



participation in Budget amendments. For example, can the Board approve an amendment to the Budget as needed, or should it be on a quarterly basis?

Mgr. Lynch notified the committee that he will be meeting with Mr. Perotti on October 1, 2008 at 10 a.m.

Sec. Benediktsson shared an article for informational purposes from the California Special District Association, "California Supreme Court Changes Prop 218 Landscape – Assessments Will Be Harder to Enact" (see attached). She discussed the new challenges special districts will face when enacting special assessments.

Mgr. Lynch noted that Governor Arnold Schwarzenegger signed the 2008-2009 State Budget and the State is not borrowing money from local agencies. The committee would like Dir. Brady to add this informational item to the District's website.

Recent newspaper articles in the Marin Independent Journal have addressed the mistakes other sanitary districts have made with their billing of commercial EDU sewer service charges. After reading these articles, the committee would like to revisit how Sanitary District No. 5 calculated its commercial EDU sewer service charges. The committee would like to discuss this issue at the October 6, 2008 Board meeting.

**IV. ADJOURNMENT** at 10:18 a.m.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne Wiley, Vice President

Catharine Benediktsson, Secretary  
Casey Kawamoto, Director  
Bill Brady, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Tuesday, October 28, 2008 9:00 a.m.**

**CALL TO ORDER** at 9:07 a.m.

- I. ROLL CALL:** Directors, present: Corinne W. Wiley, Vice President  
Catharine Benediktsson, Secretary
- Staff, present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Warrants for October 2008 (attached)**

The Committee reviewed and approved warrants for October 1 - 27, 2008, #2448 through 2503, in the amount of \$102,276.16. The Committee asked how Mgr. Rubio's visit to the Weftec Conference went. Mgr. Lynch replied that it was very useful, especially since Mgr. Rubio was able to find the portable reuse water system (trailer-mounted), which is of interest to the District. He discovered it is located in Yountville, and Mgr. Lynch and Mgr. Rubio plan to drive out to take a look at it.

**b. Financial Reports for October 2008 (attached)**

The Committee reviewed and approved the Financial Reports for October 1 - 27, 2008. Sec. Benediktsson questioned how much money Belvedere currently has. Mgr. Lynch replied that we will not be able to break that out until Mr. David Perotti completes his internal audit of fund allocation for the zone breakout. The Committee asked when Mr. Perotti will start working on the internal audit. Mgr. Lynch answered that he should be coming to the District on Wednesday, November 5<sup>th</sup> to start working on it.

The Committee asked when the District will receive its tax monies. Mgr. Lynch replied that will be in December. Even if some property owners pay their property taxes early, the County of Marin does not send the District's share of tax monies to the District until December.

Sec. Benediktsson noted that we are one-third of the way through the 2008-2009 fiscal year, and the District's year to date expenses are at 23.7% of the year's budget, which is looking good.

**c. Pump Station No. 3 Tiburon – Generator Replacement**

Mgr. Lynch explained to the Committee that the generator at Pump Station No. 3 in Tiburon is severely damaged. On October 17<sup>th</sup>, District maintenance staff found the generator to be making strange noises while in test mode, and on October 20<sup>th</sup>, Peterson Power & Generators surveyed the damage to the unit and discovered the windings (electrical wires) in the generator were burnt up. The engine and generator at Pump Station No. 3 are over 25 years old. The generators at the pump stations are serviced every other year, and the Main Treatment Plant Generator is serviced every year.

Mgr. Lynch said he would like to replace the entire unit because he does not want to only repair the generator now, and then have the engine (which is also over 25 years old) fail in a couple years, as well. Mgr. Lynch estimated the cost of replacing the generator and engine to be about \$34,842.88. This exceeds the District Manager's \$25,000 spending authority of unbudgeted funds for emergency purposes (as stated in the Board Policy and Procedure Finance Management Plan, adopted August 5, 2002 – Section 7: Emergency Expenditures). The Board Policy and Procedure also states the President of the Board is authorized to make emergency expenditures up to \$100,000.

Mgr. Lynch informed the Finance Committee that he requested the President of the Board's authorization and approval to replace the generator at the Capital Improvement Program Committee meeting on October 23, 2008 so work could begin immediately and would not have to wait until the Board of Directors Meeting on November 3, 2008. At that Capital Improvement Program Committee meeting, Pres. McAuliffe authorized and approved the District Manager to purchase a new standby generator for Pump Station No. 3 in the Tiburon Zone for an amount not to exceed \$35,000.

The Committee asked how many other generators the District has, and Mgr. Lynch explained that there are 11 other pump station generators that are also around 25 years old. These would each cost about \$35,000 to \$40,000 to replace if they fail.

Mgr. Lynch explained that once we replace the generator with a new one, we will have to get a new permit and the Air Board will require a 3-way oxidation catalyst, which will cost approximately \$4,654.75. The Committee asked Mgr. Lynch to verify this with the

Air Board, specifically asking the Air Board to send us the regulation and citation showing that we have to do this.

**d. Seafirth Estates Connection Fee Staggered or Adjustment**

Mgr. Lynch reported to the Committee that the Seafirth Estates Bid Opening did not go very well. The Seafirth engineer estimated the project to be between \$400,000 and \$600,000. However, the bids came in much higher, between \$836,065 and \$985,080, with Linscott Engineering as the low bidder.

Mgr. Lynch further explained that Seafirth held a meeting with Linscott Engineering to try to lower the cost of the project. After the meeting, Don Miller of Seafirth requested a private meeting with Mgr. Lynch. Don asked if the District would stagger the connection fee charges, or if the District would loan Seafirth money. Mgr. Lynch told Don that he did not think the Board would agree to either of these requests, but Don wanted him to ask the Board of Directors, anyway.

Mgr. Lynch added that he checked with the District's legal counsel, and they informed him that the District cannot legally float a loan to Seafirth, since the District's money is public money.

Mgr. Lynch asked the Finance Committee if they were interested in staggering the connection fees for Seafirth. The Committee said they would not consider Seafirth's request. Mgr. Lynch reported the newest update was that Seafirth gave Linscott their intent to proceed, and Seafirth said they will have a loan by the end of the week.

**e. David Perotti Proposal for Internal Audit Services**

Mgr. Lynch explained that, on October 1, 2008, the Finance Committee and District Staff met with Mr. David Perotti in regards to the scope of work the District would like him to audit. Mr. Perotti recently responded with a formal proposal that the Finance Committee reviewed, authorizing the District Manager to sign it, as per the Motion of the October 6, 2008 Board Meeting. Mr. Perotti has indicated that he will begin work on this project the week of October 27, 2008. Mr. Perotti's internal audit was not a budgeted item, and it is estimated to cost about \$12,000.

Sec. Benediktsson asked who the "interested District resident" is who Mr. Perotti said is providing him with additional information. Mgr. Lynch replied it is Mr. Paul Garbarini, and that both he and V.P. Wiley have already spoken with Mr. Garbarini, letting him know he needs to go through the District instead of contacting Mr. Perotti directly. Mr. Garbarini agreed to do that.

V.P. Wiley asked if anyone had found any retired accountants yet to form an advisory committee for the District. The Committee will keep working on that.

The Committee questioned when Mr. David Bennett will be finished working on the District's books. Mgr. Lynch replied he thinks it might be two weeks, but he is waiting to hear from Mr. Bennett.

**f. Reimbursement from District Manager**

Mgr. Lynch reported to the Committee that his personal SUV was broken into on October 3, 2008 and his wife's purse was stolen. His wife cancelled all her credit cards, etc., and Mgr. Lynch was not aware that the credit card companies cancelled his cards, as well. He discovered this when he stopped for gas on his way to work the following week, and none of his credit cards worked. Mgr. Lynch needed gas in order to get to work, so he purchased \$50.00 worth of gas using the District's credit card. He wrote a check to Sanitary District No. 5 of Marin County in the amount of \$50.00 on October 10, 2008 (check #2002) to reimburse the District for his personal gas charge of \$50.00 on October 10, 2008.

**IV. ADJOURNMENT** at 9:45 a.m.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President

Catharine Benediktsson, Secretary  
Casey Kawamoto, Director  
V. William Brady, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Monday, January 12, 2009 10:00 a.m.**

**CALL TO ORDER** at 10:03 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Vice President  
Catharine Benediktsson, Secretary
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager
- Others present: David Perotti, Perotti & Carrade CPAs
- II. PUBLIC COMMENTS:** None
- III. NEW BUSINESS:**

The Committee moved Item C, as described on the agenda, to this time so Mr. David Perotti would not have to remain for the entire meeting.

**c. David Perotti Report – Internal Audit of Fund Allocation for the Zone Breakout and the Calculations Being Used for the Different Zones (attached)**

The Committee discussed the missing document that is expected to explain the basis for the 30.66% figure historically used to allocate capital improvement expenditures to the Belvedere zone. District staff has not been able to locate the document, and Mr. Perotti believes capital improvement expenditures should prospectively be allocated based on sewage flow, as the expenses are. Mr. Perotti said there appears to be little support, other than historic precedent, for doing otherwise.

Mr. Perotti began his presentation to the Committee by recommending that the District begin using one methodology across the board to allocate costs – flowage.

Mr. Perotti explained the change he has proposed to the Paradise Cove percentage allocation. He believes it is appropriate to use sewage flow, rather than EDUs, to

allocate costs to Paradise Cove. This would provide a uniform basis of allocation throughout all zones. He explained that the effect this will have on the Belvedere zone will be minimal in terms of operating expenses – a decrease from 33.67% to 33.24%.

Mr. Perotti proceeded to explain in more detail the rationale for his proposed percentage allocations for capital expenditures. He said that since operating costs are being charged on the basis of flowage, capital expenditures should use the same basis. It would only make sense that you pay the same percentage of a cost to *replace* something as you pay to *use* it. Therefore, Mr. Perotti recommends that capital improvement expenditures be allocated based on sewage flow.

After discussing Mr. Perotti's proposal, the Committee agreed with his rationale and proposed allocation percentages. The Committee would like these percentages to be recalculated in this same manner every year to reflect the actual flow rates from the previous year. If the percentages do not change much, the Board can decide to keep the numbers the same for the next year.

The Committee asked Mr. Perotti to come to the Board Meeting on January 13, 2009 to present his proposal to the entire Board and be available for questions. Mr. Perotti agreed. He added that he will begin working on Part 2 of his internal audit with Mgr. Miller and Mrs. Leslie LaTorre on January 21, 2009. He expects his recommendations for Part 2, the audit of the District's accounting system and financial reports, to be implemented at the beginning of the 2009-2010 fiscal year, if they are accepted.

**a. Warrants for December 2008 (attached)**

The Committee reviewed and approved warrants for December 1 - 31, 2008, #2598 through 2680, in the amount of \$241,705.56. The Committee commented on the PG&E bills and discussed the idea of installing solar panels at the main plant to help reduce the District's energy costs. The Committee would like Mgr. Lynch to continue to investigate this option.

V.P. Wiley asked when the next principal payment will be made for the Belvedere zone's Westamerica loan. Mgr. Miller informed the Committee that the loan payment due on January 1, 2009 was interest only, and the next principal payment will be due July 1, 2009.

The Committee asked when the next digester cleaning will occur, and Mgr. Lynch replied it will start again at the beginning of the next fiscal year. He added that some lines are only cleaned once per year and others twice per year.

Sec. Benediktsson pointed out that warrant #2655 to USA BlueBook for supplies should not be under account #861: Safety Coordinator.

The Committee asked how the alarms in the plant have been working, and Mgr. Lynch replied they are working great, and SCADA is much better than Bay Alarm. We are currently using SCADA as the primary alarm system, and we will continue to keep Bay Alarm for a back-up, in case the computer systems fail.

**b. Financial Reports for December 2008 (attached)**

The Committee reviewed and approved the Financial Reports for December 1 - 31, 2008. Sec. Benediktsson asked how Mgr. Miller will proceed to correct the books using the new zone allocation percentages Mr. Perotti has recommended. Mgr. Miller replied that she and Mgr. Lynch will have to go back through each invoice, changing them one by one, starting with July 1, 2008. Sec. Benediktsson commented on how much work that will be.

