




Item Number 4.D

GM Review CP

# Agenda Summary Report

**To:** Board of Directors  
**From:** Dale McDonald, Administrative Services Manager   
 (415) 526-1519 [dmcdonald@lqvsd.org](mailto:dmcdonald@lqvsd.org)  
**Meeting Date:** June 4, 2026  
**Re:** Proposed FY 2026-2027 Budget  
**Item Type:** Consent \_\_\_\_\_ Action \_\_\_\_\_ Information X Other \_\_\_\_\_  
**Standard Contract:** Yes \_\_\_\_\_ No \_\_\_\_\_ (See attached) Not Applicable X

## STAFF RECOMMENDATION

Board to receive report and provide direction to staff so that the budget for Fiscal Year (“FY”) 2026-2027 can be finalized prior to the public hearing on June 25, 2026.

## BACKGROUND

Staff has been meeting since February 2026 to develop the budget for FY 2026-2027. The Board held a workshop on May 7 and provided feedback to staff. A comprehensive list of capital projects was presented, and the District’s designated Reserve Fund policy was reviewed. Two changes to the reserve target goals are suggested in the proposed budget.

The Las Gallinas Valley Sanitary District’s proposed budget is \$56.1 million. This substantial budget reflects the ongoing multiple major capital projects funded by a combination of debt financing, unrestricted general operating funds, and strategic use of reserves. The District remains focused on core service delivery while navigating inflationary pressures, aging infrastructure needs, and workforce costs.

Operating revenues are projected at \$25.3 million, with Sewer Service Charge (“SSC”) revenue accounting for the majority of revenue. Non-operating revenues increased to \$4.2 million, while capital-related revenues—including intergovernmental transfers and loan proceeds—are projected to exceed \$22.5 million, primarily due to \$18.6 million in financing to support facility upgrades during fiscal year 2026-2027.

	FY 2024-25 12-Month Actual	FY 2025-26 Current Budget	FY 2025-26 12-Month Projected	FY 2026-27 Proposed Budget
Operating Revenue	20,764,033	22,772,999	23,046,343	25,272,218
Non-Operating Revenue	3,444,553	2,883,960	3,103,186	4,152,324
Capital Contributions / Capacity Related	467,805	1,747,963	1,096,705	3,910,518
Loan Proceeds	0	25,600,000	7,581,000	18,603,000
Utilization of Reserves and Restricted Funds	7,405,163	18,813,267	7,448,584	4,174,600
	<b>32,081,554</b>	<b>71,818,189</b>	<b>42,275,818</b>	<b>56,112,600</b>



The SSC base rate will be set at \$1,641 per sanitary unit effective July 1, 2026. This will result in an increase of \$149 annually for Single Family Residential (“SFR”) users. The rate increase is projected to provide \$2,203,876 in additional revenue over last year’s SSC rate.

**Operations & Maintenance Expenses**

Total operating expenses are budgeted at \$16.9 million, up 7.92% from the prior year. Increases are largely attributed to rising labor costs, increasing repair and maintenance costs, and outside services, including cybersecurity and engineering support.

O&M Expenses By Function	Adopted	12-Month Projected	% of O&M	Proposed
	2025-2026 Budget	As of June 30,2026		2026-2027 Budget
Collection System and Pump Stations	3,077,900	3,034,515	20%	3,387,780
Wastewater Treatment	5,681,000	5,191,489	33%	5,631,800
Sewage and Solid Waste Disposal	731,122	494,460	5%	785,800
Laboratory	594,700	520,515	4%	620,400
Engineering	1,235,100	966,739	8%	1,400,700
Recycled Water Production	194,700	201,438	2%	274,640
Administration and Board	4,127,822	3,836,425	24%	4,133,078
Non-Departmental OPEB and PERS UAL	612,272	565,300	4%	646,727
	<b>16,254,616</b>	<b>14,810,880</b>	<b>100%</b>	<b>16,880,925</b>

Operations & Maintenance (“O&M”) expenses, excluding salary and benefits, comprise approximately 13% of the current budget. The total O&M expenses are expected to rise 15.5% in 2026-2027. This is an increase over what was presented at the budget workshop on May 7 primarily due to updated financial forecasts based on actual expenses through May 15 and the addition of a proposed energy feasibility study in the amount of \$200,000 being added to the budget.

**Debt Service**

Debt service obligations will rise due to loans acquired in FY 2025-2026 for capital projects. The District maintains a strong Debt Service Coverage Ratio (“DSCR”) of 2.01, exceeding all policy and bond covenant requirements.

**Capital Outlay Budget**

The District’s Capital Improvement Program (“CIP”) requires the District to identify adequate funding to support the acquisition, construction and replacement of assets identified in the program. In addition, the plan requires projects the District believes beneficial to the system, but funding has not yet been identified, be included in the plan. The District has updated its 5-Year CIP; however, anticipated price escalations and procurement challenges may impact project phasing and total funding requirements.



Capital outlay is the largest expenditure category at \$30.4 million. Debt financing is funding the construction of four major projects: the Multipurpose Laboratory building, the John Duckett Pump Station electrical upgrade and Terra Linda Highway 101 Undercrossing, and either one or two critical pump station capacity upgrades at Raphael Meadows and Civic Center pump stations.

Reserve use of \$4.0 million is necessary to support these efforts, reducing the year-end Capital Reserve balance to \$8.7 million which is being held for the Corporation Yard project planned for fiscal year 2027-2028. Beginning with this fiscal year, the District is moving to a Single-Year Capital Outlay funding model as part of the annual budget process. As part of this migration, the District no longer will have a Prior Year Capital Carryover fund. Capital projects in progress will be funded from unrestricted general funds or undesignated Capital Reserves shown in the Capital Improvement Program.

## **Conclusion**

The 2026–2027 budget sets the stage for major infrastructure investment while maintaining fiscal discipline. Although reserve levels have declined, debt coverage remains strong, and the District will be looking into structuring financing to avoid undue strain on operations. The District will monitor long-term reserve replenishment and consider rate or revenue adjustments in the future.

The attached budget provides information on anticipated revenue, proposed expenditures, financials, and a comprehensive list of CIP projects with refined estimates and updated projections since the budget workshop was held.

The final 2026-2027 budget, along with the District's 5-Year Capital Improvement Program will be considered by the Board at a public hearing on June 25, 2026.

Board policy requires the District to maintain a balanced budget and to disclose deviations from a balanced budget when it occurs. Policy also requires that the District estimate revenues conservatively when forecasting the budget. Staff recommends close monitoring of reserve levels, cost trends, and construction timing throughout the year, with future attention to long-term reserve rebuilding and financial sustainability.

## **SUMMARY AND NEXT STEPS**

The proposed 2026–2027 budget is balanced and designed to keep essential wastewater and recycled water services running safely, reliably, and efficiently. The budget reflects the District's commitment to being financially responsible while continuing to protect public health, the environment, and the long-term needs of the community.

A major focus of this year's budget is investing in infrastructure. More than half of the District's spending is dedicated to upgrading and replacing aging facilities and equipment. These improvements will help ensure reliable service, meet environmental regulations, improve efficiency, and prepare the system for future growth and challenges.



The budget also provides funding for daily operations, including employee training, routine maintenance, emergency preparedness, and system repairs. While costs for labor, materials, and maintenance continue to rise, the District remains committed to delivering quality service at a reasonable cost. This report is intended to give the Board and the public a clear overview of the financial plan before the Board considers final budget adoption at its public hearing on June 25, 2026.

### **PREVIOUS BOARD ACTION**

On June 20, 2023, the Board approved Ordinance No. 192 establishing annual sewer services charges for fiscal years 2023-2024 through 2026-2027. On June 18, 2025, the Board approved the budget for fiscal year 2025-2026.

### **ENVIRONMENTAL REVIEW**

N/A

### **FISCAL IMPACT**

The presentation of the proposed budget itself has no fiscal impact. Board direction and feedback will influence the final budget for 2026-2027 which will be presented on June 25, 2026.

### **Attachment:**

- A. Las Gallinas Valley Sanitary District Proposed Budget for Fiscal Year 2026-2027, dated June 4, 2026

# Las Gallinas Valley Sanitary District Proposed Budget

Fiscal Year 2026-2027

June 4, 2026





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**MANAGEMENT TEAM**  
General Manager, Curtis Paxton  
Plant Operations, Don Moore  
Collections/Safety/Maintenance, Greg Pease  
Engineering, Jasmine Diaz  
Administrative Services, Dale McDonald

**DISTRICT BOARD**  
Megan Clark  
Nicholas Lavrov  
Craig K. Murray  
Gary E. Robards  
Crystal J. Yezman

June 4, 2026

To the Board of Directors of the Las Gallinas Valley Sanitary District,

The management staff of the Las Gallinas Valley Sanitary District (“District or LGVSD”) is pleased to present the Proposed LGVSD Budget for the upcoming 2026-2027 fiscal year. The Proposed budget includes the latest data on revenue projections, expense forecasts, debt service requirements, reserve funding, and capital outlay expenditures.

District Policy F-40-10, Budget Preparation), requires that the General Manager and Administrative Services Manager prepare an annual budget proposal. The proposed annual budget, as amended by the Board during its review, is historically adopted at the second regular meeting in June. As the regular meeting date landed on a District observed holiday, Juneteenth, the Board set the public hearing on the budget for the week later, on June 25, 2026.

## **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. Non-operating revenue, which supplements operating revenue, includes property taxes, interest, franchise fees, and other pass-thru reimbursement revenue. Capital contributions, grants, and the utilization of bond funds and reserves round out the revenue sources for the District. The District is anticipating \$56,112,660 in total funding for 2026-2027 with \$29,424,542 coming from revenue, \$22,513,518 from loan proceeds and capital contributions for capital projects, and \$4,174,600 from restricted and reserve funds.

Operations and Maintenance (“O&M”) expenses will increase over the prior year budget by \$1,238,481, or 7.92%. O&M expenses means the reasonable and necessary expenses paid or incurred for maintaining and operating the collection, treatment, and recycled water systems (“Systems”) of the District, determined in accordance with generally accepted accounting principles (“GAAP”) that the Governmental Accounting Standards Board (“GASB”) established for and is used by state and local governments in the United States. O&M expenses include all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the systems of the District in good repair and working order. These include all administrative costs of the District that are charged directly or apportioned to the operation of the systems, such as salaries and wages of employees, overhead, the cost of permits, licenses, and charges to operate the system and insurance premiums. Excluded from O&M expenses are depreciation, replacement, obsolescence charges, reserves, and amortization of intangibles. O&M expenses, including employee salaries and wages, comprise 30% of the budget. Historically O&M expenses are closer to 35-40% of the budget but because of the size of the capital budget for fiscal year 2026-2027, the percentage is lower.

Debt service requirements are up over last year to \$6,235,150 and include the 2017 Revenue Bonds, 2019 IBank loan, 2025 Lease Financing, and 2026 Revenue Bonds. Debt service comprises 11% of the budget.

New Reserve funding of \$2,896,515 is proposed and set aside to cover scheduled, routine, and unscheduled expenses that would otherwise be drawn from the General Fund. Reserve funds may also be used for large-scale projects and improvements. The District maintains four reserve funds and five restricted funds. A new Restricted Fund, Development Agreement Fee Fund, will be established in fiscal year 2026-2027. Restricted funds are monies set aside for a particular purpose and \$2,549,898 in additional funding is proposed with the budget and includes funding for the Recycled Water Capital Repair and Replacement fund required under agreement with Marin Municipal Water District (“MMWD”). Reserve funds are permanently restricted to that purpose and cannot be used for other expenses. Reserves Policy F-50 establishes and explains the purpose and reasons for each of the reserves established, along with target thresholds. Both the reserve funds and restricted funds are included in the reserve funding total, but they are different in that while the board can reallocate funds from reserves, while the restricted funds, such as Captains Cove and Marin Lagoon, serve a specific purpose and therefore their use is controlled by State law and agreements in place for providing service. Reserve and restricted funding comprise 5% of the budget.

The Capital Outlay effort for 2026-2027 remains the primary driver of expenditures for the District comprising 54% of the total budget. The total capital outlay for the Capital Improvement Program (“CIP”) for Fiscal Year 2026-2027 is \$30,412,600. During the development of the CIP, review of strategic initiatives established by the Board, along with anticipated implementation of studies based on findings of the Integrated Wastewater Master Plan indicate that capital improvements will remain the primary expense driver for the District for at least the next 10-15 years. By adding to or improving District facilities the public materially benefits from the value and useful life of the assets of the District.

Loan proceeds of \$18,603,000 are the primary funding source for four large capital projects including the Multipurpose Lab Building currently under construction. Use of \$6,149,600 in unrestricted funds is the secondary source for the majority of capital projects in Fiscal Year 2026-2027.

