000	190,157	175,000	175,000	175,000
60192 · Water	8,000	12,000	10,527	12,000	12,000	12,000
60193 · Telephone	2,000	2,000	1,446	2,000	2,000	2,000
60200 · Other(Garbage Coll)	1,000	1,000	157	1,000	1,000	1,000
60201 · Permits & Fees	65,000	65,000	21,563	65,000	65,000	65,000
	1,389,859	1,386,100	1,104,046	1,390,906	1,392,148	1,403,313

Comments:

**Novato Sanitary District
2016-18 Final Budget
Operating Budget - Treatment Facilities**

Treatment Facilities Cost Center - 61000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
61000-1 · Fixed Fee(1)	1,957,529	2,059,201	2,025,540	2,113,278	2,113,278	2,170,668
61000-2 · Insurance & Bonds	42,570	12,000	10,122	14,000	14,000	14,000
61000-3 · Major Repair/Replacement	150,000	150,000	58,102	150,000	150,000	150,000
61000-4 · Water/Permits/Phone	90,000	90,000	55,118	90,000	90,000	90,000
61000-5 · Gas & Electricity(2)	587,400	707,130	641,831	708,913	708,913	775,804
	2,827,499	3,018,331	2,790,713	3,076,191	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 Final Budget
Operating Budget - Reclamation**

Reclamation Cost Center - 63000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
63010 · Salaries & Wages	60,549	75,400	38,721	92,151	91,943	97,254
63020 · Employee Benefits	22,500	28,629	17,388	37,257	36,595	40,312
63060 · Gasoline & Oil	4,000	4,000	2,270	4,000	4,000	4,000
63085 · Safety	500	500	0	500	500	500
63091 · Software Maint	3,100	2,000	0	2,000	2,000	2,000
63100 · Operating Supplies	2,500	2,000	1,070	2,000	2,000	2,000
63115 · Sludge Disposal	200,000	210,000	137,039	190,000	190,000	190,000
63150 · Repairs & Maint	70,000	50,000	43,033	70,000	70,000	70,000
63152 · Small Tools	500	500	0	500	500	500
63157 · Ditch/Dike Maint	20,000	20,000	0	20,000	20,000	20,000
63191 · Gas & Electricity	90,000	85,000	89,446	95,000	95,000	95,000
63192 · Water	5,000	3,000	3,359	3,000	3,000	3,000
63201 · Permits & Fees	6,000	6,000	3,889	6,000	6,000	6,000
	484,649	487,029	336,215	522,409	521,538	530,566

Comments:

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

Laboratory Cost Center - 64000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
64010 · Contract Lab Services (1)	194,138	357,133	334,516	368,136	368,136	381,020
64020 · Employee Benefits	72,191	0	0	0	0	0
64060 · Gasoline & Oil	3,000	3,000	1,702	2,500	2,500	2,500
64085 · Safety	1,000	1,000	0	1,000	1,000	1,000
64091 · Software Maintenance	4,000	4,000	0	4,000	4,000	4,000
64100 · Operating Supplies	25,000	20,000	19,561	20,000	20,000	20,000
64150 · Repairs & Maintenance	9,500	10,500	5,817	25,000	25,000	12,000
64160 · Research & Monitoring	247,000	163,000	99,444	182,000	182,000	182,000
64170 · Pollution Prev/Public Ed	35,000	40,000	24,225	43,000	43,000	43,000
64201 · Permits & Fees	3,000	3,000	2,359	3,000	3,000	3,000
	593,829	601,633	487,624	648,636	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 Final Budget
Operating Budget - Pump Stations**

