

ALTO SANITARY DISTRICT
P.O. BOX 163, MILL VALLEY, CA 94942; PHONE: (415) 388-3696
Regular meeting of the Board of Directors held at the
Sewerage Agency of Southern Marin, 450 Sycamore Avenue, Mill Valley, CA
6:30 P.M. WEDNESDAY, September 23, 2026
(Please note new meeting time)

AGENDA

- 1. Call to Order**
- 2. Roll Call-** President Janis M. Bosenko
Directors: Secretary/Treasurer Marc Nash, Michael Faust, Todd Gates, Porter Merriman
- 3. Approve Agenda**
- 4. Public Open Time** – *The Public is invited to address the Board on items that do not appear on the agenda and that are within the subject matter jurisdiction of the Board. State law prohibits Board action on any item not listed on the agenda. Please avoid repetition and please limit your comments to three minutes.*
- 5. Consent Calendar** – *The following items listed are considered routine and may be approved by a single motion without discussion. The Board President or any Board Director or the public may request that any item listed under the Consent Calendar be removed and action taken separately. In the event an item is removed from the Consent Calendar, it shall be considered in its numerical order.*
 - a.** Approval of the Minutes of July 22, 2026 Meeting (no meeting in August)
 - b.** Approval of August 2026 Financial Reports & and August 2026 List of Payments
- 6. Regular Business**
 - a.** Receive FY24-25 Financial Audit Report
 - b.** Discuss six month review and status update on shared services agreement with Tamalpais Community Services District (TCSD)
- 7. Update Reports** (oral reports)
 - a.** Manager's Report – Update on staff activities including new Roto Rooter ownership and upcoming election
 - b.** SASM meeting(s) – July, August, September
 - c.** District Managers meeting
- 8. Future Agenda Items**
- 9. Directors Open Time** – Information Only. No actions to be taken.
- 10. Adjournment**

The next regular meeting will be held in the conference room of Sewerage Agency of Southern Marin, 450 Sycamore Ave, Mill Valley, CA, unless noticed otherwise on the district's website, on **Wednesday, October 28, 2026 at 6:30pm.**

Americans with Disabilities Act (ADA) Accommodations: In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact the District Manager at least 48 hours prior to the meeting at (415) 388-3696 or by email. Notification at least 48 hours in advance of the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

ALTO SANITARY DISTRICT
Staff Report
Board Meeting
SEPTEMBER 23, 2026

TO: BOARD OF DIRECTORS

FROM: GARRETT TOY, DISTRICT MANAGER

SUBJECT: STAFF REPORT FOR SEPTEMBER 23, 2026 AGENDA

This is the staff report for Consent Calendar, Agenda Items 6a-b

5. Consent Calendar

- a. Approval of the Minutes of July 22, 2026 Meeting
- b. Approval of August 2026 Financial Reports & August 2026 List of Payments.

6. Regular Business

- a. **Receive the FY24-25 Financial Audit Report.**

O'Connor & Company completed the District's annual financial audit for FY 2024-25. As the Board is aware, the departure of the former District Manager and the subsequent transition of District Manager responsibilities to TCSD resulted in significant delays in the preparation of the audit. The District received a clean audit opinion and ended the fiscal year in a strong financial position, with a net position of approximately \$5.38 million, an increase of approximately \$484,000. At year-end, the District had approximately \$1.61 million in cash and investments and no long-term debt.

The District continued to invest in its collection system, spending approximately \$287,000 on sewer line improvements during the fiscal year. Operating expenses remained relatively unchanged from the prior year. Looking ahead, the audit notes that SASM assessments are expected to increase as SASM undertakes treatment plant modernization and improvement projects. Staff has authorized O'Connor & Company to begin work on the District's FY 2025-26 audit.

Fiscal Impact: audit fee is \$9,200

Recommended Action: Receive report.

- b. **Discuss six month review and status update on shared services agreement with Tamalpais Community Services District (TCSD).**

TCSD conducted a six-month review of the shared services agreement with Alto Sanitary District. Overall, TCSD found that the transition has progressed well and that Alto has continued to receive uninterrupted District Manager and administrative services. The

initial transition required more time than anticipated due primarily to the work necessary to establish and transition Alto's financial, banking, records, technology, website, and audit systems. Some of this work was outside the regular scope of services and is considered additional services under the agreement, which TCSD will bill separately.

TCSD recommended maintaining the current agreement through the first year before considering any changes to the monthly fee or base scope of services. The attached TCSD staff report provides additional information regarding the six-month review and is included for the Alto Board's reference. We will discuss the review, including the additional services and costs, in more detail at the meeting.

Fiscal Impact: Per the Shared Services Agreement, base services are \$3,000 per month, and additional services are billed at \$150 per hour.

Recommended Action: Receive report and provide input as appropriate.

7. Update Reports

- a. Manager's Report – Update on staff activities including new Roto Rooter ownership and upcoming election.
- b. SASM meeting – July, August, September
- c. District Managers' meeting

ATTACHMENTS

- A. FY 24-25 Audit Report
- B. July 22, 2026 Meeting Minutes
- C. Financial reports
- D. TCSD shared services staff report

**ALTO SANITARY DISTRICT
MILL VALLEY, CALIFORNIA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis - Required Supplementary Information (unaudited)	3-6
Basic Financial Statements	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Basic Financial Statements	10-15

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alto Sanitary District
Mill Valley, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Alto Sanitary District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Alto Sanitary 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 business-type activities of Alto Sanitary District, as of June 30, 2025, 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 and the State Controller's Minimum Audit Requirements for California Special Districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Alto Sanitary District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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 the 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 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 Alto Sanitary 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.

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 opinions. 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 auditing standards generally accepted in the United States of America 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 there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Alto Sanitary District – Page 2

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 Alto Sanitary 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 Alto Sanitary 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 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 the 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.

