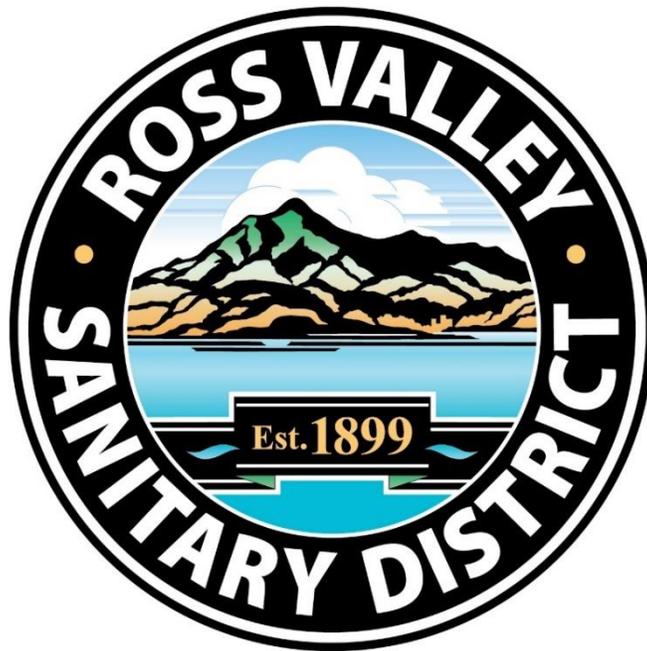


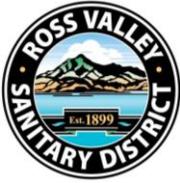
ANNUAL BUDGET
FISCAL YEAR 2022-2023
JULY 1 – JUNE 30



Adopted by the Board of Directors
June 15, 2022

ROSS VALLEY SANITARY DISTRICT
2960 Kerner Blvd., San Rafael, CA 94901
www.rvsd.org

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ROSS VALLEY SANITARY DISTRICT

FISCAL YEAR 2022 – 2023 BUDGET ACKNOWLEDGMENTS

BOARD OF DIRECTORS

DOUG KELLY, PRESIDENT

ELECTED: JUNE 2016

THOMAS GAFFNEY, SECRETARY

ELECTED: JUNE 2014

MICHAEL BOORSTEIN, TREASURER

ELECTED: JUNE 2014

PAMELA MEIGS, ALTERNATE SECRETARY

ELECTED: JUNE 2010

MARY SYLLA, ALTERNATE TREASURER

ELECTED: JUNE 2012

EXECUTIVE AND FINANCE TEAM

STEVE MOORE, P.E., GENERAL MANAGER

FELICIA NEWHOUSE, ASSISTANT GENERAL MANAGER

PAUL BRUEMMER, OPERATIONS AND MAINTENANCE MANAGER

COREY SPRAY, CPA, FINANCE SUPERVISOR

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RESOLUTION NO. 22-1624

**RESOLUTION OF THE BOARD OF DIRECTORS OF
ROSS VALLEY SANITARY DISTRICT
ADOPTING THE BUDGET FOR FISCAL YEAR 2022-2023**

WHEREAS, the Board of Directors of Ross Valley Sanitary District (“District”) has reviewed the financial condition of the District, as presented in the Fiscal Year 2022-2023 Budget; and

WHEREAS, the Board of Directors of Ross Valley Sanitary District has found it necessary to adopt a budget for Fiscal Year 2022-2023 in order to meet present and upcoming financial commitments of the District; and

NOW, THEREFORE BE IT RESOLVED that the Board does hereby approve the Budget dated June 15, 2022, and authorizes the following expenditure amounts for Fiscal Year 2022-2023 and that any unused funds remaining from the operations of these funds shall be held in reserve for that fund or as required by law:

Operations and Maintenance.....	\$21,446,500
Capital (including Debt Service).....	\$19,181,000
Total Budget.....	\$40,627,500

AND BE IT FURTHER RESOLVED that the Board hereby approves and directs the use of the funds identified above for the District in managing the financial functions of the District.

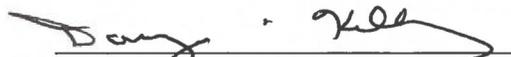
PASSED, APPROVED AND ADOPTED by the Board of Directors of Ross Valley Sanitary District at the regular meeting held this 15th day of June 2022, by the following vote:

AYES: Boorstein, Gaffney, Meigs, Sylla, Kelly

NOES: None.

ABSENT: None.

ABSTAIN: None.


Douglas T. Kelly, President of the Board

ATTEST:


Thomas Gaffney, Secretary of the Board

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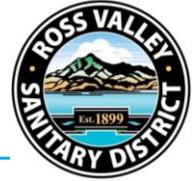


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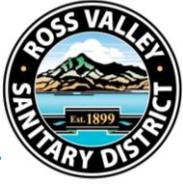
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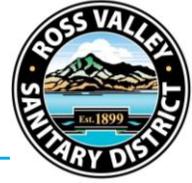
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ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

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OVERVIEW

Ross Valley Sanitary District’s (“RVSD” or “District”) Fiscal Year 2022/2023 (FY22/23) Budget assists the District in communicating its planned use of resources to elected officials, District employees, and the public. This section provides the reader with an overview of the essential components included in this budget document, which includes three major sections: 1) Introduction, 2) Organization & Budget Structure, and 3) Budget Summaries. A summary of the District’s Pension and OPEB prefunding policies as well as the financial policies are included in Appendix.

Introduction

The Introduction begins with a message from the District’s General Manager showcasing the District’s performance and achievements from the current fiscal year and providing a direction for where the District is going to lead into the next fiscal year. It is then followed by an overview of the District and community.

Organization & Budget Structure

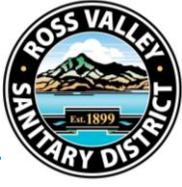
This section is designed to provide the reader with an overview of the District’s organization, its organizational chart, and fund structure, as well as its financial and budgetary policies. This section also includes the key performance indicators to describe how the District controls its resources from a non-financial perspective for how it is meeting its mission and values.

Budget Summaries

The Budget Summaries section describes in detail the District’s finances from both a consolidated and detailed fund level. Included are year-over-year budgetary comparisons, overview of the District fund balances and reserves, discussion of key drivers and forecast of its revenue budget, departmental budgets, debt obligations and the District’s Capital Improvement Program (CIP). The section concludes with the District’s Five-Year Forecast showing the latest estimates of where the District is going to be financially in five years.

Appendix

Included within the Appendix are the key policies that assist the budget with its preparation and key criteria, such as its pension obligations.



ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23

MESSAGE FROM THE GENERAL MANAGER

It is my honor on behalf of the Ross Valley Sanitary District Board of Directors and staff to present the District's FY 2023 budget. This document lays out the financial plan for the upcoming fiscal year detailing the resource requirements for maintaining and sustainably improving the wastewater collection and conveyance infrastructure for the District's ratepayers.

Our intention is to present a high-quality budget that clearly articulates the District's services and ways it effectively and efficiently provides its services in a readily accessible and understandable format. All referenced financial documents in this document are available online at <https://www.rvsd.org/>.

Major District Achievements from FY 2022

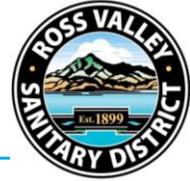
- Received recognition from the Special District Leadership Foundation (SDLF) for the Transparency Certificate of Excellence.
- Received recognition from the Government Finance Officers Association (GFOA) Excellence in Financial Reporting for the District's Annual Comprehensive Financial Report (ACFR) for twelve consecutive years.
- Recognized by the regional California Water Environmental Association (CWEA) Redwood Empire Section for Supervisor of the Year Award for one of the District's employees for exceptional performance in his respective profession and leadership.
- Received clearance from the Environmental Protection Agency (EPA) on site remediation allowing for unrestricted land use of the former wastewater treatment plant at 2000 Larkspur Landing Circle in Larkspur, CA.
- Improved its credit standing with Fitch to be "AA- Positive Outlook".
- "Fully funded" the District's unfunded pension liability using its Section 115 trust account to accelerate the cost savings to be realized into the coming years.
- Received Clean Water Act State Revolving Funds in the amount of \$1.7 million for one of the District's capital projects approved by the State Water Resource Control Board (SWRCB).

Major District Objectives into FY 2023

- Operate the pump stations to minimize odors in public settings.
- Implement Easement Access Management practices to improve operations efficiency and safety of maintaining the collection and conveyance system, working cooperatively with other local public agencies and private property owners.
- Maintain a high level of service to our ratepayers in our service area for a safe and effective wastewater collection and conveyance system.
- Improve and replace capital assets for consistent, efficient, and environmentally appropriate operations and maintenance of the District's infrastructure to minimize costs to our ratepayers.

ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23



FY 2023 Budget

The District strives to develop a fiscally responsible budget that captures the guiding mission and values for providing quality service to its ratepayers.

The FY 2023 budget includes expected net operating revenue of approximately \$5.6 million for capital projects. Operating revenue increased 7% and operating expenditure increased by 17% from our FY 2022 projected results. Capital revenue is anticipated to total \$10.8 million for FY 2023, including \$9.6 million in ad valorem property taxes received. The District plans to spend approximately \$9.6 million on 14 capital improvement projects this year using the dedicated capital funds and net revenue from the operating fund.

Key highlights from the budget are as follows:

- Total operating revenues of approximately \$27 million, and dedicated capital revenues of \$9.9 million from property taxes, capacity charges, and lateral loan repayments.
- Total operating expenditures of approximately \$21.5 million resulting in an overall increase of 4.5% from the FY 2022 budget. The main changes to the FY 2023 budget are due to increases in maintenance and repair costs and higher utilities costs from the current inflationary environment, development of three engineering studies anticipated into the next fiscal year, and higher Central Marin Sanitation Agency (CMSA) treatment plant costs.
- Annual debt service of \$6.6 million.
- Continued support for the Lateral Replacement Grant and Loan Programs in the total amount of \$600,000.
- Replacement of two heavy duty vehicles within the fleet to modernize key wastewater operations equipment in the total amount of \$765,000.

Our Team Drives the District's Performance

The District is recognized as a high-performing and financially stable wastewater utility within Marin County and the San Francisco Bay Area. The District continues to be recognized by state and national organizations in the areas of facility operations, safety, and financial reporting. I am privileged to work alongside experienced and enthusiastic professionals.

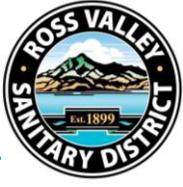
On behalf of all the employees, I would like to express our thanks and gratitude to the District Board of Directors for its ongoing support of the District's Mission and Values, and in securing the necessary resources to enable us to achieve a recognized level of high performance.

We hope that this annual budget will be insightful and clear in understanding how the District allocates its resources. We welcome your comments and feedback for improving future budget publications.

Respectfully,

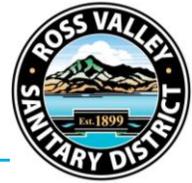
A handwritten signature in blue ink, appearing to read "Steve Moore".

Steve Moore, P.E.
General Manager



ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

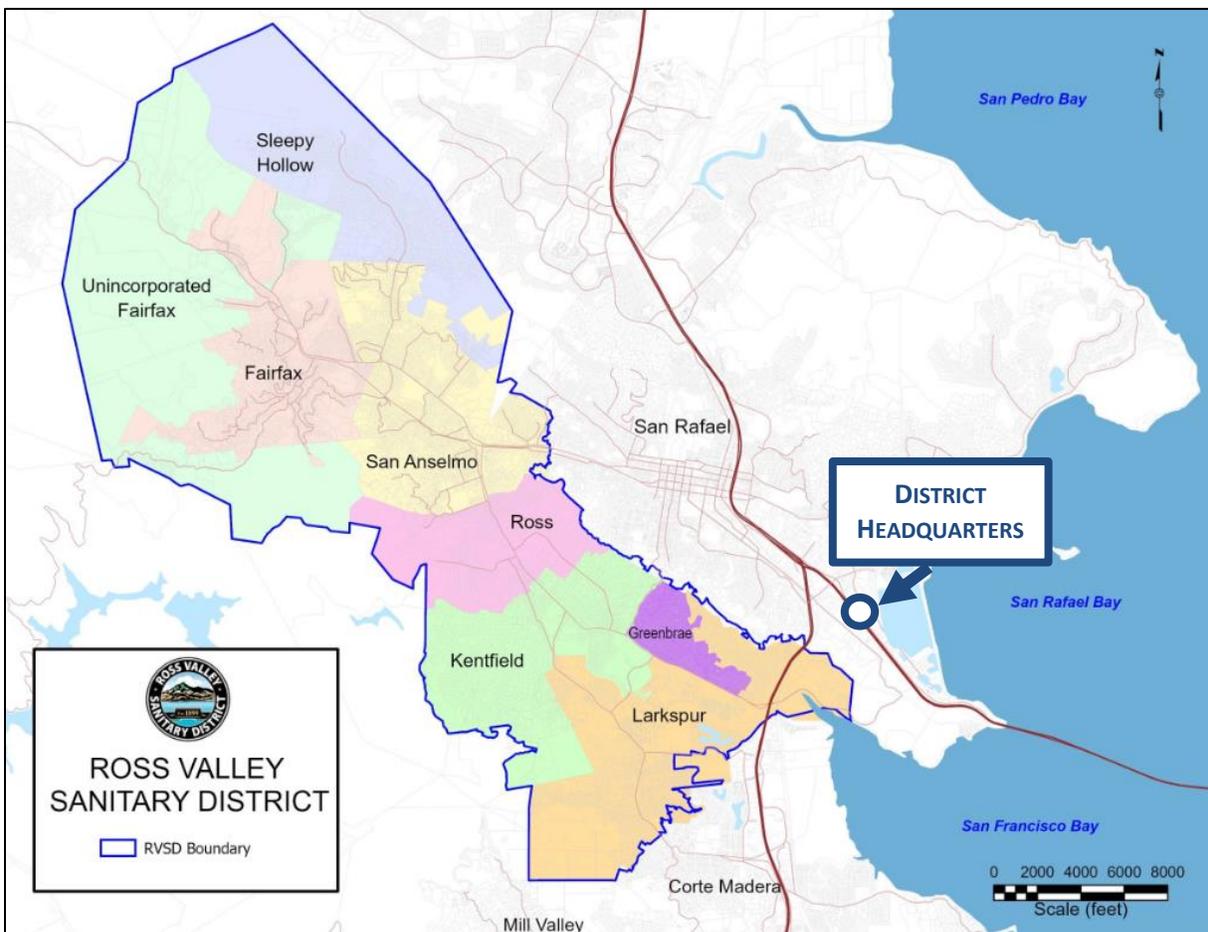
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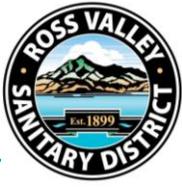


DISTRICT OVERVIEW

The Ross Valley Sanitary District (“RVSD” or “District”) is a special enterprise district that was formed under the Sanitary District Act of 1923 (California Health and Safety Code, Section 6400 et. seq.). The District was established on May 27, 1899, and serves approximately 15,000 residential and commercial connections over approximately 26.75 square miles within the incorporated municipalities of Fairfax, Larkspur, Ross and San Anselmo, and various unincorporated areas of Ross Valley within Marin County. The District’s primary service is collection and conveyance of wastewater from each of these areas for treatment at its Joint Powers Authority, Central Marin Sanitation Agency (CMSA).

FIGURE 1 – DISTRICT SERVICE AREA WITHIN LOCAL MUNICIPAL BOUNDARIES





ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23

LOCAL COMMUNITY

The District is situated within the suburban area called “Central Marin” in the heart of Marin County. It is comprised of several distinct municipalities all within a short drive from one another. These municipalities include the Town of San Anselmo, Town of Fairfax, Town of Ross, City of Larkspur, and a few unincorporated Marin County territories including Sleepy Hollow, Kentfield, and Greenbrae. The total service area of the District is approximately 26.75 square miles.

The area is well-known for its outdoor recreational activities, tight-knit community feel, deep roots in the State of California’s history and proximity to the City and County of San Francisco. Marin was one of the original 27 counties created during the State’s founding in 1850 and served as the birthplace for some of the first special districts for water and wastewater treatment services¹. This is testament to the area’s long tradition of environmental preservation that continues today. The population within the District’s service area, and Marin County overall, expanded tremendously over this period, particularly after the completion of the Golden Gate Bridge in 1933 connecting Marin to San Francisco. This connection allowed for ease of access for working professionals to settle within the County. As of the 2019 American Community Survey from the United States Census Bureau, the total population within the service area is 46,635 residents, which has declined in the past few years.

TABLE 1 – DISTRICT SERVICE AREA POPULATION

Municipality	Population Size
Town of San Anselmo	12,623
Town of Fairfax	7,629
Town of Ross	2,453
City of Larkspur	12,363
Unincorporated County Area (Sleepy Hollow, Kentfield, Greenbrae, Fairfax)	11,567
Total District Service Area Population	46,635

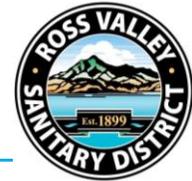
Source: United States Census Bureau, 2019 American Community Survey

The County’s local economy overall is very strong with household wealth and income. The Per Capita Personal Income balance on average is \$145,575 and the gross domestic product is \$31.5 billion recorded as of 2020². This personal income balance is 207.4% higher than the State’s average of \$70,192, and the gross domestic product is growing at a compound annual growth rate over the past ten years of 4.9% relative to the State’s average of 2.7% over the same timeframe. This growth highlights two factors that are occurring in spite of the recent population decline:

- There is a direct correlation between the growth from the financial and technological industries in San Francisco and Marin County’s growth because of the spillover effect from San Francisco.

¹ Marin Independent Journal, “Highlights of Marin’s history, from 1850-2010”, 2011 March 23, <https://www.marinij.com/2011/03/23/highlights-of-marins-history-from-1850-2010/>

² Bureau of Economic Analysis, “BEARFACTS|Economic Profile for Marin”, 2021 November 16, <https://apps.bea.gov/regional/bearfacts/>



San Francisco, in recent years, has experienced an explosion of economic growth as a hub for innovation and financial expertise that serves the entire West Coast.

- Housing property values within Marin continue to remain strong. The average and median home price as of March 2022 is respectively \$2.1 million and \$1.8 million for a single-family dwelling³. This growth is attributed to the economic growth spill over from San Francisco, the scarcity of Marin land available for building, and overall demand by homebuyers choosing to live in Marin for its proximity to San Francisco, its award-winning public schools and beautiful natural setting.

Economic growth gives rise to local business formation. Table 2 includes the top ten ratepayers within the District’s service area:

TABLE 2 – DISTRICT SERVICE AREA TOP 10 RATEPAYERS

Ratepayer	Industry	User Charge \$
JEP 2, LLC	Residential (MFR)	505,701
California Community Housing Agency	Government	351,234
Marin County Hospital District	Healthcare	291,542
Teachers Insurance & Annuity Association	Finance	254,696
Marin Country Mart	Retail	192,756
Upper Skylark LLC	Residential (MFR)	152,145
Fairfax Center Properties LLC	Retail	145,412
Ross Valley Homes Inc	Hospitality	130,196
CLG Larkspur LLC	Residential (MFR)	115,920
Bon Air LP	Retail	105,541

Employment conditions within Marin are strong as well. Unemployment within Marin is 2.4% as of March 2022⁴. This means that the working age population that is actively seeking work on average is currently employed. The lower the unemployment rate, the more the local economy benefits from a higher standard of living. Table 3 includes the top ten employers within the District’s service area:

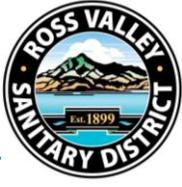
TABLE 3 – DISTRICT SERVICE AREA TOP 10 EMPLOYERS

Employer	Industry	Employee Count
MarinHealth Medical Center	Healthcare	2,000
College of Marin	Education	350
Kentfield Hospital	Healthcare	350
Tamalpais School District	Education	300
San Domenico School	Education	300
The Branson School	Education	160
Larkspur School District	Education	136
Kentfield School District	Education	120
Ross School District	Education	52
Central Marin Police Authority	Government	47

Source: Entity Budgets, Financial Reports, and websites

³ Marin County Assessor’s Office, “Real Estate Sales Data”, <https://www.marincounty.org/>

⁴ Bureau of Labor Statistics, “Local Area Unemployment Statistics”, <https://bls.gov/lau/home.htm>



ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

MISSION AND VALUES STATEMENT

OUR MISSION

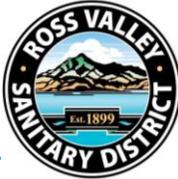
Our mission is to provide our customers with high quality wastewater collection service, through a system that has no avoidable sanitary sewer overflows, at the lowest sustainable cost, and to protect public health and the environment.

OUR VALUES

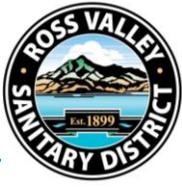
We strive to conduct our daily activities in a way that reflects pride, efficiency, professionalism, and competence with a team oriented and supportive approach. Individually and as a team we hold and practice the following core values:

- Being fiscally responsible
- Protecting our natural resources
- Developing solutions that work today and for future generations
- Providing excellent quality service and creating quality work products
- Collaborating with each other and our stakeholders
- Being industry leaders
- Supporting efficiency and alignment with the mission through our resources and work

ROSS VALLEY SANITARY DISTRICT
ANNUAL BUDGET FY 2022-23



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ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

ORGANIZATION STRUCTURE

The District's governance structure consists of a five-member Board of Directors ("Board") who are elected on a non-partisan basis. Each Board member's four-year term is staggered to provide general consistency in governance.

The District is managed by an executive team consisting of a General Manager, an Assistant General Manager/Administrative Services Manager and an Operations & Maintenance Manager. The Board appoints the General Manager and General Counsel.

Each executive team member leads one of three departments at the District: Administration, Engineering and Operations. The Administration Department oversees finance, payroll, human resources, information technology and Board Clerk activities of the organization. This department is led by the Assistant General Manager/Administrative Services Manager. The Engineering Department is responsible for the District's Capital Improvement Program (CIP) and operations/inspections data analytics at the District for improving infrastructure and operations. This department is led by the General Manager. The Operations Department oversees the maintenance of the District's sewer lines, pump stations and collection system equipment. This department is led by the Operations & Maintenance Manager.

The Operations Department has four divisions responsible for the specific operations and maintenance functions of the District: Pumps, Line Maintenance, Line Repair, and Condition Assessment. The Pumps Division operates and maintains the District's pump stations throughout the District's service area; the Line Maintenance Division performs routine cleaning and maintenance of the pipe system; the Line Repair Division performs sewer line repair on aged or damaged lines; the Condition Assessment Division performs video inspections and smoke testing to collect and provide data on sewer lines and laterals. Each operations division is led by an Operations Supervisor who specializes in the specific division function and leads a team of Collection System Workers to perform the required tasks. Operations Supervisors report either to the Operations & Maintenance Superintendent or the Operations & Maintenance Manager.

The organization has a budgeted total of 35 full-time employees. The organization chart on the following page graphically depicts the organizational structure.

The District's headquarters is currently located at 2960 Kerner Boulevard in San Rafael. Its corporation yard is located at 2000 Larkspur Landing Circle in Larkspur. Wastewater treatment is provided by the District's Joint Powers Authority, Central Marin Sanitation Agency (CMSA), located at 1301 Andersen Drive in San Rafael. The District plans to move its headquarters from Kerner Boulevard to 1111 Andersen during FY 2023.

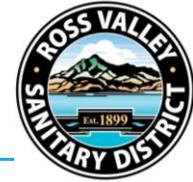
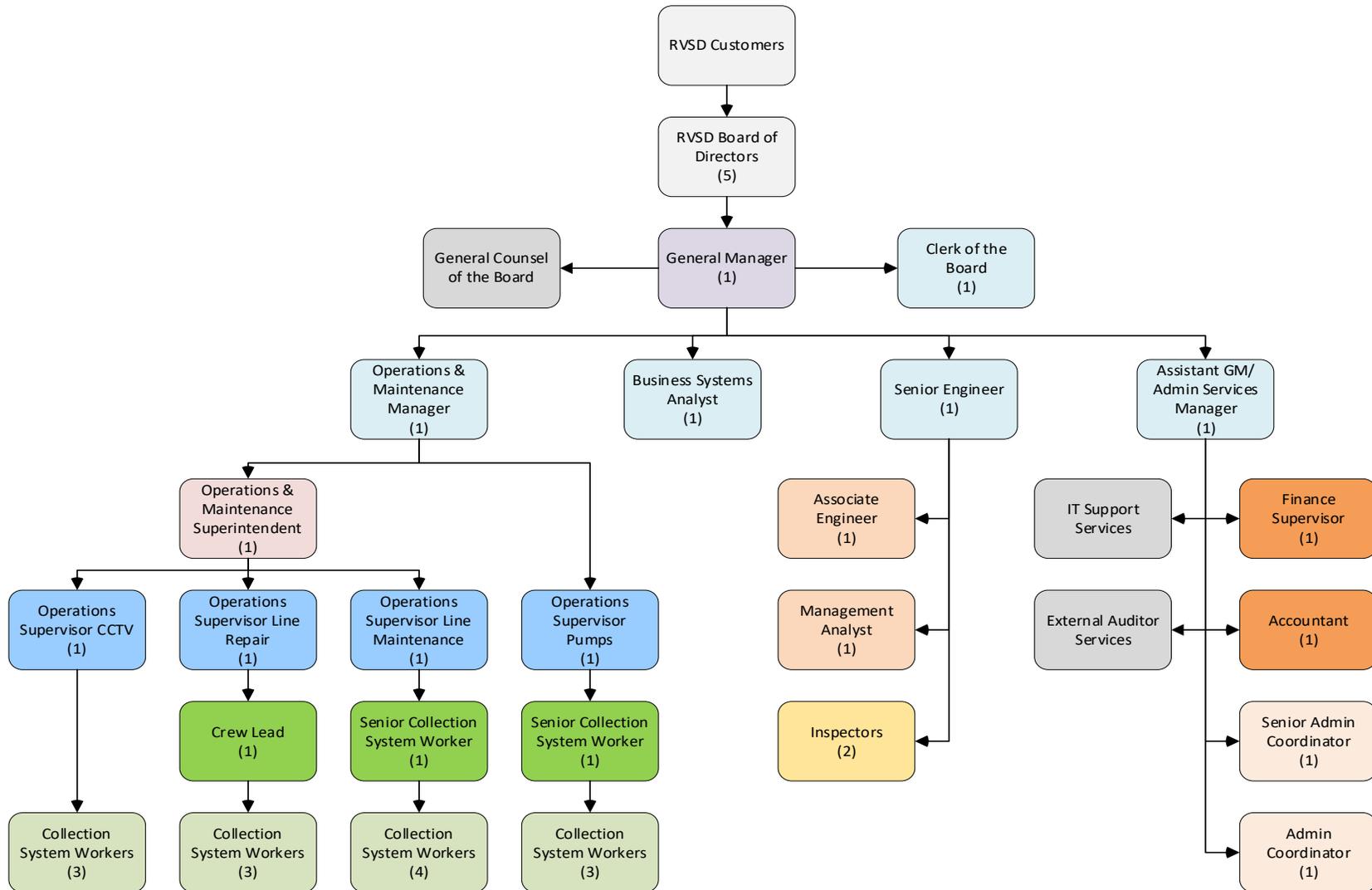
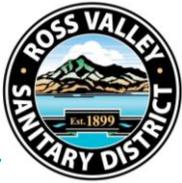


FIGURE 2 – ORGANIZATION CHART

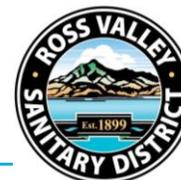




ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

TABLE 4 – FULL TIME EQUIVALENT EMPLOYEE HEADCOUNT

Position	Full Time Positions		
	Prior Year 2020-21	Current Year 2021-22	Budget Year 2022-23
Administration			
General Manager	1	1	1
Finance & Administrative Services Manager/AGM	1	1	1
Finance Supervisor	1	1	1
Clerk of the Board II	1	1	1
Senior Accountant	1	0	0
Accountant II	0	1	1
Senior Administrative Coordinator	1	1	1
Administrative Coordinator	1	1	1
Administration Total	7	7	7
Operations			
Operations & Maintenance Manager	1	1	1
Operations & Maintenance Superintendent	1	1	1
Operations Supervisor	4	4	4
Senior Collection System Worker / Crew Lead	3	3	3
Collection System Worker II	13	13	13
Operations Total	22	22	22
Engineering			
Senior Engineer	1	1	1
Associate Engineer	1	1	1
Senior Business Systems Analyst	1	1	1
Compliance Officer	1	1	0
Management Analyst	0	0	1
Inspector	2	2	2
Engineering Total	6	6	6
Total Full-Time Equivalent Employee	35	35	35

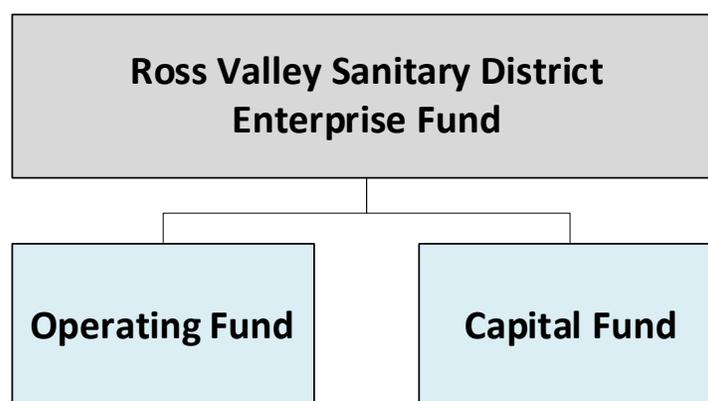


FUND STRUCTURE & DESCRIPTIONS

The District utilizes an enterprise fund structure to account for services it provides to the public. The costs of these services are recovered through Sewer Service Charges (SSC) levied on service area ratepayers.

Within the District’s single enterprise fund, there are two component funds used for budget purposes that represent the District’s operations and capital activities. Figure 3 below depicts the financial structure of the District used for budgeting purposes.

FIGURE 3 – ENTERPRISE FUND STRUCTURE

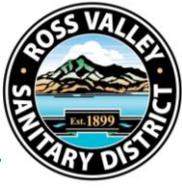


OPERATING FUND

The Operating Fund accounts for all of the District’s wastewater collection and conveyance operations. This includes payment of District personnel costs, treatment costs, consultant fees, and the operations budgets. The Operating Fund recovers the costs incurred primarily through collection of SSC revenues from the Marin County property tax roll. Installments are remitted to the District three times each fiscal year in accordance with the Teeter Plan. Other revenue sources include inspection fees, investment income, and other miscellaneous fees.

CAPITAL FUND

The Capital Fund accounts for all activities related to payment of debt service and Capital Improvement Projects (CIP). The Capital Fund is supported through several financing sources dependent on the CIP forecast. Sources include the District’s allocation of ad valorem property taxes, capacity charges, Operating Fund surpluses, and debt financing proceeds. Property taxes are remitted to the District from the County of Marin in three installments during the fiscal year in accordance with the Teeter Plan. Capacity charges are collected for all new and expanded connections to the District’s system. Debt financing is selectively used when the District foreseeably forecasts very large, expected CIP expenditures. In FY 2023 and beyond, the District does not expect to issue debt given the District is moving towards a “Pay-As-You-Go” (“PayGo”) methodology. The Capital Fund receives net surplus from the Operating Fund to cover any remaining budget shortfall.



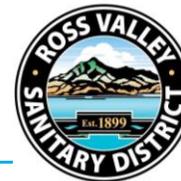
FINANCIAL POLICIES SUMMARY

The Board adopted a comprehensive set of Financial Policies to align with the District's guiding principles of financial planning, GFOA best practices, recommendations from the District's independent auditors, and the latest GASB pronouncements.

The framework of the Financial Policies governs the overall financial management and fiscal health of the District, and promotes accountability to effectively direct the financial planning, management, and operations of the District. The General Manager and Assistant General Manager/Administrative Services Manager are responsible for ensuring staff compliance with the Financial Policies.

Individual policies are updated as needed; however, a full review and update is scheduled for every three to five years as a preliminary step for that fiscal year's budget preparation. The latest set of Financial Policies were adopted in January 2022, and are included in Appendix C. The following is a summary of each adopted policy:

- **Internal Controls & Fraud Prevention**: Defines authorization levels, signatory requirements, segregation of duties, banking requirements, fiduciary responsibilities, and other policies.
- **Ethics & Conflicts of Interest**: Defines standards of ethical conduct District adheres to and expresses procedures and steps when unethical conduct is detected and remediated.
- **Budgeting & Long-Term Financial Planning**: Defines the District's explicit guidelines when preparing its annual budget, budget amendments, budget tracking and financial forecasting.
- **Financial Reporting Guidelines**: Defines the internal and external reporting requirements of the District, such as the monthly financial reports to the Board, annual audited financial statements and preparation of the Annual Comprehensive Financial Report (ACFR).
- **Minimum & Target Reserves**: Defines the District's targeted reserve policy for its Operating and Capital Funds, such as the Operating Reserve, Capital Improvement Reserves, Emergency Reserves, and Pension Prefunding Trust Reserves.
- **Revenue & Cash Management**: Defines the sources of revenues the District receives and what are the procedures for security of cash receipt handling that are not sent electronically.
- **Debt Management**: Defines the types and terms of debt obligations the District is allowed to undertake, the initiative of maintaining/improving its credit standing, criteria for financial disclosure requirements and relevant internal controls over debt proceeds.
- **Investments**: Defines the delegation of authorization, the allowable investments, the stated goal of diversification, procedures for selecting appropriate securities dealers and reporting.
- **Procurement Policy**: Defines the levels of authority for purchase orders, and signatory requirements for all types of procurement expenditures, and disposal of District property.
- **Credit Card & Purchasing Card Use Policy**: Defines the levels of authority for usage of District credit cards and applicable credit limits for specified employee designations.
- **Capital Asset Management**: Defines the type of assets and capitalization dollar threshold for assets to be capitalized, and the proper accounting of capital assets.
- **Inventory Management & Valuation**: Defines the proper designation of purchases as inventory, capitalization threshold, and the appropriate accounting and valuation.
- **Risk Management & Insurance**: Defines the responsibility of the District for managing its liability considerations with its property, fixed assets, and employees.



BUDGETING PROCESS & CALENDAR

The annual budget process begins with an analysis of the current year budget compared to projected annual expenditures and long-term capital improvement program funding needs. Unanticipated operating expenditures are identified for exclusion from the observed baseline expenditures expected for the upcoming fiscal year. These operating expenditure baselines are further reviewed and/or updated based on discussion with each of the department managers at the budget line-item level. The capital budget is developed through discussion with the Engineering Department concerning the rolling five-year CIP plan. All one-time capital equipment purchases and/or service contracts are submitted for budget approval to the General Manager and Assistant General Manager/Administrative Services Manager.

Sufficient funding of the District’s operating and capital activities is assessed through review of current year budgeted revenues relative to projected annual revenues. Significant variances are identified and analyzed. Adjustments to the total budget are made as appropriate throughout the process.

As part of preparation, the budget is balanced between its revenues and expenditures. When revenues exceed expenditures, surplus funds are transferred into the required reserve accounts.

During the course of the budget development, the General Manager, Assistant General Manager/Administrative Services Manager, Operations & Maintenance Manager, and Finance Supervisor meet with the Finance Committee and Board of Directors to present the draft budget for initial public comment and/or recommendations in May. Stakeholders within the District’s service area are invited to attend to provide input on the proposed budget. Direction provided is incorporated into the final proposed budget and presented to the full Board for consideration of adoption at a public meeting in June. Once adopted, the budget serves as the revenue collection and spending plan for the following fiscal year from July 1 to June 30.