Sincerely,



**Curtis Paxton**  
General Manager



**Dale McDonald**  
Administrative Services Manager

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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The Las Gallinas Valley Sanitary District is pleased to present its proposed Annual Budget for the upcoming fiscal year. This budget reflects the District's continued commitment to responsible financial stewardship, transparency, and the efficient delivery of services to the community. It outlines the anticipated revenues, planned expenditures, and debt service obligations, providing a comprehensive financial plan that supports the District's operational goals and long-term priorities. The Las Gallinas Valley Sanitary District adopts its budget annually.

The Government Accounting Standards Board ("GASB"), which is recognized as the official source of Generally Accepted Accounting Principles ("GAAP") for state and local governments, establishes modified accrual accounting standards. Modified accrual accounting is used and accepted by governmental agencies because they focus on current-year obligations. Las Gallinas Valley Sanitary District Policy F-40-20, Basis of Budgeting, required that all budgetary procedures conform to state regulations and generally accepted accounting principles. As such, the District uses a modified accrual basis of accounting for reporting on budgeted versus actual expenditures, with the following exceptions:

- Grant revenues are budgeted on a modified cash basis rather than an accrual basis.
- Fixed assets are depreciated for some financial reporting but are fully expensed in the year acquired for budgetary purposes.

Modified accrual accounting is an alternative bookkeeping method that combines accrual-basis accounting with cash-basis accounting. It recognizes revenues when they become available and measurable and, with a few exceptions, records expenditures when liabilities are incurred.

The General Manager and Administrative Services Manager are responsible for development of internal accounting policies and procedures necessary to implement financial policies and to ensure that internal controls, processes, and procedures follow the California State Controller's Office Internal Control Guidelines pursuant to CGC section 12422.5 and are adequate to protect the finances of the District.

## REVENUE

### Operating Revenue

The District is entering its fourth and final year of a four-year Sewer Service Charge ("SSC") rate plan. SSC revenue is the primary source of revenue the District receives. A rate increase of \$149 annually for Single Family Residential ("SFR") users is factored into the budget. The rate increase will provide \$2,203,876 in additional revenue over last year and remains the primary driver of operating revenue growth.

Recycled water revenue is the estimated cost of providing water to Marin Municipal Water District ("MMWD") and North Marin Water District ("NMWD") based on the projected recoverable costs for the year. Projections for revenue are based on the percentage of actual recycled water provided to MMWD and NMWD. Water consumption data indicates a decline in non-residential usage (approximately 4.6%), which is expected to reduce realized SSC revenue slightly below the full rate increase. As a result, effective revenue growth is projected to be closer to 9%.

Inspections, permits, and application fees reflect projected revenue from fees related to the Private Sewer Lateral Inspection program, lateral repairs and replacement, and applications for engineering review. Revenue is based

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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on historical home sales and permit data for properties within the District between 2019 and 2025. A slight increase is anticipated.

The Miscellaneous revenue account allows various incidental or one-off payments to be deposited into the District's operating account. Staff do not forecast a budget in this category, as they are difficult to project, but have included a small placeholder based on last year's budget to assist with future accounting if needed.

### **Non-Operating Revenue**

Property tax revenues, which comprise a relatively small portion of total revenue, approximately 4.85%, are projected to grow at a slower pace of approximately 4.0%, reflecting continued uncertainty in the housing and lending markets. This represents a departure from the historical average growth rate of approximately 5%. Secured property taxes are calculated based on the value of real property, land, and personal property, such as structures, located upon real property. Secured property is taxed at a general rate of 1% of the assessed value. Property tax accounts for approximately 2% of the District's revenue. For 2026-2027, property tax revenue is expected to be \$1,383,600. Both the 1% annual Ad-Valorem tax increase for most property owners and the reassessment of property value upon sale of homes are factored in the revenue assumptions.

The District has historically identified secured property taxes as general fund revenue since the State puts no limitations on its use. It can, therefore, be considered a general fund that can be used for any legal purpose allowed by District Code and State law. The Low-Income Sewer Rate Assistance Program is funded from secured property tax revenue, and a total of \$25,000 has been allocated to the program in 2026-2027.

Prior Secured taxes, Supplemental Property Tax Assessments, and Home-Owner Property Tax Relief ("HOPTR") funds are projected to rise 6.6% over last year. These are collected by the County with and at the same time as the secured property taxes and SSC assessment. They are reported separately as required by the State Controller's Office and auditing standards.

Educational Revenue Augmentation Funds ("ERAF") are determined by State statute. Special districts are allocated a certain amount of property tax revenues; however, a portion is shifted from counties, cities, special districts, and redevelopment agencies to K-12 schools and community colleges. The District is subject to ERAF I and II tax shifts, which are specified by the State, using population and other factors. These factors are adjusted annually per the incremental growth rate in assessed property tax values. Staff have budgeted \$537,600 for 2026-2027, a 2.9% increase over using the foundational basis from the ERAF revenue received in 2025-2026.

The Solid Waste Franchise fee revenue is forecast based on the anticipated Marin Sanitary Service rate increase Proposed in January of each year. The revenue is based on the agreement with the solid waste franchisee, Marin Sanitary Service. Higher rates due to costs related to implementation of SB 1383, the State's organics recycling law, adopted January 2025, has increased both revenue and pass thru expenses related to the solids waste collection, recycling, and organic waste programs. An incremental increase in Franchise Fee revenue is forecast for January 2027 and is in alignment with the cost-of-service Franchise Agreement study completed in March 2024.

Interest income, which is invested in the California Cooperative Liquid Assets Security System ("California CLASS") and California Asset Management Program ("CAMP") investment pools, the Local Agency Investment Fund with the State of California, and Bank of Marin has remained strong due to elevated rates and higher reserve balances in recent years; however, investment yields are beginning to decline and are expected to

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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continue trending downward as reserves are drawn down to support capital expenditures. Reserve investment rates are currently at 3.8%. The District will utilize \$3.8 million in capital reserve funds held in CAMP for construction projects, which will reduce the amount of interest income received in 2026-2027.

The Private Sewer Lateral (“PSL”) Assistance Program has continued to collect reimbursement payments through the County from property owners participating in the program. The program is self-funded, with sufficient revenue coming from repayment by property owners to fund assistance to new property owners wishing to take advantage of the program. The balance in this program as of June 30, 2026 is anticipated to be \$411,000.

Anticipated revenue of \$95,400 will help offset the \$74,900 in expenses for related new assistance program issuance in 2026-2027. The District experienced a spike in property owners taking advantage of the program this year as homeowners took advantage of having the contractor performing the District’s Sewer Main Collection System Rehabilitation Program of 2024 replace their private upper sewer lateral, at the property owners cost, at the same time work was done on the public main sewer. It is anticipated that a similar program spike will occur towards the end of fiscal year 2026-2027 when property owners affected by the Sewer Main Collection System Rehabilitation Program of 2027 are notified of the program.

The Low-Income Sewer Assistance Program currently provides a 10% reduction in SSC to qualified homeowners. Operating revenue is reduced slightly, with \$25K set aside in the budget for 2025-2026. Management proposes continuing the program at its current rate.

The Reimbursements / Pass-thru / IRA Tax Credits / Rebates revenue account reports non-operational revenue such as the anticipated rebate from the California Energy Design Assistance (“CEDA”) program, administered by PG&E, as a financial incentive to offset the cost of decarbonization for the energy efficiency options to be included in the Multi-purpose Lab Building project. IRS Inflation Reduction Act (“IRA”) tax credit and PG&E rebates are also being pursued for the Solar PV and Battery Energy Storage System Projects completed in 2026.

### **Capital Contributions / Capacity Related Revenue**

Additional revenue in FY 2026–27 will be supported by one-time sources, including capacity-related fees from new development and the final IBank loan retention payment. While future development has been identified, revenue from these sources are not recurring and should be viewed as supplemental to the District’s core revenue base.

Annexation, Capital Facilities Charges (“CFC”), and Connections Fee activity for remodel permits and Accessory Dwelling Units (“ADUs”) has decreased from prior years. While the District is substantially built out and the pace of development is difficult to predict, staff are aware of a few large-scale development projects which are anticipated to be approved for connecting to the sewer system in 2026-2027. Staff are budgeting \$856,699 in receipts for capital facility charges for 2026-2027 primarily based on two larger known projects issued Will-Serve letters. Annexation and development fees are separate from the CFC connection fees and are determined by engineering review.

There are multiple land development projects currently in the works within the District boundaries. Some development will require upgrades to the District’s collection system and/or pump station facilities, requiring capital projects that would otherwise not be needed by the District. Development Agreements will allow developers pay the full amount, or their proportionate share, in the cost for the improvements needed for their development projects without burdening ratepayers. These estimated fees are shown on the revenue page of

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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the budget as well as being identified as a funding source on the Capital Improvement Program (“CIP”) for budgeted expenditures in fiscal year 2026-2027.

State and local governments have passed laws that allow additional expansion of ADUs to create more affordable housing and provide flexibility for families who wish to build a second unit on their property. ADUs are normally not subject to capacity or connection fees but can be billed a SSC depending on the size and number of units. The interest income for this category is for existing CFC funds held on deposit, which must be expended only for capital projects that increase capacity to either the collection system or treatment plant.

Marin Municipal Water District (“MMWD”) entered into an agreement in March 2017, to buy into the existing capacity of the Recycled Water Treatment Facility as well as participating in the debt service of the 2017 Revenue Bonds associated with the estimated cost for the expansion of the facility. Since project completion, the buy-in and debt service payments received from MMWD have historically been allocated to the undesignated Capital Reserves for future use by the District. This practice stopped in 2024-2025 when the District chose to deposit the MMWD payments into the operating account for use to pay their share of debt service which resulted in the District’s debt obligation being lower. In addition, according to the agreement, MMWD and LGVSD are required to meet and review the construction costs of the expansion project and adjust the buy-in amount based on the actual final costs of the project. The Marin Municipal Water District Inter-Governmental capital contribution revenue line item includes \$350,000 of buy-in and \$250,000 for anticipated revenue from the buy-in adjustment.

There is only one pending disbursement of \$567,760 from the IBank loan remaining, which will be disbursed once the Notice of Completion for the Secondary Treatment Plant Upgrade and Recycled Water (“STPURWE”) project is filed. The remaining funds will be returned to the general fund as STPURWE expenditures have already occurred.

No new grant funding has been identified for the 2026-2027 budget. Staff continues to investigate and pursue grant funding and can revise the budget if a significant grant is awarded that would impact the budget.

### Financing / Loan Proceeds

Four major projects, primarily funded through debt service, are under construction in 2026–2027. Approximately \$18.6 Million in construction costs will be financed through loans and other forms of debt.

<b>Revenue</b>	<b>FY 2024-25 12-Month Actual</b>	<b>FY 2025-26 Current Budget</b>	<b>FY 2025-26 12-Month Projected</b>	<b>FY 2026-27 Anticipated Revenue</b>
Operating Revenue	20,764,033	22,772,999	23,046,343	25,272,218
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Utilization of Reserves and Restricted Funds	7,405,163	18,813,267	7,275,818	4,174,600
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# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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### Utilization of Reserves and Restricted Funds

In addition to the revenue the District receives, reserves and restricted funds are available for specific Board approved purposes. The District is projected to have approximately \$19,525,517 in reserves as of June 30, 2026. The budget includes utilizing \$3,985,000 of reserves in 2026-2027 towards capital projects.