O'Connor & Company

O'Connor & Company

Novato, California
September 23, 2026

Alto Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2025

The following discussion provides readers of Alto Sanitary District's (the District's) financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ended on June 30, 2025. Please read this document in conjunction with the accompanying Basic Financial Statements.

FISCAL YEAR 2025 FINANCIAL HIGHLIGHTS

- The net position of the District's business-type activities increased by \$483,760 in fiscal year 2025 compared to an increase of \$445,772 in fiscal year 2024. Total operating expenses in fiscal year 2025 were essentially unchanged from the fiscal year 2024.
- In fiscal year 2025, sewer service charge revenues from District customers increased by \$2,211, which is a 0.3 percent difference compared to fiscal year 2024.
- The District spent approximately \$287,148 on wastewater line improvements in fiscal year 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts — *management's discussion and analysis* (this section), and the *basic financial statements including related disclosures*. The basic financial statements include one kind of statement that presents both a short-term and long-term view of the District:

- The Proprietary fund business-type statements offer *short-* and *long-term* financial information about the activities that the District operates *like businesses*, such as the District's wastewater collection and treatment system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District that they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-1

<u>Basic Financial Statement Features</u>	<u>Basic Financial Statements</u>
Scope	Activities the District operate like a private business; wastewater collection and treatment systems.
Required Financial Statements	Statement of net position; statement of revenues, expenses, and changes in net position, and the statement of cash flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic measurement focus
Type of Asset and Liability Information	All assets and liabilities, both financial and capital and short term and long-term focus.
Type of Inflow and Outflow Information	All revenues and expenses during the year regardless of when the cash is received.

Alto Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2025

Basic Financial Statements

The basic financial statements report information about the District using accounting methods like those used by private-sector companies. The statement of net position includes all the District's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position regardless of when cash is received or paid.

The basic financial statements report on the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health, or *net position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The basic financial statements of the District consist of one category:

- *Business-type activities* - The District charges fees to help it cover the costs of certain services it provides. All the District's operations are accounted for in this category. *The District uses proprietary enterprise fund-type accounting principles to account for all operations.* Proprietary accounting provides both long-and short-term financial information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position – The District's *combined* net position increased by \$483,760 in fiscal year 2025 (See Table A-1).

TABLE A-1
NET POSITION OF THE DISTRICT
 (Rounded to the nearest dollar)

	Business-type Activities		Change	
	2025	2024	\$	%
Assets				
Current assets	\$ 1,625,029	\$ 1,302,815	\$ 322,214	25%
Capital assets, net	3,775,019	3,601,228	173,791	5%
Total assets	<u>5,400,048</u>	<u>4,904,043</u>	<u>496,005</u>	<u>10%</u>
Liabilities				
Current liabilities	<u>22,139</u>	<u>9,894</u>	<u>12,245</u>	<u>124%</u>
Total liabilities	<u>22,139</u>	<u>9,894</u>	<u>12,245</u>	<u>124%</u>
Net Position				
Net investment in capital assets	3,775,019	3,601,228	173,791	5%
Unrestricted	<u>1,602,890</u>	<u>1,292,921</u>	<u>309,969</u>	<u>24%</u>
Total net position	<u>\$ 5,377,909</u>	<u>\$ 4,894,149</u>	<u>\$ 483,760</u>	<u>10%</u>

The primary reason for the large increase in net position was that in fiscal 2025 operating revenues were about \$483,760 more than operating expenses including depreciation expense.

Alto Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2025

Change in Net Position

The District's total revenues (exclusive of capital contributions) increased 4 percent in fiscal 2025.

The Table below reports the fiscal 2025 revenues and expenses by category and their relative change compared to 2024. Table A-2 presents the cost of each of the District's largest functions from an expense perspective – operating expenses and depreciation on capital assets.

TABLE A-2
DISTRICT'S REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Business-type Activities		Change	
	2025	2024	\$	%
Revenues				
Program revenues:				
Charges for sewer services	\$ 883,500	\$ 881,289	\$ 2,211	0.25%
Property taxes	114,319	107,404	6,915	6%
Franchise fees	19,390	18,571	819	4%
Permits and fees	3,366	4,362	(996)	-23%
Investment income	<u>75,009</u>	<u>46,272</u>	<u>28,737</u>	<u>62%</u>
Total revenues	<u>1,095,584</u>	<u>1,057,898</u>	<u>37,686</u>	<u>4%</u>
Expenses				
Operating expense	498,290	505,965	(7,675)	-2%
Depreciation	<u>113,534</u>	<u>106,160</u>	<u>7,374</u>	<u>7%</u>
Total expenses	<u>611,824</u>	<u>612,125</u>	<u>(301)</u>	<u>0%</u>
Change in Net Position	483,760	445,773	37,987	9%
Net Position, beginning	<u>4,894,149</u>	<u>4,448,376</u>	<u>445,773</u>	<u>10%</u>
Ending Net Position	<u>\$ 5,377,909</u>	<u>\$ 4,894,149</u>	<u>\$ 483,760</u>	<u>10%</u>

In fiscal 2025 there was a \$301 decrease in total expenses compared to fiscal 2024. Operating revenues were sufficient to cover all operating expenses.

The District paid for these costs by using all the direct charges collected from its customers.

The District's cash and investment holdings at the end of 2025 were invested primarily in the Marin County Treasurer's investment pool.

Alto Sanitary District
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 For the Year Ended June 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2025, the District's investment in capital assets increased by about \$189,002 after the impact of reductions for depreciation charges.

