

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
Roy Fedotoff, Secretary

Claire McAuliffe, Director  
William Teiser, Director

**Sanitary District No. 5 of Marin County  
Minutes of a Special Board Meeting  
at Belvedere-Tiburon Library Founders Room2q  
1501 Tiburon Blvd., Tiburon, California  
Thursday, October 6, 2011, 9:00 a.m.**

**CALL TO ORDER** by Pres. Wiley at 9:05 a.m.

**ROLL CALL:** Directors present:

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
Roy Fedotoff, Secretary  
Claire McAuliffe  
William Teiser

Staff present:

Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager  
Lynn Henriksen, Administrative Assistant

Consultants present:

Alison Neufeld, Liebert Cassidy Whitmore  
Cepideh Roufougar, Liebert Cassidy Whitmore

**PUBLIC OPEN TIME:** No public comments were made.

**NEW BUSINESS**

1. Consideration of Providing Direction Regarding the Financing Schedule for the Main Plant Rehabilitation Project Bond Issue (Miller) – Action

Mgr. Miller introduced an alternative bond financing schedule for the Main Plant Rehabilitation (MPR) Project to the Board. She noted that bond counsel and the underwriters suggest that on a few counts it may be more favorable to have the bonds issued in January or February of 2012, rather than in November 2011. The reasoning was that people are often looking for investment vehicles in January, the District's interest payments on the bonds would be delayed (which is estimated to save the District approximately \$80,000 in interest payments this fiscal year), and more accurate numbers regarding MPR Project costs will be available from Carollo Engineers by the end of 2011. V.P. Benediktsson said the Finance Committee reviewed this issue and could see no downside to moving the bond issue to January or February. Dir. Teiser noted there is always some risk in the market regarding interest rates, but the general consensus is that rates are unlikely to rise by January.

Motion (Benediktsson/Teiser) to authorize and approve the bond issue for the funding of the Main Plant Rehabilitation Project to occur in January or early February 2012.

2. Consideration of Determining Whether the District or the Bond Trustee Will Hold the Main Plant Rehabilitation Project Bond Proceeds During the Construction Period (Miller)  
– Action

Mgr. Miller explained to the Board that they have a choice as to which entity will hold the District's bond proceeds after the bond issue for the Main Plant Rehabilitation (MPR) Project is complete. Staff recommends the District hold the money in the District's LAIF (Local Agency Investment Fund) account, which is the District's only option for an interest bearing account (the \$12 million bond proceeds are estimated to accrue approximately \$35,000 in interest in the first year alone in LAIF). Using the LAIF account will also make it less complicated to pay the MPR Project progress payments due to the structure the District has in place to transfer money from LAIF to its Bank of America transfer account. The other option would be for the bond trustee, the Bank of New York, to hold the bond proceeds during the construction period, which does have the benefit of providing an additional paper trail; however, effectively no interest on the \$12 million bond proceeds would be earned.

Mgr. Miller reported that she asked the District's auditor, Mr. Terry Krieg, for his recommendation regarding which entity should hold the bond proceeds. Mr. Krieg said that he has complete confidence in Mgr. Miller's handling of the District's accounting and audit/paper trails and that she was doing a great job; therefore, he felt using LAIF would be fine, and he had no preference regarding which option would provide a better audit trail. V.P. Benediktsson asked if Mgr. Miller will be staying on as the District's Finance Manager through the end of the MPR Project of approximately 1 ½ years. Mgr. Miller explained that, regardless of whether the MPR Project is going on, the Finance Manager position requires an equally high level of financial acumen and responsibility to manage the funds between the different operating, capital, and connection fee accounts within the Tiburon and Belvedere zones, and to provide these appropriate audit/paper trails. The financial and accounting work for the MPR Project adds a significant increased work load for her position, but the work requires similar types of financial measures as are currently used with the District's regular finances. Mgr. Lynch added that it takes two people to move the District's money. V.P. Benediktsson said in the event Mgr. Lynch or Mgr. Miller should leave the District's employ, then a Board member should be inserted as extra oversight over the District's funds. Mgr. Lynch also noted that there are internal controls in place that insure that any and all money transferred from LAIF can be directed only to the District's Bank of America transfer account. Mgr. Miller said she will see to it that specific transfers of money solely for the MPR Project will be accounted for in her QuickBooks accounting system so as not to commingle the MPR Project funds with those of the District's general operating and capital accounts in a method similar to the way she currently keeps the accounts of the Belvedere zone and the Tiburon zone entirely separate. In addition, the MPR Committee will direct the transfer of funds for the MPR Project.

