

# Budget Workshop Year 2023-2024



MARCH 29, 2023

# HIGHLIGHTS

Capital Improvement Plan identified \$27 Million in projects for 2023-24 and \$186.7 Million over the next 7 years. Capital projects and the pace of future capital expenditures will determine rate increases.

Financing and/or bond funded projects over longer terms will lessen the impact in the short run but result in higher rates in later years.

Operation & Maintenance costs continue to rise, primarily due to inflationary factors.

- *Salary & Benefits expenses are 15% of the budget*
- *Operations & Maintenance expenses are 12% of the budget*

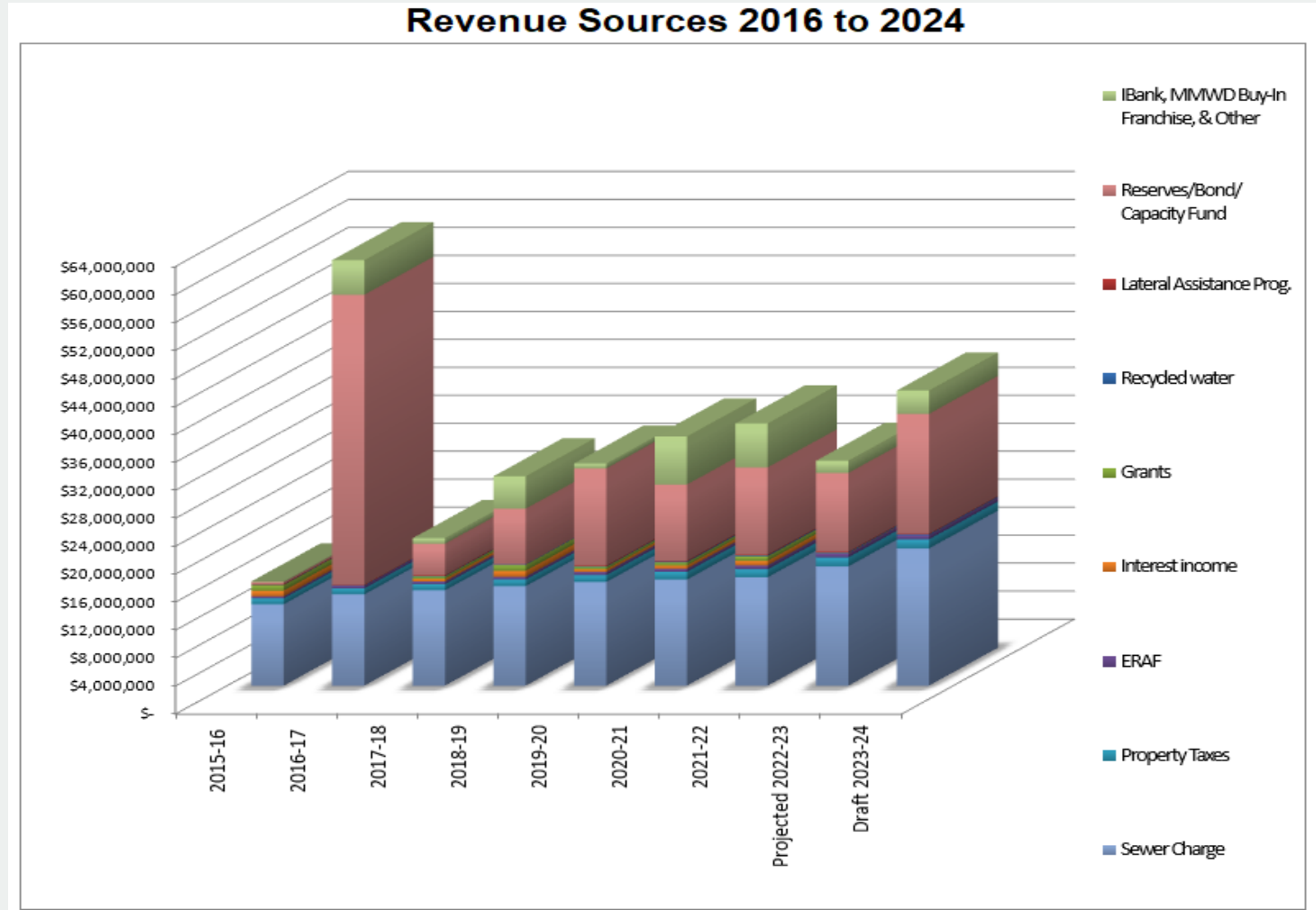
Feedback from this workshop will be used to develop recommended sewer service charge rate increases.

