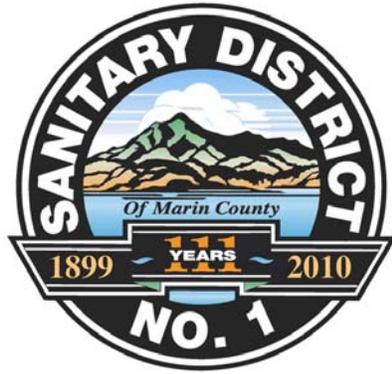


**Sanitary District #1 of Marin County
dba: Ross Valley Sanitary District**



**Fiscal
Year
2014/15**

**Operating & Capital Budget
Adopted June 18th, 2014**



Fiscal Year 2014/15

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Introduction

This report presents the draft FY 2014/15 Ross Valley Sanitary District Operating and Capital Budget. This Budget is the financial plan for the coming year. The Ross Valley Sanitary District (District/RVSD) serves approximately 15,200 residential and commercial connections within its service area. The service area covers approximately 27 square miles, with a total population of approximately 55,000. The District conveys an average daily flow of 4 million gallons per day (MGD), and peak wet weather flows of 50 MGD or more, to the Central Marin Sanitation Agency's (CMSA) wastewater treatment plant, for treatment and discharge to San Francisco Bay.

This Budget continues the steady progress being made to restore RVSD to a sound financial condition. The current FY 2013/14 Budget has been managed over the past FY to work in conjunction with several other coordinated actions, to support this overall objective. These included the development of the Infrastructure Asset Management Plan (IAMP) to refine capital project and funding priorities, a 5-year financial forecast, a new bond issuance to support both debt restructuring and near term capital program funding, and a 5-year rate study. All of these planned actions were completed in the sequence and approximate schedule anticipated. The new FY 2014/15 Budget is intended to build off this progress towards continuing to meet the following objectives.

- ✓ Maintain the current level of preventative maintenance and rehabilitation, ensure reliable service, and minimize Sanitary Sewer Overflow (SSO) risk.
- ✓ Continue progress on the condition assessment of the infrastructure needed for effective asset management.
- ✓ Continue timely repairs to critically degraded gravity sewer lines.
- ✓ Stabilize staffing levels and complete a long term needs assessment.
- ✓ Transition the capital program to the IAMP-based approach, using SSO risk-reduction and level of service objectives to consistently prioritize projects and allocate limited funds.
- ✓ Leverage long term bond debt to smooth out the cash flow and rates impacts of the long term capital program funding requirements.
- ✓ Implement only the necessary level of rate changes, in a steady and consistent manner, to avoid rapid and unnecessarily disruptive future rate changes.
- ✓ Meet the objectives of the 2013 Cease and Desist Order from the San Francisco Bay Regional Water Quality Control Board, which include requirements for capital projects, operations & maintenance, and financial planning.
- ✓ Fund emergency and capital reserves to ensure greater financial resiliency in the future.

The proposed budget continues to support these strategic objectives in a balanced manner, reflecting the proposed rates for FY 2014/15 as presented in the April 2014 public notice on proposed rates, and uses planned debt in the form of revenue bonds to minimize the impact of the increased costs associated with the capital improvement plan. A significant change to the new budget report is the inclusion of a rolling 5-year financial forecast, in Appendix B, which has been updated since first presented in October 2013.

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Budget Document Guide

The FY 2014/15 Budget document is organized into the following sections:

- FY 2014/15 Budget Overview
- Operations & Maintenance (O&M) Budget
- Capital Budget
- Legal Expenditures
- Factors Affecting Future Personnel Costs
- Details and Timelines for Actions Supporting the FY 2014/15 Budget

A complete set of all financial schedules for the Budget are included in the Appendix A to this report. The 5-Year Forecast is included in Appendix B.

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FY 2014/15 Budget Overview

Summary

This section presents a summary of the Budget, by revenue sources and expenses, and between O&M/Administration and Capital. Each of these areas is addressed in greater detail in later sections of this report. Table 1 below summarizes the District’s FY 2014/15 Budget and compares it to a projection of the prior year’s actual expenditures. More specific discussions regarding revenues and expenditures occur in the following subsections and are accompanied by illustrative charts & graphs. In summary, the proposed Budget includes \$61,571,653 in total revenue, \$36,410,390 in total spending, a beginning cash balance of \$13,516,139, and an ending FY cash balance of \$38,677,402. Revenue bonds will be issued to fund the capital improvements. The bond sale revenue impacts on the capital funds will include approximately \$42M in bond proceeds (\$2M remaining from 2013 Bond and \$40M from new bonds) over \$16M to be spent on FY 2014/15 capital projects, with remaining proceeds (cash) of \$26M restricted for future years’ capital projects.

Table 1 – FY 2014/15 Budget Summary

| Type | | FY 2013/14 Projected | FY 2014/15 Budget |
|------|--|-------------------------|----------------------|
| 1 | Sewer Service Charges | 14,955,486 | 15,854,283 |
| 2 | Property Tax - Ad Valorem | 5,363,316 | 5,236,400 |
| 3 | Proceeds from Debt Restructuring | 9,142,125 | - |
| 4 | Proceeds from Revenue Bond | - | 40,000,000 |
| 5 | Other Revenue | 436,096 | 480,970 |
| 6 | Expected Revenues | \$ 29,897,023 | \$ 61,571,653 |
| 7 | CMSA Charges | 6,465,693 | 6,687,465 |
| 8 | Operations | 5,196,434 | 5,383,812 |
| 9 | Administration | 1,909,171 | 1,708,655 |
| 10 | Outside Services | 709,969 | 686,005 |
| 11 | Capital Expenditures | 9,108,788 | 21,944,453 |
| 12 | Total Expenditures | \$ 23,390,054 | \$ 36,410,390 |
| 13 | Net Revenue Less Expenditures | \$ 6,506,969 | \$ 25,161,263 |
| 14 | Operations & Maintenance Fund Balance | 7,757,843 | 7,766,915 |
| 15 | Capital Improvement Fund Balance | 2,230,856 | 2,866,415 |
| 16 | Bond Funds - Fully Restricted for Capital Projects | 2,427,439 | 25,924,071 |
| 17 | Capital Improvement Reserve Balance | - | - |
| 18 | Emergency Reserve Balance | 1,000,000 | 2,000,000 |
| 19 | Other Post Employment Benefit Reserve Balance | 100,000 | 120,000 |
| 20 | Total Ending Reserve/Fund (Cash) Balance | \$ 13,516,139 | \$ 38,677,402 |

Revenues

Total District revenue from all sources is forecasted to increase about \$31.6M, due primarily to the proceeds from issuing revenue bonds to fund the Capital Improvement Program. Additionally, the District is expecting an approximate \$900,000 increase in revenue from the sewer service charge as a result of the 5-year rate rates schedule proposed in the Proposition 218 Notice of April 2014. The other major revenue sources, their trends, and any recommended actions are discussed below. Chart 1 shows the relative contribution from each revenue source in FY 2014/15, and Chart 2 shows the 5-year trend of revenue including the forecasted FY 2013/14 and budgeted FY 2014/15. The trend in Chart 2 shows that revenue from rates and fees in the prior four fiscal years remained fairly steady at just over \$20M, with rate revenue initially increasing after an adjustment in FY 2011/12, and then declining due to the loss of the San Quentin State Prison (SQSP) revenue in FY 2012/13, which had previously made up 10% of the District's total rate revenue. Revenue from capital program bond proceeds is the primary reason for revenue increases in FY 2013/14 and 2014/15.

Sewer service charge revenue of just under \$16M makes up about one quarter of the District's total revenue in FY 2014/15 and is currently used for Operations & Maintenance (O&M) related expenses. This is up by approximately \$900K from the prior year, based on the revenue projections for FY 2014/15 which result from the proposed five year schedule of rates, shown in Table 2. The proposed rates result in an average annual increase of 7% per year in rate revenue, over the 5-year schedule. Because the sewer service charges are collected through the Marin County property tax rolls, the District only receives this revenue in two major installments, which in turn impacts cash flow and reserve/fund balances, as discussed later in this report.

Ad Valorem property tax funds provide about 8.5% of total revenue (\$5.2M), and are also collected through the Marin County tax rolls in two major annual payments. This revenue is dedicated to capital expenditures. Ad Valorem revenue is also expected to be unchanged from the prior fiscal year, and presents the same cash flow challenges as the sewer rate revenue, based on the timing of the county tax roll process.

The Capital Budget relies on the issuance of approximately \$40M in revenue bonds to fund the asset replacement program's capital projects. The bond proceeds will be sufficient to fund the District's Capital Improvement Program through FY 2016/17 (three years). Projects that will begin and/or be completed in FY 2014/15 include replacement of the large diameter Magnolia trunk line in Larkspur, completion of the large diameter gravity sewer condition assessment study, design of the replacement/upgrades of Pump Stations 12 & 13 adjacent to the Bon Air Shopping Center in Greenbrae, improvements to critical forcemain bypass lines, and construction of more than 4 miles of gravity sewer lines rehabilitation throughout the highest priority areas assessed in the Risk Model.

Other revenue sources, such as connection fees and inspection fees, increased significantly due to an increase to the fee schedule, adopted by the Board in September 2013. While the increase averages nearly 150% over the last FY, these sources still represent less than 1% of total revenues.

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Chart 1 – FY 2013/14 Budgeted Revenue by Source

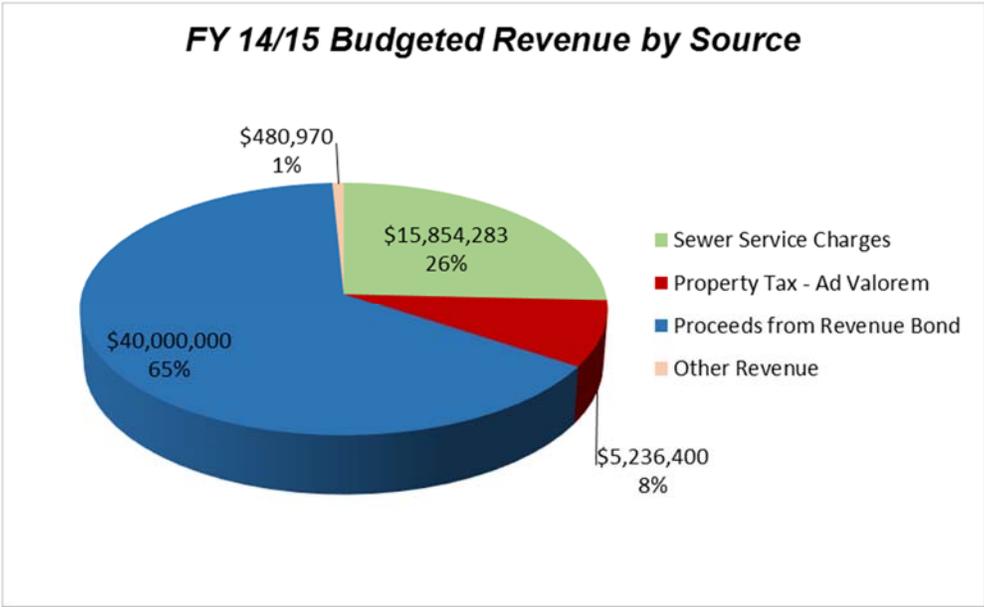


Chart 2 – 5-Year Revenue Trend, by Source

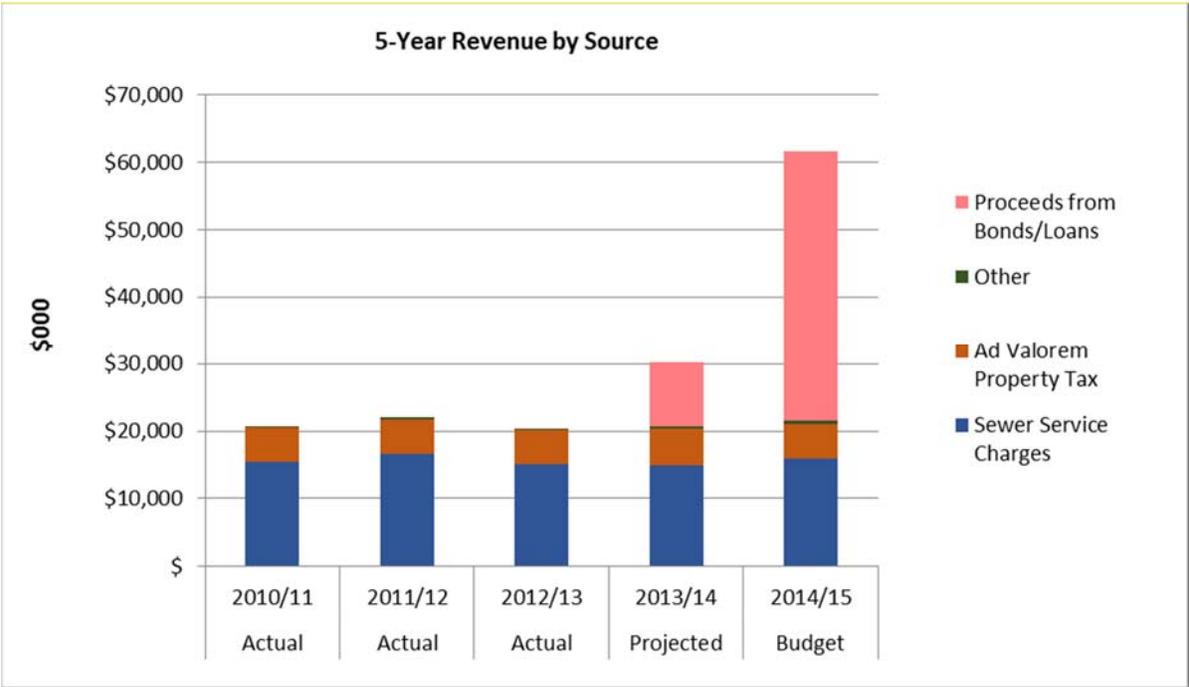


Table 2 – 5-Year Rate Plan

| Rate Zone/Customer Class | FY 2013/14 | FY2014/15 | | FY2015/16 | | FY2016/17 | | FY2017/18 | | FY2018/19 | |
|------------------------------|------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|
| | | | % Change |
| Ross Valley Rate Zone | | | | | | | | | | | |
| Single Family Residential | \$638 | \$692 | 8.5% | \$743 | 7.4% | \$797 | 7.3% | \$856 | 7.4% | \$909 | 6.2% |
| Multi Family Residential | \$638 | \$625 | -2.0% | \$665 | 6.4% | \$714 | 7.4% | \$766 | 7.3% | \$817 | 6.7% |
| Commercial | \$638 | \$692 | 8.5% | \$743 | 7.4% | \$797 | 7.3% | \$856 | 7.4% | \$909 | 6.2% |
| Larkspur Rate Zone | | | | | | | | | | | |
| Single Family Residential | \$864 | \$961 | 11.2% | \$1,012 | 5.3% | \$1,067 | 5.4% | \$1,125 | 5.4% | \$1,178 | 4.7% |
| Multi Family Residential | \$864 | \$865 | 0.1% | \$906 | 4.7% | \$955 | 5.4% | \$1,007 | 5.4% | \$1,055 | 4.8% |
| Commercial | \$864 | \$961 | 11.2% | \$1,012 | 5.3% | \$1,067 | 5.4% | \$1,125 | 5.4% | \$1,178 | 4.7% |

Expenditures

Expenditures are classified into two basic categories: those supporting Operations & Maintenance (O&M) and Administration, and those supporting Capital Improvements. Chart 3 shows the breakdown of all major expenditure categories in FY 2014/15, with capital spending and O&M spending making up roughly 60% and 40% of the total respectively. Within the O&M portion, CMSA treatment charges make up just under half of all expenses, with the remainder made up of operations, administration, and outside services. Chart 4 shows the five year trend, including FY 2014/15 for comparison, which highlights the influence of capital spending and fines/legal settlements on total spending. These two expenditure categories have been the source of most of the variation in total spending over the five year period.

CMSA costs for wastewater treatment and disposal are established by CMSA and apportioned to the member agencies, which then must collect the required cost of service in their respective rates, for payment to CMSA. CMSA costs are allocated based on the trailing three years of average wastewater flow and strength. The District’s allocation is estimated to be 44.52% of the CMSA Operating Budget and 43% of CMSA’s debt service requirements, which together totals \$6.7M in FY 2014/15. This represents an increase of 3.4% in wastewater treatment costs for the District over the amount projected for FY 2013/14.

Personnel costs for O&M activities (including direct wages/salaries, payroll taxes, and benefits) are forecasted to remain flat year-over-year, due primarily to capitalized labor costs for work on capital projects, which is covered under the capital budget. Total personnel costs for the District, including both O&M and capital budget funded labor, will increase by 11.8% overall compared to projected costs for FY 2013/14. The primary drivers for this increase are automatic wage increases specified in labor agreements with AFSCME Local 2167 and the Management & Confidential employees, as well as significant increases in the cost of health insurance.

Other operational expenditures are costs associated with the general operations of the District and are categorized as: fines and settlements, professional services, system maintenance, general and administrative, facilities and utilities, and board expenditures. Overall these expenditures decreased by 2% from the prior year’s budget. This is primarily due to the decrease from prior year in fines expected to be paid to the Regional Water Quality Control Board.

Capital expenditures include costs incurred to purchase or build any capital asset, or to rehabilitate and extend the useful life of the District’s existing assets. Details of these expenditures can be found in the Capital Improvement Plan (CIP) included within this budget document and are outlined in Schedule 9 – Capital Asset Summary and Schedule 10 – Capital Improvement Projects.

The total capital expenditures for FY 2014/15 are approximately \$21.9M, which includes \$16.7M for capital projects, \$2.4M for various capital studies and programs, \$2.3M for debt service, and \$0.5M for rolling stock (vehicles and equipment) replacement.

