

## A G E N D A

### SAN RAFAEL SANITATION DISTRICT BOARD OF DIRECTORS

THURSDAY – NOVEMBER 3, 2022 - 11:00 A.M.

Join Zoom Meeting at <https://us06web.zoom.us/j/89521384378>

Meeting ID: 895 2138 4378

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### CORONAVIRUS (COVID-19) ADVISORY NOTICE

Consistent with the provisions in Assembly Bill 361, this Board meeting will be held virtually using Zoom.

Public comments for this meeting can be submitted via email to the District Clerk at [Cindy.Hernandez@cityofsanrafael.org](mailto:Cindy.Hernandez@cityofsanrafael.org). The public comment period opens when the agenda is posted online and will close two hours prior to the start of the meeting. Include your name and the item you would like to provide written comment on.

To provide comments during the meeting, please use the “raise hand” feature in the Zoom Meeting and the host will notify and unmute you when it is your turn to speak.

If you experience an issue providing comments in the meeting or want to comment via phone, please call 415-485-3132.

**Members of the public may speak on Agenda items.**

#### **1. ROLL CALL**

#### **2. ADOPT TELECONFERENCE MEETING RESOLUTION TO COMPLY WITH ASSEMBLY BILL 361**

Adopt resolution making findings that the proclaimed state of emergency continues to impact the ability to meet safely in person and declaring that the Board will continue to meet remotely in order to ensure the health and safety of the public.

**3. OPEN PERIOD**

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

**4. MINUTES OF THE MEETING**

Request approval as submitted – October 24, 2022.

**5. PAYMENTS**

Request approval as submitted.

**6. OLD BUSINESS**

- a. Discussion and update on the Bayside Acres Sewer Relocation Project.
  - i. Approve policy for unbuilt units for the Bayside Project.

**7. NEW BUSINESS**

- a. Presentation of the 2021-22 Financial Statements for acceptance and approval.  
(Michael Maher)
- b. Presentation of the 2021-22 Schedule of Connection Fees for acceptance and approval. (Michael Maher)
- c. Discussion on the District's Disbursement Policy.
- d. Approval of the updated Sanitary Sewer Management Plan. (To Be Tabled)

**8. INFORMATIONAL ITEMS**

**9. DIRECTOR REPORTS/REQUESTS FOR FUTURE AGENDA ITEMS**

**10. ADJOURNMENT**

The next scheduled meeting is December 1, 2022.

**SAN RAFAEL SANITATION DISTRICT**  
*Agenda Item No. 2.*

**DATE:** November 3, 2022  
**TO:** Board of Directors, San Rafael Sanitation District  
**FROM:** Doris Toy, District Manager/District Engineer  
**SUBJECT:** Adopt Resolution Making Findings that the Proclaimed State of Emergency Continues to Impact the Ability to Meet Safety in Person and Declaring that the Board will Continue to Meet Remotely in Order to Ensure the Health and Safety of the Public

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**RECOMMENDATION:**

Adopt resolution making the findings that the proclaimed state of emergency continues to impact the ability to meet in person and declaring that the Board will continue to meet remotely in order to ensure the health and safety of the public.

**BACKGROUND:**

The Ralph M. Brown Act requires that except as specifically provided, “meetings of the legislative body of a local agency shall be open and public, and all persons shall be permitted to attend any meeting of the legislative body,” Gov. Code Section 54953(a). For many years, the Brown Act has authorized members of a local agency’s legislative body to attend a public meeting by teleconference in compliance with strict procedural requirements. Under Government Code Section 54953(b)(3), in order to use teleconferencing, at least a quorum of the legislative body must participate from locations within the agency’s boundaries; and the agency must give notice of each teleconference location and allow members of the public to address the Council at each teleconference location.

On March 4, 2020, Governor Newsom declared a statewide State of Emergency in connection with the COVID-19 pandemic. Subsequently, on March 18, 2020, the Governor issued Executive Order No. N-29-20 suspending the Brown Act’s requirements for in-person meetings and facilitating the use of teleconferencing for public meetings during the State of Emergency. The Executive Order authorized public meetings to be held by teleconference only, provided that notice and accessibility requirements are met, members of the public are allowed to observe and address the legislative body at the meeting, and there is a procedure for receiving and swiftly resolving requests for reasonable accommodation for individuals with disabilities. This order has allowed the Board to hold its public meetings using teleconference technologies, with the requisite notice and public participation; however, the order was due to expire on September 30, 2021, and without legislative action, in-person meetings and the strict teleconferencing procedures of the Brown Act would again be required.

Because the statewide State of Emergency continues and the COVID-19 pandemic still poses a health risk for public meetings, on September 16, 2021, Governor Newsom signed into law as an urgency measure Assembly Bill (AB) 361. AB 361 amends the Brown Act provisions governing the use of teleconferencing for public meetings of a local agency's legislative bodies, allowing more liberal teleconferencing requirements to continue during the current and future state-declared emergencies.

**ANALYSIS:**

Executive Order N-29-20 has now expired, but AB 361 is now in effect, and its amendments to the Brown Act will allow the District to continue to hold its meetings using teleconferencing technology after September 30th. Government Code Section 54953, as amended by AB 361, now provides in new subsection (e)(1) that during the current and any future state-declared State of Emergency, the legislative body of a local agency may use teleconferencing without complying with the procedural requirements of Government Code Section 54953(b)(3) in any of three circumstances:

- (A) The legislative body holds a meeting during a proclaimed State of Emergency, and State or local officials have imposed or recommended measures to promote social distancing.
- (B) The legislative body holds a meeting during a proclaimed State of Emergency for the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.
- (C) The legislative body holds a meeting during a proclaimed State of Emergency and has determined, by majority vote, pursuant to subparagraph (B), that as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

Certain additional requirements would apply under the new law, however, including specific requirements as to how public comment must be allowed and heard, with which the Board already complies. In addition:

- In the event of a disruption which prevents the Board from broadcasting the meeting to members of the public using the call-in option or internet-based service option, or in the event of a disruption within the District's control which prevents members of the public from offering public comments using the call-in option or internet-based service option, the legislative body shall take no further action on items appearing on the meeting agenda until public access to the meeting via the call-in option or internet-based service option is restored. Actions taken on agenda items during a disruption which prevent the public agency from broadcasting the meeting may be challenged pursuant to Section 54960.1.
- If a State of Emergency remains active or state of local officials have imposed or recommended measures to promote social distancing in order to continue to teleconference without compliance with paragraph (3) of subdivision (b), the legislative body shall, not later than 30 days after teleconferencing for the first time pursuant to

subparagraph (A), (B), or (C) of paragraph (1), and every 30 days thereafter, make the following findings by majority vote:

- The legislative body has reconsidered the circumstances of the State of Emergency.
- Any of the following circumstances exist:
  - (i) The State of Emergency continues to directly impact the ability of the members to meet safely in person.
  - (ii) State or local officials continue to impose or recommend measures to promote social distancing.

This resolution is intended to comply with the requirement to make specified findings every 30 days. The resolution finds that the State of Emergency continues in effect, that measures to promote social distancing are still being imposed by the State and county, and that the State of Emergency directly impacts the ability of the public and the members of the Board to meet safely in person. The proposed resolution confirms the Board's determination that its public meetings should continue to be held using only teleconferencing technology.