# SUMMARY

The District must provide enough revenue to cover the cost of providing sanitary sewer collection, treatment, and recycled water service including the costs of acquisition, construction, reconstruction, maintenance, repairs, replacement and operation of the sanitary sewer systems and the payment of principal and interest on bonds or other debt instruments issued for the construction or reconstruction of the sanitary sewer systems

Operating revenue includes sewer service charges collected, revenue from the production of recycled water, and revenue from permit and inspection fees related to development related sewer system improvements of the collection system

# REVENUE



# Sewer Service Charge Revenue

- For every 1% increase in the SSC rate, the District will bring in \$170K in additional revenue.
- Preliminary operating budget is \$1.2 M over the prior year budget.
- SSC rate increase of 7% is required to offset this operational increase, and an additional 7% has been included as a placeholder for an additional reserves.

# Capital Outlay



THE DISTRICT IS REQUIRED TO BUDGET FOR THE ADEQUATE MAINTENANCE OF CAPITAL EQUIPMENT AND FACILITIES TO PROTECT THE PUBLIC INVESTMENT AND ENSURE ACHIEVEMENT OF THEIR MAXIMUM USEFUL LIFE



THE DISTRICT IS REQUIRED TO PREPARE AND ADOPT A 5-YEAR CAPITAL IMPROVEMENT PLAN (CIP) AS PART OF THE RATE SETTING PROCESS THAT IDENTIFIES AND SETS PRIORITIES FOR ALL MAJOR CAPITAL ASSETS TO BE ACQUIRED, CONSTRUCTED OR REPLACED BY THE DISTRICT



DISTRICT POLICY REQUIRES THE CIP BE INCLUDED IN THE ADOPTED BUDGET AND THAT THE STATUS OF THE CIP IS UPDATED ANNUALLY AS PART OF THE BUDGET PROCESS