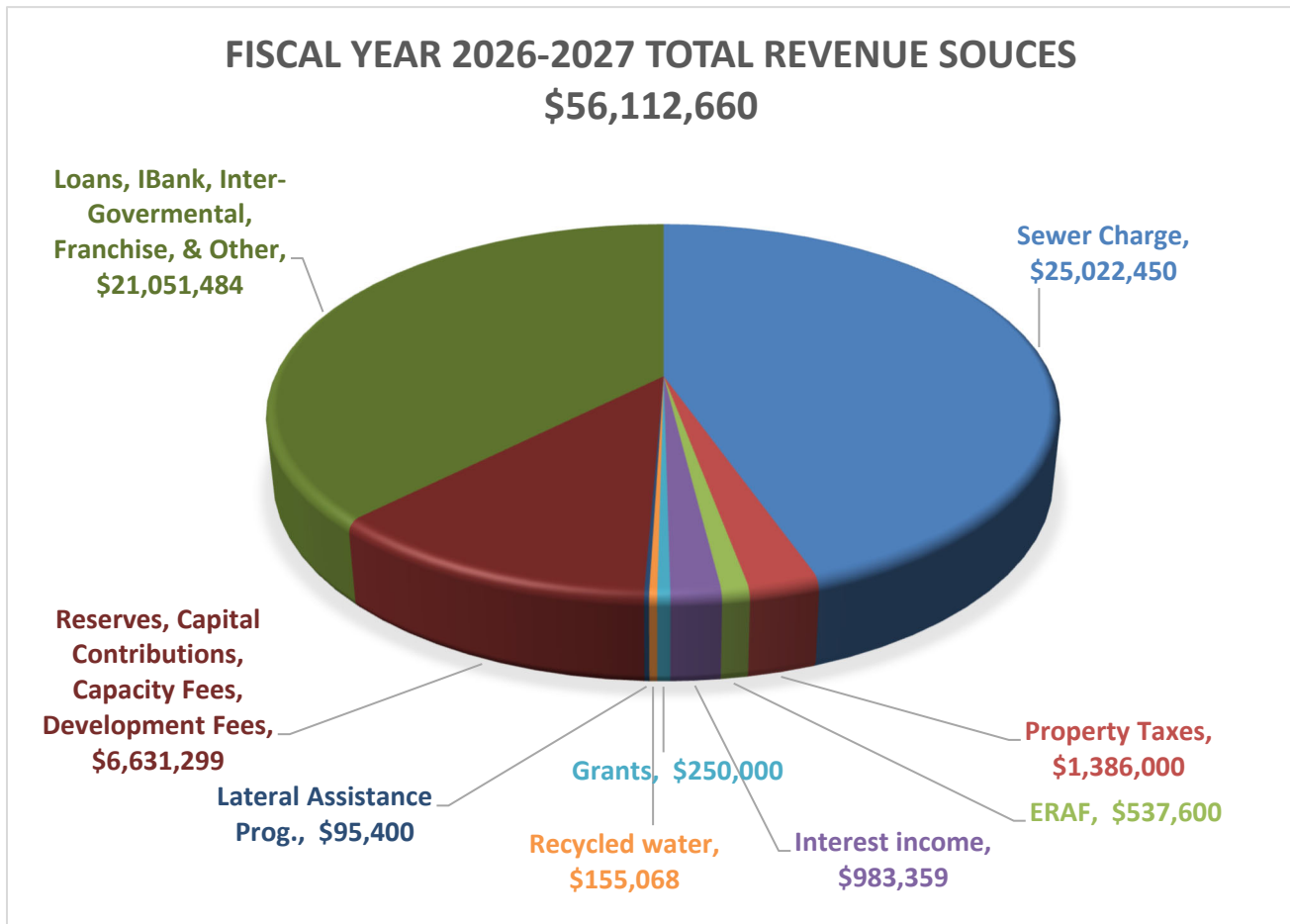
- Capital Reserves are established for major capital projects that span two or more years, including upgrades and expansions. A designated reserve was established with a balance of \$9,000,000 for the acquisition, design, and construction of a Corporation Yard and costs above the loan amount for the Multipurpose Lab building. In addition, a second designated capital reserve fund for the Sewer Main Collection System Rehabilitation and Inflow & Infiltration Reduction Program, was established with a balance of \$1,500,000.
- Use of the undesignated Capital Reserves balance can be approved by the Board to be used for Capital Outlay projects as part of the budget process. Beginning with this fiscal year, the District is moving to a Single-Year Capital Outlay funding model as part of the annual budget process. As part of this migration, the District no longer will have a Prior Year Capital Carryover fund. Capital projects in progress will be funded from unrestricted general funds or undesignated Capital Reserves as shown in the Capital Improvement Program.
- Transfers from the Capacity / Connection Fee Facilities Fund, which has been growing as fees for new or additional connections to the system are paid by developers, can be used to pay for collection system and plant capacity improvements necessary to serve those connections.
- The Recycled Water Capital Repair and Replacement fund, established in May 2023, is expected to have an ending balance of \$43,968 as of June 30, 2026. The District is required to contribute 10% of their portion of recycled water operating and maintenance expenses to this fund annually.

### Total Revenue Summary

Overall, operating revenue is projected to increase approximately 9.9% over the prior budget , primarily driven by the approved rate increase. However, this growth is partially offset by moderating economic conditions and reduced non-residential demand, reinforcing the importance of long-term financial planning beyond the current rate cycle. Total revenue, excluding the use of reserves and capital funding, for 2026-2027 is forecast to be \$29,424,542.

If there is a shortfall, it can be covered by identifying new revenue sources, reducing expenditures, reducing funding to the Operating & Rate Stabilization Reserve or other reserves, drawing down the District's unrestricted working cash capital balance, or a combination of the above.

# Las Gallinas Valley Sanitary District Proposed Budget – 2026-2027



## EXPENDITURES

Expenditures in a sanitary district reflect the planned use of public funds to support core services such as wastewater collection, treatment, and disposal, along with the management and maintenance of the District facilities such as the reclamation area. As part of the annual budget, these expenditures typically cover personnel costs, facility operations, regulatory compliance, and capital improvements. Budget allocations are designed to ensure efficient service delivery, to provide for the protection of public health and the environment, and to support the long-term sustainability of district operations through measured capital improvement.

Expenditures of the District are reported under the following categories:

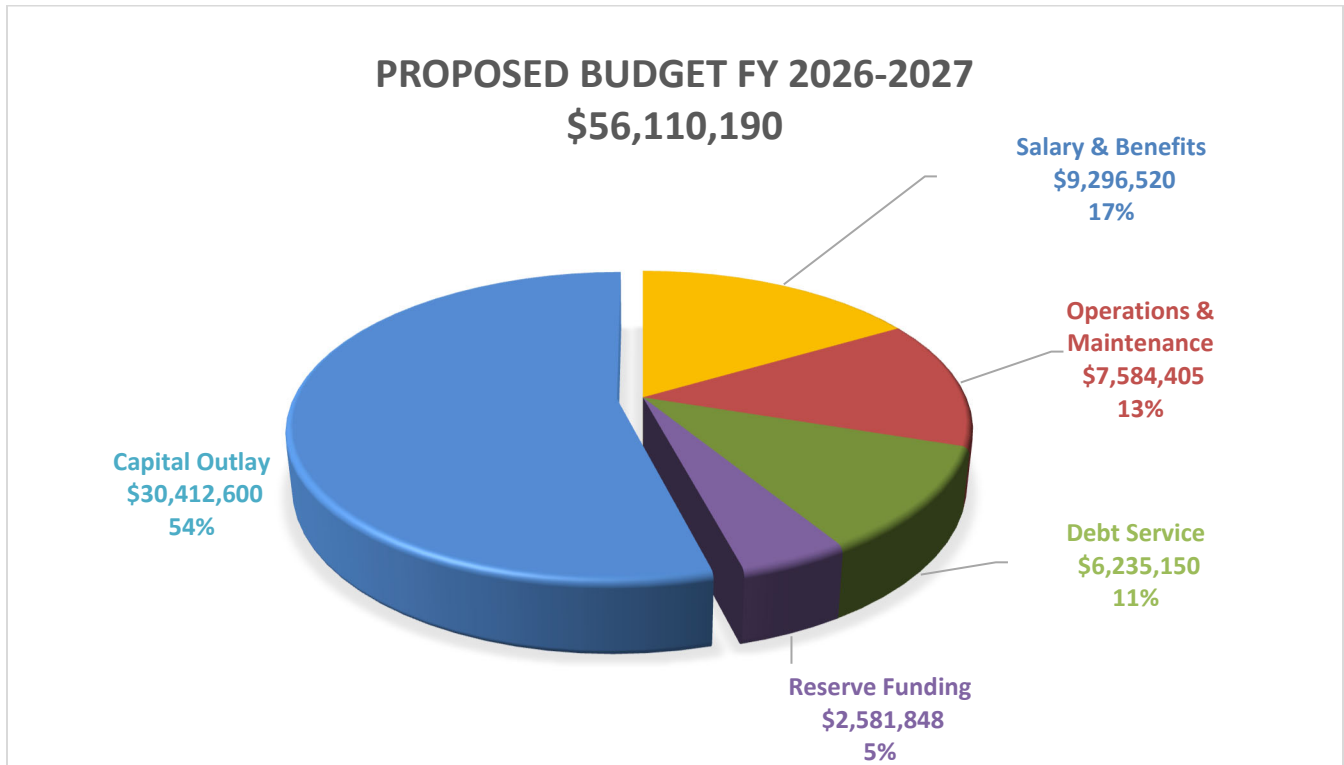
1. Operations and Maintenance Expenses (*including salary & benefits*)
2. Debt Service
3. Reserve Funding
4. Capital Outlay

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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The District's largest expenditure category is Capital Outlay followed by Operations and Maintenance. The operations and maintenance expense, debt service, reserve and restricted funding, and capital outlay financials were analyzed, and key items of interest are noted in this report. The District's reserve policy and reserve funding targets for the Operating & Rate Stabilization Reserve, Emergency Repair, Capital Reserves, and Vehicle and Equipment Reserve were reviewed and are included as part the budget process.



### Operations & Maintenance Expenses

Operations and Maintenance (“O&M”) expenses, including salaries and benefits, represent a significant portion of the District’s operating budget and O&M expenses are projected to increase over the current year. The draft budget includes a 7.92% increase for 2026–2027 operating costs. This modest increase reflects a combination of ongoing maintenance requirements for critical infrastructure, anticipated increases in payroll costs, and slight increases in general & administrative costs balanced with cost saving measures where feasible.

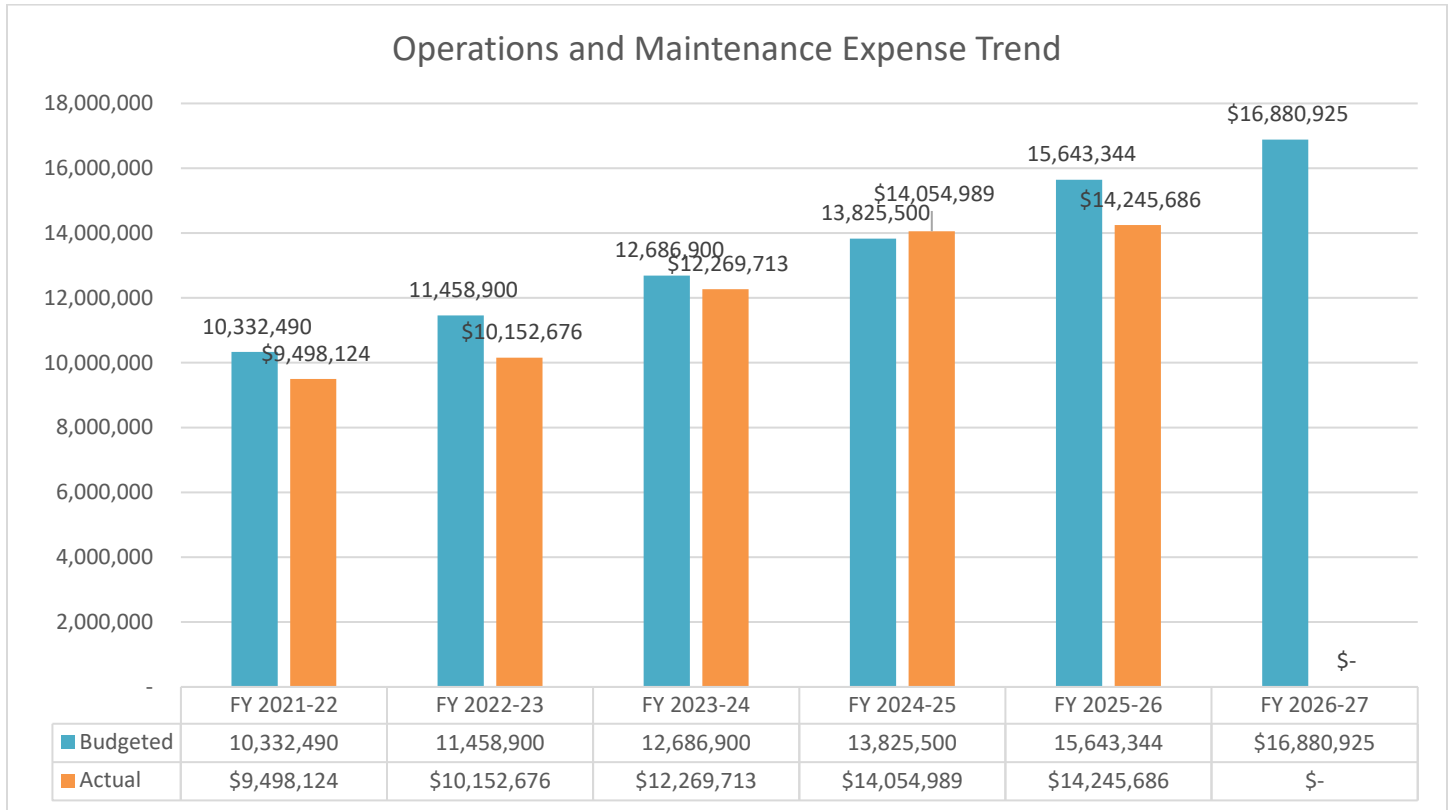
Approximately 70% of O&M expenditures are considered essential and non-discretionary, limiting the District’s ability to achieve material reductions without affecting service levels.