Staff plans to agendize the same type of resolution at each regular Board meeting during the pendency of the statewide state of emergency so that the Board may continue to reconsider these findings at least every 30 days.

The Brown Act amendments adopted by AB 361 will be operative until January 1, 2024, and will then expire unless extended by new legislation.

**FISCAL IMPACT:**

None.

**OPTIONS:**

The Board has the following options to consider on this matter:

1. Adopt the resolution as proposed.
2. Adopt a modified resolution.
3. Direct staff to return with more information.
4. Take no action.

**ACTION REQUIRED:**

Staff recommends that the Board adopt the resolution making the findings that the proclaimed State of Emergency continues to impact the ability to meet in person and declaring that the Board will continue to meet remotely in order to ensure the health and safety of the public.

Attachment: Resolution

**RESOLUTION NO. 22-1257**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN RAFAEL  
SANITATION DISTRICT MAKING FINDINGS THAT THE PROCLAIMED STATE OF  
EMERGENCY CONTINUES TO IMPACT THE ABILITY TO MEET SAFELY IN  
PERSON AND DECLARING THAT THE BOARD OF DIRECTORS WILL CONTINUE  
TO MEET REMOTELY IN ORDER TO ENSURE THE HEALTH AND SAFETY OF  
THE PUBLIC**

**WHEREAS**, the San Rafael Sanitation District (the “District”) is committed to preserving and nurturing public access and participation in meetings of the Board of Directors; and

**WHEREAS**, all meetings of the District’s legislative bodies are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend, participate, and watch the District’s legislative body conduct their business; and

**WHEREAS**, the Brown Act, Government Code section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

**WHEREAS**, on March 4, 2020, Governor Newsom declared a State of Emergency to make additional resources available, formalize emergency actions already underway across multiple state agencies and departments, and help the State prepare for a broader spread of COVID-19; and

**WHEREAS**, on March 17, 2020, in response to the COVID-19 pandemic, Governor Newsom issued Executive Order N-29-20, which suspended certain provisions of the Ralph M. Brown Act in order to allow local legislative bodies to conduct meetings electronically without a physical meeting place; and

**WHEREAS**, as a result of Executive Order N-29-20, staff set up Zoom teleconference meetings for all District Board of Directors meetings; and

**WHEREAS**, on June 11, 2021, Governor Newsom issued Executive Order N-08-21, which specified that Executive Order N-29-20 would remain in effect through September 30, 2021, at which point it would expire; and

**WHEREAS**, since the issuance of Executive Order N-08-21, the Delta variant has emerged, causing a spike in COVID-19 cases throughout the state; and

**WHEREAS**, the Governor's proclaimed State of Emergency remains in effect, and State and local officials, including the Marin County Director of Health and Human Services, the California Department of Public Health, and the Department of Industrial Relations, have imposed or recommended measures to promote social distancing; and

**WHEREAS**, on September 16, 2021, the Governor signed Assembly Bill 361 into law, as urgency legislation that goes into effect on October 1, 2021, amending Government Code Section 54953 of the Brown Act to allow legislative bodies to continue to meet remotely during a proclaimed state of emergency, provided certain conditions are met and certain findings are made; and

**WHEREAS**, the continued local rates of transmission of the virus and variants causing COVID-19 are such that the Director of Health & Human Services has recommended that the County continue to emphasize social distancing in order to minimize the potential spread of COVID-19 during indoor, public meetings.

**WHEREAS**, the District cannot maintain adequate safe social distance between members of the public, Board members and staff in their respective meeting locations; and

**WHEREAS**, because of the rise in cases due to the Delta variant, the District is concerned about the health and safety of attendees, the District's Board of Directors desires to take the actions necessary to comply with AB 361 and to continue to hold its Board and committee meetings remotely.

**NOW, THEREFORE, THE SAN RAFAEL SANITATION DISTRICT BOARD OF DIRECTORS RESOLVES AS FOLLOWS:**

1. The Board has reconsidered the circumstances of the State of Emergency and finds that:
  - a. The factors triggering the State of Emergency continue to directly impact the ability of the members of the Board of Directors, District staff, and members of the public to meet safely in person; and
  - b. State and local officials continue to recommend measures to promote social distancing.
2. District Board of Directors meetings will continue to be conducted remotely for the next 30 days in compliance with AB 361 and Government Code Section 54953(e)(2), in order to ensure the health and safety of the public while providing access to public meetings.
3. The Board of Directors will reconsider the circumstances of the State of Emergency and revisit the need to conduct meetings remotely within 30 days of the adoption of this Resolution.

**PASSED AND ADOPTED** at a regular meeting of the San Rafael Sanitation District Board of Directors held on the 3rd day of November 2022 by the following vote, to wit:

**AYES:**

**NOES:**

**ABSENT/ABSTAIN:**

**SAN RAFAEL SANITATION DISTRICT**

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**Kate Colin, Chair**

**ATTEST:**

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**Maribeth Bushey, Secretary**



**SAN RAFAEL SANITATION DISTRICT  
Minutes of the Meeting  
October 24, 2022**

Special Meeting

Via Teleconferencing

The meeting was called to order at 11:00 A.M. by Chair Kate.

Attendance Board: Kate Colin, Chair  
Maribeth Bushey, Secretary/Director  
Katie Rice, Director

Attendance Staff: Doris Toy, District Manager/District Engineer  
Kris Ozaki, Operations and Maintenance Manager  
Tim Tran, Associate Civil Engineer  
Kelvin Munar, Junior Engineer  
Cynthia Hernandez, District Secretary  
Cynthia Fuller, Administrative Assistant Temp

Attendance Others: Kerry Laiw Gerchow, Deputy County Counsel  
Dean DiGiovanni, CMSA Commissioner for SRSD

- 1. **ROLL CALL** – A roll call was taken, and Chair Kate and Director Bushey were present.
- 2. **ADOPT TELECONFERENCE MEETING RESOLUTION TO COMPLY WITH ASEMBLY BILL 361**

Adopt resolution of the Board of Directors of the San Rafael Sanitation District making findings that the proclaimed State of Emergency continues to impact the ability to meet safely in person and declaring that the Board of Directors will continue to meet remotely in order to ensure the health and safety of the public.

**MOTION** by Director Bushey, seconded by Chair Kate, to adopt the resolution making findings that the proclaimed State of Emergency continues to impact the ability to meet safely in person and declaring that the Board of Directors will continue to meet remotely in order to ensure the health and safety of the public.

**AYES:** Director Bushey, Chair Kate  
**NOES:** None  
**ABSENT:** Director Rice

*Motion Carried*

- 3. **OPEN PERIOD** – No persons were present to address the Board.

**4. MINUTES OF SEPTEMBER 15, 2022.**

**MOTION** by Director Bushey, seconded by Chair Kate, to approve the minutes of the September 15, 2022, meeting as presented.

**AYES:** Director Bushey, Chair Kate

**NOES:** None

**ABSENT:** Director Rice

*Motion Carried*

**5. PAYMENTS**

**MOTION** by Director Bushey, seconded by Chair Kate, to approve the payments for September 2022 for maintenance and operation of the District and for capital improvements.

