NOVATO SANITARY DISTRICT

Meeting Date: January 14, 2013

The Board of Directors of Novato Sanitary District will hold a special ceremony to present the 2012 Safety Awards at 4:00 p.m. followed by regular meeting at *6:00 p.m.,* Monday, January 14, 2013, at the District Offices, 500 Davidson Street, Novato.

Materials related to items on this agenda are available for public inspection in the District Office, 500 Davidson Street, Novato, during normal business hours. They are also available on the District's website: www.novatosan.com.

AGENDA

1. PRESENTATION OF 2012 SAFETY AWARDS AND RECEPTION 4:00 TO 6:00 PM.

2. CONVENE REGULAR BUSINESS MEETING: 6:00 PM

3. PLEDGE OF ALLEGIANCE:

4. AGENDA APPROVAL:

5. PUBLIC COMMENT (Please observe a three-minute time limit):

This item is to allow anyone present to comment on any subject not on the agenda, or to request consideration to place an item on a future agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Board at this time as a result of any public comments made.

6. REVIEW OF MINUTES:

a. Consider approval of minutes of the December 10, 2012 meeting.

7. CONSENT CALENDAR:

The Manager-Engineer has reviewed the following items. To her knowledge, there is no opposition to the action. The items can be acted on in one consolidated motion as recommended or may be removed from the Consent Calendar and separately considered at the request of any person.

a. Approve renewal of license agreement with North Marin Water District and authorize Board President to execute same.
b. Approve regular disbursements and ratify December regular and payroll disbursements.

8. WASTEWATER OPERATIONS:

a. Wastewater operations committee report for November 2012.

9. WASTEWATER FACILITY UPGRADE (RECYCLED WATER) PROJECT NO. 73002:

a. Consider adjusting the fiscal year 2012-13 budget amount for the recycled water project to $1,250,000 from $900,000.
b. Consider granting final acceptance of the Project and authorizing staff to file the Notice of Completion.

10. ADMINISTRATION:

a. Consider adoption of a resolution to CalPERS for paying and reporting the value of Employer Paid Member Contributions and for Normal Member Contributions.
b. Consider approval of an increase in scope for Barg, Coffin, Lewis, and Trapp in the amount of $41,975.00.

11. LOCAL AGENCY FORMATION COMMISSION (LAFCO):

a. Consider nominating a Special District representative to LAFCO.

12. HAZARDOUS AND SOLID WASTE MANAGEMENT:

a. Consider approval of Marin County Hazardous and Solid Waste Grant Agreement for fiscal year 2012-13.
b. Consider nominating a representative to the Hazardous and Solid Waste Management JPA Task Force.

13. STAFF REPORTS

a. Legislative Analyst's report on California property tax distribution.
b. District policy compilation.

14. BOARD MEMBER REPORTS:

a. North Bay Watershed Association meeting.
b. California Special District Association Rules of Order Webinar

15. MANAGER'S ANNOUNCEMENTS:

16. ADJOURN:

Next resolution no. 3053

Next regular meeting date: Monday, January 28, 2013, 6:00 PM at the Novato Sanitary District office, 500 Davidson Street, Novato, CA

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

January 10, 2013

To: Board of Directors

From: Beverly B. James, Manager-Engineer

Re: Novato Sanitary District 2012 Safety Incentive and Wellness Program

Purpose

The 2012 Novato Sanitary District Safety Incentive and Wellness Program was intended to encourage all employees to be fit and work safely in order to reduce workplace injuries.

Goals

- Zero lost-time injuries;
- Improved employee fitness;
- Improved employee wellness.

Program Implementation

The program period was January 1, 2012 through December 31, 2012. It was funded from the Worker's Compensation dividend received on September 2011 of $20,703. The Board of Directors approved the Wellness Program on January 9, 2012 and the Safety Incentive Program on February 13, 2012.

Wellness Program

The District contracted with Occumetric to conduct the wellness program. Participation was voluntary and it was initially estimated that ten employees would participate. Sixteen employees actually signed up to participate which resulted in a cost of $13,236 rather than the budgeted $10,000.

The fitness portion of the program was led by Don Freeman, a physical therapist and the wellness portion by Faith Goss, a registered nurse and nutritionist. Each participant had an initial meeting with Don to assess fitness levels and personal goals for improvement so that he could develop a personalized exercise program. They also met with Faith to determine starting weight, blood pressure, resting and exercise heart rate, and balance and set health goals. All individual information was kept confidential.

The sixteen-week program was divided into separate sections to keep interest and enthusiasm up. The first section included a team step competition using pedometers to track daily steps, individual exercise routines that employees could do at home, a computer program for employees to track exercise and food eaten as well as messaging to report progress and encourage each other. An onsite station was set up so that employees could check their weight and blood pressure.

Each month the participants had a fitness presentation that often included an interactive game as well as individual progress meetings.

While individual results are not available, the final tally at the end of the 4 months was an average weight loss of 6 pounds, 42% of participants showed a decrease in body fat, 63% of participants reduced blood pressure, and the resting heart rates were reduced by an average of 10 beats/minute.

The program will wrap up in early February with a follow up presentation and check in.

Safety Incentive Program

The Safety Incentive program was designed to recognize both individual achievement in working safely and the part that all of the employees play in creating a safe work environment. It recognizes that some jobs are higher risk by weighting the awards using the workers compensation factors assigned by CSRMA. The three categories and award amounts are: Sanitation ($916.59), Outside Sales ($358.63), and Clerical ($349.12). Employees that worked safely from January 1, 2012 to December 31, 2012 and have earned the awards are:

- Kenneth Besnia
- Julie Swoboda
- June Brown (pro-rated for part time)
- Kevin Craig
- Laura Creamer
- Craig Deasy
- Dasse DeIongh
- Larry Foged
- Beverly James
- Sandeep Karkal
- Steve Krautheim
- Robin Merrill
- Bill Northcroft
- Tim O’Connor
- Pascual Sandoval
- Javier Vega
- Mike Chirco (pro-rated for part-time)

December 10, 2012

A regular meeting of the Board of Directors of the Novato Sanitary District was held at 6:00 p.m., Monday, December 10, 2012, preceded by a closed session beginning at 5:30 p.m. at the District offices, 500 Davidson Street, Novato.

At 5:32 p.m. President Di Giorgio announced the Board would meet in closed session to discuss the following matters on the Closed Session Agenda:

CLOSED SESSION CONFERENCE WITH LABOR NEGOTIATORS:

- District designated representatives: Beverly James, Sandeep Karkal
  Employee organization: International Brotherhood of Teamsters Local 315.

- District designated representative: Beverly James
  Unrepresented employees: Deputy Manager-Engineer, Administrative Services Manager, Finance Officer, Field Services Superintendent, Collection System Superintendent, Senior Engineer, Administrative Secretary.

BOARD MEMBERS PRESENT FOR CLOSED SESSION: President Michael Di Giorgio, Members William C. Long, Jean Mariani, Jerry Peters and Dennis Welsh.

STAFF PRESENT: Manager-Engineer-Secretary Beverly B. James and Deputy-Manager Engineer Sandeep Karkal.

The closed Session ended at 5:58 p.m.
Open session began at 6:04 p.m.

BOARD MEMBERS PRESENT FOR OPEN SESSION: President Michael Di Giorgio, Members William C. Long, Jean Mariani, Jerry Peters and Dennis Welsh.

STAFF PRESENT: Manager-Engineer-Secretary Beverly James, Deputy Manager-Engineer Sandeep Karkal, Finance Officer Laura Creamer, and Administrative Secretary Julie Swoboda.

ALSO PRESENT: Brant Miller, Novato resident
John Bailey, Project Manager, Veolia Water
John O'Hare, Operations Technical Support, Veolia Water
Vikki Rodriguez, CPA, Maze & Associates

PLEDGE OF ALLEGIANCE:

AGENDA APPROVAL: The agenda was approved as written.

REPORT FROM CLOSED SESSION:

The Manager stated that there was no reportable action.

PUBLIC COMMENT: None.

REVIEW OF MINUTES:

- Consider approval of minutes of the November 26, 2012 Board meeting.

On motion of Member Long, seconded by Member Peters and carried unanimously, the November 26, 2012 Board meeting minutes were approved.

CONSENT CALENDAR:

On motion of Member Mariani, seconded by Member Peters, and carried unanimously, the following Consent Calendar item was approved:

a. Approval of regular disbursements in the amount of $5,651,301.63, project account disbursements in the amount of $284,062.68, payroll and payroll related disbursements in the amount of $23,175.99, and Board member disbursements in the amount of $3,293.15.

FINANCE:

- Finance Committee Report. The Manager stated that the Finance Committee met on December 6th to review the draft Comprehensive Annual Financial Report for fiscal years 2010/11 and 2011/12 as prepared by District auditors Maze and Associates.

The Manager stated that the District has had an Investment Policy in place which is reviewed and updated annually in accordance with State law. She noted that the policy was most recently reviewed and approved at the October 22, 2012 Board meeting. At this time, it was noted that the policy contained both policy statements and procedures that should be reviewed and that the District should explore other alternative investment options besides the Local Agency Investment Fund (LAIF).

The Manager stated that the Finance Committee reviewed and evaluated the Marin County Investment Pool as an alternative investment option for the District. She stated that after consideration, the Committee does not recommend switching from LAIF to the Marin County Investment Pool.

The Manager stated that the Finance Committee reviewed the revised Investment Policy and made a number of recommendations for changes. These revisions primarily remove procedures that are covered elsewhere and restrict this to a policy document consistent with the California Special Districts Association (CSDA) recommendations.

- Presentation of Audited Financial Statements for fiscal year ended June 30, 2012, by Maze & Associates. The Manager introduced Vikki Rodriguez, CPA, Maze and Associates. Ms. Rodriguez gave the Board a final draft of the Novato Sanitary District Comprehensive Annual Financial Report which contained slight modifications from the previous version as discussed in the Finance Committee meeting. She stated that Maze & Associates gave the District an "unqualified opinion" which is the highest comment that can be issued. Ms. Rodriguez stated that Maze & Associates will be issuing a final Management Letter to the Board at the conclusion of their single audit reporting.

The Board reviewed the Financial Report and commended Ms. Creamer for her work in preparing the report with Maze & Associates.

Ms. Creamer and Ms. Rodriquez left the meeting at 6:30 p.m.

- Consider approval of revised Policy 3120: Investment Policy. The Manager stated that the revised Investment Policy was prepared in the recommended CSDA policy format. She reviewed the changes to the Policy.

On motion of Member Peters, seconded by Member Long and carried unanimously, the Board approved revised Policy 3120: Investment of District Funds.

PERSONNEL:

- Consider approval of Memorandum of Understanding (MOU) with International Brotherhood of Teamsters Local 315 for the period July 1, 2012 through June 30, 2013. The Manager provided copies of the approved MOU to the audience. President Di Giorgio stated he was pleased with the agreement and expressed his appreciation to the employees for their hard work and for their efforts in negotiating the new agreement.

The Manager stated that the Adhoc Labor Relations Committee recommends approving the MOU. She gave an overview of the significant changes from the previous agreement.

Member Welsh stated he could not approve the MOU with good conscience because the District has not provided the Board with a salary survey and he does not feel the MOU is complete without a salary survey.

It was noted that during closed session, Member Welsh made two changes to the MOU as follows: 1) Page 19, second line from the bottom, "*the ~~City~~ District shall provide…*" and 2) Page 20, first line, "*the ~~City~~ District would comply…*"

On motion of Member Mariani, seconded by Member Peters and carried with the following vote, the Board approved the Memorandum of Understanding (MOU) with the

International Brotherhood of Teamsters Local 315 for the period July 1, 2012 through June 30, 2013 with the changes as noted by Member Welsh. Ayes: Di Giorgio, Long, Mariani, Peters. Noes: Welsh.

<u>- Consider approval of salaries and benefits for management and confidential personnel effective July 1, 2012.</u> The Manager stated that the Adhoc Labor Relations Committee recommends the same salary and benefit changes be applied to the non-represented employees.

Member Welsh stated he could not approve the proposed wage increase with good conscience because the District has not provided the Board with a salary survey.

On motion of Member Mariani, seconded by Member Peters and carried with the following vote, the Board approved salaries and benefits for management and confidential personnel to match that of the represented employee group effective July 1, 2012. Ayes: Di Giorgio, Long, Mariani, Peters. Noes: Welsh.

<u>WASTEWATER OPERATIONS:</u>

<u>- Consider accepting the Annual Wastewater Operations Report.</u> The Manager stated that Veolia Water is required to prepare an annual operations and maintenance report for each billing year. She stated that John Bailey, Project Manager, Veolia Water, had prepared the 2011-12 Annual Treatment Plant Operations Report and would review the report with the Board.

Mr. Bailey reviewed each section of the report with the Board. President Di Giorgio commended Veolia for achieving an electrical use savings of $89,442. Member Peters complimented Veolia stating that the report was very informative and easy to understand. Member Long expressed his thanks to Veolia for the report and suggested the report be viewed as a model for the District's Collection's System.

The Manager pointed out that Veolia's agreement with the District allows for incentives if certain benchmarks are met. She stated that in Section 7 of the Annual Report, Veolia calculated the incentives and penalties for the report period, and noted that a net credit of $19,892 is due to Veolia as per the Contract arrangements. The Manager stated that as the Board moves to accept Veolia's Annual Wastewater Operations Report, they are also approving a payment to Veolia in the amount of $19,892.00.

On motion of Member Peters, seconded by Member Long and carried unanimously, the Board accepted Veolia's 2011-12 Annual Treatment Plant Operations Report.

<u>- Consider amending Schedule 2 of the contract service agreement so that the annual operation and maintenance reports are due within 60 days of the end of the calendar year rather than the billing year.</u> The Manager explained that Schedule 2 of the Contract Service Agreement with Veolia Water specifies that the Annual Operations and

Maintenance (O&M) report be aligned with the fiscal year for the contract which currently goes from August 1st through July 31st each year. She stated that the Wastewater Operations Committee recommends that the Board amend Schedule 2 so that the report be prepared each ***calendar year*** and issued within 60 days after the end of the ***calendar year***.

On motion of Member Peters, seconded by Member Long and carried unanimously, the Board amended Schedule 2 of the contract service agreement so that the annual operation and maintenance reports are due within 60 days of the end of the calendar year rather than the billing year.

CAPITAL PROJECTS:

- Consider accepting a proposal from Nute Engineering to design the replacement/repair of the Olive Avenue force main for a not to exceed amount of $50,000 and authorize the Manager-Engineer to sign the contract. The Manager discussed the proposed repairs to the Olive Ave. Force Main. She stated that the force main was constructed in 1972 and is primarily fiberglass reinforced plastic mortar pipe (Techite). She noted that Techite has proved to be fragile and difficult to repair when it is damaged or when a leak occurs.

The Manager stated that Nute Engineering has provided a proposal for design services to implement the pipe's replacement and recommends that the Board consider approval of a contract with Nute Engineering to provide design services for the Olive Ave. project.

On motion of Member Peters, seconded by Member Long and carried unanimously, the Board accepted a proposal from Nute Engineering in the amount of $50,000 to provide design services for the Olive Ave. Force Main rehabilitation and authorized the Manager-Engineer to execute such contract.

BOARD MEMBER REPORTS:

- North Bay Water Reuse Authority Washington D.C. trip, November 27th through 30th: Member Long gave an overview of his trip and the objectives he accomplished on behalf of the North Bay Water Reuse Authority. He discussed the meetings he attended with key legislative personnel and stated the trip's purpose was to lay groundwork for Phase 2 of the North Bay Watershed Stewardship Plan.

- North Bay Watershed Association meeting, December 7th: President Di Giorgio gave an overview of his attendance and noted that a presentation, "Historical Ecology and Resilient Landscapes" was given by a member of the San Francisco Estuary Institute.

MANAGER'S ANNOUNCEMENTS:

- The next regular Board meeting will be held on January 14, 2013.

- A Finance Committee meeting will be scheduled in early January.

- California Association of Sewerage Agencies (CASA) will hold their Mid-Year Conference in Indian Wells from January 15th through January 18th.

- California Special Districts Association (CSDA) will offer the class "How to be an Effective Board Member" in Sacramento on January 10th.

ADJOURNMENT: There being no further business to come before the Board, President Di Giorgio adjourned the Board meeting at 7:21 p.m.

Respectfully submitted,

Beverly B. James
Secretary

Julie Swoboda, Recording

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Renewal of Half Moon Water Tank site license agreement with North Marin Water District	**MEETING DATE: January 14, 2013** **AGENDA ITEM NO.:**

RECOMMENDED ACTION: Approve renewal of license agreement with North Marin Water District and authorize the Board President to execute the same.

SUMMARY AND DISCUSSION:

The District currently leases space from the North Marin Water District (NMWD) at NMWD's Half Moon water tank site to host alarm, telemetry, and communications equipment relating to the operation of the District's Canyon Road Pump station. The existing license agreement expires on January 31, 2013, and NMWD has prepared an updated license agreement. All of the terms of the original license remain the same, including the annual license fee which remains at $570 per year.

NMWD staff has asked the District Board approve and execute the agreement prior to taking it their Board. Staff has reviewed the agreement and recommends that the Board approve the agreement and authorize the Board President to execute it.

Alternatives: Do not approve the agreement

BUDGET INFORMATION: This annual fee will be built into the annual operating budget for Pump Stations – Permits and Fees, Account No. 65201, on an on-going basis.

DEPT.MGR.:	**MANAGER-ENGINEER:**

Novato Sanitary District
Operating Check Register
For December 31, 2012

Date	Num	Name	Credit
Dec 31, 12			
12/31/2012	55187	Pacific, Gas & Electric	51,872.66
12/31/2012	55189	Verizon EQ	1,201.58
12/31/2012	55188	Verizon - 5143	176.48
12/31/2012	55186	Kaiser Permanente	70.00
Dec 31, 12			**53,320.72**

Novato Sanitary District
Operating Check Register Detail
December 31, 2012

	Date	Account	Amount
Kaiser Permanente			
	12/31/2012	66020 · Employee Benefits	70.00
Total Kaiser Permanente			70.00
Pacific, Gas & Electric			
	12/03/2012	65191 · Gas & Electricity	13.23
	12/03/2012	65191 · Gas & Electricity	1.55
	12/14/2012	61000-5 · Gas & Electricity	38,817.20
	12/14/2012	63191 · Gas & Electricity	5,287.37
	12/14/2012	65191 · Gas & Electricity	7,753.31
Total Pacific, Gas & Electric			51,872.66
Verizon - 5143			
	12/31/2012	66193 · Telephone	176.48
Total Verizon - 5143			176.48
Verizon EQ			
	11/28/2012	65193 · Telephone	601.11
	11/28/2012	65193 · Telephone	600.47
Total Verizon EQ			1,201.58
TOTAL			**53,320.72**

Novato Sanitary District
Board Fees for December 2012
January 9, 2013

Date	Num	Name	Credit
Jan 9, 13			
1/9/2013	2381	Long, William C	740.96
1/9/2013	3159	Di Giorgio, Michael	696.30
1/9/2013	2384	Mariani, Jean M	414.81
1/9/2013	2383	Peters, A. Gerald	273.36
1/9/2013	3160	Welsh, Dennis J	102.79
Jan 9, 13			**2,228.22**

Novato Sanitary District

Operating Check Register-January 14, 2013

Date	Num	Name	Amount
01/14/2013	55208	CSRMA-	103,051.00
01/14/2013	55193	Barg, Coffin, Lewis & Trapp	49,604.19
01/14/2013	55234	PSC	28,558.35
01/14/2013	55199	Caltest Analytical Lab Inc.	15,158.62
01/14/2013	55240	San Francisco Estuary Partnership	13,807.00
01/14/2013	55201	CASA	12,000.00
01/14/2013	55198	California Diesel & Power	11,654.24
01/14/2013	55239	San Francisco Estuary	11,530.00
01/14/2013	55228	North Marin Water District	10,049.00
01/14/2013	Dir Dep	Safety Recognition Awards	9,083.35
01/14/2013	55220	Johnson, Dee	4,621.85
01/14/2013	55251	U.S. Bank Card (2)(June)	4,438.23
01/14/2013	55253	Veolia Water North America, Inc.	4,200.83
01/14/2013	55233	Preferred Benefit	3,501.80
01/14/2013	55245	Stiles Construction Company	3,200.00
01/14/2013	55211	Dearborn National	2,618.38
01/14/2013	55192	Aqua Science	2,610.00
01/14/2013	55238	RMC Water & Environment, Inc.	1,600.00
01/14/2013	55206	Comet Building Maintenance, Inc.	1,395.00
01/14/2013	55215	Harris & Associates, Inc	1,375.00
01/14/2013	55241	Smart	1,338.62
01/14/2013	55204	Cintas Corporation	1,230.22
01/14/2013	55200	Cantarutti Electric, Inc	1,169.30
01/14/2013	55213	Grainger	1,133.51
01/14/2013	55223	MME	1,113.95
01/14/2013	55218	Industrial Scientific, Corp	1,025.41
01/14/2013	55217	IEDA, INC	1,020.00
01/14/2013	55216	IDEXX Distributing Corp.	1,015.47
01/14/2013	55196	Cagwin & Dorward Inc.	929.00
01/14/2013	55236	Rauch Communication Consultants. Inc.	905.15
01/14/2013	55224	Monterey Mechanical, Inc.	900.00
01/14/2013	55247	T&T Valve & Instrument, Inc.	828.10
01/14/2013	55195	BoundTree Medical, LLC	826.56
01/14/2013	55242	Staples Business Adv Inc.	765.22
01/14/2013	55229	North Marin Water District Payroll	663.46
01/14/2013	55190	3T Equipment Company Inc.	663.14
01/14/2013	55249	Telstar Instruments Inc	625.00
01/14/2013	55202	CDW Government, Inc.	609.00
01/14/2013	ach	Long, William C.	607.29
01/14/2013	55254	Verizon EQ	603.92
01/14/2013	55203	CED Santa Rosa, Inc	488.14
01/14/2013	55250	U.S. Bank Card (1)(Bev)	469.13
01/14/2013	55255	Verizon Wireless-	425.94
01/14/2013	55232	Pitney Bowes Reserve Account	400.00
01/14/2013	55209	CWEAmembers	305.00
01/14/2013	55231	Pini Hardware	298.30
01/14/2013	55205	Claremont EAP, Inc.	295.00
01/14/2013	55237	Ricoh USA, Inc.	283.69
01/14/2013	55191	American Sentry Systems, Inc.	270.00
01/14/2013	55248	Technology of Materials	250.00
01/14/2013	55221	Levy, Larry	200.00
01/14/2013	55210	Datco Billing Inc.	172.90
01/14/2013	55227	North Marin Auto Parts	109.57

Novato Sanitary District

Operating Check Register-January 14, 2013

	Date	Num	Name	Amount
	01/14/2013	55226	North Bay Truck Service	100.00
	01/14/2013	55225	North Bay Portables, Inc.	92.18
	01/14/2013	55222	Marin Independent Journal	90.27
	01/14/2013	55230	Petty Cash	90.25
	01/14/2013	55219	Irvine Consulting Services Inc.	90.00
	01/14/2013	55197	CalChamber	89.29
	01/14/2013	55244	Stevenson, Jeffrey MD	85.00
	01/14/2013	55256	WECO	79.90
	01/14/2013	55235	Quill Corporation	72.96
	01/14/2013	55214	Grant Avenue Florist	70.53
	01/14/2013	55207	Cook Paging	66.30
	01/14/2013	55243	Staples~in store purchases	64.01
	01/14/2013	55194	Barnett Medical LLC	45.00
	01/14/2013	55246	T-Mobile	22.91
	01/14/2013	55252	United Parcel Service	15.58
	01/14/2013	55212	Federal Express	13.97
Jan 14, 13				**317,084.98**

Novato Sanitary District
Check Register Detail
January 14, 2013

	Account	Amount
3T Equipment Company Inc.		
	60100 · Operating Supplies	663.14
Total 3T Equipment Company Inc.		663.14
American Sentry Systems, Inc.		
	66150 · Repairs & Maintenance	270.00
Total American Sentry Systems, Inc.		270.00
Aqua Science		
	64160 · Research & Monitoring	2,610.00
Total Aqua Science		2,610.00
Barg, Coffin, Lewis & Trapp		
	66122 · Attorney Fees	49,604.19
Total Barg, Coffin, Lewis & Trapp		49,604.19
Barnett Medical LLC		
	67500 · Household Hazardous Waste	45.00
Total Barnett Medical LLC		45.00
BoundTree Medical, LLC		
	67500 · Household Hazardous Waste	416.21
	67500 · Household Hazardous Waste	188.14
	67500 · Household Hazardous Waste	222.21
Total BoundTree Medical, LLC		826.56
Cagwin & Dorward Inc.		
	66150 · Repairs & Maintenance	329.00
	63150 · Repairs & Maintenance	600.00
Total Cagwin & Dorward Inc.		929.00
CalChamber		
	66090 · Office Expense	89.29
Total CalChamber		89.29
California Diesel & Power		
	65150 · Repairs & Maintenance	1,048.00
	65150 · Repairs & Maintenance	998.00
	65150 · Repairs & Maintenance	2,358.00
	65150 · Repairs & Maintenance	911.00
	65150 · Repairs & Maintenance	1,009.00
	65150 · Repairs & Maintenance	5,035.00
	65150 · Repairs & Maintenance	295.24
Total California Diesel & Power		11,654.24
Caltest Analytical Lab Inc.		
	64160 · Research & Monitoring	15,158.62
Total Caltest Analytical Lab Inc.		15,158.62
Cantarutti Electric, Inc		
	66150 · Repairs & Maintenance	450.30
	66150 · Repairs & Maintenance	608.00
	65153 · TV Inspection	111.00
Total Cantarutti Electric, Inc		1,169.30
CASA		
	66075 · Agency Dues	12,000.00
Total CASA		12,000.00
CDW Government, Inc.		
	66124 · IT/Misc Electrical	210.00
	66124 · IT/Misc Electrical	399.00
Total CDW Government, Inc.		609.00
CED Santa Rosa, Inc		
	65150 · Repairs & Maintenance	488.14
Total CED Santa Rosa, Inc		488.14

Novato Sanitary District
Check Register Detail
January 14, 2013

	Account	Amount
Cintas Corporation		
	64100 · Operating Supplies	118.87
	66100 · Engineering Supplies	286.43
	60100 · Operating Supplies	824.92
Total Cintas Corporation		1,230.22
Claremont EAP, Inc.		
	66123 · O/S Contractual	295.00
Total Claremont EAP, Inc.		295.00
Comet Building Maintenance, Inc.		
	66150 · Repairs & Maintenance	1,090.00
	60150 · Repairs & Maintenance	152.50
	65150 · Repairs & Maintenance	152.50
Total Comet Building Maintenance, Inc.		1,395.00
Cook Paging		
	61000-4 · Water/Permits/Telephone	24.00
	65193 · Telephone	30.83
	60193 · Telephone	11.47
Total Cook Paging		66.30
CSRMA-		
	66070 · Insurance	103,051.00
Total CSRMA-	Pooled Liability	103,051.00
CWEAmembers		
	66080 · Memberships - Collection	80.00
	66080 · Memberships - Collection	85.00
	66080 · Memberships - Collection	140.00
Total CWEAmembers		305.00
Datco Billing Inc.		
	66123 · O/S Contractual	172.90
Total Datco Billing Inc.		172.90
Dearborn National		
	66020 · Employee Benefits	2,618.38
Total Dearborn National		2,618.38
Federal Express		
	66090 · Office Expense	13.97
Total Federal Express		13.97
Grainger		
	65100 · Operating Supplies	106.66
	60100 · Operating Supplies	544.68
	65085 · Safety Expenses	482.17
Total Grainger		1,133.51
Grant Avenue Florist		
	66090 · Office Expense	70.53
Total Grant Avenue Florist		70.53
Harris & Associates, Inc		
	21045 · Novato Heights Deposits	1,375.00
Total Harris & Associates, Inc		1,375.00
IDEXX Distributing Corp.		
	64100 · Operating Supplies	1,015.47
Total IDEXX Distributing Corp.		1,015.47
IEDA, INC		
	66123 · O/S Contractual	1,020.00
Total IEDA, INC		1,020.00

Novato Sanitary District
Check Register Detail
January 14, 2013

	Account	Amount
Industrial Scientific, Corp		
	65150 · Repairs & Maintenance	630.13
	65150 · Repairs & Maintenance	395.28
Total Industrial Scientific, Corp		1,025.41
Irvine Consulting Services Inc.		
	66124 · IT/Misc Electrical	90.00
Total Irvine Consulting Services Inc.		90.00
Johnson, Dee		
	67530 · Used Oil Program	155.42
	67400 · Consulting Services	349.70
	67400 · Consulting Services	4,116.73
Total Johnson, Dee		4,621.85
Levy, Larry		
	66123 · O/S Contractual	200.00
Total Levy, Larry		200.00
Long, William C.		
	66170 · Travel, Meetings & Training	607.29
Total Long, William C.		607.29
Marin Independent Journal		
	66130 · Printing & Publications	90.27
Total Marin Independent Journal		90.27
MME		
	60150 · Repairs & Maintenance	497.91
	60150 · Repairs & Maintenance	616.04
Total MME		1,113.95
Monterey Mechanical, Inc.		
	60153 · Outside Services	900.00
Total Monterey Mechanical, Inc.		900.00
North Bay Portables, Inc.		
	63100 · Operating Supplies	92.18
Total North Bay Portables, Inc.		92.18
North Bay Truck Service		
	60150 · Repairs & Maintenance	100.00
Total North Bay Truck Service		100.00
North Marin Auto Parts		
	65150 · Repairs & Maintenance	109.57
Total North Marin Auto Parts		109.57
North Marin Water District		
	60192 · Water	890.60
	61000-4 · Water/Permits/Telephone	1,688.37
	63192 · Water - Reclamation	7,002.01
	65192 · Water	377.25
	65192 · Water	90.77
Total North Marin Water District		10,049.00
North Marin Water District Payroll		
	64010 · Salaries & Wages	663.46
Total North Marin Water District Payroll		663.46
Petty Cash		
	60100 · Operating Supplies	10.49
	66170 · Travel, Meetings & Training	74.66
	66090 · Office Expense	5.10
Total Petty Cash		90.25

