

A G E N D A

**SAN RAFAEL SANITATION DISTRICT
BOARD OF DIRECTORS
FRIDAY – SEPTEMBER 22, 2017 - 9:00 A.M.
SAN RAFAEL CITY HALL
1400 FIFTH AVENUE – CONFERENCE ROOM 201
SAN RAFAEL, CALIFORNIA 94901**

Members of the public may speak on Agenda items.

1. OPEN PERIOD

Opportunity for the public to address the Board on items not on the agenda.
(Presentations are generally limited to 2 minutes.)

2. MINUTES OF THE MEETING

Request approval as submitted – August 29, 2017.

3. PAYMENTS

Request approval as submitted.

4. OLD BUSINESS

a. Discussion on updating the CMSA Joint Exercise of Powers Agreement.

5. NEW BUSINESS

a. Presentation of the 2016-17 Financial Statements for acceptance and approval. (John Maher)

b. Presentation of the 2016-17 Schedule of Connection Fees for acceptance and approval. (John Maher)

c. Review Budget Status Report for the period 7-1-16 through 6-30-17.

6. INFORMATIONAL ITEMS

7. DIRECTOR REPORTS/REQUESTS FOR FUTURE AGENDA ITEMS

8. CLOSED SESSION

a. Conference with Legal Counsel

Significant Exposure to Litigation Pursuant to Paragraph (2) of
Section 54956.9(d) of the Government Code

9. ADJOURNMENT

The next scheduled meeting is October 27, 2017.

**SAN RAFAEL SANITATION DISTRICT
Minutes of the Meeting
August 29, 2017**

Special Meeting

Public Works Department
Conference Room 201
111 Morphew Street
San Rafael, CA 94901

The meeting was called to order at 9:10 A.M. by Chairman Phillips.

Attendance Board: Gary O. Phillips, Chairman
Maribeth Bushey, Secretary/Director
Katie Rice, Director

Attendance Staff: Doris Toy, District Manager/District Engineer
Karen Chew, Senior Civil Engineer

1. OPEN PERIOD - No persons were present to address the Board.

2. MINUTES OF APRIL 28, 2017.

MOTION by Director Bushey, seconded by Chairman Phillips, to approve the minutes of the April 28, 2017, meeting as presented.

AYES: Director Bushey, Chairman Phillips

NOES: None

ABSTAIN: Director Rice

ABSENT: Alternate Director Connolly

Motion Carried

MINUTES OF MAY 26, 2017 (REGULAR MEETING) AND MAY 26, 2017 (SPECIAL MEETING).

MOTION by Director Bushey, seconded by Director Rice, to approve the minutes of the May 26, 2017 (Regular Meeting) and the May 26, 2017 (Special Meeting) as presented.

AYES: Director Bushey, Director Rice

NOES: None

ABSTAIN: Chairman Phillips

Motion Carried

MINUTES OF JULY 28, 2017.

MOTION by Director Rice, seconded by Chairman Phillips, to approve the minutes of the July 28, 2017, meeting as presented.

AYES: Director Rice, Chairman Phillips

NOES: None

ABSTAIN: Director Bushey

Motion Carried

3. PAYMENTS

None were submitted because the July 2017 payments were previously submitted at the July 28, 2017, Board meeting, and the August 2017 payments will be submitted at the September 22, 2017, Board meeting.

4. OLD BUSINESS

a. Discussion on updating the CMSA Joint Exercise of Powers Agreement.

District Manager Toy gave a brief summary on this matter and reported that an Ad-Hoc Committee had been formed from a representative from each of the CMSA JPA member agencies. Director Bushey is SRSD's representative. On May 9, 2017, the Ad-Hoc Committee had its kick-off meeting and developed a procedure for updating the Agreement. The Committee decided to break the Agreement into five group topics of discussion. The first group-topic meeting was held on July 27, 2017. Director Bushey then reviewed the Committee's recommended changes to the JPA, and the Board had no additional comments.

5. NEW BUSINESS

None.

6. INFORMATIONAL ITEMS.

a. CMSA's NPDES permit.

District Manager Toy reported that she and the other JPA Managers (including CMSA Manager Dow) had met with the San Francisco Bay Regional Water Quality Control Board on August 11, 2017, regarding CMSA's NPDES permit. She reported that CMSA's 5-year permit had expired this year, and a new permit is currently being drafted. She then reported that staff will present the draft permit to the Board when it becomes public in September, and the District will have an opportunity to comment during the 30-day public comment period.

7. DIRECTOR REPORTS/REQUESTS FOR FUTURE AGENDA ITEMS.

None.

8. CLOSED SESSION

- a. Conference with Legal Counsel**
California Government Code Section 54956.9(d)(2)
Number of Potential Cases: One (1)

Chairman Phillips recused himself and left the meeting.

Closed Session – Opened at 9:20 A.M.
Closed Session – Ended at 9:42 A.M.

Acting Chairman Rice reported that there was no reportable action.

9. ADJOURNMENT

There being no further business to come before the Board, the meeting of August 29, 2017, was adjourned at 9:43 A.M. The next meeting of the San Rafael Sanitation District was scheduled for Friday, September 22, 2017, at 9:00 A.M. at San Rafael City Hall.

Respectfully submitted,

Maribeth Bushey, Recording Secretary

ATTEST THIS 22nd DAY OF SEPTEMBER 2017

Gary O. Phillips, Chairman

**SAN RAFAEL SANITATION DISTRICT
PAYMENT SUMMARY**


August 1, 2017 - August 31, 2017

Vendor/Payee	Memo	Class	Acct #	Account Name	Amount
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 7/19/17	200	2021	Uniforms	\$ 134.83
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 7/26/17	200	2021	Uniforms	\$ 138.53
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 8/02/17	200	2021	Uniforms	\$ 138.53
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 8/09/17	200	2021	Uniforms	\$ 138.53
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 8/16/17	200	2021	Uniforms	\$ 135.71
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 8/23/17	200	2021	Uniforms	\$ 176.70
AT&T *4667	Telephone Service - pump station dialers to CMSA from 6/20/17-7/19/17	100	2534	Telephone service	\$ 239.54
AT&T *8362	Telephone Service - land lines for pump stations and dialers from 7/01/16-7/01/17	100	2534	Telephone service	\$ 4,207.11
AT&T *8362	Telephone Service - land lines for pump stations and dialers from 7/02/17-8/01/17	100	2534	Telephone service	\$ 229.68
AT&T MOBILE	Telephone Service - cell phones service from 6/04/17-7/03/17	100	2534	Telephone service	\$ 670.30
AT&T MOBILE	Telephone Service - cell phones service from 7/04/17-8/03/17	100	2534	Telephone service	\$ 668.30
BAY AREA AIR QUALITY MANAGEMENT DIS	Pump Stations - permit fee for Riviera PS	200	2359	Maint- pump sta's & force mains	\$ 442.00
BAY AREA AIR QUALITY MANAGEMENT DIS	Pump Stations - permit fee for Loch Lomond PS	200	2359	Maint- pump sta's & force mains	\$ 619.00
BAY AREA AIR QUALITY MANAGEMENT DIS	Pump Stations - permit fee for Glenwood PS	200	2359	Maint- pump sta's & force mains	\$ 442.00
BAY AREA BARRICADE SERVICE	Safety Equipment - miscellaneous safety equipment	200	2365	Safety equipment and supplies	\$ 911.09
BRELJE AND RACE LABORATORIES, INC	Collection System - baseline water samples collected 6/27/17	200	2360	O&M - collection systems	\$ 264.60
BRELJE AND RACE LABORATORIES, INC	Collection System - baseline water samples collected 6/27/17	200	2360	O&M - collection systems	\$ 300.00
BRELJE AND RACE LABORATORIES, INC	Collection System - baseline water samples collected 7/31/17	200	2360	O&M - collection systems	\$ 564.60
BWS DISTRIBUTORS	Safety Equipment - calibration gas for gas detectors	200	2365	Safety equipment and supplies	\$ 250.98
CALIFORNIA CAD SOLUTIONS INC	Consulting Services - sewer billing review, analysis, and automation final payment	100	2325	Consulting services	\$ 13,000.00
CAL-STEAM CO INC	Pump Stations - force main air release valve parts	200	2359	Maint- pump sta's & force mains	\$ 221.84
CENTRAL MARIN SANITATION AGENCY	Connection Fees - 1114 Irwin Street	200	2210	Connection fees payable cmsa	\$ 1,465.80
CENTRAL MARIN SANITATION AGENCY	Connection Fees - 105 Loch Lomond Drive	200	2210	Connection fees payable cmsa	\$ 3,298.05
CENTRAL MARIN SANITATION AGENCY	Connection Fees - 75 Loch Lomond Drive	200	2210	Connection fees payable cmsa	\$ 33,713.40
CENTRAL MARIN SANITATION AGENCY	Fog Program - personnel services from April-June 2017	100	4300	FOG Program	\$ 3,951.92
CITY OF SAN RAFAEL	Vehicle - repair unit 8194	200	2083	Parts and repairs vehicles	\$ 371.93
CITY OF SAN RAFAEL	Vehicle - repair unit 8154	200	2083	Parts and repairs vehicles	\$ 231.32
CITY OF SAN RAFAEL	Vehicle - repair unit 8191	200	2083	Parts and repairs vehicles	\$ 42.29
CITY OF SAN RAFAEL	Vehicle - fuel - 4/01/17-7/01/17	200	2083	Parts and repairs vehicles	\$ 4,901.37
CITY OF SAN RAFAEL	Vehicle - repair unit 8200	200	2083	Parts and repairs vehicles	\$ 74.88
CITY OF SAN RAFAEL	Vehicle - repair unit 8191	200	2083	Parts and repairs vehicles	\$ 207.81
CITY OF SAN RAFAEL	Vehicle - repair unit 8191	200	2083	Parts and repairs vehicles	\$ 18.80
CITY OF SAN RAFAEL	Vehicle - repair unit 8180	200	2083	Parts and repairs vehicles	\$ 21.10
CITY OF SAN RAFAEL	Contract with San Rafael - 1st quarter FY 17-18 reimbursement	100	2361	Contract with San Rafael	\$ 740,049.50
COUNTY OF MARIN	Director's Fees - Katie Rice on 7/28/17	100	2282	Director's fees	\$ 100.00
CWEA-TCP	Memberships and Dues - CWEA membership renewal, Matthew Smith	100	2388	Training and education	\$ 90.00
CWEA-TCP	Memberships and Dues - CWEA membership renewal, Douglas W St. Cyr	100	2388	Training and education	\$ 180.00
DIESEL EMISSIONS SERVICE	Vehicle - replacement part for pump truck, vehicle #8149	200	2083	Parts and repairs vehicles	\$ 2,416.15
FASTENAL	Safety Equipment - slings for lifting equipment	200	2365	Safety equipment and supplies	\$ 298.88