Pump Stations Cost Center - 65000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
65010 · Salaries & Wages	316,295	337,753	244,040	344,502	344,528	369,653
65020 · Employee Benefits	137,777	141,880	100,904	154,542	154,611	163,049
65060 · Gasoline & Oil	5,000	5,000	2,865	6,000	6,000	6,000
65085 · Safety	2,000	2,000	2,347	2,000	2,000	2,000
65091 · Software Maint/Update	12,000	12,000	631	12,000	12,000	12,000
65100 · Operating Supplies	10,000	10,000	10,510	10,000	10,000	10,000
65101 · Operating Chemicals	30,000	15,000	174	15,000	15,000	15,000
65150 · Repairs & Maintenance	115,000	110,000	109,704	115,000	115,000	115,000
65152 · Small Tools	1,000	1,000	594	2,000	2,000	2,000
65153 · Outside Services, Elect.	40,000	32,000	31,209	35,000	35,000	35,000
65191 · Gas & Electricity	90,000	100,000	103,171	110,000	110,000	110,000
65192 · Water	7,000	7,000	6,325	7,000	7,000	7,000
65193 · Telephone	24,000	24,000	24,634	24,000	24,000	24,000
65201 · Permits & Fees	17,000	17,000	5,518	17,000	17,000	17,000
	807,072	814,633	642,626	854,044	854,139	887,702

Comments:

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

Administration and Engineering Cost Center - 66000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
66010 · Salaries & Wages	983,222	1,102,409	1,030,493	1,190,391	1,152,160	1,256,327
66020 · Employee Benefits	375,733	440,568	423,490	485,834	473,551	512,489
66021 · Retiree Health Benefits	396,155	375,260	181,447	377,348	377,348	368,225
66030 · Directors' Fees	45,000	43,000	30,600	38,000	38,000	38,000
66040 · Election Expense	0	50,000	250	0	0	50,000
66060 · Gasoline & Oil	10,000	10,000	6,000	10,000	10,000	10,000
66070 · Insurance	186,000	135,000	119,355	150,000	150,000	150,000
66071 · Insurance Claim Expense	45,000	40,000	12,535	50,000	50,000	55,000
66075 · Agency Dues	60,000	55,000	48,577	62,000	62,000	62,000
66080 · Memberships	8,500	9,000	7,737	10,000	10,000	10,000
66085 · Safety	1,000	2,000	1,797	2,000	2,000	2,000
66090 · Office Expense	29,000	25,000	26,389	27,000	27,000	28,000
66100 · Engineering Supplies	9,000	8,000	6,429	10,000	10,000	10,000
66121 · Accounting & Auditing	18,000	24,000	24,681	27,000	27,000	29,000
66122 · Attorney Fees	120,000	90,000	20,769	50,000	75,000	75,000
66123 · O/S Contractual	275,000	270,000	262,381	218,000	218,000	217,000
66124 · IT/Misc Electrical	40,000	36,000	24,819	45,000	45,000	42,000
66125 · Safety & Wellness Incentive Prog	0	10,000	1,875	10,000	10,000	10,000
66130 · Printing & Publications	22,000	22,000	21,202	22,000	22,000	25,000
66150 · Repairs & Maintenance	45,000	50,000	42,958	50,000	50,000	53,000
66170 · Travel, Meetings & Training	70,000	55,000	37,459	50,000	55,000	55,000
66193 · Telephone	15,000	10,000	9,367	10,000	10,000	10,000
66202 · County Fees-Property Taxes	25,000	27,000	24,773	26,000	26,000	26,000
66203 · County Fees-Sewer Ser Chg	35,000	42,000	28,734	42,000	42,000	42,000
66250 · Service Charge Sys Exp	5,000	5,000	0	5,150	5,150	5,000
	2,818,610	2,936,237	2,394,117	2,967,723	2,947,210	3,141,041