Novato Sanitary District
Check Register Detail
January 14, 2013

	Account	Amount
Pini Hardware		
	65100 · Operating Supplies	103.19
	60100 · Operating Supplies	138.23
	65150 · Repairs & Maintenance	56.88
Total Pini Hardware		298.30
Pitney Bowes Reserve Account		
	66090 · Office Expense	400.00
Total Pitney Bowes Reserve Account		400.00
Preferred Benefit		
	66020 · Employee Benefits	3,400.44
	21074 · Health Insurance Payable	101.36
Total Preferred Benefit		3,501.80
PSC		
	67500 · Household Hazardous Waste	17,139.95
	67500 · Household Hazardous Waste	11,418.40
Total PSC		28,558.35
Quill Corporation		
	66090 · Office Expense	46.95
	66090 · Office Expense	26.01
Total Quill Corporation		72.96
Rauch Communication Consultants. Inc.		
	66130 · Printing & Publications	123.75
	67520 · Publicity/Outreach	781.40
Total Rauch Communication Consultants. Inc.		905.15
Ricoh USA, Inc.		
	66090 · Office Expense	283.69
Total Ricoh USA, Inc.		283.69
RMC Water & Environment, Inc.		
	64160 · Research & Monitoring	1,600.00
Total RMC Water & Environment, Inc.		1,600.00
San Francisco Estuary		
	64160 · Research & Monitoring	11,530.00
Total San Francisco Estuary		11,530.00
San Francisco Estuary Partnership		
	63201 · Permits & Fees	552.28
	61000-4 · Water/Permits/Telephone	828.42
	65201 · Permits & Fees	2,347.19
	60201 · Permits & Fees	10,079.11
Total San Francisco Estuary Partnership		13,807.00
Smart		
	60201 · Permits & Fees	669.31
	63201 · Permits & Fees	669.31
Total Smart		1,338.62
Staples Business Adv Inc.		
	66090 · Office Expense	194.88
	66090 · Office Expense	122.02
	66090 · Office Expense	32.10
	66090 · Office Expense	19.52
	66090 · Office Expense	265.48
	66090 · Office Expense	22.73
	60100 · Operating Supplies	108.49
Total Staples Business Adv Inc.		765.22
Staples~in store purchases		
	66090 · Office Expense	64.01
Total Staples~in store purchases		64.01

Novato Sanitary District
Check Register Detail
January 14, 2013

	Account	Amount
Stevenson, Jeffrey MD		
	66090 · Office Expense	85.00
Total Stevenson, Jeffrey MD		85.00
Stiles Construction Company		
	65150 · Repairs & Maintenance	3,200.00
Total Stiles Construction Company		3,200.00
T-Mobile		
	65193 · Telephone	22.91
Total T-Mobile		22.91
T&T Valve & Instrument, Inc.		
	65150 · Repairs & Maintenance	828.10
Total T&T Valve & Instrument, Inc.		828.10
Technology of Materials		
	64160 · Research & Monitoring	250.00
Total Technology of Materials		250.00
Telstar Instruments Inc		
	65153 · TV Inspection	625.00
Total Telstar Instruments Inc		625.00
U.S. Bank Card (1)(Bev)		
	66170 · Travel, Meetings & Training	22.00
	66090 · Office Expense	422.13
	66080 · Memberships	25.00
Total U.S. Bank Card (1)(Bev)		469.13
U.S. Bank Card (2)(June)		
	64100 · Operating Supplies	60.59
	66090 · Office Expense	-542.22
	66124 · IT/Misc Electrical	372.91
	21016 · U.S. Bank Visa	1,729.95
	66080 · Memberships	127.00
	66170 · Travel, Meetings & Training	2,690.00
Total U.S. Bank Card (2)(June)		4,438.23
United Parcel Service		
	66090 · Office Expense	15.58
Total United Parcel Service		15.58
Veolia Water North America, Inc.		
	61000-2 · Insurance & Bonds	4,200.83
Total Veolia Water North America, Inc.		4,200.83
Verizon EQ		
	65193 · Telephone	603.92
Total Verizon EQ		603.92
Verizon Wireless-		
	60193 · Telephone	74.76
	65193 · Telephone	49.84
	66193 · Telephone	76.20
	60193 · Telephone	90.77
	65193 · Telephone	60.50
	66193 · Telephone	73.87
Total Verizon Wireless-		425.94
WECO		
	60150 · Repairs & Maintenance	79.90
Total WECO		79.90
See agenda item 1	Safety Recognition Awards	9,083.35
TOTAL		**317,084.98**

Novato Sanitary District
Capital Project Check Register
January 14, 2013

Date	Num	Name	Credit
Jan 14, 13			
1/14/2013	2458	Bank of New York Mellon	1,242,848.75
1/14/2013	2469	W.R. Forde	308,932.01
1/14/2013	2461	Gateway Pacific Contractors,...	82,794.05
1/14/2013	2466	RMC Water & Environment, I...	34,469.42
1/14/2013	2462	JM Squared Associates Inc.	27,507.20
1/14/2013	2465	Nute Engineering Inc.	20,800.64
1/14/2013	2468	Veolia Water North America, ...	9,168.00
1/14/2013	2471	Willis Professional Land Surv...	4,997.50
1/14/2013	2467	Stiles Construction Company	4,396.00
1/14/2013	2460	Gateway Pacific Contractors ...	4,357.58
1/14/2013	2459	C.V. Larsen Co.	3,412.50
1/14/2013	2463	Marin Mechanical II, Inc.	2,767.60
1/14/2013	2464	Monterey Mechanical, Inc.	900.00
1/14/2013	2470	WC's Locks & Keys	252.33
Jan 14, 13			**1,747,603.58**

01/10/13

Novato Sanitary District
Capital Projects Detail

	Date	Account	Amount
Bank of New York Mellon			
	01/08/2013	78500 · Interest - Capital Projects\	1,242,848.75
Total Bank of New York Mellon			1,242,848.75
C.V. Larsen Co.			
	12/10/2012	72804 · Annual Reclamation Fac Imp	3,412.50
Total C.V. Larsen Co.			3,412.50
Gateway Pacific Contractors - Escrow			
	12/31/2012	73002 · WWTP Up - Cont D - Rec- ARRA Fu	4,357.58
Total Gateway Pacific Contractors - Escrow			4,357.58
Gateway Pacific Contractors, Inc.			
	12/31/2012	73002 · WWTP Up - Cont D - Rec- ARRA Fu	82,794.05
Total Gateway Pacific Contractors, Inc.			82,794.05
JM Squared Associates Inc.			
	12/21/2012	72805 · Annual Trtmt Plnt/Pump St Impr	27,507.20
Total JM Squared Associates Inc.			27,507.20
Marin Mechanical II, Inc.			
	11/05/2012	72805 · Annual Trtmt Plnt/Pump St Impr	2,767.60
Total Marin Mechanical II, Inc.			2,767.60
Monterey Mechanical, Inc.			
	12/26/2012	73002 · WWTP Up - Cont D - Rec- ARRA Fu	900.00
Total Monterey Mechanical, Inc.			900.00
Nute Engineering Inc.			
	12/12/2012	72803 · Annual Collection Sys Repairs	2,057.50
	12/12/2012	72403 · Pump Station Rehabilitation	12,628.24
	12/12/2012	72706 · 2008 Collection System Improv	6,114.90
Total Nute Engineering Inc.			20,800.64
RMC Water & Environment, Inc.			
	12/13/2012	73002 · WWTP Up - Cont D - Rec- ARRA Fu	4,494.47
	12/13/2012	73001 · WWTP Upgrade - Contract C	29,974.95
Total RMC Water & Environment, Inc.			34,469.42
Stiles Construction			
	12/17/2012	72803 · Annual Collection Sys Repairs	2,934.00
	12/17/2012	72805 · Annual Trtmt Plnt/Pump St Impr	1,462.00
Total Stiles Construction			4,396.00
Veolia Water North America, Inc.			
	12/14/2012	73002 · WWTP Up - Cont D - Rec- ARRA Fu	4,486.00
	12/14/2012	73002 · WWTP Up - Cont D - Rec- ARRA Fu	2,536.00
	12/14/2012	73002 · WWTP Up - Cont D - Rec- ARRA Fu	2,146.00
Total Veolia Water North America, Inc.			9,168.00
W.R. Forde			
	01/09/2013	72403 · Pump Station Rehabilitation	308,932.01
Total W.R. Forde			308,932.01
WC's Locks & Keys			
	01/02/2013	73002 · WWTP Up - Cont D - Rec- ARRA Fu	252.33
Total WC's Locks & Keys			252.33
Willis Professional Land Surveying			
	12/10/2012	72804 · Annual Reclamation Fac Imp	4,997.50
Total Willis Professional Land Surveying			4,997.50
			1,747,603.58

Novato Sanitary District
Payroll and Payroll Related Check Register
December 2012

Date	Description	Amount
12/31/2012	December Payroll	109,694.82
12/31/2012	December Retiree Health Benefits	16,148.78
12/28/2012	CalPers Health	31,712.25
12/28/2012	CALPERS Retirement	27,691.19
12/28/2012	United States Treasury	21,775.10
12/28/2012	CalPers Supplemental Income Plan	11,200.00
12/28/2012	EDD	6,118.40
12/28/2012	Lincoln Financial Group	5,852.06
12/28/2012	Lincoln Financial Group-401a Plan	4,199.52
12/28/2012	Lincoln Financial Group-401a Plan	4,562.00
12/28/2012	CALPERS Retirement	2,798.33
12/28/2012	Local Union 315	480.00
12/28/2012	Marin Employ Federal Credit Union	517.00
12/28/2012	Operating Engineers Local 3 RHSP	359.67
		243,109.12

Novato Sanitary District
Deposit Detail
December 2012

Type	Date	Name	Account	Amount
Deposit	**12/10/2012**		**11113 · Westamerica - Operations**	
		Rapid Flo	41040 · Permit & Inspection Fee	40.00
		Ben Franklin Plumbing	41040 · Permit & Inspection Fee	40.00
		Ben Franklin Plumbing	41040 · Permit & Inspection Fee	40.00
		City of Novato - Used Oil	11200 - Accounts Receivable	872.66
		Petaluma Septic	11200 - Accounts Receivable	688.10
		Hayden, Ron	11200 - Accounts Receivable	19,508.11
TOTAL				21,188.87
Deposit	**12/11/2012**		**11113 · Westamerica - Operations**	
		USCG	11200 - Accounts Receivable	12,777.00
TOTAL				12,777.00
Deposit	**12/14/2012**		**11113 · Westamerica - Operations**	
		County of Marin	41010/51010 · Sewer Service Charges	7,666,409.49
		County of Marin	51015 - Property Taxes	849,465.50
		County of Marin	21045- Novatp Heights	95,756.63
		Panera LLC	51020 · Connection Charges	26,402.50
		Panera LLC	41040 · Permit & Inspection Fee	60.00
TOTAL				8,638,094.12
Deposit	**12/14/2012**		**11113 · Westamerica - Operations**	
		Ben Franklin Plumbing	41040 · Permit & Inspection Fee	40.00
		County of Marin	51015 · Property Taxes	200.09
		North Marin Water District	41090 · Non-domestic Permit Fees	215.00
		Graphene Tech	41090 · Non-domestic Permit Fees	210.00
		Quality Septic Systems	11200 - Accounts Receivable	2,190.51
		Veolia Water	11200 - Accounts Receivable	4,708.51
TOTAL				7,564.11
Deposit	**12/20/2012**		**11113 · Westamerica - Operations**	
		Reggie's Plumbing	41040 · Permit & Inspection Fee	80.00
		County of Marin	51015 · Property Taxes	1,625.65
		County of Marin	51015 · Property Taxes	442.14
		County of Marin	51015 · Property Taxes	155.15
		County of Marin	51015 · Property Taxes	807.52
		County of Marin	51015 · Property Taxes	2,399.84
		Kenny Thai Trucking-	11200 - Accounts Receivable	3,994.55
TOTAL				9,504.85
Total Deposits for December 2012				**8,689,128.95**

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Wastewater Operations Report for November 2012	**MEETING DATE: January 14, 2013** **AGENDA ITEM NO.: 8a.**

RECOMMENDED ACTION: Information. Receive report.

SUMMARY AND DISCUSSION:

The November 2012 operations reports for the wastewater treatment, collection, and reclamation facilities are attached.

Wastewater Treatment Facility

Water quality performance for November 2012 was excellent with all parameters well within effluent standards. There were no significant maintenance issues. Safety performance was excellent with an accident-free month for a total of 912 accident-free days. The Novato plant continued with bay discharge in November, consistent with the NPDES permit. Maintenance performed at the Novato plant included draining primary clarifier no.1 and taking it out-of-service for inspection while bringing primary clarifier no. 2 on-line. Information on completion of digester cleaning for the Ignacio digester and the Novato No. 2 digester was presented. A status update was provided on the new recycled water facility. The District received some more odor complaints which are presented in the attached operations report.

Collection System

The Collection System report summarizes the monthly and year-to-date performance, and a comparison of these performances against the prior year. For November 2012, the crews cleaned and televised a total of 50,920 feet of sewer line and videoed about 6,503 ft of sewer line. A Collection System Work Order statistics summary was provided. Safety performance was excellent with no lost time accidents for a total of 595 accident-free days at the end of November 2012.

The District had no (zero) Sewer System Overflows (SSOs) in November 2012.

Also, as part of the District's continuing multi-year Pump Station Rehabilitation Project (Capital Improvement Project No. 72403), construction began on Hanger Ave. pump station and control of the station remains with the contractor, W.R. Forde until the project is complete.

Reclamation Facility

The rancher moved all cattle off of all three sites for the winter. Irrigation was stopped for the winter. New control boxes were installed in seven zones in four different parcels on Site 2. The recycled water irrigation amount for November 2012 was 11.52 MG. For the year, 414.13 MG of recycled water was irrigated on the Reclamation sites. Pond depths at the end of the irrigation season averaged 2.3 feet, exposing portions of the pond bottom in both ponds.

Veolia's contractor (Synagro, Inc.), which was cleaning out Digester No. 2 at the Novato Treatment Plant (NTP) & the digester at the Ignacio Treatment Plant (ITP), placed approximately 604 cubic yards of solids from the Ignacio Treatment Plant Digester into Lagoon #5 for storage, until it can be disposed in the Dedicated Land Disposal (DLD) area next summer. Work was completed on November 27th.

DEPT.MGR.:	**MANAGER-ENGINEER:**

REVISED AGENDA: *DATE CHANGE*

NOVATO SANITARY DISTRICT

Meeting Date: December 18, 2012

The Wastewater Operations Committee of Novato Sanitary District will hold a meeting at 2:00 PM, *Tuesday, December 18, 2012*, at the District offices, 500 Davidson Street, Novato.

AGENDA

1. AGENDA APPROVAL:

2. PUBLIC COMMENT (PLEASE OBSERVE A THREE-MINUTE TIME LIMIT):

This item is to allow anyone present to comment on any subject not on the agenda, or to request consideration to place an item on a future agenda. Individuals will be limited to a three-minute presentation. No action will be taken by the Committee at this time as a result of any public comments made.

3. APPROVAL OF MEETING MINUTES FOR NOVEMBER 19, 2012:

4. WASTEWATER TREATMENT FACILITIES OPERATIONS AND MAINTENANCE REPORT FOR NOVEMBER 2012:

a. Treatment Plant Operation and Maintenance Report.
b. Odor control and landscaping progress report.

5. COLLECTION SYSTEM OPERATION AND MAINTENANCE REPORT FOR NOVEMBER 2012:

a. Collection System Operation and Maintenance.
b. Pump Station Operation and Maintenance.

6. RECLAMATION FACILITY REPORT FOR NOVEMBER 2012

a. Reclamation Facility Operation and Maintenance Report.

7. ADJOURNMENT:

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District at (415) 892-1694 at least 24 hours prior to the meeting. Notification prior to the meeting will enable the District to make reasonable accommodation to help ensure accessibility to this meeting.

Materials that are public records and that relate to an open session agenda item will be made available for public inspection at the District office, 500 Davidson Street, Novato, during normal business hours.

November 19, 2012

A regular meeting of the Wastewater Operations Committee of Novato Sanitary District was held at 2:00 p.m., Monday, November 19, 2012, at the District Office, 500 Davidson Street, Novato.

MEMBERS PRESENT: NSD Board Members William Long and Jerry Peters.

STAFF PRESENT: Beverly James, Manager-Engineer
Sandeep Karkal, Deputy Manager-Engineer
Steve Krautheim, Field Services Superintendent
Julie Swoboda, Administrative Secretary
John Bailey, Plant Manager, Veolia Water

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

APPROVAL OF MEETING RECORD: The record of the October 15, 2012 Wastewater Operations Committee meeting was accepted as written. No minutes were prepared because a quorum was not present for the October 15th meeting.

WASTEWATER TREATMENT FACILITIES OPERATIONS AND MAINTENANCE REPORT FOR OCTOBER 2012:

- Treatment Plant Performance Report, Maintenance Report and Safety & Training: John Bailey, Plant Manager, Veolia Water, reviewed the monthly operations report for October 2012 and discussed the treatment plant performance. He stated that the treatment plant was performing very well and that there were no violations or excursions during the month.

Mr. Bailey reported on the key events at the Novato Treatment Facility and the Ignacio Transfer Pump Station. He reported that personnel from Flygt/Xylem returned and installed two repaired influent pumps. Mr. Bailey stated that California Diesel performed the annual service maintenance on the emergency generators and that Telstar performed the annual calibration on the flow meters. Mr. Bailey reported that Veolia continues to make routine rounds, readings and maintenance at the Ignacio Transfer Pump Station. Mr. Bailey detailed the progress of the digester cleaning at the Ignacio facility

Mr. Bailey reported that Veolia continues to take Jerome Meter (H_2S) readings in the Lea Drive neighborhood and within the treatment plant.

Mr. Bailey discussed safety and training for the month of October and noted that Veolia Water has been operating the treatment facility accident free for 882 days/39,690 hours. He outlined the safety and training events that Veolia employees participated in for the month of October. Mr. Bailey discussed the plant flow charts and the energy usage for the past 12 months.

Member Long requested Mr. Bailey express the *high/high treatment facility flows* on the monthly charts provided to the Committee.

- Odor control, noise, and landscaping progress report: The Manager discussed the landscaping plans, noting that the District was exploring the possibility of putting in a berm in the rear of the treatment facility. She stated that the Collections Crew cleaned a storm drain on Lea Drive because it was emitting mal-odors. After the cleaning, odor complaints did not diminish.

- Report on reconciliation of natural gas usage: The Manager discussed a contract amendment to clarify the natural gas usage attributed to the treatment facility.

- Presentation of draft Annual Report: Mr. Bailey presented to the Board a draft copy of Veolia's 2011-2012 Annual Operations and Maintenance Report. He requested the committee members review the document and return any comments to him by November 30th.

COLLECTION SYSTEM OPERATION AND MAINTENANCE REPORT FOR OCTOBER 2012:

The Deputy Manager-Engineer stated that Tim O'Connor, Collections System Superintendent, was unavailable to attend the Wastewater Operations Committee meeting. The Deputy Manager-Engineer proceeded to discuss the Collections System Monthly Report for October 2012. He reported that the crew cleaned a total of 64,226 feet of sewer pipeline in October and completed 317 maintenance work orders. He discussed pump station maintenance and noted that approximately 265 lift station inspections were conducted during October.

The Deputy Manager-Engineer discussed the District's continuing multi-year Pump Station Rehabilitation Project and gave a construction update on the Hanger Avenue pump station.

The Deputy Manager-Engineer reported that there was one sanitary sewer overflow in the month of October. He stated that 2,900 gallons of sewage was released and that two homes were affected. He noted that the overflow was a result of roots in the main line as well as prevailing wet weather conditions.

Member Long requested the Manager draft a letter to the Collections Department acknowledging the crew's professionalism and efficiency during the last overflow event.

At 3:15 p.m. the Wastewater Operations Committee recessed for a short break.

The Committee reconvened at 3:18 p.m.

RECLAMATION FACILITY REPORT FOR OCTOBER 2012:

Steve Krautheim, Field Services Superintendent, stated that there were no significant changes in the irrigated parcels and that the rancher began preparing the cattle to move them off site for the winter. He stated that valves and actuators were replaced in Zones 262, 263, and 271.

Mr. Krautheim stated that 59.25 million gallons of recycled water was irrigated during the month of October. He reported that a total of 2.97 million gallons of sludge was pumped into the Dedicated Land Disposal (DLD) and 5,460 cubic yards of solids were excavated out of the lagoons and spread in the DLD this year.

ADJOURNMENT: There being no further business to come before the Committee, the meeting adjourned at 3:26 p.m.

Respectfully submitted,

Beverly B. James
Manager-Engineer

Julie Swoboda, Recording

December 12, 2012

Ms. Beverly James
Manager - Engineer
Novato Sanitary District
500 Davidson Street
Novato, CA 94545

Subject: Veolia Water Operations Report – November 2012

Dear Ms. James:

We are pleased to provide this updated activity report for November 2012.

As always, please give me a call at 707-208-4491 should you have any questions.

Regards,

John Bailey
Project Manager

MONTHLY OPERATIONS REPORT
November 2012

Prepared for

NOVATO SANITARY DISTRICT (NSD)
WASTEWATER TREATMENT PLANT
500 Davidson Street
Novato, CA 94545

Prepared by

Veolia Water West Operating Services, Inc. (VWWOS)

TABLE OF CONTENTS

TREATMENT PLANT PERFORMANCE SUMMARY: November 2012:

Bay Discharge

Parameter	Value		Limit	
	Ave	Max	#1	#2
Flow, MGD (monthly ave/max)	5.49	14.78	N/A	N/A
Max Peak Hour, MGD -11/30, 11:00am-Noon	N/A	18.00	N/A	N/A
Influent BOD_5, lb/day (month ave/max)	11,779	24,530	N/A	N/A
Influent TSS, lb/day (monthly ave/max)	25,237	59,476	N/A	N/A
Effluent BOD_5, mg/L (monthly ave/weekly max)	<5	7	30	45
Effluent TSS, mg/L (monthly ave/weekly max)	<5	<5	30	45
Effluent BOD_5 - % Removal, Minimum	98	N/A	85	N/A
Effluent TSS - % Removal, Minimum	99	N/A	85	N/A
pH, su (min / max)	7.0	7.2	6.5	8.5
Enterococcus, mpn (30 day geo mean)	2.0	N/A	35	N/A
Fecal Coliform, mpn (30 day median)	2	N/A	140	N/A
Fecal Coliform, mpn (90^{th} percentile)	2	N/A	430	N/A
Total Permit Exceedances (NPDES)	0			

NA – Not Applicable
Discussion of Violations / Excursions: NONE

OPERATIONS & MAINTENANCE STATUS / REVIEW:

Key events for the period:

Novato
- Routine rounds, readings and maintenance
- Bay Discharge mode
- Aeration Basin #1, 2 aerators removed and sent to Sanitaire for evaluation
- Decant Pump rails – reattached
- Flygt / Xylem removed Anoxic Zone mixer 4-B, for repair
- Primary Clarifier #1 Drained and out of service for inspection
- Primary Clarifier #2 put in service
- Replaced UVT Pump

Ignacio Transfer Pump Station
- Routine rounds, readings, and maintenance
- Flygt repaired Conveyance Pump #3

Digester Cleaning
- Completed Novato Digester Cleaning – 572,000 gallons
- Completed Ignacio Digester Cleaning – 526,000 gallons

Recycled Water Plant
- Performed plant operations to accommodate dye tracer testing
- Filled Plum Street Tank
- Shut down Recycled Water Plant

CONSTRUCTION UPDATE:
- Provided support as needed.

ADMINISTRATION:
- Electronic Self Monitoring Report for October 2012, submitted on 11/29/12

SAFETY AND TRAINING:
- Monthly plant safety inspections for Novato WWTF completed on 11/5/12
- Five Minute Tailgate training is held daily with the O&M staff.
- No safety incidents for the month of November 2012.
- Accident Free: 6/1/10 – 11/30/12: 912 days / 41,587 hours.
- Annual Hearing Test performed 11/12/12

Monthly Safety Training:
- 11/28/12 - Powered Industrial Trucks/Forklift Safety
- 11/14/12 - Cold Stress Prevention
- 11/14/12 - Driving in Inclement Weather

SOP Review
- Wet Weather Review
- Wet Weather Review for Ignacio Transfer Pump Station
- Wet Weather Pumps

ODORS:

- Jerome Meter (H2S) readings performed in neighborhood and within treatment plant.

MISCELLANEOUS

- Process Control Management Plan (PCMP) meetings held regularly

Veolia Support Staff On/Off Site (Various Times)

John O'Hare	Technical Support
Chris McAuliffe	District Manager
John Herron	Northern California Area Manager
Bryce Behnke	Technical Support via conference call & web exchange
Brian Exberger	Electronic Operations and Maintenance Manual Development
Jeremiah Danielson	Environmental, Health, and Safety – Confined Space Training
Mel Demsky	Regional Director of Asset Management
Dan Brown	Asset Manager