**IV. ADJOURNMENT** at 11:09 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President

V. William Brady, Secretary  
Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Wednesday, February 18, 2009 1:00 p.m.**

**CALL TO ORDER** at 1:15 p.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe, Director
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager
- Others present: David Perotti, Perotti & Carrade CPAs  
Leslie LaTorre

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. David Perotti's Internal Audit – Update**

The Committee reviewed with Mr. Perotti the results of Phase 1 of his internal audit and the Board's decision to accept his Phase 1 recommendations for zone allocation percentages.

District staff recently located the "missing" original agreement document that had set Belvedere's capital allocation rate at 30.66%, along with other documents setting the rates before that. These documents show that Belvedere's capital allocation percentage was set at 36.35% in 1960, 33.2% in 1981, 30.7% in 1999, and 30.66% in 2003. Mgr. Miller explained to the Committee that these documents demonstrate that, historically, the capital allocation percentage for Belvedere has been based on the number of EDUs in Belvedere as a percentage of the total number of EDUs in the entire District.

The Committee discussed these findings, along with the letter dated February 3, 2009 from Mr. Paul Garbarini requesting the Board to revisit last month's account sharing decision. The Committee maintained that the Board's decision on January 13, 2009 to

accept Mr. Perotti's Phase 1 Report and recommendations for allocation percentages should not be revisited by the Board, and the Committee disputed Mr. Garbarini's claim that the action taken at the January 13, 2009 Regular Board Meeting was a de facto rate increase for the Belvedere zone. In order to change any sewer service charge rates, the District has to engage in a 218 process. The action taken by the Board on January 13, 2009 merely set the allocation percentages the District uses in its accounting system, using the most accurate and fair basis available.

The Committee agreed that, although Belvedere's capital allocation percentage has been based on EDUs in the past, the most fair and equitable manner to allocate these costs today is to use sewage flow as the basis. Using flowage data for each zone, which is readily available today, is a more accurate way to distribute costs than using EDUs. Furthermore, operating costs are being charged on the basis of flowage, and capital expenditures should use the same basis. It would only make sense that you pay the same percentage of a cost to *replace* something as you pay to *use* it.

The Committee moved on to discuss Mr. Perotti's ideas and recommendations, thus far, for Phase 2 of his internal audit. Mr. Perotti explained that he plans to propose a revised set of financial statements to replace the current statements used for the District's Monthly Financial Reports. This could involve the purchase of additional financial reporting software, which Mgr. Miller would have to use every month to create specialized financial reports that are not available using QuickBooks.

Mr. Perotti also discussed the idea of breaking down the District's annual budget by month every year.

Mr. Perotti presented his ideas to the Committee about updating the employees' timesheets and the possibility of allocating salary expenses to the different zones based on the information recorded on the timesheets. Mr. Perotti will continue to investigate different options available through Paychex, the District's payroll service provider.

The Committee agreed that some of Mr. Perotti's suggestions look like they could be beneficial improvements to the District's current accounting system. However, the Committee also expressed their concern that Mr. Perotti's proposals might result in added work that appears to be more complex and time-consuming for Mgr. Miller, who is already stretched very thin for time. The Committee stressed to Mr. Perotti the Board's desire to simplify processes for the Finance Manager, while maintaining an appropriate level of detail and accuracy.

Mr. Perotti will continue to work with Mgr. Lynch, Mgr. Miller, and Mrs. LaTorre on his Phase 2 recommendations, which will ultimately be presented to the Board for

consideration of approval, at which point the Board will need to weigh the benefits and costs of simplification versus heightened accuracy.

**IV. ADJOURNMENT** at 2:28 p.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President

V. William Brady, Secretary  
Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, February 26, 2009 9:00 a.m.**

**CALL TO ORDER** at 9:20 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe, Director
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

The Committee moved Items C and D, as described on the agenda, to this time.

**c. Team Ghilotti Request for Compensation Due to Permit Delay (attached)**

The Committee reviewed Team Ghilotti's request for additional compensation due to permit delay. Team Ghilotti had already previously submitted this request, which the Board considered at the December 8, 2008 Regular Board Meeting. The Board had agreed they would not consider compensating Team Ghilotti due to permit delay without seeing demonstrable costs and additional information from Team Ghilotti.

The Committee reviewed the additional information submitted by Team Ghilotti. The Committee did not agree with all of the additional costs Team Ghilotti submitted and still considered the information to be insufficient. The Committee requested Mgr. Lynch to go back to Team Ghilotti and negotiate with them.

**d. Review of Commercial Sewer Service Charge Calculations (attached)**

The Committee discussed the letter dated February 5, 2009 from Mr. Jim Allen of Belvedere Land Company requesting that the method of deriving commercial rates be

reviewed. The Committee is in the process of reviewing the District's method of calculating the commercial sewer service charges. The Committee reviewed and discussed the District's Ordinance No. 2005-01: "An Ordinance Amending Exhibit 'A' of Ordinance No. 78-1, as Amended, Entitled 'An Ordinance Establishing and Prescribing Sewer Service Charges,'" along with ordinances from other sanitary districts in Marin County, describing their methods of determining commercial sewer service charges.

The Committee requested that Mgr. Lynch draft a letter to Mr. Allen in response to his concerns. The Committee will continue its review of the District's method of calculating commercial sewer service charges.

**a. Warrants for February 2009 (attached)**

The Committee reviewed and approved warrants for February 1 - 25, 2009, #2783 through 2841, in the amount of \$202,274.23. The Committee questioned the account classification of warrant #2815 to Austin-Mac, Inc. for secondary clarifier scum collector replacement. Mgr. Lynch explained that the District had not originally budgeted for this cost, so it had to be classified as "225.9 Undesignated Capital." The Committee suggested that District Staff use petty cash for small purchases like warrant #2816 to R & S Service for \$5.12 for automatic transmission fluid and coolant.

**b. Financial Reports for February 2009 (attached)**

The Committee reviewed and approved the Financial Reports for February 1 - 25, 2009. The Committee asked when the zone breakout should be complete for this fiscal year-to-date, using the new percentage allocations approved by the Board at the January 13, 2009 Regular Board Meeting. Mgr. Miller explained that District staff is currently working on updating all transactions (from July 2008-to-date) to incorporate the correct zone allocations. Mgr. Miller estimated that the zone breakout should hopefully be complete by the end of March, at which point the Finance Committee will review and approve the updated monthly financial reports for July 2008-to-date.

**IV. ADJOURNMENT** at 10:32 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President

V. William Brady, Secretary  
Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, April 2, 2009 9:00 a.m.**

**CALL TO ORDER** at 9:00 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Review of Updated Financial Reports for July 2008 – February 2009 (attached)**

The Committee reviewed and discussed the updated financial reports for July 2008 – February 2009, which incorporate the new zone allocation percentages. The Committee, along with Mgr. Lynch and Mgr. Miller, discussed the District's cash balance policies and agreed that adjustments need to be made, in the context of budgeting for 2009-2010. The committee will meet again on this specific subject, along with the budget planning.

There was discussion about the reserve policies for both the Belvedere and Tiburon zones. The Committee will address these policies at the next Committee meeting; the reserve policies are integral to the annual budgeting process. The Committee agreed it will take steps to develop a new reserve policy for each zone and work on building sufficient operating and capital reserves. The operating and capital reserves need to be kept separate, and the capital reserves need to remain untouched, except for true capital expenditures.

The Committee requested that Mgr. Lynch provide them with copies of the District's current reserve policy for each zone. The Committee will begin looking into a possible 218 process during the 2009-2010 fiscal year, to take effect in the 2010-2011 fiscal year.

In addition, the Committee asked Mgr. Lynch to start researching the reserve policies of other similar sanitary districts in Marin County, and to get proposals from John Farnkauff and Martin Rausch for developing new long-term financial models, new reserve policies, and potential new rate increases that would be needed to fund these reserves.

The Committee also asked Mgr. Lynch to report back to them about when the Board needs to vote on the Belvedere zone's 4% sewer service charge rate increase for the 2009-2010 fiscal year. The Committee discussed the timeline for the 2009-2010 Budget review and approval process, as well. District staff is currently working on preparing the 2009-2010 Budget.

**b. Warrants for March 2009 (attached)**

The Committee reviewed and approved warrants for March 1 - 31, 2009, #2846 through 2914, in the amount of \$261,895.16. The Committee asked what warrant #2852 to Goodman Building Supply Co. was for. Mgr. Lynch replied the supplies were used to build a shed at the Paradise Cove Treatment Plant to protect the blowers from rusting. The Committee questioned warrant #2880 to BCS for chemicals. Mgr. Lynch explained the warrant was for two different chemicals: sodium hydroxide (bioxide) and sodium bisulfite. The Committee discussed warrant #2908 to Team Ghilotti, Inc. Mgr. Miller explained this warrant included part of the repair work done on the 32 Eucalyptus 6" sewer main, and the remainder was the final payment for extra work at the Paradise Cove Treatment Plant.

**c. Financial Reports for March 2009 (attached)**

The Committee reviewed and approved the Financial Reports for March 1 - 31, 2009.

**d. Request for Refund of Fixture Fee Payment to Resident at 6 Linda Vista Ave., Tiburon (attached)**

Mgr. Miller explained that Iris Golden, of 6 Linda Vista Avenue in Tiburon, has requested a refund of the connection fee she paid to the District on February 19, 2009 in the amount of \$687.00. She originally intended to install an additional sink in her kitchen, but she has discovered there is not enough room and would like a full refund of her permit fee. The Committee said the District needs to receive a letter from the Building Inspector at the Town of Tiburon as verification that this permit will not actually be needed at 6 Linda Vista Ave.

The Committee added the District needs to amend Ordinance No. 2006-1, which sets the District's connection fees, to include a provision allowing the District to keep a certain portion of the connection fee when residents request a refund. This non-refundable portion would be intended to cover District staff's initial time inspecting and approving the permit, as well as the time it takes to issue the refund.

**e. Review of Draft Resolution No. 2009-01, a Resolution Providing for the Collection of a Paradise Sewer Line Extension Acquisition Fee (attached)**

The Committee reviewed and discussed Draft Resolution No. 2009-01. The Committee decided the fee should be called "Paradise Sewer Line Extension Fee," instead of "Paradise Sewer Line Extension Acquisition Fee." The Committee discussed the District's costs of acquiring and accommodating the Line within the District's sewer system, totaling \$651,525.25. This results in a \$10,000.00 per parcel fee for the first year, and this fee will be adjusted annually according to the Consumer Price Index for San Francisco-Oakland-San Jose. This resolution will be considered for adoption at the April 14, 2009 Regular Board Meeting.

**IV. ADJOURNMENT** at 9:55 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Friday, May 22, 2009 9:00 a.m.**

**CALL TO ORDER** at 9:15 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Electronic Banking**

Mgr. Lynch reviewed the District's electronic banking procedures with the Committee. The Committee had a few questions that Mgr. Lynch will research and follow up on. The Committee has confidence that the procedures are sufficient.

**b. Process for Amending Budget**

The Committee discussed with Mgr. Lynch and Mgr. Miller potential processes for amending the District's budget. The Committee discussed the idea of doing the budget amendment either one time at the end of the year, or two times – once halfway through the year, and a second time at the end of the year. This amendment would include adding a column to the budget titled "Budget Amendments," which would include certain items that were originally unbudgeted expenses that the Board then approved during the year (thus amending the budget). The original budgeted amount for these line items would still be listed under the original "Budget" column, and the "Budget Amendments" would be listed in the column next to it, followed by the "Actual" column. The Committee agreed this would be an appropriate procedure for

amending the District's budget every year. The Committee said they would like to discuss this matter with Mr. David Perotti, the District's auditing consultant, as well.

**c. Annual Sewer Service Charge Calculations**

The Committee discussed the way the commercial sewer service charges are currently calculated, based on Ordinance No. 2005-01 and 2007-01. The Committee maintained that the District should continue to use the current formulas to calculate the commercial sewer service charges, with clarification given to the denominator of the formula, "Annual Residential Flow." The Committee recommends that the average residential flow figure provided by the Marin Municipal Water District be used to determine the denominator. The average residential flow figure provided by MMWD (available on their website) is currently 180 gallons per day, which is 87.83 ccfs per year. The Committee will discuss their recommendation with the Board at the June 9, 2009 Board Meeting.