No significant operational changes are proposed for 2026–2027, with the exception of a proposed District Inspector, a new Full-Time Equivalent (“FTE”) position in the Engineering Department. This position is intended to reduce reliance on outside consultants and improve efficiency in inspection and permitting functions. The position would support normal sewer main construction project inspections, currently being performed under contract with outside service consultants, and private-sewer lateral inspections, currently performed by Collection Systems Operators.

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

Inflation projections using California Department of Finance SF Metropolitan Statistical Area CPI and Moody’s SF Metropolitan Area CPI, both forecasted at 3.3% in 2026-2027, were used in setting the budget for the majority of accounts (for example; general office supplies, utilities, and outside services). On top of the base CPI, it is prudent to budget an additional 5% for equipment and maintenance costs related to wastewater treatment plant and pump stations motors, gears, parts and supplies primarily dependent on overseas manufacturing.



Details of department financials were reviewed to develop the proposed budget. Minor adjustments will be made in developing the final budget.

### Salary and Benefits:

Labor costs remain the largest component of O&M expenses, with salary and benefit costs making up 55% of the O&M expenses at the District. Negotiations with Operating Engineers Local 3 are ongoing, and a 3.3% Cost-of-Living Adjustment placeholder has been included in the proposed budget pending final agreement. Competitive labor market conditions continue to place upward pressure on both direct staffing costs and contracted services.

The Operator-in-Training (“OIT”) program has been successful, and management will continue the program into next fiscal year with Board support. The program term would remain at 6 months per OIT, rotating primarily between Operations, Collections, and Lab departments.

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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The Operations and Maintenance expense trend, with budget and actual expenses reported, shows that the District is managing its expenses well. Projected expenses for 2025-2026 are trending lower primarily because fewer contracted services and repair and maintenance expenses have been incurred to date.

Workers' Compensation insurance will increase 3.2% shadowing increased salary costs. California Sanitation Risk Management Authority's actuary developed funding requirements for the Workers' Compensation Program renewal for 2026-2027. The experience modification factor, used in the computation of the premium, increased from 0.91 to 0.94, with only a slight impact in rates.

### **Repairs and Maintenance:**

Most repairs and maintenance activity is coordinated by the Maintenance Department, but actual expenses related to assets are allocated to the respective financial cost center (Collection System, Pump Station, Treatment Plant, or Recycled Water) for proper accounting. The Repair and Maintenance proposed budget for 2026-2027 is lower than last year's budget. The primary drivers of maintenance costs in 2026-2027 are:

- Equipment Maintenance & Repair expenses are projected to increase 9.5% over last year's budget.
- BioWheel Maintenance, Service, and Capital Repair is projected to cost less than what was budgeted for in 2025-2026 as the District has enough chains, sprocket units, and gears on-hand for repair of the drive trains.
- Reclamation pasture and pond maintenance expenses are expected to be about the same as this current year.
- Capital Repairs and Replacements is expected to increase, with equipment replacement at the lab being driven by the new Multipurpose Lab building, ongoing regular replacement of pumps at the treatment plant and pump stations, and other various wastewater treatment components replaced as needed.

### **Other Operating Expenses:**

Other operating expenses include supplies and contracted services to support the operations at the treatment plant, pump stations, and administration of the District. The District must budget for peak-weather events, such as heavy storms, which are increasing in intensity from historical events. These events cannot be planned for but the District can prepare for them by addressing funding for additional treatment plant and collection system expenses expected during these events.

- Chemical Supplies make up the largest percentage of supplies required by the District. The amount budgeted for supplies is \$1,047,480, and of that \$843,300 is for chemicals. The District is a member of the Bay Area Chemical Consortium ("BACC") which assists the District in obtaining the most competitive unit pricing. Chemical costs are budgeted for based on historical wet-weather flow.
- Contract Personnel is funding set aside for potential vacancies at the District which may require short-term assistance from outside professionals while recruitment is underway or for emergency operator assistance if there is an employee staffing shortage. If unspent the funds remain in the general fund.
- Biosolids Management, Compliance, Sampling and Reporting was added to the 2024-2025 revised budget. Expenses for the program will continue into 2026-2027 at a projected cost of \$153,000.

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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- Outside contracted services include services related to personnel and HR services, guard service, labor relations, janitorial services, security patrols and alarm monitoring, portable restroom rentals, grant funding support, and other incidental outside operating expenses.
- Sludge injection and land disposal of biosolids is normally an operational expense of the wastewater treatment process. During the first year of the Biosolids Program Monitoring Research project, land application was performed as part of the biosolids feasibility study and sludge was injected into the Districts dedicated disposal site. The associated costs related to land disposal of solids, required as part of the ongoing study, was charged to the Biosolids Program Monitoring Research project. As we enter the fourth year of the study, the proposed operating budget includes \$105,000 towards biosolids disposal, calculating the share of operational expense based on the historical cost of sludge injection. The additional costs associated with land disposal are included in the capital Biosolids Program Monitoring Research Support and Flood Protection program. Once the program is completed, the full cost of sludge injection and/or land disposal will be an operating expense.
- Consultants include costs for climate assessments, reporting to NPDES, MMWD water data review and rate setting assistance, recruitment, labor relations, and for organizational and Board development.
- Feasibility studies that are not capital improvement or capacity related are treated as an operational expense. The General Manager and District Engineer can approve feasibility studies up to their purchasing authority. Board approval for any study over \$75,000 is required.
- Financial Services includes funding for an independent financial advisor, actuarial valuations, arbitrage compliance services, and accounting support from Regional Government Services. In addition to the regular annual support, a 5-year Sewer Rate Study and separate 5-year Capacity Charge Study will be undertaken in the fall of 2026.

### **General and Administrative:**

General and Administrative expenses round out the Operations and Maintenance expenses of the District. The expenses under this category are District wide and benefit all departments.

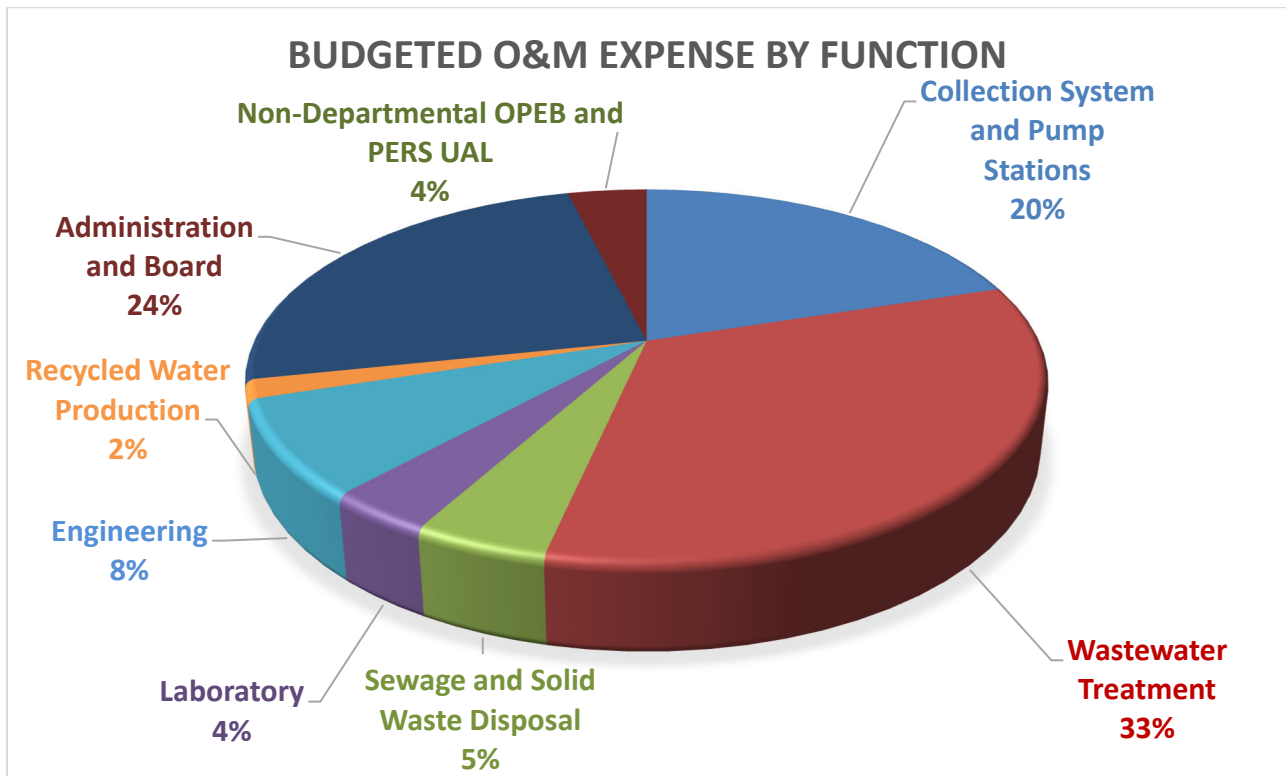
- Legal expenses related to ongoing settlement talks and potential litigation regarding the close out of the Secondary Treatment Plant Upgrade and Recycled Water Expansion (“STPURWE”) project continue. The budget includes \$582,225 in legal fees and includes \$300,000 if the case were to go to trial.
- Computer Services and Software includes annual software renewals, outside computer network support, and other incidental computer software products. As software companies move away from providing owned software licenses and switch to a Software-as-a-Service (“SaaS”) licensing and delivery model, in which software is licensed on a subscription basis and is centrally hosted, the District will see these expenses rise. CityWorks and ArcGIS follow the multi-year SaaS licensing models. Other software such as SCADA, Caselle, and Microsoft Office which have software license agreements for one year or less are treated as incidental software licenses. Computer equipment below the capital asset threshold is replaced as needed under the Office Supplies & Equipment cost center.
- The District’s donation policy establishes a formal procedure for allocating funds to non-profit community groups requesting contributions from the District. As part of the policy, the Board funds the program from property tax revenue as part of the budget process. Donation funding for 2026-2027 is set at \$15,000.
- Rents and leases include the annual administration office lease at 101 Lucas Valley Road (\$125,324), lease of the postage machine, off-site records storage, railroad easements and copiers.

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

- Employee training and education includes the cost for the District to participate in the Liebert Cassidy Whitmore employment relations consortium and other offsite training. Management training and coaching is included in the budget for all managers and supervisors following the 2024 FutureSense climate assessment report.

Operations & Maintenance expense details by department were analyzed and rolled up into the proposed budget. Wastewater treatment remains the largest expense by function.



### DEBT SERVICE

The District has five issuances of debt outstanding. They are as follows:

- State Revolving Fund Loan (“SRF”) was a construction loan which originated in 2010 and was completely drawn down in 2012. The original principal amount was \$4,314,750 with annual principal and interest payments through June 2032. The interest rate is 2.7%. The principal balance remaining is scheduled to be \$1,561,910 as of July 1, 2026.
- Bank of Marin Loan #1 which originated in 2011 with a principal amount of \$4,600,000. Monthly principal and interest payments are due through June 2031. The interest rate is 3.88%. The principal balance remaining is scheduled to be \$1,507,647 as of July 1, 2026.
- 2017 Revenue Bonds were issued in April 2017 with a principal amount of \$38,365,000. The true interest rate to maturity is 3.2984%. Annual principal and interest payments are due through April 2042. The principal balance remaining is scheduled to be \$28,655,000 as of July 1, 2026.

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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- The District entered into an agreement with California Infrastructure and Economic Development Bank (IBank) in May 2019 for a loan of \$12,000,000. The loan has a maturity date ranging from August 1, 2019 through August 1, 2043. The interest rate on the loan is 3.0% per annum. The principal balance remaining is scheduled to be \$9,478,020 as of July 1, 2026. An annual service fee, \$28,434 for 2026-2027, is treated as an Operating & Maintenance expense but recognized as debt service for budget purposes. The annual fee is not reported as a long-term obligation in audited financials.
- Solar PV and Battery Energy Storage System (BESS) 2025 Lease Financing agreement with Banc of America Public Capital Corp. The contract rate is 3.850% per annum. Annual principal and interest payments are due through September 2035. The principal balance remaining is scheduled to be \$5,854,426 as of July 1, 2026.
- 2026 Wastewater Revenue Bonds with a par amount of \$28,500,000 were issued on February 26, 2026 with net premium of \$30,338,119. The true interest rate to maturity is 3.767%. Annual principal and interest payments are due through April 2056. The first installment payment of \$747,140 is due October 1, 2026. The annual debt service for 2026-2027 is \$1,717,652.

