



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

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FISCAL YEAR 2024-25 PROPOSED BUDGET MEMO

MISSION STATEMENT

“To protect the public health and safety and to preserve the natural environment through the collection, treatment, and disposal of wastewater in the most cost-effective way possible.”

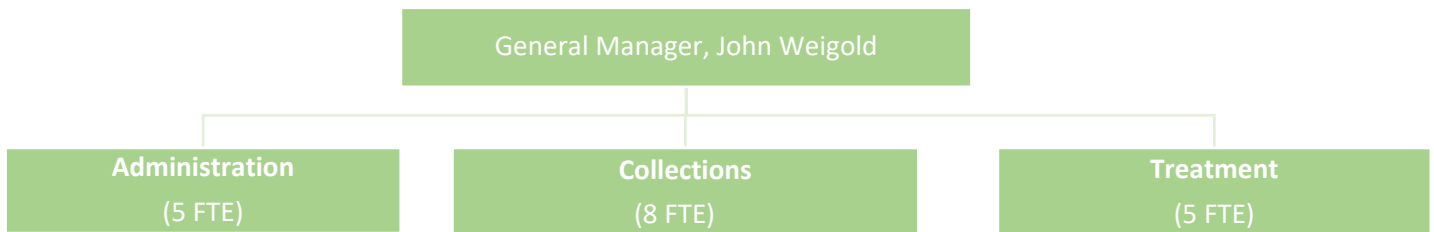
PURPOSE

The District was organized in 1947 pursuant to the Sanitary District Act of 1923 (Division 6 of the California Health and Safety Code) to provide for the collection, treatment and disposal of wastewater to residents within its service area. The District has a service area of approximately 8.9 square miles and an estimated population of approximately 9,000 people. The District currently serves approximately 3,185 properties.

The wastewater collection system includes approximately 77 miles of gravity sewer mains, five lift stations and 2.2 miles of sewer forcemains. The collection system's underground network of pipes range in size from 6-inch to 21-inch in diameter. The majority of the facilities were installed between 1961 and 1969.

Wastewater is conveyed to the District's Wastewater Treatment Plant for treatment. The Treatment Plant, which has a capacity to treat an average of 1.5 million gallons per day, provides full secondary treatment that includes conventional activated sludge tanks, secondary clarification, and disinfection. In 2023, the wastewater treatment reliably treated approximately 556,000 gallons per day and discharged the effluent through the 1,500 foot long ocean outfall.

ORGANIZATION



BUDGET STRUCTURE

Montecito Sanitary District utilizes an Enterprise Fund accounting method, appropriate for the type of utility service business that the District operates. The budget is a non-appropriated budget which supports funding the Districts’ critical operations and capital improvement program. The flexible budget varies according to system demands and level of activity within the District on a year to year basis.

**DISTRICT RECOMMENDED OPERATIONS AND MAINTENANCE
 BUDGET SUMMARY**

Source of Funds		Use of Funds	
Operating Revenues	\$ 6,680,000	Salaries and Benefits	\$ 3,459,700
Non-Operating Revenues	\$ 1,145,000	Operating Expenses	\$ 2,288,500
Total Source of Funds	\$ 7,825,000	Total Use of Funds	\$ 5,748,200

OPERATION & MAINTENANCE REVENUES

The District has five main types of revenues, three of which are Operating and the other two are Non-Operating. A description of these revenues are as follows:

Operating Revenues:

- **Sewer Service Charges:** The District’s primary source of revenues comes from Sewer Service Charges. The County of Santa Barbara collects these funds from the District’s customers on their annual property tax statements, and the District receives the total amount of Sewer Service Charges revenue reported to the County each year. Sewer Service Charges constitute approximately 91% of total District revenues and 97% of its total operating revenue. This revenue source is relatively stable as any increases would come in the form of an increase to the number of connections or a rate increase. No rate increase is proposed for the upcoming Fiscal Year and amounts are allocated to the District twice during the fiscal year, typically in November and April.
- **Connection Fees:** Connection Fees are established to reimburse existing customers for their investment in the wastewater collection and treatment capacity. As new customers connect to the District facilities, their connection fees contribute to future capacity upgrades. The District’s current connection fee is \$8,400 per equivalent residential unit (per Resl No. 2022-944).
- **Other Services:** The District also receives revenue in the form of miscellaneous fees for services such as plan check, processing agreements, engineering review and inspections. Total fees received for Fiscal Year 2023-2024 are projected to be around \$55,000.