FASTENAL	Collection System - measuring wheel	200	2360	O&M - collection systems	\$ 128.64
FASTENAL	Collection System - electric saw and case	200	2360	O&M - collection systems	\$ 150.21
FASTENAL	Collection System - part for vector truck	200	2360	O&M - collection systems	\$ 15.61
FASTENAL	Collection System - nut driver	200	2360	O&M - collection systems	\$ 168.13
FRANK OLSEN CO	Pump Stations - air release valves for force mains	200	2359	Maint- pump sta's & force mains	\$ 3,150.30
GENE FORD COMPANY, INC.	Pump Stations - air release valves	200	2359	Maint- pump sta's & force mains	\$ 1,079.10
GENE FORD COMPANY, INC.	Pump Stations - air release valve	200	2359	Maint- pump sta's & force mains	\$ 1,253.50
HERNANDEZ, CYNTHIA	Collection System - petty cash reimbursement for new ignition key for vector truck	200	2360	O&M - collection systems	\$ 11.45
HERNANDEZ, CYNTHIA	Connection Fees - petty cash reimb. for refund of overpayment of sewer connection fee by Andy's Local Market	100	4100	Connection fees	\$ 50.00
MAHER ACCOUNTANCY	Accounting Services - August	100	2717	Accounting services	\$ 3,600.00
MARIN COUNTY TAX COLLECTOR	County Counsel - 4th Qtr Apr/May/June FY 2016/17	100	2713	Legal services	\$ 5,060.00
MICHAEL PAUL COMPANY INC.	Collection System - new manhole at 329 G Street	200	2360	O&M - collection systems	\$ 9,300.00
NORLAB, INC.	Collection System - tracing dye	200	2360	O&M - collection systems	\$ 237.00
NUTE ENGINEERING	Pipe Bursting - damage repair services from 6/01/17-6/30/17	300	4328	Pipe Burst Sewer Rehab'16 (80)	\$ 26.50
NUTE ENGINEERING	Sewer Pipe Repair & Replacement 2017 - services from 6/01/17-6/30/17	300	4328	2017 Sewer Pipe Repair and (80)	\$ 9,395.30
NUTE ENGINEERING	La Crescenta - services from 6/01/17-6/30/17	300	4330	La Crescenta, Loma Linda (80)	\$ 4,121.50
PERIN - BATTERIES PLUS	Collection System - locator batteries	200	2360	O&M - collection systems	\$ 10.86
PERIN - BATTERIES PLUS	Safety Equipment and Supplies - flashlight batteries	200	2365	Safety equipment and supplies	\$ 117.07
PERIN - BATTERIES PLUS	Collection System - CCTV battery	200	2360	O&M - collection systems	\$ 29.36
PG&E a/c 2480926202-5	Power - service for pump stations 6/09/17-7/10/17	200	2535	Electric utility costs	\$ 11,929.10
PHILLIPS, GARY	Director's Fees - Gary O. Phillips on 7/29/17	100	2282	Director's fees	\$ 100.00
R & B COMPANY	Pump Stations - Kerner A PS pump 1 discharge pipe	200	2359	Maint- pump sta's & force mains	\$ 521.72
RANGER PIPELINES, INC	Sun Valley Sewer Replacement Project - Phase 2 Progress Payment No.6	300	4324	SunValley-Ca,Solano, Alpine(80)	\$ 168,621.67
SHAMROCK	Collection System - crushed rock for backfill for sewer repair at 2157 Fifth Ave.	200	2360	O&M - collection systems	\$ 39.15
SHAPE INC	Pump Stations - pump parts	200	2359	Maint- pump sta's & force mains	\$ 66.78
STAPLES INC	Office supplies - headphones and other miscellaneous office supplies	100	2133	Office & shop supplies	\$ 294.24
SUNHILL ENTERPRISES, LP	Claims and Deductibles - reimbursement for water damage at 1447 Fourth Street due to sewer backup	100	2051	Claims and deductibles	\$ 3,497.10
TELSTAR INSTRUMENTS INC	Pump Stations - programming new VFD at West Railroad PS and replaced relay at Biscayne PS	200	2359	Maint- pump sta's & force mains	\$ 1,293.72
TELSTAR INSTRUMENTS INC	Pump Stations - troubleshooting at West Railroad, Riviera, and Peacock Pump Stations	200	2359	Maint- pump sta's & force mains	\$ 695.00
TELSTAR INSTRUMENTS INC	Pump Stations - replaced circuit board for diesel fuel tank at West Railroad PS	200	2359	Maint- pump sta's & force mains	\$ 1,697.95
THOMAS AND ASSOCIATES	Pump Stations - new controllers for Fiberglass Pump Station	200	2359	Maint- pump sta's & force mains	\$ 2,482.76
TIFCO INDUSTRIES	Collection System - push button air coupler	200	2360	O&M - collection systems	\$ 180.81
TIFCO INDUSTRIES	Pump Stations - anti-seize compound	200	2359	Maint- pump sta's & force mains	\$ 106.07
TIFCO INDUSTRIES	Pump Stations - miscellaneous parts	200	2359	Maint- pump sta's & force mains	\$ 155.78
TRANSBAY SECURITY SERVICE	Pump Stations - keys for pump stations	200	2359	Maint- pump sta's & force mains	\$ 24.53
UNDERGROUND SERVICE ALERT	Memberships - annual membership dues for 2017	100	2131	Memberships and subscriptions	\$ 155.60
US BANK CORPORATE PAYMENT	Pump Stations - electrical instruments	200	2359	Maint- pump sta's & force mains	\$ 240.60
US BANK CORPORATE PAYMENT	Pump Stations - case for electrical test meter	200	2359	Maint- pump sta's & force mains	\$ 38.14
US BANK CORPORATE PAYMENT	Pump Stations - parts for door at South Francisco PS	200	2359	Maint- pump sta's & force mains	\$ 49.65
US BANK CORPORATE PAYMENT	Pump Stations - parts and tools	200	2359	Maint- pump sta's & force mains	\$ 118.77
US BANK CORPORATE PAYMENT	Pump Stations - tool storage holders for truck #8149	200	2359	Maint- pump sta's & force mains	\$ 58.83
US BANK CORPORATE PAYMENT	Pump Stations - replacement sonde	200	2359	Maint- pump sta's & force mains	\$ 264.95

US BANK CORPORATE PAYMENT	Membership - Amazon Prime	100	2131	Memberships and subscriptions	\$ 11.98
US BANK CORPORATE PAYMENT	Telephone Service - YP advertising	100	2534	Telephone service	\$ 1,387.68
US BANK CORPORATE PAYMENT	Miscellaneous Expenses - meeting with Cal-CAD on sewer service charge automation	100	2389	Miscellaneous expenses	\$ 61.34
US BANK CORPORATE PAYMENT	Collection System - carrying case for metal detector	200	2360	O&M - collection systems	\$ 128.43
US BANK CORPORATE PAYMENT	Collection System - carrying case for rotary hammer	200	2360	O&M - collection systems	\$ 191.11
US BANK CORPORATE PAYMENT	Safety Equipment - rubber hip boots (2 pairs)	200	2365	Safety equipment and supplies	\$ 167.86
US BANK CORPORATE PAYMENT	Safety Equipment - shipping fee to return safety video to CSRMA	200	2365	Safety equipment and supplies	\$ 9.08
VAVRINEK, TRINE, DAY & CO	Consulting Services - July auditing services for FY 16-17	100	2325	Consulting services	\$ 6,000.00
VERIZON WIRELESS	Telephone Service - wireless service for laptops 6/21/17-7/20/17	100	2534	Telephone service	\$ 266.09
WATER COMPONENTS & BLDG SUPPLY	Collection System - cutting wheel	200	2360	O&M - collection systems	\$ 37.06
WATER COMPONENTS & BLDG SUPPLY	Collection System - visqueen for sewer repair at 33 Redding Way	200	2360	O&M - collection systems	\$ 27.21
WATER COMPONENTS & BLDG SUPPLY	Collection System - plug for sewer repair at 33 Redding Way	200	2360	O&M - collection systems	\$ 31.28
WATER COMPONENTS & BLDG SUPPLY	Collection System - crushed rock for backfill for sewer repair at 33 Redding Way	200	2360	O&M - collection systems	\$ 23.42
WATER COMPONENTS & BLDG SUPPLY	Collection System - parts for sewer repair at 26 Arguello Circle	200	2360	O&M - collection systems	\$ 477.79
WATER COMPONENTS & BLDG SUPPLY	Collection System - rock for backfill of sewer repair at 37 Los Robles Drive	200	2360	O&M - collection systems	\$ 15.62
WATER COMPONENTS & BLDG SUPPLY	Collection System - parts for sewer repair at 37 Los Robles Drive	200	2360	O&M - collection systems	\$ 990.93
WATER COMPONENTS & BLDG SUPPLY	Collection System - rock for backfill of sewer repair at 37 Los Robles Drive	200	2360	O&M - collection systems	\$ 62.47
WATER COMPONENTS & BLDG SUPPLY	Collection System - pipe for sewer repair at 37 Los Robles Drive	200	2360	O&M - collection systems	\$ 67.95
WECO INDUSTRIES LLC	Collection System - vactor tools and parts	200	2360	O&M - collection systems	\$ 438.54
WECO INDUSTRIES LLC	Collection System - vactor tools and parts	200	2360	O&M - collection systems	\$ 3,212.35
					\$ 1,059,472.71

SAN RAFAEL SANITATION DISTRICT
Agenda Item No. 4.a.

DATE: September 22, 2017
TO: Board of Directors, San Rafael Sanitation District
FROM: Doris Toy, District Manager/District Engineer 
SUBJECT: **Discussion on Updating the CMSA Joint Exercise of Powers Agreement**

SUMMARY:

The CMSA Joint Exercise of Powers Agreement, which came into effect in October 1979, is currently being reviewed and revised to reflect the current and future delivery of wastewater services in Central Marin. The SRSD Board assigned Director Bushey to serve on an Ad-Hoc Committee, which is comprised of a representative from each JPA member agency; it was formed to review and update the Agreement.