Chart 3 – FY 2014/15 Budgeted Expenditures by Type

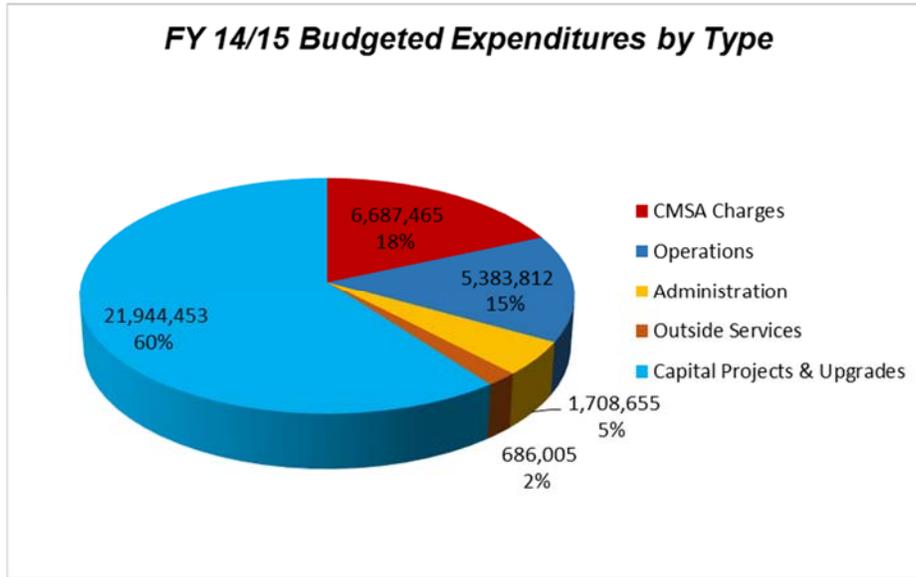
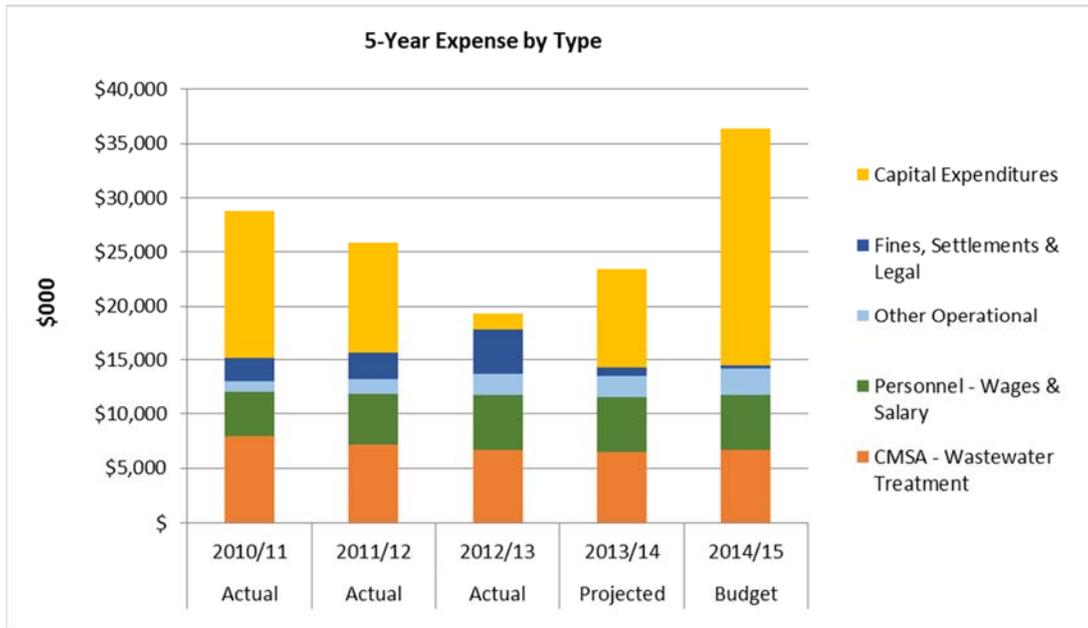


Chart 4 – RVSD 5-Year Expenditure Trend by Type



Operations & Maintenance Budget

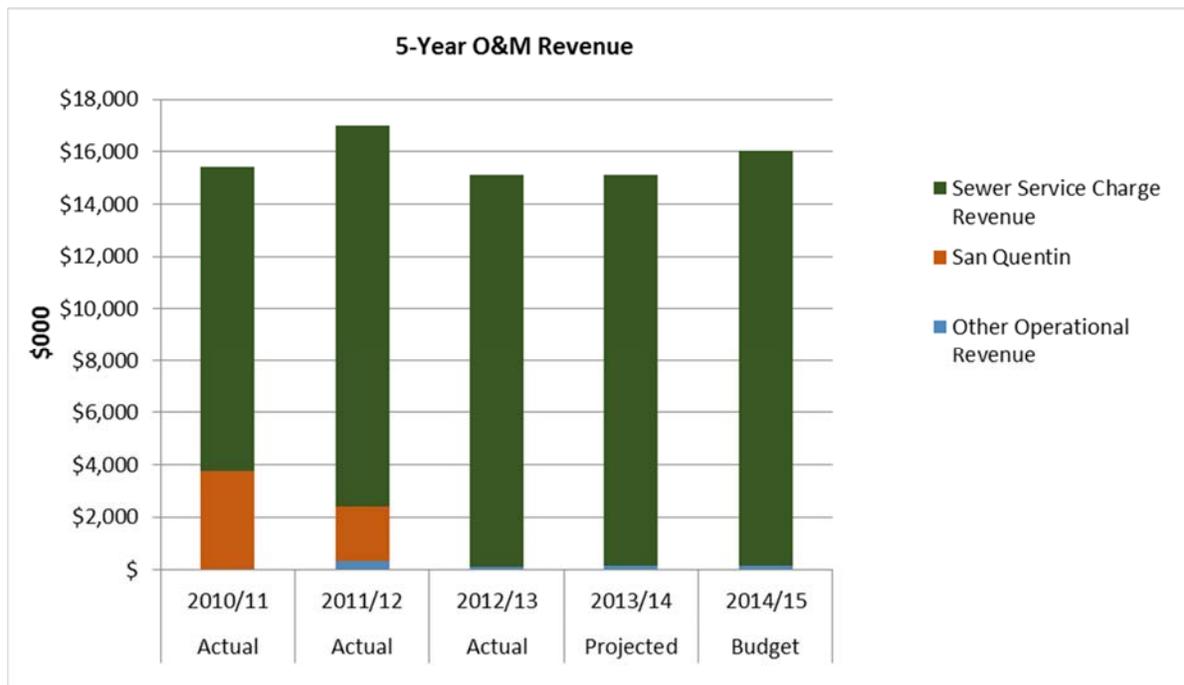
Operations & Maintenance Fund

The Operations and Maintenance fund is used for all operational expenditures and is funded primarily by annual sewer service charges. The Operations and Maintenance fund balance target, newly incorporated in this fiscal year, is intended to cover the cash flow imbalances that predictably occur between the months when the lump sum revenue payments are received from Marin County (April and December, tied to the tax rolls), while regular monthly O&M expenses continue to incur requiring payment. The target balance is calculated using the operational expense equal to budgeted operating expenses from July 1st to December 31st.

Operations & Maintenance Revenue

Total operations and maintenance revenue is budgeted at \$16M. The sewer service charges (SSCs) provide a primary stable source of the District's revenue and will increase approximately \$900,000 in FY 2014/15 under the proposed rate change. Over the past five years there are two key factors that have changed the amount of SSC revenue collected. Chart 5 illustrates the influential factors, which are the partially offsetting factors of a one year rate increase in FY 2011/12, and the subsequent loss of San Quentin rate revenue. FY 2014/15 revenue from rates, under the proposed 5-year rate plan, will increase by 6%. Other operational revenue is the revenue received by the District for inspection services, nominal interest earned on bank deposits, dividends received, and other miscellaneous income. The Other Revenue budgeted for FY 2014/15 is \$179K which is approximately the same amount as projected for the prior year.

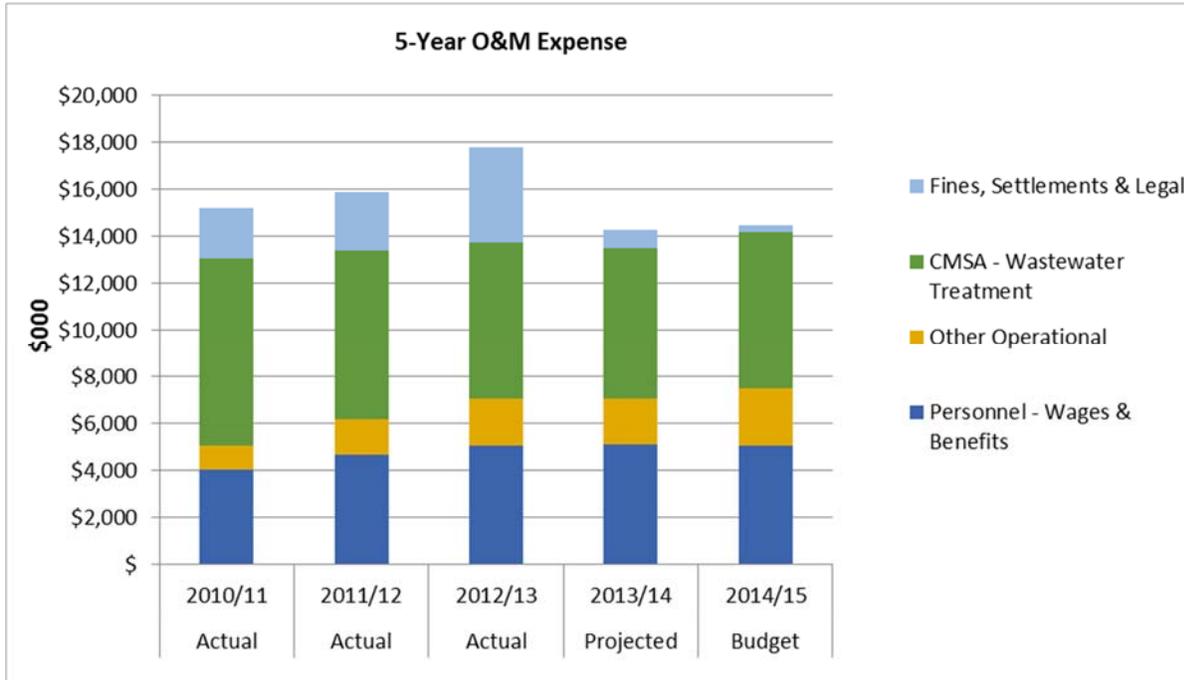
Chart 5 – 5-Year O&M Revenue Trend by Source



Operations & Maintenance Expenditures

Operational Expenditures are costs associated with the general operations of the District and can be categorized as follows: fines, settlements and legal; CMSA wastewater treatment; personnel costs; and other operational. The five year trend indicates stability in the amount spent on normal operations and maintenance (all categories excluding fines/settlements/legal) and averages \$13.6 million annually with a low of \$13.1 million and a high of \$14.2 million.

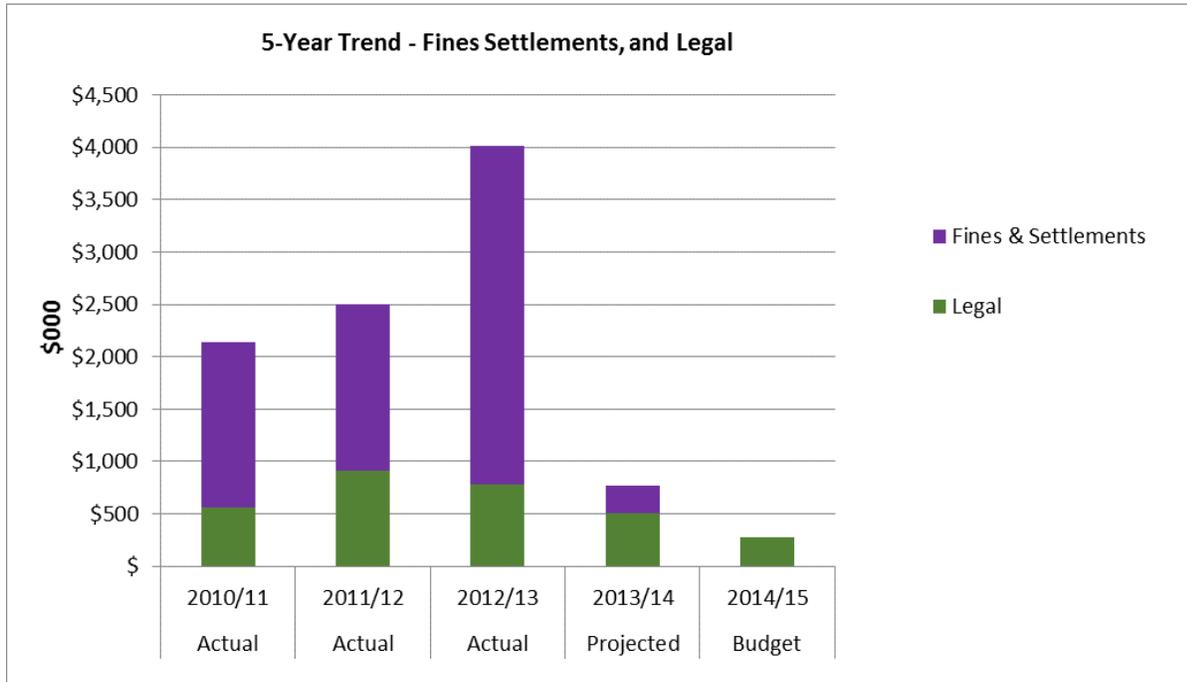
Chart 6 – 5-Year O&M Expenditures Trend by Type



Fines, settlements and legal expenses are comprised of litigation settlements, fines paid to regulatory agencies and the legal costs for legal counsel (including the cost of litigation). See Chart 7 for the five year trend in these costs. The average annual expenditure for fines, settlements & legal has been \$1.9 million per year over the last five years, with a low of \$276,000 and a high of \$4.0 million. The five year running total of these expenses is \$9.7M. This category of expenditures decreased by \$493K from the prior year due to the prior year including payments for fines imposed by the Regional Water Quality Control Board and Environmental Protection Agency. The District is operating under a long term Cease and Desist Order which was issued in 2013. The ability to measure and predict compliance and related risk of further fines and penalties is improved, in the sense that meeting the specific CDO objectives should reasonably result in significantly lower risk of further financial penalties.

Another factor decreasing the budget from prior year is the decreased need for legal services, based on the current status of existing legal actions and forecasted activity in the upcoming fiscal year and on discussions with legal counsel. The trailing 12 month trend for the District's legal costs show an approximately 70% reduction in average monthly costs, and no new legal matters are currently pending. If the District undertakes significant new legal actions beyond the existing actions, the forecasted legal services costs may increase accordingly. A further breakdown of this category is shown in Chart 7 and described below.

Chart 7 – 5-Year Fines, Settlements, and Legal Expenditures



Central Marin Sanitation Agency (CMSA) charges are allocated for the wastewater treatment charges and debt service from the CMSA annual budget and represent the District’s largest operating expenditure. There are both treatment charges and a debt service components included in the CMSA charges. The treatment charge is based on a percentage allocation to each member agency. This is calculated using 36 months of flow data and 24 months of strength data from each District’s wastewater flow. Prior to last year the treatment charges were based on EDU count. The change results in an allocation of 44.52% to RVSD or \$4,184,764 for treatment charges. The debt service charge component has been based on the annual EDU count in the past, but there is currently a draft agreement being considered by the JPA members that will stabilize the allocation for the duration of the current outstanding debt. The District’s allocation is approximately 43% to RVSD or \$2,502,700 in FY 2014/15, and very close to this under the proposed stable allocation change.

Other operational expenditures are made up of system maintenance, general and administration, facilities and utilities and board related expenditures. Total other operational expenditures for FY 2014/15 are budgeted at \$2.4M. The five year trend indicates some variation in the amount spent on other operational expenditures and averages \$1.8 million annually with a low of \$1 million and a high of \$2.4 million. The FY 2014/15 budget is higher than the prior year projection of \$2.3 million due to increased spending on tools, materials, and equipment repair.

Outside services consist of community outreach, accounting/IT, human resources management services, and other professional services. This year, the District anticipates spending approximately \$50,000 on a labor negotiator to represent the District in talks with AFSCME Local 2167 regarding the terms of renewing the existing labor agreement, which is scheduled to end on June 30, 2015. Additionally, approximately \$30,000 will be spent on the initial stages of a strategic plan.

The system maintenance costs are the expenditures related to the general costs of maintaining the sewer system; some of the costs included in this category are vehicle fuel and repair, equipment repair,

materials, parts and tools and emergency repairs. General and administration (G&A) are the types of expenditures that contribute to the general operations of the district. The G&A is primarily made up of liability insurance and deductibles, office equipment, software and maintenance and printing. Facilities and utilities are overhead type costs that allow the day to day operations of the District. Utilities include gas, electric and water use for pump stations and for the District headquarters, and telephone related costs. Facilities include rent, garbage, security and janitorial services. Board expenditures are the fees paid to board members for participation in regular and special meetings.

Personnel wages and benefits are those expenditures related to payroll and staffing. They include salary and wages of employees, overtime, payroll taxes, health insurance benefits and retirement benefits. This category also includes costs for the other post-employment benefits. In accordance with labor agreements, the base salary for FY 2014/15 will increase by 4%. This increase is classified as a cost of living adjustment and is reflected in the current year’s budget. Individual employees were also adjusted to higher steps in the salary chart assuming continued employment and satisfactory performance evaluations. These increases affect the salaries, payroll taxes and retirement contributions. Insurance costs are known for the first two quarters of the year and the final two quarters are estimated with increases between 3%-8% depending on the type of insurance. Retirement benefits were budgeted based on a percentage of the employee’s base salary. For all employees hired prior to January 1, 2013 an employer contribution of approximately 19% is budgeted as provided by CalPERS and for employees hired after this date the employer contribution is 6.25%. The District is also responsible for the employee portion of the payroll contribution, currently 8%, for all employees hired prior to July 1, 2010. All employees hired after that date are responsible for their own contribution.

Chart 8 – FY 2014/15 Total Budgeted Personnel Costs

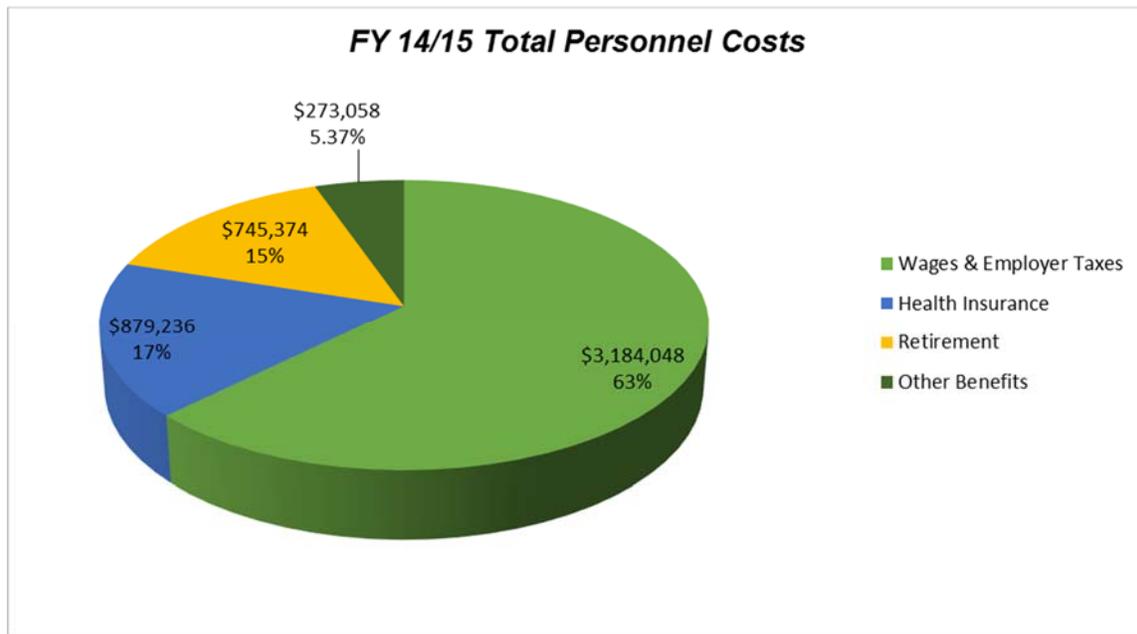
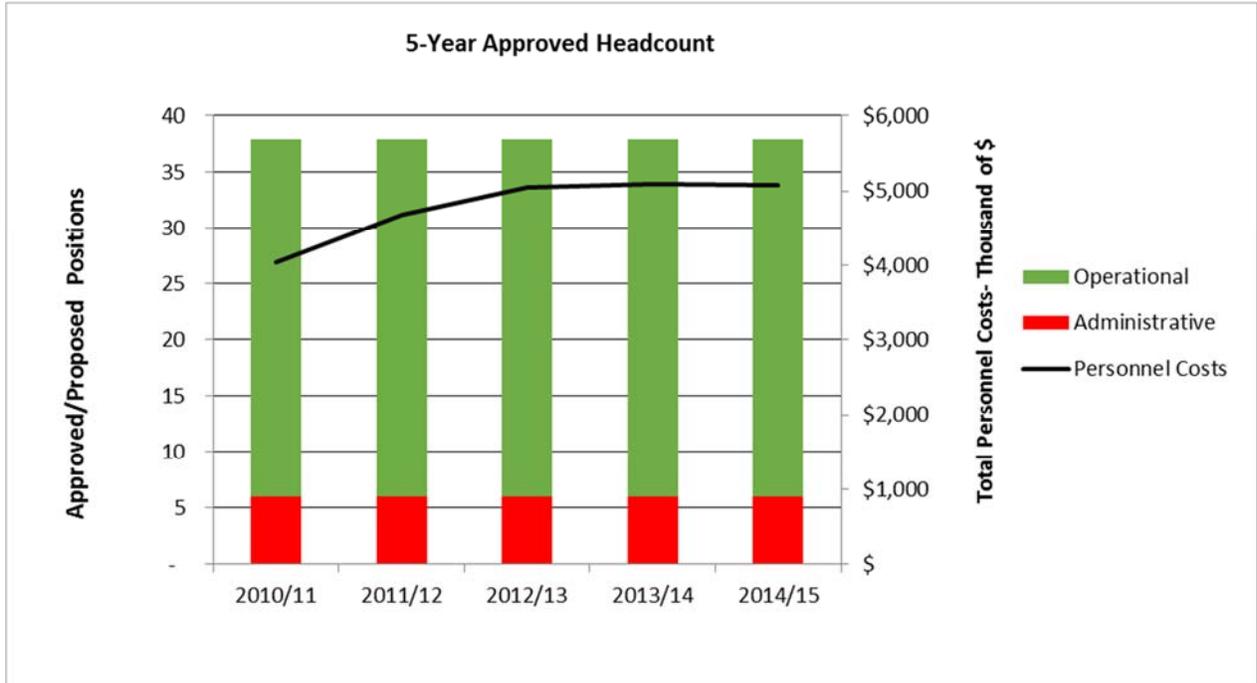


Chart 9 – 5-Year Trend of Approved Headcount and Personnel Costs



Factors Affecting Future Operations & Maintenance

The District’s ability to predict future operations and maintenance costs is limited to known information and the controllability and predictability of a given expenditure. For instance, the total treatment costs that will be charged have been provided by CMSA through FY 2018/19. These charges currently represent approximately 46% of the total operations and maintenance budget and will increase 24% over the next five years. The second biggest contributor to the O&M budget is personnel costs. These costs are dependent on variables such as pension reform, labor negotiations and healthcare reform. Further discussion can be found in the *Factors Affecting Future Personnel Costs* section of this document. The District continues to monitor the known and unknown costs and has incorporated the most up to date information available in the 5-year forecast.

