

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