The Ad-Hoc Committee developed the following procedure for updating the Agreement. The Agreement was separated into five group topics to review, discuss, and make recommended changes to one group topic at each of the monthly Committee meetings. The recommended changes will then be presented to each of the JPA member agencies for their review and comment and taken back to the Committee for its consideration. After all five group topics are completed, an updated JPA Agreement will be presented to each of the member agencies for consideration and approval.

At the August 29, 2017, Board meeting, the Board reviewed the Group 1 comments from the Ad-Hoc Committee and had no additional comments.

On August 31st, the Committee reviewed comments (if any) from the JPA member agencies regarding the first group topic and reviewed the second group topic, which consisted of the following sections: Purpose, Term, Bonds, Operating Fund, and Miscellaneous. The Committee’s recommended changes are presented in Attachment 1 with redlines and strikeouts to the original Agreement and in Attachment 2 as a “clean” version for the Board to review and comment.

Please note that the RVSD Board met on Wednesday, September 20th, and had comments on the second group topic, which will be submitted to the Ad-Hoc Committee for its review at the next meeting on September 28th. See Attachment 3.

The Board's comments will be presented to the Committee at its next meeting.

ACTION REQUIRED:

Staff requests that the SRSD Board review and provide comments regarding the Ad-Hoc Committee's recommended changes to the Agreement, which will be reported back to the Committee, and to provide direction to staff if required.

- Attachments:
1. JPA Review Memo #2 – Group Revisions (Redline/Strikeout)
 2. JPA Review Memo #2 – Group Revisions (clean version)
 3. RVSD Comments on JPA Review Memo #2

ATTACHMENT 1

CENTRAL MARIN SANITATION AGENCY

JPA Review Memo #2 – Group 2 Revisions (Redline/Strikeout)

August 31, 2017 – **Committee Reviewed**

Revision Concepts/Rationale:

- Revised and modernized purpose statement
- Specific JPA term removed – remains in effect until terminated
- Bond section broadened to include other borrowing
- Operating Fund section revised to align with CMSA Revenue Mgmt financial policy

Group 1 Revision - Definitions

15. "EQUIVALENT DWELLING UNIT (EDU)" means one unit as measured or estimated by the amount of wastewater generated by a single-family residence or equivalent, relating to the flow and strength of the wastewater as determined by the Member.

Section 3. Purpose

The purpose of ~~this Agreement is to create an~~CMSA is to plan, acquire, construct, maintain and operate facilities, ~~—~~ for the collection, treatment, reclamation and disposal of sewage wastewater and other wastewater for the benefit of lands and inhabitants within the collective boundaries of the Members, and to capture and utilize the renewable resources derived from the wastewater treatment process, including but not limited to biogas, recycled water, and biosolids

~~Member by signature to this Agreement authorizes the Agency to design, construct, operate and maintain the project known as CM-5 as described in Eastern Marin/Southern Sonoma Wastewater Facilities Plan Addendum, July 1979.~~

Section 4. Term and Effect

This Agreement shall become effective when ~~all of the eligible the~~ Members ~~shall~~ have executed this Agreement and shall continue in force and effect until terminated by an Agreement pursuant to Section 22 ~~or until January 1, 2036, whichever is earlier.~~ However this Agreement may be ~~renewed, modified or terminated~~ amended by mutual agreement by the Members pursuant to Section 20. ~~The existing 1960 Agreement between Sanitary District No. 1 and Sanitary District No. 2 and the existing Agreement between Sanitary District No. 1 and the City of Larkspur are hereby rescinded, such rescission to take effect at the time that the Regional Treatment Plant is fully operative, provided, however, that paragraph 3(c) of the Agreement between Sanitary District No. 1 and the City of Larkspur shall remain in effect.~~

Section 13. Bonds and Other Borrowing

A. The Agency shall have power and authority to issue and sell revenue bonds and other forms of indebtedness, borrow money, and enter into contracts related to the foregoing in accordance with any one or more or portion of the following:~~in accordance with the following:~~

(a) Article 2, Chapter 5, Division 7, Title 1 of the Government Code, commencing with Section 6540.

(b) Chapter 6, Division 2, Title 5 of the Government Code, commencing with Section 54300; and

(c) Chapter 5, Part 3, Division 5 of the Health and Safety Code, commencing with Section 4950.

(d) Articles 10 and 11, Chapter 3, Part 1, Division 2, Title 2 of the Government Code, commencing with Section 53570;

~~(d)~~e Such other relevant provisions of law as may now or hereafter be applicable.

B. For purposes of referendum and vote on an Agency-wide basis, the boundaries of the Agency shall be the consolidated boundaries of its Members. Under applicable law, the Agency may form improvement districts in which event the boundaries thereof shall be determinative with respect to referendum and voting. Bond elections shall be conducted pursuant to the Uniform District Election Law and applicable provisions of the Elections Code.

C. The Agency shall have and exercise all powers conferred on "local agencies" by the provisions of the law with respect to such revenue bonds, other forms of indebtedness or borrowing money.

D. Revenues required to provide moneys interest and redemption of other bond funds in connection with revenue bonds for payment of revenue bonds, other forms of indebtedness, or borrowing money shall be derived from sewer Capacity Charges, the Agency's Regional Charge to the members, and other legally available revenues of the Agency as may be specified in the documents related to such revenue bonds, other forms of indebtedness, or borrowing money. issued by the Agency shall be derived from sewer connection and service charges levied throughout the benefiting service area and shall be based on dwelling unit or equivalent as hereinabove defined and determined.
The amount of such charges shall be determined by the Agency.

E. In connection with the Agency issuing revenue bonds, other forms of indebtedness or borrowing money for new capital projects or other significant expenditures, the Agency

and all the Members will enter into a payment agreement or supplement an existing payment agreement that provides for an increase in the Agency's Regional Charge to the Members to comply with the requirements of such revenue bonds, indebtedness or borrowing.

Section 14. Operating Fund

* A. An operating fund shall be ~~established and~~ maintained ~~which shall be used~~ to pay all administrative and incidental expenses incurred by the Agency, ~~together with all~~ costs of maintenance and operation arising from the operation of ~~Joint the Agency's~~ Facilities, ~~and all capital replacement and rehabilitation costs of the Agency's facilities.~~ ~~By resolution, the operating fund may be utilized prior to completion of joint sewerage facilities to allow the necessary administrative, financial and management information systems to be in place and functioning upon the operation of said facilities.~~ Revenues for the operating fund shall be derived from Regional Charges periodically charged to each Member by the Agency, which Regional Charges the Members hereby agree to pay.

The periodic Regional Charge for each Member ~~will be determined by the Agency and shall may~~ be based upon ~~Member's equivalent dwelling unit count, wastewater flow, or wastewater flow and strength~~ the relative volume and quality of wastewater generated by each Member. ~~Volume-Flow~~ will be determined ~~based upon continuous measurement during a specified period by the Agency based upon continuous measuring to measure total volume generated during the period.~~ Quality-Strength will be determined by periodic ~~monitoring measurement of the wastewater influent's Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD), and considered in determining Member Charges if deemed appropriate by the Commission.~~ ~~At the option of the Commission, contributions from Members may be based on dwelling units.~~

If the CMSA Board selects the wastewater flow or wastewater flow and strength allocation methodology, CMSA will utilize current best practices to ensure the flow data is accurate.

B. Each Member, in turn, shall be responsible for deriving the revenue necessary to pay its Regional Charges to the Agency.

~~C. Each single family dwelling shall be assigned one dwelling unit. All other structures, or portions thereof used for purposes other than as single family dwellings, shall be assigned a number of such units, as determined by the Agency based upon:~~

~~(1) water meter readings and/or use of water from nonmetered sources;~~

~~(2) visual inspection to determine the relative extent to which water may be used for purposes which do not produce discharge into wastewater facilities;~~

~~(4) other methodologies established and agreed upon by the members.~~

~~(4) the peaking and ebbing cycle of the wastewater flows; and~~

~~(5) any requirements imposed by the Federal and State governments or agencies thereof.~~

~~The Commission shall establish the formula for computation for determination of what constitutes a dwelling unit.~~

* ~~(deletion)~~

* D. ~~Sewer connection and service~~Capacity charges may be collected either by a Member or the Agency ~~by contract with the Member.~~

* ~~E. The Commission may periodically direct the Members to reassess the number of dwelling units.~~

Section 23. Miscellaneous

The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the sections referred to.

This Agreement is made in the State of California and under its Constitution and laws, and it is to be so construed.

To preserve a reasonable degree of flexibility, many parts of this Agreement are stated in general terms. It is understood that the CMSA Board of Commissioners may from time to time adopt and implement ~~rules and regulations ordinances, policies, and procedures~~ to further define the rights and obligations of the Members and of the Agency to carry out the purposes of this Agreement.

ATTACHMENT 2

CENTRAL MARIN SANITATION AGENCY

JPA Review Memo #2 – Group 2 Revisions

August 31, 2017 – **Committee Reviewed**

Group 1 Revision - Definitions

15. "EQUIVALENT DWELLING UNIT (EDU)" means one unit as measured or estimated by the amount of wastewater generated by a single-family residence or equivalent, relating to the flow and strength of the wastewater as determined by the Member.

Section 3. Purpose

The purpose of CMSA is to plan, acquire, construct, maintain and operate facilities, for the collection, treatment, reclamation, and disposal of wastewater, and to capture and utilize the renewable resources derived from the wastewater treatment process, including but not limited to biogas, recycled water, and biosolids.

Section 4. Term and Effect

This Agreement shall become effective when the Members have executed this Agreement, and shall continue in force and effect until terminated by an Agreement pursuant to Section 22. However this Agreement may be amended by the Members pursuant to Section 20.

Section 13. Bonds and Other Borrowing

- A. The Agency shall have power and authority to issue and sell revenue bonds and other forms of indebtedness, borrow money and enter into contracts related to the foregoing in accordance with any one or more or portion of the following:
- (a) Articles 2 and 4, Chapter 5, Division 7, Title 1 of the Government Code, commencing with Section 6540;
 - (b) Chapter 6, Division 2, Title 5 of the Government Code, commencing with Section 54300;
 - (c) Chapter 5, Part 3, Division 5 of the Health and Safety Code, commencing with Section 4950;
 - (d) Articles 10 and 11, Chapter 3, Part 1, Division 2, Title 2 of the Government Code, commencing with Section 53570;
 - (e) Such other relevant provisions of law as may now or hereafter be applicable.