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Capital Budget

Introduction

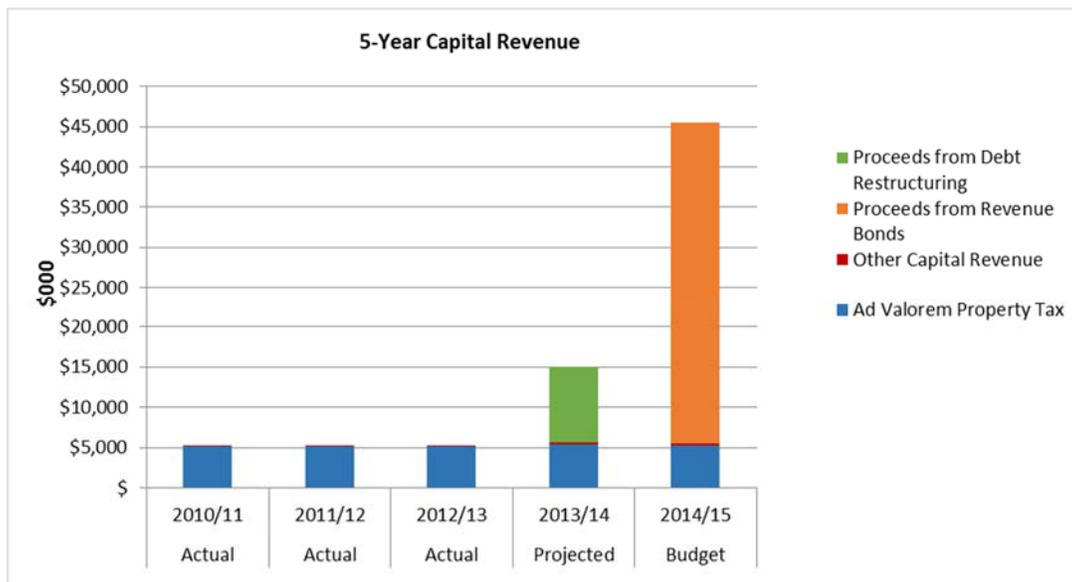
The Capital Fund covers the costs for building, repairing, and rehabilitating the District’s sewer infrastructure. By clearly identifying the revenue sources and their specific uses within this fund, the District can maintain focus on the key issues affecting our ability to properly execute the Capital Improvement Plan. The District’s process for planning, prioritizing and executing major capital projects has undergone a significant revision from past practice, with the completion of the IAMP and integration of rigorous and consistent methods for integrating condition assessment, SSO risk reduction, and level of service standards.

Capital Revenues

The District has two steady sources of annual revenue that have been identified as primary sources for the Capital Fund: Ad Valorem taxes and Connection Fees. In addition, the District has the ability to incur debt as a method of financing capital projects with the most commonly used debt instrument being the Revenue Bond. Chart 10 shows the five year trend for revenues to fund capital improvements, and clearly illustrates that, in contrast to the capital spending trends, supporting revenues (exclusive of bond debt) have been essentially flat.

- Ad Valorem tax, as a revenue source, has been stable but flat due to the relative stability of Ross Valley property values and low turn-over rate in real estate sales in the area.
- Connection Fees for new development or major remodels of existing structures represent less than 1% of capital revenue sources and remain so even with the significant increase in September 2013.
- Debt financing has been utilized by the District in the past. In 2013 the District issued a \$17.8M revenue bond to retire debt of approximately \$9.4M and to fund the FY 2013/14 capital projects. The District will again use revenue bonds to fund the next three years’ of capital project, beginning with FY 2014/15. This issuance will bring in proceeds of \$40M and increase average annual debt service payments by approximately \$2.8M annually.

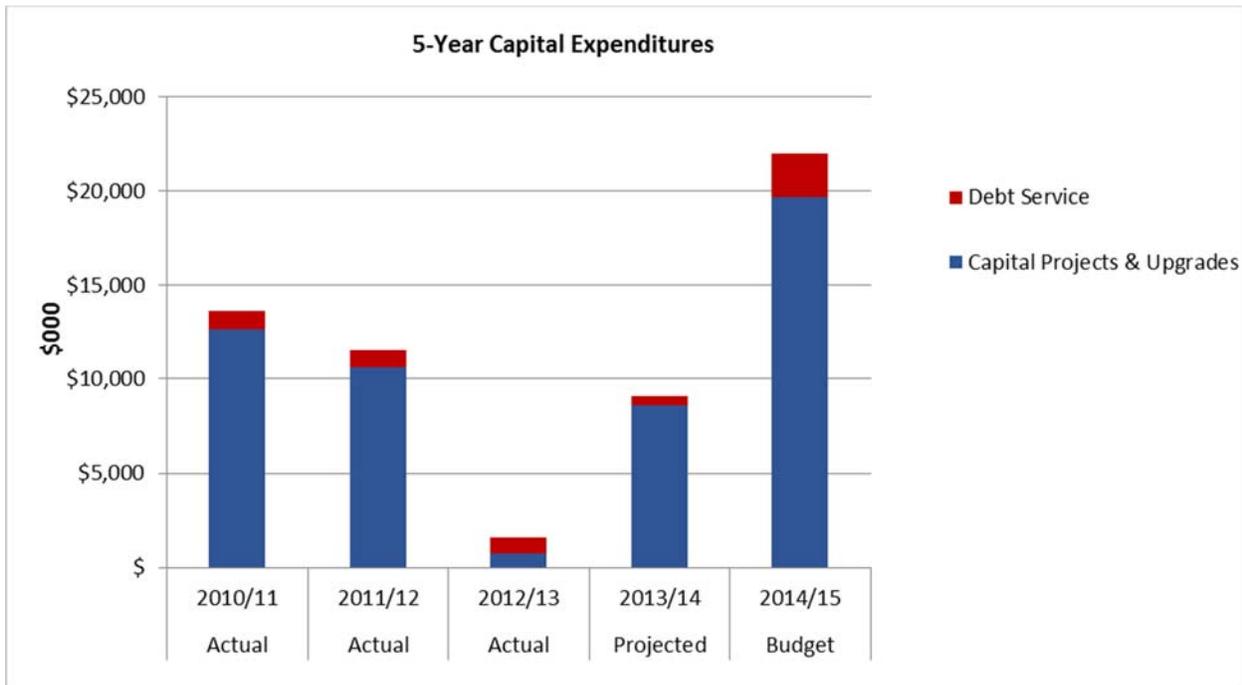
Chart 10 – 5-Year Capital Revenues Trend, by Source



Capital Expenditures

The 5-year trend in the District’s capital spending has shown substantial variability (see Chart 11). These fluctuations have been influenced by the impact of a few very large projects, such as the Kentfield Foremain, and by inconsistent priorities and funding by the District in carrying out its capital program. Under the current 5-year capital plan in the IAMP, and the related 5-year financial forecast and rates schedule, the District will be able to achieve a more stable, consistent level of capital expenditures. Under the FY 2014/15 Budget, approximately 90% of the spending will be for direct project execution, and 10% for long term debt financing, reflecting the first year of the intended trend towards more stable capital spending patterns.

Chart 11 – 5-Year Capital Expenditure Trend, by Type



FY 2014/15 Capital Plan

The Capital Improvement Plan (CIP) is designed to identify and plan for the capital improvement projects for FY 2014/15 and beyond. The plan includes the rehabilitation of existing capital assets as well as the acquisition or construction of new capital assets. Capital expenditures result in the acquisition or construction of a capital asset. A capital asset is any asset with a significant cost (usually greater than \$5,000) and a substantial useful life (over 5 years). Examples include land, buildings, machinery, vehicles, equipment, pump stations, force mains and gravity sewer pipelines.

For budgeting purposes, the District groups its planned expenditures into four main categories: Capital Improvement Projects, Other Capital, Fixed Assets, and Debt Service. Capital Improvement Projects refer to spending associated with activities that construct, repair, or rehabilitate the sewer infrastructure. Other Capital includes a broad spectrum of activities that provide support of the CIP, such as general engineering studies & assessments, the lateral replacement program, and supplemental environmental projects. The \$400,000 in lateral replacement grant funding is based on a maximum individual grant limit of \$4,000 per lateral and a target of 100 grant applications. Fixed Assets are items such as vehicles,

equipment, and land & buildings purchased and used in support of the construction, operation, and maintenance of the sewer infrastructure. Debt Service is the amount paid annually against any outstanding debt, such as loans or bonds. Table 3 below summarizes the FY 2014/15 capital spending plan.

Table 3 – FY 2014/15 Capital Expenditures Summary

| Description | Asset Type | FY 2014/15 Budget |
|--|--|-------------------|
| 1 Capacity Improvements | Capital Improvement Projects - Sewer Lines | 558,000 |
| 2 Force Main Improvements | Capital Improvement Projects - Sewer Lines | 1,850,000 |
| 3 Gravity Sewer Rehabilitation | Capital Improvement Projects - Sewer Lines/Pump Stations | 12,208,780 |
| 4 Pump Station Improvements | Capital Improvement Projects - Pump Station Equipment | 2,059,000 |
| 5 | Total Capital Improvement Projects | 16,675,780 |
| 6 Lateral Replacement Grant Program | Other Capital | 400,000 |
| 7 Inflow and Infiltration Reduction Program | Other Capital | 250,000 |
| 8 Large Diameter Gravity Sewer Condition Assessment | Other Capital | 475,000 |
| 9 Hydraulic Model Update | Other Capital | 350,000 |
| 10 LLC Property Activities | Other Capital | 250,000 |
| 11 Greywater Systems & Wastewater Reduction | Other Capital | 300,000 |
| 12 Studies/Reviews/Software/Miscellaneous | Other Capital | 401,455 |
| 13 | Total Other Capital | 2,426,455 |
| 14 Vehicles - Harben (2), Passenger Trucks (3) | Fixed Assets - Vehicles & Equipment | 416,000 |
| 15 Camera Equipment | Fixed Assets - Vehicles & Equipment | 61,700 |
| 16 Other Field Equipment | Fixed Assets - Vehicles & Equipment | 53,235 |
| 17 | Total Fixed Assets - Other | 530,935 |
| 18 Debt Service | Debt Service | 2,311,283 |
| 19 | Total Budgeted Capital Assets | 21,944,453 |
| a - See Schedule 10 - FY 14/15 Capital Projects | | |

The District’s sewer collection system has three main types of infrastructure: gravity sewer lines, pump/lift stations, and force mains. Gravity sewer lines make up approximately 95% (195 miles) of the District’s pipelines. Their purpose is to collect and convey sewage, using gravity as a directional force, from homes and businesses to the wastewater treatment plant. Pump or lift stations are employed when gravity cannot maintain the proper directional flow or velocity within the system; typically this is the case when there is a need to move sewage uphill or over very long, flat distances. This District has 19 pump and lift stations. Force mains represent the other 5% (9.5 miles) of the District’s pipelines and are located at the discharge of each pump station. Force mains convey wastewater under pressure that is created at the pump station to a point where either gravity can take over or the sewage reaches the wastewater treatment plant. The District has identified specific projects to be completed in FY 2014/15 that address the needs in each of these areas; see schedule 10 in the appendix.

Sewer Line Trenchless and Open Cut Rehabilitation Crew

The District has continued in the past FY 2013/14 to utilize its trenchless repair crew as the primary means to make rapid repairs to the most severely degraded sewer lines, primarily Grade 4 and 5 defects that are repaired under short sections of cured-in-place pipe (CIPP). The trenchless repair crew has achieved a fairly high average production rate of about 40 repairs per month, and the work is now more closely coordinated through the use of the Computerized Maintenance Management System (CMMS) and the IAMP implementation process, working in tandem with the larger, outside contracted sewer line

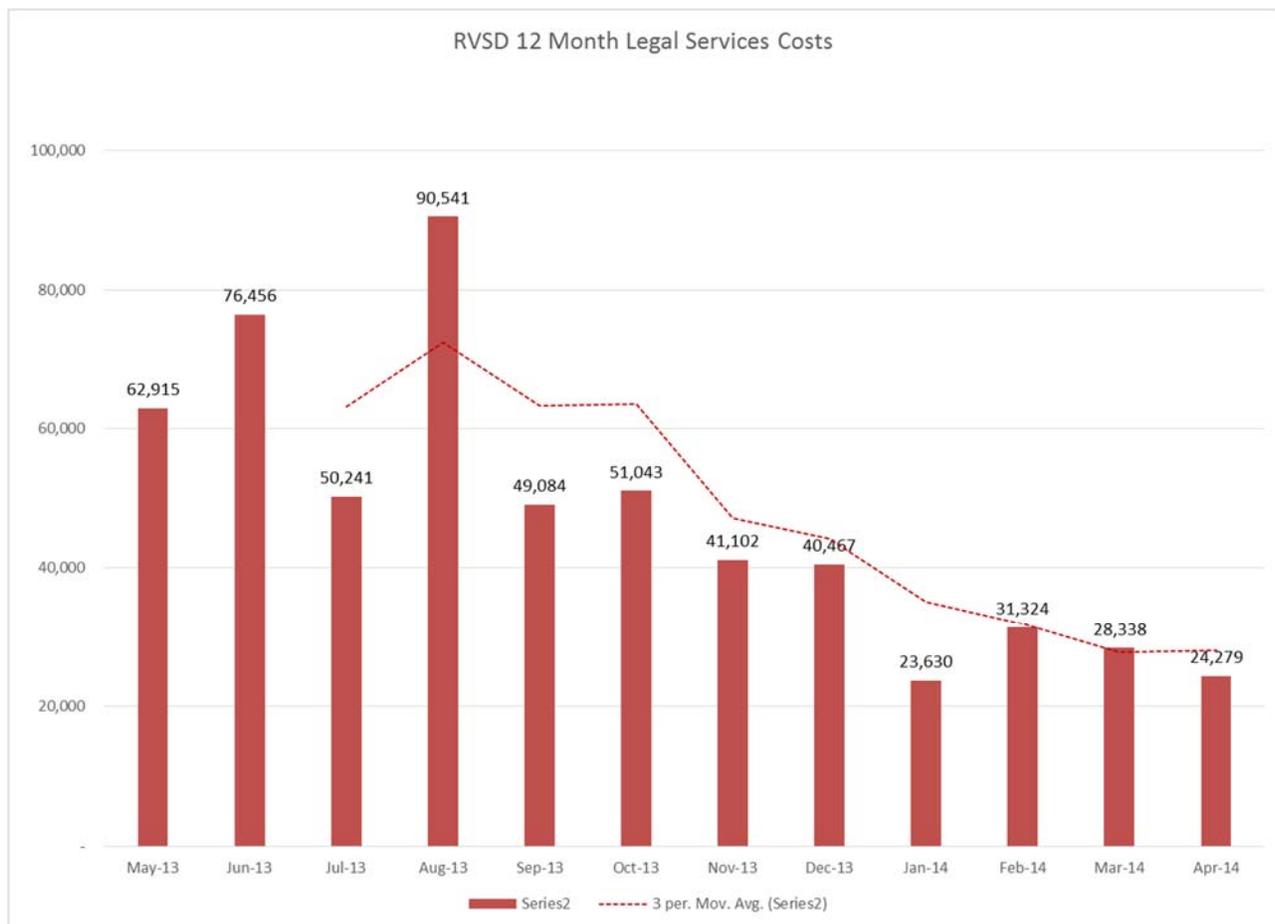
rehabilitation projects (roughly 4 miles per year of contracted construction work done in the standard design-bid-build process). The work is also focused in the highest SSO risk reduction areas, as assessed by the Risk Model. Approximately \$500K is allocated for the trenchless repair crew work in FY 2014/15. This work also ensures steady compliance with the specific requirements of the RWQCB CDO to repair all new Grade 4 and 5 defects within specified periods of their first being identified through the CCTV and condition assessment process.

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Legal Expenditures

The District has continued incurring significant legal services costs, well above comparable utilities in the state of similar size and scope of services. However, the past year has seen steady progress in reducing the legal services costs, with the 3-month running average down over 60% from a year ago. See Chart 12 for the past 12 month trend. Efforts towards this goal have included a monthly legal costs report, avoidance of any new litigation, contracting of professional human resources services to reduce the risk of personnel related litigation, and working to wrap up current legal issues. The District is exploring the option of a new legal services team for the FY 2014/15 therefore the terms and contract conditions are not known at this time. Regardless of the legal team hired by the District, the future legal fees will continue to have their root cause in fundamental choices made by the District, and can be viewed as results and/or repercussions of those underlying decisions that precede the legal actions and related costs. Finally, some legal costs are tough to avoid, such as the last 3 months of this FY, during which nearly all of the additional legal costs beyond the minimums are due to a series of public record act requests, which are not optional to respond to. Minus these actions, the District would have seen the last quarter of FY 2013/14 having monthly costs well below \$20,000.