At any point subsequent to adoption where the budget is to be amended because of a change in policy/business direction, an amendment is to be proposed by the General Manager to justify the change in spending authority. Budget amendments are presented to the full Board. After approval, the amendment is included within the revised adopted budget.

TABLE 5 – BUDGET CALENDAR

Date	Procedure
January	Develop upcoming budget calendar and analyze current year performance.
February	Budget kick-off with department managers for estimating projected expenditures and developing operational and capital budget expenditures.
March	Finalize District personnel and related insurance costing and revenue analysis.
April	Prepare preliminary budget tables/charts/graphs for District management review.
May	Prepare final proposed budget document for public/Finance Committee/Board of Director review and comments.
June	Final proposed budget presented to public/Finance Committee/Board of Directors for final review and adoption. Adopted budget published and distributed to stakeholders.

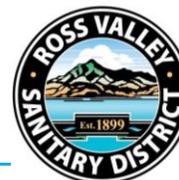


BUDGETING BASIS OF ACCOUNTING

The District accounts for its activities in a single enterprise fund. Consistent with current Generally Accepted Accounting Principles in the United States of America (US GAAP), the District's activities are accounted for in an accrual method to produce its financial statements. The accrual method records revenue when earned and records expenses when incurred, in a manner similar to private business enterprises. The intent is to present the District's operations on a cost recovery basis for all its operations and capital project activity relative to the user fees levied.

As the District's financials are accounted for as an enterprise fund, the budget is prepared generally based on the cash basis of accounting. The cash basis of accounting records revenue when cash is received and records expenditures when actually paid. The primary difference between the District's financial statements and its budgeted activities is the economic timing when a transaction occurs regardless of when the related cash transaction occurs. For example, there are specific transactions that are presented in either the budget or the financial statements that are presented differently:

- **Depreciation Expense:** Depreciation is a non-cash expense where it accounts for the usage of non-current assets over a period of time. This expense item therefore is excluded from the budget preparation given no actual cash activity recorded.
- **Bond Amortization Expense:** Amortization expense is a non-cash expense where it accounts for usage of the District's bond premium earned over a period of time. The District pays its creditors its required interest coupon based on its bond agreement amortization schedule. However, the actual interest expense recorded is adjusted for financial reporting purposes.
- **Bonds Principal Repayment:** Repayment of a portion of the face amount of the District's bonds is considered an expenditure within the budget. Principal repayment, however, is not considered an expenditure for financial reporting purposes.
- **Lateral Loan Principal Repayment:** Collection of principal repayments from its lateral loan portfolio is considered revenue within the budget. Principal repayment, however, is not considered revenue for financial reporting purposes.
- **Debt Principal Proceeds:** Proceeds received from issuance of debt obligation is considered revenue or an other financing source within the budget. Issuance proceeds, however, is not considered revenue or an other financing source for financial reporting purposes.
- **Capital Expenditures:** Funds expensed for capital project purposes are classified as an expenditure within the budget. Capital expenditures, however, are not considered expenditures for financial reporting purposes.
- **Compensated Absences Expense:** Accrual of vacation and compensatory time off hours is a non-cash expense where it accounts for accumulation of earned leave hours. Used leave hours are paid out normally as part of payroll processing; however, earned leave hours are not paid out unless it is used. This expense item therefore is excluded from the budget preparation.
- **Retirement Obligations (Pension/OPEB):** Accrual of pension and Other Post Employment Benefits (OPEB) are generally non-cash expenditures post actuarial report generation. The true-up or -down in the net asset/liability is posted to expense for financial statement purposes given the actuarial change in the liability regardless of actual benefit payments. This expense item therefore is excluded from the budget preparation.

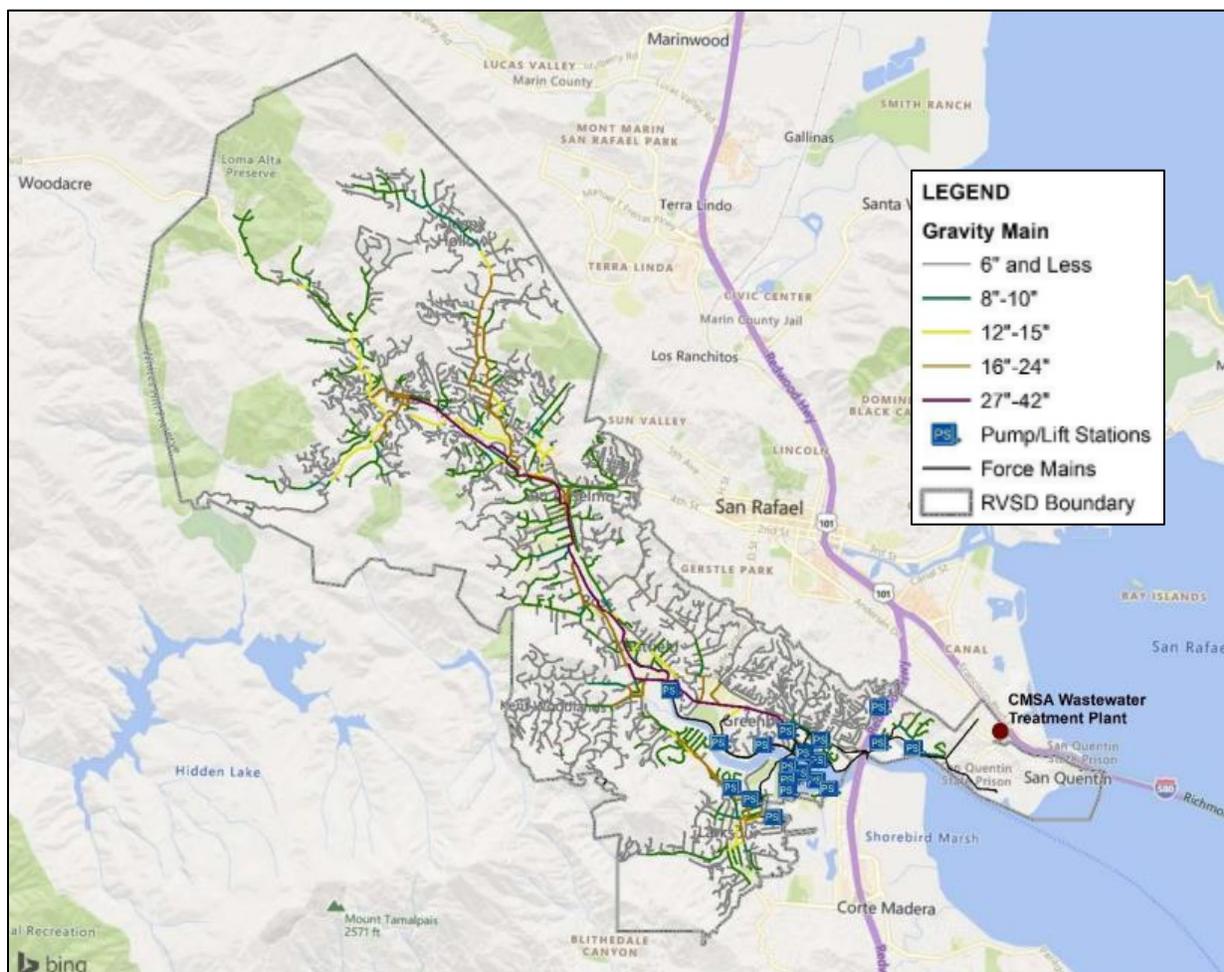


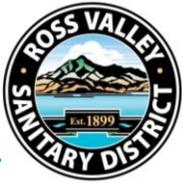
PERFORMANCE INDICATORS

The following section summarizes the District’s key performance indicators for the July 1, 2021 – June 30, 2022 fiscal period. The data presented is compiled from the *Performance Metrics Monthly Report* prepared for the monthly Board meeting agendas. These reports are publicly available in the agenda packets published on the District’s website <https://www.rvsd.org/agendacenter>.

The wastewater collection and conveyance system is designed to direct wastewater from service area residential homes and commercial businesses to its JPA treatment plant facility at CMSA. Once at CMSA, the wastewater is treated to remove pollutants from the influent flows using various physical, biological and chemical processes. While some of the reported performance metrics can be directly correlated to specific parts of the budget, most of the metrics reported below are accomplished by the Operations Department who maintains the successful operation of the District’s system. The goal of the operating budget within the Operating Fund is to collect and convey wastewater to our treatment plant both without having a sewer service overflow (SSO) and doing so sustainably.

FIGURE 4 – DISTRICT COLLECTION & CONVEYANCE SYSTEM





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Volume of Wastewater Collected: The District collected and conveyed approximately 1,824 million gallons (MG) of wastewater from April 2021 to March 2022. The graph below shows the annual wastewater volume, in million gallons, conveyed to CMSA from the District’s force main network located at each pump station (“PS”): PS 15 Kentfield, PS 24 at 630 S Eliseo, PS 25 at 1350 S Eliseo, PS 14 Larkspur, PS 12 Bon Air, PS 13 Greenbrae, and PS 10 Larkspur Landing. While Marin County was declared to be in drought conditions as of May 2021, the collected wastewater was high in FY 2022 due in part to infrequent but heavy storm activity over the winter months. However, this minor year-over-year increase is still significantly lower than the much higher flow volume recorded in recent years. The decrease in the District’s share of the total flow volume to CMSA is reflective of the Inflow & Infiltration (I&I) reduction programs laid out in the District’s CIP as well as the data-driven metrics being followed by the Operations Department for maintaining the collection system. Furthermore, the non-departmental charge levied from CMSA to the District further demonstrates that the increase in treatment charges for the District’s share of flow volume is slowing. Treatment charges are based on the prior 36 months’ average, of which the District’s proportionate share has been decreasing. However, the FY 2023 allocation has increased reflecting both the slightly increased share of flow in FY 2022 from the recent storm activity and budgeted cost escalations from CMSA.

GRAPH 1 – DISTRICT TOTAL FLOWS AS PERCENTAGE OF CMSA

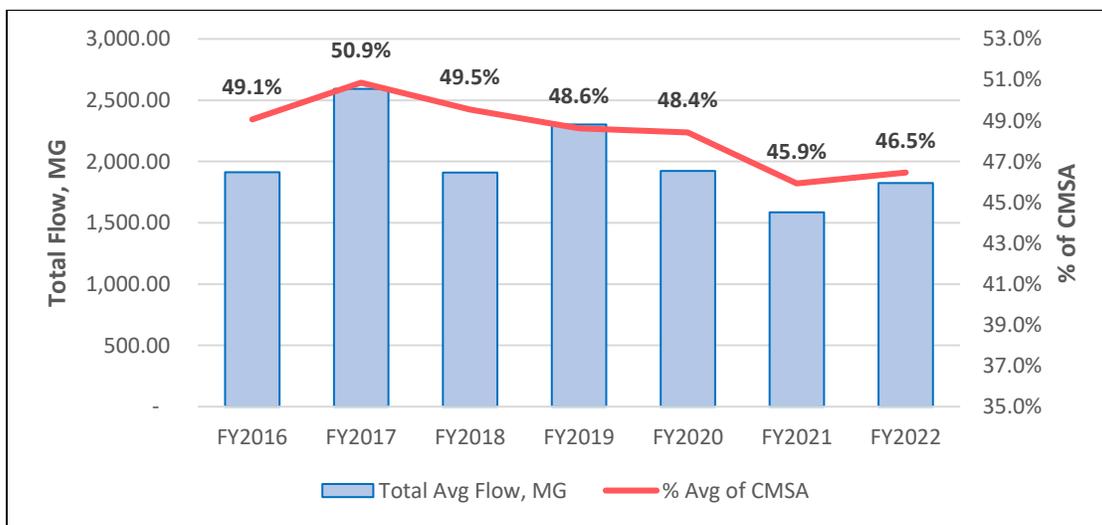
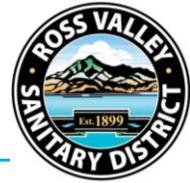


TABLE 6 – CMSA TREATMENT CHARGES YOY COMPARISON

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	Actual	Actual	Actual	Actual	Actual	Actual	Projected	Budget
CMSA Charge	4,777,956	5,229,142	5,499,959	5,638,961	5,892,156	6,014,883	6,002,953	6,270,000
YoY \$ Change	-	451,185	270,817	139,002	253,196	122,726	(11,930)	267,047
YoY % Change	-	9.44%	5.18%	2.53%	4.49%	2.08%	-0.20%	4.45%



Pump Station Maintenance: The District’s wastewater collection and conveyance system operates with critical assistance from its several pump stations in the service area. The purpose of the pump stations is to push the flow of wastewater to the treatment plant, pumping upstream at certain points, in addition to relying on the gravity downstream flow. Maintenance and general upkeep of the District’s pump stations is essential for operational reliability and efficiency of the system as a whole since this directional force cannot create adverse backflow issues. Pump station maintenance activity is performed by the Pumps Division crew. Pump stations maintenance to prioritizes preventative maintenance over corrective actions. The District regularly tests its pump stations’ resiliency and makes adjustments where needed in order to either maintain or improve the system’s efficiency. As shown in Graph 2, the District is performing more preventive maintenance over time meaning that the likelihood of an SSO decreases from pump station backflow issues.

GRAPH 2 – PUMP STATION MAINTENANCE YOY COMPARISON

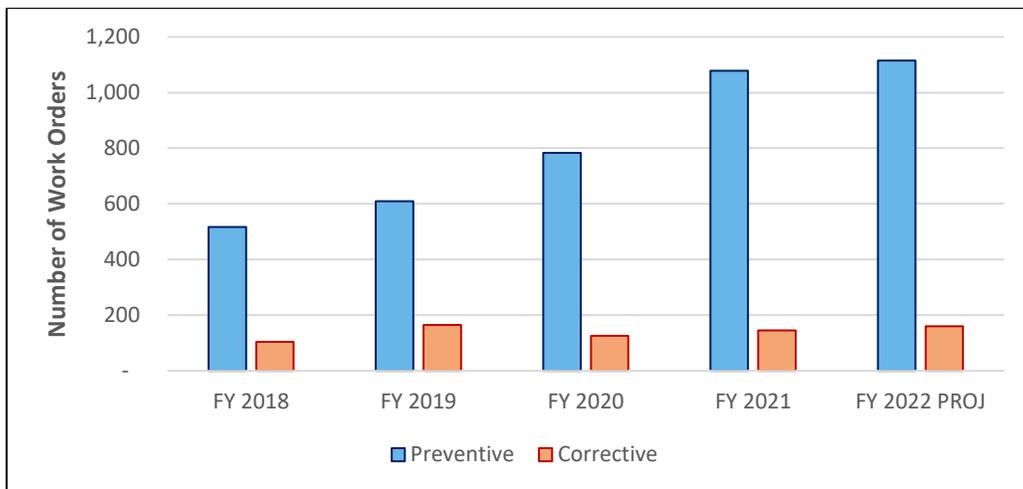
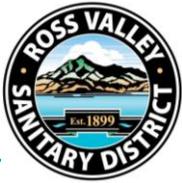


TABLE 7 – PUMPS YOY COMPARISON

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Projected	FY 2023 Budget
Total Pumps ^[1]	175,908	191,612	253,184	187,000	185,000
YoY \$ Change	-	15,704	61,572	(66,184)	(2,000)
YoY % Change	-	8.93%	32.13%	-26.14%	-1.07%
Total Projects	775	909	1,223	1,275	1,300
Avg Cost/Project	\$ 226.98	\$ 210.79	\$ 207.02	\$ 146.71	\$ 142.31

[1] Excludes personnel cost for Division



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Gravity Sewer Line Maintenance: The majority of the District’s wastewater collection and conveyance system is a network of gravity sewer lines stretching throughout the service area. Residential and commercial building sewer laterals extend from their respective properties and connect into the gravity line in order to convey the wastewater downstream to the treatment plant. General upkeep of the District’s gravity lines is imperative for the system to function properly. The District identifies three key metrics to appropriately track its performance of maintenance of its gravity lines:

Preventive Gravity Pipe Cleaning: Pipe cleaning is the fundamental preventative maintenance activity where it can extend the life of the assets beyond its stated useful life and prevent potential SSOs. On a rolling six-month basis within the fiscal year, the Line Maintenance plans for how many feet of gravity pipeline is to be cleaned based on the pipe section’s designated cleaning frequency. Some portions of the line are cleaned more frequently than others based on the assessed volume of usage. As shown in Graph 3, the District achieves or surpasses its planned pipe cleaning footage to maintain a well-kept system. The District’s schedule of gravity pipeline cleaning has been normalizing over the past several years given the increased efficiencies from the District’s CIP renovations and condition assessment data collected in the computerized maintenance management system (CMMS). This allows the District to use a targeted approach for gravity pipeline cleanings, decreasing the risk of an SSO occurring from excess high-pressure cleaning that deteriorate the pipes over time. This is reflective in the District’s division costing in that costs are holding steady overall. The cost increase from FY 2022 and into FY 2023 is driven by external economic factors from inflation.

GRAPH 3 – GRAVITY SEWER LINES FOOTAGE CLEANED

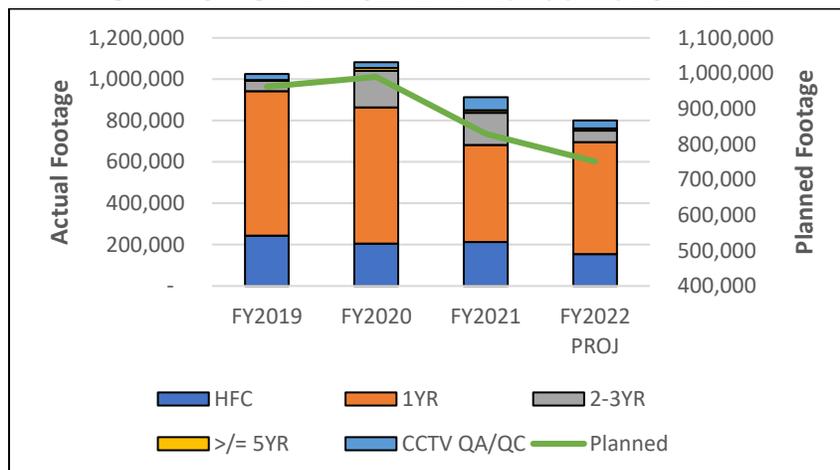


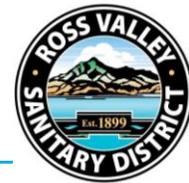
TABLE 8 – LINE MAINTENANCE COSTS YOY COMPARISON

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Projected	FY 2023 Budget
Total Line Maint ^[1]	128,116	130,035	107,868	109,000	159,000
YoY \$ Change	-	1,919	(22,166)	1,132	50,000
YoY % Change	-	1.50%	-17.05%	1.05%	45.87%
Footage Cleaned	1,024,624	1,082,125	913,590	800,793	801,000
Avg Cost/Foot	\$ 0.13	\$ 0.12	\$ 0.12	\$ 0.14	\$ 0.20

[1] Excludes personnel cost for Division

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Gravity Pipeline Condition Assessment: Routine condition assessment of the gravity lines assists the District in gauging the infrastructure’s overall quality. Given the District has approximately 205 miles of pipeline for collection and conveyance purposes, the District must closely monitor its critical infrastructure that connects to almost all of the service area’s residential and commercial property. The information collected from its condition assessment provides key datapoints in prioritizing which gravity line requires maintenance or replacement. The Condition Assessment Division (CCTV) plans a rolling six-month goal of inspecting a realizable amount of gravity pipeline footage to perform effective quality control measures as flagged within the CMMS. As shown in Graph 4, the District sets targets to monitor the system and gather for both before and after work is completed to inform both maintenance schedules and repair procedures. All data gathered is stored within the CMMS for use by the Operations Department. The increasing number of assessments performed for less average cost over recent years indicates greater efficiencies gained from investment in new CCTV technologies and equipment such as the 2019 purchase of the high definition, high speed video scanning van.

GRAPH 4 – GRAVITY LINES FOOTAGE INSPECTED

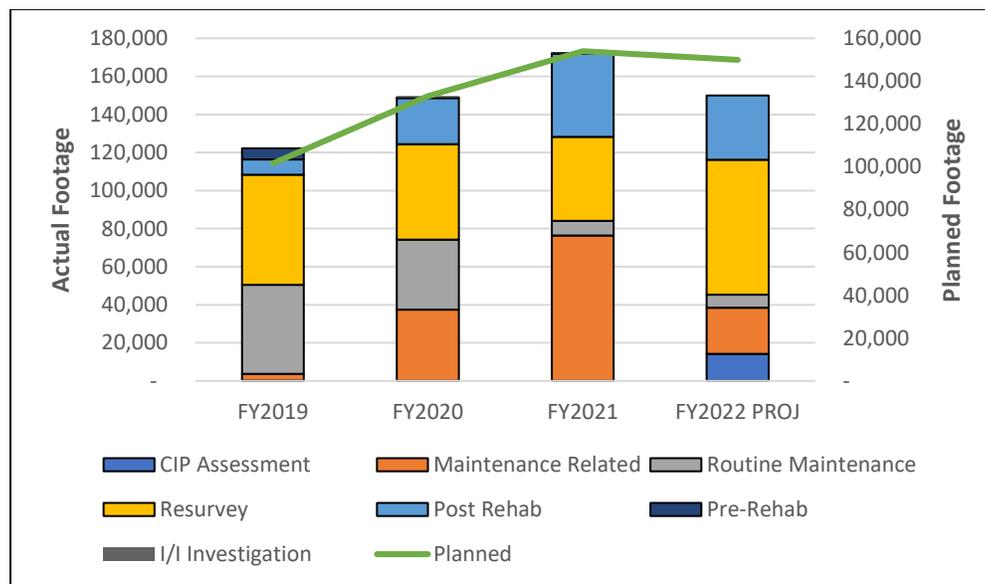
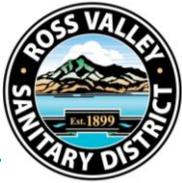


TABLE 9 – CONDITION ASSESSMENT YOY COMPARISON

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	Actual	Actual	Actual	Projected	Budget
Total CCTV ^[1]	47,225	41,529	49,358	59,000	55,000
YoY \$ Change	-	(5,696)	7,829	9,642	(4,000)
YoY % Change	-	-12.06%	18.85%	19.54%	-6.78%
Footage Inspected	122,258	149,691	172,558	150,000	150,000
Avg Cost/Foot	\$ 0.39	\$ 0.28	\$ 0.29	\$ 0.39	\$ 0.37

[1] Excludes personnel cost for Division



ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

Gravity Pipeline Repair: Gravity line repair is a vital exercise to maintain a properly flowing wastewater collection system. Given the age of much of the District’s pipelines, the District must be vigilant in repairing the sewer where defaults have been identified that have not been replaced yet by a capital project. Repairs can include improving manholes for ease of accessibility, lining new pipe, and creating a new access point for pipe not readily accessible for inspection or maintenance purposes. All such gravity line repair functions are informed by the data gathered within CMMS by the CCTV Division and are performed by the Line Repair Division. The number of repairs the District is performing demonstrates the District’s close monitoring of its system for potential SSOs and for improving the system’s overall effectiveness. As shown in Graph 5, the District values a functioning system where localized pipe liners are used successfully to improve the network’s useful life. The quantity of Line Repair work orders decreased from its high in FY 2019 (Table 10) due to the most difficult and labor-intensive repairs required by the Cease-and-Desist Order being completed in FY21. Over 70 miles of the District network have been successfully replaced since FY 2014. Costs on average per work order have increased in recent years, attributable to both complex paving projects conducted in partnership with local municipalities and with the expense of installing new manholes, as well as COVID-related factors and overall cost inflation.

GRAPH 5 – GRAVITY LINES REPAIR WORK ORDERS

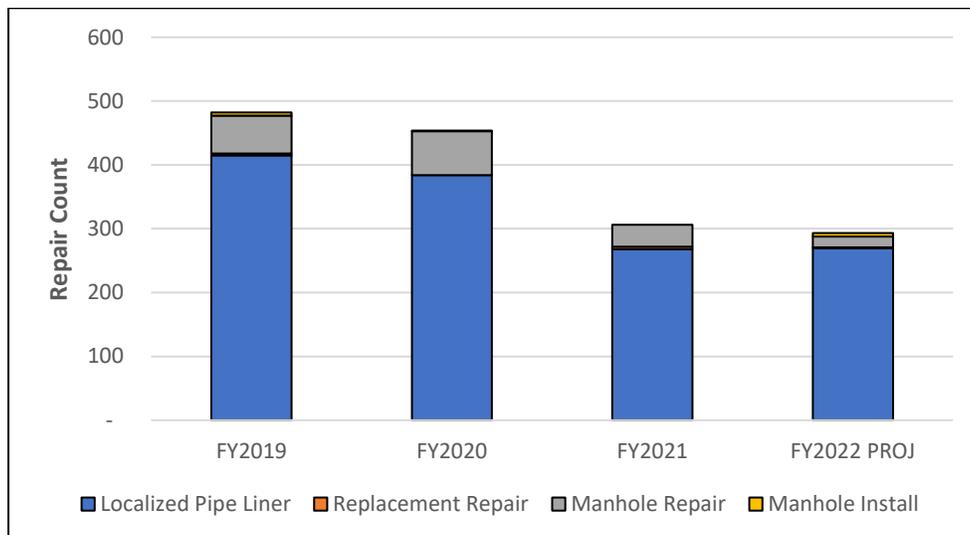


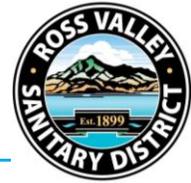
TABLE 10 – LINE REPAIR YOY COMPARISON

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Projected	FY 2023 Budget
Total Line Repair ^[1]	226,108	297,085	289,751	282,000	340,000
YoY \$ Change	-	70,977	(7,334)	(7,751)	58,000
YoY % Change	-	31.39%	-2.47%	-2.68%	20.57%
# of Work Orders	482	454	306	293	300
Avg Cost/Order	\$ 469.10	\$ 654.37	\$ 946.90	\$ 961.36	\$ 1,133.33

[1] Excludes personnel cost for Division

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Recycled Water vs Potable Water Usage: Part of the District’s mission is to promote sustainability in its operations for betterment of the environment. Historically, potable water has been used by the District for sewer cleaning, dust control and hydroseeding. However, the drought declared by the State of California in May 2021 incentivized the District to increase its efforts to use recycled water. The District strives for its cleaning operations to use recycled water wherever possible. As shown in Graph 6, the District increased its recycled water usage for cleaning purposes to nearly 60% since beginning the effort in FY 2020. There are marginal water utility bill savings from this program since FY 2019 to the current fiscal year. These costs however are more heavily influenced by water utility rates imposed by MMWD.

GRAPH 6 – POTABLE VS RECYCLED WATER USAGE

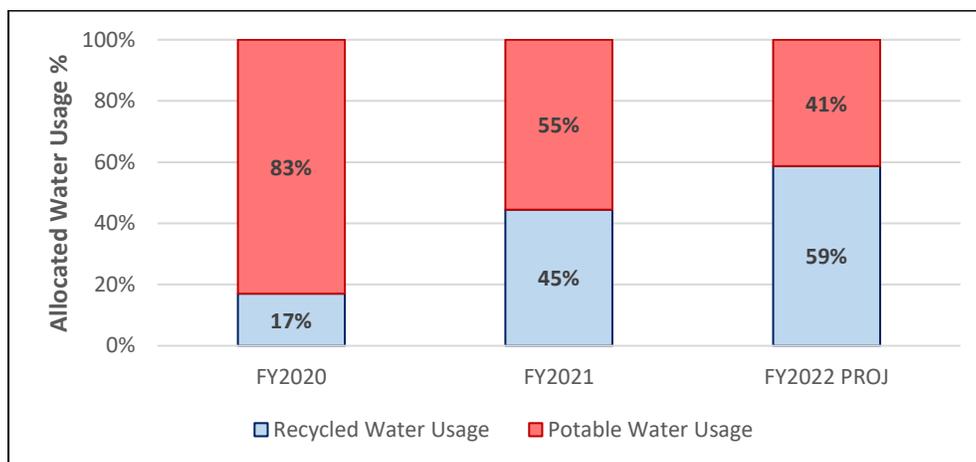
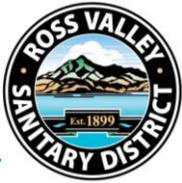


TABLE 11 – OPERATIONS MMWD UTILITY COSTS YOY COMPARISON

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Projected	FY 2023 Budget
MMWD Utility Costs	33,596	28,435	29,912	28,867	30,000
YoY \$ Change	-	(5,161)	1,477	(1,045)	1,133
YoY % Change	-	-15.36%	5.19%	-3.49%	3.93%



ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

Lateral Inspections: The District’s Infrastructure Asset Management Program (IAMP) calls for renovation of the District’s wastewater collection and conveyance system both from District owned infrastructure as well as lateral pipelines connected to the system. Therefore, the District launched a sewer lateral grant program (“Lateral Replacement Grant Program” or LRGP) and a loan program (“Lateral Replacement Loan Program” or LRLP) to assist ratepayers in replacing their aged sewer lateral pipeline. These programs included provisions for the District to inspect prospective sewer lateral replacements before and after the project completion. Since the programs’ inception, the total number of inspections have decreased indicating fewer re-inspections and a steady number of passing score results as shown in Graph 7. Passing score inspections then result in remittance of either LRGP or LRLP funds. The number of inspections and passing rates along with remittance of LRGP and LRLP funds represent the programs’ overall success. In recent years, there has been a slight slowdown of the lateral programs due in part to the COVID-19 Pandemic environment. Despite the slowdown, these programs are still strong from home sale and renovation activity within Marin County and the ongoing public communications efforts by the District. Since the inception of the programs, approximately 40 miles of private sewer laterals have been replaced or repaired.

GRAPH 7 – LATERAL INSPECTIONS VOLUME

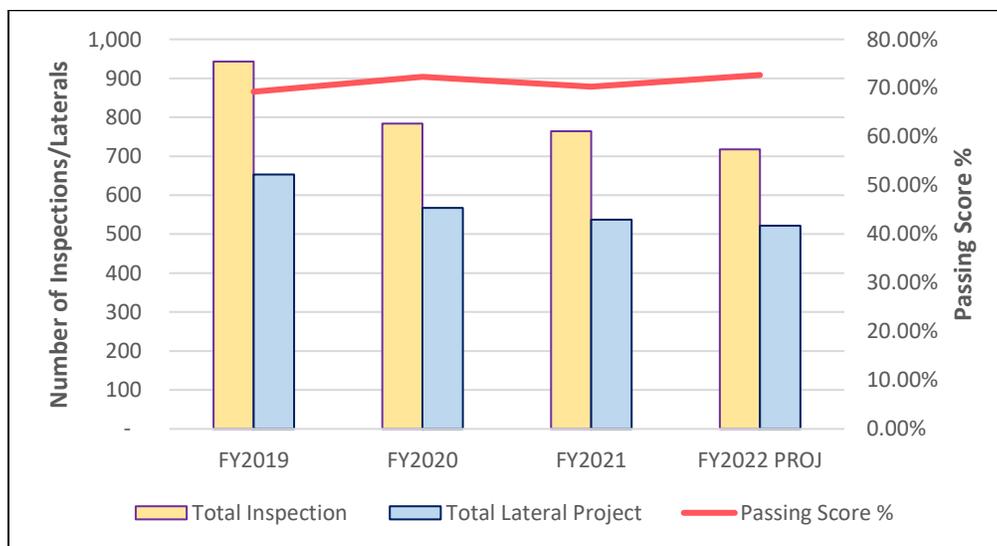
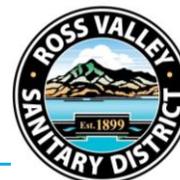


TABLE 12 – LRGP AND LRLP FUNDING YOY COMPARISON

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Projected	FY 2023 Budget
LRLP Remittance	175,100	64,200	178,367	200,000	200,000
LRGP Remittance	625,330	515,929	406,608	400,000	400,000
Total Remittance	800,430	580,129	584,974	600,000	600,000
YoY \$ Change	-	(220,301)	4,845	15,026	-
YoY % Change	-	-27.52%	0.84%	2.57%	0.00%

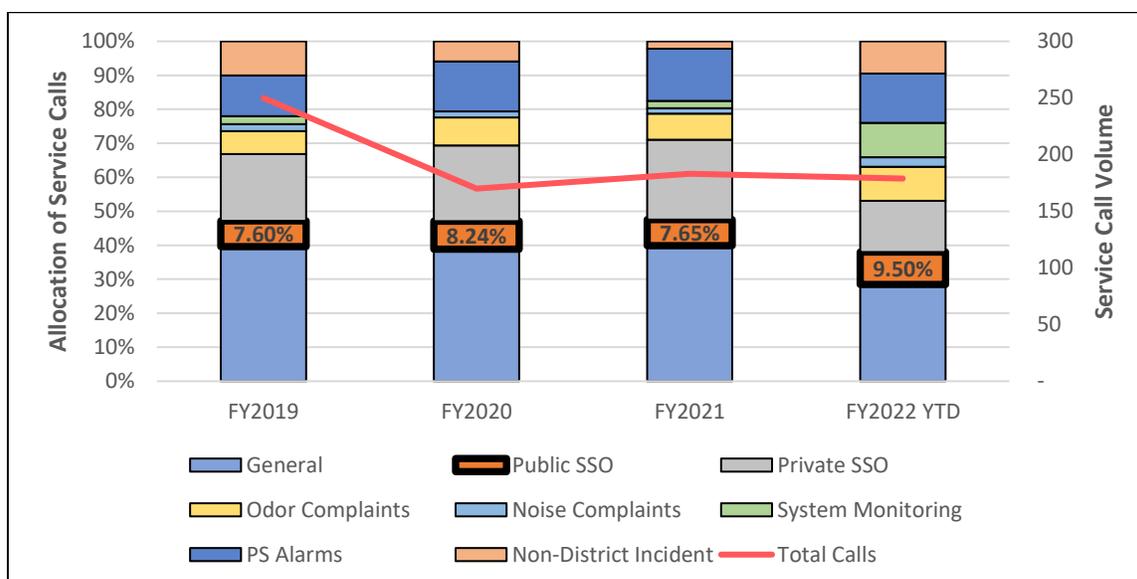
ROSS VALLEY SANITARY DISTRICT

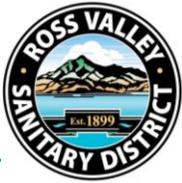
ANNUAL BUDGET FY 2022-23



Service Calls: The District’s service call volume is a key performance measure as it demonstrates level of customer service provided and responsiveness to the community. The District is a public agency formed specifically to provide the community with wastewater collection and conveyance services. Ratepayers and stakeholders that inquire about District services or incidents are welcome and encouraged. A key metric within the service call volume recorded is the number of reported public SSOs. The District’s IAMP dictates that public SSOs be reduced to demonstrate a well-maintained wastewater collection and conveyance system. As shown in Graph 8, public SSOs have been relatively flat year-over-year since FY 2020 demonstrating the investments made to the collection system are improving the overall quality of the service provided. The minor increase within FY 2022 can be attributed to the heavy winter storm activity.