**TABLE A-3
 DISTRICT INVESTMENTS IN CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	Business-type Activities		Total Percentage Change
	2025	2024	%
Line extensions and replacements	\$ 4,391,840	\$ 4,104,692	7%
Other improvements	452,855	452,855	0%
Total property and equipment	4,844,695	4,557,547	6%
Total accumulated depreciation	(1,069,676)	(956,142)	12%
Total	<u>\$ 3,775,019</u>	<u>\$ 3,601,405</u>	<u>5%</u>

More information about capital assets can be found starting on page 14 of the notes to the financial statements.

Long-Term Debt

There was no new long-term debt issued by the District in fiscal 2025. The District has no long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATING PLAN AND RATES

In the capital area, the District is in its 9th year of a significant long-term capital replacement program. This was undertaken in large part to deal with aging collection system infrastructure which has reached the end of its useful life. In addition, recent sewer treatment plant improvements by the Sewerage Agency of Southern Marin have resulted in higher shared capital costs to the District. The District holds a separate reserve fund that was established for emergency repairs and future improvements. Contributions are made annually to maintain the Boards' reserve target of \$500,000 to \$800,000. From 2017 to 2019, the District increased the annual sewer service charge assessed on properties from \$1,100 per EDU in fiscal 2017 to \$1,500 per EDU in fiscal 2019, which is the maximum level set by Alto Sanitary District Ordinance 2016-01. The current charge has allowed the District to continue to adequately fund operations and capital improvements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager, Alto Sanitary District, P.O. Box 163, Mill Valley, California, 94942.

Alto Sanitary District
STATEMENT OF NET POSITION
 June 30, 2025

ASSETS

Current assets:

Cash and investments	\$ 1,021,272
Designated cash and investments	592,771
Accounts receivable	10,589
Prepaid items	397
Total current assets	<u>1,625,029</u>

Capital assets:

Collection system:

Line extensions and replacements	4,391,840
Other improvements	452,855
Less accumulated depreciation	<u>(1,069,676)</u>

Total capital assets being depreciated	<u>3,775,019</u>
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Total assets	<u>5,400,048</u>
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LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	<u>22,139</u>
Total current liabilities	<u>22,139</u>

Net position:

Net investment in capital assets	3,775,019
Unrestricted	<u>1,602,890</u>
Total net position	<u>\$ 5,377,909</u>

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

Alto Sanitary District
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
 For the Year Ended June 30, 2025

Operating revenues:	
Sewer service fees	\$ 883,500
Franchise fees	19,390
Permits and fees	<u>3,366</u>
Total operating revenues	<u>906,256</u>
Operating expenses:	
Salaries and benefits	29,005
Intergovernmental treatment costs	399,336
Line cleaning, inspection and repairs	18,259
Insurance and claims	3,094
Contract and professional services	10,700
Other operating expenses	37,896
Depreciation	<u>113,534</u>
Total operating expenses	<u>611,824</u>
Operating income (loss)	<u>294,432</u>
Non-operating revenues (expenses):	
Property taxes	114,319
Investment income	<u>75,009</u>
Total non-operating revenues (expenses)	<u>189,328</u>
Change in net position	483,760
Net position, beginning of period	<u>4,894,149</u>
Net position, end of period	<u>\$ 5,377,909</u>

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

Alto Sanitary District
STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2025

Cash flows from operating activities:	
Receipts from customers	\$ 882,234
Other operating receipts	22,756
Payments to suppliers for goods and services	(457,437)
Payments to employees for services and benefits	(29,005)
Net cash provided (used) by operating activities	<u>418,548</u>
Cash flows from non-capital financing activities:	
Property tax collections	<u>114,319</u>
Net cash provided (used) by non-capital financing activities	<u>114,319</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(287,325)
Net cash provided (used) by capital and related financing activities	<u>(287,325)</u>
Cash flows from investing activities:	
Interest earned	<u>75,009</u>
Net cash provided by investing activities	<u>75,009</u>
Net increase (decrease) in cash and cash equivalents	320,551
Cash and cash equivalents - beginning of period	<u>1,293,492</u>
Cash and cash equivalents - end of period	<u>\$ 1,614,043</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:	
Operating income (loss)	\$ 294,432
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	113,534
Changes in certain assets and liabilities:	
Accounts receivable	(1,266)
Prepaid items	(397)
Accounts payable	12,245
Accrued expenses	-
Net cash provided (used) by operating activities	<u>\$ 418,548</u>
Cash and investments	\$ 1,021,272
Designated cash and investments	<u>592,771</u>
Total cash and investments	<u>\$ 1,614,043</u>

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

Alto Sanitary District
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Alto Sanitary District (the District) have been prepared in conformity with U.S. generally accepted accounting principles. (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A. These standards require that the financial statements described below be presented.

This summary of significant accounting policies of the District is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The District was organized in 1950 as a special district under Provisions of the Sanitary District Act of 1923, and it is governed by five elected Directors. The District's service area includes about 116 acres in or adjacent to the Northeastern portion of the City of Mill Valley in the County of Marin, California. The District provides sewerage collection and disposal services and contract administration for the collection of municipal solid waste and recycling services. The District has no component units. The District does not own or operate its own wastewater treatment plant. As a member of the Sewerage Agency of Southern Marin (A joint powers agency), the District is charged an annual fee for the treatment of its wastewater.

B. Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes, service fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District is engaged in only business-type activities and the District's basic financial statements consist of only the financial statements required for enterprise funds. These include management's discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and these notes to the basic financial statements.

Proprietary enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to the customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Alto Sanitary District
NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position

Deposits and Investments

The District's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District's investment policy has been to invest all cash in the Marin County Treasurer's Investment Pool. Investments are reported at fair value. The County Pool is operated in accordance with applicable state laws and regulations, and the reported value of the District's investment in the County Pool are the same as the fair value of the County Pool shares.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of acquisition date.