- B. For purposes of referendum and vote on an Agency-wide basis, the boundaries of the Agency shall be the consolidated boundaries of its Members. Under applicable law, the Agency may form improvement districts in which event the boundaries thereof shall be determinative with respect to referendum and voting. Bond elections shall be conducted pursuant to the Uniform District Election Law and applicable provisions of the Elections Code.
- C. The Agency shall have and exercise all powers conferred on "local agencies" by the provisions of the law with respect to such revenue bonds, other forms of indebtedness or borrowing money.
- D. Revenues required to provide moneys for payment of revenue bonds issued by the Agency, other forms of indebtedness or borrowing money shall be derived from sewer Capacity Charges, the Agency's Regional Charge to the Members and other legally available revenues of the Agency as may be specified in the documents related to such revenue bonds, other forms of indebtedness or borrowing money. The amount of such charges shall be determined by the Agency.
- E. In connection with the Agency issuing revenue bonds, other forms of indebtedness or borrowing money for new capital projects or other significant expenditures, the Agency and all the Members will enter into a payment agreement or supplement an existing payment agreement that provides for an increase in the Agency's Regional Charge to the Members to comply with the requirements of such revenue bonds, indebtedness or borrowing.

Section 14. Operating Fund

- A. An operating fund shall be maintained to pay all administrative and incidental expenses incurred by the Agency, costs of maintenance and operation arising from the operation of the Agency's Facilities, and all capital replacement and rehabilitation costs of the Agency's facilities. Revenues for the operating fund shall be derived from Regional Charges periodically charged to each Member by the Agency, which Regional Charges the Members hereby agree to pay.

The periodic Regional Charge for each Member will be determined by the Agency, and shall be based upon a Member's equivalent dwelling unit count, wastewater flow, or wastewater flow and strength. Flow will be determined based upon continuous measurement during a specified period by the Agency. Strength will be determined by periodic measurement of the wastewater influent's Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD).

If the CMSA Board selects the wastewater flow or wastewater flow and strength allocation methodology, CMSA will utilize current best practices to ensure the flow data is accurate.

- B. Each Member, in turn, shall be responsible for deriving the revenue necessary to pay its Regional Charges to the Agency.
- C. Capacity charges may be collected either by a Member or the Agency.

Section 23. Miscellaneous

The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the sections referred to.

This Agreement is made in the State of California and under its Constitution and laws, and it is to be so construed.

To preserve a reasonable degree of flexibility, many parts of this Agreement are stated in general terms. It is understood that the CMSA Board of Commissioners may from time to time adopt and implement ordinances, policies, and procedures to further define the rights and obligations of the Members and of the Agency to carry out the purposes of this Agreement.

ATTACHMENT 3

CMSA JPA Agreement Update- Group 2 Topics Clean Version of Ad Hoc Committee Edits, With Additional Edits from Subsequent RVSD Staff/Board Review (in red line)

Group 1 Revision - Definitions

15. "EQUIVALENT DWELLING UNIT (EDU)" means one unit of wastewater utility service demand. An EDU represents the average wastewater flow and strength -as measured or estimated by the amount of wastewater- generated by a single-family residence. The Members shall use a common definition and methodology to determine EDU counts within their service areas. The methodology may consider the following factors; indoor winter season water use for single family residential parcels, periodic flow and strength testing of residential wastewater, and Uniform Plumbing Code based fixture unit counts, or equivalent, relating to the flow and strength of the wastewater as determined by the Member.

Section 3. Purpose

The purpose of CMSA is to plan, acquire, construct, maintain and operate facilities, for the collection, treatment, reclamation, and disposal of wastewater, and to capture and utilize the renewable resources derived from the wastewater treatment process, including but not limited to biogas, recycled water, and biosolids.

Section 4. Term and Effect

This Agreement shall become effective when the Members have executed this Agreement, and shall continue in force and effect until terminated by an Agreement pursuant to Section 22. However this Agreement may be amended by the Members pursuant to Section 20.

Section 13. Bonds and Other Borrowing

- A. The Agency shall have power and authority to issue and sell revenue bonds and other forms of indebtedness, borrow money and enter into contracts related to the foregoing in accordance with any one or more or portion of the following:
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 - (d) Articles 10 and 11, Chapter 3, Part 1, Division 2, Title 2 of the Government Code, commencing with Section 53570;
 - (e) Such other relevant provisions of law as may now or hereafter be applicable.
- B. For purposes of referendum and vote on an Agency-wide basis, the boundaries of the Agency shall be the consolidated boundaries of its Members. Under applicable law, the Agency may form improvement districts in which event the boundaries thereof shall be determinative with respect to referendum and voting. Bond elections shall be conducted pursuant to the Uniform District Election Law and applicable provisions of the Elections Code.
 - C. The Agency shall have and exercise all powers conferred on "local agencies" by the provisions of the law with respect to such revenue bonds, other forms of indebtedness or borrowing money.
 - D. Revenues required to provide moneys for payment of revenue bonds issued by the Agency, other forms of indebtedness or borrowing money shall be derived from sewer Capacity Charges, the Agency's Regional Charge to the Members and other legally available revenues of the Agency as may be specified in the documents related to such revenue bonds, other forms of indebtedness or borrowing money. The amount of such charges shall be determined by the Agency.
 - E. In connection with the Agency issuing revenue bonds, other forms of indebtedness or borrowing money for new capital projects or other significant expenditures, the Agency and all the Members will enter into a payment agreement or supplement an existing payment agreement that provides for an increase in the Agency's Regional Charge to the Members to comply with the requirements of such revenue bonds, indebtedness or borrowing.

Section 14. Operating Fund

- A. An operating fund shall be maintained to pay ~~all~~ administrative and incidental expenses incurred by the Agency, costs of maintenance and operation arising from the operation of the Agency's Facilities, and ~~all~~ capital replacement and rehabilitation costs of the Agency's facilities not paid for using borrowing under the terms of Section 14. Revenues for the operating fund shall be derived from Regional Charges periodically charged to each Member by the Agency, which Regional Charges the Members hereby agree to pay.

The periodic Regional Charge for each Member will be determined by the Agency, and shall be based upon ~~a~~ any combination Member's equivalent dwelling unit count,

wastewater flow, or wastewater flow and strength. Flow will be determined based upon continuous measurement during a specified period by the Agency. Strength will be determined by periodic measurement of the wastewater influent's Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD).

~~If the CMSA Board selects the wastewater flow or wastewater flow and strength allocation methodology,~~ CMSA will utilize current best practices to ensure the flow and strength data is accurate.

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- B. Each Member, in turn, shall be responsible for deriving the revenue necessary to pay its Regional Charges to the Agency.
- C. Capacity charges may be collected either by a Member or the Agency.

Section 23. Miscellaneous

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This Agreement is made in the State of California and under its Constitution and laws, and it is to be so construed.

To preserve a reasonable degree of flexibility, many parts of this Agreement are stated in general terms. It is understood that the CMSA Board of Commissioners may from time to time adopt and implement ordinances, policies, and procedures to further define the rights and obligations of the Members and of the Agency to carry out the purposes of this Agreement.

5.a.

**San Rafael Sanitation District
A Component Unit of the City of San Rafael**

**Annual Financial Report
Fiscal Years Ended
June 30, 2017 and 2016**

**With
Independent Auditors' Report**

**SAN RAFAEL SANITATION DISTRICT
YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board
of the San Rafael Sanitation District
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Rafael Sanitation District (the District), a component unit of the City of San Rafael, as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Rafael Sanitation District as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2017, on our consideration of the District's internal control over financial reporting on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
September 21, 2017

SAN RAFAEL SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal years ended June 30, 2017 and 2016. Please read it along with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The District's total net position as of June 30, 2017, was approximately \$67,884,000 which is an increase of approximately \$6,500,000 over the prior year's balance. Net position is comprised of approximately \$48,392,000 of net investment in capital assets and approximately \$19,491,000 of unrestricted net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements which include two components: (1) basic financial statements and (2) notes to the basic financial statements.

The District is a single purpose entity that reports as an enterprise fund under governmental accounting standards. The financial statements are designed to provide readers with a broad overview of the District's finances, similar to a private-sector business.

The Statements of Net Position present information on all of the District's assets and liabilities, with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All changes in net position are recognized as of the date of the underlying event that gives rise to the change, regardless of the timing of the related cash flows.

The Statements of Cash Flows present information about the District's cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities. These statements show the sources and uses of cash, as well as the change in the cash balances during the fiscal years.

SAN RAFAEL SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

The following table is a summary of the District's assets, liabilities, and net position.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 24,639,912	\$ 24,100,692	\$ 23,022,326
Noncurrent assets	48,392,318	43,425,057	39,191,829
Total assets	<u>73,032,230</u>	<u>67,525,749</u>	<u>62,214,155</u>
Current liabilities	1,341,625	1,944,508	2,113,156
Noncurrent liabilities	3,807,005	4,197,790	3,993,160
Total liabilities	<u>5,148,630</u>	<u>6,142,298</u>	<u>6,106,316</u>
Net position			
Net investment in capital assets	48,392,318	43,425,057	39,191,829
Unrestricted	19,491,282	17,958,394	16,916,010
Total net position	<u>\$ 67,883,600</u>	<u>\$ 61,383,451</u>	<u>\$ 56,107,839</u>

As indicated in the table above, current assets increased each year from 2015 to 2017. This was primarily because SRSD was accumulating resources for planned capital projects. The increase in noncurrent assets was the result of capital improvement projects undertaken each year, partly offset by annual depreciation amount. Expenditures for capital improvement projects often do not coincide with revenue for annual fiscal periods since they are subject to lengthy planning periods, weather considerations and long construction periods. Current liabilities consist primarily of trade payables and a liability to the City of San Rafael for pension and other post-employment benefits. The majority of the trade payables relate to accounts payable on capital projects.

At June 30, 2017, unrestricted net position was approximately \$19.49 million, an increase of 1.532 million over the prior year. Although there are no legal restrictions on this balance, a substantial portion of these funds are held to finance the District's ongoing capital improvement programs. Details of capital improvements are described in *Capital Assets and Debt Administration*.