# Capital Outlay

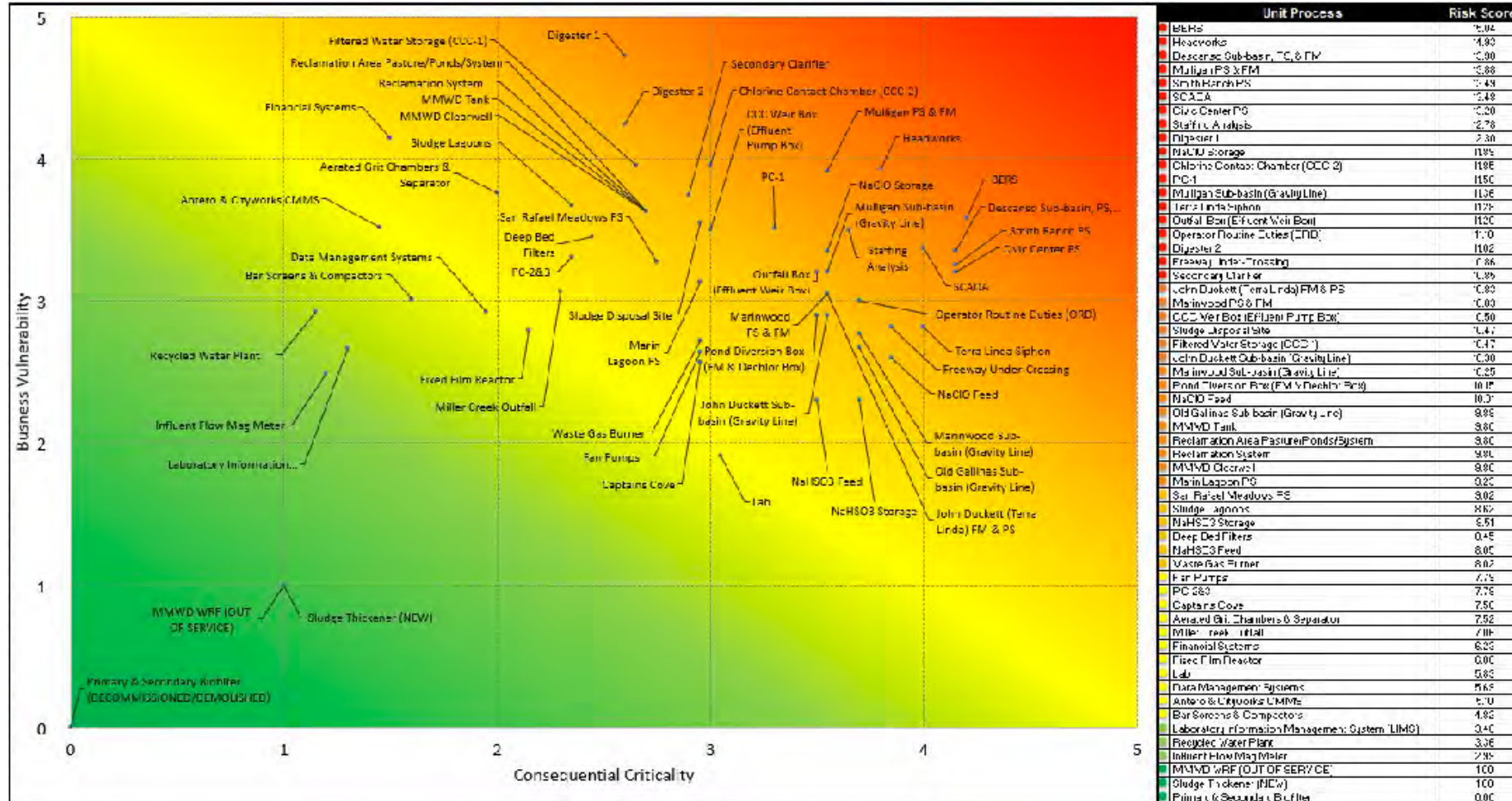
The Capital Improvement Plan (CIP) shall identify adequate funding to support the acquisition, construction and replacement of assets identified in the plan, and shall identify projects that the District believes beneficial to the system, but funding has not yet been identified



The Capital Outlay for 2023-24 will be included in the budget. The projected CIP worksheets over the next 7-years is for rate setting and planning purposes only.