Chart 12 – 12-Month Legal Expenses Trend



Factors Affecting Future Personnel Costs

Overview

The District's personnel costs are a significant portion of its overall operations and maintenance costs, as discussed under the Operations and Maintenance Fund section earlier in this report. This section summarizes the primary factors affecting future personnel costs, including those the District has more direct control over and those it has less, and discusses each in qualitative terms only. The District's budget reports consider each of these with specific cost data, and incorporate the resulting cost trends into the 5-year forecast.

Headcount

The District has no planned changes to the total 38 authorized positions. The total staff count did increase in the past 5 years to meet the increased O&M, capital, and administrative needs of the District. However, several authorized positions were left unfilled in the past FY 2013/14, as the District re-assessed the needs for these positions and any changes to job classifications, as well as temporary options for filling the specific service required. Overall, these actions lowered actual personnel costs by approximately \$400,000 compared to the budget. In the new FY 2014/15, the District expects to continue to hire and fill positions only as absolutely necessary, and after having carefully reviewed and updated the needs for each specific position.

The District's average annual fully-burdened cost (wages, taxes, benefits) per employee is approximately \$160,000. Any future decisions regarding expansion or contraction of headcount will balance the operational needs of the District with an analysis of the costs and benefits of all options, including outside contracting for services. The District is at the early stages of conducting an approximately 6 month effort at reviewing, assessing, and updating its long term staff resource needs on a 5-year planning horizon, so the results of that evaluation will be reflected in future annual budgets.

Cost of Living Adjustments

The District is operating under a set of Memoranda of Understanding (MOUs) with AFSCME Local 2167 and with the Management and Confidential Staff, which cover all employees of the District except for the General Manager. Within the current MOU, covering July 1, 2009 through June 30, 2015, are specific cost of living adjustments (COLAs) that take effect on July 1 of each fiscal year. The FY 2014/15 budget takes into the consideration the 4% COLA contained in this final year of the current contract. The known COLA increases have been incorporated in to the FY 2014/15 Budget and are fully accounted for. It is unknown what, if any, COLAs or other costs will be included in future MOUs.

Pension Reform

Effective January 1, 2013, the Public Employee Pension Reform Act (PEPRA) defines how pension benefits are offered to all public employees, including those working for RVSD. Existing employees as of that date will continue to receive the same benefit of 2.7% at 55, with minor changes to the calculation of service credits at the time of retirement. For all employees hired prior to January 1, 2013 an employer contribution of approximately 18.8% of base salary is paid to CalPERS and for employees hired after this date the employer contribution is 6.25%. Per Alan Milligan, Chief Actuary for CalPERS, this reduced rate for new employees will be in effect through July 1, 2015. It is unknown if an increase to this percentage will be in effect after July 1, 2015 or by how much; therefore, for planning purposes, the 5-Year Forecast assumes the same classic rate (prior to January 1, 2013) for all employees.

CalPERS conducts an annual actuarial review of its plans, which results in an annual adjustment to the employer contribution rate. The most recent valuation report received from CalPERS is dated October

2013 and sets the employer contribution rate for FY 2014/15 at 18.784% with a projected rate of 19.7% for FY 2015/16. This report does not affect the current rate of 6.25% for new employees, who will be included in the fall 2014 valuation report setting the rates for FY 2015/16. While it is unknown what rates will be beyond FY 2015/16, it is certain that PEPRA will minimize the District's annual contribution requirements as natural turnover occurs over time.

To further support disclosure of pension costs and other key information regarding pension plans, in June of 2012 the Government Accounting Standards Board (GASB) issued Statement No. 68, which requires unfunded pension liabilities to be reported on the government agency's balance sheet starting in the fiscal year 2014/15. In addition to mandating the reporting requirement, the Statement defines how to value the liability and specifies its presentation within the financial statements. There may be some additional cost to implement the requirements of Statement No. 68, but those are expected to be nominal given the information we have at this time.

Health Insurance

The District provides health insurance to all full time employees and pays 100% of all premiums for medical and dental insurance for employees and their families. This benefit is defined in the MOUs for the two employee groups and is in effect through June 30, 2015. It is unknown if future MOUs will redefine this benefit or keep it as is.

Other than salaries and wages, the cost of providing health insurance to employees is the costliest of the benefits offered to District employees, surpassing the retirement benefit for the first time in FY 2013/14. For the previous four calendar years (2010 - 2013) medical insurance rates have increased by an average of 8.1% each year, resulting in a compounded increase of 31.5% from 2009 to 2013. In 2014, Kaiser Permanente (the predominate provider to District employees), increased its premiums by 11%. These increases are not unique to public agencies. All employers, public and private, are struggling with the issue of how to provide an insurance benefit without placing undue burden on other stakeholders. Many in the private sector have eliminated health insurance benefits or have placed a larger burden on the employees, prompting many to opt out of the insurance benefit.

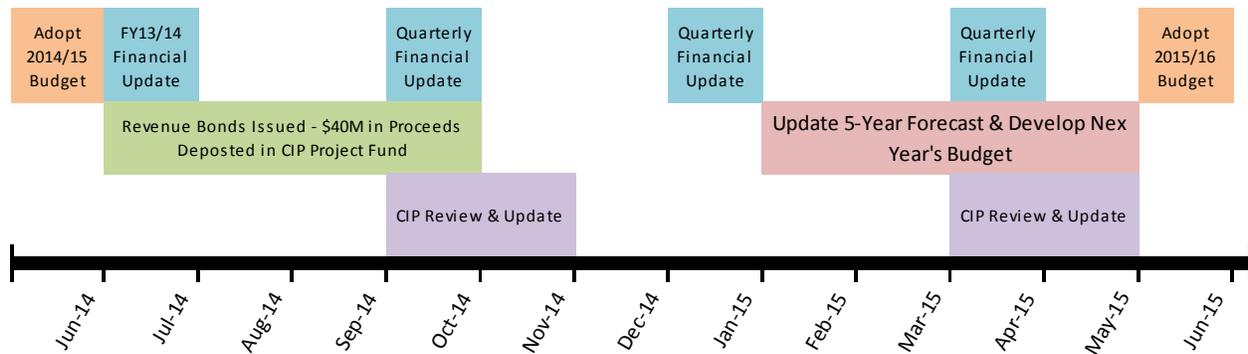
In 2010, the Federal Government passed the Patient Protection and Affordable Care Act. This is a sweeping reform of health care in which the first of its provisions will be rolled out in 2014, while the rest will roll out over time through 2022. Within the Act are provisions meant to ensure access to quality healthcare for all U.S. citizens. It is still unclear how this will affect the District and its costs to provide benefits.

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Overview of Activities Supporting FY 2014/15 Budget

As mentioned in the introduction section of this document, the FY 2014/15 Budget is based upon a set of planning tools and processes that are meant to be replicated each year. It also is the first District budget to present a long range 5-year forecast representing the results of those planning tools. The figure below shows the timeline under which actions will be taken to support the financial plan outlined in this budget. Many of these activities will remain constant from year to year as the financial planning and budgeting process is standardized. The timelines are approximate, but the sequencing and general time requirements reflect the critical path linkages and how each step supports the others.

Figure 1 – FY 2014/15 Key Actions



| | | |
|----------------------------------|--------------------------------------|--|
| Jun 2014 | FY 2014/15 Budget | Adopt budget with funding to complete required CIP and maintenance activities. |
| Jul 2014 | FY 2013/14 Year End Financial Update | This is a standard practice that began last August and will remain as part of the financial reporting process. The review specifically looks at performance against budget. |
| Jul – Oct 2014 | Issue Revenue Bonds | The FY 2014/15 Capital Budget, as well as future years, depends on issuing revenue bonds to support capital projects. |
| Oct 2014, Jan 2015, Apr 2015 | Quarterly Financial Updates | This is a standard practice that began last year and will remain as part of the financial reporting process. The updates provide a quarterly review of performance against budget. |
| Oct – Nov 2014, April – May 2015 | CIP Review & Update | Using the processes developed in the IAMP, the District’s Capital Improvement Plan is reviewed and updated as information on system condition and risk is refreshed. |
| Feb – May 2015 | 5-Year Forecast & Budget Development | Using updated information about requirements for O&M and Capital, the next FY budget is developed and the 5-Year Forecast is updated. |
| Jun 2015 | FY2015/16 Budget | Adopt budget with funding to complete required CIP and maintenance activities. |

Appendix A
Financial/Budget Schedules

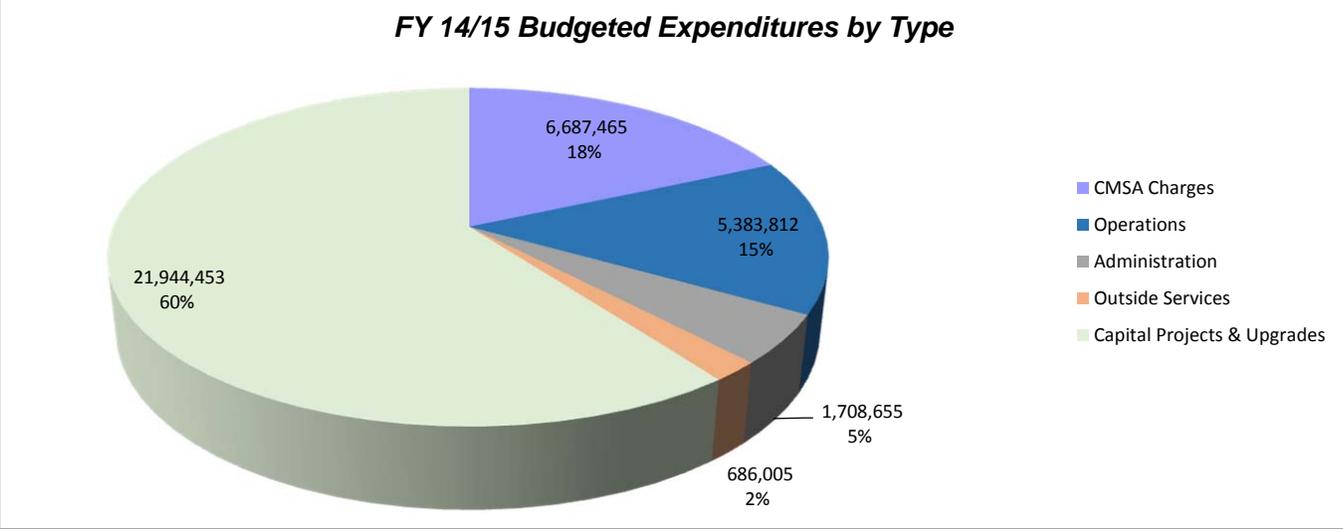
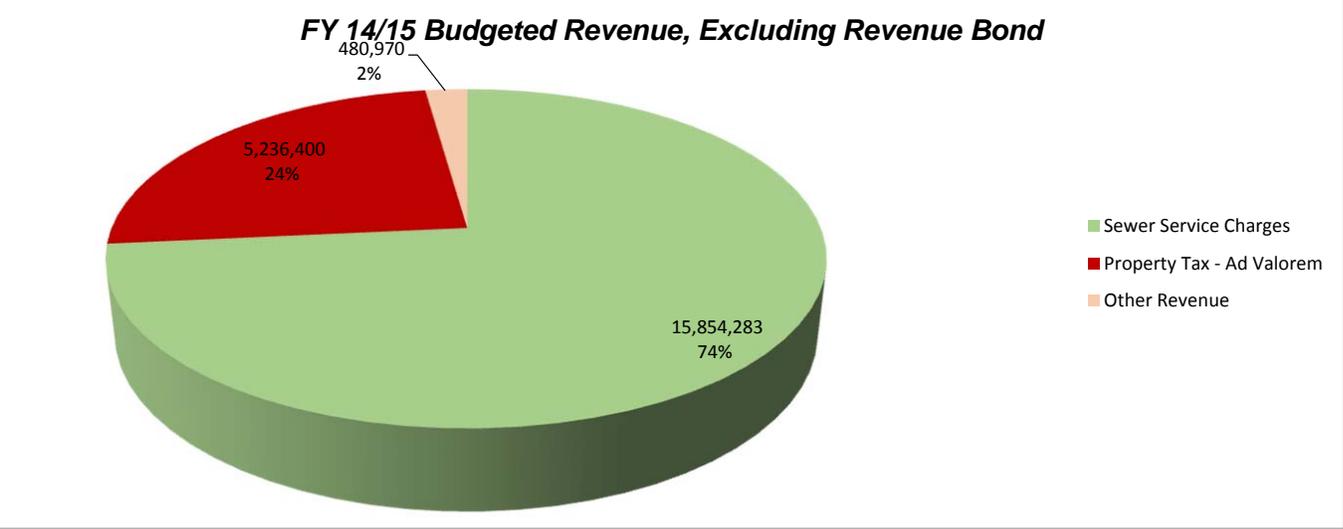
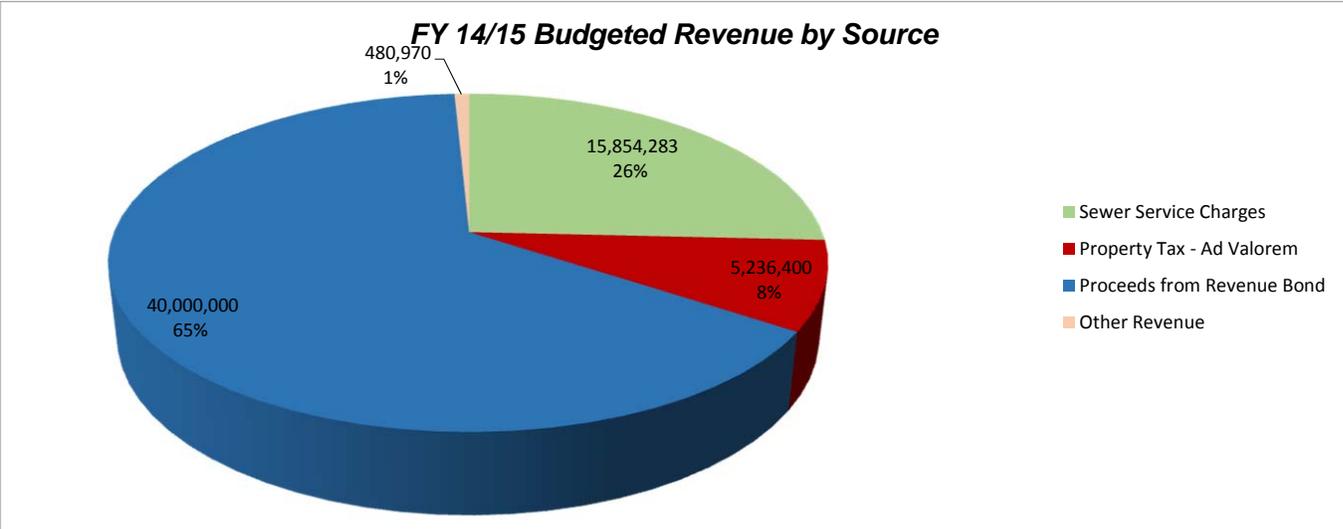
FY 2014/15 Budget

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 1 - FY 2014/15 Budget Summary**

| | Type | FY 2012/13 Actual | FY 2013/14 Projected | FY 2014/15 Budget |
|----|---|-------------------------------|-------------------------|----------------------|
| 1 | Sewer Service Charges | 14,994,976 | 14,955,486 | 15,854,283 |
| 2 | Property Tax - Ad Valorem | 5,168,060 | 5,363,316 | 5,236,400 |
| 3 | Proceeds from Debt Restructuring | - | 9,142,125 | - |
| 4 | Proceeds from Revenue Bond | - | - | 40,000,000 |
| 5 | Other Revenue | 175,029 | 436,096 | 480,970 |
| 6 | Expected Revenues | 20,338,065 | 29,897,023 | 61,571,653 |
| 7 | CMSA Charges | 6,692,139 | 6,465,693 | 6,687,465 |
| 8 | Operations | 5,415,260 | 5,196,434 | 5,383,812 |
| 9 | Administration | a | 1,909,171 | 1,708,655 |
| 10 | Outside Services | 907,237 | 709,969 | 686,005 |
| 11 | Capital Projects & Upgrades | 1,572,316 | 9,108,788 | 21,944,453 |
| 12 | Total Expenditures | 19,326,340 | 23,390,054 | 36,410,390 |
| 13 | Net Revenue Less Expenditures | 1,011,725 | 6,506,969 | 25,161,263 |
| 14 | Operations & Maintenance Fund Balance | <i>Prior year not tracked</i> | 7,757,843 | 7,766,915 |
| 15 | Capital Improvement Fund Balance | <i>Prior year not tracked</i> | 2,230,856 | 2,866,415 |
| 16 | Bond Funds - Fully Restricted for Capital Projects | <i>Prior year not tracked</i> | 2,427,439 | 25,924,071 |
| 17 | Capital Improvement Reserve Balance | <i>Prior year not tracked</i> | - | - |
| 18 | Emergency Reserve Balance | <i>Prior year not tracked</i> | 1,000,000 | 2,000,000 |
| 19 | Other Post Employment Benefit Reserve Balance | <i>Prior year not tracked</i> | 100,000 | 120,000 |
| 20 | Total Ending Reserve/Fund (Cash) Balance | 7,009,169 | 13,516,139 | 38,677,402 |

Note a: The decrease in Administration expenditures for FY 2013/14 is due to FY2012/13 including \$2,608,333 in litigation settlement payments and \$728,550 in Regional Water Quality Control Board fines for the December 2010 sanitary sewer overflow. FY 2013/14 includes the remaining balance due for this fine of \$250,000 in June 2014.

