

BUDGET AND LONG-TERM FINANCIAL PLAN

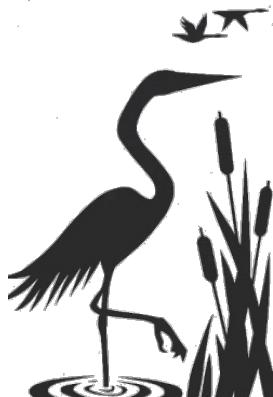
Fiscal Year 2025-26



1010 Chadbourne Rd
Fairfield, CA 94534
www.FairfieldSuisunSewer.ca.gov

Budget and Long-Term Financial Plan

Fiscal Year 2025-26



Fairfield-Suisun Sewer District

Fairfield-Suisun Sewer District protects public health and the environment for the communities we serve in an efficient, responsible, and sustainable manner.

2025 Board of Directors

Jenalee Dawson, President

Catherine Moy, Vice President

Doug Carr

Alma Hernandez

Catherine Moy

Amit Pal

Doriss Panduro

Parise Shepherd

Scott Tonnesen

Princess Washington

K. Patrice Williams

Pam Bertani, First Alternate (City of Fairfield)

Manveer Sandhu, Second Alternate (City of Fairfield)

Management Team

Jordan Damerel, General Manager/District Engineer

Meg Herston, Director of Environmental Services

Doug Hollowell, Director of Operations and Maintenance

James Russell-Field, Director of Administrative Services

Kimberly Kraft, Human Resources Manager

District Counsel

Carrie Blacklock

TABLE OF CONTENTS

TRANSMITTAL LETTER.....	4
BUDGET AWARDS.....	8
ABOUT THE DISTRICT	9
ABOUT THE BUDGET.....	11
BUDGET SUMMARY & ANALYSIS	14
BUDGET AND LONG-TERM FINANCIAL PLAN SCHEDULES	23
LONG-TERM FINANCIAL PLAN & RESERVES ANALYSIS	34
DEPARTMENTAL INFORMATION	39
POLICIES.....	42
DEBT SERVICE.....	43
PERFORMANCE DATA AND STATISTICAL INFORMATION.....	45
GLOSSARY	46
RESOLUTIONS	48

TRANSMITTAL LETTER

DATE: May 8, 2025

TO: Board of Directors

FROM: Jordan Damerel
General Manager

James Russell-Field
Director of Administrative Services

SUBJECT: FY 2025-26 Budget and Long-Term Financial Plan

SUMMARY

We are pleased to submit the Fiscal Year 2025-26 Budget and Long-Term Financial Plan for Board adoption. The Long-Term Financial Plan has proven to be a reliable tool for almost 30 years to project revenues, expenses, and required reserves. The Board has relied on long-term capital and financial planning to guide their decisions on budgets. Through prudent management, the District keeps costs to its ratepayers low and has one of the lowest sewer service charges in the San Francisco Bay Area.

The District operates a cost-efficient, award-winning wastewater and stormwater utility that protects public health and the environment. For approximately \$1.70 per day, the District collects, conveys, treats, and safely disposes an average of 178 gallons of sewage per day from each residential customer in the community. The average influent flow to the District's wastewater treatment plant was 15.0 million gallons per day in 2024.

The District maintains 85 miles of 12-inch to 48-inch diameter sewers and utilizes 13 pump stations and one treatment plant to serve a population of approximately 149,000. The Budget and Long-Term Financial Plan is developed to maintain high-quality service to District customers by ensuring the wastewater system is adequately maintained and repairs or replacements requiring significant funding are planned in advance, thereby avoiding rate spikes or unnecessary debt that can result from short-term planning.

The District continues to proactively maintain aging infrastructure with preventative maintenance and updates to collection system and treatment plant facilities. In the last year, the District continued work on key infrastructure projects including the Suisun Force Main Rehabilitation Project, Bioenergy Generation Project, Electrical Replacement Project Phase II, and the Kellogg Resiliency Project, which is on an expedited schedule due to grant funding from the State of California.

GOALS

Under the Board of Directors' guidance, District management set the following long-term financial goals:

- 1) Maintain operating cash reserves of at least three months of operating expenses to ensure smooth cash flow.
- 2) Maintain minimum debt service coverage ratio as legally mandated.
- 3) Pay system expansion capital improvement plan expenses from Sewer Capacity Charges.
- 4) Manage long-term employment-related liabilities to a sustainable level.
- 5) Build up major maintenance/replacement reserves to ensure a source of funds for major maintenance and repairs, upgrades, and eventual replacement of the treatment plant and sewer system.
- 6) Minimize debt and long-term borrowing.

ORGANIZATIONAL HIGHLIGHTS

- **NACWA Peak Performance Platinum Award:** The District received the National Association of Clean Water Agency's (NACWA) Peak Performance Platinum Award for the tenth year in a row, indicating 100 percent compliance with the District's National Pollutant Discharge Elimination System (NPDES) permit.
- **Excellence in Innovation and Resiliency:** The District won the California Association of Sanitation Agencies (CASA) Excellence in Innovation and Resiliency award for the Direct Digestate Dilution Project, in partnership with Lystek International. The project implemented a bypass of the District's dewatering system directly to Lystek's reactors, which reduced the District's nitrogen discharge and use of polymer while enhancing the nutrient value of Lystek's fertilizer product.
- **Internship Program:** The District has continued to promote paid internships in the wastewater industry. In the past two years, the District has hired six interns and was fortunate to have two interns convert from their internship into full-time positions.
- **Grants:** The District received \$4.1 million in funding from the Environmental Protection Agency and \$600,000 from the California Governor's Office of Planning and Research. Both grants will be used to help public agencies and non-profit partners across Solano County fund planning and projects for shoreline resilience and nature-based adaptation projects to reduce coastal hazard risks from sea level rise, tidal surges, and storm events. In addition, the District is anticipating spending down the remainder of an \$8.6 million allocation from the State of California for the Kellogg Resiliency Project. The District is also positioning to receive direct-pay energy tax credits through the Inflation Reduction Act for the Bioenergy Generation Project.
- **Budget Awards:** The District received the Government Finance Officer Association's Distinguished Budget Award and the California Society of Municipal Finance Officers' Operating Budget Excellence Award for the first time. The awards are the result of District staff efforts to re-organize and share information in the Budget and Long-Term Financial Plan in alignment with best practices.
- **Staff Recognition:** District staff recognized by professional organizations included:

- **Krystle Catamura**, Outreach Intern, received the Bruce Wolf Memorial Scholarship through the CASA Education Foundation.
- **Nicole Van Aken, Lab Manager**, received Supervisor of the Year from the CWEA Redwood Empire Section.
- **Jennifer Vo, Lab Technician**, won the Young Professional of the Year Award from the CWEA Redwood Empire Section.

BUDGET HIGHLIGHTS

- **Revenues** for FY 2025-26 are budgeted at \$56.5 million for all funds. Sewer Service Charges account for 66 percent of total budgeted revenues and will increase 4 percent in accordance with the District's most recent Proposition 218 Notice. Federal and State grants total \$9.7 million, or 17 percent of all revenues, which consists of the remaining funds from the State of California for the Kellogg Resiliency Project and EPA funding to offset costs for the Aeration Basin Anoxic Zones Phase 1 Project.
- **Operating Expenses** for FY 2025-26 total \$34.9 million for all funds. Increases in operating expenses are primarily related to increases in electricity, chemical, permit, and insurance costs, as well as increases in personnel costs aligned with advancing District goals and service priorities.
- **Debt Service & Capital Requirements** for FY 2025-26 total \$37.1 million for all funds.
 - **Debt Service** expenses remain at \$1.1 million per year, consisting of State Revolving Fund (SRF) Loan repayments for the Ultraviolet Disinfection and Blower Projects.
 - **Major Maintenance & Capital Improvement Program (CIP)** expenses for FY 2025-26 total \$35.4 million for all funds, which support both routine repairs and key infrastructure projects for the treatment plant and collection system. District staff have diligently and thoughtfully identified necessary projects that can be achieved with the current rate structure, supplemented with anticipated external funding. Maintenance and CIP expenses are projected at \$178.3 million through FY 2034-35, not yet including recommendations from pending infrastructure Master Plans, which will be incorporated into future forecasts and Rate Studies.
 - **City Collection System Reserve Appropriations** for FY 2025-26 total \$0.7 million, as requested by the cities of Fairfield and Suisun City for completing collection system repair and rehabilitation projects in their service areas. Appropriations to the cities since the Collection System Reserve was established in FY 2022-23 total \$8.5 million.

CONCLUSION

The Board's continued support of long-range fiscal planning has produced a stable financial foundation to meet both current and future service needs given a range of possible community growth rates. The District's largest Capital Improvement Project is the Suisun Force Main Rehabilitation Project, with construction costs estimated at \$53.4 million between FY 2025-26 and FY 2027-28. The Suisun Force Main Rehabilitation Project is projected to be the largest capital investment since the wastewater treatment plant expansion projects in the mid-2000s. Given the project's cost and multi-generational impact, the District is pursuing external funding options of grants, loans, and bonds to finance the project.

To support potential external funding options that may require a credit rating, the District may start the next Cost of Service and Rate Study earlier than planned. Securing an updated rate schedule could strengthen the District's credit profile and reduce borrowing costs for ratepayers. This update would also help the District respond to pressures in rising expenses for electricity, chemicals, and construction since the 2022 Rate Study.

Prudent cost management and the District's philosophy of building up reserves are instrumental in positioning the District to invest in infrastructure and continue to provide high-quality and critical services to the community.

ACKNOWLEDGMENT

We thank the Board for its guidance and continued support in developing a sustainable budget and long-term financial plan. Sincere appreciation is given to District staff who assist with the preparation of the budget, with special recognition to Doug Hollowell for leading the preparation of the Major Maintenance Budget, Irene O'Sullivan for leading the preparation of the Capital Improvement Program Budget, and Lindsay Sagastume for leading the preparation of the Operating Budget and compiling the data, reports, and Budget Book.



Jordan Damerel, P.E.
General Manager



James Russell-Field, CPA
Director of Administrative Services



Fairfield-Suisun Sewer District

Budget Awards

GFOA AWARD CERTIFICATE



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Fairfield-Suisun Sewer District
California

For the Fiscal Year Beginning

July 01, 2024

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Fairfield-Suisun Sewer District for its annual budget Fiscal Year beginning July 1, 2024. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. This award is valid for a period of one year only.

CSMFO AWARD CERTIFICATE

*California Society of Municipal
Finance Officers*

Certificate of Award

*Operating Budget Excellence Award
Fiscal Year 2024-2025*

Presented to the

Fairfield Suisun Sewer District

For meeting the criteria established to achieve a CSMFO Award in Budgeting.

February 7, 2025



Ernie Reyna
2024 CSMFO President

James Russell-Field
Recognition Committee

Dedicated to Excellence in Municipal Financial Reporting

ABOUT THE DISTRICT

The Fairfield-Suisun Sewer District (District) is a special district which serves all territory within the cities of Fairfield and Suisun City. It was formed by an act of the California State Legislature on May 5, 1951 (the “enabling act”). The enabling act defined the District’s boundaries as the boundaries of the cities. Any territory annexed to either city is also annexed to the District, and in general, no property can be served by the District if it is not in either city.

In September of 2002, the District amended its enabling act language, under AB776, to authorize the acceptance of sewage emanating from buildings that lie outside the District’s boundaries for developed parcels that were connected to the District’s sewage treatment system before March 1, 2002. The District’s change in enabling act language also allows for a contract with Solano County, or other public entities, for the disposal of sewage emanating from buildings outside the District’s service area, if the District determines that the contract furthers the protection of public health and safety and is in the best interest of the District.

In April 2019, the District amended its enabling act language, under AB530, to authorize the acceptance and disposal of sewage emanating from any building within the Middle Green Valley Specific Plan area, upon request of the landowner. Middle Green Valley is an unincorporated area in Solano County north of the City of Fairfield and outside the city’s sphere of influence. Solano County has adopted a Specific Plan for the Middle Green Valley, which calls for development of about 400 homes and associated commercial and public facilities.

The District has broad powers to finance, construct, and operate systems for the treatment, collection and disposal of sewage, stormwater, and recycled water systems within the District’s jurisdiction. Its ten-member Board of Directors consists of the members of the city councils of the two cities (with the remaining two Fairfield city councilmembers serving as Alternate Directors). The Board president is elected by the Board from among its members. The District’s day-to-day operations are managed by the General Manager, who reports directly to the Board of Directors.