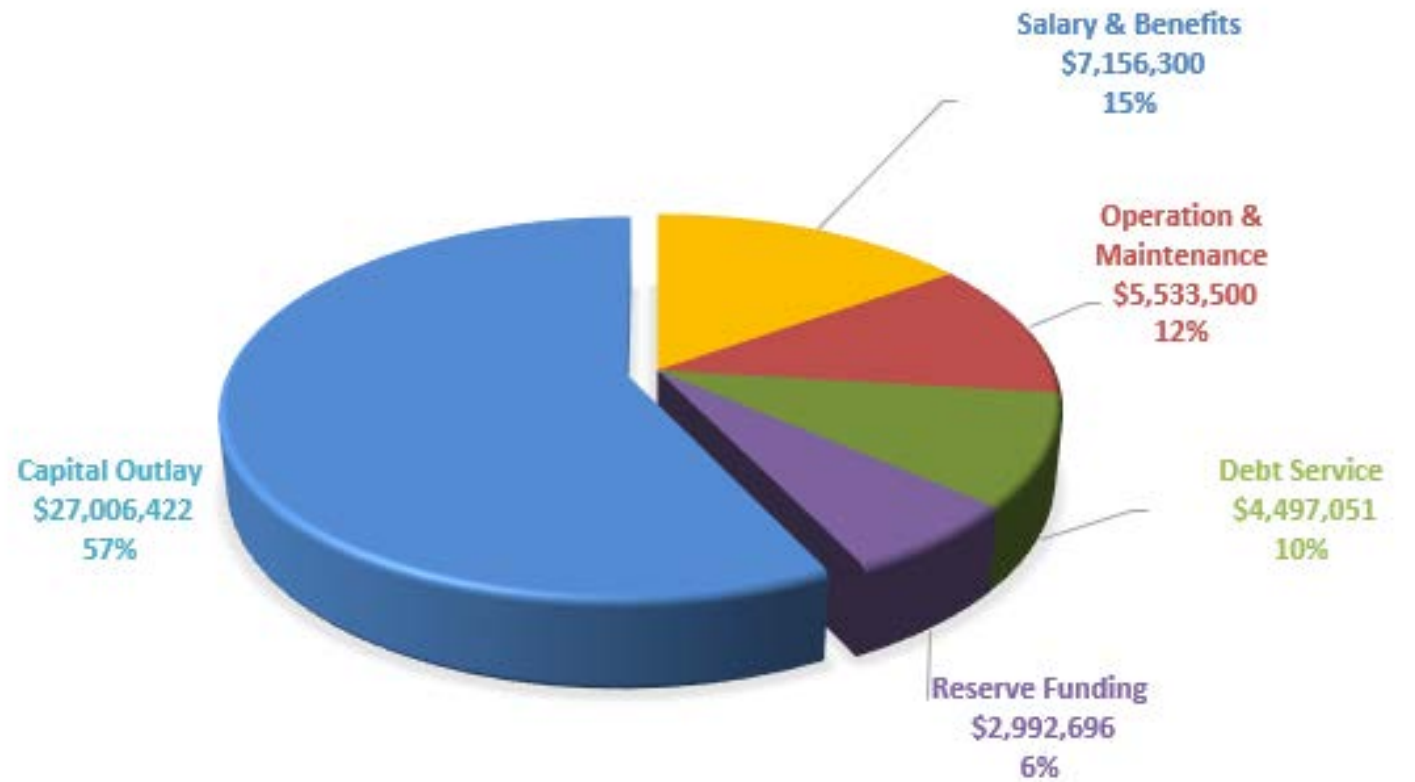
Figure 1: Revised Risk Scores as of April 2021 for All Unit Processes





# EXPENDITURES

## DRAFT BUDGET FY 2023-24



# Operating and Maintenance Expenses

# Employee Expenses

Staff salaries are expected to increase once bargaining with Operating Engineers Local 3 is completed

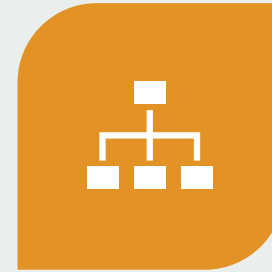
The budget includes funding for one additional full-time position proposed for 2023-24

Employee Salary and Benefits make up 15% of the total budget

# Proposed New Position



BOARD FINANCIAL POLICY F-40-40 GRANTS EXCLUSIVE AUTHORITY TO THE BOARD TO INCREASE THE NUMBER OF AUTHORIZED STAFF AT THE DISTRICT