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 1 - FY 2014/15 Budget Summary



Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 2 - FY 2014/15 Funding Sources

| Funding | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|---|----------------------|-------------------------|----------------------|---|
| Basis for Rate Revenue: | | | | |
| <i>Equivalent Dwelling Units (EDU's)</i> | | | | |
| 1 Sanitary District #1 - Single Family | 10,793 | 11,107 | 11,107 | 3% |
| 2 Sanitary District #1 - Multi Family | 5,332 | 5,313 | 5,313 | 0% |
| 3 Sanitary District #1 - Commercial | 3,382 | 3,131 | 3,131 | -7% |
| 4 City of Larkspur - Single Family | 1,441 | 1,424 | 1,424 | -1% |
| 5 City of Larkspur - Multi Family | 1,107 | 1,092 | 1,092 | -1% |
| 6 City of Larkspur - Commercial | 449 | 431 | 431 | -4% |
| 7 Total # of EDU's | 22,504 | 22,498 | 22,498 | 0% |
| <i>Rate Per EDU</i> | | | | |
| 8 Rate per EDU - Single Family | 638 | 638 | 692 | 8% |
| 9 Rate per EDU - Multi Family | 638 | 638 | 625 | -2% |
| 10 Rate per EDU - Commercial | 638 | 638 | 692 | 8% |
| 11 Rate per EDU - Larkspur Single Family | 864 | 864 | 961 | 11% |
| 12 Rate per EDU - Larkspur Multi Family | 864 | 864 | 865 | 0% |
| 13 Rate per EDU - Larkspur Commercial | 864 | 864 | 961 | 11% |
| Revenue by Source | | | | |
| <i>Sewer Service Revenue - Operations</i> | | | | |
| 14 Sanitary District #1 - Single Family | 6,885,934 | 7,086,266 | 7,686,044 | 12% |
| 15 Sanitary District #1 - Multi Family | 3,401,816 | 3,389,694 | 3,320,625 | -2% |
| 16 Sanitary District #1 - Commercial | 2,157,716 | 1,997,578 | 2,166,652 | 0% |
| 17 City of Larkspur - Single Family | 1,245,024 | 1,230,336 | 1,368,464 | 10% |
| 18 City of Larkspur - Multi Family | 956,448 | 943,488 | 944,580 | -1% |
| 19 City of Larkspur - Commercial | 387,936 | 372,384 | 414,191 | 7% |
| 20 Collection Fees | (29,227) | (39,051) | (40,273) | 38% |
| 21 Customer Refunds | (2,160) | (25,209) | (6,000) | 178% |
| 22 Total Sewer Service Charges | 15,003,487 | 14,955,486 | 15,854,283 | 6% |
| <i>Other Revenue Sources - Operations</i> | | | | |
| 23 Inspections | 27,996 | 85,381 | 106,800 | 281% |
| 24 Interest | 12,000 | 10,239 | 12,000 | 0% |
| 25 Miscellaneous | 15,000 | 22,004 | 3,840 | -74% |
| 26 Dividends | 53,000 | 56,831 | 56,830 | 7% |
| 27 Total Other Revenue - Operations | 107,996 | 174,454 | 179,470 | 66% |
| 28 Total Revenue - Operations | 15,111,483 | 15,129,940 | 16,033,753 | 6% |
| <i>Property Taxes - Capital</i> | | | | |
| 29 Property Taxes Collected - Ad Valorem | 5,200,000 | 5,440,189 | 5,300,000 | 2% |
| 30 Collection Fees - Taxes | (59,800) | (76,873) | (63,600) | 6% |
| 31 Total Property Taxes | 5,140,200 | 5,363,316 | 5,236,400 | 2% |
| <i>Other Revenue Sources - Capital</i> | | | | |
| 32 Restructuring of Long Term Debt | 9,135,000 | 9,142,125 | - | -100% |
| 33 Proceeds from Revenue Bonds | - | - | 40,000,000 | |
| 34 Connections | 17,000 | 256,364 | 294,000 | 1629% |
| 35 Public Sewer Extensions | 1,000 | 5,278 | 7,500 | 650% |
| 36 Total Other Revenue - Capital | 9,153,000 | 9,403,767 | 40,301,500 | 340% |
| 37 Total Revenue - Capital | 14,293,200 | 14,767,083 | 45,537,900 | 219% |
| 38 Total all Revenue Sources | 29,404,683 | 29,897,023 | 61,571,653 | 109% |

FY 2014/15 Budget

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 3 - FY 2014/15 Funding Requirements**

| Description | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|---|----------------------|-------------------------|----------------------|---|
| General Operations | | | | |
| Funding Sources | | | | |
| 1 Sewer Service Charges | 15,003,487 | 14,955,486 | 15,854,283 | 6% |
| 2 Other Operational Revenues | 107,996 | 174,454 | 179,470 | 66% |
| 3 Total Funding Sources | 15,111,483 | 15,129,940 | 16,033,753 | 6% |
| Operational & CMSA Expenditures | | | | |
| 4 <i>Payments: Central Marin Sanitation Agency (CMSA)</i> | | | | |
| 5 Sewage Treatment Charges to CMSA | 3,998,748 | 3,951,603 | 4,184,764 | 5% |
| 6 Debt Service to CMSA | 2,727,175 | 2,514,090 | 2,502,700 | -8% |
| 7 Total CMSA Expenditures | 6,725,923 | 6,465,693 | 6,687,465 | -1% |
| 8 Operational Expenditures | 8,034,847 | 7,815,574 | 7,778,473 | -3% |
| 9 Total Operational & CMSA Expenditures | 14,760,770 | 14,281,266 | 14,465,937 | -2% |
| 10 Operations Funding Surplus/(Deficit) | 350,713 | 848,674 | 1,567,816 | 347% |
| Debt Service and Capital Improvement Program | | | | |
| Funding Sources | | | | |
| 11 Property Taxes Collected - Ad Valorem | 5,140,200 | 5,363,316 | 5,236,400 | 2% |
| 12 Restructuring of Long Term Debt | 9,135,000 | 9,142,125 | - | -100% |
| 13 Proceeds from Revenue Bonds | - | - | 40,000,000 | |
| 14 Connections | 17,000 | 256,364 | 294,000 | 1629% |
| 15 Public Sewer Extensions | 1,000 | 5,278 | 7,500 | 650% |
| 16 Total Funding Sources | 14,293,200 | 14,767,083 | 45,537,900 | 219% |
| Funding Requirements | | | | |
| 17 Debt Service Payments (Principal & Interest) | 826,594 | 672,630 | 2,311,283 | 180% |
| 18 Payoff Kerner Building Loan | 935,000 | 934,758 | - | |
| 19 Capital Improvement Projects | 8,451,858 | 5,779,928 | 16,675,780 | 97% |
| 20 Other Capital Spending | 1,101,000 | 1,230,421 | 2,426,455 | 120% |
| 21 Fixed Assets | 483,000 | 491,051 | 530,935 | 10% |
| 22 Total Funding Requirements | 11,797,452 | 9,108,788 | 21,944,453 | 86% |
| 23 Capital Funding Surplus/(Deficit) | 2,495,748 | 5,658,296 | 23,593,447 | 845% |
| 24 Net Operations and Capital Surplus/(Deficit) | 2,846,461 | 6,506,970 | 25,161,263 | 784% |

Sanitary District No. 1 of Marin County

dba Ross Valley Sanitary District

Schedule 4 - Monthly Cash Requirements

| | July-14 Budget | Aug-14 Budget | Sept-14 Budget | Oct-14 Budget | Nov-14 Budget | Dec-14 Budget | Jan-15 Budget | Feb-15 Budget | Mar-15 Budget | April-15 Budget | May-15 Budget | Jun-15 Budget | FY 2014/2015 Budget |
|---|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|
| Operating | | | | | | | | | | | | | |
| Revenue | | | | | | | | | | | | | |
| 1 Sewer Service Charges | (500) | (500) | (500) | 410,388 | (500) | 8,496,667 | (500) | (500) | (500) | 6,488,246 | (500) | 462,982 | 15,854,283 |
| 2 Other Income | 10,220 | 10,220 | 10,220 | 38,635 | 10,220 | 10,220 | 10,220 | 10,220 | 38,635 | 10,220 | 10,220 | 10,220 | 179,470 |
| 3 Gross Revenue | 9,720 | 9,720 | 9,720 | 449,023 | 9,720 | 8,506,887 | 9,720 | 9,720 | 38,135 | 6,498,466 | 9,720 | 473,202 | 16,033,753 |
| Expenditures | | | | | | | | | | | | | |
| CMSA Expenditures | | | | | | | | | | | | | |
| 4 Treatment Charges - CMSA | 1,046,191 | - | - | 1,046,191 | - | - | 1,046,191 | - | - | 1,046,191 | - | - | 4,184,764 |
| 5 Debt Service - CMSA | 1,701,836 | - | - | - | - | - | 800,864 | - | - | - | - | - | 2,502,700 |
| 6 Total CMSA Expenditures | 2,748,027 | - | - | 1,046,191 | - | - | 1,847,055 | - | - | 1,046,191 | - | - | 6,687,465 |
| Maintenance/Repair/Inspection Expenditures | | | | | | | | | | | | | |
| 7 Salaries & Benefits - Operations | 346,214 | 311,784 | 325,151 | 338,497 | 293,475 | 340,476 | 332,621 | 303,023 | 333,362 | 333,640 | 318,596 | 333,639 | 3,910,476 |
| 8 Other Operational Expenditures | 197,195 | 148,934 | 117,115 | 100,702 | 106,304 | 175,249 | 106,056 | 104,553 | 111,633 | 100,480 | 93,009 | 112,101 | 1,473,336 |
| 9 Total General Operating Expenditures | 543,410 | 460,718 | 442,266 | 439,199 | 399,779 | 515,725 | 438,677 | 407,576 | 444,995 | 434,121 | 411,606 | 445,740 | 5,383,812 |
| Administrative Expenditures | | | | | | | | | | | | | |
| 10 Salaries & Benefits - Administration | 102,540 | 94,535 | 96,136 | 98,938 | 89,059 | 99,615 | 99,359 | 92,409 | 100,466 | 100,984 | 96,904 | 100,296 | 1,171,241 |
| 11 Office Supplies & Equipment | 8,280 | 4,480 | 4,480 | 4,480 | 4,480 | 4,480 | 4,480 | 4,480 | 4,480 | 4,480 | 4,480 | 4,480 | 57,560 |
| 12 General Administrative Expenditures | 17,285 | 4,553 | 5,185 | 1,785 | 1,785 | 12,470 | 20,850 | 1,785 | 2,352 | 11,535 | 1,945 | 1,899 | 83,429 |
| 13 Facilities & Utilities - Administration | 5,226 | 5,009 | 4,809 | 5,192 | 4,809 | 5,381 | 4,992 | 5,009 | 4,809 | 5,564 | 4,809 | 5,009 | 60,618 |
| 14 Board Fees & Other Expenditures | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 4,905 | 58,860 |
| 15 Insurance (includes Excess Liability) | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 23,079 | 276,948 |
| 16 Total Administrative Expenditures | 161,315 | 136,561 | 138,594 | 138,379 | 128,117 | 149,929 | 157,665 | 131,667 | 140,091 | 150,547 | 136,122 | 139,668 | 1,708,655 |
| Outside Services | | | | | | | | | | | | | |
| 17 Community Outreach | 8,333 | 8,333 | 8,333 | 8,333 | 8,333 | 8,333 | 8,333 | 8,333 | 8,333 | 8,333 | 8,333 | 8,337 | 100,000 |
| 18 Human Resources Consultant | 16,500 | 16,500 | 16,700 | 16,700 | 16,700 | 16,700 | 16,700 | 16,700 | 16,700 | 16,700 | 16,700 | 16,700 | 200,000 |
| 19 Professional Services - Accounting/IT/Other | 1,100 | 7,620 | 1,100 | 7,620 | 7,300 | 6,165 | 9,850 | 13,850 | 13,850 | 13,850 | 13,850 | 13,850 | 110,005 |
| 20 Professional Services - Legal | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 23,000 | 276,000 |
| 21 Total Outside Services | 48,933 | 55,453 | 49,133 | 55,653 | 55,333 | 54,198 | 57,883 | 61,883 | 61,883 | 61,883 | 61,883 | 61,887 | 686,005 |
| 22 Total Operating Expenditures | 3,501,685 | 652,733 | 629,993 | 1,679,422 | 583,229 | 719,852 | 2,501,280 | 601,126 | 646,969 | 1,692,741 | 609,611 | 647,295 | 14,465,937 |
| 23 Operating Net Results | (3,491,965) | (643,013) | (620,273) | (1,230,399) | (573,509) | 7,787,035 | (2,491,560) | (591,406) | (608,834) | 4,805,725 | (599,891) | (174,093) | 1,567,816 |
| Capital | | | | | | | | | | | | | |
| Revenue | | | | | | | | | | | | | |
| 24 Property Tax - Ad Valorem | - | - | - | - | - | 2,880,020 | - | - | - | 2,199,288 | - | 157,092 | 5,236,400 |
| 25 Connection Fees | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 25,125 | 301,500 |
| 26 Proceeds from Revenue Bonds | - | - | 40,000,000 | - | - | - | - | - | - | - | - | - | 40,000,000 |
| 27 Total Capital Revenue | 25,125 | 25,125 | 40,025,125 | 25,125 | 25,125 | 2,905,145 | 25,125 | 25,125 | 25,125 | 2,224,413 | 25,125 | 182,217 | 45,537,900 |
| Debt Service | | | | | | | | | | | | | |
| 28 Interest Expense | - | - | - | 427,319 | - | - | - | - | - | 1,663,964 | - | - | 2,091,283 |
| 29 Principal Payments on Debt | - | - | - | 220,000 | - | - | - | - | - | - | - | - | 220,000 |
| 30 Total Debt Service | - | - | - | 647,319 | - | - | - | - | - | 1,663,964 | - | - | 2,311,283 |
| Capital Expenditures | | | | | | | | | | | | | |
| 31 Capital Improvement Projects | 1,236,379 | 1,363,472 | 1,250,459 | 1,250,457 | 891,854 | 1,069,034 | 1,290,300 | 1,294,718 | 1,338,466 | 2,049,494 | 1,849,208 | 1,791,937 | 16,675,780 |
| 32 Other Capital Spending | 233,525 | 233,524 | 233,520 | 233,519 | 223,518 | 223,518 | 223,518 | 261,077 | 179,766 | 126,989 | 126,988 | 126,988 | 2,426,453 |
| 33 Fixed Assets Purchased | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 44,245 | 530,935 |
| 34 Total Capital Expenditures | 1,514,149 | 1,641,241 | 1,528,224 | 1,528,221 | 1,159,617 | 1,336,797 | 1,558,063 | 1,600,040 | 1,562,477 | 2,220,728 | 2,020,441 | 1,963,170 | 19,633,168 |
| 35 Total Debt Service & Capital Expenditures | 1,514,149 | 1,641,241 | 1,528,224 | 2,175,540 | 1,159,617 | 1,336,797 | 1,558,063 | 1,600,040 | 1,562,477 | 3,884,692 | 2,020,441 | 1,963,170 | 21,944,451 |
| 36 Capital Net Results | (1,489,024) | (1,616,116) | 38,496,901 | (2,150,415) | (1,134,492) | 1,568,348 | (1,532,938) | (1,574,915) | (1,537,352) | (1,660,279) | (1,995,316) | (1,780,953) | 23,593,449 |
| 37 Operating & Capital Net Results | (4,980,989) | (2,259,129) | 37,876,628 | (3,380,814) | (1,708,001) | 9,355,383 | (4,024,499) | (2,166,321) | (2,146,186) | 3,145,446 | (2,595,207) | (1,955,047) | 25,161,265 |
| Additional Cash Effects - Inflow (Outlay) | | | | | | | | | | | | | |
| 38 Direct Billing - Billed in Oct Collected in Dec. | - | - | - | (410,888) | - | 410,888 | - | - | - | - | - | - | - |
| 39 Cash Balance Begin | 13,516,139 | 8,535,150 | 6,276,021 | 44,152,649 | 40,360,947 | 38,652,946 | 48,419,217 | 44,394,719 | 42,228,398 | 40,082,212 | 43,227,657 | 40,632,451 | 13,516,139 |
| 40 Cash Requirements | (4,980,989) | (2,259,129) | 37,876,628 | (3,791,702) | (1,708,001) | 9,766,271 | (4,024,499) | (2,166,321) | (2,146,186) | 3,145,446 | (2,595,207) | (1,955,047) | 25,161,265 |
| 41 Cash Balance End | 8,535,150 | 6,276,021 | 44,152,649 | 40,360,947 | 38,652,946 | 48,419,217 | 44,394,719 | 42,228,398 | 40,082,212 | 43,227,657 | 40,632,451 | 38,677,404 | 38,677,404 |
| 42 Bond Funds - Fully Restricted for Capital Projects | 1,191,060 | - | 38,749,541 | 37,499,084 | 36,607,230 | 35,538,196 | 34,247,896 | 32,953,177 | 31,614,711 | 29,565,217 | 27,716,008 | 25,924,071 | 25,924,071 |
| 43 Unrestricted Funds | 7,344,090 | 6,276,021 | 5,403,108 | 2,861,863 | 2,045,716 | 12,881,021 | 10,146,823 | 9,275,220 | 8,467,501 | 13,662,441 | 12,916,442 | 12,753,333 | 12,753,333 |
| 44 Ending Cash Balance | 8,535,150 | 6,276,021 | 44,152,649 | 40,360,947 | 38,652,946 | 48,419,217 | 44,394,719 | 42,228,398 | 40,082,212 | 43,227,657 | 40,632,451 | 38,677,404 | 38,677,404 |

FY 2014/15 Budget

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 5 - FY 2014/15 Reserves and Fund Balances**

| Description | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | FY 2014/15 Target | Difference |
|---|----------------------|-------------------------|----------------------|----------------------|---------------------|
| Operations & Maintenance Fund Balance (O&M) | | | | | |
| 1 Beginning Balance - O&M | 7,217,560 | 7,009,169 | 7,757,843 | | |
| 2 Funding Surplus/(Deficit) - O&M | 350,713 | 848,674 | 1,567,816 | | |
| 3 Transfers In/(Out) - From/(To) Capital | 267,727 | - | (538,744) | | |
| 4 Transfers In/(Out) - From/(To) Emergency | - | - | (1,000,000) | | |
| 5 Transfers In/(Out) - From/(To) OPEB | (100,000) | (100,000) | (20,000) | | |
| 6 Ending Balance - O&M Fund | 7,736,000 | 7,757,843 | 7,766,915 | 7,766,915 | - |
| Capital Improvement and Replacement Fund Balance | | | | | |
| 7 Beginning Balance - Capital Fund | - | - | 2,230,856 | | |
| 8 Funding Surplus/(Deficit) - Capital Fund (less: Restricted Funds) | 2,495,749 | 3,230,856 | 96,815 | | |
| 9 Transfers In/(Out) - From/(To) Operations | (267,727) | - | 538,744 | | |
| 10 Transfers In/(Out) - From/(To) Emergency | (1,000,000) | (1,000,000) | | | |
| 11 Ending Balance - Capital Improvement Fund | 1,228,022 | 2,230,856 | 2,866,415 | 9,355,567 | (6,489,151) |
| Capital Improvement and Replacement Bond Funds(Restricted) | | | | | |
| 12 Beginning Balance - Bond Funds (Restricted) | - | - | 2,427,439 | | |
| 13 Capital Projects - Funding Uses | (9,386,616) | (6,714,686) | (16,675,780) | | |
| 14 Bond Proceeds - Revenue Bond | 9,135,000 | 9,142,125 | 40,000,000 | | |
| 15 Transfer to/from Capital Fund - Restricted Funds Adjustment | 251,616 | | 172,412 | | |
| 16 Ending Balance - Bond Funds (Restricted) | - | 2,427,439 | 25,924,071 | | |
| Capital Improvement and Replacement Reserve | | | | | |
| 17 Beginning Balance - Capital Reserve | - | - | - | | |
| 18 Funding Surplus/(Deficit) - Capital Reserve | - | - | - | | |
| 19 Transfers In/(Out) - From/(To) Operations | - | - | - | | |
| 20 Transfers In/(Out) - From/(To) Emergency | - | - | - | | |
| 21 Ending Balance - Capital Improvement Reserve | - | - | - | 6,595,925 | (6,595,925) |
| Emergency Reserve | | | | | |
| 22 Beginning Balance - Emergency | - | - | 1,000,000 | | |
| 23 Transfers In/(Out) - From/(To) Operations | - | - | 1,000,000 | | |
| 24 Transfers In/(Out) - From/(To) Capital | 1,000,000 | 1,000,000 | - | | |
| 25 Ending Balance - Emergency Reserve | 1,000,000 | 1,000,000 | 2,000,000 | 2,000,000 | - |
| Other Post Employment Benefit (OPEB) Reserve | | | | | |
| 26 Beginning Balance - OPEB | - | - | 100,000 | | |
| 27 Transfers In/(Out) - From/(To) Operations | 100,000 | 100,000 | 20,000 | | |
| 28 Transfers In/(Out) - From/(To) Capital | - | - | - | | |
| 29 Ending Balance - OPEB Reserve | 100,000 | 100,000 | 120,000 | 100,000 | 20,000 |
| 30 Begin Cash Balance | 7,217,560 | 7,009,169 | 13,516,139 | | |
| 31 Net Change in Reserve and Fund Balances | 2,846,462 | 6,506,970 | 25,161,263 | | |
| 32 Ending Cash Balance | 10,064,022 | 13,516,139 | 38,677,402 | 25,818,406 | (13,065,076) |
| 33 <i>Restricted Funds</i> | - | 2,427,439 | 25,924,071 | | |
| 34 <i>Unrestricted Funds</i> | 10,064,022 | 11,088,700 | 12,753,330 | | |
| 35 Ending Cash Balance | 10,064,022 | 13,516,139 | 38,677,402 | | |