The debt service does not reflect the reimbursement to be received from MMWD for buying into the existing recycled water treatment facility or their portion of the 2017 Revenue Bonds. The payments received from MMWD are deposited into the operating account for use to pay their share of debt service for the recycled water treatment facility improvements. Choosing to recognize debt service payments from MMWD as a reimbursement to the general operating account for debt service payments, rather than funding of the capital reserve, results in the District's 2017 Revenue Bonds debt obligation being lower.

The Debt Service Coverage Ratio ("DSCR") for the District projected for 2026-2027, based on the presented budget and debt service, is determined by dividing the Net Operating Income (\$12,543,617) by Total Debt Service (\$6,235,150). The calculated DSCR for 2026-2027 is therefore 2.01. The District is required to maintain a DSCR of 1.25 or higher due to bond covenants and we are above this minimum. The District includes both its operating income and non-operating income, primarily guaranteed property taxes, in determining its Net Operating Income which is used in the calculation of DSCR. When specifically included in a utility's bond indenture, rate stabilization reserves can be used to help meet debt service coverage requirements during times of revenue shortfalls.

## RESERVES

Reserve Policy F-50 requires periodic review of reserve targets as part of the budget process. Staff have evaluated current reserve levels and recommend maintaining and strengthening reserves to support financial stability during a period of increased capital investment.

The total reserve target is currently \$25.3 million, with the Operating and Rate Stabilization Reserve comprising the largest share. Management recommends increasing the Operating and Rate Stabilization Reserve target from \$11.8 million to \$16 million to support seven months of operating cash flow and the full annual debt service requirements of the District. Management further recommends increasing the Capital Reserve target from \$11 million to \$13 million. These changes will increase the overall total reserve target to \$31.5 million.

Any additional increase in target goals will require revenue to be set aside for this purpose by reducing operating costs, pushing back capital projects, or identifying other sources of revenue. The District does not currently fully fund for depreciation of assets. The Capital Reserve policy does allow for accumulated depreciation to be

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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reviewed and factored into setting the target goal, with the intent to have current ratepayers pay their share for the use of the District's assets.

Reserve funds are held in California Asset Management Program ("CAMP"). The interest earned in CAMP increases the balance of reserves and offsets the need to transfer funds from the District's operating account to meet the budgeted reserve targets.

The 2026–2027 budget proposes utilizing approximately \$4.35 million in reserves to support capital expenditures. While this approach reduces near-term reliance on additional rate increases or borrowing, it will decrease investment income and require future replenishment through operating revenues and other funding sources.

- Operating & Rate Stabilization Reserve has a target of a minimum balance equal to 7 months of average annual budgeted expenses. Based on reserve fund policy the reserve target for 2026-2027 should be \$16,000,000 and the reserve will have a balance of \$5,529,795 at the beginning of the upcoming fiscal year. The budget includes adding \$1,290,034 to the budget for 2026-2027. The reserve has been established to fund unexpected expense increases and can be used to help stabilize sewer service charge rate swings.
- Emergency repair reserve target is \$1,500,000 and can be used to fund emergency repairs. Any shortfall in the reserve is to be built up over 2-3 years. The budget is proposing \$74,074 be added to the reserve.
- Capital Reserves contains both designated and undesignated funds for capital projects. The target of \$13,000,000 includes \$9,000,000 designated for the acquisition of land and/or construction for the Corporation Yard project and for costs above the loan amount for the Multipurpose Lab building. The MMWD buy-in and debt service payments are no longer deposited into the reserve account. The budget for 2026-2027 authorizes \$3,985,000 for use towards projects showing reserve funding on the 5-year Capital Improvement Plan.
- Vehicle and Equipment Reserve ("VERF") was established in Fiscal Year 2019-2020 to fund vehicle and equipment replacements. The reserve target was set at \$1,000,000. A total of \$267,842 will be added to replenish the VERF and \$190,000 will be used to purchase vehicles and equipment listed on the Capital Outlay budget in 2026-2027.
- Capacity Connection Fee reserve fund is restricted for the use of collection system and plant capacity improvements to serve the new connections that contributed to the fund through fees collected. The budget includes the addition of \$892,748 to the reserve and use of \$75,000 towards design of Upper Terra Linda Siphon Improvements.
- Captains Cove and Marin Lagoon are restricted reserves built up when there is an excess of special assessments over projected operations, maintenance and capital expenditures which are collected for these developments. Both funds will be drawn down to pay for operational expenses in 2026-2027. As the balance of the restricted funds is low, no capital projects are budgeted to use the restricted reserves in the upcoming fiscal year. A rate surcharge rate study will be undertaken in late 2026 to determine the surcharge amounts required to continue the ongoing operations and maintenance needs as well as capital improvement needs of the pump stations serving Captains Cove and Marin Lagoon communities.
- Recycled Water Capital Repair and Replacement restricted reserve fund was created in May 2023. The District is required to contribute 10% of their portion of annual recycled water O&M costs into this restricted fund for future capital expenditures to the Recycled Water Treatment Facility. A total of \$16,000 is estimated to be added to the restricted fund in 2026-2027.

# Las Gallinas Valley Sanitary District

## Proposed Budget – 2026-2027

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Maintaining adequate reserves remains critical to managing financial risk, supporting cash flow needs, and preserving long-term financial flexibility.

### **CAPITAL OUTLAY**

The District's Capital Improvement Program ("CIP") reflects a significant investment in infrastructure to maintain system reliability, meet regulatory requirements, and address long-term service needs.

Total capital outlay for 2026–2027 is approximately \$30.4 million, representing the largest component of the District's overall budget. Of this amount, approximately \$18.6 million will be debt financed, with the remainder funded through reserves and available cash.

The proposed 2026-2027 budget only includes funding approval for projects identified in the first year of the CIP and contains the list of projects to be funded with the adoption of this budget. The additional projects listed in the CIP are proposed for future years and they will require their own funding approval as part of their respective yearly budget.

The District budgets for Single-Year Capital Outlay funding as part of the annual budget process. During the budget development process, encumbered contract amounts will be identified, and funding will be included in the budget to cover the cost for projects in progress. Any unspent capital funding in the current year will be reallocated to the unrestricted general fund as of June 30, 2026. Funding sources and reauthorization of funds will be included in the 2026-2027 Capital Outlay budget that will be presented for final adoption and be effective July 1, 2026.

A substantial portion of the capital budget is dedicated to continuing multi-year projects, including the Multipurpose Laboratory Building and other previously approved infrastructure improvements. The proposed budget includes \$25,692,600 to fund ongoing and continuing projects with most of the funding coming from the 2026 Revenue Bond being held by US Bank.

### **New Capital Projects Identified**

New projects have been identified and added to the CIP. The list of projects proposed in the 2026-2027 budget are identified on the CIP Worksheets. Many of the new projects are for planning and assessment studies identified by the soon to be completed Integrated Wastewater Master Plan. Having these studies and assessments done could result in the District being in a better position for grant awards that require a project be "shovel ready." Some new projects identified are tied to development and will only move forward if a development agreement exists and funding is secured.

A total of \$4,720,000 is being allocated for new projects in the proposed 2026-2027 CIP Budget.

Authorization to proceed with financing projects is dependent on obtaining financing with acceptable terms. Projects may proceed in phases if funded from multiple sources if feasible.

*\*\* Supporting Budget Financial Statements are attached to this report on the following pages \*\**

**LAS GALLINAS VALLEY SANITARY DISTRICT  
REVENUE  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

Revenue Description	2024-25 Final Actuals	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
<b>OPERATING REVENUE</b>				
Sewer Service User Charges	\$ 20,502,459	\$ 22,443,570	\$ 22,818,574	\$ 25,022,450
Recycled Water (MMWD / NMWD)	185,819	234,729	140,971	155,068
Inspections/Permits/Application Fee	56,725	57,400	62,470	65,400
Miscellaneous Operating Revenue	19,029	37,300	24,329	29,300
<b>Total Operating Revenue</b>	<b><u>20,764,033</u></b>	<b><u>22,772,999</u></b>	<b><u>23,046,343</u></b>	<b><u>25,272,218</u></b>
<b>NON-OPERATING REVENUE</b>				
Property Tax and Supplemental Assessments	1,292,247	1,342,000	1,343,010	1,383,600
Educational Revenue Augmentation Fund	609,785	572,900	521,887	537,600
Homeowner Property Tax Relief	4,116	4,300	2,241	2,400
Franchise Fees Marin Sanitary Service	184,372	191,700	189,931	196,600
Private Sewer Lateral Assistance Program	104,211	103,700	87,332	95,400
Interest Income	1,249,414	595,860	953,446	947,300
Reimbursements / Pass thru / IRA / Rebates	408	73,500	5,340	989,424
	<b><u>3,444,553</u></b>	<b><u>2,883,960</u></b>	<b><u>3,103,186</u></b>	<b><u>4,152,324</u></b>
<b>CAPITAL CONTRIBUTIONS / CAPACITY RELATED</b>				
Annex, Capital Facility Charges, Connection Fees	63,939	278,501	701,698	856,699
Development Agreement Fees	-	-	-	1,600,000
Interest on Connection Fee Fund	39,408	37,582	34,998	36,049
Interest on Bond Funds	12	9	8	10
Marin Municipal Water District Inter-Governmental	364,447	614,111	360,000	600,000
IBank Loan Disbursements	-	567,760	-	567,760
Federal and State Grants	-	250,000	-	250,000
Loan Proceeds for Capital Projects	-	25,600,000	7,581,000	18,603,000
	<b><u>467,805</u></b>	<b><u>27,347,963</u></b>	<b><u>8,677,705</u></b>	<b><u>22,513,518</u></b>
<b>TOTAL REVENUES</b>	<b><u>\$ 24,676,391</u></b>	<b><u>\$ 53,004,922</u></b>	<b><u>\$ 34,827,234</u></b>	<b><u>\$ 51,938,060</u></b>
<i>Total Revenues excluding Loan Proceeds</i>				
<b>UTILIZATION OF RESTRICTED FUNDS AND RESERVES</b>	<i>2024-25 Actual Use</i>	<i>Adopted Available</i>	<i>2025-26 Projected Use</i>	<i>2026-27 Proposed Budget</i>
Operating Reserves / Rate Stabilization	-	-	-	-
Private Sewer Lateral Assistance Funds	79,735	134,000	14,400	74,900
Capital Outlay Carryover Utilized	5,400,227	8,309,567	6,569,392	-
Capital Reserves	1,318,529	9,400,000	400,000	3,795,000
Vehicle and Equipment Reserve	573,743	430,000	421,000	190,000
Transfers from Marin Lagoon Restricted Fund	28,245	29,100	33,781	25,100
Transfers from Captains Cove Restricted Fund	4,684	10,600	10,011	14,600
Transfers from Capacity Connection Fee Fund	-	500,000	-	75,000
<b>SUB TOTAL</b>	<b><u>7,405,163</u></b>	<b><u>18,813,267</u></b>	<b><u>7,448,584</u></b>	<b><u>4,174,600</u></b>
<b>TOTAL FUNDS AVAILABLE FOR EXPENDITURES</b>	<b><u>\$ 32,081,554</u></b>	<b><u>\$ 71,818,189</u></b>	<b><u>\$ 42,275,818</u></b>	<b><u>\$ 56,112,660</u></b>

**LAS GALLINAS VALLEY SANITARY DISTRICT  
BUDGET SUMMARY  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

	2024-25 Final Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
<b>OPERATING EXPENSES</b>				
EMPLOYEE WAGES	5,341,473	5,686,600	5,723,964	6,291,400
EMPLOYEE BENEFITS	2,442,346	2,718,272	2,562,032	3,005,120
INSURANCE EXPENSE	430,907	519,700	521,164	582,000
REPAIRS AND MAINTENANCE	1,150,075	1,463,700	1,116,722	1,390,100
SUPPLIES	989,370	1,060,100	888,298	1,047,480
CONTRACTED SERVICES	1,621,165	2,227,472	1,277,742	2,519,225
UTILITIES	1,285,766	1,004,000	1,147,519	865,400
GENERAL & ADMINISTRATIVE	793,888	962,600	1,008,243	1,180,200
<b>OPERATING EXPENSE TOTALS</b> <i>(including operational adjustment)</i>	<b>\$ 14,054,989</b>	<b>\$ 15,642,444</b>	<b>\$ 14,245,686</b>	<b>\$ 16,880,925</b>
<b>DEBT SERVICE</b>				
<b>DEBT SERVICE TOTALS</b>	<b>\$ 4,375,144</b>	<b>\$ 4,507,858</b>	<b>\$ 4,878,685</b>	<b>\$ 6,235,150</b>
<b>RESERVE FUNDING</b>				
OPERATING & RATE STABILIZATION	585,211	696,690	696,690	1,290,034
EMERGENCY REPAIR	111,111	74,074	74,074	74,074
CAPITAL RESERVES	3,000,000	2,100,000	2,100,000	-
VEHICLE & EQUIPMENT (VERF)	100,000	100,000	100,000	267,842
CAPACITY (RESTRICTED FUND)	93,355	316,083	736,697	892,748
CAPTAINS COVE (RESTRICTED FUND)	16,297	16,140	16,209	16,200
MARIN LAGOON (RESTRICTED FUND)	25,348	25,270	24,989	24,950
RECYCLED WATER (RESTRICTED FUND)	15,773	16,000	13,759	16,000
<b>RESERVE FUNDING TOTALS</b>	<b>\$ 3,947,095</b>	<b>\$ 3,344,257</b>	<b>\$ 3,762,417</b>	<b>\$ 2,581,848</b>
<b>CAPITAL OUTLAY</b>				
<b>CAPITAL OUTLAY</b>	<b>\$ 12,093,060</b>	<b>\$ 47,568,544</b>	<b>\$ 10,836,386</b>	<b>\$ 30,412,600</b>
<b>TOTAL BUDGET</b>				
<b>TOTAL BUDGET</b>	<b>\$ 34,470,288</b>	<b>\$ 71,063,103</b>	<b>\$ 33,723,175</b>	<b>\$ 56,110,523</b>