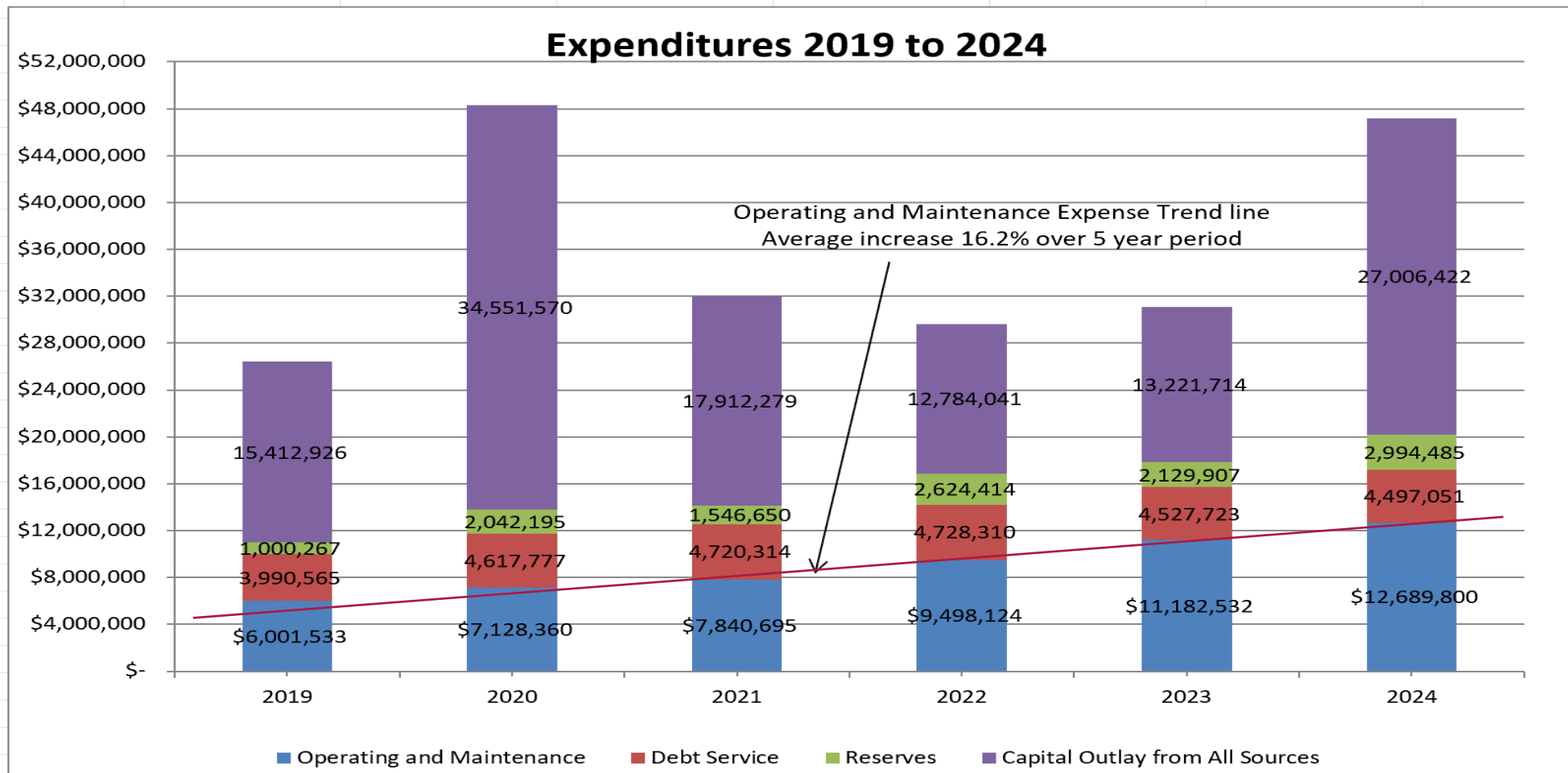


AFTER REVIEW OF OPERATIONAL NEEDS MANAGEMENT IS PROPOSING ONE NEW STAFF POSITION BE CREATED. THIS WOULD BE A NEWLY FUNDED POSITION TO PROVIDE ADMINISTRATIVE AND GRANT SUPPORT FOR THE INCREASED VOLUME OF WORK GENERATED BY CAPITAL PROJECTS



ADDITIONAL POSITION REQUESTS ARE LIKELY TO BE PROPOSED IN FUTURE FISCAL YEAR BUDGETS IN ORDER TO ACHIEVE RECOMMENDED STAFFING LEVELS AS RECOMMENDED IN THE ORGANIZATIONAL ANALYSIS COMPLETED IN 2020

# Operating and Maintenance Expenses



# Other Operating Expenses

Outside services are impacted by inflationary factors. These include personnel and HR services such as those provided by CPS HR, labor relations, janitorial services, security patrols and alarm monitoring, portable restroom rentals, and other incidentals.