FY 2014/15 Budget

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 6 - FY 2014/15 Department Budgets - Summary**

| Total District Expenditures by Department | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|---|----------------------|-------------------------|----------------------|--|
| 1 Treatment Charges | 6,725,923 | 6,465,693 | 6,687,465 | -1% |
| Operational Expenditures | | | | |
| 2 Operations | 5,229,841 | 5,196,434 | 5,383,812 | 3% |
| 3 Administration | 1,906,986 | 1,909,171 | 1,708,655 | -10% |
| 4 Outside Services | 898,020 | 709,969 | 686,005 | -24% |
| Total Operational Expenditures | 8,034,847 | 7,815,574 | 7,778,473 | -3% |
| 5 Capital Expenditures | 11,797,451 | 9,108,788 | 21,944,453 | 86% |
| 6 Total District Expenditures by Department | 26,558,221 | 23,390,054 | 36,410,390 | 37% |

| Total District Expenditures by Category | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|--|----------------------|-------------------------|----------------------|--|
| District Operations | | | | |
| Salaries & Benefits | | | | |
| 7 Salaries | 3,298,411 | 3,357,067 | 3,354,306 | 2% |
| 8 Benefits & Payroll Taxes | 1,783,610 | 1,732,514 | 1,727,411 | -3% |
| 9 Total Salaries and Benefits | 5,082,021 | 5,089,581 | 5,081,717 | 0% |
| Other Operational Expenditures | | | | |
| 10 Fines & Settlements | 250,000 | 266,250 | - | -100% |
| 11 Professional Services | 120,000 | 57,308 | 60,000 | -50% |
| 12 System Maintenance | 737,294 | 779,274 | 931,491 | 26% |
| 13 General & Administration | 487,794 | 498,803 | 605,388 | 24% |
| 14 Facilities & Utilities | 363,802 | 326,450 | 355,012 | -2% |
| 15 Board Expenditures | 95,916 | 87,939 | 58,860 | -39% |
| 16 Total Other Operational Expenditures | 2,054,806 | 2,016,024 | 2,010,750 | -2% |
| Outside Services | | | | |
| 17 Outside Services | 898,020 | 709,969 | 686,005 | -24% |
| Total Operational Expenditures | 8,034,847 | 7,815,574 | 7,778,473 | -3% |
| CMSA Charges | | | | |
| 18 Treatment Charges | 6,725,923 | 6,465,693 | 6,687,465 | -1% |
| Capital Expenditures | | | | |
| 19 Capital Expenditures | 11,797,451 | 9,108,788 | 21,944,453 | 86% |
| 20 Total District Expenditures by Category | 26,558,221 | 23,390,054 | 36,410,390 | 37% |

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 6 - FY 2014/15 Department Budgets - Summary

Administration

The Administration Department includes the Board of Directors, General Manager, and other Administrative staff. The Board of Directors is the policy making body that determines the overall direction of the District and services provided to customers. The rules for connecting and discharging to the system, and the rates and charges for services are set by the Board. The Board adopts the annual Budget, the 10-Year Capital Improvement Plan, and sets the priorities for the District. The General Manager is employed directly by the Board of Directors and is responsible for all aspects of the administration, operation and planning activities of staff.

Other Administrative staff includes the Business Manager, Accounting Manager and Administrative Assistants. They are responsible for supporting all other departments, including accounting, financial planning, human resources, customer service and risk management. Additional responsibilities include support of the Board of Directors, responding to public inquiries, and records

| Operating Expenditures by Category | FY 2013/14 | FY 2013/14 | FY 2014/15 | % Change |
|--|------------|------------|------------|------------------------------------|
| | Budget | Projected | Budget | Budget FY 14/15 vs Budget FY 13/14 |
| 1 Salaries | 724,716 | 728,363 | 761,527 | 5% |
| 2 Benefits & Payroll Taxes | 403,823 | 351,986 | 409,714 | 1% |
| 3 Total Salaries and Benefits | 1,128,539 | 1,080,349 | 1,171,241 | 4% |
| 4 Fines & Settlements | 250,000 | 266,250 | - | -100% |
| 5 System Maintenance | 1,740 | 706 | 1,200 | -31% |
| 6 General & Administration | 354,469 | 411,476 | 416,737 | 18% |
| 7 Facilities & Utilities | 76,322 | 62,449 | 60,618 | -21% |
| 8 Board Expenditures | 95,916 | 87,939 | 58,860 | -39% |
| 9 Total Other Expenditures | 778,447 | 828,821 | 537,415 | -31% |
| 10 Total Administration Expenditures by Category | 1,906,986 | 1,909,171 | 1,708,655 | -10% |
| | Authorized | Actual | Authorized | |
| Authorized/Actual Positions | FY 13/14 | FY 13/14 | FY 14/15 | |
| 11 General Manager | 1 | 1 | 1 | |
| 12 Business Manager | 1 | 1 | 1 | |
| 13 Accounting Manager | 1 | 1 | 1 | |
| 14 Administrative Assistant | 3 | 3 | 3 | |
| 15 Total Authorized/Actual Positions | 6 | 6 | 6 | |

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 6 - FY 2014/15 Department Budgets - Summary

Administration - Continued

| Operating Expenditures by Category | | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|-------------------------------------|--|----------------------|-------------------------|----------------------|--|
| Salaries & Benefits | | | | | |
| 16 | Salaries | 719,809 | 721,833 | 755,238 | 5% |
| 17 | Overtime | 4,907 | 6,530 | 6,289 | 28% |
| 18 | <i>Subtotal Salaries/Wages</i> | 724,716 | 728,363 | 761,527 | 5% |
| Benefits & Payroll Taxes | | | | | |
| 19 | Employee Exams | 300 | 75 | - | -100% |
| 20 | Employee Fitness | 600 | 750 | 600 | 0% |
| 21 | Employee Training | 2,400 | 2,083 | 6,240 | 160% |
| 22 | Insurance - Medical/Dental | 144,509 | 127,485 | 176,237 | 22% |
| 23 | Insurance - Other | 9,286 | 8,448 | 3,291 | -65% |
| 24 | Insurance - Workers Comp & Unemployment | 27,202 | 19,941 | 18,774 | -31% |
| 25 | Payroll Taxes | 55,066 | 50,999 | 50,208 | -9% |
| 26 | Recruiting/Retention | 19,000 | - | - | -100% |
| 27 | Retirement - Employee | 6,708 | 6,683 | 6,951 | 4% |
| 28 | Retirement - Employer | 114,752 | 106,476 | 116,692 | 2% |
| 29 | Temporary Help | 24,000 | 29,047 | 30,720 | 28% |
| 30 | <i>Subtotal Benefits & Payroll Taxes</i> | 403,823 | 351,986 | 409,714 | 1% |
| 31 | Total Salaries & Benefits | 1,128,539 | 1,080,349 | 1,171,241 | 4% |
| Fines & Settlements | | | | | |
| 32 | Fines & Settlements | 250,000 | 266,250 | - | -100% |
| 33 | Total Fines & Settlements | 250,000 | 266,250 | - | -100% |
| System Maintenance | | | | | |
| 34 | Vehicle - Fuel | 720 | 451 | 600 | -17% |
| 35 | Vehicle - Repair | 1,020 | 255 | 600 | -41% |
| 36 | Total System Maintenance | 1,740 | 706 | 1,200 | -31% |
| General & Administration | | | | | |
| 37 | Membership Dues/Certifications | 33,100 | 33,058 | 35,928 | 9% |
| 38 | Bank Fees | 1,000 | 89,984 | 1,020 | 2% |
| 39 | Business Meals | 300 | 306 | 600 | 100% |
| 40 | Computer Equipment | 4,500 | 5,006 | 2,100 | -53% |
| 41 | Conferences | 3,000 | 2,085 | 2,400 | -20% |
| 42 | Insurance - Deductibles | 72,000 | 62,879 | 150,000 | 108% |
| 43 | Insurance - Liability | 144,408 | 127,252 | 126,948 | -12% |
| 44 | Meetings | 900 | 621 | 600 | -33% |
| 45 | Miscellaneous | 360 | 360 | 360 | 0% |
| 46 | Office Equipment | 31,680 | 29,401 | 30,980 | -2% |
| 47 | Office Supplies | 24,000 | 21,845 | 24,480 | 2% |
| 48 | Postage & Shipping | 3,720 | 3,442 | 3,900 | 5% |
| 49 | Printing | 960 | 1,791 | 2,100 | 119% |
| 50 | Property Taxes | 17,574 | 18,183 | 19,500 | 11% |
| 51 | Software & Maintenance | 8,567 | 7,407 | 6,581 | -23% |
| 52 | Travel - Airfare | 1,200 | 1,338 | 2,100 | 75% |
| 53 | Travel - Auto, Ground Transportation | 6,000 | 5,515 | 5,640 | -6% |
| 54 | Travel - Hotel | 1,200 | 1,004 | 1,500 | 25% |
| 55 | Total General & Administration | 354,469 | 411,476 | 416,737 | 18% |

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 6 - FY 2014/15 Department Budgets - Summary

Administration - Continued

| Operating Expenditures by Category | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|---|----------------------|-------------------------|----------------------|--|
| Facilities & Utilities | | | | |
| 56 Facilities - Garbage | 1,440 | 1,437 | 1,488 | 3% |
| 57 Facilities - Janitorial | 6,000 | 6,095 | 6,120 | 2% |
| 58 Facilities - Landscaping | 5,100 | 5,271 | 5,100 | 0% |
| 60 Facilities - Sewer | 638 | 695 | 744 | 17% |
| 61 Facilities - Security | 17,760 | 3,862 | 3,366 | -81% |
| 62 Utilities - Power | 7,500 | 8,575 | 7,800 | 4% |
| 63 Utilities - Telephone | 36,864 | 34,802 | 34,800 | -6% |
| 64 Utilities - Water | 1,020 | 1,713 | 1,200 | 18% |
| 65 Total Facilities & Utilities | 76,322 | 62,449 | 60,618 | -21% |
| Board Fees | | | | |
| 66 Board Fees | 39,528 | 32,211 | 42,900 | 9% |
| 67 Board Fees - CMSA | 4,188 | 3,675 | 6,840 | 63% |
| 68 Business Meals - Board | 300 | 300 | 600 | 100% |
| 69 Conferences - Board | 3,000 | 2,895 | 3,000 | 0% |
| 70 Elections Expense - Board | 45,000 | 45,000 | - | |
| 71 Training - Board | 1,200 | 581 | 1,200 | 0% |
| 72 Travel - Airfare - Board | 1,200 | - | 1,200 | 0% |
| 73 Travel - Auto, Ground - Board | 300 | 509 | 600 | 100% |
| 74 Travel - Hotel - Board | 1,200 | 2,768 | 2,520 | 110% |
| 75 Total Board Expenditures | 95,916 | 87,939 | 58,860 | -39% |
| 76 Subtotal Other Expenditures | 778,447 | 828,821 | 537,415 | -31% |
| 77 Total Administration Expenditures | 1,906,986 | 1,909,171 | 1,708,655 | -10% |

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 6 - FY 2014/15 Department Budgets - Summary

Outside Services

Outside services are provided to the District for professional services provided by specialty firms. These types of services are generally structured with terms and are facilitated through a contract. Included in Outside Services are the cost of the annual financial statement audit, human resource consulting, information technology services, legal services, labor negotiations for the AFSCME Union and consulting for a strategic plan.

| Operating Expenditures by Category | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|---|----------------------|-------------------------|----------------------|--|
| Outside Services | | | | |
| 1 Audit | 18,000 | 19,414 | 16,805 | -7% |
| 2 Community Outreach - Newsletter | 25,020 | - | - | -100% |
| 3 Community Outreach - Public Outreach | 120,000 | 42,602 | 100,000 | -17% |
| 4 Human Resources Consultant | 100,000 | 131,443 | 200,000 | 100% |
| 5 Information Technology (IT) | 18,000 | 13,990 | 13,200 | -27% |
| 6 Legal - General | 180,000 | 180,000 | 180,000 | 0% |
| 7 Legal - Litigation | 50,000 | 88,129 | 24,000 | -52% |
| 8 Legal - Other | 57,000 | 72,241 | 60,000 | 5% |
| 9 Legal -Employment Matters | 100,000 | 162,150 | 12,000 | -88% |
| 10 Professional Services - Other | 30,000 | - | 80,000 | 167% a |
| 11 Wastewater Reduction and Reclamation Rebates | 200,000 | - | - | -100% |
| 12 Total Outside Services | 898,020 | 709,969 | 686,005 | -24% |

Note a: Included in the budget for Professional Services - Other is a labor negotiator for the negotiations with the AFSCME Union and a consultant for the initial stages of a strategic plan.

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 6 - FY 2014/15 Department Budgets - Summary**

Operations

The Operations Department includes Engineering, Maintenance, Repair, Pump Stations, Line Management and other Operational staff. The primary responsibilities of the Operations Department include cleaning and maintaining the gravity sewer lines, repairs of damaged sewer pipes, inspection services, large scale repairs, pump station maintenance and closed circuit televising.

Operational staff also work on capital projects which substantially extend the life of the District's assets. The labor costs and benefits that are directly associated with these capital projects are capitalized and depreciated over the estimated life of the asset. The expenditures related to these capitalizable costs are transferred from the operations budget to the capital budget and are reflected as such in the budget schedules.

| Operating Expenditures by Category | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|---|-------------------------|-------------------------|-------------------------|--|
| 1 Salaries | 2,573,696 | 2,628,704 | 2,592,779 | 1% |
| 2 Benefits & Payroll Taxes | 1,379,787 | 1,380,528 | 1,317,697 | -4% |
| 3 Total Salaries and Benefits | <u>3,953,483</u> | <u>4,009,232</u> | <u>3,910,476</u> | <u>-1%</u> |
| 4 Professional Services | 120,000 | 57,308 | 60,000 | -50% |
| 5 System Maintenance | 735,554 | 778,567 | 930,291 | 26% |
| 6 General & Administration | 133,325 | 87,327 | 188,651 | 41% |
| 7 Facilities & Utilities | 287,480 | 264,001 | 294,394 | 2% |
| 8 Total Other Expenditures | <u>1,276,359</u> | <u>1,187,203</u> | <u>1,473,336</u> | <u>15%</u> |
| 9 Total Operations- All Depts. - Expenditures by Category | <u>5,229,841</u> | <u>5,196,434</u> | <u>5,383,812</u> | <u>3%</u> |
| | Authorized | Actual | Authorized | |
| Authorized/Actual Positions | FY 13/14 | FY 13/14 | FY 14/15 | |
| 10 Chief of Operations | 1 | 1 | 1 | |
| 11 Maintenance/Inspection Superintendent | 3 | 2 | 3 | |
| 12 SCADA Technician | 1 | 0 | 1 | |
| 13 Senior Supervisor | 1 | 1 | 1 | |
| 14 Maintenance Supervisor | 7 | 7 | 7 | |
| 15 District Engineer | 1 | 1 | 1 | |
| 16 Assistant Engineer | 2 | 1 | 1 | |
| 17 Engineer Technician | 0 | 0 | 1 | |
| 18 Inspector | 1 | 1 | 1 | |
| 19 Safety Coordinator/Environmental Compliance | 1 | 1 | 1 | |
| 20 Maintenance Operator | 14 | 13 | 14 | |
| 21 Total Authorized/Actual Positions | <u>32</u> | <u>28</u> | <u>32</u> | |

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 6 - FY 2014/15 Department Budgets - Summary

Operations - Continued

| Operating Expenditures by Category | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|---|----------------------|-------------------------|----------------------|--|
| Salaries & Benefits | | | | |
| <i>Salaries/Wages</i> | | | | |
| 22 Salaries | 2,930,567 | 2,658,366 | 3,024,734 | 3% |
| 23 Overtime | 83,320 | 123,290 | 121,884 | 46% |
| 24 Standby Overtime | 61,395 | 85,038 | 94,680 | 54% |
| 25 Capitalized Labor | (501,586) | (237,991) | (648,519) | 29% |
| 26 <i>Subtotal Salaries/Wages</i> | <u>2,573,696</u> | <u>2,628,704</u> | <u>2,592,779</u> | <u>1%</u> |
| <i>Benefits & Payroll Taxes</i> | | | | |
| 27 Boot Allowance | 6,000 | 3,410 | 6,750 | 13% |
| 28 Employee Exams | 8,700 | 5,072 | 9,806 | 13% |
| 29 Employee Fitness | 5,100 | 3,138 | 3,600 | -29% |
| 30 Employee Training | 25,969 | 25,874 | 69,060 | 166% |
| 31 Insurance - Medical/Dental | 685,833 | 614,167 | 702,999 | 3% |
| 32 Insurance - Other | 42,444 | 37,689 | 16,888 | -60% |
| 33 Insurance - Workers Comp & Unemployment | 124,352 | 101,579 | 100,129 | -19% |
| 34 Payroll Taxes | 228,879 | 211,093 | 230,200 | 1% |
| 35 Recruiting/Retention | 1,800 | 1,567 | 7,200 | 300% |
| 36 Retirement - Employee | 123,908 | 114,306 | 115,319 | -7% |
| 37 Retirement - Employer | 475,362 | 447,561 | 506,412 | 7% |
| 38 Temporary Help | - | 17,806 | - | |
| 39 Capitalized Benefits | (348,560) | (202,733) | (450,666) | 29% |
| 40 <i>Subtotal Benefits & Payroll Taxes</i> | <u>1,379,787</u> | <u>1,380,528</u> | <u>1,317,697</u> | <u>-4%</u> |
| 41 Total Salaries & Benefits | <u>3,953,483</u> | <u>4,009,232</u> | <u>3,910,476</u> | <u>-1%</u> |
| Professional Services | | | | |
| 42 Outside Engineering | 120,000 | 57,308 | 60,000 | -50% |
| 43 Total Professional Services | <u>120,000</u> | <u>57,308</u> | <u>60,000</u> | <u>-50%</u> |
| System Maintenance | | | | |
| 44 Concrete, Soil & Rock | 42,000 | 53,643 | 84,000 | 100% |
| 45 Dump Fees | 6,000 | 5,667 | 18,000 | 200% |
| 46 Emergency Repairs | 180,000 | 202,390 | 180,000 | 0% |
| 47 Equipment Rental | 13,200 | 3,694 | 5,800 | -56% |
| 48 Equipment Repair | 120,000 | 101,784 | 179,900 | 50% |
| 49 Fats, Oils, & Grease (FOG) Program | 25,000 | 21,737 | 25,000 | 0% |
| 50 Permits | 11,950 | 18,935 | 21,400 | 79% |
| 51 Safety Equipment | 34,356 | 33,713 | 38,016 | 11% |
| 52 Safety Compliance | - | 3,003 | 32,940 | |
| 53 Materials & Parts | 297,100 | 200,970 | 224,820 | -24% |
| 54 Testing | 6,000 | 6,973 | 9,000 | 50% |
| 55 Tools | 51,223 | 39,747 | 132,275 | 158% |
| 56 Uniforms | 31,632 | 42,394 | 48,060 | 52% |
| 57 Vehicle - Fuel | 115,845 | 100,929 | 109,920 | -5% |
| 58 Vehicle - Repair | 94,488 | 62,610 | 120,396 | 27% |
| 59 Capitalized System Maintenance | (293,240) | (119,621) | (299,236) | 2% |
| 60 Total System Maintenance | <u>735,554</u> | <u>778,567</u> | <u>930,291</u> | <u>26%</u> |