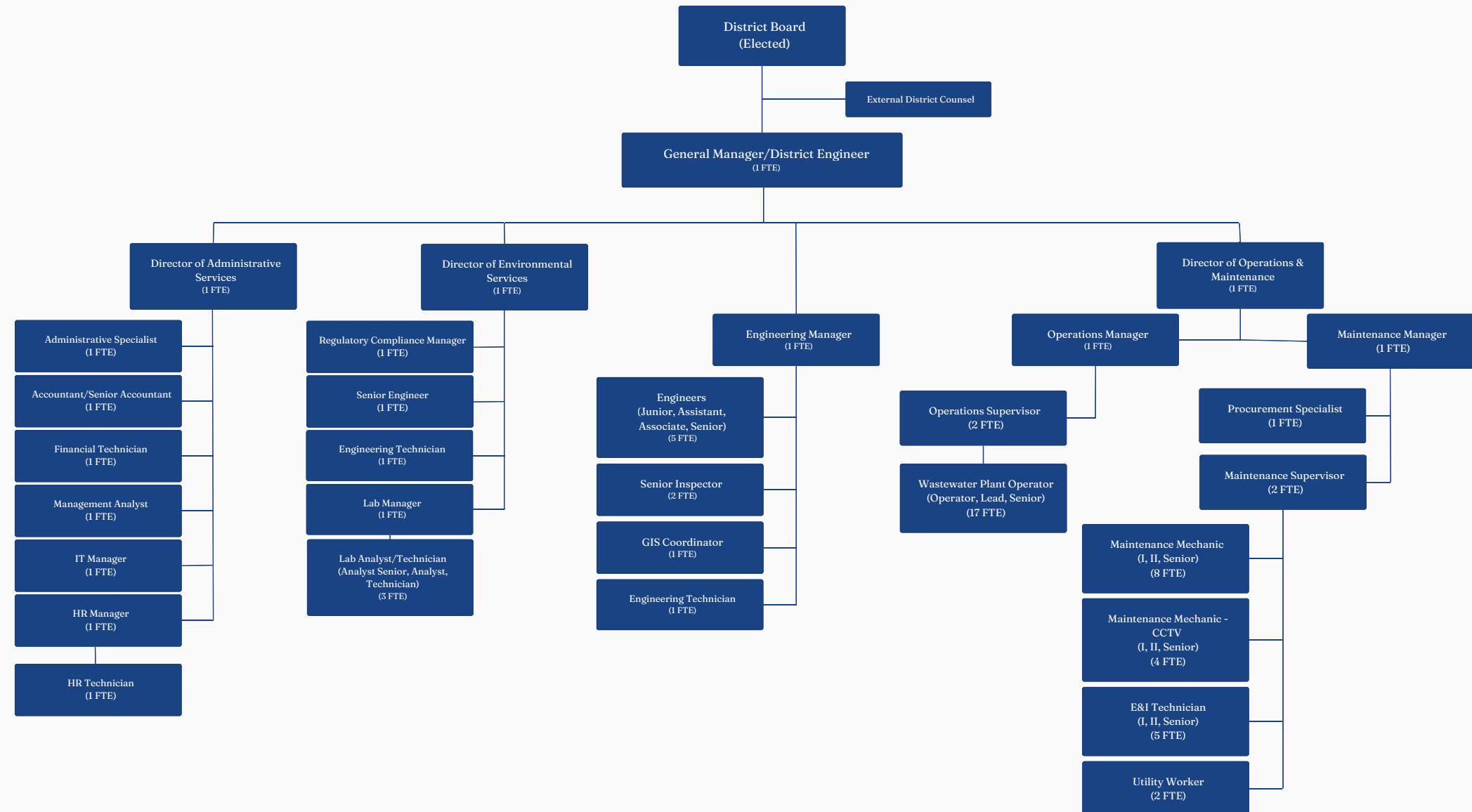
Photo taken with Krystle Catamura, FSSD Community Outreach intern, during school field trip.



FAIRFIELD-SUISUN SEWER DISTRICT

ORGANIZATIONAL CHART

UPDATED APRIL 14, 2025



ABOUT THE BUDGET

BUDGET PROCESS

January	<ul style="list-style-type: none"> Preparation of personnel budget Review of mid-year actuals
February	<ul style="list-style-type: none"> Budget kickoff with Managers/Supervisors Operating Budget meetings
March	<ul style="list-style-type: none"> Major Maintenance and Capital Improvement Program meetings
April	<ul style="list-style-type: none"> Draft Budget prepared and reviewed
May	<ul style="list-style-type: none"> Final Budget presented to the Board of Directors and public
July 1st	<ul style="list-style-type: none"> Effective date of budget
July to June	<ul style="list-style-type: none"> Budget monitoring through monthly budget reports Budget amendments approved as needed

BASIS OF BUDGETING

The District's budget is presented on a Cash basis method where revenues and expenses are projected based on when cash is received or disbursed. This differs from the Accrual basis of accounting used for the Annual Comprehensive Financial Report (ACFR), where revenues are recognized when services have been rendered or expenses have been incurred. Preparing the budget on a Cash basis presents a better estimate of reserve balances.

Significant differences between Cash basis and Accrual basis include:

Transaction	Cash Basis (Budget)	Accrual Basis (ACFR)
Principal Payments on Debt	Budgeted as an expense	Reduction of a Liability
Capital Expenditures	Budgeted as an expense	Increase of an Asset
Depreciation	Not budgeted	Expensed

FINANCIAL OVERVIEW AND FUND STRUCTURE

The District maintains seven funds. The All Fund Budget Summary presents the total revenues and expenses of all funds combined as a consolidated reporting entity, which excludes interfund transfers. The Long-Term Financial Forecast schedules provide detail on the funds individually.

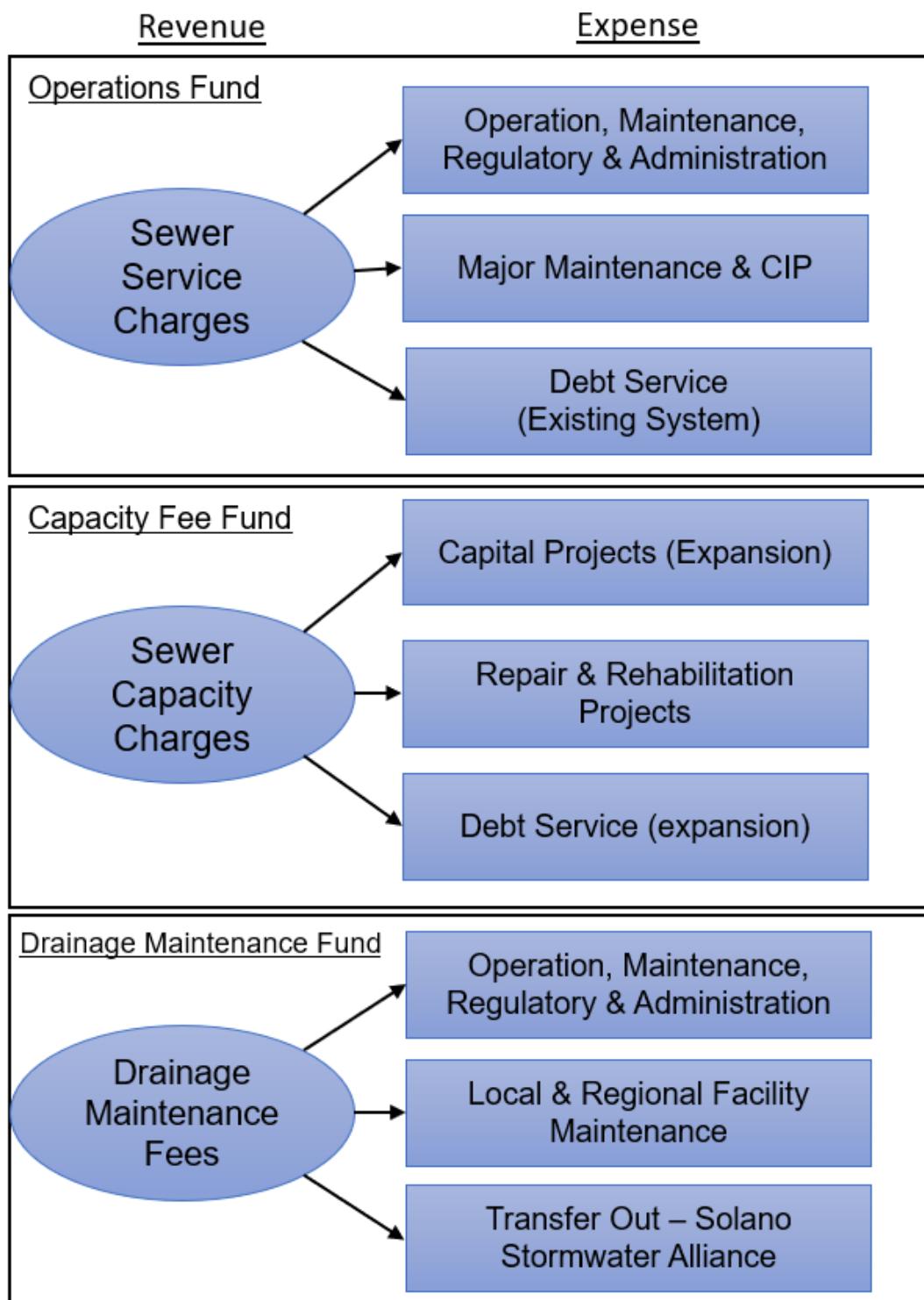
- The Wastewater Operations Fund is primarily funded from Sewer Service Charges and funds operating expenses, major maintenance, and Capital Improvement Program (CIP) projects.
- Related to the Operations Fund are the Collection System Repair and Rehabilitation (R&R) Reserve Funds for the cities of Fairfield and Suisun City. Each city's Collection System Reserve balance is held in a separate fund per the District's amended 1965 Agreement with the cities. The Collection System Reserves are funded from Sewer Service Charges.
- Sewer Capacity Charge Funds are funded from Sewer Capacity Charges assessed on new development. Sewer Capacity Charges are held in two separate funds. Sewer Capacity Charge revenue collected prior to July 1, 2022 is held in a fund restricted for growth-related expenditures in the District's services area. Sewer Capacity Charge revenue collected after July 1, 2022 is held in a separate fund restricted for growth or repair and rehabilitation projects identified in the Major Maintenance and CIP budget.
- The Drainage Maintenance Fund is primarily funded from a fee charged to each property in the service area to pay for expenses related to storm drain facilities.
- Related to the Drainage Maintenance Fund is the Solano Stormwater Alliance (Alliance) Fund. Per an Agreement between the District, Vallejo Flood and Wastewater District, and cities of Fairfield, Suisun City, and Vallejo, the funds related to the Alliance are required to be maintained in a separate fund. The Solano Stormwater Alliance funds programmatic regulatory compliance efforts to meet the requirements of a regional stormwater permit.

Figure 1 on the following page shows the relationship between the District's significant funds and their key revenues and expenses.

COST ALLOCATION

District staff use timesheet allocations to direct charge their time to departments and programs. Engineering staff allocate time to individual CIP projects for cost tracking.

Between funds, 15 percent of Information Technology and Safety expenses are allocated from the Operations Fund to Sewer Capacity Charge Funds to show support for the staff time charged to Sewer Capacity Charge programs. Other cost allocations are used between the Operations Fund and Sewer Capacity Charge Funds for cost-share on CIP projects.

Figure 1

BUDGET SUMMARY & ANALYSIS

PROPOSED FY 2025-26 BUDGET SUMMARY

Figures 2 and 3 provide a visual summary of FY 2025-26 Revenues and Expenses, followed by additional details on each of the components. There is no attempt to match expenses to revenues in any single year. Rather, the District relies on long-term financial planning where reserves are periodically built up to fund major projects in future years. This philosophy is instrumental in keeping customer rates from experiencing large swings year to year while still maintaining the system adequately. As part of the long-term financial planning, the District plans to draw down existing reserves over the next several fiscal years for increased capital spending. The variance between revenues of \$56.5 million in Figure 2 and expenses of \$72.0 million in Figure 3 indicates the drawdown of reserves.

Figure 2

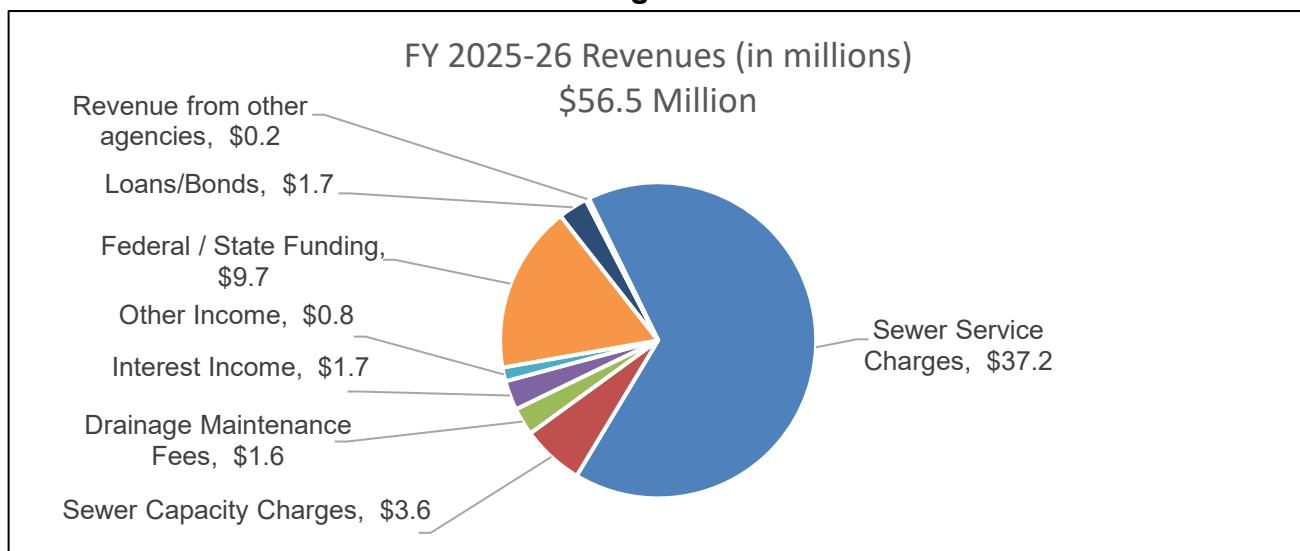
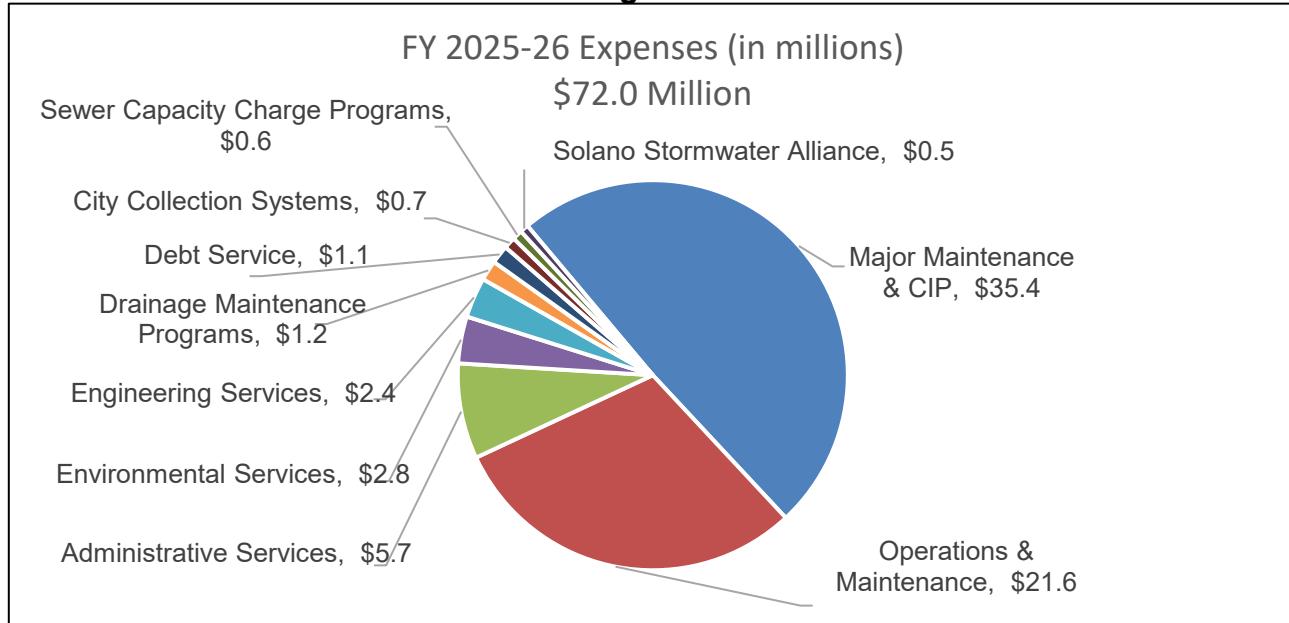


