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# NOVATO SANITARY DISTRICT

## POLICY HANDBOOK

**POLICY TITLE:** Funds Policy - 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 Alignment with Annual Budget.

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 District's 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 (Reserved)

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3510.45 Revenue Refinancing Bonds (2017 and 2019): The District issued the 2017 Revenue Refinancing bonds to pay off the 2011 Certificates of Participation (COPs). These bonds are being paid off in semi-annual installments each February and August through 2031.

The District issued the 2019 Revenue Refinancing bonds to pay off the 2011 State Revolving Fund (SRF) loan. These bonds are being paid off in semi-annual installments each February and August through 2031.

3510.46 Revenue Refinancing Bonds (2020): The District issued the 2020 Revenue Refinancing bonds to pay off the District's CalPERS unfunded actuarial liability (UAL) or pension liability. These bonds are structured as a private placement loan with California Bank and Trust (a unit of Zions Bank), and are being paid off in semi-annual installments each February and August through 2039.

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