**AYES:** Director Bushey, Chair Kate

**NOES:** None

**ABSENT:** Director Rice

*Motion Carried*

*Director Rice joined the meeting at 11:04 A.M.*

**6. OLD BUSINESS**

**a. Discussion and update on the Bayside Acres Sewer Relocation Project.**

**i. Policy for unbuilt units for the Bayside project.**

District Manager Toy reported that in May, the Board had directed staff to proceed with the design and installation of new private pump system laterals for all of the existing homes that will be affected by the Bayside Acres Sewer Relocation Project. She also reported that there are three vacant lots within the affected area; that the owner of one of the lots plans to construct a single-family home; and another owner plans to construct an ADU. She then reported that at the last meeting, the Board had discussed whether the District should provide pump systems for the unbuilt units. The Board felt that because the District plans to abandon the sewer main used by the existing homes, the District should pay for those pump systems; but for any unbuilt units, the owners should follow the standard procedure for connecting to the sewer. Manager Toy reported that one of the owners of a vacant lot had attended the previous Board meeting and reported that they had always intended to build a single-family home on that lot. That owner also believed that a sewer lateral had previously been installed on their lot when the Beach sewer main was constructed. She reported that District staff is still attempting to verify this information. She also reported that the Board had previously discussed the criteria that might be used if they should decide to provide private pump systems for any future units on these vacant lots as well as whether this could be considered a gift of public funds. Manager Toy then reported that she had previously met with Chair Kate and Legal Counsel Gerchow to continue the discussion on these matters. At that meeting, a policy was proposed for unbuilt

units that have been issued building permits by December 2023. Legal Counsel Gerchow then reported on the matter of what would be considered a gift of public funds and referred to Article 16, Section 6, of the California Constitution. She reported that this Article prohibits a public agency from making any gifts of public funds or from lending its public credits to anyone. She also reported that there is a public purpose exception, which states that if there is a significant public purpose, even if there is an incidental benefit to private individuals, then it is not considered a gift of public funds. She then reported that she felt there is a significant issue of a gift of public funds regarding private pump systems for future ADUs and single-family homes, as they only appear to benefit the homeowner and provide no significant public purpose. She also reported that she felt there should probably be an exception for a lot that already has an existing sewer lateral and that the District should replace it as part of the project, even though all connections to the public sewer main are the responsibility of the private homeowners. Next, the Board inquired about the lot that the owner feels has an existing sewer lateral; and Manager Toy reported that she had received additional documentation on this from the owner, but it does not appear to show that there is a second sewer lateral. She also reported that what the property owner feels is a sewer cleanout is actually a District rod hole. At the Board's request, Legal Counsel Gerchow reported that the District has done its due diligence, and it is now the responsibility of the property owner to provide documentation showing that there is a sewer lateral on their lot. The Board then inquired about the cost of the private pump system and how much it adds to the cost of installing a new sewer lateral. They were interested in learning the difference between the cost to install a sewer lateral that would connect to the sewer main in the beach compared to the cost of installing a sewer lateral pump system that would connect to the sewer main in the street. The Board also requested Manager Toy to bring back a policy to the next meeting for the unbuilt units, which would include establishing a deadline of December 2023 for the issuance of a building permit in connection with the installation of a sewer lateral for these units.

**ii. Update on backup power.**

District Manager Toy reported that at the May 20, 2022, meeting, the Board approved the individual pump systems but did not make a decision on whether or not to provide backup power for them. She reported that this is one of the major concerns of the property owners due to the PG&E public safety power shutoffs (PSPS) that have been happening in recent times. She also reported that the Board had requested staff to bring back some options for backup power so that they could make a decision on this matter. Manager Toy then reported the following information: Nute Engineering asked its electrical consultant, Beecher Engineering, Inc., to prepare a memo on the standby power options for each of the private pump systems. Beecher provided two standby options. The first option (Alternative 1) is a standby generator that uses PG&E natural gas for fuel (same concept as an outdoor gas barbecue grill), and the second option (Alternative 2) is a battery system (like a residential solar power system). She described the pros and cons for each of these options as well as their costs. She also provided some practical information regarding property owners that

have portable generators. Manager Toy then requested the Board to discuss this matter and to decide whether the District should provide backup power for the individual pump systems; and, if so, whether it should be a natural gas generator, a battery-powered system, or a portable generator. The Board then discussed this matter thoroughly and decided that it would be unnecessary for the District to supply backup power for the private pump systems.

**MOTION** by Director Bushey, seconded by Director Rice, that there will be no backup power provided by the District for the individual pump systems within the Bayside Acres Relocation Project.

**AYES:** Director Bushey, Director Rice, Chair Kate

**NOES:** None

**ABSENT:** None

*Motion Carried*

## 7. NEW BUSINES

### a. Approve the Administrative Analyst position.

District Manager Toy reported that at the last meeting the Board had approved the reclassification of the Senior Administrative Assistant position (part of SEIU) to an Associate Management Analyst position (part of Local 1) in anticipation of the retirement of the current Senior Administrative Assistant (Cindy Hernandez). She then reported that she later learned that Local 1 is a Confidential Unit and that the Associate Management Analyst position is a Confidential position. The new reclassified position will not be Confidential. Therefore, staff feels that making the reclassified position an Administrative Analyst position, which is the closest position in SEIU, would be the easiest and most expeditious way to get the reclassification approved by both the City and the Union, since time is of the essence. Manager Toy also reported that both the Associate Management Analyst position and the Administrative Analyst position have similar job descriptions and similar salaries, but the Associate Management Analyst position has room for growth while the Administrative Analyst position does not. This is why the Associate Management Analyst position was initially chosen. She reported that the Administrative Analyst position would suffice temporarily until the Compensation Study has been completed, but the reclassified position should actually be a District Clerk position. Manager Toy then reported that the City has approved the reclassification of the Senior Administrative Assistant position to the Administrative Analyst position, which is currently being advertised, and the first review of the applications closes on October 31, 2022, with the hope of getting someone on board by the end of December. The Board then thanked the Senior Administrative Assistant for her years of service.

**MOTION** by Director Rice, seconded by Director Bushey, to approve the reclassification of the Senior Administrative Assistant position to the Administrative Analyst position.

**AYES:** Director Bushey, Director Rice, Chair Kate

**NOES:** None

**ABSENT:** None

*Motion Carried*

- b. Adopt resolution authorizing the District Manager/District Engineer to execute a Professional Services Agreement with Tesco Controls, Inc., to upgrade the Kerner C Pump Station programmable logic controller (PLC). (Kris Ozaki)**

Operations and Maintenance Manager Ozaki reported that the Kerner C Pump Station is a smaller station near the Corporation Yard, which serves approximately eight businesses. This station's programable logic controller (PLC) continues to work, but the human machine interface (HMI), which is the monitor, can no longer be read. Staff has requested Tesco Controls, Inc., to replace the PLC and the HMI and to add supervisory control and data acquisition (SCADA) to this pump station so that it can be monitored by staff remotely if necessary. Similar work was recently performed by Tesco at the Bret Harte Pump Station.