FY 2014/15 Budget

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 6 - FY 2014/15 Department Budgets - Summary**

Operations - Continued

| Operating Expenditures by Category | FY 2013/14 Budget | FY 2013/14 Projected | FY 2014/15 Budget | % Change Budget FY 14/15 vs Budget FY 13/14 |
|--|----------------------|-------------------------|----------------------|--|
| <i>General & Administration</i> | | | | |
| 61 Membership Dues/Certifications | 6,100 | 8,030 | 22,139 | 263% |
| 62 Business Meals | 120 | 170 | 3,364 | 2703% |
| 63 Conferences | 600 | 245 | 5,030 | 738% |
| 64 Meetings | 600 | 1,215 | 1,200 | 100% |
| 65 Office Equipment | 34,150 | 23,881 | 37,267 | 9% |
| 66 Office Supplies | 1,200 | 3,008 | 6,000 | 400% |
| 67 Printing | 28,800 | 17,476 | 21,000 | -27% |
| 68 Software & Maintenance | 59,835 | 32,520 | 78,485 | 31% |
| 69 Travel - Airfare | 240 | - | 2,320 | 867% |
| 70 Travel - Auto, Ground Transportation | 1,320 | 563 | 1,826 | 38% |
| 71 Travel - Hotel | 360 | 219 | 10,020 | 2683% |
| 72 Total General & Administration | 133,325 | 87,327 | 188,651 | 41% |
| <i>Facilities & Utilities</i> | | | | |
| 73 Facilities - Garbage | 7,584 | 7,704 | 8,460 | 12% |
| 74 Facilities - Janitorial | - | - | 2,469 | |
| 75 Facilities - Rent | 40,776 | 40,776 | 41,912 | 3% |
| 76 Facilities - Landscaping | 3,000 | 5,420 | 12,205 | 307% |
| 77 Facilities - Security | 8,723 | 12,184 | 13,152 | 51% |
| 78 Utilities - Power | 183,240 | 147,393 | 152,100 | -17% |
| 79 Utilities - Telephone | 25,077 | 27,119 | 28,070 | 12% |
| 80 Utilities - Water | 19,080 | 23,405 | 36,026 | 89% |
| 81 Total Facilities & Utilities | 287,480 | 264,001 | 294,394 | 2% |
| 82 Subtotal Other Expenditures | 1,276,359 | 1,187,203 | 1,473,336 | 15% |
| 83 Total Operations - All Departments | 5,229,841 | 5,196,434 | 5,383,812 | 3% |

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 7 - FY 2014/15 Debt Service

| FY | Bonds Issued During FY 2013/14 ¹ | | | Bonds to be Issued During 2014/15 ² | | | Total Debt Service | | |
|--------------|---|-------------------|-------------------|--|-------------------|-------------------|--------------------|-------------------|--------------------|
| | Principal | Interest | Total Paid | Principal | Interest | Total Paid | Principal | Interest | Total Paid |
| 2013/2014 | - | 503,287 | 503,287 | - | - | - | - | 503,287 | 503,287 |
| 2014/2015 | 220,000 | 851,338 | 1,071,338 | - | 1,239,945 | 1,239,945 | 220,000 | 2,091,283 | 2,311,283 |
| 2015/2016 | 305,000 | 843,463 | 1,148,463 | 530,000 | 2,263,538 | 2,793,538 | 835,000 | 3,107,000 | 3,942,000 |
| 2016/2017 | 310,000 | 832,688 | 1,142,688 | 660,000 | 2,232,300 | 2,892,300 | 970,000 | 3,064,988 | 4,034,988 |
| 2017/2018 | 325,000 | 820,394 | 1,145,394 | 695,000 | 2,196,731 | 2,891,731 | 1,020,000 | 3,017,125 | 4,037,125 |
| 2018/2019 | 335,000 | 807,600 | 1,142,600 | 730,000 | 2,159,325 | 2,889,325 | 1,065,000 | 2,966,925 | 4,031,925 |
| 2019/2020 | 350,000 | 792,150 | 1,142,150 | 770,000 | 2,119,950 | 2,889,950 | 1,120,000 | 2,912,100 | 4,032,100 |
| 2020/2021 | 370,000 | 774,150 | 1,144,150 | 810,000 | 2,078,475 | 2,888,475 | 1,180,000 | 2,852,625 | 4,032,625 |
| 2021/2022 | 385,000 | 757,200 | 1,142,200 | 850,000 | 2,034,900 | 2,884,900 | 1,235,000 | 2,792,100 | 4,027,100 |
| 2022/2023 | 400,000 | 739,500 | 1,139,500 | 895,000 | 1,989,094 | 2,884,094 | 1,295,000 | 2,728,594 | 4,023,594 |
| 2023/2024 | 420,000 | 719,000 | 1,139,000 | 945,000 | 1,940,794 | 2,885,794 | 1,365,000 | 2,659,794 | 4,024,794 |
| 2024/2025 | 440,000 | 697,500 | 1,137,500 | 995,000 | 1,889,869 | 2,884,869 | 1,435,000 | 2,587,369 | 4,022,369 |
| 2025/2026 | 465,000 | 677,200 | 1,142,200 | 1,045,000 | 1,836,319 | 2,881,319 | 1,510,000 | 2,513,519 | 4,023,519 |
| 2026/2027 | 485,000 | 658,200 | 1,143,200 | 1,100,000 | 1,780,013 | 2,880,013 | 1,585,000 | 2,438,213 | 4,023,213 |
| 2027/2028 | 500,000 | 636,000 | 1,136,000 | 1,160,000 | 1,720,688 | 2,880,688 | 1,660,000 | 2,356,688 | 4,016,688 |
| 2028/2029 | 525,000 | 610,375 | 1,135,375 | 1,220,000 | 1,658,213 | 2,878,213 | 1,745,000 | 2,268,588 | 4,013,588 |
| 2029/2030 | 555,000 | 583,375 | 1,138,375 | 1,285,000 | 1,592,456 | 2,877,456 | 1,840,000 | 2,175,831 | 4,015,831 |
| 2030/2031 | 580,000 | 555,000 | 1,135,000 | 1,350,000 | 1,523,288 | 2,873,288 | 1,930,000 | 2,078,288 | 4,008,288 |
| 2031/2032 | 610,000 | 525,250 | 1,135,250 | 1,420,000 | 1,450,575 | 2,870,575 | 2,030,000 | 1,975,825 | 4,005,825 |
| 2032/2033 | 640,000 | 494,000 | 1,134,000 | 1,495,000 | 1,374,056 | 2,869,056 | 2,135,000 | 1,868,056 | 4,003,056 |
| 2033/2034 | 675,000 | 461,125 | 1,136,125 | 1,575,000 | 1,293,469 | 2,868,469 | 2,250,000 | 1,754,594 | 4,004,594 |
| 2034/2035 | 705,000 | 426,625 | 1,131,625 | 1,655,000 | 1,208,681 | 2,863,681 | 2,360,000 | 1,635,306 | 3,995,306 |
| 2035/2036 | 740,000 | 390,500 | 1,130,500 | 1,745,000 | 1,119,431 | 2,864,431 | 2,485,000 | 1,509,931 | 3,994,931 |
| 2036/2037 | 780,000 | 352,500 | 1,132,500 | 1,835,000 | 1,025,456 | 2,860,456 | 2,615,000 | 1,377,956 | 3,992,956 |
| 2037/2038 | 820,000 | 312,500 | 1,132,500 | 1,930,000 | 926,625 | 2,856,625 | 2,750,000 | 1,239,125 | 3,989,125 |
| 2038/2039 | 860,000 | 270,500 | 1,130,500 | 2,035,000 | 822,544 | 2,857,544 | 2,895,000 | 1,093,044 | 3,988,044 |
| 2039/2040 | 900,000 | 226,500 | 1,126,500 | 2,140,000 | 712,950 | 2,852,950 | 3,040,000 | 939,450 | 3,979,450 |
| 2040/2041 | 945,000 | 180,375 | 1,125,375 | 2,255,000 | 597,581 | 2,852,581 | 3,200,000 | 777,956 | 3,977,956 |
| 2041/2042 | 995,000 | 131,875 | 1,126,875 | 2,370,000 | 476,175 | 2,846,175 | 3,365,000 | 608,050 | 3,973,050 |
| 2042/2043 | 1,045,000 | 80,875 | 1,125,875 | 2,495,000 | 348,469 | 2,843,469 | 3,540,000 | 429,344 | 3,969,344 |
| 2043/2044 | 1,095,000 | 27,375 | 1,122,375 | 2,625,000 | 214,069 | 2,839,069 | 3,720,000 | 241,444 | 3,961,444 |
| 2044/2045 | - | - | - | 2,765,000 | 72,581 | 2,837,581 | 2,765,000 | 72,581 | 2,837,581 |
| Total | 17,780,000 | 16,738,418 | 34,518,418 | 43,380,000 | 43,898,558 | 84,440,976 | 61,160,000 | 60,636,975 | 121,796,975 |

1. The proceeds for the bonds were received in August 2013. The debt service for these bonds is estimated based on a the repayment schedule.

2. The proceeds for the bonds are scheduled to be received in September 2014. The debt service for these bonds is estimated based on a schedule provided by the firm which the District consulted with for the FY 2013/14 bonds.

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 8 - FY 2014/15 Staffing Plan**

| Position | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---|-----------|-----------|-----------|-----------|-----------|
| Administration | | | | | |
| General Manager | 1 | 1 | 1 | 1 | 1 |
| Business Manager | 1 | 1 | 1 | 1 | 1 |
| Accounting Manager | 1 | 1 | 1 | 1 | 1 |
| Administrative Assistant | 3 | 3 | 3 | 3 | 3 |
| Administration Total | 6 | 6 | 6 | 6 | 6 |
| Operations | | | | | |
| Line Maintenance | | | | | |
| Maintenance Superintendent | 1 | 1 | 1 | 1 | 0 |
| Senior Supervisor | 1 | 1 | 1 | 0 | 0 |
| Maintenance Supervisor | 3 | 3 | 3 | 1 | 1 |
| Maintenance Operator III/III/Trainee | 5 | 5 | 5 | 8 | 8 |
| Line Repair | | | | | |
| Maintenance Supervisor | 1 | 1 | 1 | 1 | 1 |
| Maintenance Operator | 2 | 2 | 2 | 2 | 2 |
| Inspection | | | | | |
| Inspection Superintendent | 1 | 1 | 1 | 1 | 1 |
| Inspector | 2 | 1 | 1 | 1 | 1 |
| Safety Coordinator/Environmental Compliance | 1 | 1 | 1 | 1 | 1 |
| Trenchless Repair | | | | | |
| Maintenance Supervisor | 1 | 1 | 1 | 1 | 1 |
| Maintenance Operator | 4 | 4 | 4 | 2 | 2 |
| Pump Stations | | | | | |
| Maintenance Superintendent | 1 | 1 | 1 | 0 | 0 |
| Maintenance Supervisor | 1 | 1 | 1 | 1 | 1 |
| Maintenance Operator | 1 | 1 | 1 | 2 | 2 |
| SCADA Technician | 1 | 1 | 1 | 1 | 1 |
| Line Management | | | | | |
| Chief of Operations | 1 | 1 | 1 | 1 | 1 |
| Maintenance Superintendent | 0 | 0 | 0 | 1 | 2 |
| Maintenance Supervisor | 0 | 0 | 0 | 1 | 1 |
| Closed Circuit Television (CCTV) | | | | | |
| Maintenance Supervisor | 1 | 1 | 1 | 1 | 1 |
| Maintenance Operator | 2 | 2 | 2 | 2 | 2 |
| Engineering | | | | | |
| District Engineer | 1 | 1 | 1 | 1 | 1 |
| Assistant Engineer | 1 | 2 | 2 | 2 | 1 |
| Engineering Technician | 0 | 0 | 0 | 0 | 1 |
| Operations Total | 32 | 32 | 32 | 32 | 32 |
| Total Employee Count | 38 | 38 | 38 | 38 | 38 |

Note: All Positions are Full Time

FY 2014/15 Budget

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 9 - FY 2014/15 Capital Assets Summary**

| Description | Asset Type | FY 2014/15 Budget |
|---|--|---------------------------------------|
| 1 Gravity Sewer Rehabilitation | Capital Improvement Projects - Sewer Lines/Pump Stations | 12,208,780 |
| 2 Capacity Improvements | Capital Improvement Projects - Sewer Lines | 558,000 |
| 3 Pump Station Improvements | Capital Improvement Projects - Pump Station Equipment | 2,059,000 |
| 4 Force Main Improvements | Capital Improvement Projects - Sewer Lines | 1,850,000 |
| 5 | Total Capital Improvement Projects | <u>16,675,780</u> ^a |
| 6 Lateral Replacement Grant Program | Other Capital | 400,000 |
| 7 Inflow and Infiltration Reduction Program | Other Capital | 250,000 |
| 8 Large Diameter Gravity Sewer Condition Assessment | Other Capital | 475,000 |
| 9 Hydraulic Model Update | Other Capital | 350,000 |
| 10 LLC Property Activities | Other Capital | 250,000 |
| 11 Greywater Systems & Wastewater Reduction | Other Capital | 300,000 |
| 12 Studies/Reviews/Software/Miscellaneous | Other Capital | 401,455 |
| 13 | Total Other Capital | <u>2,426,455</u> |
| 14 Vehicles - Harben (2), Passenger Trucks (3) | Fixed Assets - Vehicles & Equipment | 416,000 |
| 15 Camera Equipment | Fixed Assets - Vehicles & Equipment | 61,700 |
| 16 Other Field Equipment | Fixed Assets - Vehicles & Equipment | 53,235 |
| 17 | Total Fixed Assets - Other | <u>530,935</u> |
| 18 Debt Service | Debt Service | 2,311,283 |
| 19 | Total Budgeted Capital Assets | <u><u>21,944,453</u></u> |

a - See Schedule 10 - FY 14/15 Capital Projects, summarized by District Support, Design, Construction Management, Engineering Services during Construction and Construction

Sanitary District No. 1 of Marin County
 dba Ross Valley Sanitary District
 Schedule 10 - FY 2014/15 Capital Improvement Projects

FY 2014/15 Budget

| Project Name | Project Description | Community | Comments | District Support | Design | CM/ESDC | Construction | FY 2014/15 Total |
|---|--|---|---|------------------|------------------|------------------|-------------------|-------------------|
| 1 Pipeline Rehabilitation Projects | | | | | | | | |
| 2 Magnolia Avenue Trunk Line Rehabilitation | SEWER project. Rehabilitation/replacement of 5,514 feet of Techite and ACP trunk line and collector gravity sewers. | Larkspur | Total estimated project cost is \$4,600,000. | 45,027 | 226,002 | 226,001 | 4,000,000 | 4,497,030 |
| 3 Shady Lane Trunk Line Replacement | SEWER project. Rehabilitation/repair of approximately 240 feet of trunk line that has failed and needs repair. Engineering study on rehabilitation/replacement of the 1920s 21-inch-diameter unreinforced concrete trunk line, including an additional 1.25 miles for a total of 1.3 miles, based on the results of the Large Diameter Condition Assessment and coordination with capacity improvement projects. Design of the rehabilitation/replacement starting this fiscal year. | Ross, Kentfield | Total estimated project cost is \$3,500,000. | 9,725 | 165,275 | - | - | 175,000 |
| 4 FY 2014/15 Pipeline Rehabilitation Projects | SEWER project. Rehabilitation/replacement and capacity improvements on approximately 3.8 miles of gravity sewer pipelines in areas with the highest priority based on SMARTool results on data through February 2014, including: San Anselmo Hub, McAllister & Manor Easement, and Butterfield/Meadowcroft. Restoration of an additional approximately 1.1 miles of gravity sewer pipelines by trenchless and spot repairs. | Kentfield, San Anselmo | Total estimated project cost is \$7,831,000. | 417,468 | 610,824 | 839,348 | 4,196,760 | 6,064,400 |
| 5 FY 2015/16 Pipeline Rehabilitation Projects | SEWER project. Rehabilitation/replacement of approximately 3 miles of gravity sewer pipelines in areas with high priority based on SMARTool results on data through February 2014, including: Kent Woodlands Upper, Downtown Fairfax, Laurel Cascade, Upper Butterfield, and Butterfield/Woodside. Restoration of an additional approximately 6 miles of gravity sewer pipelines by trenchless and spot repairs. | Fairfax, Unincorp. Fairfax, Kentfield, Kent Woodlands, San Anselmo, Sleepy Hollow | Total estimated project cost is \$5,818,000. | 343,615 | 801,135 | - | - | 1,144,750 |
| 6 District Capitalized Maintenance | SEWER project. Annual maintenance restoration of gravity sewer pipeline infrastructure. | Various | Ongoing | 327,600 | - | - | - | 327,600 |
| 7 Subtotal Pipeline Rehabilitation Projects | | | | 1,143,435 | 1,803,236 | 1,065,349 | 8,196,760 | 12,208,780 |
| 8 Capacity Improvement Projects | | | | | | | | |
| 9 Nokomis Capacity Improvements | CAPACITY project. The Nokomis Capacity Improvements project is the first phase of the Sonoma Nokomis Capacity Improvements. The Nokomis project (this fiscal year) includes evaluation and design of capacity improvements to relieve hydraulic deficiencies between Sir Francis Drake Blvd at Sais Ave, and San Anselmo Ave at Grove Ln. | San Anselmo | Total estimated project cost is \$2,200,000. The Sonoma project will be evaluated following the results of the Hydraulic Model Update and coordination with a Town of San Anselmo stormwater project. | 19,255 | 178,745 | - | - | 198,000 |
| 10 Lower Butterfield Meadowcroft Capacity Improvements | CAPACITY project. Capacity improvement to relieve hydraulic deficiencies between Butterfield Rd at Carlson Ave and Sir Francis Drake Blvd at Mountain View Ave. | San Anselmo | Total estimated project cost is \$2,400,000. | 35,010 | 324,990 | - | - | 360,000 |
| 11 Subtotal Capacity Improvement Projects | | | | 54,265 | 503,735 | - | - | 558,000 |
| 12 Pump Station Projects | | | | | | | | |
| 13 Bon Air PS Rehabilitation | PUMP STATION project. Full pump station rehabilitation to improve the capacity, operation, and reliability of pump station as recommended in the IAMP. | Larkspur | Total estimated project cost is \$1,882,000. | 27,425 | 254,070 | 89,085 | 445,420 | 816,000 |
| 14 Greenbrae PS Rehabilitation | PUMP STATION project. Full pump station rehabilitation to improve the operation and reliability of pump station as recommended in the IAMP. | Larkspur | Total estimated project cost is \$3,908,000. | 56,988 | 529,012 | - | - | 586,000 |
| 15 Kentfield PS Priority Improvements | PUMP STATION project. Near term pump station improvements as recommended in the IAMP, including SCADA. | Kentfield | Total estimated project cost is \$1,124,000. | 7,294 | 19,444 | 24,712 | 123,550 | 175,000 |
| 16 SCADA Improvements | PUMP STATION project. Pump station improvements comprise SCADA plan update, regional integration evaluation, and system installation. | Larkspur | Total estimated project cost is \$445,000. | 6,513 | 243,487 | - | - | 250,000 |
| 17 Pump Station Equipment Upgrades | PUMP STATION. Annual maintenance rehabilitation/replacement of pump station mechanical and electrical components. | Larkspur | Ongoing | 232,000 | - | - | - | 232,000 |
| 18 Subtotal Pump Station Projects | | | | 330,220 | 1,046,013 | 113,797 | 568,970 | 2,059,000 |
| 19 Force Main Projects | | | | | | | | |
| 20 Corrosion Protection Systems at FM-13 Greenbrae and FM-14a Larkspur Bypass | FORCE MAIN project. Installation of corrosion protection systems on the force mains FM-13 Greenbrae and FM-14a Larkspur Bypass, comprised of anode test stations. | Larkspur | Total estimated project cost is \$300,000. | 4,376 | 33,330 | 30,000 | 232,294 | 300,000 |
| 21 FM-33 Riviera Circle Evaluation and Corrosion Protection System | FORCE MAIN project. Field evaluation study and corrosion protection system on force main FM-33 Riviera Circle, comprised of condition assessment and anode test stations. The force main transports flow from Riviera Circle under Corte Madera Creek, through the junction with FM-22 Cape Marin, and discharges to gravity at Bon Air Center to flow to PS-12 Bon Air. | Larkspur | Total estimated project cost is \$100,000. | 778 | 6,750 | 7,082 | 35,390 | 50,000 |
| 22 Force Main Air Valve Replacements | FORCE MAIN project. Replacement and renovation of fifteen (15) Air Release Valve (ARV) systems on critical force mains. Phase 1 of the project (this fiscal year) includes a total of four (4) ARVs, two (2) on the 54-inch FM-1 Ross Valley Interceptor FM, and two (2) on the 42-inch FM-2 Greenbrae Kentfield Relief FM. | Larkspur | Total estimated project cost is \$850,000. | 3,696 | 33,750 | 30,000 | 182,554 | 250,000 |
| 23 FM-13a Greenbrae-Kentfield Bypass Force Main Rehabilitation | FORCE MAIN project. Rehabilitation of approximately 1,200 feet of 36-inch-diameter Techite bypass force main located within the Bon Air Shopping Center. Starts at South Eliseo Drive and ends at Sir Francis Drake Blvd. | Larkspur | Total estimated project cost is \$1,250,000. | 18,283 | 136,860 | 182,477 | 912,380 | 1,250,000 |
| 24 Subtotal Force Main Projects | | | | 27,133 | 210,690 | 249,559 | 1,362,618 | 1,850,000 |
| 25 BUDGETED CAPITAL IMPROVEMENT PROJECTS | | | | 1,555,053 | 3,563,674 | 1,428,705 | 10,128,348 | 16,675,780 |