**IV. ADJOURNMENT** at 10:42 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Wednesday, June 3, 2009 10:00 a.m.**

**CALL TO ORDER** at 10:00 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, President  
Catharine Benediktsson, Vice President
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Warrants for May 2009 (attached)**

The Committee reviewed and approved warrants for May 1 - 31, 2009, #2996 through 3072, in the amount of \$141,688.99. The Committee asked about warrant #3004 to Novato Sanitary District for \$6,193.75 to reimburse for the DuAll Safety Program, and they asked how long of a period that covered. Mgr. Miller said she would have to look that up. The Committee noted that this safety program is expensive, and Mgr. Lynch replied that is why he has decided the District should do a less expensive, in-house safety program on its own instead of being part of the cooperative safety group program.

The Committee noted warrant #3006 for the replacement of the radiator on the Tiburon pump station #7 emergency generator should be under account #841 Pump Maintenance. Mgr. Miller will make that change.

The Committee asked about warrant #3033 to East Bay Muni Utility District for FY09 BACWA Member Contributions. Mgr. Lynch explained that the District has joined with East Bay Municipal Utility District to pay the Bay Area Clean Water Agency member contributions, in order to save money. The District has also joined with Central Marin Sanitation Agency to share pollution prevention costs.

The Committee discussed warrant #3040 to Roy's Sewer Service, Inc. for \$1,825.00 to clean rocks and grit from the Belvedere Avenue line. Mgr. Lynch explained that Belvedere is doing undergrounding in that area, which is causing more grit to get in the lines. The Committee asked Mgr. Lynch to take a sample from the Peninsula Road sewer line to test for salt water, since they suspect there might be salt water flowing through the line. Mgr. Lynch said he would look at the meter readings for that line, as well.

**b. Financial Reports for May 2009 (attached)**

The Committee reviewed and approved the Financial Reports for May 1 - 31, 2009. V.P. Benediktsson thanked Mgr. Miller for changing the "Belvedere Reserve" account to "Belvedere Operations" and "Belvedere Capital" to create parity between the Belvedere and Tiburon accounts on the Balance Sheet. The Committee requested Mgr. Miller to transfer \$1.00 from Belvedere Operations to Belvedere Capital to give the Belvedere Capital account an opening balance so it will appear on the Balance Sheet.

The Committee discussed the accounts on the Combined Total Budget v. Actual Report that are either significantly over budget or significantly under budget. Mgr. Lynch explained that account #225.5 Influent Grinder is done for the year at 84.5% of the budget (the third influent grinder will be done in FY 2010-2011), account #225.24 Moyno Pump Replacement is done for the year at 46% of the budget (the District only replaced one moyno pump this year, instead of two), account #227.1 Tiburon Sewer Line Rehab Program is done for the year at 81.2% of the budget, account #227.25 Pump Station Replacement is done for the year at 65.8% of the budget (it is almost all completed – only West Shore remains, which will be done in FY 2010-2011), and account #225.94 Dissolved Air Flotation is only at 1.4% of the budget because it will be carried over to FY 2009-2010. Account #225.95 SCADA Upgrade & Replacement is complete at 34.5% of the budget; the Committee thanked Mgr. Rubio for getting 100% of the job done at 34.5% of the budgeted cost. Account #879 Utilities is at 83.9% of the budget, with only one month of PG&E bills remaining for the year. The Committee thanked Mgr. Lynch for doing a great job of reducing the District's energy costs every year.

**IV. ADJOURNMENT** at 10:55 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, July 30, 2009 9:00 a.m.**

**CALL TO ORDER** at 9:07 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager
- Consultants present: David Perotti, Perotti & Carrade CPAs

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Phase 2 Recommendations from Mr. David Perotti, CPA**

Mr. David Perotti, CPA presented to the Committee his preliminary Phase 2 recommendations from his internal audit. Mr. Perotti presented the reports he created with his reporting software based on the District's QuickBooks file from April 2009. He explained his goal in creating these new financial statements was to provide the Board with the information he feels they need in order to accurately manage the ongoing operations of the District, as well as to address certain previously discussed issues about the availability of financial statements. Mr. Perotti recommends that the District purchase the Pro Systems reporting software that he used to design these templates, which he estimates will cost approximately \$800 to \$1,000. Mr. Perotti said more templates can be created using this reporting software, if desired. Once the templates are created, the QuickBooks data gets downloaded into the templates in order to create reports. Mr. Perotti estimated this new process of generating the financial reports would take approximately one to two hours more than the method the District currently uses in QuickBooks.

Mr. Perotti presented to the Committee his first financial statement, the Statement of Net Assets, which is similar to the Balance Sheet. The second report was the Statements of Revenue and Expenses, similar to the Statement of Activities; this report includes depreciation. Mr. Perotti explained that fixed assets must be depreciated according to Generally Accepted Accounting Principles (GAAP), and it is most correct to depreciate on a monthly basis, although almost all small districts do not do this. Mr. Perotti discussed with the Committee the fact that depreciation is not meaningful in managing day to day operations, but it is meaningful when it comes to GAAP and the financial community. Cash flow is the most meaningful in terms of managing day to day operations. In this second report, Mr. Perotti noted he broke out Operating Revenue and Expenses from General and Administrative Expenses. This report (along with the remaining reports) contains three subsets of reports: one for the entire District, and two separate reports for the Belvedere and Tiburon zones.

The third report Mr. Perotti presented to the Committee was the Statements of Cash Receipts and Disbursements. This report shows the beginning cash and ending cash balances at the bottom of the report, which matches with the cash balances on the Statement of Net Assets. This shows how the District's cash is moving month to month, as well as year-to-date. This report shows no depreciation; it shows capital improvements and payment of debt (principle).

The Committee agreed this is a fantastic summary for the Board level. District staff would continue to use more detailed versions of these reports for internal purposes, as is the current practice. The Board would continue to rely on District staff to inform them if something from the internal reports was out of the ordinary and needed to be brought to their attention.

Mr. Perotti presented his fourth report to the Committee, the Comparison of Year-to-Date Actual Results (Cash Basis) to Budget. This budget tool shows the dollar variance and the percentage variance from the budget, as does our current Combined Total Budget vs. Actual Report. The Committee discussed the idea of breaking the budget down on a monthly basis, and the difficulty of accurately estimating capital improvement expenditures on a monthly basis. The Committee asked Mgr. Lynch to prepare a report for the Board showing the District's *planned* CIP contract award schedule for the fiscal year. During his Manager's Report at the monthly Board meetings, Mgr. Lynch should report on how the District is doing with the schedule that month. Mgr. Lynch explained District staff does not currently have the time to implement a monthly budget; staff is stretched too thin with the current work load.

The fifth report Mr. Perotti presented was the Comparison of Year-to-Date Capital Improvement Expenditures to Budget. Again, four out of the five reports Mr. Perotti

presented were each three pages long, with separate reports for District Wide, Belvedere Zone, and Tiburon Zone.

Mgr. Miller and Mgr. Lynch agreed they think these new reports would be useful and meaningful, but they will require more work to produce and many more pages of reports. And, internally, District staff would need more detail. The Committee thanked Mr. Perotti for the fabulous reports.

The Committee discussed with Mr. Perotti the security of the District's electronic banking. The Committee would like Mgr. Lynch to invite the LAIF and Bank of America bankers to the next Finance Committee meeting to discuss the security of the District's electronic banking and risk management. V.P. Benediktsson proposed the idea of District staff checking the District's bank balances every day and recording them in a manual daily bank balance log.

The Committee asked Mr. Perotti if he has noticed anything in his internal audit of the District's finances that is a red flag to him. Mr. Perotti said he has not seen any red flags. The Committee asked what his opinion is of cash basis versus accrual basis accounting. The District has decided to no longer retain Mr. David Bennett, CPA to create a duplicate set of books that he converts from cash to accrual on a monthly basis. Instead, the District will continue to keep its books on a cash basis throughout the year, and Mgr. Miller will convert the books from cash basis to accrual basis at the end of each fiscal year, with the year-end closings. The District will no longer have the expense of paying an outside CPA for keeping a duplicate set of accrual books; this will be replaced by Mgr. Miller doing the required work in-house. Mr. Perotti agreed this new method is perfectly fine. This new method also satisfies the concern Mr. Terry Krieg, CPA raised in the Management's Discussion and Analysis section of his FY 2007-2008 Audit Report.

The Committee authorized Mr. Perotti to get the new Pro Systems reporting software for the District and directed Mr. Perotti and District staff to proceed with developing the new reporting methods. This will take some time to implement; District staff hopes to have the new financial reports available for either the September or October Regular Board Meeting.

Mr. Perotti noted the only remaining unresolved issue he has is the salary zone allocations. It turns out the new payroll system he advised the District to use does not have the capabilities to calculate salary zone allocations each month based on hours worked in each zone, like he wanted. He believes since salaries and benefits are such a large portion of the District's budget, it would be useful to allocate those expenses to the zones more accurately than by applying the normal zone allocation percentages.

The Committee asked Mr. Perotti if, when the State borrows money from the District, the District should record that money as an accounts receivable asset. Mr. Perotti replied that the borrowed money would have to be a certain quantifiable sum, and the District would have to have a commitment from the withholding agency to repay that sum certain in order for it to be recorded as accounts receivable for the District.

The Committee thanked Mr. Perotti for his wonderful work.

**b. FY 2009-2010 Commercial Sewer Service Charges**

The Committee reviewed and approved the draft commercial sewer service charges for FY 2009-2010. The Committee reiterated the Board's decision at the June 9, 2009 Regular Board Meeting to keep the existing ordinances (No. 2005-01 and 2007-01) as written, with clarification given to the denominator of the formula: "Annual Residential Flow;" the denominator will be based on the average residential flow figure provided by the Marin Municipal Water District, which is publicly available.

**c. Legal Advice from District Legal Counsel Regarding Loans**

The Committee reviewed the legal advice from Mr. Riley Hurd, District legal counsel, regarding interzonal loans. In short, the District would only be able to pay off the Belvedere loan with funds from the Tiburon zone if those funds are undesignated and unrestricted. However, according to Mr. Hurd, undesignated, unrestricted funds "technically should not exist at all within the District given the mandates of Resolution No. 2007-08," the District's updated financial reserve policy.

The Committee directed Mgr. Lynch to ask Mr. Hurd a follow up question: are there any state regulations that prevent one zone from paying off another zone's debt?

**d. Draft FY 2007-08 Audit Report from Mr. Terry Krieg, CPA (attached)**

The Committee reviewed and approved the Draft FY 2007-2008 Audit Report from Mr. Krieg. This FY 2007-08 Audit Report will be presented to the Board at the August 11, 2009 Regular Board Meeting, and Mr. Krieg will be present at that meeting to answer any questions the Board may have about the audit.

**e. CSRMA Property Program Insurance Policy for FY 2009-2010 (attached)**

The Committee decided to wait to discuss this item at the next Finance Committee meeting with the Advisory Group to discuss the District's reserve policies.

**f. Warrants for July 2009 (attached)**

The Committee reviewed and approved warrants for July 1 - 31, 2009, #3171 through 3210, in the amount of \$142,684.71. The Committee discussed warrant #3189 to East Bay Muni Utility District for \$3,005.00 for FY 09-10 BACWA Membership Contributions. Due to the District's tight budget for FY 09-10, the Committee directed District staff to look into whether the District still needs to maintain membership with BACWA (Bay Area Clean Water Agencies). The Committee asked District staff to look into the Nextel lease and whether it would be possible to raise the rates, and if we could find more cell site locations to lease to Nextel or other cell phone companies. The Committee also discussed the District's high insurance costs. Warrants #3209 and 3210 cover workers' comp, property insurance, and auto insurance policy renewals for FY 2009-2010. These three premiums total \$31,330.33 for FY 2009-2010, with workers' comp being the largest (\$21,483.00).

**g. Financial Reports for July 2009 (attached)**

The Committee reviewed and approved the Financial Reports for July 1 - 31, 2009.