Non-Operating Revenues:

- **Property Tax:** The District’s second highest form of revenue comes from one-half of the 1% of total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area, whether or not they are a customer of the District. This revenue source is also relatively flat as it increases/decreases with the total assessed value of properties within District boundaries. Amounts are allocated to the District twice during the fiscal year along with the Sewer Service Charges, typically in November and April.

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 Fiscal Year 2024-2025 Proposed Budget Memo

	2023-24 Approved	2023-24 Projected	Difference	2024-25 Proposed
Operating Revenues				
Service Charges	\$ 6,650,000	\$ 6,464,148	\$ (185,852)	\$ 6,500,000
Connection Fees	125,000	226,071	101,071	125,000
Other Services	75,000	48,078	(26,922)	55,000
Total Operating Revenues	\$ 6,850,000	\$ 6,738,297	\$ (111,703)	\$ 6,680,000
Nonoperating Revenues				
Property Taxes	\$ 725,000	\$ 765,890	\$ 40,890	\$ 795,000
Interest Income	\$ 175,000	\$ 372,131	\$ 197,131	\$ 350,000
Total Nonoperating Revenues	\$ 900,000	\$ 1,138,022	\$ 238,022	\$ 1,145,000
Total Revenues	\$ 7,750,000	\$ 7,876,318	\$ 126,318	\$ 7,825,000

REVENUE PROJECTIONS

Overall, Staff is projecting an increase in total budgeted revenues of approximately \$75,000 in Fiscal Year 2024-25 when compared to Fiscal Year 2023-24 primarily attributed to the following:

- \$175,000 increase in interest income based on higher percentage yields from reserve funds offset by lower cash balances in our Capital Improvement Projects funds.
- \$150,000 decrease in Sewer Service Charges based on lower than anticipated water usage figures for commercial properties.
- \$67,000 increase in Property Tax Revenue to align with current County of Santa Barbara estimates.
- \$20,000 decrease in Other Services revenues based on historical trends

OPERATION & MAINTENANCE EXPENDITURES

The Districts’ Operations & Maintenance expenditures account for all the routine business expenses related to operating the treatment plant, including: Salaries and Benefits, Insurances, Maintenance and Repairs, Good and Supplies, Professional Services provided by external parties, Administrative Fees, Plant and Lab Operating Costs, Safety, Training, and Travel Costs, and Utilities.

EXPENDITURE PROJECTIONS

The District’s Operations & Maintenance costs, along with the District’s Capital Improvement Program, make up the vast majority of the District’s overall expenditures for the Fiscal Year. The following sections includes a discussion of Fiscal Year 2023-2024 year-end projections and Fiscal Year 2024-2025 anticipated expenditures.

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 Fiscal Year 2024-2025 Proposed Budget Memo

	2023-24 Approved Budget	2023-24 Projected Actuals	Difference	2024-25 Proposed Budget	2023-24 Increase or (Decrease)
Operating Expenditures					
Salaries and Benefits	\$ 3,289,900	\$ 2,975,126	\$ 314,774	\$ 3,459,700	\$ 169,800
Insurance	119,200	133,663	(14,463)	145,200	26,000
Maintenance & Repairs	185,000	303,012	(118,012)	218,000	33,000
Goods & Supplies	138,500	127,129	11,371	136,000	(2,500)
Professional Services	352,000	251,037	100,963	297,000	(55,000)
Administrative Costs	400,000	382,248	17,752	378,000	(22,000)
Plant & Lab Operating Costs	635,000	537,147	97,853	735,300	100,300
Safety, Training, & Travel	48,500	38,674	9,826	57,500	9,000
Utilities	302,500	279,683	22,817	321,500	19,000
Total Operating Expenditures	\$ 5,470,600	\$ 5,027,718	\$ 442,882	\$ 5,748,200	\$ 277,600

