

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 Claire McAuliffe
Staff present:	Robert L. Lynch, District Manager Samantha Miller, Office/Finance Manager
Advisory Group present:	Bob Becker Paul Garbarini 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