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# NOVATO SANITARY DISTRICT

## POLICY HANDBOOK

**POLICY TITLE: Operating and Capital Funds Minimum Beginning Balance for each Fiscal Year**

**POLICY NUMBER: 3510**

### **3510.1 Operating Fund.**

3510.11 Purpose: The District receives approximately 55% of its revenues in December and 45% in April. Operating expenditures are distributed relatively evenly throughout the year. The Operating Fund serves to provide cash flow during the months between the receipt of revenues. It is required to be sufficient to adequately fund District operations and to provide financial flexibility to meet seasonal variation and minor unanticipated expenses as outlined in Section 3510.2.

3510.12 Fund Target: The Operating Fund target is 67% (eight months) of the Operating Expenditures for the upcoming fiscal year as of July 1st of each year.

### **3510.2 Capital Fund.**

3510.21 Purpose: Capital Revenues are made up primarily of Sewer Service Charges and Property Taxes that are received in April and December. The District has ongoing fixed capital costs for the principal and interest payments on the SRF loan and COPs of \$7,046,654. These payments are due in August, December, and February. Most of the Capital Budget is therefore not discretionary.

3510.22 Fund Target: The Capital Fund target as of July 1<sup>st</sup> each year is the debt payments plus the pay-as-you-go capital projects budget for the upcoming fiscal year minus the anticipated December capital receipts.

**3510.3** The District is committed to clear and consistent financial policies so that constituents can readily verify that prudent practices are in place. The Capital and Operating Fund targets are set for July 1 of each year so that the Funds can be readily aligned with the Budget documents.

### **3510.4 Background.**

3510.41 General: The Novato Sanitary District (hereinafter "District") was formed and lawfully operates under the Sanitary District Act of 1923. The District, pursuant to the statutory authority invested in it, is charged with protecting the health and safety of the citizens within the jurisdictional limits of the District with regard to sanitation, including collection, treatment and disposal of sewage, as well as solid waste collection and disposal. The District is charged with operating a collection and treatment system for sewage pursuant to the terms of its NPDES permit No. CA0037958, that sets forth stringent requirements for the District's

operations and protection of the water environment. The Sanitary District Act of 1923 and other statutory authority provides the District with the power to levy and collect fees, tolls, charges and assessments in order to meet its operating revenue requirements and capital funding needs.

3510.42 Fund Purpose: The District must accumulate and maintain sufficient fund balances in its operating and capital accounts to meet current and projected expenses, cover cash flow requirements, cover debt payments, and provide for both anticipated and unanticipated liabilities and expenses without adversely affecting the District's ability to provide both short and long term, high quality, uninterrupted service in compliance with applicable federal and state law, and regulatory permits.

3510.43 State Revolving Fund Loan: The District borrowed \$81,307,947 from the State Revolving Fund (SRF Loan) between 2008 and 2011. The loan is being repaid in annual installments of \$5,378,956 due each December 31 through June 30, 2031.

3510.44 Certificates of Participation: The District issued \$21,750,000 of Certificates of Participation (COP) in October 2011 to fund Collection System, Pump Stations, Reclamation System, and Treatment Plant Capital Improvements. The COPs will be repaid over 20 years. Interest is payable February 1 and August 1 of each year beginning February 1, 2012 through 2032. Principal payments are due on February 1 of each year.