Receivables, Property Taxes and Sewer Service Revenues

Property taxes are levied as of March 1 on property values assessed as of the same date. State statutes provide that the property tax rate is limited generally to one percent of market value, levied by only the County, and shared by applicable jurisdictions. The County of Marin collects the taxes and distributes them to tax jurisdictions based on assessed valuations subject to voter-approved debt. Property taxes are due on November 1 and March 1 and become delinquent on December 10 and April 10. The District receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan". Under the plan, the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the District. The District recognizes property tax revenues in the fiscal year in which they are due to the District and accrues as receivable such taxes. Accordingly, the District provides for no allowance for doubtful accounts.

Sewer service fees (used to supplement tax revenues) are set by the District based upon rates applied to the number of equivalent dwelling units (EDUs) for nonvacant properties and adjusted flows applicable to commercial properties. The sewer service fees are incorporated into the property tax billings, and such fees are due in two equal installments on December 10 and April 10 following the assessment date. The District recognizes these fees as revenues in the year earned, which is also the year in which the service is provided to properties within the District. Under an arrangement with the County known as the Teeter Plan, the County advances substantially all the sewer fees to the District each year, and the County bears the burden of any uncollectible accounts. Therefore, the District does not provide for an allowance for uncollectible accounts or bad debts.

Inventories and Prepaid Items

All inventories are valued at cost based upon physical determinations made at the end of each year.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (mainly the existing wastewater system) are reported in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets and assets constructed by developers are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Alto Sanitary District
NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position (continued)

Depreciation expense was \$86,006 for fiscal year ending June 30, 2025.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Subsurface lines	40
Facilities and structures	40

Compensated Absences, Sick Leave, Other Post-Employment Benefits and Claims

The District's policy is to provide employees with no vacation or sick pay benefits that can be accumulated and subject to payment upon termination of employment. Accordingly, the District reports no liability for compensated absences/unpaid vacation or sick leave in these financial statements. The District does comply with California's Healthy Workplaces/Healthy Families Act of 2014 and provides up to 24 hours of paid sick leave as part of employee's annual salary.

The District does not provide any other post-employment retirement benefits (OPEB) such as retiree medical benefits, and accordingly the District reports no liability for such OPEB plans in these financial statements.

The District does not participate in the Public Employees Retirement System (PERS) and provides employees with no pension benefits, accordingly, the District reports no information about pension plans or contributions in these financial statements.

The District obtains insurance coverage for property and equipment, fidelity bonds, automobile liability and general liability, through its membership with the Sewerage Agency of Southern Marin (SASM). The District pays a prorated share of the premiums charged to SASM for coverage under a master policy. The risk of loss is transferred from the District to SASM's insurance provider in exchange for the District's payment of annual premiums. Incurred and un-billed claims, if any, are accrued as a liability when it is probable that an asset has been impaired, the amount of the obligation can be reasonably estimated, and the claim is not covered by insurance. The District has a self-insured retention limit, similar to a deductible, of \$25,000.

Long-term Obligations

In enterprise fund-type financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The District has no outstanding long-term debt obligations.

Net Position

In the financial statements, fund net position is reported in two categories as follows:

- Net investment in capital assets - This category of net position reports the net book value of capital assets used in District operations including construction in progress all net of related accumulated depreciation and reduced by the carrying value of related long-term debt issued to finance the acquisition of such assets.
- Unrestricted - Unrestricted net position represents all other assets net of related liabilities available for use by the District.

Net Position Flow Assumption

The District may fund operations with a combination of cost-reimbursement grants and capital grants. Thus, both restricted and unrestricted net position may be available to finance expenditure. The District's policy is to first apply restricted resources, followed by unrestricted resources if necessary.

Alto Sanitary District
NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

D. Assets, Liabilities, and Net Position (concluded)

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.

NOTE 2 - DETAILED NOTES

A. Cash Equivalents and Investments

Cash equivalents and investments at June 30, 2025, consisted of the following:

Marin County Treasurer's Investment Pool:	
District operating account	\$ 1,014,823
District capital improvement account	599,220
Total cash equivalents and investments	<u>\$ 1,614,043</u>

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's policy for deposits is that they will all be deposited with the County of Marin Treasurer's Investment Fund. The District maintains a separate Wells Fargo checking account.

Custodial Credit Risk - The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits.

The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's monies were invested in specific securities. All the District's monies deposited in the Marin County Treasurer's Cash Pool are not evidenced by specific securities; and therefore, are not subject to custodial credit risk.

Credit Risk- Investments

State law limits investments in various securities to certain levels of risk ratings issued by nationally recognized statistical rating organizations. It is the County of Marin's Treasurer's Investment Pool policy to comply with those requirements. The Marin County Treasurer's Investment Pool is unrated.

Alto Sanitary District
NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2025

NOTE 2 - DETAILED NOTES (concluded)

A. Cash Equivalents and Investments (concluded)

Fair Value Hierarchy

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability. The District's holdings in the Marin County Treasurers Investment Pool, LAIF, and cash in banks were not subject to the fair value hierarchy.

Designated Cash and Cash Equivalents

The District, by resolution of its Board of Directors, approved in fiscal year 2016 the establishment of a separate fund to hold cash set aside for future specific purposes including major repairs, replacements, and capital improvements. At June 30, 2025, \$592,771 was held in this fund.

B. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance at 07/01/24	Additions	Deletions	Balance at 6/30/25
<u>Business-type Activities</u>				
Capital assets, being depreciated:				
Line extensions and replacements	\$ 4,104,692	\$ 287,148	\$ -	\$ 4,391,840
Other improvements	<u>452,855</u>	<u>-</u>	<u>-</u>	<u>452,855</u>
Total capital assets, being depreciated	<u>4,557,547</u>	<u>287,148</u>	<u>-</u>	<u>4,844,695</u>
Less accumulated depreciation for:				
Line extensions and replacements	(730,902)	(102,212)	-	(833,144)
Other improvements	<u>(225,240)</u>	<u>(11,322)</u>	<u>-</u>	<u>(236,562)</u>
Total accumulated depreciation	<u>(956,142)</u>	<u>(113,534)</u>	<u>-</u>	<u>(1,069,676)</u>
Net capital assets being depreciated	<u>3,601,405</u>	<u>173,614</u>	<u>-</u>	<u>3,775,019</u>
Business-type activities capital assets - net	<u>\$ 3,601,405</u>	<u>\$ 173,614</u>	<u>\$ -</u>	<u>\$ 3,775,019</u>

NOTE 3 - OTHER INFORMATION

A. Jointly Governed Organizations

The District is a member of the Sewerage Agency of Southern Marin (SASM). SASM was formed in 1979 as a joint powers' agency with six members: The City of Mill Valley, the Richardson Bay, Almonte, Alto and Homestead Sanitary Districts and the Tamalpais Community Services District. SASM is a stand-alone governmental entity, and it is not financially accountable for any other governmental entity and it has no component units. SASM's primary function is the maintenance and operation of its own wastewater treatment plant and related lines and facilities.

Member agencies pay annual assessments to SASM, based upon the concept of their respective number of equivalent dwelling units (EDUs), in exchange for the treatment and disposal of wastewater collected through their respective collection systems and conveyed to SASM's treatment plant and facilities. Member agency assessments are expected to increase in future years as SASM undertakes plant modernization and improvement projects.

Alto Sanitary District
NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2025

NOTE 3 - OTHER INFORMATION (concluded)

A. Jointly Governed Organizations (concluded)

In August of 2016, the District entered into a financing agreement with the SASM wherein the District agreed to maintain its net system revenues at a level equal to at least 120 percent of its obligation to SASM to support the SASM Bonds. The SASM issued \$38,000,000 in revenue bonds to provide financing for improvements to its wastewater treatment plant and refund other debt obligations. The District's annual financial obligations under the JPA Agreement and the Financing Agreement are passed through to the District each year in the form of a billing for an annual assessment payable in two equal semi-annual installments. These annual assessments are reported by the District as intergovernmental treatment costs in the statement of revenues, expenses and changes in net position. The costs were \$381,817 in fiscal 2025.

Under the Joint Powers Agreement, all excess administration, operations and maintenance funds, from any source, are the property of SASM and not its members. If excess monies are available, the SASM may, but is not required to, reduce member assessments for the subsequent year. There are no provisions for sharing among the members the net earnings of SASM. Accordingly, the District is deemed to have no equity interest in SASM.

B. Risk Management

The District obtains general liability, property, and automobile insurance through its membership in the SASM. Each member agency is assessed a premium based on ratable exposure. The SASM purchases insurance coverage from the California Sanitation Risk Management Authority (CSRMA) for SASM and the member Districts.

The risk of loss is transferred from the District to the Authority under the arrangement to the extent that the insurance coverage pertains to the District membership in SASM. Subject insurance coverage does not extend to claims arising from the sole acts of the District independent of its SASM membership. The Authority provides coverage for the first \$500,000 in general liability and auto claims with the District being responsible for the first \$25,000 and a \$25,000 sewer back-up deductible. The Authority provides coverage for the next \$15 million in claims by purchasing commercial insurance coverage. The Authority provides insurance coverage for the buildings and plants of all SASM members. Flood insurance is also provided with a \$2 million coverage limit which limit is shared with other member agencies and has a \$500,000 deductible in zones A and V and a \$100,000 deductible in other zones. The District paid no uninsured losses during the last three fiscal years.

Liabilities of the District are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The District had no significant uninsured claim liabilities at June 30, 2025 and 2024.

C. Contingencies and Commitments

Litigation

In the opinion of the District's general counsel, there is no pending or threatened litigation which would have a material adverse impact on the accompanying financial statements.

NOTE 4 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

ALTO SANITARY DISTRICT
BOARD OF DIRECTORS & MANAGEMENT REPORT
For the Year Ended
JUNE 30, 2025

TABLE OF CONTENTS

	<u>PAGE</u>
Report on Internal Controls	1
Required Communications	2-3
Observations for Management	4



Attachment A
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Board of Directors
Alto Sanitary District
Mill Valley, California

In planning and performing our audit of the financial statements of the business-type activities of Alto Sanitary District as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Alto Sanitary District's system of 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alto Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of Alto Sanitary 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 entity'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. 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. 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.

This communication is intended solely for the information and use of the management, Board of Directors, and others within Alto Sanitary District and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank Alto Sanitary District's staff for its cooperation during our audit.

O'Connor & Company
O'Connor & Company

Novato, California
September 23, 2026

To the Board of Directors
Alto Sanitary District
Mill Valley, California

We have audited the financial statements of the business-type activities of Alto Sanitary District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 November 7, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 7, 2025, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Alto Sanitary District. Such considerations were solely for the purpose of determining our audit procedures and not providing any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies.

The significant accounting policies used by Alto Sanitary District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies did not change during the year ended June 30, 2025. We noted no transactions entered by Alto Sanitary District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 101 – Compensated Absences

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. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimates affecting the financial statements were:

- Capital asset lives and depreciation expense.

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 potential audit adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material audit adjustments and management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 23, 2026.

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 Alto Sanitary 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 Alto Sanitary 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 Management's Discussion and Analysis, which is required supplementary information (RSI) that 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 RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This report is intended solely for the information and use of management and the Board of Directors of Alto Sanitary District and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Alto Sanitary District
BOARD OF DIRECTORS & MANAGEMENT REPORT
For the Year Ended June 30, 2025

Current Year Observations

There were no current year observations.

Prior Year Observations

There were no prior year observations.

ALTO SANITARY DISTRICT

Meeting Minutes

Regular and Special Meeting of the Board of Directors

Wednesday, July 22, 2026, 6:30 p.m.