GRAPH 8 – SERVICE CALL VOLUME

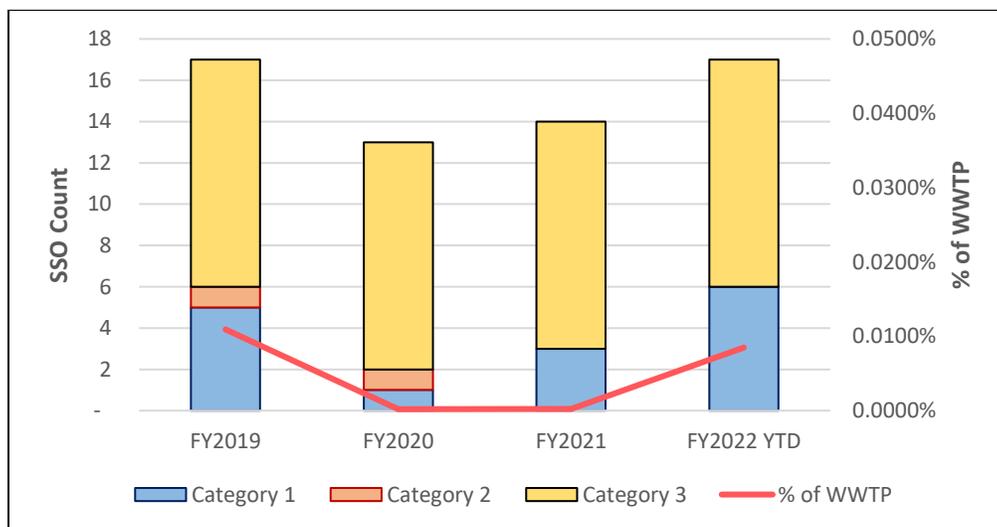




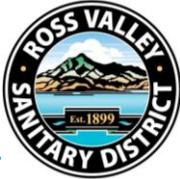
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Sanitary Sewer Overflows (SSOs): Public Sanitary Sewer Overflows (SSOs) are a regulatory measure by the Regional Water Quality Control Board (RWQCB) where it signifies the overall success of the wastewater collection system. The lower the number of SSOs, the more operationally sound the collection system is deemed to be no matter whether direct or indirect externalities cause them. SSOs have a potential of adversely impacting public health and the local environment when they occur, so it is critically important for the District to target few SSOs in any given fiscal year. SSOs are categorized into one of three buckets where Category 1 is the most severe and Category 3 is the least severe. Over the past five years, the District has experienced a significant drop in SSOs from a high of 38 in FY 2017 down to a normalized low of 17 year-to-date (YTD) FY 2022 where the number currently is within range of the FY 2020 low of 13. The difference between the FY 2020 low and the YTD FY 2022 count is the recent 200-year storm activity that included record rainfall in the history of Marin County. The overall trend is instructive for the District given the system’s age and level of CIP investment because the number of YTD FY 2022 SSOs did not approach the threshold observed in FY 2017 even with the recent drought conditions causing increased root intrusions and the highly impactful storm activity. The lower count therefore signifies that the District’s CIP investments and Operations Department maintenance of the system is yielding tremendous dividends.

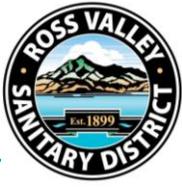
GRAPH 9 – SEWER SERVICE OVERFLOW (SSO) VOLUME



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ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23

FINANCIAL SUMMARY

The District began development of the FY 2023 annual budget in January 2022 for scheduled adoption by the Board in June 2022. The budget's three major components consist of its (1) revenues and expenses summaries, (2) sources and uses of funds, (3) debt obligations, (4) capital improvement program, and (5) the Five-Year Financial Forecast. The FY 2023 Budget is balanced with revenues and expenses generally close, and reserves used to balance it as needed. The tables, charts, and descriptions in each of the sections following this overview summary provide information about various sources and expense uses.

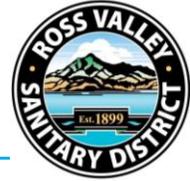
The table below shows the FY 2021 actual, FY 2022 Budget and Projected, and FY 2023 budgeted revenues and expenses with the fund balance reserve impact. Major changes for each category are discussed in the following narrative.

TABLE 13 – FY 2023 BUDGET OVERVIEW

	FY 2021	FY 2022		FY 2023
	Actual	Adopted	Projected	Budget
REVENUE				
1 Sewer Service Charges	23,540,000	24,259,000	24,513,000	25,932,000
2 Property Tax (Ad Valorem)	8,120,000	7,800,000	8,998,000	9,566,000
3 Proceeds from Financing Activities	-	1,300,000	1,708,000	-
4 Other Revenue	1,930,000	900,000	1,159,000	1,438,000
5 Total Revenue	33,590,000	34,259,000	36,378,000	36,936,000
EXPENDITURES				
6 CMSA Charges	8,144,000	8,400,000	8,425,000	8,728,000
7 Operations	6,742,000	8,597,000	6,761,000	8,955,000
8 Administration	2,892,000	2,580,000	2,528,000	3,070,000
9 Outside Services	853,000	945,000	635,000	694,000
10 Debt Services	6,652,000	6,638,000	6,638,000	6,646,000
11 Capital Projects, Studies & Equipment	11,424,000	15,527,000	11,873,000	12,535,000
12 Total Operating Expenditures	36,707,000	42,687,000	36,860,000	40,628,000
13 NET REVENUE LESS EXPENDITURES	(3,117,000)	(8,428,000)	(482,000)	(3,692,000)
FUND BALANCES				
14 Operating Reserves	10,084,000	10,306,000	10,306,000	10,723,000
15 Emergency Reserves	2,000,000	2,000,000	2,017,000	2,145,000
16 Capital Improvement Reserves	7,102,000	3,165,000	7,102,000	6,445,000
17 Total Reserves	19,186,000	15,471,000	19,425,000	19,313,000
18 CEPPT Fund	867,000	800,000	7,847,000	7,420,000
19 Bond Proceeds for Projects	33,000	-	-	-
20 Bond Proceeds for Canyon Road	42,100	43,000	42,100	42,100
21 Total Restricted Funds	942,100	843,000	7,889,100	7,462,100
22 Unassigned Fund Balance	15,965,000	26,723,000	8,215,000	5,341,000
23 TOTAL FUND BALANCE	36,093,100	43,037,000	35,529,100	32,116,100
24 TOTAL RESTRICTED CASH - CEPPT	867,000	800,000	7,847,000	7,420,000
25 TOTAL CASH AVAILABLE	31,774,000	5,817,940	23,978,000	20,714,000

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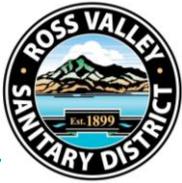
REVENUE SUMMARY

The District has two major recurring sources of revenue, Sewer Service Charges and Ad Valorem Property Taxes. Additionally, the District receives other minor revenue from permit and capacity charges, investment account interest, lease revenues and other income. The major sources of revenue account for approximately 96.1% of total revenue received.

Table 14 and Graph 10 below summarize the revenues by source for the FY 2021 actual, FY 2022 budgeted and projected, and FY 2023 budget. A brief analysis describing the change in revenue categories between the FY 2022 budget and FY 2023 budget is provided following Graph 10.

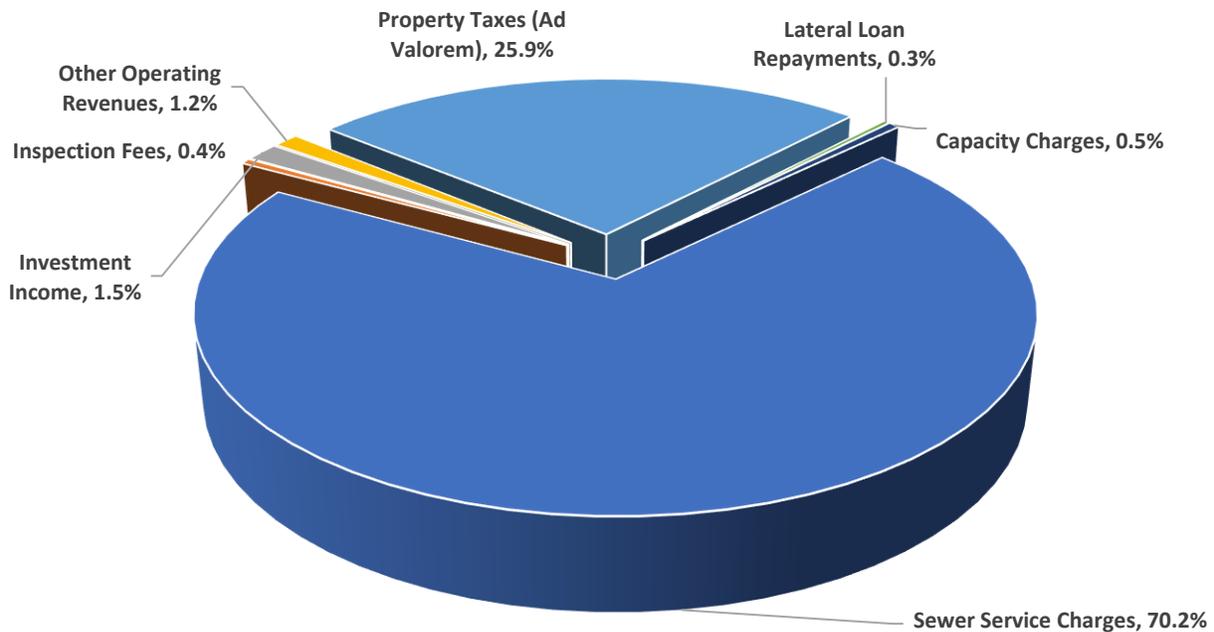
TABLE 14 – REVENUE SOURCE BY CATEGORY

Revenue Sources by Category	FY 2021	FY 2022		FY 2023	FY23 Vs FY22	FY23 Vs FY22	% Total Revenue
	Actual	Budget	Projected	Budget	Change \$	Change %	
Sewer Service Charges	23,540,000	24,259,000	24,513,000	25,932,000	1,673,000	6.9%	70.2%
Inspection Fees	152,000	150,000	150,000	160,000	10,000	6.7%	0.4%
Investment Income	209,000	110,000	121,000	561,000	451,000	410.0%	1.5%
Other Operating Revenues	617,000	330,000	560,000	427,000	97,000	29.4%	1.2%
Total Operating Revenue	24,518,000	24,849,000	25,344,000	27,080,000	2,231,000	9.0%	73.3%
Property Taxes (Ad Valorem)	8,120,000	7,800,000	8,998,000	9,566,000	1,766,000	22.6%	25.9%
Lateral Loan Repayments	164,000	-	110,000	100,000	100,000	100.0%	0.3%
Capacity Charges	788,000	310,000	190,000	190,000	(120,000)	-38.7%	0.5%
Other Non-Operating Revenues	-	-	28,000	-	-	0.0%	0.0%
Other Financing Sources	-	1,300,000	1,708,000	-	(1,300,000)	-100.0%	0.0%
Total Non-Operating Revenues	9,072,000	9,410,000	11,034,000	9,856,000	446,000	4.7%	26.7%
TOTAL REVENUES	33,590,000	34,259,000	36,378,000	36,936,000	2,677,000	7.8%	100.0%



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GRAPH 10 – BUDGETED REVENUE BY SOURCE



Sewer Service Charges (SSC): A charge levied for providing wastewater collection, conveyance, and treatment by CMSA. This annual fee is based on a standardized metric of equivalent dwelling units (EDU) from the corresponding winter water usage for a single-family residential account. Winter water usage is measured by Marin Municipal Water District (MMWD) in hundred cubic feet (HCF) from the January and February months. This charge is included and collected on behalf of the District by Marin County on the property tax roll. The SSCs are budgeted to increase by 6.9% following the Five-Year Rate Study adopted by the Board of Directors in June 2019. There is an increase in the SSC rate of 5.8% and the remaining increase is expected from commercial accounts based on the recorded winter water usage. This revenue source provides for all operating expenses, operating reserves, and pension plan funding, with net funds available directed to current and future CIP projects.

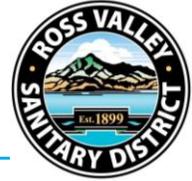
Ad Valorem Property Taxes: The District receives an allocation of property taxes from the County of Marin as per State of California legislation. Property taxes are levied by the County using a base rate of 1% of the taxable base of the property, and the taxable base is allowed to increase by 2% per fiscal year to capture increased property valuations. Property taxes are budgeted to increase by 22.6% following the expected increase in assessed property valuations from the County and inclusion of anticipated Educational Revenue Augmentation Funds (ERAF).

Inspection Fees: The District charges contractors a permit fee for conducting repair or replacement work on the wastewater collection and conveyance system. The fee is established to increase annually based on the ENR Construction Cost Index which has been determined to be 6.7%.

Investment Income: The District maintains its investments in both liquid investment pools with the State of California Local Agency Investment (LAIF) and its restricted Section 115 Trust Pension Prefunding

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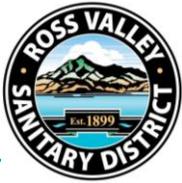
Account at CalPERS, i.e., CEPPT, as well as earning nominal interest from its portfolio of loan repayments from the District's Lateral Replacement Loan Program. Interest rates are expected to increase substantially over the next year as indicated by the United States Federal Reserve's influence over the federal funds rate from a low of 0% – 0.25% to a potential high of 1.75% – 2.0%. This increase in rates equates to higher interest income to be earned on the large principal balances held in both accounts. The CEPPT account includes a mixture of both equity securities and fixed income securities. The valuation of the fixed income securities is expected to be impacted by the increase in interest rates; however, the reinvestments performed by CalPERS into higher yielding fixed income is expected to offset the anticipated downward pressure. The valuation of the equity securities is expected to follow the long-term market trend of a conservative growth factor of 6%. In summary, the expected weighted average return on the CEPPT portfolio is anticipated to be 3.5% over the next year. The District's lateral loan portfolio is budgeted to include approximately \$20,000 in interest following the applicable amortization schedules.

Lateral Loan Repayments: The District lends funds to its service area ratepayers interested in receiving direct financing for replacing sewer laterals. These loans are standardized to mature in ten years, include an annual interest rate of 3.6% (based on District Ordinance No. 70) and follow a declining balance amortization schedule. The FY 2023 budget is separating out this category relative to FY 2022 from the collected SSC given its unique nature.

Capacity Charges: As part of the permitting process for "new connections" to the wastewater collection and conveyance system, the District charges a capacity charge for new development and major remodels. Given Marin County's built-out status and the volatility of this fee source, a normalized budget amount of \$190,000 is expected versus the prior FY 2022 budgeted amount of \$300,000.

Other Operating Revenues: This category primarily includes the leasing revenue received from Comcast as part of the current arrangement with the 1111 Andersen building purchase. The lease is anticipated to extend for ten years from January 2022 with monthly collections of approximately \$35,000 per month, including the proportional share of operational and property tax expenses.

Other Financing Source: This category primarily includes borrowed funds from external sources. The District does not anticipate borrowing additional funds going into FY 2023 for its CIP given the shift towards a PayGo methodology.



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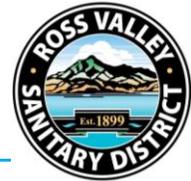
EXPENDITURE SUMMARY

The District classifies its expenditures into two broad categories in order to correspond with the applicable funds it operates, operating and capital. Operating expenditures are costs associated with the general operations of the District and include the following: CMSA charges, personnel costs, other operational and administrative expenses, Board fees, insurance, and outside services. Capital expenditures relate to costs associated with debt service and CIP. Detail on the specific funds is provided following the Expenditure Summary.

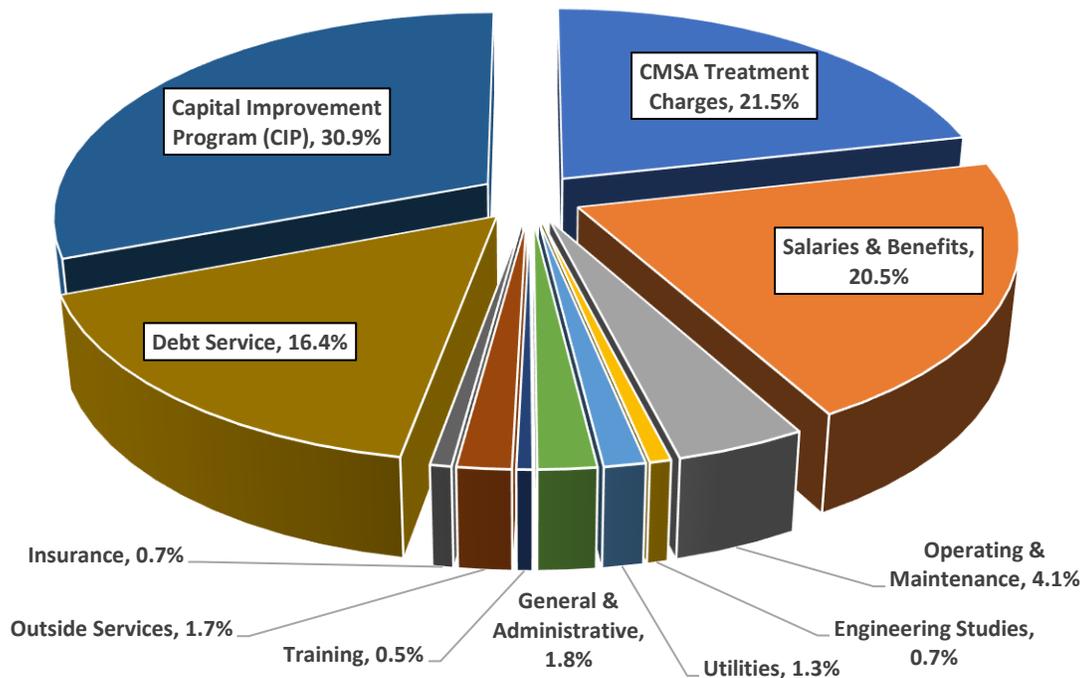
Table 15 and Graph 11 below summarize the expenditures by use for the FY 2021 actual, FY 2022 budgeted and projected, and FY 2023 budget. A brief analysis describing the change in expenditure categories between the FY 2022 budget and FY 2023 budget is provided following the Graph 11.

TABLE 15 – EXPENDITURE USE BY CATEGORY

Expenditure Uses by Category	FY 2021	FY 2022		FY 2023	FY23 Vs FY22	FY23 Vs FY22	% Total Expenditure
	Actual	Budget	Projected	Budget	Change \$	Change %	
CMSA Treatment Charges	8,144,000	8,400,000	8,425,000	8,728,000	328,000	3.9%	21.5%
Salaries & Benefits	7,305,000	8,327,000	6,729,000	8,321,000	(6,000)	-0.1%	20.5%
Operating & Maintenance	1,271,000	1,621,000	1,290,000	1,670,500	49,500	3.1%	4.1%
Engineering Studies	14,000	35,000	2,000	275,000	240,000	685.7%	0.7%
Utilities	416,000	425,000	480,000	533,000	108,000	25.4%	1.3%
General & Administrative	246,000	424,000	329,000	749,000	325,000	76.7%	1.8%
Training	114,000	125,000	174,000	203,000	78,000	62.4%	0.5%
Outside Services	853,000	945,000	635,000	694,000	(251,000)	-26.6%	1.7%
Insurance	268,000	220,000	285,000	273,000	53,000	24.1%	0.7%
Total Operating Expenditures	18,631,000	20,522,000	18,349,000	21,446,500	924,500	4.5%	52.8%
Debt Service	6,652,000	6,638,000	6,638,000	6,646,000	8,000	0.1%	16.4%
Capital Improvement Program (CIP)	11,424,000	15,527,000	11,873,000	12,535,000	(2,992,000)	-19.3%	30.9%
Total Capital Expenditures	18,076,000	22,165,000	18,511,000	19,181,000	(2,984,000)	-13.5%	47.2%
TOTAL EXPENDITURES	36,707,000	42,687,000	36,860,000	40,627,500	(2,059,500)	-4.8%	100.0%

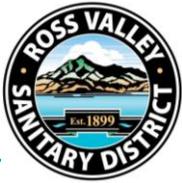


GRAPH 11 – BUDGETED EXPENDITURE BY USE



Central Marin Sanitation Agency (CMSA) Charges: Charges allocated towards the District from its JPA, CMSA, for both treatment of the conveyed wastewater and debt service for CMSA’s CIP. CMSA is a stand-alone entity that proposes and adopts its own budget with its independent Board of Commissioners. Part of its budget process is to develop a biennial budget for its operations and CIP, and then allocate its budgeted costs to its JPA members. Allocated budget costs from CMSA are expected to increase by 3.9% following CMSA’s Five-Year Service Charge Schedule to its JPA members. There is a charge increase of 3.5% and the remaining costs are overall cost escalations from ongoing business.

Salaries & Benefits: Personnel salaries and benefits are those expenditures related to payroll and staffing. These costs include primarily base salaries and wages, overtime, payroll taxes, health insurance benefits, and retirement benefits. Salaries and wages are expected to increase by 4.1% primarily from a cost-of-living adjustment (COLA) of 4.5%. The District’s annual COLA is determined by MOU contract and based on the April-to-April Consumer Price Index (CPI) for the San Francisco Area. The total percentage increase is skewed slightly lower than the total COLA due to staffing changes in re-adjusting pay rates following the approved salary schedule for new hires. Payroll taxes are expected to increase by 5.2% following the COLA increase. Benefits overall are expected to decrease by 8.9% into FY 2023. This decrease is primarily attributable to the lower anticipated pension Unfunded Actuarial Liability (UAL) costs from the higher investment rate of return recorded from the FY 2021 reporting period. Included in the benefits calculation is the District’s retiree medical contributions for the Other Post-Employment Benefits (OPEB) plan following the Board adopted OPEB prefunding plan. Budgeted contributions are \$100,000 annually with



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the intent of being fully funded by 2027. The OPEB prefunding plan may be revised subject to Board policy direction and based on changes in the GASB 75 ADC and other OPEB funding assumptions. See both Appendix A and B for the District's pension and OPEB prefunding plans. In the aggregate, budgeted salaries and benefits for FY 2023 are anticipated to remain flat given the District is expected to be fully staffed into the new fiscal year.

Operating & Maintenance: This category includes various costs for repairs, rental fees paid, materials/tools purchases, easement management costs and general facilities costs, all of which are necessary costs incurred to effectively maintain the wastewater collection and conveyance system. Costs into FY 2023 are anticipated to increase by 3.1% primarily from the inclusion of the new Easement Management Program. The program's aim is to achieve proper vegetation management and other needed improvements on the District's many easement locations. The District will be partnering with local Fire Departments and residents to manage the landscape for combined community benefit.

Engineering Studies: Studies performed by the District for potential future capital projects or to assess the quality of its infrastructure is a core element of the District's operations. Costs are anticipated to increase into FY 2023 primarily from flow monitoring and compliance assistance from the HDR Engineering data modeling, and to potentially improve the crossing at Lift Station 21.

Utilities: Utilities costs primarily include power generation from Pacific Gas & Electric, water from MMWD, garbage disposal from Marin Sanitary Service, telecommunications from AT&T, and cable and internet from Comcast. Costs for this category are expected to rise into FY 2023 primarily from rising energy costs as a result of the current economic environment from general inflation.

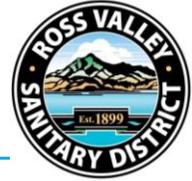
General & Administrative: This category includes supplies purchases, board expenditures, property taxes and other fees. Costs for this category are anticipated to increase into FY 2023 primarily from both the needed purchases of office furniture and control of the property tax bill for the new administrative building at 1111 Andersen. See the CIP section regarding the CIP for 1111 Andersen.

Training: Employee training is an important element of the District's operations, especially with its specialized capital equipment. The District supports its employees to participate in training seminars and conferences to maintain a high-quality team. In recent years, the impact of the COVID-19 Pandemic caused many such activities to be cancelled or deferred. The FY 2023 budget increase is normalizing the activities of the District for a post-Pandemic environment.

Outside Services: The District coordinates many services with third-party consultants to continue providing a high-level of service to its community. Such services include NBS Government for SSC billing, IT Hub for internal IT services, Willdan Financial for debt compliance services, GovInvest for retirement liability actuarial services, Downey Brand for general counsel, Chavan & Associates for external audit services, CTS International for specialized competency-based employee training, and others. Consultant services are expected to decrease into FY 2023 by 26.6% due to fewer anticipated consultant services needed, such as from CTS International and Kaizen InfoSource. CTS International is a specialized training service primarily for the Operations Department. These duties are being transitioned to the Operations & Maintenance Manager and Operations & Maintenance Superintendent. Kaizen InfoSource provided

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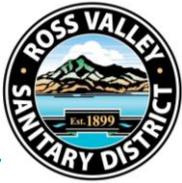


implementation technology for record retention policies and management, and that project is nearing completion.

Insurance: Insurance costs include both the premium as well as deductibles paid to the District's pooled insurance authority, CSRMA. The increase in FY 2023 is driven by losses in the insurance pool with proportionate costs allocated to its members, and overall increases in costs for insurance coverage.

Debt Service: The District issued several revenue bonds as well as obtained direct financing from the State Water Resource Control Board (SWRCB). These obligations are to be repaid following the executed amortization schedule. The costs for each debt issuance are included within the Debt Obligations section of this budget document.

Capital Improvement Program (CIP): The District has a robust CIP in accordance with its latest Infrastructure Asset Management Plan (IAMP). The primary purpose is to modernize and improve the District's infrastructure to reduce the frequency of SSOs and provide high quality services. Costs overall are decreasing in the FY 2023 budget year due to the District adopting a PayGo methodology. Costs for the CIP are determined on a per project basis and are detailed in the CIP section.

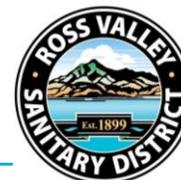


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SOURCES AND USES OF FUNDS OVERVIEW

The Financial Summary section provides a summary of each of the District's primary sources and uses of funds to give the reader an understanding of the budget and its organization. This overview further assists the reader in providing additional details about the District's overall budget highlighted within the Financial Summary section.

The District is formed as a consolidated Enterprise Fund per US GAAP for its external annual financial statement preparation. The District's internal operations, however, is segregated between two funds, the Operating Fund and Capital Fund, that describes specific activities performed by the enterprise with specific budgets, e.g., departmental, debt service and CIP. These activity categories are grouped into one of the two independent District funds within the enterprise to establish accountability and transparency for how the funds are used. Each fund is allocated specific revenue sources to provide the financing for the uses of funds anticipated.

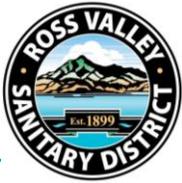


Below is a listing of the budget documents that provide additional detail about each of the major categories within the two funds that roll-up into the consolidated enterprise:

TABLE 16 – SOURCES & USES DOCUMENT OVERVIEW

Section Title	Section Purpose	Section Explanation
Sources of Funds Detail		
Revenue Requirements	Revenue budget requirements for all major sources accounting for more than 75% of total revenue.	Describes the revenue source in complete detail with the key inputs for how the budgeted amounts were determined.
Uses of Funds Detail		
Departmental Budget	<p>The departmental budget displays in detail the use of funds each department expects to expend into the budget year. The departments shown are the following:</p> <ul style="list-style-type: none"> • Operations • Administration • Non-Departmental <p><i>Note: Engineering is combined between both listed departments given the size.</i></p>	<p>Descriptions of department and its core functions and responsibilities, including key attributes for a summary of expenditures by category and an authorized position headcount for three fiscal years are displayed for each one.</p> <p>Non-departmental costs track charges paid out by the District that unique in that it cannot be traced to an individual department, such as CMSA Treatment Charges and Outside Services.</p>
Debt Obligations	Debt service payments to bondholders of the District for Series 2013, 2014, 2018 and 2019 Revenue Bonds as well as its SWRCB SRF loan.	Displays the total principal and interest payments amounts due for debt service each fiscal year through maturity.
Construction Improvement Program (CIP)	The FY 2023 CIP provides a discussion of the District's long-term plan concerning its infrastructure and capital assets with descriptions and detailed information about key projects.	Discussion of the District's CIP planning and funding process, the long-term CIP forecast, as well as detailed descriptions of key projects in the near-term.

The information detailed within each section for the sources and uses of funds by the enterprise is summarized for the reader at the District Fund level to display the activity in a consolidated view with the increase or decrease in the individual fund balance. The Fund Balance presented for both Funds represents the accumulated net results since inception and serves as the basis for the District's reserves, restricted by external parties, committed by the Board, and unassigned for unrestricted use. Please see the District Funds on the next few pages.



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TABLE 17 – OPERATING FUND SUMMARY

	FY 2021	FY 2022		FY 2023
	Actual	Adopted	Projected	Budget
OPERATING FUND				
<i>Sources of Operating Revenue</i>				
1 Sewer Service Charges	23,540,000	24,259,000	24,513,000	25,932,000
2 Other Income	978,000	590,000	831,000	1,148,000
3 Total Sources of Operating Revenues	24,518,000	24,849,000	25,344,000	27,080,000
<i>Uses of Operating Expenditures</i>				
<i>CMSA Expenditures</i>				
4 Treatment Charges - CMSA	6,015,000	5,965,000	5,965,000	6,270,000
5 Debt Service - CMSA	2,129,000	2,435,000	2,460,000	2,458,000
6 Total CMSA Expenditures	8,144,000	8,400,000	8,425,000	8,728,000
<i>Maintenance/Repair/Inspection Expenditures</i>				
7 Salaries & Benefits - Operations	5,073,000	6,512,000	4,993,000	6,400,000
8 Other Operational Expenditures	1,669,000	2,085,000	1,768,000	2,555,000
9 Total General Operating Expenditures	6,742,000	8,597,000	6,761,000	8,955,000
<i>Administrative Expenditures</i>				
10 Salaries & Benefits - Administration	2,232,000	1,815,000	1,736,000	1,921,000
11 Office Supplies & Equipment	39,000	135,000	54,000	265,000
12 General Administrative Expenditures	252,000	292,000	352,000	552,500
13 Facilities & Utilities - Administration	57,000	55,000	52,000	-
14 Board Fees & Other Expenditures	44,000	63,000	49,000	58,000
15 Insurance (includes Excess Liability)	268,000	220,000	285,000	273,000
16 Total Administrative Expenditures	2,892,000	2,580,000	2,528,000	3,069,500
<i>Outside Services</i>				
17 Community Outreach - Public Outreach	207,000	250,000	198,000	200,000
18 Information Technology (IT)	83,000	100,000	83,000	87,000
19 Legal - General	244,000	220,000	142,000	200,000
20 Professional Services - Other	319,000	375,000	212,000	207,000
21 Total Outside Services	853,000	945,000	635,000	694,000
22 Total Uses of Operating Expenditures	18,631,000	20,522,000	18,349,000	21,446,500
23 Net Operating Results	5,887,000	4,327,000	6,995,000	5,633,500
<i>Fund Balance</i>				
<i>Restricted Fund Balance - Canyon Road</i>				
24 Beginning Balance	42,100	42,100	42,100	42,100
25 Net Surplus/(Shortfall)	-	-	-	-
26 Funds Transfer In/(Out)	-	-	-	-
27 Ending Balance	42,100	42,100	42,100	42,100
<i>Restricted Fund Balance - CEPPT</i>				
28 Beginning Balance	450,000	867,000	867,000	7,846,700
29 Net Surplus/(Shortfall)	67,000	-	(20,300)	278,000
30 Funds Transfer In/(Out)	350,000	350,000	7,000,000	(705,000)
31 Ending Balance	867,000	1,217,000	7,846,700	7,419,700
<i>Committed Fund Balance - Operating Reserve</i>				
32 Beginning Balance	9,730,000	10,084,000	10,084,000	10,306,000
33 Net Surplus/(Shortfall)	-	-	-	-
34 Funds Transfer In/(Out)	354,000	222,000	222,000	417,000
35 Ending Balance	10,084,000	10,306,000	10,306,000	10,723,000
<i>Committed Fund Balance - Emergency Reserve</i>				
36 Beginning Balance	2,000,000	2,000,000	2,000,000	2,017,000
37 Net Surplus/(Shortfall)	-	-	-	-
38 Funds Transfer In/(Out)	-	17,000	17,000	128,000
39 Ending Balance	2,000,000	2,017,000	2,017,000	2,145,000
<i>Unassigned Fund Balance - Operating</i>				
40 Beginning Balance	1,478,000	6,661,000	6,661,000	7,504,000
41 Net Surplus/(Shortfall)	5,887,000	4,327,000	6,995,000	5,633,500
42 Funds Transfer In/(Out)	(704,000)	(4,040,000)	(6,152,000)	(7,735,000)
43 Ending Balance	6,661,000	6,948,000	7,504,000	5,402,500
44 Total Operating Fund Reserves	19,654,100	20,530,100	27,715,800	25,732,300

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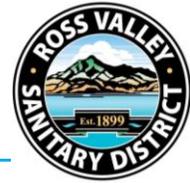
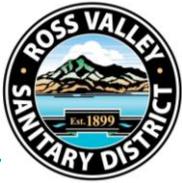


TABLE 18 – CAPITAL FUND SUMMARY

	FY 2021 Actual	FY 2022		FY 2023 Budget	
		Adopted	Projected		
CAPITAL FUND					
Sources of Capital Revenue					
45	Property Tax (Ad Valorem)	8,120,000	7,800,000	8,998,000	9,566,000
46	Lateral Loan Program Repayments	164,000	-	110,000	100,000
47	Proceeds from Bonds	-	-	-	-
48	Proceeds from SRF Loan	-	1,300,000	1,708,000	-
49	Capacity Charges	788,000	310,000	190,000	190,000
50	Other	-	-	28,000	-
51	Total Sources of Capital Revenues	9,072,000	9,410,000	11,034,000	9,856,000
Uses of Capital Expenditures					
Debt Service					
52	Interest Expense on Debt	4,107,000	4,003,000	4,003,000	3,886,000
53	Principal Payments on Debt	2,545,000	2,635,000	2,635,000	2,760,000
54	Bond Administration Expenditures	-	-	-	-
55	Total Debt Service and Related Costs	6,652,000	6,638,000	6,638,000	6,646,000
Studies, Special Projects & Equipment					
56	Studies	-	200,000	150,000	-
57	Lateral Grant Program Funding	407,000	450,000	400,000	400,000
58	Lateral Loan Program Funding	178,000	200,000	200,000	200,000
59	Assessments and Updates	622,000	50,000	65,000	15,000
60	Fixed Assets and Equipment	799,000	451,000	761,000	1,100,000
61	Total Studies, Special Projects & Equipment	2,006,000	1,351,000	1,576,000	1,715,000
Capital Projects					
62	Gravity Sewer Improvements	4,226,000	9,371,000	8,630,000	5,190,000
63	Pump Station Improvements	177,000	1,890,000	1,130,000	2,780,000
64	Force Main Improvements	1,116,000	15,000	15,000	50,000
65	Other Capital Projects	3,899,000	2,900,000	522,000	2,800,000
66	Total Capital Projects	9,418,000	14,176,000	10,297,000	10,820,000
67	Total Uses of Capital Expenditures	18,076,000	22,165,000	18,511,000	19,181,000
68	Net Capital Results	(9,004,000)	(12,755,000)	(7,477,000)	(9,325,000)
Fund Balance					
Restricted Fund Balance - Bond Proceeds					
69	Beginning Balance	11,406,600	33,200	33,200	-
70	Net Surplus/(Shortfall)	(27,400)	-	-	-
71	Funds Transfer In/(Out)	(11,346,000)	(33,200)	(33,200)	-
72	Ending Balance	33,200	-	-	-
Committed Fund Balance - CIP Reserve					
73	Beginning Balance	7,102,000	7,102,000	7,102,000	7,102,000
74	Net Surplus/(Shortfall)	-	-	-	-
75	Funds Transfer In/(Out)	-	-	-	(657,000)
76	Ending Balance	7,102,000	7,102,000	7,102,000	6,445,000
Unassigned Fund Balance - Capital					
77	Beginning Balance	6,962,000	9,304,000	9,304,000	773,000
78	Net Surplus/(Shortfall)	(9,004,000)	(12,755,000)	(7,477,000)	(9,325,000)
79	Funds Transfer In/(Out)	11,346,000	3,451,000	(1,054,000)	8,552,000
80	Ending Balance	9,304,000	-	773,000	-
81	Total Capital Fund Reserves	16,439,200	7,102,000	7,875,000	6,445,000



REVENUE REQUIREMENTS

The majority of the District's revenues are derived from the Sewer Service Charges (SSC) and ad valorem property taxes. Both sources of revenue are billed to the District's ratepayers and collected by the Marin County Tax Assessor on behalf of the District. The County levies the assessments in two allocations in October to the District's ratepayers and collects the assessments from the ratepayers in December and April. Fee payments from the County are remitted to the District in accordance with the Teeter Plan, 55% in December, 40% in April and 5% in June.