Figure 3



Revenues

Figure 4

	FY 2023-24	FY 2024-25	FY 2025-26
	Actual	Projected	Budget
Sewer Service Charges	\$ 36,337	\$ 35,706	\$ 37,211
Sewer Capacity Charges	4,918	3,495	3,565
Drainage Maintenance Fees	1,630	1,628	1,634
Interest Income	2,200	2,338	1,744
Other Income	984	1,209	838
Federal / State Funding	467	1,981	9,677
Loans/Bonds	-	-	1,650
Revenue - Other Agencies (Alliance)	307	85	182
Total Revenues	\$ 46,843	\$ 46,442	\$ 56,501
<i>(In Thousands)</i>			

Sewer Service Charges

The District is primarily funded by Sewer Service Charges from residential, commercial, and industrial customers. The District presented the results of the 2022 Cost of Service and Rate Study (Rate Study) to the Board in January 2022, and completed a Proposition 218 Notice to hold a public hearing for rate adoption on March 28, 2022. At that meeting, the Board adopted a five-year rate schedule that established the rates through FY 2026-27.

In accordance with Sewer Service Charge rates adopted by the Board of Directors on March 28, 2022, the FY 2025-26 Budget reflects an increase in rates of 4 percent for all customer classes. Residential customers will see an increase of \$1.99 per month in FY 2025-26 for the District to keep up with increased capital needs to reinvest in aging infrastructure. In addition to the rate increase, Sewer Service Charge revenue is projected to increase due to an estimated residential growth rate of 1.0 percent in FY 2025-26. Customer growth rates are estimated based on projected development provided from Fairfield and Suisun City as well as average utility accounts billed by the cities each month.

Sewer Capacity Charges

Sewer Capacity Charges are one-time fees charged to new connections or to existing connections where a change in use will result in increased discharge to the treatment plant facilities. Sewer Capacity Charges are designed to help recover the costs of infrastructure and assets benefiting new development. Per Ordinance 2024-01, Sewer Capacity Charges increase each July 1 based on the change in the Engineering News Records Construction Cost Index (ENR-CCI) for April. The ENR-CCI change between April 2025 and April 2024 is projected at 3.0 percent. As a result, on July 1, the Sewer Capacity Charge fee is estimated to be adjusted from \$7,056 to \$7,268.

Sewer Capacity Charge revenue is budgeted at \$3.6 million in FY 2025-26. Based on the cities' development forecasts, approximately 444 residential units and 19 commercial equivalent dwelling units are estimated to connect to the sewer system in FY 2025-26.

Drainage Maintenance Fees

On March 1, 1988, the District entered a "Drainage Maintenance Agreement" with Fairfield and Suisun City. This agreement provided a mechanism for funding the maintenance of the "Fairfield Streams" federal flood control project which serves both cities as well as local storm drainage facilities. Although the District does not own any storm drainage facilities, it is authorized by statute to provide storm drainage services. The District created a storm drainage maintenance enterprise fund and established fees for users of the system which are collected on the county tax roll each year. Revenues are shared by the cities and the District for drainage maintenance activities.

Since 1996, annual rates have remained unchanged at \$20.23 per residence. Annual drainage maintenance revenue is expected to remain flat in FY 2025-26 and is budgeted at \$1.6 million. Drainage maintenance fees cannot be increased without approval by property owners through a ballot measure.

Interest Income

Available cash is invested with the Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP). LAIF is an investment pool created by statute as a voluntary investment alternative for local governments and special districts. CAMP is a California Joint Powers Authority, providing professional investment services to California public agencies. Both LAIF and CAMP are permitted investment for local agencies under California Government Code Section 53601.

Interest income is budgeted at \$1.7 million for FY 2025-26, a \$0.6 million decrease compared to the projected actual for FY 2024-25. The decrease is primarily related to economic uncertainty at the time of budget preparation, as well as an anticipated draw down of reserves for significant CIP projects. Over the past fiscal year, the District has been able to utilize a liquidity account through the CAMP Pool and earn interest rates as high as 5.5 percent in April 2024 to 4.5 percent as of March 2025. Although the Federal Reserve has kept the federal funds target rate between 4.25 and 4.5 percent at their first two meetings of 2025, due to economic uncertainty the District is using a more conservative interest rate assumption of 4 percent for the FY 2024-25 Budget. The District's top investment priority is safety, followed by liquidity and then yield, regardless of economic uncertainty.

Federal / State Funding

The District pursues outside funding when available. Federal and State Funding is budgeted at \$9.7 million for FY 2025-26. The District was awarded \$8.6 million from the State of California for the Kellogg Resiliency Project, and an agreement was signed in November 2023 to receive the funding on a reimbursement basis through the California State Water Board. Staff is projecting to draw down the remaining \$7.0 million of available funding for the Kellogg Resiliency Project in FY 2025-26.

The District was awarded a \$300,000 grant sub-award from the Environmental Protection Agency Water Quality Improvement Fund (EPA WQIF) in FY 2023-24 for the Community Treatment Wetland conceptual plan development. The District also received an EPA WQIF grant totaling \$4.0 million, which will provide the District \$2.0 million to offset costs for the Aeration Basin Anoxic Zones Phase 1 Project and \$2.0 million to subaward for supporting nature-based climate resiliency work across the Bay Area. The District is estimating Federal revenue of \$2.7 million in FY 2025-26 for this work.

Other Income and Revenue from Other Agencies

The District receives a combination of miscellaneous and/or nonrecurring revenues such as cell tower and other property leases, as well as insurance dividends. Other income includes revenue related to the District's share in Lystek biosolids processing, which offsets the District's biosolids processing costs. Revenue from Other Agencies represents the contributions from the City of Vallejo and Vallejo Flood and Wastewater District for the Solano Stormwater Alliance.

Expenses

Operating expenses set the Operating Reserve target, which is the minimum funding set aside per the District's reserve policy. Increases in the operating expenses and the Operating Reserve target can impact funding available for Major Maintenance and CIP.

The Rate Study completed in January 2022 contained reasonable estimates for increases in operating expenses, including the Consumer Price Index (CPI) and inflation. Since the Rate Study results were adopted, economic uncertainty, inflation, and supply chain issues have impacted actual operating expenses compared to the Rate Study assumptions. Major Maintenance and CIP projects have also been impacted, as equipment and materials availability have caused delays and have increased total project costs compared to original estimates. Although CPI escalation appears to be cooling, the significant CPI spikes in 2021 and 2022 have strained certain operating expenses, and economic uncertainty continues into FY 2025-26.

FIGURE 5

ENR-CCI & CPI Comparison

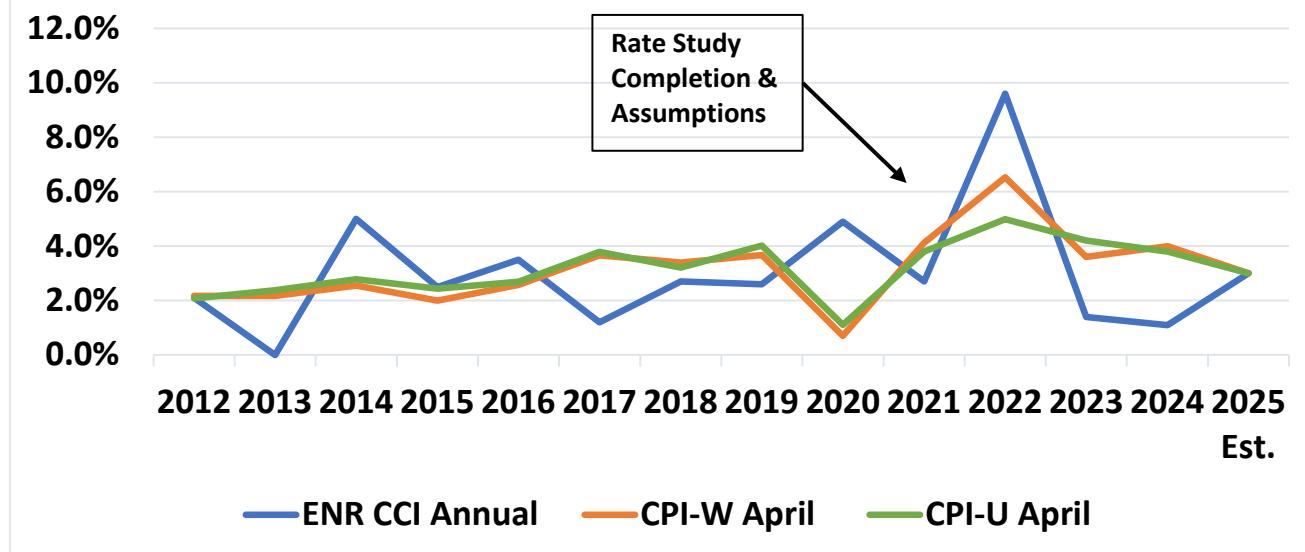


Figure 6 compares the Rate Study's assumptions for key expense increases with actual, projected, and budgeted costs for FY 2022-23 Actual, FY 2023-24 Actual, FY 2024-25 Projected Actual and the FY 2025-26 Budget. Overall, higher than anticipated increases in electricity, chemicals, and insurance have resulted in operating expenses averaging \$1.7 million more per year, and \$6.7 million more in total, than originally assumed in the Rate Study.

The District aims to proactively manage rising operating expenses. Electricity expenses are higher than anticipated due to the ongoing Bioenergy Generation Project, but once the new cogeneration engine is connected, staff anticipate savings of approximately \$1.0 million per year. Chemical expenses decreased in FY 2023-24, due to the Lystek Direct Digestate Dilution Project, which allowed Lystek to utilize a portion of the District's biosolids without dewatering (polymer is used for dewatering) thereby reducing polymer use. However, in response to changing regulations the District has budgeted an additional \$50,000 per year for a new chemical, urea, which will be used to control air pollution emissions for the cogeneration engine being installed as part of the Bioenergy Generation Project.

FIGURE 6

	2022 Rate Study Assumption	FY 2022-23 % Increase	FY 2023-24 % Increase	FY 2024-25 % Increase	FY 2025-26 % Increase
Electricity	4%	18%	13%	2%	5%
Chemicals	4%	20%	-12%	18%	18%
Insurance	3%	35%	12%	12%	16%
Cost Impact to FSSD:		\$1,055,833	\$1,689,198	\$1,835,354	\$2,144,027
<i>Cost Impact to FSSD represents the additional expense above what the Rate Study assumed for the same fiscal year</i>					

The results of the Rate Study were used to adopt a five-year rate schedule, setting the rates through FY 2026-27. Due to potential external funding options for the Suisun Force Main Project, the District may start the next Cost of Service and Rate study earlier than planned. Securing an updated rate schedule could strengthen the District's credit profile, and allow the District to correct for significant inflationary pressure on key operating expenses since the last rate schedule was adopted in 2022. The District relies on long-term financial planning and forecasting to try and avoid annual fluctuations in Sewer Service Charges for customers.