**IV. ADJOURNMENT** at 11:12 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Monday, July 6, 2009 9:00 a.m.**

**CALL TO ORDER** at 9:01 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager
- Others present: Bob Becker  
Jim Horan  
Paul Garbarini

**II. PUBLIC COMMENTS:**

Mr. Bob Becker, Mr. Jim Horan, and Mr. Paul Garbarini introduced themselves to the Committee.

**III. NEW BUSINESS:**

**a. Review and Discuss FY 2009-2010 Preliminary Budget (attached)**

The Committee reviewed and discussed the FY 2009-2010 Preliminary Budget. Mgr. Miller noted she recently received more accurate estimates for the District's insurance premiums for FY 2009-2010 and, therefore, had to increase the Insurance Property & Liability expense item in the Operating Budget from \$40,000 to \$47,000. Other than that, the only changes she has made to the Preliminary Budget for the Finance Committee meeting have been updates to the "08-09 Estimated" figures, now that FY 2008-2009 is coming to a close.

Mr. Horan suggested the idea of the Tiburon zone loaning money to the Belvedere zone to pay off the Belvedere CIP loan. Mr. Horan and Mr. Becker also suggested that the District consider getting a line of credit, to be used in case of emergency. The Finance

Committee agreed it would like to further investigate this idea of using Tiburon reserves to loan money to Belvedere to pay off its CIP loan, on the condition that Tiburon has enough reserves to do this and the District can get a back-up line of credit. Tiburon would then charge Belvedere the LAIF interest rate (which is currently approximately 1.5%), instead of the Westamerica fixed rate of 4.58%. Mr. Horan introduced the question of whether it is better to build and maintain reserves versus having the ability to borrow (with a line of credit).

Mr. Horan asked why the telephone costs are so high for the District. The Committee agreed the District should review its AT&T telephone costs and try to reduce these bills.

Mr. Garbarini suggested setting up the District's budget by month so that on the Combined Total Budget vs. Actual report the percentage column would show the percentage completed up thru that month, factoring in the time curve. The Committee did not feel this would necessarily be worthwhile for the District to do as they feel the current percentage column in the report is already relevant and useful; it shows what percent of the year's budget has been spent up through that particular month. The Committee, along with Mgr. Lynch, also argued it would be difficult to estimate exactly in which months all the expenses would fall. The Committee said they would look into this suggestion more with Mr. Garbarini as they wanted further clarification of what he meant and how he feels the District would directly benefit from this.

**b. Warrants for June 2009 (attached)**

The Committee reviewed and approved warrants for June 1 - 30, 2009, #3073 through 3165, in the amount of \$280,930.26. Dir. McAuliffe asked whether the District is getting its money's worth from Salesforce.com. Mgr. Lynch said it is not up and running yet; it is still slowly being set up. The District has been paying Salesforce.com \$300.00 per month since April 2009, and the Committee would like to see a more careful review of what the District is getting out of this and whether it is worth it.

**b. Financial Reports for June 2009 (attached)**

The Committee reviewed and approved the Preliminary Financial Reports for June 1 - 30, 2009. Mr. Garbarini suggested that the District needs to account for the money the State of California borrows from the District. When this occurs, the District is owed this money for up to three years, and it needs to be accounted for as an asset for the District. The Committee agreed with Mr. Garbarini.

Minutes  
Finance Committee Meeting  
July 6, 2009  
Page 3

**IV. ADJOURNMENT** at 11:00 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, September 3, 2009 9:00 a.m.**

**CALL TO ORDER** at 9:12 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Proposal from Mr. John Farnkopf of HF&H Consultants, LLC (attached)**

The Committee reviewed Mr. Farnkopf's proposal for professional financial services for a sewer rate update, including financial and rate studies. His proposal is for \$40,000, which falls within the District's FY 2009-2010 budget for these services for a potential sewer rate increase. V.P. Benediktsson noted that last time Mr. Farnkopf worked for the District, he contracted for \$38,000, but the actual amount billed was \$21,000. One benefit of hiring Mr. Farnkopf for these services again is that he already has his financial models built, so he will only have to update the models this year.

The Committee asked Mgr. Lynch whether he is satisfied with this proposal, and he confirmed he is. The Committee recommends that the Board approve this proposal from Mr. Farnkopf, but they would like the model to be fine-tuned. The details regarding this fine-tuning will come later, once they see the model.

**b. Proposal from Mr. Martin Rauch of Rauch Communication Consultants, LLC (attached)**

The Committee reviewed Mr. Rauch's proposal for a public outreach program to support financial and rate studies and changes. The Committee agrees the public

outreach work needs to be done by an expert and Mr. Rauch is a high quality, experienced expert with these public outreach programs. However, the Committee discussed their concerns with the high cost of Mr. Rauch's proposal, which is currently \$49,200. The Committee asked District staff to contact Mr. Rauch to get a second look at the proposal and see if there are any cost cutting measures that can be made.

**c. Commercial Sewer Service Charges**

The Committee discussed the District's current method of determining commercial sewer service charges. They agreed the commercial sewer service charges should be re-evaluated during a future Proposition 218 process.

**d. Bay Area Clean Water Agencies Membership Information**

Mgr. Lynch presented information to the Committee from the Bay Area Clean Water Agencies (BACWA) JPA regarding membership dues. He said the District currently pays about \$5,000 in BACWA membership dues. The Committee would like Mgr. Lynch to continue looking into whether the District is required to pay such a high amount in fees to BACWA.

**e. Warrants for August 2009 (attached)**

The Committee reviewed and approved warrants for August 1 - 31, 2009, #3211 through 3278, in the amount of \$114,942.81. The Committee asked about the \$6.00 returned check fee from Bank of America. Mgr. Miller explained that one of the Seafirth connection fee checks was returned, but the homeowner wrote a new check to the District for the full amount, plus the returned check fee reimbursement of \$6.00. The Committee also asked whether the dental insurance premiums to Preferred Benefit are monthly or quarterly (warrant #3214). Mgr. Miller replied they are monthly premiums, normally around \$1,200 per month. The Committee would like Mgr. Lynch to look into whether it would save the District money to self-insure for dental.

The Committee discussed warrants #3218 and 3268 to Perotti & Carrade for progress work on Phase 2 of the internal audit. These two warrants for the month of August totaled \$5,005.00. This accounts for 41.7% of the District's budget for audit and accounting expenses this fiscal year, and we are only two months into the year. The Committee is concerned with the high costs so far, and they would like to get an estimate from Mr. Perotti for how much longer it will take to complete Phase 2 of his internal audit and how much more it will cost. Mgr. Miller informed the Committee that it will cost \$1,500 for the District to create its own account with ProSystems and obtain its own license for the report writing software. The District will then have to pay Perotti & Carrade to train Mgr. Miller on the new software and create the necessary

report templates, and the District will also have to continue paying \$675 per year for the ProSystems license.

Mgr. Lynch explained that the PG&E bills have been more expensive than usual in July and August 2009 due to the secondary clarifier scum trough replacement capital improvement project; the wet weather pumps have had to cycle on and off. Lastly, Mgr. Lynch noted the high cost of uniform laundry service for the employees, warrant #3252 to Cintas Corporation for \$940.16 for the month of July. Mgr. Lynch is looking into the cost of buying pants for the employees instead of continuing to rent the uniforms from Cintas. In addition, he is considering buying a washing machine for the District (it already has a dryer), so the employees can wash their uniforms themselves, instead of paying Cintas for laundry service. This could be a potential cost savings for the District.

**f. Financial Reports for August 2009 (attached)**

The Committee reviewed and approved the Financial Reports for August 1 - 31, 2009. Mgr. Lynch noted that account #225.2 Secondary Clarifier Refurbish is currently only at 10.5% of its budget. Not all of the final bills have come in yet for this project, but Mgr. Lynch expects the project to end up costing about 20-25% of its \$40,000 budget; this is because District staff took on the capital project in-house. Due to District staff's hard work on this project, this will end up being a huge cost savings to the District.

Mgr. Miller explained to the Committee the changes she has made to the accounting of the reserve accounts for FY 2008-2009 through today, in order to more properly allocate funds. In FY 2008-2009, the capital revenue and expenditures were not properly accounted for in the Capital Reserve accounts; instead, all transfers were coming in and out of the Operating Reserve accounts. Mgr. Miller corrected this with adjusting month-end journal entries for FY 2008-2009, and she will continue to do this for FY 2009-2010 and forward. In the past, District staff was not capable of doing this on a monthly basis, so the District's outside CPA had to do this at year-end. Mgr. Miller is now able to do this work in-house (along with the year-end conversion from cash basis to accrual basis accounting).

These adjusting journal entries to the Capital Reserve account for FY 2008-2009 could only be done for the Tiburon zone, however, since the Belvedere zone's capital expenditures far exceeded its capital revenue in FY 2008-2009; the Belvedere Capital account would have been left with a -\$42,099.62 balance on June 30, 2009 if all transfers had come in and out of its Capital account. However, Mgr. Miller is keeping track of this running Capital account balance for Belvedere in a separate Excel spreadsheet, for reference. District staff expects the Belvedere zone's capital revenue

to exceed its capital expenditures in FY 2009-2010, so hopefully the Belvedere Capital Reserve account will have a positive balance at the end of FY 2009-2010.

The other important change Mgr. Miller made was to split the Connections Reserve accounts into Collection and Treatment accounts. The District started splitting the connection fees into collection and treatment components in July 2006, but both components were still being put into one reserve account, called "Connections." Mgr. Miller split these funds out into the two separate reserve accounts, "Collection" and "Treatment," so the balances of both components would be readily apparent, since both of these funds have separate legal designations and restrictions. By doing this, Mgr. Miller and Mgr. Lynch were able to see that the Tiburon Collection Reserve account had a balance of \$166,501.08 and the Tiburon Treatment Reserve account had a balance of \$198,103.96 on June 30, 2009. Therefore, in accordance with the legal designations and restrictions of these two funds, Mgr. Lynch directed Mgr. Miller to use \$65,000 from the Tiburon Collection account to pay towards the costs of acquiring the Paradise Sewer Line Extension from Mr. Jansheski, and \$195,000 from the Tiburon Treatment account to pay towards the costs of the new Paradise Cove package treatment plant. Mgr. Miller did this in a June 30, 2009 adjusting journal entry; these capital expenditures had initially all been deducted from Tiburon's Capital Reserve account when Mgr. Miller did the correcting month-end journal entries for FY 2008-2009. In the June 30, 2009 adjusting journal entry, \$100,000 was also used from the Tiburon Collection account towards the costs of the '93 Line payment to Rabin, which had also originally come out of the Tiburon Capital Reserve account. Once the District receives all of the connection fees from Seafirth (which should total approximately \$215,000 in additional collection funds and \$85,000 in additional treatment funds for Tiburon), Mgr. Lynch would like Mgr. Miller to apply additional funds from the Tiburon Treatment account towards the FY 2008-2009 expenditures for the Paradise Cove treatment plant, as well.

Finally, Mgr. Miller made adjustments to the SASM Expense Reimbursement and the SASM Supplies and Chemicals accounts to correctly credit the appropriate accounts and more properly allocate the funds between the zones.

All of these correcting journal entries and accounting changes resulted in the following fund balances as of August 31, 2009:

Belvedere:

Operating	\$495,505
Capital	\$ 1
Collection	\$ 50,241
Treatment	<u>\$ 85,223</u>

Total: \$630,971

Tiburon:

Operating	\$1,151,416
Capital	\$ 926,352
Collection	\$ 154,281
Treatment	<u>\$ 72,299</u>
Total:	\$2,304,347

These balances can be found on an Excel spreadsheet Mgr. Miller created of all the month-end fund balances by zone for July 2008 through August 2009 (attached).

The Committee was pleased with the accounting adjustments and corrections Mgr. Miller made for FY 2008-2009 and the beginning of FY 2009-2010. Mgr. Miller has prepared all the supporting documentation for these adjustments to provide to the District's auditor, as well.