**LAS GALLINAS VALLEY SANITARY DISTRICT  
OPERATIONS AND MAINTENANCE EXPENSE  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

Acct. Num.	Expense Description	2024-25 Final Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
<b>EMPLOYEE WAGES</b>					
5000	Regular Staff Salaries (5033)	\$ 4,600,737	\$ 4,872,500	\$ 4,894,192	\$ 5,456,100
5010	Over Time (5020)	165,266	186,100	222,155	205,800
5030	Stand By	124,695	144,300	158,306	148,400
5050	Directors Fees	67,062	85,600	74,572	108,000
5073	Emergency Response Stipend	62,618	68,600	69,614	64,600
5075	Certification Stipend	161,167	179,100	165,416	177,800
5077	Longevity Pay	159,927	150,400	139,710	130,700
	<b>TOTAL EMPLOYEE WAGES</b>	<b>5,341,473</b>	<b>5,686,600</b>	<b>5,723,964</b>	<b>6,291,400</b>
<b>EMPLOYEE BENEFITS</b>					
5060	Auto Allowance	15,953	16,400	12,598	17,500
5090	Vacation and Sick Accrual	87,539	125,500	64,000	105,700
5110	Health Insurance & Wellness Prog. (5111-5113, 5170)	951,178	1,042,772	950,477	1,054,088
5115	Directors Benefits	9,174	28,900	32,676	76,393
5117	Dental and Vision Insurance (5119)	52,443	141,400	91,127	171,700
5120	Public Employee Retirement System	864,944	900,200	926,375	1,059,839
5130	Payroll Taxes (SSI)	370,681	370,900	392,572	423,300
5150	Group Life Insurance / Long Term Disability (5160)	51,782	55,000	55,006	59,400
5180	Employer Match 457 Plan	38,652	37,200	37,200	37,200
	<b>TOTAL EMPLOYEE BENEFITS</b>	<b>2,442,346</b>	<b>2,718,272</b>	<b>2,562,032</b>	<b>3,005,120</b>
<b>INSURANCE</b>					
5140	Workers' Comp Insurance	72,057	98,000	94,932	98,000
5411	Pooled Liability & Property Insurance	357,634	420,300	424,693	482,400
5496	Fidelity Bond	1,216	1,400	1,540	1,600
	<b>TOTAL INSURANCE EXPENSE</b>	<b>430,907</b>	<b>519,700</b>	<b>521,164</b>	<b>582,000</b>

**LAS GALLINAS VALLEY SANITARY DISTRICT  
OPERATIONS AND MAINTENANCE EXPENSE  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

Acct. Num.	Expense Description	2024-25 Final Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
<b>REPAIRS AND MAINTENANCE</b>					
5310	Vehicle Parts & Maintenance	74,646	73,800	50,286	78,000
5311	Building and Ground Maintenance (5312)	172,258	163,700	144,708	163,400
5315	Equipment Maintenance & Repair (5313, 5317)	287,732	472,300	439,277	519,300
5318	Biowheel Maint., Service, & Capital Repair (5338)	252,641	330,500	71,163	185,900
5319	Capital Repairs/Replacements	35,698	133,900	139,122	173,500
5321	Reclamation Pasture & Pond Maint. (5323, 5326,580-5	327,101	289,500	272,167	270,000
	<b>TOTAL REPAIRS AND MAINTENANCE</b>	<u>1,150,075</u>	<u>1,463,700</u>	<u>1,116,722</u>	<u>1,390,100</u>
<b>SUPPLIES</b>					
5211	General Operating & Lab Supplies (5284, )	64,329	60,500	43,340	68,100
5222	Small Tools	38,204	38,000	21,315	22,400
5231	Fuel, Oil, and CNG for Vehicles (5232-5235)	43,965	48,700	57,574	70,980
5243	Safety Equipment & Supplies	25,090	40,000	32,997	42,700
5281	Hypochlorite	576,456	627,300	508,628	600,000
5282	Bisulfite	138,093	152,300	145,212	150,000
5283	Miscellaneous Chemicals	103,232	93,300	79,233	93,300
	<b>TOTAL SUPPLIES</b>	<u>989,370</u>	<u>1,060,100</u>	<u>888,298</u>	<u>1,047,480</u>
<b>CONTRACTED SERVICES</b>					
5241	Safety Services	59,612	64,500	61,022	62,600
5301	Contract Personnel	-	120,000.00	-	60,000.00
5324	Biosolids Mgmt, Compliance, Sampling & Reporting	20,164	62,222	19,572	153,000
5325	Sludge Disposal Inject / Land Application	233,044	165,000	101,250	105,000
5327	Pollution Prevention Program	24,818	11,700	14,080	15,000
5329	Lab Contract Services (560-5329)	96,760	81,000	53,571	55,400
5331	Outside Services (5337, 5335,5339)	120,904	262,900	139,192	317,200
5333	Janitorial	24,971	18,200	23,979	24,800

**LAS GALLINAS VALLEY SANITARY DISTRICT  
OPERATIONS AND MAINTENANCE EXPENSE  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

Acct. Num.	Expense Description	2024-25 Final Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
5334	Uniform Service	33,340	31,900	39,527	40,900
5341	Regulatory Consultant	116,541	171,600	141,975	157,700
5342	Consultants - Other	245,351	138,500	52,319	61,800
5345	SCADA Engineering Support	127,736	95,500	82,522	117,600
5346	Cybersecurity	54,068	172,000	46,548	206,000
5351	Legal (5352)	199,376	298,150	223,985	582,225
5353	Audit	34,000	22,600	22,600	22,600
5355	Financial Services	31,388	112,500	63,526	120,700
5415	Pass-thru & Gen. Small Projects (5344)	35,090	69,200	39,332	116,800
5417	Feasibility Studies	84,267	225,000	138,341	225,000
5441	Private Lateral Rehab Assist. Program	79,735	105,000	14,400	74,900
	<b>TOTAL CONTRACTED SERVICES</b>	<u>1,621,165</u>	<u>2,227,472</u>	<u>1,277,742</u>	<u>2,519,225</u>
<b>UTILITIES</b>					
5421	Internet	13,483	12,500	11,869	11,000
5423	Telephone	47,957	44,500	45,232	47,300
5425	Utility Power	1,183,174	914,300	1,056,298	771,800
5427	Water	41,153	32,700	34,121	35,300
	<b>TOTAL UTILITIES</b>	<u>1,285,766</u>	<u>1,004,000</u>	<u>1,147,519</u>	<u>865,400</u>
<b>GENERAL &amp; ADMINISTRATIVE</b>					
5221	Office Supplies & Equipment (5230)	61,931	105,800	102,020	128,100
5223	Meeting Supplies	13,176	18,900	15,121	16,400
5224	Damage Claims	168	500	-	500
5229	Employee Recognition	3,061	2,700	2,271	2,300
5303	Payroll Processing	29,198	25,100	25,633	26,500
5347	Public Education and Outreach	49,853	47,500	52,755	54,500

**LAS GALLINAS VALLEY SANITARY DISTRICT  
OPERATIONS AND MAINTENANCE EXPENSE  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

Acct. Num.	Expense Description	2024-25 Final Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
5359	Election	28,266	-	-	32,000
5361	Computer Services and Software (5362, 5363)	213,604	206,400	257,558	299,600
5431	Bank Charges	2,417	2,300	5,633	6,000
5433	Publication and Legal Ads	11,818	17,100	11,301	14,800
5439	Donations Non-Profits	10,000	15,000	15,000	15,000
5451	Rents and Leases	20,503	140,900	134,989	139,500
5453	Taxes Other	569	700	500	600
5455	Permits (NPDES, Biosolids, BAAQCD)	132,092	139,900	165,193	148,700
5457	User Charge Collection Fee	34,729	23,500	36,704	38,000
5461	Memberships (CASA, CSDA, NBWRA)	67,644	73,300	69,763	74,300
5465	Conferences	26,477	34,100	31,438	43,400
5467	Mileage and Travel	41,020	53,100	54,252	78,200
5469	Employee Training and Education	23,205	29,400	13,319	43,500
5498	Penalties & Fines	-	-	-	-
5999	Miscellaneous expense (5225, 5997, 5998)	<u>24,158</u>	<u>26,400</u>	<u>14,795</u>	<u>18,300</u>
	<b>TOTAL GENERAL &amp; ADMINISTRATIVE</b>	<u>793,888</u>	<u>962,600</u>	<u>1,008,243</u>	<u>1,180,200</u>
	<b>Operational Adjustment</b>				
	<b>OPERATING EXPENSE TOTALS</b>	<u><b>\$ 14,054,989</b></u>	<u><b>\$ 15,642,444</b></u>	<u><b>\$ 14,245,686</b></u>	<u><b>\$ 16,880,925</b></u>

**LAS GALLINAS VALLEY SANITARY DISTRICT  
RESERVES  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

	2024-25 Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
<b>Beginning Reserve Balance</b>	<b>\$ 15,471,703</b>	<b>\$ 17,375,753</b>	<b>\$ 17,375,753</b>	<b>\$ 19,525,517</b>
<b>Operating &amp; Rate Stabilization Reserve</b>				
Beginning Balance	\$ 4,247,894	\$ 4,833,105	\$ 4,833,105	\$ 5,529,795
<i>Plus: Additions</i>	585,211	696,690	696,690	1,290,034
<i>Less: Use of Funds</i>	-	-	-	-
Ending Balance	\$ 4,833,105	\$ 5,529,795	\$ 5,529,795	\$ 6,819,829
<i>Purpose: Insure minimum of 7 months of O&amp;M + Debt Service is available</i>			<i>Target:</i>	\$ 16,000,000
<b>Emergency Repair</b>				
Beginning Balance	\$ 1,166,667	\$ 1,277,778	\$ 1,277,778	\$ 1,351,852
<i>Plus: Additions</i>	111,111	74,074	74,074	74,074
<i>Less: Use of Funds</i>	-	-	-	-
Ending Balance	\$ 1,277,778	\$ 1,351,852	\$ 1,351,852	\$ 1,425,926
<i>Purpose: Fund emergency repairs, replenish over 2 to 3 year period.</i>			<i>Target:</i>	\$ 1,500,000
<b>Capital Reserves (STPURWE, OCC, and other CIP)</b>				
Beginning Balance	\$ 9,065,924	\$ 10,747,395	\$ 10,747,395	\$ 12,447,395
<i>Plus: Undesignated</i>	-	-	-	-
<i>Plus: Lab Multipurpose Buildings Designated Reserve</i>	3,000,000	-	-	-
<i>Plus: OCC / Admin / Corp Yard Buildings Designated Reserve</i>	-	600,000	600,000	-
<i>Plus: Sewer Main Rehab and I&amp;I Reduction Reserve</i>	-	1,500,000	1,500,000	-
<i>Less: Authorized Use / Transfer of Funds <sup>(1)</sup></i>	(1,318,529)	(9,400,000)	(400,000)	(3,795,000)
Ending Balance	\$ 10,747,395	\$ 3,447,395	\$ 12,447,395	\$ 8,652,395
<i>Purpose: To provide capital for major capital projects.</i>			<i>Target:</i>	\$ 13,000,000
<b>Breakdown of Capital Reserves Balance</b>				
	EOY 2024-25	CUR 2025-26	PRJ 2025-26	DRA 2026-27
<i>Undesignated Ending Balance</i>	\$ 1,747,395	\$ 1,347,395	\$ 1,947,395	\$ 152,395
<i>Designated Ending Balance Buildings (Corp Yard, Multipurpose Lab )</i>	\$ 9,000,000	\$ 600,000	\$ 9,000,000	\$ 7,000,000
<i>Designated Ending Balance (Sewer Main Rehab and I&amp;I Reduction)</i>	\$ -	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
<b>Vehicle and Equipment Reserve (VERF)</b>				
Beginning Balance	\$ 991,218	\$ 517,475	\$ 517,475	\$ 196,475
<i>Plus: Additions</i>	100,000	100,000	100,000	267,842
<i>Less: Authorized Use of Funds</i>	(573,743)	(430,000)	(421,000)	(190,000)
Ending Balance	\$ 517,475	\$ 187,475	\$ 196,475	\$ 274,317
<i>Purpose: To fund large vehicle and equipment replacements, replenish over 2 to 3 years.</i>			<i>Target:</i>	\$ 1,000,000
<b>Ending Reserve Balance</b>	<b>\$ 17,375,753</b>	<b>\$ 10,516,517</b>	<b>\$ 19,525,517</b>	<b>\$ 17,172,467</b>
			<i>Target Total</i>	\$ 31,500,000

(1) In FY 24-25, \$1,318,529 was transferred from "Undesignated" to "Designated Lab Multipurpose Building" as part of the \$3M funding.