All budgeted expenses are grouped into several categories presented in the Figure 7 below:

Figure 7

	FY 2023-24	FY 2024-25	FY 2025-26
	Actual	Projected	Budget
Operations & Maintenance	\$ 18,026	\$ 19,324	\$ 21,626
Administrative Services	6,493	4,821	5,673
Environmental Services	2,218	2,489	2,849
Engineering Services	2,488	1,918	2,358
Sewer Capacity Charge Programs	285	415	617
Drainage Maintenance Programs	1,113	1,128	1,259
Solano Stormwater Alliance	380	405	481
Debt Service	1,070	1,070	1,070
Major Maintenance & CIP	11,871	13,157	35,391
City of Fairfield Collection System	300	4,490	300
City of Suisun City Collection System	1,270	1,270	365
Total Expenses	<u>\$ 45,514</u>	<u>\$ 50,487</u>	<u>\$ 71,989</u>
<i>(In Thousands)</i>			

Key changes in significant operating expenses are as follows:

- Operations and Maintenance (O&M) expenses include treatment plant O&M, energy and chemicals, District sewer line maintenance, and City sewer line maintenance. Total O&M expenses are budgeted at \$21.6 million for FY 2025-26, an increase of \$2.3 million compared to the FY 2024-25 projected actual.
 - Approximately 65 percent of District staff allocate time to O&M, which means the variance between the FY 2024-25 projected actuals and FY 2025-26 budget is impacted by staff time allocations, vacancies that can occur throughout the year, and increasing costs of salaries and benefits. In FY 2025-26 O&M makes up 53 percent of the District's salaries and benefits.
 - Included in O&M expenses, City sewer line maintenance is budgeted at \$3.7 million for FY 2025-26, an increase of \$0.4 million compared to the projected actual of \$3.3 million for FY 2024-25. The 1965 Agreement between the District and cities of Fairfield and Suisun City provides a funding mechanism for local sewer maintenance. Local sewer maintenance funding is tied to CPI and length in feet of sewers and is projected to increase 3.0 percent in FY 2025-26. Approximately \$0.1 million in District staff time is allocated for Closed Caption Television (CCTV) assistance with Suisun City sewer lines.
 - Included in O&M expenses, Energy and Chemicals are expected to increase \$0.3 million in FY 2025-26. The District has seen significant increases in electricity over the last few fiscal years, primarily due to a cogeneration engine and wind turbines being out of service during the Bioenergy Generation Project, and a delay in a PG&E interconnect agreement. The Bioenergy

Generation Project is estimated to be completed in FY 2025-26, which is expected to reduce the District's electricity usage and cost. Related to this project, the District will also be purchasing a new chemical, urea, in FY 2025-26, which will be used to reduce nitrogen oxide emissions from the new cogeneration engine to comply with a new air permit from the Bay Area Air Quality Management District.

- Administrative Services expenses include costs related to finance, human resources, utility billing, insurance, legal expenses, and Board members fees. Administrative Services expenses are budgeted at \$5.7 million for FY 2025-26, an increase of \$0.9 million compared to the projected actual for FY 2024-25. The main contributing factors for the increase are \$0.3 million in payroll allocations, \$0.2 million in consulting services, \$0.2 million in insurance premiums, specifically for Property and Pooled Liability premiums, and \$0.1 million in retiree health care costs.
- Environmental Services expenses include regulatory costs related to the District's NPDES permit, pretreatment program, laboratory, and community outreach programs. Environmental Services expenses are budgeted at \$2.8 million in FY 2025-26, an increase of \$0.4 million compared to the projected actual for FY 2024-25. The increase is primarily due \$0.2 million in salaries and benefits, and \$0.1 million in permit requirements and consulting costs to ensure permit compliance.

Operating Expenses – Salaries and Benefits

Salaries and benefits are allocated across the programs in Figure 7 based on employee functions and represent the largest component of the operating budget. By resolution, salaries are adjusted each July between 2 and 6 percent based on April CPI. Salary expenses are anticipated to increase by 3 percent based on the anticipated April 2025 CPI. Other increases are built into salary costs to account for merit adjustments and promotions throughout the fiscal year.

The District continues to face rising healthcare costs. Healthcare premiums for the Kaiser family plan increased 11 percent in 2024 and are anticipated to increase at least 6 percent in 2025. Increases in healthcare impacts District costs for active employees and retirees. To manage retiree healthcare costs, the District maintains an Other Post Employment Benefit (OPEB) trust through CalPERS and contributes at least the Actuarially Determined Contribution (ADC) each fiscal year. The FY 2025-26 budget includes an ADC of \$250,000.

The District continues to monitor and proactively address pension liabilities. CalPERS actuarial reports set the required payroll and unfunded accrued liability (UAL) payments for the fiscal year after the reports are received by public agencies. For example, the FY 2025-26 contributions are based on CalPERS June 30, 2023 actuarial report received in September 2024.

CalPERS' experienced a -6.1 percent investment loss for the fiscal year ending June 30, 2022. As a result, the District's June 30, 2022 actuarial report reflected a UAL of \$5.7 million, which is required to be repaid by the District over a 20-year period at approximately \$640,000 per year starting FY 2024-25. From one-time salary and benefit savings, the District made a \$1.5 million dollar additional discretionary payment in FY 2023-24 to help

address the liability. As a result of the District's actions, the annual UAL payments are currently projected at \$340,719 per year starting FY 2025-26, which saves approximately \$1.9 million that would have otherwise been paid to CalPERS in principal and interest over the amortized life of the UAL. Because CalPERS losses can create new liabilities each year that function as a debt, CalPERS liabilities require active management by District staff to keep costs to a prudent and manageable level.

Major Maintenance and Capital Improvement Program

Major Maintenance and CIP expenses are budgeted at \$35.4 million in FY 2025-26 and include both routine maintenance as well as major repairs, upgrades, and replacements. The increase in the FY 2025-26 Major Maintenance and CIP budget compared to the FY 2023-24 actual and FY 2024-25 projected actual is the result of a planned drawdown of reserves to reinvest in aging infrastructure. Major Maintenance and CIP projects are often large in scope and multi-year in nature, and budgetary estimates cross fiscal years as projects are started during the fiscal year.

The five largest Major Maintenance and CIP projects in the FY 2025-26 Budget are as follows:

FIGURE 8

Project Name	FY 2025-26	Sewer Service	Capacity Charge	State
	Budget	Funded %	Funded %	Funding %
Kellogg Resiliency	7,000	-	-	100%
Trunk Main Lining	5,500	100%	-	-
A/B Train Aeration Basin - Phase 1	4,400	100%	-	-
Bioenergy Generation Project	4,000	75%	25%	-
Electrical Replacement Project - Phase II	2,500	75%	25%	-

(In Thousands)

Several of the District's Major Maintenance and CIP projects are to address rising operating expenses. For example, the Bioenergy Generation Project will allow the District to beneficially re-use biogas that is generated through wastewater treatment, reducing power imported from PG&E and allowing the District to export excess power to the electrical grid to offset electricity purchases at other times.

City Collection System Reserves

On April 28, 2022, the Board adopted the Seventh Amendment to the 1965 Agreement with the cities of Fairfield and Suisun City, which provided additional funding based on the results of the Collection System Asset Master Plan. Each July 1, the District funds Collection System Reserves for the cities through transfers of \$1.83 million to the City of Fairfield Collection System Reserve and \$1.77 million to the City of Suisun City Collection System Reserve. By August 1, the District will appropriate budgeted amounts requested by the cities into each City's collection system enterprise fund. Unused reserves will be held by the District and accrue interest until "trued up" for the next fiscal year. For FY 2025-26, the cities

of Fairfield and Suisun City have requested appropriations of \$300,000 and \$365,000, respectively.

Debt Service

Debt Service expenses are budgeted at \$1.1 million in FY 2025-26. The remaining outstanding debt service includes two SRF Loans for the Ultraviolet Disinfection Project and Blower Replacement Project. The debt service for the SRF Loan for the Blower Project is split between the Operations Fund and Sewer Capacity Charge Fund at 75 percent and 25 percent, respectively.



Fairfield Suisun Sewer District

BUDGET AND LONG-TERM FINANCIAL PLAN SCHEDULES

FY 2025-26 All Fund Budget Summary Excludes Interfund Transfers (Dollars in 000s)

	FY 2023-24 Actual	FY 2024-25 Revised Budget	FY 2024-25 Proj. Actual	FY 2025-26 Budget
REVENUES				
Sewer Service Charges	\$36,337	\$36,877	\$35,706	\$37,211
Sewer Capacity Charges	4,918	4,195	3,495	3,565
Drainage Maintenance Fees	1,631	1,632	1,628	1,634
Interest Income	2,200	1,745	2,338	1,745
Other Income	984	714	1,208	838
Federal & State Grants	467	13,423	1,981	9,677
Loans & Bonds	-	-	-	1,650
Revenue from Other Agencies (Alliance)	307	85	85	182
Total Revenues	46,843	58,670	46,442	56,501
OPERATING EXPENSES				
Operations Fund				
Operations & Maintenance	(18,026)	(20,225)	(19,324)	(21,626)
Administrative Services	(6,493)	(6,609)	(4,821)	(5,673)
Environmental Services	(2,218)	(2,894)	(2,489)	(2,849)
Engineering Services	(2,488)	(2,239)	(1,918)	(2,358)
Sewer Capacity Charge Funds				
Project Administration / Planning	(144)	(159)	(185)	(265)
New Development Review & Inspection	(141)	(192)	(231)	(351)
Drainage Maintenance				
Local Facility Maintenance	(959)	(959)	(959)	(959)
Regional Facility Maintenance	(118)	(173)	(154)	(283)
Drainage Maintenance Administration	(36)	(41)	(14)	(18)
Solano Stormwater Alliance				
Solano Stormwater Alliance	(380)	(529)	(405)	(481)
Total Operating Expenses	(31,003)	(34,020)	(30,500)	(34,863)
DEBT SERVICE & CAPITAL REQUIREMENTS				
Debt Service	(1,070)	(1,070)	(1,070)	(1,070)
Major Maintenance & Capital Improvement Program				
Operations Fund	(11,276)	(24,304)	(10,810)	(24,841)
Sewer Capacity Charge Funds	(83)	(470)	(497)	(3,300)
Drainage Maintenance	(511)	(8,263)	(1,850)	(7,250)
City Collection System Reserve Appropriations				
City of Fairfield	(300)	(4,490)	(4,490)	(300)
City of Suisun City	(1,270)	(1,270)	(1,270)	(365)
Total Debt Service & Capital Requirements	(14,511)	(39,867)	(19,987)	(37,126)
Net Increase (Decrease) in Total Reserves	\$1,330	(\$15,217)	(\$4,046)	(\$15,488)

FY 2025-26 Change in Reserves
(Dollars in 000s)

	Beginning Balance	Revenues / Transfers In	Expenses / Transfers Out	Ending Balance	Net Change
Operations Fund Reserves					
Operating	\$7,984	\$39,026	(\$38,883)	\$8,126	\$142
Debt Service	1,070	-	-	1,070	-
Major Maintenance & Capital Improvement Program	20,235	7,744	(24,841)	3,138	(17,097)
Total Operations Fund	29,289	46,769	(63,724)	12,334	(16,955)
Sewer Capacity Charge Fund Reserves	20,457	4,165	(5,625)	18,997	(1,460)
Drainage Maintenance Fund Reserves					
Operating	500	1,720	(1,720)	500	-
Desilting	546	30	-	576	30
Major Maintenance	2,450	7,191	(7,250)	2,391	(59)
Total Drainage Maintenance Fund	3,496	8,941	(8,970)	3,467	(29)
Solano Stormwater Alliance Fund Reserve	280	437	(481)	236	(44)
City Collection System Reserve Funds					
City of Fairfield Collection System R&R	352	1,839	(300)	1,891	1,539
City of Suisun City R&R	2,211	1,826	(365)	3,672	1,461
Total City Collection System Reserve Funds	2,563	3,666	(665)	5,564	3,001
Total Increase (Decrease) in Reserves	\$56,085	\$63,978	(\$79,466)	\$40,597	(\$15,488)

Schedule 1 – Wastewater Operations Fund – Operating Expense Forecast
(Dollars in 000s)

		FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	Forecast Assumption
		Actual	Projected	Budget	Forecast									
REVENUES														
Sewer Service Charges		\$36,337	\$35,706	\$37,211	\$39,071	\$42,588	\$46,420	\$50,598	\$55,102	\$60,006	\$63,366	\$66,914	\$70,595	Rate / Growth
Interest Income - F1		1,335	1,242	987	493	132	70	212	390	504	847	1,035	1,592	Interest
Biosolids Host & Facility Charge		615	744	650	670	690	711	732	754	777	800	824	849	CPI
Other Income		355	454	178	184	189	195	201	207	213	219	226	233	CPI
Total Revenues		38,641	38,146	39,026	40,418	43,599	47,396	51,743	56,453	61,500	65,232	69,000	73,269	
EXPENSES														
Operations & Maintenance														
Operations & Maintenance		(10,589)	(11,483)	(13,126)	(13,520)	(13,925)	(14,343)	(14,773)	(15,217)	(15,673)	(16,143)	(16,628)	(17,126)	CPI
Energy & Chemicals		(3,823)	(3,987)	(4,266)	(3,479)	(3,653)	(3,836)	(4,027)	(4,229)	(4,440)	(4,662)	(4,895)	(5,140)	E & C
District Sewer Line Maintenance		(456)	(578)	(499)	(514)	(529)	(545)	(561)	(578)	(596)	(613)	(632)	(651)	CPI
City Sewer Line Maintenance		(3,159)	(3,276)	(3,735)	(3,847)	(3,963)	(4,082)	(4,204)	(4,330)	(4,460)	(4,594)	(4,732)	(4,874)	CPI
Administrative Services														
Administration, Legal, Board		(4,471)	(2,520)	(3,328)	(3,428)	(3,531)	(3,637)	(3,746)	(3,858)	(3,974)	(4,093)	(4,216)	(4,342)	CPI
Finance & Human Resources		(1,249)	(1,508)	(1,528)	(1,574)	(1,621)	(1,670)	(1,720)	(1,771)	(1,825)	(1,879)	(1,936)	(1,994)	CPI
Utility Billing Fees - Fairfield		(609)	(626)	(645)	(665)	(684)	(705)	(726)	(748)	(770)	(794)	(817)	(842)	CPI
Utility Billing Fees - Suisun City		(163)	(167)	(172)	(177)	(182)	(188)	(193)	(199)	(205)	(211)	(218)	(224)	CPI
Environmental Services														
Regulatory Programs		(1,274)	(1,452)	(1,732)	(1,784)	(1,837)	(1,892)	(1,949)	(2,008)	(2,068)	(2,130)	(2,194)	(2,260)	CPI
Laboratory		(943)	(1,037)	(1,117)	(1,150)	(1,185)	(1,220)	(1,257)	(1,295)	(1,333)	(1,373)	(1,415)	(1,457)	CPI
Engineering Services														
Engineering		(2,488)	(1,918)	(2,358)	(2,428)	(2,501)	(2,576)	(2,653)	(2,733)	(2,815)	(2,899)	(2,986)	(3,076)	CPI
Total Expenses		(29,225)	(28,552)	(32,505)	(32,566)	(33,612)	(34,693)	(35,811)	(36,966)	(38,159)	(39,393)	(40,668)	(41,986)	
Net Revenue before Debt & Transfers		9,416	9,594	6,521	7,853	9,987	12,703	15,932	19,487	23,340	25,839	28,332	31,283	
DEBT SERVICE AND TRANSFERS OUT														
Debt Service Payments - SRF		(987)	(987)	(987)	(987)	(987)	(987)	(987)	(987)	(987)	(987)	(987)	(987)	Debt Schedule Estimate
Debt Service Payments - Loans / Bonds		-	-	-	-	(2,000)	(2,000)	(2,000)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	
Net Increase (Decrease) in Net Position		8,429	8,607	5,534	6,866	9,000	9,716	12,945	15,500	20,090	22,589	25,082	28,033	
TRANSFERS TO DISTRICT-HELD RESERVES														
Carryover - CalPERS Pension Liabilities		-	(2,000)	-	-	-	-	-	-	-	-	-	-	Master Plan
Transfer-Fairfield Collection System Reserve		(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	Master Plan
Transfer-Suisun City Collection System Reserve		(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	(1,770)	
Transfer to Debt Service Reserve		-	-	-	-	(2,000)	-	(1,000)	737	-	-	-	-	
Transfer to Operating Reserve		(758)	(568)	(142)	(15)	(262)	(270)	(279)	(289)	(298)	(308)	(319)	(329)	
Transfer to Major Maintenance & CIP Reserve		(4,071)	(2,439)	(1,792)	(3,251)	(5,138)	(3,845)	(9,066)	(10,611)	(16,929)	(18,681)	(21,163)	(24,103)	
Excess Net Position		-	-	-	-	-	-	-	-	-	-	-	-	
Operations Fund - Operating & Debt Service Reserves														
Target Operating Reserve		7,416	7,984	8,126	8,141	8,403	8,673	8,953	9,241	9,540	9,848	10,167	10,496	
Budgeted Operating Reserve, Beginning		6,658	7,416	7,984	8,126	8,141	8,403	8,673	8,953	9,241	9,540	9,848	10,167	
Transfer to/(from) Operating Reserve		758	568	142	15	262	270	279	289	298	308	319	329	
Budgeted Operating Reserve, Ending		7,416	7,984	8,126	8,141	8,403	8,673	8,953	9,241	9,540	9,848	10,167	10,496	
Operating reserve Target Met?		Yes												
Target Debt Service Reserve		1,070	1,070	1,070	1,070	1,070	1,070	3,070	3,070	4,070	3,333	3,333	3,333	
Debt Service Reserve, Beginning		1,070	1,070	1,070	1,070	1,070	1,070	3,070	3,070	4,070	3,333	3,333	3,333	
Transfer to/(from) Debt Service Reserve		-	-	-	-	-	-	2,000	-	1,000	(737)	-	-	
Debt Service Reserve, Ending		\$1,070	\$1,070	\$1,070	\$1,070	\$1,070	\$3,070	\$3,070	\$4,070	\$3,333	\$3,333	\$3,333	\$3,333	

Schedule 2 – Wastewater Operations Fund - Major Maintenance & Capital Improvement Program Forecast

(Dollars in 000s)

Sewer Service Charge Funded %	FY 2023-24 Actual	FY 2024-25 Projected	FY 2025-26 Budget	FY 2026-27 Forecast	FY 2027-28 Forecast	FY 2028-29 Forecast	FY 2029-30 Forecast	FY 2030-31 Forecast	FY 2031-32 Forecast	FY 2032-33 Forecast	FY 2033-34 Forecast	FY 2034-35 Forecast	FORECAST TOTAL	
FUNDING SOURCES														
Federal & State Grants	\$121	\$181	\$2,677	\$733	\$733	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,143
Loans & Bonds	-	-	1,650	30,650	25,550	11,225	-	-	-	-	-	-	-	69,075
Inflation Reduction Act Credits for Bioenergy Generation Project	-	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
Transfers In - Sewer Capacity Charges Cost Share	1,607	952	1,625	953	133	-	-	-	-	-	-	-	-	2,710
Transfers In - Sewer Capacity Charges Repair & Rehab Projects	-	-	-	4,000	4,000	4,000	3,000	-	-	-	-	-	2,000	17,000
Use of Reserves	9,549	9,677	18,889	12,298	6,379	1,377	3,398	8,108	5,063	12,702	2,922	9,188	80,324	
Total Financing Sources	11,276	10,810	24,841	48,634	41,794	16,602	6,398	8,108	5,063	12,702	2,922	11,188	178,252	
MAJOR MAINTENANCE & CAPITAL IMPROVEMENT PROGRAM														
Suisun Force Main Rehabilitation	Loans / Bonds	(364)	(1,100)	(1,650)	(29,700)	(22,000)	-	-	-	-	-	-	-	(53,350)
Collection System Rehabilitation Projects	100%	-	-	-	-	-	-	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(6,000)
Travis/Pennsylvania Sewer Replacement Project	100%	(75)	(77)	-	(1,500)	-	-	-	-	-	-	-	-	(1,500)
Trunk Main Lining	100%	-	-	(5,500)	-	-	-	-	-	-	-	-	-	(5,500)
2027 Collection System Rehabilitation	100%	-	-	-	-	(3,000)	-	-	-	-	-	-	-	(3,000)
2028 Collection System Rehabilitation	100%	-	(7)	-	-	(1,000)	-	-	-	-	-	-	-	(1,000)
#9 - Community Treatment Wetland	Grants	(128)	(181)	-	-	-	-	-	-	-	-	-	-	-
A/B Train Aeration Basin Anoxic Zones - Phase 1	100%	(200)	(1,000)	(4,400)	(6,100)	(6,000)	-	-	-	-	-	-	-	(16,500)
A/B Train Aeration Basin Anoxic Zones - Phase 2A	100%	-	-	-	-	-	-	-	-	(869)	(6,537)	-	-	(7,406)
A/B Train Aeration Basin Anoxic Zones - Phase 2B	100%	-	-	-	-	-	-	-	(307)	(3,166)	-	-	-	(3,473)
Electrical Replacement Project - 12kV Distribution	Loans / Bonds	-	-	-	(500)	(2,000)	(8,000)	-	-	-	-	-	-	(10,500)
Electrical Replacement Project - Phase II	75%	(354)	(1,594)	(2,500)	(3,811)	(530)	-	-	-	-	-	-	-	(6,841)
Electrical Replacement Project - Phase III	Loans / Bonds	-	-	-	(350)	(1,200)	(3,225)	-	-	-	-	-	-	(4,775)
Bioenergy Generation Project	75%	(5,775)	(2,215)	(4,000)	-	-	-	-	-	-	-	-	-	(4,000)
Roof Rehabilitation	100%	(28)	(200)	(1,300)	-	-	-	-	-	-	-	-	-	(1,300)
Pavement Rehabilitation	100%	-	(194)	-	-	(300)	-	-	(300)	-	-	-	-	(900)
Recycled Water Master Plan	100%	-	-	-	-	(212)	(219)	-	-	-	-	-	-	(431)
Beneficial Baylands	Grants	-	-	(734)	(733)	(733)	-	-	-	-	-	-	-	(2,200)
Cathodic Protection Rehabilitation	100%	-	(38)	(50)	(150)	(50)	(150)	(60)	(169)	(70)	(169)	(70)	(190)	(1,128)
Major Maintenance Project FY 2021-22	100%	(1,840)	(915)	-	-	-	-	-	-	-	-	-	-	-
Remote Sites Condition Assessment and Strategy/ Master Plan	100%	-	-	-	-	-	-	-	(232)	(284)	-	-	-	(516)
Treatment Plant Master Plan	100%	-	-	(50)	(450)	(450)	-	-	-	-	-	-	-	(950)
Other CIP		(1,502)	(914)	(1,940)	(2,043)	(3,715)	(2,435)	(3,803)	(5,349)	(1,225)	(150)	(780)	(8,737)	(30,177)
Major Maintenance - Treatment and Conveyance		(904)	(2,085)	(2,112)	(2,827)	(1,612)	(1,023)	(1,405)	(1,128)	(878)	(1,550)	(942)	(831)	(14,308)
Major Maintenance - Vehicles and Equipment		(106)	(290)	(605)	(470)	(292)	(250)	(130)	(230)	(130)	(130)	(130)	(130)	(2,497)
Total Major Maintenance & Capital Improvement Program		(11,276)	(10,810)	(24,841)	(48,634)	(41,794)	(16,602)	(6,398)	(8,108)	(5,063)	(12,702)	(2,922)	(11,188)	(178,252)
Operations Fund - Major Maintenance & CIP Reserve														
Major Maintenance & CIP Reserve, Beginning		32,950	27,473	20,235	3,138	(5,910)	(7,150)	(4,681)	986	3,489	15,355	21,334	39,575	
Transfer from Operations Fund to Reserve		4,071	2,439	1,792	3,251	5,138	3,845	9,066	10,611	16,929	18,681	21,163	24,103	
Use of Reserves		(9,549)	(9,677)	(18,889)	(12,298)	(6,379)	(1,377)	(3,398)	(8,108)	(5,063)	(12,702)	(2,922)	(9,188)	
Subtotal		27,473	20,235	3,138	(5,910)	(7,150)	(4,681)	986	3,489	15,355	21,334	39,575	54,491	
Sewer Capacity Charges Reserves		18,144	20,457	18,997	15,572	12,813	12,268	11,391	9,676	1,138	1,331	1,842	1,212	
Major Maintenance & CIP Reserve, Ending		\$45,618	\$40,692	\$22,134	\$9,662	\$5,663	\$7,586	\$12,377	\$13,166	\$16,493	\$22,665	\$41,418	\$55,703	
Target Major Maintenance & CIP Reserve		\$21,027	\$17,203	\$17,079	\$14,939	\$13,216	\$12,436	\$11,310	\$11,871	\$11,560	\$10,347	\$8,575	\$13,308	
Major Maint. & CIP Reserve Target Met?		Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	

Schedule 3 – Sewer Capacity Charge Fund - Operating Expense Forecast (Dollars in 000s)

Schedule 4 – Sewer Capacity Charge Fund - Capital Improvement Program Forecast
(Dollars in 000s)

FINANCING SOURCES	Sewer Capacity Charge Funded %	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	FORECAST
		Actual	Projected	Budget	Forecast	TOTAL								
		\$1,690	\$1,449	\$4,925	\$7,516	\$7,411	\$4,095	\$4,107	\$5,007	\$10,135	\$1,189	\$919	\$2,120	\$47,423
Use of Reserves		1,690	1,449	4,925	7,516	7,411	4,095	4,107	5,007	10,135	1,189	919	2,120	47,423
Total Financing Sources														
CAPITAL IMPROVEMENT PROGRAM														
Northeast Fairfield Pump Station	100%	-	-	(2,500)	-	-	-	-	-	-	-	-	-	(2,500)
Collection System Master Plan	100%	-	-	(200)	(400)	-	-	-	-	-	(246)	(799)	-	(1,645)
Cordelia Pump Station Expansion	100%	-	-	-	-	-	-	(1,000)	(4,000)	(4,000)	-	-	-	(9,000)
Lopes Lift Station/ Force Main Capacity Improvements	100%	-	(402)	(600)	(2,163)	(3,183)	-	-	-	-	-	-	-	(5,946)
Peabody/Walters Relief Sewer - Phase 2	100%	(3)	-	-	-	-	-	(900)	(6,028)	(836)	-	-	-	(7,764)
Collection System Technical Services	100%	(80)	(95)	-	-	(95)	(95)	(107)	(107)	(107)	(107)	(107)	(120)	(858)
Transfer to Operations Fund - CIP Cost Share		(1,607)	(952)	(1,625)	(953)	(133)	-	-	-	-	-	-	-	(2,710)
Transfer to Operations Fund - R&R Projects		-	-	-	(4,000)	(4,000)	(4,000)	(3,000)	-	-	-	-	(2,000)	(17,000)
Total Capital Improvement Program		(1,690)	(1,449)	(4,925)	(7,516)	(7,411)	(4,095)	(4,107)	(5,007)	(10,135)	(1,189)	(919)	(2,120)	(47,423)
Sewer Capacity Charge Reserves														
Sewer Capacity Charge Reserves, Beginning		14,662	18,144	20,457	18,997	15,572	12,813	12,268	11,391	9,676	1,138	1,331	1,842	
Transfer from Sewer Capacity Charge to Reserves		5,172	3,762	3,465	4,091	4,651	3,550	3,230	3,292	1,596	1,382	1,430	1,490	
Use of Reserves		(1,690)	(1,449)	(4,925)	(7,516)	(7,411)	(4,095)	(4,107)	(5,007)	(10,135)	(1,189)	(919)	(2,120)	
Sewer Capacity Charge Reserves, Ending		\$18,144	\$20,457	\$18,997	\$15,572	\$12,813	\$12,268	\$11,391	\$9,676	\$1,138	\$1,331	\$1,842	\$1,212	