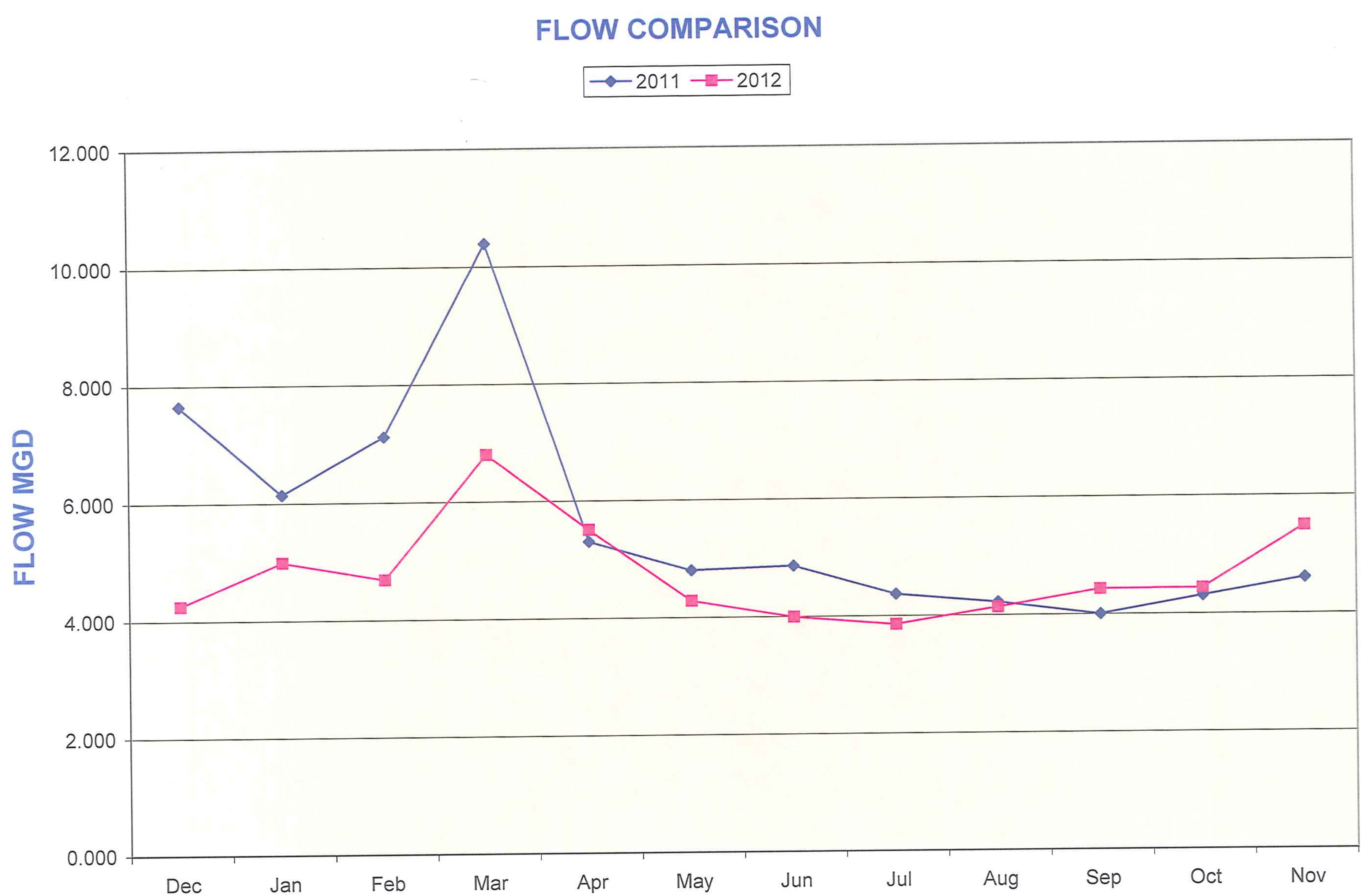
WORK ORDER STATISTICS

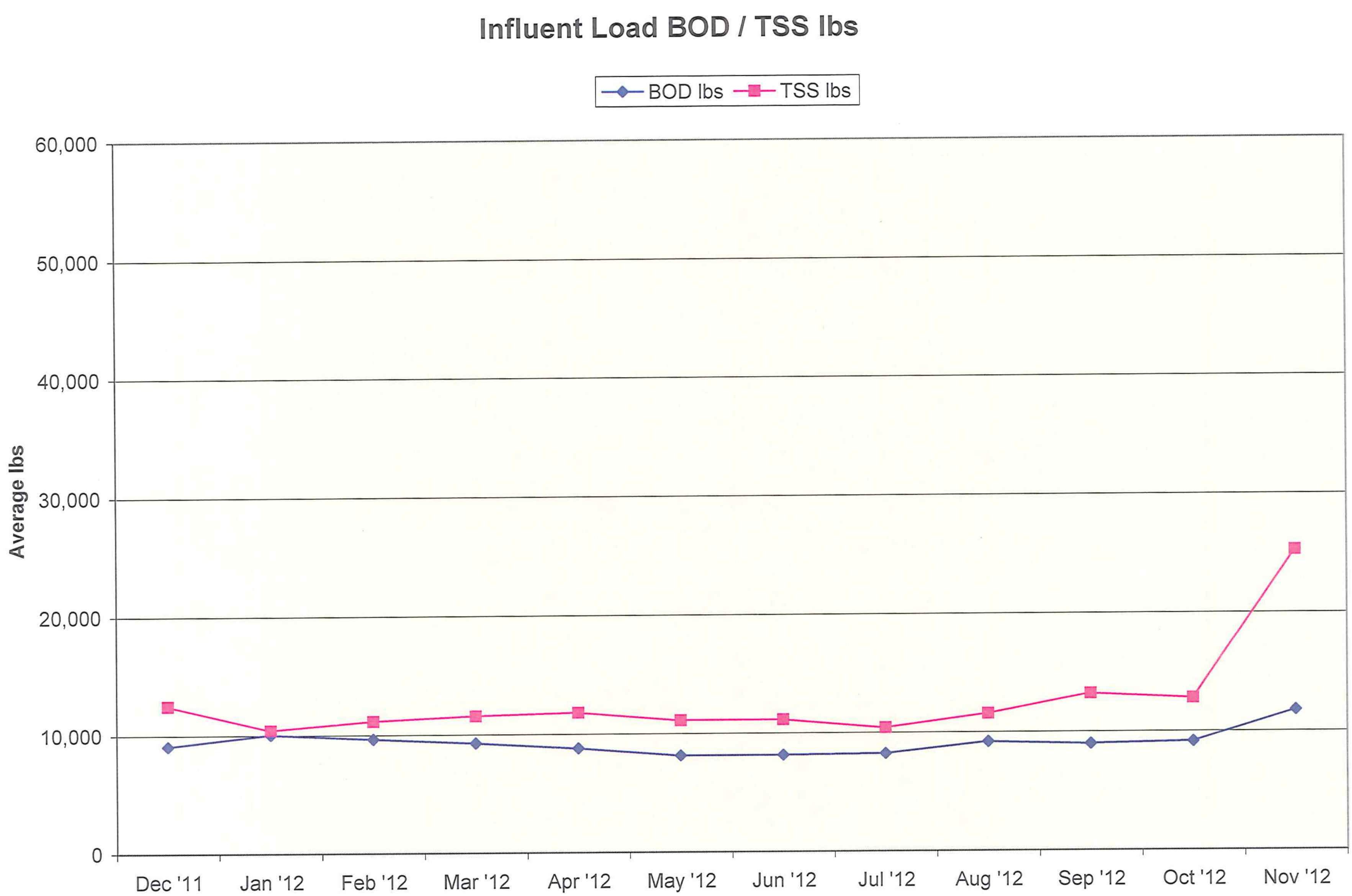
November 1, 2012 - November 30, 2012

	Open Work Orders Due Prior to 11/1/12	Open Work Orders 11/1/12 - 11/30/12	Total Open Work Orders
Preventative	1	262	263
Corrective	5	13	18
Total	6	275	281

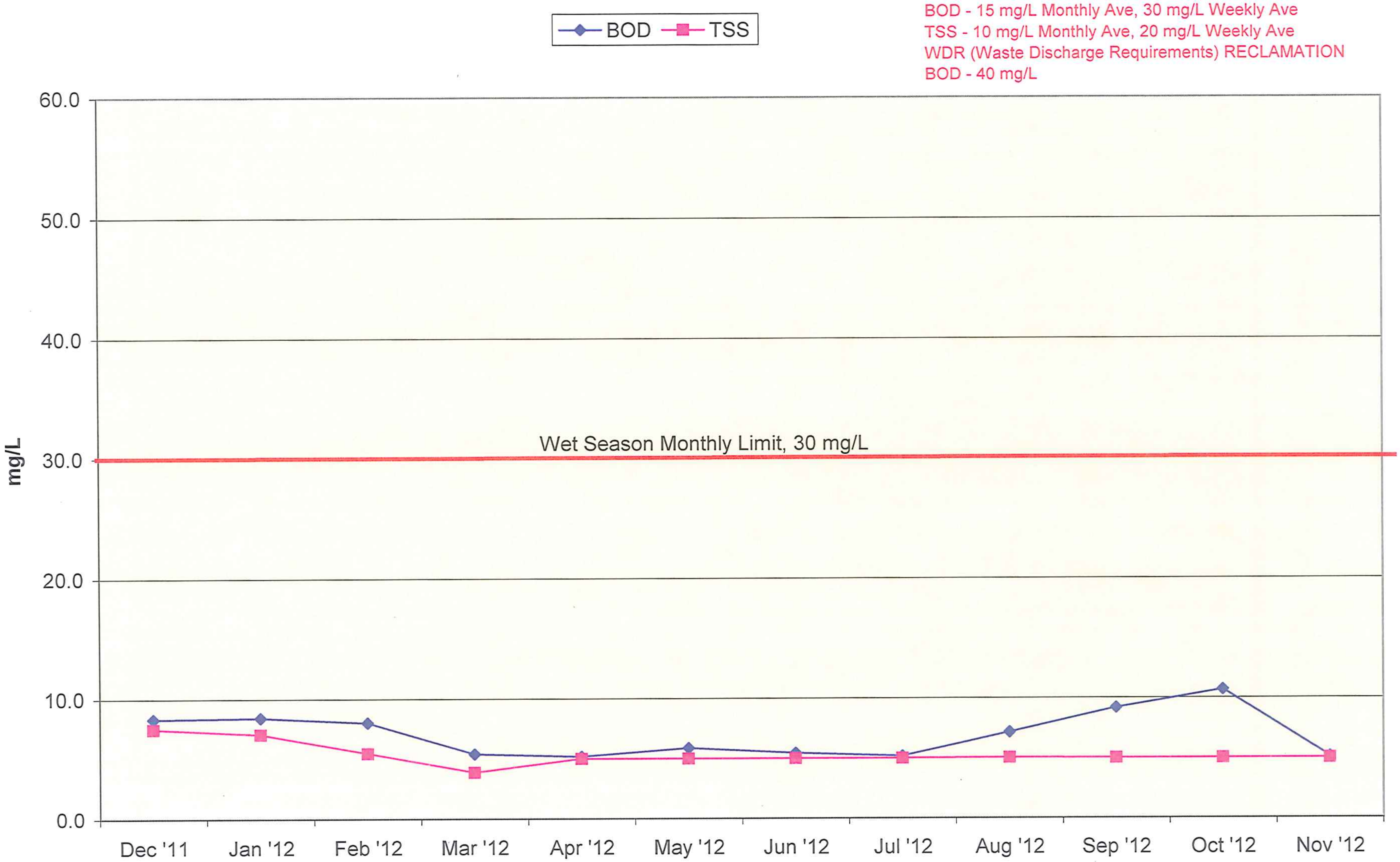
	Closed Work Orders 11/1/12 - 11/30/12
Preventative	228
Corrective	15
Total	243

Total Outstanding Work Orders as of December 1, 2012	**38**


FLOW COMPARISON
2011
2012
FLOW MGD
12.000
10.000
8.000
6.000
4.000
2.000
0.000
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov

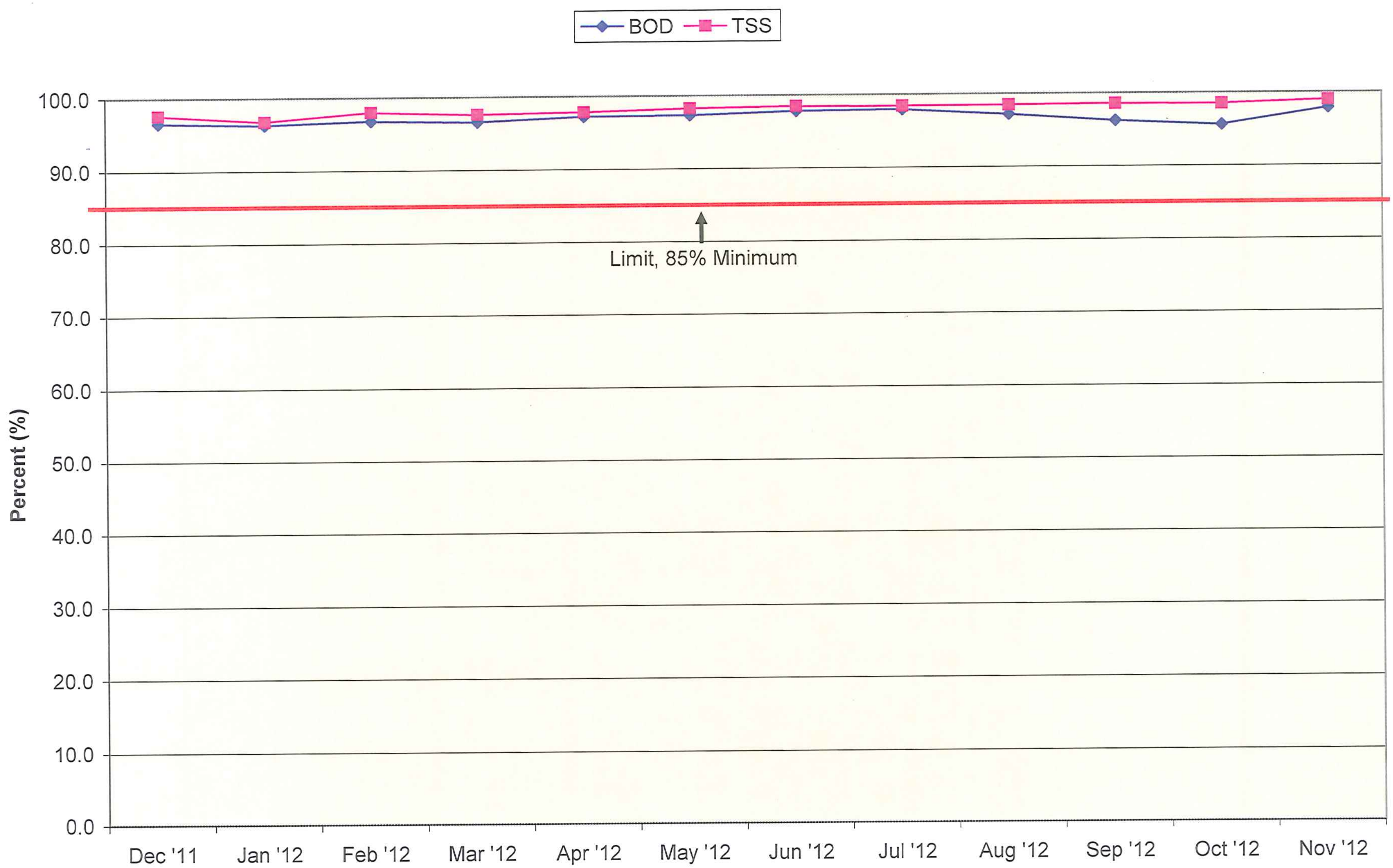

Influent Load BOD / TSS lbs
BOD lbs
TSS lbs
Average lbs
60,000
50,000
40,000
30,000
20,000
10,000
0
Dec '11
Jan '12
Feb '12
Mar '12
Apr '12
May '12
Jun '12
Jul '12
Aug '12
Sep '12
Oct '12
Nov '12

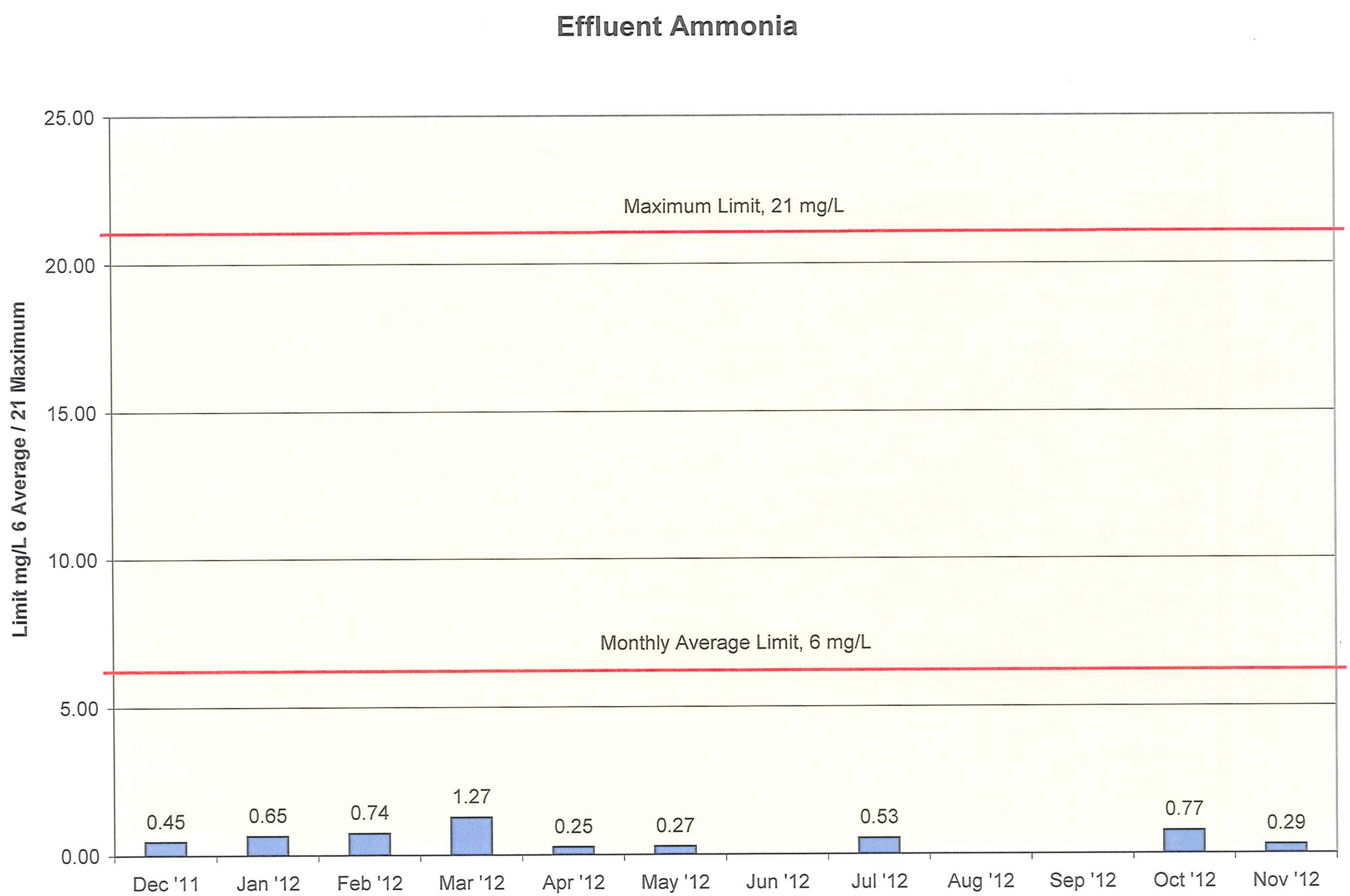
Effluent BOD / TSS Concentration



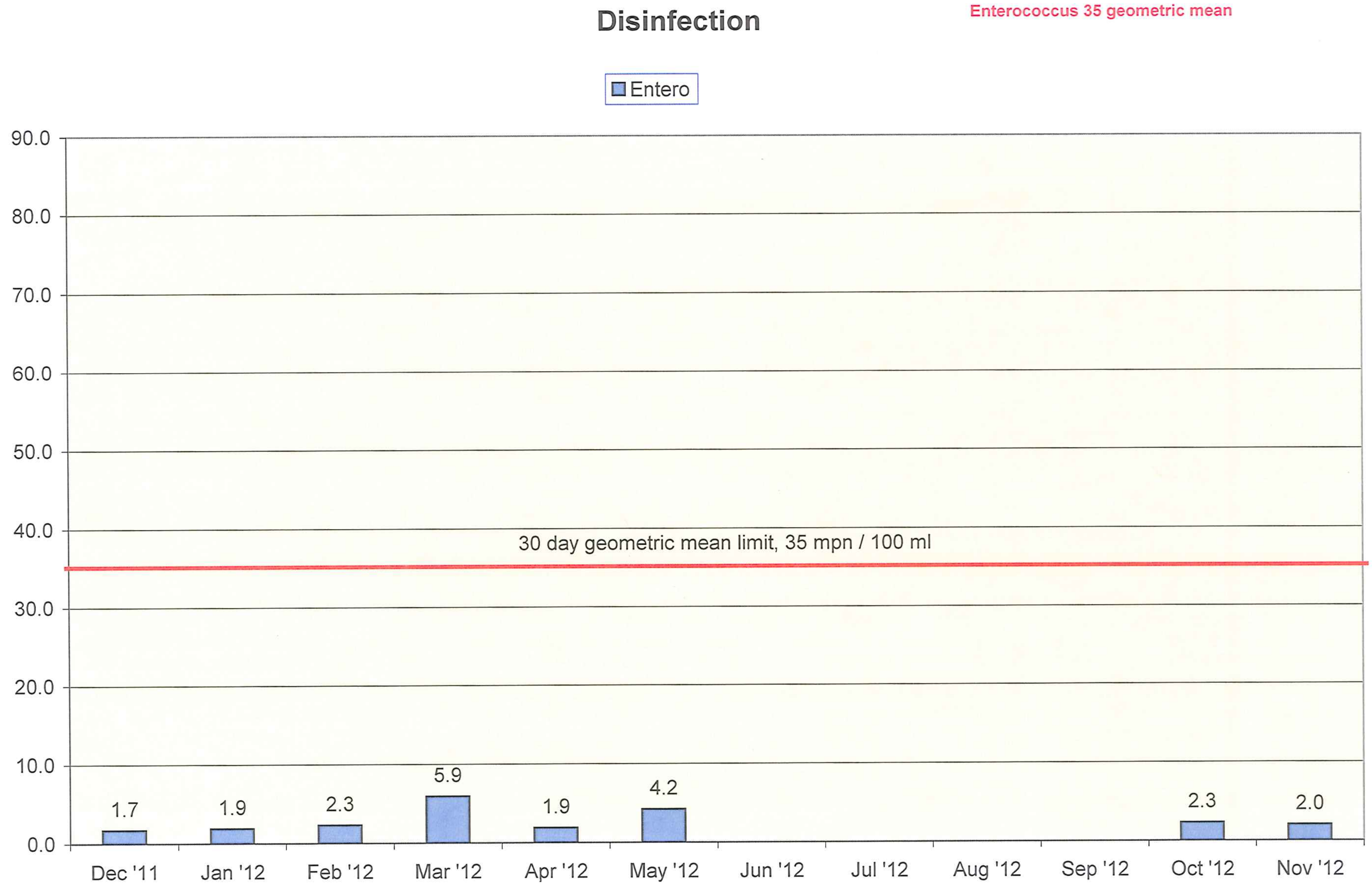
NPDES LIMITS WET SEASON
BOD & TSS - 30 mg/L Monthly Ave, 45 mg/L Weekly Ave
NPDES LIMITS DRY SEASON
BOD - 15 mg/L Monthly Ave, 30 mg/L Weekly Ave
TSS - 10 mg/L Monthly Ave, 20 mg/L Weekly Ave
WDR (Waste Discharge Requirements) RECLAMATION
BOD - 40 mg/L

BOD / TSS Percent Removal

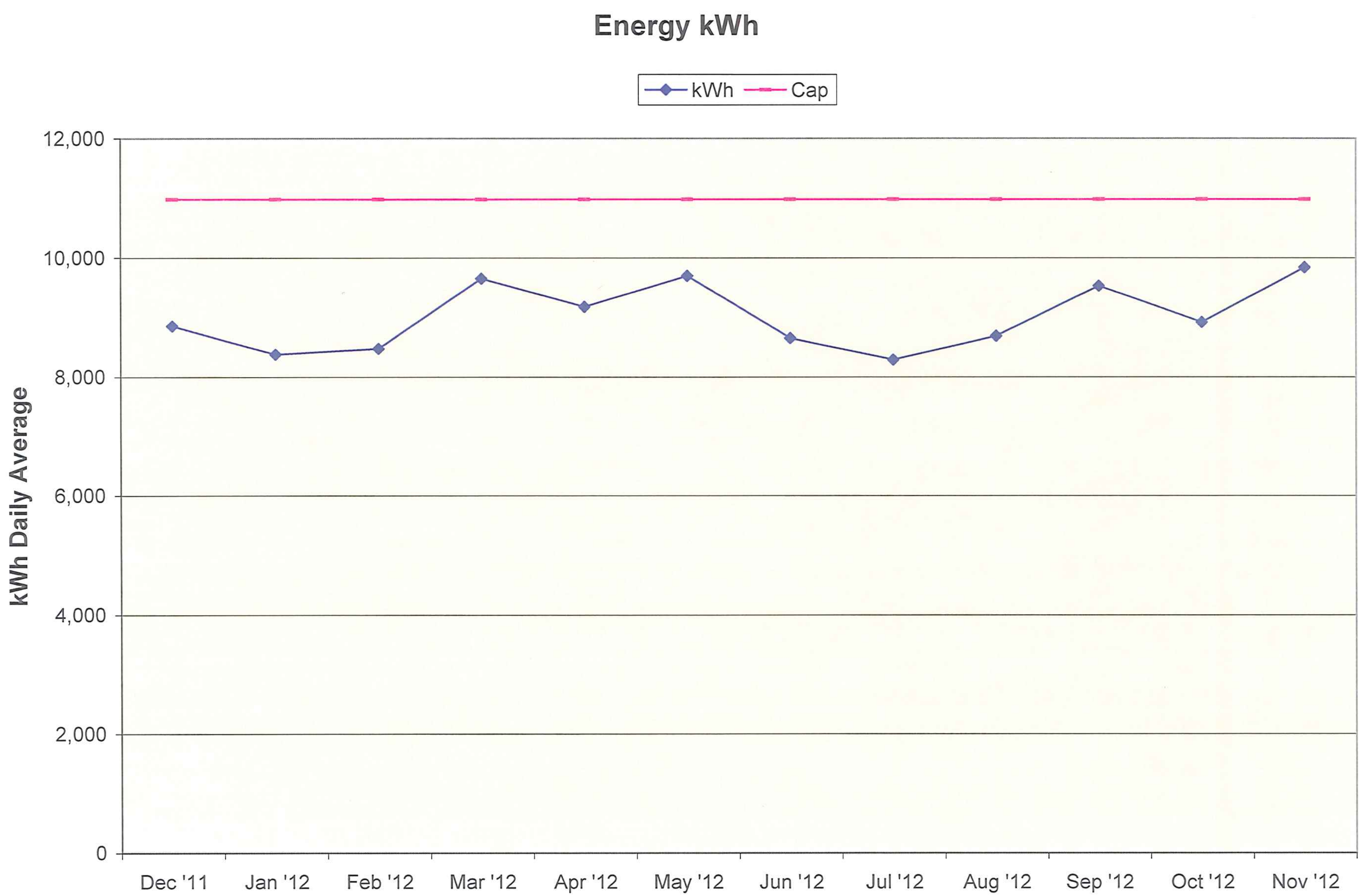



Effluent Ammonia
Limit mg/L 6 Average / 21 Maximum
25.00
20.00
15.00
10.00
5.00
0.00
Maximum Limit, 21 mg/L
Monthly Average Limit, 6 mg/L
0.45
0.65
0.74
1.27
0.25
0.27
0.53
0.77
0.29
Dec '11
Jan '12
Feb '12
Mar '12
Apr '12
May '12
Jun '12
Jul '12
Aug '12
Sep '12
Oct '12
Nov '12

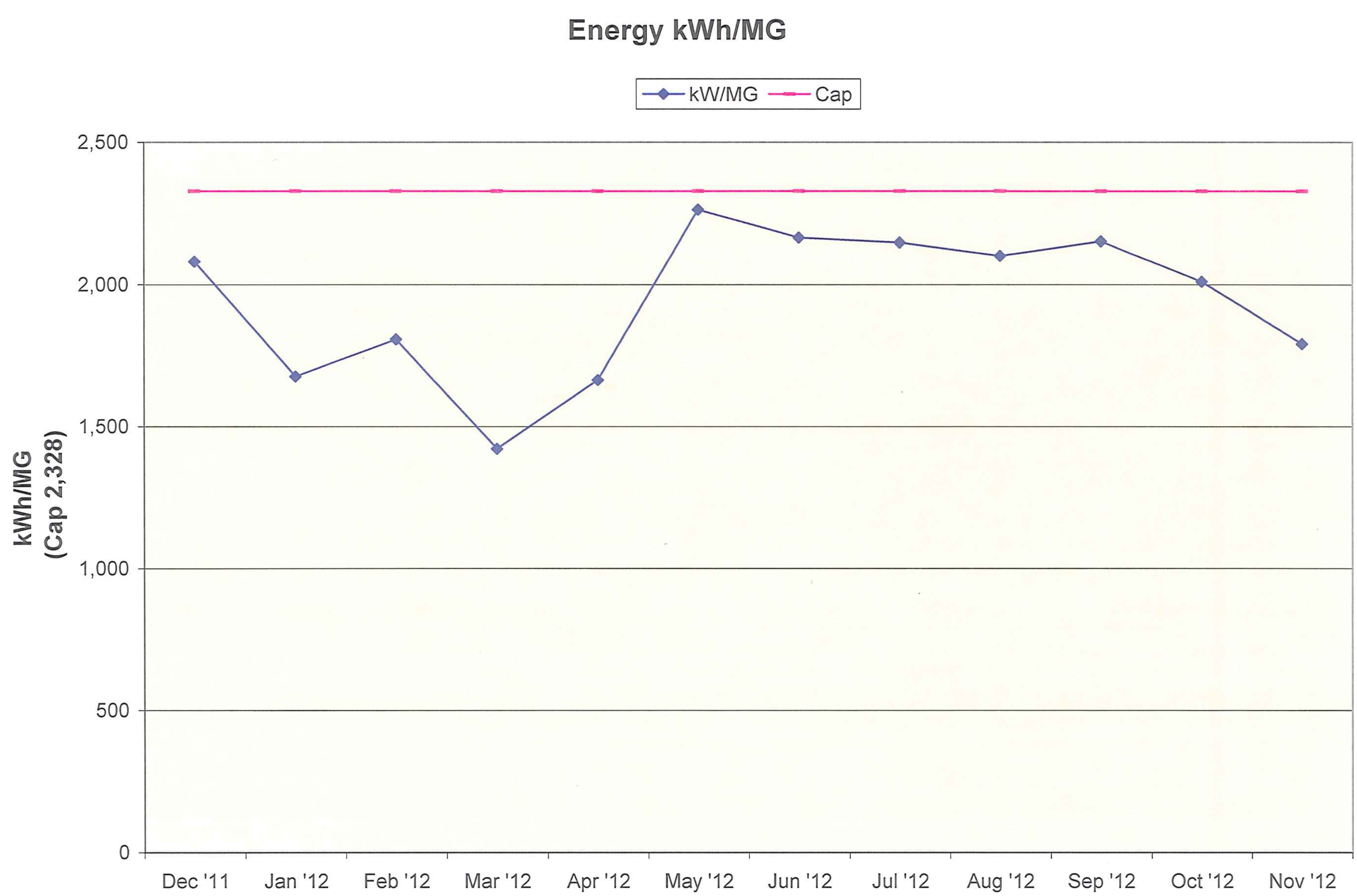
LIMITS - NPDES
Enterococcus 35 geometric mean



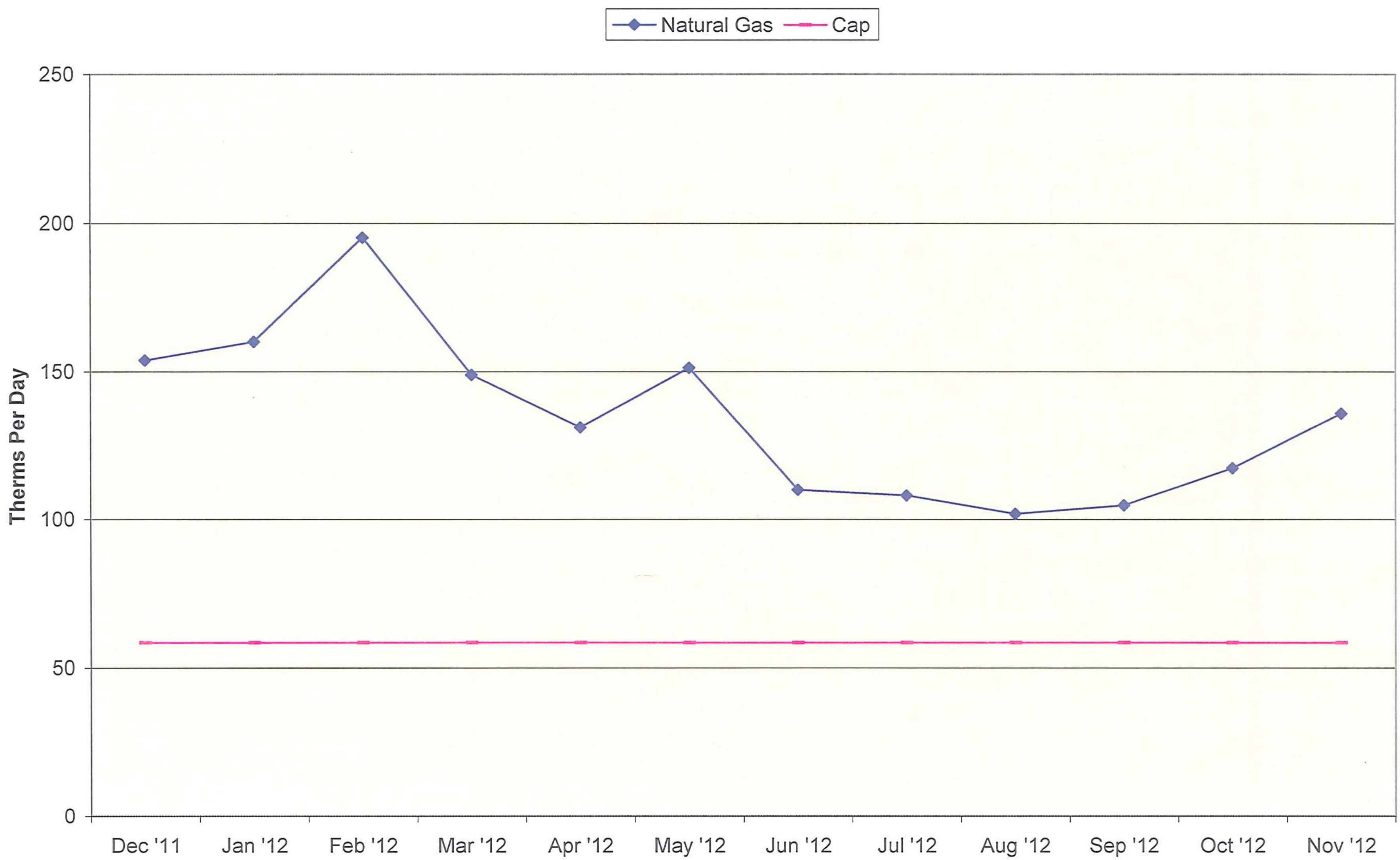
LIMITS - NPDES
Fecal 140 mpn monthly median
Fecal 430 mpn 90th percentile 30 day



Energy kWh
kWh
Cap
kWh Daily Average
12,000
10,000
8,000
6,000
4,000
2,000
0
Dec '11
Jan '12
Feb '12
Mar '12
Apr '12
May '12
Jun '12
Jul '12
Aug '12
Sep '12
Oct '12
Nov '12


Energy kWh/MG
kW/MG
Cap
kWh/MG
(Cap 2,328)
2,500
2,000
1,500
1,000
500
0
Dec '11
Jan '12
Feb '12
Mar '12
Apr '12
May '12
Jun '12
Jul '12
Aug '12
Sep '12
Oct '12
Nov '12

Natural Gas Use



Novato Sanitary District
Wastewater Operations Committee meeting
Collection System Operations Report
November 2012

General:

For November 2012, after accounting for all leaves, the breakdown of Collection System department staff time, in terms of equivalent full-time employee (FTE) hours utilized, works out approximately as follows:

- 2.1 FTE field workers for Sewer Maintenance (main line cleaning)
- 1.3 FTE field workers for Pump Station Maintenance
- 0.6 FTE field workers for CCTV work, and
- 2.0 FTE field workers for time spent on data input, training, service calls, overflow response, or any other activity that does not directly relate to main line cleaning, CCTV work or pump station maintenance.