The derivation of the billed amount to the ratepayer for both revenue streams are uniquely determined. Both streams rely on certain inputs often times from various sources in order to calculate.

SEWER SERVICE CHARGES (SSC)

Sewer Service Charges (SSC) are determined based on a standardized metric called an Equivalent Dwelling Unit (EDU) on all District ratepayers. An EDU factor is designed to reflect the average volume and strength of flows from a single-family residence. The purpose of standardizing flow is to make commercial customers comparable to a single-family residence for an equitable distribution of charging cost recovery user fees while still maintaining an affordable fee structure.

SSC User Fee Calculation: An EDU involves converting the winter water usage flow in hundred cubic feet (HCF) provided by MMWD following the below conversion formula expressed in the District's Board approved Ordinance 101.

Figure 5 – EDU Conversion Formula

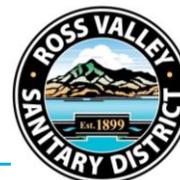
$$\text{Number of EDUs} = \frac{\text{Winter Water Usage (in HCF)} \times 748 \text{ gallons per HCF}}{60 \text{ days} \times 215 \text{ gallons per day}}$$

The metric of winter water usage is used as the baseline for the EDU conversion in order to provide a fair and average barometer of flow throughout any given year.

The EDU factor is then applied against the relevant user fee as approved by the Board in Ordinance 101. Single-family residence user fees are established to be a flat amount regardless of water usage. Multi-family residence user fees are set to be 0.9x the single-family residence rate to account for multiple units sharing the same lateral discharge. Commercial customers' user fees are floated based on the applicable winter water usage. For commercial customers that have without metered water flow recorded are charged a minimum amount in order to equally distribute the user fee across the service for continued access to the District system.

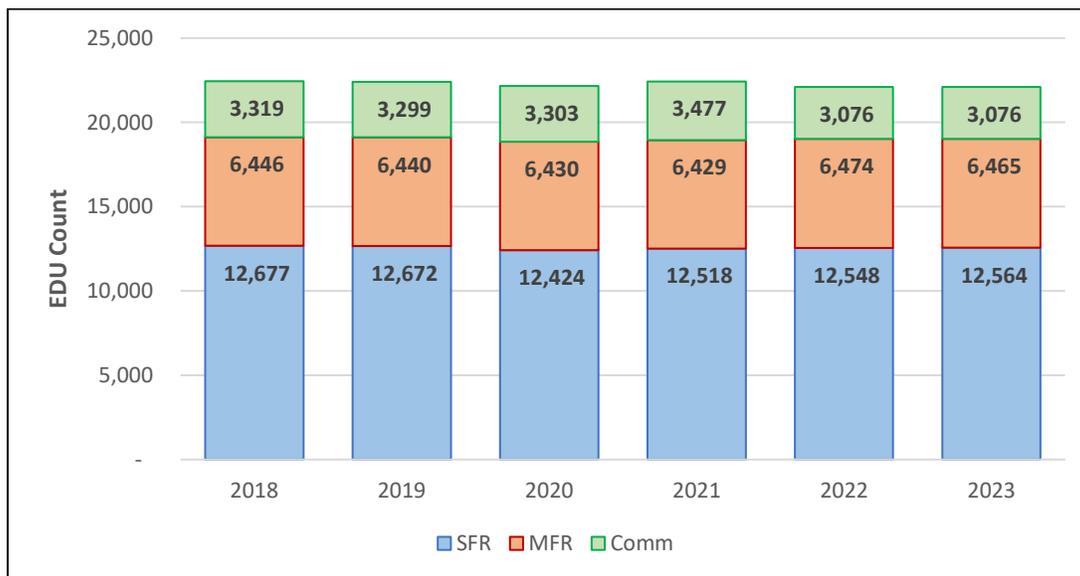
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The District’s EDUs have remained constant over the years consistent with the overall trend in Marin County that the service area is built out, and there are not many new connections being made. Graph 11 displays the District’s EDU trend over the past several years:

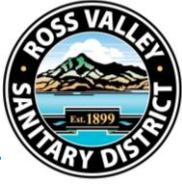
GRAPH 12 – DISTRICT EDU TREND



SSC User Fee Discount: The District offers its ratepayers a 25% discount on levied user fees for those that meet eligible gross income thresholds or qualify as a non-profit or low-income housing development. Applications are submitted to the District via NBS for approval and the discount is made on the property tax assessment.

SSC User Fee Rate Study: The user fee rate per EDU is determined on a five-year rate plan approved by the Board. The proposed SSC user fee rates are developed to meet expected revenue requirements and financial performance objectives over the applicable five-year projection period. District expenses considered include all operating and maintenance charges, wastewater treatment charges from CMSA, debt service requirements, and capital spending.

Using the projected costs and determining the required SSC revenue to fund these costs, the latest SSC rate study performed and approved by the Board in 2019 resulted in an average annual increase of approximately 6% across all county property use codes. Table 19 includes the approved SSC rates per the 2019 Rate Study.



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TABLE 19 – 5YR SSC RATE SCHEDULE

Rate Zone/Customer Class	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24	
Ross Valley Rate Zone										
Single Family Residential	\$ 961	5.7%	\$1,024	6.6%	\$1,083	5.8%	\$1,146	5.8%	\$1,212	5.8%
Single Family w/ ADU	\$1,441	-20.7%	\$1,536	6.6%	\$1,625	5.8%	\$1,719	5.8%	\$1,819	5.8%
Multi-Family Residential	\$ 861	5.4%	\$ 918	6.6%	\$ 971	5.8%	\$1,027	5.8%	\$1,087	5.8%
Commercial Low-Strength	\$ 961	5.7%	\$1,024	6.6%	\$1,083	5.8%	\$1,146	5.8%	\$1,212	5.8%
Commercial High-Strength	\$2,216	4.2%	\$2,362	6.6%	\$2,499	5.8%	\$2,644	5.8%	\$2,797	5.8%
Commercial Minimum	\$ 721	100.0%	\$ 769	6.7%	\$ 814	5.9%	\$ 861	5.8%	\$ 911	5.8%
Larkspur Rate Zone										
Single Family Residential	\$1,356	15.1%	\$1,445	6.6%	\$1,529	5.8%	\$1,618	5.8%	\$1,712	5.8%
Single Family w/ ADU	\$2,034	-13.7%	\$2,168	6.6%	\$2,294	5.8%	\$2,427	5.8%	\$2,568	5.8%
Multi-Family Residential	\$1,215	15.2%	\$1,295	6.6%	\$1,370	5.8%	\$1,449	5.8%	\$1,533	5.8%
Commercial Low-Strength	\$1,356	15.1%	\$1,445	6.6%	\$1,529	5.8%	\$1,618	5.8%	\$1,712	5.8%
Commercial High-Strength	\$3,114	12.6%	\$3,320	6.6%	\$3,513	5.8%	\$3,717	5.8%	\$3,933	5.8%
Commercial Minimum	\$1,017	100.0%	\$1,084	6.6%	\$1,147	5.8%	\$1,214	5.8%	\$1,284	5.8%
Murray Park Rate Zone										
Single Family Residential	\$ -	-	\$ -	-	\$ 472	-	\$ 472	-	\$ 472	-
Multi-Family Residential	\$ -	-	\$ -	-	\$ 472	-	\$ 472	-	\$ 472	-

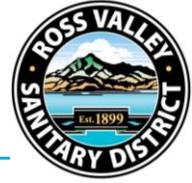
The above rates were determined using applicable estimates employed by the District consultant, Hildebrand Consulting. The full report can be reviewed here: <https://www.rvsd.org/233/District-Studies-and-Reports>.

The user fee rate for the District’s service area is split between the greater Ross Valley area, the Larkspur area, and the Murray Park Sewer Maintenance District. The Ross Valley service area is the original service area and largest volume of the SSC rate revenue. The other rate service areas have the following unique circumstances:

- Larkspur Service Area:** This service area was annexed by the District in January 1993 from the City of Larkspur and assumed operation of the City’s wastewater and collection system going forward. The SSC for the Larkspur area is assessed at a higher rate than the Ross Valley area based on the annexation agreement which specifies that the Larkspur area is treated separately until further action by the District Board to no longer consider the area being separate and distinct from the Ross Valley area. No proportional property taxes were transferred from the City of Larkspur to the District as part of the Larkspur service area annexation, nor does the District receive ad valorem taxes from Larkspur rate payers. Therefore, the District must assess the area with higher SSC to equitably balance the property taxes collected from the Ross Valley service area customers.
- Murray Park Service Area:** The service area was annexed by the District in September 2019 from the County of Marin and assumed operation of the area’s wastewater collection and conveyance system going forward. The SSC for the Murray Park area is assessed to be a flat \$472 per EDU until the District performs its next rate study effective July 1, 2024, as agreed-upon between the District and the County. Afterwards, the service area is to be integrated with the Ross Valley service area following the same rate structure and fee. The Murray Park area’s proportional property taxes were transferred to the District for maintenance and improvements of the service area, and the District receives the proportional share of ad valorem tax from the Murray Park rate payers.

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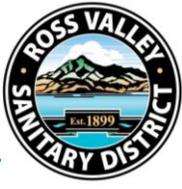
The next SSC Rate Study is anticipated to be performed in fiscal year 2024, and public comment on the rate study findings will be incorporated in accordance with Proposition 218.

AD VALOREM PROPERTY TAXES

The District receives a proportionate share of the collected ad valorem property taxes from the County of Marin on a recurring basis. The apportionment received relates primarily to the basic (1%) property tax levied on all assessed property within the service area. Taxable property assessments and valuation are determined by the Marin County Tax Assessor's Office, which the District heavily relies on for its property tax budget. This basic amount can be broken down into four primary components that the District receives:

- **Secured property taxes:** The main source of property tax levied on all real property that is sufficient for the tax to be considered a lien on the property within the service area, except Larkspur. Examples of such property include primarily houses or buildings. This form of tax is fairly stable within Marin County given the housing demographics. Housing turnover occurs less frequently within Marin County as compared to other housing markets within the San Francisco Bay Area. This is attributable to the population moving less frequently and the low home building rate. Therefore, the growth in the secured property tax rolls is expected to grow at the statutorily capped percentage of 2%. Remittance of this form of property tax follows the Teeter Plan.
- **Unsecured property taxes:** The second main source of property tax levied on all real property that is not sufficient for the tax to be considered a lien on the property within the service area, except Larkspur. Examples of such property include boats, airplanes, improvements on real estate, and business property. This form of tax is fairly stable and exhibits a similar nature to the Secured Property Tax roll. Remittance of this form of property tax follows the Teeter Plan.
- **Supplemental property taxes:** The third main source of property tax levied on all real property of where there is a change in ownership and the resulting market change is a change in assessed taxable valuation. This form of tax does fluctuate from period to period largely dependent on purchase and sale of property, new or used. Remittance of this form of property tax is monthly.
- **Excess Educational Revenue Augmentation Fund (ERAF):** The last main source of property tax collected are excess funds apportioned to local government from the special education fund, ERAF. ERAF was set up in the 1990's as mechanism by the State of California to shift a portion of the collected basic property tax money from local government towards K-12 and community college education in order to fund its required education contribution. However, any excess amount collected that is over and above the required contribution to education by the State is remitted to the local government agencies. This form of tax is fairly stable and exhibits a similar nature to the Secured Property Tax roll. Remittance of this property tax follows the Teeter Plan.

The District does expect its property tax allocation to increase into the upcoming fiscal year as exemplified by the strengthening housing market. Property purchases and sales are increasing within Marin County overall, which results in both additional supplemental property taxes to be collected as well as a higher assessed taxable valuation for basic property tax purposes. For further information about the property tax system, please refer to the County of Marin website at <https://www.marincounty.org/>.



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DEPARTMENTAL BUDGET

As part of the District’s budget development with its Operating Fund, each department’s budget is developed using cost estimates for how much each department foreseeably expends into the next fiscal year. The purpose of this section therefore is to include descriptions of each department and provide a line-item summary of expenditures by category to describe in further detail the use of funds. There are a total of three departments within the District, Operations & Maintenance, Administration, and Engineering. The Engineering costs are allocated and presented to both the Operations & Maintenance and Administration departments given the total size of the department as well as the level of independent expenditures required to support the department overall into the following fiscal year.

Also described within the Departmental Budget section are the non-departmental costs that cannot be directly associated with any particular department given the overlapping nature of expenditure. Such costs include the CMSA treatment charges as well as the outside services costs.

Table 20 provides an overview of where the budgeted costs are for each department along with the year-over-year changes between the FY 2023 budget and FY 2022 budget:

TABLE 20 – BUDGETED EXPENDITURES BY DEPARTMENT

Expenditure Uses by Department	FY 2021	FY 2022		FY 2023 Budget	FY23 Vs FY22 Change \$	FY23 Vs FY22 Change %	% Total Expenditure
	Actual	Budget	Projected				
Operations & Maintenance	6,742,000	8,597,000	6,761,000	8,955,000	358,000	4.2%	41.8%
Administration	2,892,000	2,580,000	2,528,000	3,069,500	489,500	19.0%	14.3%
<i>Non-Departmental:</i>							
CMSA Treatment Charges	8,144,000	8,400,000	8,425,000	8,728,000	328,000	3.9%	40.7%
Outside Services	853,000	945,000	635,000	694,000	(251,000)	-26.6%	3.2%
TOTAL EXPENDITURES	18,631,000	20,522,000	18,349,000	21,446,500	924,500	4.5%	100.0%



OPERATION & MAINTENANCE DEPARTMENT

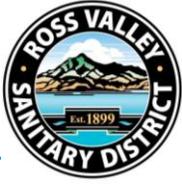
The Operations Department performs essential activities specific to the day-to-day operation and maintenance of the District’s wastewater collection and conveyance system. The Department’s activities include gravity pipeline cleaning and repair, condition assessment of the gravity pipeline, and pump station infrastructure, as well as operation and maintenance of specialized heavy machinery. Each of these activities are handled by the specific Operations Division within the department, Line Maintenance for cleaning, Line Repair for infrastructure remediation, Condition Assessment for data collection, and Pumps for maintaining the pump station infrastructure. All such activities are to be performed following applicable regulations as required by the State Water Resource Control Board (SWRCB), National Pollutant Discharge Elimination System (NPDES), and Bay Area Quality Management District (BAAQMD) permit requirements.

TABLE 21 – OPERATIONS DEPARTMENT EXPENDITURES BY CATEGORY

Operations Expenditures by Category	FY 2021	FY 2022		FY 2023	FY23 Vs FY22	FY23 Vs FY22	% Total Expenditure
	Actual	Budget	Projected	Budget	Change \$	Change %	
Salaries & Overtime	3,247,077	3,993,000	3,201,200	4,087,000	94,000	2.4%	45.6%
Benefits & Payroll Taxes	1,825,868	2,519,000	1,791,600	2,312,650	(206,350)	-8.2%	25.8%
Subtotal Personnel Costs	5,072,945	6,512,000	4,992,800	6,399,650	(112,350)	-1.7%	71.5%
Rent & Facilities	106,082	117,000	95,000	102,000	(15,000)	-12.8%	1.1%
Vehicles Repairs & Rent	171,157	270,000	157,000	260,000	(10,000)	-3.7%	2.9%
Pump Station Maintenance	253,184	310,000	187,000	185,000	(125,000)	-40.3%	2.1%
Sewer Line Repairs	289,751	341,000	282,000	340,000	(1,000)	-0.3%	3.8%
Sewer Line Inspections	49,358	53,000	59,000	55,000	2,000	3.8%	0.6%
Supplies & Equipment Purchases	149,740	137,000	153,000	184,000	47,000	34.3%	2.1%
Other Maintenance Costs	251,857	393,000	357,083	544,500	151,500	38.5%	6.1%
Subtotal O&M Costs	1,271,129	1,621,000	1,290,083	1,670,500	49,500	3.1%	18.7%
Engineering Studies	13,775	35,000	2,000	275,000	240,000	685.7%	3.1%
Utilities	359,146	370,000	428,000	533,400	163,400	44.2%	6.0%
Training	24,865	59,000	48,000	76,000	17,000	28.8%	0.8%
Subtotal Other Costs	397,786	464,000	478,000	884,400	420,400	90.6%	9.9%
TOTAL OPERATIONS COSTS	6,741,861	8,597,000	6,760,883	8,954,550	357,550	4.2%	100.0%

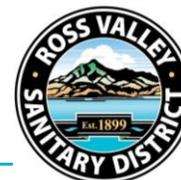
Department Budget Highlights: The below points serve as additional explanation for each of the significant swings within the Department’s use of funds.

- **Personnel Costs:** Personnel costs between the FY 2023 budget and the FY 2022 budget overall decreased by \$112,350 as a result of the lower pension retirement costs. The base salary and overtime balance overall increased as a result of the COLA increase. This increase was trued-down by the significant impact of the CalPERS UAL payment originally anticipated prior to the very large investment return observed in FY 2022.
- **Pump Station Maintenance:** The Pumps Division’s maintenance budget is decreasing between FY 2023 and FY 2022 by \$125,000 given the expectation that pump station maintenance is being shifted towards a targeted approach following the data metrics logged within CMMS.
- **Supplies & Equipment Purchases:** Supplies and equipment purchases increased by \$47,000 between FY 2023 and FY 2022 largely from expectations of higher costs into the following fiscal year given the current inflation environment for specialized sewer maintenance supplies.



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- **Other Maintenance Costs:** The increase of \$151,500 between FY 2023 and FY 2022 for other operating costs is driven by the District embarking on a new Easement Management Program to partner with both the local community and fire departments for clearing of brush and other various landscaping services to help improve efficiency and access on sewer easements.
- **Engineering Studies:** Engineering Studies increased by \$240,000 between FY 2023 and FY 2022 due to the Engineering Department anticipating three studies into the next fiscal year involving an assessment of certain aspects of the District's infrastructure. The three studies are for flow monitoring, compliance assistance for an HDR Engineering Data Model, and to potentially improve the crossing at Lift Station 21.
- **Utilities:** Utilities costs are expected to increase between FY 2023 and FY 2022 following the current economic environment with inflation, especially in energy prices.



ADMINISTRATION DEPARTMENT

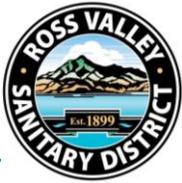
The Administration Department performs all other duties of the enterprise to maintain the backbone of the entity's office services. Such activities include finance and accounting, payroll, accounts payable, invoicing, customer service (permitting and inspections), setting the agenda with the Board, and human resources. All such activities are to be performed following applicable regulations, statutory rulings, authoritative guidance from financial organizations and taxing authorities, as well as internal policies.

TABLE 22 – ADMINISTRATIVE DEPARTMENT EXPENDITURES BY CATEGORY

Admin Expenditures by Category	FY 2021	FY 2022		FY 2023	FY23 Vs FY22	FY23 Vs FY22	% Total Expenditure
	Actual	Budget	Projected	Budget	Change \$	Change %	
Salaries & Overtime	1,119,000	1,222,000	1,263,000	1,343,000	121,000	9.9%	43.8%
Benefits & Payroll Taxes	1,113,000	593,000	473,000	578,000	(15,000)	-2.5%	18.8%
Subtotal Personnel Costs	2,232,000	1,815,000	1,736,000	1,921,000	106,000	5.8%	62.6%
Board Expenditures	44,000	63,000	49,000	58,000	(5,000)	-7.9%	1.9%
Supplies & Equipment Purchases	39,000	135,000	54,000	265,000	130,000	96.3%	8.6%
Utilities	57,000	55,000	52,000	-	(55,000)	-100.0%	0.0%
Insurance	268,000	220,000	285,000	273,000	53,000	24.1%	8.9%
Other Administrative Fees	252,000	292,000	352,000	552,500	260,500	89.2%	18.0%
Subtotal Other Costs	660,000	765,000	792,000	1,148,500	383,500	50.1%	37.4%
TOTAL ADMINISTRATIVE COSTS	2,892,000	2,580,000	2,528,000	3,069,500	489,500	19.0%	100.0%

Department Budget Highlights: The below points serve as additional explanation for each of the significant swings within the Department's use of funds.

- **Personnel Costs:** Personnel costs between the FY 2023 budget and the FY 2022 budget overall increased by \$121,000 from the COLA and step increases for its employees. The base salary and overtime balance is expected to increase for the Department from COLA given the current economic environment with inflation. Furthermore, the Department includes several new hire employees and employees eligible for annual step increases. Approximately nine employees allocated to the Department are not at the highest step and are eligible for a step increase.
- **Supplies & Equipment Purchases:** Supplies and equipment purchases are anticipated to increase \$130,000 between the FY 2023 budget and FY 2022 budget due to the expected increase in purchases of furniture and equipment needed for the move to the District's new administration building at 1111 Andersen Drive.
- **Utilities:** Utilities costs have been appropriately allocated to Operations & Maintenance in FY23.
- **Insurance:** Insurance premiums related to all policies outside of worker's compensation overall are expected to increase by \$53,000 between the FY 2023 budget and FY 2022 budget. The District participates in an insurance pool, CSRMA, where it diversifies its risk many other sanitation agencies. The pool going into the new fiscal year is experiencing increasing losses and needs to increase the premium in order to cover the mounting losses. This District is not considered a contributor to the pool's losses, and the pool is considered in good financial standing.
- **Other Administrative Fees:** This category includes several fee types, such as bank fees, property taxes and other miscellaneous fees paid. The primary driver of the increase going into FY 2023 relative to the FY 2022 budget is from the anticipated increase in property taxes to be paid by the District as part of owning and occupying the 1111 Andersen Drive administrative building.



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NON-DEPARTMENTAL COSTS

Non-Departmental costs relate to the CMSA treatment costs and outside services costs. Both cost categories are considered to be non-departmental costs for the FY 2023 budget year due to the overlapping nature of the costs across Departments or the nature of which costs cannot be directly traced to a particular Department's activities.

CMSA Treatment Charges: The District is a member of the "Central Marin Sanitation Agency Joint Powers Authority" where its collected wastewater is conveyed to the CMSA plant for treatment and eventual discharge. The other members of the JPA are the San Rafael Sanitation District (SRSD), Sanitary District #2 (SD2) at the Town of Corte Madera. The City of Larkspur through Sanitary District #3 (SD3) was a member previously until the District annexed SD3's wastewater collection and conveyance operations. Since the CMSA does not directly bill the ratepayers in each of the respective member service areas for its operations and capital budget cost recovery, CMSA instead charges each of its member agencies for its costs that are commensurate to the level of treatment and disposal service performed.

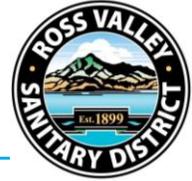
Treatment charges are comprised of two fee streams:

- **Treatment Charges for Operations:** This fee stream is to fund CMSA's operating and capital budgets, given the charge is a combined fee of service charges and capital fees. The total amount to be billed out to the member agencies is determined by developing the total level of costs required to perform its operations and CIP. This total treatment charge amount escalates every fiscal year following the approved Rate Schedule by CMSA's Board of Commissioners from July 1, 2018. Currently, the schedule follows a five-year rate plan with an average growth of 3.5%. The service charges and capital fees are allocated to each member agency based on the 36-month's prior wastewater flow in millions of gallons sent to CMSA. The allocated flow percentages billed by CMSA to the District are based on forecasted results from the projected year, which currently allocates 47.62% of flow to the District in FY 2023. CMSA's budget is performed biennially and so the FY 2023 period is based on a two-year projection. This fee stream is paid quarterly.
- **Debt Service Coverage for Debt Obligations:** This fee stream is to fund CMSA's debt service coverage with its bond covenants. The fee is determined by consolidating the total debt service to be paid by CMSA on its capital debt, apply an additional 25% over and above the debt service amount, and allocate out to each of the member agencies based on EDU. Similar to the treatment charges, the debt service coverage fee uses a two-year projection for FY 2023 for the District's EDU count, which was 22,422 or 42.9% in FY 2023. This fee stream is paid semi-annually.

For further information regarding CMSA's budget, its financial information can be found here: <https://www.cmsa.us/finance/documents>.

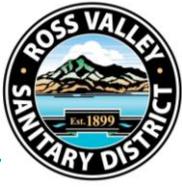
ROSS VALLEY SANITARY DISTRICT

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Outside Services: The District coordinates with several consultants for its operations. These outside consultants include, legal services, IT services, a community outreach coordinator for marketing material preparation, financial compliance consulting services, retirement liability actuarial services, SSC billing services, municipal advisory services, external auditing services and others. All of these services require a consultancy agreement with the District which covers a specific period of time. Costs grow in accordance with the payment terms of each agreement. There is a drop in anticipated consultancy services into FY 2023 relative to the FY 2022 budget of \$251,000 from a combination of factors. To highlight a few of the consultants included within the category that is contributing to its decrease are the following:

- **CTS International:** This consultant has assisted the District with its training budget process primarily for the Operations Department. The consultant has developed a methodology for how to provide sufficient level of knowledge to use highly technical and specialized equipment at the District, and then to test that knowledge for retention. The program has been very successful and is now deemed time to transition this responsibility to the District's Operations & Maintenance Manager and Operations & Maintenance Superintendent.
- **Kaizen InfoSource:** The District has contracted with this consultant to provide document retention capabilities using Laserfiche technology for the stockpiled documents housed within the District. The service, in terms of fee, is normalizing now into FY 2023 versus the FY 2022 budget such that the initial start-up costs with Laserfiche have been paid. The recurring payments going forward are expected to be annual recurring charges, similar to a maintenance fee.



DEBT OBLIGATIONS

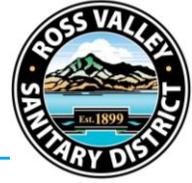
Over the past several years, the District has issued and borrowed several types of debt obligations in order to assist it with its CIP and other functions. The current and outstanding debt obligations are the following with a brief description for each issuance:

- **2013 Revenue Bonds:** The District issued the Series 2013 Revenue Bonds in August 2013 in the principal amount of \$17,780,000 to finance its CIP and refund its Bank of Marin mortgage loan. The bonds were issued at a premium of approximately \$133,038.90 providing an effective interest rate of 4.896%. The bonds are fully registered, with principal due annually on October 1, and interest payable semi-annually on October 1 and April 1. The bonds are callable any time after October 1, 2023, with no call premium.
- **2014 Revenue Bonds:** The District issued the Series 2014 Revenue Bonds in November 2014 in the principal amount of \$30,155,000 to finance its CIP. The bonds were issued at a premium of approximately \$1,243,225 providing an effective interest rate of 3.51%. The bonds are fully registered, with principal due annually on July 1, and interest payable semi-annually on January 1 and July 1. The bonds are callable any time after January 1, 2025, with no call premium.
- **2018 Revenue Bonds:** The District issued the Series 2018 Revenue Bonds in January 2018 in the principal amount of \$21,870,000 to finance its CIP. The bonds were issued at a premium of approximately \$3,400,854.15 providing an effective interest rate of 3.627%. The bonds are fully registered, with principal due annually on July 1, and interest payable semi-annually on January 1 and July 1. The bonds are callable any time after January 1, 2025, with no call premium.
- **2019 Revenue Bonds:** The District issued the Series 2019 Revenue Bonds in July 2019 in the principal amount of \$31,455,000 to finance its CIP, purchase of its new Administration Building on 1111 Andersen Drive, and completion of the Larkspur Landing EPA remediation. The bonds were issued at a premium of approximately \$3,866,351 providing an effective interest rate of 3.393%. The bonds are fully registered, with principal due annually on July 1, and interest payable semi-annually on January 1 and July 1. The bonds are callable any time after January 1, 2029, with no call premium. Furthermore, there is a special covenant for early redemption of \$11,120,000 on or after February 1, 2022, if the District were to sell or lease, within a certain threshold of time, the Larkspur Landing Property once the EPA remediation project is complete.
- **State Revolving Fund (SRF) Disbursement:** The District coordinated direct financing from the State Water Resource Control Board (SWRCB) for SRF financing for one of the District's capital projects in the amount of \$1.7 million in June 2022. The effective interest rate is 1.1% with principal and interest payments expected to be paid annually on July 1.

Each of the above debt obligations can be further reviewed each respective executed debt agreement at <https://www.emma.msrb.org/>. The following page displays the amount of outstanding debt service payments through FY 2052.

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PUBLIC FINANCING AUTHORITY

Debt obligations for public issuance are financed through Installment Sale Agreements using the District's public financing authority, Ross Valley Public Financing Authority (RVPFA). RVPFA is an independent JPA formed with the District and the California Municipal Finance Authority to facilitate the bond transactions with its outside underwriter, trustee and other stakeholders for its CIP capital projects funding. RVPFA has no employees and is governed by the District's Board. It is subject to an annual audit of its financial statements. Its formation agreement and other information can be found here: <https://www.rvsd.org/211/Ross-Valley-Public-Financing-Authority>.

FUTURE DEBT ISSUANCES

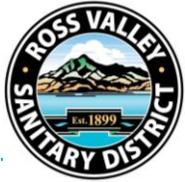
The District does not plan to issue any additional debt into the foreseeable future in order to fund its CIP. The District has shifted to a "PayGo" model for funding its CIP.

DEBT LIMITS

The District is not subject to any debt limitations considering its enterprise is funded through user fees and its covenants only specify that its net revenues be above 1.10x for its Revenue Bonds and 1.20x for its SWRCB SRF loan.

CREDIT RATINGS

The District received and continues to receive credit ratings from rating agencies such as Standard & Poor's (S&P) and Fitch Ratings (Fitch). The latest ratings the District has received from both agencies on its public debt obligations are "AA Stable Outlook" from S&P and "AA- Positive Outlook" from Fitch. Fitch, from its latest surveillance in April 2022, upgraded the District's rating from "AA- Stable Outlook" to "AA- Positive Outlook". The rationale for both ratings are that the District is in a strong financial position, is managing its SSO performance relative to its recent history and exerts a stable monopolistic public utility revenue stream. Furthermore, the District is situated in a heavily affluent community with a very strong housing market further validating the revenue defensibility. The District credit ratings can be sourced here: <https://www.spglobal.com> and <https://www.fitchratings.com>.



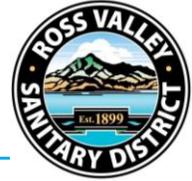
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TABLE 23 – DEBT SERVICE OBLIGATIONS

Debt Issues	Original	Outstanding	FY22/23	Debt Service Ratio	FY21/22	FY22/23				Beginning	Ending
	Principal	Principal	Debt		Projected	Budget					
2013 Bonds	17,780,000	14,780,000	1,139,500	Revenue Sources	34,670,000	36,936,000				88,020,000	86,968,000
2014 Bonds	30,155,000	24,490,000	1,883,394	Less: Operating Exp	18,349,000	21,448,000				86,968,000	84,029,266
2018 Bonds	21,870,000	19,810,000	1,544,900	Net Revenues	16,321,000	15,488,000				84,029,266	80,975,555
2019 Bonds	31,455,000	28,540,000	2,077,800	Less: Debt Service	6,638,000	6,646,000				80,975,555	77,768,140
SWRCB SRF	1,708,000	1,708,000	-	Available Net Revenues	9,683,000	8,842,000				77,768,140	74,428,182
Totals	102,968,000	89,328,000	6,645,594	Coverage Ratio	2.46	2.33				74,428,182	70,967,674
				Policy Coverage Ratio	1.50	1.50				70,967,674	67,366,611

Fiscal Year End	2013 Revenue Bonds		2014 Revenue Bonds		2018 Revenue Bonds		2019 Revenue Bonds		SWRCB SRF Loan		TOTAL DEBT SERVICE			Beginning Principal	Ending Principal
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total		
2023	400,000	739,500	975,000	908,394	560,000	984,900	825,000	1,252,800	-	-	2,760,000	3,885,594	6,645,594	88,020,000	86,968,000
2024	420,000	719,000	1,025,000	859,644	580,000	962,500	855,000	1,219,800	58,734	8,419	2,938,734	3,769,363	6,708,097	86,968,000	84,029,266
2025	440,000	697,500	1,075,000	808,394	610,000	933,500	890,000	1,185,600	38,711	28,442	3,053,711	3,653,436	6,707,147	84,029,266	80,975,555
2026	465,000	677,200	1,130,000	754,644	640,000	903,000	925,000	1,150,000	47,415	19,738	3,207,415	3,504,581	6,711,997	80,975,555	77,768,140
2027	485,000	658,200	1,165,000	720,744	675,000	871,000	965,000	1,113,000	49,958	17,195	3,339,958	3,380,138	6,720,097	77,768,140	74,428,182
2028	500,000	636,000	1,200,000	685,794	705,000	837,250	1,005,000	1,074,400	50,508	16,645	3,460,508	3,250,089	6,710,597	74,428,182	70,967,674
2029	525,000	610,375	1,235,000	649,794	745,000	802,000	1,045,000	1,034,200	51,063	16,089	3,601,063	3,112,458	6,713,522	70,967,674	67,366,611
2030	555,000	583,375	1,275,000	612,744	780,000	764,750	1,085,000	992,400	51,625	15,528	3,746,625	2,968,796	6,715,422	67,366,611	63,619,986
2031	580,000	555,000	1,315,000	572,900	820,000	725,750	1,130,000	949,000	52,193	14,960	3,897,193	2,817,610	6,714,803	63,619,986	59,722,793
2032	610,000	525,250	1,355,000	530,163	860,000	684,750	1,175,000	903,800	52,767	14,386	4,052,767	2,658,348	6,711,115	59,722,793	55,670,026
2033	640,000	494,000	1,400,000	486,125	905,000	641,750	1,220,000	856,800	53,348	13,805	4,218,348	2,492,480	6,710,828	55,670,026	51,451,678
2034	675,000	461,125	1,445,000	438,875	950,000	596,500	1,270,000	808,000	53,934	13,218	4,393,934	2,317,718	6,711,653	51,451,678	47,057,744
2035	705,000	426,625	1,500,000	388,300	995,000	549,000	1,320,000	757,200	54,528	12,625	4,574,528	2,133,750	6,708,278	47,057,744	42,483,216
2036	740,000	390,500	1,550,000	335,800	1,045,000	499,250	1,375,000	704,400	55,127	12,025	4,765,127	1,941,975	6,707,103	42,483,216	37,718,089
2037	780,000	352,500	1,610,000	273,800	1,100,000	447,000	1,430,000	649,400	55,734	11,419	4,975,734	1,734,119	6,709,853	37,718,089	32,742,355
2038	820,000	312,500	1,675,000	209,400	1,155,000	392,000	1,485,000	592,200	56,347	10,806	5,191,347	1,516,906	6,708,253	32,742,355	27,551,008
2039	860,000	270,500	1,745,000	142,400	1,210,000	334,250	1,550,000	527,000	56,967	10,186	5,421,967	1,284,336	6,706,303	27,551,008	22,129,041
2040	900,000	226,500	1,815,000	72,600	1,270,000	273,750	1,625,000	449,500	57,593	9,559	5,667,593	1,031,909	6,699,503	22,129,041	16,461,448
2041	945,000	180,375	-	-	1,335,000	210,250	1,710,000	368,250	58,227	8,926	4,048,227	767,801	4,816,028	16,461,448	12,413,221
2042	995,000	131,875	-	-	1,400,000	143,500	1,795,000	282,750	58,867	8,285	4,248,867	566,410	4,815,278	12,413,221	8,164,353
2043	1,045,000	80,875	-	-	1,470,000	73,500	1,885,000	193,000	59,515	7,638	4,459,515	355,013	4,814,528	8,164,353	3,704,839
2044	1,095,000	27,375	-	-	-	-	1,975,000	98,750	60,170	6,983	3,130,170	133,108	3,263,278	3,704,839	574,669
2045	-	-	-	-	-	-	-	-	60,831	6,321	60,831	6,321	67,153	574,669	513,837
2046	-	-	-	-	-	-	-	-	61,501	5,652	61,501	5,652	67,153	513,837	452,337
2047	-	-	-	-	-	-	-	-	62,177	4,976	62,177	4,976	67,153	452,337	390,160
2048	-	-	-	-	-	-	-	-	62,861	4,292	62,861	4,292	67,153	390,160	327,299
2049	-	-	-	-	-	-	-	-	63,553	3,600	63,553	3,600	67,153	327,299	263,746
2050	-	-	-	-	-	-	-	-	64,252	2,901	64,252	2,901	67,153	263,746	199,494
2051	-	-	-	-	-	-	-	-	64,958	2,194	64,958	2,194	67,153	199,494	134,536
2052	-	-	-	-	-	-	-	-	65,673	1,480	65,673	1,480	67,153	134,536	68,863
2053	-	-	-	-	-	-	-	-	68,863	757	68,863	757	69,621	68,863	(0)
TOTALS	15,180,000	9,756,150	24,490,000	9,450,513	19,810,000	12,630,150	28,540,000	17,162,250	1,708,000	309,053	89,728,000	49,308,115			



CAPITAL IMPROVEMENT PROGRAM (CIP)

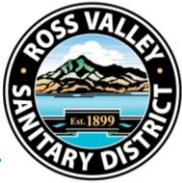
The collection and conveyance of wastewater is a highly regulated enterprise that requires significant capital infrastructure and investment. The District operates a continuously flowing collection and conveyance system, and its various assets and equipment are subjected to heavy use in a sometimes-harsh operating environment. Many assets are subjected to constant contact with wastewater, abrasive materials, and chemicals used in the transportation process. The District monitors the development of new technologies and considers systems and processes that may improve conveyance efficiency, reduce future SSOs, save energy, and assist with meeting changing regulatory requirements. The maintenance, replacement, and addition of capital assets are an essential part of the District's CIP budget.