**IV. ADJOURNMENT** at 10:46 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Tuesday, October 6, 2009 10:00 a.m.**

**CALL TO ORDER** at 10:00 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Proposals for Tiburon Zone Annual Sewer Line Cleaning (attached)**

Mgr. Lynch explained he sent out a Request for Proposals (RFP) on August 27, 2009 for the Tiburon Zone Annual Sewer Line Cleaning. The District received two proposals on September 21, 2009. Roto-Rooter had the lowest bid price of \$43,679.35. The bid price from Roy's Sewer Service was \$45,817.50. Mgr. Lynch could not send out the RFP for the Belvedere Zone yet since it will not have enough money for the cleaning program until it receives its sewer service revenue in December.

The Committee would like John Rosser, the District's project manager for the line cleaning program, to put together a summary report for the Board on the cleaning program. This should include what has been cleaned to date, what percentage of the lines are cleaned every year, how long it takes to clean all the lines, and how the decision is made to clean which lines every year.

**b. Update on Research – Potential Line of Credit (attached)**

Mgr. Lynch gave an update to the Committee on the potential line of credit he has been investigating, as recommended by the Advisory Group. Mr. Bob Becker of the Advisory Group put Mgr. Lynch in touch with New Resource Bank in San Francisco. Mgr. Lynch

reported that, in order to have a line of credit with this bank, the bank would require the District to deposit 30% of the value of the line of credit (either \$500,000 or \$1,000,000) in an account at that bank. However, this would mean the District would not be able to earn interest on this money (it can only earn interest on the money it has invested in LAIF). Mgr. Miller added that the County of Marin is already obligated to loan money to the District at the lowest possible interest rate, if the need arises. The Committee decided not to pursue the investigation of this line of credit any further.

**c. Consideration of Buying Truck Mounted Rodding Machine in FY 2010-2011 (attached)**

Mgr. Lynch presented his preliminary research to the Committee about the possible purchase of a truck mounted rodding machine in FY 2010-2011. This would be a way for the District to save money on the routine cleaning of its gravity sanitary sewer lines. Currently, the District contracts out all of this cleaning work, but Mgr. Lynch suggested the idea of the District purchasing its own truck mounted rodding machine and performing the main liner rodding work in-house. This would mean that the District could continuously work on the cleaning program, cleaning all the main lines each year, instead of cleaning approximately one third of the lines each year. Mgr. Lynch's preliminary research shows this machine would cost approximately \$100,000, but the District would save approximately \$92,000 each time it cleaned the entire system of main lines using this machine in-house, instead of contracting the work out.

The Committee discussed this proposal and asked Mgr. Lynch questions. The Committee expressed interest in this proposal and recommended it, directing Mgr. Lynch to continue his research and present his proposal to the entire Board.

**d. Reconsideration of Proposal from Mr. Martin Rauch of Rauch Communication Consultants, LLC**

Mgr. Lynch informed the Committee that Mr. Rauch has agreed to try to keep the costs down as much as possible (below his original proposal) if the Board chooses to use him for the 218 process. He will work on a time and materials basis (T&M), doing only the work the District asks him to do. The Committee recommends hiring Mr. Rauch for the District's 218 process on a T&M basis.

**e. Estimate of Costs for Prosystems Report Writing Software – Mr. David Perotti, CPA (attached)**

The Committee reviewed Mr. Perotti's estimate of additional costs if the District purchases the Prosystems report writing software he has recommended. The initial cost to purchase the software license would be \$1,430, and the annual license renewal fee in

the future would be \$643.50. At the beginning, Mr. Perotti estimates it would cost between \$265 and \$397 for the installation of the software, and between \$560 and \$840 for Mgr. Miller's initial training on the software. There may be a need for additional assistance at the end of the first few months, as well, at a rate of \$140 per hour. The Committee agreed the District should proceed with purchasing the Prosystems software, along with the installation and training from Mr. Perotti.

**f. Comprehensive Annual Report (attached)**

The Committee discussed V.P. Benediktsson's suggestion for the District to begin producing an annual report. They discussed the goals of the annual report and who would be responsible for creating it. The Committee recommends that the District move forward with creating an annual report.

**g. Warrants for September 2009 (attached)**

The Committee reviewed and approved warrants for September 1 – 30, 2009, #3279 through 3344, in the amount of \$160,325.34. The Committee asked why warrant #3297 for PG&E was so high this month (\$20,635.49). Mgr. Lynch explained that the PG&E bills have been more expensive than usual due to the secondary clarifier scum trough replacement capital improvement project; the wet weather pumps have had to cycle on and off.

**h. Financial Reports for September 2009 (attached)**

The Committee reviewed and approved the Financial Reports for September 1 - 30, 2009. The Committee and Mgr. Miller agreed it would be a good idea to separate the Checking/Savings accounts on the Balance Sheet to reflect exactly how much money is in the operating and capital *reserve* accounts for each zone versus the operating and capital money needed for that particular fiscal year. This would make it clearer to see exactly how much money the District has in true reserves. This could mean listing the following Checking/Savings accounts on the Balance Sheet for each zone:

Operating  
Operating Reserve  
Capital  
Capital Reserve  
Connections:  
    Collection  
    Treatment

This will be discussed further when the Finance Committee meets to discuss the District's reserve policies.

**IV. ADJOURNMENT** at 10:55 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
with the Advisory Group  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, October 22, 2009 10:00 a.m.**

**CALL TO ORDER** at 10:05 a.m.

- I. ROLL CALL:**
- |                         |  |
|-------------------------|--|
| Directors present:      | Catharine Benediktsson, Vice President<br>Claire McAuliffe                   |
| Staff present:          | Robert L. Lynch, District Manager<br>Samantha Miller, Office/Finance Manager |
| Advisory Group present: | Bob Becker<br>Paul Garbarini<br>Jim Horan                                    |

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Review Reserve Policies (attached)**

The Finance Committee and the Advisory Group discussed the District's current reserve policy and the reserve policies of other sanitary districts in Marin County. They discussed the fact that the District does not currently have a reserve policy for replacing the main plant; the current reserve policy only incorporates "capital maintenance" expenditures. They considered the option of issuing bonds to replace the main plant (when the time comes) or in the event of a major emergency, earthquake, etc.

The Finance Committee and the Advisory Group identified three key elements that need to be determined in order to create a new reserve policy for the District:

- What are the definitions of the reserve accounts (what are we setting reserves for)?
  - Capital reserve

- Capital maintenance
- Operating reserve
- What are appropriate target amounts for these reserve accounts?
- What is the time frame for reaching these target levels?

The Finance Committee and the Advisory Group discussed the policy question of what the District would want to go into debt for. Mgr. Lynch and Mgr. Miller will investigate what the procedure is for the District to borrow money from the County of Marin. The relationship between reserves and sewer rates was discussed as well, including the idea of stating in the reserve policy that if the District is not meeting its target level of reserves, there will need to be a rate increase.

Mgr. Lynch noted the importance of getting the updated financial model from Mr. John Farnkopf to use in the development of the District's new reserve policy. In the meantime, the Advisory Group can start by working on the definitions and goals of the reserves. The Advisory Group agreed to continue meeting on their own to work and then report back to the Finance Committee with their recommendations at the next Finance & Fiscal Oversight Committee Meeting with the Advisory Board on November 3, 2009 at 10 a.m. Mgr. Lynch will invite Mr. Farnkopf to attend this meeting, as well, to review his updated financial model.

To end the meeting, the Finance Committee restated their objective for the Advisory Group: to contribute independent and external thought to produce a reserve policy that will sufficiently provide for disaster avoidance and that is defensible, articulate, achievable, and pragmatic in a rate-paying environment

**IV. ADJOURNMENT** at 11:10 a.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
with the Advisory Group  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Tuesday, November 3, 2009 10:00 a.m.**

**CALL TO ORDER** at 10:21 a.m.

- I. ROLL CALL:**
- |                         |  |
|-------------------------|--|
| Directors present:      | Catharine Benediktsson, Vice President<br>Claire McAuliffe                   |
| Staff present:          | Robert L. Lynch, District Manager<br>Samantha Miller, Office/Finance Manager |
| Advisory Group present: | Bob Becker<br>Paul Garbarini<br>Jim Horan                                    |
| Consultants present:    | John Farnkopf, HF&H Consultants, LLC   |

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Review Reserve Policies & Financial Outlook for District (attached)**

Mr. John Farnkopf reviewed and explained the updated financial model he created for the District. The Finance Committee and the Advisory Group discussed the model and asked questions.

The Finance Committee and the Advisory Group agreed Mgr. Lynch needs to update the model's Table 5: Capital Improvements to include the capital projects and expenditures the District ideally needs to do in the next five years, and to include deferred projects. Currently, this table is based on very conservative capital expenditures (due to current budget and fiscal restrictions). Once this table is updated, we will have a much more sound base from which to determine the target capital reserve level.

The issue of including fixed depreciation in the annual budget was discussed; this would mean this budgeted annual depreciation would need to be funded every year, plus some amount above that.

The escalation factors in Table 1A of the model were also discussed. Changes need to be made to some of these factors, and statements of justification need to be included for all the factors. The Committee would like to see two different versions of the model in the future: one with lower escalation factors, plus a separate contingency; and the other model with higher, more conservative escalation factors and no contingency (the contingency would in effect be built into these higher escalation factors).

Reserve definitions were discussed. Developing clear definitions for the different reserve accounts continues to be a work in progress and will be discussed again at the next Finance Committee meeting with the Advisory Group.

The Finance Committee and the Advisory Group discussed the idea of charging a special assessment (which has an expiration) to fund deferred maintenance and capital projects, as well as the idea of obtaining a bank loan for these expenditures (these ideas are separate, and in addition to, a possible rate increase). They also discussed the different theories behind rate increases that are more front-loaded (with higher increases towards the beginning) versus more evenly distributed, and the different effects.

Mgr. Lynch and Mgr. Miller will continue to work with Mr. Farnkopf on additional updates that need to be made to his financial model. The Committee agreed to meet with the Advisory Group and Mr. Farnkopf again in a few weeks to review the next updates to the model and to further discuss reserve definitions.

**b. Warrants for October 2009 (attached)**

The Committee reviewed and approved warrants for October 1 – 31, 2009, #3345 through 3407, in the amount of \$131,335.42.

**c. Financial Reports for October 2009 (attached)**

The Committee reviewed and approved the Financial Reports for October 1 - 31, 2009.

**IV. ADJOURNMENT** at 12:31 p.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
with the Advisory Group  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Monday, November 30, 2009 10:00 a.m.**

**CALL TO ORDER** at 10:10 a.m.

- I. ROLL CALL:**
- |                         |  |
|-------------------------|--|
| Directors present:      | Catharine Benediktsson, Vice President<br>Claire McAuliffe                   |
| Staff present:          | Robert L. Lynch, District Manager<br>Samantha Miller, Office/Finance Manager |
| Advisory Group present: | Bob Becker<br>Paul Garbarini<br>Jim Horan                                    |
| Consultants present:    | John Farnkopf, HF&H Consultants, LLC   |

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Review Reserve Policies & Financial Outlook for District (attached)**

Mr. John Farnkopf reviewed and explained the updated financial model he created for the District. The Finance Committee and the Advisory Group discussed the model and asked questions.

The Committee examined the updated escalation factors in Table 1A of the model, focusing on the sensitivity of these assumptions and the difference between the new baseline assumptions and upper assumptions (the contingency). The Committee suggested incorporating incremental increases in the escalation factors through the years.

The Committee looked at how the rate increases for Tiburon would change if 30 homes on Paradise Drive hooked up to the Paradise Drive Sewer Line Extension next year, and another 15 connected in FY 2013-14. This would significantly reduce the rate increases for the Tiburon zone, giving Tiburon approximately \$400,000 more in five years. Mr. Paul Garbarini argued if the District does not get tough with strongly encouraging Paradise Cove connections, the District will have some explaining to do to the rest of the Tiburon ratepayers, since the rest of the Tiburon zone is subsidizing the Paradise Cove zone.