Current Fiscal Year 2023-24

District staff is projecting the Fiscal Year End Operating and Maintenance Fund expenditures to be approximately **\$5,027,718**, or **91.9%** of the budgeted amount.

Next Fiscal Year 2024-2025

Operating Expenditures: For **Fiscal Year 2024-25**, District staff is proposing an Operating Budget to cover anticipated expenditures of total operating expenditures of **\$5,748,200**, an increase of **5.1%**. A summary of the proposed operating budget and high-level discussion are as follows:

Salaries and Benefits Summary

- **6100 – Regular Salaries** - \$131,000 increase in regular salaries based on the District being fully staffed and implementation of a 4% COLA pursuant to SEIU Local 620 and Management terms.
- **6270 – Standby Pay** - \$21,600 increase to account for higher use of Standby Pay rather than Comp Time Off based on new SEIU Local 620 agreement.
- **6400 – CalPERS Contribution** - \$15,000 increase to CalPERS contributions based on the District being fully staffed and increases in reportable wages.
- **6600 – Group Medical Insurance** - \$25,000 decrease in Group Medical Insurance to align with projected medical premiums. Medical premiums have not increased at the same rate as operating and labor costs over the past couple of years.
- **6620 – Workers’ Compensation** - \$8,000 increase in Workers’ Compensation costs based on guidance from our insurance provider.

Net Result: These are the main factors that comprise the increase of approximately **\$169,800** in Salaries and Benefits when compared to **Fiscal Year 2023-24**.

Operations & Maintenance Expenditures Summary

- **7090 – Pooled Liability Insurance** - **\$8,000** increased based on estimates provided by ACWA/JPIA
- **7091 – Property Insurance** - **\$14,000** increase based on estimates provided by ACWA/JPIA
- **7094 – Public Entity Physical Damage** - **\$4,000** increase based on estimates provided by ACWA/JPIA
- **7121 – Property Maintenance** - **\$31,000** increase mostly attributable to safety projects to undertake in the next fiscal year that have been deferred

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- **7430 – Memberships** - \$10,000 decrease after determining one of our memberships would not be renewed
- **7461 – Professional Services: Legal** - \$25,00 decrease in anticipated General Counsel legal fees
- **7650 – Election Expenses** - \$8,000 increase as we are in an election year and will pay administrative fees to the County of Santa Barbara who runs the election
- **7653 – Chemicals for Plant** - \$0 increase based on a newly negotiated contract with Univar to supply both of our chemicals, saving us 5% based on current rates
- **7645 – NPDES Permit Requirements: Operations** - The District will be undergoing Phase II of the required Coastal Hazards Monitoring Plan pursuant to new requirements of the District’s NPDES permit. This project is expected to cost around \$100,000.
- **7670 – Special Projects** - \$40,000 decrease based on several projects being completed in the prior fiscal year and the District will be focused on the Wastewater Treatment Plan project
- **7671 – Asset Management** - \$89,800 increase to continue working on our Asset Management softwares, namely GIS upgrades and our Computerized Maintenance Management System (CMMS) implementation. The District also budgeted its Water Systems Sewer Model contract in this line item, which is anticipated to cost around \$45,000.
- **7763 – Electricity** - \$10,000 increase in anticipation of slightly higher electricity rates

Net Result: These are the main factors that comprise the increase of approximately **\$97,800** in Operating Expenditures when compared to **Fiscal Year 2023-24**.