The District embarked on development of an Infrastructure Asset Management Plan (IAMP) that documented the District's capital projects in order of priority for the next ten years starting from July 1, 2022. The IAMP was initially developed in 2013 as part of the District's strategy to meet the requirements of the Cease & Desist Order from the State Water Resource Control Board (SWRCB); now the plan and process has become integrated as part of the District's process of developing its CIP. The District's current IAMP can be reviewed here: <https://www.rvsd.org/309/Infrastructure-Asset-Management-Plan>.

The CIP plans out the required minimum capital expenditures over the next five years to maintain its critical infrastructure and what would be the appropriate funding plan. The Five-Year CIP includes the replacement and rehabilitation of existing capital assets, as well as the acquisition or construction of new capital assets. Priorities from the Five-Year CIP are included within the FY 2023 budget for rehabilitation and improvement capital projects. These initiatives are organized into seven categories:

- 1) Gravity Sewer Projects
- 2) Pump Station Projects
- 3) Force Main Projects
- 4) Other Capital Projects
- 5) Lateral Program
- 6) Fixed Asset/Equipment
- 7) Special Projects & Studies

Capital expenditures are cash transactions made by the District that result in the acquisition or construction of a capital asset. For financial reporting purposes, a capital asset is any asset valued over \$5,000 with a useful life of over two years. Examples include land, buildings, machinery, vehicles, and equipment. All capital assets expected to be acquired or constructed are included in the FY 2023 CIP.



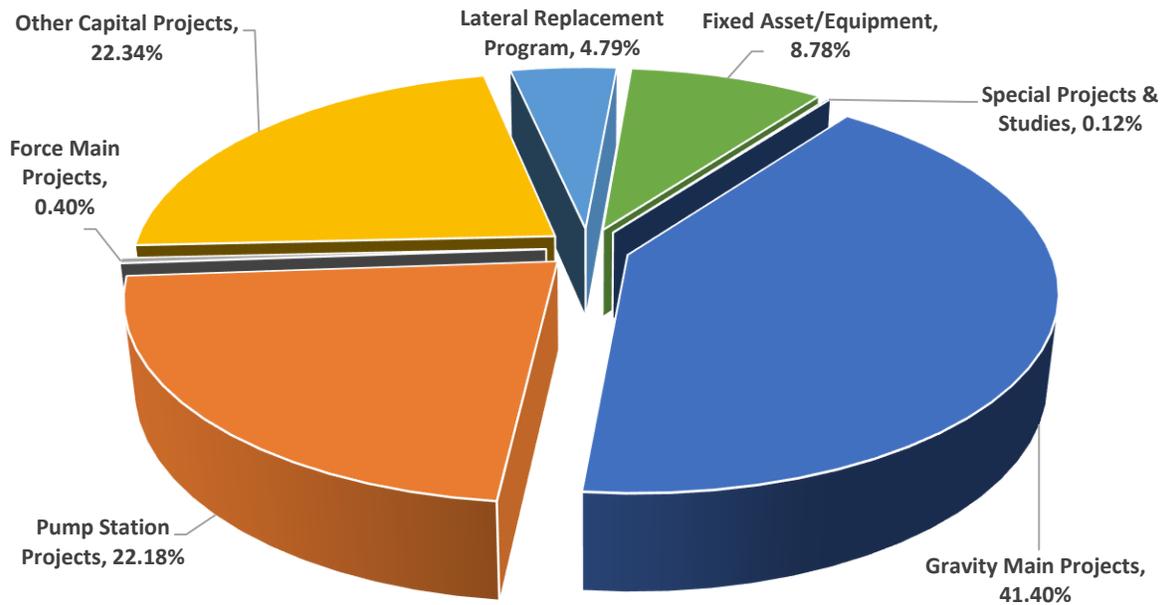
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TABLE 24 – CIP CATEGORIES

CIP Category	FY 2021 Actual	FY 2022 Budget	FY 2022 Projected	FY 2023 Budget	Number of Projects
Gravity Main Projects	4,226,000	9,371,000	8,629,900	5,190,000	7
Pump Station Projects	177,000	1,890,000	1,130,000	2,780,000	4
Force Main Projects	1,116,000	15,000	15,000	50,000	1
Other Capital Projects	3,899,000	2,900,000	522,000	2,800,000	1
Lateral Replacement Program	585,000	650,000	600,000	600,000	
Fixed Asset/Equipment	799,000	451,000	760,700	1,100,000	
Special Projects & Studies	622,000	250,000	215,000	15,000	1
TOTAL CIP PROJECTS	11,424,000	15,527,000	11,872,600	12,535,000	14

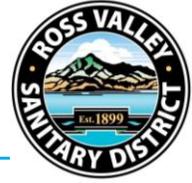
Note: The FY 2022 projected results are based on each project’s progress.

GRAPH 13 – FY 2023 CIP CATEGORIES ALLOCATION



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MAJOR CAPITAL PROJECTS

The Five-Year CIP includes many important projects to maintain and improve the operation of the District's wastewater collection and conveyance system. Within the CIP, several projects have additional detailed project descriptions that further explain the scope, schedule, and budget for the project. The following are the major projects for FY 2023:

Gravity Sewer Projects: Gravity sewer projects (\$5 million) include a mix of restoration, rehabilitation, and replacement work. Except for the as-needed construction services and capitalized repairs, these projects will be designed and constructed in 2022-23. Approximately three miles of gravity sewer lines will be upgraded with these projects, all of which are identified as priorities by condition assessment and line maintenance, risk modeling in the 2021 IAMP, and locations of sanitary sewer overflows.

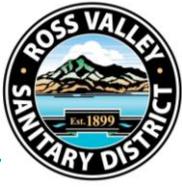
Pump Station Projects: Major pump station renovations are under construction and being completed in 2022 at Pump Station 14 (PS14), PS24 and PS25. Lift Stations 20 (LS20), LS31 and LS32 renovations will be constructed by 2023. Expenditures for construction are estimated at \$2.7 million this fiscal year, and design of Lift Station 30 renovation at Heather Gardens, a priority of the 2021 IAMP Update co-located on lands of the City of Larkspur, is budgeted at \$50,000. Other miscellaneous pump station equipment upgrades are budgeted at \$130,000.

Force Main Projects: There are no force main projects proposed, as condition assessment conducted in the 2021 IAMP Update did not identify any priorities for rehabilitation. The budgeted funds (\$50,000) will be used for design of replacement valves in the force main system around South Eliseo Drive.

Other Capital Projects: This category includes all other capital projects that are still capital intensive, of which the District only has one project within this category.

- **Andersen Building Improvements.** In April 2019, the District invested in a new headquarters building located at 1111 Andersen Drive in San Rafael. The new building will serve as a consolidated facility for operational and administrative functions of the District. The District currently operates partly out of the Larkspur Landing property and partly out of the 2960 Kerner Boulevard property in San Rafael. The cost for building improvements is based on bids received in February 2022. The interior renovations are under contract for construction to begin in June 2022 and site improvements (e.g., landscaping and parking reconfiguration) will be bid separately. The project experienced delays in large part due to the COVID-19 Pandemic.

Lateral Program: Financial assistance funding and maximum amounts for lateral replacement are established each fiscal year as part of the annual budget process. Funding for financial assistance in FY 2023 includes lateral replacement grant and lateral replacement loan funding of \$600,000.



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Fixed Asset/Equipment: The District uses a larger VacCon combination vacuum/jetter truck to pull debris out of sewers and manholes, clean up sewer spills, and clean pump station wet wells. This unit is the largest vehicle in the District fleet. It was purchased in 2008 and is cumbersome to bring to many of the narrow, steep streets characteristic of the District service area. Staff have identified the need to purchase a smaller combination unit also manufactured by VacCon or alternatively by Vactor. This type of vehicle is better suited to the terrain and conditions of our District and will help prevent sewer spills caused by debris in the sewers. Prices were quoted at \$500,000 and this amount is in the proposed budget.

The District periodically uses a mechanical rodder truck to physically remove harder obstructions found in the sewers such as large root wads, that the hydrojetters cannot always remove. The rodder is also used to retrieve equipment from the sewers, Underground Service Alert (USA) locating of sewer lines, responding to service calls and sewer cleaning on steep hills. The 2001 rodder has been in operation for over 20 years and the chassis is showing signs of deterioration. The FY 2023 budget includes \$265,000 to retrofit the existing rodder with a new chassis.

The recently renovated pump stations PS13 (Greenbrae) and PS15 (Kentfield) include improved odor control facilities that require regular refreshing of filter media for effective odor scrubbing. This year both pump stations need filter media replacements budgeted at \$40,000 each, totaling \$80,000.

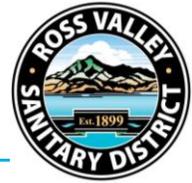
Many system defects are located at the lateral connections, where private laterals connect directly to the sewer mains of the District's collection system. The repair crew uses a Picote Cutter to reinstate laterals when point repairs are made to defects at lateral connections on the District sewer mains. The point repair covers the lateral as well as the pipe defect, so the section of the point repair covering the lateral needs to be physically cut into a circle to "reinstatement" the lateral to the main. Periodically the Picote Cutter becomes disabled and must be repaired while in the field and the clock is ticking for the homeowner or business to be able to use their lateral. By having a back-up Picote Cutter, the repair crew will be more efficient at completing jobs and not have to repair the cutter under a time constraint.

The repair crew has identified an additional item, a Lateral Reinstatement Cutter, to complement the Picote Cutter system. The Picote Cutter only works on laterals that have a building clean-out (BO) or property line cleanout (CO) from which the repair crew can access the system via the lateral. The lateral is reinstated by cutting from the lateral-side of the lateral connection, and the Picote Cutter cannot be used to cut from inside the sewer main. While BO's and CO's are required by the lateral ordinance and installed when permits are issued, many laterals do not have a BO or CO because they have not received permits from the District for decades. Staff estimates that over half the system is not yet equipped with BO's, Type 1 (Contra Costa or mushroom valve) or Type 2 (sewer popper). Therefore, a Lateral Reinstatement Cutter that can be used to access and reinstate the lateral connection from within the sewer main is proposed for this year's budget at \$100,000.

Staff proposes to replace a 1997 forklift that is used in its rented warehouse at 1221 Andersen and will be used in the future warehouse at the 1111 Andersen headquarters. The existing forklift no longer engages in the forward position and runs on a propane engine. Staff proposes to replace this unreliable unit with an electric forklift with 5,500 lbs. capacity for a budget of \$50,000.

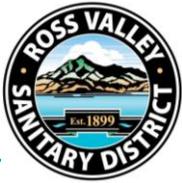
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Special Projects & Studies: This category includes the District's engineering studies that lead to a capital asset development. The District currently has one study in progress are the following:

- *Infrastructure Asset Management Plan (IAMP) Update.* The 2021 IAMP Update is complete. The 2013 IAMP projects replaced or rehabilitated over 37 miles of gravity sewer lines. The 2021 IAMP Update shifted focus from pipeline structural stability, major pump stations, and force mains to focus on future priority needs. These include I&I reduction work, high risk creek crossing pipes, and on-going restoration/maintenance actions that maintain the system at its targeted level of service and condition. The updated plan retains the risk-based approach. The IAMP is a living plan, which can be refreshed based on new condition assessment information by running the data model. Going forward, staff will update the risk profile of the system at least once every two years so that capital project recommendations are based on current information. This year staff will use remaining authorized contract funds to receive training from the consultants on how to run the data model. The remaining budget for the consultant activities related to the IAMP Update is \$15,000.

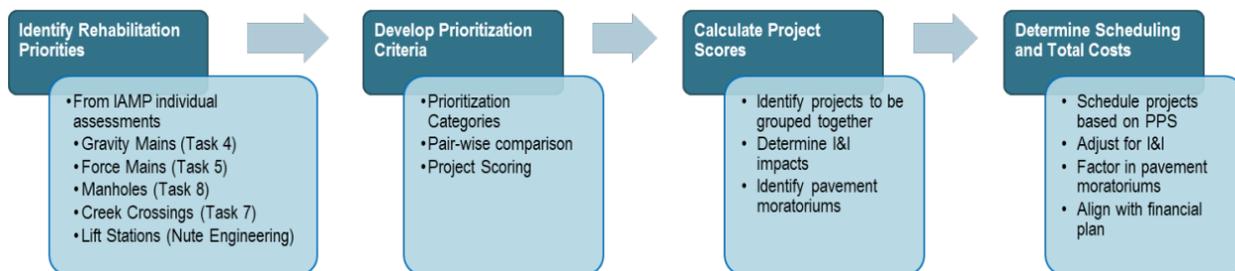


CAPITAL IMPROVEMENT PROGRAM (CIP) PLANNING & FUNDING

The District annually assesses its Five-Year CIP as part of the budget development process using its latest IAMP as a guide. The FY 2023 CIP Budget and Five-Year CIP schedule were prepared in close coordination between the Engineering and Operations & Maintenance Departments. The CIP team is responsible for developing and managing the annual CIP Budget, determining the appropriate delivery method for each project and activity, and monitoring and reporting CIP activities. The General Manager and Assistant General Manager/Administrative Services Manager are responsible for working with the Board and Finance Committee to develop a long-term funding plan for the CIP.

The IAMP is developed as a ten-year plan listing out the District's priorities for its infrastructure asset management with a goal of reducing future Inflow & Infiltration (I&I) and minimizing risk. Each asset category is assessed with a priority based on its likelihood of failure (LoF) and consequence of failure (CoF) probability. The LoF/CoF is a risk model framework considering a key set of parameters, such as structural integrity, system capacity, environmental impacts, stakeholder/customer service, regulatory compliance, health and safety, financial impact, ability to restore to design level of service, and location/critical facility impact. Using the results from the assessment model, each project is weighted using priority scoring. Costing within the IAMP for the ten-year minimum capital expenditures were developed using engineering estimates based on the scope of planned work. The total minimum capital expenditures expressed within the IAMP as of September 2021 is approximately \$26 million.

FIGURE 5 – IAMP PRIORITIZATION PROCESS

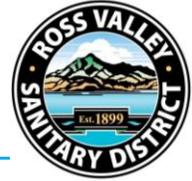


The Five-Year CIP is developed in conjunction with the budget process. It is based on the IAMP for the relevant fiscal year and period to date project progress, as well as priorities established from review of maintenance issues and sanitary sewer overflow (SSO) locations from the Sewer System Management Program (SSMP). Each project's cost is assessed based on the progress and the priority needed for the planned fiscal year. Costs for larger projects are often estimated by engaging consulting engineers to prepare cost estimates, while cost estimates for smaller scale projects are determined by either surveying other public agencies or by utilizing costs from similar projects conducted by the District. Once the budget has been adopted, the District is required to comply with the California Uniform Public Construction Cost Accounting Act (CUPCAA) to acquire the assets and deliver the project. All construction and professional service contracts and purchases that are over the dollar threshold set by CUPCAA and District policies require Board approval at an open public meeting.

The total cost of the CIP over the next five years beyond the upcoming budget year is approximately \$57.5 million. This Five-Year CIP scope focuses primarily on replacing priority infrastructure and assets, and is

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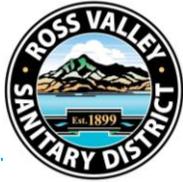


funded by property taxes, lateral loan repayments, capacity charges and unassigned operating or capital reserves. The District is focusing on using a PayGo model to fund all future capital projects.

FY 2023 CIP BUDGET DOCUMENTS

Please refer to the following documents for detailed information regarding the current year CIP:

- **Five-Year Capital Improvement Program Schedule**: The schedule shows the next five years of the District's planned capital activities along with the upcoming fiscal year.
- **Capital Improvement Program – Account/Project Descriptions**: Each project, initiative and activity in the upcoming budget year is described by budget account number and serves to guide the District's staff in the execution of budgeted activities. The document identifies replacement schedules for equipment and assets and is a reference when assigning account numbers for purchase orders and payment of goods and services.
- **Detailed Project Descriptions**: Each large or multi-year initiative has a dedicated planning document which describes the major project by its scope, justification, costs by fiscal year and activity, and includes a map of the project being described.



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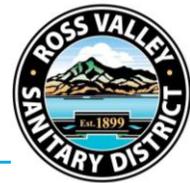
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TABLE 25 – CAPITAL IMPROVEMENT PROGRAM PROJECT LISTING

Project #	Project Description	FY 2022 Budget	FY 2022 Projected	FY 2023 Budget	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	Total FY22-FY28
Capital Projects										
931	FY 2015/16 Gravity Sewer Improvements	-	3,000	-	-	-	-	-	-	3,000
944	Large Diameter Gravity II-3B	100,000	120,000	-	-	-	-	-	-	120,000
946	Winship Bridge Sewer Relocation	20,000	20,000	50,000	250,000	750,000	-	-	-	1,070,000
947	FY 2016/17 GSIP Butterfield/A-K	2,506,000	2,506,000	50,000	-	-	-	-	-	2,556,000
949	Laurel Grove GSI Project	30,000	30,000	-	-	-	-	-	-	30,000
951	FY 2020/21 Gravity Sewer Improvements	5,765,000	5,000,000	750,000	-	-	-	-	-	5,750,000
952	Nokomis Bridge Sewer Relocation	-	-	-	-	50,000	727,000	-	-	777,000
953	FY 2022/23 Gravity Sewer Improvements	250,000	250,000	3,000,000	750,000	-	-	-	-	4,000,000
954	Meadow Way Bridge Sewer Relocation	-	900	190,000	-	-	-	-	-	190,900
955	FY 2023/24 Gravity Sewer Improvements	-	-	400,000	5,600,000	-	-	-	-	6,000,000
956	Woodland Capacity and Creek Crossing	-	-	250,000	2,250,000	-	-	-	-	2,500,000
957	Fairfax Capacity Improvements	-	-	-	600,000	6,000,000	1,000,000	-	-	7,600,000
958	FY 2024/25 Gravity Sewer Improvements	-	-	-	250,000	2,750,000	-	-	-	3,000,000
959	FY 2025/26 Gravity Sewer Improvements	-	-	-	-	600,000	6,000,000	-	-	6,600,000
970	FY 2026/27 Gravity Sewer Improvements	-	-	-	-	-	650,000	6,500,000	-	7,150,000
971	FY 2027/28 Gravity Sewer Improvements	-	-	-	-	-	-	-	700,000	7,700,000
917	Capitalized Repairs-Contractor	350,000	350,000	250,000	250,000	250,000	300,000	300,000	300,000	2,000,000
918	On Call Construction	350,000	350,000	250,000	250,000	250,000	300,000	300,000	300,000	2,000,000
Total Gravity Main Projects		9,371,000	8,629,900	5,190,000	10,200,000	10,650,000	8,977,000	7,800,000	7,600,000	59,046,900
905	Pump Station Equipment Upgrades	130,000	130,000	130,000	150,000	150,000	180,000	180,000	180,000	1,100,000
906	PS 14, 24, & 25 PS Improvement	1,660,000	900,000	1,100,000	-	-	-	-	-	2,000,000
907	LS 20, 31, 32 PS Improvements	100,000	100,000	1,500,000	1,400,000	-	-	-	-	3,000,000
908	LS 30 Heather Gardens Lift Station Improvements	-	-	50,000	50,000	900,000	-	-	-	1,000,000
909	LS 35 and LS 36 Riviera Circle Lift Station Improvements	-	-	-	40,000	452,000	-	-	-	492,000
910	LS 33 and LS 34 Riviera Circle Lift Station Improvements	-	-	-	-	50,000	488,600	-	-	538,600
911	LS 37 Improvements or Gravity Sewer	-	-	-	-	35,000	170,000	-	-	205,000
912	LS 22 and LS 23 Drakes Landing Lift Station Improvements	-	-	-	-	-	40,000	340,000	-	380,000
913	LS 21 Improvements or Gravity Sewer	-	-	-	-	-	40,000	1,250,000	-	1,290,000
914	PS 13, 14 or 15 PS Improvements	-	-	-	-	-	-	75,000	750,000	825,000
Total Pump Station Projects		1,890,000	1,130,000	2,780,000	1,640,000	1,587,000	918,600	1,845,000	930,000	10,830,600
960	FY 19/20 Force Main Appurtenance	15,000	15,000	-	-	-	-	-	-	15,000
961	Riviera Circle Force Main Replacement	-	-	-	-	50,000	50,000	1,200,000	2,000,000	3,300,000
962	23-24 Force Main Appurtenance	-	-	50,000	300,000	-	-	-	-	350,000
Total Force Main Projects		15,000	15,000	50,000	300,000	50,000	50,000	1,200,000	2,000,000	3,665,000
899	Kerner Building Landscaping	-	20,000	-	-	-	-	-	-	20,000
900	Larkspur Landing Activities	-	2,000	-	-	-	-	-	-	2,000
901	Andersen Building Improvements	2,900,000	500,000	2,800,000	1,500,000	-	-	-	-	4,800,000
Total Other Capital Projects		2,900,000	522,000	2,800,000	1,500,000	-	-	-	-	4,822,000
TOTAL CAPITAL PROJECTS		14,176,000	10,296,900	10,820,000	13,640,000	12,287,000	9,945,600	10,845,000	10,530,000	78,364,500
Studies, Special Projects & Equipment										
979	Study/Engineering - Consultants	200,000	150,000	-	-	-	-	-	-	150,000
982	IAMP Program Support/Update	50,000	65,000	15,000	-	-	-	-	-	80,000
935	Equipment Purchased - Capital	329,000	500,000	1,100,000	1,300,000	500,000	500,000	500,000	500,000	4,900,000
950	Fixed Asset Hardware/Software	122,000	260,700	-	-	-	-	-	-	260,700
978	Lateral Replacement Grant Program	450,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	2,800,000
978	Lateral Replacement Loan Program	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	1,400,000
Total Studies, Special Projects and Equipment		1,351,000	1,575,700	1,715,000	1,900,000	1,100,000	1,100,000	1,100,000	1,100,000	9,440,700
TOTAL CAPITAL IMPROVEMENT PROGRAM COSTS		15,527,000	11,872,600	12,535,000	15,540,000	13,387,000	11,045,600	11,945,000	11,630,000	87,805,200

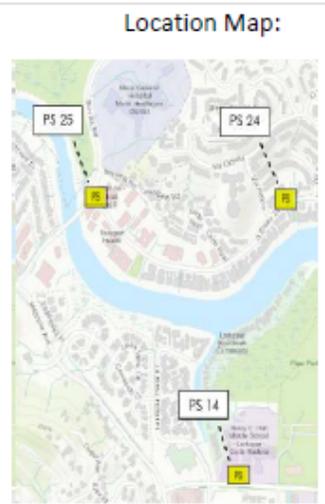
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PS 14, 24, 25 Larkspur Pump Stations Improvements

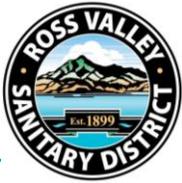
Project Number:	906
Total Project Costs:	\$1,810,000
Facility Type:	Pump Station
Status:	Construction
Project Description:	Backup electrical system improvements to address reliability issues of generator power at PS14 (Larkspur) and PS24 (S Eliseo) and PS25 (S Eliseo at Bon Air). Roofing, platform and site improvements at PS 14, as well as a new variable frequency drive (VFD) and automatic transfer switch (ATS). Odor control improvements at PS 14 next to Hall Middle School.



Project Scope:	Backup electrical system improvements to address reliability issues of generator power. Roofing, platform and site improvements at PS 14. New VFD and ATS. New odor control system next to middle school.
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Useful Life of Completed Project:	15 to 30 years
Risk Assessment/ Justification:	Pump station reliability during power outages such as PSPS, replacement of aging generators at PS 14, 24, 25.
Operating Impact:	Improve reliability at major pump stations
Cross-Reference Project(s):	N/A
Planning Document(s):	2013 IAMP

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund		860							860
Revenue Bonds	450	500							950
SRF Loans									
Other									
Total	450	1,360							1,810



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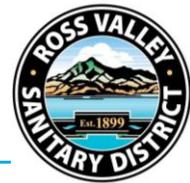
FY 2022/23 Gravity Sewer Improvements

Project Number: 953	Location Map:
Total Project Costs: \$4,000,000	
Facility Type: Gravity Sewer	
Status: Design	
Project Description: Replace approximately 1 mile of sewer segments prioritized in the 2021 IAMP Update and recent SSOs, primarily installed via the pipebursting method.	
Project Scope:	Several capacity improvements are to be made in easement sewers with recent SSO's along The Alameda in San Anselmo. Easement sewers to be replaced adjacent to Wolfe Grade Rd in Greenbrae identified by 2021 IAMP as highest risk gravity sewer lines. Several pipes identified by Conditions Assessment crew to be replaced in Greenbrae (Vista Grande easement), Kentfield (Oak at Laurel Grove) and Larkspur (Elm easement). Replacement of system along S. Ridgewood Rd in Kent Woodlands with higher risk creek crossing, recent SSO history, and heavy I&I.
Useful Life of Completed Project:	70-100 years
Risk Assessment/ Justification:	Structural rehabilitation, I&I reduction, SSO reduction, and O&M improvements
Operating Impact:	Reduce frequency of line maintenance activities and SSOs on public and private sewers, lower the risk of SSOs and I&I associated with Creek Crossings.
Cross-Reference Project(s):	N/A
Planning Document(s):	2021 IAMP

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund	250	3,000	750						4,000
Revenue Bonds									
SRF Loans									
Other									
Total	250	3,000	750						4,000

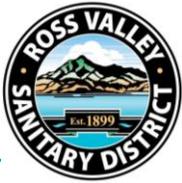
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Woodland Capacity Improvements and Creek Crossings	
Project Number:	956
Total Project Costs:	\$2,500,000
Facility Type:	Gravity Sewer
Status:	Design
Project Description:	Upgrade trunk line along Woodland Road to increase capacity and improve multiple creek crossings of Tamalpais Creek and tributaries. Replace 3,086 LF of sewers via pipe bursting, 911 LF of sewers via open cut. Replace 5 creek crossings with siphons, deep burial, or pipebursting beneath the creek bed.
	<p style="text-align: center;">Location Map:</p>
Project Scope:	Upsize and modernize 80-year-old trunk line in Woodland Road that serves Kent Woodlands neighborhood. Replacement of several high-risk creek crossings, including lowering of exposed sewer mains within Tamalpais Creek. Reduce groundwater infiltration in high I&I basin.
Useful Life of Completed Project:	70-100 years
Risk Assessment/ Justification:	Structural rehabilitation, I&I reduction, SSO reduction, and O&M improvements
Operating Impact:	Reduce frequency of line maintenance activities and SSOs on public and private sewers, lower the risk of SSOs and I&I associated with Creek Crossings.
Cross-Reference Project(s):	N/A
Planning Document(s):	2021 IAMP

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund		250	2,250						2,500
Revenue Bonds									
SRF Loans									
Other									
Total		250	2,250						2,500



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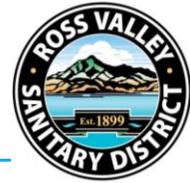
LS 20, 31, 32 Lift Station Improvements

Project Number: 907	Location Map:
Total Project Costs: \$3,000,000	
Facility Type: Pump Station	
Status: Design	
Project Description: Convert aging pump stations that require a lot of maintenance to submersible pump stations that require less maintenance. Implement top priority lift station improvements based on risk assessment of 2021 IAMP.	
Project Scope:	Convert aging pump stations to submersible pump stations. Scope expanded from LS20 (Larkspur Landing A) to include similar project scopes at LS31 and LS32 along Riviera Circle.
Useful Life of Completed Project:	15 to 30 years
Risk Assessment/ Justification:	Lift station reliability
Operating Impact:	Improve reliability at minor lift station, reducing O&M staff costs and overtime costs and reducing risk of overflows.
Cross-Reference Project(s):	
Planning Document(s):	2021 IAMP

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund	100	1,500	1,400						3,000
Revenue Bonds									
SRF Loans									
Other									
Total	100	1,500	1,400						3,000

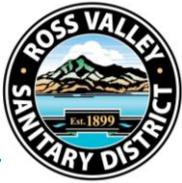
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Meadow Way Bridge Sewer Relocation	
Project Number:	954
Total Project Costs:	\$190,000
Facility Type:	Gravity Sewer
Status:	Design
Project Description:	Replacement of gravity sewer attached to bridge, including temporary sewer on temporary bridge as new bridge is constructed by Town of Fairfax.
Location Map:	
Project Scope:	Town of Fairfax is replacing the Meadow Way Bridge over San Anselmo Creek near Cascade Drive. This project will relocate an existing clay sewer between manholes including a 70-foot section of ductile iron sewer hung from the existing bridge. A temporary sewer will be installed on a temporary bridge during bridge construction.
Useful Life of Completed Project:	70-100 years
Risk Assessment/ Justification:	Rehabilitate older clay sewer between manholes in addition to replacing the sewer attached to the existing bridge.
Operating Impact:	Reduce frequency of line maintenance activities.
Cross-Reference Project(s):	Town of Fairfax Meadow Way Bridge Replacement
Planning Document(s):	

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund	24	166							190
Revenue Bonds									
SRF Loans									
Other (CDFW grant)									
Total	24	166							190



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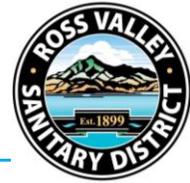
FY 2023/24 Gravity Sewer Improvements

Project Number: 955	Location Map: 
Total Project Costs: \$6,000,000	
Facility Type: Gravity Sewer	
Status: Planning	
Project Description: Rehabilitate approximately 3 miles of rehabilitation and upsizing of gravity sewer mostly by trenchless pipebursting and some open cut/trench construction to remove sags. Sewers are higher risk assets prioritized in the 2021 IAMP update, gravity lines with maintenance and access issues and sanitary sewer overflow (SSO) sites identified through SSMP.	
Project Scope:	Rehabilitate gravity sewers that cross or parallel creeks in the service area, and rehabilitate pipe and manhole assets with higher risk of failure identified in 2021 Infrastructure Asset Management Plan (IAMP), for sewers located in Fairfax, San Anselmo, and Greenbrae. Rehabilitate approximately 15,000 feet by pipebursting and 585 feet by open cut.
Useful Life of Completed Project:	70-100 years
Risk Assessment/ Justification:	Structural rehabilitation, I&I reduction, SSO reduction, and O&M improvements. Capacity increase.
Operating Impact:	Pipe will be more accessible in new location and maintenance frequency will decrease. Capacity improvements for trunk system. Traffic control requirements will increase.
Cross-Reference Project(s):	
Planning Document(s):	2021 IAMP

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund		400	5,600						6,000
Revenue Bonds									
SRF Loans									
Other									
Total		400	5,600						6,000

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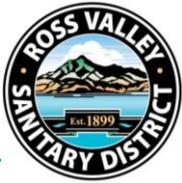
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LS 30 Heather Gardens Lift Station Improvements

Project Number:	908	Location Map:
Total Project Costs:	\$1,000,000	
Facility Type:	Pump Station	
Status:	Planning	
Project Description:	Update aging lift station and separate it from a co-existing storm water pump station owned and operated by City of Larkspur.	
Project Scope:	Convert aging pump station to submersible pump station, separate from the existing combined storm/sanitary pump station location originally constructed by City of Larkspur.	
Useful Life of Completed Project:	15 to 30 years	
Risk Assessment/ Justification:	Lift station reliability	
Operating Impact:	Improve reliability at minor lift station, reducing O&M staff costs and overtime costs and reducing risk of overflows.	
Cross-Reference Project(s):		
Planning Document(s):	2021 IAMP	

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund		50	50	900					1,000
Revenue Bonds									
SRF Loans									
Other									
Total		50	50	900					1,000



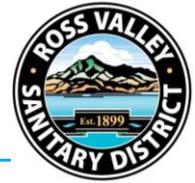
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Winship Capacity Improvements and Bridge Sewer Relocation	
Project Number: 946	Location Map: 
Total Project Costs: \$1,028,000	
Facility Type: Gravity Sewer	
Status: Design	
Project Description: Replacement of gravity sewer attached to bridge with a double-barrel siphon and redirection of system for hydraulic capacity deficiencies and coordination with Town of Ross flood control improvements at Winship Bridge	
Project Scope:	100 LF double barrel siphon under San Anselmo Creek at Winship Bridge and 120 LF to redirect sewer southbound on Sir Francis Drake Blvd.
Useful Life of Completed Project:	70 Years
Risk Assessment/ Justification:	Hydraulic capacity deficiencies and elimination of an aerial creek crossing.
Operating Impact:	New siphon
Cross-Reference Project(s):	Town of Ross Winship Bridge
Planning Document(s):	2013 IAMP, SHECAP 2006

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund	17		200	751					968
Revenue Bonds	60								60
SRF Loans									
Other									
Total	77		200	751					1,028

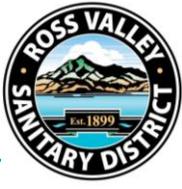
ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23



Nokomis Bridge Sewer Relocation	
Project Number:	952
Total Project Costs:	\$838,000
Facility Type:	Gravity Sewer
Status:	Design
Project Description:	Replacement of gravity sewer attached to bridge with a double-barrel siphon for structural rehabilitation and coordination with Town of San Anselmo flood control improvements at Nokomis Bridge. Estimated project timing: 2024
Location Map:	
Project Scope:	100 LF double barrel siphon under San Anselmo Creek at Nokomis Bridge
Useful Life of Completed Project:	70 years
Risk Assessment/ Justification:	Structural rehabilitation and elimination of an aerial creek crossing
Operating Impact:	New siphon
Cross-Reference Project(s):	Town of San Anselmo Nokomis Bridge
Planning Document(s):	

Source of Funds (in \$000)	Prior Years	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Future Years	Total
Capital Fund	11			50	777				838
Revenue Bonds									
SRF Loans									
Other									
Total	11			50	777				838



FY 2023 BUDGET – FIVE-YEAR FORECAST

The District adopts with each budget a five-year financial forecast to accompany it. The forecast is a model of revenues, expenses, and reserves, and sets forth the strategic plan to guide funding-sources-and-uses-decisions for the operating and capital budgets. The financial forecast consists of several components that comparably displays the anticipated results given the most likely set of assumptions about revenue and expenditure growth and reserve contributions or usages.