Schedule 5 – Drainage Maintenance Fund – Operating Expense Forecast
(Dollars in 000s)

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	Forecast Assumption
	Actual	Projected	Budget	Forecast									
REVENUES													
Drainage Maintenance Fees	\$1,631	\$1,628	\$1,634	\$1,634	\$1,635	\$1,636	\$1,637	\$1,638	\$1,639	\$1,639	\$1,640	\$1,641	DM Interest
Interest Income - F4	94	195	86	90	93	96	99	102	105	108	111	114	
Total Revenues	1,724	1,823	1,720	1,724	1,728	1,732	1,736	1,739	1,743	1,747	1,751	1,755	
EXPENSES													
Local Facility Maintenance	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	(959)	FLAT
Regional Facility Maintenance	(118)	(154)	(283)	(291)	(300)	(309)	(318)	(328)	(337)	(348)	(358)	(369)	CPI
Drainage Maintenance Administration	(36)	(14)	(18)	(18)	(19)	(19)	(20)	(21)	(21)	(22)	(22)	(23)	CPI
Total Expenses	(1,113)	(1,128)	(1,259)	(1,268)	(1,278)	(1,287)	(1,297)	(1,307)	(1,318)	(1,328)	(1,339)	(1,351)	
Net Revenue before Debt & Transfers	612	695	460	456	451	445	439	432	426	419	412	405	
DEBT SERVICE AND TRANSFERS OUT													
Transfer Out - Solano Stormwater Alliance	(391)	(138)	(239)	(280)	(280)	(280)	(280)	(280)	(280)	(280)	(280)	(280)	44% Alliance
Net Increase (Decrease) in Net Position	220	558	221	176	171	165	159	152	146	139	132	125	
TRANSFERS TO DISTRICT-HELD RESERVES													
Transfer to Desilting Reserve	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	
Transfer to Operations Reserve	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer to Major Maintenance Reserve	(190)	(528)	(191)	(146)	(141)	(135)	(129)	(122)	(116)	(109)	(102)	(95)	
Excess Net Position	-												
Drainage Maintenance - Operating & Desilting Reserves													
Minimum Operations Reserve Requirement	136	133	126	127	128	129	130	131	132	133	134	135	
Budgeted Operating Reserve, Beginning	500	500	500	500	500	500	500	500	500	500	500	500	
Transfer to/(from) Operating Reserve	-	-	-	-	-	-	-	-	-	-	-	-	
Budgeted Operating Reserve, Ending	500	500	500	500	500	500	500	500	500	500	500	500	
<i>Operating reserve Target Met?</i>	<i>Yes</i>												
Desilting Reserve, Beginning	486	516	546	576	606	636	666	696	726	756	786	816	
Transfer to/(from) Desilting Reserve	30	30	30	30	30	30	30	30	30	30	30	30	
Desilting Reserve, Ending	\$516	\$546	\$576	\$606	\$636	\$666	\$696	\$726	\$756	\$786	\$816	\$846	

**Schedule 6 – Drainage Maintenance Fund – Major Maintenance and Capital Improvement Program Forecast
(Dollars in 000s)**

Schedule 7 – Solano Stormwater Alliance - Operating Expense Forecast
(Dollars in 000s)

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	Forecast Assumption
	Actual	Projected	Budget	Forecast									
REVENUES													
Revenue from Other Agencies	\$307	\$85	\$182	\$220	\$220	\$220	\$220	\$220	\$220	\$220	\$220	\$220	44% Exp Interest
Interest Income - F5	16	47	16	17	18	19	20	21	22	23	24	25	56% Exp
Transfers In - from Drainage Maintenance	391	138	239	280	280	280	280	280	280	280	280	280	
Total Revenues	715	269	437	517	518	519	520	521	522	523	524	525	
EXPENSES													
Solano Stormwater Alliance	(380)	(405)	(481)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	FLAT
Total Expenses	(380)	(405)	(481)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	
Net Revenue before Debt & Transfers	335	(136)	(44)	17	18	19	20	21	22	23	24	25	
DEBT SERVICE AND TRANSFERS OUT													
Not Applicable	-	-	-	-	-	-	-	-	-	-	-	-	
Net Increase (Decrease) in Net Position	335	(136)	(44)	17	18	19	20	21	22	23	24	25	
TRANSFERS TO DISTRICT-HELD RESERVES													
Transfer to Solano Stormwater Alliance Reserve	(335)	136	44	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	
Excess Net Position	-	-	-	-	-	-	-	-	-	-	-	-	
Solano Stormwater Alliance Reserves													
Solano Stormwater Alliance Reserve, Beginning	81	416	280	236	253	271	290	310	331	353	376	400	
Transfer to/(from) Reserve	335	(136)	(44)	17	18	19	20	21	22	23	24	25	
Solano Stormwater Alliance Reserve, Ending	\$416	\$280	\$236	\$253	\$271	\$290	\$310	\$331	\$353	\$376	\$400	\$425	

Schedule 8 – City Collection System Repair & Rehabilitation Forecast
(Dollars in 000s)

City of Fairfield Collection System R&R Reserve	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	Forecast Assumption
	Actual	Projected	Budget	Forecast									
REVENUES													
Interest Income - F6	\$94	\$42	\$9	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	Interest Master Plan
Transfers from Sewer Service Charges - F6	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	
Total Revenues	1,924	1,872	1,839	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	1,840	
EXPENSES													
Appropriation to City of Fairfield	(300)	(4,490)	(300)	(3,560)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	City Request
Total Expenses	(300)	(4,490)	(300)	(3,560)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	(1,830)	
Net Revenue before Debt & Transfers	1,624	(2,618)	1,539	(1,720)	10	10	10	10	10	10	10	10	
TRANSFERS TO DISTRICT-HELD RESERVES													
Transfer to Collection System Reserve	(1,624)	2,618	(1,539)	1,720	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	
Excess Net Position	-	-	-	-	-	-	-	-	-	-	-	-	
City of Fairfield - Collection System Repair & Rehabilitation Reserve													
Beginning Balance, City of Fairfield R&R Reserve	1,347	2,971	352	1,891	171	181	191	201	211	221	231	241	
Transfer to/(from) Reserve	1,624	(2,618)	1,539	(1,720)	10	10	10	10	10	10	10	10	
Ending Balance, City of Fairfield R&R Reserve	\$2,971	\$352	\$1,891	\$171	\$181	\$191	\$201	\$211	\$221	\$231	\$241	\$251	
City of Suisun City - Collection System Repair & Rehabilitation Reserve													
City of Suisun City Collection System R&R Reserve	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	Forecast Assumption
	Actual	Projected	Budget	Forecast									
REVENUES													
Interest Income - F7	\$53	\$59	\$56	\$56	\$56	\$56	\$56	\$56	\$56	\$56	\$56	\$56	Interest Master Plan
Transfers from Sewer Service Charges - F7	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	
Total Revenues	1,823	1,829	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	1,826	
EXPENSES													
Appropriation to City of Suisun City	(1,270)	(1,270)	(365)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	City Request
Total Expenses	(1,270)	(1,270)	(365)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)	
Net Revenue before Debt & Transfers	553	559	1,461	556	556	556	556	556	556	556	556	556	
TRANSFERS TO DISTRICT-HELD RESERVES													
Transfer to Collection System Reserve	(553)	(559)	(1,461)	(556)	(556)	(556)	(556)	(556)	(556)	(556)	(556)	(556)	
Excess Net Position	-	-	-	-	-	-	-	-	-	-	-	-	
City of Suisun City - Collection System Repair & Rehabilitation Reserve													
Beginning Balance, City of Suisun City R&R Reserve	1,099	1,652	2,211	3,672	4,228	4,784	5,340	5,896	6,452	7,008	7,564	8,120	
Transfer to/(from) Reserve	553	559	1,461	556	556	556	556	556	556	556	556	556	
Ending Balance, City of Suisun City R&R Reserve	\$1,652	\$2,211	\$3,672	\$4,228	\$4,784	\$5,340	\$5,896	\$6,452	\$7,008	\$7,564	\$8,120	\$8,676	

Schedule 9 – Forecast Assumptions

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27 FY 2027-28 FY 2028-29 FY 2029-30 FY 2030-31 FY 2031-32 FY 2032-33 FY 2033-34 FY 2034-35										Forecast Assumption	
				Actual	Projected	Budget	Forecast								
REVENUES															
Sewer Service Charge Rate Revenue Increase	5.0%	5.0%	4.0%	4.0%	8.0%	8.0%	8.0%	8.0%	8.0%	5.0%	5.0%	5.0%	5.0%	5.0%	Rate Growth
Customer Growth	0.7%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%	0.6%	0.6%	0.6%	0.5%	0.5%	Interest
Interest Earnings Rate (at 06/30)	5.0%	4.3%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	ENR-CCI
Engineering News Record Construction Cost Index	1.1%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	DM
Drainage Maintenance Fees	-3.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
EXPENSES															
Consumer Price Index (CPI)	3.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	CPI
Energy & Chemicals	13.0%	2.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	E&C
Engineering News Record Construction Cost Index	1.1%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	ENR-CCI
DEBT SERVICE															
Debt Service Coverage Ratio (1.15 minimum)	13.71	12.56	9.41	11.24	13.76	5.32	6.27	5.62	7.51	8.19	8.95	9.86			
EQUIVALENT DWELLING UNITS (EDU)															
New Residential Units - Fairfield	466	378	429	448	445	429	400	400	200	200	200	200			
New Residential Units - Suisun City	194	29	15	15	15	15	15	15	15	15	15	15			
Total New Residential Units	660	407	444	463	460	444	415	415	215	215	215	215			City Projection
New Commercial EDUs	43	25	19	78	158	50	30	30	30	30	30	30			City Projection
Total EDUs in District (year-end)	47,496	47,928	48,391	48,932	49,550	50,044	50,489	50,934	51,179	51,424	51,669	51,914			
SEWER SERVICE CHARGE															
Residential (per month)	\$47.27	\$49.63	\$51.62	\$53.68	\$57.97	\$62.61	\$67.62	\$73.03	\$78.87	\$82.81	\$86.95	\$91.30			Rate
Commercial - Regular Strength (per HCF)	\$3.78	\$3.97	\$4.13	\$4.30	\$4.64	\$5.01	\$5.41	\$5.84	\$6.31	\$6.63	\$6.96	\$7.31			Rate
Commercial - High Strength (per HCF)	\$6.54	\$6.87	\$7.14	\$7.43	\$8.02	\$8.66	\$9.35	\$10.10	\$10.91	\$11.46	\$12.03	\$12.63			Rate
Case-by-Case	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable	Variable			
Travis Air Force Base (volumetric)	\$3.05	\$3.20	\$3.33	\$3.46	\$3.74	\$4.04	\$4.36	\$4.71	\$5.09	\$5.34	\$5.61	\$5.89			Rate
SEWER CAPACITY CHARGE															
Sewer Capacity Charge per EDU	\$6,979	\$7,056	\$7,268	\$7,486	\$7,711	\$7,942	\$8,180	\$8,425	\$8,678	\$8,938	\$9,206	\$9,482			ENR-CCI

LONG-TERM FINANCIAL PLAN & RESERVES ANALYSIS

The Long-Term Financial Plan projects revenues and expenses for District funds. Each schedule presents the FY 2023-24 Actual, FY 2024-25 Projected Actual, FY 2025-26 Budget, and forecasted revenues and expenses through FY 2034-35. The bottom section of each schedule contains applicable reserve targets and balances.

Staff spends significant time developing forecast assumptions for the budget year. In the out years of the forecast, staff bases assumptions on historical averages and readily available present-day information to provide the most accurate depiction of future financial conditions, without over-speculating on economic conditions.

Specific assumptions and challenges of each forecast are noted below.

Schedule 1 – Wastewater Operations Fund - Operating Expense Forecast

- The Operations Fund pays for all treatment plant and sewer system operating expenses, including collection, treatment, maintenance, major repairs, upgrades to facilities and eventual replacement, billing, regulatory activities, and administration. It primarily receives revenue from Sewer Service Charges and related interest income. The Operations Fund receives no property tax revenues.
- The target Operating Reserve is 25 percent, or three months, of Total Operating Expenses, and is intended to fund operational expenses in case of emergencies.
- Net revenue (revenues less expenses) is allocated to debt service payments and the operating reserve target before funding the Fairfield and Suisun City Collection System Reserves. Remaining funds are transferred to the Major Maintenance and CIP Reserve.
- Contributions to the Fairfield and Suisun City Collection System Reserves were determined by the results of the Collection System Asset Management Plan and subsequent Seventh Amendment to the 1965 Agreement, adopted by the Board on April 25, 2022.
- The forecast assumes the next five year Cost of Service and Rate Study will include Sewer Service Charge increases of 8 percent. This is primarily to bring the Major Maintenance and CIP reserve back to the Financial Reserve Policy's target level as presented in Schedule 2.

Schedule 2 – Wastewater Operations Fund - Major Maintenance & Capital Improvement Program Forecast

- Total Major Maintenance and CIP needs in the forecast total \$178.3 million through FY 2034-35. This requires \$80.3 million in Operations Fund Major Maintenance & CIP reserves, as well as a mix of Federal and State Grants, Bonds and Loans, Inflation Reduction Act Credits, and transfers in from Sewer Capacity Charges.