a - See Schedule 9 - FY 14/15 Capital Asset Summary

Appendix B
Rolling 5-Year Financial Forecast

Rolling 5-Year Financial Forecast

As part of the District's plan to gain greater financial resiliency, the completion and on-going maintenance of a 5-Year Financial Forecast is key to provide a basis for future planning. Beginning with the current budget, this forecast incorporates known factors along with reasonable estimates of future expenditures for both the Operations & Maintenance and Capital budgets. At minimum, the forecast is to be updated annually on a rolling basis. The first was presented to the Board in October 2013 and was used as the financial basis for the proposed 5-Year Sewer Service Charge Rate Schedule. The forecast presented here is the first update and includes one additional year, through FY 2019/20.

Operations & Maintenance Forecast

Key objectives supported in the 5-year forecast for Operations & Maintenance (O&M) include maintaining current cleaning schedules, evaluating tools and technologies used in collection system maintenance to determine which might provide benefits to the District in terms of performance and cost-effectiveness, continuing to reduce the number of sanitary sewer overflows and back-ups. Schedule 11 shows the 5-year forecast for O&M, reflecting these objectives and incorporating the following factors:

- The primary revenue source for the O&M Budget is the Sewer Service Charge, which is forecasted to increase approximately 5% to 7% each year through FY 2018/19.
- Payments to CMSA for wastewater treatment services remains the single largest annual expenditure. Based upon CMSA's 10-year forecast, this cost will increase by more than 10% during the next 5 years.
- The labor intensive work of O&M make salaries and benefits the second largest category of expenditures with several different factors affecting forecasted changes year to year.
 - For the purposes of this forecast, current staffing levels are assumed to remain steady for the full 5-year period.
 - Wage increases are currently driven by two factors; Cost of Living Adjustments (COLAs) and merit increases based on performance. COLAs were only included through the end of the current labor contract, which ends on June 30, 2015. Merit increases were factored in based upon the current pay rate tables.
 - Most employee benefits have shown historically moderate annual increases of 1% to 3%, with the exception being Medical Insurance, which was estimated to increase at 5% to 8% each year of this forecast.
- Other expenditures for O&M include liability insurance, facilities maintenance, materials and tools, vehicle fuel and maintenance, and miscellaneous supplies. These were estimated to include only modest inflation factors of approximately 1.5%.
- Outside Services includes Legal Services, Human Resources Management, IT Consulting, Community Outreach, and Financial Audit Services. Due to an estimated reduction in the requirement for Legal Services, this category of expense is forecasted to decline nearly 30% over the 5-year period.
- The average annual increase in total O&M expenditures is forecasted to be 1.8%, or \$1.3M over the 5-year period.

Capital Forecast

The Capital forecast's main objective is to fund a capital improvement program that can maintain an adequate replacement and restoration rate for the District's infrastructure, which is based upon asset management principles and defined in the May 2013 Cease and Desist Order issued by the San Francisco

Bay Regional Water Quality Control Board. The following factors and assumptions have been used in this forecast:

- Ad Valorem Property Tax is the primary source of revenue for the Capital Budget, and is expected to remain flat at \$5.2M over the forecast period.
- Approximately \$68M in proceeds from the sale of revenue bonds is required in order to fund the Capital Improvement Program until the District can transition to a Pay-Go system that can be funded through existing sources of revenue (rates and property taxes).
- Expenditures for Capital Improvement Projects (CIP), which are strictly projects that replace or restore the District's infrastructure, will average \$14.3M annually over the forecast period.
- The issuance of revenue bonds to fund the CIP will increase annual debt service payments from \$1.1M to \$6.1M by the end of the forecast period.
- Other Capital Spending will average \$1.2M annually over the forecast period and includes programs that support the CIP, such as condition assessments, water quality testing, hydraulic models, programs addressing private lateral.
- Fixed Assets will average \$500k annually with purchases that vary in type from heavy equipment and light vehicles to computer servers and software.
- Average annual expenditures during the forecast period are \$20M, which is approximately \$12.2M higher than the previous 5 years' average of \$7.8M.

Conclusion

Over the forecast period, through FY 2019/20, it is expected that the District will need to continue its current level of service in O&M, resulting in a modest but steady annual increase approximately \$250K. The main cost driver in this forecast is the Capital Improvement Program, which needs to be increased immediately by \$12.2M annually over the previous 5 years' average. This remains consistent with the estimates in the previous 5-Year Financial Forecast (October 2013), which indicated that increases in O&M accounted for 7% of the forecasted increase in spending, while Capital accounted for the remaining 93%.

In FY 2019/20, the District is forecasted to have a total fund balance of \$12.2M, with reserves of \$2.2M for emergencies (\$2M) and post-employment benefits (\$200K). The fund balance of \$12.2M reflects an unrestricted cash balance as of June 30, 2013. While the fund balance is nearly at the target level of \$13M, the Capital Reserve target of \$4M remains unfunded. The District will need to monitor the fund balance and reserves to ensure that progress continues to be made on achieving targets.

Sanitary District No. 1 of Marin County

dba Ross Valley Sanitary District

Schedule 11 - Rolling 5-Year Forecast

| | FY 2014/2015 | FY 2015/2016 | FY 2016/2017 | FY 2017/2018 | FY 2018/2019 | FY 2019/2020 |
|---|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| Operating | Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| Revenue | | | | | | |
| 1 Sewer Service Charges | 15,854,283 | 16,929,591 | 18,111,313 | 19,304,139 | 20,450,119 | 20,450,119 |
| 2 Other Income | 179,470 | 105,840 | 105,840 | 105,840 | 105,840 | 105,840 |
| 3 Gross Revenue | 16,033,753 | 17,035,431 | 18,217,153 | 19,409,979 | 20,555,959 | 20,555,959 |
| Expenditures | | | | | | |
| CMSA Expenditures | | | | | | |
| 4 Treatment Charges - CMSA | 4,184,764 | 4,408,109 | 4,630,133 | 4,852,158 | 4,852,158 | 4,852,158 |
| 5 Debt Service - CMSA | 2,502,700 | 2,503,602 | 2,505,222 | 2,503,427 | 2,503,286 | 2,504,940 |
| 6 Total CMSA Expenditures | 6,687,465 | 6,911,710 | 7,135,356 | 7,355,584 | 7,355,443 | 7,357,097 |
| Maintenance/Repair/Inspection Expenditures | | | | | | |
| 7 Salaries & Benefits - Operations | 3,910,476 | 4,079,113 | 4,191,716 | 4,285,193 | 4,369,740 | 4,519,301 |
| 8 Other Operational Expenditures | 1,473,336 | 1,495,436 | 1,517,867 | 1,540,636 | 1,563,745 | 1,587,201 |
| 9 Total General Operating Expenditures | 5,383,812 | 5,574,549 | 5,709,584 | 5,825,828 | 5,933,485 | 6,106,502 |
| Administrative Expenditures | | | | | | |
| 10 Salaries & Benefits - Administration | 1,171,241 | 1,223,253 | 1,236,736 | 1,243,880 | 1,249,844 | 1,269,133 |
| 11 Office Supplies & Equipment | 57,560 | 58,423 | 59,300 | 60,189 | 61,092 | 62,008 |
| 12 General Administrative Expenditures | 83,429 | 84,680 | 85,951 | 87,240 | 88,548 | 89,877 |
| 13 Facilities & Utilities - Administration | 60,618 | 61,527 | 62,450 | 63,386 | 64,337 | 65,302 |
| 14 Board Fees & Other Expenditures | 58,860 | 59,743 | 60,639 | 61,549 | 62,472 | 63,409 |
| 15 Insurance (includes Excess Liability) | 276,948 | 281,102 | 285,319 | 289,599 | 293,943 | 298,352 |
| 16 Total Administrative Expenditures | 1,708,655 | 1,768,729 | 1,790,394 | 1,805,843 | 1,820,236 | 1,848,081 |
| Outside Services | | | | | | |
| 17 Community Outreach | 100,000 | 101,500 | 103,023 | 104,568 | 106,136 | 107,728 |
| 18 Human Resources Consultant | 200,000 | 200,000 | 200,000 | 160,000 | 120,000 | 120,000 |
| 19 Professional Services - Accounting/IT/Other | 110,005 | 30,519 | 32,432 | 32,919 | 33,412 | 83,914 |
| 20 Professional Services - Legal | 276,000 | 234,600 | 199,410 | 179,469 | 161,522 | 153,446 |
| 21 Total Outside Services | 686,005 | 566,619 | 534,865 | 476,955 | 421,071 | 465,088 |
| 22 Total Operating Expenditures | 14,465,937 | 14,821,607 | 15,170,198 | 15,464,211 | 15,530,236 | 15,776,769 |
| 23 Operating Net Results | 1,567,816 | 2,213,824 | 3,046,955 | 3,945,768 | 5,025,724 | 4,779,191 |
| Capital | | | | | | |
| Revenue | | | | | | |
| 24 Property Tax - Ad Valorem | 5,236,400 | 5,236,400 | 5,236,400 | 5,236,400 | 5,236,400 | 5,236,400 |
| 25 Connection Fees | 301,500 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| 26 Proceeds from Revenue Bonds | 40,000,000 | - | - | 28,000,000 | - | - |
| 27 Total Capital Revenue | 45,537,900 | 5,361,400 | 5,361,400 | 33,361,400 | 5,361,400 | 5,361,400 |
| Debt Service | | | | | | |
| 28 Interest Expense | 2,091,283 | 3,107,001 | 3,064,988 | 3,885,125 | 4,551,402 | 4,474,710 |
| 29 Principal Payments on Debt | 220,000 | 835,000 | 970,000 | 1,020,000 | 1,436,000 | 1,582,000 |
| 30 Total Debt Service | 2,311,283 | 3,942,001 | 4,034,988 | 4,905,125 | 5,987,402 | 6,056,710 |
| Capital Expenditures | | | | | | |
| 31 Capital Improvement Projects | 16,675,780 | 14,403,850 | 13,031,500 | 13,905,500 | 13,298,000 | 12,847,000 |
| 32 Other Capital Spending | 2,426,453 | 1,003,440 | 850,000 | 850,000 | 850,000 | 1,150,000 |
| 33 Fixed Assets Purchased | 530,935 | 483,000 | 483,000 | 483,000 | 483,000 | 483,000 |
| 34 Total Capital Expenditures | 19,633,168 | 15,890,290 | 14,364,500 | 15,238,500 | 14,631,000 | 14,480,000 |
| 35 Total Debt Service & Capital Expenditures | 21,944,451 | 19,832,291 | 18,399,488 | 20,143,625 | 20,618,402 | 20,536,710 |
| 36 Capital Net Results | 23,593,449 | (14,470,891) | (13,038,088) | 13,217,775 | (15,257,002) | (15,175,310) |
| 37 Operating & Capital Net Results | 25,161,265 | (12,257,067) | (9,991,133) | 17,163,543 | (10,231,278) | (10,396,119) |
| Additional Cash Effects - Inflow (Outlay) | | | | | | |
| 38 Direct Billing - Billed in Oct Collected in Dec. | - | - | - | - | - | - |
| 39 Cash Balance Begin | 13,516,139 | 38,677,404 | 26,420,337 | 16,429,205 | 33,592,748 | 23,361,470 |
| 40 Cash Requirements | 25,161,265 | (12,257,067) | (9,991,133) | 17,163,543 | (10,231,278) | (10,396,119) |
| 41 Cash Balance End | 38,677,404 | 26,420,337 | 16,429,205 | 33,592,748 | 23,361,470 | 12,965,351 |
| 42 Restricted Funds | 25,924,071 | 11,520,221 | - | 14,094,500 | 796,500 | - |
| 43 Unrestricted Funds | 12,753,333 | 14,900,116 | 16,429,205 | 19,498,248 | 22,564,970 | 12,965,351 |
| 44 Ending Cash Balance | 38,677,404 | 26,420,337 | 16,429,205 | 33,592,748 | 23,361,470 | 12,965,351 |

FY 2014/15 Budget

**Sanitary District No. 1 of Marin County
dba Ross Valley Sanitary District
Schedule 12 - FY 2014/15 Rolling 5-Year Reserves and Fund Balances**

| Description | FY 2014/15 Budget | FY 2015/16 Forecast | FY 2016/17 Forecast | FY 2017/18 Forecast | FY 2018/19 Forecast | FY 2019/20 Forecast |
|---|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Operations & Maintenance Fund Balance (O&M) | | | | | | |
| 1 Beginning Balance - O&M | 7,757,843 | 7,766,915 | 8,058,000 | 8,224,000 | 8,385,000 | 8,453,000 |
| 2 Funding Surplus/(Deficit) - O&M | 1,567,816 | 2,213,824 | 3,046,955 | 3,945,768 | 5,025,724 | 4,779,191 |
| 3 Transfers In/(Out) - From/(To) Capital | (538,744) | (1,902,739) | (2,860,955) | (3,764,768) | (4,937,724) | (4,656,191) |
| 4 Transfers In/(Out) - From/(To) Emergency | (1,000,000) | - | - | - | - | - |
| 5 Transfers In/(Out) - From/(To) OPEB | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) | (20,000) |
| 6 Ending Balance - O&M Fund | 7,766,915 | 8,058,000 | 8,224,000 | 8,385,000 | 8,453,000 | 8,556,000 |
| Capital Improvement and Replacement Fund Balance | | | | | | |
| 7 Beginning Balance - Capital Fund | 2,230,856 | 2,866,415 | 4,702,114 | 6,045,203 | 8,933,246 | 11,347,425 |
| 8 Funding Surplus/(Deficit) - Capital Fund (less: Restricted Funds) | 96,815 | (67,041) | (1,517,866) | (876,725) | (1,959,002) | (14,378,810) |
| 9 Transfers In/(Out) - From/(To) Operations | 538,744 | 1,902,739 | 2,860,955 | 3,764,768 | 4,937,724 | 4,656,191 |
| 10 Transfers In/(Out) - From/(To) Capital Reserve | - | - | - | - | (564,542.63) | 564,543 |
| 11 Transfers In/(Out) - From/(To) Emergency | - | - | - | - | - | - |
| 12 Ending Balance - Capital Improvement Fund | 2,866,415 | 4,702,114 | 6,045,203 | 8,933,246 | 11,347,425 | 2,189,348 |
| Capital Improvement and Replacement Bond Funds | | | | | | |
| 13 Beginning Balance - Bond Funds (Restricted) | 2,427,439 | 25,924,071 | 11,520,221 | - | 14,094,500 | 796,500 |
| 14 Capital Projects - Funding Uses | (16,675,780) | (14,403,850) | (13,031,500) | (13,905,500) | (13,298,000) | (12,847,000) |
| 15 Bond Proceeds - Revenue Bond | 40,000,000 | - | - | 28,000,000 | - | - |
| 16 Transfer to/from Capital Fund - Restricted Funds Adjustment | 172,412 | - | 1,511,279 | - | - | 12,050,500 |
| 17 Ending Balance - Bond Funds (Restricted) | 25,924,071 | 11,520,221 | - | 14,094,500 | 796,500 | - |
| Capital Improvement and Replacement Reserve | | | | | | |
| 18 Beginning Balance - Capital Reserve | - | - | - | - | - | 564,543 |
| 19 Funding Surplus/(Deficit) - Capital Reserve | - | - | - | - | - | - |
| 20 Transfers In/(Out) - From/(To) Capital Fund | - | - | - | - | 564,543 | (564,543) |
| 21 Transfers In/(Out) - From/(To) Emergency | - | - | - | - | - | - |
| 22 Ending Balance - Capital Improvement Reserve | - | - | - | - | 564,543 | - |
| Emergency Reserve | | | | | | |
| 23 Beginning Balance - Emergency | 1,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| 24 Transfers In/(Out) - From/(To) Operations | 1,000,000 | - | - | - | - | - |
| 25 Transfers In/(Out) - From/(To) Capital | - | - | - | - | - | - |
| 25 Ending Balance - Emergency Reserve | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Other Post Employment Benefit (OPEB) Reserve | | | | | | |
| 26 Beginning Balance - OPEB | 100,000 | 120,000 | 140,000 | 160,000 | 180,000 | 200,000 |
| 27 Transfers In/(Out) - From/(To) Operations | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 28 Transfers In/(Out) - From/(To) Capital | - | - | - | - | - | - |
| 29 Ending Balance - OPEB Reserve | 120,000 | 140,000 | 160,000 | 180,000 | 200,000 | 220,000 |
| Begin Cash Balance | | | | | | |
| 30 | 13,516,139 | 38,677,402 | 26,420,335 | 16,429,203 | 33,592,746 | 23,361,468 |
| 31 Net Change in Reserve and Fund Balances | 25,161,263 | (12,257,067) | (9,991,133) | 17,163,543 | (10,231,278) | (10,396,119) |
| 32 Ending Cash Balance | 38,677,402 | 26,420,335 | 16,429,203 | 33,592,746 | 23,361,468 | 12,965,348 |
| Bond Funds - Fully Restricted for Capital Projects | | | | | | |
| 33 | 25,924,071 | 11,520,221 | - | 14,094,500 | 796,500 | - |
| 34 Unrestricted Funds | 12,753,330 | 14,900,114 | 16,429,203 | 19,498,246 | 22,564,968 | 12,965,348 |
| 35 Ending Cash Balance | 38,677,402 | 26,420,335 | 16,429,203 | 33,592,746 | 23,361,468 | 12,965,348 |