Location: SASM, 450 Sycamore Ave, Mill Valley, CA

1. Call to Order and Roll Call

President Janis M. Bosenko called the meeting to order at 6:37p.m.

Note: Both the regular and special meeting were open concurrently.

2. Roll Call

Present: Directors Bosenko, Faust, Gates, and Nash.

Absent: Merriman

Staff: Garrett Toy, District Manager.

3. Approve Agenda

Motion to approve both the regular and special meeting agendas.

Motion/Second (M/S): Gates/Faust.

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

4. Open Time

No public comments as no members of the public were present for any of the regular and special agenda items.

Special Meeting Agenda

The Board decided to consider the Special Agenda prior to the Regular meeting agenda.

4. Regular Business

- a. **Adopt Resolution No. 2026-07 adopting the 2026 Alto Sanitary District Sewer System Management Plan (SSMP) including authorizing the District Manager to make administrative and ministerial revisions to the SSMP and approving payment to Tamalpais Community Services District for up to 20 hours of work to prepare and finalize the SSMP.**

District Manager Toy reported that staff prepared the 2026 Sewer System Management Plan (SSMP) update in order to meet the State's August 2026 deadline. He noted that the work was outside the base scope of the Shared Services Agreement and that staff estimated approximately 15–20 hours would be required to prepare and finalize the SSMP.

Staff provided a summary chart at the meeting highlighting the differences between the 2023 SSMP and the proposed 2026 update. The 2026 SSMP better reflects Alto's current operations and incorporates current State requirements. There was no public comment. The Board adopted Resolution No. 2026-07 approving the 2026 SSMP and related provisions.

Motion to adopt Resolution 2026-07

Motion/Second (M/S): Faust/Nash.

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

Special meeting adjourned at 6:44pm.

Regular Meeting

5. Consent Calendar

Motion to approve Consent Calendar

- a. Approval of the June 24, 2026 meeting minutes
- b. Approval of June financial reports and July 2026 list of payments

M/S: Gates/Nash

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

6. Regular Business

- a. **Adopt Resolution No. 2026-04 approving Alto SD response to the Marin County Civil Grand Jury Report, "Better Service At Lower Cost – Optimizing Essential Services For The Future Of Marin."**

District Manager Toy reviewed the proposed Alto Sanitary District response to the Marin County Civil Grand Jury Report, *"Better Service At Lower Cost – Optimizing Essential Services For The Future."* He noted that staff used the TCSD response as a template, which provided a more measured approach and focused the response on issues applicable to wastewater utility operations, shared services, and Alto's use of Marin County for legal and financial services.

Motion to adopt Resolution No. 2026-04 approving the District's response, with authorization for staff to make revisions following the Marin County Special District Association (MCSDA) meeting if comments from MCSDA were deemed appropriate to include in the final response.

Motion/Second (M/S): Gates/Faust.

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

- b. **Adopt Resolution No.2026- 05 requesting a regularly scheduled election to be held in this jurisdiction; requesting the Board of Supervisors to consolidate with any other election conducted on said date, and requesting election services by the Marin County Elections Department.**

District Manager Toy reported that the resolution was the routine action necessary to request that Marin County conduct and consolidate the District's election. The terms of Directors Merriman and Nash were up for election in November 2026

Motion to adopt Resolution No. 2026-05.

M/S: Faust/Gates

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

- c. **Adopt Resolution No. 2026-06 approving reimbursement policy for certain District expenditures advanced by TCSD and receive update regarding transition of administrative services to Tamalpais Community Services District (TCSD).**

District Manager Toy provided an update on the administrative transition to TCSD and explained that the proposed reimbursement policy would provide flexibility for TCSD to pay Alto expenses when necessary and to purchase equipment such as a laptop and phone needed as part of the transition. Alto would reimburse TCSD for actual third-party costs advanced on the District's behalf. Purchases would be pre-approved by Alto and reimbursement costs would be listed as a separate line item on the warrant list.

Motion to adopt Resolution No. 2026-06.

M/S: Nash/Faust

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

- d. **Conduct biennial review of the District's Conflict of Interest Code and consider no amendments to the code.**

The Board conducted its biennial review of the District's Conflict of Interest Code. Staff recommended no changes to the Code.

Motion authorizing staff to submit the Biennial Notice to Marin County indicating that no amendments were necessary.

M/S: Gates/Nash

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

e. Vote for one candidate for the California Special District Association (CSDA) Board of Directors for Seat C – Bay Area Network for the term 2027-2029.

The Board considered the candidates for the California Special Districts Association Board of Directors, Seat C – Bay Area Network, for the 2027–2029 term and voted for Martinez.

Motion directing staff to vote for Martinez.

M/S: Nash/Gates

Ayes: 4 (Bosenko, Faust, Gates, Nash)

Nays: 0

Absent: 1 (Merriman)

7. Update Reports

a. Manager's Report

Staff reported on attending a meeting with SASM and County CDA staff to discuss planning documents such as the Housing Element which could have impacts on future SASM operations. We also reported that the County indicated the developer of 70 Knoll has withdrawn their planning application.

b. SASM meeting

Directed Nash reported on the SASM meeting regarding proposed I&I flow study and future EDU analysis to adjust calculation for EDUs. The I&I Flow Study item was continued to allow SASM staff to meet with the Homestead District Manager to address his concerns.

c. District Managers meeting in June

The SASM General Manager provided an update on future regulatory requirements for nitrogen discharges to San Francisco Bay and SASM's work with Black & Veatch to evaluate alternatives for meeting the new requirements.

8. Future Agenda Items

The Board agreed to cancel the August 22, 2026 Board meeting because the TCSD General Manager would be on a planned vacation and unable to attend.

9. Directors Open Time

The Board asked about past meeting minutes. Staff will check with Bill Hansell.