- The District's long-term financial planning for Major Maintenance and CIP expenses helps assist the District with the strategy to fund projects with cash ("pay as you go") instead of debt as much as possible. However, due to the cost of the Suisun Force Main Reliability project, Electrical Replacement Project Phase II, and Electrical Replacement Project 12kV Distribution, and their criticality to the operation of the collection system and wastewater treatment plant, the District plans to secure external funding for these projects. The District will look to low-interest options first, including Clean Water State Revolving Fund or Federal Water Infrastructure Financing and Innovation Act loans.
- Accumulating a sufficient Major Maintenance and CIP Reserve is critical for funding major repairs of the treatment plant facilities, upgrades to infrastructure to meet regulatory requirements, the eventual treatment plant replacement, and emergency response.
- Due to increases in operating expenses, which decreases net revenue available for Major Maintenance and CIP reserves, the District is forecasting to drop below the target Major Maintenance and CIP reserve between FY 2026-27 and FY 2028-29. However, the forecasted rate revenue increase to 8 percent between FY 2027-28 and FY 2031-32 is projected to bring the District back to the target reserve level starting FY 2029-30 and through the remainder of the forecast.
- Major Maintenance and Sewer Capacity Charge project expenses are estimates that are re-evaluated each budget cycle. Because the projects are multi-year, significant planning is required to estimate timing of necessary financial resources. Due to variables with identifying individual projects, the outyears of the forecast partially rely on historical averages.

Schedule 3 – Sewer Capacity Charge Fund - Operating Expense Forecast

- Sewer Capacity Charge Funds receive revenues from Sewer Capacity Charges and related interest income and pay for development related programs, debt service, and CIP or repair and rehabilitation projects.
- Sewer Capacity Charge revenues are based on growth forecasts for Fairfield and Suisun City. The cities are projecting approximately 463 new residential and commercial connections to the sewer system in FY 2025-26.
- After Sewer Capacity Charge programs and debt service expenses are paid, the remaining net revenue is transferred to Sewer Capacity Charge reserves.

Schedule 4 – Sewer Capacity Charge Fund - Capital Improvement Program Forecast

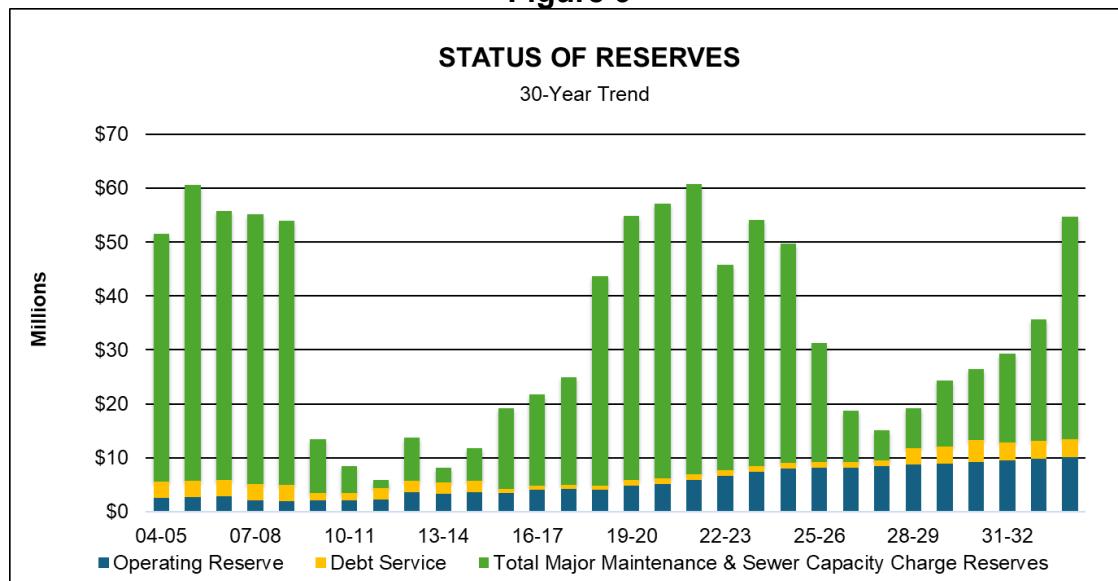
- Total Sewer Capacity Charge CIP needs in the forecast are \$47.4 million through FY 2034-35. The largest projects funded 100 percent from Sewer Capacity Charges are \$9 million for Cordelia Pump Station Expansion and \$7.8 million for Peabody/Walters Relief Sewer Phase 2.

- The most recent Rate Study changed the methodology used to calculate Sewer Capacity Charges. As a result, beginning on July 1, 2022, Capacity Charge revenue will be available to fund repair and rehabilitation projects identified in the Major Maintenance and CIP Budget.
- The forecast includes transfers to the Operations Fund for CIP cost share and repair and rehabilitation projects totaling \$2.7 million and \$17.0 million, respectively.

Schedules 1 through 4 - Overall Status of Major Maintenance & CIP Reserves

- Figure 9 shows the “life cycle” of the Sewer Capacity Charge and Major Maintenance Reserves. Significant balances are periodically built up, then subsequently drawn down to pay for sewer and treatment plant expansion projects.
- The Major Maintenance and CIP reserve allows funding for future replacement and rehabilitation projects that have not yet been specifically scoped and planned.
- The District’s reserve policy sets the Major Maintenance and CIP reserve target as the five-year rolling average of estimated Major Maintenance and CIP expenditures, less external funding sources. The reserve target ties the necessary reserves to estimated expenditures to help mitigate rate impacts. For purposes of calculating the target reserve, the total Capacity and Major Maintenance reserves are combined, and the target is the five-year rolling average of both Operations funded and Sewer Capacity Charge funded Major Maintenance and CIP project expenses.
- The current reserve forecast is heavily dependent on the projected growth rate for residential and commercial additions in each city. Figure 9 shows the forecasted reserves at the end of FY 2034-35 based on the current growth forecast. Reserves are thoroughly reviewed each year as changes in the anticipated and actual growth rate can have significant impacts to planned spending for Major Maintenance & CIP projects.

Figure 9



Schedule 5 – Drainage Maintenance Fund – Operating Expense Forecast

- Drainage Maintenance rates remain unchanged. The forecast accounts for 0.1% growth over the next 10 years in Drainage Maintenance fees received to account for new parcels in each city's boundary.
- The District's Financial Reserve Policy sets a Minimum Operating Reserve of 10 percent of Drainage Maintenance Fees as well as transferring \$30,000 per year into a Desilting Reserve for the City of Suisun City. Any remaining net revenue is transferred to the Drainage Maintenance Fund's Major Maintenance reserve.

Schedule 6 – Drainage Maintenance Fund – Major Maintenance and Capital Improvement Program Forecast

- Total Drainage Maintenance Fund Major Maintenance and CIP needs in the forecast are \$8.6 million through FY 2034-35. The largest project is the Kellogg Resiliency Project, which is funded by the State.
- In the spring of 2024, District and City staff agreed that the District would fund a Storm Drain Master Plan from District Major Maintenance reserves. The Storm Drain Master Plan will identify storm drain assets in the service area and provide an itemized list of critical assets to repair and replace. Significant Major Maintenance projects are not included in the out years of the forecast but will be included once identified by the Master Plan.
- The ending Major Maintenance Reserve for Drainage Maintenance is \$2.1 million by FY 2034-35. However, this does not factor any significant Major Maintenance projects beyond FY 2028-29. \$2.1 million will not be sufficient to fund projects that will be identified in the Storm Drain Master Plan, which are anticipated to cost in the tens of millions. Once a project list is identified, District and City staff will need to create a plan to increase Drainage Maintenance reserves or seek alternative funding sources.

Schedule 7 – Solano Stormwater Alliance - Operating Expense Forecast

- The Solano Stormwater Alliance (Alliance) is funded by the cities of Fairfield, Suisun City, and Vallejo, as well as the Vallejo Flood and Wastewater District (VFWD). Each agency pays into the Alliance based on their relative population. The Cities of Fairfield and Suisun City pay 44 percent of Alliance expenses, which are transferred from District-held Drainage Maintenance funds. The City of Vallejo and VFWD pay 56 percent of Alliance expenses, which is shown in the forecast as "Revenue from Other Agencies."
- Alliance operating expenses are forecasted flat due to the unknowns associated with the fourth reissuance of the Municipal Regional Stormwater Permit requirements when the current permit expires on June 30, 2027.

Schedule 8 – City Collection System Repair & Rehabilitation Forecast

- The District holds a Collection System Repair & Rehabilitation (R&R) reserve for each City in accordance with the Seventh Amendment to the 1965 Agreement. Each July 1, the District funds Collection System Reserves for the cities through transfers of \$1.83 million to the City of Fairfield Collection System Reserve and \$1.77 million to the City of Suisun City Collection System Reserve.
- By August 1, the District will appropriate budgeted amounts requested by the cities into each City's collection system enterprise fund. Unused reserves will be held by the District and accrue interest until "trued up" for the next fiscal year.
- For FY 2025-26, the cities of Fairfield and Suisun City have requested appropriations of \$300,000 and \$365,000, respectively.



DEPARTMENTAL INFORMATION

POSITION SUMMARY

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Change from Prior Year
Operations & Maintenance					
Director of Operations & Maintenance	0	0	1	1	0
Maintenance Manager	1	1	1	1	0
Maintenance Supervisor	2	2	2	2	0
Operations Manager	1	1	1	1	0
Operations Supervisor	2	2	2	2	0
Procurement Specialist	1	1	1	1	0
Maintenance Mechanic (I, II, Senior)	9	7	8	8	0
Maintenance Mechanic - CCTV (I, II, Senior)	4	4	4	4	0
E&I Technician (I, II, Senior)	5	5	5	5	0
Utility Worker	1	1	2	2	0
Wastewater Plant Operator (Operator, Lead, Senior)	16	17	17	17	0
	<u>42</u>	<u>41</u>	<u>44</u>	<u>44</u>	<u>0</u>
Department of Administrative Services					
General Manager/District Engineer	1	1	1	1	0
Director of Administrative Services	1	1	1	1	0
IT Manager	1	1	1	1	0
HR Manager	1	1	1	1	0
Accountant/Senior Accountant	1	1	1	1	0
Administrative Specialist	1	1	1	1	0
Finance Technician	1	1	1	1	0
HR Technician	1	1	1	1	0
Management Analyst	0	0	1	1	0
	<u>8</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>0</u>
Department of Environmental Services					
Director of Environmental Services	1	1	1	1	0
Regulatory & Compliance Manager	1	1	1	1	0
Senior Engineer	1	0	0	1	1
Laboratory Manager	1	1	1	1	0
Lab Analyst	2	3	3	3	0
Engineering Technician	0	0	1	1	0
	<u>6</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>1</u>
Engineering					
Assistant General Manager / District Engineer	1	1	0	0	0
Engineering Manager	1	1	1	1	0
Engineers (Junior, Assistant, Associate, Senior)	4	5	6	5	-1
Engineering Technician/Inspector (Senior)	3	3	3	3	0
GIS Coordinator	1	1	1	1	0
	<u>10</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>-1</u>
Total Full Time Equivalents	66	66	71	71	0

OPERATIONS & MAINTENANCE

The Operations & Maintenance Department ensures the District meets full regulatory compliance and has an optimized wastewater collection, treatment, and disposal process.

- **Operations** - Responsible for inspecting, troubleshooting, and operating the District's wastewater pump stations and treatment plant, including biological nutrient removal, anaerobic digestion, and ultraviolet disinfection processes.
- **Maintenance** - Responsible for installation, inspection, repair, replacement, and maintenance of the District's wastewater collection, treatment, and disposal facilities. Maintenance consists of teams of Mechanics, Electrical and Instrumentation Technicians, and plant landscape maintenance, as well as a crew handling CCTV sewer inspection.
- **Local Sewer Collection** represents payments which are made to the Cities of Fairfield and Suisun City for operations and maintenance of sewers 10" and less based on the 1965 Agreement between the District and Cities.
- **City Sewer Line Maintenance** represents time spent by the District's CCTV team to inspect City of Suisun City sewer lines. In 2022, the City of Fairfield took over responsibility for inspecting their own sewer lines.

DEPARTMENT OF ADMINISTRATIVE SERVICES

The Department of Administrative Services consists of:

- **Finance** - Responsible for the full scope of financial activities, including accounts payable, accounts receivable, contracting, production of the Annual Comprehensive Financial Report, Budget & Long-Term Forecast, and other required financial reports.
- **Human Resources** - Responsible for classification and compensation, recruitment, benefits administration, payroll, risk management, and employee relations.
- **Information Technology** - Responsible for all systems, hardware/software assets, cybersecurity initiatives, and management of an outsourced IT vendor.
- **Office Support** - Responsible for customer services, the records management program, communications with the Board, and agenda preparation.

DEPARTMENT OF ENVIRONMENTAL SERVICES

The Department of Environmental Services consists of:

- **Regulatory Programs** - The District is highly regulated by numerous state and federal agencies, and regulatory compliance is an essential component of the District's operations. Air quality is regulated by the Bay Area Air Quality Management District and the California Air Resources Board. Quality of both wastewater and stormwater is regulated by the Regional Water Quality Control Board, and biosolids are regulated by the U.S. Environmental Protection Agency. Production of recycled water is regulated by the State Water Resources Control Board. Because the District discharges into the environmentally sensitive Suisun Marsh, District discharges must meet extremely stringent water quality requirements. The District's diligent industrial pretreatment and pollution-prevention practices help to fulfill those obligations.
- **Laboratory** – The District's lab is accredited by the State of California and responsible for all effluent sampling and compliance with federal, state, and local regulations. Laboratory staff must follow detailed testing and reporting requirements to ensure compliance.

- **Safety** - Responsible for administration, planning, and training related to health and safety laws, rules, and regulations, as well as maintaining and encouraging the District's culture of safety.
- **Community Outreach** - Responsible for implementation and administration of programs to connect the District with the community, including school tours, publication materials, advertising, and community events including Earth Day and Coast and Creek Cleanup Day.