**MOTION** by Director Rice, seconded by Director Bushey, to adopt the resolution authorizing the District Manager/District Engineer to execute a Professional Services Agreement with Tesco Controls, Inc., to upgrade the Kerner C Pump Station programmable logic controller (PLC).

**AYES:** Director Bushey, Director Rice, Chair Kate

**NOES:** None

**ABSENT:** None

*Motion Carried*

## **8. INFORMATIONAL ITEMS**

- a. Introduction of the District's new Junior Engineer.**

District Manager Toy introduced the District's new Junior Engineer, Kelvin Munar, to the Board. She reported that he had joined the District in June of this year and that he had been helping to oversee the contractors working on the Bayside Acres Sewer Relocation Project.

- b. Check signing and electronic banking.**

District Manager Toy reported that she had met with both Mina Martinovich, the County Director of Finance, and Karen Shaw, the County Department of Finance Division Chief, on the matter of check signing and electronic banking and that she would report back on these matters along with Michael Maher at the next meeting.

**9. DIRECTOR REPORTS/REQUESTS FOR FUTURE AGENDA ITEMS**

None.

**10. ADJOURNMENT**

There being no further business to come before the Board, the meeting of October 24, 2022, was adjourned at 11:59 A.M. The next regular meeting of the San Rafael Sanitation District was scheduled for Thursday, November 3, 2022, via teleconferencing.

Respectfully submitted,

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Maribeth Bushey, Recording Secretary

**ATTEST THIS 3rd DAY OF NOVEMBER 2022**

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Kate Colin, Chair



**SAN RAFAEL SANITATION DISTRICT  
PAYMENT SUMMARY  
October 1, 2022 - October 31, 2022**

Vendor/Payee	Memo	Class	Acct #	Account Name	Amount
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 9/21/22	200	2021	Uniforms	208.30
ARAMARK UNIFORM SERVICES	Uniforms - weekly service ending 10/12/22	200	2021	Uniforms	209.84
AT&T *1523	Telephone Service - land lines for pump stations and dialers from 9/02/22-10/01/22	100	2534	Telephone service	550.90
AT&T MOBILITY	Telephone Service - cell phone service from 9/04/22-10/03/22	100	2534	Telephone service	641.20
BWS DISTRIBUTORS	Safety - gloves	200	2365	Safety equipment and supplies	193.70
C & C Crane & Aerial, Inc.	Pump Stations - annual crane inspections at West Railroad PS and on pump truck, vehicle #81149	200	2359	Maint- pump sta's & force mains	1,400.00
CITY OF SAN RAFAEL	Contract with San Rafael - second quarter FY 2022-23 reimbursement	100	2361	Contract with San Rafael	855,457.19
CITY OF SAN RAFAEL	Vehicles - diesel and unleaded fuel charges from 7/01/22-9/30/22	200	2083	Parts and repairs vehicles	10,953.80
CSW/STUBER-STROEH ENGR GROUP INC.	Third Street (Fourth Street to Mary) - design and construction related services through 9/04/22	300	4340	Third St (Hayes to Ritter) (80)	410.00
CWEA-TCP	Membership and Dues - CWEA membership renewal, Kris Ozaki	100	2388	Training and education	202.00
EVOQUA WATER TECHNOLOGIES, LLC	Odor Control - service and inspection of chemical tanks at pump stations from 9/01/22-9/30/22	200	2106	Odor control chemicals	1,620.83
EWERS ENGINEERING INC	ARV at Francisco Blvd. East at Harbor St. Project - engineering services from 6/01/21-3/14/22	300	4344	Air Release, Francisco,Harb 10	10,342.00
EWERS ENGINEERING INC	Force Main Condition Assessment Program Development - engineering services from 6/01/21-3/14/22	300	4151	Force Main Cond A	700.00
EWERS ENGINEERING INC	Isolation Valve Replacement Project - engineering services from 6/01/21-3/14/22	300	4345	Isolation Valve Replacement (10	3,402.00
EWERS ENGINEERING INC	Isolation Valve Replacement Project - engineering services from 3/15/22-10/04/22	300	4345	Isolation Valve Replacement (10	8,225.00
EXPRESS SERVICES INC.	Consulting Services - temporary administrative assistant for the week ending on 9/18/22	100	2325	Consulting services	1,495.88
EXPRESS SERVICES INC.	Consulting Services - temporary administrative assistant for the week ending on 9/25/22	100	2325	Consulting services	1,495.88
EXPRESS SERVICES INC.	Consulting Services - temporary administrative assistant for the week ending on 10/02/22	100	2325	Consulting services	1,495.88
EXPRESS SERVICES INC.	Consulting Services - temporary administrative assistant for the week ending on 10/09/22	100	2325	Consulting services	1,094.08
MAGGIORA & GHILOTTI INC	Isolation Valve Replacement Project - pot holing progress payment #1	300	4345	Isolation Valve Replacement (10	4,311.66
MAGGIORA & GHILOTTI INC	Isolation Valve Replacement Project - pot holing progress payment #2	300	4345	Isolation Valve Replacement (10	4,161.07
MAHER ACCOUNTANCY	Accounting Services - October 2022	100	2717	Accounting services	3,600.00
MARIN ROTO-ROOTER SEWER SERVICE, INC	Standby - services at 55 West Seaview Avenue on 9/29/22	200	2363	Standby services	750.00
MAZE & ASSOCIATES	Consulting Services - audit of financial statements of FY2021-2022	100	2325	Consulting services	14,000.00
MUNICIPAL RESOURCE GROUP, LLC	Consulting Services - executive recruitment services for Deputy Assistant District Manager through 8/21/22	100	2325	Consulting services	2,250.00
MUNICIPAL RESOURCE GROUP, LLC	Consulting Services - workplan implementation services through 8/31/22	100	2325	Consulting services	1,687.50
NUTE ENGINEERING INC	Isolation Valve Replacement Project - engineering services from 9/01/22-9/30/22	300	4345	Isolation Valve Replacement (10	2,591.50
PG&E a/c 2480926202-5	Power - electric service for pump stations from 8/10/22-9/08/22	200	2535	Electric utility costs	15,314.77
SCHAAF & WHEELER, INC	2020 Sewer Pipe Repair and Replacement Project - design related services through 9/30/22	300	4342	2020-21 Sewer Improvement (80)	3,622.50
STAPLES INC	Office Supplies - memo books	100	2133	Office & shop supplies	9.81
STAPLES INC	Office Supplies - memo books for inspector	100	2133	Office & shop supplies	6.54
STAPLES INC	Office Supplies - sharpies and white out	100	2133	Office & shop supplies	45.76
US BANK CORPORATE PAYMENT	Collection System - vactor hose and gaskets	200	2360	O&M - collection systems	320.88
US BANK CORPORATE PAYMENT	Collection System - value for vactor truck	200	2360	O&M - collection systems	415.12
US BANK CORPORATE PAYMENT	Memberships and Dues - membership for Lorman Educational Services through 8/31/23	100	2388	Training and education	299.00
US BANK CORPORATE PAYMENT	Pump Stations - McNears Beach wet well hatch lid lifting mechanism	200	2359	Maint- pump sta's & force mains	599.45
VERIZON WIRELESS(242395955)	Telephone Service - private IP addresses for the San Pedro and Peacock Pump Stations from 8/18/22-9/17/22	100	2534	Telephone service	137.76
VERIZON WIRELESS(372347023)	Telephone Service - wireless service for laptops and iPad from 8/21/22-9/20/22	100	2534	Telephone service	426.11
WATER COMPONENTS & BLDG SUPPLY	Collection System - clean out cap repair at BlueWave Express Car Wash at 990 Francisco Boulevard East	200	2360	O&M - collection systems	25.66
WATER COMPONENTS & BLDG SUPPLY	Pump Stations - parts for North Francisco Pump Station	200	2359	Maint- pump sta's & force mains	42.55
WATER COMPONENTS & BLDG SUPPLY	Pump Stations - parts for North Francisco Pump Station	200	2359	Maint- pump sta's & force mains	36.52
WATER COMPONENTS & BLDG SUPPLY	Pump Stations - parts for North Francisco Pump Station	200	2359	Maint- pump sta's & force mains	310.83