Sec. Fedotoff requested that staff prepare written procedures for the handling of the bond proceeds and MPR Project payments; the Board agreed this would be the best course of action. Dir. McAuliffe said the Board appreciated Mgr. Miller's considerable efforts on these sensitive issues.

Motion (Benediktsson/McAuliffe) to authorize and approve the District to hold the Main Plant Rehabilitation Project bond proceeds during the construction period in its Local Agency Investment Fund (LAIF) account. Passed, all present.

3. Consideration of Determining Whether There Will be an Extraordinary Bond Redemption Provision for Unused Proceeds of the Main Plant Rehabilitation Project Bond Issue (Miller) – Action

Mgr. Miller explained to the Board the District's options for 1) using the potential excess bond proceeds after the MPR Project is completed for other capital projects (such as in the collection system), or 2) putting in place an early call provision at the time the bonds are sold. This early call provision would be for only a portion of the bonds issued, such as \$1 million or \$2 million, giving the District the opportunity to refund that portion of the bond issue early if the District does not ultimately need the full \$12 million of bond proceeds for the MPR Project, thus lowering the District's debt service payments for the next 20 years. Mr. Mark Pressman, the District's bond underwriter, had indicated to Mgr. Miller that it might be useful for the Board to direct staff (with the help of bond counsel and underwriters) to make this decision closer to the time of bond issuance, which is expected to happen in January or February 2012. Dir. Teiser would like to leave the option for including an early call provision or deciding to use excess money on the collection system open at this time. V.P. Benediktsson said Mgr. Miller has done a brilliant job bringing these matters to the Board in plenty of time so as to avoid delay at the time of signing the documentation for bond funding. Pres. Wiley indicated she thinks it would be best to use any excess bond proceeds on the collection system to replace old pipes. Dir. McAuliffe stated she believes it is the Board's fiscal responsibility to its ratepayers to include this extraordinary bond redemption provision for unused proceeds as it is a provision only and would keep the option on the table for lowering the District's debt service payments over the next 20 years; the benefits of this need to be weighed carefully against the benefits of using the excess proceeds for capital projects in the collection system.

Motion (McAuliffe/Fedotoff) to authorize and approve the inclusion of an extraordinary bond redemption provision for unused proceeds of the Main Plant Rehabilitation Project bond issue. Passed, all present.

**CLOSED SESSION** at 10:05 a.m.

CONFERENCE WITH LABOR NEGOTIATORS (Govt. Code § 54957.6)  
Agency designated representative: Alison Neufeld

Unrepresented employee group: The Employees of Sanitary District No. 5 of Marin County

**OPEN SESSION** at 11:40 a.m.

Pres. Wiley announced that no action was taken during Closed Session.

Motion (Teiser/McAuliffe) to authorize and approve the District Manager to hire Liebert Cassidy Whitmore to assist the District with labor negotiation matters. Passed, all present.

**ADJOURNMENT:**

Motion (Wiley/McAuliffe) to adjourn at 11:45 a.m. to a Regular Board Meeting on October 26, 2011, at 7:00 p.m. at the Sanitary District No. 5 of Marin County Meeting Room at 2001 Paradise Drive, Tiburon, California. Passed, all present.

Approved:

Attest:

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Corinne W. Wiley  
President, Board of Directors

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Roy Fedotoff  
Secretary, Board of Directors