The full, detailed chart of the Operations and Maintenance Budget is provided in **Attachment A – FY2024-25 Operating Budget - Proposed**. Below are some of the notable line items with some background on what costs are incorporated into them:

- **7461 – Professional Services – Legal** – This line item will now only budget and track costs for the District’s General Legal Counsel (Colantuono Highsmith & Whatley). Staff laid the groundwork for several District needs during the prior fiscal year so we anticipate utilizing less legal time in the coming fiscal year.
- **7466 – Professional Services – Human Resources** – This line budgets for and tracks costs for Human Resources legal support by Price, Postel and Parma for Human Resource Special under a retainer agreement. In the prior fiscal year this is also where our Salary Study came out of, so with the
- **7430 – Memberships** – In preparation for the budget, District Staff have reviewed all professional memberships and their dues that constitute the budgeted amount for **Fiscal Year 2024-25**. Some of the organizations the District is a member of result in discounts for technical trainings, conferences or certification testing, while others support the District by lobbying and representing the Districts’ interest in state legislation.
- **7645 – NPDES Permit Requirements – Operations** – The District received its updated National Pollution Discharge Elimination System (NPDES) permit in Fiscal Year 2022-23. Included with that new permit are updated requirements for the District to complete, in which Fiscal Year 2024-25 will see the District undertake Phase II of the Coastal Hazards Monitoring Plan. This is estimated to cost around \$100,000 and will be due near the end of the fiscal year.
- **7671 – Asset Management** – This line item includes services to upgrade and consolidate the District’s Geographic Information Systems and begin implementation a Computerized Maintenance Management System (CMMS) for the collection and treatment operations. The District has historically used a combination of in-house software systems and paper work orders to track work completed and

plan out future work. Implementing a CMMS for the District’s asset management program should increase efficiency by upgrading workflows, support record retention, and facilitate succession planning.

CAPITAL IMPROVEMENT PROGRAM EXPENDITURES

Current Fiscal Year 2023-24

The District is projected to spend approximately \$1,951,786 of Capital Replacement (CIP) funds by **June 30, 2024**, well under the budgeted amount of \$6,995,000. The District’s main CIP projects during the Fiscal Year was completing the Highway 101 Sewer Crossing and Roundabouts projects, design work for its 4 FEMA project sites, CIP Collection System Projects in **Fiscal Year 2023-24** included the completion of the Lilac/Oak Grove Sewer Main Extension Project, and the Administration/Operations Roof Replacement project. Several projects at the end of the Fiscal Year are being awarded and going out to bid, so CIP work will be moving pretty quickly in the beginning of next fiscal year.

Next Fiscal Year 2023-24

The District is proposing CIP schedule for **Fiscal Year 2024-25** that focuses the attention back to the infrastructure of the District. In prior fiscal years District resources have been diverted to non-District projects (i.e. the Highway 101 and Roundabouts projects), leaving previously identified District CIP Projects to be pushed off to later dates. During the current fiscal year staff laid the groundwork to determine the maintenance/upgrade/development of critical infrastructure pertaining to the Wastewater Treatment Plant and design work is anticipated to begin during the second quarter of **Fiscal Year 2024-25**.

The following summary table is a high-level breakdown of the proposed capital expenditures for the upcoming Fiscal Year. It is important to note that the figures in the summary table include both soft costs (planning, design, and construction management), as well as construction, equipment purchases and some contingency to account for minor changes in scope or purchasing factors such as inflation. It is also important to note that these projects include any outsourcing of engineering services needed to ensure these projects move forward.

Program	2024/2025 Budget
Collections	\$ 4,137,000
Lift Stations	\$ 610,000
Treatment & Laboratory	\$ 1,524,000
Facilities	\$ 275,000
Sewer Main Extensions	\$ 150,000
Total	\$ 6,696,000

A full breakdown of the proposed CIP Budget can be seen in **Attachment B – FY2024-25 CIP Budget – Proposed**.