Mgr. Lynch reviewed the updates he made to Table 5: Capital Improvements, including the added capital projects and expenditures the District ideally needs to do in the next five years (including deferred projects). Mgr. Lynch noted he already included construction cost inflation in his estimates for capital costs in future years. The Finance Committee and the Advisory Group decided the capital expenditures in the final two years of the model need to be increased. It is difficult to predict exactly what capital projects will need to be done five years from now, which is why the capital expenditure estimates for the final two years of the model were significantly lower than the earlier years. Mgr. Lynch and Mgr. Miller will work on calculating the average capital expenditures by zone for the past five years to use as an estimate for additional capital expenditures in these final two years, escalated by the cost of inflation. Since these future capital projects are currently unknown, this remaining balance will be put under "Undesignated Capital Projects" in Table 5 of the model.

The Committee explored three different approaches to rate increases: 1) rate increases that are more front-loaded (with higher increases at the beginning, followed by lower increases in the later years; this approach is less risky); 2) rate increases that are evenly distributed throughout the five years; or 3) the possibility of charging a one-time surcharge (flat fee) to ratepayers in FY 2010-2011, followed by lower rate increases in future years. This one-time surcharge could be used entirely to fund crucial, individual capital projects that need to be done, or part of it could go towards building reserves. While this third approach may possibly be received better politically, one initial concern is that this one-time surcharge would result in significantly lower cumulative rate increases, which would not build reserves as effectively for the District. This last option of a one-time surcharge will be explored further.

The Finance Committee will meet with the Advisory Group and Mr. Farnkopf once more in a couple of weeks to review the next updates to the model and to discuss the reserve fund matrix provided by Mr. Farnkopf. The Advisory Group will review the reserve fund matrix and provide input before the next meeting. Mgr. Lynch will work on identifying the specific projects that could be funded by a one-time surcharge, as well as further refining Table 5: Capital Improvements. Mgr. Miller and Mr. Farnkopf will continue to

work on updating the existing financial model, along with creating a second model that incorporates the one-time surcharge approach, followed by milder rate increases, in an effort to see if this approach would ultimately make sense. Once the Finance Committee approves the financial model, it will be brought to the entire Board at a Board Workshop, along with the Finance Committee's recommendations for rate increases.

**b. Warrants for November 2009 (attached)**

The Committee reviewed and approved warrants for November 1 – 25, 2009, #3408 through 3480, in the amount of \$174,014.00. The Committee asked whether the landfills are warning the District that they are getting full. Mgr. Lynch explained the landfills are no longer accepting as much sludge on a daily basis, but this does not affect the District since we do not send very much sludge there. Currently, there are no rumors that the landfills are getting full and will no longer accept sludge.

The Committee discussed warrant #3413 to TESCO Controls for \$8,160.00 for SCADA communications to the main plant, Paradise Cove plant, and Seafirth pump station. Seafirth will be reimbursing the District for part of this cost, along with other costs the District has incurred due to Seafirth. The Committee asked why warrant #3430 to PG&E was so high (\$22,504.99) this month. Mgr. Rubio informed the Committee that, starting two months ago, the Paradise Cove blower now has to be on continuously, every day. This has raised PG&E costs, and it will continue in perpetuity.

The Committee asked about warrant #3473 to San Francisco Estuary Institute for \$5,950.46 for FY 2009-2010 Regional Monitoring Program fees. Mgr. Lynch explained the District has to participate in this program according to its NPDES permit. The Committee asked about warrant #3479 to TESCO Controls for \$2,779.33 for troubleshooting Belvedere lift station SCADA failures. Mgr. Lynch explained that the alarm system that Central Marin Sanitation Agency installed at the Belvedere pump stations (before Belvedere annexed to the District) has been causing communication failures for a long time and needed to be fixed.

**c. Financial Reports for November 2009 (attached)**

The Committee reviewed and approved the Financial Reports for November 1 - 25, 2009.

**IV. ADJOURNMENT** at 12:00 p.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
with the Advisory Group  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Monday, December 14, 2009 10:00 a.m.**

**CALL TO ORDER** at 10:00 a.m.

- I. ROLL CALL:**
- |                         |  |
|-------------------------|--|
| Directors present:      | Catharine Benediktsson, Vice President<br>Claire McAuliffe                   |
| Staff present:          | Robert L. Lynch, District Manager<br>Samantha Miller, Office/Finance Manager |
| Advisory Group present: | Bob Becker<br>Paul Garbarini<br>Jim Horan                                    |
| Consultants present:    | John Farnkopf, HF&H Consultants, LLC   |
| Others present:         | Deirdre McCrohan, <i>The Ark Newspaper</i>                                   |

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Review Reserve Policies & Financial Outlook for District (attached)**

Mr. John Farnkopf reviewed and explained the updated financial model he created for the District. The Finance Committee and the Advisory Group discussed the model and asked questions.

Mr. Farnkopf also presented the second financial model that the Committee requested him to create; this model incorporates the one-time surcharge approach, followed by milder rate increases. After reviewing both models, the Committee made some

adjustments to the recommended rate increases and decided both models should be presented to the entire Board at a Special Board Meeting Workshop.

Since the District does not have an engineering study to tell us otherwise (which is very expensive), the Committee decided it would be appropriate to use Mr. Farnkopf's conservative recommendation for the capital reserve target balance to equal two times the District's average annual capital improvement costs. The Capital Improvement Program Committee will discuss the potential need for an engineering assessment in the future.

The Committee reviewed the reserve fund matrix provided by Mr. Farnkopf. The Committee agreed the definition of the rate stabilization reserve needs to be clarified, and the disaster recovery reserve needs to be part of the capital replacement reserve, instead of being separate. The Committee also requested that Mr. Farnkopf add two more columns to the reserve fund matrix to show the District's current balances and target balances for each of the reserve accounts.

The Committee would like to make it clear to the Board at the Board Workshop that there is no reserve to replace the main treatment plant (when it needs to be replaced in the future). When the main plant was rebuilt in 1980, it cost \$14 million, and the District largely relied on federal grant money from the Environmental Protection Agency, which is no longer available today. Instead, when the time comes to rebuild the main plant in the future, the District will have to use debt financing. The Capital Improvement Program Committee will need to discuss this item further and investigate other alternatives, as in funding piecemeal replacements.

The Committee decided the two financial models and the reserve fund matrix will be presented to the entire Board at a Special Board Meeting Workshop on February 4, 2010 at 10 a.m. Mr. John Farnkopf, Mr. Martin Rauch, Mr. Riley Hurd, and the Advisory Group will also be present at this workshop. Mgr. Lynch will work on better identifying what projects the undesignated capital costs will cover in the next five years. Mgr. Miller and Mr. Farnkopf will continue to update the two financial models and will include the costs of prefunding the District's GASB 45 OPEB (other post-employment benefits) liabilities. This is currently not prefunded by the District, but it should be included in the models and the reserve policies, and the Finance Committee should review this item every year.

**IV. ADJOURNMENT** at 12:00 p.m.

Recorded by Samantha Miller

Corinne W. Wiley, President  
Catharine Benediktsson, Vice President  
V. William Brady, Secretary

Casey Kawamoto, Director  
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, January 14, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:10 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President  
Corinne W. Wiley, President
- Staff present: Tony Rubio, Facilities Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Warrants for December 2009 (attached)**

The Committee reviewed and approved warrants for December 1 – 31, 2009, #3481 through 3538, in the amount of \$149,517.29. The Committee asked about warrant #3484 to Banshee Networks. Mgr. Rubio explained that the District has had several issues recently that required a significant amount of computer/IT work, which has brought the District over budget in the Office/Computer account. Banshee Networks worked to solve some of these issues, including the failing backup tapes. The District also lost two and a half years' worth of SCADA data recently, but this problem was fixed, as well. We were able to get all of our data back, with the exception of 15 days' worth of data (while the technicians were working to solve the problem). Mgr. Rubio added that WorkSmart Automation will be performing the District's SCADA maintenance from now on since they are much better than Calcon.

Mgr. Miller noted that warrant #3489 to Pacific Gas & Electric was much cheaper in December (\$11,465.59), due to the one-time credit PG&E gave its customers as a result of the significant drop in the cost of natural gas this year.

The Committee asked why warrant #3504 to Roy's Sewer Service for Paradise Cove plant sludge disposal was so high (\$754.25). Mgr. Rubio explained we get about twice as much flow at the Paradise Cove plant now that Seafirth Estates is pumping to the

plant. This has doubled the amount of sludge and the cost of the sludge disposal at the Paradise Cove plant.

The Committee noted how expensive the annual waste discharge permit fees are to the State Water Resources Control Board. The annual permit fee this year was \$6,392.00 (warrant #3510). Mgr. Rubio explained this is the general permit every waste discharger is required to get; our permit lasts for five years, and we have to pay this fee every year.

The Committee asked about warrant #3521 to BLR for \$320.08. Mgr. Rubio explained this was a one year subscription for a CD-ROM of 7-minute safety training classes that he gives to District staff every week to satisfy OSHA requirements.

The Committee reminded Mgr. Rubio that the Board would like to see a presentation on the District's annual spring cleaning program. Mgr. Rubio said he is currently working on it.

**b. Financial Reports for December 2009 (attached)**

The Committee reviewed and approved the Financial Reports for December 1 - 31, 2009. The Committee discussed and asked questions about various accounts on the Combined Total Budget vs. Actual report.

Mgr. Miller noted the Belvedere Capital account now has \$224,192.25, as of December 31, 2009. She explained that the Belvedere capital expenditures exceeded the Belvedere capital revenue in FY 2008-2009, so all Belvedere capital and operating funds were kept in the same account (Operating) last fiscal year. Otherwise, there would have been a large negative balance on the books for the Belvedere Capital account. However, due to the tight budget and reduced capital expenditures in FY 2009-2010, the Belvedere capital revenue will exceed the capital expenditures this fiscal year, and it can now be properly accounted for in the Belvedere Capital account. The District received 55% of the Tiburon property tax money and 55% of the Tiburon and Belvedere annual sewer service charges in December 2009, leaving a \$224,192.25 balance in the Belvedere Capital account.

The Committee also discussed the fact that the District needs to start keeping track of and reporting when the state borrows money from the District, how much is borrowed, and when the money is supposed to be returned. This could be recorded as an accounts receivable asset for the District.

**IV. ADJOURNMENT** at 10:53 a.m.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, February 4, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:11 a.m.

- I. ROLL CALL:** Directors present: Claire McAuliffe, President  
Catharine Benediktsson
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager
- Others present: Bob McCaskill

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Warrants for January 2010 (attached)**

The Committee reviewed and approved warrants for January 1 – 31, 2010, #3539 through 3600, in the amount of \$135,961.15. The Committee discussed warrant #3583 to WorkSmart Automation, Inc. for instrumentation troubleshooting and then requested that its zone allocation be changed to 100% for the Paradise Cove zone. The Finance Committee would like the Information Technology Committee to discuss the District's contract with Salesforce.com.

**b. Financial Reports for January 2010 (attached)**

The Committee reviewed and approved the Financial Reports for January 1 - 31, 2010. The Committee requested that the Office/Computer expense account be split out further in next year's budget.

The Committee asked Mr. Bob McCaskill for advice about how the District should account for depreciation. Mr. McCaskill recommended that the depreciation expense be included in the operating fund, to make sure the District is covering its depreciation expense every year.

**c. Discussion of Recycled Water Project at Paradise Cove Treatment Plant**

Mgr. Lynch presented the total capital and operating costs of a secondary treated effluent recycled water program at the Paradise Cove Treatment Plant. After reviewing the costs, the Committee determined this project is not feasible for the District. It would involve a \$43,163.00 loss to the District the first year, followed by a \$15,363.00 loss each year thereafter, due to the ongoing operating and maintenance costs.

**d. Discussion of Future District Fiduciary Responsibilities**

The Committee discussed the future fiduciary responsibilities of the District, and Mgr. Lynch presented several scenarios for lowering future operations and maintenance costs. After discussion, the Committee recommended that the Board adopt Resolution No. 2010-01: A Resolution of the Board of Directors Adopting an Early Exit Incentive Policy for Designated Employees. The Committee recommended that the early exit incentive be \$35,000.00. This early exit incentive policy will only be offered to operations and maintenance staff with at least five years of service with the District.

**IV. ADJOURNMENT** at 11:20 a.m.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Wednesday, March 3, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:04 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Warrants for February 2010 (attached)**

The Committee reviewed and approved warrants for February 1 – 28, 2010, #3601 through 3669, in the amount of \$140,891.98.