**Total Budgeted New Reserve Funding: \$ 1,631,950**  
**Total Use of Reserve Funding: \$ (3,985,000)**

**LAS GALLINAS VALLEY SANITARY DISTRICT  
RESTRICTED FUNDS  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

	2024-25 Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
<b>Capacity / Capital Facilities / Connection Fee Fund (#5025)</b>				
Beginning Balance	\$ 1,066,776	\$ 1,160,131	\$ 1,160,131	\$ 1,896,828
<i>Plus: Additions</i>	93,355	316,083	736,697	892,748
<i>Less: Use of Funds (Upper Terra Linda Siphon)</i>	-	(500,000)	-	(75,000)
Ending Balance	\$ 1,160,131	\$ 976,214	\$ 1,896,828	\$ 2,714,576

*Purpose: To pay for collection system and plant capacity improvements to serve new connections.*

<b>Development Agreement Fee Fund (#xxxx)</b>				
Beginning Balance	\$ -	\$ -	\$ -	\$ -
<i>Plus: Additions</i>	-	-	-	1,600,000
<i>Less: Use of Funds to Development Capital Projects</i>	-	-	-	(1,600,000)
Ending Balance	\$ -	\$ -	\$ -	\$ -

*Purpose: To pay for collection system and pump station improvements required for new development, paid for by developer.*

<b>Captains Cove Fund (#5019)</b>				
Beginning Balance	\$ 2,403	\$ 14,016	\$ 14,016	\$ 20,214
<i>Plus: Additions</i>	16,297	16,140	16,209	16,200
<i>Less: Use of Funds</i>	(4,684)	(10,600)	(10,011)	(14,600)
Ending Balance	\$ 14,016	\$ 19,556	\$ 20,214	\$ 21,814

*Purpose: Special assessment fees in and class account 350 expenses out.*

<b>Marin Lagoon Fund (#5005)</b>				
Beginning Balance	\$ 13,009	\$ 10,112	\$ 10,112	\$ 1,321
<i>Plus: Additions</i>	25,348	25,270	24,989	24,950
<i>Less: Use of Funds <sup>(1)</sup></i>	(28,245)	(37,200)	(33,781)	(25,100)
Ending Balance	\$ 10,112	\$ (1,818)	\$ 1,321	\$ 1,171

*Purpose: Special assessment fees in and class account 360 expenses out.*

<sup>(1)</sup> Prior Year Capital Expenditures for Marin Lagoon Pump Station #1 to be recovered over multiple years as balance insufficient to cover entire cost of project.

<b>Recycled Water Capital Repair and Replacement Fund (#5028) <sup>(2)</sup></b>				
Beginning Balance	\$ 14,437	\$ 30,210	\$ 30,210	\$ 43,968
<i>Plus: Additions</i>	15,773	16,000	13,759	16,000
<i>Less: Use of Funds</i>	-	-	-	-
Ending Balance	\$ 30,210	\$ 46,210	\$ 43,968	\$ 59,968

*Purpose: Capital repair or replacement costs at the Recycled Water Treatment Facility. Fund shall not exceed \$500K.*

<sup>(2)</sup> Established May 2023 with initial contribution by LGVSD made in 2023-24 covering multiple years since recycled water facilities came on-line. To be funded by LGVSD by multiplying the total annual recycled water Operating & Maintenance producing costs by 10%.

**Total Restricted Fund Reserve Funding: \$ 2,549,898**

**LAS GALLINAS VALLEY SANITARY DISTRICT  
DEBT SERVICE  
PROPOSED BUDGET FY 2026-2027 - JUNE 4, 2026**

Expenditure	2024-25 Total Actual	2025-26 Current Year Budget	2025-26 Projected End of Year	2026-27 Proposed Budget
2005 Certificates of Participation/ Refunded 2014	\$ 611,322	\$ 730,660	\$ 730,660	\$ -
2010 State Revolving Fund Loan	284,945	285,464	285,464	\$ 285,464
2011 Bank of Marin Loan	332,127	332,681	332,681	\$ 332,681
2017 Revenue Bonds <sup>(1) (2)</sup>	2,437,350	2,446,200	2,446,200	\$ 2,446,200
2019 IBank Loan	709,399	712,853	712,853	711,497
2025 Banc of America PCC Lease	-	-	370,828	\$ 741,655
2026 Revenue Bond	-	-	-	\$ 1,717,652
	<b>\$ 4,375,144</b>	<b>\$ 4,507,858</b>	<b>\$ 4,878,685</b>	<b>\$ 6,235,150</b>

<sup>(1)</sup> Includes treatment plant upgrade, recycled water treatment plant expansion, and operations control center design.

<sup>(2)</sup> Per Board action on May 25, 2017, amounts collected for the treatment plant upgrade and operations control center projects prior to the bonds being issued were reclassified as Reserves and are reflected in the Reserve Budget for all years presented.

**Debt Service Breakdown FY 2026-27**

Expenditure	Principal	Interest	Annual Fee
2010 State Revolving Fund Loan	243,293	42,172	-
2011 Bank of Marin Loan	278,345	54,337	-
2017 Revenue Bonds	1,300,000	1,146,200	-
2019 IBank Loan <sup>(3)</sup>	404,794	278,269	28,434
2025 Banc of America PCC Lease	521,229	220,426	-
2026 Revenue Bonds	345,000	1,372,652	-
	<b>\$ 3,092,661</b>	<b>\$ 3,114,056</b>	<b>\$ 28,434</b>

<sup>(3)</sup> Annual IBank fee treated as Operation & Maintenance Expense but recognized as debt service for budget purposes. Only principal and interest is reported on audit as long-term obligations.

	2024-25 Final Actuals	2025-26 Current Year Budget	2025-26 Projected Actuals	2026-27 Draft Budget
<b>DEBT SERVICE COVERAGE RATIO (DSCR)</b>				
Net Operating Income (NOI) = <sup>(4)</sup> - <sup>(5)</sup>	\$ 10,153,596	\$ 10,014,515	\$ 11,903,844	\$ 12,543,617
Total Debt Service = <sup>(6)</sup>	\$ 4,375,144	\$ 4,507,858	\$ 4,878,685	\$ 6,235,150
<b>DSCR = NOI / Debt Service (Estimate *)</b>	<b>2.32</b>	<b>2.22</b>	<b>2.44</b>	<b>2.01</b>

<sup>(4)</sup> Operating and Non Operating Revenue

<sup>(5)</sup> Operating Expense

<sup>(6)</sup> Debt Service

\* Actual DSCR will be determined at the end of the fiscal year based on actual revenue and expenditures. Meets or exceeds Debt Service covenant requirements of 1.25 DSCR.

5-Year Capital Improvement Program (CIP) - Proposed Budget June 4, 2026

Ref No.	Mgr.	Project No.	Project Name	BUDGET	FUNDING SOURCES FY 2026-27					FUTURE YEARS				TOTAL 5-YEARS		
				Proposed Budget 2026-27	Unrestricted Funds	Capital Reserves	Vehicle Replacement Fund	Capacity Connection Fees	Development Agreement Fees	Debt Financed and Bonds	Total Funding Sources	Year 2 2027-28	Year 3 2028-29	Year 4 2029-30	Year 5 2030-31	Total 5-Year Expenditures
<b>PLANNING, SOFTWARE, ADMINISTRATION &amp; OTHER ENGINEERING</b>																
1	JD/DM	21500-08	Biosolids Program Monitoring Research Support & Flood Protection	137,000	137,000						137,000	-	-	-	-	137,000
2	JD	26420-01	On-Call Construction Contract 2025-2027 (2-year bid-contract)	273,000	273,000						273,000	282,000	291,000	300,000	309,000	1,455,000
3	JD	26420-04	On-Call Engineering Contract 2026-2028 (extended project term)	217,000	217,000						217,000	224,000	231,000	238,000	246,000	1,156,000
4	JD	Ongoing	On-Call Inspection Capital Projects 2026-2027 (annual RFP bid, Project # to be assigned)	78,000	78,000						78,000	81,000	84,000	87,000	90,000	420,000
5	JD	23200-01	Hydraulic and Continued Flow Modeling of Collection System (Development Reimbursed)	100,000	-				100,000		100,000	100,000	100,000	100,000	100,001	500,001
6	JD	Ongoing	Labor Compliance for Miscellaneous CIP (CCMI 2026-2027 Project# to be assigned)	100,000	100,000						100,000	100,000	100,000	100,000	100,000	500,000
7	JD	Ongoing	Capital Outlay Prior Year Miscellaneous Closeout (Project # to be assigned)	50,000	50,000						50,000	50,000	50,000	50,000	50,000	250,000
8	DM	24560-01	Lab Software LIMS for TNI Standards Reporting	39,000	39,000						39,000	-	-	-	-	39,000
9	JD	22125-02	Standard Specifications and Drawings Update Project	70,000	70,000						70,000	-	-	-	-	70,000
10	JD	New	Sea Level Rise Adaption Program Planning Phase 2 (NBWRA)	40,000	40,000						40,000	100,000	-	-	-	140,000
11	JD	New	Engineering Department Project Management Software Implementation	75,000	75,000						75,000	-	-	-	-	75,000
12	JD/DM	New	WWTP Site Planning Study	-	-						-	500,000	500,000	-	-	1,000,000
13	JD/DM	New	WWTP & Pump Station Structural Condition Assessment	150,000	150,000						150,000	-	-	-	-	150,000
14	JD/DM	New	WWTP & Pump Station Electrical Condition Assessment	250,000	250,000						250,000	-	-	-	-	250,000
15	JD/DM	New	Heat Management Study (Heating, Cooling, and Gas)	200,000	200,000						200,000	-	-	-	-	200,000
16	JD/DM	New	WWTP Instrumentation As-built Updates	150,000	150,000						150,000	-	-	-	-	150,000
17	JD	New	WWTP & Collection System As-Built Updates (pipelines, equipment, etc.)	80,000	80,000						80,000	80,000	80,000	80,000	80,000	400,000
18	JD	New	Undercrossing Redundancy Feasibility Study	100,000	100,000						100,000	-	-	-	-	100,000
19	JD	New	Local Limit Study	200,000	200,000						200,000	-	-	-	-	200,000
<b>Subtotal:</b>				<b>2,309,000</b>	<b>2,209,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>2,309,000</b>	<b>1,517,000</b>	<b>1,436,000</b>	<b>955,000</b>	<b>975,001</b>	<b>7,192,001</b>

<b>FLEET &amp; EQUIPMENT (To be procured through Vehicle Replacement Fund)</b>																
20	GP	Ongoing	Equipment for Collection System Response (trailers, hoses - Project # to be assigned)	10,000	-	-	10,000				10,000	10,700	11,100	11,500	12,000	55,300
21	GP	New	Fleet Vehicles for District Management	120,000	-		120,000				120,000	-	-	-	-	120,000
22	GP	New	Fleet Vehicle for Engineering Department	60,000	-		60,000				60,000	-	-	-	-	60,000
23	GP	VERF	Future Year Fleet Replacement Vehicles and Utility Collection System Trucks	-	-		-				-	580,000	109,000	112,000	160,000	961,000
<b>Subtotal:</b>				<b>190,000</b>	<b>-</b>	<b>-</b>	<b>190,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>190,000</b>	<b>590,700</b>	<b>120,100</b>	<b>123,500</b>	<b>172,000</b>	<b>1,196,300</b>