<b>WATER COMPONENTS &amp; BLDG SUPPLY</b>	Pump Stations - parts for North Francisco Pump Station	200	2359	Maint- pump sta's & force mains	13.42
<b>ZEP SALES &amp; SERVICE (Acuity)</b>	Shop Supplies - soap for washing cars	200	2133	Office & shop supplies	178.50
					\$ 955,254.99





## **Bayside Acres Beach Sewer Relocation Project (“Project”)**

### **Unbuilt Unit Sewer Lateral Policy**

**November 3, 2022**

The San Rafael Sanitation District (“District”) is decommissioning a corroded, old sewer main pipeline in the Bay within the Bayside Acres neighborhood that is in danger of rupturing and polluting the Bay. In its place, the District is installing a new sewer main pipeline in the streets above the neighborhood.

While sewer laterals are the responsibility of the individual property owners, the District will install new private sewer laterals and residential pump systems to the new, secure pipeline in the streets for existing homes which previously had sewer laterals connected to the old sewer pipeline in the Bay.

In addition, only at the request of the property owner and subject to the approval from the District’s Board of Directors, the District will consider installing new private sewer laterals and residential pump systems for residences, including accessory dwelling units (“ADUs”), not yet constructed, but with all necessary and approved building permits from the County of Marin and all other agencies to begin construction of these future residences no later than December 31, 2023. However, the District will not be responsible for the costs for construction of new private sewer lines if such new lines are gravity lines which do not require a pump station to convey the wastewater to the new main sewer line.

If construction of these future residences does not take place before December 31, 2023, the District will not install new private sewer laterals and residential pump systems to the new, secure pipeline in the streets.

**INDEPENDENT AUDITOR'S 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 basic financial statements of the San Rafael Sanitation District (District), a component unit of the City of San Rafael, California, as of and for the year ended June 30, 2022, and have issued our report thereon dated October 20, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 or significant deficiencies may exist that have not been identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated October 20, 2022 which is an integral part of our audit and should be read in conjunction with this report.

***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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maze + Associates*

Pleasant Hill, California  
October 20, 2022

**SAN RAFAEL SANITATION DISTRICT**  
**MEMORANDUM ON INTERNAL CONTROL**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**SAN RAFAEL SANITATION DISTRICT  
MEMORANDUM ON INTERNAL CONTROL**

**For the Year Ended June 30, 2022**

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## MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the San Rafael Sanitation District as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

*Maze + Associates*

Pleasant Hill, California  
October 20, 2022

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**SAN RAFAEL SANITATION DISTRICT**  
**REQUIRED COMMUNICATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**SAN RAFAEL SANITATION DISTRICT**

**REQUIRED COMMUNICATIONS**

**For the Year Ended June 30, 2022**

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## REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the San Rafael Sanitation District (District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

*Accounting Policies* - 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 new accounting policies were adopted, and the application of existing policies was not changed during the year.

*Unusual Transactions, Controversial or Emerging Areas* - 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* - 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 estimate(s) affecting the District's financial statements were:

*Estimated Fair Value of Investments:* As of June 30, 2022, the District held approximately \$46.9 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2022. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2022.

*Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 2 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the basic financial statements taken as a whole.

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*Estimated Obligation to City of San Rafael:* Management's estimate of the obligation to the City of San Rafael is disclosed in Note 5 to the financial statements and is based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

*Disclosures* - 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.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the City's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

***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 a management representation letter dated October 20, 2022.

***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 District'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 District'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 the required supplementary information that accompanies and 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 required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

\*\*\*\*\*

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

*Maze + Associates*

Pleasant Hill, California  
October 20, 2022



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

**Annual Financial Report  
Years Ended  
June 30, 2022 and 2021**

**With  
Independent Auditor's Report**

**SAN RAFAEL SANITATION DISTRICT  
YEARS ENDED JUNE 30, 2022 AND 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the San Rafael Sanitation District (District), a component unit of the City of San Rafael, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 October 20, 2022, on our consideration of the District's internal control over financial reporting and 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

***Report on Summarized Comparative Information***

The financial statements of the District as of June 30, 2021, were audited by other auditors whose reported dated September 20, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Maza + Associates*

Pleasant Hill, California  
October 20, 2022

**SAN RAFAEL SANITATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

The Management's Discussion and Analysis provides an overview of the District's financial activities for the fiscal years ended June 30, 2022 and 2021. 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, 2022, was approximately \$99,621,000 which is an increase of approximately \$5,769,000 over the prior year's balance. Net position is comprised of approximately \$55,567,000 invested in capital assets and approximately \$44,053,000 in unrestricted net position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis section 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 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.

Notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

**SAN RAFAEL SANITATION DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

The following table is a summary of the District’s assets, liabilities, and net position for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 48,547,353	\$ 44,345,582	\$ 40,457,106
Noncurrent assets	55,567,449	54,715,226	53,478,260
Total assets	<u>104,114,802</u>	<u>99,060,808</u>	<u>93,935,366</u>
Current liabilities	1,824,236	956,933	1,139,181
Noncurrent liabilities	2,669,803	4,252,005	4,319,303
Total liabilities	<u>4,494,039</u>	<u>5,208,938</u>	<u>5,458,484</u>
Net position			
Investment in capital assets	55,567,449	54,715,226	53,478,260
Unrestricted	44,053,314	39,136,644	34,998,622
Total net position	<u>\$ 99,620,763</u>	<u>\$ 93,851,870</u>	<u>\$ 88,476,882</u>

As indicated in the table above, current assets increased each year from 2020 to 2022. This was primarily because the District 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. Expenditures for capital improvement projects often do not coincide with revenue for annual fiscal periods since projects are subject to lengthy planning periods, weather considerations and long construction periods. Current liabilities consist primarily of trade and construction payables and the current portion of a liability to the City of San Rafael for pension and other post-employment benefits. The change in current liabilities each year was the normal result of fluctuations in the timing of District’s disbursement cycle. Noncurrent liabilities decreased from 2021 to 2022 as a result of a revaluation of a liability to the City of San Rafael for pension and other post-employment benefits.

