

November 30, 2015

A regular meeting of the Finance Committee of Novato Sanitary District was held at 3:07 p.m., Monday, November 30, 2015, at the District office, 500 Davidson Street, Novato.

COMMITTEE MEMBERS PRESENT: Members Jerry Peters and William C. Long.

STAFF PRESENT: General Manager-Chief Engineer Sandeep Karkal, Finance Officer Laura Creamer, and Administrative Secretary Julie Swoboda.

ALSO PRESENT: Erik Brown, Technical Services Manager, Novato Sanitary District  
Vikki Rodriguez, CPA, Vice President, Maze and Associates  
Matt Goss, Customer Outreach and Support Manager, CalPERS  
Mitch Barker, Executive Vice President, PARS\*  
Fred Hurst, Director, HighMark Capital Management\*

\*Joined the meeting at 4:37 p.m.

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

APPROVAL OF MINUTES: The September 2, 2015 meeting minutes were approved as presented.

FISCAL YEAR (FY) 2014-15 DRAFT ANNUAL AUDIT:

- Receive report from independent auditor, Maze and Associates and review draft Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2015, and 2014, including draft audited financial statements. The General Manager introduced Ms. Vikki Rodriguez of Maze and Associates and stated that she would present the Comprehensive Annual Financial Report for the fiscal years ended June 30, 2015 and June 30, 2014.

Ms. Rodriguez presented an overview of the District's Annual Audit and stated that Maze and Associates had concluded, based on their audit, that there was a reasonable basis for rendering an unmodified (unqualified) opinion. She stated that the District's financial statements for the fiscal year ended June 30, 2015 are fairly presented, and conform to Generally Accepted Accounting Principles (GAAP). Ms. Rodriguez noted that the unmodified opinion is the highest rating given (cleanest possible opinion). She stated that there were no major reporting changes, no new pronouncements, and no material weaknesses when internal controls were reviewed. Ms. Rodriguez and the Committee Members discussed the implementation of Governmental Accounting Standards Board (GASB) Pronouncements. She stated that GASB 68 (Pension Liability) does not provide for an amortization period, and requires that an entity such as the District to recognize total pension liability on its annual financial statements. She stated that the District implemented GASB Statement No. 68 and No. 71 in fiscal year

ending June 30, 2015 and that GASB 68 required an adjustment to reduce the District's beginning net position by \$4,299,128.

The General Manager and Ms. Rodriguez discussed with the Committee the sensitivity of the proportionate share of the net pension liability to changes in the discount rate. It was noted that with the District's current discount rate of 7.5%, the net pension liability is \$3.3 million and that if the discount rate decreased to 6.5%, the net pension liability would increase to \$5.9 million.

Committee Members Long and Peters thanked Ms. Rodriguez for her presentation and the General Manager stated that she would return to the December 14<sup>th</sup> regular Board meeting to review the Annual Report with the full Board.

Ms. Rodriguez left the meeting at 3:20 p.m.

- Consider making a recommendation to the District Board to accept the audit and CAFR, subject to minor edits. Committee Member Long made a recommendation that the District Board accept the audit and CAFR, subject to minor edits, and Committee Member Peters concurred.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45 ("GASB 45"), OTHER POST EMPLOYMENT BENEFITS (OPEB) – PREFUNDING OPTIONS:

- Receive verbal presentations on prefunding options for the District's OPEB liability from CalPERS and PARS, and provide direction to staff. The General Manager stated that at its September 2, 2015 meeting, the Finance Committee received a report titled "Valuation of Retiree Health Benefits, Report of GASB 45 Valuation as of July 1, 2015, prepared by Nick Franceschine of North Bay Pensions. He stated that as a follow-up by staff, the presentation was also made to the full Board at its September 14, 2015 meeting. At that meeting, the Committee had asked that staff bring forward at a future Finance Committee meeting, a side-by-side presentation by CalPERS and the Public Agency Retirement System (PARS) representatives of their individual investment options for prefunding alternatives.

The General Manager stated that CalPERS would provide the first presentation, and he introduced Matt Goss, CERBT Customer Outreach and Support. Mr. Goss gave a presentation titled "California Employers' Retiree Benefit Trust (CERBT) Features and Benefits". Committee Members and the General Manager engaged in discussion with Mr. Goss.

At 4:30 p.m., Committee Member Peters declared a ten minute break.

CalPERS representative Matt Goss left the meeting.

At 4:37 p.m., the meeting was reconvened.

The General Manager stated that PARS would make their presentation and he introduced Mitch Barker, Executive Vice President, Public Agency Retirement Services (PARS) and Fred Hurst, Director, Business Development, High Mark Capital. The PARS representatives provided a written presentation titled, "OPEB Pre-Funding and Pension Rate Stabilization Program (PRSP) using 115 Trust". Committee Members and the General Manager engaged in discussion with Mr. Barker and Mr. Hurst.

Mr. Barker and Mr. Hurst left the meeting at the conclusion of the discussion, 5:21 p.m.

The General Manager asked if the Board wished to provide direction to staff. He stated that the options presented by CalPERS and PARS are favorable and that it is imperative for the District to move forward with prefunding the District's projected GASB 45 liabilities. Committee Member Peters requested that the same presentations be given to the full Board at the December 14<sup>th</sup> Regular Board meeting. Committee Member Long agreed and the General Manager stated that he would arrange for the same presentations to be made at that Board meeting.

ADJOURNMENT: There being no new business to come before the Committee, the meeting was adjourned at 5:33 p.m.

Respectfully submitted,

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Sandeep Karkal  
Secretary

Julie Swoboda, Recording