SAN RAFAEL SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

Results of operations are summarized as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 16,014,016	\$ 15,414,530	\$ 14,629,758
Nonoperating revenues	1,662,082	1,446,171	1,393,054
Total revenues	<u>17,676,098</u>	<u>16,860,701</u>	<u>16,022,812</u>
Operating expenses	<u>11,255,194</u>	<u>11,654,767</u>	<u>11,375,239</u>
Income before connection fees received and special item	6,420,904	5,205,934	4,647,573
Connection fees received	79,245	69,678	133,692
Special item - contract services	-	-	(4,462,815)
Changes in net position	<u>6,500,149</u>	<u>5,275,612</u>	<u>318,450</u>
Net position at beginning of the year	61,383,451	56,107,839	55,789,389
Net position at end of the year	<u>\$ 67,883,600</u>	<u>\$ 61,383,451</u>	<u>\$ 56,107,839</u>

The fourth of five annual sewer service rate increases was implemented in fiscal year 2016-17. Operating expenses decreased from 2016 to 2017. Included in operating expenses are waste treatment costs incurred as a member of the Central Marin Sanitation Agency. These sewage treatment operating costs include a proportionate share of revenue bonds issued by the Central Marin Sanitation Agency (CMSA).

The financial statements for the year ended June 30, 2015 included the initial recognition of the obligation to the City of San Rafael related to its unfunded obligation for post-retirement benefits for employees serving the District which was presented as a "Special Item" in the statements of revenue, expense and changes in net position. Annual changes to this obligation are recorded in operating expenses for the years ended June 30, 2016 and 2017. For fiscal year 2016, the change in unfunded obligation resulted in an increase in operating expense of approximately \$396,000. For fiscal year 2017, the change in unfunded obligation resulted in a decrease to operating expenses of approximately \$331,000.

**SAN RAFAEL SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets, net of accumulated depreciation, were as follows:

	2017	2016	2015
Land & easements	\$ 115,329	\$ 115,329	\$ 115,329
Construction in progress	272,032	3,204,067	591,304
Subsurface lines	23,882,502	17,551,743	15,300,773
Sewage collection facilities	23,566,223	21,867,794	22,397,512
General plant & admin facilities	556,232	686,124	786,911
Net investment in capital assets	<u>\$ 48,392,318</u>	<u>\$ 43,425,057</u>	<u>\$ 39,191,829</u>

In addition to operations and maintenance (O&M) programs, the District also maintains ongoing capital improvement programs. These programs largely influence how the District budgets and sets its rates.

In June 2015, the Board of Directors designated amounts to be provided as reserves for capital improvement projects and adopted a policy requiring transfers, commencing in 2015-16, to separate reserve accounts to provide funding required to pay for planned capital improvement projects. Transfers are based on average annual expenditures projected for the subsequent ten years.

The first program, known as the *80-Year Life-Cycle Program*, is maintained to provide for systematic replacement of all of the District's gravity sewer lines over a rolling, 80-year cycle. Management plans to replace an average of 1.6 miles of sewer lines per year at an estimated cost of \$4.90 million per year. Approximately \$5.37 million was expended on these projects during the year ended June 30, 2017, leaving a reserve balance of \$7.06 million for this program.

The District also has a *Pump Station and Force Main Capital Improvement Program* to make capital improvements related to its pump stations and force mains. Planned annual expenditures are funded on a pay-as-you-go basis and annual costs are estimated to range between \$1.20 million and \$2.40 million per year. Approximately \$1.14 million was expended on these projects during the year ended June 30, 2017, leaving a reserve balance of \$1.70 million for this program.

The District maintains a program to provide for replacement of vehicles and other equipment, setting aside a portion of the expected replacement cost of each significant equipment item. Approximately \$3,000 was expended on equipment during the year ended June 30, 2017, leaving a reserve balance of \$1.69 million for this program.

SAN RAFAEL SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

THE FUTURE OF THE DISTRICT

The District is insulated from general economic conditions, such as increases or declines in property tax values, or other types of revenues that vary with economic conditions, such as sales taxes. Most of the District's revenues are from user fees that are based on rates set by the District at levels sufficient to provide for planned costs of operation, maintenance, debt service and capital improvements. Sewer charges are annual fees charged to all premises connected to the system. In June 2013, the District adopted a new rate schedule with schedule increases for 2013-14 through 2017-18.

Personnel costs, including retirement and health benefits, capital improvement, and operations and maintenance costs are projected to increase. In addition, the cost of sewage treatment will rise significantly due to the rising costs of operation of Central Marin Sanitation District (CMSA) along with an increase in the allocation percentage of CMSA operating costs allocated to the District. The new user rate schedules are expected to be adequate to operate and maintain our system.

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 111 Morphew Street, San Rafael, CA 94901.

Basic Financial Statements

SAN RAFAEL SANITATION DISTRICT
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 24,536,913	\$ 24,011,268
Accounts receivable	18,609	19,294
Prepaid expenses	54,842	54,382
Due from related parties	29,548	15,748
Total current assets	24,639,912	24,100,692
Noncurrent assets		
Nondepreciable assets	387,361	3,319,396
Collection systems and facilities, net	48,004,957	40,105,661
Total noncurrent assets	48,392,318	43,425,057
Total assets	73,032,230	67,525,749
LIABILITIES		
Current liabilities		
Accounts payable	588,674	1,216,053
Payable to related parties	32,120	67,238
Obligation to the City of San Rafael	720,831	661,217
Total current liabilities	1,341,625	1,944,508
Noncurrent liabilities:		
Obligation to the City of San Rafael	3,807,005	4,197,790
Total liabilities	5,148,630	6,142,298
NET POSITION		
Net investment in capital assets	48,392,318	43,425,057
Unrestricted	19,491,282	17,958,394
Total net position	\$ 67,883,600	\$ 61,383,451

SAN RAFAEL SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Sewer charges	\$ 16,014,016	\$ 15,414,530
OPERATING EXPENSES		
Sewage collection	3,250,465	4,029,163
Sewage treatment	6,155,154	5,934,022
Depreciation and amortization	1,549,499	1,425,741
General and administration	300,076	265,841
Total operating expenses	11,255,194	11,654,767
Operating income	4,758,822	3,759,763
NONOPERATING REVENUES		
Property taxes	1,528,047	1,367,172
Aid from governmental agencies	36,945	32,774
Interest income	97,090	46,225
Total nonoperating revenues	1,662,082	1,446,171
Income before connection fees received	6,420,904	5,205,934
Connection fees received	79,245	69,678
CHANGES IN NET POSITION	6,500,149	5,275,612
Net position at beginning of the year	61,383,451	56,107,839
Net position at end of the year	\$ 67,883,600	\$ 61,383,451

SAN RAFAEL SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from sewer charges	\$ 15,985,153	\$ 15,400,488
Payments to City of San Rafael for contract personnel	(2,230,632)	(2,274,797)
Payments to joint venture for sewage treatment	(6,155,154)	(5,934,022)
Payments to vendors and suppliers	(1,053,932)	(1,513,651)
Payments to City of San Rafael regarding post-employment benefits for contract personnel	(661,217)	(469,655)
Net cash provided by operating activities	5,884,218	5,208,363
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from property taxes	1,528,047	1,367,172
Receipts of aid from governmental agencies	36,945	32,774
Net cash provided by non-capital financing activities	1,564,992	1,399,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Connection fees collected	79,245	69,678
Payments for capital acquisitions	(7,099,900)	(5,509,954)
Net cash used for capital and related financing activities	(7,020,655)	(5,440,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from Marin County pooled cash and investments account	97,090	46,225
Net change in cash and cash equivalents	525,645	1,214,258
Cash and cash equivalents at beginning of year	24,011,268	22,797,010
Cash and cash equivalents at end of year	\$ 24,536,913	\$ 24,011,268

SAN RAFAEL SANITATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2017</u>	<u>2016</u>
Operating income	\$ 4,758,822	\$ 3,759,763
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	1,549,499	1,425,741
(Increase) decrease in accounts receivable and other current assets	(13,575)	135,892
Increase (decrease) in accounts payable and other current liabilities	(79,357)	(509,225)
Increase (decrease) in Obligation to the City of San Rafael	(331,171)	396,192
Net cash provided from operating activities	<u>\$ 5,884,218</u>	<u>\$ 5,208,363</u>

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

1. NATURE OF THE ORGANIZATION

San Rafael Sanitation District is a *Sanitation District* in the County of Marin formed in 1947 under Section 4700 of the California Health & Safety Code. It serves the southern two-thirds of the City of San Rafael and adjacent unincorporated areas. The District provides wastewater transmission over its entire service area and performs collection system maintenance in the unincorporated areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a component unit, may serve as the nucleus for its financial reporting entity when the component unit provides separately issued financial statements. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization. The San Rafael Sanitation District is a component unit of the City of San Rafael. The District is governed by a three member Board of Directors serving four-year terms. The City Council of the City of San Rafael appoints two out of the three board members and has the ability to remove the two board members at will. The third member is a representative of the County of Marin.

INTRODUCTION

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The District's operations are accounted for as an enterprise fund, and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned and expenses are recognized at the time liabilities are incurred.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District distinguishes between operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. These revenues are primarily charges to customers for services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the District has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments maturing within 90 days.

COLLECTION SYSTEMS AND FACILITIES

Collection systems and facilities purchased or constructed are stated at cost. Assets contributed have been recorded at the fair market value at the date received. Interest is capitalized for assets constructed when applicable. The costs of normal repairs and maintenance that do not add to the value of an asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Applicable capital assets must be capitalized for amounts \$1,000 or above and may be capitalized for amounts from \$500 to \$1,000 if determined to be sensitive. Depreciation is provided by the straight-line method over the estimated useful lives of capital assets as follows:

Subsurface lines	50-80 years
Sewer collection facilities	5-50 years
General plant & administrative facilities	3-15 years

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

JOINT VENTURES

The District participates in a joint-powers agreement with the Central Marin Sanitation Agency, a regional sewage treatment facility, as further explained in Note 6.

SEWER CHARGES

Sewer charges are billed and collected on behalf of the District by the County of Marin as a special assessment on annual property tax billings. Property taxes are levied on January 1 and are due in two equal installments on November 1 and February 1. In accordance with the Teeter Plan, the County remits to the District all charges which are assessed and the County retains responsibility for collecting past due amounts.

The Teeter Plan provides that the County advance the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent secured property tax receivables and actual proceeds collected.

PROPERTY TAXES

The County of Marin levies taxes and places liens on real property as of January 1 on behalf of the District. Property taxes are due the following November 1 and February 1 and become delinquent December 10 and April 10, for the first and second installments, respectively. Unsecured property taxes are levied throughout the year.