Collections Program

- **C001 - Collection System Master Plan** - Develop a comprehensive gameplan to efficiently prioritize and address collection system maintenance items.
- **C003 – 2025 Sewer Main CIPP Lining:Design** – Begin design work on the Districts’ main influent pipe that feeds our treatment plant.
- **C005 - Manhole Lining Project** – Staff is proposing to rehab approximately 95 manholes that have been identified as higher priority in the coming fiscal year. By grouping the work together the District should see cost efficiencies gained, primarily through decrease mobilization and demobilization costs.
- **C009 - Emergency Bypass Pumper** – This is a rollforward from the prior year as the pump ordered won’t arrive until the next fiscal year.
- **C010 - FEMA Rehabilitation** – The Board has been given reports on four project areas requiring rehab work after the January Winter Storm. The District is eligible for FEMA Reimbursement for these projects and staff has been working diligently with FEMA to ensure eligibility.
- **C011 - Tractor** – The District needs to replace its tractor that assists in Collections System maintenance.
- **C012 - CCTV Camera and Transporter** – The camera and the transporter arm on the Districts’ CCTV van needs to be replaced.
- **C013 - Combination Cleaner** – This is a rollover from the prior fiscal year as the Combination Cleaner ordered had an 18-month delivery window. The District anticipates receipt of the vehicle in the fourth quarter of Fiscal Year 2024-25.
- **CMAN - Manhole Adjustments** – This is miscellaneous budget set aside for mandatory manhole adjustments required when the City or County repaves roads and necessitates the lowering and/or raising of manholes as a result. There’s no way of anticipating how much will be needed.
- **CEME - Collection O/M Emergencies** – Miscellaneous budget set aside for Collections System emergency events. Ideally this money would not be utilized in the fiscal year.

Lift Station Program

- **L001 - Channel Lift Station Improvement** – Address needed improvement to the Channel Lift Station that recently failed in Fiscal Year 2022-23. This budget is for only the lift station component of the project.
- **L004 - Bonneymede Lift Station Improvement** – The lift station is in need of a replacement pump that the District looks to address in the next fiscal year.
- **L005 - Posilipo Lift Station Improvement** – The lift station is in need of a replacement pump that the District looks to address in the next fiscal year.
- **L007 - Smartcover Upgrades** – Upgrade three smartcovers to better monitor flow at critical sites.
- **LEME - Lift Station Emergency Repairs** - Miscellaneous budget set aside for lift station emergency events. Ideally this money would not be utilized in the fiscal year.

Treatment & Laboratory Program

- **T001 - Wastewater Treatment Plant Project – Design and Engineering** – This project will identify the path forward for the Treatment Plant (upgrade vs. new vs. treatment process selection) and get us to 30% design for construction to begin in Fiscal Year 2025-26.
- **T012 - Clarifier Maintenance** – This is a rollforward from the prior year. Maintenance work on the District’s four clarifiers started in the current fiscal year and will be completed in the first quarter of Fiscal Year 2024-25.

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- **T014 - Laboratory Dishwasher** – The current dishwasher is past its useful life and needs to be replaced. It is vital in the District’s routine testing as required by our permit.
- **T015 - Diffusers** – The District needs to begin replacing its diffusers. Installation will be handled by staff.
- **T016 - Ras-Was Program Logic Control (PLC) Upgrade** – Installation of a programmable logic controller which will be used to automate specific processes at the Wastewater Treatment Plant.
- **T017 - Flow Meters** – Purchase of three flow meters to monitor critical assets in the Wastewater Treatment Plant.
- **TEQU - Treatment Equipment** – This miscellaneous budget is set aside for emergency equipment needed for the Treatment Plant. If no emergency equipment is needed no money will be spent.
- **TEME - Treatment O/M Emergencies** - Miscellaneous budget set aside for Treatment System emergency events. Ideally this money would not be utilized in the fiscal year.
- **TSCA - SCADA Maintenance** - The District will continue to improve its Supervisory Control and Data Acquisition (SCADA) system for critical and basic treatment processes. Work began in the current fiscal year and was planned to take a couple years to tap out the existing system, develop the plan and then implement additional functionality when new equipment is installed.