The District prepares its forecast following a preset of procedures to reasonably project its operating and capital results over the next five-years. The first step is establishing the base year of the forecast on which the District starts its projection using the budgeted amounts prepared for the upcoming fiscal year. The budgeted amounts are used in place of the projected results given the budgeted amounts encompass the results of the District’s desired enterprise direction. Future results are therefore assumed to follow the near-term direction. Then, all known amounts expressly stated per an executed contract, agreement, or budget document are incorporated to project out the known costs and revenue. This includes the debt service requirements, CMSA treatment charges, personnel costs, and CIP. The revenue side includes SSC fees increases following the expected rate plan beyond FY 2025 (i.e., 4%), lease revenue escalation of 2% every year, and inspection fee increases of 6.7% following the ENR cost index. All other costs and revenue are reasonable estimated following a historical trend, or known economic factors that may impact it, e.g., inflation or market returns.

The District is committed to funding its retirement obligations, pension and OPEB. Following Board direction, the District has been authorized to contribute funds to its Section 115 Trust Accounts to “fully fund” its retirement obligations. The pension trust account, CEPPT, has been funded with a contribution of \$7 million in FY 2022, of which additional contributions to the trust are no longer considered and UAL payments to CalPERS are in paid out of trust over time. The UAL payments were sourced from the recent 20-year amortization schedule from CalPERS related to its UAL balance as of reporting period June 30, 2022. The OPEB trust account, CERBT, is to be continually funded by the District until 2027 with \$100,000 each year. From then on, the expectation is that the District is to reimburse itself from paying benefit payments related to the Enhanced Retiree Medical Benefit (ERMB) and its required minimum benefit payments given the account is to be self-sufficient to earn a rate of return that is over and above the level of benefit payments required.

Once the projected revenue and expenditures are determined, the net results are then considered for reserve impact following the parameters of the District’s financial policy. The operating and emergency reserves along with the restricted reserves for CEPPT and Canyon Road are funded by SSC from its ratepayers together with its investment income, inspection fees and lease revenue. The capital reserve and restricted reserve for bond proceeds are funded by ad valorem property taxes, lateral loan repayments, capacity charges and bond proceeds. Any shortfalls exhibited in any of the reserves, i.e., restricted, committed, and unassigned, are then replenished using surplus funds where leftover following the relevant Financial Policy or legal statutes. Maintaining reserves are an important component of financial stability, and as such the District carefully tracks its reserves for compliance with established policy.

ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23

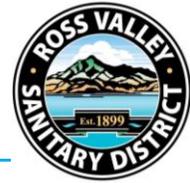
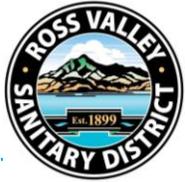


TABLE 26 – 5 YEAR FINANCIAL FORECAST SUMMARY

	FY 2023 Budget	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Revenue and Other Sources						
1 Sewer Service Charges	25,932,000	27,436,000	28,533,000	29,674,000	30,861,000	32,095,000
2 Property Tax - Ad Valorem	9,566,000	10,044,000	10,546,000	11,073,000	11,627,000	12,208,000
3 Proceeds from Bonds	-	-	-	-	-	-
4 Proceeds from SRF Loan	-	-	-	-	-	-
5 Other Revenue	1,438,000	1,473,000	1,549,000	1,597,000	1,682,000	1,742,000
6 Expected Revenues and Other Sources	36,936,000	38,953,000	40,628,000	42,344,000	44,170,000	46,045,000
Expenditures and Other Uses						
7 CMSA Charges	8,728,000	9,018,000	9,305,000	9,641,000	9,938,000	10,300,000
8 Operations	8,954,550	9,343,200	9,812,100	10,077,700	10,434,100	10,687,700
9 Administration	3,069,850	3,291,400	3,564,600	3,746,700	3,933,000	4,160,600
10 Outside Services	693,500	700,000	706,000	712,000	718,000	724,000
11 Total Operations and Maintenance	21,445,900	22,352,600	23,387,700	24,177,400	25,023,100	25,872,300
12 Debt Service	6,646,000	6,708,000	6,707,000	6,712,000	6,720,000	6,711,000
13 Studies, Special Projects & Equipment	1,715,000	1,900,000	1,100,000	1,100,000	1,100,000	1,100,000
14 Capital Projects	10,820,000	13,640,000	12,287,000	9,945,800	10,845,000	10,530,000
15 Total Capital Projects & Other Uses	12,535,000	15,540,000	13,387,000	11,045,800	11,945,000	11,630,000
16 Total Expected Expenditures and Other Uses	40,626,900	44,600,600	43,481,700	41,935,200	43,688,100	44,213,300
17 Net Revenue Less Expenditures	(3,690,900)	(5,647,600)	(2,853,700)	408,800	481,900	1,831,700
Fund Balance						
18 Operating Reserve	10,723,000	11,176,000	11,694,000	12,089,000	12,512,000	12,936,000
19 Emergency Reserve	2,145,000	2,235,000	2,339,000	2,418,000	2,502,000	2,587,000
20 Capital Improvement Reserve	6,445,000	6,445,000	6,445,000	6,445,000	6,445,000	6,445,000
21 Total Reserves	19,313,000	19,856,000	20,478,000	20,952,000	21,459,000	21,968,000
22 CEPPT Fund	7,420,000	6,903,585	6,378,480	5,988,727	5,583,136	5,173,955
23 Bond Proceeds for Projects	0	0	0	0	0	0
24 Bond Proceeds for Canyon Road	42,100	42,100	42,100	42,100	42,100	42,100
25 Total Restricted Funds	7,462,100	6,945,685	6,420,580	6,030,827	5,625,236	5,216,055
26 Unassigned Fund Balance	5,340,228	(89,957)	(2,747,552)	(2,076,999)	(1,336,508)	770,373
27 Total Fund Balance	32,115,328	26,711,728	24,151,028	24,905,828	25,747,728	27,954,428
28 Available Cash & Investment Balance	20,713,650	15,582,465	13,253,870	14,052,423	14,939,914	17,180,795
29 Debt Service Coverage Ratio	2.33	2.47	2.57	2.71	2.85	3.01



ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23

TABLE 27 – 5 YEAR FINANCIAL FORECAST OPERATING FUND

	Assumptions	FY 2023 Budget	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	
OPERATING FUND								
Sources of Operating Revenue								
1	Sewer Service Charges	5.8% - 4.0%	25,932,000	27,436,000	28,533,000	29,674,000	30,861,000	32,095,000
2	Other Income	Various	1,148,000	1,218,000	1,281,000	1,316,000	1,391,000	1,441,000
3	Total Sources of Operating Revenues		27,080,000	28,654,000	29,814,000	30,990,000	32,252,000	33,536,000
Uses of Operating Expenditures								
<i>CMSA Expenditures</i>								
4	Treatment Charges - CMSA	2.49% Average	6,270,000	6,596,000	6,531,000	6,869,000	6,681,000	7,068,000
5	Debt Service - CMSA	5.95% Average	2,458,000	2,422,000	2,774,000	2,772,000	3,257,000	3,232,000
6	Total CMSA Expenditures		8,728,000	9,018,000	9,305,000	9,641,000	9,938,000	10,300,000
<i>Maintenance/Repair/Inspection Expenditures</i>								
7	Salaries & Benefits - Operations	Various	6,399,650	6,788,700	7,149,700	7,329,900	7,597,700	7,760,300
8	Other Operational Expenditures	Flat - 3.3%	2,554,900	2,554,500	2,662,400	2,747,800	2,836,400	2,927,400
9	Total General Operating Expenditures		8,954,550	9,343,200	9,812,100	10,077,700	10,434,100	10,687,700
<i>Administrative Expenditures</i>								
10	Salaries & Benefits - Administration	Various	1,920,750	2,044,000	2,218,000	2,323,000	2,453,000	2,620,000
11	Office Supplies & Equipment	Various	265,200	318,200	365,900	402,500	414,600	427,000
12	General Administrative Expenditures	1.0%	552,500	556,800	561,100	565,400	569,800	574,200
13	Facilities & Utilities - Administration	Various	-	-	-	-	-	-
14	Board Fees & Other Expenditures	Flat	58,000	58,000	58,000	58,000	58,000	58,000
15	Insurance (includes Excess Liability)	Various	273,400	314,400	361,600	397,800	437,600	481,400
16	Total Administrative Expenditures		3,069,850	3,291,400	3,564,600	3,746,700	3,933,000	4,160,600
<i>Outside Services</i>								
17	Community Outreach - Public Outreach	Flat	200,000	200,000	200,000	200,000	200,000	200,000
18	Information Technology (IT)	2.0%	87,000	89,000	91,000	93,000	95,000	97,000
19	Legal - General	Flat	200,000	200,000	200,000	200,000	200,000	200,000
20	Professional Services - Other	2.0%	206,500	211,000	215,000	219,000	223,000	227,000
21	Total Outside Services		693,500	700,000	706,000	712,000	718,000	724,000
22	Total Uses of Operating Expenditures		21,445,900	22,352,600	23,387,700	24,177,400	25,023,100	25,872,300
23	Net Operating Results		5,634,100	6,301,400	6,426,300	6,812,600	7,228,900	7,663,700

ROSS VALLEY SANITARY DISTRICT

ANNUAL BUDGET FY 2022-23

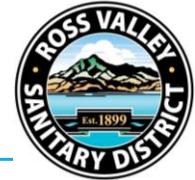
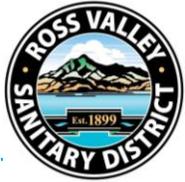


TABLE 27 – 5 YEAR FINANCIAL FORECAST OPERATING FUND

Assumptions		FY 2023 Budget	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Fund Balance							
<i>Restricted Fund Balance - Canyon Road</i>							
24	Beginning Balance	42,100	42,100	42,100	42,100	42,100	42,100
25	Net Surplus/(Shortfall)	-	-	-	-	-	-
26	Funds Transfer In/(Out)	-	-	-	-	-	-
27	Ending Balance	42,100	42,100	42,100	42,100	42,100	42,100
<i>Restricted Fund Balance - CEPPT</i>							
28	Beginning Balance	7,847,000	7,420,000	6,903,585	6,378,480	5,988,727	5,583,136
29	Net Surplus/(Shortfall)	278,000	244,000	293,000	346,000	360,000	375,000
30	Funds Transfer In/(Out)	(705,000)	(760,415)	(818,105)	(735,753)	(765,591)	(784,181)
31	Ending Balance	7,420,000	6,903,585	6,378,480	5,988,727	5,583,136	5,173,955
<i>Committed Fund Balance - Operating Reserve</i>							
32	Beginning Balance	10,306,000	10,723,000	11,176,000	11,694,000	12,089,000	12,512,000
33	Net Surplus/(Shortfall)	5,204,059	453,000	518,000	395,000	423,000	424,000
34	Funds Transfer In/(Out)	(4,787,059)	-	-	-	-	-
35	Ending Balance	10,723,000	11,176,000	11,694,000	12,089,000	12,512,000	12,936,000
<i>Committed Fund Balance - Emergency Reserve</i>							
36	Beginning Balance	2,017,000	2,145,000	2,235,000	2,339,000	2,418,000	2,502,000
37	Net Surplus/(Shortfall)	128,000	90,000	104,000	79,000	84,000	85,000
38	Funds Transfer In/(Out)	-	-	-	-	-	-
39	Ending Balance	2,145,000	2,235,000	2,339,000	2,418,000	2,502,000	2,587,000
<i>Unassigned Fund Balance - Operating</i>							
40	Beginning Balance	7,441,000	5,340,228	(89,957)	(2,747,552)	(2,076,999)	(1,336,508)
41	Net Surplus/(Shortfall)	5,634,100	6,301,400	6,426,300	6,812,600	7,228,900	7,663,700
42	Funds Transfer In/(Out)	(7,734,872)	(11,731,585)	(9,083,895)	(6,142,047)	(6,488,409)	(5,556,819)
43	Ending Balance	5,340,228	(89,957)	(2,747,552)	(2,076,999)	(1,336,508)	770,373
44	Total Operating Fund Reserves	25,670,328	20,266,728	17,706,028	18,460,828	19,302,728	21,509,428



ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

TABLE 28 – 5 YEAR FINANCIAL FORECAST CAPITAL FUND

		Assumptions	FY 2023 Budget	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
CAPITAL FUND								
Sources of Capital Revenue								
45	Property Tax (Ad Valorem)	5.0%	9,566,000	10,044,000	10,546,000	11,073,000	11,627,000	12,208,000
46	Lateral Loan Program Repayments	4.5%	100,000	65,000	78,000	91,000	101,000	111,000
47	Proceeds from Bonds	None	-	-	-	-	-	-
48	Proceeds from SRF Loan	None	-	-	-	-	-	-
49	Capacity Charges	Flat	190,000	190,000	190,000	190,000	190,000	190,000
50	Other	None	-	-	-	-	-	-
51	Total Sources of Capital Revenues		9,856,000	10,299,000	10,814,000	11,354,000	11,918,000	12,509,000
Uses of Capital Expenditures								
Debt Service								
52	Interest Expense on Debt	Debt Schedule	3,886,000	3,769,000	3,653,000	3,505,000	3,380,000	3,250,000
53	Principal Payments on Debt	Debt Schedule	2,760,000	2,939,000	3,054,000	3,207,000	3,340,000	3,461,000
54	Bond Administration Expenditures		-	-	-	-	-	-
55	Total Debt Service and Related Costs		6,646,000	6,708,000	6,707,000	6,712,000	6,720,000	6,711,000
Studies, Special Projects & Equipment								
56	Studies	CIP Schedule	-	-	-	-	-	-
57	Lateral Grant Program Funding	CIP Schedule	400,000	400,000	400,000	400,000	400,000	400,000
58	Lateral Loan Program Funding	CIP Schedule	200,000	200,000	200,000	200,000	200,000	200,000
59	Assessments and Updates	CIP Schedule	15,000	-	-	-	-	-
60	Fixed Assets and Equipment	CIP Schedule	1,100,000	1,300,000	500,000	500,000	500,000	500,000
61	Total Studies, Special Projects & Equipment		1,715,000	1,900,000	1,100,000	1,100,000	1,100,000	1,100,000
Capital Projects								
62	Gravity Sewer Improvements	CIP Schedule	5,190,000	10,200,000	10,650,000	8,977,000	7,800,000	7,600,000
63	Pump Station Improvements	CIP Schedule	2,780,000	1,640,000	1,587,000	918,800	1,845,000	930,000
64	Force Main Improvements	CIP Schedule	50,000	300,000	50,000	50,000	1,200,000	2,000,000
65	Other Capital Projects	CIP Schedule	2,800,000	1,500,000	-	-	-	-
66	Total Capital Projects		10,820,000	13,640,000	12,287,000	9,945,800	10,845,000	10,530,000
67	Total Uses of Capital Expenditures		19,181,000	22,248,000	20,094,000	17,757,800	18,665,000	18,341,000
68	Net Capital Results		(9,325,000)	(11,949,000)	(9,280,000)	(6,403,800)	(6,747,000)	(5,832,000)

ROSS VALLEY SANITARY DISTRICT

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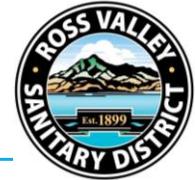
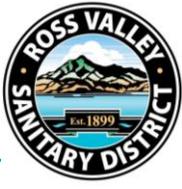


TABLE 28 – 5 YEAR FINANCIAL FORECAST CAPITAL FUND

Assumptions	FY 2023 Budget	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Fund Balance						
<i>Restricted Fund Balance - Bond Proceeds</i>						
69 Beginning Balance	0	0	0	0	0	0
70 Net Surplus/(Shortfall)	-	-	-	-	-	-
71 Funds Transfer In/(Out)	-	-	-	-	-	-
72 Ending Balance	0	0	0	0	0	0
<i>Committed Fund Balance - CIP Reserve</i>						
73 Beginning Balance	7,101,784	6,445,000	6,445,000	6,445,000	6,445,000	6,445,000
74 Net Surplus/(Shortfall)	-	-	-	-	-	-
75 Funds Transfer In/(Out)	(656,784)	-	-	-	-	-
76 Ending Balance	6,445,000	6,445,000	6,445,000	6,445,000	6,445,000	6,445,000
<i>Unassigned Fund Balance - Capital</i>						
77 Beginning Balance	773,000	-	-	-	-	-
78 Net Surplus/(Shortfall)	(9,325,000)	(11,949,000)	(9,280,000)	(6,403,800)	(6,747,000)	(5,832,000)
79 Funds Transfer In/(Out)	8,552,000	11,949,000	9,280,000	6,403,800	6,747,000	5,832,000
80 Ending Balance	-	-	-	-	-	-
81 Total Capital Fund Reserves	6,445,000	6,445,000	6,445,000	6,445,000	6,445,000	6,445,000



GLOSSARY WITH ACRONYM LISTING

Assets: Anything of material and economic value or usefulness that is owned by the entity.

Bond Premium: A bond that is priced higher than its stated face (par) value.

Capital Assets: Includes District land, pump stations, force mains, gravity sewer pipelines, lift stations, buildings, facilities, and equipment net of depreciation.

Capital Expenditure: An expenditure of \$5,000 or more that is used to purchase a capital asset with a useful life of one year or more, or an investment that improves the useful life of an existing asset.

Capital Improvement Program (CIP): A plan that describes and explains the District's capital and asset management projects, delineated by type of project and funding source, over five fiscal years. The CIP is a planning document that provides the District with an opportunity to evaluate and assess its capital needs from financial, engineering, operations and planning perspectives.

Capacity Charge: A one-time fee charged to all new users connecting to, and creating additional demand on, the wastewater collection and treatment systems. Government code requires capacity charges to fund capital projects.

Central Marin Sanitary Agency (CMSA): The joint powers authority the District participates in with two other Sanitary Districts, San Rafael Sanitary District and Sanitary District #2 with the Town of Corte Madera. All collected sewage within the District's service area is conveyed to CMSA for treatment and discharge into the San Francisco Bay Area. Periodic contributions to CMSA are paid for by the members to sufficiently fund the treatment plant's operations.

Current and Other Assets: Assets that can easily be converted to cash or consumed within one year. Includes cash, investments, receivables, prepaid expenses, and inventory.

Current Liabilities: Payment obligations owed by the District within the next 12 months.

Equivalent Dwelling Unit (EDU): A standardized metric for accounting of water usage flow from the Marin Municipal Water District (MMWD) and making it comparable to a single-family residence.

Enterprise Fund: A government accounting fund that provides goods or services to the public for a fee that makes the entity self-reporting.

Flow(s): The winter water usage recorded by MMWD that is used to calculate the sewer service charge.

FOG: Fats, Oils and Grease

Full Time Equivalent (FTE): A position converted to a decimal equivalent of a full-time employee position.

Fund Balance: The difference between total assets and total liabilities for a governmental fund.

Permits and Inspection Revenue: Permit fees for contractors working on sewer pipelines and administrative costs for performing inspections and other services.

Infrastructure Asset Management Plan (IAMP): The District's Capital Improvement Program (CIP) risk assessment report documenting the priority capital projects and programs needed in order to reduce Inflow & Infiltration (I&I) over the next ten years.

Invested in Capital Assets, Net of Related Debt: Represents amounts invested in capital assets less accumulated depreciation and any outstanding debt used to acquire the assets.

Joint Powers Authority (JPA): An agreement between two or more local government agencies to form a separate governmental entity distinct from the member governments.

Liabilities: What the District owes to others.

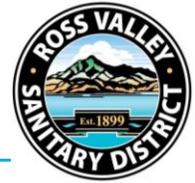
Net Position: The difference between total assets and total liabilities for an Enterprise Fund.

Non-Current Liabilities: Payment obligations owed by the District more than 12 months in the future.

Other Non-Operating Revenue: Includes CSRMA dividends, settlement claims, the occasional sale of assets, and other miscellaneous revenue sources.

ROSS VALLEY SANITARY DISTRICT

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OPEB: Other post-employment benefits which are specifically medical benefits for retired employees.

PEPRA: Public Employees' Pension Reform Act established a cap on the amount of compensation that can be used to calculate a retirement benefit for new public employees hired on or after January 1, 2013.

Restricted Cash: Cash and investments not available for immediate use and set aside for specific, contractual purposes.

Revenue Bond: Debt obligation for which interest and principal payments are secured by the debt service portion of service charge revenues.

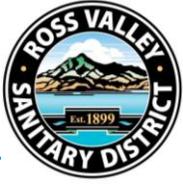
Sewer Service Charges: A fee for wastewater collection and conveyance for treatment service.

Sewer System Management Plan: The District's operating plan for how its maintenance activities are to be directed and utilized.

Unrestricted Cash: Cash and investments available to use for operations and not tied to a specific expenditure or reserve.

ACRONYM LISTING

ACFR	Annual Comprehensive Financial Report
ADC	Actuarial Determined Contribution
CalPERS	California Public Employees' Retirement System
CEPPT	California Employers' Pension Prefunding Trust
CERBT	California Employers' Retiree Benefit Trust
CIP	Capital Improvement Program
CMSA	Central Marin Sanitation Agency
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CSRMA	California Sanitation Risk Management Authority
CWEA	California Water Environment Association
EDU	Equivalent Dwelling Unit
ERMB	Enhanced Retiree Medical Benefit
FTE	Full Time Equivalent
FY	Fiscal Year
GASB	Government Accounting Standards Board
GFOA	Government Finance Officers Association
IT	Information Technology
I&I	Inflow & Infiltration
JPA	Joint Powers Authority
LAIF	Local Agency Investment Fund
MMWD	Marin Municipal Water District
OPEB	Other Post-Employment Benefits
PS	Pump Station
RVSD	Ross Valley Sanitary District
SRF	State Revolving Fund
SSC	Sewer Service Charge
SSMP	Sewer System Management Plan
SSO	Sewer Service Overflow
SWRCB	State Water Resources Control Board
UAL	Unfunded Actuarial Liability

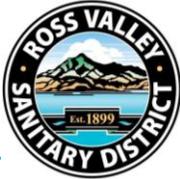


ROSS VALLEY SANITARY DISTRICT ANNUAL BUDGET FY 2022-23

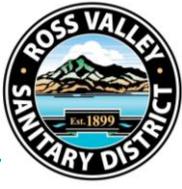
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PENSION PRE-FUNDING STRATEGY

In April 2019, the District's Board adopted a pension prefunding policy to "fully fund" its pension unfunded actuarial liability (UAL). The policy specified annual contributions of \$350,000 to its Section 115 trust (CEPPT) held with California Public Employees Retirement System (CalPERS) for 12 years. These contributions are to be made in addition to the normal and UAL cost payments required by CalPERS on a periodic basis. The original policy amount and timing were determined in conjunction with the District's actuary to help reasonably allocate funding over a period of time to prefund the UAL.

The District participates within the CalPERS system to pool its promised defined benefit retirement obligation with multiple other public agencies spread across the State of California. However, CalPERS' investments over a span of years were underperforming relative to the promised benefit formula for all members participating within the pool. This underperformance led to the development of an unfunded portion of the plan's expected benefit payments where the plan theoretically would not have plan assets to payout when an employee retires. CalPERS began requiring plan participants to contribute more to the plan in addition to the normal cost to stabilize the performance. As a result of the mounting pension costs being charged to the District, the District decided to enact a policy to "fully prefund" its pension UAL leading to the April 2019 initiative.

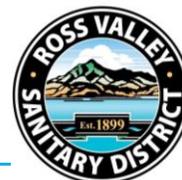
The goal from this policy is split between two policy objectives:

- 1) Gradually build up a reserve in an account specifically owned by the District that is to be invested in the investment marketplace earning a higher rate of return relative to a money market cash account, and
- 2) Use the accumulated proceeds at a later date to make payments towards CalPERS' required UAL contributions or additional discretionary contributions until the UAL is fully paid.

As an amendment to the policy in the FY 2023 budget, the District is proposing to perform a one-time contribution towards CEPPT in the amount of \$7 million to "fully fund" the UAL instead of making the \$350,000 annual contributions for 12 years at fiscal year-end in FY 2022. The purpose of the immediate funding measure is to follow-through on the District's actuary's recommendation to save funds when it is available at the District's disposal. With the added funding in the CEPPT account, the second objective of making additional discretionary payments or paying down the UAL with the saved proceeds instead of using current SSC revenue becomes attainable earlier than anticipated. The Five-Year Financial Forecast incorporates the proposed amendment showing that the District's available cash is preserved for all purposes, such as its CIP, debt service, and operations. With anticipated investment market returns on the account, the District is projected to be able to save \$4.6 million of its held cash in its available cash accounts over six years starting in FY 2023 given the CEPPT proceeds are being used in its place.

This cost savings projection is supported by the following datapoints:

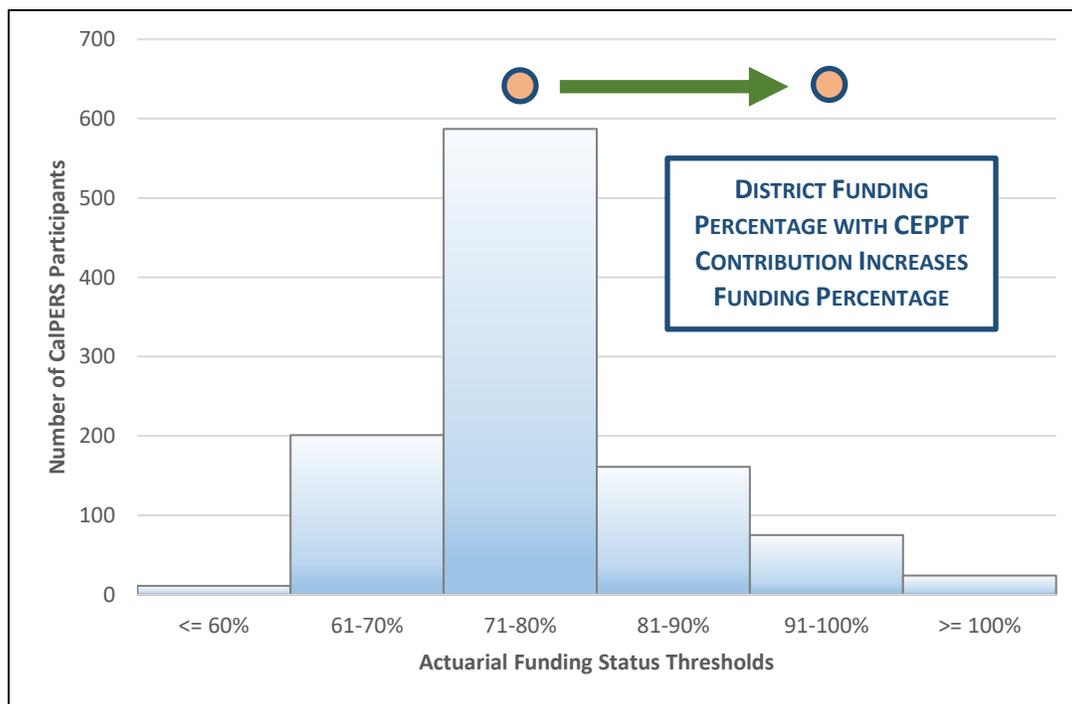
- The District determined there were significant budget savings over the past several years, primarily related to savings on personnel costs and CIP. Over the past two fiscal years, there were



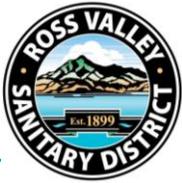
personnel cost savings of approximately \$3 million. In FY 2022, the District has projected cost savings from its CIP of \$3.7 million. With these savings from the recent years, the District has accumulated built-up reserves ready and available to be allocated towards other areas of the enterprise.

- The one-time contribution of \$7 million is determined based on the District’s UAL in FY 2021’s reporting year versus the anticipated UAL after the investment market’s poor return in FY 2022. As of June 30, 2021, the District’s UAL was approximately \$7.5 million. This balance was before the very strong investment year where CalPERS achieved an unusually high investment return of over 20% which reduced the District’s UAL to approximately \$4.5 million (per the FY 2022 reporting period actuarial reports provided by CalPERS). The District reasonably assesses the UAL’s ceiling in the near term for the UAL is approximately \$7 million for the FY 2023 reporting period given the FY 2021 returns’ impact still have an effect.
- The District is able to earn a higher rate of return on investments in the CEPPT account versus its current holdings in LAIF.
- The Five-Year Forecast further assumes the latest CalPERS actuarial annual UAL amortization remains within a material range of the anticipated change in the FY 2023 reporting period. The latest CalPERS actuarial and valuation reports can be sourced at <https://www.calpers.ca.gov>.

**GRAPH 14 – CALPERS PENSION FUNDING STATUS CHANGE
 (BASED ON JUNE 30, 2020 ACTUARIAL)**



Source: April 2022 GovInvest Presentation to Board



OPEB PRE-FUNDING STRATEGY

In April 2019, the District's Board adopted an Other Post-Employment Benefit (OPEB) prefunding policy to "fully fund" its OPEB unfunded actuarial liability (UAL). The policy specified annual contributions of \$100,000 over six years to its Section 115 trust (CERBT) held with California Public Employees Retirement System (CalPERS). The original policy amount and timing were informed by the District's consulting actuarial analysis with the goal of achieving fully funded status.

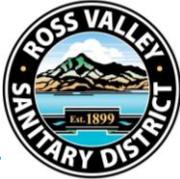
The District historically administered an OPEB plan to provide a post-employment benefit as a reward for long-term service by reimbursing a portion of the employee's medical insurance premium after retirement to age 65 (Medicare eligible). In 2019, the District adopted an Enhanced Retiree Medical Benefit (ERMB) to increase the defined benefit for life based on years of service. The offset of having the increase to the retiree medical benefit was the inclusion of non-refundable contributions from current employees to help provide 100% funding for the plan. The added plan provision increased the OPEB UAL in the recent actuarial report. The original funding goal was for six years versus the new actuarially determined estimate of eight years.

The goal from this policy is split between two policy objectives:

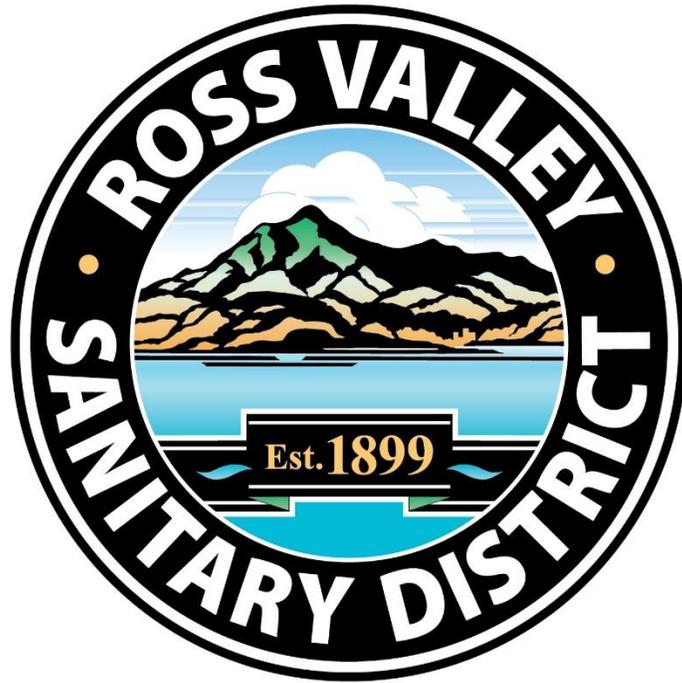
- 1) Gradually build up a reserve in an account specifically owned by the District that is to be invested in the investment marketplace earning a higher rate of return relative to a money market cash account, and
- 2) Use the accumulated proceeds to make payments towards the plan's required benefit disbursements and gradually increase the plan's funding ratio for reporting purposes.

Given the volatility in healthcare costs as well as the addition of the ERMB, the District will closely monitor the performance of the OPEB UAL over the expanded time horizon and continue making annual contributions of \$100,000. This approach will allow for employee contributions to continue to fund the additional benefit while providing a framework to reduce the OPEB unfunded liability over a reasonable time frame.

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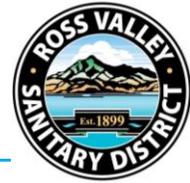
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FINANCIAL POLICIES

Ross Valley Sanitary District

Adopted by the Board of Directors on November 15, 2017
Revised by the Board on December 18, 2019
Revised by the Board on January 19, 2022



1 INTRODUCTION

1.1 POLICY OBJECTIVES

The financial policies of the District are intended to meet the following objectives:

- Provide a framework for fairly and accurately recording and reporting the financial transactions and financial position of the District.
- Provide the District's Board of Directors the tools required to meet their fiduciary responsibility.
- Provide guidance in the areas of:
 - Financial planning and management
 - Compliance with laws and industry best practices
 - Internal controls for business practices
- Ensure that the District's financial reports contain information that is useful to all stakeholders, which may include:
 - General public
 - District Board of Directors
 - Other legislative or oversight bodies
 - Bond holders and/or creditors
 - District management

1.2 POLICY REVIEW

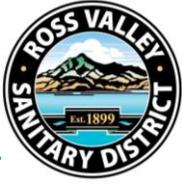
The District will periodically review all financial policies to determine the need to make appropriate updates. Factors to consider when determining the need for updates include:

- Changes in or new GASB statements that are applicable to the District.
- Changes in the legal or other regulatory environment.
- Changes in personnel or other environmental factors within the District.
- Recommended improvements in accountability or efficiency.
- Changes in the financial and related business systems or practices.

Financial policies will be updated as needed; however, a full review and update will be performed every three to five years as a preliminary step in that year's budget development cycle.

1.3 POLICIES VS PROCEDURES

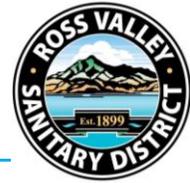
The focus of the financial policies is to provide concise and comprehensive direction from the Board with respect to the proper actions to take in managing and conducting the District's financial affairs. Each policy is organized to provide succinct, explicit, and current direction to designated stakeholders. These policies are linked to and complement financial procedures. Procedures are separately detailed with specific directions and steps for implementing the policies. Generally, policies tend to be less specific than procedures. Policies should pass the test of time, while procedures, keeping with the intent of the policies, may change more frequently to adapt to changes in operational needs and technology. Financial procedures are maintained by the Finance/Administration Department.



2 GUIDING PRINCIPLES OF FINANCIAL PLANNING

The District's Board of Directors annually appoint two Board members to a Finance Committee who provide advance review of Board financial business. The Finance Committee is guided by the adopted Financial Policies and the following principles of sound financial planning:

- Use a 5-year revenue planning period based on a 10-year rolling financial forecast.
- Balance the operating budget over the budget planning period.
- Maintain the operating reserve at 50% of the annual operating expenses.
- Maintain an emergency reserve fund of \$2,000,000.
- Ensure adequate funding for the capital improvement program (CIP) during the planning period.
- Maintain a capital reserve equal to 50% of the annual average value of the future 5-year or 10-year CIP.
- To the reasonable extent possible, use Pay-Go funding for the CIP. Secure low-interest State Revolving Fund loans or issue debt to fund the balance of CIP projects.
- Target an average EDU rate increase of less than 4% per year



3 INTERNAL CONTROLS AND FRAUD PREVENTION

The purpose of the *Internal Controls and Fraud Prevention Policy* is to provide direction on managing the District's internal accounting methods and practices and to prevent fraudulent activities and misuse of District funds in accordance with California Government Code §6500, et seq.