Collection System Maintenance:

A total of 50,920 feet of sewer pipelines were cleaned for the month. Staff completed 241 maintenance work orders generated by the ICOMMM3 CMMS system, with 6 outstanding work orders. The footage cleaned per hour, line cleaned/month, and outstanding work orders are within established parameters for the department. Graphs showing the length of line cleaned/month, footage cleaned/hour worked, along with the overflows/month are attached.

The Collection department staff spent about a day-and-a-half cleaning storm drains in the Lea Ct/McClelland Dr. area in response to a comment from the neighborhood to explore the storm drains in this area as potential odor sources. District staff performed this activity as City of Novato staff was unable to perform it within the requested timeframe due to their other maintenance priorities/staffing. The District performed the activity after receiving verbal permission from City staff.

There was a significant storm event at the end of November and the Collection system staff prepared extensively to meet it; examples of preparations included: staging generators at critical pump stations, checking trailer mounted generators and pumps to ensure proper operation, siting large-diameter hoses at critical locations for ease of access, and inspecting and/or cleaning known problem areas prior to the storm. These preparations also meant that staff efforts were directed away from normal maintenance for the better part of a week. However, the results of these preparations were satisfactory in that (as stated below), there were no overflows during or after this weather event, as well as for the entire month of November.

Pump Station Maintenance:

The Collection System Department conducted 301 lift station inspections for the month of November, 2012, with 181 of the inspection visits generated through the JobCal Plus CMMS system.

The breakdown of these inspections is as follows: 22 Flygt submersible pump stations, 1 time per month, 7 Gorman/Rupp dry well/wet well stations, 1 entry per month, and 4 main stations that are visited daily. There was no unusual maintenance performed by staff for the month of November.

A Collection Systems Work Order Statistics summary is attached.

Note: The JobCal Plus program is not only used for scheduling and tracking pump station related maintenance work orders, it is also used for ladder inspections, reclamation maintenance work orders, SCADA backup scheduling, and vehicle maintenance scheduling.

Pump Station Rehabilitation:

As part of the District's continuing multi-year Pump Station Rehabilitation Project (Capital Improvement Project No. 72403), construction started on Hanger Ave pump station in October, and control of the station continues to remain to the contractor, W.R. Forde, until the project is complete.

Safety and Training:

General: The Collection System crew attended weekly safety tailgate meetings.

Specialized training: Collection System staff attended 1hr of training on Blood Borne Pathogens and Fire Extinguisher use (refreshers)

Safety performance: Was excellent with no lost time accidents for a total of 624 accident-free days at the end of November 2012.

Standard Operating Procedures:

The Standard Operating Procedure (SOP) Index was created to include SOPs for the Collection System and Pump Stations as well as general SOPs for the District; the index was updated in October. Currently, collection system staff has prepared twenty-one (21) draft Periodic Station Check SOPs which will be finalized by year-end. District staff generated 1 SOP for initial release in November, 2012.

Sanitary Sewer Overflows (SSOs):

For the month of November, 2012, there were zero (0) SSO's.

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Novato Sanitary District

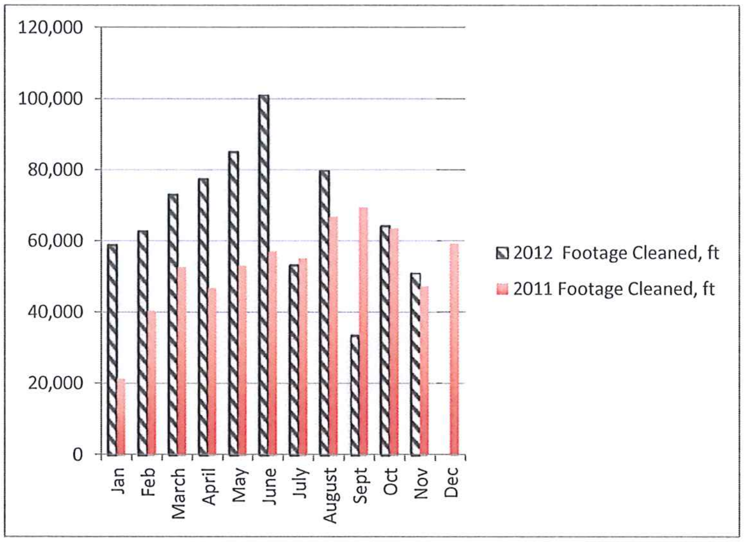
Collection System Monthly Report For 2012 (as of November 20120

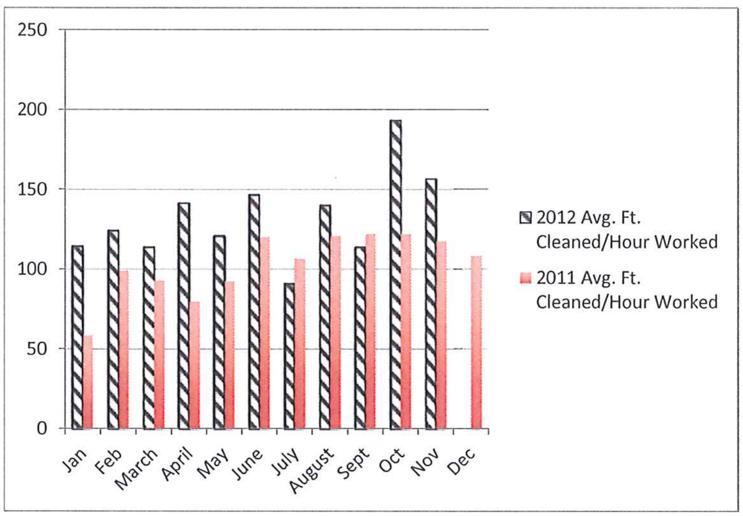
	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
Employee Hours Worked	547	549	689	575	709	723	611	612	307	364	363	0	6,048	
Number of FTEs (main line cleaning)	3.2	3.2	4.0	3.3	4.1	4.2	3.5	3.5	1.8	2.1	2.1	0.0		
Regular Time Worked on Coll. Sys., hrs	514	505	640	547	703	688	584	569	295	332	325		5,700	
Regular Time Worked on Other, hrs [1]	69	148	174	189	153	232	341	336	383	419	334		2,777	
Regular Time Worked on CCTV [2]	NA	NA	NA	NA	NA	NA	NA	NA	NA	104	96		200	
Vacation/Sick Leave/Holiday, hrs	221	357	292	365	371	77	194	257	142	55	278		2,609	
Overtime Worked on Coll. Sys., hrs	33	44	49	29	6	35	27	44	12	32	38		348	
Overtime Worked on Other, hrs [1]	1	0	3	13	1	7	1	10	30	10	9		83	
Overtime Worked on CCTV [2]	NA	NA	NA	NA	NA	NA	NA	NA	NA	0	0		0	
After Hours Callouts, #	1	2	0	0	0	1	0	1	0	0	2		7	
Service calls, normal hours, #	7	3	8	4	6	6	8	3	10	14	5		74	
Average S.C. response time, mins	29	30	23	13	14	14	18	20	19	15	11		206	19
Productivity														
Rodder Work Orders Generated, ft	16	18	3	54	92	75	56	13	10	24	13		374	
Rodder 3203 Ft. Cleaned	1,626	1,064	708	10,369	12,117	12,886	8,995	3,071	2,936	2,920	2,353		59,045	5,368
Flusher Work Orders Generated	275	286	299	344	428	452	235	454	151	303	228		3,455	
Truck 3205V Ft. Cleaned	7,667	23,744	0	2,364	2,125	0	6,892	24,699	6,366	10,305	1,257		85,419	7,765
Truck 3206V Ft. Cleaned	49,636	37,928	59,307	64,640	70,815	88,100	37,294	51,970	24,190	51,001	47,310		582,191	52,926
Camera Ft. Videoed	5,274	1,031	13,000	1,565	8,545	17,237	23,790	15,534	19,268	NA	6,503		111,747	11,175
Work Orders Completed	291	304	302	398	520	527	291	467	161	327	241	NA	3,829	348
Work Orders backlog	14	42	67	41	27	28	16	0	0	10	6		251	23
Total Footage Cleaned	58,929	62,736	73,015	77,373	85,057	100,986	53,181	79,740	33,492	64,226	50,920	0	739,655	61,638
Stoppages	1	1	2	2	3	0	2	1	2	1	0		15	
Minor	0	1	2	2	3	0	1	1	0	0	0		10	
Major	1	0	0	0	0	0	1	0	2	1	0		5	
Overflow Gallons	75	26	398	316	68	0	3,385	5	14,184	2,900	0		21,357	
Volume Recovered	0	26	108	93	63	0	3,385	5	707	0	0		4,387	
Percent Recovered	0%	100%	27%	29%	93%	NA	100%	100%	5%	0%	NA	NA	21%	
Benchmarks														
Average Ft. Cleaned/Hour Worked	115	124	114	142	121	147	91	140	114	193	157	NA	NA	133
Total Stoppages/100 Miles	0.4	0.4	0.9	0.9	1.3	0.0	0.9	0.4	0.9	0.4	0.0	0.0	6.7	NA
Average spill response time (mins)	8	9	20	20	28	0	14	60	17	28	NA	NA	NA	20
Callouts/100 Miles	0.4	0.9	0.0	0.0	0.0	0.4	0.0	0	0	0	0	NA	3.1	0.2
Overtime hours/100 Miles	15	20	22	13	3	16	12	19	5	14	17	0	155	13
Overflow Gallons/100 Miles	33	12	177	140	30	0	1504	2	6304	1289	0	0	9492	

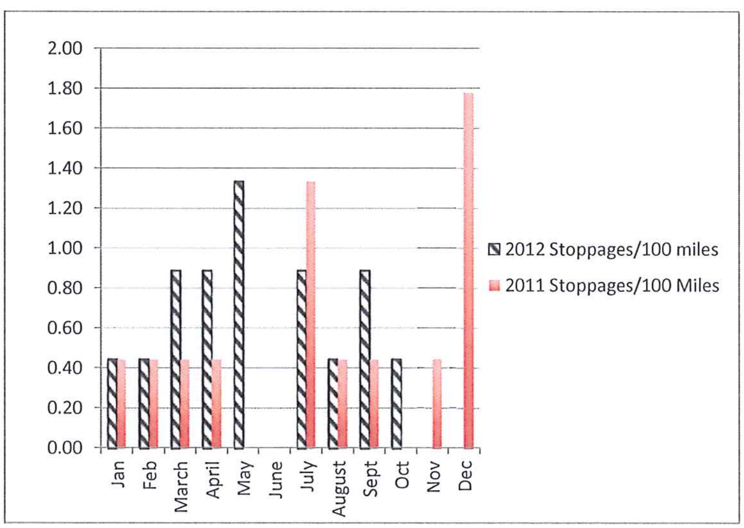
[1]This category includes time spent on: Data input, Training, Service Calls, Overflow Response, as well as any other activity that does not directly relate to main line cleaning or CCTV work.

[2]This category separates time spent on CCTV from other Collection System maintenance activities beginning October 2012 .

Collection System 2011-12 Graphs







Novato Sanitary District

Pump Station Monthly Report For 2012 (as of November 2012)

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Total Year to Date	Average Year to Date
Employee Hours Worked	334	263	336	276	401	331	352	307	284	324	227	0	3,433	
Number of Employees	1.9	1.5	1.9	1.6	2.3	1.9	2.0	1.8	1.6	1.9	1.3	0.0		1.6
Regular Time Worked on Pump Sta	254	236	280	246	281	277	294	283	234	303	179		2,866	
Overtime Worked on Pump Sta	80	27	56	30	120	54	58	25	50	21	48		567	
After Hours Callouts	4	2	6	2	3	4	4	4	4	2	3		38	
Average Callout response time (mins)	23	25	38	27	34	22	24	23	35	25	40		316	29
Work Orders														
Number generated in month	114	154	112	105	119	119	130	123	119	141	188	0	1424	
Number closed in month	87	73	88	80	92	93	103	97	137	122	181			
Backlog	27	81	24	25	27	26	27	26	8	19	7			

NOVATO SANITARY DISTRICT
Wastewater Operations Committee Meeting
Reclamation Facilities Report
November 2012

Summary:

The rancher moved all cattle off of all three sites for the winter. Irrigation was stopped for the winter. New control boxes were installed in seven zones in four different parcels on Site 2. The recycled water irrigation amount was 11.52 MG. Pond depths at the end of the irrigation season averaged 2.3 feet, exposing portions of the pond bottom in both ponds.

Ranch Operations:

The rancher completed removing the livestock from all sites for the winter.

Irrigation Systems:

- **Site 2:** Control boxes were replaced in Zones 251, 262, 263, 271, 273, 281 & 282 and actuators in Zones 262, 263 & 271 were wired and tested. All testing was successful except for the actuator in Zone 282 which will need to be removed and shipped to the factory for troubleshooting and repair next spring. Parcels 4 & 8 were turned over. Irrigation was turned off for the season.
- **Site 3:** There is nothing significant to report for the month. Irrigation was turned off for the season.
- **Site 7:** A new swale was constructed at the back of Parcel 78 to provide better drainage and eliminate ponding of rainwater. Irrigation was turned off for the season.

Irrigation Pump Station:

As previously reported, the 400 HP motor for Pump 2 failed in July and staff has issued a purchase order for the work. This work will be completed before the start of irrigation season next spring.

Irrigation was stopped on November 9th and the irrigation pumps were turned off for the season on November 13th. The recycled water irrigation amount was 11.52 MG for November. 414.13 MG of recycled water was irrigated on the Reclamation sites this year.

Pond depth at the end of the irrigation season averaged 2.3 feet between the two storage ponds, 0.6 feet lower than the previous month. At this elevation, portions of the pond bottom were visible. The exposed bottom at this elevation is most likely sediment that has settled out over the lifetime of the ponds. Assuming that the average bottom elevation of the ponds is 2.0 feet, 27 MG of storage capacity has been lost from the storage ponds. Staff will investigate whether it is feasible to recover this storage capacity and the best method to accomplish the recovery.

NOVATO SANITARY DISTRICT
Wastewater Operations Committee Meeting
Reclamation Facilities Report
November 2012

Sludge Handling & Disposal:

Veolia's contractor (Synagro, Inc.), which was cleaning out Digester No. 2 at the Novato Treatment Plant (NTP) & the digester at the Ignacio Treatment Plant (ITP), placed approximately 604 cubic yards of solids from the Ignacio Treatment Plant Digester into Lagoon #5 for storage, until it can be disposed in the Dedicated Land Disposal (DLD) area next summer. Work was completed on November 27th.

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NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Wastewater Facility Upgrade Project, Contract D – Novato Recycled Water Facility, Project No. 73002	**MEETING DATE: January 14, 2012** **AGENDA ITEM NO.: 9.a. & b.**

RECOMMENDED ACTION: Consider: (a) Adjusting the FY12-13 budget amount for this project to $1,250,000 from $900,000, (b) Granting Final Acceptance of the Project, and authorizing staff to file the Notice of Completion.

SUMMARY AND DISCUSSION:

On May 9, 2011 the District Board awarded the contract for the Contract D – Novato Recycled Water Facility Project to Gateway Pacific Contractors, Inc. (GPC), for a low bid amount of $5,294,505. Work on the project began June 20, 2011 and substantial completion was granted on September 25, 2012.

Although the FY11-12 budget amount for this project was $6,500,000, the actual expended amount in FY11-12 was $5,914,766, which should have resulted in a carry forward of about $585,200 to the FY12-13 budget amount for this project. The preliminary FY12-13 budget presented at the June 25, 2012 Board meeting included $1,250,000 for this project. However, when the final budget was adopted in August 2012, this budget amount had been incorrectly changed to $900,000. The difference was project close-out costs and release of retainage/withholding amounts did not get reflected in the final budget. Therefore, at this time, it is requested that the budget amount of this project be revised from $900,000 back to $1,250,000. Note there will be no change to the overall FY12-13 Capital Improvement Budget which will remain at $15,023,469, as the additional amount allocated to this project will be balanced by projected under-expenditures on other FY-12-13 projects.

The final cost of the project is $5,500,963 or $206,458 (3.9%) over the bid amount, which is on the low side of a typical range of 4%-12% for a project of this size and complexity, dealing as it did with modifications to existing structures and working around existing facilities both currently in use as well as abandoned. Also, a significant portion (about $30,300) of the change order amount was utilized to cover costs related to additional irrigation and planting off Lea Drive, and the north-east road extension.

Outstanding punchlist items remain to be completed by GPC, for which an amount of $64,000 will be withheld from the Final Payment. The withheld amount will be released when all punchlist items are satisfactorily complete. In the event items are not completed, the District may use withheld amounts to complete the remaining work, as defined in the Contract. GPC has been notified that all punchlist work is to be complete by January 31, 2013.

It is recommended that: (a) the FY12-13 budget amount for this project be adjusted to $1,250,000 from $900,000, (b) Final acceptance be granted, and (c) Staff be authorized to file the Notice of Completion.

ALTERNATIVES: NA

BUDGET INFORMATION: This project was funded under Account 73002, WWTP Upgrade Contract D - Novato Recycled Water Facility.

DEPT.MGR.:	**MANAGER:**

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Administration: Consider Adoption of a Resolution to CalPERS regarding Member Contributions	**MEETING DATE: January 14, 2013** **AGENDA ITEM NO. : 10.a.**

RECOMMENDED ACTION: Adopt resolution to facilitate action taken by the Board at their meeting of December 10, 2012

SUMMARY AND DISCUSSION:

At the Board meeting of December 10, 2012, the Board of Directors adopted a Memorandum of Understanding (MOU) between Novato Sanitary District and Teamsters Local 315 for the period July 1, 2012 through June 30, 2013. One of the provisions of the MOU is a change in the formula for payment and reporting of Employer Paid Member Contributions (EPMC). This modification requires adoption of a resolution by the District Board for submission to CalPERS. A summary of the revised formula follows:

Effective January 1, 2013, for all employees hired before January 1, 2012, the District will contribute 4.5% of base pay as Employer Paid Member Contributions, reported as Special Compensation. Employees in this group will pay the remaining 2.5% of base pay towards employee (or Normal) contributions.

For employees hired on or after January 1, 2012, the District will contribute 0% towards employee (Normal) contributions. Employees in this group will pay the full employee contribution to the CalPERS retirement system.

The District had previously contributed 6% of base pay as EPMC reported as Special Compensation for employees hired prior to January 1, 2012.

Although the MOU applies to the District's represented employees, the Board's action includes all non-represented employees. A District resolution to effect the required change is included for adoption at this meeting. The effective date will be January 1, 2013.

ALTERNATIVES: Do not adopt the resolution.

BUDGET INFORMATION: This action will result in a savings of approximately $11,742.00 in CalPERS contributions for the remainder of fiscal year 2012-13.

DEPT. MGR. :	**MANAGER'S APPROVAL:**

RESOLUTION NO. 3053

RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS

WHEREAS, the governing body of the Novato Sanitary District has the authority to implement Government Code Section 20636(c) (4) pursuant to Section 20691;

WHEREAS, the governing body of the Novato Sanitary District has a written labor policy or agreement which specifically provides for the normal member contributions to be paid by the employer, and reported as additional compensation;

WHEREAS, one of the steps in the procedures to implement Section 20691 is the adoption by the governing body of the Novato Sanitary District of a Resolution to commence paying and reporting the value of said Employer Paid Member Contributions (EPMC);

WHEREAS, the governing body of the Novato Sanitary District has identified the following conditions for the purpose of its election to pay EPMC;

1. **This benefit shall apply to all employees of Novato Sanitary District hired prior to January 1, 2012.**
2. **This benefit shall consist of paying Four and One Half Percent (4.5%) of the normal contributions as EPMC, and reporting the same Four and One Half Percent (4.5%) of compensation earnable {excluding Government Code Section 20636(c) (4)} as additional compensation.**

WHEREAS, the governing body of the Novato Sanitary District has identified the following condition for the payment of normal contributions for employees hired on or after January 1, 2012;

1. **The Novato Sanitary District shall pay Zero Percent (0%) of normal contributions for all employees hired on or after January 1, 2012.**

The effective date of this Resolution shall be January 1, 2013.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the Novato Sanitary District elects to pay and report the value of EPMC, as set forth above.

BY

____

Michael Di Giorgio, President
Board of Directors

____

Beverly B. James, Manager-Engineer

Adopted and approved on January 14, 2013

s:\board resolutions\paying-reporting epmc 2013.doc

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Administration: Legal Services Contract Amendment	**MEETING DATE: January 14, 2013** **AGENDA ITEM NO.: 10.b.**

RECOMMENDED ACTION: Approve budget amendment for Barg Coffin Lewis & Trapp for increased legal defense fees in connection with the Regional Water Quality Control Board Administrative Civil Liability Case.

SUMMARY AND DISCUSSION:

At their meetings of March 30 and November 28, 2011, the Board authorized expenditures up to $93,000.00 for legal services to Barg Coffin Lewis & Trapp for representation of the District in the Administrative Civil Liability (ACL) case brought by the Regional Water Quality Control Board. The ACL action was in connection with sanitary sewer overflows and further inquiry of the 2009 Environmental Protection Agency investigation referred to the Regional Board by EPA for potential civil action. To date, $85,370.81 of the $93,000.00 has been paid to Barg Coffin.

A protest against the proposed Settlement Agreement between the District and the Regional Board was lodged by an individual in mid-2012, the nature of which was discussed with the District Board in closed sessions. Rebuttal of the allegations required further legal representation by Barg Coffin, eventually leading to the issuance of a final Settlement Agreement and Stipulation for Administrative Civil Liability Order in October 2012.

A final invoice has been received from Barg Coffin in the amount of $49,604.19, exceeding their authorized budget by $41,975.00. Staff therefore requests that the Board approve an increase in the Barg Coffin legal defense budget by the amount of $41,975.00, for a total of $134,975.00.

ALTERNATIVES: NA

BUDGET INFORMATION: The 2012-13 Budget for Legal Services is $160,000.00, of which $142,482.00 is remaining.

DEPT.MGR.:	**MANAGER:**

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Marin Local Agency Formation Commission Nomination	**MEETING DATE: January 14, 2012** **AGENDA ITEM NO.: 11.a.**

RECOMMENDED ACTION: Consider nominating a Special District member for LAFCO.

SUMMARY AND DISCUSSION:

The term of current LAFCO Special District representative, Einar Asbo expires in May 2013. LAFCO has sent a notification that the Commission will receive nominations through March 1, 2013. Nominations must be submitted in writing by special district governing boards.

The LAFCO Commission meets monthly, typically on the second Thursday of each month at 7:00 PM in the San Rafael Council Chambers.

The Policy and Procedure for Special District Member Selection is attached.

ALTERNATIVES: NA

BUDGET INFORMATION: NA

DEPT.MGR.:	**MANAGER:**

DATE: December 28, 2012

TO: Members, Marin Local Agency Formation Commission
Boards, Independent Special Districts

FROM: Peter Banning, Executive Officer

RE: Call for Nominations – LAFCO Special District Member

Special District Election

Regular Member Einar Asbo has served as the regular member of Marin LAFCO since May 2004 when he was elected to serve the remainder of the Special District Member term that ended in May 2005. Mr. Asbo was then re-elected to serve two additional four-year terms. This current term will end in May 2013. A mail ballot election must be held to select or reselect a member for this position, serving a four-year term ending in May 2017.

Attached is a copy of LAFCO's adopted procedure for Special District Member elections. As outlined in the attached procedure, nominations must be submitted in writing by special district governing boards within 60 days of the date of the call for nominations and must include a statement of the candidate's qualifications.

Selection Schedule

The Commission will receive nominations through **March 1, 2013**. Enclosed are the forms for nominations and statements of candidate qualifications.

Ballots will be distributed to all Marin special districts by certified mail on **March 4, 2013**. The completed Nominee Qualification forms will accompany the mail ballot. The final date the LAFCO office will accept ballots will be **May 6, 2013**. Ballots are accepted by mail or facsimile at (415) 446-4410. The newly-elected special district member will be seated at the May 2013 Commission meeting.

If your district has questions or comments, please contact the Marin LAFCO office at (415) 446-4409.

Marin Local Agency Formation Commission

555 Northgate Drive, Suite. 230 • San Rafael, California 94903
Telephone (415) 446-4409 • Facsimile (415) 446-4410 • Email staff@marinlafco.org
Website *http://lafco.marin.org*

Policy and Procedure for
Mail Ballot Special District Member Selection

Legislative Authority

California Government Code Section 56332(c)(1) provides for selection of regular and alternate special district LAFCO members by a mail ballot process when the executive officer determines that a meeting of the special district selection committee is not feasible. Meetings of the Marin County Special District Selection Committee have previously failed to reach a quorum, indicating the infeasibility of Selection Committee meetings.

Purpose

The purpose of this policy is to clearly describe the procedure for selection of special district members of the Commission.

Policy

It is the policy of Marin Local Agency Formation Commission to conduct selection proceedings of regular and alternate special district members by a mail ballot process. Pursuant to Government Code Section 56332(d), the representation by a regular or alternate member "who is a special district officer shall not disqualify, or be cause for disqualification of, the member from acting on a proposal affecting the special district."

Procedure for Special District Member Selection

1. LAFCO staff will initiate the mail ballot selection process for special district members 180 days prior to the expiration of the term of a special district member or immediately upon notification that the service of a special district member on LAFCO will end prior to the expiration of his or her term.

2. The executive officer will initiate the mail ballot process by distributing to each independent special district a call for nominations, including a schedule of the selection process and a copy of this policy. Nominations must be submitted in writing by special district governing boards within 60 days of the date of the call for nominations. The submittal of a nomination must include a statement of the candidate's qualifications.

3. Within five working days of the close of the nomination period, LAFCO staff will distribute by certified mail one ballot to each independent special districts. The distribution of ballots will include a statement of qualifications for each candidate on the ballot.