Details of capital improvements are described in *Capital Assets and Debt Administration*.



**SAN RAFAEL SANITATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

The following table is a summary of the District's results of operations for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 16,458,113	\$ 16,945,721	\$ 16,874,361
Nonoperating revenues	1,685,715	1,942,420	2,715,714
Total revenues	<u>18,143,828</u>	<u>18,888,141</u>	<u>19,590,075</u>
Operating expenses	<u>12,892,687</u>	<u>13,790,905</u>	<u>13,853,263</u>
Income before capital contributions received	5,251,141	5,097,236	5,736,812
Capital contributions	517,752	277,752	175,217
Changes in net position	<u>5,768,893</u>	<u>5,374,988</u>	<u>5,912,029</u>
Net position at beginning of the year	<u>93,851,870</u>	<u>88,476,882</u>	<u>82,564,853</u>
Net position at end of the year	<u>\$ 99,620,763</u>	<u>\$ 93,851,870</u>	<u>\$ 88,476,882</u>

Operating revenues are primarily from sewer service charges. There have been no rate changes since 2018. The modest decrease in sewer fees from 2021 to 2022 is attributed to a COVID-19-related decline fees paid by commercial customers. Nonoperating revenues decreased by approximately \$773,000 from 2020 to 2021 and decreased by approximately \$257,000 from 2021 to 2022. The major components of nonoperating revenue are property taxes and investment income. Revenue from property taxes increased modestly each year. Investment returns from the Marin County Investment Pool experienced a decrease from 2019 to 2020 and from 2021 to 2022 due to declining market returns which more than offset the increase in property tax revenues. Operating expenses decreased from 2020 to 2021 as well as from 2021 to 2022. Included in operating expenses are waste treatment costs incurred as a member of the Central Marin Sanitation Agency which increased by \$178,000 from 2021 to 2022. These sewage treatment operating costs include a proportionate share of servicing the revenue bonds issued by the Central Marin Sanitation Agency (CMSA). The main driver of the overall decrease in operating expenses from 2021 to 2022 were adjustments to unfunded post-employment benefits for contract staff. Depreciation expense increased from 2021 to 2022 as assets were placed in service.

**SAN RAFAEL SANITATION DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital assets, net of accumulated depreciation, were as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land & easements	\$ 115,329	\$ 115,329	\$ 115,329
Construction in progress	822,409	4,037,237	1,377,642
Subsurface lines	31,345,226	28,371,385	28,439,065
Sewage collection facilities	22,617,024	21,389,353	22,744,787
General plant & admin facilities	667,461	801,922	801,437
Net investment in capital assets	<u>\$ 55,567,449</u>	<u>\$ 54,715,226</u>	<u>\$ 53,478,260</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 2017, the Board of Directors designated amounts to be provided as reserves for capital improvement projects and adopted a policy requiring transfers 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 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 \$4.9 million per year. Approximately \$2.9 million was expended on these projects during the year ended June 30, 2022, leaving a reserve balance of \$22.5 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 each year based on expenditures anticipated in the succeeding two years. Annual costs are estimated to range between \$1.2 million and \$2.4 million per year. Approximately \$0.3 million was expended on these projects during the year ended June 30, 2022, leaving a reserve balance of \$8.4 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. No expenditures for equipment occurred during the year ended June 30, 2022, leaving a reserve balance of \$2.0 million for this program.

**SAN RAFAEL SANITATION DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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. The rates in effect during 2021-22 are expected to be sufficient to fund operations and planned capital improvement projects for the near term.

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 and capital improvement expenditures of Central Marin Sanitation District (CMSA).

**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**

**JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current assets		
Cash equivalents	\$ 46,864,314	\$ 42,815,664
Accounts receivable and accrued revenue	1,344,741	1,381,179
Prepaid expenses	75,194	65,542
Due from related parties	263,104	83,197
Total current assets	48,547,353	44,345,582
Noncurrent assets		
Nondepreciable assets	937,738	4,152,566
Collection systems and facilities, net	54,629,711	50,562,660
Total noncurrent assets	55,567,449	54,715,226
Total assets	104,114,802	99,060,808
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	501,124	209,657
Other liabilities	646,971	62,590
Payable to related parties	21,883	12,321
Obligation to the City of San Rafael	654,258	672,365
Total current liabilities	1,824,236	956,933
Noncurrent liabilities		
Obligation to the City of San Rafael	2,669,803	4,252,005
Total liabilities	4,494,039	5,208,938
<b>NET POSITION</b>		
Investment in capital assets	55,567,449	54,715,226
Unrestricted	44,053,314	39,136,644
Total net position	\$ 99,620,763	\$ 93,851,870

**SAN RAFAEL SANITATION DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>OPERATING REVENUES</b>		
Sewer charges	\$ 16,458,113	\$ 16,945,721
<b>OPERATING EXPENSES</b>		
Sewage collection	2,458,749	3,923,907
Sewage treatment	7,657,698	7,480,877
Depreciation and amortization	2,360,343	2,075,305
General and administration	415,897	310,816
Total operating expenses	12,892,687	13,790,905
Operating income	3,565,426	3,154,816
<b>NONOPERATING REVENUES</b>		
Property taxes	2,086,682	1,888,197
Aid from governmental agencies	5,568	5,609
Investment income (loss)	(406,535)	48,614
Total nonoperating revenues	1,685,715	1,942,420
Income before capital contributions	5,251,141	5,097,236
<b>CAPITAL CONTRIBUTIONS</b>		
Connection fees	517,752	277,752
<b>CHANGES IN NET POSITION</b>	5,768,893	5,374,988
Net position at beginning of the year	93,851,870	88,476,882
Net position at end of the year	\$ 99,620,763	\$ 93,851,870

The accompanying notes are an integral part of the financial statements.

**SAN RAFAEL SANITATION DISTRICT**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from sewer charges	\$ 16,457,253	\$ 16,951,955
Payments to City of San Rafael for contract personnel	(2,629,113)	(2,269,666)
Payments to joint venture for sewage treatment	(7,657,698)	(7,480,877)
Payments to vendors and suppliers	(1,247,973)	(1,095,656)
Payments to City of San Rafael regarding post-employment benefits for contract personnel	(747,284)	(713,745)
Net cash equivalents provided by operating activities	4,175,185	5,392,011
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Receipts from property taxes	2,086,682	1,888,197
Receipts of aid from governmental agencies	5,568	5,609
Net cash equivalents provided by non-capital financing activities	2,092,250	1,893,806
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Connection fees collected	1,139,431	240,454
Payments for capital acquisitions	(2,951,681)	(3,658,738)
Net cash equivalents used for capital and related financing activities	(1,812,250)	(3,418,284)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	(406,535)	52,274
Net change in cash equivalents	4,048,650	3,919,807
Cash equivalents at beginning of year	42,815,664	38,895,857
Cash equivalents at end of year	\$ 46,864,314	\$ 42,815,664

**SAN RAFAEL SANITATION DISTRICT**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

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

	<u>2022</u>	<u>2021</u>
Operating income	\$ 3,565,426	\$ 3,154,816
Adjustments to reconcile operating income to net cash equivalents provided (used) by operating activities:		
Depreciation and amortization	2,360,343	2,075,305
(Increase) decrease in accounts receivable and other current assets	(190,419)	64,970
Increase (decrease) in accounts payable and other current liabilities	40,144	109,599
Increase (decrease) in obligation to the City of San Rafael	<u>(1,600,309)</u>	<u>(12,679)</u>
Net cash equivalents provided by operating activities	<u>\$ 4,175,185</u>	<u>\$ 5,392,011</u>

The accompanying notes are an integral part of the financial statements.



