

**STAFF REPORT**

**TO:** Sewerage Agency of Southern Marin Board of Commissioners

**FROM:** Mark Grushayev, Wastewater Treatment Manager

**VIA:** Eric Erickson, Finance Director  
Andrew Poster, Director of Public Works

**SUBJECT:** SASM Budget for FY 2019-20

**DATE:** June 20, 2019

1 **ISSUE:**  
2 Review the draft Budget for Fiscal Year 2019-2020.  
3

4 **RECOMMENDATION:**  
5 Receive a presentation on a proposed FY 2019-20 budget and approve or provide direction to staff  
6 as appropriate.  
7

8 **BACKGROUND:**  
9 The Operation and Maintenance Agreement (O&M Agreement) executed on April 19, 2011 between  
10 the City of Mill Valley (City) and Sewerage Agency (SASM) requires the City to operate, maintain  
11 and manage all of the wastewater treatment and disposal facilities owned by SASM. The City's scope  
12 of services includes, but is not limited to, providing administration; preparing annual budgets; entering  
13 into contracts to employ agents, consultants and employees; and maintaining, operating and managing  
14 SASM's buildings, works, and improvements.  
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16 In accordance with the O&M Agreement, the City's staff annually prepares a budget for review  
17 and approval by the SASM Board of Commissioners. This draft budget is developed by evaluation  
18 of the previous year's budget and takes into consideration any deviations that occurred, as well as  
19 completed, ongoing and initiated projects. It is written for the Operation, Maintenance, Financial  
20 Management, Administration, and Capital Improvement of all facilities owned by the Sewerage  
21 Agency of Southern Marin (SASM).  
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23 Staff also prepares the Annual Report and Work Plan for the Board's review and approval. This was  
24 presented and discussed at the Annual Strategic Planning Session on April 19, 2019.  
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26 **Budget Information:** The SASM Board adopted the current O&M Budget at the May 17, 2018  
27 meeting. The following is a summary of budget activities as of May 1, 2019 (83.3% of FY  
28 complete):

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Category	Budgeted	To Date (04/30/ 2018)	Percent Completed
O&M	\$6,274,777	\$5,054,686	80.6%

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**DISCUSSION:**

**NEW FISCAL YEAR 2019-2020**

The proposed draft budget for Fiscal Year 2019-20 is designed to follow the Board’s planning efforts and intended to implement the Mission Statement and Statement of Goals as well as meet the elements of the Work Plan.

The proposed budget is comprised of three sections: Operations and Maintenance, Capital Improvement Projects and Revenue. The overall proposed budget reflects an increase of \$452,655, which is 7.2% more than the previous year. This is mainly due to costs associated with debt repayment schedule for the 2016 Bond issue and reduction of the anticipated CIP costs which were funded by the operating revenue (detailed breakdown is on pp. 5-6 Attachment 1).

Other factors are discussed below:

**Operations and Maintenance:**

The last two pages of the proposed budget reflect the changes from FY 2018-19 to FY 2019-20. The following highlights specific budget items in each section with notable changes between the current budget and the proposed budget.

*Personnel:* +3.6% (\$60,190) current full-time staff is 16. The proposed budget reflects increased compensation for the staff positions which are eligible for salary step increases and cost of living adjustments and transitions to new staff members. In addition, there is increased cost of compensation for standby personnel that reflects changes in the MOU with the AFSCME Union.

*Employee Benefits:* +8.5% (\$60,804) primarily reflects increases in the PERS retirement contribution rate and allocated fixed-sum Unfunded Liability payments.

*Lab Supplies:* +12.4% (\$3,600) reflects the steady rise in pricing for supplies and addition of new required sampling protocols.

*Sodium Hypochlorite (Chlorine):* + 1.9% (\$1,000) the increased pricing reflects the chemicals supply market fluctuations.

*Electricity:* +10.0% (\$35,500) due to planning for higher cost of electricity during the prolonged storm events, and an increase associated with transition to “Deep Green”.

*Outside laboratory:* -4.6% (\$1,300) decrease due to in-house testing efficiencies.

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69 *Administration Service Fee:* +3.3% (\$8,410) increase is due to normal 5% step increases for staff,  
70 a COLA assumption for FY 2018/19. The allocated costs are net of the cost of consulting services  
71 in the City Engineer's department consistent with prior year's allocations.

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73 *Engineering Consultants:* -5.5% (-\$8,000) reflects decreased reliance on consulting services.

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75 *Permit and Fees:* +3.2% (\$4,000) reflects increases in fees mandated by the Regional Water  
76 Resources Control Board for annual NPDES Discharge Permit Fees; Air Quality Resources  
77 Control Board, Annual Landfill Disposal Permit Fees, Bay Area Air Quality Management District  
78 and other regulatory agencies. Also, includes membership fee for participation in CASA  
79 (California Association of Sanitary Agencies), BACWA.