Novato Sanitary District					
Final 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	213,433
1.00	Technical Services Manager.....	A/E	MC119	137,698	149,788
1.00	Field Services Manager25AE/.25CS/.25PS/.25Rec	MC119	150,552	155,972
1.00	Senior Engineer.....	.65AE/.25PS/.10Rec	MC116.5	133,320	138,120
0.46	Administrative Services Specialist	A/E	MC117.5	64,608	66,934
1.00	Administrative/Risk Services and Safety Officer (1)	A/E	MC117.5	95,229	136,476
1.00	Administrative Assistant	A/E	MC103	46,431	67,344
1.00	Administrative Secretary.....	A/E	MC106	79,848	82,723
1.00	Finance Officer.....	A/E	MC115	123,871	128,330
1.00	Staff Engineer.....	.5AE/.5CS	47	101,904	105,573
1.00	Construction Inspector.....	A/E	44.5	90,228	93,476
1.00	Information System Specialist II.....	.5AE/.5CS	43.5	85,932	89,026
1.00	Electrical/Instrumentation Tech I.....	.34A/E/.33PS/.33Rec	40.5	55,979	66,172
1.00	Collection System Superintendent.....	.67CS/.33PS	MC115	112,354	122,219
1.00	Collection System Leadworker.....	.67CS/.33PS	47	90,233	98,152
1.00	Collection System Worker III.....	.67CS/.33PS	43.5	-	-
2.00	Collection System Worker II.....	.67CS/.33PS	40.5	140,763	149,280
5.00	Collection System Worker I.....	.67CS/.33PS	38.5	303,301	333,510
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
	Adjustment for CMSA Reimbursement(1)	A/E		(11,358)	(15,711)
	Subtotal			2,143,329	2,317,237
	COLA Allowance	3.60%		72,658	76,878
	Projected COLA Allowance - 17/18	3.50%			
				2,215,986	2,394,115
24.86	Administration and Engineering (A/E)		1,152,160	1,256,327	
	Collection System	67%	627,355	670,881	
	Pump Stations	33%	344,528	369,653	
	Reclamation Facilities		91,943	97,254	
	Total/Check		2,215,986	2,394,115	
(1) A portion of the compensation for this position to be reimbursed by Central Marin Sanitation Agency (CMSA) under the Joint Safety Program between CMSA and the District.					

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

HHW Cost Center - 67000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
67400 · Management Services	130,161	131,464	83,681	134,750	134,750	138,120
67500 · Household Hazardous Waste	164,000	211,500	216,504	220,000	220,000	225,000
67530 · Used Oil Grant	11,963	11,269	2,956	11,269	11,269	11,269
67530-1 Beverage Container Grant	10,574	11,268	2,955	11,268	11,268	11,268
67540 · Education/Public Outreach	37,000	22,000	8,972	23,500	23,500	23,500
67600 · Other	5,000	5,000	0	5,000	5,000	5,000
67610 · City AB 939 Admin Service	10,000	10,000	10,000	10,000	10,000	10,000
	368,698	402,501	325,068	415,787	415,787	424,157

Comments:

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

Recycled Water Cost Center - 68000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
68010 · O & M Services	50,000	50,000	41,574	50,000	50,000	50,000
68100 · Operating Supplies	3,000	2,000	1,845	2,000	2,000	2,000
68101 · Operating Chemicals	34,000	26,000	27,706	26,000	26,000	27,300
68150 · Repairs & Maintenance	18,000	22,000	9,738	22,000	22,000	24,200
68160 · Research & Monitoring	0	14,000	11,165	14,000	14,000	14,000
68191 · Gas & Electricity	10,000	2,000	0	2,000	2,000	2,000
68201 · Permits & Fees	1,000	1,000	0	1,000	1,000	1,000
	116,000	117,000	92,028	117,000	117,000	120,500

