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 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	

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