**b. Financial Reports for February 2010 (attached)**

The Committee reviewed and approved the Financial Reports for February 1 - 28, 2010.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Tuesday, March 30, 2010 9:30 a.m.**

**CALL TO ORDER** at 9:40 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Discussion of Purchasing Rodder Truck (attached)**

The Committee discussed purchasing a rodder truck for the District. They discussed the costs per zone, along with the expected cost savings per zone for the cleaning program if the District has its own rodder truck. Mgr. Lynch would like to purchase the rodder truck in FY 2010-2011, and this item will be discussed again as the FY 2010-2011 budget is developed.

**b. Discussion of Reserve Policies (attached)**

The District plans to adopt a new reserve policy at the end of this fiscal year; the Committee discussed the District's current reserve policy and the changes that need to be made. Mgr. Miller explained that she discussed this matter in great detail with the District's auditor, Mr. Terry Krieg, and she relayed their recommendations to the Committee. The District's current reserve policy states dollar amounts that should be in each reserve account. Since these reserve levels are unrealistic and the District never has these specific balances in each reserve account, this means the District is never actually following its own reserve policy. Furthermore, some of the reserve accounts listed in the current reserve policy are not necessary, and the District has not even implemented them, thereby not following its current reserve policy. A revised reserve policy will identify an updated, shorter list of reserve accounts needed, state specifically

how they will be funded, and define the purpose of each reserve. Instead of stating specific dollar amounts for each reserve, the reserve policy could state, for example, that the operating reserve needs to have enough money to cover a certain number of months of the current fiscal year's operating budget (to cover the dry period), and any amount exceeding that will be transferred to the capital reserve. The Finance Committee agreed with these recommendations, and they would like to include Mr. Bob McCaskill and Mr. Paul Garbarini in their next discussion of the reserve policies. The Finance Committee recommends that Mr. McCaskill be appointed to join Mr. Garbarini on the Finance Committee's Advisory Group.

**c. Review of FY 2008-2009 Draft Audit Report (attached)**

The Committee reviewed and approved the FY 2008-2009 Draft Audit Report by Mr. Terry Krieg, CPA. The Committee discussed in detail Mr. Krieg's findings in the Management's Discussion and Analysis section, as well as the Communication with Those Charged with Governance letter from Mr. Krieg. Mr. Krieg will present the FY 2008-2009 Final Audit Report to the Board at the April 13, 2010 Regular Board Meeting.

**d. Discussion of Commercial Sewer Service Charges (attached)**

The Committee discussed the District's current ordinances outlining the method for calculating commercial sewer service charges. They would like to re-examine how other sanitary districts calculate their commercial sewer service charges for comparison purposes. The Committee recommends that the District's commercial sewer service charges be reviewed and examined again with the Advisory Group in the beginning of the next fiscal year. There is not sufficient time to make any changes to the FY 2010-2011 commercial sewer service charge calculations; if any changes are to be made, they would go into effect for FY 2011-2012 charges.

**e. Warrants for March 2010 (attached)**

The Committee reviewed and approved warrants for March 1 – 29, 2010, #3670 through 3736, in the amount of \$213,987.64.

**f. Financial Reports for March 2010 (attached)**

The Committee reviewed and approved the Financial Reports for March 1 - 29, 2010.

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, April 29, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:05 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager
- Advisory Group present: Bob McCaskill  
Paul Garbarini

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Reserve Policy (attached)**

Mgr. Miller explained that, during the District's FY 2008-2009 audit, she analyzed in great detail with the District's auditor, Mr. Terry Krieg, the problems with the District's current reserve policy. Together they developed recommendations for a new reserve policy, which Mgr. Miller has built upon and expanded. She explained that one problem with the District's current reserve policy is that it states dollar amounts that should be in each reserve account. Since these reserve levels are unrealistic and the District never has these specific balances in each reserve account, this means the District is never actually following its own reserve policy. None of the listed dollar amounts agree with the District's actual trial balances. Furthermore, some of the reserve accounts listed in the current reserve policy are not necessary, and some of these accounts do not currently exist in the District's general ledger, meaning the District is not following its current reserve policy. In addition, the current reserve policy does not clearly define a specific method of funding for each reserve account that is consistent with the District's actual financial practices.

Mgr. Miller recommended to the Finance Committee that the District adopt a new reserve policy at the end of this fiscal year; the Committee agrees with this recommendation. Mgr. Miller explained that a revised reserve policy needs to identify an updated, shorter list of fund/reserve accounts needed, define the purpose of each fund/reserve, state specifically how each will be funded, and include the specific authority required to transfer balances between any fund/reserve accounts. Specific account balances (dollar amounts) should not be listed in the reserve policy. Instead, the reserve policy should state that the target balances will be based on the current fiscal year's budgeted costs and the long-term capital improvement program plan.

Mgr. Miller reviewed with the Finance Committee and Advisory Group the recommended reserve policy matrix she created. In this matrix, she recommended that the District have the following accounts: Operating Account, Capital Account, Capital Replacement Reserve, and Capital Expansion (Connections) Reserve. The Operating Account would be used to provide working capital for the current fiscal year's operating expenses, the Capital Account would provide working capital for the current fiscal year's capital projects, and the Capital Replacement Reserve would be a reserve for future capital projects (based on the long-term capital improvement program plan) and emergencies. The Capital Expansion (Connections) Reserve is a separate account that is funded with connection fee revenue and must be used for growth-related capital projects. The Finance Committee and Advisory Group agreed with these recommendations, but they requested that Mgr. Miller investigate with Mr. Krieg whether the District could combine the Capital Expansion (Connections) Reserve with the Capital Replacement Reserve, instead of keeping them separate. Mgr. Miller will investigate this as there are legal restrictions for the District's connections revenue.

Mgr. Miller's recommended reserve policy matrix states that, at the beginning of each fiscal year, nine months (or 75%) of the current fiscal year's budgeted operating costs would be kept in the Operating Account (this would be the target balance, which would cover the nine-month dry period before the District receives revenue from the County to replenish this account), and 100% of the current fiscal year's budgeted capital costs would be kept in the Capital Account (to cover the entire year's capital projects). She recommended that sewer service charge and property tax revenue be used to fund the Operating and Capital Accounts, and all remaining revenue (after the Operating and Capital Accounts have been funded to meet their target balances) be used to fund the Capital Replacement Reserve. Board approval would be required for any transfers out of the reserve accounts. The Finance Committee and Advisory Group agreed with these recommendations, but they would like to see the Capital Account have 110% of the current fiscal year's budgeted capital costs, to leave a little cushion.

After discussing the remaining details of Mgr. Miller's recommended reserve policy matrix, the Finance Committee and Advisory Group worked together with Mgr. Miller on some of the wording and notes. They also agreed the new reserve policy should specifically state that future plant replacement will be debt funded and the reserves are not meant for that purpose. The Finance Committee directed Mgr. Miller to update her reserve policy matrix with the additions and revisions agreed upon during this meeting and present it at the next Finance Committee meeting with the Advisory Group. This will serve as a basis for drafting the revised reserve policy resolution.

**b. Financial Policies (attached)**

The Committee discussed the recommendations from Mgr. Miller for additional written financial policies the District should adopt. During the District's FY 2008-09 audit, Mgr. Miller also discussed in great detail the District's current financial policies with Mr. Krieg; together, they developed recommendations. Mgr. Miller recommended to the Finance Committee that the District adopt additional formal written financial policies to address the following specific issues (some of which are currently in practice at the District but are not adopted as formal written financial policies yet):

1. The current practice of calculating zone allocation percentages: Mgr. Miller explained the District needs to adopt a written financial policy for the District's current practice. The current method was recommended by Mr. David Perotti, CPA during his internal audit, and it was adopted and authorized by the Board at a Board meeting, but it is not yet in formal written policy. The current practice involves using influent flow data for each zone from the prior calendar year; for example, the percentage of flow coming from Belvedere during the last calendar year represents the Belvedere zone allocation percentage to be used for the next fiscal year's expenses. The Finance Committee agreed with this recommendation that the Board adopt this current, Board-approved practice as a formal written financial policy.
2. The District's depreciation allocation methods and policies: Mgr. Miller explained the District needs to adopt a formal policy (capitalization policy) regarding the allocation of depreciation for external financial reporting purposes and determine if allocations of depreciation on joint-use facilities (joint capital assets) are to be funded by cash transfers from the Belvedere zone to the Tiburon zone. Currently, the Belvedere zone does not fund its share of depreciation by cash transfers to the Tiburon zone, since it pays its share of the joint capital expenditures in the first place (at the time of purchase). The Finance Committee recommends that the Board adopt a formal written policy for the District's current practice, stating that the Belvedere zone does not need to fund its share of depreciation by cash transfers to the Tiburon zone, since it pays its share of the joint capital expenditures at the time of purchase.

3. Internal control over sewer service charge billing adjustments: Mgr. Miller explained the District needs to develop policies and procedures concerning how sewer service charge billing adjustments are to be approved and documented (adjustments should require written documentation and approval by the District Manager or the Finance Committee for any adjustments over a certain dollar amount, for example). The Finance Committee agreed with this recommendation. The Committee recommends that the Board adopt a formal written policy stating that the District Manager is required to approve in writing all adjustments (of any amount) to sewer service charge billings, the Finance Committee is required to approve any adjustments over \$5,000, and the entire list of adjustments for the year should be brought to the Finance Committee for review and approval at the end of each fiscal year.

4. Lack of separation of duties: Mgr. Miller explained that an office assistant could help with some of her duties to increase separation of duties and lower the District's associated risk, and a District Treasurer could be appointed to review bank account reconciliations (this could be the District Manager). The Finance Committee recommends that the Board appoint a District Treasurer to review the District's bank account reconciliations; the Committee recommends that the District Treasurer be the Finance Committee chair (or designee).

**c. GASB 45 – OPEB Liability & Funding (attached)**

Mgr. Miller explained the GASB 45 requirements for OPEB (Other Post-Employment Benefits: healthcare for retirees) liability and funding. The Committee agrees with Mgr. Miller's recommendation that the District begin to fully fund its annual OPEB costs at the end of this current fiscal year (FY 2009-2010). By doing so, the District will not have to book a liability for the unfunded OPEB costs at the end of this fiscal year (according to the new GASB 45 requirements). This will also save the District money in the long-term, instead of continuing with the pay-as-you-go approach. In order to begin fully prefunding the District's annual OPEB costs, the District would participate in the CalPERS California Employers' Retiree Benefit Trust Fund (CERBT). Historically, CalPERS gets higher interest earnings than LAIF (where the District currently invests its money), so prefunding our OPEB liabilities through investing in CERBT will save the District money in the long-term. The Finance Committee recommends that the Board take action at the May 11, 2010 regular Board meeting to authorize and execute the CERBT Program Agreement and Election to Prefund OPEB through CalPERS, as well as adopt the Delegation of Authority to Request Disbursements Resolution; both of these actions are required in order to participate in the CERBT Program. The Committee would also like to investigate reducing or eliminating retiree health benefits for future employees.

**d. Zone Allocation Percentages for FY 2010-2011 Budget (attached)**

The Committee reviewed and approved the new zone allocation percentages for FY 2010-2011, which will be used in the FY 2010-2011 Budget. For main plant capital and operations/maintenance costs that will be shared between Belvedere and Tiburon, the new allocation percentages will be 35.33% for Belvedere and 64.67% for Tiburon. For District-wide costs that will be shared between Belvedere, Tiburon, and Paradise Cove (such as salaries, Directors' fees, etc.), the new allocation percentages will be 34.7% for Belvedere, 63.52% for Tiburon, and 1.78% for Paradise. These allocation percentages were calculated based on 2009 influent flow readings for each zone. This is the method that was recommended by Mr. David Perotti, CPA and adopted and authorized by the Board in FY 2008-2009. For the property tax zone allocation percentages for Tiburon and Paradise Cove, the new allocations are 96.32% for Tiburon and 3.68% for Paradise Cove. This is based on equivalent dwelling units (EDUs), which is appropriate to use instead of flow for allocating property tax revenue. This method was also recommended by Mr. Perotti and adopted and authorized by the Board in FY 2008-2009.