**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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 can 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.

**BASIS OF ACCOUNTING**

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.

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.

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BASIS OF ACCOUNTING (continued)**

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 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 EQUIVALENTS**

For purposes of the statement of cash flows, the District has defined cash equivalents to include cash on hand and short-term investments maturing within 90 days, including investments held in the Marin County Investment Pool which are available on demand and are considered highly liquid.

**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**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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 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**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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. The most sensitive estimates affecting the District include estimated fair value of investments, estimate of depreciation, and estimates related to the obligation to the City of San Rafael for unfunded pension and post-employment health benefit obligations.

**INCOME TAXES**

SRSD is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

**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. These reclassifications did not result in any change in previously reported net position or change in net position.

**3. CASH EQUIVALENTS**

The District maintains all its cash equivalents in the Marin County Investment Pool to increase investment earnings through pooled investment activities. Revenue 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 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.

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**3. CASH EQUIVALENTS (continued)**

The Marin County Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust.

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, 2022, 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. The Districts' proportionate share of investments in the County Pool at fair value on June 30, 2022 and 2021 was \$46,864,000 and \$42,816,000, respectively, and are not required to be categorized under the fair value hierarchy.

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**3. 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, 2022 and 2021, the County's investment pool had a weighted average maturity of 236 and 218 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."

Investments made by the Marin County Treasurer are regulated by the California Government Code and by the County's investment policy. The Marin County Investment Pool invests substantially all its funds in U.S. government obligations and registered money market funds rated 'AAAmf' by Fitch Ratings or an equivalent rating agency. Fitch has assigned the Marin County Investment Pool a credit rating of "AAA/V1."

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**4. COLLECTION SYSTEMS AND FACILITIES**

A summary of the District's collection systems and facilities for the years ended June 30, 2022 and 2021 respectively, follows:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Balance at June 30, 2022</u>
<b>Nondepreciable capital assets:</b>					
Land and easements	\$ 115,329	\$ -	\$ -	\$ -	\$ 115,329
Construction in progress	4,037,237	2,546,214	-	(5,761,042)	822,409
Total nondepreciable	<u>\$ 4,152,566</u>	<u>\$ 2,546,214</u>	<u>\$ -</u>	<u>\$ (5,761,042)</u>	<u>\$ 937,738</u>
<b>Depreciable capital assets:</b>					
Subsurface lines	\$ 41,910,303	\$ 510,563	\$ -	\$ 3,073,641	\$ 45,494,507
Sewage collection facilities	45,073,165	155,048	-	2,687,400	47,915,613
General plant and administration	2,365,939	742	-	-	2,366,681
Total depreciable	<u>89,349,407</u>	<u>666,353</u>	<u>-</u>	<u>5,761,041</u>	<u>95,776,801</u>
<b>Less: accumulated depreciation:</b>					
Subsurface lines	13,538,918	610,363	-	-	14,149,281
Sewage collection facilities	23,683,812	1,614,777	-	-	25,298,589
General plant and administration	1,564,017	135,203	-	-	1,699,220
Total accumulated depreciation	<u>38,786,747</u>	<u>2,360,343</u>	<u>-</u>	<u>-</u>	<u>41,147,090</u>
Total collection systems & facilities-net	<u>\$ 50,562,660</u>	<u>\$ (1,693,990)</u>	<u>\$ -</u>	<u>\$ 5,761,041</u>	<u>\$ 54,629,711</u>

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**4. COLLECTION SYSTEMS AND FACILITIES (continued)**

	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &amp; Adjustments</u>	<u>Balance at June 30, 2021</u>
<b>Nondepreciable capital assets:</b>					
Land and easements	\$ 115,329	\$ -	\$ -	\$ -	\$ 115,329
Construction in progress	1,377,642	2,659,595	-	-	4,037,237
Total nondepreciable	<u>\$ 1,492,971</u>	<u>\$ 2,659,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,152,566</u>
<b>Depreciable capital assets:</b>					
Subsurface lines	\$ 41,453,130	\$ 457,173	\$ -	\$ -	\$ 41,910,303
Sewage collection facilities	45,012,915	60,250	-	-	45,073,165
General plant and administration	2,230,686	135,253	-	-	2,365,939
Total depreciable	<u>88,696,731</u>	<u>652,676</u>	<u>-</u>	<u>-</u>	<u>89,349,407</u>
<b>Less: accumulated depreciation:</b>					
Subsurface lines	13,014,065	524,853	-	-	13,538,918
Sewage collection facilities	22,268,128	1,415,684	-	-	23,683,812
General plant and administration	1,429,249	134,768	-	-	1,564,017
Total accumulated depreciation	<u>36,711,442</u>	<u>2,075,305</u>	<u>-</u>	<u>-</u>	<u>38,786,747</u>
Total collection systems & facilities-net	<u>\$ 51,985,289</u>	<u>\$ (1,422,629)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,562,660</u>



**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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, 2022. Under the agreement, 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, 2021	\$ 4,924,370
Actuarial adjustment	(853,025)
Payments	<u>(747,284)</u>
Balance at June 30, 2022	3,324,061
Less current portion	<u>(654,258)</u>
Balance due after one year	<u><u>\$ 2,669,803</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 CMSA. CMSA serves as a regional wastewater treatment plant for its four member agencies and San Quentin Prison (SQ) and is governed by a five-member Board of Commissioners, two appointed by the Board of Directors of the San Rafael Sanitation District, two appointed by the governing board of the Ross Valley Sanitary District, and one appointed by the governing board of Sanitary District No. 2 (SD 2).

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**6. JOINT VENTURES (continued)**

Total project costs to construct the CMSA facilities 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. 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 at 1301 Anderson Drive, San Rafael, CA 94901 and online at [www.cmsa.us](http://www.cmsa.us). Condensed financial information for the Agency is presented below for June 30, 2021 and 2020, the most recent information available.

	<u>2021</u>	<u>2020</u>
Total assets	\$ 108,719,598	\$ 97,920,699
Deferred outflows of resources	5,220,529	5,570,585
Total liabilities	(66,074,472)	(57,649,130)
Deferred inflows of resources	(1,121,145)	(1,700,000)
Net position	<u>\$ 46,744,510</u>	<u>\$ 44,142,154</u>
Total revenues	\$ 20,059,358	\$ 18,104,530
Total expenses	(19,049,635)	(19,208,677)
Total contributions	1,592,633	511,165
Change in net position	<u>\$ 2,602,356</u>	<u>\$ (592,982)</u>

**7. COMMITMENTS**

As of June 30, 2022, SRSD had several contracts for sewer improvement projects with remaining obligations of approximately \$2,070,000, with the majority expected to be completed within the 2022-23 fiscal year.