SECTION IV

CAPITAL IMPROVEMENT BUDGET

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

			Final	Proposed	Final	Preliminary
Capital Fund	Adopted	Adopted	Revenue	Budget	Budget	Budget
Revenue Center - 51000	Budget 14-15	Budget 15-16	2015-16	2016/17	2016/17	2017-18
Accounts						
Capital Improvement Income						
51010 · Sewer Service Charges(1)	7,183,200	7,435,040	7,298,993	7,595,952	7,595,952	7,929,360
51015 · Property Taxes	1,750,000	1,900,000	2,055,935	1,938,000	1,938,000	1,976,760
51015-1 Redevelopment Agency(2)	0	0	99,544	0	0	0
51020 · Connection Charges(3)	493,500	518,000	223,240	434,400	434,400	447,600
51030 · Collector Sewer Charges	2,000	2,000	2,000	1,000	1,000	1,000
51040 · Special Equalization Chrg	4,000	4,000	18	1,000	1,000	1,000
51060 · Interest	30,000	22,000	32,196	25,000	25,000	22,000
51070 · Other Revenue	20,000	20,000	0	20,000	20,000	20,000
Total Capital Improvement Income	9,482,700	9,901,040	9,711,926	10,015,352	10,015,352	10,397,720
Comments:						
(1) Sewer Service Charge (SSC) revenue is based on rate increase approved on June 13, 2016 and actual revenue received in prior year. The Sewer Service Charges allocations are as follows:						
- For FY2016-17, the approved 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 approved charge of \$594 per EDU is split between operations (\$324) and capital (\$270), based on an estimate of 29,368 EDUs.						
(2) Redevelopment Agency(RDA) related revenues are being shown separately as they have increased over the past few years from the dissolution and distribution of assets of these agencies. Also, projections for future RDA fund distributions are not available at this time.						
(3) 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 Final Budget
Capital Improvement Budget - CIP Expenditures**

Capital Improvements Cost Centers - 72000 & 73000	Adopted Budget 14-15	Adopted Budget 15-16	Actual Exp 2015-16	Proposed Budget 2016-17	Final Budget 2016-17	Preliminary Budget 2017-18
Accounts						
72110 · Drainage PS 3&7 Outfall Rehab	265,000	5,000	87	0	0	0
72403 · Pump Station Rehabilitation	1,082,185	50,000	13,325	50,000	50,000	250,000
72508 · North Bay Water Reuse Authority (NBWRA)	355,000	403,000	253,486	440,000	440,000	100,000
72611 · Bayside Sewer	45,000	0	0	0	0	0
72706 · Collection System Improvments	1,600,000	1,050,000	1,061,266	1,050,000	1,200,000	1,700,000
72706-1 · Lateral Replacement Program	50,000	50,000	25,500	60,000	60,000	75,000
72707 · Hamilton Wetlands/Outfall Integration	36,542	22,500	799	10,000	10,000	10,000
72708 · Cogeneration	40,000	20,000	1,330	45,000	45,000	20,000
72802 · Annual Sewer Adj. for City Proj	10,000	10,000	1,563	10,000	10,000	10,000
72803 · Annual Collection Sys Repairs	200,000	200,000	222,354	200,000	200,000	200,000
72804 · Annual Reclamation Fac Improvements	150,000	100,000	67,483	100,000	100,000	100,000
72805 · Annual Treatment Plant Improvements	200,000	300,000	269,251	100,000	100,000	100,000
72806 · Annual Pump Station Improvements	0	0	0	100,000	100,000	100,000
72808 · Strategic Plan Update	0	10,000	15,911	20,000	20,000	20,000
72809 · Novato Creek Watershed	50,000	15,000	443	10,000	10,000	10,000
73001 · WWTP Upgrade - Contract C (Solids handling)	461,396	10,000	16,401	0	0	0
73002 · WWTP Up-Contract D-Recycled Water	10,000	0	0	0	0	0
73003 · Admin Building Upgrade/Maint. Building	1,000,000	740,000	682,332	350,000	350,000	50,000
73004 · Odor Control and NTP Landscaping	0	50,000	6,491	75,000	75,000	50,000
73005 · RWF Expansion	0	150,000	59,551	1,300,000	1,300,000	20,000
73006 · NTP Corrosion Control	0	150,000	27,906	180,000	180,000	150,000
73090 · Vehicle Replacement	180,000	25,000	0	425,000	425,000	25,000
Subtotal before Debt Service	5,735,123	3,360,500	2,725,479	4,525,000	4,675,000	2,990,000
78500 · Interest - SRF Loan	1,784,785	1,698,525	1,698,525	1,610,195	1,610,195	1,519,744
78500 · Principal - SRF Loan	3,594,171	3,680,431	3,680,431	3,768,762	3,768,762	3,859,212
78500 · Interest - COP Bond	836,798	811,148	811,148	775,748	775,748	739,548
78500 · Principal - COP Bond	855,000	885,000	885,000	905,000	905,000	925,000
Subtotal for Debt Service	7,070,754	7,075,104	7,075,104	7,059,705	7,059,705	7,043,504
Totals	12,805,877	10,435,604	9,800,583	11,584,705	11,734,705	10,033,504