CONNECTION FEES

Connection fees represent a one-time contribution of resources to the District imposed on contractors and developers for the purpose of financing capital improvements. Connection fees are recognized after non-operating revenues (expenses) in the statement of revenues, expenses and changes in net position. The District utilizes connection fees received on a first-in-first-out basis to finance current year capital projects. Accordingly, if there is a balance of connection fees available at year-end, it is classified as restricted net position.

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAFF SALARIES AND BENEFITS AND WORKERS' COMPENSATION

The District has no regular full-time employees. The City of San Rafael provides staff to the District under contract and provides all benefits including workers' compensation insurance.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements.

3. CASH AND CASH EQUIVALENTS

The District maintains all of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities. Interest earned on the investment pool is allocated quarterly to the participating funds using the daily cash balance of each fund. This pool, which is available for use by all funds, is displayed in the financial statements as "Cash and cash equivalents."

The County Pool includes both voluntary and involuntary participation from external entities. The District is a voluntary participant. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The District has approved by resolution, the investment policy of the County of Marin which complies with the California Government Code.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. The pool has a credit rating of "AAA/VI." Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust.

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

3. CASH AND CASH EQUIVALENTS (continued)

The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

FAIR VALUE MEASUREMENT

The District categorized its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, The District held no individual investments. All funds are invested in the Marin County Investment Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of \$1 and not fair value. Accordingly, the Districts' proportionate share of investments in the County Pool at June 30, 2017 and 2016 of \$24,537,000 and \$2,401,000, respectively, were considered unclassified input not defined as a Level 1, Level 2, or Level 3 input.

The Marin County Investment Pool invests substantially all its funds in U.S. government obligations and registered money market funds rated 'AAAmmf' by Fitch Ratings or equivalent.

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

3. CASH AND CASH EQUIVALENTS (continued)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater is its price sensitivity to changes in interest rates. The District has not adopted a policy to manage interest rate risk.

In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment pool to 540 days, or 1.5 years. At June 30, 2017 and 2016, the County's investment pool had a weighted average maturity of 231 and 204 days, respectively.

For purposes of computing weighted average maturity, the maturity date of variable rate notes is the length of time until the next reset date rather than the stated maturity date.

CREDIT RISK

State law and the County's Investment Policy limits investments in commercial paper, corporate bonds, and medium term notes to the rating of "A" or higher as provided by Moody's Investors Service or Standard & Poor's Corporation. The County's Investment Policy limits investments purchased by Financial Institution Investment Accounts, a type of mutual fund, to United States Treasury and Agency obligations with a credit quality rating of "AAA/V1."

**SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

3. CASH AND CASH EQUIVALENTS (continued)

CONCENTRATION OF CREDIT RISK

This is the risk of loss attributed to the concentration of the District's investment in a single issuer.

The following is a summary of the concentration of credit risk by investment type of the Marin County Investment Pool as a percentage of fair value at June 30, 2017:

Investments in Investment Pool	Percent of Portfolio	
	2017	2016
Federal agency - discount	70%	78%
Federal agency - coupons	28%	20%
Money market funds	2%	2%
	100%	100%

CUSTODIAL CREDIT RISK

For investments and deposits held with safekeeping agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the County's investment pool had no securities exposed to custodial credit risk.

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

4. COLLECTION SYSTEMS AND FACILITIES

A summary of the District's collection systems and facilities for the years ended June 30, 2017 and 2016 respectively, follows:

	Balance at June 30, 2016	Additions	Transfers & Adjustments	Balance at June 30, 2017
Nondepreciable capital assets:				
Land and easements	\$ 115,329	\$ -	\$ -	\$ 115,329
Construction in progress	3,204,067	6,393,082	(9,325,117)	272,032
Total nondepreciable	<u>\$ 3,319,396</u>	<u>\$ 6,393,082</u>	<u>\$ (9,325,117)</u>	<u>\$ 387,361</u>
Depreciable capital assets:				
Subsurface lines	\$ 28,364,238	\$ 70,932	\$ 6,745,103	\$ 35,180,273
Sewage collection facilities	39,499,143	49,533	2,580,013	42,128,689
General plant and administration	1,649,897	3,213	-	1,653,110
Total depreciable	<u>69,513,278</u>	<u>123,678</u>	<u>9,325,116</u>	<u>78,962,072</u>
Less: accumulated depreciation:				
Subsurface lines	10,812,495	485,276	-	11,297,771
Sewage collection facilities	17,631,349	931,117	-	18,562,466
General plant and administration	963,773	133,105	-	1,096,878
Total accumulated depreciation	<u>29,407,617</u>	<u>1,549,498</u>	<u>-</u>	<u>30,957,115</u>
Total collection systems & & facilities-net	<u>\$ 40,105,661</u>	<u>\$ (1,425,820)</u>	<u>\$ 9,325,116</u>	<u>\$ 48,004,957</u>

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

4. COLLECTION SYSTEMS AND FACILITIES (continued)

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Transfers & Adjustments</u>	<u>Balance at June 30, 2016</u>
Nondepreciable capital assets:				
Land and easements	\$ 115,329	\$ -	\$ -	\$ 115,329
Construction in progress	591,304	5,220,500	(2,607,737)	3,204,067
Total nondepreciable	<u>\$ 706,633</u>	<u>\$ 5,220,500</u>	<u>\$ (2,607,737)</u>	<u>\$ 3,319,396</u>
Depreciable capital assets:				
Subsurface lines	\$ 25,660,029	\$ 91,704	\$ 2,612,505	\$ 28,364,238
Sewage collection facilities	39,191,304	312,607	(4,768)	39,499,143
General plant and administration	1,615,739	34,158	-	1,649,897
Total depreciable	<u>66,467,072</u>	<u>438,469</u>	<u>2,607,737</u>	<u>69,513,278</u>
Less: accumulated depreciation:				
Subsurface lines	10,359,256	453,239	-	10,812,495
Sewage collection facilities	16,793,792	837,557	-	17,631,349
General plant and administration	828,828	134,945	-	963,773
Total accumulated depreciation	<u>27,981,876</u>	<u>1,425,741</u>	<u>-</u>	<u>29,407,617</u>
Total collection systems & & facilities-net	<u>\$ 38,485,196</u>	<u>\$ (987,272)</u>	<u>\$ 2,607,737</u>	<u>\$ 40,105,661</u>

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

5. OBLIGATION TO CITY OF SAN RAFAEL

The District's staff is provided by the City of San Rafael under a contractual arrangement originated in 1987 that requires the District to pay all related employee costs incurred by the City on its behalf. Quarterly payments are made by the District to the City and include amounts sufficient to cover the City's currently required contributions to employee benefit plans, including a portion for past service costs. During fiscal year 2014-15, the parties agreed that SRSD was also responsible for unfunded obligations related to past service. These financial statements include an estimate of the District's obligation to reimburse the City for future funding for benefits incurred through June 30, 2017. As agreed to by the parties, this obligation will be funded over approximately fifteen years and will correspond to the City's required payments to fund its pension and post-employment health benefits.

The following table represents the District's portion of the unfunded obligations:

Balance at June 30, 2016	\$ 4,859,007
Actuarial adjustment	324,279
Payments	<u>(655,450)</u>
Balance at June 30, 2017	4,527,836
Less current portion	<u>(720,831)</u>
Balance due after one year	<u><u>\$ 3,807,005</u></u>

6. JOINT VENTURES

In October 1979, the District entered into a joint powers agreement with three neighboring sanitation agencies in central Marin County forming the Central Marin Sanitation Agency (CMSA). CMSA serves as a regional wastewater treatment plant for its four member agencies and San Quentin Prison (SQ) and is governed by a six-member Board of Commissioners, two appointed by the Board of Directors of the San Rafael Sanitation District (SRSD), two appointed by the governing board of Sanitary District No. 1 (SD 1), one appointed by the governing board of Sanitary District No. 2 (SD 2), and one appointed by the City Council of the City of Larkspur (Larkspur).

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

6. JOINT VENTURES (continued)

Total project costs for the joint venture were funded from federal (75%) and state (12.5%) clean water grants and from local shares (12.5% total) allocated among the member agencies and SQ based upon the weighted average of the strength and volume of sewage flows per member at inception of the project. Final individual local shares of total project costs were approximately \$7.6 million for SRSD, \$6.3 million for SD 1, \$1.6 million for SD 2, \$1 million for Larkspur, and \$1.4 million for SQ. CMSA derives its annual funding for its operations and capital programs almost exclusively from service charges to its member agencies. The joint powers agreement does not provide an explicit measurable right as required to establish an equity interest for any of the joint venture participants, and in addition to, stipulates that all excess capital funds, if any, and all excess administration, operations and maintenance funds from whatever source, if any, are the property of CMSA.

The financial statements of the Agency are available at the CMSA office. Condensed financial information for the Agency is presented below for June 30, 2016 and 2015, the most recent information available.

	<u>2016</u>	<u>2015</u>
Total assets	\$ 106,391,299	\$ 109,050,874
Deferred outflows of resources	2,092,186	936,613
Total liabilities	(60,370,523)	(62,387,928)
Deferred inflows of resources	(2,487,504)	(2,254,404)
Net position	<u>\$ 45,625,458</u>	<u>\$ 45,345,155</u>
Total revenues	\$ 16,952,527	\$ 17,873,113
Total expenses	(16,834,929)	(16,220,247)
Total contributions and adjustments	162,705	415,845
Prior period adjustment - GASB 68	-	(7,278,030)
Change in net position	<u>\$ 280,303</u>	<u>\$ (5,209,319)</u>

7. COMMITMENTS

As of June 30, 2017, SRSD had several contracts for sewer improvement projects with remaining obligations of approximately \$1,300,000, with the majority expected to be completed within the 2017/18 fiscal year.

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District participates in a joint powers agreement with other entities forming the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 60 member entities. CSRMA is governed by a Board of Directors composed of one representative from each member agency and meets three times per year in conjunction with conferences of the California Association of Sanitation Agencies. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

The District pays annual premiums to CSRMA for its primary insurance and property insurance programs. Primary and property insurance programs are fully insured wherein CSRMA purchases insurance as a group thereby reducing its costs. CSRMA provides both fully insured and pooled insurance programs for its participating member entities. Because all employees of the District are contracted employees from the City of San Rafael, workers' compensation insurance is not carried by the District but is provided through the City.

The District's primary and property insurance programs transfer risk to commercial insurance policies for claims above deductibles, while the District retains risk for claims to the extent of deductibles. Settled claims for CSRMA have not exceeded coverage in any of the past three fiscal years.