**e. Marin Energy Authority – Recommendation for Opting In/Out**

The Committee discussed the Marin Energy Authority (MEA) and whether the District should opt in or out. The Committee requested that Mgr. Lynch email the District's current PG&E rate structure to Mr. McCaskill so he can compare it to the MEA rate structure. After making this comparison, the Finance Committee will bring this item to the entire Board for the Board to make a decision about whether to opt in or out based on the financial costs of each option.

**f. Funding Options:**

**i) CA State Revolving Loan Fund Program**

The Committee briefly discussed their interest in the California State Revolving Loan Fund Program. District staff is still gathering information about this program and will report back to the Finance Committee after further investigation.

**ii) Bond Issuance**

The Committee discussed the possibility of using bonds as a funding vehicle to help Paradise Drive residents hook up to the Paradise Drive Sewer Line Extension. The Finance Committee will continue to investigate this option.

**g. Commercial Sewer Service Charges (attached)**

The Committee discussed the District's current ordinances outlining the method for calculating commercial sewer service charges. They plan to re-examine the District's commercial sewer service charge calculations with the Advisory Group in the beginning of the next fiscal year. The Committee would like District staff to request a proposal from Mr. John Farnkopf for helping with this analysis in the fall – to compare how other districts calculate their commercial sewer service charges and re-evaluate our current method for determining both commercial and residential sewer service charges. There is not sufficient time to make any changes to the FY 2010-2011 commercial sewer service charge calculations; if any changes are to be made, they would go into effect for FY 2011-2012 charges.

**h. Directors' Requests of Finance Committee (attached):**

**i) Sanitary Sewer Flow Monitoring Plan (Scope, Budget, & Schedule) – RFP for Inflow & Infiltration Control Flow Monitoring Study (attached)**

The Committee reviewed the RFP for the Inflow & Infiltration (I&I) Control Flow Monitoring Study. Mgr. Lynch noted this project will be downsized from this current proposal, and the RFP will be modified accordingly. He added this I&I Control Flow Monitoring Study will be a much more effective way to locate I&I than smoke testing.

**ii) Schedule of Budget Meetings (attached)**

The Committee reviewed the schedule of budget meetings for the development of the FY 2010-2011 Budget. These dates were presented to the entire Board at the April 13, 2010 regular Board meeting, as well.

**iii) WWTP Brochure for Visitors**

Dir. Fedotoff had requested that the Finance Committee consider producing an inexpensive WWTP brochure for visitors, guided tours, school children visits, etc. The Finance Committee will forward this item to the Communications Committee.

**i. Warrants for April 2010 (attached)**

The Committee reviewed and approved warrants for April 1 - 28, 2010, #3737 through 3799, in the amount of \$124,728.67.

**j. Financial Reports for April 2010 (attached)**

The Committee reviewed and approved the Financial Reports for April 1 - 28, 2010.

The Committee recommended that the District use Mr. Terry Krieg for the FY 2009-2010 audit; Mgr. Lynch and Mgr. Miller recommend this, as well. The Finance Committee and District staff were very pleased with Mr. Krieg's previous audit work for the District. The Committee would like District staff to request a letter of engagement from Mr. Krieg to be presented to the entire Board for authorization and approval at the May 11, 2010 regular Board meeting.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Tuesday, June 1, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:04 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Warrants for May 2010 (attached)**

The Committee reviewed and approved warrants for May 1 - 26, 2010, #3800 through 3872, in the amount of \$327,186.23. The Committee asked about the warrants issued to pay for the lot line adjustment with the Marks property, next to the Paradise Cove Treatment Plant. Mgr. Lynch informed the Committee that Mr. Ken Marks has reimbursed the District for these lot line adjustment costs, as was the agreement with Mr. Marks. The Committee asked about warrant #3834 to Roto-Rooter Sewer Service for \$1,532.10. Mgr. Lynch explained this was for the preparation work to pipe burst the Woodwardia Lane sewer line. It was discovered that the line is made of steel, not clay (as the Harris Report had indicated), so Roto-Rooter could not complete the pipe bursting of this line, but the District still had to pay Roto-Rooter for their preparation work. Mgr. Miller informed the Committee that warrant #3836 to Pacific Gas & Electric is for two months of utilities, which explains why it totals \$33,182.94 (PG&E did not send a bill for the main plant utilities in April). The Committee discussed the high cost of chemicals. Mgr. Miller noted that the District gets reimbursed by the Sewerage Agency of Southern Marin (SASM) for the cost of the chemicals and parts used for them. Recently this has been averaging approximately \$14,000 per quarter in reimbursements from SASM.

**b. Financial Reports for May 2010 (attached)**

The Committee reviewed and approved the Financial Reports for May 1 - 26, 2010. The Committee reviewed all accounts that are over 100% on the Combined Total Budget vs. Actual report. The Committee asked why the District had a net loss of \$337,029.16 for the month of May, with the Belvedere zone bearing the majority of this loss (\$214,677.37). Mgr. Miller explained that the District is currently in the "dry period," when the District does not receive much income but has to continue paying all of its monthly expenses. One of the reasons why the Belvedere zone experienced such a significant loss this month is that the Belvedere zone had to pay \$131,566.43 for its loan principle and interest payment this month (the principle payment is made once per year and the interest payments are made twice per year). In addition, Belvedere received no connection fee revenue this month, unlike Tiburon (the Belvedere zone has been having far fewer connections than the Tiburon zone this fiscal year, which the District has no control over). Furthermore, the Tiburon zone received some remaining property tax revenue this month, which the Belvedere zone does not receive. No sewer service charge revenue was received by either zone this month (since it is the "dry period").

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Wednesday, June 9, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:07 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Review of FY 2010-2011 Draft Budget (attached)**

The Committee reviewed the FY 2010-2011 Draft Budget. Mgr. Lynch and Mgr. Miller explained each line item of the budget. The Committee discussed the entire budget and recommended that the budget be presented as is to the entire Board at the Board Budget Workshop on June 18, 2010.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Tuesday, July 6, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:02 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** None

**III. NEW BUSINESS:**

**a. Warrants for June 2010 (attached)**

The Committee reviewed and approved warrants for June 1 - 30, 2010, #3873 through 3937, in the amount of \$215,328.61. Mgr. Miller noted that warrant #3883 to Rauch Communication Consultants for \$11,586.21 has been held, at the request of Pres. McAuliffe. The Committee asked about the high cost for MMWD this month. Mgr. Miller explained that the water bill for the main plant was four times higher than it should have been, and District staff is currently working on getting a credit for part of this from MMWD, as a water leak at the main plant was identified and fixed last month.

**b. Financial Reports for June 2010 (attached)**

The Committee reviewed and approved the Preliminary Financial Reports for June 1 - 30, 2010. The Committee was pleased that the Preliminary Combined Total Budget vs. Actual Report shows the District's FY 2009-2010 total income at 102.7% of budget, total expenses at 98.8% of budget, and net income (to be transferred to reserves) at 119% of budget. The Committee noted this is a good testament to Mgr. Lynch and Mgr. Miller, and how well they are running the District on the financial side.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, August 5, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:05 a.m.

- I. ROLL CALL:** Directors present: Claire McAuliffe  
Catharine Benediktsson, Alternate
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** No public comments were made.

**III. NEW BUSINESS:**

**a. Warrants for July 2010 (attached)**

The Committee reviewed and approved warrants for July 1 - 31, 2010, #3983 through 4010, in the amount of \$94,483.57. Mgr. Miller explained that she noticed that the District's MMWD water bill last month for the main plant and one of the Tiburon pump stations was four times higher than it should have been, so District staff investigated the issue. The District's Administrative Assistant was able to get MMWD to give the District a credit of \$427.18, after demonstrating that water leaks were identified and fixed last month. The Committee also reviewed and discussed the District's insurance coverage, along with the District's money transfer policies between bank accounts.

**b. Financial Reports for July 2010 (attached)**

The Committee reviewed and approved the Financial Reports for July 1 - 31, 2010.

**c. FY 2010-2011 Commercial Sewer Service Charges**

The Committee reviewed and approved the list of FY 2010-2011 commercial sewer service charges, as calculated by Mgr. Miller. The Committee thanked Mgr. Miller for her great work calculating these charges.

The Committee directed District staff to send a letter to the commercial users who are currently requesting discounts on their sewer service charges based on their currently installed private water meter readings for their irrigation (and other uses that do not result in water entering the District's collection system). This letter should highlight the requirements set forth in the District's recently adopted Ordinance No. 2010-03 and 2010-04, which clearly state that these water meters must be MMWD meters (not private meters) in order for the District to exclude that irrigation water usage from its commercial sewer service charge calculations. The Committee agreed that the District will continue to accept private water meter readings to discount sewer service charges only for the FY 2010-2011 and FY 2011-2012 sewer service charges (based on 2009 and 2010 water meter readings, respectively). This will give commercial users from now until the end of 2010 to install MMWD water meters designated for irrigation, if they would like, which will allow them to receive discounted sewer service charges for FY 2012-2013 (based on MMWD water meter readings from 2011), and on into the future.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Thursday, September 9, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:10 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Catharine Benediktsson, Alternate
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** No public comments were made.

**III. NEW BUSINESS:**

**a. Warrants for August 2010 (attached)**

The Committee reviewed and approved warrants for August 1 - 31, 2010, #4011 through 4072, in the amount of \$152,285.60.

**b. Financial Reports for August 2010 (attached)**

The Committee reviewed and approved the Financial Reports for August 1 - 31, 2010.

**c. Consideration of Reimbursement to Property Owner of 23 Acacia Avenue, Belvedere for Sewer Repair Work (attached)**

The Committee reviewed the request for reimbursement and directed Mgr. Lynch to obtain additional information from the homeowner of 23 Acacia Avenue regarding his request, as well as additional information from Ongaro & Sons, the company that performed the sewer repair work.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Wednesday, October 13, 2010 9:30 a.m.**

**CALL TO ORDER** at 9:36 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager

**II. PUBLIC COMMENTS:** No public comments were made.

**III. NEW BUSINESS:**

**a. Warrants for September 2010 (attached)**

The Committee reviewed and approved warrants for September 1 - 30, 2010, #4073 through 4111, in the amount of \$101,700.37.

**b. Financial Reports for September 2010 (attached)**

The Committee reviewed and approved the Financial Reports for September 1 - 30, 2010.

**IV. UNFINISHED BUSINESS**

**a. Consideration of Reimbursement to Property Owner of 23 Acacia Avenue, Belvedere for Sewer Repair Work (attached)**

The Committee reviewed the request for reimbursement and directed Mgr. Lynch to obtain documentation of proof of payment (such as a cancelled check) from the homeowner of 23 Acacia Avenue. The Committee also directed Mgr. Lynch to ensure that the homeowner disconnects his downspouts from the District's sewer system. After these requirements have been met, the Committee recommended

that the District reimburse the homeowner for half of his expenditure for the sewer repair work done by Ongaro & Sons.

Recorded by Samantha Miller

Claire McAuliffe, President  
Corinne W. Wiley, Vice President  
V. William Brady, Secretary

Catharine Benediktsson, Director  
Roy Fedotoff, Director

**Sanitary District No. 5 of Marin County  
Finance & Fiscal Oversight Committee Meeting Minutes  
at Sanitary District No. 5 of Marin County Meeting Room  
2001 Paradise Drive, Tiburon, California  
Monday, November 8, 2010 10:00 a.m.**

**CALL TO ORDER** at 10:00 a.m.

- I. ROLL CALL:** Directors present: Corinne W. Wiley, Chair  
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager  
Samantha Miller, Office/Finance Manager
- II. PUBLIC COMMENTS:** No public comments were made.
- III. NEW BUSINESS:**
- a. Warrants for October 2010 (attached)**
- The Committee reviewed and approved warrants for October 1 - 31, 2010, #4112 through 4181, in the amount of \$226,899.32.
- b. Financial Reports for October 2010 (attached)**
- The Committee reviewed and approved the Financial Reports for October 1 - 31, 2010.

Recorded by Samantha Miller