Comments:

SECTION V

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

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

	2016-17 Budget	
	Prelim	Final
<u>Wastewater Capital Reserve Fund</u>		
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
<p>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.</p>		

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

	2016-17 Budget			
	Preliminary	Final		
<u>Certificates of Participation Reserve Fund</u>				
FUND BALANCE 6/30/15	1,639,343	1,639,343		
Interest Income	127	516		
FUND BALANCE 6/30/16	1,639,470	1,639,859		
Interest Income	150	150		
ANTICIPATED FUND BALANCE 6/30/17	1,639,620	1,640,009		
Summary of COP Activity:	14/15	15/16	16/17	17/18
Beginning balance each year	4,804,012	1,693,343	1,693,859	1,694,009
COP proceeds	-	-	-	-
Less withdrawals	(3,117,265)	-	-	-
Interest earned and reinvested	6,596	516	150	150
Cash balance for COP expenditures	1,693,343	1,693,859	1,694,009	1,694,159
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 COPs and the Reserve Fund will be closed out at that time.				

SECTION VI

DEBT SERVICE FUND SUMMARY

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

		2016-17 Budget		
		Preliminary	Final	
<u>State Revolving Fund Loan</u>				
DEBT BALANCE 6/30/15		70,771,875	70,771,875	
Principal Payment 2015-16		(3,680,431)	(3,680,431)	
Interest payments 2015-16		(1,698,525)	(1,698,525)	
Transfer from Capital Improvement Fund 2015-16		1,698,525	1,698,525	
DEBT BALANCE 6/30/16		67,091,444	67,091,444	
Principal Payment 2016-17		(3,768,762)	(3,768,762)	
Interest payments 2016-17		(1,610,195)	(1,610,195)	
Transfer from Capital Improvement Fund 2016-17		1,610,195	1,610,195	
ANTICIPATED DEBT BALANCE 6/30/17		63,322,682	63,322,682	
<u>COP Bond Financing Issued October 2011</u>				
DEBT BALANCE 6/30/15		19,265,000	19,265,000	
Principal Payment 2015-16		(885,000)	(885,000)	
Interest payments 2015-16		(811,148)	(811,148)	
Transfer from Capital Improvement Fund 2015-16		811,148	811,148	
DEBT BALANCE 6/30/16		18,380,000	18,380,000	
Principal Payment 2016-17		(905,000)	(905,000)	
Interest payments 2016-17		(775,748)	(775,748)	
Transfer from Capital Improvement Fund 2016-17		775,748	775,748	
ANTICIPATED DEBT OWED 6/30/17		17,475,000	17,475,000	
		Actual	Final	Preliminary
		Rev/Exp	Budget	Budget
Debt Coverage Ratio(1)		2015-16	2016-17	2017-18
		Budget 15/16		
Net Operating Revenue	243,019	1,636,982	136,044	71,780
Capital Revenue	9,901,040	9,711,926	10,015,352	10,397,720
Annual Debt Service	7,075,104	7,075,104	7,059,705	7,043,504
Debt Coverage Ratio	1.43	1.60	1.44	1.49
Net revenues covenant requires a 1.20 coverage ratio				
(1)Net Operating Revenue + Capital Revenue/ Annual Debt Service = Debt Coverage Ratio				