<b>COLLECTION SYSTEM (INCL. PUMP STATIONS "PS" &amp; FORCE MAINS )</b>																
24	JD/GP	11200-03	John Duckett PS Electrical	1,000,000	-	300,000				700,000	1,000,000	1,100,000	-	-	-	2,100,000
25	JD/GP	25460-01	Terra Linda Highway 101 Undercrossings, Creek Crossing, Sewer Lining, and TS 18" (Design and Construction)	500,000	-	350,000				150,000	500,000	1,500,000	-	-	-	2,000,000
26	JD/GP	20300-09	Smith Ranch Pump Station Electrical Upgrades and Generator Conversion	200,000	-	200,000					200,000	-	-	-	-	200,000
27	JD/GP	25500-01	SCADA Integration for Pump Stations	500,000	-	500,000					500,000	200,000	-	-	-	700,000
28	JD/GP	Ongoing	Annual Site Improvement PS - Paving, Fencing, Lighting (Project # to be assigned)	75,000	75,000						75,000	75,000	75,000	75,000	75,000	375,000
29	JD/GP	26500-01	Rafael Meadows / Civic Center Pump Station Capacity Upgrade (Design and Construction)	1,000,000	-				650,000	350,000	1,000,000	1,000,000	4,000,000	3,000,000	-	9,000,000



5-Year Capital Improvement Program (CIP) - Proposed Budget June 4, 2026

Ref No.	Mgr.	Project No.	Project Name	BUDGET	FUNDING SOURCES FY 2026-27					FUTURE YEARS				TOTAL 5-YEARS		
				Proposed Budget 2026-27	Unrestricted Funds	Capital Reserves	Vehicle Replacement Fund	Capacity Connection Fees	Development Agreement Fees	Debt Financed and Bonds	Total Funding Sources	Year 2 2027-28	Year 3 2028-29	Year 4 2029-30	Year 5 2030-31	Total 5-Year Expenditures
30	JD/GP	24500-05	Hawthorn Waterproofing Drywell & Investigation	100,000	100,000						100,000	-	-	-	-	100,000
31	JD/GP	New	Minor Pump Station Rehabilitation Program (Design and Construction)	-	-						-	150,000	150,000	150,000	150,000	600,000
32	JD/GP	New	Descanso and Hawthorne Pump Station Electrical and I/C Improvements	575,000	575,000						575,000	575,000	575,000	575,000	575,000	2,875,000
33	JD/GP	New	Mulligan TS Upgrade to 24" and Hwy 101 Undercrossing Capacity Upgrades	-	-						-	-	800,000	1,000,000	1,800,000	
34	JD/GP	New	Northgate Trunk Sewer Upsizing to 18" w/ Terra Linda #2 South Highway Undercrossing (Existing)	-	-						-	-	400,000	400,000	1,800,000	
35	JD/GP	20200-01	Force Main Assessment, Install Ports, Cleaning, Location Marking, & Mapping	450,000	450,000						450,000	600,000	600,000	150,000	150,000	1,950,000
36	JD/GP	New	Marinwood Apartments Development Manhole Installation	50,000	-				50,000		50,000	-	-	-	-	50,000
37	JD/GP	Ongoing	Sewer Main Collection System Rehabilitation Program (Project # to be assigned)	190,000	190,000						190,000	1,860,000	288,000	1,920,000	297,000	4,555,000
38	JD/GP	Ongoing	Sewer I&I Reduction Program (Project # to be assigned)	75,000	75,000						75,000	960,000	80,000	960,000	80,000	2,155,000
39	JD/GP	Ongoing	Manhole Frame & Cover Adjustment Allowance (Project # to be assigned)	54,000	54,000						54,000	56,000	58,000	60,000	62,000	290,000
40	JD/GP	Planned CIP	Upper Terra Linda Siphon Design and Improvements (capacity)	75,000	-			75,000			75,000	400,000	58,800	58,800	58,800	651,400
41	JD/GP	New	Northgate Branch (east side of 101) Upsize to 10" - 10-yr storm (Existing)	300,000	300,000						300,000	550,000	2,000,000	-	-	2,850,000
42	JD/GP	New	4040 Civic Center Development Pipeline Improvements	600,000	-				600,000		600,000	1,000,000	-	-	-	1,600,000
43	JD/GP	New	The Oaks Development Pipeline Improvements (Marinwood Ave)	200,000	-				200,000		200,000	800,000	-	-	-	1,000,000
44	JD/GP	25600-02	Corporation Yard Design and Construction	1,000,000	-	1,000,000					1,000,000	6,000,000	6,000,000	-	-	13,000,000
				<b>6,944,000</b>	<b>1,819,000</b>	<b>2,350,000</b>	<b>-</b>	<b>75,000</b>	<b>1,500,000</b>	<b>1,200,000</b>	<b>6,944,000</b>	<b>16,826,000</b>	<b>14,284,800</b>	<b>8,148,800</b>	<b>3,447,800</b>	<b>49,651,400</b>

Collection System Project Type Color Index

Pump Stations	Force Main	Sewers	Other
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RECLAMATION				BUDGET	FUNDING SOURCES FY 2026-27					FUTURE YEARS				TOTAL 5-YEARS		
Ref No.	Mgr.	Project No.	Project Name	Proposed Budget 2026-27	Unrestricted Funds	Capital Reserves	Vehicle Replacement Fund	Capacity Connection Fees	Development Agreement Fees	Debt Financed and Bonds	Total Funding Sources	Year 2 2027-28	Year 3 2028-29	Year 4 2029-30	Year 5 2030-31	Total 5-Year Expenditures
45	JD/DM	25580-03	Levee Road Restoration	75,000	75,000						75,000	75,000	75,000	75,000	75,000	375,000
46	JD/DM	25580-04	Cattail Dredging in Ponds	250,000	250,000						250,000	250,000	-	250,000	-	750,000
47	JD/DM	11500-09	Miller Creek Rock Vane Repair & Watershed Program (WRA permitting)	50,000	50,000						50,000	100,000	-	-	-	150,000
48	JD/DM	Planned CIP	Storage Pond 1 Transfer Pipe Repair	50,000	50,000						50,000	250,000	-	-	-	300,000
49	JD/DM	New	Transfer Boxes Replacement Design and Construction	250,000	250,000						250,000	250,000	250,000	-	-	750,000
50	JD/DM	New	St. Vincent's Pump Station Improvements	200,000	200,000						200,000	357,500	1,060,000	1,060,000	-	2,677,500
51	JD/DM	25580-06	Catwalk Replacements in Reclamation Pond	-	-						-	75,000	-	-	-	75,000
52	JD/DM	26580-01	Center Pivot No. 5, Replacement	-	-						-	-	250,000	-	-	250,000
53	JD/DM	21500-01	Reclamation Pump Station Improvements - Pump Replacements, Wet Well Rehabilitation	-	-						-	-	-	350,000	-	350,000
Subtotal:				<b>875,000</b>	<b>875,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>875,000</b>	<b>1,357,500</b>	<b>1,635,000</b>	<b>1,735,000</b>	<b>75,000</b>	<b>5,677,500</b>

TREATMENT PLANT (INCL. RECYCLED WATER)				BUDGET	FUNDING SOURCES FY 2026-27					FUTURE YEARS				TOTAL 5-YEARS		
Ref No.	Mgr.	Project No.	Project Name	Proposed Budget 2026-27	Unrestricted Funds	Capital Reserves	Vehicle Replacement Fund	Capacity Connection Fees	Development Agreement Fees	Debt Financed and Bonds	Total Funding Sources	Year 2 2027-28	Year 3 2028-29	Year 4 2029-30	Year 5 2030-31	Total 5-Year Expenditures
54	JD/DM	24600-01	Laboratory Building Design (Lab / Education Center / Boardroom)	84,000	-					84,000	84,000	-	-	-	-	84,000
55	JD	24600-01	Laboratory Building Construction - (Lab / Education Center / Boardroom)	18,119,000	-	1,000,000				17,119,000	18,119,000	3,000,000	-	-	-	21,119,000
56	JD	24600-14	Battery Energy Storage System (BESS)	200,000	-					200,000	200,000	-	-	-	-	200,000
57	JD/DM	24600-08	Treatment Plant Standby Generator Rehab	225,000	-	225,000					225,000	-	-	-	-	225,000
58	JD/DM	21600-11	Annual Site Improvement TP - Paving, Fencing, Lighting	75,000	75,000						75,000	75,000	75,000	75,000	-	300,000

5-Year Capital Improvement Program (CIP) - Proposed Budget June 4, 2026

Ref No.	Mgr.	Project No.	Project Name	BUDGET	FUNDING SOURCES FY 2026-27						FUTURE YEARS				TOTAL 5-YEARS		
				Proposed Budget 2026-27	Unrestricted Funds	Capital Reserves	Vehicle Replacement Fund	Capacity Connection Fees	Development Agreement Fees	Debt Financed and Bonds	Total Funding Sources	Year 2 2027-28	Year 3 2028-29	Year 4 2029-30	Year 5 2030-31	Total 5-Year Expenditures	
59	DM	25560-01	Lab Equipment, Miscellaneous	25,800	25,800						25,800	26,600	27,400	28,300	-	108,100	
60	DM	25600-03	Plant Equipment, Miscellaneous	25,800	25,800						25,800	26,600	27,400	28,300	-	108,100	
61	JD/DM	24600-11	Anoxic Basin Coating and Waterproofing	220,000	-	220,000					220,000	-	-	-	-	220,000	
62	JD/DM	New	As-Needed WWTP Electrical Improvements Design and Construction	200,000	200,000						200,000	200,000	200,000	200,000	200,000	1,000,000	
63	JD/DM	New	Major WWTP Electrical Improvements Design and Construction	-	-						-	-	-	1,000,000	1,000,000	2,000,000	
64	JD/DM	New	Headworks Rehabilitation (Electrical, Equipment, Structural) Design and Construction	500,000	500,000						500,000	3,000,000	-	-	-	3,500,000	
65	JD/DM	New	Wet Weather Flow Stabilization & Nutrient Reduction Program (Flow EQ-focused/PC2/SC)	-	-						-	-	-	1,000,000	3,000,000	4,000,000	
66	JD/DM	New	Replacement of Recycled Water Membranes (Skids 1 and 2) Design and Construction	100,000	100,000						100,000	350,000	-	-	-	450,000	
67	JD/DM	New	Interim Bayfront and Miller Creek Levee Improvements	-	-						-	200,000	-	-	-	200,000	
68	JD/DM	New	EV Chargers at WWTP	120,000	120,000						120,000	-	-	-	-	120,000	
69	JD/DM	New	WWTP Admin Bldg Roof Replacement	200,000	200,000						200,000	-	-	-	-	200,000	
70	JD/DM	Future	Recycled Water Master Plan	-	-						-	200,000	200,000	-	-	400,000	
71	JD/DM	Future	Recycled Water System Improvements (Resulting from RWMP) Design and Construction	-	-						-	-	-	250,000	750,000	1,000,000	
72	JD/DM	Future	Digester Improvements Design and Construction (Heating/Gas)	-	-						-	-	-	500,000	1,000,000	1,500,000	
73	JD/DM	21100-01	Operations & Administration Building Design	-	-						-	-	-	-	2,000,000	2,000,000	
<b>Subtotal:</b>				<b>20,094,600</b>	<b>1,246,600</b>	<b>1,445,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,403,000</b>	<b>20,094,600</b>	<b>7,078,200</b>	<b>529,800</b>	<b>3,081,600</b>	<b>7,950,000</b>	<b>38,734,200</b>

Estimated Expenditures

<b>GRAND TOTAL CAPITAL OUTLAY: PLANNING, FLEET, COLLECTION, RECLAMATION, &amp; TREATMENT PROJECTS</b>	<b>30,412,600</b>									<b>27,369,400</b>	<b>18,005,700</b>	<b>14,043,900</b>	<b>12,619,801</b>	<b>102,451,401</b>
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<b>Total (Non-Financed):</b>	<b>11,809,600</b>	<b>6,149,600</b>	<b>3,795,000</b>	<b>190,000</b>	<b>75,000</b>	<b>1,600,000</b>	<b>18,603,000</b>	<b>30,412,600</b>	<b>23,369,400</b>	<b>14,005,700</b>	<b>14,043,900</b>	<b>12,619,801</b>	<b>55,855,001</b>
<b>Total Debt Funded</b>	<b>18,603,000</b>								<b>6,600,000</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>29,203,000</b>

<b>CIP Program Forecasted by Ridgeline to S&amp;P Rating - Dec 2025</b>	<b>28,803,000</b>								<b>6,647,000</b>	<b>9,041,000</b>	<b>10,299,000</b>	<b>34,107,000</b>	<b>88,897,000</b>
<b>Difference between Proposed Budget and forecast from December 2025</b>	<b>1,609,600</b>								<b>20,722,400</b>	<b>8,964,700</b>	<b>3,744,900</b>	<b>(21,487,199)</b>	<b>13,554,401</b>