Feasibility studies that are not capital improvement or capacity related are included in the operating budget. These costs are anticipated to increase and include biosolids/biogas, compost feasibility studies, and sea level rise mitigation studies.

Consultant costs include support for solar panel energy management, the Canadian goose addling project and required reporting, labor relations, and for organizational and Board development.

# Reserves

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Operating and Rate Stabilization Reserve, also known as Working Cash Flow, has set a target minimum balance equal to 7 months of average annual budgeted expenses plus debt service. An increase in debt service would result in this reserve target increasing.

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Emergency Repair reserve established to fund unidentified emergency repairs upon Board approval has a target balance set at \$1,000,000.

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Capital Reserves provides funding for major capital projects such as the Secondary Treatment Plant Upgrade and Recycled Water Expansion project. Once this project is complete, payments made by Marin Municipal Water District towards their share of the project will be deposited in the general operating account.

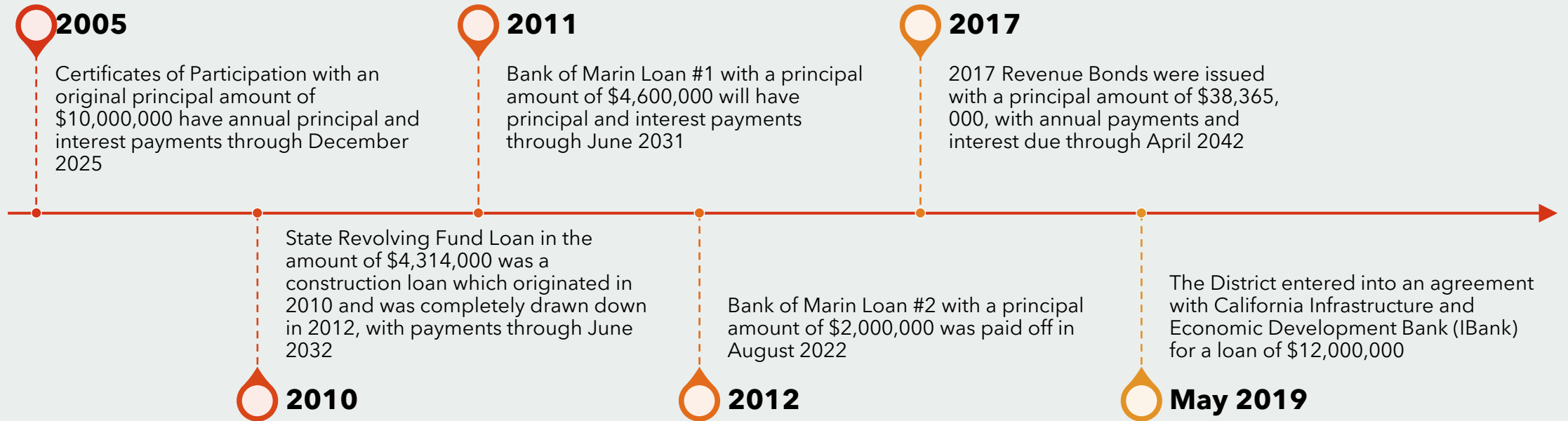
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Funds set aside for the Operations Control Center project can be held in the Capital Reserve fund until needed for construction.

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Vehicle and Equipment Reserve was established in fiscal year 2019-20 to fund vehicle and equipment replacements. Additional funding would be required if the target goal of \$1,000,000 is increased.

# Debt Service



# NEXT STEPS / QUESTIONS

- Feedback from this workshop will be used to develop the recommended sewer charge rate increases proposed for the next four years.
- Proposition 218 Notice will be considered on May 4 or May 18.
- Final budget and public hearing will be held on July 20.
- Questions and discussion...