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81 *Equipment:* -1.3% (-\$1,250) decrease reflects an adequate level of available equipment.

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83 **CAPITAL IMPROVEMENT PROJECTS:**

84 This budget includes projects recommended to be funded by the Operations and Maintenance  
85 Budget as well as the Capital Improvement Projects identified by the WWTP Master Plan funded  
86 by the 2016 \$38 M Bond issuance.

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88 Staff recommends that the Board approve the following critical projects for FY 2019-20:  
89 Note: Estimates are total implementation cost that include construction, design and construction  
90 management.

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92 **Funded by annual revenue\* Total: \$410,000:**

93 Private Laterals Replacement Program (PLRP) \$50,000.

94 This is an ongoing program developed according to the Agreement with the Regional Water  
95 Quality Control Board (RWQCB) of 2008. Implementation of this program has shown to reduce  
96 I&I from the private sewer laterals.

97 The program assists property owners with inspecting, repairing or replacing private lateral sewer  
98 lines.

99 Landscape Improvements \$50,000

100 This project will follow completion of the WWTP Improvements Phase 1 Project and includes  
101 budget for beautification of the outside perimeter area next to the new wall, with a provision for a  
102 potential public art project in line with the educational purpose of the SASM's public outreach  
103 program.

104 BCDC Permit Amendment Required Improvements \$60,000

105 SASM applied for the BCDC Permit Amendment asking for a permit modification to eliminate  
106 the public path around the SASM's equalization basins. Maintaining the path is the original  
107 requirement of the permit issued in 1981. It has been noted in several evaluations that the path may  
108 expose potential hazards associated with raw sewage. The BCDC is requesting an improvement  
109 project that will benefit to the public in lieu of the path.

110 Equalization Basins Security Gates and Fence \$40,000

111 This project will provide gates and a fence in order to secure the area and keep it accessible for  
112 staff and vendors for maintenance.

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113 Flow monitoring \$80,000

114 Last flow monitoring was performed by SASM in winter of 2014. The current project is planned  
115 for winter of 2019 and will help identify areas with elevated I&I impacts, as well as to quantify  
116 the flows and I&I contributions by each of the member agencies.

117 Influent pumps # 4, 5, 6 replacement \$130,000

118 The SASM Board already approved replacement of Influent pumps #1,2, 3 just completed in the  
119 current FY. Influent pumps #4, 5, 6 are larger and mostly used in wet weather. Both projects were  
120 recommended in the 2014 Master Plan.

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122 **Funded by the 2016 Bond Issue\*\* Total: \$750,000:**

123 Secondary Clarifiers Rehabilitation – \$750,000

124 The Secondary Clarifiers are on high priority list for rehabilitation. They were excluded from the  
125 Phase 1 project due to the overbid in 2017, which required on a second bidding effort with a  
126 reduced scope of work. Staff recommends to bid the clarifiers as a stand-alone project this summer.

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128 Following is a summary of proposed Capital Improvement Projects for Fiscal Year 2019/20:  
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130	1. Private Laterals*	\$50,000
131	2. Landscape Improvements*	\$50,000
132	3. BCDC Public Rest Stop*	\$60,000
133	4. EQ Basins Security Gates and Fence*	\$40,000
134	5. Flow monitoring*	\$80,000
135	6. Influent Pumps Replacement*	\$130,000
136	7. Secondary Clarifiers Rehabilitation**	\$750,000
137	<b>Total:</b>	<b>\$1,160,000</b>

138 \*Funded by annual revenue  
139 \*\*Funded by the 2016 bond issue

141 **Revenue Sources and Uses:**

142 Total Revenue for FY 2019/20 is projected to be: **\$8,367,974**

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144 The revenue sources are as follows:

145	1. Agency Assessments:	\$8,246,074
146	2. Interest Income:	\$3,100
147	3. Reclaimed Water Sales:	\$62,000
148	4. Mill Valley Pump Station O&M:	\$24,800
149	5. SASM Lab Revenue	\$32,000
150	<b>Total:</b>	<b>\$8,367,974</b>

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152 Revenue uses for 2018/19:

153	Operations, Maintenance and Administration:	\$6,727,937
154	Capital Improvement Projects*:	\$410,000
155	Allocation to Reserves:	\$1,230,037
156	<b>Total:</b>	<b>\$8,367,974</b>

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157 **Fiscal Impact:**

158 The proposed Operations and Maintenance budget reflects a strategy to accomplish the Work Plan  
159 adopted by the SASM Board in April of 2019, balancing operating expenses with member  
160 assessments and other revenue sources as well as contributing to the reserve balance.

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162 **Attachments:**

163 1. Proposed Operations and Maintenance Budget for Fiscal Year 2019-20

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