10. Adjournment

Motion to adjourn. Meeting adjourned at 7:13 pm.

Minutes respectfully submitted by Garrett Toy

APPROVED: _____

FUND 8036 - Operations Fund

07/31/26	Former Balance (re: last report):		1,412,250.28
	Starting Balance		1,412,250.28
<u>Revenues:</u>			
08/17/26	ALTO SD SUP PROP TX PR REDM	4.37	
08/24/26	ALTO SD CUR ERAF/REV ERAF	3,248.12	
08/24/26	ALTO SD INVT INC-ERAF INT	186.35	
	Total Revenues:		3,438.84
<u>Debits:</u>			
	Total Debits:		0.00
08/31/26	Ending Balance:		1,415,689.12
<u>Warrants to be issued:</u>			
<u>Check #</u>	<u>Payee</u>	<u>For</u>	<u>Amount</u>
803600816	Alto Sanitary District		4,000.00
803600817	Nute Engineering	*Inv 28409 & 28467= \$2,013.75 (GIS Eng.) *Inv 28410 & 28468 = \$1,446.00 (Lat Ord) *Inv 28492 = \$922 (Eng. 24-25)	4,381.75
803600818	Roto-Rooter	Jul-Aug maint.	675.00
803600819	O'Connor & Company	Inv. Jul - Aug for FY24-25	4,743.75
803600820	Koios Engineering	2024-2025 Capital Improvement Project, Progress Billing No. 2	13,567.12
803600821	Underground Service Alert	2026 Membership fee	300.00
	Total Warrants:		(27,667.62)
<u>Deposits to be credited:</u>			
<u>Date</u>	<u>Payer</u>	<u>For</u>	<u>Amount</u>
08/27/26	Resident	Site inspection fees at 8 Tower Dr.	194.00
08/27/26	Resident	Lateral inspection fees at 114 Lomita Dr.	379.00
	Total Deposits:		573.00
	Projected Balance*:		1,388,594.50
	*Not incl unreported interest or tax revenue.		

FUND 8129 - Reserve Fund

07/31/26			772,870.95
	Starting Balance		772,870.95
<u>Revenues:</u>			
	Transfer from Operations Fund	0.00	
	Total Revenues:		0.00
<u>Debits:</u>			
	N/A	0.00	
	Total Debits:		0.00
08/31/26	Ending Balance:		772,870.95

Personnel Payment Account

07/16/26	Beginning Balance		2,046.79
<u>Deposits:</u>			
07/20/26	Interest Pmt	0.06	
			0.06
<u>Withdrawals:</u>			
08/10/26	Paychex Inv.	72.90	
08/12/26	Ooma Inc	66.90	
	Total Withdrawals:		(139.80)
<u>Fees:</u>			
	Monthly Service Fee		0.00
08/17/26	Ending Balance:		1,907.05

Proposed FY26-27 Budget

Revenue			
Item	Budget	July	Aug
Operating Revenue			
Program Revenues (Sewer Service Charges)	758,385		
Franchise Fees (MVRS)	18,588		
Marin Housing Authority Sewer Fee	84,000		
Permits & Fees	4,500		1,146
MarinMap Reimbursement	0		
Misc	0		
Operating Revenue:	865,473	0	1,146
Non-Operating Revenue			
Property Taxes	90,000		
Excess ERAF	33,000		
Aid from Govt Agencies (HOPTR)	219		
Interest (Operations Acct Only)	24,000		0
Grants	0		
Misc	0		
Non-Operating Revenue:	147,219	0	0
Total Revenue:	1,012,692	0	1,146
Expenses			
Item	Budget	July	Aug
Sewage Treatment			
Sewage Treatment SASM	427,981		
Sewage Treatment:	427,981		
Sewer System Maintenance			
	30,000		
Cleaning			
Televising Program	0		
Repairs	5,000		
Lateral Rehab Prog (Inspections)	0		
Lateral Abatement (Charged to Property)			
Underground Service Alert	10,000		
	15,000		
Manhole inspections (I&I prevention)			
Unscheduled Services	10,000		
Sewer System Maintenance:	70,000	0	0
Professional Services			
Marin County Admin Fees	1,800		
LAFCO Dues	750	520	
Marin County Encroachment Fee	490		
CSDA Dues	3,700		
PO Box Fee	250		
SWRCB (Annual Permit)	4,000		
Underground Service Alerts Fees - USA Nor Cal	300		

Audit (F25)	10,400		
Bookkeeping	2,500		
EDU Consultant	0		
Legal	2,000		
Marketing/Public Outreach	4,500		
SASM Consultant (SERP Revision)	0		
Professional Development (CWEA Cert, Etc)	500		
Engineering (GIS,EPA,SSMP, EDU, Reporting)	15,000	228	
Engineering (Lateral Oversight)	15,000	262	
Engineering (Other)	5,000		
Professional Services:	66,190	1,010	0

Expenses (Continued)			
<i>Item</i>	<i>Budget</i>	<i>July</i>	<i>Aug</i>

Administration Costs

Insurance: CSRMA	4,200		
Election Notices and Fees	0		
Office Expenses (Postage, Printing, Supplies)	1,300		
New website (incl. \$4,000 one-time set-up)	7,000	5,000	
Utilities (Office Phone)	1,000		67
Miscellaneous - Shared Service Contract	40,000		
Administration Costs:	53,500		

Payroll Expenses

Stipends for Board (includes YTD Special Mtgs)	9,000		
Management of Special Projects	0		
Employer Taxes	1,500		
Payroll Service	1,500		73
Payroll Bank Account Fees	0		
Payroll Expenses:	12,000	0	73

Grant Expenses

none	0		
Grant Expenses:	0	0	0

Total Operating Expenses:	629,671	1,010	73
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Net Operations (Revenue - Expenses):	383,021	(1,010)	1,073
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CIP Program