4. Ballots may be submitted by mail or facsimile within 60 days of distribution of the ballots.

5. A majority of independent special district must cast ballots in order to select a special district member. Selection will be made by majority of votes cast.

6. Ballots cast by each special district must bear the signature of the district's presiding officer. If the presiding officer is unavailable, the district board may authorize another member of the board to cast the district's vote. Ballots may be returned to the LAFCO office by mail or by facsimile.

7. All ballots and other records of each selection process shall be retained in the LAFCO office for at least four years and will be available for public inspection.

8. Where more than two candidates are nominated, the ballot form will provide for selection by majority of votes cast through an "instant runoff" as follows:

    a) Each district casting a vote will rank the candidates in order of their preference. District boards would simply indicate a "1" next to their first choice, a "2" next to their second choice, a "3" next to their third choice etc.

    b) In counting the votes by LAFCO staff, all first choice votes are counted. If any candidate receives over 50 percent of the first choice votes, that candidate is selected as special district member.

    c) If no candidate receives a majority, then the candidate with the fewest "1" votes is eliminated. The ballots of the supporters of the eliminated candidate are then transferred to whichever of the remaining candidates they marked for their second choice. This process will be continued until one candidate receives a majority and is selected as special district member.

MARIN LOCAL AGENCY FORMATION COMMISSION

NOMINATION FORM

REGULAR MEMBER SPECIAL DISTRICT MEMBER

Name of District: ____

_______ 1. Board voted to nominate the following current member of its own or another independent special district.

*Name of Nominee: ______________________________________

_______ 2. Board did not act.

*Attach completed qualification form.

BOARD ACTION:

Ayes:

Noes:

Absent:

Abstain:

____

Board President

Attest:

____

Board Secretary

Date:__________________________

MUST BE RETURNED TO LAFCO BY March 1, 2013.
Forms may be faxed to (415) 446-4410.

MARIN LOCAL AGENCY FORMATION COMMISSION

NOMINEE QUALIFICATIONS

REGULAR SPECIAL DISTRICT MEMBER

Nominated for: Regular Special District Representative

Name: ______________________________

Telephone: (Home) ____________________ (Work) ____________________

Email Address: ____________________

Home Address: ____________________

____

Employer's Name and Address: ____________________

____

Present Occupation: ____________________

- Summary of Qualifications for Position:

- Reasons for Applying:

- Please list any organizations of which you are an officer or an employee:

Please return to: Marin LAFCO
555 Northgate Drive, Suite 230
San Rafael, CA 94903

*Additional information may be attached.

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Household Hazardous Waste: Consider Approval of HHW Grant Agreement	**MEETING DATE: January 14, 2013** **AGENDA ITEM NO.: 12.a.**

RECOMMENDED ACTION: Approve the Household Hazardous Waste Grant Agreement with the Marin County Hazardous & Solid Waste Joint Powers Authority for 2012-13

SUMMARY AND DISCUSSION:

This agreement is the result of discussions with the Marin County Hazardous and Solid Waste Joint Powers Agreement to convey to the District the funds collected by the JPA for the household hazardous waste program from Novato residents who self-haul to the landfill. The JPA has committed $50,639.00 for the fiscal year 2012-13.

This represents the 10th year the District has entered into an agreement with the County. Previous payments are as follows:

2003-04: $46,455.00 ($31,452.00 current year fees + $15,003.00 portion of prior years' fees)

2004-05: $51,993.00 ($36,990.00 current year fees + $15,003.00 portion of prior years' fees)

2005-06: $42,934.00 ($27,931.00 current year fees + $15,003.00 portion of prior years' fees)

2006-07: $32,962.00 ($17,959.00 current year fees + $15,003.00 portion of prior years' fees)

2007-08: $32,628.20 ($17,625.20 current year fees + $15,003.00 portion of prior years' fees)

2008-09: $33,503.00 ($18,500.00 current year fees + $15,003.00 portion of prior years' fees)

2009-10 $40,355.00 ($25,352.00 current year fees + $15,003.00 portion of prior years' fees)

2010-11 $32,463.00 ($17,460.00 current year fees + $15,003.00 portion of prior years' fees)

2011-12 $38,283.00 ($23,280.00 current year fees + $15,003.00 portion of prior years' fees)

ALTERNATIVES: N/A

BUDGET INFORMATION: The 2012-13 District Budget includes anticipated JPA reimbursement fees of $40,355.00. However, actual reimbursement fees will be $50,639.00, or $10,284.00 more than budgeted.

DEPT.MGR.:	**MANAGER:**

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Hazardous and Solid Waste Management: JPA Task Force Nomination	**MEETING DATE: January 14, 2012** **AGENDA ITEM NO.: 12.b.**

RECOMMENDED ACTION: Consider nominating a representative to the Hazardous and Solid Waste JPA Local Task Force.

SUMMARY AND DISCUSSION:

One of Marin County's Hazardous and Solid Waste Management Joint Powers Authority Local Task Force Special District seats is currently vacant. The task force includes members from the solid waste haulers, special districts, general public, and environmental organizations. Its purpose is to serve as an advisory committee to the JPA. Jon Elam of Tamalpais Community Services District recently stepped down leaving a special district seat open.

The Task Force meets about six times/year.

ALTERNATIVES: NA

BUDGET INFORMATION: NA

DEPT.MGR.:	**MANAGER:**

NOVATO SANITARY DISTRICT
BOARD AGENDA ITEM SUMMARY

TITLE: Staff Report: Legislative Analyst Property Tax Report	**MEETING DATE: January 14, 2012** **AGENDA ITEM NO.: 13.a.**

RECOMMENDED ACTION: None. Information only.

SUMMARY AND DISCUSSION:

On November 29, 2012, the Legislative Analyst's Office issued a report, "Understanding California's Property Taxes" (attached). The various charges that appear on the typical property tax bill are complex and often not well understood. The report provides an overview of the sources of the revenue and its distribution. The Novato Sanitary District collects most of its revenue via the annual Marin County property tax bill from two line items. Approximately 79% of District revenues come from sewer service charges and 10% from property taxes. The remaining 11% comes from a variety of sources including connection fees, AB939 fees, recycled water revenue, and lease income.

The question has arisen a number of times as to how the District's share of the 1% property tax rate is distributed. The discussion on Page 17 of the report does a good job of explaining this complicated process. Briefly, state laws direct the allocation of revenue from the 1% rate. AB 8, adopted in 1979 provided that the share going to each entity in a county be based on a proportionate share of the agency's share during the mid-1970's. This was later modified in the 1990's by the Education Revenue Augmentation Fund.

ALTERNATIVES: NA

BUDGET INFORMATION: NA

DEPT.MGR.:	**MANAGER:**

Understanding California's Property Taxes

MAC TAYLOR • LEGISLATIVE ANALYST • NOVEMBER 29, 2012

LAO

CONTENTS

EXECUTIVE SUMMARY

The various taxes and charges on a California property tax bill are complex and often not well understood. This report provides an overview of this major source of local government revenue and highlights key policy issues related to property taxes and charges.

A Property Tax Bill Includes a Variety of Different Taxes and Charges. A typical California property tax bill consists of many taxes and charges including the 1 percent rate, voter-approved debt rates, parcel taxes, Mello-Roos taxes, and assessments. This report focuses primarily on the 1 percent rate, which is the largest tax on the property tax bill and the only rate that applies uniformly across every locality. The taxes due from the 1 percent rate and voter-approved debt rates are based on a property's assessed value. The California Constitution sets the process for determining a property's taxable value. Although there are some exceptions, a property's assessed value typically is equal to its purchase price adjusted upward each year by 2 percent. Under the Constitution, other taxes and charges may not be based on the property's value.

The Property Tax Is One of the Largest Taxes Californians Pay. In some years, Californians pay more in property taxes and charges than they do in state personal income taxes, the largest state General Fund revenue source. Local governments collected about $43 billion in 2010-11 from the 1 percent rate. The other taxes and charges on the property tax bill generated an additional $12 billion.

The Property Tax Base Is Diverse. Property taxes and charges are imposed on many types of property. For the 1 percent rate, owner-occupied residential properties represent about 39 percent of the state's assessed value, followed by investment and vacation residential properties (34 percent) and commercial properties (28 percent). Certain properties—including property owned by governments, hospitals, religious institutions, and charitable organizations—are exempt from the 1 percent property tax rate.

All Revenue From Property Taxes Is Allocated to Local Governments. Property tax revenue remains within the county in which it is collected and is used exclusively by local governments. State laws control the allocation of property tax revenue from the 1 percent rate to more than 4,000 local governments, with K-14 districts and counties receiving the largest amounts. The distribution of property tax revenue, however, varies significantly by locality.

The Property Tax Has a Significant Effect on the State Budget. Although the property tax is a local revenue source, it affects the state budget due to the state's education finance system—additional property tax revenue from the 1 percent rate for K-14 districts generally decreases the state's spending obligation for education. Over the years, the state has changed the laws regarding property tax allocation many times in order to reduce its costs for education programs or address other policy interests.

The State's Current Property Tax Revenue Allocation System Has Many Limitations. The state's laws regarding the allocation of property tax revenue from the 1 percent rate have evolved over time through legislation and voter initiatives. This complex allocation system is not well understood, transparent, or responsive to modern local needs and preferences. Any changes to the existing system, however, would be very difficult.

California's Property Tax System Has Strengths and Limitations. Economists evaluate taxes using five common tax policy criteria—growth, stability, simplicity, neutrality, and equity. The state's property tax system exhibits strengths and limitations when measured against these five criteria. Since 1979, revenue from the 1 percent rate has exceeded growth in the state's economy. Property tax revenue also tends to be less volatile than other tax revenues in California due to the acquisition value assessment system. (Falling real estate values during the recent recession, however, caused some areas of the state to experience declines in assessed value and more volatility than in the past.) Although California's property tax system provides governments with a stable and growing revenue source, its laws regarding property assessment can result in different treatment of similar taxpayers. For example, newer property owners often pay a higher effective tax rate than people who have owned their homes or businesses for a long time. In addition, the property tax system may distort business and homeowner decisions regarding relocation or expansion.

INTRODUCTION

For many California taxpayers, the property tax bill is one of the largest tax payments they make each year. For thousands of California local governments—K-12 schools, community colleges, cities, counties, and special districts—revenue from property tax bills represents the foundation of their budgets.

Although property taxes and charges play a major role in California finance, many elements of this financing system are complex and not well understood. The purpose of this report is to serve as an introductory reference to this key funding source. The report begins by explaining the most common taxes and charges on the property tax bill and how these levies are calculated. It then describes how the funds collected from property tax bills—$55 billion in 2010-11—are distributed among local governments. Last, because California's property taxation system has evoked controversy over the years, the report provides a framework for evaluating it. Specifically, we examine California property taxes relative to the criteria commonly used by economists for reviewing tax systems, including revenue growth, stability, simplicity, neutrality, and equity. The report is followed with an appendix providing further detail about the allocation of property tax revenue.

WHAT IS ON THE PROPERTY TAX BILL?

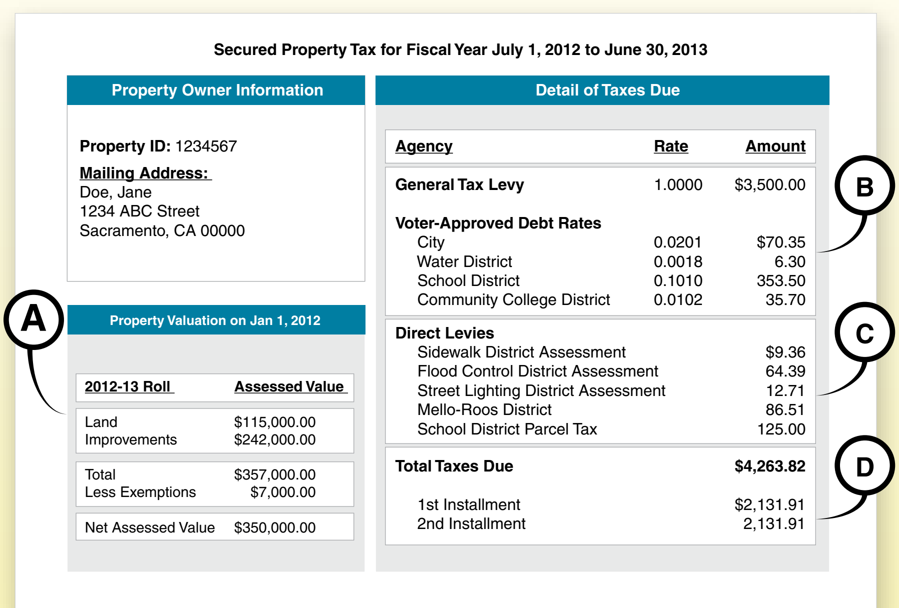
A California property tax bill includes a variety of different taxes and charges. As shown on the sample property tax bill in Figure 1, these levies commonly include:

- The 1 percent rate established by Proposition 13 (1978).
- Additional tax rates to pay for local voter-approved debt.
- Property assessments.
- Mello-Roos taxes.
- Parcel taxes.

The Constitution establishes a process for determining a property's taxable value for purposes of calculating tax levies from the 1 percent rate and voter-approved debt. In our sample property tax bill, "Box A" identifies the taxable value of the property and "Box B" shows the property's tax levies that are calculated based

Figure 1

Sample Annual Property Tax Bill


Secured Property Tax for Fiscal Year July 1, 2012 to June 30, 2013

Property Owner Information

Property ID: 1234567
Mailing Address:
Doe, Jane
1234 ABC Street
Sacramento, CA 00000

Property Valuation on Jan 1, 2012 (A)

2012-13 Roll	Assessed Value
Land	$115,000.00
Improvements	$242,000.00
Total	$357,000.00
Less Exemptions	$7,000.00
Net Assessed Value	$350,000.00

Detail of Taxes Due

Agency	Rate	Amount
General Tax Levy	1.0000	$3,500.00
Voter-Approved Debt Rates (B)		
City	0.0201	$70.35
Water District	0.0018	6.30
School District	0.1010	353.50
Community College District	0.0102	35.70
Direct Levies (C)		
Sidewalk District Assessment		$9.36
Flood Control District Assessment		64.39
Street Lighting District Assessment		12.71
Mello-Roos District		86.51
School District Parcel Tax		125.00
Total Taxes Due (D)		**$4,263.82**
1st Installment		$2,131.91
2nd Installment		2,131.91

on this value. Levies based on value—such as the 1 percent rate and voter-approved debt rates—are known as "ad valorem" taxes.

Under the Constitution, other taxes and charges on the property tax bill (shown in "Box C") may not be based on the property's taxable value. Instead, they are based on other factors, such as the benefit the property owner receives from improvements.

As shown in "Box D," the total amount due on most property tax bills is divided into two equal amounts. The first payment is due by December 10 and the second payment is due by April 10.

HOW ARE PROPERTY TAXES AND CHARGES DETERMINED?

Ad valorem property taxes—the 1 percent rate and voter-approved debt rates—account for nearly 90 percent of the revenue collected from property tax bills in California. Given their importance, this section begins with an overview of ad valorem taxes and describes how county assessors determine property values. Later in the chapter, we discuss the taxes and charges that are determined based on factors *other* than property value.

Taxes Based on Property Value

The 1 Percent Rate. The largest component of most property owners' annual property tax bill is the 1 percent rate—often called the 1 percent general tax levy or countywide rate. The Constitution limits this rate to 1 percent of assessed value. As shown on our sample property tax bill, the owner of a property assessed at $350,000 owes $3,500 under the 1 percent rate. The 1 percent rate is a general tax, meaning that local governments may use its revenue for any public purpose.

Voter-Approved Debt Rates. Most tax bills also include additional ad valorem property tax rates to pay for voter-approved debt. Revenue from these taxes is used primarily to repay general obligation bonds issued for local infrastructure projects, including the construction and rehabilitation of school facilities. (As described in the nearby box, some voter-approved rates are used to pay obligations approved by local voters before 1978.) Bond proceeds may not be used for general local government operating expenses, such as teacher salaries and administrative costs. Most local governments must obtain the approval of two-thirds of their local voters in order to issue general obligation bonds repaid with debt rates. General obligation bonds for school and community college facilities, however, may be approved by 55 percent of the school or community college district's voters. Local voters do not approve a fixed tax rate for general obligation bond indebtedness. Instead, the rate adjusts annually so that it raises the amount of money needed to pay the bond costs.

Property tax bills often include more than one voter-approved debt rate. In our sample property tax bill, for example, the property owner is subject to four additional rates because local voters have approved bond funds for the city and water, school, and community college districts where the property is located. These rates tend to be a small percentage of assessed value. Statewide, the average property tax bill includes voter-approved debt rates that total about one-tenth of 1 percent of assessed value.

Calculating Property Value for Ad Valorem Taxes

One of the first items listed on a property tax bill is the assessed value of the land and improvements. Assessed value is the taxable value of the property, which includes the land and any improvements made to the land, such as buildings, landscaping, or other developments. The assessed value of land and improvements is important because the 1 percent rate and voter-approved debt rates are levied as a percentage of this value, meaning that properties with higher assessed values owe higher property taxes.

Debt Approved by Voters Prior to 1978

The California Constitution allows local governments to levy voter-approved debt rates—ad valorem rates above the 1 percent rate—for two purposes. The first purpose is to pay for indebtedness approved by voters prior to 1978, as allowed under Proposition 13 (1978). Proposition 42 (1986) authorized a second purpose by allowing local governments to levy additional ad valorem rates to pay the annual cost of general obligation bonds approved by voters for local infrastructure projects. Because most debt approved before 1978 has been paid off, most voter-approved debt rates today are used to repay general obligation bonds issued after 1986 as authorized under Proposition 42.

Some local governments, however, continue to levy voter-approved debt rates for indebtedness approved by voters before 1978. While most bonds issued before the passage of Proposition 13 have been paid off, state courts have determined that other obligations approved by voters before 1978 also can be paid with an additional ad valorem rate. Two common pre-1978 obligations paid with voter-approved debt rates are local government employee retirement costs and payments to the State Water Project.

Voter-Approved Retirement Benefits. Voters in some counties and cities approved ballot measures or city charters prior to 1978 that established retirement benefits for local government employees. The California Supreme Court ruled that such pension obligations represent voter-approved indebtedness that could be paid with an additional ad valorem rate. Local governments may levy the rate to cover pension benefits for any employee, including those hired after 1978, but not to cover any enhancements to pension benefits enacted after 1978. Local governments may adjust the rate annually to cover employee retirement costs, but state law limits the rate to the level charged for such purposes in 1982-83 or 1983-84, whichever is higher. A recent review shows that at least 20 cities and 1 county levy voter-approved debt rates to pay some portion of their annual pension costs. The rates differ by locality. For example, the City of Fresno's voter-approved debt rate for employee retirement costs is 0.03 percent of assessed value in 2012-13, while the City of San Fernando's rate is 0.28 percent.

State Water Project Payments. Local water agencies can levy ad valorem rates above the 1 percent rate to pay their annual obligations for water deliveries from the State Water Project. State courts concluded that such costs were voter-approved debt because voters approved the construction, operation, and maintenance of the State Water Project in 1960. As a result, most water agencies that have contracts with the State Water Project levy a voter-approved debt rate.

Under California's tax system, the assessed value of most property is based on its purchase price. Below, we describe the process county assessors use to determine the value of local "real property" (land, buildings, and other permanent structures). This is followed by an explanation of how assessors determine the value of "personal property" (property not affixed to land or structures, such as computers, boats, airplanes, and business equipment) and "state assessed property" (certain business properties that cross county boundaries).

Local Real Property Is Assessed at Acquisition Value and Adjusted Upward Each Year. The process that county assessors use to determine the value of real property was established by Proposition 13. Under this system, when real property is purchased, the county assessor assigns it an assessed value that is equal to its purchase price, or "acquisition value." Each year thereafter, the property's assessed value increases by 2 percent or the rate of inflation, whichever is lower. This process continues until the property is sold, at which point the county assessor again assigns it an assessed value equal to its most recent purchase price. In other words, a property's assessed value resets to market value (what a willing buyer would pay for it) when it is sold. (As shown in Figure 2, voters have approved various constitutional amendments that exclude certain property transfers from triggering this reassessment.)

In most years, under this assessment practice, a property's market value is greater than its assessed value. This occurs because assessed values increase by a maximum of 2 percent per year, whereas market values tend to increase more rapidly. Therefore, as long as a property does not change ownership, its assessed value increases predictably from one year to the next and is unaffected by higher annual increases in market value. For example, Figure 3 shows how a hypothetical property purchased in 1995 for $185,000 would

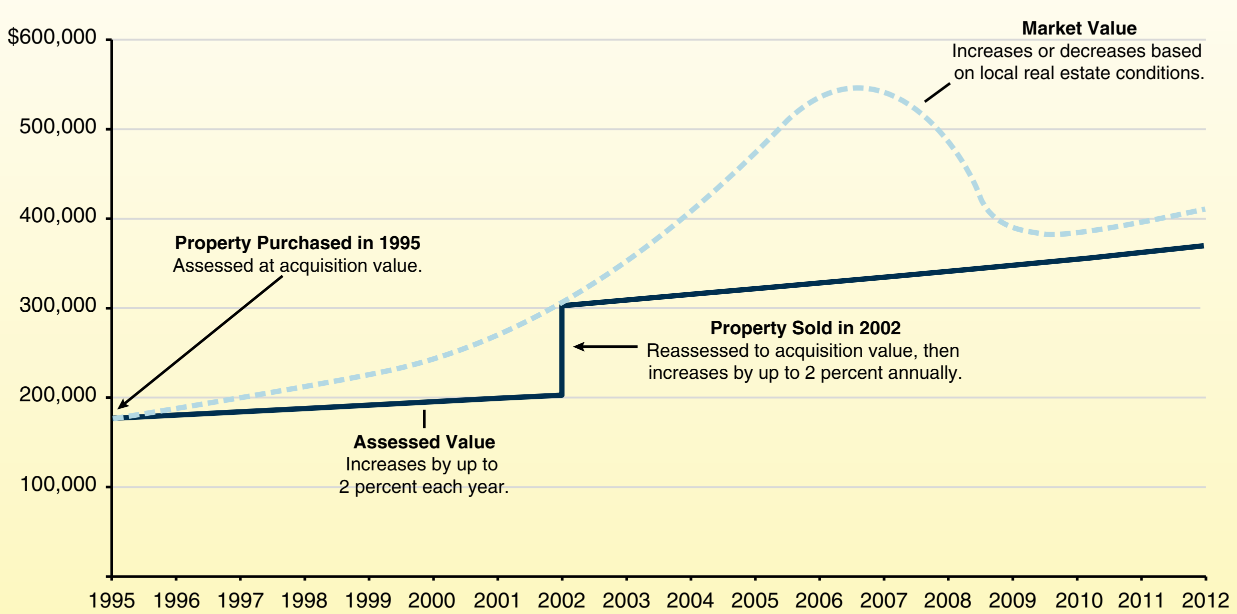
Figure 2

Property Transfers That Do Not Trigger Reassessment

Proposition	Year	Description
3	1982	Allows property owners whose property has been taken by eminent domain proceedings to transfer their existing assessed value to a new property of similar size and function.
50	1986	Allows property owners whose property has been damaged or destroyed in a natural disaster to transfer their existing assessed value to a comparable replacement property within the same county.
58	1986	Excludes property transfers between spouses or between parents and children from triggering reassessment.
60	1986	Allows homeowners over the age of 55 to transfer their existing assessed value to a new home, of equal or lesser market value, within the same county.
90	1988	Extends Proposition 60 by allowing homeowners to transfer their existing assessed value to a new home, of equal or lesser market value, in a different participating county.
110	1990	Allows disabled homeowners to transfer their existing assessed value from an existing home to a newly purchased home of equal or lesser market value.
171	1993	Extends Proposition 50 by allowing property owners affected by a natural disaster to transfer their existing assessed value to a comparable replacement property in a different participating county.
193	1996	Excludes property transfers between grandparents and grandchildren (when the parents are deceased) from triggering reassessment.
1	1998	Allows property owners whose property is made unusable by an environmental problem to transfer their existing assessed value to a comparable replacement property.

Figure 3

Market Value Can Exceed Assessed Value



be assessed in 2012. Although the market value of the property increased to $300,000 by 2002, the assessed value was $200,000 because assessed value grew by only up to 2 percent each year. Upon being sold in 2002, the property's assessed value reset to a market value of $300,000. Because of the large annual increase in home values after 2002, however, the market value was soon much greater than the assessed value for the new owner as well.

Property Improvements Are Assessed Separately. When property owners undertake property improvements, such as additions, remodeling, or building expansions, the additions or upgrades are assessed at market value in that year and increase by up to 2 percent each year thereafter. The unimproved portion of the property continues to be assessed based on its original acquisition value. For example, if a homeowner purchased a home in 2002 and then added a garage in 2010, the home and garage would be assessed separately. The original property would be assessed at its 2002 acquisition value adjusted upward each year while the garage would be assessed at its 2010 market value adjusted upward. The property's assessed value would be the combined value of the two portions. (As shown in Figure 4, voters have excluded certain property improvements from increasing the assessed value of a property.)

Figure 4

Property Improvements That Do Not Increase a Property's Assessed Value

Constitutional Amendments Approved After June 1978

Proposition	Year	Type of Improvement
8	1978	Reconstruction following natural disaster
7	1980	Solar energy construction
31	1984	Fire-safety improvements
110	1990	Accessibility construction for disabled homeowners
177	1994	Accessibility construction for any property
1	1998	Reconstruction following environmental contamination
13	2010	Seismic safety improvements

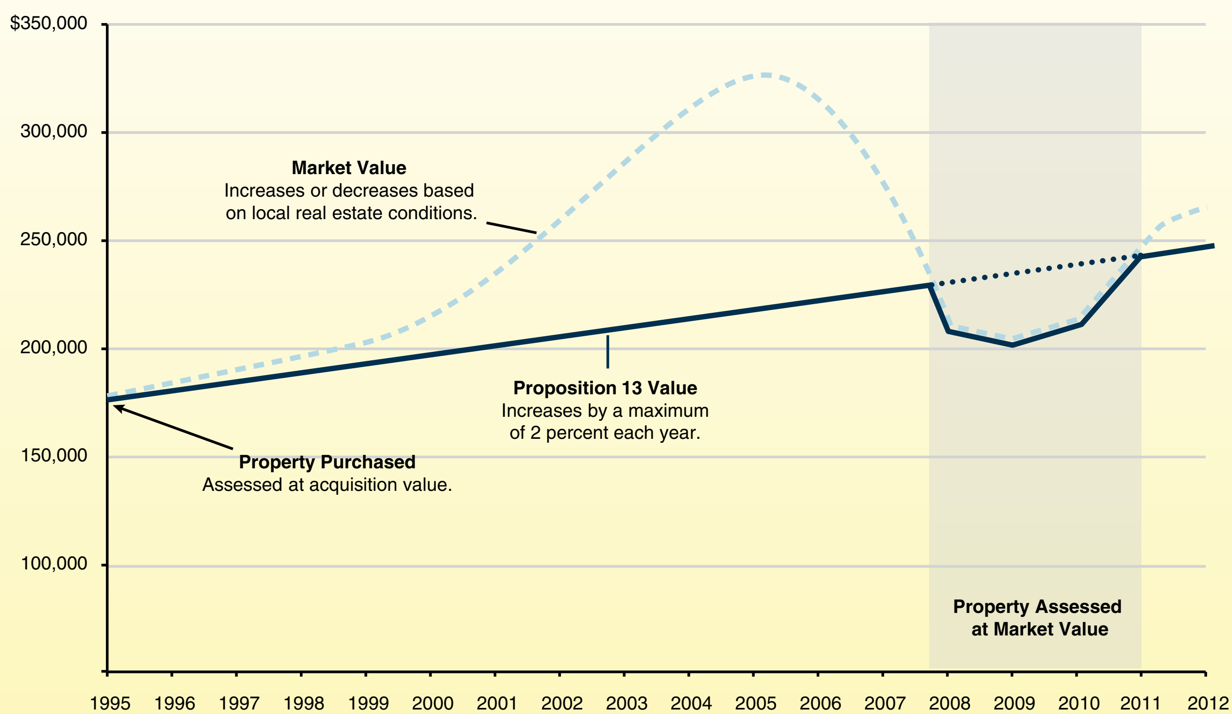
Assessed Value May Be Reduced When Market Values Fall Significantly. When real estate values decline or property damage occurs, a property's market value may fall below its assessed value as set by Proposition 13. Absent any adjustment to this assessed value, the property would be taxed at a greater value than it is worth.

In these events, county assessors may automatically reduce the Proposition 13 assessed value of a property to its current market value. If they do not, however, a property owner may petition the assessor to have his or her assessed value reduced. These decline-in-value properties are often called "Prop 8 properties" after Proposition 8 (1978), which authorizes this assessment reduction to market value. Figure 5 illustrates the assessment of a hypothetical decline-in-value property over time. The market value of the property purchased in 1995 stays above its Proposition 13 assessed value through 2007. A significant decline, however, drops the property's market value below its Proposition 13 assessed value. At this time, the property receives a decline-in-value assessment (equal to its market value) that is less than its Proposition 13 assessment. For three years, the property is assessed at market value, which may increase or decrease by any amount. By 2012, the property's market value *once again exceeds* what its assessed value would have been absent Proposition 8 (acquisition price plus the 2 percent maximum annual increase). In subsequent years, the property's assessed value is determined by its acquisition price adjusted upward each year.