ENGINEERING

The Engineering Department is responsible for management and implementation of the Capital Improvement Program including project feasibility studies, pre-design, design, and construction management, as well as development review, construction inspections, the Collection System Asset Master Plan, and Geographic Information Systems. Engineering also supports Operations and Maintenance on more complex or challenging maintenance projects.

OTHER PROGRAMS

District staff are generally budgeted under the Operations Fund, and allocate their time via timesheet to other programs:

Sewer Capacity Charge Funded Programs

- **Capacity Charge Projects** includes Engineering staff time spent managing Sewer Capacity Charge funded projects.
- **New Development Review/Inspection** includes staff time to review and inspect new development throughout the service area.

Drainage Maintenance Funded Programs

- **Local Facility Maintenance** represents payments made to the cities of Fairfield and Suisun City for maintenance of local stormwater facilities, as required per the Drainage Maintenance Agreement between the District and cities of Fairfield and Suisun City.
- **Regional Facility Maintenance** includes staff time spent operating and maintaining stormwater pump stations.
- **Administration** primarily includes Finance staff time spent billing Drainage Maintenance Fees on the Solano County Property Tax roll, as well as billing fees charged by Solano County.

Solano Stormwater Alliance

Beginning in FY 2022-23, the Solano Stormwater Alliance (Alliance) was established by Memorandum of Agreement between VFWD and the Cities of Fairfield, Suisun City, and Vallejo to coordinate compliance with the Regional Water Quality Control Board's Municipal Regional Stormwater Permit (MRP). This replaced the previous District-coordinated Urban Management Runoff Program.

The Alliance represents effective and efficient collaboration between the District, VFWD, and the cities of Fairfield, Suisun City, and Vallejo to manage required regulatory stormwater programs while providing other mutual benefits including monitoring, public education, and staff training. The District serves as the Alliance Fiscal Agent and Manager, responsible for administrative and technical coordination consistent with the MRP requirements.

POLICIES

The District has established financial policies, principles, and practices that help the District meet long-term financial goals.

Below is a summary of financial policies formally adopted by the District:

- Employee Travel and Business Expenses (2125) – This policy provides guidelines to staff regarding business travel procedures, including reimbursement of eligible expenses while attending conferences, seminars, meetings or trainings.
- Investment Policy (2130) – This policy provides guidelines to the officers of the District charged with the responsibility for the deposit of District funds, and for investment of surplus monies not required for immediate necessities of the District.
- Purchasing Policy (2135) – This policy provides guidelines to staff of the District regarding procurement and contracting. Specifically, Resolution 2008-20 designated the General Manager as the District's Purchasing Agent and specified authorities and duties for the General Manager. Purchasing Policy 2135 is an internal policy detailing how the General Manager delegates their authority to staff for specified procurement transactions.
- Capitalization Policy (2145) – This policy provides guidelines to staff regarding the capitalization of assets for financial reporting under Governmental Accounts Standards Board accounting standards, including thresholds for capitalization and definition of eligible costs.
- Financial Reserves Policy (2150) – This policy established, reaffirmed, or consolidated reserve targets for the Wastewater Operations Fund, Sewer Capacity Charge Funds, Drainage Maintenance Fund, and City Collection System Rehabilitation and Replacement Reserves.
- Debt Management Policy (2155) – This policy was established when staff reviewed financing options for significant and multigenerational projects and as a requirement from Senate Bill No. 1029, a Debt Management Policy must be in place prior to the issuance of debt to comply with State Law.
- Board Health Reimbursement (4050) – This policy provides guidelines to members of the District's Board of Directors on eligibility for the District's Board Health Reimbursement Plan, including reimbursable expenses. The policy also includes administrative processes for District staff including due dates for reimbursements and escalation of the Plan cap.
- Director Travel and Expenses (4090) – This policy provides guidelines to members of the District's Board of Directors regarding reimbursement of eligible expenses and compensation while attending regular meetings of the California Associate of Sanitation Agencies (CASA).

DEBT SERVICE

The District currently has two outstanding Clean Water State Revolving Fund (SRF) Loans. Per SRF requirements, the District maintains a Debt Reserve equal to one full year of debt service payments and ensures a Debt Service Coverage Ratio above 1.15.

Ultraviolet Disinfection Project

On January 20, 2010, the District entered into a loan agreement with the California State Water Resources Control Board (SWRCB) under the SRF loan program for the financing of the Ultraviolet Disinfection Project. The District was approved for a loan amount of up to \$11,100,000, with an interest rate at 2.9%, payable over 20 years. Principal and interest payments are due semi-annually on May 1 and November 1. Payment on this loan started in May 2012.

Future debt service payments on the SRF loan related to the Ultraviolet Disinfection Project through the end of FY 2024-25 through maturity are as follows in Figure 10:

Figure 10

Year Ending June 30	Principal	Interest	Total
2025	\$ 606,874	\$ 130,164	\$ 737,038
2026	624,601	112,437	737,038
2027	642,846	94,192	737,038
2028	661,623	75,415	737,038
2029-31	<u>2,103,100</u>	<u>108,013</u>	<u>2,211,113</u>
	<u><u>\$ 4,639,044</u></u>	<u><u>\$ 520,221</u></u>	<u><u>\$ 5,159,265</u></u>

Blower Replacement Project

On February 12, 2018, the District entered into a loan agreement with the California State Water Resources Control Board (SWRCB) under the SRF loan program for the financing of the Blower Replacement Project. The District was approved for the total project cost of \$11,608,547; however, only utilized \$9,541,456. Out of the total loan amount, \$4,000,000 was declared a grant under the Environmental Protection Agency's Green Project Reserve program and was eligible for loan forgiveness. The principal amount due for repayment to the SWRCB under this agreement is \$4,839,992, with an interest rate of 1.8% payable over 20 years. Payment on this loan started October 2020.

Future debt service payments on the SRF loan related to the Blower Project through the end of FY 2024-25 to maturity are as follows in Figure 11:

Figure 11

Year Ending June 30	Principal	Interest	Total
2025	\$ 250,325	\$ 82,694	\$ 333,019
2026	254,831	78,188	333,019
2027	259,418	73,601	333,019
2028	264,087	68,931	333,019
2029-33	1,393,474	271,619	1,665,093
2034-38	1,523,483	141,609	1,665,092
2039-40	648,475	17,561	666,036
	<u>\$ 4,594,092</u>	<u>\$ 734,203</u>	<u>\$ 5,328,295</u>

*Photo taken during school field trip at Fairfield-Suisun Sewer District.*

PERFORMANCE DATA AND STATISTICAL INFORMATION

Key operating metrics for the District are included for review in the monthly Executive Committee meeting, which consists of four members from the Board of Directors:

Operating Metrics Summary	2022	2023	2024
Average plant flow (million gallons per day)	12.93	16.57	14.96
Completed work orders	13,395	13,445	13,712
Corrective work orders	6%	7%	7%
Preventative work orders	94%	93%	93%
Renewable energy produced (kwh)*	3,647,772	1,359,579	1,352,158
Sewer lines inspected by CCTV (miles)	36.5	25.8	21.7
City of Fairfield lines**	15.4	0	0
City of Suisun City lines	0	2.2	9.8
FSSD lines	21.1	23.6	11.8
Permit excursions & sewer system overflows (Cat 1-3)	0	0	0

*Interruptions to cogen/wind caused atypical production beginning in 2023.

**Effective July 1, 2022, one CCTV truck and responsibility for Fairfield's sewer inspections were turned over to the City of Fairfield as part of the 7th Amendment to the 1965 Agreement.

Several comparable agencies in the Bay area provide wastewater treatment and conveyance. Although there are similar statistics, each agency has a different organizational structure. For example, Fairfield-Suisun Sewer District (FSSD) serves the cities of Fairfield and Suisun City. FSSD Sewer Service Charges consider the operation and maintenance costs for approximately 327 miles of City-owned and maintained sewers. FSSD collects all the revenue and pays the City monthly for their operation and maintenance of local sewers. Similarly, Delta Diablo's "miles of sewer" total does not include 430 miles of city-owned, operated, and maintained collection systems for their service area.

Statistics & Agency Comparisons	Fairfield-Suisun Sewer District	Delta Diablo	Napa Sanitation	Vallejo Flood & Wastewater District
Population	149,179	215,507	137,000	121,658
Full-time employees	66	72	48	96
Area served (square miles)	45	54	20	36
Number of treatment plants	1	1	1	1
Number of pump stations	13	5	4	30
Permitted dry weather capacity (MGD)	23.70	19.50	15.40	16.00
Average dry weather flow (MGD)	11.28	13.50	8.20	8.22
Miles of sewer	86	73.5	270	407

Sources:

Annual Comprehensive Financial Reports

VFWD Average dry weather flows provided by their staff

GLOSSARY

1965 Agreement – A formal agreement between the Fairfield-Suisun Sewer District and cities of Fairfield and Suisun City which governs ownership, maintenance, and funding responsibilities for collection system assets in the District’s service area.

Accrual Basis of Accounting – The basis of accounting for the Annual Comprehensive Financial Report as required by the Governmental Accounting Standards Board. Accrual basis accounting recognizes revenues when services have been rendered or expenses have been incurred.

Appropriation – Legal authorization to make expenditures and to incur obligations for specific purposes.

Balanced Budget – Because the District is dependent on long-term financial planning, no attempt is made to balance revenues and expenses in any one year. To the District, a balanced budget means reserve targets are achieved over the long-term financial forecast.

Budget – The District’s budget runs from July 1 to June 30.

California Water Environment Association (CWEA) – A professional organization for wastewater professionals.

Capital Expenditures – Non-operating expenses for the District. Capital expenditures are significant expenses captured in the Major Maintenance and CIP budget and forecast schedules.

Cash Basis – The basis used to prepare the District’s budget, which projects revenues and expenses based on when cash is received or disbursed and provides a better estimate of reserves.

Closed Caption Television (CCTV) – Using remote controlled camera transporters to inspect, assess, and survey pipelines.

Consumer Price Index (CPI) – A price index used to measure the average change in prices of goods and services purchased by households over time. It serves as a key indicator of inflation and is used to gauge changes in the cost of living for consumers.

Cost of Service and Rate Study – A report created by a third party at least every five years to develop a multi-year financial plan, review the cost of District services, review rate structures, and propose a rate program.

Debt Service – The payment of principal and interest on long term debt or loans.

Fiscal Year (FY) – A 12-month period (July 1 – June 30) to which the Budget applies and at the end of which the District reviews its financial position and result of operations.

Fund – A mechanism to track financial activity used for accounting and budget reports.

National Pollution Discharge Elimination System (NPDES) – The District's most important permit. The NPDES permit program addresses water pollution by regulating point sources that discharge pollutants to waters of the United States.

Net Position – The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. For budgeting, net position is meant to represent the amount of cash reserves available to commit to current and future expenses.

Operating Expense – Expenses related to the organization's primary activities, other than debt service and Major Maintenance & CIP. For example, salaries, benefits, professional services, and supplies are all examples of Operating Expenses.

Reserve – An amount of net position designated for a specific purpose. For example, the Operating Reserve designates 25 percent of the District's net position to be set aside for operating expenses.

State Revolving Fund (SRF) Loan – Low-cost financing offered through the State Water Resources Control Board.

RESOLUTIONS

FAIRFIELD-SUISUN SEWER DISTRICT RESOLUTION NO. 2025-16

A RESOLUTION APPROVING REVISED FISCAL YEAR 2024-25 REVENUE AND EXPENSE PROJECTIONS AND ADOPTING THE FISCAL YEAR 2025-26 BUDGET AND LONG-TERM FINANCIAL PLAN

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FAIRFIELD-SUISUN SEWER DISTRICT:

1. The District hereby adopts the estimated revenues, expenses and transfers for all funds and reserves for Fiscal Year 2024-25, which are attached hereto and made a part thereof.
2. The District hereby adopts the Proposed Budget for Fiscal Year 2025-26 and Long-Term Financial Plan, attached hereto and made a part hereof, as an operating guideline for the scheduling and financing of future capital projects and debt issuance, provided that all projects and debts are subject to subsequent Board approval.
3. The General Manager, or their designee, is hereby authorized to make administrative adjustments to the adopted budget.
4. The General Manager is hereby authorized and directed to allocate net operations revenue to the District's reserves in accordance with the District's reserve policy.
5. The General Manager is hereby authorized and directed to take all steps necessary and proper to implement this resolution in accordance with District policies and procedures.
6. The District finds that the activities authorized herein are statutorily or categorically exempt under one or more of the following CEQA Guidelines: 15378 (The activity is not a "project" as defined in Section 15378); 15061(b)(3) (It can be seen with certainty that there is no possibility that this activity may have a significant effect on the environment); 15378(b)(4) (Government fiscal activities which do not involve any commitment to any specific project); 15262 (Feasibility and Planning Studies); and 15306 (Information Collection). Staff is hereby authorized to file a Notice of Exemption under CEQA Guidelines 15062.

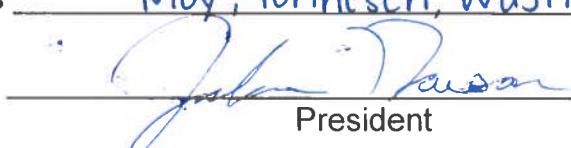
PASSED AND ADOPTED this 19th day of May 2025, by the following vote:

Carr-Dawson-Hernandez-Moy-Pal-Panduro

AYES: Directors _____
Shepherd-Tonnesen-Washington-Williams

NOES: Directors _____
None

ABSENT: Directors _____
Moy, Tonnesen, Washington


President

ATTEST:


Holly Daniel
District Clerk