

## **SAN RAFAEL SANITATION DISTRICT FINANCIAL RESERVES POLICY**

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

The first program, known as the 80-Year Life-Cycle Program, is maintained to provide for systematic replacement of all 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. As of June 2015, the District has reserved \$6.3 million for this program.

The District also has a Pump Station and Force Main Capital Improvement Program to make capital improvements related to its pump stations and force mains. Planned annual expenditures are funded on a pay-as-you-go basis and annual costs are estimated to range between \$1.2 million and \$2.4 million per year. The Board has established a reserve of \$1.3 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. As of June 30, 2015, management has reserved \$1.1 million for equipment replacement.