Facilities Maintenance Program

- **F004 - Administration Building Improvements** – Staff is looking into new carpet and a couple other small upgrades to the Administration Building.
- **F007 - Seismic and Materials Study** – This work started in the current fiscal year and will be completed by the second quarter of Fiscal Year 2024-25 and will be instrumental in helping shape what direction the Board decides to go with as it relates to the Wastewater Treatment Plan project.

Sewer Main Extension Program

- **S001 - Septic-to-Sewer Strategic Plan** – Staff is proposing hiring a consultant to help develop a comprehensive Septic-to-Sewer Strategic Plan with input from the Board.

2017 SEWER REFUNDING REVENUE BONDS – CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) FINANCE CORPORATION

In May 2017 the District refunded its 2007 Certificates of Participation (COP) This refunding decreased the maturity term by seven years, removed the requirement for a reserve fund, and took advantage of lower interest rates.

The District will make two payments on its bond during Fiscal Year 2024-25 totaling \$930,700. Of this total \$735,000 will be applied to principal and \$195,700 will be applied to interest. After all Fiscal Year 2024-25 payments are made the remaining balance of the bond will be \$4,235,000 and the bond is expected to be paid off by July 1, 2030.

ANNUAL DEPRECIATION FUNDING

Annually, the Board considers contributing to the District’s Capital Replacement Fund. Typically, this contribution has been based on the prior fiscal year’s annual depreciation expense. The Fiscal Year 2024-25 contribution will be based on the Fiscal Year 2023-24 Financial Audit and is anticipated to be around \$1,275,000. It should be noted that the District may withdraw monies from the Capital Replacement Fund at any time to fund capital projects or to meet any operational needs of the District.

FY 2024-25 PROJECTED OPERATIONS & MAINTENANCE AND CIP CASH POSITION

Taking into account the projected remaining expenditures for Fiscal Year 2023-24 and the proposed budget for Fiscal Year 2024-25, the District’s projected cash position for its Operations and Maintenance fund and Capital Replacement fund are as follows:

	Operations and Maintenance Funds		
	2023-24 Projected	2024-25 Projected	Difference
Beginning Cash Balance	\$ 10,860,567	\$ 11,503,227	\$ 642,660
Plus: Revenues	7,876,318	7,825,000	(51,318)
Less: Expenditures	(5,027,718)	(5,748,200)	(720,482)
Less: Bond Payments	(934,100)	(930,700)	3,400
Less: Capital Replacement Fund Contribution	(1,271,840)	(1,275,000)	(3,160)
Projected Ending Cash Balance	\$ 11,503,227	\$ 11,374,327	\$ (128,900)

	Capital Replacement Funds		
	2023-24 Projected	2024-25 Projected	Difference
Beginning Cash Balance	\$ 6,618,268	\$ 5,938,322	\$ (679,946)
Plus: Revenues	1,271,840	1,275,000	3,160
Less: Expenditures	(1,951,786)	(6,696,000)	(4,744,214)
Projected Ending Cash Balance	\$ 5,938,322	\$ 517,322	\$ (5,421,000)

The District anticipates a cash balance of approximately **\$11,374,327** in its Operations and Maintenance funds and **\$517,322** in its Capital Replacement funds at 6/30/2025, based on the proposed budgetary figures presented in **Attachments A and B**.

In summary, the District will head into Fiscal Year 2024-25 in great financial shape, and based on staff projections, will continue to be so at the culmination of the fiscal year. At each quarterly financial update staff will inform the Finance Committee and the Board of Directors of any significant variations (both positive and negative to the fiscal condition of the District) that arise during the year and seek guidance on how to address such items.

Attachments:

- Attachment A – FY 2024-25 Operating Budget – Proposed
- Attachment B – FY 2024-25 CIP Budget – Proposed
- Attachment C – FY 2024-25 Salary Schedules