



TAMALPAIS COMMUNITY SERVICES DISTRICT

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RESOLUTION NO. 2020-07

A RESOLUTION OF THE TAMALPAIS COMMUNITY SERVICES DISTRICT TO ESTABLISH A RESERVE POLICY FOR TCSD SANITATION AND SOLID WASTE FUNDS

WHEREAS, the Board of the Tamalpais Community Services District ("TCSD") wishes to establish sustainable financial plans for TCSD; and

WHEREAS, this resolution supersedes Resolution 2018-03, TCSD's first reserve policy for TCSD Sanitation and Solid Waste funds; and

WHEREAS, the TCSD collects service charges for Solid Waste and Sanitation via Marin County property tax billing which are payable twice annually; and,

WHEREAS, the TCSD provides sanitary sewer collection service via a Sanitation (Sewer) Fund; and

WHEREAS, the TCSD provides solid waste collection service via a Solid Waste (Refuse) Fund; and

WHEREAS, the proper functioning of the TCSD requires adequate levels of reserve funds in order to prepare for and weather future financial events and limit financial risk and uncertainty; and

WHEREAS, the purpose of the operating reserve is to provide working capital and funds for unplanned operating and maintenance expenditures; and,

WHEREAS, the purpose of the capital reserve is to provide funds for capital project expenditures such as to repair, replace, rehabilitate, and upgrade capital facilities, infrastructure, rolling stock and heavy equipment; and,

WHEREAS, the purpose of an Other Post Employment Benefits (OPEB) Trust Account is to deposit funds needed to pay TCSD's OPEB future liabilities.

NOW THEREFORE, BE IT RESOLVED as follows:

Section 1: Operating Reserve

The Board wishes to establish operating reserve targets as follows:

Sanitation operating reserve at the beginning of each fiscal year equal to six months of annual operating and maintenance costs, including debt service, of the sewer utility in the upcoming year.

Solid Waste operating reserve at the beginning of each fiscal year equal to eight months of annual operating and maintenance costs, including debt service, of the solid waste utility in the upcoming year.

Section 2: Capital Reserve

The Board will establish a capital reserve target for the Solid Waste Financial Plan.

The District's sewer collection system is comprised of more than 34 miles of gravity sewer lines and force mains, as well as pump stations and other infrastructure. Most of the infrastructure is at or beyond its expected useful life span of approximately 60 to 65 years. Strengthening the District's financial capacity to address long-term rehabilitation needs of the aging collection system will require modest additional revenues coupled with a prudent financial reserve strategy. The sewer capital reserve is intended to provide the means for adequately funding the pay-as-you-go capital improvement program, as well as to facilitate rate stability and predictability.

The Board hereby establishes a target balance in the sewer Capital Reserve of \$1.5 million, to be escalated each year at the pace of construction inflation (estimated to be about 3.5 percent per year). This target balance is intended to provide guidance for multi-year financial and capital spending planning, as well as informing decisions on the amount of the annual transfers from the Operating Fund to the Capital Reserve. In some years the Capital Reserve balance will be higher than the target and in other years it will be lower.

Adjusting the target balance annually will help keep the reserve relevant with rising construction costs. The reserve will assist the District in meeting the cash flow needs of the capital program (with its inherent peaks and valleys), and will also enable the District to take advantage of a favorable contract bidding environment (i.e., accelerating capital spending when conditions warrant) and also provide funds for capital spending in the event of system failure or other emergency events.

Section 3: OPEB Trust Account

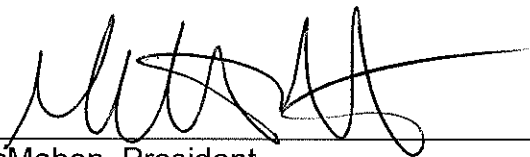
The Board approves annual deposits in an OPEB trust account to contribute the annual GASB 75 OPEB Expense, less the benefits paid directly for the benefit of retirees. TCSD's Sanitation, Solid Waste, and Parks and Recreation funds shall contribute their proportionate share based on that years' current eligible employees.

I HEREBY CERTIFY that the foregoing resolution is a full, true, and correct copy of a resolution duly and regularly adopted and passed by the Board of Directors of the Tamalpais Community Services District, County of Marin, California, at a meeting thereof, held on the 12th day of August, 2020, by the following vote:

AYES: *Matt McMahon, Jeff Brown, Stephen Bartschat, Jim Jacobs, Steve Levine*

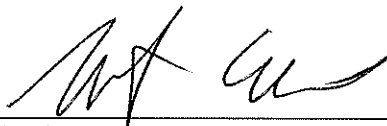
NAYS: *0*

ABSENT: *0*



Matthew G. McMahon, President

ATTEST:



Secretary, Tamalpais Community Services District