Homeowners Are Eligible for a Property Tax Exemption. Homeowners may claim a $7,000 exemption from the assessed value of their primary residence each year. As shown in "Box A" of the sample property tax bill in Figure 1, this exemption lowers the assessed value of the homeowner's land and improvements by $7,000, reducing taxes under the

Figure 5

Assessed Value Can Fall Below Proposition 13 Value



1 percent rate by $70 and reducing taxes from voter-approved debt rates by a statewide average of $8.

Two Types of Property Are Assessed at Their Market Value. Two categories of property are assessed at their current market value, rather than their acquisition value: personal property and state-assessed property. (We provide more information about these properties in the nearby box.) Combined, these types of properties accounted for 6 percent of statewide-assessed value in 2011-12. Most personal property and state-assessed property is taxed at the 1 percent rate plus any additional rates for voter-approved debt.

Determining Other Taxes and Charges

All other taxes and charges on the property tax bill are calculated based on factors other than the property's assessed value. For example, some levies are based on the cost of a service provided to the property. Others are based on the size of a parcel, its square footage, number of rooms, or other characteristics. Below, we discuss three of the most common categories of non-ad valorem levies: assessments, parcel taxes, and Mello-Roos taxes. In addition to these three categories, some local governments collect certain fees for service on property tax bills, such as charges to clear weeds on properties where the weeds present a fire safety hazard. These fees are diverse and relatively minor, and therefore are not examined in this report.

Assessments. Local governments levy assessments in order to fund improvements that benefit real property. For example, with the approval of affected property owners, a city or county may create a street lighting assessment district to fund the construction, operation, and maintenance of street lighting in an area. Under Proposition 218 (1996), improvements funded with assessments must provide a direct benefit to the property owner. An assessment typically cannot be levied for facilities or services that provide general public benefits, such as schools, libraries, and public safety, even

Properties Assessed at Current Market Value

Personal Property. Personal property is property other than land, buildings, and other permanent structures, which are commonly referred to as "real property." Most personal property is exempt from property taxation, including business inventories, materials used to manufacture products, household furniture and goods, personal items, and intangible property like gym memberships and life insurance policies. Some personal property, however, is subject to the property tax. These properties consist mainly of manufacturing equipment, business computers, planes, commercial boats, and office furniture. When determining the market value of personal property, county assessors take into account the loss in value due to the age and condition of personal property—a concept known as depreciation. Unlike property taxes on real property, which are due in two separate payments, taxes on personal property are due on July 3.

State-Assessed Property. The State Board of Equalization is responsible for assessing certain real properties that cross county boundaries, such as pipelines, railroad tracks and cars, and canals. State-assessed properties are assessed at market value and, with the exception of railroad cars, taxed at the 1 percent rate plus any additional rates for voter-approved debt. (As part of a federal court settlement decades ago, railroad cars are taxed at a rate that is somewhat lower than 1 percent. The railcar tax rate varies each year and currently is about 0.8 percent.)

though these programs may increase the value of property. Moreover, the amount each property owner pays must reflect the cost incurred by the local government to provide the improvement and the benefit the property receives from it. To impose a new assessment, a local government must secure the approval of a weighted majority of affected property owners, with each property owner's vote weighted in proportion to the amount of the assessment he or she would pay.

Parcel Taxes. With the approval of two-thirds of voters, local governments may impose a tax on all parcels in their jurisdiction (or a subset of parcels in their jurisdiction). Local governments typically set parcel taxes at fixed amounts per parcel (or fixed amounts per room or per square foot of the parcel). Unlike assessments, parcel tax revenue may be used to fund a variety of local government services, even if the service does not benefit the property directly. For example, school districts may use parcel tax revenue to pay teacher salaries or administrative costs. The use of parcel tax revenue, however, is restricted to the public programs, services, or projects that voters approved when enacting the parcel tax.

Mello-Roos Taxes. Mello-Roos taxes are a flexible revenue source for local governments because they (1) may be used to fund infrastructure projects or certain services; (2) may be levied in proportion to the benefit a property receives, equally on all parcels, by square footage, or by other factors; and (3) are collected within a geographical area drawn by local officials.

Local governments often use Mello-Roos taxes to pay for the public services and facilities associated with residential and commercial development. This occurs because landowners may approve Mello-Roos taxes by a special two-thirds vote—each owner receiving one vote per acre owned—when fewer than 12 registered voters reside in the proposed district. In this way, a developer who owns a large tract of land could vote to designate it as a Mello-Roos district. After the land is developed and sold to residential and commercial property owners, the new owners pay the Mello-Roos tax that funds schools, libraries, police and fire stations, or other public facilities and services in the new community. Mello-Roos taxes are subject to two-thirds voter approval when there are 12 or more voters in the proposed district.

WHAT PROPERTIES ARE TAXED?

Property taxes and charges are imposed on many types of properties. These properties include common types such as owner-occupied homes and commercial office space, as well as less common types like timeshares and boating docks. In the section below, we describe the state's property tax base—the types of real properties that are subject to the 1 percent rate and the share of total assessed value that each property type represents.

Due to data limitations, we do not summarize the tax bases of other taxes and charges. We note, however, that the property tax base for other taxes and charges is different from the tax base for the 1 percent rate. This is because the 1 percent rate applies uniformly to all taxable real property, whereas other taxes and charges are levied at various levels and on various types of property throughout the state (according to local voter or local government preferences). For example, if a suburban school district levies a parcel tax on each parcel in a residential area, the owners of single-family homes would pay a large share of the total parcel taxes. Accordingly, the school district's parcel tax base would be more heavily residential than the statewide property tax base under the 1 percent rate (which applies to all taxable property).

What Properties Are Subject to the 1 Percent Rate?

Although most real property is taxable, the Constitution exempts certain types of real property from taxation. In general, these are government properties or properties that are used for non-commercial purposes, including hospitals, religious properties, charities, and nonprofit schools and colleges. California properties that are subject to the property tax, however, can be classified in three ways:

- Owner-occupied residential—properties that receive the state's homeowner's exemption, which homeowners may claim on their primary residence.
- Investment and vacation residential—residential properties other than those used as a primary residence, including multifamily apartments, rental condominiums, rental homes, vacant residential land, and vacation homes.
- Commercial—retail properties, industrial plants, farms, and other income-producing properties.

Distribution of the Tax Base for the 1 Percent Rate

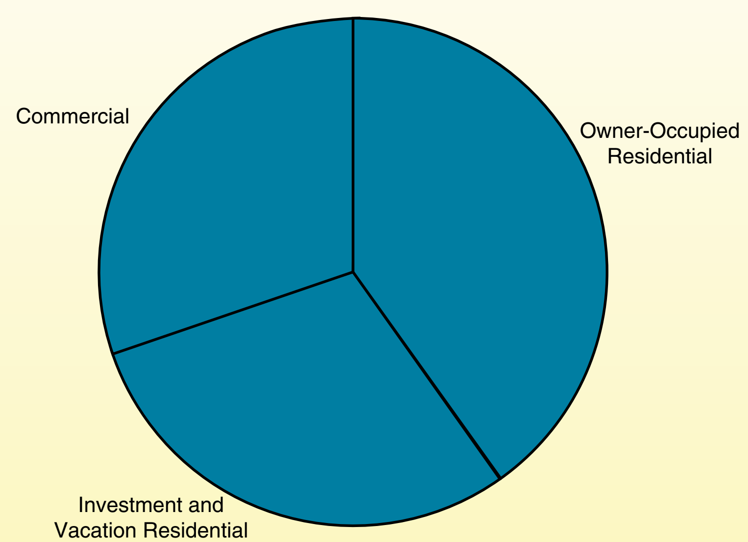
Owner-Occupied Residential. In 2010-11, there were 5.5 million owner-occupied homes in California with a total assessed value of $1.6 trillion. As shown in Figure 6, owner-occupied residential properties accounted for the largest share—39 percent—of the state's tax base for the 1 percent rate.

Investment and Vacation Residential. Although the majority of residential properties are owner occupied, many others are investment or vacation properties such as multifamily apartments, rental condominiums, rental homes, vacant residential land, and vacation homes. (We classify vacant residential land and vacation homes as investment properties because they are an investment asset for the owner, even if he or she does not receive current income from them.) In 2010-11, there were 4.2 million investment and vacation residential properties. The assessed value

Figure 6

The Distribution of California's Property Tax Base

Share of Assessed Value for Properties Subject to the 1 Percent Rate[a], 2010-11



[a] Excludes personal property and state-assessed property.

of these properties was about $1.4 trillion, which represents 34 percent of the state's total assessed value.

Commercial. In 2010-11, there were approximately 1.3 million commercial properties in California. This amount includes about 600,000 retail, industrial, and office properties (such as stores, gas stations, manufacturing facilities, and office buildings). It also includes 500,000 agricultural properties and 200,000 other properties (gas, oil, and mineral properties and the private use of public land). While commercial properties represent a relatively small share of the state's total properties, they tend to have higher assessed values than other properties. Therefore, as shown in Figure 6, these properties (which have a total assessed value of $1.2 trillion) account for 28 percent of the state's property tax base.

Has the Distribution of the Property Tax Base Changed Over Time?

There is little statewide information regarding the composition of California's property tax base over time. Based on the available information, however, it appears that homeowners may be paying a larger percentage of total property taxes today than they did decades ago. We note, for example, that the assessed value of owner-occupied homes has increased from a low of 32 percent of statewide assessed valuation in 1986-87 to a high of 39 percent in 2005-06. (The share was 36 percent in 2011-12.) It also appears likely that owners of commercial property are paying a smaller percentage of property taxes than they did decades ago. For example, Los Angeles County reports that the share of total assessed value represented by commercial property in the county declined from 40 percent in 1985 to 30 percent in 2012. In addition, the assessed value of commercial property in Santa Clara County has declined (as a share of the county total) from 29 percent to 24 percent since 1999-00.

What Factors May Have Contributed to Changes in the Property Tax Base?

Various economic changes that have taken place over time probably have contributed to changes to California's property tax base. For example, investment in residential property has increased significantly since the mid-1970s. Newly built single-family homes have become larger and are more likely to have valuable amenities than homes built earlier. As a result, new homes are more expensive to build and assessed at higher amounts than older homes. Over the same period, commercial activity in California has shifted away from traditional manufacturing, which tends to rely heavily on real property. Newer businesses, on the other hand, are more likely to be technology and information services based. These businesses tend to own less real property than traditional manufacturing firms do. (Technology and information services firms, however, rely heavily on business personal property—for example, computing systems, design studios, and office equipment—that are taxed as personal property and not included in the distribution of the state's real property tax base.)

It also is possible that Proposition 13's acquisition value assessment system has played a role in the changes to California's tax base. Specifically, under Proposition 13, properties that change ownership more frequently tend to be assessed more closely to market value than properties that turn over less frequently. (Because properties are assessed to market value when they change ownership, properties that have not changed ownership in many years tend to have larger gaps between their assessed values and market values.) It is possible that some categories of properties change ownership more frequently than others and this could influence the composition of the overall tax base. The limited available research suggests that investment and vacation residential properties change ownership more frequently than commercial or owner-occupied residential property, indicating that they may be assessed closer to market value than other types of property.

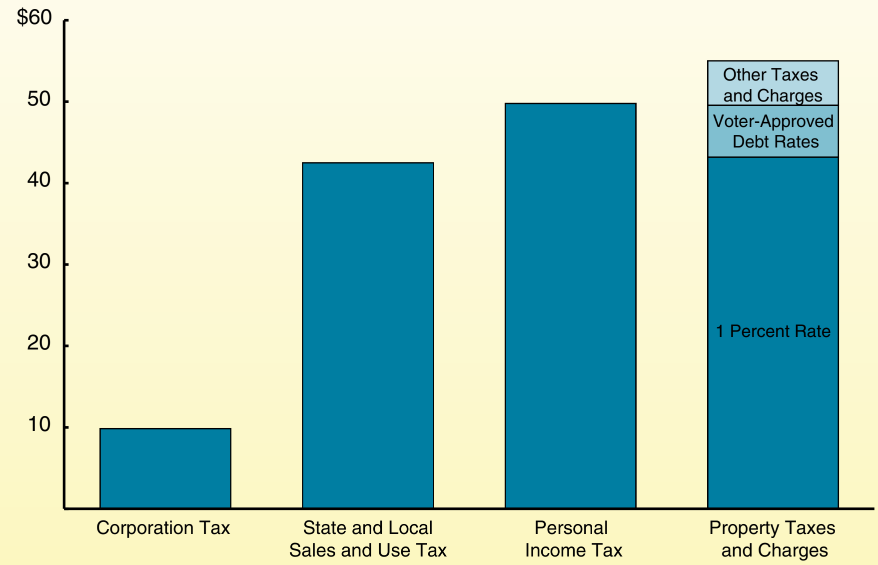
How Much Revenue Is Collected?

In 2010-11, California property tax bills totaled $55 billion. As shown in Figure 7, this amount included $43.2 billion under the 1 percent rate and $5.7 billion from voter-approved debt rates, making ad valorem property taxes one of California's largest revenue sources.

Figure 7

Property Tax Revenue Compared With Other Major Revenue Sources

2010-11 (In Billions)



Comparatively little is known about the remaining $6 billion of other taxes and charges on the property tax bill. From various reports summarizing local government finances, elections, and bond issuances, it appears that most of this $6 billion reflects property assessments, parcel taxes, and Mello-Roos taxes, though statewide data are not available on the exact amounts collected for each of these funding sources.

HOW IS THE REVENUE DISTRIBUTED?

California property owners pay their property tax bills to their county tax collector (sometimes called the county treasurer-tax collector). The funds are then transferred to the county auditor for distribution. The county auditor distributes the funds collected from the 1 percent rate differently than the funds collected from the other taxes and charges on the bill. Specifically, the 1 percent rate is a shared revenue source for multiple local governments.

This section describes the distribution of revenue raised under the 1 percent rate and summarizes the limited available information regarding the distribution of voter-approved debt rates and non-ad valorem property taxes and charges.

Revenue From the 1 Percent Rate Is Shared by Many Local Governments

The 1 percent rate generates most of the revenue from the property tax bill—roughly

$43 billion in 2010-11. On a typical property tax bill, however, the 1 percent rate is listed as the general tax levy or countywide rate with no indication as to which local governments receive the revenue or for what purpose the funds are used. In general, county auditors allocate revenue from the 1 percent rate to a variety of local governments within the county pursuant to a series of complex state statutes.

More Than 4,000 Local Governments Receive Revenue From the 1 Percent Rate. All property tax revenue remains within the county in which it is collected to be used exclusively by local governments. As shown in Figure 8, property tax revenue from the 1 percent rate is distributed to counties, cities, K-12 schools, community college districts, and special districts. Until recently, redevelopment agencies also received property tax revenue. As described in the nearby box, redevelopment agencies were dissolved in 2012, but a large amount of property tax revenue continues to be used to pay the former agencies' debts and obligations.

Figure 8

How Many Local Governments Receive Revenue From the 1 Percent Rate?

Type of Local Government	Number
Counties	58
Cities	480
Schools and Community Colleges	
K-12 school districts	966
County Offices of Education	56
Community college districts	72
Special Districts	
Fire protection	348
County service area	316
Cemetery	241
Community services	201
Maintenance	136
Highway lighting	117
County water	100
Recreation and park	85
Hospital	64
Sanitary	60
Irrigation	46
Mosquito abatement	43
Public utility	43
Other[a]	400
Redevelopment Agencies[b]	422
Total	**4,254**

[a] Thirty three other types of special districts report receiving property tax revenue from the 1 percent rate. These include county sanitation, municipal water, memorial, water authority, drainage, and library districts.

[b] Dissolved in 2012. A portion of property tax revenue continues to pay these agencies' debts and obligations.

Figure 9 shows the share of revenue received by each type of local government from the 1 percent rate and voter-approved debt rates. (As described later in the report, however, these shares vary significantly by locality.)

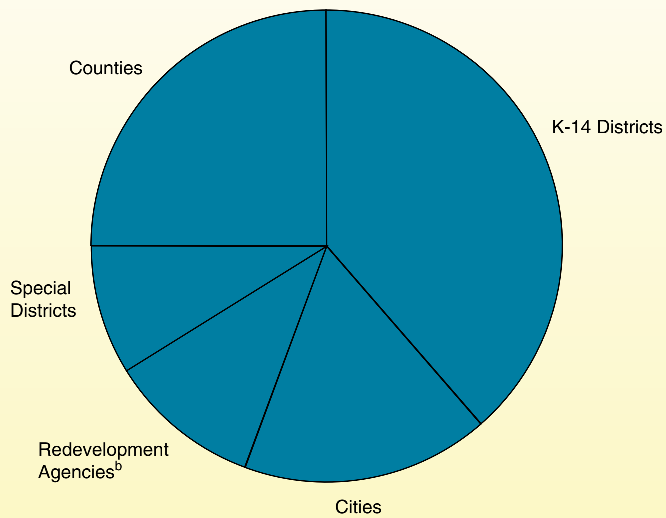
Property Taxes Also Affect the State Budget. Although the state does not receive any property tax revenue directly, the state has a substantial fiscal interest in the distribution of property tax revenue from the 1 percent rate because of the state's education finance system. Each K-12 district receives "revenue limit" funding—the largest source of funding for districts—from the combination of local property tax revenue under the 1 percent rate and state resources. Thus, if a K-12 district's local property tax revenue is not sufficient to meet its revenue limit, the state provides additional funds. Community colleges have a similar financing system, in which each district receives apportionment funding from local property tax revenue, student fees, and state resources. In 2010-11, the state contributed $22.5 billion to K-12 revenue limits and community college apportionments, while the remainder ($14.5 billion) came from local property tax revenue (and student fees).

State Laws Direct Allocation of Revenue From the 1 Percent Rate. The county auditor is responsible for allocating revenue generated from the 1 percent rate to local governments pursuant to state law. The allocation system is commonly referred to as "AB 8," after the bill that first implemented the system—Chapter 282, Statutes of 1979 (AB 8, L. Greene). In general, AB 8 provides a share of the total property taxes collected within a community to each local government that provides services within that community. Each local government's share is based on its proportionate countywide share of property taxes during the mid-1970s, a time when each local government determined its own property tax rate and property owners paid taxes based on the sum of

Figure 9

Most Ad Valorem Property Tax Revenue Is Allocated to Schools and Counties[a]

2010-11



[a] As a percentage of total revenue from the 1 percent rate and voter-approved debt rates.

[b] Redevelopment agencies were dissolved in 2012. Successor agencies will continue to use property tax revenue to pay former agencies' debts and obligations.

Redevelopment and Successor Agencies

More than 60 years ago, the Legislature established a process whereby a city or county could declare an area to be blighted and in need of redevelopment. After this declaration, most property tax revenue growth from the redevelopment "project area" was distributed to the redevelopment agency, instead of the other local governments serving the project area. As discussed in our report, *The 2012-13 Budget: Unwinding Redevelopment*, redevelopment agencies were dissolved in February 2012. Prior to their dissolution, however, redevelopment agencies received over $5 billion in property tax revenue annually. These monies were used to pay off tens of billions of dollars of outstanding bonds, contracts, and loans.

In most cases, the city or county that created the redevelopment agency is managing its dissolution as its successor agency. The successor agency manages redevelopment projects currently underway, pays existing debts and obligations, and disposes of redevelopment assets and properties. The successor agency is funded from the property tax revenue that previously would have been distributed to the redevelopment agency. As a result, even though redevelopment agencies have been dissolved, some property tax revenue continues to be used to pay redevelopment's debts and obligations. Over time, most redevelopment obligations will be retired and the property tax revenue currently distributed to successor agencies will be distributed to K-14 districts, counties, cities, and special districts.

these rates. (The average property tax rate totaled about 2.7 percent.) As a result, local governments that received a large share of property taxes in the 1970s typically receive a relatively large share of revenue from the 1 percent rate under AB 8. (More detail on the history of the state's property tax allocation system—including AB 8—is provided in the appendix of this report.)

Revenue Allocated by Tax Rate Area (TRA). The county auditor allocates the revenue to local governments by TRA. A TRA is a small geographical area within the county that contains properties that are all served by a unique combination of local governments—the county, a city, and the same set of special districts and school districts. A single county may have thousands of TRAs. While there is considerable variation in the steps county auditors use to allocate revenue within each TRA, typically the county auditor annually determines how much revenue was collected in each TRA and first allocates to each local government in the TRA the same amount of revenue it received in the prior year. Each local government then receives a share of any growth (or loss) in revenue that occurred within the TRA that year. Each TRA has a set of growth factors that specify the proportion of revenue growth that goes to each local government. These factors—developed by county auditors pursuant to AB 8—are largely based on the share of revenue each local government received from the TRA during the late 1970s.

Figure 10 shows sample growth factors for TRAs in two California cities. As the figure indicates, 23 percent of any growth in revenue from the 1 percent rate in the sample TRA for Norwalk would be allocated to the county, 7 percent would go to the city, and the rest would be allocated to various educational entities and special districts. The percentage of property tax growth allocated to each type of local government can vary significantly by TRA. For example, Walnut Creek's K-12 school district receives 33 percent of the growth in revenue within its TRA while Norwalk's school district receives only 19 percent from its TRA. As noted above, this variation is based largely on historical factors specified in AB 8.

Some Revenue Is Allocated to a Countywide Account—ERAF. Most of the revenue from the 1 percent rate collected within a TRA is allocated to the city, county, K-14 districts, and special districts that serve the properties in that TRA. State law, however, directs the county auditor to shift a portion of this revenue to a countywide account that is distributed to other local governments that do not necessarily serve the taxed properties. The state originally established this account—the Educational Revenue Augmentation Fund (ERAF)—to provide additional funds to K-14 districts that do not receive sufficient property tax revenue to meet their minimum funding level. State laws later expanded the use of ERAF to include reimbursing cities and counties for the loss of other local revenue sources (the vehicle license fee and sales tax) due to changes in state policy. For example, Figure 10 shows that 20 percent of any revenue growth within Norwalk's TRA is deposited into ERAF. It is possible that some or all of this revenue could be allocated to a city or K-14 district in a different part of Los Angeles County.

Most Revenue From Voter-Approved Debt Distributed to Schools

Voter-approved debt rates are levied on property owners so that local governments can pay the debt service on voter-approved general obligation bonds (and pre-1978 voter-approved obligations). The state's K-12 school districts receive the majority of the revenue from voter-approved debt rates ($3.1 billion of $5.2 billion in 2009-10). The amount received by cities ($520 million), special districts ($470 million), and counties

($320 million) is significantly less. The amount of taxes collected to pay voter-approved debt varies considerably across the state. For example, the average amount paid by an Alameda County property owner for voter-approved debt rates is about $2 for each $1,000 of assessed value, while the average amount paid in some counties is less than 10 cents per $1,000 of assessed value.

Limited Information About Distribution Of Other Property Taxes and Charges

Less information is available about the statewide distribution of the revenue from parcel taxes, Mello-Roos taxes, and assessments.

Parcel Taxes. Recent election reports and financial data suggest that parcel taxes represent a significant and growing source of revenue for some local governments. Specifically, between 2001 and 2012, local voters approved about 180 parcel tax measures to fund cities, counties, and special districts, and about 135 measures to fund K-12 districts. The most recent K-12 financial data (2009-10) indicate that schools received about $350 million from this source. We were not able to locate information on the statewide amount of parcel tax revenue collected by cities, counties, and special districts.

Mello-Roos Taxes. Mello-Roos districts are required to report on their bond issuance, which

Figure 10

Allocation of Property Tax Growth in Sample Tax Rate Areas

Norwalk, Los Angeles County[a]	Percent Share
Los Angeles County	23%
Educational Revenue Augmentation Fund	20
Norwalk-La Mirada Unified School District	19
Los Angeles County Fire Protection District	18
City of Norwalk	7
Norwalk Parks and Recreation District	3
Los Angeles County Library	2
La Mirada Parks and Recreation District	2
Cerritos Community College District	2
Los Angeles County Flood Control District	1
Los Angeles County Sanitation District	1
Greater Los Angeles County Vector Control	—[b]
Water Replenishment District of Southern California	—[b]
Little Lake Cemetery District	—[b]
Los Angeles County Department of Education	—[b]
	100%

Walnut Creek, Contra Costa County[c]	Percent Share
Mount Diablo Unified School District	33%
Educational Revenue Augmentation Fund	17
Contra Costa County	13
Contra Costa County Fire	13
City of Walnut Creek	9
Contra Costa Community College District	5
East Bay Regional Park District	3
Contra Costa County Library	2
Central Contra Costa Sanitary District	2
Contra Costa County Office of Education	1
Contra Costa County Flood Control	1
Bay Area Rapid Transit	1
Contra Costa Water District	1
Contra Costa County Water Agency	—[b]
Contra Costa County Resource Conservation District	—[b]
Contra Costa County Mosquito Abatement District	—[b]
Contra Costa County Service Area R-8	—[b]
Bay Area Air Management District	—[b]
	100%

[a] Percentages indicate allocation of the growth in property taxes in Los Angeles County tax rate area 06764.
[b] Less than 0.5 percent.
[c] Percentages indicate allocation of the growth in property taxes in Contra Costa County tax rate area 09025.

provides some information about the types of local governments that receive Mello-Roos tax revenue. It is likely that local governments issuing a large amount of Mello-Roos bonds also are collecting a large amount of Mello-Roos tax revenue. Between 2004 and 2011, cities issued about 50 percent of the bonds issued by Mello-Roos districts in California, followed by K-12 districts at about 30 percent. During the same time period, the issuance of Mello-Roos bonds was concentrated in specific regions, as more than 60 percent of the bonds were issued by local governments in four counties—Riverside, Orange, San Diego, and Placer.

Assessments. Most of the property improvements funded by assessments are provided by cities and special districts. In 2009-10, cities and special districts reported receiving $760 million and $650 million, respectively, in revenue from assessments. In contrast, counties reported $11 million in such revenues.

WHY DO LOCAL GOVERNMENT PROPERTY TAX RECEIPTS VARY?

The share of revenue received by each type of local government from the 1 percent rate varies significantly by locality. County governments, for example, receive as little as 11 percent (Orange) and as much as 64 percent (Alpine) of the ad valorem property tax revenue collected within their county. As shown in Figure 11, revenue raised from the 1 percent rate also varies considerably by locality when measured by revenue per resident. Orange County receives about $175 per resident, while four counties receive more than $1,000 per resident. Although cities, on average, receive about $240 per resident in revenue from the 1 percent rate, some receive more than $500 per resident and many receive less than $150 per resident. School districts also receive widely different amounts of property taxes per enrolled student, with an average of just under $2,000. (As noted above, the state "tops off" school property tax revenue with state funds to bring most schools to similar revenue levels.) Finally, special districts also receive varying amounts of property tax revenue, though data limitations preclude us from summarizing this variation on a statewide basis.

Three factors account for most of this variation in local government property tax receipts. We discuss these factors below.

Variation in Property Values

California has a diverse array of communities with large variation in land and property values. Some communities are extensively developed and have many high-value homes and businesses, whereas others do not. Because property taxes are based on the assessed value of property, communities with greater levels of real estate development tend to receive more property tax revenue than communities with fewer developments. For example, high-density cities generally receive more property tax revenue than rural areas due to the greater level of development. Coastal and resort areas also typically receive more property taxes due to the high property values. Certain high-value properties—such as a power plant or oil refinery—also increase property tax revenue. Alternatively, localities with large amounts of land owned by the federal government, universities, or other organizations that are not required to pay property taxes may receive less revenue.

Prior Use of Redevelopment

Prior decisions by cities and counties to use redevelopment also influences the amount of property tax revenue local governments receive. Prior to the dissolution of redevelopment agencies in 2012, most of the growth in property taxes from redevelopment project areas went to the redevelopment agency, rather than other local governments. A large share of property tax revenue now goes to successor agencies to pay the former redevelopment agencies' debts and obligations. The use of redevelopment varied extensively throughout the state. In those communities with many redevelopment project areas, the share of property tax revenue going to other local governments is less than it would be otherwise. In places with large redevelopment project areas—such as San Bernardino and Riverside counties—more than 20 percent of the county's property tax revenue may go to pay the former redevelopment agencies' debts and obligations.

State Allocation Laws Reflecting 1970s Taxation Levels

Finally, the amount of property taxes allocated to local governments depends on state property tax allocation laws, principally AB 8. As discussed earlier in this report (and in more detail in the appendix), the AB 8 system was designed, in part, to allocate property tax revenue in proportion to the share of property taxes received by a local government in the mid-1970s. Under this system, local governments that received a large share of property taxes in the 1970s typically continue to receive a relatively large share of property taxes today. Although there have been changes to the original property tax allocation system contained in AB 8, the allocation system continues to be substantially based on the variation in property tax receipts in effect in the 1970s.

This variation largely reflects service levels provided by local governments in the 1970s. Local governments providing many services generally collected more property taxes in the 1970s to

Figure 11

Property Tax Receipts From the 1 Percent Rate for Selected Local Governments

2009-10

Cities	Property Taxes per Resident	Counties	Property Taxes per Resident	Schools[a]	Property Taxes per Student
Industry	$2,541	San Francisco[b]	$1,411	Mono	$10,683
Malibu	559	Sierra	1,126	San Mateo	5,432
Mountain View	344	Inyo	876	Marin	5,213
Los Angeles	332	Napa	522	San Francisco	4,020
Long Beach	268	El Dorado	464	Orange	3,315
Oakland	250	Los Angeles	359	San Diego	2,760
State Average	**242**	**State Average**	**320**	**State Average**	**1,960**
San Jose	200	Alameda	301	Yolo	1,765
Fresno	183	Sacramento	286	Sacramento	1,344
Anaheim	167	Contra Costa	271	San Joaquin	1,163
Santa Clarita	140	San Diego	261	Los Angeles	1,142
Chico	129	Riverside	200	Fresno	810
Modesto	119	Orange	174	Kings	379

[a] Countywide average for K-12 schools.
[b] San Francisco is a city and a county.

pay for those services. As a result, those local governments received a larger share of property taxes under AB 8. For example, cities and counties that provided many government services, including fire protection, park and recreation programs, and water services, typically receive more property tax revenue than governments that relied on special districts to provide some or all of these services.