<i>Item</i>	<i>Budget</i>	<i>July</i>	<i>Aug</i>
Manhole replacement (allowance)	50,000		
GPS mapping of specific manholes	15,000		
	0		
CIP Expense:	65,000	0	0

Net Operations Revenue - CIP Expense:	318,021	(1,010)	1,073
Transfer to Capital Reserves for "Under Highway" pipe	318,021		

		Notes
YTD	%	
0	0%	
0	0%	2.2%
0	0%	
1,146	25%	

1,146	0%
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0	0% based on actuals
0	0% based on actuals
0	0%
0	0% based on actuals
0	
0	
0	

1,146	0%
YTD	%

210,037	49% based on SASM
0	0%

	move from 2-3 schedule to 1 yr 0% schedule
0	
0	
0	0%
0	
0	
0	0% 33%
	replace smoke
0	0% testing
0	0%
0	0%

0	0% based on actuals
520	69%
0	0%
0	0% based on actuals
0	0%
0	0%
0	0%

0	0%
0	0%
0	
0	0%
0	0%
0	
0	0%
228	2% based on actuals
262	2% based on actuals
0	0%

1,010	2%
YTD	%

0	0% based on actuals
0	
0	0%
	annual fee \$3,000
67	7%
0	0% \$4,000 for added svc

0	0%
0	
0	0%
73	5%
0	
73	1%

0	#DIV/0!
0	#DIV/0!

1,083	0%
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63	0%
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YTD	%
0	
0	
0	
0	
0	



TAMALPAIS COMMUNITY SERVICES DISTRICT

Staff Report
August 12, 2026

TO: BOARD OF DIRECTORS

FROM: GARRETT TOY, GENERAL MANAGER

SUBJECT: SIX-MONTH EVALUATION OF SHARED SERVICES WITH ALTO SANITARY DISTRICT

RECOMMENDATION

Receive the six-month evaluation of the shared services arrangement with Alto Sanitary District (Alto) and provide direction regarding continuation of the agreement, service levels, and any needed adjustments.

BACKGROUND

In December 2025, the Board approved a shared services agreement for TCSD to provide District Manager services to Alto. The agreement was executed in February 2026 and provides 240 hours of annual base services (approximately five hours per week) for \$3,000 per month. Additional services outside the base scope are billed at \$150 per hour. The agreement calls for a six-month review of the service level, performance, and whether the parties wish to continue the arrangement.

The transition began in January 2026, when the TCSD General Manager attended Alto's Board meeting on behalf of the prior District Manager. TCSD gradually assumed responsibility for Alto's agendas, minutes, staff reports, monthly financial reports, audit coordination, banking and County payment-system access, regulatory work, records, and other administrative systems.

DISCUSSION

Overall, the transition has progressed well, and Alto has continued to receive uninterrupted District Manager services. TCSD now provides Board administration, financial reporting, regulatory coordination, consultant oversight, budgeting, and day-to-day management. The transition required more time than anticipated because Alto's banking, financial, records, technology, website, and audit systems were not readily transferable. Much of this effort represents one-time implementation work associated with establishing Alto's administrative systems.

BASE SERVICE EVALUATION

Based on available time records, TCSD documented approximately 100 hours of base shared services work from February through July 2026, or an average of approximately 17 hours per month. The General Manager (GM) and Program and Finance Manager (FM) provide most of the ongoing support. The GM averages approximately 12 hours per month, and the FM averages approximately 5 hours per month. Because staff time was not consistently tracked during the initial transition, these estimates likely understate the actual time devoted to Alto. Beginning in July 2026, staff implemented more detailed time tracking to better evaluate future service levels.

The total base hours do not include the additional services described below. They do, however, include approximately 10 hours of transition work. Because the transition involved one-time efforts and a learning curve, staff believes the one-year review will provide a better measure of the long-term workload and appropriate compensation.

ADDITIONAL SERVICES

Work outside the regular monthly scope is billed separately. Services outside the base scope that have been or are expected to be billed separately include:

- 2026 Sewer System Management Plan: 19 hours / \$2,850.
- Alto website development and staff training: est. 15–20 hours / \$2,250–\$3,000.
- Technology, QuickBooks, records, and other transition work: est. 10–15 hours / \$1,500–\$2,250.
- Audit assistance and responses to auditor questions: 10 hours /\$1,500.

Total additional services: \$8,100 - \$9,600

Establishing QuickBooks and the other administrative systems should make future monthly reporting and audit preparation more efficient.

PERFORMANCE AND BOARD DISCUSSION

Staff believes the arrangement has met its primary objectives: Alto has received consistent management and administrative support, TCSD service levels have been maintained, and the agreement advances the Board's 2025 goal of exploring voluntary shared services while preserving local governance. Alto has not yet completed its formal review, but feedback at its Board meetings has been positive, and staff's impression is that Alto would like to continue the relationship.

Because the first six months included significant one-time transition activities, staff recommends maintaining the current agreement through the first year before considering changes to the monthly fee or base scope of services. Staff will also discuss opportunities to assign appropriate work to part-time staff. The one-year review, supported by improved time tracking, will provide a more representative assessment of the ongoing workload and appropriate compensation.

FISCAL IMPACT

TCSD receives \$3,000 per month, or \$36,000 annually, for base services. Additional services are billed at \$150 per hour.

Total base revenue accrued through July 2026: \$18,000

Total additional-service fee estimate: \$8,100 - \$9,600

The annual base-service revenue represents approximately 0.6% of budgeted Wastewater service charge revenue. Including approximately \$8,100 in additional service revenue increases the total to approximately 0.7%. This revenue offsets TCSD operating costs and provides an additional revenue source that may be considered by the Board during future rate-setting and long-term financial planning.

ATTACHMENT

A. Shared Services Agreement and Scope of Work