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**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.

CSRMA'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 the District have not exceeded coverage provided by CSRMA in any of the past three fiscal years.

The following summarizes active insurance policies as of June 30, 2022 together with coverage limits for each insured event:

Insurance Program	Limits	Coverage Description
CSRMA - Allied World Assur.	\$ 3,000,000	Gen/Mgt liability - aggregate
CSRMA - Allied World Assur.	\$ 1,000,000	Gen/Mgt liability - occurrence
CSRMA - Allied World Assur.	\$ 1,000,000	Auto liability - accident
CSRMA - Allied World Assur.	\$ 4,000,000	Excess liability
CSRMA - Public Entity Property Insurance Program (P.E.P.I.P)	\$ 30,359,825	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
CSRMA - Lloyds of London	\$ 2,500,000	Deadly weapons - aggregate

**SAN RAFAEL SANITATION DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

**8. RISK MANAGEMENT (continued)**

The financial statements of CSRMA are available at their office: 100 Pine Street, 11<sup>th</sup> Floor, San Francisco, CA 94111 and online at [www.csrma.org](http://www.csrma.org).

**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, work related to capital improvements and other minor services. The City invoiced the District for approximately \$3,485,000 and \$3,120,000 for the years ended June 30, 2022 and 2021, respectively. These amounts included required payments to reduce 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 as of June 30, 2022 and 2021 of approximately \$22,000 and \$12,000, respectively. These are the result of various operating expenses and capital projects. The District also has a receivable from the City of San Rafael as of June 30, 2022 and 2021 of approximately \$263,000 and \$83,000, respectively, which represents adjustments from payments of estimated amounts made during the year to actual costs as determined at year end.

SAN RAFAEL SANITATION DISTRICT  
 Schedule of Connection Fees  
 Fiscal Year Ended June 30, 2022



The California Government Code Section 66013 requires certain disclosures regarding fees charged for connection of a structure or project to sewer systems (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, 2022, are as follows:

	<u>Project Status</u>	<u>Project Annual Total</u>	<u>Connection Fees</u>	<u>% of Annual Total</u>
<b>Connection fees available at beginning of year</b>			\$ -	
<b>Add: Connection fees collected</b>			\$ 517,752	
 <b>Expended for the following projects:</b>				
Woodland Pl/Ave & Octavia	<i>In Progress</i>	\$ 1,279,316	\$ 475,897	37%
Rehab of Beach Swr Bayside	<i>In Progress</i>	\$ 189,768	\$ 41,856	22%
<b>Total connection fees expended</b>			<u>\$ 517,752</u>	
<b>Connection fees available at end of year</b>			<u>\$ -</u>	

**SAN RAFAEL SANITATION DISTRICT**  
*Agenda Item No. 7.c.*



**DATE:** November 3, 2022  
**TO:** Board of Directors, San Rafael Sanitation District  
**FROM:** Doris Toy, District Manager/District Engineer  
**SUBJECT:** Discussion on the District's Disbursement Policy

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**BACKGROUND**

On December 31, 2008, the San Rafael Sanitation District terminated the accounting services provided by the County of Marin because the County switched its accounting system to SAP, which no longer fit the District's needs. However, the District has continued to use the County for collecting, safeguarding, and investing District funds. The County currently has an agreement with Bank of America for its banking services. After terminating the County's accounting services, the District obtained Maher Accountancy to perform its accounting services, including the issuance of checks. These checks require two approved signatures, and the Board authorized the District Manager/District Engineer and the Senior Civil Engineer to be the signatories. In the event that one signatory is not available, the Board members are the alternate approved signatories.

In March 2022, the Senior Civil Engineer retired, and that position is currently vacant. Since then, the Board members have been taking turns signing the checks as the second signatory. The checks are both hand delivered to a Board member and picked up by District staff, which is time consuming. The Board recently asked staff to determine whether the check signing process could be more efficient, such as having checks signed electronically or issuing electronic payments.

**ANALYSIS**

On October 21, 2022, the District Manager and the District's accountant, Michael Maher (Maher Accountancy), met with the Marin County Finance Director, Mina Martinovich, and the Finance Division Chief, Karen Shaw, to discuss options for the District to pay vendors electronically. They provided the following two options for the District's consideration:

1. The District could issue electronic payments by using the County's financial system. Because the District's funds are currently held by the County Treasurer, the District would be required to go through the County's financial system, MUNIS, which means that District staff would need access to MUNIS in order to create an invoice entry and have a second District staff member perform the approval for the outgoing payment; and the vendor would also need to be set up in MUNIS. This would require a lot of staff time for training and for keeping up with the County's procedures and its MUNIS system.
2. The District could open a separate bank account outside of the County Treasurer. This would require the District to transfer a certain amount of funds to an outside bank on a monthly basis. However, this option increases various risks and requires extra staff time for reconciliation, cash balance monitoring, and increased auditing procedures.

Since both options do not appear to be favorable and it is not possible to eliminate the issuance of checks, staff recommends removing the requirement for two signatures on checks and to require only one signature, such as that of the District Manager/District Engineer. In the event that the District Manager is not available to sign the checks, the Senior Civil Engineer, Operations & Maintenance Manager, and the Board members could be the alternate approved signers.

From an audit standpoint, it is not possible for the authorized signer(s) to issue an unauthorized check. The District currently has several mitigating controls, such as:

1. Invoices are approved for payment by multiple staff.
2. Check stock is locked and stored at Maher Accountancy, and they hold the key.
3. Maher Accountancy enters the payments into the County's financial system prior to allowing a check to clear.
4. The Board receives a monthly Payment Summary report with each agenda packet.

After discussing the two options and the District's controls, both Ms. Martinovich and Ms. Shaw agreed that the approach of changing the two signatures on the checks to one signature made the most sense.

In addition to discussing electronic payments, County staff also suggested that the District deposit its checks electronically. Presently, when the District receives checks, staff hand delivers them to the County Finance Department for deposit, which is a liability and takes up staff time. If the District decides to deposit the checks electronically, the County would provide a scanner, which would upload to the County's bank portal; and County staff would work with District staff to streamline the process.

**ACTION REQUIRED:**

Board to discuss the following options:

1. Pay vendors electronically through the County financial system.
2. Open a separate bank account.
3. Revise the disbursement policy to require only one signature on the checks. If this option is chosen, consider the District Manager/District Engineer to be the authorized signer; and in the event that the District Manager/District Engineer is not available, the Senior Civil Engineer, Operations & Maintenance Manager, and Board members would be the alternate approved signers. Resolution 21-1216, which authorizes approved signatories on District checks, would be revised to reflect this change and brought to the next meeting for approval.
4. Deposit checks with the County electronically.

**RECOMMENDATION:**

Staff recommends that the Board choose Option 3, to revise the disbursement policy by requiring only one signature on the checks and authorize the District Manager/District Engineer to be the authorized check signer; and in the event that the District Manager/District Engineer is unavailable, the Senior Civil Engineer, Operations & Maintenance Manager, and the Board members would be the alternate approved signers.

Staff also recommends approving the District to deposit its checks with the County Treasurer electronically.