The following summarizes active insurance policies as of June 30, 2017 together with coverage limits for each insured event:

Insurance Program	Limits	Coverage Description
CSRMA - Allied World Ins.	\$ 3,000,000	Gen/Mgt liability - aggregate
CSRMA - Allied World Ins.	\$ 1,000,000	Gen/Mgt liability - occurrence
CSRMA - Allied World Ins.	\$ 1,000,000	Auto liability - accident
CSRMA - Allied World Ins.	\$ 4,000,000	Excess liability
CSRMA - Public Entity Property Insurance Program (P.E.P.I.P)	\$ 12,157,866	Special form property
CSRMA - Illinois Union Ins.	\$ 25,000,000	Pollution liability - tier 1
CSRMA - Illinois Union Ins.	\$ 2,000,000	Pollution liability - tier 2
CSRMA - Lloyds of London	\$ 2,000,000	Cyber liability - third party
CSRMA - Lloyds of London	\$ 2,000,000	Cyber liability - first party
CSRMA - Travelers Ins.	\$ 25,000	Identity theft

SAN RAFAEL SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

8. RISK MANAGEMENT (continued)

The financial statements of CSRMA are available at their office: 100 Pine Street, 11th Floor, San Francisco, CA 94111. Condensed financial information for CSRMA is presented below for the years ended June 30, 2016 and 2015 (latest information available):

	<u>2016</u>	<u>2015</u>
Assets	\$ 28,336,567	\$ 27,418,098
Liabilities	(16,735,609)	(16,714,638)
Net assets	<u>\$ 11,600,958</u>	<u>\$ 10,703,460</u>
Revenues	\$ 11,843,583	\$ 10,895,632
Expenses	(10,946,085)	(11,157,866)
Increase (decrease) in net assets	<u>\$ 897,498</u>	<u>\$ (262,234)</u>

9. RELATED PARTY TRANSACTIONS

The District engages the City of San Rafael to provide the payroll, benefits and related administration for the District's personnel. They also provide the District with various vehicle repairs and other minor services. The City invoiced the District for approximately \$2,974,000 and \$3,076,000 for the years ended June 30, 2017 and 2016, respectively. These amounts included payments required pertaining to unfunded post-employment benefits for contract staff. See Note 5, Obligation to City of San Rafael, for a discussion regarding the contractual obligation between the District and the City of San Rafael.

The District had an obligation to the City of San Rafael for the years ended June 30, 2017 and 2016 of approximately \$32,000 and \$67,000, respectively. These are the result of various operating expenses and capital projects. The District also has a receivable from the City of San Rafael for the years ended June 30, 2017 and 2016 of approximately \$30,000 and \$16,000, respectively, which represents adjustments from payments of estimated amounts made during the year to actual costs as determined at year end.



To the Members of the Board
of the San Rafael Sanitation District
San Rafael, California

We have audited the financial statements of the San Rafael Sanitation District "the District" for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates and disclosures affecting the San Rafael Sanitation District's financial statements were:

Management's estimate of the estimated useful lives of capital assets and related depreciation expense is based on the District's adopted depreciation policy. We evaluated the key factors and assumptions used to prepare the depreciation schedule and computation of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole. Additional information is included in footnotes #2 and #4 of the financial statements.

Management's estimate of the Long Term Obligation to the City of San Rafael is based on actuarial calculations, and was mutually agreed upon by the City and the District. We evaluated the conceptual basis for the calculated amount in determining the reasonableness in relation to the financial statement taken on the whole. Additional information is included in footnote #5 of the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users such as those related to investment risk, risk management, and joint ventures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board and management of the San Rafael Sanitation District and is not intended to be, and should not be, used by anyone other than these specified parties.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
September 21, 2017



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board
of the San Rafael Sanitation District
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Rafael Sanitation District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the San Rafael Sanitation District's basic financial statements, and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the San Rafael Sanitation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Rafael Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Rafael Sanitation District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Rafael Sanitation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California
September 21, 2017

SAN RAFAEL SANITATION DISTRICT
Schedule of Connection Fees
Fiscal Year Ended June 30, 2017

5,6.

The California Government Code requires certain disclosures regarding connection fees. The Code requires separate accounting of connection fees and the application of interest to outstanding balances. District policy as adopted by its Board of Directors is to utilize connection fees received on a first-in-first-out basis to finance current year capital projects. Accordingly, no interest was posted to connection fees and there is no outstanding balance of connection fees at year-end.

Other required disclosures for the fiscal year ended June 30, 2017 are as follows:

- Total amount of connection fees collected \$79,245

- Projects to which connection fees were applied and amounts applied:
 1. Glenwood Pump Station Sewer Improvement Project \$31,709
 2. Sun Valley-Calif, Solano, Alpine, Windsor Sewer Improvement Project \$47,536

5.c.

SAN RAFAEL SANITATION DISTRICT
Agenda Item No. 5.c.

DATE: September 22, 2017
TO: Board of Directors, San Rafael Sanitation District
FROM: Doris Toy, District Manager/District Engineer *DT*
SUBJECT: Review Budget Status Report for the Period 7-1-16 through 6-30-17

SUMMARY:

Maher Accountancy has submitted the attached Budget Status Report for the period ending on June 30th of Fiscal Year 2016-17 (July 1, 2016, through June 30, 2017). The following are the highlights of each section of the report.

Revenue

- Sewer Charges - The District received \$16 million (98% of the projected sewer service charges), which was collected from the ratepayers through their property tax bills.
- Connection Fees - The sewer connection fees collected were approximately \$79,000. The major contributors were the new living units at 1200 Irwin/524 Mission (\$17,000) and the new living units and retail space at 920 B Street (\$23,000).
- Property Taxes - The District received \$1.5 million (129% of the projected amount) in property taxes.

The total revenue that the District received as of June 31, 2017, was \$30,633,716.

Expenditures – Supplies and Services

- Consulting Services – The District has spent \$6,779 over budget (110% of the \$66,500 budget) due to an unanticipated contract with California CAD Solutions to automate the sewer service charges.
- Electric Utility Costs – This item is for the electricity costs for the District’s 32 pump stations. The District has spent \$50,136 over budget (132% of the \$155,000 budget) due to the heavy wet weather season, which caused our pumps to run more frequently.
- O&M Collection Systems – The District has spent 27% of the \$170,000 budget. This item includes sewer pipe repairs. However, the majority of the pipe repairs were performed under the Capital Improvement projects as change orders.

In FY 2016-17, the District spent \$3.9 million on Supplies and Services, which is 84% of this budget item.

Expenditures – Vehicles and Equipment Acquisition

- The District did not purchase replacement vehicles in FY 2016-17. These vehicles will be purchased in FY 2017-18.

Expenditures – 80-Year Life-Cycle Sewer Replacement Fund – Capital Improvements

- Lincoln Avenue, Prospect to Paloma Project – Project is complete with \$600,000 (28% of budget) remaining.
- Rehab of Gravity Sewer – This item is showing \$506,605 over the budget due to an unanticipated project (the 2016 Pipe Bursting Sewer Rehabilitation Project), which was funded from this budget item.
- Sun Valley-California, Solano, Alpine, Windsor -- Project is complete with \$731,397 over budget (133% of budget) due to expanded scope of work.
- 2017 Sewer Pipe Repair and Replacement – Project was unanticipated and thus unfunded. The District has spent \$64,525.
- La Crescenta, Loma Linda, and Marina Project – Project was taken from a larger project (the San Pedro Pump Station Improvement Project), which was delayed until FY 17-18. Thus, this project was unanticipated. The District spent \$22,382 from FY 16-17 for design.
- The remaining projects listed, i.e. Second Street, from Ida to E St; Rehab of Beach Sewers-Bayside; #22 El Cerrito to Forbes; and Woodland Pl/Ave & Octavia, have been postponed due to the unanticipated projects mentioned above that needed immediate attention.

In FY 2016-17, the District spent \$5.4 million on the 80-Year Capital Improvement Projects, which was 80% of the \$6.7 million budget.

Expenditures – Pump Station & Force Main Capital Improvement Fund

- San Pedro Pump Station – Project was designed and bid; however, the bids were 35% above the Engineer's Estimate. Therefore, the District decided to postpone the project until spring of FY 2017-18 in anticipation of a more competitive bidding environment.
- Glenwood Pump Station – Project is complete with \$679,413 over budget due to the project starting late. When the budget was adopted, staff anticipated that this project would be complete in Fiscal Year 2015-16.

In FY 2016-17, the District spent \$1.13 million on the Pump Station & Force Main Capital Improvement Projects, which was 99% of the \$1.14 million budget.

Central Marin Sanitation Agency

- Sewage Treatment -- The District has paid CMSA 92% of the budget amount.
- Sewage Treatment-debt service – The District has paid CMSA 95% of the budget amount.

ACTION REQUIRED:

Staff recommends that the Board accept the Budget Status Report for the period of July 1, 2016, through June 30, 2017.