3.1 INTERNAL CONTROLS

District staff shall establish and maintain procedures, documents and systems of internal controls to safeguard financial assets, to manage financial assets in an accountable, secure, efficient, and effective manner, and to ensure accurate financial data. The Finance & Administrative Services Manager shall be responsible for this function.

3.2 INTERNAL ACCOUNTING PRACTICES

District staff shall perform internal accounting practices in accordance with Generally Accepted Accounting Principles (GAAP) for government agencies, including applicable Financial Accounting Standards Board (FASB) pronouncements, and all relevant Governmental Accounting Standards Board (GASB) pronouncements.

District staff shall ensure that:

- Each employee understands his/her role, responsibility, and accountability when conducting financial transaction for the District.
- All transactions are properly authorized.
- Accounting records and documentation are properly maintained.
- Access to both assets and records are effectively controlled.
- General ledger accounts are periodically reviewed for their reasonableness, and for the validity and accuracy of the underlying items they represent.

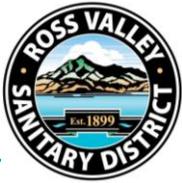
If any of these practices are found to be improperly implemented or maintained, District staff shall take immediate remedial action to improve and/or change the practice. (See *Ethics Policy*).

3.3 INTERNAL REVIEW AND RECOMMENDATIONS

The Finance & Administrative Services Manager shall perform a periodic review of all financial policies, procedures, and practices, and make recommendations for changes and updates to the General Manager. As appropriate, the General Manager shall make policy change recommendations to the Board of Directors for its review and approval, and/or direct District staff to make appropriate procedural changes.

3.4 PUBLIC FIDUCIARY LIABILITY

The General Manager shall recommend, for Board review and approval, methods for reducing and mitigating risks associated with potential public fiduciary liabilities such as claims made against the District for any alleged wrongful fiduciary act and/or breach of fiduciary duties for which the District might be responsible. The General Manager shall consult with the California Sanitation Risk Management Authority (CSRMA) and other respected resources to make recommendations regarding the procurement of public



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official bonds, fiduciary liability insurance, and establishing other mechanisms for reducing and mitigating such risks.

3.5 AUDITS

Internal control and financial audits shall be performed annually by an independent firm of certified public accountants and coordinated by the Finance & Administrative Services Manager in accordance with Generally Accepted Auditing Standards, the District's Joint Powers Agreement effective September 2006 (Section 11), and applicable State laws. The Finance & Administrative Services Manager shall incorporate the financial audit results into the financial section of the Annual Comprehensive Finance Report (ACFR). District staff shall implement auditor recommendations for improved internal controls. The Board shall annually review and approve the audits and accept the ACFR (See *Financial Reporting Policy*). In addition, based on the recommendation of the General Manager from an evaluative process, the Board shall periodically review and approve the selection of an independent auditor to perform the annual financial audit.

3.6 SEGREGATION OF DUTIES

In implementing this policy and related procedures, District staff shall segregate financial transaction roles, responsibilities, and duties to the extent possible to safeguard assets against the risk of loss, mishandling, misuse, and fraud.

3.7 OPERATING FUND ACCOUNT

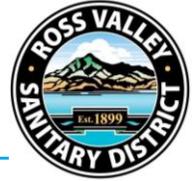
The Board of Directors shall approve the selection of a federally insured banking institution that would be entrusted to securely handle and transact, at District staff direction, any funds deposited in the District's operating fund account. The General Manager shall periodically recommend to the Board the selection through an evaluative process of a new banking institution due to changes in current banking institution performance, banking market conditions, or for other benefits or advantages to the District. The evaluation shall include, but is not limited to, qualifications associated with banking services provided, fees charged, and financial and administrative benefits for the District. The Finance & Administrative Services Manager shall develop procedures to manage the daily and routine operations of the account and its cash balances.

3.8 AUTHORIZED CHECK SIGNERS

District staff shall require that all checks disbursed from the District's operating account have two signatures and be for valid, documented, and approved expenses of the District. At no time or occasion shall blank checks be signed. The Board shall designate authorized check signers who may include the General Manager, Board Directors, and District staff. The General Manager shall seek Board authorization to update authorized check signers whenever a previously designated check signer is no longer affiliated with the District. All checks written on behalf of Ross Valley Sanitary District shall be signed by two of the following unique individuals: District General Manager, Assistant General Manager, Finance & Administrative Services Manager, Operations & Maintenance Manager, Board President, or Board Treasurer.

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Board members are not compensated for signing checks on behalf of the District as signatures required by this Policy shall not be deemed to qualify as a day of service which mandates compensation under Ordinance 80 adopted by the Board on July 19, 2017.

3.9 WIRE TRANSFERS

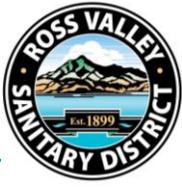
The District uses an operating account and investment accounts to properly manage its funds. The General Manager, Finance & Administrative Services Manager, and District staff appointed by the General Manager shall be authorized to transfer funds between these accounts. District staff shall accept wire transfer payments to its operating account for services rendered after review and approval by the Finance & Administrative Services Manager.

3.10 PAYMENTS TO DISTRICT AND BANK DEPOSITS

District staff shall deposit in the bank all payments to the District on a bi-weekly basis based on appropriate financial procedures. Deposit of cash receipts shall be performed and verified by designated staff. Prior to the time in which the receipts are processed for bank deposit, District staff shall store checks and cash in a locked District cash box.

3.11 PETTY CASH

District staff shall securely maintain petty cash funds for small cash transaction purposes. Disbursements from petty cash shall be pursuant to the District's *Procurement Policy* and associated procedures. At no time or occasion shall checks be cashed out of petty cash currency, or petty cash funds borrowed for any purpose. District staff shall keep petty cash in a locked box.



4 ETHICS AND CONFLICTS OF INTEREST

4.1 POLICY OBJECTIVES

The Board of Directors, General Manager, and District staff shall serve as stewards of the public's resources, trust, and confidence, and thus shall be held to the high standards of ethical fiscal conduct in the public's interest as opposed to personal interests. The purpose of the *Ethics and Conflicts of Interest Policy* is to affirm required standards of conduct and practices with respect to financial roles and responsibilities.

The Board of Directors shall establish and maintain financial policies for standards of ethical responsibility. Directors and District staff should understand that improper financial and contractual activities could damage the reputation of, and confidence in, the District and its employees, and could result in serious adverse financial and legal consequences for the District.

Directors and District staff shall conduct him/herself in his/her official business dealings in practice and appearance according to ethical fiscal standards, regulatory requirements, and the public trust. District staff shall develop and implement methods and controls for preventing, avoiding, and reducing potential ethical fiscal improprieties, conflicts, and fraudulent behavior, and to ensure procedures and structures are in place to properly implement this policy. The General Manager, as necessary, will periodically schedule appropriate ethics training for Board Directors and designated District staff as required by the California Government Code.

4.2 VIOLATION OF THIS POLICY AND RELATED FINANCIAL POLICIES

The General Manager or designee shall investigate any allegation and/or observation of improprieties that would violate this policy and other financial policies. If a violation is determined to have occurred, the General Manager shall handle the matter under the District's Personnel Policies, which may result in disciplinary action.

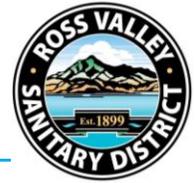
4.3 REPORTING UNETHICAL AND FRAUDULENT BEHAVIOR

Directors and District staff shall report any observation in practice or appearance of a violation of the District's financial policies, procedures, and resolutions including this Policy to a supervisor or the General Manager, who will investigate the matter. A verbal or written report will be considered a personnel matter and will be handled with strict confidentiality under the District's personnel policies. If the suspect employee is the General Manager, District staff have a responsibility to contact the President of the Board of Directors.

As a member of the California Sanitation Risk Management Authority (CSRMA), the District is a participant in the WeTip Corporate Ethics Hotline program (www.wetip.com). Information regarding fraud or misconduct related to agency activities can be anonymously reported 24/7/365 to a live operator at 1-800-78-CRIME (1-800-782-7463).

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4.4 WHISTLEBLOWER PROVISION

District staff who report unethical or fraudulent behavior are protected by the provisions in the California Government Code §8547 - §8547.12, Article 3, known as the “California Whistleblower Protection Act.”

4.5 USE OF PUBLIC FUNDS

District staff shall make expenditures of District funds only after the transaction has been properly reviewed, approved and authorized as established by *Internal Controls*, *Financial Planning*, *Procurement*, and *Asset Management* policies and related procedures. District staff shall only receive funds for authorized and approved District activities as established by *Internal Controls*, *Revenue Management*, and *Financial Planning* policies and related procedures. District staff shall not spend or receive public funds for any “public purposes” they choose; all funds of the District shall be utilized solely for Board adopted purposes (California Government Code §8314).

District staff shall be prohibited from the practice and appearance of potentially fraudulent activities that could involve, and are not limited to, the following activities: borrowing District funds, accounting or recordkeeping that results in borrowing schemes, contract or bid rigging, pilfering or petty theft, unapproved reimbursement of funds, unauthorized disposal or taking possession of surplus or unused District property and supplies, double accounting or making double payments, false claims, payroll and benefit fraud, and false programming or hacking of electronic and automated financial systems and transactions.

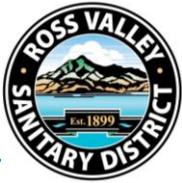
Directors and District staff shall comply with the District’s *Administrative and Personnel Policy Book*.

4.6 CONFLICT OF INTEREST

Government Code §87300 requires every state and local government agency to adopt a Conflict of Interest Code to prohibit and prevent financial conflicts of interest.

Directors and District staff shall not make, participate in making, or in any way attempt to use their official positions to influence a District decision in which they know or have reason to know that they have a financial interest (California Government Code §87100, et seq.). In addition, Board Directors and District staff shall not be financially interested in contracts they enter on behalf of the District. Board Directors and District staff shall avoid contractual improprieties that could occur both in practice and appearance (California Government Code §1090, et seq.).

Directors and District staff shall not engage in any employment or enterprise for compensation that is inconsistent, incompatible, or in conflict with their official duties and responsibilities associated with the District (California Government Code §1126). Each Board member and designated District staff, as stated in the District’s Conflict of Interest Code, shall file Form 700, Statement of Economic Interests, with the Marin County Office of Elections. The General Manager shall make the statements available for public inspection and reproduction (California Government Code §81008).



4.7 BRIBERY AND EXTORTION

Federal and California law both prohibit bribery and extortion of or involving public officials and employees. Directors and District staff shall not ask, receive, or agree to receive a bribe, and shall not demand or extort money in return for the performance of their official duties. A bribe involves asking for, giving, receiving, and accepting anything of value for gaining present or prospective advantage, performance, and/or influence in any affairs of the District (California Penal Code §67 and §68).

4.8 EXTRA COMPENSATION

Directors and District staff shall explicitly uphold the California Constitution, Article XI, Section 10 that prohibits “*extra compensation*”:

“...A local government body may not grant extra compensation or extra allowance to a public officer, public employee, or contractor after service has been rendered or a contract has been entered into and performed in whole or in part or pay a claim under an agreement made without authority of law.”

4.9 GIFTS TO EMPLOYEES AND OFFICIALS

Directors and District staff shall explicitly follow the California Political Reform Act (Government Code §86203, §89503 and §89506) and relevant U.S. Internal Revenue Service codes and pronouncements that set forth the rules and provisions that must be followed by public employees and officials related to the receipt of gifts and applicable taxes. These laws limit the value of gifts that may be accepted by Board Directors and District employees. Government codes cover a broad subject area regarding gifts including, but not limited to, the maximum value of gifts that public employees and officials may receive (amounts are set by the California Fair Political Practices Commission), lobbyist limitations, special rules for gifts of travel, exceptions to the gift limitations, and other regulations regarding gifts. See the California Fair Political Practices Commission website www.fppc.ca.gov for more information.

4.10 HONORARIA BAN

Directors and District staff shall explicitly follow California Government Code §89502, which prohibits public officials from accepting honoraria. Honoraria is defined as any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

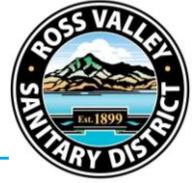
4.11 GIFTS OF PUBLIC FUNDS

Directors and District staff shall uphold California Constitution, Article XVI, Section 6 that prohibits public agencies from making gifts of public funds:

“... shall have no power... to make any gift or authorize the making of any gift of any public money or thing of value to any individual, municipal or other corporation whatever the purpose...”

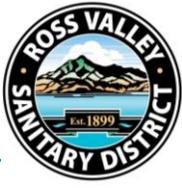
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4.12 RECEIVING PRIVATE DONATED FUNDS

The Board of Directors shall receive donated funds and/or property of value from private individuals, corporations, and organizations on behalf of the District when such funds or property are directly related to the mission, public purpose, and operations of the District. The Board shall not receive such donations in exchange for compensation, services, and/or any item of value that would benefit the donor in fact, practice, or appearance, other than those derived from tax-exempt donations prescribed in Federal and State tax laws. The General Manager shall review, approve, and accept items of de minimus value on behalf of the District. The Board shall review and consider accepting all other donations.



5 BUDGETING AND LONG-TERM FINANCIAL PLANNING

5.1 BUDGET GUIDELINES

The budget is the central financial planning document, which embodies all revenue and expenditure decisions. It establishes the level of service to be provided by the District and reflects the Board of Directors' collective prioritization of resource utilization. The District is committed to long-term capital and financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. To this end, the District has established the following general budget guidelines:

- **Use of funds for financial planning** – The budget is presented with two “funds,” Operating and Capital. Revenues and expenditures are budgeted separately for each and planned inter-fund “transfers” are shown.
- **Operating expenses** – Current Operating revenues will be sufficient to support current Operating expenditures. Revenue estimates will be realistic and debt financing will not be used to support current operating expenses.
- **Resources greater than budgeted expenditures** – Resources (fund balances) greater than budgeted expenditures in either fund are to be considered “one-time” resources and shall not be used to fund ongoing service delivery programs. Priority for such funds will be placed on:
 - Ensuring that target reserve balances are met, or
 - Used to minimize future service rate increases and/or fund one-time service goals.
- **Budget adoption level** – Budget adoption by the District’s Board of Directors is at the fund level. Any changes in planned revenues or expenditures at the fund level requires Board approval.
- **Full-time equivalent (FTE) budgeting** – As a tool for Board consideration, all adopted budgets of the District will list the actual and proposed FTE allocation on a department basis.
- **Level of Service Objectives** – To aid in the prudent management of the District, level of service objectives will be established, monitored, and reviewed for consideration in establishing required financial resources.

5.2 ANNUAL BUDGET ADOPTION

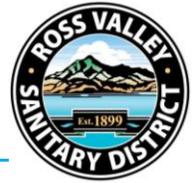
The budget is to be prepared in accordance with the basic guidelines and presented for adoption prior to the beginning of each fiscal year (July 1). At least thirty (30) days prior to the adoption deadline, the Board will have considered all approved updates to rates and fees and made any adjustments as needed to align the budget and level of service objectives. All adjustments will conform to applicable state law, including the State Constitution, Government Code, and District Ordinances.

5.3 MANAGEMENT REVIEW

It is the responsibility of District management to manage expenditures within budget and periodically review actual financial results compared to budget. Analysis of any significant variances will be provided to the Board at least quarterly.

5.4 BUDGET AMENDMENTS

In the event of unforeseen or unanticipated circumstances, amendments to the adopted fiscal year budget may be necessary. Budget amendments shall be considered when funds are justified, available,



and necessary to maintain the District's ongoing operational and financial performance, and service expectations as directed by the Board.

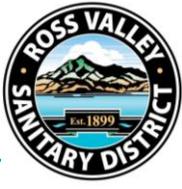
The Board shall approve budget amendments (except those authorized by the General Manager as noted below) that would increase the total aggregate fiscal year budget, based on the evaluation and recommendation of the General Manager that the proposed amendment meets the intent and purpose of this policy.

The General Manager shall establish and approve procedures for department managers to 1) request budget transfers within the adopted operating and capital budgets that do not increase the total aggregate fiscal year budget, and 2) to request budget amendments that would increase the total aggregate fiscal year budget subject to the General Manager's and/or Board's review and approval.

In the event of an emergency, the General Manager can approve budget amendments that would increase the District's annual budget, with the conditions that, 1) these amendments are necessary to maintain the District's ongoing and routine operations, and 2) the aggregate amounts of the amendments cannot exceed \$100,000. The General Manager shall notify the President of the Board about the situation and the reason for the budget amendment, and report to the Board about these actions at its next scheduled meeting.

5.5 FINANCIAL PLANNING

The District maintains a rolling five-year financial forecast that estimates resources and expenditure trends for the five years beyond the current budget period. The rolling forecast will be included in each annual budget report. This financial forecast will be used to assess the long-term impacts of current policy and budget decisions.



6 FINANCIAL REPORTING GUIDELINES

6.1 POLICY OBJECTIVES

The District identifies the following characteristics as key to properly presented financial statements:

- **Understandable** – Information is expressed as simply as possible.
- **Reliable** – Information is verifiable, free from bias, faithfully represented, and comprehensive.
- **Relevant** – Information can make a difference in a user’s assessment of a problem, condition, or event.
- **Timely** – Information is issued soon enough after the reported events to affect decisions.
- **Consistent** – Once adopted, an accounting principle or reporting method is used for all similar transaction and events. If a change is required, then full disclosure of the nature, reason, and effect of the change is made.
- **Comparable** – Information allows users to make comparisons among governments (e.g., of the costs of specific functions or components of revenue).

The District’s financial reporting policy objectives include:

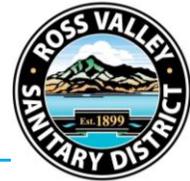
- Financial reporting should assist in fulfilling the District’s duty to be publicly accountable and should enable users to assess that accountability by:
 - Providing information to determine whether current-year revenues were sufficient to pay for current-year services.
 - Demonstrating whether resources were obtained and used in accordance with the District’s legally adopted budget and demonstrating compliance with other finance-related legal or contractual requirements.
 - Providing information to assist users in assessing the service efforts, costs, and accomplishments of the District.
- Financial reporting should assist users in evaluating the annual operating results of the District by:
 - Providing information about sources and uses of financial resources.
 - Providing information about how it financed its activities and met its cash requirements.
 - Providing information necessary to determine whether its financial position improved or deteriorated as a result of the year’s operations.
- Financial reporting should assist users in assessing the level of service that can be provided by the District and its ability to meet its obligations as become due by:
 - Providing information about its financial position and condition.
 - Providing information about its physical and other nonfinancial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources.
 - Disclosing legal or contractual restrictions on resources and the risk of potential loss of resources.

6.2 GENERAL LEDGER

It is the responsibility of District management to develop and maintain an appropriate accounting system, which utilizes an organized set of general ledger accounts. Accounts will be grouped by number and title

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to facilitate accurate recording and reporting of financial transactions. Access to the general ledger for maintenance and update will be limited to the assigned responsible financial management personnel.

6.3 MONTHLY REPORTING

Interim financial statements will be produced and submitted monthly to the Board of Directors for review. These financial statements are unaudited and are to be used solely to monitor the District's financial progress throughout the fiscal year. The interim financial statements are not to be presented to outside parties for the purpose of incurring debt, investing, or other activities where a user may place legal reliance on the document.

At minimum, the interim financial reports should include all of the following:

- Summary of key statistics such as cash on hand, total revenue, and total expenditures
- A statement of revenue and expenditures by fund
- A cash flow projection
- A check register listing

6.4 SEMI-ANNUAL FINANCIAL PERFORMANCE REPORT

A financial performance report will be produced at the mid-point of each fiscal year and presented to the Board of Directors at the next regular board meeting. The report will compare year-to-date actual versus budget by category of financial item (e.g., revenue, salaries and benefits, capital, etc.) and will provide a detailed explanation of any significant variances. This report is a communication tool for management to provide the Board and general public with information about financial performance and significant actions taken related to financial management of the District.

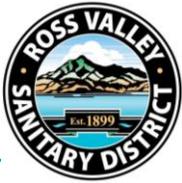
6.5 ANNUALLY AUDITED FINANCIAL STATEMENTS

The District will engage a qualified independent auditor/audit firm to perform an annual audit of the District's financial records and internal controls. The final product will comply with all governing laws, regulations, and pronouncements from the Governmental Accounting Standards Board (GASB).

The independent auditor will be selected through a competitive request for proposals process and will be engaged for three years, dependent upon performance. Qualifications and proposals will be reviewed by management and recommendations made to the Board of Directors for selection of a qualified independent auditor. At the discretion of the Board, an auditor approved for a three-year contract can have that contract extended by up to two years. Rotation of lead auditors or firms should be considered every five years but in no case any longer than six consecutive fiscal years. [Government Code §12410.6]

6.6 ANNUAL COMPREHENSIVE FINANCIAL REPORT

It is the District's intent to provide more than the minimum required annual reports. To support that intent, the District will produce a Annual Comprehensive Financial Report (ACFR), a report that provides additional narrative and statistical information to assist in providing context to the standard financial reports. To ensure consistency and comparability, the District will submit the ACFR to the Government Financial Officers Association (GFOA) for consideration of their Award of Financial Reporting Achievement.



7 MINIMUM AND TARGET RESERVES

The following reserve policies are grouped into “minimum” reserves and “target” reserves. The minimum reserves are meant to be sustained at all times over the course of a financial planning period. On the other hand, a target reserve has more flexibility and is meant to provide a targeted reserve level for the end of a planning period but doesn’t necessarily need to be sustained at all times over the course of a planning period.

7.1 OPERATING RESERVE

Ross Valley Sanitary District maintains cash and investments necessary to meet the liquidity needs for the District’s day-to-day operations. Furthermore, the District will maintain unrestricted cash and investments as required by any debt covenants.

The targeted operating fund reserve is designed to ensure coverage for the cash flow (liquidity) requirements of day-to-day operations between April and December when the District experiences a prolonged gap in revenue receipts from the County.

Liquidity needs are calculated as follows: on June 30 of each year the District will maintain a level of cash and investments, less those amounts held in reserve by a fiscal agent, in an amount at least equal to one half of the operating expenses budgeted for the coming fiscal year. This target fund balance is exclusive of all other reserve targets.

Primary funding source: Sewer Service Charges

7.2 CAPITAL IMPROVEMENT RESERVES

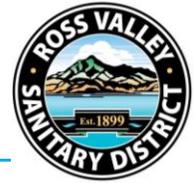
Ross Valley Sanitary District maintains a reserve for capital improvement in order to satisfy annual cash flow requirements and ensure continuity in executing the Capital Improvement Plan (CIP).

The purpose of this reserve is to smooth the inherent volatility of the capital spending program. This reserve should be drawn down during years of higher-than-average capital spending. Conversely, and very importantly, the District should build this reserve during years when capital spending is below average. Having such a reserve is an integral component of a PayGo model.

The target reserve is equal to fifty percent (50%) of the average annual capital expenditures forecasted in the current 5-Year or 10-Year Capital Improvement Plan (CIP). This target reserve balance is exclusive of all other reserve targets.

Primary funding source: Ad Valorem Tax, Capacity Fees, Net Operating Fund Revenue

Secondary funding source: Debt Financing



7.3 EMERGENCY RESERVES

Ross Valley Sanitary District maintains an emergency reserve for use during operational or financial emergencies. Emergencies constitute significant unforeseen events that have a dramatic and immediate impact on the operations, assets or financial condition of the District. In the event funds from this reserve are used, a plan to replenish the funds used during a fiscal year will be developed and approved through the budgeting process in the following fiscal year. The target amount of the reserve should be calculated to be at least equal to ten percent (10%) of the budgeted annual operating expenses, but not less than two million dollars (\$2,000,000). This target balance is exclusive of all other reserve targets.

Primary Funding Source: Sewer Service Charges

7.4 OTHER POST-EMPLOYMENT BENEFITS RESERVES

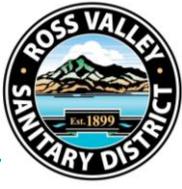
Ross Valley Sanitary District maintains an Other Post-Employment Benefits (OPEB) reserve to fund future payments of retiree post-employment health benefits. This is a restricted reserve and may not be utilized for any other purpose. The target balance is exclusive of all other reserve targets. The funds in this reserve are held in trust with the CalPERS California Employers' Retiree Benefit Trust (CERBT) fund. Annual contributions to this reserve are based on the most recent actuarial analysis with the policy goal of fully funding the liability in the most fiscally responsible manner.

7.5 PENSION PREFUNDING TRUST RESERVES

Ross Valley Sanitary District maintains an additional Pension Prefunding Trust reserve to fund future payments of retiree pension payments. This is a restricted reserve and may not be utilized for any other purpose. The target balance is exclusive of all other reserve targets. The funds in this reserve are held in trust with the CalPERS California Employer's Pension Prefunding Trust (CEPPT) fund. Annual contributions to this reserve are based on the recent actuarial analysis with the policy goals of smoothing the volatility in the required pension contribution rates and fully funding the liability in a fiscally responsible manner.

7.6 FUNDING OF RESERVES

Ross Valley Sanitary District makes every attempt to maintain target levels in all reserves. Funds held in reserve accounts may be used for District purposes provided that any funds used shall be replenished within twelve (12) months of use. If reserves are depleted, a plan for replenishment will be developed and included in the next fiscal year's budget.



8 REVENUE AND CASH MANAGEMENT

8.1 POLICY OBJECTIVES

The District's *Revenue and Cash Management Policy* is intended to meet the following key objectives:

- Define existing sources and uses of revenue.
- Identify appropriate methods for estimation of revenues for planning purposes.
- Assist the Board and District management in understanding and managing revenue flows.

8.2 FUNDS

The District has established two internal funds to assist in the management of revenues and other resources. Those funds are:

- **Operating Fund** – This fund's primary revenue source is the sewer service charge, which is collected via the property tax rolls. Activities supported by this fund include operation and maintenance of the District's infrastructure and any administrative costs required to administer and manage those activities.
- **Capital Fund** – This fund is supported through multiple revenue sources; however, primary sources are ad valorem property tax, sewer service charge, and proceeds from financing. Activities supported by this fund include replacement or improvement of infrastructure, debt service, and other asset acquisition (maintenance equipment, etc.).

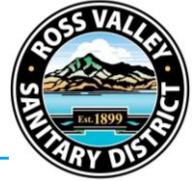
8.3 REVENUE SOURCES

As a single-purpose special district, Ross Valley Sanitary District operates as an enterprise fund. Within an enterprise fund, a fee is charged for specific services, which is then used to support the activities required to provide that service.

- **Annual Sewer Service Charge** – Pursuant to the requirements of Article XIII D, Section 6 of the California Constitution, this fee is set by Ordinance with a four-fifths vote of the District's Board of Directors (Board) after proper public notice and hearing. The District consists of two rate zones: Larkspur and Ross Valley. The rates established for each zone may differ in order to balance the total annual fees paid by the ratepayers in each zone. The Ordinance may include a fee schedule for multiple years (up to five). This fee is structured to support the Operating Fund and partially support the Capital Fund.
- **Ad Valorem Tax** – Property owners within the District's legal boundaries pay a base property tax to the County of Marin. The District is allocated a portion of that tax by the County. The County does not allocate ad valorem tax from Larkspur rate zone to the District. Until such a time as the allocation of this tax is equal between the two rate zones, the sewer service charge will reflect a proportionally higher charge in the Larkspur zone. Ad valorem tax revenue is allocated to the Capital Fund.
- **Capacity Fees** – Capacity fees are imposed on new connections and increased demand to the wastewater collection system. The fee amount is established by Ordinance with a four-fifths vote of the Board after proper public notice and hearing. These fees are allocated solely to the Capital Fund.

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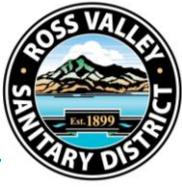


- **Miscellaneous Fees** – These include inspection fees, administrative fees, plan fees, etc. These fees are allocated to the Operating Fund.
- **Other Sources** – These include interest earned, rebates, and other miscellaneous items. These funds are allocated to the appropriate fund according to the revenue source.

8.4 CASH RECEIPTS

Most cash receipts for the District are wired directly into the District’s primary operating account at the bank. This includes ad valorem property taxes and approximately 97% of the sewer service charges. Cash is received directly for permit fees, public sewer extensions, and other miscellaneous items as well as for payments of the sewer service charge for some direct-bill customers. The following measures are in place to ensure security and proper recording of cash receipts:

- A locking cash box is used to hold all cash received at the District office.
- All checks are immediately marked “For Deposit Only” to the RVSD main operating bank account.
- Deposits of all cash and checks received are made bi-weekly.
- All cash and checks received are matched with a receipt or invoice to ensure proper recording in the general ledger.
- Staff responsible for receipt of cash and checks are not the same persons who are responsible for the reconciliation of deposits or recording of cash receipts in the general ledger.



9 DEBT MANAGEMENT

This policy is intended to comply with Government Code §8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the District. This policy sets forth debt management objectives for the District, establishes overall parameters for issuing and administering the debt portfolio, and provides policy guidelines to decision makers. The District recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the District's sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the District's credit worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District's debt is consistent with the District's strategic goals and objectives and Capital Improvement Plan (CIP) or budget, as applicable.

9.1 PAY-AS-YOU-GO VS. DEBT FINANCING

The District recognizes that future ratepayers will benefit from long-lived capital investments and that it is appropriate that they pay a share of the asset cost through future debt repayment. However, the District shall have a preference to finance capital improvements using pay-as-you-go financing and shall issue long-term debt only to finance capital improvements that cannot be readily financed from current revenues. The District will limit total debt outstanding, as a ratio of operating expenses, to a level that sustains or improves its bond rating. The intended use of debt shall be described in and integrated into the District's Capital Improvement Plan and any long-range financial forecasts. Long-term debt financing shall not be used to fund operating costs.

9.2 PERMITTED DEBT BY TYPE

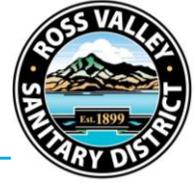
The District may legally issue both short-term and long-term debt using the debt instruments described below or issue any other long or short-term instruments approved by and deemed appropriate by the Board of Directors to meet the capital financing needs of the District. The District, in consultation with the District's Counsel, Bond Counsel and Municipal Advisors, shall determine the most appropriate instrument for a proposed debt issuance.

General Obligation Bonds

The District is empowered, under the Sanitary District Act of 1923, to levy taxes on all taxable property within its boundaries for the purpose of paying its voter approved general obligation bonds subject to the limitations in the California Revenue and Taxation Code and the California Constitution. The District is authorized to sell general obligation bonds under Section 6640 through 6655 of the Act, subject to the approval of a two-thirds majority of those voting in a local election.

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Installment Sale Agreement (ISA)

The District is authorized by the laws of the State of California and Section 6670.1 of the Act to acquire certain improvements to the District's system and to finance construction or improvements through the execution of installment sale agreements. An installment sale agreement can be a vehicle for a public borrowing through one of two ways:

1. **Certificates of Participation (COPs)** -- Certificates of Participation provide debt financing through a lease or installment sale agreement. In a certificates of participation financing, a financing entity such as a JPA enters into a lease or an installment sale agreement with the District. The financing entity sells certificates representing participations in annual payments of principal and interest under the lease or ISA.
2. **Joint Exercise of Powers Authority (JPA) Revenue Bonds** -- In an installment sale revenue bond financing, the District enters into an installment sale agreement with a JPA which in turn issues bonds payable solely from the installment sale payments. The Ross Valley Public Financing Authority is a JPA that was formed by the District for this purpose and is governed by the District's Board of Directors.

Loans, Letters of Credit, Lines of Credit, Sate Loans

The District may from time to time borrow through a loan with a commercial bank, Letter of Credit, Lines of Credit with a commercial bank, state revolving loan program or other governmental agency. Each loan will have a specific purpose. Voter approval is not required for obtaining a loan is such loan is structured as an Installment Sale Agreement through a COP or JPA.

Refunding Bonds

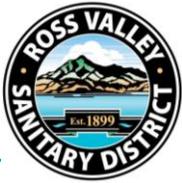
Bonds may be refinanced (refunded) on or before the call date and as permitted by federal tax law for the purpose of providing a net positive economic benefit to the District.

9.3 LENGTH OF DEBT OBLIGATIONS

The debt repayment period should not exceed the expected useful life of the facilities or equipment being financed and should coincide with the stream of benefits provided by the projects being financed. When the District finances capital projects by incurring debt, the debt repayment period should be no longer than the expected useful life of the project being financed.

9.4 DEBT SERVICE COVERAGE POLICY

The District shall, each fiscal year, strictly comply with covenants regarding the coverage of annual debt service by net revenues embodied in the terms of outstanding debt obligations. Over and above that, the District intends to maintain an average annual debt service coverage ratio of 150%, but no less than 125%.



9.5 TIMING AND SIZE OF BOND ISSUES

For the sale of new money bonds, the timing and size of the issue will be influenced by:

1. Limitations of tax rules regarding size, generally limited to three years of capital expenditures
2. Transaction costs for each sale
3. Negative cost of carry if reinvestment rates are less than the cost of funds

9.6 REFUNDING BONDS

Bonds may be refinanced (refunded) on or after at the call date (“current refunding”) or in advance of the call date by putting refunding proceeds in an invested escrow account pending the call date (“advance refunding”). The authorization by the District for a bond refund shall include verification by the Board that a net positive financial benefit will accrue from the transaction.

9.7 USE OF CREDIT ENHANCEMENTS

When issuing long-term debt, credit enhancements (letters of credit, bond insurance, etc.) may be used, but only when net debt service on the debt is reduced by more than the cost of the enhancement, or the enhancement is a requirement for the loan or debt issuance.

9.8 BOND RATING

The District shall seek to maintain and, if possible, improve its current bond rating in order to minimize borrowing costs and preserve access to credit.

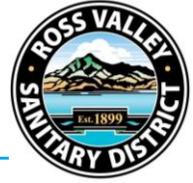
9.9 FINANCIAL DISCLOSURE

The District shall fully disclose financial and pertinent credit information as it relates to the District’s outstanding securities, including continuing disclosure obligations pursuant to bond covenants.

9.10 INTERNAL CONTROLS

To ensure debt proceeds are used as intended, the District shall implement internal control procedures that include at least the following:

- Debt proceeds shall be deposited in an account separate from other District accounts, with only revenues and expenditures directly associated with the debt proceeds included in the account.
- At least two approvals from different reviewers will be required on all expenditures of debt proceeds, to review and ensure the expenditure is appropriate to be paid from debt proceeds.
- District accounting staff shall prepare periodic reports on the use of debt proceeds for management and Board review



10 INVESTMENTS

The Board of Directors of the Ross Valley Sanitary District has adopted this policy in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the District. All District funds will be invested in accordance with this policy and with applicable sections of the California Government Code §53106 through §53659.

This *Investment Policy* replaces any previous investment policy or investment procedures of the District.

10.1 SCOPE

The provisions of this policy shall apply to all financial assets of the District except bond funds governed by bond documents, as accounted for in the District's Annual Comprehensive Financial Report. Bond funds shall be invested separately at the direction of the District and managed pursuant to the definition of Permitted Investments under the specific bond trust indenture. All other excess cash shall be pooled for investment purposes and subject to this policy. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds not less than annually.

10.2 OBJECTIVES

The District's funds shall be invested in accordance with all applicable District codes and resolutions, California statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

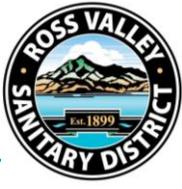
- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Attainment of a market rate of return (yield).
- Diversification to avoid incurring unreasonable market risks.