ARE THERE CONCERNS ABOUT HOW PROPERTY TAXES ARE DISTRIBUTED?

While no system for sharing revenues among governmental entities is perfect, the state's system for allocating property tax revenue from the 1 percent rate raises significant concerns about local control, responsiveness to modern needs, and transparency and accountability to taxpayers. We discuss these concerns separately below and then address the question: Could the state change the allocation system?

Lack of Local Control

Unlike local communities in other states, California residents and local officials have virtually no control over the distribution of property tax revenue to local governments. Instead, all major decisions regarding property tax allocation are controlled by the state. Accordingly, if residents desire an enhanced level of a particular service, there is no local forum or mechanism to allow property taxes to be reallocated among local governments to finance this improvement. For example, Orange County currently receives a very low share of property taxes collected within its borders—about 11 percent. If Orange County residents and businesses wished to expand county services, they have no way to redirect the property taxes currently allocated to other local governments. Their only option would be to request the Legislature to enact a new law—approved by two-thirds of the members of both houses—requiring the change in the property tax distribution. In other words, local officials have no power to raise or lower their property tax share on an annual basis to reflect the changing needs of their communities. As a result, if residents wish to increase overall county services, they would need to finance this improvement by raising funds through a different mechanism such as an assessment or special tax.

Limited Transparency and Accountability

The state's current allocation system also makes it difficult for taxpayers to see which entities receive their tax dollars. Property tax bills note only that a bulk of the payment goes to the 1 percent general levy. Even if taxpayers do further research and locate the AB 8 local government sharing factors for their TRA, it is difficult to follow the actual allocation of revenue because the fund shifts related to ERAF and redevelopment complicate this system.

In addition to making it difficult for taxpayers to determine how their tax dollars are distributed, the AB 8 system reduces government accountability. The link between the level of government controlling the allocation of the tax (the state) and the government that spends the tax revenue (cities, counties, special districts, and K-14 districts) is severed. For example, if a taxpayer believes the level of services provided by an independent park district is inadequate, it is difficult to hold the district entirely accountable because the state is responsible for determining the share of property taxes allocated to the district.

Limited Responsiveness to Modern Needs and Preferences

An effective tax allocation system ensures that local tax revenue is allocated in a way that reflects modern needs and preferences. In many ways, California's property tax allocation system—which remains largely based on allocation preferences from the 1970s—does not meet this criterion. California's population and the governance structure of many local communities have changed significantly since the AB 8 system was enacted. For example, certain areas with relatively sparse populations in the 1970s have experienced substantial growth and many local government responsibilities have changed. One water district in San Mateo County—Los Trancos Water District—illustrates the extent to which the state's property tax allocation system continues to reflect service levels from the 1970s. Specifically, this water district sold its entire water distribution system to a private company in 2005, but continues to receive property tax revenue for a service it no longer provides.

Changing the Allocation System Is Difficult

Over the years, the Legislature, local governments, the business community, and the public have recognized the limitations inherent in the state's property tax allocation system. Despite the large degree of consensus on the problems, major proposals to reform the allocation system have not been enacted due to their complexity and the difficult trade-offs involved. Because California has thousands of local governments—many with overlapping jurisdictions—reorienting the property tax allocation system would be extraordinarily complex. Updating the AB 8 property tax sharing methodology would require the Legislature to determine the needs and preferences of each California community and local government. This would be a difficult—if not impossible—task to undertake in a centralized manner. Alternatively, the state could allow the distribution of the property tax to be carried out locally, but there is no consensus about what process local governments would use to allocate property taxes among themselves. Whether done centrally or locally, any reallocation is difficult because providing additional property tax receipts to one local government would require redirecting it from another local government or amending the Constitution. In addition, any significant change to the allocation of property tax revenue would require approval by two-thirds of the Legislature due to provisions in the Constitution added by Proposition 1A (2004). (These issues are discussed further in the appendix.)

WHAT ARE THE STRENGTHS AND LIMITATIONS OF CALIFORNIA'S PROPERTY TAX SYSTEM?

For many years, California's overall property tax system—the types of taxes paid by property owners and the determination of property owner tax liabilities—has evoked controversy. Some people question whether the distribution of the tax burden between residential and commercial properties is appropriate and whether the amount of taxes someone pays should depend, in part, on how long he or she has owned the property. Other people praise the financial certainty that the tax system gives property owners. From one year to the next, property owners know that their tax liabilities under the 1 percent rate will increase only modestly. In this section, we do not attempt to resolve this long-standing debate. Instead, we review property taxes by looking at how they measure according to five common tax policy criteria—growth, stability, simplicity, neutrality, and equity. Using this framework, we highlight particular aspects of the state's property tax system, both its strengths and limitations, for policymakers and other interested parties.

Economists use the five common tax policy criteria summarized in Figure 12 to objectively compare particular taxes. These criteria relate to how taxes affect people's decisions, how they treat different taxpayers, and how the revenue raised from taxes performs over time. In practice, all taxes involve trade-offs. Sometimes the trade-offs are between two tax policy criteria. For example, revenue sources that grow quickly may be less stable from one year to the next than other revenue sources. Other times, the trade-offs are between tax policy criteria and other governmental policy objectives that may not be directly related to one of the five tax criteria. For example, one such trade-off might be that ensuring that a property owner's taxes do not increase dramatically from one year to the next (a reasonable governmental policy objective) can result in a tax system in which the owners of similar properties are taxed much differently (contrary to the equity criteria of tax policy).

Figure 12

Common Economic Criteria for Evaluating Tax Systems

- ✓ **Growth—**Does revenue raised by the tax grow along with the economy or the program responsibilities it is expected to fund?
- ✓ **Stability—**Is the revenue raised by the tax relatively stable over time?
- ✓ **Simplicity—**Is the tax simple and inexpensive for taxpayers to pay and for government to collect?
- ✓ **Neutrality—**Does the tax have little or no impact on people's decisions about how much to buy, sell, and invest?
- ✓ **Equity—**Do taxpayers with similar incomes pay similar amounts and do tax liabilities rise with income?

Revenue Growth

From government's perspective, revenue sources that grow along with the economy are preferable because they can provide resources sufficient to maintain current services. This can help governments avoid increasing existing taxes or taxing additional activities in order to meet current service demands.

The Property Tax Has Grown Faster Than the Economy. Personal income in California—an

What Factors Affect Property Tax Growth Each Year?

Most of the annual change in property tax revenues is the result of large changes in assessed value that affect a small number of properties, including:

- ***Recently Sold Properties.*** When a property sells, its assessed value resets to the purchase price. This represents additional value that is added to the tax base because the sale price of the property is often much higher than its previous assessed value.

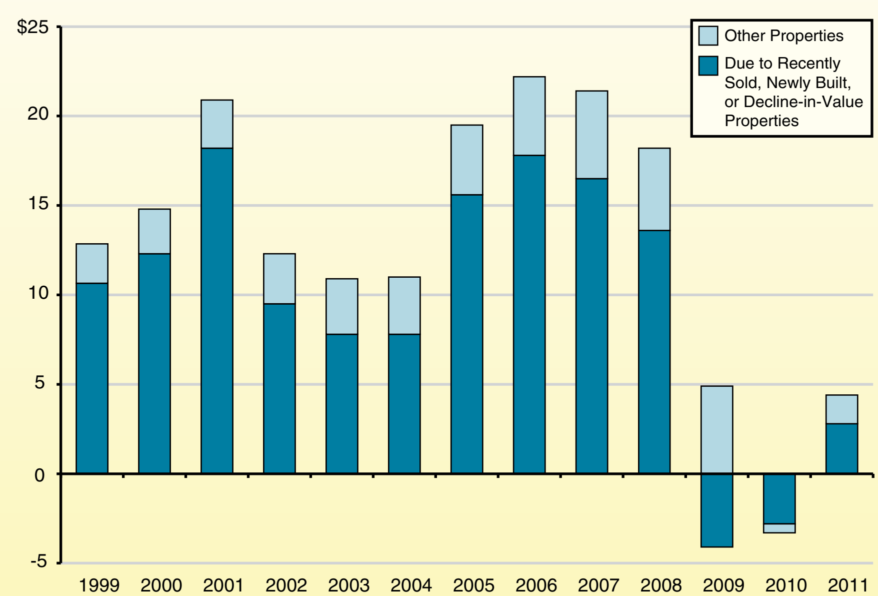
- ***Newly Built Property and Property Improvements.*** New value is added to the county's tax base when new construction takes place or improvements are made—mainly additions, remodels, and facility expansions—because structures are assessed at market value the year that they are built.

- ***Proposition 8 (1978) Decline-in-Value Properties.*** These properties contribute significantly to growth or decline in a county's tax base because their assessed values may increase or decrease dramatically in any year. A particularly large impact on assessed valuation tends to occur in years when a large number of these properties transfer from Proposition 13 assessment to reduced assessment.

As shown by the dark bars in the figure below, recently sold, newly built, and decline-in-value properties typically account for more than two-thirds of total changes in countywide assessed value in Santa Clara County. Other properties, although they represent most of the properties in the county's tax base, contribute less because the growth of these properties' assessed values is limited to 2 percent per year.

Components of Annual Change in County Assessed Valuation in Santa Clara County

(In Billions)



approximate measure of the size of the state's economy—has grown at an average annual rate of 6.3 percent since 1979. Over the same period, revenue from the 1 percent property tax rate has grown at an average annual rate of 7.3 percent. As we describe in the nearby box, much of the growth in property tax revenue depends on new construction and property sales.

The Growth of Parcel and Mello-Roos Tax Revenues Depends on the Structure of the Tax. The terms of parcel taxes and Mello-Roos taxes vary by locality. Some local governments have taxes with escalation clauses or other provisions that modify the amount of the tax as local government costs change. Other parcel taxes and Mello-Roos taxes are set at fixed amounts per parcel. Depending on their structure, these taxes may or may not provide local governments with a growing source of revenue.

Revenue Stability

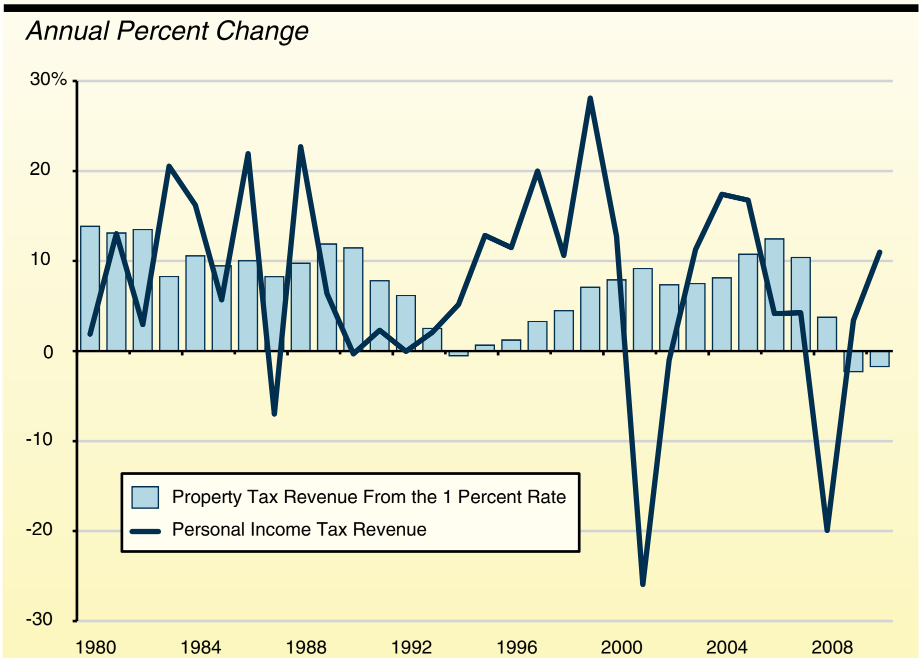
Revenue sources that remain relatively stable from one year to the next help governments manage economic downturns, which tend to reduce revenue and at the same time increase demand for certain public services. Stable revenue sources also may help governments plan more effectively for future needs, including long-term investments in transportation, education, and public safety.

The Property Tax Is a Stable Revenue Source. Despite being linked to the volatile real estate market, the property tax is California's most stable major revenue source. Since 1979, as shown in Figure 13, personal income tax revenue has been three times more volatile, on average, than property tax revenue from the 1 percent rate. During the same period, statewide property tax revenue has declined in only three years, 1994-95, 2009-10, and 2010-11.

The Property Tax Was More Stable Than Other Revenue Sources During the Recent Recession. As shown in Figure 14, revenue from the 1 percent property tax rate fared comparatively well during the most recent recession. (In the nearby box, we discuss why the property tax is stable.) Changes in property tax revenue tend to lag economic trends by one or more years because of the state's acquisition value assessment system and the lengthy period between when most properties are assessed (January) and when property tax payments are due (December of that year and April of the next).

Figure 13

Property Tax Revenue Is Much Less Volatile Than Personal Income Tax Revenue



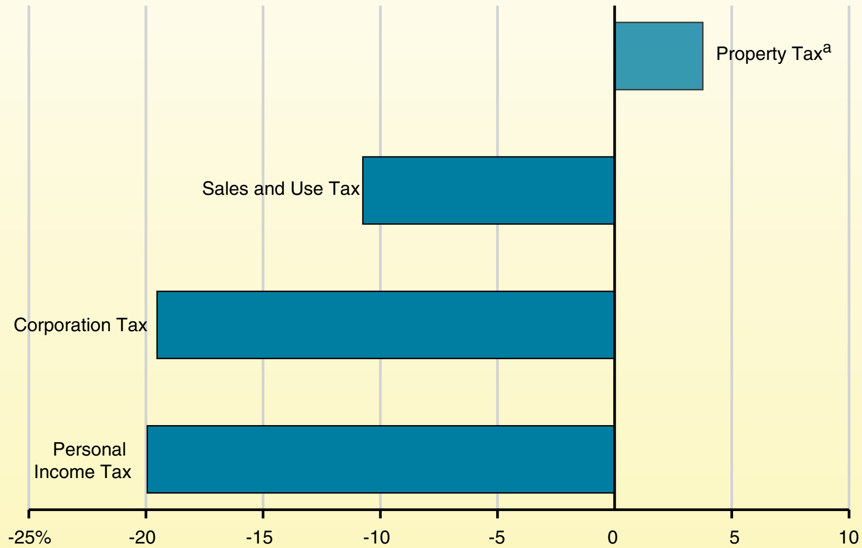
Parcel Taxes and Mello-Roos Taxes Also Are Stable. Because most parcel and Mello-Roos taxes are set at fixed amounts per parcel, there is minimal year-to-year fluctuation in the revenues that they raise.

Assessed Valuation in Some Counties, However, Has Declined Significantly. Though statewide property tax revenue has remained comparatively stable throughout the recent recession, some areas of the state have experienced considerable declines

Figure 14

Property Tax Revenue During the Recent Recession

Percent Change 2007-08 to 2008-09



[a] Revenue from the 1 percent rate.

What Factors Affect Property Tax Stability?

Acquisition Value Assessment System Contributes to Revenue Stability. The main reason California's property tax revenue is stable is that the assessed value of most properties increases each year by a maximum of 2 percent. In any given year, only a small fraction of properties are sold and reset to market value. This means that real estate conditions affect a relatively small portion of the tax base each year, insulating property tax revenue from year-to-year real estate fluctuations.

Proposition 8 (1978) Decline-in-Value Properties Reduce Revenue Stability. As noted earlier in the report, county assessors may reduce a property's assessed value in the event that its market value falls below its assessed value. Each year thereafter, the property is assessed at market value until it rises above what its assessed value would have been had it remained at its acquisition value adjusted upward each year at a maximum of 2 percent. During 2010-11, more than one in four properties in California was temporarily assessed to market value. Because these properties are assessed each year at market value, they link the property tax base more closely to the local real estate market than other properties, thereby reducing the property tax's stability somewhat.

in their property tax base. These counties tend to have a large proportion of their properties under Proposition 8 decline-in-value assessments and have high foreclosure rates. For example, Riverside County had the second highest number of foreclosures (17,000) among counties and more than 400,000 decline-in-value properties in 2011. Partly as a result of these trends, total assessed value in Riverside County declined by 15 percent between 2008 and 2011.

Simplicity

A well-designed tax system should be simple for taxpayers to understand and easy and inexpensive for governments to administer. Complex tax systems can be expensive for governments to administer effectively and may be confusing, time-consuming, and costly for taxpayers.

Most of the costs associated with administering the state's property tax system (ad valorem property taxes, parcel taxes, and Mello-Roos taxes) reflect the activities by county assessors, tax collectors, and auditors. While comprehensive data on these costs are not available, total property tax administration costs likely are between 1.5 percent and 2 percent of collections, a somewhat higher level than that of state tax agencies that perform similar functions. A significant component of the property tax's administrative cost is from counties' responsibility to allocate property taxes to local governments pursuant to increasingly complex state laws. County costs related solely to determining property values, the other main component of administration, were slightly less than 1 percent of total revenues collected in 2010-11—a percentage similar to that of state tax agencies.

From the taxpayers' perspective, the property tax is generally a simple tax with which to comply. Tax payments are due in equal installments twice per year. And, in most years, the assessed value of real property grows automatically by a maximum of 2 percent. Reassessments based on market value (which taxpayers are more likely to appeal) occur infrequently for most property owners.

The property tax assessed on personal property is typically more administratively cumbersome for owners and assessors. This is because personal property is assessed annually at market value using complex depreciation schedules. These assessments, therefore, are more likely to be appealed, a process that can take more than a year to resolve.

Neutrality

Nearly all taxes alter taxpayer behavior to some degree. Economists agree, however, that in most cases the ideal tax system is one that alters decisions—about what goods to buy, what products to make, and where to work or live—as little as possible. Economists prefer these "economically neutral" taxes because they assume that people and businesses are in the best position to make consumption, savings, and investment decisions that meet their economic and personal needs. Tax policies that influence what people buy and what businesses produce tend to distance people and businesses from their preferred choices, leaving them less well off than they would be if the tax system were economically neutral. Policymakers design some taxes, on the other hand, to influence taxpayer behavior in a way that promotes or discourages particular activities. In general, these should be well targeted and have strong justifications so that they achieve their policy goals with as little interference as possible in other personal decision making. Below, we describe how ad valorem property taxes may influence taxpayer behavior and then discuss the possible effects of parcel and Mello-Roos taxes.

Some Homeowners and Businesses May Move Less Frequently. California's ad valorem property taxes may affect an individual's decision to move because longer ownership results in a lower effective property tax rate. (An effective property tax rate differs from the 1 percent basic rate in that it is the amount of property taxes paid divided by the current market value of the property.) As shown in Figure 15, effective tax rates can vary considerably. New Owner A, for example, has an effective tax rate of 1 percent because the assessed value of his or her property is the same as its market value. Owners B and C, who have owned their properties longer than Owner A, have assessed values below their market values because their market values increased by more than 2 percent each year (and therefore faster than assessed values). As a result, most owners who have owned a property for many years pay an effective tax rate well below 1 percent. For those choosing to move, however, their effective tax rate is reset to 1 percent, producing a moving penalty that may influence some property owners' relocation decisions. For example, established firms that benefit from their comparatively low effective property tax rates could be dissuaded from relocating—decisions that, absent the moving penalty, could benefit the companies financially. (As we discuss below, differing effective tax rates also affect the equity of the property tax.)

Homeowners and Businesses May Invest Less in Property Improvements. When a property undergoes improvements, the newly constructed portion of the property is assessed at its full market value. The existing property, on the other hand, is typically assessed below its current market value, meaning that improvements are taxed at a higher effective rate than existing property. Because improvements are subject to higher effective tax rates, the return on investment that businesses receive from new improvements is lower and the taxes that homeowners pay on them are higher than they would be if all property—new and existing—were taxed uniformly. This may lead some businesses and homeowners to invest less than they otherwise would in new property improvements.

Homeowners May Change Behavior in Response to Assessment Exclusions. Voters have approved ballot propositions that exclude some types of property transfers from triggering reassessment to market value. (These exclusions are summarized earlier in this report in Figure 2.) For example, residential property transfers between certain family members do not trigger reassessment. These exclusions could alter decisions homeowners make about their property. For example, a homeowner might transfer property to his or her child (thereby passing on his or her low effective property tax rate) when, absent the exclusion, the owner might have sold the property to a nonrelative. In turn, that child could find it more economical to rent the property (and benefit from the low effective property tax rate) than to sell (and forego the benefit of his or her low effective rate).

Equity

Equity relates to how taxes affect taxpayers with different levels of income or wealth. Economists use two different standards of equity—vertical and horizontal—to evaluate taxes. Vertical equity occurs when wealthier taxpayers

Figure 15

Hypothetical Effective Property Tax Rates for Three Property Owners

	Year Purchased	Market Value	Assessed Value	Property Tax Rate	Property Tax Paid	Effective Tax Rate
Owner A	2012	$300,000	$300,000	1%	$3,000	1.0%
Owner B	2002	300,000	180,000	1	1,800	0.6
Owner C	1986	300,000	110,000	1	1,100	0.4

pay a greater amount in taxes than less wealthy taxpayers. Horizontal equity, on the other hand, occurs when similar taxpayers—those with similar incomes or wealth—pay the same amount in taxes. Under an equitable property tax system (1) owners of highly valuable property pay more in taxes than owners of less valuable property and (2) the owners of two similar properties pay a similar amount in property taxes. Put differently, an equitable system would tax property owners at the same effective rate. As we discussed in the previous section, however, property owners often are subject to different effective tax rates. Therefore, California's ad valorem property taxes, parcel taxes, and Mello-Roos taxes often do not meet these standards of equity.

Equity Reduced by Acquisition Value Assessment and 2 Percent Assessed Value Cap. California's property tax system does not consistently meet the standards of horizontal or vertical equity. As discussed earlier in this report, two owners with identical properties may pay different amounts of property taxes if one owner bought the property a decade before the other. In a tax system with horizontal equity, both owners would pay similar amounts. In relation to vertical equity, the tax system's reliance on acquisition value and the 2 percent cap on assessed valuation growth can result in owners of valuable property paying less than owners of (recently acquired) less valuable property. In a tax system with vertical equity, owners of valuable property would pay more in taxes because owners of valuable property generally are wealthier than owners of less valuable property.

Homeowners Who Are Mobile Pay Higher Effective Tax Rates. Homeowners who move often—military families, younger homeowners, or those with jobs that require them to relocate frequently—tend to have higher effective ad valorem tax rates than homeowners who move less frequently because newly purchased properties are assessed at market value. Relocation decisions may result from circumstances that households may not have foreseen, such as employment changes, divorce, or other changes in family composition. Under horizontal equity, in contrast, taxpayers pay similar taxes unless their household income, wealth, or consumption patterns differ.

Fixed-Rate Taxes Do Not Meet Vertical Equity Standard. Parcel taxes and Mello-Roos taxes typically meet the criteria of horizontal equity but not vertical equity because property owners typically are charged the same amounts—regardless of their wealth or their properties' value.

Summary

Our comparison of California's property tax system with common tax policy criteria found mixed results. The ad valorem taxes generally meet the goals of administrative simplicity and providing governments with a growing source of stable revenue, but often do not meet the goals of neutrality and equity. Specifically, California's ad valorem tax system (1) may influence decisions property owners make about relocations and expansions and (2) treat similar taxpayers differently and wealthier taxpayers the same as less wealthy taxpayers.

California's other property taxes (parcel taxes and Mello-Roos taxes) generally perform well relative to the goals of stability, administrative simplicity, and horizontal equity, but may perform less well in regard to the other objectives.

APPENDIX 1:

THE HISTORY OF CALIFORNIA'S PROPERTY TAX ALLOCATION SYSTEM

California's system for allocating property tax revenue from the 1 percent rate among local governments is complex and has changed over time. The most significant change was voter approval of Proposition 13 in 1978, which shifted the control over the allocation of property taxes from local communities to the state. Since that time the state has made several major changes that affect the amount of property tax revenue from the 1 percent rate distributed to counties, cities, K-14 districts, and special districts. Some of these changes have benefited the state fiscally (by indirectly reducing state costs for education). Others have benefited local governments or taxpayers. This appendix describes the evolution of the state's property tax allocation system. The key events are highlighted in Figure A-1, and described in more detail below.

Figure A-1

History of California's Property Tax Allocation

1972	**SB 90—**Establishes school "revenue limit" funding system, giving the state a significant fiscal interest in the allocation of local property tax revenue.
1978	**Proposition 13—**Voters cap the basic property tax rate at 1 percent and give the state new responsibilities for allocating property tax revenue.
	SB 154—State's first law allocating property tax revenue. Amounts based on share of property tax received prior to Proposition 13, with state providing grants for some of local revenue loss.
1979	**AB 8—**State changes property tax allocations in SB 154, establishes system for allocating future growth in property tax revenue, and absorbs costs of some local programs.
1992	**First ERAF Shift—**State permanently shifts some property tax revenue from counties, cities, and special districts into a fund for K-14 districts.
1993	**Second ERAF Shift—**State permanently shifts additional property tax revenue into a fund for K-14 districts.
2004	**Triple Flip—**State uses some local sales tax revenue to repay deficit-financing bonds. Reimburses counties and cities with property tax revenue from ERAF and K-14 districts.
	The VLF Swap—State permanently shifts some property tax revenue from ERAF and K-14 districts to reimburse cities and counties for the state's reductions to their VLF revenue.
	Temporary ERAF Shift—State shifts some property tax revenue from noneducational local agencies to K-14 districts for two years.
	Proposition 1A—Voters restrict the state's authority to shift property tax revenue away from cities, counties, and special districts.
2009	**Proposition 1A (2004) Borrowing—**State borrows $1.9 billion of property tax revenue from cities, counties, and special districts as authorized by Proposition 1A.
2010	**Proposition 22—**Voters eliminate the state's authority to borrow property tax revenue and to shift redevelopment agencies' property tax revenue.
2012	**Dissolution of Redevelopment Agencies—**Redevelopment agencies are abolished. Over time, their share of the property tax will revert to other local governments.

ERAF = Educational Revenue Augmentation Fund; VLF = vehicle license fee.

TAX ALLOCATION PRIOR TO PROPOSITION 13

Tax Allocation Determined Locally Until 1978. Prior to voter approval of Proposition 13 in 1978, each local government authorized to levy a property tax set its own rate (within certain statutory restrictions). Each local government annually determined the amount of revenue necessary to finance the desired level of services and set its property tax rate to collect that amount. A property owner's property tax bill reflected the sum of the individual rates set by each taxing entity. Under this system, schools and community colleges received over 50 percent of statewide property tax revenue, counties about 30 percent, and cities about 10 percent. (At the local level, however, the share of property tax revenue supporting each type of local government varied. Some communities, for example, provided a greater percentage of total property tax revenue to schools and others provided more to their county or city.)

Property Tax Allocation Linked to State Budget in 1972. Although local governments had control over the property tax during this period, property tax revenue had an effect on the state's budget beginning in 1972. Chapter 1406, Statutes of 1972 (SB 90, Dills), started an education finance system in which the state guarantees each school district an overall level of funding. For K-12 districts, each district receives an overall level of funding—a "revenue limit"—from local property taxes and state resources combined. Community college districts receive apportionment funding from local property taxes, student fees, and state resources. Thus, if a district's local property tax revenue (and student fee revenue in the case of community colleges) is not sufficient, the state provides additional funds. If a district's nonstate resources alone exceed the district's revenue limit or apportionment funding level, the district does not receive state aid and can keep the excess local property tax revenue for educational programs and services at their discretion. These districts are commonly referred to as "basic aid" districts because historically they have received only the minimum amount of state aid required by the California Constitution (known as basic aid). This system of school finance gives the state a significant fiscal interest in the distribution of local property tax revenue.

PROPOSITION 13 AND THE STATE'S RESPONSE

Proposition 13 fundamentally changed local government finance and assigned the state responsibility for property tax allocation. Property tax receipts fell by more than 60 percent because Proposition 13 lowered the statewide property tax rate to a constitutional maximum of 1 percent. Additionally, the measure required the state, rather than local communities, to determine the allocation of property tax revenue among the local governments within a county. In response to Proposition 13, the Legislature enacted two major bills: Chapter 292, Statutes of 1978 (SB 154, Petris) and then Chapter 282, Statutes of 1979 (AB 8, L. Greene). In general, these bills established methods for allocating the new lower amount of property tax revenue and shifted certain county and school district costs to the state.

First State Allocation System—SB 154

Shortly after the passage of Proposition 13, the Legislature approved SB 154 in an effort to avoid major local government service reductions and significant fiscal distress from the decrease in property tax revenue. Senate Bill 154 was the state's first attempt to allocate property taxes among counties, cities, special districts, and K-14 districts. Under SB 154, a local government's share of the 1 percent property tax rate in 1978-79 was based on the share of *countywide* property tax revenue going to that local government before Proposition 13. For example, if a city received 10 percent of the property taxes collected by all local jurisdictions in the county prior to the passage of Proposition 13, the city would receive 10 percent of the property taxes collected in the county at the 1 percent rate. This was a significant change from the allocation of property taxes prior to Proposition 13, when a local government received property tax revenue only from the properties located *within its jurisdiction*. In addition, to partially offset the revenue loss resulting from the reduction in the property tax rate, SB 154 used state funds to relieve counties of a portion of their obligation to pay for certain health and welfare programs and to provide block grants to counties, cities, and special districts.