Attachment: Budget Status Report for the period 7-1-16 through 6-30-17

Budget Status

San Rafael Sanitation District

July 1, 2016 through June 30, 2017

OPERATING FUND				
ACCOUNT NUMBER - DESCRIPTION OF ITEM	ANNUAL BUDGET 16-17	ACTUAL	BUDGET REMAINING	Actual as % of Budget
FUND BALANCE AT JUNE 30, 2016	12,446,000	12,878,370	432,370	
REVENUE				
400000 · Sewer assessments and charges	16,260,000	15,986,071	(273,929)	98%
410010 · Connection fees	10,000	79,245	69,245	792%
451000 · Property taxes	1,180,000	1,528,049	348,049	129%
4410125 · Interest income	15,000	97,090	82,090	647%
461000 · Aid from governmental agencies	-	36,945	36,945	*
499000 · Miscellaneous income	-	27,946	27,946	*
Total Revenue	17,465,000	17,755,346	290,346	102%
TOTAL RESOURCES AVAILABLE	29,911,000	30,633,716	722,716	
EXPENDITURES				
Supplies and Services				
2361 · Contract with San Rafael	3,285,000	2,872,479	412,521	87%
2388 · Training and education	6,500	1,832	4,668	28%
2477 · Conferences	5,500	-	5,500	0%
2131 · Memberships and subscriptions	14,500	11,496	3,004	79%
2534 · Telephone service	19,000	19,712	(712)	104%
2282 · Director's fees	5,200	2,500	2,700	48%
2713 · Legal services	30,000	10,190	19,810	34%
2325 · Consulting services	66,500	73,279	(6,779)	110%
2717 · Accounting fees	59,000	53,100	5,900	90%
2716 · Tax collection fees	40,000	37,441	2,559	94%
2059 · General insurance	128,000	114,148	13,852	89%
2051 · Claims and deductibles	35,000	5,020	29,980	14%
2321 · Public outreach	10,000	6,191	3,809	62%
2221 · Legal notice publications	1,500	-	1,500	0%
2122 · Rebates, refunds of conn fees	10,000	788	9,212	8%
2133 · Office & shop supplies	12,300	2,608	9,692	21%
2389 · Miscellaneous expenses	1,500	953	547	64%
2359 · Maint - pump sta's and force mains	210,000	182,326	27,674	87%
2360 · O&M - collection systems	170,000	46,290	123,710	27%
2535 · Electric utility costs	155,000	205,136	(50,136)	132%
2536 · Water utility costs	13,000	12,380	620	95%
2363 · Standby services	40,000	30,118	9,882	75%
2083 · Parts and repairs vehicles	53,000	29,784	23,216	56%
2106 · Odor control chemicals	84,000	62,654	21,346	75%
2021 · Uniforms	11,500	7,060	4,440	61%
2365 · Safety equipment and supplies	13,000	8,108	4,892	62%
4045 · Manhole raising	55,000	30,400	24,600	55%
4300 · FOG Program	38,000	15,519	22,481	41%
4188 · Facilities mapping services	60,000	40,200	19,800	67%
Total Supplies and Services	4,632,000	3,881,712	750,288	84%

¹ Revenue collection concentrated in second and fourth quarters of fiscal year.

Budget Status

San Rafael Sanitation District

July 1, 2016 through June 30, 2017

OPERATING FUND (Continued)				
ACCOUNT NUMBER - DESCRIPTION OF ITEM	ANNUAL BUDGET 16-17	ACTUAL	BUDGET REMAINING	Actual as % of Budget
746040 - Central Marin Sanitation Agency				
4112 - Sewage treatment	4,700,000	4,304,646	395,354	92%
4113 - Sewage treatment - debt service	1,950,000	1,850,508	99,492	95%
Total 746040 - Central Marin Sanitation Agency	6,650,000	6,155,154	494,846	93%
Transfers to Capital Funds				
Equipment acquisition fund	320,000	320,000	-	100%
80-year life-cycle sewer replacement fund	5,012,000	5,012,000	-	100%
Pump station & force main capital improvements	1,687,000	1,687,000	-	100%
Total Transfers to Capital Funds	7,019,000 ²	7,019,000	-	100%
Budget Status Summary				
Total Supplies & Services	4,632,000	3,881,712	750,288	84%
Total Central Marin Sanitation District	6,650,000	6,155,154	494,846	93%
Total Transfers to capital funds	7,019,000	7,019,000	-	100%
Total Budgeted Expenditures	18,301,000	17,055,866	1,245,134	93%
FUND BALANCE - ENDING	11,610,000	13,577,850		

² Full amount of annual transfers to capital funds recorded in quarter ended September 2016.

EQUIPMENT ACQUISITION FUND				
ACCOUNT NUMBER - DESCRIPTION OF ITEM	ANNUAL BUDGET 16-17	ACTUAL	BUDGET REMAINING	Actual as % of Budget
FUND BALANCE AT JUNE 30, 2016	1,172,000	1,370,842	198,842	
REVENUE				
Transfers from Operating Fund	320,000	320,000	-	100%
TOTAL RESOURCES AVAILABLE	1,492,000	1,690,842	198,842	113%
EXPENDITURES				
Equipment Acquisitions				
4830 - Vehicle and equipment acquisition	339,000	3,213	335,787	1%
Total Equipment Acquisitions	339,000	3,213	335,787	1%
FUND BALANCE - ENDING	1,153,000	1,687,629		

Budget Status

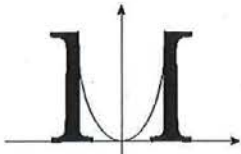
San Rafael Sanitation District

July 1, 2016 through June 30, 2017

80-YEAR LIFE-CYCLE SEWER REPLACEMENT FUND				
ACCOUNT NUMBER - DESCRIPTION OF ITEM	ANNUAL BUDGET 16-17	ACTUAL	BUDGET REMAINING	Actual as % of Budget
FUND BALANCE AT JUNE 30, 2016	4,841,000	7,419,322	2,578,322	
REVENUE				
Transfers from Operating Fund	5,012,000	5,012,000	-	100%
TOTAL RESOURCES AVAILABLE	9,853,000	12,431,322	2,578,322	126%
EXPENDITURES				
Capital Improvements - Expend				
4313 · Warner Ct, Woodland Pl	-	290	(290)	*
4301 · Sewer System condition/capacity	350,000	26,650	323,350	8%
4316 · Second St., Ida to E St.	100,000	-	100,000	0%
4318 · Lincoln Ave, Paloma to Mission	-	-	0	*
4319 · Lincoln Ave, Prospect to Paloma	2,200,000	1,588,786	611,214	72%
4320 · Rehab of Beach Sewers-Bayside	300,000	-	300,000	0%
4311 · #22 El Cerrito to Forbes	325,000	-	325,000	0%
4321 · Miscellaneous Projects	135,000	43,522	91,478	32%
4302 · Rehab of Gravity Sewer	200,000	706,605	(506,605)	353%
4323 · Woodland Pl/Ave & Octavia	500,000	-	500,000	0%
4324 · Sun Valley-Calif, Solano, Alpine, Windsor	2,200,000	2,931,397	(731,397)	133%
4326 · Francisco Bldn. E Medway to Hoag	380,000	-	380,000	0%
4329 · 2017 Sewer pipe repair and replace	-	64,525	(64,525)	*
4330 · La Crescenta, Loma Linda (80)	-	22,382	(22,382)	*
Total 746010 · Capital Improvements - Expend	6,690,000	5,384,157	1,305,843	80%
FUND BALANCE - ENDING	3,163,000	7,047,165		

PUMP STATION & FORCE MAIN CAPITAL IMPROVEMENT FUND				
ACCOUNT NUMBER - DESCRIPTION OF ITEM	ANNUAL BUDGET 16-17	ACTUAL	BUDGET REMAINING	Actual as % of Budget
FUND BALANCE AT JUNE 30, 2016	629,000	1,148,868	519,868	
REVENUE				
Transfers from Operating Fund	1,687,000	1,687,000	-	100%
TOTAL RESOURCES AVAILABLE	2,316,000	2,835,868	519,868	122%
EXPENDITURES				
Capital Improvements - Expend				
4147 · San Pedro Road Pump Station upgrade	650,000	175,444	474,556	27%
4146 · Glenwood Pump Station	225,000	904,413	(679,413)	402%
4151 · Force Main Condition Assessment	133,000	39,843	93,157	30%
4200 · Miscellaneous projects	135,000	9,690	125,310	7%
Total 746010 · Capital Improvements - Expend	1,143,000	1,129,390	13,610	99%
FUND BALANCE - ENDING	1,173,000	1,706,478		

³ Budget for Pump Station & Force Main Capital Improvement Fund includes retroactive budget amendment of \$225,000, approved July 28, 2017.



ACCOUNTANTS' COMPILATION REPORT

Board of Directors
San Rafael Sanitation District

Management is responsible for the accompanying special purpose statement of San Rafael Sanitation District (a California Special District) which comprise the budgetary status report for the period ended June 30, 2017, and for determining that the budgetary basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the accompanying statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on this special purpose budgetary comparison statement.

The special purpose statement is prepared in accordance with the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This report is intended for the information of the Board of Directors of the District.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the special purpose budgetary comparison statement, they might influence the user's conclusions about the District's results of operations. Accordingly, this special purpose budget status report is not designed for those who are not informed about such matters.

We are not independent with respect to the District because we performed certain accounting services that impaired our independence.

Maher Accountancy

San Rafael, California
August 31, 2017



8, a.



OFFICE OF THE
COUNTY COUNSEL

Brian E. Washington
COUNTY COUNSEL

September 19, 2017

Jack F. Govi
ASSISTANT COUNTY COUNSEL

Renee Giacomini Brewer
CHIEF DEPUTY COUNTY COUNSEL

Board of Directors
San Rafael Sanitation District
P.O. Box 151560
San Rafael, CA 94915-1560

Mari-Ann G. Rivers
Michele Keno
Patrick M. K. Richardson
Stephen R. Raab
Steven M. Perl
Edward J. Kiernan
Brian C. Case
Jenina J. Brady
Valorie R. Boughey
Kerry L. Gerchow
Tarisha K. Bal
Ayriel A. Bland
Michael W. Jorgenson

Re: Closed Session – Anticipated Litigation

Dear Directors,

I request that you conduct a closed session during your regular meeting on **September 22, 2017**, to discuss the following matters: (1) significant exposure to litigation pursuant to California Government Code §54956.9(d)(2). In my opinion, public discussion of this matter would prejudice your position.

DEPUTIES

The specific reasons and the legal authority for the closed session are:

Jeanine Michaels
ADMINISTRATIVE ASSISTANT

Government Code Section 54956.9(d)(2). A legislative body of a local agency may hold closed sessions with the local agency's designated representatives when a point has been reached where, in the opinion of the legislative body of the local agency on the advice of its legal counsel, based on existing facts and circumstances, there is a significant exposure to litigation against the local agency.

Marin County Civic Center
3501 Civic Center Drive Suite
275
San Rafael, CA 94903
415 473 6117 T
415 473 3796 F
415 473 2226 TTY
www.marincounty.org/cl

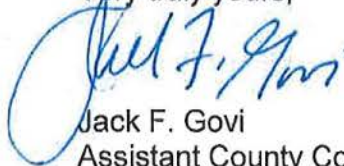
It should be noted that Government Code Section 54954.5 requires the Board to post a Closed Session item on the Board Agenda. With respect to the above referenced matters, you should include the number of potential cases (estimated at one at this juncture) and the fact that the Board will be meeting with counsel regarding the anticipated litigation.

I suggest that the Agenda read:

CONFERENCE WITH LEGAL COUNSEL
California Government Code
Section 54956.9(d)(2)
Number of Potential Cases: One (1)

Should you have any further questions, please do not
hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Jack F. Govi". The signature is written in a cursive style with a large initial "J".

Jack F. Govi
Assistant County Counsel