10.3 POLICY REVIEW

The policy shall be adopted by the Board of Directors. It shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to the *Investments Policy* shall be approved by the Board of Directors.

10.4 DELEGATION OF AUTHORITY

The management responsibility for the District's investment program is delegated annually by the Board of Directors to the Treasurer, as provided for in California Government Code §53607. The District's General Manager serves as the Treasurer and shall work in conjunction with the Finance & Administrative Services Manager to conduct investment transactions and to manage the operation of the investment portfolio. No person may engage in an investment transaction except as expressly provided under the terms of this policy.



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The General Manager or designee shall develop administrative procedures and internal controls, consistent with this policy, for the operation of the District's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District. The District may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the District's financial resources.

10.5 PRUDENCE

The standard of prudence to be used for managing the District's investment program is California Government Code §53600.3, the prudent investor standard which states

“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that no investment is totally without risk and that the investment activities of the District are a matter of public record. Accordingly, the District recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the District.

The General Manager or designee and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the Board of Directors and appropriate action is taken to control adverse developments.

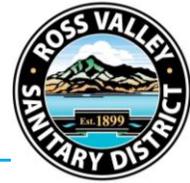
10.6 AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the District shall be made in accordance with California Government Code §53600, et seq. Any revisions or extensions of these code sections will be assumed to be part of this policy immediately upon being enacted. Within the investments permitted by the Government Code, the District further restricts eligible investments to those listed below. In the event of any discrepancy between this policy and the Government Code, the more restrictive parameters shall take precedence.

The District's portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase.

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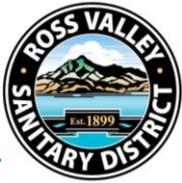
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INVESTMENT TYPE	MAXIMUM REMAINING MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds (RVSD bonds)	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations: CA and Others	5 years	None	None for CA; AA or better for other States
CA Local Agency Obligations	5 years	None	AA
Commercial Paper: Pooled Funds	270 days or less	20% of RVSD's investible funds	Highest letter and number rating
Negotiable Certificates of Deposit	5 years	15%	Highest letter and number rating
Placement Service Deposits	5 years	\$250,000 per deposit per institution	FDIC insured
Repurchase Agreements	90 days	None	None
Medium-term Notes	5 years or less	5% (with not more than 20% in any one institution)	"A" rating category or better
Mutual Funds and Money Market Mutual Funds	N/A	20% (no more than 10% invested in any one mutual fund; limitation does not apply to money market mutual funds)	Multiple ¹
County Pooled Investment Funds- Marin County Pool	N/A	None	None
Joint Powers Authority Pool (CAMP, CalTrust)	N/A	None	Multiple ²
Local Agency Investment Fund (LAIF)	N/A	None	None

¹A money market mutual fund must receive the highest ranking by not less than two nationally recognized rating organizations **or** retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investment in money market instruments with assets under management in excess of \$500 million.

²A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investment in instruments authorized by Section 53601, subdivisions (a) to (o).



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The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be preapproved by the Board of Directors.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held, at the District's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

10.7 TERM OF INVESTMENTS

It is the objective of the District to accurately monitor and forecast revenues and expenditures so that the District can invest funds to the fullest extent possible. Funds of the District shall be invested in accordance with sound treasury management principles.

Where this Policy does not specify a maximum remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement, that at the time of the investment has a term remaining to maturity in excess of five years, unless the Board has granted express authority to make that investment either specifically or as part of an investment program approved by the Board no less than three months prior to the investment.

10.8 INVESTMENT DIVERSIFICATION

The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the District's anticipated cash flow needs.

10.9 PROHIBITED INVESTMENTS

Any investment in a security not specifically listed above, but otherwise permitted by the California Government Code, is allowed. Government Code §53601.6 specifically disallows investments in invoice floaters, range notes, or interest-only strips that are derived from a pool of mortgages. In addition to the limitations in Government Code §53601.6, this policy further restricts investments as follows:

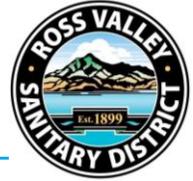
1. No investment shall be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.
2. No investment shall be made that could cause the portfolio to be leveraged.
3. Any security that could result in zero interest accrual if held to maturity shall not be made.

10.10 BANKS AND SECURITIES DEALERS

The General Manager or designee is authorized to make investments based on the recommendations of the Board approved investment advisor whose recommendations shall adhere to this policy. Any approved investment advisor shall annually review the District's *Investments Policy*. The investment advisor may request the Board approve recommended changes to this policy as permitted by the California Government Code §53106 through §53659. For investments made by an investment advisor, the Board authorizes the investment advisor to use broker/dealers and financial institutions that the

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investment advisor has reviewed and approved by the General Manager or designee. The investment advisor's approved list shall be approved and reviewed annually by the District and reported to the Board of Directors.

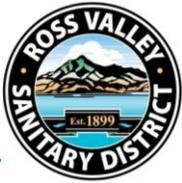
10.11 PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the District's investments shall be monitored quarterly and compared to a nationally published index that most closely corresponds to the portfolio's composition and weighted average effective maturity.

10.12 REPORTING

Semi-annually, the General Manager or designee shall submit to the Board of Directors a report of the investment earnings and performance results of the District's investment portfolio. The report shall include the following information:

1. A description of the investment the District holds as of the reporting date.
2. A market value as of the date of the report (or the most recent valuation available) and the source of the valuation.
3. Period-over-period change in the market valuation from the current reporting period to the former reporting period.



11 PROCUREMENT POLICY

All purchases of goods and services purchased on behalf of Ross Valley Sanitary District must be made within the applicable provisions of the California Public Contracts Code, California Government Code, and the District's administrative and financial policies. No District employee may commit payment for goods or services without adherence to the applicable District policies and State laws. District employees are expected to use good judgment, proper regard and the greatest discretion for taxpayer dollars when making purchases for the District.

11.1 DESIGNATION OF PURCHASING AGENT

The General Manager is the designated Purchasing Agent for the District and is charged with the duties and powers described by the applicable laws of the state relating to purchasing agents, this policy, and applicable resolutions of the Board of Directors. When it is not feasible or practical for the General Manager to serve as Purchasing Agent, the Finance & Administrative Services Manager will serve as Purchasing Agent.

11.2 AUTHORITY TO COMMIT FUNDS

Only the Board of Directors, the General Manager/Purchasing Agent, or their designee may commit District funds for the purchase of goods, equipment or services for District benefit. Said commitment of District funds may be made only where the person making the commitment is authorized to do so by a specific provision of this policy. Except in cases of emergency as hereinafter provided, or in cases where the Board of Directors has made specific provision, no purchase of property by any governing body or person other than the Board of Directors, the General Manager/Purchasing Agent, or their designee will be binding on the District or constitute a lawful charge against District funds. Authorization levels are defined by position or management level in this policy.

11.3 DELEGATION OF AUTHORITY

The Purchasing Agent may delegate the authority for the purchase of goods and supplies and for the procurement of professional service to the District's managers as described herein.

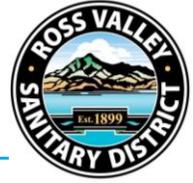
11.4 UNAUTHORIZED PURCHASES

Unauthorized purchases are not considered an obligation of the District and the individual making such purchases will be held personally liable for the cost of the purchase. Unauthorized purchases are defined to include any of the following:

- Any procurement made not in conformance with these policies, including any actions to circumvent the delegation of procurement authority.
- Any procurement where the good or service is intended for personal use and not intended for use by the District.

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11.5 DUTIES OF THE PURCHASING AGENT

The Purchasing Agent or his/her designee will:

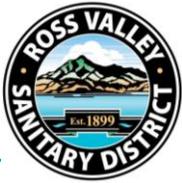
- Monitor and coordinate District purchases for all materials, supplies, services, furnishings, equipment and other property in accordance with rules and regulations prescribed by District ordinances, resolutions, policies, and procedures, and as otherwise provided for by law.
- Engage independent contractors to perform services for the District in accordance with the provisions of this policy.
- Engage independent contractors to construct, repair or furnish any building or structure consistent with the authority vested in the Purchasing Agent by this policy.
- When authorized, sell or dispose of surplus property of the District.
- Perform such other services as the Board of Directors may from time to time by resolution require.

11.6 RULES AND PROCEDURES

The Purchasing Agent is charged with the authority and responsibility for coordinating and managing the procurement of goods, supplies, equipment, and services according to applicable law and this policy. This authority includes the responsibility to establish rules and procedures to ensure that applicable laws, regulations and procurement policies are followed.

11.7 LOCAL BUSINESS PARTICIPATION

Local business participation in District contracts is encouraged. The District staff will make every reasonable effort to contract with and obtain price quotations from local businesses for labor, supplies, and materials on all contracts that are not required by law or this policy to be competitively awarded. On all public contracts that are required by law to be competitively bid, the District staff will make every reasonable effort to encourage the participation of local businesses. All notices inviting bids will include language to the effect that it is the District's policy to encourage bidders to utilize local business whenever possible on District projects.



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11.8 PURCHASING AUTHORIZATION LEVELS

District Position	Maximum Amount Authorized for Purchases				
	Supplies	Maintenance	Professional Services	Professional Services Related to Construction	Construction
Board of Directors	Any	Any	Any	Any	Any
General Manager (Budget)*	\$25,000	\$35,000	\$35,000	\$35,000	\$60,000
General Manager (Other)	\$25,000	\$25,000	\$25,000	\$25,000	\$60,000
Dept Managers	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Superintendent	\$6,000	\$6,000	None	None	None
Supervisor	\$3,000	\$3,000	None	None	None

Note: Authorization for emergency purchases is covered in the Section *Emergency Procurement*.

* Purchases for items specifically listed in the District-approved budgets, i.e., studies, services, equipment, etc., may be approved for purchase by the General Manager pursuant to the terms of this policy.

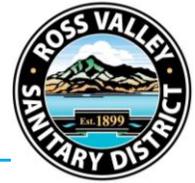
* For purposes of this section, "Maintenance Work" includes all of the following: routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes; minor repainting; landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.

11.9 RECURRING CHARGES

The Purchasing Agent may identify vendors and contractors who provide recurring services and exclude them from the standard purchasing process. Some examples of appropriate exclusions would include suppliers of annual software subscription services (e.g., SmartCovers, Innovyze), equipment lease agreements (e.g., Dell Computers, Enterprise Fleet), utility services, freight carriers, postal service, and payments to the District's risk management pool, California Sanitation Risk Management Authority (CSRMA), and to the Central Marin Sanitation Agency (CMSA). This is at the discretion of the Purchasing Agent, who will maintain a list of vendors designated as "Recurring."

11.10 PURCHASE OF GOODS AND MATERIALS UNDER \$10,000

Competitive quotes for the purchase of goods and materials are not required when the total cost of such goods is under ten thousand dollars (\$10,000). The Purchasing Agent may delegate the authority to purchase goods and materials under ten thousand dollars (\$10,000) to specific District positions, including managers and supervisors.



11.11 PURCHASE OF GOODS AND MATERIALS \$10,000 OR OVER

- Except as otherwise provided by the policy, at least three quotes will be solicited for the purchase of those goods and materials with a cost of ten thousand dollars (\$10,000) and above, with the contract for purchase awarded to the best value quote. Quotes shall be documented.
- Except as allowable through the *Sole Source Procurement* section of this policy, bid/quote specifications should be written to allow for competition and not to exclude all but one kind or type of product, and should describe the performance requirements rather than its formulation, description or design.
- The Purchasing Agent may delegate the authority to purchase goods and materials over ten thousand dollars (\$10,000) to District managers.
- The District reserves the right to reject any or all quotes when, after consideration of all relevant circumstances, such action is considered in the best interest of the District. The District further reserves the right to re-quote any purchase of goods or materials, regardless of any prior actions to request quotes.

11.12 PROCUREMENT OF PROFESSIONAL SERVICES

Professional services are consulting, or professional/technical services not provided by District employees. Professional services include, but are not limited to, financial, economic, accounting, legal, medical, therapeutic, and administrative services.

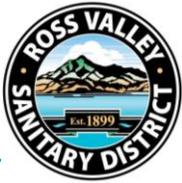
11.13 PROFESSIONAL SERVICES FOR SELECT PROFESSIONS

Per California Government Code §4526, the selection of a vendor to provide architectural, landscape architectural, engineering, environmental, land surveying, or construction project management professional services will be made on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required. For these selected professions, there are special procedures for acquiring these services.

11.14 CRITERIA FOR USE OF PROFESSIONAL SERVICE CONTRACTS

Contracted professional service may be used only under any one of the following conditions:

- Urgent need which cannot be met by District employees.
- Temporary, intermittent, or irregular services which cannot be performed effectively by District employees.
- Special or highly technical skills which cannot be obtained from District employees.
- Need for an independent opinion, appraisal, audit, or similar services.
- Lack of sufficient personnel to accomplish the work in the required time frame.



11.15 SELECTION OF VENDORS FOR PROFESSIONAL SERVICES – GENERAL

Vendors for professional services other than those identified in California Government Code §4526 are to be selected as follows:

1. Vendor selection will be based on a competitive process whenever reasonably feasible. Professional services may be competitively solicited through informal Requests for Quotes (RFQ) and information Requests for Proposals (RFP) or through formal sealed competitive proposals. The type of service to be contracted for, the anticipated award amount, and the potential risks involved affect the decision whether to use informal or formal purchasing procedures.
2. Professional service contracts may be awarded without competitive solicitation when there is only one person or vendor available or capable of providing the required service, when there are limitations in the availability of potential contractors, when the services required are of such a specialized nature that precludes competitive solicitation, or when other conditions exist such that the appropriate awarding authority determines that it is in the District's best interest to waive competitive solicitation for the required professional services.

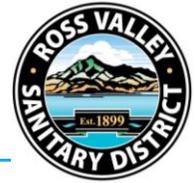
11.16 SELECTION OF VENDORS FOR SELECT PROFESSIONAL SERVICES

Vendor selection for professional services of private architectural, landscape architectural, engineering, environmental, land surveying, or construction project management firms, as defined in California Government Code §4525 will follow the procedure outlined below:

1. Prospective vendors are requested to submit proposals and statements of qualifications to the District for the required services or proposed project. Proposals and statements of qualifications may be solicited through trade publications and by other means of advertisement. Pricing will be submitted separate from the proposal and will not be considered in the initial review process.
2. District staff will evaluate the proposals, statements of qualifications, and performance data submitted by firms regarding the proposed project, and, when available, select the firms with the top three rated proposals for further evaluation.
3. Based upon the pricing submitted separately from the proposal, District staff will negotiate a contract with the firm submitting the top-rated proposal. Should the District be unable to successfully negotiate a contract with the firm submitting the top-rated proposal, at a price the District deems fair and reasonable, then negotiations with that individual or firm will be terminated. The District will then commence negotiations with the firm submitting the next highest rated proposal. Should the District be unable to negotiate a satisfactory contract with the firm submitting the second highest rated proposal, the District will terminate the negotiations and undertake negotiations with the firm submitting the next highest rated proposal. Should the District be unable to negotiate a satisfactory contract with any of the selected firms, the District will select additional firms in order of the ratings of their proposals and qualifications until an agreement is reached.

11.17 SOLE SOURCE PROCUREMENT – COMPETITION IS PRESUMED

All reasonable attempts should be made to identify multiple vendors or multiple brands prior to any approval of sole source procurement.



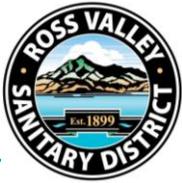
11.18 SOLE SOURCE PROCUREMENT DEFINED

Sole source procurement is any acquisition which, by virtue of the specifications required or by the clear and specific restrictions imposed by a provider, restricts the procurement to one vendor or to one brand.

11.19 ALLOWABLE JUSTIFICATIONS FOR SOLE SOURCE PROCUREMENT

Sole source procurements are allowed under the following conditions or when procuring the following goods or services:

- Goods or materials where cost is under ten thousand dollars (\$10,000).
- Professional services performed by vendors on jobs less than twenty-five thousand dollars (\$25,000).
- Maintenance work performed by contractors on jobs less than twenty-five thousand dollars (\$25,000), as long as the price from the contractor is within ten percent (10%) of a District Engineer's or independent engineer's estimate of probable cost.
- Property or services, the price of which is fixed by law.
- Training seminars or other classes for personnel.
- Materials, supplies or equipment or services that can only be obtained from one supplier, generally because of technological, specialized or unique character.
- The product is unique in design and/or has features which are required for a specific application.
- The product must be compatible with existing equipment.
- The product or service is available only from the manufacturer's authorized representative.
- Automotive and heavy equipment repairs.
- When, in the judgment of the Purchasing Agent, it is in the best interest of the District to negotiate, without engaging in competitive bidding process, an extension of an existing contract for goods or services based upon satisfactory performance, as long as such negotiated price is fair and reasonable.
- Purchases made from other public agencies by use of joint powers agreement, cooperative purchasing programs, pooling agreements, and other recognized types of agreements used by government agencies for the purpose of combining purchasing requirements in order to reduce cost, increase efficiency, or reduce administrative expenses.
- Goods or services on, or provided by vendors on, the California Multiple Award Schedules (CMAS) list, subject to the limitations and provisions of the CMAS program, or other comparable cooperative purchasing program lists.
- Materials, supplies or services that are acquired from a vendor based on a contractual arrangement with the vendor that was established pursuant to a California government competitive bid process.



11.20 SURPLUS PROPERTY - DECLARATION

Only the Purchasing Agent has the authority to determine whether property owned by the District no longer has any useful value to the District. The Purchasing Agent has the authority to declare equipment and other property surplus if the equipment has a current estimated market value of five thousand dollars (\$5,000) or less. If the current estimated market value exceeds five thousand dollars (\$5,000), or the property is recorded as a fixed asset, the Board of Directors has the sole authority to declare the property surplus.

11.21 DISPOSAL OF SURPLUS PROPERTY

The Purchasing Agent is responsible for ensuring that the sale, lease, transfer, exchange, and disposal of surplus property is conducted in such a manner as to realize the maximum value possible from the sale or disposal of surplus property. The Purchasing Agent will sell, lease, transfer, dispose of, or exchange surplus property in the manner authorized by the District Board of Directors, or as described below:

1. The Purchasing Agent may contract with an auctioneer to conduct a District public auction, or with an auction service to arrange for the disposal of surplus property.
2. For items valued at five thousand dollars (\$5,000) or less, the Purchasing Agent may conduct a publicly advertised cash-only "garage sale" or may authorize disposal at a scrap or recycling facility in exchange for the scrap/recycling value. Sale proceeds will be deposited into the District's Operating Fund.
3. Surplus items that have no value, or when the labor, transportation and administrative cost to dispose of a surplus item exceeds the item's value, the Purchasing Agent may discard the surplus item or otherwise dispose of the items, including giving the item to a school or charity within Marin County.

11.22 TRADE-IN ALLOWANCE

When purchasing property for which it is not required to advertise for bids, the Purchasing Agent is authorized to solicit and accept advantageous trade-in allowances for District property which has previously been declared surplus. Competitive bids for the purchase of property by the District may include a request for trade-in of equipment that has previously been declared surplus.

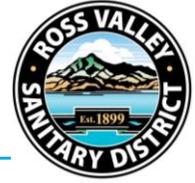
11.23 PROHIBITION AGAINST PURCHASE BY EMPLOYEES

The General Manager and District managers are prohibited from purchasing any District surplus property. Additionally, employees assigned any of the following duties within the District will not, either directly or indirectly, bid or purchase surplus District property:

- Purchasing functions
- Responsible for surplus declarations
- Access to privileged information regarding the item or equipment or the value thereof, which is not available to all prospective bidders
- Assigned to the department having custody of the surplus property

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11.24 PROCEEDS FROM DISPOSITION OF SURPLUS PROPERTY

Proceeds from the Disposition of surplus property will be deposited into the District's Operating Fund for use by the District. The disposal of surplus land is subject to Government Code §54220 et seq.

11.25 FORMAL BIDDING FOR CONSTRUCTION

The District complies with all sections of the California Public Contract Code as they apply to agencies organized under the Sanitary District Act of 1923 (California Health & Safety Code, §6400 through §6830). The General Manager and District Engineer are responsible for ensuring compliance with bidding for public projects as defined by the Public Contract Code.

11.26 UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT

The Uniform Public Construction Cost Accounting Act adopted by the Board of Directors (Ordinance 110) provides for informal bidding procedures for projects defined by the Act and in accordance with the limits listed in Section 22032 of the Public Contract Code.

Effective January 1, 2019, these limits are as stated here:

- Public projects of \$60,000 or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order.
- Public projects of \$200,000 or less may be let to contract by informal procedures as set forth in the Public Contract Code.
- Public projects of greater than \$200,000 shall, except as otherwise provided in the Public Contract Code, be let to contract by formal bidding procedure.

11.27 EMERGENCY PROCUREMENT – AUTHORITY TO AWARD

In the event of an emergency, District funds may be spent for a project without following the statutory procedures for competitive bidding pursuant to the provisions of this policy.

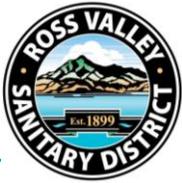
11.28 EMERGENCY DEFINED

For the purpose of this policy, "emergency" is defined as follows:

1. A sudden unexpected occurrence that poses a clear and eminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services; and
2. The necessity is such that time does not permit following the normal bid process of Public Contract Code §20804.

11.29 BOARD ACTION

In the event of an emergency, the District, upon the adoption by the Board of a four-fifths vote of a resolution declaring an emergency pursuant to this policy and Public Contract Code §20806, may take any directly related and immediate action required by the emergency and procure the necessary equipment, services, and supplies for those purposes without giving notice for bids to let contracts. If the Board of Directors orders any action as a result of an emergency, the Board of Directors will review the emergency



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action at its next regularly scheduled meeting and at every regularly scheduled meeting thereafter until the action is terminated, to determine, by four-fifths vote, whether there is a need to continue the action.

11.30 GENERAL MANAGER'S AUTHORITY TO ACT

If the nature of the emergency does not permit a Board meeting to adopt a Resolution of Emergency, the General Manager may take the action as set forth in this policy. If the General Manager orders any action pursuant to this section, the General Manager will report to the Board of Directors, at its next meeting, the reasons justifying why the emergency does not permit a delay resulting from a competitive solicitation for bids and why the action was necessary to respond to the emergency. The Board of Directors will initially review the emergency action taken by the General Manager no later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not less than fourteen (14) days after the action and at least at every regularly scheduled meeting thereafter, until the action is termination, to determine, by four-fifths vote, whether or not there is a need to continue the action unless the General Manager has terminated the action.

11.31 TERMINATION OF EMERGENCY ACTION

When the Board of Directors reviews the emergency action, it will terminate the action at the earliest possible date that conditions warrant, so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

11.32 PROTEST AND APPEAL OF PROCUREMENT ACTIONS

Vendors may protest any procurement actions involving formal sealed bids and competitive sealed proposals. The following procedures apply:

1. Any directly affected party who is aggrieved in connection with the solicitation or award of a purchase order or contract issued through a formal sealed bid procedure may protest the procurement action taken.
2. Such protests must be filed in writing with the District within five working days from the time of the occurrence giving rise to the protest. Protest received after this time will not be considered.
3. Any protest will include the date and action taken resulting in a protest, and identify the material issue, including a detailed explanation of the basis for the protest, and the remedy sought. Specification related protests must be fully supported by technical data test results, or other pertinent information.

11.33 RESOLUTION PROCESS

Upon receipt of protest, the Purchasing Agent or designee will convene, at the earliest possible convenience, discussions between the protesting party and the appropriate District staff to seek informal resolution and/or to clarify the issues. If the protest is not resolved by mutual agreement, the Purchasing Agent or designee will provide a written response to the protesting party within fifteen (15) working days following the information meeting. The response will state the Purchasing Agent's or designee's decision the facts supporting the decision and will inform the protesting party of its right to appeal the decision to the Board of Directors.

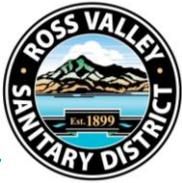
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In the event the informal resolution procedure is unsuccessful, the protesting party may request an appeal hearing before the Board of Directors by filing a written request with the General Manager no later than five working days after notification of the Purchasing Agent's or designee's decision. Any appeal hearing will be scheduled within thirty (30) working days from the date the request is received by the General Manager. The General Manager will notify the appellant of the scheduled hearing date by placing such notice in the U.S. Mail, 1st class, not less than ten working days from the date of hearing. The appellant will have the right to testify at the hearing, to be represented by counsel, to present witnesses on his/her behalf, and to present oral and written documents and evidence on the issue. The hearing will be conducted in an informal manner and the rules of evidence will not apply. After the conclusion of the hearing, the Board of Directors will make findings of fact and a decision concerning the issue(s).

In the event of a timely protest under this section, the District will not proceed further with the solicitation or the award of the contract or purchase order until the protest is resolved, unless the Purchasing Agent, in consultation with the manager of the requisitioning department and District Counsel, makes a written determination that the award of the purchase order or contract without further delay is necessary to protect a substantial interest of the District.



12 CREDIT CARD AND PURCHASING CARD USE POLICY

12.1 CREDIT CARDS

The following positions are authorized to use a general-purpose District credit card issued in their name. Each cardholder is responsible for entering into a Cardholder Agreement with the District. A copy of the Cardholder Agreement is kept in the cardholder's personnel file. Each cardholder must surrender the card immediately upon retirement, termination, or upon request of the General Manager. Use of the card after privileges are revoked is prohibited.

Position	Credit Limit
General Manager	\$15,000
Dept. Managers	\$ 7,500
Superintendent	\$ 5,000
Supervisor	\$ 3,000
Clerk of the Board	\$ 3,000
Senior Admin Coordinator	\$ 3,000
First On-Call Staff	\$ 1,000

12.2 RESPONSIBILITIES OF THE DISTRICT

The District assumes responsibility for the payment of all charges incurred on the credit cards.

12.3 RESPONSIBILITIES OF THE EMPLOYEE/CARDHOLDER

Each cardholder is responsible for the security of the card and for all purchases made with the card. Each cardholder is required to review and attest to the accuracy of each monthly statement. A receipt/invoice is required to substantiate every purchase made using the credit card. Receipts/invoices must contain the following information:

- Description of items/services purchased
- Quantity purchased
- Price per item
- Amount of sales tax and shipping
- Total purchase amount

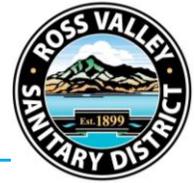
Employees are to use the District credit card for purchases related solely to District business. Lost or stolen cards must be reported to the credit card company and the Finance & Administrative Services Manager or General Manager within one day of discovery. Failure to comply with District's Financial Policies may result in the credit card being placed on hold and/or cancelled.

12.4 AUTHORIZATION TO ESTABLISH CREDIT CARD ACCOUNTS

The General Manager is authorized to select a provider of credit card services and establish accounts that comply with the restrictions set forth in this policy.

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12.5 REVIEW AND APPROVAL OF CHARGES

All individual cardholder credit card statements will be reviewed and approved by the General Manager or their designee prior to payment. No statement will be approved by the cardholder of the card for which that statement is reporting.

12.6 PURCHASING CARDS (P-CARDS)

Purchasing cards may be authorized by the General Manager for any position of the District where need is demonstrated. Each cardholder must surrender the card immediately upon retirement, termination, or upon request of the General Manager. Use of the card after privileges are revoked is prohibited.

12.7 RESTRICTIONS

Purchasing cards are restricted to a maximum total credit limit of three thousand dollars (\$3,000), with a per transaction limit of five hundred dollars (\$500). Purchasing cards will be restricted for use with businesses that provide materials and services required for District activities. Restaurants, grocery stores, hotels, and general retail establishments will be excluded.

12.8 RESPONSIBILITIES OF THE DISTRICT

The District assumes responsibility for the payment of all charges incurred on the purchasing cards.

12.9 RESPONSIBILITIES OF THE EMPLOYEE/CARDHOLDER

Each cardholder is responsible for the security of the card and for all purchases made with the card. Each cardholder is required to review and attest to the accuracy of each monthly statement. A receipt/invoice is required to substantiate every purchase made using the credit card. Receipts/invoices must contain the following information

- Description of items/services purchased
- Quantity purchased
- Price per item
- Amount of sales tax and shipping
- Total purchase amount

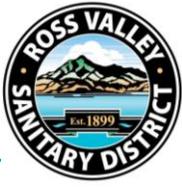
Employees are to use the District credit card for purchases related solely to District business. Lost or stolen cards must be reported to the credit card company and the Finance & Administrative Services Manager or General Manager within one day of discovery. Failure to comply with District Financial Policies may result in the purchasing card being placed on hold and/or cancelled.

12.10 AUTHORIZATION TO ESTABLISH CREDIT CARD ACCOUNTS

The General Manager is authorized to select a provider of purchasing card services and establish accounts that comply with the restrictions set forth in this policy.

12.11 REVIEW AND APPROVAL OF CHARGES

All individual cardholder statements will be reviewed and approved by the General Manager or their designee prior to payment. No statement will be approved by the cardholder of the card for which that statement is reporting.



13 CAPITAL ASSET MANAGEMENT

13.1 POLICY OBJECTIVES

The District's capital asset management policy covers all capital assets, including land and improvements, buildings and improvements, vehicles, machinery, equipment, infrastructure and all other tangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period and an original cost generally in excess of five thousand dollars (\$5,000).

The objective of this policy is to provide a framework to ensure capital assets are valued and recorded properly according to Governmental Accounting Standards Board Statement No. 34 (GASB 34). This policy also sets standards for maintenance and security of all capital assets and inventory.

13.2 RESPONSIBILITY

The General Manager or his or her designee is authorized and responsible for developing procedures to manage and value assets according to the terms of this policy. This responsibility includes monitoring compliance with those procedures and practices and taking corrective action to ensure compliance, including the update of procedures or the discipline of employees.

13.3 SECURITY

Assets are to be stored in such a manner as to be secure from theft or damage. Depending on the nature of the asset, it may be stored in a locked facility and protected from the weather and climate conditions, or it may be stored out of doors in the District's corporate yard behind a gate that is locked during non-business hours.

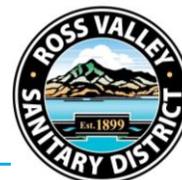
Most infrastructure assets are located in public areas within the District's service area. The largest portion of those assets are underground pipes; however, the District has a number pumping and lift stations containing key equipment. The pumping and lift stations are to be kept locked and secured to prevent public access.

13.4 REPORTING CAPITAL ASSETS

Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition – such as freight and transportation charges, site preparation costs, and professional fees.

13.5 INFRASTRUCTURE ASSETS

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include pipelines, pump stations and equipment, and appurtenances. Repairs and/or maintenance valued at five thousand dollars (\$5,000) or more, which extends the life of the system or subsystem should be considered a capitalized asset. Additions and improvements to infrastructure assets, valued at five thousand dollars (\$5,000) or more, should be capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.



The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized and therefore, expensed.

Capitalization policies should find an appropriate balance between ensuring that all material capital assets, collectively, are capitalized while minimizing the cost of record keeping for capital assets.

13.6 CONTRIBUTED INFRASTRUCTURE ASSETS

Infrastructure assets that are donated or otherwise granted to the District will be valued based on estimated fair market value at the time of the donation or grant.

13.7 INFRASTRUCTURE ASSETS DEPRECIATION

Infrastructure asset depreciation is computed using the straight-line method over the following estimated useful lives of assets:

Sewer Lines	50 Years
Pump Stations & Equipment	15 Years
Land/Easements	Indefinite (not depreciated)
Buildings	40 Years

The District will budget for the adequate maintenance of infrastructure assets and facilities to protect the public investment and maximum the asset's useful life.

13.8 CAPITAL IMPROVEMENT PLAN FOR MAJOR INFRASTRUCTURE ASSETS

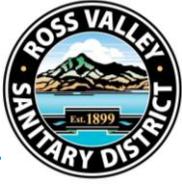
The District will prepare, adopt and update annually a multi-year Capital Improvement Plan that identifies and sets priorities for all major infrastructure assets to be acquired, constructed or replaced by the District. The Capital Improvement Plan shall be included in the Adopted Budget and list all major capital projects (new assets). Major infrastructure assets are those costing more than fifty thousand dollars (\$50,000). The Capital Improvement Plan shall forecast the funding necessary to support the acquisition, construction, and replacement of assets identified in the plan.

13.9 OTHER CAPITAL ASSETS

Other capital assets are tools, equipment, furniture, vehicles, and other non-infrastructure/non-inventory tangible property with an initial cost of five thousand dollars (\$5,000) or more and a useful life of more than one year. Any upgrade or other maintenance work that either adds significant value or significantly extends the asset beyond its original estimated useful life will be added to the remaining value of the asset and capitalized over the newly estimated useful life. Depreciation is computed using the straight-line method over the following estimated useful lives of assets:

Vehicles and Major Equipment	5 – 10 Years
Office Equipment	5 Years

Other capital assets will be identified and counted annually. As part of the process, other capital assets no longer in use will be identified and evaluated for disposal in accordance with applicable District policy.



14 INVENTORY MANAGEMENT AND VALUATION

14.1 RESPONSIBILITY

The General Manager or his or her designee is authorized and responsible for developing procedures to manage and value inventory according to the terms of this policy. This includes procedures to ensure monitoring and compliance with the policy.

14.2 INVENTORY DEFINED

Inventory is defined as materials or parts used by the District in the construction or capitalized repair of its infrastructure assets. This includes individual items that have a cost equal to or greater than five hundred dollars (\$500). It does not include tools, vehicles, generators, miscellaneous hardware such as screws and bolts, or other supplies used in maintenance and inspections.

14.3 SECURITY OF INVENTORY

Inventory is to be stored in such a manner as to be secure from theft or damage. Depending on the nature of the inventory item, it may be stored in a locked facility and protected from the weather and climate conditions, or it may be stored out of doors in the District's corporate yard behind a gate that is locked during non-business hours.

14.4 RECORDING OF INVENTORY TRANSACTIONS

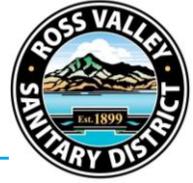
District employees authorized to handle inventory will record all additions and uses of inventory as they occur. These inventory usage records will be provided to the Finance Department for entry into the accounting system on an annual basis. The accounting system will track the perpetual inventory.

14.5 PHYSICAL INVENTORY

A complete physical inventory will be conducted at least once annually, as close to the fiscal year end as possible. Interim physical inventories or cycle counts may be performed as considered necessary by District management. Any differences between the perpetual inventory quantity shown in the accounting system and the physical count should be investigated and documented, and proper adjustments should be made to ensure the perpetual inventory record is correct.

14.6 VALUATION

The District values inventory on a First-In, First-Out (FIFO) basis.



15 RISK MANAGEMENT AND INSURANCE

15.1 PURPOSE

The purpose of this *Risk Management and Insurance Policy* is to provide direction to District staff on managing the District's liability, property, fixed assets, vehicles, and employee-related risks in a reliable, economical, and beneficial manner.

15.2 POLICY

The General Manager shall be responsible for managing all aspects of risks encountered by the District. As such, District staff shall coordinate and obtain appropriate levels of insurance coverage and implement other risk management and mitigating strategies and safety management approaches, as recommended by the California Sanitation Risk Management Authority (CSRMA). Acceptable risk management strategies need to be in compliance with applicable Federal and State laws and California Occupational Safety and Health Administration (CalOSHA) regulations. Insurance coverage and risk management strategies shall include, but are not limited to, liability, property, vehicles, workers' compensation, hazards, general safety, and loss control, and may consist of self-insurance programs when economical and cost effective.