The Current Property Tax Allocation System—AB 8

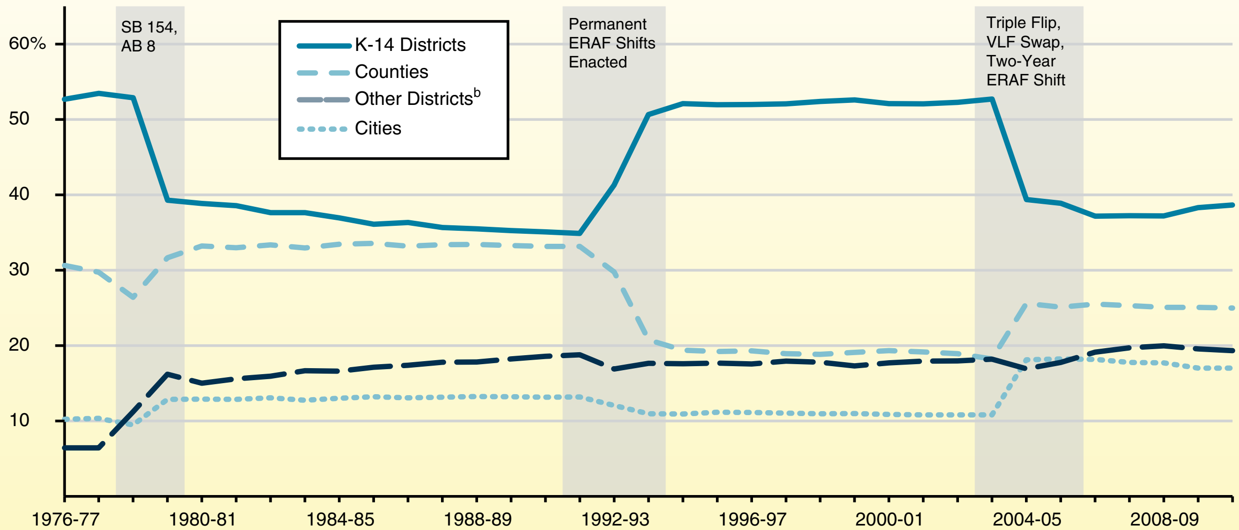
A year after enacting SB 154, the Legislature adopted AB 8, a long-term policy to allocate property taxes and provide fiscal relief to local governments. The legislation (1) directed county auditors to allocate 1979-80 property tax revenue in a manner similar to SB 154 but with some modifications and (2) established a method for allocating property tax growth in future years.

New Base Property Tax Allocation. Assembly Bill 8 established a new base property tax allocation for 1979-80. The new base allocations in AB 8 resembled those in SB 154—a local government's share was based on the share of the countywide property tax going to that local government before Proposition 13—with some modification. Specifically, rather than continue the state block grants included in SB 154, AB 8 increased the base share of property taxes allocated to most counties, cities, and special districts by reducing the base share going to K-14 districts. (Under the state's school finance system, K-14 district losses were in turn made up with increased state funds for education.) For cities and special districts, the increase in the base property tax allocation was derived from the block grant amount provided in SB 154. Cities received increased property taxes equivalent to about 83 percent of their SB 154 block grant amount and special districts 95 percent of their block grant amount. Counties received a combination of increased property taxes, reduced expenditure obligations for health and social services programs, and a state block grant for indigent health programs. The reduced county expenditure obligations included complete state assumption of the costs for Medi-Cal and the State Supplementary Payment Program, as well as an increased state share of costs for the Aid to Families with Dependent Children program (the predecessor to California Work Opportunities and Responsibility to Kids). (These changes resulted in an increased share of property tax revenue for most counties. As discussed in the box on page 36, six counties ended up as so-called negative bailout counties.) In summary, AB 8 shifted property tax revenue away from K-14 districts in order to provide cities, special districts, and most counties with a greater amount of property tax revenue than they received the previous year under SB 154. As shown in Figure A-2 (see next page), this greatly reduced K-14 districts' share of the statewide property tax.

New Method for Allocating Property Tax Growth. Assembly Bill 8 also established a new process for allocating growth (or decline) in property tax revenue in future years. In contrast to the property tax allocation process in 1978-79 and

Figure A-2

Major Changes in Allocation of California Property Tax Revenue[a]



[a] As a percentage of total revenue from the 1 percent rate and voter-approved debt rates.

[b] Special districts and redevelopment agencies. Payments from redevelopment agencies to K-14 schools not included.

ERAF = Educational Revenue Augmentation Fund; VLF = vehicle license fee.

1979-80 (that distributed revenue on a countywide basis without regard to where the property was located), the legislation specified that future growth in property tax revenue would be allocated only to those local governments serving the property where the revenue increase took place. Accordingly, beginning in 1980-81, AB 8 required that each local government receives the same amount of property tax it received in the prior year plus its share of any growth or decline in property tax revenue that occurred in its jurisdiction.

To ensure that each local government receives the property tax growth from the properties it serves, each county is divided into tax rate areas (TRAs). Each local government represented in a TRA receives a share of the property tax growth

What Are "Negative Bailout Counties?"

Assembly Bill 8 did not provide additional property tax revenue to six counties (Alpine, Lassen, Mariposa, Plumas, Stanislaus, and Trinity). Under the provisions of AB 8, the increased share of the base property tax allocation to counties was calculated as the value of the SB 154 block grant *plus* a small adjustment for the cost of the Aid to Families with Dependent Children program *less* the amount of the indigent health block grant. In these six counties, the value of the indigent health block grant was so great that it exceeded the value of the adjusted SB 154 block grant. In order for these counties to be treated in the same way as all other counties, the amount of property taxes allocated to these counties was reduced. Because these counties received a smaller percentage of total property taxes collected after implementation of AB 8 relative to their pre-Proposition 13 shares, these counties are termed negative bailout counties.

that occurs within that TRA. As required by AB 8, county auditors developed a methodology to determine the percentage of property tax growth—known as TRA factors—to allocate to each local government in each TRA. These TRA factors were based largely on the 1979-80 base allocation established by AB 8 (including the shift of property tax revenue from K-14 districts to other local governments). In most counties, these TRA factors remain constant. Thus, if a city received 25 percent of the property tax revenue growth generated in a TRA in 1980-81 (the first year TRA factors were used to distribute property tax revenue growth), it continued to receive 25 percent of the growth in property taxes in future years. As a result, the distribution of property tax revenue among local governments continued to closely resemble the 1979-80 distribution until the first major changes to the AB 8 system occurred in the 1990s.

In summary, the AB 8 property tax allocation system provides each local government with the same amount of property tax revenue it received in the prior year (the base), plus its share of any growth or decline in property tax revenue that occurred in its jurisdiction in the current year.

CHANGES TO THE AB 8 SYSTEM

The state property tax allocation system set up in AB 8 continues to be the basis for property tax allocation among local governments today. Since 1979, however, there have been some significant changes to the original property tax allocation system contained in AB 8. In most cases, the changes reflect the complex fiscal relationship between the state and local governments. Because of the state's role in allocating property tax revenue after Proposition 13 and in funding K-14 districts and other local programs, decisions regarding the state budget and other policy issues have led the Legislature and Governor to occasionally change how property tax revenue is distributed. We highlight the major changes in property tax allocation below. It is important to note, however, that these changes in property tax allocation do not explain the entire scope of the state-local fiscal relationship—a relationship that also has involved the realignment of many government programs and changes in other revenue sources such as the sales tax and the vehicle license fee (VLF). Some of these decisions have benefited the state fiscally, and others have benefited local governments or taxpayers.

No and Low Property Tax Cities

One change in property tax allocation relates to so-called "no and low property tax cities." Cities that did not levy a property tax, levied only a very low property tax, or were not incorporated as cities prior to the passage of Proposition 13 typically received few property taxes under AB 8. During the 1980s the Legislature directed county auditors to modestly increase the amount of property taxes going to some of these cities by shifting a share of county property tax revenue to them.

Property Taxes Shifted to Schools

Ongoing Property Tax Shifts Started in 1990s. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the Legislature and Governor permanently redirected almost one-fifth of statewide property tax revenue—over $3 billion in 1993-94—from cities, counties, and special districts to K-14 districts. (The legislation also temporarily required redevelopment agencies to make payments to K-14 districts.) Under the changes in property tax allocation laws, the redirected property tax revenue is deposited into a countywide fund for schools, the Educational Revenue Augmentation Fund (ERAF). The property tax revenue from ERAF is distributed to non-basic aid schools and community colleges, reducing the state's funding obligation for K-14 school districts.

The amount transferred into ERAF from each city, county, and special district was based on many factors, including the magnitude of the fiscal relief that the state provided the local government in AB 8 and, for counties, the level of taxable sales within its borders. As a result, individual local government ERAF obligations varied widely. For example, the ERAF shifts from cities formed after 1978 typically were lower than those for older cities because the newer cities did not receive any AB 8 benefits. Similarly, counties with many retail developments typically had larger ERAF shifts than rural counties because the state anticipated that extensively developed counties would receive more relief from the state's primary ERAF mitigation measure: a half-cent sales tax for local public safety (Proposition 172, 1993). As shown in Figure A-2, after the ERAF transfer of the early 1990s, schools and community colleges once again received more than 50 percent of the state's property tax revenue, while other local governments received less.

"Excess ERAF" Shifted Back. In the late 1990s, some county auditors reported that their ERAF accounts had more revenue than necessary to offset all state aid to non-basic aid K-14 districts. In response, the Legislature enacted a law requiring that some of these surplus funds be used for countywide special education programs and the remaining funds be returned to cities, counties, and special districts in proportion to the amount of property taxes that they contributed to ERAF. The ERAF funds that are returned to non-education local governments are known as excess ERAF.

Additional Temporary Property Tax Shift. The 2004-05 budget package also shifted $1.3 billion of property taxes from noneducation local agencies (cities, counties, special districts, and redevelopment agencies) to ERAF in 2004-05 and again in 2005-06. This temporary ERAF shift reduced the state's funding responsibilities for K-14 districts to help address the budget shortfalls in those two years.

Changes to ERAF

The Triple Flip. In 2004, state voters approved Proposition 57, a deficit-financing bond to address the state's budget shortfall. The state enacted a three-step approach—commonly referred to as the triple flip—that provides a dedicated funding source to repay the deficit bonds:

- Beginning in 2004-05, one-quarter cent of the local sales tax is used to repay the deficit-financing bond.
- During the time these bonds are outstanding, city and county revenue losses from the diverted local sales tax are replaced on a dollar-for-dollar basis with property taxes shifted from ERAF.
- The K-14 tax losses from the redirection of ERAF to cities and counties, in turn, are offset by increased state aid.

The triple flip increases the amount of property tax revenue going to cities and counties and reduces the amount of ERAF provided to K-14 districts. Overall, however, cities, counties, and K-14 districts do not experience any net change in revenue from the triple flip. Cities and counties receive more property tax revenue, but this revenue gain is offset by the reduction in sales tax revenue. K-14 districts receive less property tax revenue, but this is offset with increased state aid. The flip of sales taxes for property taxes ends after the deficit-financing bonds are repaid (currently estimated to occur in 2016).

The VLF Swap. The VLF—a tax on vehicle ownership—provides revenue to local governments. In 1999, the state began reducing the VLF rate and backfilling city and county revenue losses from this tax reduction with state aid. The 2004-05 budget package permanently replaced the state VLF backfill by diverting property tax revenue from ERAF and, if necessary, non-basic aid K-14 districts to cities and counties. In 2004-05, cities and counties did not experience a change in overall revenue from the VLF swap, as the amount of property tax shifted to them was equal to the VLF backfill amount. In subsequent years, state law specifies that each local government's VLF swap payment grows based on the annual change in its assessed valuation. As a result, most cities and counties benefit fiscally from the VLF swap because assessed valuation typically grows more quickly than VLF revenue. Similar to the triple flip, K-14 districts' property tax revenue losses are made up with increased state aid.

Distributing ERAF

The triple flip and VLF swap further expanded the use of ERAF and changed the priorities governing how its resources are used. As shown in Figure A-3, the original purpose of ERAF was to supplement the property tax revenue of non-basic aid K-14 districts. Under current law, however, funding K-14 districts falls to the fourth priority. As a result, non-basic aid school districts do not receive any ERAF resources unless additional funds remain after the county auditor (1) returns excess ERAF, (2) reimburses the triple flip, and (3) make payments for the VLF swap. This change in priorities has a significant effect on the amount of ERAF available for school districts. In 2010-11, for example, auditors in 33 counties reported using *all* ERAF resources for the first three priorities, leaving no ERAF for schools.

Figure A-4 (see next page) displays the complex process county auditors follow to allocate ERAF and to reimburse cities and counties for the triple flip and VLF swap. This figure also shows that, under certain circumstances, it is possible that the auditor could determine that there are not enough funds to fully compensate cities and the county for the triple flip and/or the VLF swap. These funding insufficiencies are referred to as "insufficient ERAF."

Step 1: Return Excess ERAF. As shown in the figure, the first step is for each county auditor to determine whether the funds deposited into the countywide account exceed the amount needed by all non-basic aid K-14 districts in the county, plus a specified amount for special education. If so, the excess ERAF is returned to cities, special districts, and the county in proportion to the amount of property taxes they contributed to ERAF. This calculation of excess ERAF was modified recently to reflect the increased revenue that K-14 districts and ERAF receive from the dissolution of redevelopment agencies. Specifically, to maximize the state fiscal benefit related to redevelopment

Figure A-3

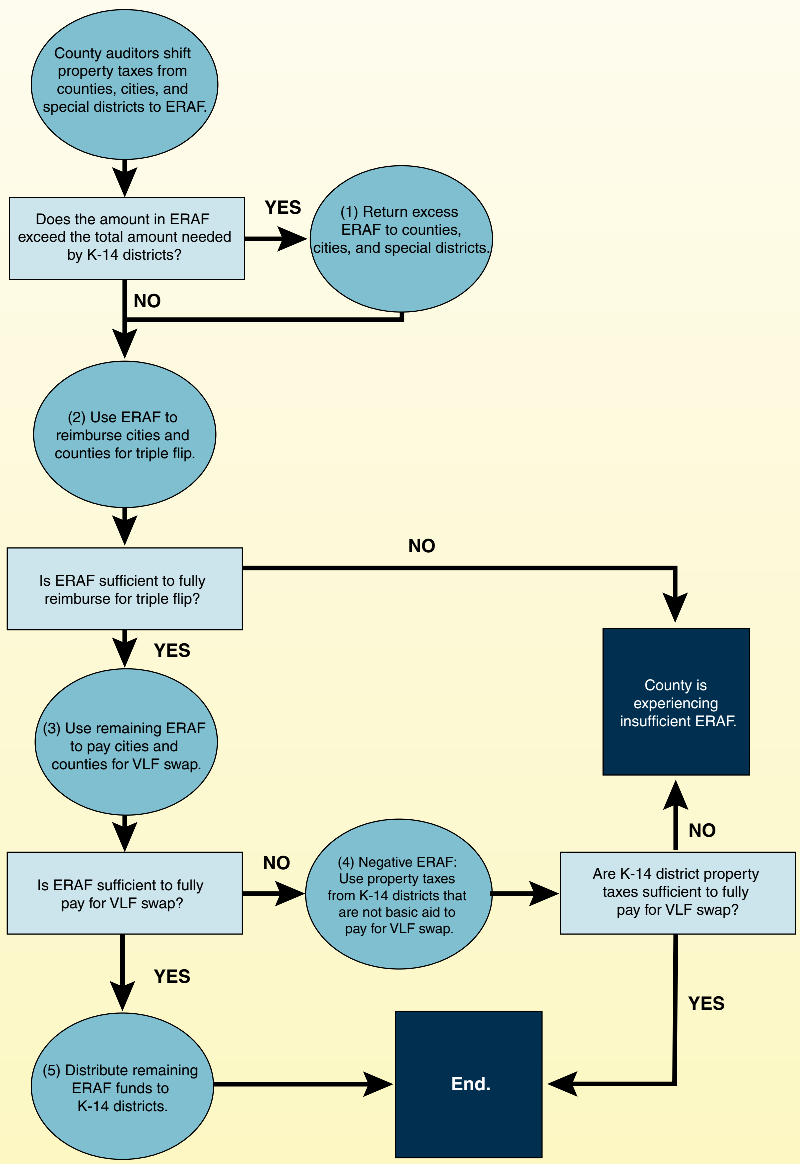
Uses of ERAF Listed in Priority Order

Priority	Early 1990s	Late 1990s to 2004	2004 to Present
First	**Fund non-basic aid K-14 districts**	Return excess ERAF	Return excess ERAF
Second		**Fund non-basic aid K-14 districts**	Reimburse triple flip
Third			Make payments for VLF swap
Fourth			**Fund non-basic aid K-14 districts**

ERAF = Educational Revenue Augmentation Fund; VLF = vehicle license fee.

Figure A-4

Process to Distribute ERAF and Reimburse the Triple Flip and VLF Swap



ERAF = Educational Revenue Augmentation Fund; VLF = vehicle license fee.

dissolution, Chapter 26, Statues of 2012 (AB 1484, Committee on Budget) directs county auditors to exclude property taxes related to the dissolution of redevelopment agencies in the calculation of excess ERAF.

Step 2: Reimburse Triple Flip. Following the calculation and distribution of excess ERAF, state law directs county auditors to reimburse local governments for their revenue losses associated with the triple flip. This reimbursement is shown in the figure as step two. If the county auditor uses all available ERAF, but determines that the local governments have not been fully reimbursed for the triple flip, the county has insufficient ERAF. In this situation, additional state action is required if cities and counties are to be fully reimbursed for the triple flip.

Steps 3 and 4: Pay for VLF Swap. After reimbursing the triple flip, the next use of ERAF is to make payments to local governments for the VLF swap. If the county auditor determines that ERAF resources are not sufficient to fully pay cities and the county for the VLF swap, the county auditor redirects some property taxes from non-basic aid K-14 districts for this purpose, as shown in step 4. The redirection of school property taxes is commonly referred to as negative ERAF because it decreases K-14 property taxes rather than supplementing them (the original purpose of ERAF). If the amount of property taxes deposited in ERAF and allocated to non-basic aid school district is not enough to make the payments required under the VLF swap, then the county has insufficient ERAF. In this situation, additional state action is required for cities and counties to receive the full VLF swap payment. In 2012-13, the first time this issue came before the Legislature, the state included $1.5 million in the budget to compensate the county and cities in Amador County for insufficient ERAF.

Step 5: Distribute Remaining ERAF to K-14 Districts. Any funds remaining in ERAF after the other uses have been satisfied are distributed to schools and offset state education spending.

LIMITS ON THE STATE'S AUTHORITY OVER PROPERTY TAX ALLOCATION

The state's use of property tax shifts to help resolve its severe budget difficulties—as well as other actions affecting the state-local fiscal relationship—have been a source of considerable friction between state and local government. In response, local government advocates have sponsored initiatives to limit the state's authority over local finances, including two constitutional measures reducing the state's authority over property tax allocation. As a result, much of the authority granted to the state in Proposition 13 and used to establish AB 8, ERAF, the VLF swap, and the triple flip is now restricted.

Proposition 1A (2004)

In 2004, voters approved Proposition 1A, amending the State Constitution to prohibit the state from shifting property tax revenue from cities, counties, and special districts to K-14 districts. The measure, however, provided an exception to its restrictions. Beginning in 2008-09, the measure allowed the state to shift a limited amount of local property tax revenue to schools and community colleges provided that the state repaid local governments for their property tax losses, with interest, within three years. The measure also specified that any change in how property tax revenue is shared among cities, counties, and special districts must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). For example, state actions that shift a share of property tax revenue from one local special district to another, or from the county to a city, require approval by two-thirds of both houses of the Legislature.

The state utilized Proposition 1A's exception for shifting property tax revenue to provide state fiscal relief in its 2009-10 budget package. Specifically, the state borrowed $1.9 billion of property tax revenue from cities, counties, and special districts—revenue equal to roughly 8 percent of each local agency's property tax revenue. (Under Proposition 1A, the state was required to repay these funds by 2012-13. Companion legislation, however, allowed local governments to borrow against the state's future repayments so that local government budgets were not negatively affected in 2009-10.) The 2009-10 budget package also required redevelopment agencies to make payments totaling $1.7 billion (2009-10) and $350 million (2010-11) to K-12 school districts serving students living in or near their redevelopment areas. Unlike the borrowing from cities, counties, and special districts, the state did not reimburse redevelopment agencies for these required payments.

Proposition 22 (2010)

In 2010, voters approved Proposition 22, which, among other things, prohibits the state from redirecting property tax revenue as it did in 2009-10. Specifically, Proposition 22 eliminates the state's authority to borrow property tax revenue from local governments as previously allowed under Proposition 1A and prohibits the state from requiring redevelopment agencies to shift revenue to K-14 districts or other agencies. As discussed in the nearby box, the prohibition on shifting redevelopment funds contributed indirectly to the dissolution of redevelopment agencies in February 2012.

The Dissolution of Redevelopment Agencies

As discussed in our report, *The 2012-13 Budget: Unwinding Redevelopment*, redevelopment had the overall effect of increasing state costs for K-14 education. For this reason, the state frequently required redevelopment agencies to shift some funds to support K-14 education. Under Proposition 22 (2010), however, the state no longer had the authority to require redevelopment agencies to shift property tax revenue to school districts. Facing considerable fiscal constraints and not authorized to shift funds from redevelopment for state fiscal relief as it had done in the past, the Legislature took a new approach as part of the state's 2011-12 budget. Specifically, the Legislature approved and the Governor signed Chapter 5, Statutes of 2011 (ABX1 26, Blumenfield), which dissolved all redevelopment agencies. They also approved Chapter 6, Statutes of 2011 (ABX1 27, Blumenfield), allowing redevelopment agencies to avoid dissolution by voluntarily agreeing to make annual payments to school districts. The Supreme Court later ruled ABX1 27 unconstitutional, meaning all redevelopment agencies were subject to ABX1 26's dissolution requirement. Under the dissolution process, the property tax revenue that formerly went to redevelopment agencies is first used to pay off redevelopment debts and obligations and the remainder is distributed to local governments in accordance with AB 8.

LOOKING FORWARD

Proposition 1A and Proposition 22 limit the state's authority to change property tax allocation laws. Measures that reallocate property tax revenue among counties, cities, and special districts require a two-thirds vote of the Legislature and measures that change state laws to increase the percentage of property taxes allocated to schools are prohibited. Even without additional legislative action, however, the distribution of property tax revenue will change in the near future for two reasons.

- ***End of Redevelopment.*** As the debts and obligations of former redevelopment agencies are paid off, property tax revenue that previously was allocated to redevelopment agencies will be distributed to K-14 districts, counties, cities, and special districts.
- ***The End of the Triple Flip.*** We estimate that the state's deficit-financing bonds will be paid off in 2016-17. At that time, the state sales tax rate will decline by one-quarter cent and the local sales tax rate will increase by one-quarter cent. Because the local sales tax rate is restored in full, the property tax revenue currently used to backfill cities and counties for the loss in sales tax revenue will be allocated to K-14 districts. Although none of these entities will experience any change in overall revenue, cities, and to a lesser extent counties, will receive a smaller share of the property tax than they do today. In addition, the property tax revenue allocated to K-14 districts will reduce the state's education costs.

APPENDIX 2:

PROPERTY TAX AND LOCAL GOVERNMENT PUBLICATIONS

Property Taxes

Property Tax Agents at the Local Level in California: An Overview (June 20, 2012)

Discusses the role of property tax agents in appealing property assessments.

Reconsidering AB 8: Exploring Alternative Ways to Allocate Property Taxes (February 3, 2000)

Examines the problems in the current property tax allocation system and discusses the tensions and trade-offs inherent in five reform proposals.

Reversing the Property Tax Shifts (April 2, 1996)

Explains the mechanics of the Educational Revenue Augmentation Fund shift and the formulas which implemented it.

Local Finance

Major Milestones: Over Four Decades of the State-Local Fiscal Relationship (November 29, 2012)

Provides a timeline summarizing major changes in the state-local relationship.

Local Government Bankruptcy in California: Questions and Answers (August 7, 2012)

Addresses some common questions about the Chapter 9 process for local governments.

The 2012-13 Budget: Unwinding Redevelopment (February 17, 2012)

Reviews the history of redevelopment agencies, the events that led to their dissolution, and the process communities are using to resolve their financial obligations.

The 2011-12 Budget: Should California End Redevelopment Agencies? (February 8, 2011)

Examines the Governor's proposal to end redevelopment.

Ten Events That Shaped California State-Local Fiscal Relations (December 16, 2009)

Discusses key events and measures that influenced state-local relations.

Overview of California Local Government (June 17, 2010)

Summarizes key issues related to local government.

Understanding Proposition 218 (December 17, 1996)

Examines the constitutional requirements related to property assessments and fees.

LAO Publications

This report was prepared by Chas Alamo and Mark Whitaker, and reviewed by Marianne O'Malley. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

To request publications call (916) 445-4656. This report and others, as well as an e-mail subscription service, are available on the LAO's website at www.lao.ca.gov. The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95814.

Compilation of Policies

For

Novato Sanitary District

Prepared January 9, 2013

Compilation of Policies for
Novato Sanitary District

This document was developed to facilitate the Novato Sanitary District Board of Directors' completion of the Board Policy Manual. District staff has compiled a list that includes the Board policies recommended by the California Special Districts Association (CSDA) and District legal counsel, along with other policies adopted by the Board that are related to topics raised by the CSDA policies.

The list includes policies that have been formally adopted by the Board, with date of adoption, and policies still to be considered.

Compilation of Policies for
Novato Sanitary District

ADOPTED POLICIES

GENERAL

Policy No.	Policy Title	Date of Adoption
1000	Purpose of Board Policies	10/08/2007
1010	Adoption/Amendment of Policies	10/22/2007
1020	Conflict of Interest	11/26/2010
1030	Public Complaints	12/28/2009
1050	Copying Public Documents	02/25/2008

PERSONNEL

Policy No.	Policy Title	Date of Adoption
2047	Vehicle Assignment and Usage	03/24/2008
2575	Health Insurance Premium Reimbursement for Mgt. & Confidential Employees	01/23/2012

OPERATIONS

Policy No.	Policy Title	Date of Adoption
3012	Environmental, Health & Safety Compliance Program	12/22/2008
3032	Fixed Asset Capitalization	05/10/2010
3120	Statement of Investment Policy	12/10/2012
3210	Easement Abandonment	11/10/2008
3215	Easement Acceptance	11/24/2008
Res. #2760	Operating Reserve Fund	10/08/2001
Res. #2951	Sewer Service Priority for Affordable Housing	11/13/2006
Minute action	Purchasing Procedures	07/25/2011
Minute action	Property and Equipment Control	07/10/2006
Minute action	Modification to Sewer Main Extension Acceptance Policy	09/11/2000
Minute action	Contribution by developers for generators in connection with construction of pump stations in private developments	03/25/1991
Minute action	Work in Sewer Easements on Private Property	03/26/1990
Minute action	Accessory Dwelling Connections	07/25/1983
Minute action	Easement Encroachment	11/27/1978
Minute action	Connections Prior to Sewer Main Acceptance *(also subject of internal memorandum of 05/02/1973).*	11/19/1964

Compilation of Policies for Novato Sanitary District

BOARD OF DIRECTORS

Policy No.	Policy Title	Date of Adoption
4010	Code of Ethics (*Renamed "Code of Ethical Conduct"*)	02/14/2011
4035	Directors' Health and Dental Insurance	02/13/2012
4050	Members of the Board of Directors	02/08/2010
4060	Committees of the Board of Directors	07/09/2012
4095	Ethics Training	11/10/2008
Res. #2936	Remuneration (*Compensation & Reimbursement Policy)*	06/26/2006
Minute action	Notification of Board Member absences from meetings	09/11/1995

BOARD MEETINGS

Policy No.	Policy Title	Date of Adoption
5010	Board Meetings	02/25/2008
5020	Board Meeting Agenda	02/25/2008
5040	Board Actions and Decisions	05/24/2010
5060	Minutes of Board Meetings	03/22/2010

POLICIES TO BE CONSIDERED

GENERAL

Policy No.	Policy Title
1040	Claims Against the District

OPERATIONS

Policy No.	Policy Title
3005	Emergency Preparedness
3010	Computer and Business Security
3105	Budget Preparation
3110	Fixed Asset Accounting Control
3117	Asset Protection and Fraud in the Workplace
3145	Credit Card Usage
3205	Employment of Outside Contractors and Consultants
3220	Encroachment Permits *(see minute action of 11/27/1978)*
3300	Disposal of Surplus Property or Equipment
3310	Records Retention
3400	Use/Rental of District Facility

Compilation of Policies for
Novato Sanitary District

BOARD OF DIRECTORS

Policy No.	Policy Title
4005	Operating Principles of the Board (Norms)
4020	Attendance at Meetings (*see minute action of 09/11/1995)*
4040	Duties of Board President
4045	Board Secretary
4047	Clerk of the Board
4048	Legal Counsel and Auditor
4070	Basis of Authority
4080	Membership in Associations
4090	Training, Education and Conferences
4097	Filling of Vacancy(ies) on Board of Directors *(refer also to Adopted Policy No. 5040, "Board Actions and Decisions")*

BOARD MEETINGS

Policy No.	Policy Title
5030	Board Meeting Conduct
5050	Review of Administrative Decisions
5070	Rules of Order for Board and Committee Meetings

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